DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

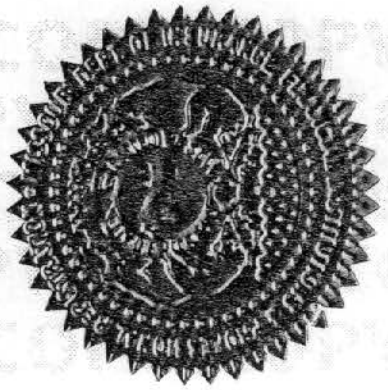
RE: Examination Report of American National General Insurance Company as of December 31, 2006

ORDER

After full consideration and review of the report of the financial examination of American National General Insurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER American National General Insurance 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 mentioned in the General Comments and/or 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 June 20, 2008.



Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

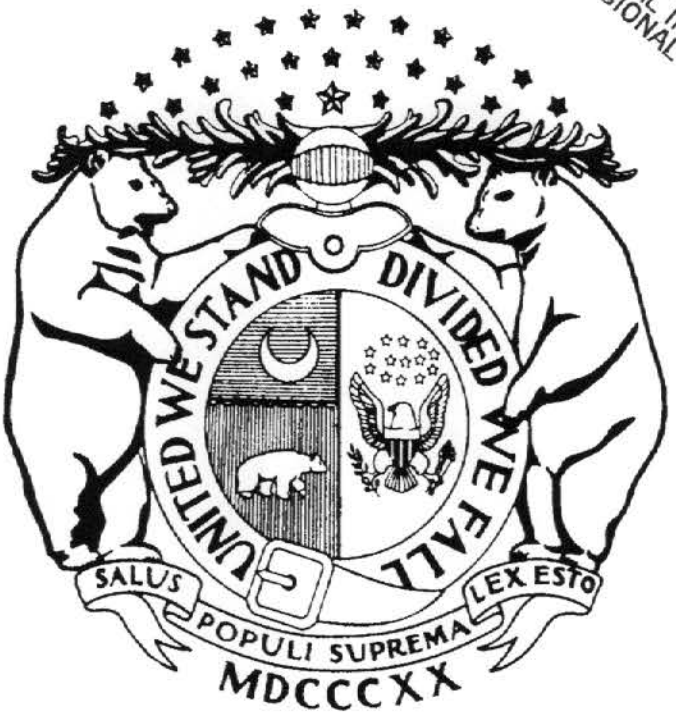
ASSOCIATION FINANCIAL EXAMINATION

AMERICAN NATIONAL GENERAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2006

FILED
JUN 30 2008
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 2, 2008

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, (E) Financial Condition Committee, NAIC

Honorable Merle Scheiber, Commissioner
South Dakota Division of Insurance
Midwestern Zone Secretary

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

Gentlemen:

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 General Insurance Company

hereinafter referred to as such, as the "Company" or as "ANGIC." Its main administrative office is located at 1949 East Sunshine, Springfield, Missouri 65899, telephone number (417) 887-4990. This examination began on March 5, 2007 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior comprehensive financial examination of American National General Insurance Company was made as of December 31, 2003. It was conducted concurrently with the examination of the Company's parent, American National Property and Casualty Company (ANPAC), by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association financial examination of the Company covers the period from January 1, 2004 through December 31, 2006 and has been conducted by examiners from the State of Missouri representing the Midwestern Zone of the NAIC with no other zones participating. This examination was conducted concurrently with the examination of the Company's parent, 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 using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, 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 examiners relied upon information supplied by the independent auditor, KPMG LLP of Houston Texas, from its audit covering the period from January 1, 2006 through December 31, 2006. This information included, but was not limited to, attorney letters, account analysis information, and internal control evaluations.

Comments-Previous Examination

Listed below are notes, comments, and recommendations of the previous examination report dated as of December 31, 2003 and the subsequent response or action taken by the Company.

Intercompany Transactions

Comment: ANGIC was party to a service agreement with American National Insurance Company, its ultimate parent, effective November 1, 2001, for various services. This agreement had not been filed with the Missouri DIFP as required by the Missouri holding company laws. The Company was directed to file the agreement with the DIFP in accordance with Section 382.195 RSMo (Prohibited transactions, exceptions).
Company's Response: The agreement was filed with the Missouri DIFP.
Current Findings: The agreement was filed with the DIFP and later withdrawn. The prior service agreement, executed in December 1991, remains in effect.

Territory and Plan of Operations

Comment: The Company could not provide documentation of the semi-annual reviews of its appointed Managing General Agents (MGAs) as required by Section 375.147 through 153 RSMo (Managing General Agents statutes) and Missouri Regulation 20 CSR 200-10 (Managing General Agents regulations). The Company was directed to perform its statutory functions with respect to its MGAs and maintain evidence of such compliance for review during future examinations.
Company's Response: The Company will perform its statutory functions with respect to its MGAs and will maintain evidence of such reviews.
Current Findings: As of December 31, 2006, the Company did not have any agents which met the definition of a MGA under Missouri statutes.

Territory and Plan of Operations

Comment: The Company appointed Standard Underwriters Network, Inc. as an MGA without the necessary approvals required under Missouri Regulation 20 CSR 200-10.200 (Filing Requirements). In addition, at the time of the agreement, Standard Underwriters

Network, Inc. was not a licensed MGA by the State of Missouri as required by Section 375.149 RSMo (License Required; Surety Requirements). The Company was directed to be cognizant of these laws in future MGA appointments.
Company's Response: The Company will insure that it is in compliance with Section 375.149 RSMo in its appointment of MGAs in the future.
Current Findings: As of December 31, 2006, the Company did not have any agents which met the definition of a MGA under Missouri statutes.

Accounts and Records
Comment: The accuracy and adequacy of the reported liability for the Company's CA$HBACK program to qualified insureds was compromised by the following problems noted by the examination:

1. The underlying database did not match the summary reports supporting the Annual Statement amount. Numerous runs of the Company's computer system by its informational system personnel were required to obtain a usable download.
2. Given the significance of the persistency ratios in calculating the liability reserves, the Company should have its appointed actuary review and attest to the adequacy of these ratios.
3. The accounting and reporting practice employed by the Company was not consistent with the guidance provided by SSAP #66, which covers transactions such as the CA$BACK program.
4. The Company improperly included the liability for the CA$HBACK program as part of the unearned premium liability on the Annual Statement. The NAIC's Annual Statement Instructions require this liability to be reported as part of Aggregate Write-Ins for Liabilities and separately identified below the surplus line on the Annual Statement.

The Company was directed to implement and/or correct the issues noted above without delay.
Company's Response: The computer problem matching the detail reports to the summary program has been corrected. The summary reports were correct; it was the computer program that listed the underlying database which was incorrect. The CA$HBACK liability was recorded as a write-in liability on the 2004 Annual Statement.
Current Findings: Some issues were still noted with the CA$HBACK program during the current examination. See the "Accounts and Records" section of this report for additional details.

Custodial Agreement
Comment: The custodial agreement with Moody National Bank did not contain all the controls and safeguards required for such agreements as contained in the NAIC's Financial Examiners Handbook. The Company was directed to update its custodial agreement with Moody Bank to comply with the required standard.
Company's Response: The Company is working with Moody National Bank to amend its custodial agreement.
Current Findings: During the current examination, ANGIC amended its custodial agreement to contain the controls and safeguards recommended by the NAIC.

HISTORY

General

American National General Insurance Company was incorporated on December 30, 1980 and commenced business on April 1, 1981. The Company operates as a stock casualty company under the laws of Chapter 379 (Insurance other than life), Revised Statutes of Missouri (RSMo).

Capital Stock

As of December 31, 2006, the Company had authority to issue 50,000 shares of common stock with a par value of $50 per share. All 50,000 shares were issued and outstanding for a balance of $2.5 million in the Company's capital stock account at December 31, 2006. All the outstanding shares of ANGIC are owned by American National Property and Casualty Company, a Missouri domiciled insurance company.

Dividends

No dividends were declared or paid during the period under examination.

Management

As of December 31, 2006, nine directors were serving on ANGIC's Board of Directors as follows:

Name	Address	Occupation & Business Affiliation
Charles H. Addison	Galveston, TX	Senior Vice President – Systems Planning, American National Insurance Company
Robert J. Campbell	Springfield, MO	Senior Vice President, General Counsel, Secretary, and Chief Claims Officer ANPAC and ANGIC
G. Richard Ferdinandsten	Galveston, TX	President and Chief Operating Officer American National Insurance Company
James E. Pozzi	Galveston, TX	Senior Executive Vice President – Corp. Planning, Systems & Life Admin, American National Insurance Company
Irwin M. Herz, Jr.	Galveston, TX	Attorney Greer, Herz & Adams, LLP
Ross R. Moody	Austin, TX	President 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
Ronald J. Welch	Galveston, TX	Senior Vice President and Chief Actuary American National Insurance Company

The Executive Committee members elected and serving as of December 31, 2006 were the following directors: G. Richard Ferdinandtsen and Gregory V. Ostergren.

The Finance Committee members elected and serving as of December 31, 2006 were the following individuals: S.F. Brast, F.V. Broll, G.D. Dixon, G.R. Ferdinandtsen, Ann LeMire, R.K. Kirchner, E.V. Matthews, M.W. McCroskey, W.L. Moody, IV, R.L. Moody, and J. Mark Flippin.

The officers elected and serving as of December 31, 2006, were as follows:

Name	Title
Gregory V. Ostergren	Chairman of the Board – President & CEO
Robert J. Campbell	Senior Vice President, General Counsel, Secretary, and Chief Claims Officer
James A. Cybulski	Vice President – Controller, Treasurer
Bernard S. Gerwel	Senior Vice President – MLEA, Chief Field Admin Officer
Michael W. McCroskey	Vice President – Investments
Byron W. Smith	Vice President – Actuarial Services
Janet A. Clark	Vice President – Underwriting Services
Deborah A. Foell	Vice President – IS, General Services
Jerry W. Jones	Vice President – Claim Services
Ronald E. Rathburn	Underwriting Compliance Officer

Conflict of Interest

The Company requires all directors and officers to complete conflict of interest disclosure statements annually. The statements were reviewed for the period under examination. Conflicts were noted for Mr. Herz and three members of the extended Moody family due primarily to cross ownerships and family relationships. No other material conflicts were indicated.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. Effective October 28, 2004, the Board of Directors amended the Bylaws, changing the composition of the Executive Committee from "three or more members" to "two or more." The minutes of the Company's Board of Directors' and the shareholder's meetings were reviewed and appear to properly reflect and approve the significant corporate transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

During 2007, ANGIC's ultimate parent, ANICO, reorganized its property and casualty business, merging American National Property and Casualty Holding, LLC (ANPAC Holding) with Farm Family Holdings, Inc. (FFH) with ANPAC Holding as the surviving entity. See the "Affiliated Companies" section of this report for additional details of this reorganization.

Surplus Debentures

No surplus debentures were issued or outstanding during the period under examination.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

American National General Insurance Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is wholly owned by American National Property and Casualty Company, a Missouri stock casualty company which, in turn, is directly owned by American National Property and Casualty Holding Company, LLC (ANPAC Holding), a Nevada corporation, which is 94% owned by American National Insurance Company (ANICO), the ultimate parent of ANPAC. ANICO, a stock casualty company domiciled in Texas, is 23.69% owned by the Moody Foundation and 37.57% by the Libbie S. Moody Trust. The remaining stock ownership interest is publicly traded.

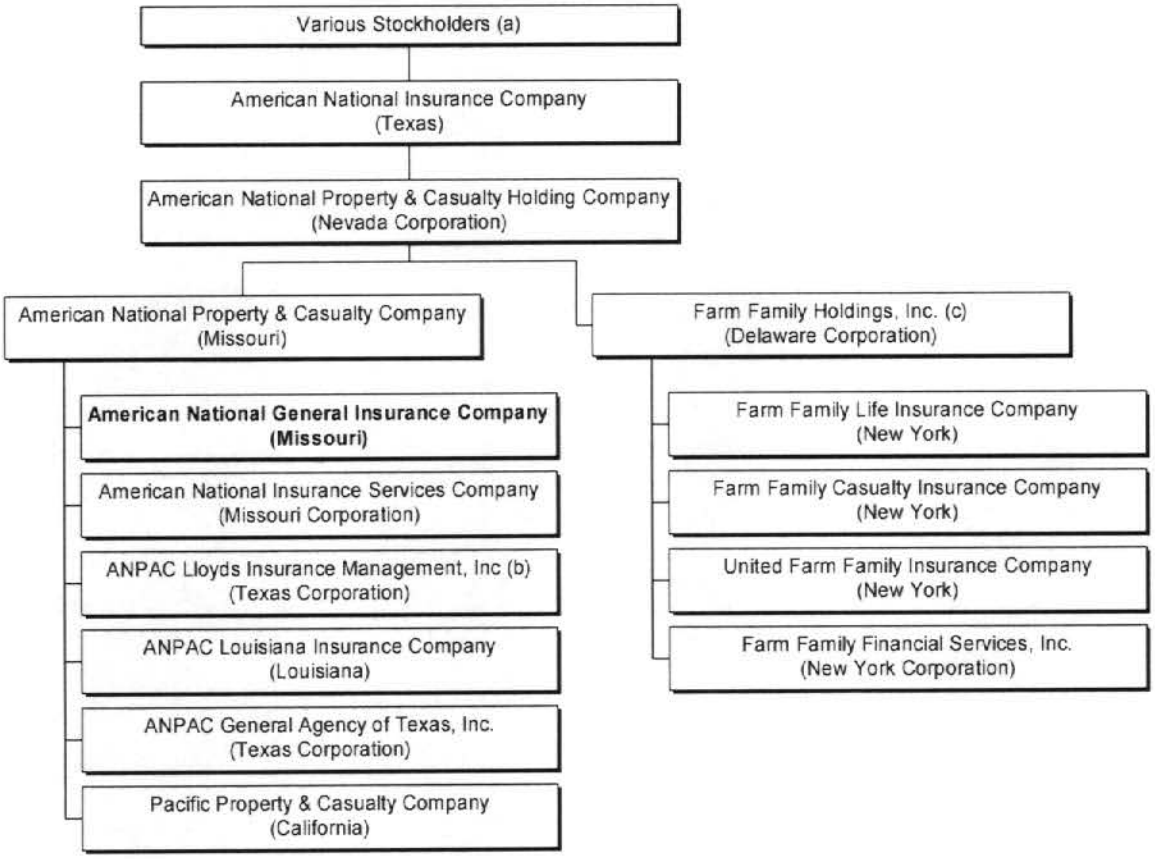
In addition to the Company, ANPAC also owns 100% equity interest in the following entities: American National Insurance Services Company (ANISCO), a Missouri corporation that brokers commercial lines; ANPAC Lloyd's Insurance Management, Inc. (ANLIM), a Texas corporation which serves as attorney-in-fact for American National Lloyd's Insurance Company (ANLIC); ANPAC Louisiana Insurance Company (ANPAC-LA), a Louisiana property and casualty insurance company; Pacific Property and Casualty Company (Pacific Property), a California property and casualty insurance company; and ANPAC General Agency of Texas, Inc. (ANGAT).

When approved by the insurance regulators of the appropriate states (reviews and approvals requested in mid 2007), ANICO plans to realign its subsidiaries. After approval, ANPAC Holding will be merged into Farm Family Holdings, Inc. As the surviving entity, FFH will change its name to American National Property and Casualty Holding Inc. (ANPAC Holding, Inc.) and remain a Delaware domiciled company. After the merger, ANICO will own 100% of the common stock in the ANPAC Holding Inc., while Comprehensive Investment Services, Inc. (CIS), a downstream subsidiary of ANICO, will own 100% of the preferred stock. ANPAC Holding Inc. will directly own ANPAC, Farm Family Life Insurance Company, Farm Family Casualty Insurance Company, United Farm Family Insurance Company, and Farm Family Financial Services, Inc.

Insurance Holding Company System Registration Statements have been filed by American National Property and Casualty Company with the State of Missouri on behalf of itself and its subsidiary, American National General Insurance Company, for the period under examination.

Organizational Chart

The following organizational chart depicts only that portion of the holding company group, including ANGIC, showing ownership progression to the ultimate owners as of December 31, 2006. This partial list is depicted as there are over 40 companies within the ANICO holding company:



(a) Those stockholders owning 10% of more of the outstanding stock at December 31, 2006, are Libby S. Moody Trust (37.57%) and the Moody Foundation (23.69%).

(b) ANPAC Lloyd's Insurance Management, Inc. is the attorney-in-fact for American National Lloyd's Insurance Company, domiciled in Texas.

(c) Farm Family Holdings, Inc. is owned 94.3% by ANPAC Holding Company, LLC; 0.7% by Comprehensive Investment Services, Inc, a wholly owned subsidiary of ANICO; and 5.0% owned by TMNY Investments, LLC, which is 17.0% owned by ANICO, 17.0% owned by ANPAC, and 66.0% owned by employees of the holding company group. The above organizational chart reflects only the direct parent relationships, and all wholly owned subsidiaries of ANPAC.

Intercompany Transactions

American National General Insurance Company has the following agreements with its affiliated companies:

1. Type: Service Agreement
   Parties: ANPAC and ANGIC
   Effective: December 31, 1998
   Terms: ANPAC provides operational services and facilities for ANGIC with costs being allocated on various measures, primarily cost per policy and cost per claim.
   Exception: ANPAC is allocating costs based on per claim and per policy factors which are several years old with no adjustment to actual cost. ANPAC must either change its practices to comply with the agreement or ANGIC must amend the agreement to reflect current practices and submit the amended agreement for approval with the DIFP as required by RSMo 382.195 (Prohibited transactions, exceptions) and 20 CSR 200-11.300 (Management contracts to be filed).

2. Type: Service Agreement
   Parties: ANICO and ANGIC, ANPAC, and various other affiliates
   Effective: December 31, 1991
   Terms: ANICO provides certain miscellaneous operational services for actual cost.
   Exception: ANICO is not following the terms of this agreement as it relates to allocation methods. ANICO must change its practices to comply with the agreement or ANGIC must amend the agreement to reflect current practices and submit the amended agreement for approval with the DIFP as required by RSMo 382.195 (Prohibited transactions, exceptions) and 20 CSR 200-11.300 (Management contracts to be filed).

3. Type: Tax Sharing Agreement
   Parties: ANICO and ANGIC, ANPAC, and various other affiliates
   Effective: January 1, 1996
   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.

4. Type: Cash Management Agreement
   Parties: ANPAC and its subsidiaries including ANGIC
   Effective: January 1, 2002
   Terms: ANPAC provides certain cash management services to its subsidiaries including the timely processing of each party's

premium payments in and for their respective insurance business. The services are to be provided on a cost basis.

The amounts (paid to) and received from subsidiaries and affiliates pertaining to the above agreements for the years under examination were as follows:

	2006	2005	2004
Service Agreement – ANPAC	$(1,865,321)	$(2,637,100)	$(2,916,862)
Service Agreement – ANICO	(319,535)	(15,900)	(14,284)
Cash Management Agreement	(6,763)	(9,892)	(12,257)
Tax Sharing Agreement	(2,170,527)	(3,937,901)	(3,125,163)
Net amount (paid) to affiliates	$(4,362,146)	$(6,600,793)	$(6,068,566)

FIDELITY BOND AND OTHER INSURANCE

American National General Insurance Company is a named insured on fidelity bond coverage maintained by ANICO. The aggregate limit of coverage is $3 million with a single loss limit of $1.5 million and a deductible of $50,000.

The Company is also a named insured on various other insurance policies maintained by its ultimate parent, ANICO. These policies include the following coverages: commercial general liability, excess liability, automobile liability, workers compensation and employer's liability, and directors and officer liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

ANGIC has no employees as its parent, ANPAC, provides all operational services under the Service Agreement discussed in the "Intercompany Transactions" section of this report. ANPAC employees are provided a variety of standard benefits which include, but are not limited to, the following: medical and disability coverages; term life insurance; retirement and 401(k) savings plans; and executive incentive plans. Adequate provision appears to have been made in the Company's financial statements with regards to its obligations for these benefits.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2006, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance

with RSMo Section 379.098 (Insurance other than life-Security deposits). The funds on deposit as of December 31, 2006 were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Note	$2,150,000	$2,117,709	$2,133,131

Deposits with Other States

ANGIC also has funds on deposit with various other states in which it is licensed. Those funds on deposit as of December 31, 2006 were as follows:

State or Territory	Type of Security	Par Value	Fair Value	Stmt Value
Georgia	U.S. Treasury Notes	$40,000	$39,557	$39,960
Louisiana	U.S. Treasury Notes	20,000	19,469	19,356
New Mexico	U.S. Treasury Notes	350,000	347,295	348,437
Virginia	U.S. Treasury Notes	105,000	103,998	105,055
Totals		$515,000	$510,319	$512,808

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

American National General Insurance Company is licensed as a multiple-line stock casualty company by the DIFP under Chapter 379 RSMo (Insurance other than life) to write the business of property and casualty insurance in the State of Missouri. As of December 31, 2006, the Company was licensed to transact the business of insurance in thirty-nine states.

The Company writes primarily standard private passenger automobile and preferred homeowners insurance. As of December 31, 2006, these two lines of business accounted for virtually 100% of the total direct written premiums. Major direct premium writings by state in 2006 were (in millions): Louisiana ($5.2), Colorado ($2.2), Ohio ($1.7), Oklahoma ($1.6), and Tennessee ($1.6). Approximately 1,000 captive agents and general agents sell the Company's products.

The Company offers a program, referred to as CA$HBACK, to its policyholders in the majority of the states in which ANGIC writes business. 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.

Policy Forms and Underwriting, Advertising & Sales Material, Treatment of Policyholders

The DIFP has a market conduct staff that performs a review of these issues and generates a separate market conduct report. The Company's most recent Missouri market conduct

report was dated June 19, 2002 and was issued for the examination period from January 1, 2001 through December 31, 2001. No significant problems were noted in this market conduct report.

In addition, the State of Colorado performed a market conduct examination of the Company during the current financial examination period. Minor errors were noted in the report and were addressed by the Company. The errors did not have a significant impact on the Company's financial position.

REINSURANCE

General

The Company's reinsurance and premium activity during the period under examination are as follows:

Premiums Written:	2006	2005	2004
Direct Business	$30,359,087	$40,754,183	$52,228,255
Reinsurance Assumed:			
Affiliates	0	0	0
Non-Affiliates	0	11,444	0
Reinsurance Ceded:			
Affiliates	(789,865)	(1,410,193)	(0)
Non-Affiliates	(971,901)	(3,175,161)	(8,355,471)
Net Premiums Written	$28,597,321	$36,180,273	$43,872,784

Assumed

American National General Insurance Company did not assume a significant amount of business during any of the years under examination.

Ceded

As of December 31, 2006, the Company was not ceding a significant amount of business. ANGIC does participate with other affiliated companies in property catastrophe excess of loss and casualty clash excess of loss reinsurance agreements.

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

ACCOUNTS AND RECORDS

Financial statements of the Company were audited by the CPA firm KPMG LLP of Houston, Texas for the years ending December 31, 2006, 2005, and 2004. In each of the years under examination, KPMG concluded that the financial statements of the Company, in all material aspects, presented fairly the admitted assets, liabilities, capital and surplus, results of operations, and cash flows in conformity with the accounting practices prescribed or permitted by the Missouri Department of Insurance, Financial Institutions and Professional Registration.

Loss reserves of the Company were reviewed and certified as of December 31, 2006, 2005, and 2004 by John F. Butcher, FCAS, MAAA of the actuarial firm Tillinghast-Towers Perrin.

As discussed in the "Territory and Plan of Operations" section of this report, the Company enrolls all eligible policyholders in its CA$HBACK program. Under this program, the Company returns 25% of the premiums to the policyholder if for three years the insured is both claim-free and has continuous policies for both comprehensive automobile and homeowner's coverage. As participation in this program has grown, its related liability has also increased. The CA$HBACK accrued return retrospective premium liability is now a material liability. The Company estimates the persistency ratio using incomplete data. The Company should improve the data upon which it bases its CA$HBACK persistency ratios. The Company should also have its appointed actuary review the persistency ratios used in the calculation and opine upon the adequacy of the CA$HBACK accrued return retrospective premium liability at each year-end prior to filing its statutory financial statements.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the year ending December 31, 2006. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements." (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There were differences found in the course of this examination which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements. Therefore they were communicated to the Company and/or noted in the workpapers for each individual Annual Statement item.

Assets

	ASSETS	ASSETS NOT ADMITTED	NET ADMITTED ASSETS
Bonds	$84,024,332		$84,024,332
Common stocks	9,594,316		9,594,316
Cash and short-term investments	(1,784,917)		(1,784,917)
Receivable for securities	1,355,250		1,355,250
Investment income due and accrued	1,266,086		1,266,086
Deferred premiums and agents' balances	4,692,331	$67,880	4,624,451
Current federal income tax recoverable	146,625		146,625
Net deferred tax asset	1,318,267	102,761	1,215,506
Guaranty funds receivable or on deposit	179,829	12,152	167,677
Receivable from affiliates	14,212		14,212
Aggregate write-ins for other assets	17,669	7,851	9,818
Total Assets	**$100,824,000**	**$190,644**	**$100,633,356**

Liabilities, Surplus and Other Funds

Losses	$19,085,393
Loss adjustment expenses	3,880,335
Commissions payable and contingent commissions	579,428
Other expenses	2,785
Taxes, licenses and fees	(40,737)
Unearned premiums	9,149,935
Advance premiums	170,703
Remittances and items not allocated	20,537
Payable to parent, subsidiaries and affiliates	4,290
Aggregate write-ins for liabilities:	
CA$HBACK retrospective premiums (Note 1)	3,922,432
Escheat funds held in trust	254,588
Total Liabilities	**$37,029,689**
Common capital stock	2,500,000
Gross paid in and contributed surplus	12,500,000
Unassigned funds (surplus)	48,603,667
Surplus as regards policyholders	**$63,603,667**
Total Liabilities and Surplus	**$100,633,356**

Statement of Income

Underwriting Income		
Premiums earned		$30,639,224
Deductions		
Losses incurred	$20,975,969	
Loss expenses incurred	2,436,313	
Other underwriting expenses incurred	5,110,693	
Total underwriting deductions		28,522,975
Net underwriting gain/(loss)		**2,116,249**
Investment Income		
Net investment income earned	5,127,513	
Net realized capital gains or (losses)	43,203	
Net investment gain or (loss)		**5,170,716**
Other Income		
Net (loss) from agents' or premium balances charged off	(246,968)	
Finance and service charges not included in premiums	50,892	
Miscellaneous other income	(1,258)	
Total other income		**(197,334)**
Net income before federal income taxes		7,089,631
Federal and foreign income taxes incurred		2,125,679
Net income		**$4,963,952**

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2005		$59,202,565
Net income	$4,963,952	
Change in net deferred income tax	(256,799)	
Change in nonadmitted assets	59,510	
Change in provision for reinsurance	9,979	
Examination changes	(375,540)	
Net change in surplus as regards policyholders for the year		4,401,102
Surplus as regards policyholders, December 31, 2006		$63,603,667

NOTES TO THE FINANCIAL STATEMENTS

Note 1– CA$HBACK Retrospective Premium **$3,922,432**

The CA$HBACK retrospective premium write-in liability was increased by $375,540 to $3,922,432 at December 31, 2006. This increase corrected the Company's failure to recognize the accrued retrospective premium liability from the time premium is earned on the policy in accordance with SSAP 66, paragraph 6ai., rather than at the expiration of the policy.

EXAMINATION CHANGES

Total Capital and Surplus Per Company, December 31, 2006:

Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	12,500,000	
Unassigned funds (surplus)	48,979,207	
Total Capital and Surplus		$63,979,207

Examination Changes (effect on surplus):

	Increase in Surplus	Decrease in Surplus	
Liabilities:			
CA$HBACK Liability		$375,540	
Net Change			$(375,540)

Total Capital and Surplus Per Examination, December 31, 2006:

Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	12,500,000	
Unassigned funds (surplus)	48,603,667	
Total Capital and Surplus		**$63,603,667**

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Intercompany Transactions (page 8)
ANPAC is allocating costs based on per claim and per policy factors which are several years old with no adjustment to actual cost. ANPAC must either change its practices to comply with the agreement or ANGIC must amend the agreement to reflect current practices and submit the amended agreement for approval with the DIFP as required by RSMo 382.195 (Prohibited transactions, exceptions) and 20 CSR 200-11.300 (Management contracts to be filed).

Intercompany Transactions (page 8)
ANICO is not following the terms of its Service Agreement with ANGIC as it relates to allocation methods. ANICO must change its practices to comply with the agreement or ANGIC must amend the agreement to reflect current practices and submit the amended agreement for approval with the DIFP as required by RSMo 382.195 (Prohibited transactions, exceptions) and 20 CSR 200-11.300 (Management contracts to be filed).

Accounts and Records (page 12)
The Company should improve the data upon which it bases its CA$HBACK persistency ratios. The Company should also have its appointed actuary review the persistency ratios used in the calculation and opine upon the adequacy of the CA$HBACK accrued return retrospective premium liability at each year-end prior to filing its statutory financial statements.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of American National General Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Karen Baldree, CFE, Angela Campbell, CFE, Steven Koonse, CFE, and Bernie Troop, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Glenn Tobleman, FCAS, FSA, MAAA, of the actuarial firm of Lewis & Ellis, Inc. of Dallas, Texas performed an actuarial analysis as part of this examination.

VERIFICATION

State of Missouri)
County of)

I, Vicki L. Denton, CFE, 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 the 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 Department of Insurance, Financial Institutions, and Professional Registration

Sworn to and subscribed before me this 1st day of May, 2008.

My commission expires: STEPHANIE R. STRAIN
Notary Public - Notary Seal
State of Missouri
County of Jackson
My Commission Exp. 08/25/2008

Stephanie R. Strain
Notary Public

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.

Frederick G. Heese

Frederick G. Heese, CFE, CPA
Chief Financial Examiner
Missouri Department of Insurance, Financial Institutions, and Professional Registration

June 18, 2008

Frederick G. Heese, CFE, CPA
Chief Financial Examiner & Acting Division Director
Department of Insurance
Financial Institutions
301 West High Street, Room 530
P.O. Box 690
Jefferson City, Missouri 65102-0690

James M. Cybulski
Vice President/Controller
American National Property and Casualty Company
American National General Insurance Company
American National Corporate Centre
1949 East Sunshine
Springfield, Missouri 65899

Re: Audit of American National Property and Casualty and American National General Insurance Companies.

Dear Mr. Heese:

The following is the responses to the audits reports of the respective companies. It would be our desire to make these responses as part of the public document.

For American National Property and Casualty:

1. Intercompany Transactions:

Beginning in 2007, Anpac has corrected its procedures to adjust its allocation costs every year based on current year actual costs. At the end of each year, as new allocation costs are calculated, adjustments are made to reflect actual costs.

Anico and Anpac are in the process of adjusting the service agreement to insure that billings and service agreements are the same.

2. Territory and Plan of Operations:

Beginning in 2007, the Company has adjusted it operations to insure that semi-annual reviews of its Managing General Agents will be completed.

3. Accounts and Records:

Our appointed Actuary, Tillinghast, has been requested to review our Cashback program and give an opinion of our Cashback reserves. This opinion will include persistency ratios that can be used to insure adequacy of future Cashback reserves. This opinion is expected the week of June 16, 2008.

For American National General Insurance Company:

1. Intercompany Transactions:

Beginning in 2007, Anpac has corrected its procedures to adjust its allocation costs every year based on current year actual costs. At the end of each year, as new allocation costs are calculated, adjustments are made to reflect actual costs.

2. Accounts and Records:

Our appointed Actuary, Tillinghast, has been requested to review our Cashback program and give an opinion of our Cashback reserves. This opinion will include persistency ratios that can be used to insure adequacy of future Cashback reserves. This opinion is expected the week of June 16, 2008.

I trust you will find these responses satisfactory. If you have any questions please to not hesitate to call. I am also including a copy of a e-mail from ANICO confirming the semi-annual audits for MGA's.

Sincerely,

James Cybulski
Vice President/Controller