

# STATE OF MISSOURI



## DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

### 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, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the 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: subsequent events, summary of significant findings, company history, corporate records, management and control, territory and plan of operation, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, and summary of recommendations.

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, 2015 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) 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 16<sup>th</sup> day of September, 2017.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director  
Department of Insurance, Financial Institutions  
and Professional Registration



REPORT OF THE  
FINANCIAL EXAMINATION OF  
**AMERICAN NATIONAL PROPERTY AND  
CASUALTY COMPANY**

AS OF  
DECEMBER 31, 2015

**FILED**

SEP 18 2017

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 23, 2017

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Lindley-Myers:

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

**American National Property And Casualty Company**

hereinafter referred to as such, as ANPAC, or as the Company. Its administrative office is located at 1949 East Sunshine, Springfield, Missouri 65899, telephone number 417-887-4990. The fieldwork for this examination began on April 4, 2016, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a multi-state examination of American National Property And Casualty Company. The last examination covered the period of January 1, 2007 through December 31, 2010 and was also conducted by examiners from the Missouri DIFP. This examination covers the period of January 1, 2011 through December 31, 2015.

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

This examination is part of a coordinated examination of the companies within the American National Financial Group (American National). In addition to ANPAC, American National includes seven other property and casualty insurers and six life insurers domiciled in the states of Texas, New York, California, Missouri and Louisiana. All of the states that have domestics within American National participated in the coordinated examination. American National Insurance Company (ANICO), a life and health insurance company domiciled in the State of Texas, is the lead company within American National. Texas acted as the overall lead state for the coordinated examination and facilitating state for the life companies within the group. Missouri acted as the facilitating state for the property and casualty companies within the group.

**Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Missouri DIFP and statutes of the State of Missouri prevailed. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not communicated within the examination report but separately communicated to other regulators and/or the Company.

**Reliance Upon Others**

The examination relied upon various workpapers, documents and other information provided by the other states' departments of insurance participating in the American National coordinated examination. The items relied upon included, but were not limited to, review of IT systems, review of overall corporate governance, and control and substantive testing for the investment key activity.

The examination also relied upon information supplied by the Company's independent auditor, KPMG, LLP of Houston, Texas for its audit covering the period from January 1, 2015 through December 31, 2015. The items relied upon included, but were not limited to, narrative descriptions of processes and controls, paid claims testing and attorney letters.

**SUBSEQUENT EVENTS**

There were no significant subsequent events noted from December 31, 2015 through the date of the examination report.

## 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.

## COMPANY HISTORY

### General

ANPAC was incorporated on October 1, 1973 and commenced business on January 2, 1974. The Company operates as a stock casualty company under the laws of Chapter 379 Revised Statutes of Missouri (RSMo) (Insurance other than life).

### Capital Contributions

On March 31, 2012 ANPAC terminated an outstanding \$35 million surplus note issued to its direct parent, American National Property & Casualty Holdings, Inc. (ANPAC Holdings). ANPAC Holdings subsequently made a \$35 million capital contribution to ANPAC. This transaction is described in further detail in the Intercompany Transactions section of this report.

### Dividends

ANPAC paid dividends to its direct parent, ANPAC Holdings, Inc. during the examination period as follows:

<u>Year Paid</u>	<u>Amount Paid</u>
2011	\$3,000,000
2012	-0-
2013	8,000,000
2014	2,000,000
2015	6,000,000

### Mergers and Acquisitions

There were no mergers or acquisition noted for the examination period.

## CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. The Articles of Incorporation were not amended during the examination period. Article II, Section I, of the Bylaws was amended in March 2015 to change the annual meeting day and month from the third Friday in November to the First Tuesday in May of each year.

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 (Board), elected by the sole shareholder. ANPAC's Bylaws specify that the number of Directors shall not be less than nine (9) or more than thirteen (13) at any time. As of December 31, 2015, the following eleven directors were serving on the Board of Directors:

<u>Name</u>	<u>Address</u>	<u>Occupation &amp; Business Affiliation</u>
John J. Dunn, Jr	Galveston, TX	Executive VP, Chief Financial Officer, and Treasurer, ANICO
Irwin M. Herz, Jr.	Galveston, TX	Partner, Greer, Herz & Adams, LLP
A. Ingrid Moody	Kemah, TX	Civic Volunteer
Edward J. Muhl	Malvern, PA	Retired Partner, PricewaterhouseCoopers, LLP
Gregory V. Ostergren	Springfield, MO	Chairman of the Board, President and Chief Executive Officer, ANPAC and ANGIC <sup>1</sup>
E. J. Pederson	Galveston, TX	Managing Director, CitareTx Management, LLC
James E. Pozzi	Galveston, TX	President and Chief Executive Officer, ANICO
Victoria M. Stanton	Albany, NY	Executive VP, General Counsel and Secretary, ANPAC and ANGIC
Timothy A. Walsh	Galveston, TX	Senior Executive VP and Chief Operating Officer, ANPAC and ANGIC
Ronald J. Welch	Galveston, TX	Retired Senior Executive VP, Corporate Risk Officer and Chief Actuary, ANICO
James D. Yarbrough	Galveston, TX	Mayor of Galveston, Texas

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<sup>1</sup> Gregory V. Ostergren left the Company effective December 19, 2016. Effective December 20, 2016, Mr. Ostergren's responsibilities were assumed by other members of the Company's management as follows: Johnny D. Johnson was elected to the Board of Directors to fill the vacancy on the Board; James E. Pozzi was elected Chairman of the Board; and Timothy A. Walsh was promoted to the office of President and CEO.



**Senior Officers**

The officers elected and serving as of December 31, 2015, were as follows:

<u>Name</u>	<u>Title</u>
Gregory V. Ostergren	Chairman of the Board – President and Chief Executive Officer <sup>2</sup>
Timothy A. Walsh	Senior Executive VP, Chief Operating Officer, Multiple Line
Scott C. Campbell	Executive VP, Chief Marketing Officer, Multiple Line
Jeffrey A. Mills	Executive VP, Chief Claims Officer
Shannon L. Smith	Executive VP, Chief Agencies Officer, Multiple Line
Victoria M. Stanton	Executive VP, General Counsel, Secretary
Michele M. Bartkowski	Senior VP, Chief Financial Officer and Treasurer
James L. Flinn	Senior VP, Personal Lines Actuarial, Chief P&C Risk Officer
Deborah A. Foell	Senior VP, Application Development & Support, Multiple Line
Matthew R. Ostiguy	Senior VP, Commercial Lines Research & Development
Stuart M. Paulson	Senior VP, Operations Counsel and Assistant Secretary
Gregory E. Eck	Vice President, Finance

**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 shall consist of two or more Directors. As of December 31, 2015, the only established committees of the Board of Directors were the Executive Committee and the Property & Casualty Governance Committee.

The Executive Committee members elected and serving as of December 31, 2015 were Gregory V. Ostergren and James E. Pozzi.<sup>3</sup>

The Property & Casualty Governance Committee was established in April 2015. Per its charter, this committee is to act as the audit committee for ANPAC and the other property and casualty companies within American National that have designated this committee as their audit committee. The Property & Casualty Governance Committee members elected and serving as of December 31, 2015 were: A. Ingrid Moody, Edward J. Muhl, E. J. Pederson and James D. Yarbrough.

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<sup>2</sup> Effective December 20, 2016, Timothy A. Walsh was promoted to the office of President and CEO to replace Gregory V. Ostergren. Mr. Walsh's previous title of Senior Executive Vice President, Chief Operating Officer was discontinued.

<sup>3</sup> Timothy A. Walsh was appointed to serve as a member of the Executive Committee effective December 20, 2016 to replace Gregory V. Ostergren. James E. Pozzi was appointed to serve as Chairman of the Executive Committee.

### **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. As of the examination date, the ultimate controlling persons of ANICO were Robert Lee Moody, Sr. through his power to add or remove the sole Trustee of the Three R Trusts, which indirectly controlled the Libbie Shearn Moody Trust which in turn owned 36.99% of ANICO; and Frances A. Moody-Dahlberg, Ross Moody, and Elizabeth Lee Moody as Trustees of the Moody Foundation, which owns 22.79% of ANICO. The remaining ownership interest of ANICO is publicly traded on the NASDAQ Exchange

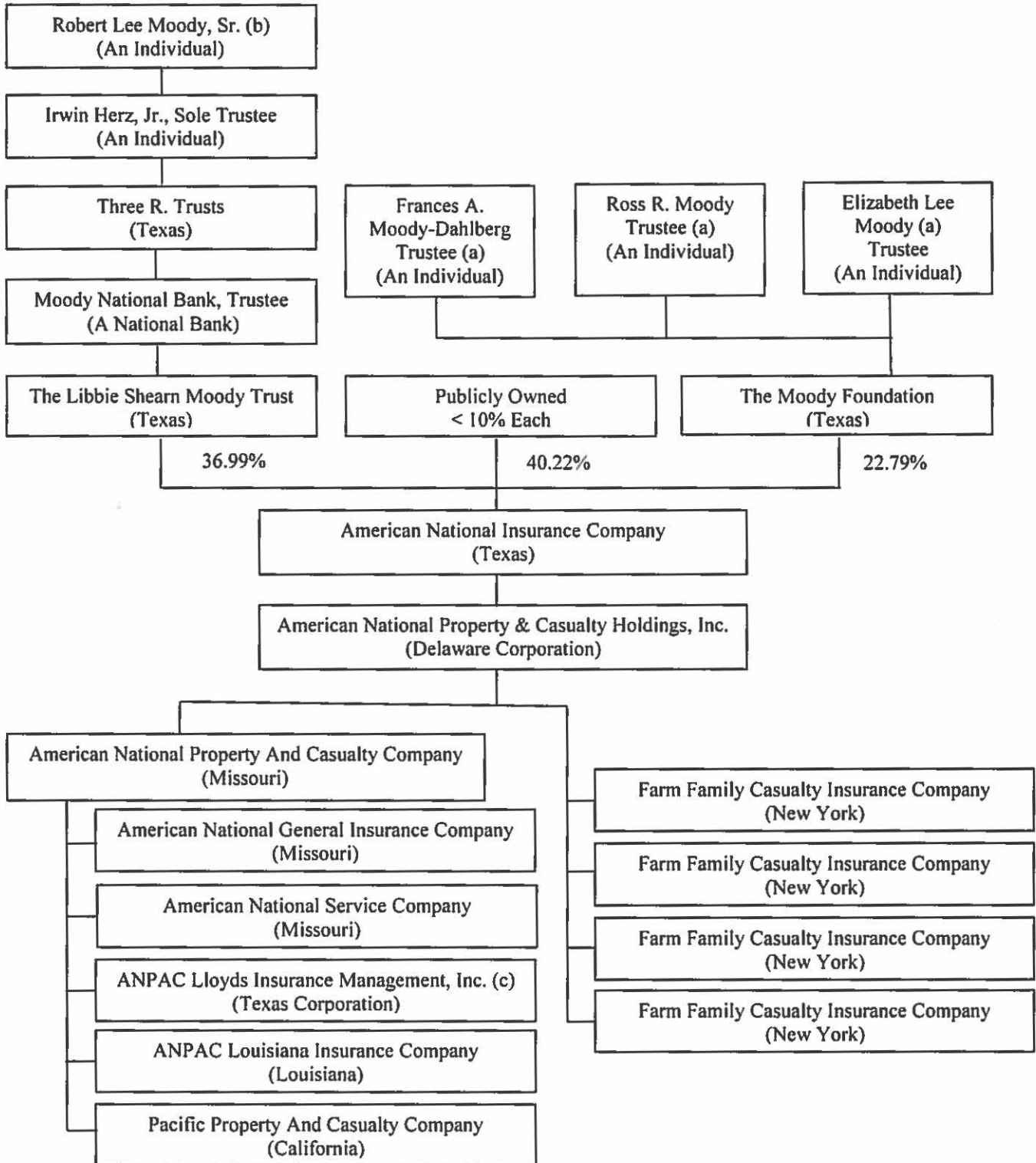
ANPAC wholly owns the following subsidiaries:

- American National General Insurance Company (ANGIC), a Missouri property and casualty insurance company.
- American National Insurance Service Company (ANISCO), a Missouri corporation that brokers certain personal and commercial lines.
- ANPAC Lloyd's Insurance Management, Inc. (ANLIM), a Texas corporation which serves as attorney-in-fact for American National Lloyds 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 (Pacific P&C), a California property and casualty insurance company.

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 ANPAC Holdings. The operations of FFCIC are coordinated with its property and casualty affiliate, United Farm Family Insurance Company (UFFIC), and with its life insurance affiliate, 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.

### **Organizational Chart**

The following organizational chart partially depicts the ownership and holding company structure of ANPAC, as of December 31, 2015. This partial list is depicted as there are over 30 companies within the ANICO holding company system. Unless otherwise indicated, all subsidiaries are 100% owned:



- (a) Trustees of the Moody Foundation, which owned 22.79% of ANICO as of December 31, 2015.
- (b) Owned 45.39% of the Libbie Shearn Moody Trust, which owned 36.99% of ANICO as of December 31, 2015 and controls Three R Trusts.
- (c) ANLIM is the attorney-in-fact for ANLIC, domiciled in Texas



**Intercompany Transactions**

ANPAC has the following agreements with affiliated companies as of December 31, 2015:

**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) Service Agreement**

Parties: ANPAC and American National Administrators, Inc. (ANAI) (formerly known as ANPAC General Agency of Texas)  
 Effective: February 1, 1992  
 Terms: ANPAC provides various administrative, accounting and other incidental services and facilities to ANAI.  
 Rate(s): ANAI pays ANPAC the gross commission received by ANAI net expenses, as well as other charges for other unusual expenses incurred.

**4) 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 American National Lloyds Insurance Company.  
 Rate(s): Expenses charged on an allocated cost basis.

**5) Service Agreement**

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

**6) 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.

**7) 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.

**8) 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.

**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) Management Fee Allocation Agreement**

Parties: ANPAC, ANICO, and American National Country Mutual Insurance Company (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.

**11) Cash Management Agreement**

Parties: ANPAC, ANGIC, ANLIC, ANCMIC, Pacific P&C, 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 and for their respective insurance business.  
 Rate(s): Expenses charged on an allocated cost incurred basis.

**12) 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 processing of ANCMIC premium payments for their insurance business.  
 Rate(s): Expenses charged on an allocated cost basis.

**13) Consolidated Tax Allocation Agreement**

Parties: ANPAC and ANICO  
 Effective: January 1, 2008  
 Terms: The Agreement provides that ANICO will file a consolidated federal income tax return on behalf of ANPAC. Under the Agreement, ANPAC will pay to, or receive from, ANICO amounts equaling ANPAC's federal income tax liability, or savings in such liability, based on ANPAC's actual federal income tax incurred in accordance with the "wait and see" method set forth in the Internal Revenue Code.

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

- On June 30, 2011, ANPAC sold its subsidiary, ANPAC General Agency of Texas to ANPAC Holdings. No gain or loss was recognized by ANPAC from the transaction.
- In August 2011, ANPAC's direct subsidiary, ANPAC Louisiana Insurance Company, restructured its capital by terminating a \$50 million surplus note it originally issued to ANPAC in 2007. The net effect of this transaction was that the outstanding balance of \$50 million was converted from being a debt obligation into a capital contribution to ANPLA by ANPAC. ANPLA did not make any principal or interest payments on the surplus note during the current examination period.
- In March 2012, ANPAC restructured its capital by terminating a \$50 million surplus note it originally issued to its parent company, ANPAC Holdings, in 2002. The net effect of this transaction was that the outstanding balance of \$35 million was converted from being a debt obligation into a capital contribution to ANPAC by ANPAC Holdings. Prior to the termination, ANPAC paid interest on the surplus note to ANPAC Holdings of \$2,625,000 in April 2011 and \$2,625,000 in March 2012.



## TERRITORY AND PLAN OF OPERATIONS

ANPAC is licensed to transact the business of insurance in forty-seven states, the District of Columbia, and Puerto Rico. The five states with the largest volume of premium for the year ending December 31, 2015 were: Colorado, Missouri, Oklahoma, South Carolina, and Minnesota. These five states combined accounted for 32% of direct premium written in 2015.

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, 28% of net written premiums. ANPAC's products are offered through captive and general agents.

Eligible policyholders who maintain continuous policies for both comprehensive automobile and homeowner coverage are eligible for the Company's CASHBACK program. Under this program, the Company returns 25% of the eligible premiums from the third prior year to the policyholder, if for three (3) consecutive years the qualifying policies are claim free.

## REINSURANCE

### General

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

	2011	2012	2013	2014	2015
Direct Business	\$616,037,773	\$549,396,145	\$551,531,853	\$573,071,855	\$615,480,920
Reinsurance Assumed:					
Affiliates	55,670,639	45,354,119	39,595,250	42,228,170	43,310,147
Non-affiliates	139,866	313,326	307,096	262,870	279,998
Reinsurance Ceded:					
Affiliates	142,711,778	86,559,206	82,387,047	93,962,778	118,809,257
Non-affiliates	44,092,932	40,919,028	41,094,597	40,319,049	43,793,862
Net Premiums Written	\$485,043,568	\$467,585,356	\$467,952,555	\$481,281,068	\$496,467,946

### Assumed

ANPAC's assumed reinsurance activity is primarily with its affiliates, with 99.4% of the assumed premiums at year-end 2015 coming from affiliates and the remaining immaterial amounts coming from a combination of mandatory pools or other similar facilities.

The assumed businesses from the affiliated entities are structured under separate 100% quota share reinsurance agreements. The following assumed reinsurance agreements with affiliates were in effect as of December 31, 2015:

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

### Ceded

The property and casualty members of American National purchase external reinsurance to manage catastrophe and other exposures on a combined basis, whereby the companies share limits and retentions. The group's reinsurance agreements are primarily excess of loss contracts, which are principally categorized as Corporate Catastrophe, Regional Covers, and Working Layers. The reinsurance agreements are placed with multiple reinsurers in multiple layers through the reinsurance intermediary/broker, Aon Benfield, Inc.

Corporate Catastrophe consists of three separate corporate layers along with two stretch coverages, the combination of which provides countrywide protection ranging from 97.5% to 100% of \$465 million excess of \$35 million retention per occurrence with reinstatement percentages that vary by layers.

Regional Covers provide earthquake, state-specific catastrophe coverages, and two additional catastrophe layers at lower retentions. Earthquake coverage provides countrywide coverage of 100% of \$25 million excess of \$10 million. Separate regional layers provide coverage of 66.67% of \$25 million excess of \$10 million for states in the Northeast/mid-Atlantic, lower Atlantic/Gulf Coast, and Texas/Arkansas/Oklahoma, respectively. The two additional catastrophe layers provide coverage 30.5% of \$25 million excess of \$10 million and 45.2125% of \$20 million excess of \$15 million, respectively, excluding hurricane losses in coastal states, and earthquake and fire countrywide. Additionally, the Company also has a catastrophe aggregate reinsurance agreement which provides coverage of 97.5% of \$30 million excess of \$90 million of aggregated catastrophe losses. Qualifying losses include amounts of retained losses below the \$10 million retention of above mentioned programs.

Working Layers consist of Multiple Lines, Property Per Risk, and Casualty Clash. Multiple Lines provides coverage for select property, casualty, and pollution liability risks; coverage is \$5 million excess of \$1 million retention per risk. In addition, the Property Per Risk agreement provides coverage for property risks over the Multiple Lines contract limit; coverage is \$14

million excess of \$6 million retention per risk. The Casualty Clash agreement provides coverage for casualty and pollution liability risks over the Multiple Line contract limit; coverage is \$54 million excess of \$6 million retention per risk.

In addition, the Company has a 100% quota share reinsurance agreement whereby ANICO assumes credit related property and casualty business written or assumed by ANPAC; of which, 50% of eligible business is then retroceded to ANPAC.

The Company has several immaterial fronting arrangements, comprised mainly of credit business lines, which are ceded to third parties or affiliates; it also participates in various voluntary and mandatory pools.

The Company is contingently liable for all reinsurance losses ceded to reinsurers. 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.

## **FINANCIAL STATEMENTS**

The following financial statements, are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items". 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 individual activity.



Assets

Bonds	\$ 696,284,064	\$ -	\$ 696,284,064
Preferred stocks	2,414,474	-	2,414,474
Common stocks	405,143,293	131,212	405,012,081
Real estate	12,235,559	-	12,235,559
Cash, cash equivalents and short-term investments	34,995,305	-	34,995,305
Other invested assets	4,302,845	-	4,302,845
Receivables for securities	537,177	-	537,177
Investment income due and accrued	7,457,352	-	7,457,352
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	14,298,361	87,536	14,210,825
Deferred premiums and agents' balances and installments booked but deferred and not yet due	74,278,566	10,464	74,268,102
Amounts recoverable from reinsurers	623,852	-	623,852
Current federal and foreign income tax recoverable	484,907	-	484,907
Net deferred tax asset	15,225,589	6,423,380	8,802,209
Guaranty funds receivable or on deposit	42,342	-	42,342
Furniture and equipment	3,453,273	3,453,273	-
Receivable from parent, subsidiaries and affiliates	11,653,098	-	11,653,098
Aggregate write-ins for other than invested assets	13,930,743	11,633,946	2,296,797
<b>Total assets</b>	<b>\$ 1,297,360,800</b>	<b>\$ 21,739,811</b>	<b>\$ 1,275,620,989</b>

**Liabilities, Surplus and Other Funds**

Losses	\$ 208,987,152
Loss adjustment expenses	50,509,465
Commissions payable, contingent commissions and other similar charges	24,677,284
Other expenses	5,360,585
Taxes, licenses and fees	5,143,549
Current federal and foreign income taxes	53,085
Unearned premiums	207,026,183
Advance premiums	5,616,789
Ceded reinsurance premiums payable	6,331,498
Amounts withheld or retained by company for account of others	761,593
Remittances and items not allocated	32,009
Payable to parent, subsidiaries and affiliates	7,610,367
Payable for securities	3,938,807
Aggregate write-ins for other liabilities	
CASHBACK retrospective premium	109,920,621
Escheat funds held in trust	3,797,778
	<hr/>
<b>Total liabilities</b>	<b>\$ 639,766,765</b>
Common capital stock	\$ 4,200,000
Gross paid in and contributed surplus	153,507,864
Unassigned funds (surplus)	478,146,360
	<hr/>
<b>Total capital and surplus</b>	<b>\$ 635,854,224</b>
<b>Total liabilities and capital and surplus</b>	<b>\$ 1,275,620,989</b>
	<hr/>

## Summary of Operations

<b>Underwriting Income</b>	
Premiums earned	\$483,238,345
Deductions:	
Losses Incurred	283,897,529
Loss adjustment expenses	56,302,179
Other underwriting expenses incurred	131,046,166
Total underwriting deductions	<u>\$471,245,874</u>
<b>Net underwriting gain or (loss)</b>	<b><u>\$ 11,992,471</u></b>
 <b>Investment Income</b>  	
Net investment income earned	\$ 28,399,902
Net realized capital gains or (losses)	<u>2,319,032</u>
<b>Net investment gain or (loss)</b>	<b><u>\$ 30,718,934</u></b>
 <b>Other Income</b>  	
Net gain (loss) from agents' or premium balances charged off	\$ (1,187,722)
Finance and service charges not included in premiums	781,102
Aggregate write-ins for miscellaneous income	<u>369,701</u>
<b>Total other income</b>	<b><u>\$ (36,919)</u></b>
 <b>Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes</b>	
	42,674,486
Federal income taxes incurred	<u>9,548,909</u>
<b>Net income</b>	<b><u>\$ 33,125,577</u></b>

**Capital and Surplus Account**

Capital and surplus, December 31, 2014	\$ 596,931,175
Net income (loss)	33,125,577
Change in net unrealized capital gains (losses) less capital gains tax	10,229,307
Change in net deferred taxes	1,082,555
Change in nonadmitted assets	693,996
Change in provision for reinsurance	129,400
Dividends to stockholders	(6,000,000)
Aggregate write-ins for gains and losses in surplus	<u>(337,786)</u>
Net change in capital and surplus	<u>38,923,049</u>
<b>Capital and surplus end of reporting period, December 31, 2015</b>	<b><u>\$ 635,854,224</u></b>

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None

**SUMMARY OF RECOMMENDATIONS**

None



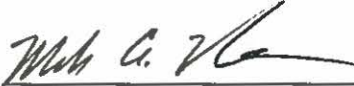
**ACKNOWLEDGMENT**

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, Jennifer Danz, CPA, CFE, Zephania Marevangepo, John Merrigan, CPA, Kimberly Dobbs, CFE, AES, examiners for the Missouri DIFP, also participated in this examination. Jon Michelson, FCAS, MAAA, of Expert Actuarial Services, LLC, also participated as a consulting actuary.

**VERIFICATION**

State of Kansas )  
County of Johnson )

I, Mark A. Nance, CPA, 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 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.

  
Mark A. Nance, CPA, CFE  
Senior Examiner-In-Charge  
Missouri DIFP

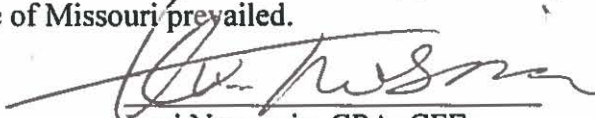
Sworn to and subscribed before me this 24 day of May, 2017.

My commission expires: 5-14-2020 Sheila R. Briscoe  
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, except where practices, procedures and applicable regulations of the Missouri DIFP and statutes of the State of Missouri prevailed.

  
Levi Nwasoria, CPA, CFE  
Audit Manager  
Missouri DIFP