GLOBAL MED TECHNOLOGIES INC
Form 10-K
April 14, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended: December 31, 2003

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Transition Period From ___________ To __________

COMMISSION FILE NUMBER: 0 - 22083

GLOBAL MED TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Colorado	84-1116894
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12600 West Colfax, Suite C-420, Lakewood, Colorado 80215
(Address of principal executive offices) (Zip Code)

Registrant s telephone number: (303) 238-2000

Securities to be registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

Common Stock, $.01 par value

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 at least the past 90 days.

Yes [ ] No [X]

Indicate by check mark if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-K contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

Aggregate market value of voting stock held by non-affiliates as of April 13, 2004; $5,534,300 based on the closing bid price *of* $0.46 per share as of that date. Shares of common stock, $.01 par value, outstanding as of April 13, 2004: 24,552,296.

Documents incorporated by reference: See Part IV, Item 15(a), and EXHIBIT INDEX on page 42 for a listing of documents incorporated by reference into this Annual Report on FORM 10-K.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Global Med Technologies, Inc. was organized under the laws of the State of Colorado in December 1989.

In 1995, Global Med Technologies, Inc. merged with the Wyndgate Group, Inc. (Wyndgate). Wyndgate operates as a division of Global Med Technologies, Inc. and designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other healthcare related facilities.

During 1999, Global Med Technologies, Inc. formed a majority-owned subsidiary, PeopleMed.com, Inc. (PeopleMed), a Colorado corporation, to develop a software application designed to give HMO providers and other third party payers, access to clinical information for chronic disease patients. This application allows doctors and other medical employees access to a patient s history. PeopleMed offers chronic disease management as an Application Service Provider (ASP). PeopleMed s system uses the Internet to coordinate sources and users of a patient s clinical information, including laboratory, pharmacy, primary and specialty care providers, claims and medical records.

PeopleMed is owned 83% by Global Med Technologies, Inc. and 17% by third parties including certain executive officers and directors of Global Med Technologies, Inc. Global Med Technologies, Inc. and PeopleMed are referred to collectively herein as the Company or Global Med .

RELATED PARTIES

Global Med is financed primarily through lending arrangements with Global Med International Limited (GMIL). These lending arrangements were originated by eBanker USA.com, Inc. (eBanker), transferred, along with eBanker s ownership in Global Med, to Global Med China Asia Limited (GMCAL) in October 2002, and then the lending arrangements were transferred to GMIL in September 2003. Until November 28, 2001, eBanker was a consolidated subsidiary of eVision International, Inc. (eVision). eVision is 10.4% owned by Heng Fung Holdings Limited (Heng Fung) and its subsidiaries, Online Credit Limited (Online Credit) and Heng Fung Singapore Pte. Limited. Currently, GMCAL is a shareholder of Global Med. Until November 2001, eVision was also a shareholder of Global Med. eBanker through its subsidiary, GMCAL, is a shareholder of Global Med. Additionally, eVision and GMCAL each hold warrants to acquire 1 million and 11.186 million shares, respectively, of Global Med s common stock with exercise prices that range from $0.25-$0.50 per share. As discussed further below and in the accompanying financial statements, in November 2000, eBanker and Global Med entered into a series of equity transactions that resulted in Global Med becoming a consolidated subsidiary of eBanker and eVision effective November 2000.

On November 28, 2001, the shareholders of eVision approved a transaction which transferred certain of the assets of eVision to Online Credit as satisfaction of the certain obligations eVision had with Online Credit. As a result, all of Global Med s common shares held by eVision and all eBanker s common sharesand warrants held by eVision were transferred to Online Credit. Consequently, as of November 28, 2001, Global Med remained a consolidated entity of eBanker for accounting purposes; however, eBanker was then directly controlled by Online Credit instead of eVision.

Additionally, eVision and certain other subsidiaries of Heng Fung provide various management, legal and accounting support services to Global Med. See the discussion of these related party transactions in Notes 1 and 2 in the accompanying consolidated financial statements.

As a result of these transactions and relationships, the financial condition and results of operations for Global Med may not necessarily be indicative of those that would have resulted if Global Med were unaffiliated with these entities.

DESCRIPTION OF BUSINESS

Principal Products and Their Markets

The Company designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other health care related facilities. Revenues are derived from the licensing of software, maintenance, the provision of consulting and other value added support services, and the resale of hardware and software obtained from vendors.

Wyndgate began development of a blood tracking system called Safe Trace® to assist community blood centers, hospitals, plasma centers and outpatient clinics in the U.S. in complying with the quality and safety standards of the Food and Drug Administration (FDA) for the collection and management of blood and blood products.

The Company has two main products in its Wyndgate division: SafeTrace and SafeTrace Tx, a transfusion management information system that is designed to be used by hospitals and centralized transfusion centers to help insure the quality of blood transfused into patient-recipients. SafeTrace Tx provides electronic cross-matching capabilities to help insure blood compatibility with patient-recipients and will track, inventory, bill and document all activities with blood products from the time blood products are received in inventory to the time the blood products are used or returned to blood centers. SafeTrace Tx complements SafeTrace, because the combined SafeTrace Tx and SafeTrace software system is now able to integrate hospitals with blood centers and provide a vein-to-vein tracking of the blood supply. Safe Trace Tx received FDA clearance on January 29, 1999.

The Company continues to concentrate its development efforts on enhancements to its existing SafeTrace blood bank product and SafeTrace Tx. The FDA has cleared both products for sale in the United States. See the statement of operations and section SOFTWARE DEVELOPMENT COSTS in Note 1 in the accompanying consolidated financial statements.

In 1999, the Company introduced PeopleMed. PeopleMed supports chronic disease management as an ASP. PeopleMed s system uses the Internet to coordinate sources of information and users of a patient s clinical information, including laboratory, pharmacy, primary and specialty care providers, claims, and medical records. See Note 10, BUSINESS SEGMENT INFORMATION in the accompanying consolidated Financial Statements.

All of the Company s revenues were generated from providing products and services to end users located throughout the United States and Puerto Rico.

Competition

Currently, the Company is aware of two primary competitors to its SafeTrace software product: MAK-SYSTEM Corp. in France, and MEDIWARE INFORMATION SYSTEMS, Inc. in the United States. There are four primary competitors in the United States to its SafeTrace Tx product, Misys plc., MEDIWARE Information Systems, Inc., SCC Soft Computer and Cerner Corp. Some of these competitors are larger and have greater resources than the Company.

The Company believes it is able to compete on the basis of the capabilities of the technology currently available in SafeTrace and SafeTrace Tx.

Dependence on Major Customers

As of March 15, 2004,the Company, through its Wyndgate division, had 34 SafeTrace customers and 68 SafeTrace Tx customers with approximately 128 sites in the United States. It intends to continue to target domestic and international blood centers, plasma centers and hospital donor and transfusion centers.

During 2003, the Company had one customer, the Institute for Transfusion Medicine, that accounted for 10.4%, or $677 thousand of the Company s revenues.

During the year ended December 31, 2002, the Company had one customer that accounted for 15.4%, or $1.022 million, of the Company s revenues. Of the $1.022 million in revenues, $500 thousand was attributable to the customer terminating a five-year contract with PeopleMed. See Note 1 of the consolidated financial statements for discussion. During the year ended December 31, 2001 there were no customers accounting for more than 10% of revenues.

ROYALTY AND COMMISSION AGREEMENTS

The Royalty Group. Pursuant to a development agreement between Wyndgate and the Royalty Group, Wyndgate developed SafeTrace and must make royalty payments to the Royalty Group based on a percentage of Wyndgate s SafeTrace license fees collected, measured by cash received from SafeTrace licensees, net of certain fees and charges. The royalty schedule is based upon the first date of SafeTrace license invoicing, which was September 14, 1995. The royalty amounts are computed as a percentage of software license fees collected. For the years ended December 31, 2003, 2002, and 2001, the Company expensed $6 thousand, $12 thousand, and $46 thousand, respectively, and are included in the cost of revenues in the statement of operations. The Company has accrued but not paid any royalties for the years ended December 31, 2003, 2002, or 2001. As of December 31, 2003, the outstanding royalty obligation was approximately $123 thousand.

The Institute for Transfusion Medicine. Pursuant to a development agreement between Wyndgate and The Institute for Transfusion Medicine (ITXM), Wyndgate developed SafeTrace Tx agreed to make royalty payments to ITXM, based on a percentage of Wyndgate s SafeTrace Tx license fees paid. The royalty amounts are computed as a percentage of net software license fees. The Company did not pay any royalties for the years ended December 31, 2003, 2002 or 2001. In April 2003, Wyndgate signed an agreement with ITXM whereby ITXM waived its rights to payment for all future and past royalties. See Note 1 of the consolidated financial statements for further discussion.

Ortho Clinical Diagnostics, Inc. In 1996, the Company entered into an Exclusivity and Software Development Agreement (the Exclusivity Agreement) with Ortho-Clinical Diagnostics, Inc. (OCD), successor to Ortho Diagnostic Systems Inc., a wholly owned subsidiary of Johnson & Johnson. The Exclusivity Agreement provided OCD the exclusive right to negotiate with the Company with respect to the Company s activities and developments in information technology and intellectual property relating to donor and transfusion medicine. In connection with this agreement, the Company received $500 thousand in 1996, which was recorded as deferred revenue, because the services to be provided to OCD in conjunction with the receipt of this cash had not yet been provided.

In May 1997, the Company received a request from OCD to continue its evaluation of the Company s technology, on a non-exclusive basis, with the intent of responding to the Company by July 14, 1997 regarding whether or not OCD would propose some form of transaction with the Company. The Company received an additional $500 thousand from OCD during 1997 which was recorded as deferred revenue until the Company provided the software development services as defined in the Exclusivity Agreement. The Company finalized the Manufacturer s Representative and Software Development Agreement (OCD Agreement) during June 1999 making OCD the exclusive *in-vitro* diagnostics manufacturer s representative for the SafeTrace Tx product in defined territories around the world. The total of $1 million was included in deferred revenue as of December 31, 1998. The Company recognized $500 thousand ratably over the term of the 22 month contract which ended in June of 2001. The Company recognized the remaining portion of the deferred revenue in the amount of $500 thousand in June 2003 in conjunction with a Settlement Agreement with Ortho.

In June 2003, the Company signed a settlement agreement (the Settlement Agreement) with Ortho Clinical Diagnostics, Inc. (Ortho), whereby all of the Company s outstanding obligations to and from Ortho were released. As a result, the Company was released from its obligation to provide Ortho with $500 thousand in software development work for which it had received payment from Ortho in 1997 as part of the exclusivity agreement the Company signed with Ortho in 1997.

In addition, the Company was released from all other obligations to Ortho which included liabilities amounting to approximately $36 thousand for sales distribution commissions. For the year ended December 31, 2003, the Company recognized $500 thousand in revenues associated with the Settlement Agreement and Ortho s waiver of its right to software development services. In addition, the Company reduced sales and marketing expenses by $36 thousand as a result the release of the Company from its obligation to pay commissions to Ortho for prior sales.

The OCD Agreement was signed with Ortho during June 1999 expired in June 2003. The Company has no outstanding software development or marketing agreements with Ortho at the present time.

Siemens Medical Solutions Health Services Corporation. During September of 1999, the Company entered into a non-exclusive marketing and support agreement with Shared Medical Systems Corporation (SMS). Under this agreement, SMS will market the Company s blood bank products on a preferred basis. The Company will pay a commission to SMS based on the software license fee for each sale SMS has facilitated. The initial term of the agreement was for three years from the signing date of this agreement. This agreement was automatically renewed and is still in effect.

Sysmex Infosystems America, Inc. During 2000, the Company entered into a non-exclusive marketing and support agreement with Sysmex Infosystems America, Inc. (SIA). Under this agreement, SIA will market the Company s blood bank products on a preferred basis. The Company will pay a commission to SIA based on the software license fee for each sale SIA has facilitated. This agreement was automatically renewed and is still in effect.

Triple G Systems Group, Inc. During 2000, the Company entered into a non-exclusive marketing and support agreement (the Non-Exclusive Agreement #2) with Triple G Systems Group, Inc. (Triple G). Triple G, under the Non-Exclusive Agreement #2, will market the Company s SafeTrace Tx products on a preferred basis. The Company will pay to Triple G a commission based on a percentage of the software license fee that Triple G facilitates through their marketing efforts. This agreement was automatically renewed and is still in effect.

National Jewish Medical and Research Center. In November 2000, the Company, through its PeopleMed subsidiary, entered into a development and non-exclusive Marketing Agreement with National Jewish Medical and Research Center (National Jewish). Under the terms of this agreement, the Company will pay National Jewish a royalty for all sales of PeopleMed s products that use National Jewish s protocols. In addition, in February 2002, PeopleMed signed a Sales and Marketing Agreement with National Jewish, whereby National Jewish will be paid a commission for sales of PeopleMed s products facilitated by National Jewish. The initial term of this agreement expired and this agreement has been automatically renewed.

Cardiovascular Disease Management, LLC. In May 2001, the Company, through its PeopleMed subsidiary, entered into a development and non-exclusive marketing agreement with Cardiovascular Disease Management (CVDM). Under the terms of this agreement, the Company will pay CVDM a royalty for all sales of PeopleMed s products that use CVDM s protocols.

Misys Hospital Systems, Inc. In June 2003, the Company entered into a non-exclusive marketing and support agreement with Misys Hospital Systems, Inc. (Misys). In the Agreement, the Company granted to Misys the non-exclusive and non-transferable worldwide rights, excluding the African continent and the following countries; India, Indonesia, Bangladesh, Burma, Cambodia, Laos, Malaysia, Mongolia, Nepal, North Korea, Philippines, Singapore, Shri Lanka, South Korea, Taiwan, Thailand, Vietnam, China (including Hong Kong and Macau); non-exclusive and non-transferable right to market, promote, endorse and assist Wyndgate in the sale and license of its blood donor product, SafeTrace, to Misys clients. The Company maintains all responsibilities for the licensure, delivery, installation, warranty or support between Wyndgate and the Licensee for all contracts facilitated under the terms of this agreement. The Company will pay a commission to Misys based on the software license fee for each sale Misys has facilitated. The initial term of the agreement is for one year from the signing date of this agreement with successive one-year terms if neither party gives written notice of termination.

McKesson Information Solutions LLC. On September 2, 2003, Global Med entered into a Value Added Marketing Agreement (McKesson Agreement) with McKesson Information Solutions LLC, a division of McKesson Corporation, to provide Wyndgate s SafeTrace Tx (the Software) advanced transfusion management system as Horizon Blood Bank, a privately-labeled (OEM) module to be separately licensed with McKesson s Horizon Lab solution. Horizon Blood Bank serves as a tool to help organizations improve patient safety by automating the management and tracking patient transfusion services. McKesson Information Solution s products are in use in over 2,000 hospitals throughout the United States.

The McKesson Agreement grants McKesson the right to privately brand SafeTrace Tx in the United States, Canada, and Mexico. The McKesson Agreement also grants McKesson rights to market the Software to McKesson s hospital information system, clinical systems and ancillary systems customers. This Agreement does not prevent Wyndgate from pursing sales opportunities through its existing channel partner base as provided and/or required by those agreements. Wyndgate is not required and will not inform McKesson of the opportunities brought to Wyndgate by its channel partners.

The McKesson Agreement requires Wyndgate and McKesson to integrate certain aspects of their respective software products. Wyndgate and McKesson have agreed that certain aspects of their joint software development will be unique to one another, and not available to any other channel partner or non-McKesson customers. In light of these grants of exclusivity, McKesson has agreed to certain revenue commitments in order to maintain their marketing rights in terms of the increased software product functionality. The revenue commitments include software license fees, implementation services fees, and maintenance fees.

In the event that McKesson is unable to meet certain revenue commitments, McKesson has the right to purchase prepaid license fees from Wyndgate in order to maintain its marketing rights.

In the McKesson Agreement, Wyndgate has agreed to notify McKesson, as soon as reasonably possible, if any entity makes a proposal to acquire a majority share in, or full ownership of, Global Med or the Software. McKesson would have the right within ten (10) days to also make an offer after receipt of such notice. Global Med has no obligation to accept such offer.

The McKesson Agreement grants McKesson the right to participate in meetings that relate to future development of the Software. Wyndgate is required to provide frequent and timely communications on the path of the Software. Wyndgate and McKesson have agreed to certain enhancements to the Software.

The McKesson Agreement provides for McKesson to pay Wyndgate certain fees for the licensing of the Software, performance of implementation and maintenance services by Wyndgate for McKesson s customers using the Software.

Certain terms of the McKesson Agreement are not provided because they are proprietary in nature and are subject to confidentiality and non-disclosure provisions under the Agreement.

The initial term of the McKesson Agreement is for five (5) years with automatic one (1) year renewals if neither party gives notice of termination.

Paratech, LLC. In December 2003, the Company, through its PeopleMed subsidiary, entered into a non-exclusive marketing agreement with Paratech, LLC. (Paratech). Under the terms of this agreement, the Company will pay Paratech a commission for sales of PeopleMed s products they facilitate.

GOVERNMENT APPROVAL AND REGULATION

The FDA requires all blood tracking application software vendors to submit a 510(k) application for review. The application process for FDA review and compliance with FDA guidelines relates to computer software products regulated as medical devices. The FDA considers software products intended for the following to be medical devices: (i) use in the manufacture of blood and blood components; or (ii) maintenance of data used to evaluate the suitability of donors and the release of blood or blood components for transfusion or further manufacturing. As medical device manufacturers, the Company and its competitors are required to register with the Center for Biologics Evaluation and Research (CBER), list their medical devices, and submit a pre-market notification or application for pre-market review. In April 1997, the Company s Wyndgate division received notification from the FDA of its finding of substantial equivalence of SafeTrace. This determination provides a 510(k) clearance and permits the Company to continue to market SafeTrace. On January 29, 1999, the 510(k) clearance was received for SafeTrace Tx.

The Company s products and services are subject to regulations adopted by governmental authorities, including the FDA, which governs blood center computer software products regulated as medical devices. The Company is also required to follow applicable Quality System Regulations (QSR) of the FDA, which include testing, control and documentation requirements, as well as similar requirements in other countries, including International Standards Organization (ISO) 9001 standards.

In 1996 Congress passed legislation that impacted the healthcare information management. The Healthcare Information Portability and Accountability Act (HIPAA) requires the Department of Health and Human Services (HHS) to enact standards for information sharing, security and patient confidentiality. Although HHS has not issued clarification on many of the topics under HIPAA, the Company believes these regulations will have an important impact on requiring advanced management information systems that will enable various healthcare organizations to comply with emerging requirements.

HIPAA contains provisions regarding the confidentiality and security of patient medical record information. Standards for the electronic handling of health data and security of patient information became effective in 2000. This legislation requires the Secretary of Health and Human Services, or HHS, to (a) adopt national standards for electronic health information transactions, (b) adopt standards to ensure the integrity and confidentiality of health information, and (c) establish a schedule for implementing national health data privacy legislation or regulations. The standards and legislation will impact the customers ability to obtain, use or disseminate patient information, which will extend to their use of the Company s products. The Company believes that the proposed standards issued to date would not materially affect the business of the Company. The Company cannot determine the potential impact of the standards that might finally be adopted.

FINANCING AGREEMENTS WITH RELATED PARTIES

In April 1998, Global Med entered into financing agreements with Online Credit and Fronteer Capital, Inc. (Fronteer Capital), a subsidiary of eVision. Online Credit committed to extend a line of credit in the amount of $1.5 million and Fronteer Capital committed to extend $1.65 million under separate agreements. The interest rate under both agreements was 12% per annum. In consideration for the commitments, Global Med issued Online Credit and Fronteer Capital warrants to purchase 6 million and 1 million shares, respectively, of Global Med common stock exercisable at $0.25 per share. Fronteer Capital was granted an additional warrant to acquire 5 million shares of Global Med common stock at $0.25 per share upon the initial borrowing under the financing agreement. Additionally, Online Credit was granted the right to appoint five members to the Board of Directors of Global Med so long as there are any amounts outstanding under its original agreement. Online Credit has appointed such members to the Board of Directors of Global Med. In the event of default, amounts due under these commitments were convertible into common shares of Global Med at $0.05 per share.

In October 1998, eBanker and Global Med agreed to an assignment of the loan commitment from Fronteer Capital, excluding the warrant to purchase 1 million shares of common stock issued in connection with the commitment. Global Med issued eBanker a warrant to purchase 5 million shares of Global Med common stock at $0.25 per share upon initial borrowing under the financing agreement in October 1998. Additionally, in October 1998, eBanker purchased from Online Credit $1 million of its $1.5 million total notes receivable from Global Med and a warrant to purchase 4 million shares of common stock of Global Med at $0.25 per share for a total purchase price of $1.1 million.

As of December 31, 1998, Global Med owed eBanker the $1.65 million under Fronteer Capital s original financing agreement, plus the $1 million under Online Credit s original financing agreement, for a total of $2.65 million.

Additionally, as of December 31, 1998, Global Med owed Online Credit $500 thousand under its financing agreement. Amounts borrowed under these agreements were initially due in April 1999.

In March 1999, Online Credit exercised its remaining 2 million warrants in cancellation of the remaining $500 thousand it had extended to Global Med. Additionally, eBanker extended the due date for the $2.65 million outstanding under its financing agreements with Global Med until April 15, 2000. In consideration for the extension, Global Med paid eBanker a 2% fee in the form of 42.4 thousand shares of Global Med common stock and the default conversion feature of the loans was increased from $0.05 per share to $0.25 per share.

In March 1999, eBanker extended a $750 thousand bridge loan to Global Med due in December 1999. The outstanding bridge loan balance was convertible into common shares of Global Med at the rate of $1.13 per share. The bridge loan bore interest at 12% and eBanker was paid a 2% commitment fee in the form of approximately 13 thousand shares of Global Med s common stock.

In April 1999, Online Credit entered into a bridge loan commitment with Global Med for $2 million due in April 2000. The outstanding bridge loan balance was convertible into shares of Global Med at the rate of $1.15 per share. The bridge loan bore interest at 12% and Online Credit was paid a 5% commitment fee in the form of approximately 87 thousand shares of Global Med s common stock.

In October 1999, Online Credit, as agreed to by Global Med, assigned to eBanker its $2 million bridge loan commitment to Global Med and transferred to eBanker the 87 thousand shares of Global Med common stock issued in consideration for the loan commitment to eBanker. Also in October 1999, eVision and eBanker entered into a lock up agreement whereby Global Med issued 50 thousand and 450 thousand shares of its common stock to eVision and eBanker, respectively, in consideration for eVision and eBanker agreeing to restrict sales of their holdings of Global Med common stock and warrants for a period of one year.

In December 1999, the $750 thousand bridge loan was extended to September 2000. In consideration for the extension, eBanker received a 2% fee in the form of 13 thousand shares of Global Med common stock and the conversion rate was reduced from $1.15 per share to $0.50 per share.

At December 31, 1999, $4.4 million was outstanding under eBanker s financing agreements with Global Med and $1 million remained available under the bridge loan commitment of eBanker.

In April 2000, the $2.65 million loans and the $2 million bridge loan were extended to January 2001. Under the terms of the extension, if the loans were not repaid by January 2001, they would automatically extend to April 2001, the conversion features would be eliminated and eBanker would be granted warrants to acquire Global Med common stock at $0.50 per share. The number of warrants to be issued would be based on the total principal and interest outstanding divided by the exercise price of $0.50 per share. A conversion feature was added to the $2.65 million loans that entitled eBanker to convert the loans into shares of Global Med common stock at a rate of $1.68 per share. Additionally, the $750 thousand bridge loan was extended to January 2001. In consideration for these extensions, eBanker was paid a 2% fee in the form of 160 thousand shares of Global Med common stock.

In November 2000, eBanker agreed to exercise warrants to purchase 8 million shares of common stock of Global Med at $0.25 per share in exchange for canceling $2 million of its notes receivable from Global Med. The remaining $3.4 million outstanding under the various financing agreements and accrued interest of $428.7 thousand were combined into one agreement and the due date was extended to July 1, 2001. Global Med agreed to pay interest of 12% per annum on a semi-annual basis, with the first interest payment due May 19, 2001. The 8 million shares of common stock were issued on February 28, 2001 and were considered outstanding as of November 19, 2000. In consideration for the extension of the remaining principal and interest, eBanker received a fee of 5% payable in 197.6 thousand shares of common stock of Global Med. As the principal and interest were not paid in full by July 1, 2001, the due date of the principal automatically extended to July 1, 2003 and Global Med issued eBanker warrants to acquire up to 10.186 million shares of Global Med common stock with an exercise price of $0.50 per share. The outstanding loan balance was convertible into the common stock of Global Med at eBanker s option at a rate of $1.00 per share through June 30, 2001 at which time the conversion option expired. Additionally, until June 30, 2003 upon the occurrence of certain events related to a certain contract Global Med was negotiating, Global Med had the right, in its discretion, to put its shares of common stock worth up to $1.5 million to eBanker at $0.50 per share in the form of exchanging debt for common stock. The default conversion rate under this extension is $1.00 per share. As consideration for this provision, eBanker was issued 500 thousand restricted shares of Global Med common stock. As a result of these transactions, eBanker obtained control of Global Med and Global Med was reflected in eBanker s consolidated financial statements as a consolidated subsidiary effective November 19, 2000.

The financing agreements are secured by all of Global Med s assets including its shares in PeopleMed and the assets of PeopleMed and Global Med, including intellectual property. As part of the November 19, 2000 Loan Agreement, the personal guarantee of Dr. Michael I. Ruxin, as dated August 12, 1998, and assigned to eBanker, was reduced from $1.5 million to $650 thousand, plus pro rata accrued interest. The personal guarantee is limited to certain of Dr. Ruxin s assets. As part of the November 19, 2000 Financing Agreement, Global Med agreed to register and maintain registration for all present and future shares including underlying warrants, belonging to eBanker. Global Med may file a registration statement for the commons shares underlying these warrants during 2004. If Global Med defaults on the repayment of any amount borrowed under financing agreements , all existing members of the board of directors of Global Med will be required to resign and GMCAL will have the right to appoint all new members.

At December 31, 2000, principal of $3.829 million and accrued interest of $54 thousand were outstanding under the financing agreements between eBanker and Global Med and there were no remaining amounts available under the commitment agreement.

On March 22, 2001, Global Med and eBanker entered into an interest payment option agreement that provided that Global Med have the option, with five days prior written notice, to elect and pay to eBanker, before July 1, 2001, Global Med s entire interest payment calculated for the life of loan agreement dated November 19, 2000, in the form of 1.747 million shares of Global Med common stock (calculated at $0.6875 per share, which was the prevailing market price on March 22, 2001). In the event that Global Med paid down any principal on the loan prior to July 1, 2003, eBanker would return a number of shares determined by calculating the pro-rata interest avoided due to early repayment of principal divided by $0.6875 per share. As the loan was not repaid as of July 1, 2003, none of the 1.747 million shares issued for prepaid interest were returned.

On June 20, 2001, the Company elected to exercise the interest payment option. As a result, eBanker was issued 1.747 million shares of the Company s common stock as payment for the interest expense on the Company s outstanding loan balance with eBanker of $3.829 million through the loan s maturity date of July 1, 2003. These shares were valued at $1.188 million based on the market value of the common stock on June 20, 2001. The Company recorded $681 thousand in a contra-equity account associated with the issuance of these shares as of December 31, 2001. In addition, $277 thousand in accrued interest related to the eBanker loan was eliminated from the Company s accrued expenses balance as of June 30, 2001, as a result of this transaction. After this transaction, the effective interest rate on the loan remained at 12% per annum.

On July 1, 2001, in accordance with the terms of the existing financing agreement, eBanker received the right to warrants to acquire up to 10.186 million shares of Global Med common stock with an exercise price of $0.50 per share. These warrants were valued at $510 thousand. On July 1, 2001, the maturity date of the note payable was automatically extended to July 1, 2003; and as of that date, the outstanding debt was no longer convertible into the common stock of the Company at $1.00 per share. If Global Med defaults on repayment of any amount borrowed under the existing financing agreement, all existing members of the Board of Directors of Global Med will be required to resign and GMCAL will have the right to appoint all new members. The warrants expire on July 1, 2011. Pursuant to the November 2000 financing agreement between the Company and eBanker, the Company is obligated to maintain current registration on the shares, underlying the warrants, for resale under the Securities Act of 1933 (1933 Act). Global Med may file a registration statement for the commons shares underlying these warrants during 2004. The Company used independent, third party consultants for estimating the fair value of the warrants to purchase 10.186 million shares of the Company s common stock. The warrants were valued at $510 thousand. The Company recorded $510 thousand in deferred financing costs associated with the issuance of these warrants as of July 1, 2001. The Company amortized the costs associated with these warrants over 24 months, the remaining life of the note payable starting July 1, 2001. The Company recognized approximately $128 thousand in financing costs related to the issuance of these warrants in 2001, $255 thousand in financing costs related to the issuance of these warrants in 2002, and $127 thousand in financing costs in related to the issuance of these warrants in 2003.

As of December 31, 2001, principal of $3.829 million, and $681 thousand in a contra-equity account associated with the issuance of common shares for prepaid interest were outstanding under the terms of this financing agreement.

In June 2002, the Company entered into an agreement whereby Global Med International Holdings Limited (GMIHL), a related foreign entity owned by eBanker, advanced $200 thousand to the Company in the form of a note payable (the Note). The Note was due on July 1, 2003 and bears no interest. In lieu of interest, the Note holder received the following consideration:

- o Global Med committed to obtain GMIHL written approval before committing to issue Global Med common shares either directly, or through derivative instrument, in transactions pursuant to which Global Med will receive net proceeds per share of less than $1 after expenses, fees and expenditures commitments (except pursuant to employee and consulting options, warrants and/or stock bonuses approved by Global Med s Board of Directors and/or pursuant to any existing contractual commitment, including, but not limited to any currently outstanding stock options and warrants). GMIHL was given full authority in providing or withholding this approval.
- o GMIHL received exclusive marketing rights for a period of 36 months to certain Asian Countries. These rights survive the repayment of the Note. These rights continue for an additional 36 months if certain revenue commitments are achieved during the initial 36-month period. For each 36-month period thereafter, these commitments will be extended for an additional 36 months if certain additional commitments are received. The Note acknowledges that the exclusive marketing rights granted under the Note contain exceptions for certain countries for which there were marketing agreements in place as of the effective date of the Note.

In the absence of a stated interest rate on the Note, an interest rate of 12% was imputed to the Note. In addition, the value of the exclusivity agreement is deemed to be $24 thousand, the same amount of the imputed interest over the life of the loan. The value of the exclusivity agreement is being amortized ratably over the 36-month exclusivity period. The Note was combined with other debt on April 14, 2004 as part of a refinancing agreement.

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As of December 31, 2002, principal of $3.829 million and $221 thousand, respectively, in a contra-equity account associated with the issuance of shares for prepaid interest were outstanding under the terms of this financing agreement. As of December 31, 2002, principal of $200 thousand and a discount of $12 thousand were outstanding between GMIHL and Global Med.

On April 7, 2003, GMCAL and Global Med entered into an agreement to extend the repayment date of the $3.829 million loan from July 1, 2003 to January 1, 2004. As part of the November 19, 2000 Loan Agreement, there exists a personal guarantee of Dr. Michael I. Ruxin, up to $650 thousand plus pro rata accrued interest. The personal guarantee is limited to certain of Dr. Ruxin s assets and remains in full force and effect. In consideration for the extension, Global Med agreed to pay GMCAL a fee of $287 thousand which includes the extension fee and all interest due for the period from July 1, 2003 to January 1, 2004. As of the date of this agreement, the Global Med had paid GMCAL $200 thousand of the $287 thousand extension fee and the remaining $87 thousand for the extension fee and interest is due January 1, 2004.

On October 29, 2003, eBanker and Global Med entered into an extension agreement for the $200,000 loan and promissory note dated June 1, 2003. The principal loan amount of $200,000 was extended until January 1, 2004 with interest accruing from July 1, 2003 to January 1, 2004 (Extension Period) at 12% per annum. Interest for the Extension Period is payable on July 1, 2004. All other terms and conditions remained in effect. As of December 31, 2003, principal of $200,000 thousand and accrued interest of $12,000 thousand were outstanding.

At December 31, 2003, principal of $529 thousand and accrued interest of $87 thousand were outstanding under the terms of a Remaining Debt agreement. As of December 31, 2003, Indebtedness due in 2004, Refinanced as Preferred Stock in 2004, Related Party in the amount of $3.5 million and no accrued interest was outstanding.

As of September 2003, all of the Company s outstanding related party debt totaling $4.029 million had been transferred to GMIL, a subsidiary of Heng Fung.

If Global Med defaults on the repayment of any amount borrowed under the financing agreements initiated with eBanker, all of the Board of Directors of Global Med will be required to resign and Global Med International Limited (GMIL) will have the right to appoint all new members.

At December 31, 2003, principal of $3.829 and accrued interest of $87 thousand were outstanding under the terms of a financing agreement.

On April 14, 2004, GMIL and Global Med amended their existing financing agreements and entered into an agreement to combine the outstanding $3.829 million and $200 thousand debt agreements. The combined loan of $4.029 million was then separated into two parts: $529 thousand was converted into debt (Remaining Debt) and $3.5 million was converted into 3.5 million shares of preferred stock (Preferred Stock). The due date of the Remaining Debt is March 1, 2006. The interest rate on the Remaining Debt is 15% per year and interest on this debt is due and payable quarterly on March 1, June 1, September 1, and December 1 of each year until the Remaining Debt is paid in full. The Remaining Debt is secured by all of Global Med s assets and is subject to the outstanding terms of November 19, 2000 financing agreement (Loan Agreement). As of the date of this agreement, Global Med had paid GMIL $287 thousand of the $287 thousand extension fee and the remaining $87 thousand for the extension fee. See Note 11 of the consolidated financial statements for further discussion of the Preferred Stock

Under the terms of the Remaining Debt and Preferred Stock Agreements, the personal guaranty of Dr. Michael I. Ruxin, the Company s Chairman and CEO, remains in effect. Dr. Ruxin s personal guaranty will not exceed $650 thousand and will remain in effect until the Remaining Debt has been fully paid or satisfied.

The agreements also contain the following provisions:

- Global Med agrees to register with the SEC all unregistered Global Med shares and shares underlying derivatives regardless of the owner of the shares.
- Registration of all Global Med Shares will be maintained and not allowed to lapse.
- Remaining Debt and Preferred Stock are not satisfied unless eliminated.
- Any future restructuring of the Remaining Debt or Preferred Stock is not a satisfaction of the Remaining Debt or Preferred Stock unless specified in writing by GMIL.
- GMIL will receive a $26 thousand additional dividend payment.

As part of these agreements, Global Med agreed to indemnify GMIL and its affiliates, including but not limited to GMCAL, GMIHL, eBanker, Online Credit Limited, Heng Fung Singapore Ltd., and Heng Fung Holdings, Ltd, and their employees, officers, directors, and agents for any legal proceeding that results or stems from GMIL s conversion of this debt to Preferred Stock.

In conjunction with the signing of the Remaining Debt and the Preferred Stock, these agreements preserved the right of the GMIL to appoint 5 of 9 members of Global Med s Board of Directors until the Remaining Debt and Preferred Stock have been satisfied. Further, lender shall have the right to select a replacement director for any member of the Borrower s Board of Directors that was selected by Lender who resigned or otherwise fails to serve as a director. Borrower agrees not to increase the number of directors above nine except with Lender s written consent.

While any of the Remaining Debt or Preferred Stock is outstanding, the Company has agreed not to incur any debt in excess of $100 thousand without the written consent of GMIL.

EMPLOYEES

As of March 15, 2004, the Company had 45 full-time employees, consisting of 2 employees in the corporate offices in Lakewood, Colorado and 43 at Wyndgate s offices near Sacramento, California.

The Company has employment agreements with certain personnel. The Company s employees are not represented by a labor union or subject to collective bargaining agreements. The Company has never experienced a work stoppage and believes that its employee relations are satisfactory.

AVAILABLE INFORMATION

Global Med s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available on the Securities and Exchange Commission s website: http:/www.sec.gov. Additional information about the Company is available at Global Med s website at http://www.globalmedtech.com.

ITEM 2. PROPERTIES

As of March 15, 2004, the Company occupied two primary locations. The Company occupies approximately 1,252 square feet of office space in Lakewood, Colorado and the lease expires on February 14, 2007. The Company leases approximately 15 thousand square feet of office space in El Dorado Hills, California, expiring on May 31, 2006.

ITEM 3. LEGAL PROCEEDINGS

In September 2002, Global Med filed a lawsuit against Donnie L. Jackson, Jr., the Company s former Vice President of Sales and Marketing. The Company alleges, among other things, that prior to his resignation in July 2002, Mr. Jackson misappropriated certain trade secrets of the Company. Mr. Jackson is currently a managment employee of one of the Company s competitors.

In November 2003, the Company filed lawsuits against a former customer (the "Former Customer") on the grounds that this Former Customer was improperly using the Company's software without paying the appropriate fees. In April of 2004, the Company received notification that the Former Customer had filed a counter suit against the Company alleging that the Company breached its responsibilities under the terms of the original agreement with the Former Customer. The Company plans to vigorously defend the counter suit and does not believe this lawsuit will have a material impact on the business. Neither the Company nor the Former Customer have specified damages in their claims, but both lawsuits specify that the amount in controversy exceeds $75 thousand dollars.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the security holders.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Units sold by the Company in its initial public offering, each of which consisted of two shares of common stock and one warrant, commenced trading on the Nasdaq Small-Cap Market on February 12, 1997. On March 13, 1997, the common stock and warrants (Class A) included in the Units began to trade separately and the Units ceased to trade. On February 9, 1998, the Company s common stock and warrants were delisted from the Nasdaq Small-Cap Market, and commenced trading on the OTC Bulletin Board. OTC Bulletin Board Market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions. The registered publicly traded Class A common stock purchase warrants described above expired on February 11, 2003.

The following table sets forth the quarterly high and low bid prices for the Company s common stock for the two years ended December 31, 2003 and 2002.

Fiscal Quarter Ended:	**High**	**Low**
December 31, 2003	$ 0.80	$ 0.34
September 30, 2003	0.50	0.33
June 30, 2003	0.55	0.27
March 31, 2003	0.68	0.45
December 31, 2002	$ 0.63	$ 0.37
September 30, 2002	0.70	0.45
June 30, 2002	1.06	0.55
March 31, 2002	1.31	0.62

Historical stock price data provided by Commodity Systems, Inc. The Company s symbol is GLOB.OB.

Holders

As of March 31, 2004, the Company had approximately 144 holders of record of the Company s common stock.

Dividends

The payment of dividends by the Company is within the discretion of its Board of Directors and depends in part upon the Company s earnings, capital requirements and financial condition. Since its inception, the Company has not paid any dividends on its common stock and does not anticipate paying such dividends in the foreseeable future. The Company intends to retain earnings, if any, to finance its operations.

Recent Sales of Unregistered Securities

During the year ended December 31, 2003, Global Med issued no unregistered common stock. During the year ended December 31, 2002, Global Med issued 275 thousand shares of unregistered common stock. The unregistered shares issued during 2002 were comprised of the following:

- 50 thousand shares issued as consideration for intellectual property used for development of software. These shares were valued at $52 thousand.
- 111 thousand shares purchased by a third party for $50 thousand. These shares were issued with 27 thousand warrants to purchase the Company s stock at $1.25 per share until January 24, 2007.

- 111 thousand shares of stock, purchased by a director of the Company for $50 thousand. These shares were issued with 27 thousand warrants to purchase the Company s stock at $1.25 per share until May 9, 2007.
- 3 thousand common shares issued as consideration for investor relations services. These shares were valued at approximately $3 thousand.

During the year ended December 31, 2001, Global Med issued 2.080 million shares of unregistered common stock. The unregistered shares issued during 2001 were comprised of the following:

- 1.747 million common shares issued to eBanker in connection with payment of interest. These shares were valued at $1.188 million.
- 300 thousand common shares issued to a director of the Company as consideration for consulting services. These shares were valued at $203 thousand.
- 25 thousand common shares issued as consideration for intellectual property used for development of software. These shares were valued at $19 thousand.
- 8 thousand common shares issued as consideration for investor relations services. These shares were valued at $5 thousand.

The issuance of the unregistered shares above were made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended (1933 Act). The purchasers had access to full information concerning the Company. The certificates for the shares contain a restrictive legend advising that the shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. No underwriters were involved in the transactions.

The following table details equity securities authorized for issuance as of December 31, 2003.

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 plans approved by the shareholders			
2001 Stock Option Plan	2,700,500	$ 0.58	7,299,500
Amended and Restated 1997 Employee Stock Compensation Plan	0	$ 0.00	830,000
Equity plans not approved by the shareholders			
Stock Options	6,054,442	$ 0.83	393,500
Warrants	13,027,530	$ 0.52	0
Total	21,782,472	$ 0.62	8,523,000

The number of common shares available for issuance or already issued under the terms of the existing stock option grants or under the stock option plan and stock compensation plan are subject to adjustment under certain conditions that include the declaration of stock dividends, or stock splits, etc.

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ITEM 6. SELECTED FINANCIAL DATA

This table sets forth selected financial data of Global Med for the periods indicated. This data should be read in conjunction with and is qualified by reference to Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 in this Annual Report on Form 10-K and our audited consolidated financial statements, including the notes, the independent auditors reports, and the other financial information included in Item 8 in this Form 10-K. The selected data in this section are not intended to replace the consolidated financial statements included in this Annual Report.

GLOBAL MED TECHNOLOGIES, INC.
SELECTED HISTORICAL FINANCIAL AND OPERATING DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Revenues
Cost of revenues

Gross profit

OPERATING EXPENSES:
General and administrative

Sales and marketing
Research and development
Depreciation and amortization

Operating expenses

Income (loss) from operations

OTHER INCOME (EXPENSES):

Fluctuations in the markets for fixed maturity securities, equity securities, and commercial real estate could advers
investment portfolios, are subject to market and credit risks, including market volatility and deterioration in the cre
of our investments in any particular industry, group of related industries or government issuers, or geographic area
fostered a historically low interest rate environment. In addition to resulting in higher interest rates, this move has

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In addition to negatively affecting investment returns, equity market downturns and volatility can have other adver
cause some existing customers to withdraw cash values or reduce investments in such products, in turn reducing o
earnings. Third, our estimates of liabilities and expenses for pension and other postretirement benefits incorporate
both of which are influenced by potential investment returns, could increase our required cash contributions or per

Some of our investments are relatively illiquid. Investments in privately placed securities, mortgage loans, and rea
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. Our product pricing includes long-term as
profitability substantially depends on actual experience being consistent with or better than these assumptions. If v
significantly overpriced risks may negatively impact new business sales and retention of existing business.

Our loss reserves are estimates of amounts needed to pay and administer incurred claims and, as such, are inherent
assumptions underlying our estimates can cause variability. For example, increases in costs for auto parts and repa
our loss reserves could prove to be inadequate to cover our actual losses and related expenses. See Part II, Item 7,
With respect to our investments, the determination of estimates for allowances and impairments varies by investme
future impairments or allowances. See Note 2, Summary of Significant Accounting Policies and Practices, of the N
Assumptions regarding the future realization of deferred tax assets are dependent upon estimating the generation o
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 acquisiti
impacting estimates of future profits. Significantly lower future profits may cause us to accelerate DAC amortizati
withdrawal. See also Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results o
Note 10, Deferred Policy Acquisition Costs, of the Notes to the Consolidated Financial Statements for additional i

We may be unable to maintain the availability and performance of our systems and to safeguard our data and our c
system platforms, business applications and third-party providers to receive, store, process, retrieve, calculate and
make changes to existing policies, among many other functions. We also use systems for investment management,
enhance our existing internal networks, technology and processing infrastructure and our information systems and
regulatory standards. However, system failures, extended unavailability or other outages, or damage or destruction
patches, third-party system upgrades, and new systems and technologies, could compromise our ability to perform
or interrupt our business operations, cause misstated or unreliable financial data, or impact the effectiveness of our
In certain lines of our business, our information technology and telecommunication systems interface with and rely
our ability to access these external services for necessary business functions, such as acquiring new business, mana
providers do not perform as anticipated, if technological or other problems are incurred with a transition, or if outs
operational difficulties, increased costs and a loss of business.

We receive and transmit legally protected information with and among customers, agents, financial institutions and
mitigating risks through security vulnerability assessments and several layers of data intrusion and detection prote
threat techniques and the evolving sophistication of individual and state-sponsored cyber-attacks. A breach, wheth
on which we rely, including customers', agents' and employees' sensitive personal and financial information and c
systems and data or to cause disruptions in service. In addition, a limited number of spoofing attacks have been ca
believe we have implemented appropriate business process changes to help mitigate future attacks. To date, these
affecting us or third parties, could result in substantial business disruption and consequences, including without lin
penalties, and harm to customer and producer confidence and our reputation. While we have purchased cybersecur
Cybersecurity risks may also cause an index's performance to be incorrectly calculated, which could affect the cal
value of the securities or other investments that comprise or define an index.

Employee and agent error and misconduct may be difficult to detect and prevent and may result in significant losse
among other things, fraud, errors, failure to properly document transactions, failure to obtain proper internal autho
misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases.

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Our business operations depend on our ability to appropriately distribute, execute and administer our policies and c
arise in our pricing, underwriting, billing, processing, claims handling or other practices, whether as a result of em
multiple policies.
If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial

It is necessary for us to maintain effective internal controls over financial reporting to prevent fraud and errors and
December 31, 2016, we disclosed certain material weaknesses in our internal controls over financial reporting. Aft
effective. We have also concluded as of and for the year ended December 31, 2018 that our internal controls over f
existing, but as yet undiscovered, weaknesses that we need to address. A failure to maintain adequate internal cont
operations and the market price of our stock if investors, customers, rating agencies, regulators or others lose confi
fines, penalties or liabilities.

Catastrophic Event Risk Factors
We may incur significant losses resulting from catastrophic events. Our property and casualty operations are expos
explosions, hazardous material releases, and utility outages. Our life and health insurance operations are exposed t
Our investment operations are exposed to catastrophes as a result of direct investments and mortgages related to re
predicted. Our losses in connection with catastrophic events are primarily a function of the severity of the event an

Many scientists, legislators and regulators believe climate change has added to the unpredictability, severity and fr
investment losses as a result of such events. Predicting the frequency and severity of extreme weather and loss eve
investments.

The occurrence of events that are unanticipated in our business continuity and disaster recovery planning could im
hurricanes. Our League City, Texas offices are designed to support our operations and service our policyholders in
New York, which helps to insulate these facilities and their operations from coastal catastrophes. However, the sev
event a significant number of our employees or agents were unavailable or unable to work following such a disaste

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Marketplace Risk Factors
Our future results are dependent in part on successfully operating in insurance and annuity industries that are highl well-established national reputations and greater financial and marketing resources, as well as the introduction of r seek to win market share, and may limit our ability to maintain or increase our profitability. Because of its relative life-cycles have shortened in many product segments, leading to intense competition with respect to product featur

We compete for customers' funds with a variety of investment products offered by financial services companies ot advances and consumers become accustomed to enjoying tailored, easy to-use-services and products from various particular focus on consumer-facing sales and service platforms, by internally promoting a strategically-focused in competition and such increased consumer expectations, we may not be able to grow our business or we may lose r

We compete with other insurers for producers primarily on the basis of our financial position, reputation, stable ov array of products or packages of products, or that have extensive promotional and advertising campaigns.

Our supplemental health business could be negatively affected by alternative healthcare providers or changes in fe health maintenance organizations and other managed care or private plans. The success of these alternative healthc addition, Congress or the U.S. Department of Health and Human Services ("HHS") could make changes in federal

Litigation and Regulation Risk Factors
Litigation may result in significant financial losses and harm our reputation. Plaintiffs may bring lawsuits, includin denial or delay of benefits, product suitability, claims-handling practices (including the permitted use of aftermark or indeterminate amounts, including punitive and treble damages. The damages claimed and the amount of any pro direct litigation costs and substantial amounts of management time that otherwise would be devoted to our busines

We are subject to extensive regulation, and potential further regulation may increase our operating costs and limit
and enforced by a number of different governmental authorities, such as state securities and workforce regulators,
("HUD"), HHS, the Federal Trade Commission and state attorneys general, each of which exercises a degree of in
or may change over time to our detriment. Regulatory investigations, which can be broad and unpredictable, may
information requests from regulators without corresponding direct regulation being applicable to us, on issues suc

The laws and regulations applicable to us are complex and subject to change, and compliance is time consuming a
our practices that may limit our ability to grow and improve our profitability. Regulatory developments or actions
activities, or made subject to limitations or conditions on our business activities.

As insurance industry practices and legal, judicial, social, and other conditions outside of our control change, une
affect us by extending coverage beyond our underwriting intent or by increasing the type, number, or size of claim
compare their life insurance and annuity contracts and retained asset accounts against the U.S. Social Security Ad
laws retroactively to existing policies. A number of states have aggressively audited life insurance companies, inc
any unpaid benefits, proceeds or other payments under life insurance or annuity contracts should be treated as unc
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 en
with which we do business. For example, it is possible that regulations issued by the Consumer Financial Protecti
The Federal Insurance Office, as a result of various studies it conducts, may also recommend changes in laws or r
predict with certainty how Dodd-Frank will continue to affect the financial markets generally or impact our busine
Certain federal regulation may impact our property and casualty operations. In 2013, HUD finalized a regulation a
to discriminate. Various legal challenges to this regulation were pursued, culminating in a decision of the U.S. Su
indicated its intent to propose changes to the rule, however the text of such changes has not yet been published. T
risk selection analysis. Whether or not the regulation is modified, it is uncertain to what extent it may impact prop
business profitably. In addition, Congress or states may enact legislation affecting insurers' ability to use credit-ba
ability to write homeowners business profitably.

There have been federal efforts to change the standards of care applicable to broker-dealers and investment advise
investment advice under the Employee Retirement and Income Security Act of 1974 and the Internal Revenue Co
retirement plans. It applied ERISA's fiduciary standard to many insurance agents, broker-dealers, advisers and oth
vacating the fiduciary rule, ending the rule's effectiveness, after finding that the DOL had exceeded its authority i

We have previously reported that in April 2018, the SEC proposed a regulation addressing the standards of care a
any securities transaction or investment strategy involving securities. As part of the proposed rule, the SEC would
relationship with their investment professional, including fees and costs associated with services and conflicts of i
The SEC made the results of that testing available for public comment and is considering such comments before f
There have also been state efforts to change the standards of care applicable to broker-dealers, investment advisers
and obligations of insurers and their producers and provides that any transactions with respect to life insurance po
of the consumer at the time of the transaction. It further requires that any recommendation must be based on an ev
use under the prevailing circumstances. Further, a producer's compensation and other incentives must not influen
All or any of the above-described federal and state efforts to address the standards of care applicable to broker-de
change our producer compensation practices, limit the assistance producers can provide to contract owners, replac
same, or consumer and producer reaction to such measures, could have a material adverse impact on our ability to

Lastly, international standards continue to emerge in response to the globalization of the insurance industry and e
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, Regulations Applicable to

Changes in tax laws could adversely affect our business. Under current U.S. federal and state income tax laws, cer
consumers to select our products over non-insurance products. The U.S. Congress from time to time may consider
which may harm our ability to sell such products and result in the surrender of some existing contracts and policie
structure in the future may also cause some current or future purchasers to delay or indefinitely postpone the purch

On December 22, 2017, the federal government enacted the Tax Cuts and Jobs Act ("Tax Reform"). Tax Reform r
35% to 21%. In addition, there were several changes that are specific to insurance companies, namely changes to t
liabilities. Amendments or clarifications of Tax Reform from additional regulatory and administrative guidance, m
adverse impact on our business and results of operations.

New accounting rules or changes to existing accounting rules could negatively impact our business. We are requir
("FASB"), and the American Institute of Certified Public Accountants. GAAP is subject to review by these organi

We also must comply with statutory accounting principles ("SAP") in our insurance operations. SAP and various c

Future changes to GAAP or SAP could impact our product profitability, reserve and capital requirements, financia
impact of the recently issued accounting pronouncements and the future adoption of new accounting standards on

Reinsurance and Counterparty Risk Factors

Reinsurance may not be available, affordable, adequate or collectible to protect us against losses. As part of our ris
terrorism, influence the availability and cost of reinsurance for new business. In certain circumstances, the price of
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. W
economic hedges of the related risks will be ineffective. Such counterparty failures could have a material adverse e

Other Risk Factors
Our financial strength ratings could be downgraded. Various Nationally Recognized Statistical Rating Organizatio
rated companies, our ratings could be downgraded at any time and without any notice by any NRSRO. A downgra

- reducing new sales of insurance and annuity products or increasing the number or amount of surrenders and withd
- 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
- 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 an

We are controlled by a small number of stockholders. As of December 31, 2018, the Moody Foundation, a charital
approximately 49.07% of our common stock as of such date. As a result, subject to applicable legal and regulatory
and through the Board of Directors any determination with respect to our business direction and policies. This con
price of our common stock if controlling stockholders sell a significant number of shares or if investors perceive d

See also Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for additional details regar

Advances in medical technology may adversely affect our business. Genetic testing and diagnostic imaging techno
selection risk, as people who learn that they are predisposed to certain medical conditions associated with reduced
reduced life expectancy may forego the purchase of life insurance, or permit existing policies to lapse, and may be
prospective policyholders is important to our underwriting of life insurance and annuities. Some states restrict insu
related to genetic and diagnostic testing.

In addition to earlier diagnosis and knowledge of disease risk, medical advances may increase overall health and lo
business. This may require us to modify our assumptions, models or reserves.
ITEM 1B. UNRESOLVED STAFF COMMENTS
None

ITEM 2. PROPERTIES

We own and occupy our corporate headquarters in Galveston, Texas. We also own and occupy the following prop

- Three buildings in League City, Texas which are used by our Life, Health, and Corporate and Other segments.
- Five buildings, four in Springfield, Missouri and the other in Glenmont, New York, which are used by our Propert

We believe our properties are adequate and suitable for our business as currently conducted and are adequately ma

ITEM 3. LEGAL PROCEEDINGS

Information required for Item 3 is incorporated by reference to the discussion under the heading "Litigation" in No

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

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PART II

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

Stockholder Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol “ANAT.”

On December 31, 2018, our year-end closing stock price was $127.24 per share, and there were 644 holders of rec

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding our common stock that is authorized for issuance under Ameri

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	—	$ 80.05	$ 2,391,739
Not approved by security holders	—	—	—
Total	—	$ 80.05	$ 2,391,739

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Performance Graph

The following graph compares the cumulative stockholder return for our common stock for the last five years with investment on December 31, 2013, with all dividends reinvested.

Value at each year-end of a $100 initial investment made on December 31, 2013:

	December 31,					
	2013	2014	2015	2016	2017	2018
American National	$100.00	$101.53	$93.51	$115.64	$121.55	$123.48
NASDAQ Total OMX	100.00	114.43	113.46	128.22	155.63	147.16
NASDAQ Insurance OMX	100.00	114.10	113.26	136.41	159.53	150.51

This performance graph shall not be deemed to be incorporated by reference into our SEC filings or to constitute s

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ITEM 6. SELECTED FINANCIAL DATA
American National Insurance Company
(and its subsidiaries)

	Years ended December 31,				
(dollar amounts in millions, except per share amounts)	2018	2017	2016	2015	2014
Total premiums and other revenues	$3,326	$3,411	$3,228	$3,017	$3,051
Income from continuing operations, net of tax*	160	496	183	242	247
Net income*	160	496	183	242	247
Net income attributable to American National*	159	494	181	243	245
Per common share					
Income from continuing operations, net of tax*					
Basic	5.97	18.43	6.79	9.02	9.21
Diluted	5.96	18.38	6.77	8.99	9.17
Net income attributable to American National*					
Basic	5.91	18.35	6.73	9.04	9.15
Diluted	5.91	18.31	6.71	9.02	9.11
Cash dividends per share	3.28	3.28	3.26	3.14	3.08

	December 31,				
	2018	2017	2016	2015	2014
Total assets	$26,912	$26,387	$24,533	$23,766	$23,566
Total American National stockholders' equity	5,257	5,247	4,652	4,452	4,428
Total equity	5,272	5,256	4,661	4,462	4,440

* Results for the year ended December 31, 2017 include the impact of the U. S. Tax Cut and Jobs Act ("Tax Refor
income for the year ended December 31, 2017 would have been $287.3 million and net earnings per basic and di

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

Forward-Looking Statements

Certain statements made in this report include forward-looking statements within the meaning of the "safe harbor"
"estimates," "will" or words of similar meaning, and include, without limitation, statements regarding the outlook
made based upon our assumptions, expectations and beliefs concerning future developments and their potential eff
a matter of corporate policy for us to make specific projections relating to future earnings, and we do not endorse a
unforeseeable events. Forward-looking statements are not guarantees of future performance and involve various ri
statements, including without limitation risks, uncertainties and other factors discussed in Item 1A, Risk Factors ar
statements and related notes included in Item 8, Financial Statements and Supplementary Data.

Overview
Chartered in 1905, we are a diversified insurance and financial services company offering a broad spectrum of insu
Our business has been and will continue to be influenced by a number of industry-wide, segment or product-specif
discuss certain segment-specific trends we believe may impact individual segments or specific products within the
Segments
The insurance segments do not directly own assets. Rather, assets are allocated to support the liabilities and capital
expected cash flows and pricing assumptions, and is intended to be sufficient to support each segment's business a
The Corporate and Other segment acts as the owner of all of the invested assets of the Company. The investment i
derived from income related to invested assets not allocated to the insurance segments and from our non-insurance
General Trends
Our business, financial condition and results of operations are materially affected by economic and financial mark
operate. Factors such as consumer spending, business investment, the volatility of the capital markets, the level of
demand for the type of financial and insurance products we offer. Adverse changes in the economy could have a n
products. Our diverse product mix and distribution channels across insurance segments is a strength that we expec
believe we are financially strong, and we are committed to providing a steady and reliable source of financial prot

Interest Rates: The low-interest rate environment is a challenge for life insurers as the spreads on deposit-type con
and individual life policyholders and the amounts we earn on the investments that support these obligations. Our A
afforded us the flexibility to respond to the unusually low-interest rate environment. In previous years, we also red
volume may be negatively impacted as a result. We also maintain assets with various maturities to support product
rising interest rates could result in reduced persistency of our spread-based products, if contract holders shift assets

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The interest rate environment affects estimated future profit projections, which could impact the amortization of ou
additional policyholder liabilities, thereby reducing earnings. We periodically review assumptions with respect to f

Low interest rates are also challenging for property and casualty insurers. Investment income is an important elem
help mitigate the adverse impact of low interest rates on our property and casualty business.

Changing Regulatory Environment: The insurance industry is primarily regulated at the state level, although some
product structure, increase the amount of reporting or adopt changes to distribution. These changes may increase th

Importance of Operating Efficiencies: The volatile economic environment and costs associated with greater regula
Investments in technology are coordinated through a disciplined project management process. We anticipate contin

Increased Role of Advanced Technology: The use of mobile technology has changed the way consumers want to c
or submission of paper forms. Social media and other customer-facing technologies also reshape the way compani
example, American National has mobile-enabled all of its Internet-based access and leverages social media channe
and more effective ways to reach and service our customers and shareholders. We evaluate available and evolving

Increased Challenges of Talent Attraction and Retention: Attracting qualified individuals and retaining existing em
market. Combined with the increasing impact of social media it is easier than ever for companies to find individua

Our expanded use of technology, particularly our new recruiting-marketing platform combined with greater use of
only strengthens the engagement of our current employee population but helps make us an attractive employer wh
focus on for successful retention. Providing for robust career development opportunities and effective succession p

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Life and Annuity
Life insurance and annuity are mainstay segments, as they have been during our long history. We believe that the
profitable future for these lines of business.

Effective management of invested assets and associated liabilities using crediting rates and, where applicable, fina
“disintermediation”, the risk of large outflows of cash at times when it is disadvantageous to us to dispose of inves

Demographics: We believe a key driver shaping the actions of the life insurance industry is the rising income prot
Security System and an ongoing transition from defined benefit pension plans to 401(k) type retirement plans, reti

We believe we are well positioned to address the Baby Boomers’ increasing need for savings tools and income pro
information to plan for and manage their retirement needs. We believe our products that offer guaranteed income f

Competitive Pressures: In recent years, the competitive landscape of the U.S. life insurance industry has shifted. E
exists in terms of retaining and acquiring consumers’ business and also in terms of access to producers and distribu
necessitates that insurers and distributors invest significant resources in technology to adapt to consumer expectati

The annuity market is also highly competitive. In addition to aggressive interest crediting rates and new product fe

We believe we will continue to be competitive in the life and annuity markets through our broad line of products,
profitable growth.
Health
Most of the major provisions of the Patient Protection and Affordable Care Act, and a reconciliation measure, the
of health care benefits that have impacted our business model including our relationships with current and future c
supplemental product markets. In recent years, we built a portfolio of such products to be sold in the worksite mar
Term Medical products could significantly increase our production. We also continue to expand our presence in th
We expect our Managing General Underwriter (“MGU”) business to remain stable during 2019. We generally reta

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Property and Casualty

We offer our personal and commercial property and casualty lines of business primarily through exclusive agents.

To acquire and retain profitable business, we use sophisticated pricing models and risk segmentation, along with a
premium for the risk.

Demand for property and casualty credit-related insurance products continues to increase. We continue to update c
reviewing and implementing procedures to enhance customer service while, at the same time, looking for efficienc

Competition: The property and casualty insurance industry remains highly competitive. Despite the competitive en
pricing sophistication.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires estimates and assumptions that often in
recoverability of receivables, investment returns and interest rates which extend well into the future. In developing
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 statemen
could change significantly.

A description of these critical accounting estimates is presented below. Also, see the Notes to the Consolidated Fir

Reserves

Life and Annuity Reserves

Life Reserving–Principal assumptions used in the determination of the reserves for future policy benefits are mort
on life policies are calculated using historical claims information. Reserves for interest-sensitive and variable univ
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 calcu
expectations of future costs, including an appropriate margin for adverse deviation. These assumptions are locked
recorded. The resulting recognition of profits would be gradual over the expected life of the contract.

Reserves for fixed deferred annuities are established equivalent to the account value held on behalf of the policyho
embedded derivative liability for funded benefits in excess of the host guarantee. Additional reserves for benefits
annuity contracts is gradual over the expected life of the contract. No immediate profit is recognized on the sale of

Key Assumptions–The following assumptions reflect our best estimates and may impact our life and annuity reser

- 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 DA
invested asset returns.

For interest-sensitive business, best-estimate assumptions are updated to reflect observed changes based on experi
liabilities, small changes in certain assumptions may cause large changes in profitability. In particular, changes in

For traditional business, a “lock-in” principle applies, whereby the assumptions used to calculate the benefit reser
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 representa
claims in the period. Completion factors are calculated which "complete" the current period-to-date payment total

Tabular Claims Reserves–This method is used to calculate the reserves for disability income blocks of business. T
calculated by applying these continuance tables, along with appropriate company experience adjustments, to the st

Future Policy Benefits–Reserves are equal to the aggregate of the present value of expected future benefit paymen

Premium Deficiency Reserves–Deficiency reserves are established when the expected future claim payments and
premium rate increases, the timing of these increases, and the expected benefit utilization patterns. We have establ
deficiency reserves are reviewed periodically for reasonableness, and the reserve amount is monitored against eme

Property and Casualty Reserves

Reserves for Claims and Claim Adjustment Expense ("CAE")–Property and casualty reserves are established to pr
expense, and adjusting and other expense. The details of property and casualty reserves are shown below (in thous

	December 31, 2018			December 31, 2017		
	Gross	Ceded	Net	Gross	Ceded	Net
Case	$858,800	$58,381	$800,419	$544,256	$62,629	$481,627
IBNR	131,988	11,107	120,881	409,137	26,657	382,480
Total	$990,788	$69,488	$921,300	$953,393	$89,286	$864,107

Case Reserves–Reserves for reported losses are determined on either a judgment or a formula basis, depending on
Judgment reserve amounts replace initial formula reserves and are set for each loss based on facts and circumstanc

IBNR–IBNR reserves are estimated based on many variables including: historical statistical information, inflation
exposure class and by accident year. IBNR reserves are estimated by projecting ultimate losses on each class of bu
relevant information pertaining to claims. Adjustments in aggregate reserves, if any, are included in the results of

We believe we conservatively reflect the potential uncertainty generated by volatility in our loss development prof
Financial Statements for additional information.

The evaluation process to determine reserves involves the collaboration of underwriting, claims and actuarial depa
obligations arising from all losses incurred as of year-end. The independent actuarial firm completes the Statement
Premium Deficiency Reserve—Deficiency reserves are recorded when the expected claims payments and policy m
anticipated claims, CAE, and policy maintenance costs. The assumptions and methods used to determine the need

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 ra
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 blen
reported claims and an unstable pattern of reported losses.
- Loss or Expense Development (Chain Ladder)–This method uses actual loss or defense and cost containment expe
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 pa
total. In this method, an ultimate ratio of paid defense and cost containment expense to paid loss is selected for eac
defense and cost containment expense. Paid defense and cost containment expense is then subtracted from the ulti
- Calendar Year Paid Adjusting and Other Expense to Paid Loss–This method uses a selected prior calendar years' p
line of insurance) and 100% to the indicated IBNR reserves. These ratios assume that a percentage of the expense

The basis of our selected single point best estimate on a particular line of business is often a blended result from tw
year and class of business. Our methodology changes over time, as new information emerges regarding underlying

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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 exp
repair parts and building or home material costs. These assumptions have not been modified from the preceding pe
For non-credit lines of business, future inflation rates could vary from our assumption of relatively stable rates. Ur
impacts of future inflation for a 1.0% decrease and 3.0% increase over the implied inflation rate in the December 3

Cumulative Increase (Decrease) in Reserves	1.0% Decrease	3.0% Increase
Personal		
Automobile	$ (6,038)	$ 18,582
Homeowner	(1,578)	4,894
Commercial		
Agricultural Business	(6,544)	22,323
Automobile	(2,799)	7,965

The analysis of our credit insurance lines of business quantifies the estimated impact on gross loss reserves of a re
focuses primarily on the use of a ratio applied to the unearned premium for each credit insurance product. The sele
increase or decrease in gross reserves across all accident years combined of approximately $10.1 million.
It is not appropriate to aggregate the impacts shown in our sensitivity analysis, as our lines of business are not dire
While these are possible scenarios based on the information available to us at this time, we do not believe the read
Management believes our reserves at December 31, 2018 are adequate. New information, regulation, events or circ
December 31, 2018.

Deferred Policy Acquisition Costs

We had a DAC asset of approximately $1.50 billion and $1.37 billion at December 31, 2018 and 2017, respectivel
We believe the estimates used in our DAC calculations provide an example of how variations in assumptions and
December 31, 2018 (in thousands):

	Increase (Decrease) in DAC
Increase in future investment margins of 25 basis points	$ 36,192
Decrease in future investment margins of 25 basis points	(39,335)
Decrease in future life mortality by 1%	1,509
Increase in future life mortality by 1%	(1,520)

Reinsurance

We manage our insurance underwriting risk exposures by purchasing reinsurance. We manage counterparty risk b
minimum rating. We monitor the concentrations of the reinsurers and reduce the participation percentage of lower
their financial condition.

Some of our reinsurance contracts contain clauses that allow us to terminate the participation with reinsurers whos
require reinsurers not licensed in our state of domicile or with whom we have limited experience, to provide letter

Other-Than-Temporary Impairment

A decline in the fair value of fixed maturity investment securities below their cost basis is evaluated on an ongoin
other-than-temporary, which include 1) our ability and intent to hold the investment securities for a period of time
cost basis; 4) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant i
market conditions, which could affect liquidity.

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Valuation of Financial Instruments
The fair value of available-for-sale fixed maturity and equity securities is determined by management using one of
quoted prices in active markets is readily and regularly available; therefore, valuation of these securities generally
Typical inputs used by the models are relevant market information, benchmark curves, benchmark pricing of like s
analyzed the third-party pricing services and independent brokers' valuation methodologies and related inputs, and
inputs. Management completes certain tests throughout the year and at year-end to determine that prices provided

We utilize over-the-counter equity options to hedge our exposure to equity-indexed universal life and equity-index
reserves. This is called the value of embedded derivative (or VED) and the other part of the indexed policy reserve
flows. Both the VED and the host reserve are calculated by a vendor-sourced reserve valuation system. The VED
withdrawals), and factors affecting the value of future indexed interest periods (such as option budgets).
Pension and Postretirement Benefit Plans
The Company has frozen each of its defined benefit pension plans. Our pension and postretirement benefit obligat
assets are important elements of expense and/or liability measurements. Each year, these key assumptions are reev
change. Other assumptions involve demographic factors such as retirement age, mortality and turnover. The expec
Consolidated Financial Statements, Note 2, Summary of Significant Accounting Policies and Practices, Pension an
allowed participants to take a lump sum or annuity payout which was funded from pension plan assets. See Item 8
Litigation Contingencies
Based on information currently available, we believe that amounts ultimately paid, if any, arising from existing an
which bear little or no relation to the economic damages incurred by plaintiffs, continues to create the potential fo
liability could have a material impact on the consolidated financial statements.

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Federal Income Taxes
Our effective tax rate is based on income at statutory tax rates, adjusted for non-taxable and non-deductible items, completion of tax audits could have an impact on our estimates and effective tax rate. Audit periods remain open f

GAAP requires us to evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if n necessary, and if so, the amount of such valuation allowance. There were no material valuation allowances recorde realized and that no additional valuation allowance is necessary as of December 31, 2018.

On December 22, 2017, the federal government enacted the Tax Cuts and Jobs Act ("Tax Reform"). Tax Reform r 35% to 21%. Other provisions affecting corporations include, but are not limited to, changes to the deductibility of specific to insurance companies, namely changes to the proration formula used to determine the amount of divider

Subsequent to enactment, the Securities Exchange Commission introduced Staff Accounting Bulletin No. 118 ("SA final determination is required to be made within a measurement period not to extend beyond one year from the en existing deferred tax balances to the new 21% corporate income tax rate. Additionally, we made a reasonable estin

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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 y	
	2018	2017	2016	2018	2017
PREMIUMS AND OTHER REVENUES					
Premiums	$2,228,193	$2,067,202	$1,996,648	$160,991	$70,55
Other policy revenues	285,549	248,526	306,880	37,023	(58,354
Net investment income	858,367	966,077	860,235	(107,710)	105,84
Realized investments gains (losses), net	16,931	91,209	28,940	(74,278)	62,269
Net losses on equity securities	(107,188)	—	—	(107,188)	—
Other income	44,530	37,986	35,248	6,544	2,738
Total premiums and other revenues	3,326,382	3,411,000	3,227,951	(84,618)	183,04
BENEFITS, LOSSES AND EXPENSES					
Policyholder benefits	708,313	681,122	726,399	27,191	(45,277
Claims incurred	1,171,659	1,037,081	1,015,609	134,578	21,472
Interest credited to policyholders’ account balances	315,684	415,190	331,770	(99,506)	83,420
Commissions for acquiring and servicing policies	564,054	545,405	465,965	18,649	79,440
Other operating expenses	497,011	485,340	476,462	11,671	8,878
Change in deferred policy acquisition costs (1)	(71,497)	(81,484)	1,152	9,987	(82,636
Total benefits, losses and expenses	3,185,224	3,082,654	3,017,357	102,570	65,297
Income before federal income taxes and other items	$141,158	$328,346	$210,594	$(187,188)	$117,7

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decreas
A positive amount of net change indicates less expense was deferred than amortized and represents an increase to

Income before federal income taxes and other items (“Earnings”)

Earnings decreased during the year ended December 31, 2018 compared to 2017 primarily due to the inclusion of margin resulting from a decrease in the S&P 500 index on equity-indexed products in our Annuity segment as wel to an increase in net investment income and realized investment gains. The increase in net investment income was holdings.

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Life

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

	Years ended December 31,			Change over prior year	
	2018	2017	2016	2018	2017
PREMIUMS AND OTHER REVENUES					
Premiums	$350,012	$328,570	$318,953	$21,442	$9,617
Other policy revenues	270,839	234,979	295,289	35,860	(60,310)
Net investment income	233,181	245,835	227,923	(12,654)	17,912
Other income	2,266	2,256	2,067	10	189
Total premiums and other revenues	856,298	811,640	844,232	44,658	(32,592)
BENEFITS, LOSSES AND EXPENSES					
Policyholder benefits	417,702	410,152	429,813	7,550	(19,661)
Interest credited to policyholders' account balances	54,249	73,965	63,565	(19,716)	10,400
Commissions for acquiring and servicing policies	158,657	147,176	132,428	11,481	14,748
Other operating expenses	190,835	190,482	186,879	353	3,603
Change in deferred policy acquisition costs (1)	(33,893)	(49,786)	3,887	15,893	(53,673)
Total benefits, losses and expenses	787,550	771,989	816,572	15,561	(44,583)
Income before federal income taxes and other items	$68,748	$39,651	$27,660	$29,097	$11,991

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

Items affecting the comparability of life results

The Company converted the valuation of its universal life business from an internally developed valuation system
acquisition costs. Neither event had significant impacts on operating income.

The unlocking of best estimate assumptions on the interest sensitive block impacted other policy revenues, policyh
million, respectively.

Earnings

Earnings increased during the year ended December 31, 2018 compared to 2017 due to higher premiums and other

Premiums and other revenues

Premiums increased during the year ended December 31, 2018 compared to 2017 and 2017 compared to 2016 prin

Other policy revenues, which include cost of insurance charges, earned policy service fees and surrender charges,
other policy revenue during 2017 compared to 2016 is due to the change in estimates discussed in "Items affecting

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Life insurance sales

The following table presents life insurance sales as measured by annualized premium, a non-GAAP measure used

	Years ended December 31,			Change over prior year	
	2018	2017	2016	2018	2017
Traditional Life	$57,714	$58,666	$52,596	$ (952)	$ 6,070
Universal Life	25,270	23,833	19,543	1,437	4,290
Indexed UL	33,543	29,110	24,606	4,433	4,504
Total Recurring	$116,527	$111,609	$96,745	$ 4,918	$ 14,864
Single and excess[1]	$3,336	$3,026	$1,932	$ 310	$ 1,094
Credit life[1]	8,076	8,689	9,035	(613)	(346)

(1) These are weighted amounts representing 10% of single and excess premiums and 31% of credit life premiums

Life insurance sales measure activity associated with gaining new insurance business in the current period, and inc

and deposits received related to interest sensitive life and universal life-type products are recorded in a policyhold

Life insurance sales increased during 2018 compared to 2017 primarily due to increased Indexed Universal Life sa

Benefits, losses and expenses

Policyholder benefits increased during the year ended December 31, 2018 compared to 2017 attributable to an inc

Commissions increased during the year ended December 31, 2018 compared to 2017 which was commensurate wi

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

	Years ended December 31,			Change over prior year	
	2018	2017	2016	2018	2017
Acquisition cost capitalized	$131,156	$123,854	$108,825	$ 7,302	$ 15,029
Amortization of DAC	(97,263)	(74,068)	(112,712)	(23,195)	38,644
Change in DAC	$33,893	$49,786	$(3,887)	$ (15,893)	$ 53,673

The amortization of DAC increased during the year ended December 31, 2018 due to release of reserves due to an

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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	
	2018	2017	2016	2018	2017
Life insurance in-force					
Traditional life	$78,872,533	$73,452,519	$67,649,433	$5,420,014	$5,803,086
Interest-sensitive life	31,483,582	29,648,405	27,971,646	1,835,177	1,676,759
Total life insurance in-force	$110,356,115	$103,100,924	$95,621,079	$7,255,191	$7,479,845

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

	December 31,			Change over prior year	
	2018	2017	2016	2018	2017
Number of policies in-force					
Traditional life	1,701,980	1,800,425	1,841,359	(98,445)	(40,934)
Interest-sensitive life	243,447	232,251	222,845	11,196	9,406
Total number of policies in-force	1,945,427	2,032,676	2,064,204	(87,249)	(31,528)

Total life insurance in-force increased during the year ended December 31, 2018 compared to 2017 and 2017 com

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,		
	2018	2017	2016	2018	2017	2016
Reinsurance assumed	$1,922	$2,337	$1,716	$389	$1,290	$2,188
Reinsurance ceded	(248,688)	(249,988)	(219,375)	(103,749)	(104,599)	(104,128)
Total	$(246,766)	$(247,651)	$(217,659)	$(103,360)	$(103,309)	$(101,940)

We use reinsurance to mitigate certain risks to the life segment. During 2018, our retention limits were $1.5 millio
term products up to our retention limit and cede the excess. We also engage in facultative reinsurance through seve
reinsurance in conjunction with treaties related to universal life products.

For 2018, the companies to whom we have ceded reinsurance for the Life segment are shown below (in thousands

Reinsurer	A.M. Best Rating(1)	Ceded Premium	Pe Gr
Swiss Re Life & Health of America Inc.	A+	$27,892	4.1
SCOR Global Life Reinsurance Company of Delaware	A +	23,988	3.5
Munich American Reassurance Company	A+	16,251	2.4
Canada Life Reinsurance	A+	9,954	1.5
Reinsurance Group of America	A-	5,861	0.9
Other Reinsurers with no single company greater than 5% of the total ceded premium		19,803	2.9
Total life reinsurance ceded		$103,749	15

(1) A.M. Best rating as of the most current information available February 15, 2019.

In addition, reinsurance is used in the credit life business primarily to provide producers of credit-related insurance
treaties entered into by our Specialty Markets Group are written on a 100% coinsurance basis with benefit limits o

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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	
	2018	2017	2016	2018	2017
PREMIUMS AND OTHER REVENUES					
Premiums	$231,027	$222,207	$248,714	$8,820	$(26,507)
Other policy revenues	14,710	13,547	11,591	1,163	1,956
Net investment income	467,788	573,789	500,726	(106,001)	73,063
Other income	2,611	2,832	3,161	(221)	(329)
Total premiums and other revenues	716,136	812,375	764,192	(96,239)	48,183
BENEFITS, LOSSES AND EXPENSES					
Policyholder benefits	290,611	270,970	296,586	19,641	(25,616)
Interest credited to policyholders' account balances	261,435	341,225	268,205	(79,790)	73,020
Commissions for acquiring and servicing policies	94,879	105,389	78,177	(10,510)	27,212
Other operating expenses	46,859	44,486	51,283	2,373	(6,797)
Change in deferred policy acquisition costs (1)	(35,135)	(30,022)	(5,780)	(5,113)	(24,242)
Total benefits, losses and expenses	658,649	732,048	688,471	(73,399)	43,577
Income before federal income taxes and other items	$57,487	$80,327	$75,721	$(22,840)	$4,606

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease

A positive amount of net change indicates less expense was deferred than amortized and represents an increase to

Items affecting the comparability of annuity results

The Company converted the valuation of its single premium immediate annuity business from a mainframe valuat

Earnings

Earnings decreased during the year ended December 31, 2018 compared to 2017 primarily due to a reduced interes primarily due to a decrease in operating expenses as well as the conversion of SPIA reserve valuation discussed in

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Premiums and other revenues

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

	Years ended December 31,			Change over prior year	
	2018	2017	2016	2018	2017
Fixed deferred annuity	$399,102	$741,184	$508,894	$(342,082)	$232,290
Single premium immediate annuity	271,513	261,809	281,521	9,704	(19,712)
Equity-indexed deferred annuity	858,283	893,032	572,473	(34,749)	320,559
Variable deferred annuity	64,907	76,470	76,012	(11,563)	458
Total premium and deposits	1,593,805	1,972,495	1,438,900	(378,690)	533,595
Less: Policy deposits	1,362,778	1,750,288	1,190,186	(387,510)	560,102
Total earned premiums	$231,027	$222,207	$248,714	$8,820	$(26,507)

Sales declined during the year ended December 31, 2018 driven by a decrease in fixed deferred products. Deferred

Earned premiums consist of single premium immediate annuity sales which increased during the year ended Decen

We monitor account values and changes in those values as a key indicator of performance in our Annuity segment

	Years ended December 31,		
	2018	2017	2016
Fixed deferred and equity-indexed annuity			
Account value, beginning of period	$10,042,683	$9,122,568	$8,882,184
Net inflows	929,455	1,337,864	769,377
Surrenders	(775,597)	(745,118)	(784,666)
Fees	(7,090)	(6,608)	(5,821)
Interest credited	252,795	333,977	261,494
Account value, end of period	10,442,246	10,042,683	9,122,568
Single premium immediate annuity			
Reserve, beginning of period	1,691,502	1,566,440	1,398,481
Net inflows	74,426	78,637	117,840
Interest and mortality	60,209	46,425	50,119
Reserve, end of period	1,826,137	1,691,502	1,566,440
Variable deferred annuity			
Account value, beginning of period	381,902	392,345	417,821
Net inflows	62,103	73,891	71,982
Surrenders	(88,979)	(140,686)	(114,543)
Fees	(4,283)	(4,481)	(4,745)
Change in market value and other	(17,845)	60,833	21,830
Account value, end of period	332,898	381,902	392,345
Total account value, end of period	$12,601,281	$12,116,087	$11,081,353

Benefits, losses and expenses
Policyholder benefits consist of annuity payments and reserve increases for SPIA contracts. Reserve increases are

Commissions decreased during the year ended December 31, 2018 compared to 2017 driven by a decrease in sales
increase in sales of deferred annuity and equity-indexed products.

Other operating expenses remained relatively flat during the year ended December 31, 2018 compared to 2017. Ot
The change in DAC represents acquisition costs capitalized less the amortization of existing DAC, which is calcul

	Years ended December 31,			Change over prior year	
	2018	2017	2016	2018	2017
Acquisition cost capitalized	$92,602	$104,772	$77,161	$(12,170)	$27,611
Amortization of DAC	(57,467)	(74,750)	(71,381)	17,283	(3,369)
Change in DAC	$35,135	$30,022	$5,780	$5,113	$24,242

The amortization of DAC as a percentage of gross profits is an important ratio for the Annuity segment. Changes i
favorable due to a higher proportion of the margin used to amortize DAC.

In 2018, DAC assumptions were unlocked, resulting in a favorable reduction in amortization.
Interest Margin

Overall, the margin earned on annuity reserves decreased during the year ended December 31, 2018 compared to 2
summarizes the interest margin due to the impact of the investment performance, interest credited to policyholder'

	Years ended December 31,			Change over prior	
	2018	2017	2016	2018	2017
Fixed deferred annuities					
Fixed investment income	$309,797	$336,136	$347,194	$(26,339)	$(11,0
Interest credited	(196,610)	(200,383)	(209,730)	3,773	9,347
Interest margin	113,187	135,753	137,464	(22,566)	(1,711
Account balance, end of period	6,773,601	7,108,252	7,068,119	(334,651)	40,133
Equity-indexed annuities					
Fixed investment income	135,595	91,010	66,347	44,585	24,663
Option return	(48,613)	80,399	26,099	(129,012)	54,300
Interest and mortality	(55,729)	(133,177)	(52,947)	77,448	(80,23
Interest and mortality margin	31,253	38,232	39,499	(6,979)	(1,267
Reserve, end of period	3,668,645	2,934,430	2,054,449	734,215	879,98
Single premium immediate annuities					
Fixed investment income	71,009	66,244	61,083	4,765	5,161
Interest and mortality	(60,296)	(47,768)	(50,609)	(12,528)	2,841
Interest and mortality margin	10,713	18,476	10,474	(7,763)	8,002
Reserve, end of period	1,826,137	1,691,502	1,566,440	134,635	125,06
Total interest and mortality margin	$155,153	$192,461	$187,437	$(37,308)	$5,024
Total account balance and reserve, end of period	$12,268,383	$11,734,184	$10,689,008	$534,199	$1,045

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Health

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

	Years ended December 31,			Change over prior year	
	2018	2017	2016	2018	2017
PREMIUMS AND OTHER REVENUES					
Premiums	$180,414	$156,436	$175,589	$23,978	$(19,153)
Net investment income	9,376	9,538	9,942	(162)	(404)
Other income	24,185	19,284	17,488	4,901	1,796
Total premiums and other revenues	213,975	185,258	203,019	28,717	(17,761)
BENEFITS, LOSSES AND EXPENSES					
Claims incurred	122,547	103,037	132,390	19,510	(29,353)
Commissions for acquiring and servicing policies	32,516	27,400	22,846	5,116	4,554
Other operating expenses	41,819	38,475	42,655	3,344	(4,180)
Change in deferred policy acquisition costs (1)	2,846	3,814	3,770	(968)	44
Total benefits, losses and expenses	199,728	172,726	201,661	27,002	(28,935)
Income before federal income taxes and other items	$14,247	$12,532	$1,358	$1,715	$11,174

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decreas

A positive amount of net change indicates less expense was deferred than amortized and represents an increase to

Items affecting the comparability of health results

During 2017, earnings increased due to the absence of a group health plan that was not renewed, slightly offset by

Earnings

Earnings increased for the year ended December 31, 2018 compared to 2017, primarily due to an increase in other during 2017 compared to 2016, primarily due to a change in estimate which decreased the amount of ceded MGU

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Premiums and other revenues

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

	Years ended December 31,					
	2018		2017		2016	
Medicare Supplement	$71,357	39.6 %	$66,550	42.4 %	$68,376	38.9 %
Credit health	17,948	9.9	18,217	11.6	15,124	8.6
MGU	46,133	25.5	26,574	17.0	17,611	10.0
Supplemental insurance	24,119	13.4	25,321	16.2	23,876	13.6
Medical expense	11,127	6.2	12,891	8.2	14,021	8.0
Group health	3,063	1.7	2,239	1.4	30,974	17.6
All other	6,667	3.7	4,644	3.2	5,607	3.3
Total	$180,414	100.0%	$156,436	100.0%	$175,589	100.0%

Earned premiums increased during the year ended December 31, 2018 compared to 2017 primarily due to an incre
by an increase in MGU and credit health premiums.

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

	Years ended December 31,					
	2018		2017		2016	
Medicare Supplement	36,679	5.9 %	35,481	6.8 %	33,815	6.3 %
Credit health	166,176	26.6	179,158	34.4	194,194	36.1
MGU	334,653	53.6	210,293	40.5	195,936	36.4
Supplemental insurance	53,415	8.5	55,559	10.7	60,261	11.2
Medical expense	1,452	0.2	1,878	0.4	2,228	0.4
Group health	8,852	1.4	10,577	2.0	17,485	3.3
All other	23,552	3.8	26,788	5.2	33,820	6.3
Total	624,779	100.0%	519,734	100.0%	537,739	100.0%

Total in-force policies increased during the year ended December 31, 2018 compared to 2017 primarily due to an i
premiums increased from 2016 to 2017, policy counts decreased due to a decrease in the traditional single premiu
counts.

Benefits, losses and expenses

Claims incurred increased during the year end December 31, 2018 compared to 2017 consistent with growth in the

Commissions increased during 2018 primarily due to the increase in premiums from the MGU and Medicare Supp

Other operating expenses increased during 2018 correlated to an increase in the Medicare Supplement line of busi

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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	
	2018	2017	2016	2018	2017
Acquisition cost capitalized	$12,590	$11,413	$11,203	$ 1,177	$ 210
Amortization of DAC	(15,436)	(15,227)	(14,973)	(209)	(254)
Change in DAC	$(2,846)	$(3,814)	$(3,770)	$ 968	$ (44)

Reinsurance

We cede or retrocede the majority of the premium and risk associated with our stop loss and other MGU programs

For 2018, the companies to which we have ceded reinsurance for the health segment are shown below (in thousanc

Reinsurer	A.M. Best Rating[1]	Ceded Premium	P G
Axis Insurance Company	A+	$59,090	1
Munich Reinsurance America	A+	39,460	8
Navigator Insurance Company	A	23,894	4
PartnerRe America Insurance Company	A	15,816	3
American Healthcare Indemnity Company	A-	12,802	2
Other reinsurers with no single company greater than 5.0% of the total ceded premium		152,561	3
Total health reinsurance ceded		$303,623	6

(1) A.M. Best rating as of the most current information available February 15, 2019.

Reinsurance is also used in the credit health business. In certain cases, we may also reinsure the policy written thro

Specialty Markets Group are written on a 100% coinsurance basis with benefit limits of $1,000 per month.

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Property and Casualty

Property and Casualty segment financial results for the periods indicated were as follows (in thousands, except per

	Years ended December 31,			Change over p	
	2018	2017	2016	2018	2
PREMIUMS AND OTHER REVENUES					
Net premiums written	$1,514,563	$1,414,024	$1,282,876	$100,539	$
Net premiums earned	$1,466,740	$1,359,989	$1,253,392	$106,751	$
Net investment income	62,320	61,688	57,091	632	4
Other income	10,628	8,372	4,588	2,256	3
Total premiums and other revenues	1,539,688	1,430,049	1,315,071	109,639	1
BENEFITS, LOSSES AND EXPENSES					
Claims incurred	1,049,112	934,044	883,219	115,068	5
Commissions for acquiring and servicing policies	278,002	265,440	232,514	12,562	3
Other operating expenses	186,019	177,345	165,278	8,674	1
Change in deferred policy acquisition costs [1]	(5,315)	(5,490)	(725)	175	(
Total benefits, losses and expenses	1,507,818	1,371,339	1,280,286	136,479	9
Income before federal income taxes and other items	$31,870	$58,710	$34,785	$(26,840)	$
Loss ratio	71.5 %	68.7 %	70.5 %	2.8 %	(
Underwriting expense ratio	31.3	32.1	31.7	(0.8)	0
Combined ratio	102.8 %	100.8 %	102.2 %	2.0 %	(
Impact of catastrophe events on combined ratio	7.1	7.8	6.8	(0.7)	1
Combined ratio without impact of catastrophe events	95.7 %	93.0 %	95.4 %	2.7 %	(
Gross catastrophe losses	$103,890	$111,455	$85,252	$(7,565)	$
Net catastrophe losses	$105,670	$105,880	$84,989	$(210)	$

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decreas
A positive amount of net change indicates less expense was deferred than amortized and represents an increase to

Earnings

Property and Casualty earnings decreased during the year ended December 31, 2018 compared to 2017 due primar
2017 compared to 2016, primarily due to increased net premiums earned coupled with an improvement in the loss

Premiums and other revenues

Net premiums written and earned increased for all major lines of business during the year ended December 31, 20

Benefits, losses and expenses

Claims increased during the year ended December 31, 2018 compared to 2017 due to increases in non-catastrophe
growth.

Commissions increased during the year ended December 31, 2018 compared to 2017 and the year ended Decembe

Operating expenses increased during the year ended December 31, 2018 compared to 2017, but at a rate less than

Products

Our Property and Casualty segment consists of: (i) Personal products, marketed primarily to individuals, represent
(iii) Credit-related property insurance products, marketed to and through financial institutions and retailers, repres

Personal Products

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

	Years ended December 31,			Change over prior year	
	2018	2017	2016	2018	2017
Net premiums written					
Automobile	$564,833	$506,110	$445,860	$58,723	$60,250
Homeowner	275,986	259,319	238,967	16,667	20,352
Other Personal	50,651	46,026	42,484	4,625	3,542
Total net premiums written	$891,470	$811,455	$727,311	$80,015	$84,144
Net premiums earned					
Automobile	$543,163	$482,851	$431,580	$60,312	$51,271
Homeowner	264,603	247,575	230,565	17,028	17,010
Other Personal	48,105	44,306	42,122	3,799	2,184
Total net premiums earned	$855,871	$774,732	$704,267	$81,139	$70,465
Loss ratio					
Automobile	81.4 %	80.3 %	85.7 %	1.1 %	(5.4)%
Homeowner	76.6	74.7	71.8	1.9	2.9
Other Personal	62.0	68.3	55.3	(6.3)	13.0
Personal line loss ratio	78.8 %	77.9 %	79.3 %	0.9 %	(1.4)%
Combined Ratio					
Automobile	104.3 %	103.5 %	110.9 %	0.8 %	(7.4)%
Homeowner	111.0	108.4	100.0	2.6	8.4
Other Personal	97.8	99.4	79.1	(1.6)	20.3
Personal line combined ratio	106.0 %	104.8 %	105.5 %	1.2 %	(0.7)%

Automobile: Net premiums written and earned increased in our personal automobile line during the year ended De
increased during the year ended December 31, 2018 compared to 2017 primarily due to increased claim activity ou
losses.

Homeowners: Net premiums written and earned increased during the year ended December 31, 2018 compared to
increase in weather-related catastrophe and non-catastrophe losses. Net premiums written and earned increased du

Other Personal: These products include coverages for individuals seeking to protect their personal property and lia
2018 compared to 2017 primarily due to decrease in non-catastrophe related claims. The combined ratio decreased
2016 due to increased claims for rental owners along with several large umbrella claims.

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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	
	2018	2017	2016	2018	2017
Net premiums written					
Other Commercial	$217,196	$197,772	$172,667	$19,424	$25,105
Agricultural Business	146,461	142,241	137,182	4,220	5,059
Automobile	110,259	103,048	96,939	7,211	6,109
Total net premiums written	$473,916	$443,061	$406,788	$30,855	$36,273
Net premiums earned					
Other Commercial	$212,145	$188,077	$165,828	$24,068	$22,249
Agricultural Business	142,996	139,573	133,436	3,423	6,137
Automobile	106,718	100,196	94,423	6,522	5,773
Total net premiums earned	$461,859	$427,846	$393,687	$34,013	$34,159
Loss ratio					
Other Commercial	47.2 %	50.5 %	63.1 %	(3.3)%	(12.6)%
Agricultural Business	62.7	57.2	58.1	5.5	(0.9)
Automobile	89.0	62.2	70.8	26.8	(8.6)
Commercial line loss ratio	61.7 %	55.4 %	63.2 %	6.3 %	(7.8)%
Combined ratio					
Other Commercial	80.1 %	83.5 %	94.7 %	(3.4)%	(11.2)%
Agricultural Business	101.2	95.4	95.4	5.8	—
Automobile	113.4	86.1	95.6	27.3	(9.5)
Commercial line combined ratio	94.3 %	88.0 %	95.1 %	6.3 %	(7.1)%

Other Commercial: Net premiums written and earned increased during the year ended December 31, 2018 compar
the year ended December 31, 2018 compared to 2017 is primarily due to the favorable workers' compensation exp
in the loss and combined ratios for 2017 compared to 2016 is primarily due to decreased claim activity on business

Agricultural Business: Our agricultural business product allows policyholders to customize and cover their agricul
property. Net premiums written and earned increased during the year ended December 31, 2018 compared to 2017
Net premiums written and earned increased during 2017 compared to 2016 primarily as a result of an increase in p

Commercial Automobile: Net premiums written and earned increased during the year ended December 31, 2018 c
due to an increase in the average severity of losses from prior accident years. Net premiums written and earned inc
due to a decrease in the 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	
	2018	2017	2016	2018	2017
Net premiums written	$149,177	$159,508	$148,777	$(10,331)	$10,731
Net premiums earned	149,010	157,411	155,437	(8,401)	1,974
Loss ratio	60.1 %	59.6 %	48.7 %	0.5 %	10.9 %
Combined ratio	110.8 %	116.2 %	107.2 %	(5.4)%	9.0 %

Credit-related property products are offered on automobiles, furniture and appliances in connection with the financ debt.

Net written and earned premiums decreased during the year ended December 31, 2018 compared to 2017 primaril combined ratio for 2018 decreased compared to 2017 due to lower commission expense in the CPI business. Net v compared to 2016 primarily due to an increase in claims in the Guaranteed Auto Protection ("GAP") business, par

Reinsurance

We reinsure a portion of the risks that we underwrite to manage our loss exposure. In return for ceded premiums, r and its predecessors. We participate in the National Flood Insurance Program administered by the Federal Emerge

We retain the first $500,000 for workers' compensation risks and the first $1.5 million of loss per risk for non-wor catastrophe reinsurance retention covering property and casualty companies in total is $17.5 million for non-eartho

The following table summarizes the Company's catastrophe reinsurance coverage effective during 2018:

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 Aggreg
$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 no

Each per-event coverage above includes one automatic reinstatement except for a 12.4% portion of the Corporate reinstatement premium is prorated by the percentage of actual loss to the coverage, with the exception of losses fro through reinstatement premium protection coverage purchased. The 12.4% placement of non-reinstateable coverag

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We purchase a Catastrophe Aggregate reinsurance coverage that provides for $30 million of limit excess of $90 m
internally declared catastrophe events exceeding $5 million. The Catastrophe Aggregate reinsurance coverage has

A Stretch & Aggregate cover is purchased which consists of a $35 million annual limit available either wholly or i
million excess of $5 million of each catastrophe. Recoveries follow satisfaction of a $40 million annual aggregate
We use multiple reinsurers with each reinsurer absorbing part of the overall risk ceded. The primary reinsurers in t

Reinsurer	A.M. Best Rating(1)	Percent of Risk Covered Non–Catastrophe	Catastrophe
Lloyd's Syndicates	A	38.6 %	40.3 %
Swiss Re	A+	12.1	6.3
Safety National Casualty Corporation	A+	18.2	—
Hannover Ruckversicherung-Aktiengesellschaft, Germany	A+	9.9	—
Tokio Millennium Re Ltd.	A+	—	8.9
Other Reinsurers with no single company with greater than a 8% share		21.2	44.5
Total Reinsurance Coverage		100.0 %	100.0 %

(1) A.M. Best rating as of the most current information available February 20, 2019.

Reinsurance is used in the credit property and casualty business primarily to provide producers of credit-related in
majority of the treaties entered into by our Specialty Markets Group are written on a 100% coinsurance basis with
commercial business written by our Multiple Line agents.

Reserve Development

While we believe that our claims reserves at December 31, 2018 are adequate, new information, events or circums
final cost of settling both claims outstanding at December 31, 2018 and claims expected to arise from unexpired p
reported claims; judicial action changing the scope or liability of coverage; the regulatory, social and economic en
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	
	2018	2017	2016	2018	2017
OTHER REVENUES					
Net investment income	$85,702	$75,227	$64,553	$10,475	$10,674
Realized investment gains, net	16,931	91,209	28,940	(74,278)	62,269
Net losses on equity securities*	(107,188)	—	—	(107,188)	—
Other income	4,840	5,242	7,944	(402)	(2,702)
Total other revenues	285	171,678	101,437	(171,393)	70,241
BENEFITS, LOSSES AND EXPENSES					
Other operating expenses	31,479	34,552	30,367	(3,073)	4,185
Total benefits, losses and expenses	31,479	34,552	30,367	(3,073)	4,185
Income before federal income taxes and other items	$(31,194)	$137,126	$71,070	$(168,320)	$66,056

*Effective January 1, 2018, the Company adopted ASU No. 2016-01. As a result, equity securities are no longer c
earnings. Since changes in fair value are recognized in earnings each reporting period, OTTI is no longer recogniz

Earnings

Earnings decreased during the year ended December 31, 2018 compared to 2017 primarily due to net losses on equ
December 31, 2018 included net losses on equity securities as a result of our adoption of new accounting guidance
gains is primarily attributable to an increase in the sale of equity securities and certain real estate holdings. These i
payment window that occurred in 2017.

Investments

We manage our investment portfolio to optimize the rate of return commensurate with sound and prudent asset sel
Investment activities, including setting investment policies and defining acceptable risk levels, are subject to overs

Our insurance and annuity products are generally supported by investment-grade bonds and commercial mortgage
considering our estimated future cash flow needs. We also monitor the composition of our fixed maturity securitie

We invest in commercial mortgage loans when the yield and credit risk compare favorably with fixed maturity sec
estate and equity investments based on a risk and reward analysis where we believe there are opportunities for enh

The following summarizes the carrying values of our invested assets (other than investments in unconsolidated aff

	December 31, 2018		December 31, 2017	
Fixed maturity, bonds held-to-maturity, at amortized cost	$8,211,449	36.8 %	$7,552,959	34.5 %
Fixed maturity, bonds available-for-sale, at fair value	6,215,563	27.9	6,145,308	28.1
Equity securities, at fair value	1,530,228	6.9	1,784,226	8.2
Mortgage loans on real estate, net of allowance	5,124,707	23.0	4,749,999	21.7
Policy loans	376,254	1.7	377,103	1.7
Investment real estate, net of accumulated depreciation	587,516	2.6	532,346	2.4
Short-term investments	206,760	0.9	658,765	3.0
Other invested assets	50,087	0.2	80,165	0.4
Total investments	$22,302,564	100.0%	$21,880,871	100.0%

The increase in our total investments at December 31, 2018 compared to 2017 was primarily a result of an increas

Bonds—We allocate most of our fixed maturity securities to support our insurance business. At December 31, 201
an estimated fair value of $13.9 billion, which was $0.4 billion, or 3.0%, above amortized cost. The estimated fair
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, Investm

Mortgage Loans— We invest in commercial mortgage loans that are diversified by property-type and geography.
balances, adjusted for any unamortized premium or discount, deferred fees or expenses, and net of allowances. Th
mortgage loans refer to Note 5, Mortgage Loans, of the Notes to the Consolidated Financial Statements

Policy Loans—For certain life insurance products, policyholders may borrow funds using the policy's cash value
value of approximately 60%, and at December 31, 2017, we had $377.1 million in policy loans with a loan to surr
priority to any claims on the policy. If the policyholder fails to repay the policy loan, funds are withdrawn from th

Investment Real Estate—We invest in commercial real estate where positive cash flows and/or appreciation in val
share our perspective regarding risk and return relationships. The carrying value of real estate is stated at cost, less

Short-Term Investments—Short-term investments are primarily commercial paper rated A2 or P2 or better by Sta
needs, including mortgage investment-funding commitments.

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Net Investment Income and Net Realized Gains (Losses)

Net investment income decreased $107.7 million during 2018 compared to 2017 primarily due to a loss on options

Interest income on mortgage loans is accrued on the principal amount of the loan at the contractual interest rate. A

on loans generally more than 90 days past due or when the collection of interest is not considered probable. Loans

Net realized gains decreased $86.4 million during the year ended December 31, 2018 compared to 2017. The decr

impairment on investment securities decreased $12.1 million during 2018 compared to 2017.

Net Unrealized Gains and Losses

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

	December 31,		
	2018	2017	Change
Held-to-Maturity			
Gains	$72,403	$240,713	$(168,310)
Losses	(153,768)	(19,319)	(134,449)
Net gains (losses)	(81,365)	221,394	(302,759)
Available-for-Sale			
Gains	61,286	204,803	(143,517)
Losses	(107,344)	(17,396)	(89,948)
Net gains (losses)	(46,058)	187,407	(233,465)
Total	$(127,423)	$408,801	$(536,224)

The net change in the unrealized gains on fixed maturity securities between December 31, 2018 and December 31,

to be required to sell any of the securities in an unrealized loss position.

Liquidity

Our liquidity requirements have been and are expected to continue to be met by funds from operations, comprised

payment of policyholder benefits and claims incurred. Current and expected patterns of claim frequency and sever

next twelve months. Our contractual obligations are not expected to have a significant negative impact to cash flo

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Increasing interest rates may lead to an increase in the volume of annuity contracts sold, which may be partially of
Benefit Guaranty Corporation ("PBGC") premiums may cause us to increase our funding of the plans. An increase
deadline. This contribution did not significantly impact cash flow and resulted in an overfunded status on our qual
continue this trend. There are no other known trends or uncertainties regarding product pricing, changes in produc
Funds received as premium payments and deposits, that are not used for liquidity requirements are generally inves
historically have not had to liquidate invested assets in order to cover cash flow needs. We believe our portfolio of
Company's membership with the Federal Home Loan Bank of Dallas ("FHLB") provided approximately $113 mil
The Company holds collateral to offset exposure from its derivative counterparties. Cash flows associated with co
requirements would also decline or increase respectively.

Our cash and cash equivalents and short-term investment position decreased from $1.0 billion at December 31, 20
A downgrade or a potential downgrade in our financial strength ratings could result in a loss of business and could
Further information regarding additional sources or uses of cash is described in Note 19, Commitments and Contin
Capital Resources
Our capital resources are summarized below (in thousands):

American National stockholders' equity, excluding accumulated other comprehensive income, net of tax ("AOCI"
Accumulated other comprehensive income (loss)
Total American National stockholders' equity
We have notes payable relating to borrowings by real estate joint ventures that we consolidate into our financial st
for these notes payable is limited to our investment in the respective ventures, which totaled $26.6 million and $28

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

	Years ended 2018			2017	
	Capital and Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total	Capital and Retained Earnings	Acc Oth Cor Inco
Net income attributable to American National	$158,995	$ —	$158,995	$493,651	$ –
Dividends to shareholders	(88,228)	—	(88,228)	(88,335)	—
Change in net unrealized gains on debt securities	—	(136,261)	(136,261)	—	169
Foreign currency transaction and translation adjustment	—	(900)	(900)	—	746
Defined benefit pension plan adjustment	—	22,326	22,326	—	15,8
Cumulative effect of accounting changes	687,051	(627,119)	59,932	—	—
Other	(5,375)	—	(5,375)	2,948	—
Total	$752,443	$ (741,954)	$10,489	$408,264	$ 1

Statutory Capital and Surplus and Risk-based Capital

Statutory capital and surplus is the capital of our insurance companies reported in accordance with accounting prac
things, investment risks related to the type and quality of investments, insurance risks associated with products anc
required to take certain actions. At December 31, 2018 and December 31, 2017, American National Insurance Cor
capital and surplus at December 31, 2018 and December 31, 2017, substantially above 200% of the authorized cor
The achievement of long-term growth will require growth in American National Insurance Company’s and our ins
from us.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2018 (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]	$5,164,156	$(14,430)	$(12,922)	$97,139	$5,094,36
Annuity obligations[1]	15,652,997	1,291,792	2,568,730	2,187,036	9,605,439
Property and casualty insurance obligations[2]	959,140	424,109	342,658	109,475	82,898
Health insurance obligations[3]	279,082	174,428	28,657	14,521	61,476
Purchase obligations					
Commitments to purchase and fund investments	349,258	162,937	156,329	28,565	1,427
Mortgage loan commitments	505,592	371,226	134,366	—	—
Operating leases	13,781	4,104	6,604	2,513	560
Defined benefit pension plans[4]	82,059	15,386	16,961	14,980	34,732
Notes payable[5]	137,963	—	10,835	42,399	84,729
Total	$23,144,028	$2,429,552	$3,252,218	$2,496,628	$14,965,6

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(1) Life and annuity obligations include undiscounted estimated claim, benefit, surrender and commission obligatio and surrender obligations are based on mortality and lapse assumptions comparable with historical experience. spreads from a constant investment yield. As a result, the estimated obligations for insurance liabilities include could materially differ from actual payments. Separate account obligations have not been included in the table s liabilities will be funded by cash flows from general account assets and future premiums and deposits. Participa cash payments are net of estimated future premiums on policies currently in-force net of future policyholder di subject to significant uncertainty and the amount of the participating policyholder obligation is based upon a lo

(2) Includes undiscounted case reserves for reported claims and reserves for IBNR with the timing of future payme from the recorded amounts, which are our best estimates.

(3) Reflects estimated future claim payments for claims incurred based on mortality and morbidity assumptions tha with interest. Due to the significance of the assumptions used, the amounts presented could materially differ fro

(4) Estimated payments through continuing operations for benefit obligations of the non-qualified defined benefit p

(5) The estimated payments due by period for notes payable reflect the contractual maturities of principal for amou venture. See Note 6, Real Estate and Other Investments, of the Notes to the Consolidated Financial Statements

Off-Balance Sheet Arrangements

We have off-balance sheet arrangements relating to third-party marketing operation bank loans as discussed in No the underlying insurance contracts. The cash value of the life insurance policies is designed to always equal or exc

Related-Party Transactions

We have various agency, consulting and service arrangements with individuals and entities considered to be relate both individually and in the aggregate, with these arrangements are not material to any segment or to our overall o

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our investments and some of our products are subject to various market risks associated with changes in interest r
liquidity, risk tolerances and market perceptions of credit worthiness.

We emphasize prudent risk management throughout all our operations. Our enterprise risk management procedure
based on the principles of enterprise risk management to provide reasonable assurance regarding the achievement

- 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 correc
- tracking actual risk levels against predetermined thresholds; and
- monitoring our capital adequacy.

We expect ongoing enterprise risk management efforts will expand the management tools used to support an effic

A key component of our risk management program is our ALM Committee. The ALM Committee monitors the le
includes maintaining adequate reserves, monitoring claims and surrender experience, managing interest rate sprea

As a part of the ALM process, we have asset portfolios for each major line of business, which represent the invest
sensitivity and liquidity. In executing these ALM strategies, we regularly reevaluate the estimates used in determi
ability to achieve our ALM goals and objectives. Our Finance Committee and ALM Committee also review the ri

Interest Rate Risk

Interest rate risk is the risk that the value of our interest sensitive assets or liabilities will change with changes in m
and dividend streams of existing fixed rate investments become more valuable and thus, market values of fixed m

These calculations hold all other variables influencing the values of fixed maturity securities constant and would n
materially from these amounts due to the assumptions and estimates used in calculating the scenarios.

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The carrying values of our investment in fixed maturity securities, which comprise 64.7% of our portfolio, are sum

	December 31,			
	2018		2017	
	Amount	Percent	Amount	Percent
Bonds held-to-maturity	$8,211,449	56.9 %	$7,552,959	55.1 %
Bonds available-for-sale	6,215,563	43.1	6,145,308	44.9
Net unrealized gains (losses) on available-for-sale bonds	(46,058)	(0.7)	187,407	3.1

The unrealized losses on available-for-sale bonds were primarily the result of an increase in unrealized losses on c
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, 2018, these mortgage loans have fixed rates ra
mortgage loans contain prepayment restrictions or fees or both that reduce the risk of payment before maturity or c
Rising interest rates can cause increases in policy loans associated with life insurance policies and surrenders relat
sell assets earlier than anticipated to pay for these withdrawals. Our life insurance and annuity product designs red
targets and asset allocation tolerances, help ensure this risk is managed within the constraints of established criteri
Falling interest rates can have an adverse impact on our general account and immediate annuities. We aim to mana
decline, we can reduce crediting rates on some deferred annuities, to a limit defined by contractual minimum guara
Interest Rate sensitivity analysis: The table below shows the estimated change in pre-tax market values of our inve

	Increase (Decrease) in Market Value Given an Interest Rate Increase (Decrease) of X Basis Points			
	(100)	(50)	50	100
December 31, 2018	$ 628,238	$ 311,485	$ (307,352)	$ (609,109)
December 31, 2017	$ 647,685	$ 320,670	$ (317,212)	$ (637,882)

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These calculations hold all other variables influencing the values of fixed maturity securities constant and would n
materially from these amounts due to the assumptions and estimates used in calculating the scenarios.

Credit Risk

We are exposed to credit risk, which is the uncertainty of whether a counterparty will honor its obligation under th
limits, investment size limits, mortgage loan-to-value guidelines and other applicable parameters. Investment activ

We are also exposed to risks created by changes in market prices and cash flows associated with fluctuations in the
widening will reduce the fair value of our existing investment portfolio and will increase investment income on ne
MD&A.

We are subject to credit risk associated with our reinsurance agreements. While we believe our reinsurers are repu
for the risks we insure. We regularly monitor the financial strength of our reinsurers and the levels of concentratio

The Company's use of derivative instruments exposes it to credit risk in the event of non-performance by counterp
financial loss from defaults. The non-performance risk is the net counterparty exposure based on the fair value of t
Financial Statements.

Equity Risk

Equity risk is the risk that we will incur realized or unrealized losses due to changes in the overall equity investme
level of volatility in our statement of operations. At December 31, 2018, we held approximately $1.5 billion of equ
("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 issue. We have entered i

Changes in Accounting Principles

Refer to Note 3, Recently Issued Accounting Pronouncements, of the Notes to the Consolidated Financial Stateme

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Annual Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
American National Insurance Company:
Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheets of American National Insurance Company and su
years in the three-year period ended December 31, 2018, the related notes and financial statement schedules I to V
December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (Unit
issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated Februar
Change in Accounting Principle
As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accountin
Liabilities.
Basis for Opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility i
respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulation
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan an
performing procedures to assess the risks of material misstatement of the consolidated financial statements, wheth
consolidated financial statements. Our audits also included evaluating the accounting principles used and significa
opinion.
/s/ KPMG LLP
We have served as the Company's auditor since 2000.
Houston, Texas
February 28, 2019

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
American National Insurance Company:
Opinion on Internal Control Over Financial Reporting
We have audited American National Insurance Company and subsidiaries' (the Company) internal control over fir
Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal contro
the Treadway Commission.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (Unit
changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, the rela
consolidated financial statements.
Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and
Our responsibility is to express an opinion on the Company's internal control over financial reporting based on ou
the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and
financial reporting included obtaining an understanding of internal control over financial reporting, assessing the r
other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable
Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regard
control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of recor
necessary to permit preparation of financial statements in accordance with generally accepted accounting principle
assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatemen
compliance with the policies or procedures may deteriorate.
/s/ KPMG LLP
Houston, Texas
February 28, 2019

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AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands, except share data)

ASSETS
Fixed maturity, bonds held-to-maturity, at amortized cost
(Fair value $8,130,084 and $7,774,353)
Fixed maturity, bonds available-for-sale, at fair value
(Amortized cost $6,261,621 and $5,957,901)
Equity securities, at fair value
(Cost $714,504 and $757,583)
Mortgage loans on real estate, net of allowance
Policy loans
Investment real estate, net of accumulated depreciation of $267,920 and $260,904
Short-term investments
Other invested assets
Total investments
Cash and cash equivalents
Investments in unconsolidated affiliates
Accrued investment income
Reinsurance recoverables
Prepaid reinsurance premiums
Premiums due and other receivables
Deferred policy acquisition costs
Property and equipment, net of accumulated depreciation of $236,922 and $217,076
Current tax receivable
Prepaid pension
Other assets
Separate account assets
Total assets
LIABILITIES
Future policy benefits
Life
Annuity
Health
Policyholders’ account balances
Policy and contract claims
Unearned premium reserve
Other policyholder funds
Liability for retirement benefits
Notes payable
Deferred tax liabilities, net
Other liabilities
Separate account liabilities
Total liabilities
EQUITY

American National stockholders’ equity:
Common stock, $1.00 par value, - Authorized 50,000,000, Issued 30,832,449 and 30,832,449 Outstanding 26,885,
Additional paid-in capital
Accumulated other comprehensive income (loss)
Retained earnings
Treasury stock, at cost
Total American National stockholders’ equity
Noncontrolling interest
Total equity
Total liabilities and equity
See accompanying notes to the consolidated financial statements.

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NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Years ended December 31		
	2018	2017	20
PREMIUMS AND OTHER REVENUES			
Premiums			
Life	$350,012	$328,570	$3
Annuity	231,027	222,207	24
Health	180,414	156,436	17
Property and casualty	1,466,740	1,359,989	1,
Other policy revenues	285,549	248,526	30
Net investment income	858,367	966,077	86
Net realized investment gains	18,174	104,595	46
Other-than-temporary impairments	(1,243)	(13,386)	(1
Net losses on equity securities	(107,188)	—	—
Other income	44,530	37,986	35
Total premiums and other revenues	3,326,382	3,411,000	3,
BENEFITS, LOSSES AND EXPENSES			
Policyholder benefits			
Life	417,702	410,152	42
Annuity	290,611	270,970	29
Claims incurred			
Health	122,547	103,037	13
Property and casualty	1,049,112	934,044	88
Interest credited to policyholders’ account balances	315,684	415,190	33
Commissions for acquiring and servicing policies	564,054	545,405	46
Other operating expenses	497,011	485,340	47
Change in deferred policy acquisition costs	(71,497)	(81,484)	1,
Total benefits, losses and expenses	3,185,224	3,082,654	3,
Income before federal income tax and other items	141,158	328,346	21
Less: Provision (benefit) for federal income taxes			
Current	24,044	49,101	(1
Deferred	(22,599)	(142,096)	93
Total provision (benefit) for federal income taxes	1,445	(92,995)	77
Income after federal income tax	139,713	421,341	13
Equity in earnings of unconsolidated affiliates	21,281	86,674	57
Other components of net periodic pension costs, net of tax	(572)	(12,408)	(7
Net income	160,422	495,607	18
Less: Net income attributable to noncontrolling interest, net of tax	1,427	1,956	1,
Net income attributable to American National	$158,995	$493,651	$1
Amounts available to American National common stockholders			
Earnings per share			
Basic	$5.91	$18.35	$6
Diluted	5.91	18.31	6.
Cash dividends to common stockholders	3.28	3.28	3.

Weighted average common shares outstanding	26,886,357	26,896,926	26
Weighted average common shares outstanding and dilutive potential common shares	26,916,643	26,960,695	26

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,		
	2018	2017	2016
Net income	$160,422	$495,607	$182,667
Other comprehensive income (loss), net of tax			
Change in net unrealized gains (losses) on securities	(136,261)	169,740	93,704
Foreign currency transaction and translation adjustments	(900)	746	289
Defined benefit pension plan adjustment	22,326	15,831	9,286
Other comprehensive income (loss), net of tax	(114,835)	186,317	103,279
Total comprehensive income	45,587	681,924	285,946
Less: Comprehensive income attributable to noncontrolling interest	1,427	1,956	1,664
Total comprehensive income attributable to American National	$44,160	$679,968	$284,282

See accompanying notes to the consolidated financial statements.

AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands)

	Years ended December 31,		
	2018	2017	2016
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,	19,193	16,406	13,689
Reissuance of treasury shares	1,173	1,964	1,825
Income tax effect from restricted stock arrangement	—	—	49
Amortization of restricted stock	328	823	843
Balance at end of the period	20,694	19,193	16,406
Accumulated Other Comprehensive Income			
Balance as of January 1,	642,216	455,899	352,620
Cumulative effect of accounting change	(627,119)	—	—
Other comprehensive income (loss)	(114,835)	186,317	103,279
Balance at end of the period	(99,738)	642,216	455,899
Retained Earnings			
Balance as of January 1,	4,656,134	4,250,818	4,157,184
Cumulative effect of accounting changes	687,051	—	372
Net income attributable to American National	158,995	493,651	181,003
Cash dividends to common stockholders	(88,228)	(88,335)	(87,741)
Balance at end of the period	5,413,952	4,656,134	4,250,818
Treasury Stock			
Balance as of January 1,	(101,616)	(101,777)	(102,043)
Reissuance (purchase) of treasury shares	(6,876)	161	266
Balance at end of the period	(108,492)	(101,616)	(101,777)
Noncontrolling Interest			
Balance as of January 1,	9,012	9,317	10,189
Contributions	6,182	26	—

Distributions	(2,354)	(2,287)	(2,536)
Net income attributable to noncontrolling interest	1,427	1,956	1,664
Balance at end of the period	14,267	9,012	9,317
Total Equity	$5,271,515	$5,255,771	$4,661,495

See accompanying notes to the consolidated financial statements.

AMERICAN NATIONAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years ended December 31,		
	2018	2017	2016
OPERATING ACTIVITIES			
Net income	$160,422	$495,607	$182,6
Adjustments to reconcile net income to net cash provided by operating activities			
Net realized investment gains	(18,174)	(104,595)	(46,60
Other-than-temporary impairments	1,243	13,386	17,667
Accretion of premiums, discounts and loan origination fees	(6,163)	(2,008)	(2,926
Net capitalized interest on policy loans and mortgage loans	(39,262)	(32,551)	(32,81
Depreciation	52,049	53,937	45,278
Interest credited to policyholders’ account balances	315,684	415,190	331,77
Charges to policyholders’ account balances	(285,549)	(248,526)	(306,8
Deferred federal income tax expense (benefit)	(22,599)	(142,096)	93,082
Equity in earnings of unconsolidated affiliates	(21,281)	(86,674)	(57,20
Distributions from equity method investments	21,453	21,541	1,096
Changes in			
Policyholder liabilities	288,065	320,743	282,15
Deferred policy acquisition costs	(71,497)	(81,484)	1,152
Reinsurance recoverables	(8,886)	(16,880)	12,172
Premiums due and other receivables	(31,360)	(19,445)	(11,69
Prepaid reinsurance premiums	10,003	(599)	14,881
Accrued investment income	(960)	(7,347)	(2,849
Current tax receivable/payable	35,315	17,252	(57,33
Liability for retirement benefits	(69,762)	(14,127)	(53,97
Fair value of option securities	54,951	(90,357)	(28,40
Fair value of equity securities	107,188	—	—
Other, net	24,630	4,958	20,331
Net cash provided by operating activities	495,510	495,925	401,57
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of			
Held-to-maturity securities	629,359	893,977	491,47
Available-for-sale securities	451,292	489,902	348,31
Equity securities	214,737	137,780	111,19
Investment real estate	11,577	67,227	12,833
Mortgage loans	812,239	811,049	587,35
Policy loans	52,606	42,580	59,920
Other invested assets	118,846	80,901	30,743
Disposals of property and equipment	—	554	16,240
Distributions from unconsolidated affiliates	58,287	102,000	55,311
Payment for the purchase/origination of			
Held-to-maturity securities	(1,349,008)	(1,215,311)	(156,4
Available-for-sale securities	(680,477)	(737,651)	(656,9
Equity securities	(79,514)	(108,054)	(26,15

Investment real estate	(71,732)	(33,844)	(45,63
Mortgage loans	(1,173,189)	(1,194,672)	(1,428
Policy loans	(26,147)	(23,325)	(25,48
Other invested assets	(75,233)	(47,134)	(67,57
Additions to property and equipment	(17,670)	(24,395)	(47,30
Contributions to unconsolidated affiliates	(151,261)	(27,869)	(135,2
Change in short-term investments	452,005	(466,539)	268,38
Change in collateral held for derivatives	(68,565)	89,981	24,349
Other, net	7,087	18,030	27,869
Net cash used in investing activities	(884,761)	(1,144,813)	(555,2
FINANCING ACTIVITIES			
Policyholders' account deposits	1,717,153	2,095,734	1,528,
Policyholders' account withdrawals	(1,345,498)	(1,271,128)	(1,313
Change in notes payable	505	1,377	7,643
Dividends to stockholders	(88,228)	(88,335)	(87,74
Payments to noncontrolling interest	(2,354)	(2,261)	(2,536
Net cash provided by financing activities	281,578	735,387	132,07
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(107,673)	86,499	(21,59
Beginning of the period	375,837	289,338	310,93
End of the period	$268,164	$375,837	$289,3

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 "th
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 acce
100% but controls, as well as variable interest entities in which American National is the primary beneficiary. Inte
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 ar

Investments

Investment securities – Bonds classified as held-to-maturity are carried at amortized cost. Bonds classified as avai
of the investor, are measured at fair value with changes in fair value recognized in earnings.

Mortgage loans on real estate are stated at unpaid principal balance, adjusted for any unamortized discount, deferr
reported in "Net investment income" in the consolidated statements of operations. Interest income earned on impa
days past due, when the collection of interest is not probable or when a loan is in foreclosure. Income on past due l
income, expense reimbursement or other manner in accordance with the loan agreement. Gains and losses from th
Each mortgage loan is evaluated quarterly and placed in a watchlist if events occur or circumstances exist that cou
and loans with characteristics indicative of higher than normal credit risks are reviewed quarterly. All loans in the
information and events, it is probable that all amounts due under the contractual terms of the loan will be uncollect
original effective interest rate, or (ii) the estimated fair value of the underlying collateral if the loan is in the proces
probable that a loss has occurred and the amount of the loss can be reasonably estimated. The allowance is review

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

Management believes the recorded allowance is adequate and is the best estimate of probable loan losses, includin
situations affecting the borrower's ability to repay, the estimated value of the underlying collateral, composition o
a loan, an allowance is recorded based on the estimated recoverable amount. Upon forgiveness, both the allowanc
Policy loans are carried at cost, which approximates fair value.
Investment real estate including related improvements are stated at cost less accumulated depreciation. Depreciati
lease. American National classifies a property as held-for-sale if it commits to a plan to sell a property within one
depreciated cost or estimated fair value less expected disposition costs, and is not depreciated while it is classified
indicate the carrying amount of the asset may not be recoverable and the carrying value of the property exceeds its
adjustment to "Net realized investment gains" in the consolidated statements of operations. Impairment losses are
with the underlying risks as well as other appraisal methods. Real estate acquired upon foreclosure is recorded at t
Real estate joint ventures and other limited partnership interests in which the Company has more than a minor inte
are reported as "Investments in unconsolidated affiliates" in the consolidated statements of financial position. For
right does not exist to receive such financial information. In addition to the investees' impairment analysis of its u
the investee, other known information and inherent risks in the underlying investments, as well as future capital co
adjustment to "Equity in earnings of unconsolidated affiliates" to record the investment at its fair value. When an i
Short-term investments comprised of commercial paper are carried at amortized cost, which approximates fair val
Other invested assets comprised primarily of equity-indexed options are carried at fair value and may be collateral
mineral rights and limited liability company interests, are carried at cost, less allowance for depletion, where appli

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

Impairments are evaluated quarterly and where management believes that the carrying value will not be realized, a
All fixed maturity securities with unrealized losses are assessed to determine if the creditworthiness of any of thos
securities that were not other-than-temporarily impaired were the result of credit spread widening. There were no c
For all fixed maturity securities in unrealized loss positions which American National does not intend to sell and fo
recovered by comparing the net present value of the expected cash flows from those securities with its amortized c
credit ratings and other data relevant to the collectability of a security. The net present value of the expected cash f
acquired. If the net present value of the expected cash flows is less than the amortized cost, an OTTI has occurred
than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists v
After the recognition of an OTTI, fixed maturity securities are accounted for as if they had been purchased on the O
impaired security is not adjusted for subsequent increases in estimated fair value. Should there be a significant incr
remaining life.

Derivative instruments are purchased to hedge against future interest rate increases in liabilities indexed to market
liabilities is reported in the consolidated statements of operations as "Net investment income" and "Interest credite
hedge its business risk and holds collateral to offset exposure from its counterparties. Collateral that supports credi
Cash and cash equivalents include cash on-hand and in banks, as well as amounts invested in money market funds

Property and equipment consist of buildings occupied by American National, data processing equipment, software
of the asset (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 nev
expenses.
DAC on traditional life and health products is amortized with interest over the anticipated premium-paying period
mortality, morbidity and withdrawal assumptions used in computing liabilities for future policy benefits. DAC is r
DAC on universal life, limited-pay and investment-type contracts is amortized as a level percentage of the present
the consolidated statements of financial position as of the reporting date. A change in interest rates could have a si
DAC associated with property and casualty business is amortized over the coverage period of the related policies,
For short-duration and long-duration contracts, DAC is grouped consistent with the manner in which insurance co
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 ba
adjusted for possible adverse deviation. These estimates are periodically reviewed and compared with actual exper
Policyholders' account balances represent the contract value that has accrued to the benefit of the policyholders re
accumulated policyholder assessments. Indexed product account balances are equal to the sum of host and embedd
Reserves for claims and claim adjustment expenses ("CAE") are established to provide for the estimated costs of p
IBNR reserves include a provision for potential development on case reserves, losses on claims currently closed w
fees and the general expenses of administering the claims adjustment process.
Reinsurance—Reinsurance recoverables are estimated amounts due to American National from reinsurers related t
ceded portion of IBNR using assumed distribution of loss by percentage retained. The most significant assumption
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 that are held separate from the general assets and liabilities of Am
losses from these separate funds accrue to the benefit of the contract holders. Separate accounts are established in
liabilities, investments held in separate accounts and liabilities of the separate accounts if (i) such separate account
contractholder; and (iv) all investment performance, net of contract fees and assessments, is passed through to the
investment income and realized investment gains and losses for these accounts are excluded from revenues, and re
Premiums, benefits, claims incurred and expenses
Traditional ordinary life and health premiums are recognized as revenue when due. Benefits and expenses are asso
Annuity premiums received on limited-pay and supplemental annuity contracts involving a significant life conting
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 mort
Property and casualty premiums are recognized as revenue proportionately over the contract period, net of reinsur
Participating insurance policies
Participating business comprised approximately 4.9% of the life insurance in-force at December 31, 2018 and 16.6
For the majority of this participating business, profits earned are reserved for the payment of dividends to policyho
the face amount of participating life insurance in-force. Participating policyholders' interest includes the accumula
rata portion of unrealized investment gains (losses), net of tax not included in net income.
For all other participating business, the allocation of dividends to participating policyowners is based upon a comp
rates assumed in the calculation of premiums.

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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 cor

Deferred income tax assets and liabilities are recognized to reflect the future tax consequences attributable to diffe
which those temporary differences are expected to be recovered or settled.

The effects of tax legislation are recognized in the period of enactment. On December 22, 2017, the U.S. Tax Cut a
information subject to interpretation in accordance with the SEC's Staff Accounting Bulletin No. 118 ("SAB 118")
recorded a provisional tax benefit of $206.4 million in accordance with the guidance in SAB 118. There were no a
statements of operations. See Item 8. Financial Statements and Supplementary Data, Notes to the Consolidated Fin
American National recognizes tax benefits on uncertain tax positions if it is "more-likely-than-not" the position ba
settlement. Tax benefits not meeting the "more-likely-than-not" threshold, if applicable, are included with "Other l
Pension and postretirement benefit plans
Pension and postretirement benefit obligations and costs for our frozen benefit plans are estimated using assumptio
American National uses a discount rate to determine the present value of future benefits on the measurement date.
pension plan was constructed with the resulting yield of the portfolio used as a discount rate. To determine the exp
the long-term estimate of future returns on default-free U.S. government securities), and the risk premium for each
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 is
the model include: the grant date and remeasurement date stock prices, expected life of the SARs and the risk-free
Restricted Stock ("RS") equity and compensation cost is based on the fair value of the underlying stock at grant da
Restricted Stock Units ("RSU") provides the recipients of the awards the option to settle vested RSUs in cash, Am
remeasured each reporting period through the vesting date and is adjusted for changes in fair value. The compensa
Litigation contingencies
Existing and potential litigation is reviewed quarterly to determine if any adjustments to liabilities for possible loss
reserve is recorded based on the lowest amount of the range.
Note 3 – Recently Issued Accounting Pronouncements
Adoption of New Accounting Standards
In May 2014, the FASB issued guidance that superseded most existing revenue recognition requirements in GAAP
obligations in the contract and revenue is recognized as the entity satisfies the performance obligations and transfe
income includes fee income which is recognized when obligations under the terms specified within a contract with
Company adopted the standard on its required effective date of January 1, 2018 using the modified retrospective a
consolidated financial position, results of operations, equity or cash flows as of the adoption date or for the year en
In January 2016, the FASB issued Accounting Standard Update ("ASU") 2016-01, Financial Instruments guidance
accounted for under the equity method or those that result in consolidation of the investee, be measured at fair valu
risk will be recognized separately in other comprehensive income. The guidance also simplifies the impairment as
amortized cost on the statement of financial position. The Company adopted the standard on its required effective
million participating policyholders' interest, net of tax, related to unrealized gains and losses on equity securities, v
related to net unrealized gains and losses on equity securities, was reclassified from accumulated other comprehen

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Note 3 – Recently Issued Accounting Pronouncements — (Continued)

In October of 2016, the FASB issued guidance requiring an entity to recognize the income tax consequences of an
asset transfer until the asset was sold to an outside party. The Company adopted the standard on its required effect
In March 2017, the FASB issued guidance on the presentation of net periodic pension and postretirement benefit c
be presented in the income statement separately from the service cost component and outside of income from oper
of $12.4 million, net of tax, for December 31, 2017, were reclassified from other operating expenses. The guidanc
pension plans have been frozen, the components of net periodic benefit costs have not materially changed from ye
Future Adoption of New Accounting Standards— The FASB issued the following accounting guidance relevant to
In February 2016, the FASB issued guidance that will require significant changes to the statement of financial pos
effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognize
leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or l
the lessee model and the new revenue recognition standard. The standard is effective for annual periods and interi
opening balance of retained earnings on the effective date. We have elected certain practical expedients permitted
financial position.
In June 2016, the FASB issued guidance that will significantly change how entities measure credit losses for most
with an "expected loss" model for instruments measured at amortized cost. For available-for-sale debt securities, e
periods and interim periods within those annual periods beginning after December 15, 2019. The Company must d
In February 2018, the FASB issued guidance that allows for a reclassification from accumulated other comprehens
periods beginning after December 15, 2018. The Company plans to adopt the standard effective January 1, 2019. T
In August 2018, the FASB issued guidance that seeks to improve financial reporting for insurance companies that
flows. The guidance will also simplify and improve accounting for certain market-based options or guarantees ass
for annual periods and interim periods within those annual periods beginning after December 15, 2020. This stand

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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, 2018			
	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	$245,360	$5,840	$(301)	$250,899
Foreign governments	3,961	469	—	4,430
Corporate debt securities	7,640,891	58,772	(150,834)	7,548,829
Residential mortgage-backed securities	315,306	7,237	(2,633)	319,910
Collateralized debt securities	5,214	71	—	5,285
Other debt securities	717	14	—	731
Total bonds held-to-maturity	8,211,449	72,403	(153,768)	8,130,084
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	28,304	338	(243)	28,399
U.S. states and political subdivisions	848,228	16,827	(3,025)	862,030
Foreign governments	5,000	1,210	—	6,210
Corporate debt securities	5,345,579	41,812	(103,573)	5,283,818
Residential mortgage-backed securities	31,735	424	(497)	31,662
Collateralized debt securities	2,775	675	(6)	3,444
Total bonds available-for-sale	6,261,621	61,286	(107,344)	6,215,563
Total investments in securities	$14,473,070	$133,689	$(261,112)	$14,345,647

	December 31, 2017			
	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	$266,966	$12,466	$(37)	$279,395
Foreign governments	4,011	582	—	4,593
Corporate debt securities	7,032,464	217,883	(18,020)	7,232,327
Residential mortgage-backed securities	246,803	9,702	(1,262)	255,243
Collateralized debt securities	923	31	—	954
Other debt securities	1,792	49	—	1,841
Total bonds held-to-maturity	7,552,959	240,713	(19,319)	7,774,353
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	27,569	475	(146)	27,898
U.S. states and political subdivisions	866,250	31,621	(824)	897,047
Foreign governments	5,000	1,460	—	6,460
Corporate debt securities	5,038,908	170,112	(16,093)	5,192,927
Residential mortgage-backed securities	15,009	37	(329)	14,717
Collateralized debt securities	3,171	651	(4)	3,818
Other debt securities	1,994	447	—	2,441
Total bonds available-for-sale	5,957,901	204,803	(17,396)	6,145,308
Equity securities*				
Common stock	738,453	1,029,340	(7,166)	1,760,627

Preferred stock	19,130	4,469	—	23,599
Total equity securities	757,583	1,033,809	(7,166)	1,784,226
Total investments in securities	$14,268,443	$1,479,325	$(43,881)	$15,703,887

*Effective January 1, 2018, the Company adopted ASU No. 2016-01. As a result, equity securities are no longer c
earnings. Since changes in fair value are recognized in earnings each reporting period, OTTI is no longer recogniz

Note 4 – Investment in Securities—(Continued)

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

	December 31, 2018			
	Bonds Held-to-Maturity		Bonds Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$383,192	$386,893	$76,516	$77,149
Due after one year through five years	4,214,944	4,228,048	2,841,372	2,852,085
Due after five years through ten years	2,968,600	2,888,783	2,846,375	2,791,623
Due after ten years	644,713	626,360	497,358	494,706
Total	$8,211,449	$8,130,084	$6,261,621	$6,215,563

Actual maturities differ from contractual maturities because borrowers may have the right to call or prepay obligat 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 bel

	Years ended December 31,		
	2018	2017	2016
Proceeds from sales of fixed maturity available-for-sale securities	$85,590	$161,223	$138,665
Gross realized gains	376	63,075	34,135
Gross realized losses	(2,298)	(6,406)	(7,775)

Gains and losses are determined using specific identification of the securities sold. During 2018 and 2017, bonds v during 2018, a bond with a carrying value of $38,381,000 was transferred from held-to-maturity to available-for-s on a bond that was transferred due to an other-than-temporary impairment.

In accordance with various regulations, American National has bonds on deposit with regulating authorities with a transactions, such as financing and reinsurance agreements. The carrying value of bonds pledged was $168,118,00

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

	Years ended December 31,		
	2018	2017	2016
Bonds available-for-sale	$(233,465)	$53,115	$78,207
Adjustments for			
Deferred policy acquisition costs	51,920	(2,083)	(29,074)
Participating policyholders' interest	11,157	(7,086)	(10,282)
Deferred federal income tax benefit (expense)	34,127	(15,516)	(13,456)
Change in net unrealized gains (losses) on debt securities, net of tax	$(136,261)	$28,430	$25,395

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

	Year ended December 31, 2018
Unrealized losses on equity securities	$(108,693)
Less: Net gain on equity securities sold	1,505
Net losses on equity securities	$(107,188)

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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 len

	December 31, 2018				
	Less than 12 months		12 Months or more		Total
	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Fixed maturity securities, bonds held-to-maturity					
U.S. states and political subdivisions	$(301)	$22,605	$—	$—	$(301)
Corporate debt securities	(90,931)	2,969,461	(59,903)	1,063,679	(150,834)
Residential mortgage-backed securities	(703)	58,119	(1,930)	57,661	(2,633)
Total bonds held-to-maturity	(91,935)	3,050,185	(61,833)	1,121,340	(153,768)
Fixed maturity securities, bonds available-for-sale					
U.S. treasury and government	(29)	9,741	(214)	13,478	(243)
U.S. states and political subdivisions	(1,274)	119,987	(1,751)	61,992	(3,025)
Corporate debt securities	(65,492)	2,383,548	(38,081)	572,600	(103,573)
Residential mortgage-backed securities	(54)	6,034	(443)	13,515	(497)
Collateralized debt securities	(2)	158	(4)	100	(6)
Total bonds available-for-sale	(66,851)	2,519,468	(40,493)	661,685	(107,344)
Total	$(158,786)	$5,569,653	$(102,326)	$1,783,025	$(261,112)

	December 31, 2017					
	Less than 12 months		12 Months or more		Total	
	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Valu
Fixed maturity securities, bonds held-to-maturity						
U.S. states and political subdivisions	$(37)	$1,937	$—	$—	$(37)	$1,9
Corporate debt securities	(8,444)	951,425	(9,576)	192,737	(18,020)	1,144
Residential mortgage-backed securities	(325)	49,283	(937)	18,888	(1,262)	68,1
Total bonds held-to-maturity	(8,806)	1,002,645	(10,513)	211,625	(19,319)	1,214
Fixed maturity securities, bonds available-for-sale						
U.S. treasury and government	(141)	20,352	(5)	3,875	(146)	24,2
U.S. states and political subdivisions	(160)	27,669	(664)	28,010	(824)	55,6
Corporate debt securities	(6,657)	559,710	(9,436)	159,532	(16,093)	719,
Residential mortgage-backed securities	(193)	12,419	(136)	1,428	(329)	13,8
Collateralized debt securities	—	—	(4)	123	(4)	123
Total bonds available-for-sale	(7,151)	620,150	(10,245)	192,968	(17,396)	813,
Equity securities*						
Common stock	(7,166)	60,391	—	—	(7,166)	60,3
Total equity securities	(7,166)	60,391	—	—	(7,166)	60,3
Total	$(23,123)	$1,683,186	$(20,758)	$404,593	$(43,881)	$2,0

*Effective January 1, 2018, the Company adopted ASU No. 2016-01. As a result, equity securities are no longer c
earnings. Since changes in fair value are recognized in earnings each reporting period, OTTI is no longer recogniz

As of December 31, 2018, the securities with unrealized losses including those exceeding one year were not deem
American National will be required to sell them prior to recovery, and recovery is expected in a reasonable period

Note 4 – Investment in Securities—(Continued)

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

	December 31, 2018			December 31, 2017		
	Amortized Cost	Estimated Fair Value	% of Fair Value	Amortized Cost	Estimated Fair Value	% of Fair Value
AAA	$690,009	$702,531	4.9 %	$638,039	$664,396	4.8 %
AA	1,326,947	1,336,380	9.3	1,220,544	1,264,282	9.0
A	5,350,316	5,314,589	37.0	4,856,802	4,997,574	35.9
BBB	6,584,478	6,507,212	45.4	6,273,220	6,480,719	46.6
BB and below	521,320	484,935	3.4	522,255	512,690	3.7
Total	$14,473,070	$14,345,647	100.0 %	$13,510,860	$13,919,661	100.0 %

Equity securities by market sector distribution are shown below:

	December 31,	
	2018	2017
Consumer goods	21.1 %	20.2 %
Energy and utilities	8.2	8.6
Finance	18.1	21.9
Healthcare	13.5	11.8
Industrials	9.0	9.5
Information technology	22.6	20.0
Other	7.5	8.0
Total	100.0%	100.0%

Note 5 – Mortgage Loans

Generally, commercial mortgage loans are secured by first liens on income-producing real estate. American Natio follows:

	December 31,	
	2018	2017
East North Central	13.9 %	15.4 %
East South Central	2.8	3.1
Mountain	20.0	14.0
Pacific	16.2	16.5
South Atlantic	12.1	14.1
West South Central	27.2	29.8
Other	7.8	7.1
Total	100.0%	100.0%

During 2018, American National foreclosed on four loans with a total recorded investment of $22,608,000, and on investment of $2,285,000, and four loans with a total recorded investment of $17,263,000 were in the process of f

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Note 5 – Mortgage Loans – (Continued)

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

December 31, 2018	30-59 Days Past Due	60-89 Days Past Due	More Than 90 Days	Total	Current	Total Amount	Percent
Industrial	$ —	$ —	$ —	$—	$761,294	$761,294	14.8 %
Office	—	—	—	—	1,747,926	1,747,926	34.0
Retail	—	—	—	—	896,429	896,429	17.4
Other	—	4,000	18,888	22,888	1,717,503	1,740,391	33.8
Total	$ —	$ 4,000	$ 18,888	$22,888	$5,123,152	$5,146,040	100.0%
Allowance for loan losses						(21,333)	
Total, net of allowance						$5,124,707	
December 31, 2017							
Industrial	$ 4,985	$ —	$ —	$4,985	$781,385	$786,370	16.5 %
Office	—	10,713	8,881	19,594	1,764,151	1,783,745	37.4
Retail	—	—	—	—	750,979	750,979	15.7
Other	—	—	—	—	1,447,771	1,447,771	30.4
Total	$ 4,985	$ 10,713	$ 8,881	$24,579	$4,744,286	$4,768,865	100.0%
Allowance for loan losses						(18,866)	
Total, net of allowance						$4,749,999	

There were no unamortized purchase discounts as of December 31, 2018 or 2017. Total mortgage loans are also ne

Allowance for Credit Losses

A loan is considered impaired when it is probable that all amounts due will not be collected according to the contra
properties for the foreseeable future. Individual valuation allowances are established for impaired loans to reduce t
These factors are developed based on historical loss experience adjusted for the expected trend in the rate of forecl
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	V A
Balance at December 31, 2016	430	$4,358,596	$ 11,488	2	$ 1,940	$ 1,002	432	$4,360,536	$
Change in allowance	—	—	4,553	—	—	1,823	—	—	6
Net change in recorded investment	21	403,719	—	1	4,610	—	22	408,329	–
Balance at December 31, 2017	451	4,762,315	16,041	3	6,550	2,825	454	4,768,865	1
Change in allowance	—	—	2,566	—	—	(99)	—	—	2
Net change in recorded investment	(2)	366,102	—	(1)	11,073	—	(3)	377,175	–
Balance at December 31, 2018	449	$5,128,417	$ 18,607	2	$ 17,623	$ 2,726	451	$5,146,040	$

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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 mortgag
maturity date. American National considers the amount, timing and extent of concessions in determining any impa
modification in a troubled debt restructuring, may not change significantly, or may increase if the expected recove
Troubled debt restructuring mortgage loan information is as follows (in thousands, except number of loans):

	Years ended December 31,					
	2018			2017		
	Number of loans	Recorded investment pre-modification	Recorded investment post modification	Number of loans	Recorded investment pre-modification	Recorded investment post modification
Office	1	$ 5,164	$ 5,164	2	$ 34,207	$ 34,207
Retail	1	42,448	42,448	——		—
Other (hotel/motel)	1	8,203	8,203	5	24,801	24,801
Total	3	$ 55,815	$ 55,815	7	$ 59,008	$ 59,008

There were three loans determined to be a troubled debt restructuring for the year ended December 31, 2018. Ther
Note 6 – Real Estate and Other Investments
Investment real estate by property-type and geographic distribution are as follows:

	December 31,	
	2018	2017
Industrial	13.1 %	6.0 %
Office	37.3	39.0
Retail	37.0	39.3
Other	12.6	15.7
Total	100.0%	100.0%

	December 31,	
	2018	2017
East North Central	5.6 %	6.1 %
East South Central	5.4	3.6
Mountain	11.9	13.2
Pacific	7.3	8.5
South Atlantic	13.8	14.0
West South Central	53.8	52.4
Other	2.2	2.2
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 p
partnerships and joint ventures have been determined to be variable interest entities ("VIEs"). In certain instances,
consolidator of the entity. The assets of the consolidated VIEs are restricted and must first be used to settle their li
committed investment. American National has not provided financial or other support to the VIEs in the form of li
The assets and liabilities relating to the VIEs included in the consolidated financial statements are as follows (in th

	December 31,	
	2018	2017
Investment real estate	$141,843	$148,456
Short-term investments	500	501
Cash and cash equivalents	10,392	6,320
Other receivables	3,939	4,461
Other assets	13,231	15,920
Total assets of consolidated VIEs	$169,905	$175,658
Notes payable	$137,963	$137,458
Other liabilities	7,145	5,616
Total liabilities of consolidated VIEs	$145,108	$143,074

The notes payable in the consolidated statements of financial position pertain to the borrowings of the consolidated
totaled $26,635,000 and $28,377,000 at December 31, 2018 and 2017, respectively.
The total long-term notes payable of the consolidated VIE's consists of the following (in thousands):

		December 31,	
Interest rate	Maturity	2018	2017
LIBOR	2020	$10,834	$9,702
90 day LIBOR + 2.5%	2021	42,399	40,124
4% fixed	2022	84,730	87,632
Total		$137,963	$137,458

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Note 6 – Real Estate and Other Investments – (Continued)

For other VIEs in which American National is a partner, it is not the primary beneficiary, and these entities are not
relating to unconsolidated VIEs follows (in thousands):

	December 31,			
	2018		2017	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Investment in unconsolidated affiliates	$330,730	$330,730	$314,808	$314,808
Mortgage loans	633,533	633,533	493,014	493,014
Accrued investment income	2,191	2,191	1,817	1,817

As of December 31, 2018, no real estate investments were classified as held-for-sale.
The Company's equity in earnings of unconsolidated affiliates is the Company's share of operating earnings and r
ventures took advantage of market opportunities to generate realized gains on the sale of real estate held or develo
The Company's income from and investment in each joint venture did not exceed 20% and therefore no separate f
Company's investment in joint ventures continues to be 2% or less of the Company's total assets, and investments
of equity method investees has not been included.
The Company's total investment in and equity in earnings of unconsolidated affiliates, of which substantially all a

	December 31,	
	2018	2017
Real estate	$386,981	$359,130
Equity and fixed income	156,121	95,819
Other	28,795	29,258
Total investments in unconsolidated affiliates	$571,897	$484,207

	Years ended December 31,		
	2018	2017	2016
Income from operations	$7,595	$16,663	$19,005
Net gain on sales	13,686	70,011	38,195
Equity in earnings of unconsolidated affiliates	$21,281	$86,674	$57,200

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Note 7 – Derivative Instruments

American National purchases over-the-counter equity-indexed options as economic hedges against fluctuations in
contracts include a fixed host universal-life insurance or annuity contract and an equity-indexed embedded derivat

		December 31,				
		2018			2017	
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
Equity-indexed options	Other invested assets	493	$2,391,000	$148,006	468	$1,885,600
Equity-indexed embedded derivative	Policyholders' account balances	90,440	2,327,769	596,075	76,621	1,819,523

		Gains (Losses) Recognized in Income on Derivatives		
Derivatives Not Designated as Hedging Instruments	Location in the Consolidated Statements of Operations	Years ended December 31,		
		2018	2017	2016
Equity-indexed options	Net investment income	$ (54,951)	$ 91,055	$ 28,869
Equity-indexed embedded derivative	Interest credited to policyholders' account balances	17,862	(98,351)	(25,239)

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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 coun
financial loss from defaults. The Company holds collateral in cash and notes secured by U.S. government backed a
agreements with its current active trading partners. As such, a right of offset has been applied to collateral that sup
collateral.
Information regarding the Company’s exposure to credit loss on the options it holds is presented below (in thousar

December 31, 2018

Counterparty	Moody/S&P Rating	Options Fair Value	Collateral Held in Cash	Collateral Held in Invested Assets	Total Collateral Held	Collateral Amounts used to Offset Exposure	Excess Collateral	Exposure Net of Collateral
Barclays	Baa3/BBB	$ 38,905	$ 11,063	$ 28,041	$ 39,104	$ 38,905	$ 199	$ —
Goldman-Sachs	A3/BBB+	615	670	—	670	615	55	—
ING	Baa1/A-	24,183	7,960	16,023	23,983	23,983	—	200
Morgan Stanley	A3/BBB+	11,649	2,046	9,013	11,059	11,059	—	590
NATIXIS*	A1/A+	26,786	27,610	—	27,610	26,786	824	—
SunTrust	Baa1/BBB+	23,488	6,520	17,025	23,545	23,464	81	24
Wells Fargo	A2/A-	22,380	7,030	15,022	22,052	22,052	—	328
Total		$ 148,006	$ 62,899	$ 85,124	$ 148,023	$ 146,864	$ 1,159	$ 1,142

December 31, 2017

Counterparty	Moody/S&P Rating	Options Fair Value	Collateral Held	Collateral Amounts used to Offset Exposure	Excess Collateral	Exposure Net of Collateral
Barclays	Baa2/BBB	$ 55,215	$ 56,883	$ 55,215	$ 1,668	$ —
Goldman-Sachs	A3/BBB+	956	780	780	—	176
ING	Baa1/A-	26,650	27,330	26,650	680	—
JP Morgan	A3/A-	189	—	—	—	189
Morgan Stanley	A3/BBB+	17,490	18,776	17,490	1,286	—
NATIXIS*	A2/A	37,550	33,860	33,860	—	3,690
SunTrust	Baa1/BBB+	37,266	36,560	36,560	—	706
Wells Fargo	A2/A	44,874	47,230	44,874	2,356	—
Total		$ 220,190	$ 221,419	$ 215,429	$ 5,990	$ 4,761

* Includes collateral restrictions

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

Net investment income is shown below (in thousands):

	Years ended December 31,		
	2018	2017	2016
Bonds	$566,513	$541,772	$551,849
Dividends on equity securities	39,193	38,730	38,680
Mortgage loans	258,102	245,116	211,972
Real estate	13,533	12,672	6,743
Options	(54,951)	91,055	28,869
Other invested assets	35,977	36,732	22,122
Total	$858,367	$966,077	$860,235

Net realized investment gains (losses) are shown below (in thousands):

	Years ended December 31,		
	2018	2017	2016
Bonds	$10,903	$27,061	$16,705
Equity securities*	—	56,528	33,348
Mortgage loans	(4,798)	(7,700)	405
Real estate	12,076	28,853	2,188
Other invested assets	(7)	(147)	(6,039)
Total	$18,174	$104,595	$46,607

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

	Years ended December 31,		
	2018	2017	2016
Bonds	$(1,243)	$(6,416)	$(94)
Equity securities*	—	(6,970)	(17,573)
Total	$(1,243)	$(13,386)	$(17,667)

*Effective January 1, 2018, the Company adopted ASU No. 2016-01. As a result, equity securities are no longer c
earnings. Since changes in fair value are recognized in earnings each reporting period, OTTI is no longer recogniz

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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, 2018	
	Carrying Amount	Fair Value
Financial assets		
Fixed maturity securities, bonds held-to-maturity	$8,211,449	$8,130,084
Fixed maturity securities, bonds available-for-sale	6,215,563	6,215,563
Equity securities	1,530,228	1,530,228
Equity-indexed options	148,006	148,006
Mortgage loans on real estate, net of allowance	5,124,707	5,049,468
Policy loans	376,254	376,254
Short-term investments	206,760	206,760
Separate account assets ($905,824 and $965,575 included in fair value hierarchy)	918,369	918,369
Separately managed accounts	16,532	16,532
Total financial assets	$22,747,868	$22,591,264
Financial liabilities		
Investment contracts	$10,003,990	$10,003,990
Embedded derivative liability for equity-indexed contracts	596,075	596,075
Notes payable	137,963	137,963
Separate account liabilities ($905,824 and $965,575 included in fair value hierarchy)	918,369	918,369
Total financial liabilities	$11,656,397	$11,656,397

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value h
of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and
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 i derived principally from or corroborated by observable market data for substantially the full term of the
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair valu Level 3 assets and liabilities include financial instruments whose values are determined using pricing m

Fixed Maturity Securities and Equity Options—American National utilizes a pricing service to estimate fair value
estimates are based on observable market information rather than market quotes.

The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active marke
applications, which include available relevant market information, benchmark curves, benchmarking of like securi

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Note 9 – Fair Value of Financial Instruments—(Continued)

The pricing service evaluates each asset class based on relevant market information, credit information, perceived
broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and eco
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 servic
represents a market participant's assumptions. American National does not adjust quotes received from the pricing
American National holds a small amount of private placement debt and fixed maturity securities that have characte
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-indexed options (which are pric
analysis to validate the reasonableness of prices received. Price variances above a certain threshold are analyzed fu
Equity Securities—For publicly-traded equity securities, prices are received from a nationally recognized pricing s
unavailable. In these instances, an estimate of fair value is received from the pricing service. The service utilizes s
the accuracy of the information provided by reference to other services annually.
Mortgage Loans—The fair value of mortgage loans is estimated using discounted cash flow analyses on a loan by
trends for the individual loan. Factors used to arrive at the discount rate include inputs from spreads based on U.S.
Short-term investments— Short-term investments are primarily commercial paper rated A2 or P2 or better by Stan
Separate account assets and liabilities— Separate account assets and liabilities are funds that are held separate fro
Investment income and investment gains and losses from these separate funds accrue to the benefit of the contract
National reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the sep
investments are directed by the contract holder; and (iv) all investment performance, net of contract fees and asses
accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses in th
The separate account assets included on the quantitative disclosures fair value hierarchy table is made up of short-
maturity securities are classified as Level 2 measurements. These classifications for separate account assets reflect

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Note 9 – Fair Value of Financial Instruments—(Continued)

The separate account assets account also includes cash and cash equivalents, investments in unconsolidated affilia
Embedded Derivative—The amounts reported within policyholder contract deposits include equity linked interest
associated with the policyholder contract liabilities:

- Lapse rate assumptions are determined by company experience. Lapse rates are generally assumed to be lower du more policyholders persist to collect the crediting interest pertaining to the indexed product. Increases to the lapse
- Mortality rate assumptions vary by age and by gender based on company and industry experience. Decreases to th decrements reduce the potential for future interest credits.
- Equity volatility assumptions begin with current market volatilities and grow to long-term values. Increases to the volatility used to estimate embedded derivative value was 23.2% and 13.7%, respectively

Fair values of indexed life and annuity liabilities are calculated using the discounted cash flow technique. Shown b
percentages):

	Fair Value			Range	
	December 31,			December 31,	
	2018	2017	Unobservable Input	2018	2017
Indexed Annuities	$592.8	$498.3	Lapse Rate	1-70%	1-66%
			Mortality Multiplier	90-100%	90-100%
			Equity Volatility	19-26%	7-30%
Indexed Life	3.3	14.2	Equity Volatility	19-26%	7-30%

Other Financial Instruments—Other financial instruments classified as Level 3 measurements, as there is little or r
Policy loans—The carrying value of policy loans is the outstanding balance plus any accrued interest. Due to the c
American National believes the carrying value of policy loans approximates fair value.
Separately managed accounts—The amounts reported in separately managed accounts consist primarily of notes a
available from the separately managed account manager. Market value is provided by the separately managed acc
Investment contracts—The carrying value of investment contracts is equivalent to the accrued account balance. Th
carrying value of investment contracts approximates fair value because the majority of these contracts' interest rat
Notes payable—Notes payable are carried at outstanding principal balance. The carrying value of the notes payab

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, 2018			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	$250,899	$—	$250,899	$—
Foreign governments	4,430	—	4,430	—
Corporate debt securities	7,548,829	—	7,548,829	—
Residential mortgage-backed securities	319,910	—	319,910	—
Collateralized debt securities	5,285	—	5,285	—
Other debt securities	731	—	731	—
Total bonds held-to-maturity	8,130,084	—	8,130,084	—
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	28,399	—	28,399	—
U.S. states and political subdivisions	862,030	—	862,030	—
Foreign governments	6,210	—	6,210	—
Corporate debt securities	5,283,818	—	5,279,585	4,233
Residential mortgage-backed securities	31,662	—	31,662	—
Collateralized debt securities	3,444	—	3,444	—
Total bonds available-for-sale	6,215,563	—	6,211,330	4,233
Equity securities				
Common stock	1,509,186	1,509,073	—	113
Preferred stock	21,042	21,042	—	—
Total equity securities	1,530,228	1,530,115	—	113
Options	148,006	—	—	148,006
Mortgage loans on real estate	5,049,468	—	5,049,468	—
Policy loans	376,254	—	—	376,254
Short-term investments	206,760	—	206,760	—
Separate account assets	905,824	227,448	678,376	—
Separately managed accounts	16,532	—	—	16,532
Total financial assets	$22,578,719	$1,757,563	$20,276,018	$545,138
Financial liabilities				
Investment contracts	$10,003,990	$—	$—	$10,003,990
Embedded derivative liability for equity-indexed contracts	596,075	—	—	596,075
Notes payable	137,963	—	—	137,963
Separate account liabilities	905,824	227,448	678,376	—
Total financial liabilities	$11,643,852	$227,448	$678,376	$10,738,028

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Note 9 – Fair Value of Financial Instruments—(Continued)

	Fair Value Measurement as of December 31, 2017			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets				
Fixed maturity securities, bonds held-to-maturity				
U.S. states and political subdivisions	$279,395	$—	$276,450	$2,945
Foreign governments	4,593	—	4,593	—
Corporate debt securities	7,232,327	—	7,232,327	—
Residential mortgage-backed securities	255,243	—	255,243	—
Collateralized debt securities	954	—	954	—
Other debt securities	1,841	—	1,841	—
Total bonds held-to-maturity	7,774,353	—	7,771,408	2,945
Fixed maturity securities, bonds available-for-sale				
U.S. treasury and government	27,898	—	27,898	—
U.S. states and political subdivisions	897,047	—	897,047	—
Foreign governments	6,460	—	6,460	—
Corporate debt securities	5,192,927	—	5,192,927	—
Residential mortgage-backed securities	14,717	—	14,717	—
Collateralized debt securities	3,818	—	3,818	—
Other debt securities	2,441	—	2,441	—
Total bonds available-for-sale	6,145,308	—	6,145,308	—
Equity securities				
Common stock	1,760,627	1,760,499	—	128
Preferred stock	23,599	23,599	—	—
Total equity securities	1,784,226	1,784,098	—	128
Options	220,190	—	—	220,190
Mortgage loans on real estate	4,811,006	—	4,811,006	—
Policy loans	377,103	—	—	377,103
Short-term investments	658,765	—	658,765	—
Separate account assets	965,575	257,209	708,366	—
Separately managed accounts	851	—	—	851
Total financial assets	$22,737,377	$2,041,307	$20,094,853	$601,217
Financial liabilities				
Investment contracts	$8,990,771	$—	$—	$8,990,771
Embedded derivative liability for equity-indexed contracts	512,526	—	—	512,526
Notes payable	137,458	—	—	137,458
Separate account liabilities	965,575	257,209	708,366	—
Total financial liabilities	$10,606,330	$257,209	$708,366	$9,640,755

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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 reco

	Level 3 Assets	
	Investment Securities	Equity-Index Options
Balance at December 31, 2015	$20,130	$ 123,007
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	—	—
Purchases, sales and settlements or maturities		
Purchases	—	27,961
Sales	—	—
Settlements or maturities	(425)	(22,889
Premiums less benefits	—	—
Gross transfers into Level 3	908	—
Gross transfers out of Level 3	(6,830)	—
Balance at December 31, 2016	$14,264	$ 156,479
Total realized and unrealized investment gains included in other comprehensive income	(4,465)	—
Net fair value change included in realized gains (losses)	—	—
Net gain for derivatives included in net investment income	—	90,433
Net change included in interest credited	—	—
Purchases, sales and settlements or maturities		
Purchases	—	47,134
Sales	(12,436)	(12,837
Settlements or maturities	(7,020)	(61,019
Premiums less benefits	—	—
Carry value transfers in	15,000	—
Gross transfers into Level 3	382	—
Gross transfers out of Level 3	(5,725)	—
Balance at December 31, 2017	$—	$ 220,190
Net loss for derivatives included in net investment income	—	(55,093
Net change included in interest credited	—	—
Purchases, sales and settlements or maturities		
Purchases	4,346	72,033
Sales	—	(18
Settlements or maturities	—	(89,106
Premiums less benefits	—	—
Balance at December 31, 2018	$4,346	$ 148,006

Within the net gain (loss) for derivatives included in net investment income were unrealized losses of $94,883,000

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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 during the periods presented. The trans
Unless information is obtained from the brokers that indicate observable inputs were used in their pricing, there ar
judgment regarding assumptions market participants would use including quotes from independent brokers. The in
evaluated pricing and prior months pricing. None of them are observable to American National as of December 31
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	Health	Prop & Ca
Balance at December 31, 2015	$756,023	$411,206	$44,390	$113
Additions	108,825	77,161	11,203	263,0
Amortization	(112,712)	(71,381)	(14,973)	(262,
Effect of change in unrealized gains on available-for-sale debt securities	(6,296)	(22,778)	—	—
Net change	(10,183)	(16,998)	(3,770)	725
Balance at December 31, 2016	745,840	394,208	40,620	113,7
Additions	123,854	104,772	11,413	285,7
Amortization	(74,068)	(74,750)	(15,227)	(280,
Effect of change in unrealized gains on available-for-sale debt securities	(4,350)	2,267	—	—
Net change	45,436	32,289	(3,814)	5,490
Balance at December 31, 2017	791,276	426,497	36,806	119,2
Additions	131,156	92,603	12,590	315,3
Amortization	(97,263)	(57,468)	(15,436)	(309,
Effect of change in unrealized gains on available-for-sale debt securities	13,964	37,956	—	—
Net change	47,857	73,091	(2,846)	5,315
Balance at December 31, 2018	$839,133	$499,588	$33,960	$124

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, amou
Such liabilities are established on a block of business based on methods and underlying assumptions in accordance
retirement, disability incidence, disability termination, investment return, inflation, expenses, and other contingent
Future policy benefits for non-participating traditional life insurance are equal to the aggregate of the present valu
experience when the basis of the liability is established. Interest rates for the aggregate future policy benefit liabili
Future policy benefit liabilities for participating traditional life insurance are equal to the aggregate of (i) net level
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 imm

Future policy benefit liabilities for non-medical health insurance are calculated using the net level premium metho
8.0%.
Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and exp
Liabilities for universal life secondary guarantees and paid-up guarantees are determined by estimating the expect
American National regularly evaluates estimates used and adjusts the additional liability balances with a related ch
guarantee liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variabilit
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 compare
liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities
Policyholder account balances relate to investment-type contracts and universal life-type policies. Investment-type
(i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest, rang
adjustment.

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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 health and property and casualty insu
have been reported but not settled. Liability for unpaid claims are estimated based upon American National's histo
The effects of the changes are included in the consolidated results of operations in the period in which the changes
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,		
	2018	2017	2016
Unpaid claims balance, beginning	$1,199,233	$1,140,723	$1,104,302
Less reinsurance recoverables	237,439	216,903	217,337
Net beginning balance	961,794	923,820	886,965
Incurred related to			
Current	1,193,216	1,097,730	1,055,796
Prior years	(19,852)	(77,296)	(36,788)
Total incurred claims	1,173,364	1,020,434	1,019,008
Paid claims related to			
Current	688,493	661,662	654,175
Prior years	411,463	320,798	327,978
Total paid claims	1,099,956	982,460	982,153
Net balance	1,035,373	961,794	923,820
Plus reinsurance recoverables	254,466	237,439	216,903
Unpaid claims balance, ending	$1,289,839	$1,199,233	$1,140,723

The net and gross reserve calculations have shown favorable development as a result of favorable loss emergence
of prior years decreased by approximately $19,852,000, $77,296,000, $36,788,000 in 2018, 2017, and 2016, respe
commercial package policy lines of business. The decrease during 2017 reflects lower-than-anticipated losses in th
favorable development in 2016.
For short-duration health insurance claims, the total of IBNR plus expected development on reported claims incluc

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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 adju

	December 31, 2018
Net outstanding liabilities	
Auto Liability	$448,736
Non-Auto Liability	256,558
Commercial Multi-Peril	92,695
Homeowners	72,895
Short Tail Property	33,801
Credit	16,615
Health	40,361
Other	2,091
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	963,752
Reinsurance recoverable on unpaid claims	
Auto Liability	11,731
Non-Auto Liability	37,234
Commercial Multi-Peril	3,381
Homeowners	2,993
Short Tail Property	3,124
Credit	11,025
Health	173,329
Other	7,600
Total reinsurance recoverable on unpaid claims	250,417
Insurance lines other than short-duration	215,966
Unallocated claims adjustment expenses	51,159
	267,125
Total gross liability for unpaid claims and claim adjustment expense	$1,481,294

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 r
- Bornhuetter-Ferguson—This method uses as a starting point an assumed initial expected loss ratio method and ble
- Loss or Expense Development (Chain Ladder)—This method uses actual loss or defense and cost containm

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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 p
total. In this method, an ultimate ratio of paid defense and cost containment expense to paid loss is selected for eac
defense and cost containment expense. Paid defense and cost containment expense is then subtracted from the ulti
- Calendar Year Paid Adjusting and Other Expense to Paid Loss—This method uses a selected prior calendar years'
line of insurance) and 100% to the indicated IBNR reserves. These ratios assume that a percentage of the expense
- Pegged Frequency and Severity—Uses actual claims count data and emergence patterns of older accident periods
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 pr
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-
date. The future reserve is calculated by assigning to each open claim a fixed reserve amount based on the historica

Cumulative claim frequency information is calculated on a per claim basis. Claims that do not result in a liability a

For any given line of business, none of these methods are relied on exclusively. With minor exception, we will typ

The following contains information about incurred and paid claims development as of December 31, 2018, net of r
claims amounts. The information about incurred and paid claims development for the years ended December 31, 2

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 belo

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	20
2009	$299,753	$273,551	$263,269	$258,749	$260,029	$258,200	$257,678	$256,586	$256,407	$2
2010		288,166	270,935	266,223	265,949	264,104	263,040	261,930	261,092	26
2011			263,411	250,659	248,865	244,519	244,436	242,619	241,711	24
2012				251,593	242,255	231,312	228,013	229,426	228,559	22
2013					242,364	236,432	233,068	231,301	228,285	22
2014						232,146	223,386	217,819	215,419	21
2015							237,578	240,697	239,421	24
2016								259,177	256,080	26
2017									269,803	28
2018										31
									Total	$2

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	20
2009	$95,847	$166,441	$203,869	$228,650	$242,768	$250,681	$253,417	$254,988	$255,308	$2
2010		92,589	164,298	208,531	237,540	250,647	257,021	259,173	259,966	26
2011			93,245	161,387	197,326	217,640	230,585	236,187	238,510	23
2012				82,531	150,323	183,448	204,980	214,467	219,170	22
2013					79,358	143,709	181,535	204,480	215,280	21
2014						72,838	134,376	166,947	187,375	20
2015							78,861	149,366	186,281	21
2016								86,492	153,911	19
2017									88,357	17
2018										95
									Total	$2
				All outstanding liabilities before 2009, net of reinsurance*						61
				Liabilities for claims and claim adjustment expenses, net of reinsurance						$4

*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 adjustm

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As 201
Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018	IBN Exp De
2009	$83,773	$75,857	$70,905	$72,267	$72,490	$72,077	$71,003	$71,517	$69,099	$69,696	$1,
2010		91,191	85,498	83,724	82,287	82,145	82,087	80,920	78,279	77,985	2,2
2011			86,409	76,038	75,390	74,372	73,647	71,423	68,248	67,979	2,4
2012				83,146	80,470	78,644	75,226	68,017	63,630	64,118	3,4
2013					74,183	75,815	70,772	67,841	65,096	64,564	4,0
2014						83,084	75,550	72,624	67,339	67,865	5,5
2015							83,897	78,968	76,724	67,548	10,
2016								86,935	83,179	73,764	19,
2017									102,616	88,902	27,
2018										88,986	52,
									Total	$731,407	

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018
2009	$15,389	$28,725	$41,424	$49,895	$55,391	$61,277	$63,039	$64,755	$65,441	$66,047
2010		16,473	31,819	46,746	57,354	65,557	69,091	70,369	71,509	72,261
2011			13,848	31,943	41,814	52,003	56,791	60,706	62,414	63,121
2012				13,862	27,574	38,826	49,585	55,194	57,863	59,528
2013					12,794	22,743	32,474	42,504	47,987	51,672
2014						11,201	26,587	36,220	45,206	51,853
2015							11,979	23,488	37,059	46,285
2016								12,733	24,633	35,502
2017									14,865	37,139
2018										13,156
									Total	$496,564
		All outstanding liabilities before 2009, net of reinsurance*								21,715
			Liabilities for claims and claim adjustment expenses, net of reinsurance							$256,558

*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 adj

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As Dec 201
	For the Years Ended December 31,										IBN Exp Dev
Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018	
2009	$41,027	$38,666	$36,610	$35,354	$34,884	$34,381	$34,529	$34,079	$33,515	$33,423	$ 1
2010		41,116	37,736	40,243	37,520	35,914	37,839	37,215	36,367	35,923	191
2011			42,185	40,825	39,037	38,160	38,456	36,945	37,014	36,638	485
2012				35,169	28,548	26,805	23,258	23,385	23,090	22,481	606
2013					33,979	27,592	27,867	26,970	25,948	26,028	1,1
2014						36,852	31,220	34,911	33,962	36,132	1,3
2015							33,997	31,488	29,023	32,282	2,2
2016								38,115	33,475	33,080	7,4
2017									42,411	37,079	9,7
2018										50,784	23,
									Total	$343,850	

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018
2009	$11,101	$17,248	$21,660	$25,779	$30,272	$32,150	$32,623	$32,842	$32,977	$33,3
2010		12,511	17,490	22,135	27,152	31,378	33,384	34,888	34,764	34,90
2011			13,092	18,390	22,616	28,291	30,458	32,692	34,177	34,78
2012				11,525	14,454	16,263	18,670	20,716	21,026	21,35
2013					9,374	12,723	15,426	18,406	20,816	21,71
2014						12,001	16,484	20,199	24,602	27,33
2015							9,820	12,956	16,402	21,68
2016								11,327	17,193	19,08
2017									12,458	20,82
2018										18,02
									Total	$253,
			All outstanding liabilities before 2009, net of reinsurance*							1,908
			Liabilities for claims and claim adjustment expenses, net of reinsurance							$92,6

*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 b

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	20
2009	$183,437	$178,420	$179,249	$177,534	$177,798	$177,989	$178,372	$178,073	$178,008	$1
2010		206,606	200,318	198,111	198,029	197,443	197,675	197,465	197,067	19
2011			203,301	200,356	198,757	197,581	197,381	197,451	197,239	19
2012				181,284	177,664	175,523	175,509	175,178	175,032	17
2013					152,208	149,080	149,272	148,231	147,927	14
2014						132,651	131,634	130,287	131,546	13
2015							125,430	124,199	123,619	12
2016								147,264	145,373	14
2017									164,284	17
2018										17
									Total	$1

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2009*	2010*	2011*	2012*	2013*	2014*	2015*	2016*	2017*	20
2009	$142,781	$170,372	$173,985	$175,220	$176,588	$176,985	$177,428	$177,615	$177,670	$
2010		149,755	189,046	193,006	195,365	195,714	196,281	196,419	196,504	19
2011			160,625	190,946	194,237	195,327	196,575	196,628	196,717	19
2012				143,797	169,415	171,842	173,170	173,676	174,139	17
2013					115,605	140,309	145,152	146,650	146,920	14
2014						96,300	122,601	126,245	129,467	13
2015							86,617	114,696	119,331	12
2016								105,415	136,796	14
2017									116,075	15
2018										12
									Total	$
					All outstanding liabilities before 2009, net of reinsurance*					23
				Liabilities for claims and claim adjustment expenses, net of reinsurance						$

*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, ir

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance		As of December 31, 2018	
	For the Years Ended December 31,		IBNR Plus Expected Development	Cumulative Number of Reported Claims
Accident Year	2017*	2018		
2017	$ 229,284	$ 227,106	$ 91	82,343
2018	—	248,182	(1,840)	63,360
	Total	$ 475,288		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance	
	For the Years Ended December 31,	
Accident Year	2017*	2018
2017	$ 205,245	225,141
2018	—	218,095
	Total	$ 443,236
All outstanding liabilities before 2017, net of reinsurance*		1,749
Liabilities for claims and claim adjustment expenses, net of reinsurance		$ 33,801

* 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
years. Claims and claim adjustment expenses are shown below (in thousands):

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance		As of December 31, 2018	
	For the Years Ended December 31,		IBNR Plus Expected Development	Cumulative Number of Reported Claims
Accident Year	2017*	2018		
2017	$ 93,571	$ 93,572	$ —	57,364
2018	—	89,308	7,947	47,075
	Total	$ 182,880		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance	
	For the Years Ended December 31,	
Accident Year	2017*	2018
2017	$ 73,838	$ 93,572
2018	—	72,693
	Total	$ 166,265
All outstanding liabilities before 2017, net of reinsurance*		—
Liabilities for claims and claim adjustment expenses, net of reinsurance		$ 16,615

*Unaudited supplemental information

Health Reserving Methodology—The following methods are utilized:
Completion Factor Approach-This method assumes that the historical claim patterns will be an accurate representa
claims in the period. Completion factors are calculated which "complete" the current period-to-date payment totals
Tabular Claims Reserves-This method is used to calculate the reserves for disability income blocks of business. Th
calculated by applying these continuance tables, along with appropriate company experience adjustments, to the st
Future Policy Benefits-Reserves are equal to the aggregate of the present value of expected future benefit payment
Premium Deficiency Reserves-Deficiency reserves are established when the expected future claim payments and e
premium rate increases, the timing of these increases, and the expected benefit utilization patterns. We have establ
deficiency reserves are reviewed periodically for reasonableness, and the reserve amount is monitored against eme
There is no expected development on reported claims in the health blocks. Claim frequency is determined by totali

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

Health—Consists of stop loss, other supplemental health products and credit disability insurance. This line of busi

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2018	
	For the Years Ended December 31,						
Accident Year	2014*	2015*	2016*	2017*	2018	IBNR Plus Expected Development	Cumulative Number of Reported Claims
2014	$ 38,102	$ 67,545	$ 62,802	$ 62,906	$ 62,919	$ 1	35,346
2015		34,069	45,167	41,513	41,514	1	32,527
2016			36,198	41,236	37,164	7	28,706
2017				41,544	39,930	4,531	31,323
2018					64,686	28,967	28,503
				Total	$ 246,213		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	For the Years Ended December 31,				
Accident Year	2014*	2015*	2016*	2017*	2018
2014	$ 25,436	$ 62,632	$ 62,678	$ 62,819	$ 62,819
2015		23,574	41,491	41,436	41,462
2016			24,357	37,040	37,115
2017				25,358	35,392
2018					34,894
				Total	$ 211,682
All outstanding liabilities before 2014, net of reinsurance*					5,830
Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 40,361

* Unaudited supplemental information

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

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	34.4 %	28.4 %	15.6 %	9.8 %	5.4 %	2.3 %	1.0 %	0.4 %	0.1 %	2.6 %
Non-Auto Liability	18.8 %	20.3 %	16.7 %	14.3 %	8.7 %	5.7 %	2.3 %	1.7 %	1.0 %	10.5 %
Homeowners	75.2 %	19.1 %	2.5 %	1.3 %	0.4 %	0.2 %	0.1 %	0.1 %	— %	1.1 %
Commercial Multi-Peril	35.8 %	15.0 %	10.3 %	13.2 %	9.5 %	4.4 %	2.8 %	0.7 %	0.4 %	7.9 %
Short Tail Property	89.1 %	10.9 %	— %	— %	— %	— %	— %	— %	— %	— %
Credit	80.2 %	19.8 %	— %	— %	— %	— %	— %	— %	— %	— %

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Note 13 – Reinsurance

American National reinsures portions of certain life insurance policies to provide a greater diversification of risk a million individual life, $250,000 individual accidental death, $100,000 group life, and $125,000 credit life. If indiv maximum amount that would be retained by one life insurance company (American National) would be $700,000 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' compens million annual aggregate deductible. Reinsurance covers up to $6 million of property and liability losses per risk. casualty clash covers losses incurred as a result of one casualty event involving multiple policies, excess policy lin to $500 million. American National retains the first $17.5 million of each catastrophe. Catastrophe aggregate reins been reached. The first $10 million of each catastrophe loss contributes to the $90 million aggregation of losses. T million excess of $100 million on an occurrence basis. The second layer provides aggregate protection with subjec American National expects to place the cover again on July 1, 2019.

American National remains primarily liable with respect to any reinsurance ceded, and would bear the entire loss i December 31, 2018 and 2017, respectively. None of the amount outstanding at December 31, 2018 is the subject o National's consolidated financial statements.

The amounts in the consolidated financial statements include the impact of reinsurance. Information regarding the

	Years ended December 31,		
	2018	2017	2016
Direct premiums	$2,499,584	$2,341,088	$2,246,595
Reinsurance premiums assumed from other companies	286,165	227,053	194,910
Reinsurance premiums ceded to other companies	(557,556)	(500,939)	(444,857)
Net premiums	$2,228,193	$2,067,202	$1,996,648

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

	December 31,		
	2018	2017	2016
Direct life insurance in-force	$110,125,270	$102,843,372	$95,439,425
Reinsurance risks assumed from other companies	230,845	257,552	181,655
Reinsurance risks ceded to other companies	(26,601,422)	(29,646,646)	(29,980,485)
Net life insurance in-force	$83,754,693	$73,454,278	$65,640,595

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Note 14 – Federal Income Taxes

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

	Years ended December 31,		
	2018		2017
	Amount	Rate	Amount*
Income tax expense before tax on equity in earnings of unconsolidated affiliates	$29,643	18.2 %	$114,921
Tax on equity in earnings of unconsolidated affiliates	4,469	2.8	30,336
Total expected income tax expense at the statutory rate	34,112	21.0	145,257
Tax-exempt investment income	(3,323)	(2.0)	(6,887)
Deferred tax change	(4,354)	(2.7)	(217,622)
Dividend exclusion	(4,080)	(2.5)	(8,701)
Miscellaneous tax credits, net	(7,802)	(4.8)	(9,524)
Low income housing tax credit expense	6,231	3.8	5,263
Change in valuation allowance	2,700	1.7	—
Tax accrual adjustment	(2,893)	(1.8)	—
Return to provision	(20,301)	(12.5)	—
Other items, net	1,155	0.6	1,905
Provision for federal income tax before interest expense	1,445	0.8	(90,309)
Interest expense (benefit)	—	—	(2,686)
Total	$1,445	0.8 %	$(92,995)

* Prior years revised to reflect the January 1, 2018 adoption of ASU 2017-07 Compensation-Retirement Benefits: Consolidated Financial Statements.
During 2018, American National recorded an income tax benefit of $20,301,000 related to the filing of its 2017 ta contribution, depreciation on fixed assets and changes in our estimated income from joint ventures.

On December 22, 2017, the Tax Cuts and Jobs Act (“Tax Reform”) was enacted. The Tax Reform included numer specific to insurance companies, namely changes to the proration formula used to determine the amount of divider provisional tax benefit of $206.4 million in our 2017 financial statements. This tax benefit was primarily due to th

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

	Dec
	201
DEFERRED TAX ASSETS	
Invested assets, principally due to impairment losses	$18
Investment in real estate and other invested assets, principally due to investment valuation allowances	8,42
Policyholder funds, principally due to policy reserve discount	91,3
Policyholder funds, principally due to unearned premium reserve	24,5
Participating policyholders' surplus	32,7
Pension	3,59
Commissions and other expenses	3,10
Other assets	9,75
Tax carryforwards	138
Gross deferred tax assets before valuation allowance	191
Valuation allowance	(2,7
Gross deferred tax assets after valuation allowance	189
DEFERRED TAX LIABILITIES	
Marketable securities, principally due to net unrealized gains	161
Investment in bonds, principally due to differences between GAAP and tax basis	13,0
Deferred policy acquisition costs, due to difference between GAAP and tax amortization methods	240
Property, plant and equipment, principally due to difference between GAAP and tax depreciation methods	22,2
Other liabilities	16,1
Gross deferred tax liabilities	453
Total net deferred tax liability	$26

American National made income tax payments of $22,234,000, $33,640,000 and $33,367,000 during 2018, 2017,

GAAP requires us to evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if n necessary, and if so, the amount of such valuation allowance. There were no material valuation allowances recorde realized and that no additional valuation allowance is necessary at this time.

As of December 31, 2018, American National has an alternative minimum tax ("AMT") credit carryforward of $6 liability. If not utilized, the credits are fully refundable by 2021. The general business credits and capital loss carry American National's federal income tax returns for years 2015 to 2017 are subject to examination by the Internal I for penalties or interest were established during 2018 relating to a dispute with the Internal Revenue Service. As o recognized within the next twelve months that would impact American National's effective tax rate.

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Note 15 – Accumulated Other Comprehensive Income (Loss)

The components of and changes in the accumulated other comprehensive income (“AOCI”), and the related tax ef

Balance at December 31, 2015
Amounts reclassified from AOCI (net of tax benefit $7,705 and expense $4,438)
Unrealized holding gains arising during the period (net of tax expense $71,859)
Unrealized adjustment to DAC (net of tax benefit $10,318)
Unrealized gains on investments attributable to participating policyholders’ interest (net of tax benefit $3,599)
Actuarial gain arising during the period (net of tax expense of $562)
Foreign currency adjustment (net of tax expense $156)
Balance at December 31, 2016
Amounts reclassified from AOCI (net of tax benefit $18,789 and expense $5,005)
Unrealized holding gains arising during the period (net of tax expense $113,604)
Unrealized adjustment to DAC (net of tax benefit $729)
Unrealized gains on investments attributable to participating policyholders’ interest (net of tax benefit $2,480)
Actuarial loss arising during the period (net of tax benefit of $796)
Foreign currency adjustment (net of tax expense $198)
Balance at December 31, 2017
Amounts reclassified from AOCI (net of tax benefit $561 and expense $1,532)
Unrealized holding losses arising during the period (net of tax benefit $46,812)
Unrealized adjustment to DAC (net of tax expense $10,903)
Unrealized gains on investments attributable to participating policyholders’ interest (net of tax expense $2,343)
Actuarial gain arising during the period (net of tax expense of $4,402)
Foreign currency adjustment (net of tax benefit $239)
Cumulative effect of changes in accounting (net of tax benefit $334,955)
Balance at December 31, 2018

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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 s

	Years ended December 31,		
	2018	2017	2016
Common stock			
Shares issued	30,832,449	30,832,449	30,832,449
Treasury shares	(3,947,000)	(3,900,565)	(3,917,933)
Outstanding shares	26,885,449	26,931,884	26,914,516
Restricted shares	(10,000)	(74,000)	(76,000)
Unrestricted outstanding shares	26,875,449	26,857,884	26,838,516

Stock-based compensation

American National has a stock-based compensation plan, which allows for grants of Non-Qualified Stock Options administered by the American National Board Compensation Committee. To date, only SAR, RS and RSU awards awards. The number of shares available for grants under the plan cannot exceed 2,900,000 shares, and no more tha 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		RS Shares		RS Units	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Units	Weight Grant D Fair Va
Outstanding at December 31, 2015	38,092	$ 115.18	76,000	$ 110.73	135,725	$ 103.
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
Granted	—	—	—	—	16,500	117.69
Exercised	(333)	116.48	(2,000)	130.52	(62,111)	108.90
Forfeited	—	—	—	—	(2,069)	104.17
Expired	(3,234)	118.37	—	—	—	—
Outstanding at December 31, 2017	2,586	106.70	74,000	110.19	52,765	106.26
Granted	—	—	—	—	8,250	121.93
Exercised	(650)	99.79	(64,000)	114.90	(41,949)	106.94
Forfeited	—	—	—	—	(750)	121.93
Expired	(1,601)	114.17	—	—	—	—
Outstanding at December 31, 2018	335	$ 84.41	10,000	$ 80.05	18,316	$ 111.

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Note 16—Stockholders' Equity and Noncontrolling Interests—(Continued)

	SAR	RS Shares	RS Units
Weighted-average contractual remaining life (in years)	0.54	4.17	0.29
Exercisable shares	335	N/A	N/A
Weighted-average exercise price	$84.54	$114.9	$106.94
Weighted-average exercise price exercisable shares	84.54	N/A	N/A
Compensation expense (credit)			
Year ended December 31, 2018	$(28,000)	$328,000	$1,098,000
Year ended December 31, 2017	(15,000)	823,000	3,227,000
Year ended December 31, 2016	179,000	843,000	6,539,000
Fair value of liability award			
December 31, 2018	$33,000	N/A	$2,426,000
December 31, 2017	63,000	N/A	6,376,000

The SARs give the holder the right to cash compensation based on the difference between the stock price on the gr
RS awards entitle the participant to full dividend and voting rights. Each RS share awarded has the value of one sh
expense is recognized over the vesting period. The restrictions on these awards lapse after 10 years and most of th
exercise price of zero, of which 10,000 shares are unvested.

RSU awards allow the recipient of the awards to settle the vested RSUs in either shares of American National's co
after age 65.

Earnings per share

Basic earnings per share were calculated using a weighted average number of shares outstanding. Diluted earnings

	Years ended December 31,		
	2018	2017	2016
Weighted average shares outstanding	26,886,357	26,896,926	26,908,570
Incremental shares from RS awards and RSUs	30,286	63,769	58,502
Total shares for diluted calculations	26,916,643	26,960,695	26,967,072
Net income attributable to American National (in thousands)*	$158,995	$ 493,651	$ 181,003
Basic earnings per share*	$5.91	$ 18.35	$ 6.73
Diluted earnings per share*	$5.91	$ 18.31	$ 6.71

* This includes the impact of the U. S. Tax Cut and Jobs Act ("Tax Reform") of $206.4 million, primarily due to th
$287.3 million and net earnings per basic and diluted share of $10.68 and $10.65, respectively.

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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 N
risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest
actions. At December 31, 2018 and 2017, American National Insurance Company’s statutory capital and surplus w
and 2017, substantially above 200% of the authorized control level.

American National and its insurance subsidiaries prepare statutory-basis financial statements in accordance with st
Commissioners’ Codification of Statutory Accounting Principles (“NAIC Codification”). NAIC Codification is int
permitted practices. Modifications by the various state insurance departments may impact the statutory capital and
Statutory accounting differs from GAAP primarily by charging policy acquisition costs to expense as incurred, est
accounting principles and are charged directly to surplus.

One of American National’s insurance subsidiaries has been granted a permitted practice from the Missouri Depar
Texas domiciled insurer. This permitted practice increases the statutory capital and surplus of both American Nati
of both American National Insurance Company and the Missouri domiciled insurance subsidiary would have rema

The statutory capital and surplus and net income of our life and property and casualty insurance entities in accorda

	December 31,	
	2018	2017
Statutory capital and surplus		
Life insurance entities	$1,989,586	$2,141,573
Property and casualty insurance entities	1,183,913	1,162,761

	Years ended December 31,		
	2018	2017	2016
Statutory net income			
Life insurance entities	$59,909	$46,820	$82,101
Property and casualty insurance entities	66,680	72,267	48,378

Dividends

We paid a dividend of $0.82 per share each quarter of the years ended December 31, 2017 and 2018. We expect to
American National Insurance Company's payment of dividends to stockholders is restricted by insurance law. The
the prior year's statutory net income from operations, or 10% of prior year statutory surplus. American National In
transfer in the form of dividends, loans, or advances to American National Insurance Company apply to its insuran

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Note 16—Stockholders' Equity and Noncontrolling Interests—(Continued)

Noncontrolling interests
American National County Mutual Insurance Company ("County Mutual") is a mutual insurance company owned
statements of American National. Policyholder interests in the financial position of County Mutual are reflected as
American National Insurance Company and its subsidiaries exercise control or ownership of various joint ventures
noncontrolling interests of $7,517,000 and $2,262,000 at December 31, 2018 and 2017, respectively.
Note 17 – Segment Information
Management organizes the business into five operating segments:

- Life—consists of whole, term, universal, indexed and variable life insurance. Products are primarily sold through
- Annuity—consists of fixed, indexed, and variable annuity products. Products are primarily sold through independ
- Health—consists of Medicare Supplement, stop loss, other supplemental health products and credit disability insu
- Property and Casualty—consists of personal, agricultural and targeted commercial coverages and credit-related pr
- Corporate and Other—consists of net investment income from investments and certain expenses not allocated to t

The accounting policies of the segments are the same as those described in Note 2 to the consolidated financial sta
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 busines
- Net investment income from all other assets is allocated to the insurance segments in accordance with the amount
- Expenses are charged to segments through direct identification and allocations based upon various factors.

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

	Years ended December 31,		
	2018	2017	2016
Total Assets			
Life	$6,263,366	$6,101,458	$5,921,208
Annuity	12,900,650	12,345,215	11,310,936
Health	527,525	468,947	472,369
Property and Casualty	2,216,628	2,189,515	2,046,303
Corporate and other	5,004,184	5,281,629	4,782,406
Total	$26,912,353	$26,386,764	$24,533,222

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Note 17 – Segment Information – (Continued)

The results of operations measured as the income before federal income taxes and other items by operating segmen

	Year ended December 31, 2018					
	Life	Annuity	Health	Property & Casualty	Corporate & Other	To
PREMIUMS AND OTHER REVENUES						
Premiums	$350,012	$231,027	$180,414	$1,466,740	$—	$2
Other policy revenues	270,839	14,710	—	—	—	28
Net investment income	233,181	467,788	9,376	62,320	85,702	85
Net realized investment gains	—	—	—	—	16,931	16
Net losses on equity securities	—	—	—	—	(107,188)	(1
Other income	2,266	2,611	24,185	10,628	4,840	44
Total premiums and other revenues	856,298	716,136	213,975	1,539,688	285	3,
BENEFITS, LOSSES AND EXPENSES						
Policyholder benefits	417,702	290,611	—	—	—	70
Claims incurred	—	—	122,547	1,049,112	—	1,
Interest credited to policyholders' account balances	54,249	261,435	—	—	—	31
Commissions for acquiring and servicing policies	158,657	94,879	32,516	278,002	—	56
Other operating expenses	190,835	46,859	41,819	186,019	31,479	49
Change in deferred policy acquisition costs	(33,893)	(35,135)	2,846	(5,315)	—	(7
Total benefits, losses and expenses	787,550	658,649	199,728	1,507,818	31,479	3,
Income before federal income tax and other items	$68,748	$57,487	$14,247	$31,870	$(31,194)	$1

	Year ended December 31, 2017					
	Life	Annuity	Health	Property & Casualty	Corporate & Other	To
PREMIUMS AND OTHER REVENUES						
Premiums	$328,570	$222,207	$156,436	$1,359,989	$—	$2
Other policy revenues	234,979	13,547	—	—	—	24
Net investment income	245,835	573,789	9,538	61,688	75,227	96
Net realized investment gains	—	—	—	—	91,209	91
Other income	2,256	2,832	19,284	8,372	5,242	37
Total premiums and other revenues	811,640	812,375	185,258	1,430,049	171,678	3,4
BENEFITS, LOSSES AND EXPENSES						
Policyholder benefits	410,152	270,970	—	—	—	68
Claims incurred	—	—	103,037	934,044	—	1,0
Interest credited to policyholders' account balances	73,965	341,225	—	—	—	41
Commissions for acquiring and servicing policies	147,176	105,389	27,400	265,440	—	54
Other operating expenses	190,482	44,486	38,475	177,345	34,552	48
Change in deferred policy acquisition costs	(49,786)	(30,022)	3,814	(5,490)	—	(8
Total benefits, losses and expenses	771,989	732,048	172,726	1,371,339	34,552	3,0
Income before federal income tax and other items	$39,651	$80,327	$12,532	$58,710	$137,126	$3

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Note 17 – Segment Information – (Continued)

	Year ended December 31, 2016					
	Life	Annuity	Health	Property & Casualty	Corporate & Other	Tot
PREMIUMS AND OTHER REVENUES						
Premiums	$318,953	$248,714	$175,589	$1,253,392	$—	$1,
Other policy revenues	295,289	11,591	—	—	—	306
Net investment income	227,923	500,726	9,942	57,091	64,553	860
Net realized investment gains	—	—	—	—	28,940	28,
Other income	2,067	3,161	17,488	4,588	7,944	35,
Total premiums and other revenues	844,232	764,192	203,019	1,315,071	101,437	3,2
BENEFITS, LOSSES AND EXPENSES						
Policyholder benefits	429,813	296,586	—	—	—	726
Claims incurred	—	—	132,390	883,219	—	1,0
Interest credited to policyholders' account balances	63,565	268,205	—	—	—	331
Commissions for acquiring and servicing policies	132,428	78,177	22,846	232,514	—	465
Other operating expenses	186,879	51,283	42,655	165,278	30,367	476
Change in deferred policy acquisition costs	3,887	(5,780)	3,770	(725)	—	1,1
Total benefits, losses and expenses	816,572	688,471	201,661	1,280,286	30,367	3,0
Income before federal income tax and other items	$27,660	$75,721	$1,358	$34,785	$71,070	$2

Note 18 – Pension and Postretirement Benefits

Savings plans

American National sponsors a qualified defined contribution (401(k) plan) for all employees, and non-qualified de
$10,157,000, $13,466,000, and $13,658,000 for 2018, 2017, and 2016, respectively.

Pension benefits

American National sponsors qualified and non-qualified defined benefit pension plans each of which have been fr
Benefits earned by eligible employees prior to the plans being frozen have not been affected. In 2017, the Compan
payout funded from pension plan assets. A $7.2 million pension expense was recognized in the second quarter of 2
valuation process of the defined pension plans and is primarily the result of higher lump sum payouts in 2017 due
The qualified pension plans are noncontributory. The plans provide benefits for salaried and management employe
employees and restore benefits that would otherwise be curtailed by statutory limits on qualified plan benefits.

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Note 18 – Pension and Postretirement Benefits – (Continued)

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

	Qualified		Non-qualified	
	December 31,			
	2018	2017	2018	2017
Reconciliation of benefit obligation				
Obligation at January 1,	$386,672	$402,150	$104,166	$111,382
Service cost	433	—	65	63
Interest cost on projected benefit obligation	12,378	14,593	3,469	4,179
Actuarial (gain) loss	(56,672)	22,003	(1,631)	5,069
Benefits paid	(23,981)	(52,074)	(11,890)	(16,527)
Obligation at December 31,	318,830	386,672	94,179	104,166
Reconciliation of fair value of plan assets				
Fair value of plan assets at January 1,	351,958	336,174	30,766	31,059
Actual return on plan assets	(12,032)	42,858	(1,152)	4,000
Employer contributions	60,000	25,000	8,901	12,234
Benefits paid	(23,979)	(52,074)	(11,883)	(16,527)
Fair value of plan assets at December 31,	375,947	351,958	26,632	30,766
Funded status at December 31,	$57,117	$(34,714)	$(67,547)	$(73,400)

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

	Years ended December 31,		
	2018	2017	2016
Service cost	$499	$63	$59
Interest cost	15,846	18,772	20,690
Expected return on plan assets	(24,164)	(23,579)	(22,013)
Amortization of net actuarial loss	8,560	23,832	12,680
Net periodic benefit cost	$741	$19,088	$11,416

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

	Years ended December 31,		
	2018	2017	2016
Actuarial gain	$28,260	$20,040	$14,286
Deferred tax expense	(5,934)	(4,209)	(5,000)
Other comprehensive income, net of tax	$22,326	$15,831	$9,286

The estimated actuarial loss for the plan that will be amortized out of AOCI into the net periodic benefit cost over benefit pension plans, are shown below (in thousands):

	Years ended December 31,	
	2018	2017
Net actuarial loss	$(68,653)	$(96,913)
Deferred tax benefit	14,417	20,351
Amounts included in AOCI	$(54,236)	$(76,562)

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Note 18 – Pension and Postretirement Benefits – (Continued)

The weighted average assumptions used are shown below:

	Used for Net Benefit Cost in Fiscal Year 1/1/2018 to 12/31/2018	Used for Benefit Obligations as of 12/31/2018
Discount rate	3.44 %	4.50 %
Long-term rate of return	6.25	N/A

American National's funding policy for the qualified pension plans is to make annual contributions to meet the mi
American National and its affiliates do not expect to contribute to its qualified plans in 2019. The benefits paid fro
funded out of general corporate assets.

The following table shows pension benefit payments, expected to be paid (in thousands):

2019	$41,558
2020	31,057
2021	33,098
2022	32,488
2023	30,768
2024-2028	139,897

American National utilizes third-party pricing services to estimate fair value measurements of its pension plan ass
of the pension plan assets by asset category are shown below (in thousands):

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Asset Category				
Corporate debt securities	$140,836	$—	$140,836	$ —
Residential mortgage-backed securities	4,644	—	4,644	—
Mutual fund	9,161	9,161	—	—
Equity securities by sector				
Consumer goods	44,746	44,746	—	—
Energy and utilities	23,844	23,844	—	—
Finance	45,131	45,131	—	—
Healthcare	31,259	31,259	—	—
Industrials	16,033	16,033	—	—
Information technology	47,226	47,226	—	—
Other	28,963	28,963	—	—
Commercial paper	6,836	—	6,836	—
Unallocated group annuity contract	1,131	—	1,131	—
Other	2,769	2,714	55	—
Total	$402,579	$249,077	$153,502	$ —

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Note 18 – Pension and Postretirement Benefits – (Continued)

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Asset Category				
Corporate debt securities	$93,051	$—	$93,051	$ —
Residential mortgage-backed securities	1,119	—	1,119	—
Mutual fund	9,513	9,513	—	—
Equity securities by sector				
Consumer goods	55,411	55,411	—	—
Energy and utilities	26,693	26,693	—	—
Finance	58,008	58,008	—	—
Healthcare	30,214	30,214	—	—
Industrials	20,141	20,141	—	—
Information technology	46,520	46,520	—	—
Other	31,545	31,545	—	—
Commercial paper	7,152	—	7,152	—
Unallocated group annuity contract	1,280	—	1,280	—
Other	2,077	1,991	86	—
Total	$382,724	$280,036	$102,688	$ —

The investment policy for the retirement plan assets is designed to provide the highest return possible commensura
100% and equity securities up to 75% of the total invested plan assets. The amount invested in any particular inves

The corporate debt securities category are investment grade bonds of U.S and foreign issuers denominated and pay
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 sec
Commercial paper investments generally have a credit rating of A2 Moody's or P2 by Standard & Poor's with at l
Postretirement life and health benefits
American National sponsors a contributory health and dental benefit plan to a closed block of retirees and their de
benefits. American National's contribution is limited to $40 per month for retirees and spouses. Since American N
obligation. Under American National's various group benefit plans for active employees, life insurance benefits ar
The accrued postretirement benefit obligation, included in the liability for retirement benefits, was $6,085,000 and

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Note 19 – Commitments and Contingencies

Commitments

American National and its subsidiaries lease insurance sales office space, technological equipment, and automobil
American National had aggregate commitments at December 31, 2018, to purchase, expand or improve real estate
2020 and beyond.

American National has a $100,000,000 short-term variable rate borrowing facility containing a $55,000,000 sub-fe
combination of borrowings and outstanding letters of credit cannot exceed $100,000,000 at any time. As of Decem
2019.

Federal Home Loan Bank (FHLB) Agreements

In May 2018, the Company became a member of the Federal Home Loan Bank of Dallas ("FHLB") to augment its
stock is recorded in other invested assets on the Company's consolidated statements of financial position. Through
funding agreements. As of December 31, 2018, certain collateralized mortgage obligations (CMO's) with a fair va
on the Company's consolidated statements of financial position.

Guarantees

American National has guaranteed bank loans for customers of a third-party marketing operation. The bank loans
default on a bank loan, American National would be obligated to pay off the loan. As the cash values of the life ins
December 31, 2018, was approximately $192,848,000, while the total cash value of the related life insurance polic

Litigation

American National and certain subsidiaries, in common with the insurance industry in general, are defendants in v
action arising in the ordinary course of operations. Certain of these lawsuits include claims for compensatory and p
information presently available, management is of the opinion that the ultimate resultant liability, if any, would no
involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the futu
Such speculation warrants caution, as the frequency of large damage awards, which bear little or no relation to the
development, and future facts and circumstances could result in management changing its conclusions. It is possib
consolidated financial position, liquidity or results of operations. With respect to the existing litigation, manageme
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 inclu
statements of significant related party transactions is shown below (in thousands):

		Dollar Amount of Transactions		Amount due to (
		Years ended December 31,		December 31,
Related Party	Financial Statement Line Impacted	2018	2017	2018
Gal-Tex Hotel Corporation	Mortgage loan on real estate	$ 1,647	$ 1,533	$ 576
Gal-Tex Hotel Corporation	Net investment income	107	222	3
Greer, Herz & Adams, LLP	Other operating expenses	11,173	10,181	(329)

Mortgage Loans to Gal-Tex Hotel Corporation ("Gal-Tex"): American National holds a first mortgage loan origin
loan is current as to principal and interest payments. The Moody Foundation owns 34.0% % of Gal-Tex and 22.75
Transactions with Greer, Herz & Adams, LLP: Irwin M. Herz, Jr. is an American National director and a Partner v

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,	
	2018	2017	2018	2017
Total premiums and other revenues	$803,375	$779,797	$952,071	$834,09
Total benefits, losses and expenses	782,591	735,139	850,796	791,595
Income (loss) before federal income tax and other items	20,784	44,658	101,275	42,498
Total provision (benefit) for federal income taxes*	1,189	13,735	21,957	13,524
Equity in earnings of unconsolidated affiliates	(545)	9,500	6,421	12,313
Other components of net periodic pension benefit (costs), net of tax	(792)	(1,232)	(1,677)	(5,588
Net income (loss)*	18,258	39,191	84,062	35,699
Net income (loss) attributable to noncontrolling interest, net of tax	(519)	(649)	(77)	(260
Net income (loss) attributable to American National*	$18,777	$39,840	$84,139	$35,959
Earnings (loss) per share attributable to American National*				
Basic	$0.70	$1.48	$3.13	$1.34
Diluted	0.70	1.48	3.12	1.33

* The fourth quarter of 2017 includes the impact of the U. S. Tax Cut and Jobs Act ("Tax Reform") of $206.4 milli
income for the three months ended December 31, 2017 would have been $138.2 million and net earnings per bas

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANC
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
Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time perio
Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclos
The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financia
to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of Decem
Management's Annual Report on Internal Control over Financial Reporting
Management of the Company is responsible for establishing and maintaining adequate internal control over financ
assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements fo
Because of inherent limitations, internal controls over financial reporting may not prevent or detect misstatements.
degree of compliance with the policies or procedures may deteriorate.
Management, including the Chief Executive Officer and Chief Financial Officer, has conducted an assessment, inc
Organizations of the Treadway Commission in Internal Control — An Integrated Framework (2013). Based on thi
The effectiveness of the company's internal control over financial reporting as of December 31, 2018, has been au
Changes in Internal Control Over Financial Reporting
Management has monitored the internal controls over financial reporting, including any material changes to the int
defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended December 3
ITEM 9B. OTHER INFORMATION
None

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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 Ann

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from our definitive proxy statement for our Ann

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND REL

The information required by this item is incorporated by reference from our definitive proxy statement for our Ann

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDEN

The information required by this item is incorporated by reference from our definitive proxy statement for our Ann

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from our definitive proxy statement for our Ann

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 fi

(b) Exhibits

Exhibit Number	Basic Documents
3.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit No. 3.1 to the regi
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit No. 3.2 to the registrant's Current
4.1	Specimen copy of Stock Certificate (incorporated by reference to Exhibit No. 4.1 to the registrant's Reg
10.1*	American National Insurance Company Amended and Restated 1999 Stock and Incentive Plan (the "Sto
10.2*	Form of Restricted Stock Agreement for Directors under the Stock and Incentive Plan (incorporated by r
10.3*	Form of Restricted Stock Agreement for Employees under the Stock and Incentive Plan (incorporated by
10.4*	American National Insurance Company Nonqualified Retirement Plan for Certain Salaried Employees (i
10.5*	Amendment to the American National Insurance Company Nonqualified Retirement Plan for Certain Sa
10.6*	American National Family of Companies Executive Supplemental Savings Plan (incorporated by referen

10.7*	Amendments One and Two to the American National Family of Companies Executive Supplemental Savin
10.8*	Form of Restricted Stock Unit Agreement for Executive Officers under the Stock and Incentive Plan (incor
10.9*	Form of Restricted Stock Unit Agreement for Directors under the Stock and Incentive Plan (filed herewith)
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
31.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (f
32.1	Certification of the principal executive officer and principal financial officer pursuant to Section 906 of the
101	The following financial information from American National Insurance Company's Annual Report on Forr Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated State

*Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

Not applicable

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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 dul

AMERICAN NATIONAL INSURANCE
COMPANY

By: /s/ James E. Pozzi
Name: James E. Pozzi
Title: President and Chief Executive Officer
(Principal Executive Officer)
Date: February 28, 2019

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the

Signature	Title	Date
/s/ James E. Pozzi James E. Pozzi	President and Chief Executive Officer (Principal Executive Officer)	February 28, 2019
/s/ Timothy A. Walsh Timothy A. Walsh	Executive Vice President, CFO, Treasurer and ML and P&C Operations (Principal Financial Officer)	February 28, 2019
/s/ Michelle A. Gage Michelle A. Gage	Vice President, and Controller	February 28, 2019
/s/ William C. Ansell William C. Ansell	Director	February 28, 2019
/s/ Arthur O. Dummer Arthur O. Dummer	Director	February 28, 2019
/s/ Irwin M. Herz, Jr. Irwin M. Herz, Jr.	Director	February 28, 2019
/s/ E. Douglas McLeod E. Douglas McLeod	Director	February 28, 2019
/s/ Frances A. Moody-Dahlberg Frances A. Moody-Dahlberg	Director	February 28, 2019
/s/ Ross R. Moody Ross R. Moody	Director	February 28, 2019
/s/ James P. Payne James P. Payne	Director	February 28, 2019
/s/ E.J. Pederson	Director	February 28, 2019

E.J. Pederson

/s/ James D. Yarbrough James D. Yarbrough	Director	February 28, 2019

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AMERICAN NATIONAL INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE I - SUMMARY OF INVESTMENTS - OTHER THAN INVESTMENTS IN RELATED PARTIES
(In thousands)

Type of Investment	December 31, 2018 Cost or Amortized Cost[1]	Estimated Fair Value	Amount at Which Shown in the Balance Sheet
Fixed maturities			
Bonds held-to-maturity			
U.S. states and political subdivisions	$245,360	$250,899	$ 245,360
Foreign governments	3,961	4,430	3,961
Corporate debt securities	7,640,891	7,548,829	7,640,891
Residential mortgage-backed securities	315,306	319,910	315,306
Collateralized debt securities	5,214	5,285	5,214
Other debt securities	717	731	717
Bonds available-for-sale			
U.S.treasury and government	28,304	28,399	28,399
U.S. states and political subdivisions	848,228	862,030	862,030
Foreign governments	5,000	6,210	6,210
Corporate debt securities	5,345,579	5,283,818	5,283,818
Residential mortgage-backed securities	31,735	31,662	31,662
Collateralized debt securities	2,775	3,444	3,444
Equity securities			
Common stocks			
Consumer goods	148,635	322,934	322,934
Energy and utilities	91,725	121,756	121,756
Finance	127,396	259,918	259,918
Healthcare	68,731	206,399	206,399
Industrials	43,871	136,601	136,601
Information technology	118,495	346,384	346,384
Other	95,669	115,193	115,193
Preferred stocks	19,982	21,042	21,042
Other Investments			
Mortgage loans on real estate, net of allowance	5,124,707	5,049,468	5,124,707
Investment real estate, net of accumulated depreciation	544,823	—	544,823
Real estate acquired in satisfaction of debt	42,694	—	42,694
Policy loans	376,254	376,254	376,254
Options (2)	108,803	148,006	1,142
Other long-term investments	48,945	—	48,945
Short-term investments	206,760	206,760	206,760
Total investments	$21,640,560	$21,656,362	$ 22,302,564

(1) Original cost of equity securities and, as to fixed maturity securities, original cost reduced by repayment discounts.

(2) The amount shown in the Consolidated Statement of Financial Position represents options exposure net of colla

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AMERICAN NATIONAL INSURANCE COMPANY (Parent Company Only)
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(In thousands)

	December 31,	
Condensed Statements of Financial Position	2018	2017
ASSETS		
Fixed maturity securities	$9,660,562	$9,093,442
Equity securities	6,252	4,976
Mortgage loans on real estate, net of allowance	4,772,085	4,533,620
Other invested assets	1,487,383	1,961,343
Investment in subsidiaries	3,121,901	3,090,883
Deferred policy acquisition costs	1,224,752	1,116,862
Separate account assets	918,369	969,764
Prepaid pension	57,117	—
Other assets	763,458	873,470
Total assets	$22,011,879	$21,644,360
LIABILITIES		
Policy liabilities	$4,373,398	$4,207,467
Policyholders' account balances	10,943,189	10,690,282
Separate account liabilities	918,369	969,764
Other liabilities	519,675	530,088
Total liabilities	$16,754,631	$16,397,601
EQUITY		
Common stock	30,832	30,832
Additional paid-in capital	20,694	19,193
Accumulated other comprehensive income	(99,738)	642,216
Retained earnings	5,413,952	4,656,134
Treasury stock, at cost	(108,492)	(101,616)
Total equity	5,257,248	5,246,759
Total liabilities and equity	$22,011,879	$21,644,360

The condensed financial statements should be read in conjunction with the consolidated financial statements and n
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	2018	2017	2016
PREMIUMS AND OTHER REVENUES			
Premiums and other policy revenues	$943,071	$889,346	$987,994
Net investment income	686,569	794,277	713,589
Net realized investment gains	2,053	21,052	16,111
Other-than-temporary impairments	(1,243)	(6,105)	(10)
Net losses on equity securities	(208)	—	—
Other income	19,028	17,558	15,944
Total premiums and other revenues	1,649,270	1,716,128	1,733,628
BENEFITS, LOSSES AND EXPENSES			
Policyholder benefits	716,959	682,707	749,179
Other operating expenses	773,329	871,935	843,500
Total benefits, losses and expenses	1,490,288	1,554,642	1,592,679
Income before federal income tax and other items	158,982	161,486	140,949
Provision (benefit) for federal income taxes	28,308	(53,728)	52,336
Equity in earnings of subsidiaries, net of tax	24,789	286,579	95,356
Other components of net periodic pension costs, net of tax	3,532	(8,142)	(2,966)
Net income attributable to American National	$158,995	$493,651	$181,003

The condensed financial statements should be read in conjunction with the consolidated financial statements and n
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 Cash Flows	2018	2017	2016
OPERATING ACTIVITIES			
Net income	$158,995	$493,651	$181,0
Adjustments to reconcile net income to net cash provided by operating activities			
Net realized investments gains	(2,053)	(21,052)	(16,11
Other-than-temporary impairments	1,243	6,105	10
Accretion of premiums, discounts and loan origination fees	(11,236)	(6,615)	(7,675
Net capitalized interest on policy loans and mortgage loans	(36,784)	(31,853)	(28,94
Depreciation	30,492	32,991	28,510
Interest credited to policyholders’ account balances	269,933	370,270	297,52
Charges to policyholders’ account balances	(272,638)	(236,336)	(295,0
Deferred federal income tax expense (benefit)	10,564	(57,337)	89,089
Equity in earnings of affiliates	(8,323)	(10,840)	(5,985
Net income of subsidiaries	(16,466)	(275,739)	(89,37
Distributions from equity method investments	5,319	—	—
Changes in			
Policyholder liabilities	165,931	179,497	186,47
Deferred policy acquisition costs	(61,881)	(66,219)	8,684
Reinsurance recoverables	(9,855)	584	11,545
Premiums due and other receivables	(1,302)	12,343	(8,427
Prepaid reinsurance premiums	3,213	3,392	88
Accrued investment income	2,306	(3,138)	351
Current tax receivable/payable	79,168	1,725	(24,83
Liability for retirement benefits	(64,824)	(31,830)	(29,67
Fair value of option securities	50,299	(86,259)	(27,53
Fair value of equity securities	208	—	—
Other, net	(17,943)	20,437	(48,11
Net cash provided by operating activities	274,366	293,777	221,60
INVESTING ACTIVITIES			
Proceeds from sale/maturity/prepayment of			
Held-to-maturity securities	514,393	730,143	382,39
Available-for-sale securities	296,545	315,030	282,83
Equity securities	—	5,635	—
Investment real estate	3,782	58,840	6,651
Mortgage loans	799,413	794,011	547,55
Policy loans	42,407	44,253	49,260
Other invested assets	110,415	76,521	28,155
Disposals of property and equipment	—	158	13,171
Distributions from affiliates and subsidiaries	17,795	20,038	9,909
Payment for the purchase/origination of			
Held-to-maturity securities	(971,396)	(824,831)	(60,63
Available-for-sale securities	(535,233)	(345,677)	(159,5

Equity securities	(1,485)	(128)	(2,000
Investment real estate	(23,790)	(26,936)	(31,23
Mortgage loans	(1,021,303)	(1,117,320)	(1,327,
Policy loans	(23,014)	(22,978)	(21,52
Other invested assets	(67,914)	(42,849)	(65,96
Additions to property and equipment	(10,767)	(20,441)	(39,85
Contributions to unconsolidated affiliates	(95,091)	(26,056)	(40,40
Change in short-term investments	360,837	(401,110)	207,54
Change in investment in subsidiaries	100,000	—	20,044
Change in collateral held for derivatives	(63,069)	84,325	22,789
Other, net	191	15,751	17,167
Net cash used in investing activities	(567,284)	(683,621)	(161,0
FINANCING ACTIVITIES			
Policyholders’ account deposits	1,513,478	1,732,494	1,287,
Policyholders’ account withdrawals	(1,243,641)	(1,182,754)	(1,229,
Dividends to stockholders	(88,228)	(88,335)	(87,74
Net cash provided by (used in) financing activities	181,609	461,405	(29,41
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(111,309)	71,561	31,111
Beginning of the period	262,901	191,340	160,22
End of the period	$151,592	$262,901	$191,3

The condensed financial statements should be read in conjunction with the consolidated financial statements and n

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, Policy and Contract Claims and Other Policyholder Funds	Unearned Premiums	Premium Revenue	Net Investment Income (1)	Benefits, Claims, Losses and Settlement Expenses	Am of I Pol Ac Co
2018							
Life	$839,133	$ 5,158,377	$29,901	$350,012	$ 233,181	$ 417,702	$ 9
Annuity	499,588	12,372,418	—	231,027	467,788	290,611	57,
Health	33,960	319,789	37,261	180,414	9,376	122,547	15,
Property & Casualty	124,580	1,034,265	841,694	1,466,740	62,320	1,049,112	309
Corporate & Other	—	—	—	—	85,702	—	—
Total	$1,497,261	$ 18,884,849	$908,856	$2,228,193	$ 858,367	$ 1,879,972	$ 4
2017							
Life	$791,276	$ 5,432,688	$33,298	$328,570	$ 245,835	$ 410,152	$ 7
Annuity	426,497	11,533,813	—	222,207	573,789	270,970	74,
Health	36,806	282,872	40,665	156,436	9,538	103,037	15,
Property & Casualty	119,265	990,341	801,331	1,359,989	61,688	934,044	280
Corporate & Other	—	—	—	—	75,227	—	—
Total	$1,373,844	$ 18,239,714	$875,294	$2,067,202	$ 966,077	$ 1,718,203	$ 4
2016							
Life	$745,840	$ 4,937,467	$35,133	$318,953	$ 227,923	$ 429,813	$ 1
Annuity	394,208	10,821,889	—	248,714	500,726	296,586	71,
Health	40,620	272,802	43,155	175,589	9,942	132,390	14,
Property & Casualty	113,775	935,998	745,650	1,253,392	57,091	883,219	262
Corporate & Other	—	—	—	—	64,553	—	—
Total	$1,294,443	$ 16,968,156	$823,938	$1,996,648	$ 860,235	$ 1,742,008	$ 4

(1) Net investment income from fixed income assets (bonds and mortgage loans on real estate) is allocated to insur
policy loans is allocated to the insurance lines according to the amount of loans made by each line. Net investm
(2) Identifiable expenses are charged directly to the appropriate line of business. The remaining expenses are alloc
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
Years Ended December 31, 2018					
Life insurance in-force	$110,125,270	$26,601,422	$230,845	$83,754,693	0.3 %
Premiums earned					
Life and annuity	$684,399	$103,749	$389	$581,039	0.1
Health	209,109	303,623	274,928	180,414	152.4
Property and casualty	1,606,076	150,184	10,848	1,466,740	0.7
Total premiums	$2,499,584	$557,556	$286,165	$2,228,193	12.8
Years Ended December 31, 2017					
Life insurance in-force	$102,843,372	$29,646,646	$257,552	$73,454,278	0.4
Premiums earned					
Life and annuity	$654,086	$104,599	$1,290	$550,777	0.2
Health	194,516	253,110	215,030	156,436	137.5
Property and casualty	1,492,486	143,230	10,733	1,359,989	0.8
Total premiums	$2,341,088	$500,939	$227,053	$2,067,202	11.0
Years 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
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 %

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 costs and expenses	Deductions Written off	Deductions Change in Estimate	Balance at End of Period
2018					
Investment valuation allowances:					
Mortgage loans on real estate	$ 18,866	$ 4,798	$(2,331)	$ —	$ 21,333
2017					
Investment valuation allowances:					
Mortgage loans on real estate	$ 12,490	$ 7,700	$(1,324)	$ —	$ 18,866
2016					
Investment valuation allowances:					
Mortgage loans on real estate	$ 12,895	$ (405)	$—	$ —	$ 12,490

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