STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of American National Property and Casualty Company for the period ended December 31, 2010

ORDER

After full consideration and review of the report of the financial examination of American National Property and Casualty Company for the period ended December 31, 2010, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of American National Property and Casualty Company as of December 31, 2010, be and is hereby ADOPTED as filed and for American National Property and Casualty Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 1st day of June, 2012.

John M. Huff, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF THE

ASSOCIATION FINANCIAL EXAMINATION OF

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

AS OF

DECEMBER 31, 2010

FILED
JUN 11 2012
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Springfield, Missouri
May 9, 2012

Honorable Joseph Torti, III, Superintendent
Rhode Island Division of Insurance
Chairman, Financial Condition (E) Committee

Honorable Ted Nickel, Commissioner
Wisconsin Office of the Commissioner of Insurance
Secretary, Midwestern Zone, NAIC

Honorable Eleanor Kitzman, Commissioner
Texas Department of Insurance
Secretary, Western Zone, NAIC

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Gentlemen and Madam:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

American National Property and Casualty Company

hereinafter referred to as such, ANPAC, or as the Company. Its administrative office is located at 1949 East Sunshine, Springfield, Missouri, 65899, telephone number (417) 887-4990. This examination began on September 26, 2011 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of ANPAC was made as of December 31, 2006 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

The current full scope association financial examination covered the period from January 1, 2007 through December 31, 2010 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the NAIC.

This examination was performed concurrently with the examination of the Company's subsidiary, American National General Insurance Company (ANGIC), and in coordination with the State of California Department of Insurance examination of Pacific Property and Casualty Company (Pacific), a subsidiary of ANPAC.

This examination also included the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

Procedures

This examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about corporate governance, identifying and assessing inherent risks, and evaluating the Company's controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The key activities identified in the examination of ANPAC were as follows:

- Investments
- Premiums
- Underwriting
- Claims Handling
- Loss Reserving
- Taxes
- Related Party Transactions
- Reinsurance
- Expenses

The examiners relied upon information supplied by the Company's independent auditor, KPMG, LLP, of Houston, Texas, for its audit covering the period from January 1, 2010 through December 31, 2010. Areas in which the testing and results from the CPA workpapers were relied upon in our examination included descriptions of processes and controls, bank confirmations, paid claims control testing, attorney letters and review of anti-fraud programs.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

In February 2012, a resolution was passed by the Board of Directors of ANPAC and the Board of Directors of American National Property and Casualty Holdings Company, Inc. (ANPAC Holdings) to convert to a permanent capital contribution the remaining $35 million principal balance on a $50 million surplus note that was issued to ANPAC Holdings by ANPAC on June 28, 2002. Regulatory approval for this transaction was obtained from the DIFP and the Texas Department of Insurance effective March 31, 2012. The effect of this transaction is a reclassification of the $35 million surplus note to ANPAC's Gross Paid In and Contributed Surplus with no change in total capital and surplus.

COMPANY HISTORY

General

ANPAC was incorporated on October 3, 1973 and commenced business on January 2, 1974. The Company operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo, (Insurance Other Than Life).

Capital Contribution

There were no capital contributions received during the period under examination.

Dividends

ANPAC paid a shareholder cash dividend of $3 million in 2010. No other dividends were declared or paid during the examination period.

Mergers and Acquisitions

In June 2002, ANPAC's then direct parent, American National Insurance Company (ANICO), contributed all outstanding common stock shares of ANPAC to ANICO's subsidiary, American National Property and Casualty Holdings Company LLC, (ANPAC Holding LLC), a Delaware corporation. During 2007 ANPAC Holding LLC merged with Farm Family Holdings, Inc. (Farm Family Holdings) a Delaware corporation, with Farm Family Holdings as the surviving entity. Subsequent to the merger, Farm Family Holdings changed its name to American National Property and Casualty Holdings, Inc. (ANPAC Holdings).

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed for any changes during the period under examination. Article V of the Articles of Incorporation was amended in 2007 to retroactively approve an increase of the par value of the common share capital stock from $20 to $33.60 per share that took effect in 2005. There were no amendments to the Bylaws during the period under examination.

The minutes of the Board of Directors' meetings and the shareholder's meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The management of ANPAC is vested in a Board of Directors, elected by the shareholder. The Articles of Incorporation specify that the number of Directors shall be not less than nine (9) and no more than thirteen (13). The Directors appointed and serving as of December 31, 2010 were as follows:

Name	Address	Occupation & Business Affiliation
Robert J. Campbell	Springfield, MO	Executive Vice President, General Counsel, Secretary, and Chief Claims Officer ANPAC and ANGIC
G. Richard Ferdinandtsen	Galveston, TX	President and Chief Operating Officer American National Insurance Company
James E. Pozzi	Galveston, TX	Senior Executive VP and Chief Admin Officer American National Insurance Company
Irwin M. Herz, Jr.	Galveston, TX	Attorney Greer, Herz & Adams, LLP
Ross R. Moody	Austin, TX	Director National Western Life Insurance Company
Gregory V. Ostergren	Springfield, MO	Chairman, President and Chief Executive Officer ANPAC and ANGIC
Stephen E. Pavlicek*	League City, TX	Senior Vice President and Controller American National Insurance Company
Timothy A. Walsh	Glenmont, NY	President and CEO Farm Family Casualty Insurance Company
Ronald J. Welch	Galveston, TX	Senior Executive VP and Chief Actuary American National Insurance Company

*Retired and was replaced by John Dunn Jr. on the Board of Directors, effective March 31, 2011.

Committees

In accordance with Article III, Section 13 of the Bylaws, the Board of Directors may designate from among its members an executive committee and such other committees as deemed desirable, each committee consisting of two or more Directors. The established committees and the individuals elected and serving as of December 31, 2010 were as follows:

Executive Committee
G. Richard Ferdinandtsen
Gregory V. Ostergren

Finance Committee

F. Richard Ferdinandtsen	Frank V. Broll, Jr.
Gordon D. Dixon	Robert J. Kirchner
Anne M. LeMire	E. Vince Matthews, III
Robert L. Moody	William L. Moody, IV
James E. Pozzi	Ronald J. Welch
J. Mark Flippin	

(Note that the Finance Committee was dissolved on July 29, 2011.)

Officers

The officers elected and serving as of December 31, 2010 were as follows:

Name	Title
Gregory V. Ostergren	Chairman of the Board – President and CEO
Robert J. Campbell	Executive Vice President, General Counsel and Secretary
Shannon L. Smith	Executive Vice President – Chief Marketing Officer
Bernard S. Gerwel	Sr. Vice President – Chief Information and Innovation Officer
Ronald J. Koch	Vice President – Controller and Treasurer
Scott F. Brast	Vice President – Investments
Janet A. Clark	Vice President – Underwriting Services
Gordon D. Dixon	Vice President – Investments
Deborah A. Foell	Vice President – Information and General Services
James W. Gillette, Jr.	Vice President – Actuarial Services
Jerry W. Jones*	Vice President – Claim Services
Robert J. Kirchner	Vice President – Investments
Anne M. LeMire	Vice President – Investments
George A. Macke	Vice President – General Auditor
Stuart M. Paulson	Vice President – Deputy General Counsel and Asst. Secretary
Linda F. Ward	Vice President – Corporate Actuary

*Retired and was replaced by Karl J. Quinn, effective January 1, 2011.

Holding Company, Subsidiaries and Affiliates

ANPAC is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). ANICO owns 100% of the common stock in ANPAC Holdings, the immediate parent of ANPAC while Comprehensive Investment Services, Inc., a downstream subsidiary of ANICO, owns 100% of the preferred stock.

ANICO is a life and health stock insurance company domiciled in Texas. As of December 31, 2010, ANICO was 23.22% owned by the Moody Foundation and 37.22% owned by the Libbie S.

Moody Trust. The Moody Foundation is a charitable trust located in Galveston, Texas that is governed by a board of trustee that manages its affairs. The Libbie S. Moody Trust is a split-interest trust also located in Galveston, Texas with both charitable and non-charitable beneficiaries and its affairs are managed by Moody National Bank, which serves as the trustee. The remaining ownership interest of ANICO is publicly traded on the NASDAQ Exchange. The Moody Foundation and the Libbie S. Moody Trust are considered the ultimate controlling entities of ANPAC within the holding company system.

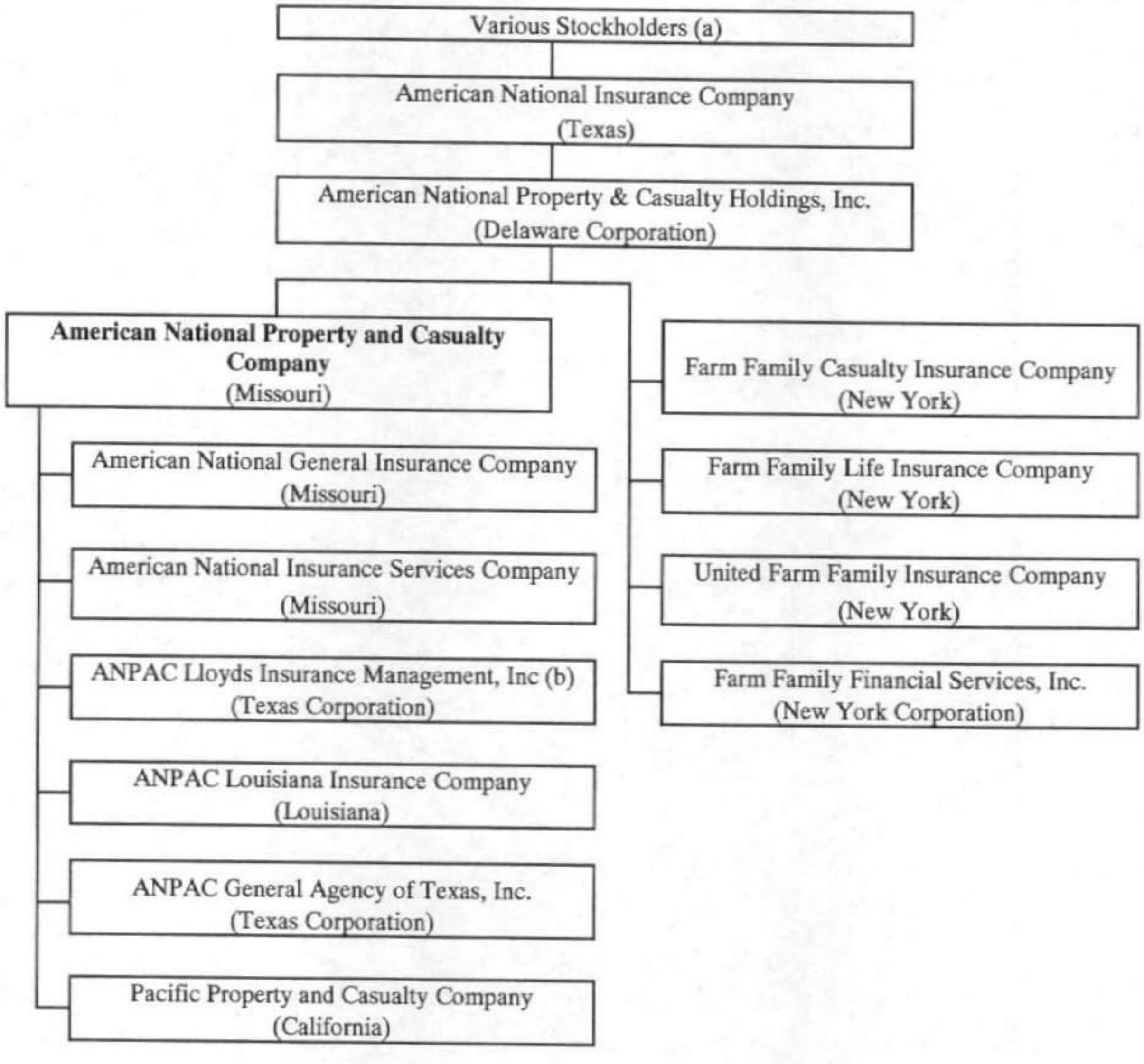
ANPAC wholly owns the following subsidiaries: American National General Insurance Company, a Missouri property and casualty insurance company; American National Insurance Services Company (ANISCO), a Missouri corporation that brokers commercial lines; ANPAC Lloyd's Insurance Management, Inc. (ANLIM), a Texas corporation which serves as attorney-in-fact for American National Lloyd's Insurance Company (ANLIC), a Texas property and casualty insurance company; ANPAC Louisiana Insurance Company (ANPLA), a Louisiana property and casualty insurance company; Pacific Property and Casualty Company, a California property and casualty insurance company; and ANPAC General Agency of Texas, Inc. (ANGAT), a Texas corporation. On June 30, 2011, ANPAC sold ANGAT for its statutory book value to its parent, ANPAC Holdings.

ANPAC is also affiliated with Farm Family Casualty Insurance Company (FFCIC), a State of New York domiciled property and casualty company that is wholly owned by ANICO. The operations of FFCIC are coordinated with its property and casualty affiliate, United Farm Family Insurance Company (UFFIC), and with its life insurance company, Farm Family Life Insurance Company (FFLIC). ANPAC, FFCIC and UFFIC are parties to a comprehensive reinsurance program and other insurance related transactions that are governed by related party agreements.

Insurance Holding Company System Registration Statements have been filed by ANPAC with the DIFP on behalf of itself and its subsidiary, ANGIC, for the years under examination.

Organizational Chart

The following organizational chart partially depicts the ownership and holding company structure of ANPAC, as of December 31, 2010. This partial list is depicted as there are over 30 companies within the ANICO holding company:



(a) Those stockholders owning 10% or more of the outstanding stock at December 31, 2010, are the Libbie S. Moody Trust (37.22%) and the Moody Foundation (23.22%).

(b) ANLIM is the attorney-in-fact for ANLIC, domiciled in Texas.

Intercompany Transactions

ANPAC has the following agreements with its affiliated companies:

1) **Service Agreement**

Parties:	ANPAC, ANGIC, ANICO, and various other affiliates
Effective:	January 1, 2008
Terms:	Parties will provide or receive general office and administrative services (to include investment services) and facilities as necessary when using another Party's facility. Services and facilities may be provided either directly or through third parties.
Rate(s):	Expenses are charged on an allocated cost incurred basis.

2) **Service Agreement**

Parties:	ANPAC and ANGIC
Effective:	December 31, 1998
Terms:	ANPAC provides operational facilities and services to ANGIC.
Rate(s):	Expenses at cost, however where direct charging is not practical, an allocation method will be utilized to assign charges that include a proportionate share, market rate, or unit rates for specific services, or developed through combinations of one or more of these allocation basis.

3) **Cash Management Agreement**

Parties:	ANPAC, ANGIC, ANLIC, American National County Mutual Insurance Company (ANCMIC), Pacific, and ANPLA
Effective:	January 1, 2002
Terms:	ANPAC will provide certain cash management services to the other entities, which will include the timely processing of each parties premium payments in and for their respective insurance business.
Rate(s):	Expenses charged on an allocated cost incurred basis.

4) **Tax Sharing Agreement**

Parties:	ANPAC, ANGIC, ANICO, and other affiliates within the holding company system
Effective:	January 1, 1996 There are several addendums to the agreement adding new affiliates to the agreement.
Terms:	Each member's tax expense is calculated separately on the tax rate of the affiliated group. Any net operating loss benefits are received on a wait and see method, which provides for the company to receive its tax benefit when it can absorb the loss on a separate company basis in a later year.

5) **Service Agreement**

Parties:	ANPAC and ANISCO
Effective:	November 12, 1979
Terms:	ANPAC provides operational services and facilities for ANISCO to operate as a broker of commercial lines business.

Rate(s): ANISCO reimburses ANPAC 25% of gross commissions received as well as charges for other unusual expenses incurred.

6) **Service Agreement**

Parties: ANPAC and ANGAT
Effective: February 1, 1992
Terms: ANPAC provides various administrative, accounting and other incidental services and facilities to ANGAT.
Rate(s): ANGAT pays ANPAC the gross commission received by ANGAT net expenses, as well as other charges for other unusual expenses incurred.

7) **Service Agreement**

Parties: ANPAC and ANLIM
Effective: August 15, 1994
Terms: ANPAC provides operational services and facilities for ANLIM to perform as attorney-in-fact for ANLIC.
Rate(s): Expenses charged on an allocated cost basis.

8) **Service Agreement**

Parties: ANPAC and Pacific
Effective: January 31, 1996
Terms: ANPAC provides various administrative, accounting and other incidental services to Pacific.
Rate(s): Expenses charged on an allocated cost basis.

9) **Administrative Service Agreement**

Parties: ANPAC and FFLIC
Effective: April 10, 2001
Terms: ANPAC provides various administrative, accounting and other incidental services to FFLIC.
Rate(s): Expenses charged on an allocated cost basis.

10) **Service Agreement**

Parties: ANPAC and ANPLA
Effective: November 1, 2001
Terms: ANPAC provides various administrative, accounting and other incidental services to ANPLA.
Rate(s): Expenses charged on an allocated cost basis.

11) **Service Agreement**

Parties: ANPAC and FFCIC
Effective: July 1, 2005
Terms: ANPAC and FFCIC provide certain administrative and general insurance related services to each other.
Rate(s): Expenses reimbursed to each other on an allocated cost basis.

12) Management Fee Allocation Agreement

Parties:	ANPAC, ANICO, and ANCMIC
Effective:	July 1, 2001
Terms:	Allows ANICO to delegate authority for the management of the property and casualty insurance business of ANCMIC to ANPAC.
Rate(s):	ANICO pays ANPAC a portion of the management fee received from ANCMIC, which is equal to the proportion of net premium of ANCMIC generated by agents appointed by ANPAC bears to the total net premiums of ANCMIC.

13) Cash Management Agreement

Parties:	ANPAC and ANCMIC
Effective:	December 31, 2009
Terms:	ANPAC provides cash management services of certain professional and expert personnel to process premium payments necessary for the timely process of ANCMIC premium payments for their insurance business. Amendment No. 1 sets the terms of settlement of charges.
Rate(s):	Expenses charged on an allocated cost basis.

In addition to the above agreements, ANPAC also cedes and assumes business under various reinsurance agreements with affiliates. The terms of the significant agreements are described in the Reinsurance section of this report.

The amounts earned (incurred) from affiliates during the period under examination, under the various intercompany agreements were as follows:

		2007	2008	2009	2010
Service Agreement	ANICO	$(3,275,956)	$(7,124,383)	$(8,913,935)	$(12,033,395)
Service Agreement	ANGIC	2,650,088	1,692,936	3,737,577	7,439,677
Cash Mgt Agreement	ANGIC, Other Affil	35,145	39,061	43,344	40,383
Service Agreement	ANISCO	0	0	1,005	(3,505)
Service Agreement	ANGAT	8,421	8,018	8,466	2,625
Service Agreement	ANLIM	1,960,901	1,374,846	(2,354,910)	1,633,867
Service Agreement	Pacific	2,452,738	1,998,681	935,288	3,493,687
Admin Svc Agreement	FFLIC	0	0	0	0
Service Agreement	ANPLA	(5,007,508)	4,415,090	1,282,246	5,162,504
Service Agreement	FFCIC	(6,101,470)	(4,380,802)	(6,315,714)	(5,698,905)
Mgt Fee Allocation	ANICO, ANCMIC	244,961	(484,593)	(87,560)	(307,292)
Cash Mgt Agreement	ANCMIC	0	0	0	0
Lease Agreement	ANICO	(221,711)	(221,171)	0	0
Cash Mgt Agreement	Farm Family	3,805	19,039	25,652	0
Total		$(7,250,586)	$(2,663,278)	$(11,638,541)	$(270,354)

A lease agreement with ANICO was terminated at the end of 2008 and a cash management agreement with Farm Family Casualty Insurance Company was terminated in 2009. Neither agreement is included in the summarized agreement listing above although payments prior to the agreements' terminations are included in the above table. Although the intercompany tax agreement is included in the summarized agreement listing, the tax payments/refunds are not included in the above table.

ANPAC also engaged in the following intercompany transactions during the examination period:

- ANPAC issued a $50 million surplus note to ANPAC Holdings in 2002, which had a remaining principal balance of $35 million as of the exam period. No repayment of principal occurred during the exam period. Annual interest payments of $2,625,000 were made in 2007, 2008, 2009, and 2010. As noted in the Subsequent Events section, this note was converted to a permanent capital contribution in 2012.
- ANPAC purchased a $50 million surplus note from ANPLA in 2007. ANPAC received interest payments pursuant to this surplus note during the examination period as follows:

Year	Interest
2007	$5,202,740
2008	$4,500,000
2009	$0
2010	$4,500,000

  It should be noted that this surplus note was transformed into a permanent capital contribution during 2011, as approved by the DIFP.
- During 2010, ANPAC paid a $3 million dividend to its immediate parent, ANPAC Holdings.
- On May 27, 2007, ANPAC made a $24.4 million surplus contribution to ANPLA.

FIDELITY BOND AND OTHER INSURANCE

American National Property and Casualty Company is a named-insured on fidelity bond crime coverage maintained by ANICO. The aggregate limit of coverage for ANICO and its subsidiaries, including ANPAC is $6 million with a single loss limit of $3 million and a deductible of $50,000, which meets the minimum coverage that is recommended by the NAIC.

The Company is also a named-insured on various other insurance policies maintained by its ultimate parent, ANICO. These policies include, but are not limited to the following insurance coverages: commercial general liability, umbrella/excess liability, automobile liability, workers compensation and employers' liability, and directors and officers' liability. In addition, commercial property, personal property, electronic data property, business interruption income and extra expense coverage is also maintained to cover the real and personal property held by ANPAC.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The employees of ANPAC are covered by a defined benefit pension plan sponsored by the ultimate parent company, ANICO. ANPAC employees are also provided a variety of benefits which include, but are not limited to, the following: medical and disability coverages; compensated leave; an employee-pay-all 401(k) savings plan sponsored by ANICO; and an executive incentive plan.

Adequate provision appears to have been made in ANPAC's financial statements with regards to its obligations for these benefits.

TERRITORY AND PLAN OF OPERATION

During the period under examination, ANPAC was licensed to transact the business of insurance in forty-five states, the District of Columbia, and Puerto Rico. The five states with the highest volume of premium throughout the exam period were, in alphabetical order, Colorado, Missouri, Oklahoma, Tennessee, and Texas. The 2010 direct premium writings for these states were (in millions): Texas ($71.7), Oklahoma ($51.5), Colorado ($49.3), Missouri ($35.7) and Tennessee ($35.1).

ANPAC offers a large variety of products but its most significant lines, based on net written premium volume, are private passenger automobile and homeowner's insurance coverages. During the years under examination, private passenger automobile, consisting of liability and physical damage, accounted for more than half of premium volume and homeowner's accounted for, on average, 25% of net written premiums. ANPAC's products are offered through captive agents and general agents.

The Company enrolls all eligible policyholders in its CA$HBACK program. Under this program, the Company returns 25% of the premiums to the policyholder if for three years the insured is both claim-free and has continuous policies for both comprehensive automobile and homeowner's coverage.

GROWTH OF COMPANY AND LOSS EXPERIENCE

ANPAC's total admitted assets and its premium volume, on both a gross and net basis, have remained relatively stable during the period under examination with less than 10% total variation during this entire four year period. Catastrophe events were the primary drivers in the volatility of loss ratios and underwriting results although changes to the reinsurance program through the years also had some impact. Capital and surplus experienced a significant decline of $108 million or 22% from 2007 to 2008 due primarily to the $55 million net loss experienced in 2008 coupled with a $35 million increase in non-admitted tax-related assets in 2008. Capital and surplus remained stable from 2008 through 2010.

The table below depicts the financial growth and loss experience of the Company during the period under examination:

	2007	2008	2009	2010
Total Admitted Assets	$1,181,719,127	$1,107,184,828	$1,062,467,112	$1,068,882,523
Total Capital and Surplus	493,985,804	386,239,676	374,304,872	382,378,159
Gross Written Premiums	733,585,356	735,087,323	709,414,696	716,275,085
Net Written Premiums	573,227,980	563,102,130	558,725,507	539,092,792
Net Earned Premiums	576,832,356	578,833,085	564,957,704	557,011,546
Net Loss & LAE Incurred	426,257,293	525,364,548	490,311,495	466,828,467
Net Loss & LAE Ratio	73.9%	90.8%	86.8%	83.8%
Net Underwriting Gain (Loss)	18,826,250	(91,341,767)	(56,427,253)	(38,398,928)
Net Income (Loss)	63,739,582	(55,476,967)	(7,322,572)	5,927,162

REINSURANCE

General

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	2007	2008	2009	2010
Business	$665,356,143	$663,397,123	$640,027,614	$655,860,244
Reinsurance Assumed:				
Affiliates	69,078,528	71,854,677	69,157,573	60,134,687
Non-affiliates	(849,315)	(164,477)	229,509	280,154
Reinsurance Ceded:				
Affiliates	(116,821,145)	(128,962,341)	(112,443,249)	(135,908,079)
Non-affiliates	(43,536,231)	(43,022,852)	(38,245,940)	(41,274,214)
Net Premiums Written	$573,227,980	$563,102,130	$558,725,507	$539,092,792

Assumed

ANPAC's assumed reinsurance activity is primarily with its affiliates, with 99.5% of the assumed premiums at year-end 2010 coming from affiliates and the remaining immaterial amounts coming from a combination of mandatory pools and an unaffiliated insurer. The assumed businesses from the affiliated entities are structured under separate 100% quota-share and property catastrophe excess of loss reinsurance agreements. The following assumed reinsurance agreements with affiliates were in effect as of December 31, 2010:

- A 100% quota-share reinsurance agreement with ANGIC, reinsuring all of the credit related property and casualty policies issued or assumed by ANGIC.
- A 100% quota-share reinsurance agreement with ANCMIC, reinsuring all private passenger automobile business, written in the State of Texas by ANCMIC, under a fronting arrangement.

- A 100% quota-share reinsurance agreement with ANLIC, reinsuring all credit related property and casualty policies issued or assumed by ANLIC in the State of Texas.
- A 100% quota-share reinsurance agreement with ANPLA, reinsuring all credit property and casualty policies issued or assumed by ANPLA in the State of Louisiana.

In addition to the above quota-share agreements, ANPAC assumed, under a property catastrophe excess agreement, policies issued or renewed by ANLIC for property business (property perils only) in the State of Texas. ANLIC shall retain the first $7.5 million of ultimate net loss arising out of each loss occurrence plus 2.5% of the excess ultimate net loss. ANPAC shall be liable for 97.5% of $2.5 million excess of $7.5 million as in respect to any one loss occurrence. This agreement was cancelled effective January 1, 2012.

ANPAC also assumed from Pacific, under a property catastrophe excess agreement, policies issued or renewed for property business (property perils only) written in selected regions within the United States. Pacific shall retain the first $5 million of ultimate net loss arising out of each loss occurrence plus 2.5% of the excess ultimate net loss. ANPAC shall be liable for 97.5% of $20 million excess of $5 million in respect to any one loss occurrence. In 2011, coverage was changed to 97.5% of $35 million excess of $5 million. This agreement was cancelled effective January 1, 2012.

ANPAC assumed, under a property catastrophe excess agreement, policies issued or renewed by ANPLA for property business (property perils only) in the State of Louisiana. ANPLA shall retain the first $1 million of ultimate net loss arising out of each loss occurrence plus 2.5% of the excess ultimate net loss. ANPAC shall be liable for 97.5% of $9 million in excess of $1 million in respect to any one loss occurrence. Coverage and policy provisions remained unchanged in 2011, however, in 2012; ANPAC's reinsured limit changed to 97.5% of $4 million excess of $6 million.

Unless otherwise specifically indicated, all the terms of the agreements remain unchanged in 2011 and 2012.

Ceded

ANPAC participates, with subsidiaries and other affiliated companies, in various excess of loss and quota-share reinsurance agreements. These were placed with multiple reinsurers in multiple layers through their reinsurance intermediary/broker, Aon Benfield, Inc.

The Company has a multi-line excess of loss reinsurance agreement for selected property and casualty risks, coverage is $5 million excess of $1 million retention per risk. A casualty clash agreement covering casualty and pollution liabilities, limited by some specified exclusions, is also in effect, placed in three layers with a limit of $44 million excess of $6 million. In addition, there is property per risk coverage of $9 million excess of $6 million to provide property coverage over the multi-line contract limit. All coverages and policy provisions continued unchanged during 2011 and 2012.

The Company has a multi-layer corporate property catastrophe agreement, placed in four layers, for any one loss event up to 97.5% of $460 million with Company's retention of $40 Million.

The liability of the reinsurer shall be limited to losses under policies covering property located within the United States, excluding certain perils in the state of Florida and other specified exclusions. All coverages and policy provisions continued unchanged during 2011 and 2012.

In 2010, ANPAC acquired earthquake catastrophe coverage of 97.5% of $125 million excess of $25 million with one automatic reinstatement of coverage. Coverage included losses from earthquake, fire following the earthquake, and ensuing perils for properties located throughout the United States, except for California where the Company has only a small amount of earthquake exposure. In 2011, coverage was reduced to 97.5% of $50 million excess of $25 million. In 2012 ANPAC further reduced the coverage to 97.5% of $30 million excess of $10 million. It should be noted that ANPAC's earthquake exposure has declined significantly, and the Company no longer writes new earthquake business in various states.

The Company is also reinsured by a property catastrophe coverage, which is structured into two covers by territory. The first cover, which provided coverage only for Texas and Louisiana in 2009 was expanded in 2010 to include Oklahoma, Arkansas, Alabama, Mississippi and South Carolina. The coverage limit was also increased from 97.5% of $25 million excess of $10 million to 97.5% of $30 million excess of $10 million. The Company maintained this coverage in 2011 and added Georgia and Virginia in 2012.

The second property catastrophe cover provides coverage for the remainder of the states. In 2010, this coverage was 97.5% of $20 million excess of $20 million. The coverage limit was increased in 2011 to 97.5% of $30 million excess of $10 million with no other changes in coverage limits for 2012.

In 2011, the Company acquired an aggregate property catastrophe cover with a placement of 63.5833% of $30 million excess of $90 million. The first $10 million of each catastrophe loss contributes to the $90 million aggregation of losses. This was continued in 2012 with the cover placed at 50.5833% of $30 million excess of $90 million.

Additionally, the Company fronts several immaterial blocks of business for ceding commissions and fees; and participates in various voluntary and mandatory pools.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

Independent Auditor

The CPA firm, KPMG, LLP, of Houston, Texas issued audited statutory financial statements of the Company for all years in the examination period.

Appointed Actuary

The actuarial opinion regarding the Company's reserves for losses and loss adjustment expenses was issued by John F. Butcher, FCAS, MAAA, of Towers Watson, of Dallas, Texas for all years in the examination period.

Information Systems

The Company's significant applications are hosted on Dell and IBM servers at the ANICO primary data center located in League City, Texas. All of the affiliated company data centers were consolidated to this location in September 2009.

The majority of the Company's financially significant applications were developed internally by the information technology staff. These applications are coded in either COBOL or Visual Basic programming language. Structured Query Language and Microsoft EXCEL are also used for data warehouse management and reinsurance management, respectively.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2010, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 379.098 RSMo (Securities Deposit). The Company's required deposit for Missouri is $1,200,000. The funds on deposit as of December 31, 2010 were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Notes	$2,150,000	$2,174,454	$2,157,215

Deposits with Other States

The Company also had funds on deposit with various other states in which it is licensed. Those funds on deposit as of December 31, 2010 were as follows:

State	Type of Security	Par Value	Fair Value	Statement Value
Arizona	US. Treasury Note	$200,000	$201,776	$199,655
Georgia	U.S. Treasury Note	100,000	101,508	100,518
Idaho	U.S. Treasury Note	260,000	263,799	259,439
New Mexico	U.S. Treasury Note	375,000	380,028	376,921
North Carolina	U.S. Treasury Notes	800,000	810,395	799,733
Ohio	U.S. Treasury Notes	260,000	263,799	259,439
Oregon	U.S. Treasury Note	130,000	130,066	129,990
Virginia	U.S. Treasury Note	225,000	246,254	225,111
Puerto Rico	P.R. Commonwealth Bond	750,000	782,588	767,725
Totals		**$3,100,000**	**$3,180,213**	**$3,118,531**

Deposits with Other Entities

Effective September 2, 2003, the Company established a trust with UMB Bank, n.a. Trust Services for reserves assumed from Royal Surplus Lines Insurance Company. The beneficiary and administrator of the trust is Royal Indemnity Company, an affiliate of Royal Surplus Lines Insurance Company. The following assets were held in the trust as of December 31, 2010:

Company	Type of Security	Par Value	Fair Value	Statement Value
Anheuser Busch Companies, Inc.	Medium Term Note	100,000	108,576	99,387

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of American National Property and Casualty Company for the period ending December 31, 2010. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the Comments on Financial Statement Items section of the report. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the Comments on Financial Statement Items section. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each key activity.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$583,552,245		$583,552,245
Preferred Stocks	14,240,131		14,240,131
Common Stocks	242,041,734	$146,921	241,894,813
Real Estate:			
Properties Occupied by the Company	14,204,379		14,204,379
Cash, Cash Equivalents and Short-term Investments	25,482,100		25,482,100
Other Invested Assets	67,705,624	22,434,638	45,270,986
Investment Income Due and Accrued	8,371,310		8,371,310
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances	2,954,045		2,954,045
Deferred Premiums , Agents' Balances and Installments Booked but Deferred	83,906,834	319,615	83,587,219
Amounts Recoverable from Reinsurers	4,266,337		4,266,337
Federal Income Tax Recoverable	48,750,843	34,431,907	14,318,936
Net Deferred Tax Asset	31,596,445	7,062,514	24,533,931
Guaranty Funds Receivable or on Deposit	11,618		11,618
Electronic Data Processing Equipment	117,245		117,245
Furniture and Equipment	2,165,380	2,165,380	0
Receivables from Parent, Subsidiaries and Affiliates	5,146,688		5,146,688
Aggregate Write-Ins for other than Invested Assets:			
Agent's Finance Plan Receivable	12,971,576	12,971,576	0
Other Assets	4,627,899	4,480,508	147,391
Computer Software	690,623	690,623	0
Capitalized Lease Commissions	35,440	35,440	0
Equities and Deposits in Pools	519,990		519,990
State Income Tax Recoverable	330,708	262,999	67,709
Premium Tax Credits	195,450	0	195,450
TOTAL ASSETS	**$1,153,884,644**	**$85,002,121**	**$1,068,882,523**

Liabilities, Surplus and Other Funds

Losses	$259,080,706
Reinsurance Payable on Paid Losses and LAE	101,305
Loss Adjustment Expenses	60,222,252
Commissions Payable	27,035,894
Other Expenses	2,127,950
Taxes, Licenses and Fees	4,107,194
Unearned Premium	216,563,949
Advance Premium	5,439,976
Ceded Reinsurance Premiums Payable	3,923,704
Funds Held Under Reinsurance Treaties	37,901
Amounts Withheld by Company	80,846
Remittances and Items Not Allocated	63,127
Payable to Parent, Subsidiaries and Affiliates	1,854,829
Aggregate Write-in for Liabilities:	
CA$HBACK Retrospective Premium	103,040,246
Escheat Funds Held in Trust	1,648,421
Claims Funded by Third Party Administrator	1,176,064
TOTAL LIABILITIES	**$686,504,364**
Common Capital Stock	4,200,000
Surplus Notes	36,968,750
Gross Paid-In and Contributed Surplus	118,507,864
Unassigned Funds (Surplus)	222,701,545
Capital and Surplus	**$382,378,159**
TOTAL LIABILITIES AND SURPLUS	**$1,068,882,523**

Statement of Income

Underwriting Income	
Premiums Earned	$557,011,546
Losses Incurred	397,767,962
Loss Expenses Incurred	69,060,505
Other Underwriting Expenses Incurred	128,582,007
Total Underwriting Deductions	$595,410,474
Net Underwriting Gain/(Loss)	**$(38,398,928)**
Investment Income	
Net Investment Income Earned	32,955,788
Net Realized Capital Gains or (Losses)	1,886,320
Net Investment Gain or (Loss)	**$34,842,108**
Other Income	
Net Gain (Loss) from Agents' or Premium Balances Charged Off	(806,017)
Finance and Service Charges not Included in Premiums	1,147,000
Miscellaneous Other Income	3,758,980
Total Other Income	**$4,099,963**
Net Income Before Dividends to Policyholders and Federal Income Taxes	$543,143
Federal and Foreign Income Taxes Incurred	(5,384,019)
Net Income	**$5,927,162**

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2009	$374,304,872
Net Income	5,927,162
Change in Net Unrealized Capital Gains or (Losses)	9,044,565
Change in Nonadmitted Assets	(270,301)
Change in Net Deferred Income Tax	2,486,343
Dividends to Stockholder	(3,000,000)
Aggregate Write-ins for Gains and Losses in Surplus:	
Change in Deferred Tax on Non-Admitted assets	320,239
Prior Year Adjustment – Agent Post Termination Compensation	(6,434,721)
Examination Change	0
Net Change in Surplus as Regards Policyholders for the Year	**$8,073,287**
Surplus as Regards Policyholders, December 31, 2010	**$382,378,159**

Examination Changes

None

Comments on Financial Statement Items

None

General Comments and/or Recommendations

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of American National Property and Casualty Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Shawn Hernandez, CFE, Steve Koonse, CFE, Bernie Troop, CFE, Alvin Garon, CFE, Valerie Hastings, AFE, Scott Rennick, AFE and Levi Nwasoria, CPA, CFE, examiners for the Missouri DIFP also participated in this examination. Timothy Carroll, Information System Examiner for the DIFP performed a review of the information system environment. Jon Michelson, FCAS, MAAA, of Expert Actuarial Services, LLC, also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Vicki L. Denton, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of American National Property and Casualty Company its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Vicki L. Denton

Vicki L. Denton, CFE
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 7th day of May, 2012.

My commission expires: 04-14-2016

B. M. Webb
Notary Public

NOTARY PUBLIC · NOTARY SEAL · STATE OF MISSOURI

BEVERLY M. WEBB
My Commission Expires
April 14, 2016
Clay County
Commission #12464070

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Mark A. Nance, CPA, CFE
Audit Manager
Missouri DIFP

From: Campbell, Robert
Sent: Wednesday, May 30, 2012 11:56 AM
To: tammy.rodiek@insurance.mo.gov
Cc: Fred.Heese@insurance.mo.gov; Koch, Ron; Weitzel, Sheila
Subject: EXAMINATION REPORTS FOR AMERICAN NATIONAL PROPERTY AND CASUALTY CO. AND AMERICAN NATIONAL GENERAL INSURANCE CO.
Importance: High

THE EXAMINATION REPORT FOR AMERICAN NATIONAL PROPERTY AND CASUALTY CO. (ANPAC) AND AMERICAN NATIONAL GENERAL INSURANCE CO. (ANGIC) FOR THE PERIOD ENDING DECEMBER 31, 2010 ARE ACCEPTABLE IN ITS PRESENT FORM.

ANPAC AND ANGIC WAIVE THE 30 DAY WAITING PERIOD.

THE ANPAC AND ANGIC RESPONSE ABOVE CAN BE INCLUDED IN THE REPORT AS A PUBLIC DOCUMENT.

THANK YOU FOR YOUR ATTENTION TO THIS MATTER.

BEST REGARDS,

ANPAC American National Property And Casualty Companies
Robert J. Campbell, Executive Vice President
General Counsel / Corporate Secretary & Chief Claims Officer

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