

THE COMPANY

American National Insurance Company, based in Galveston, Texas, is one of the largest life insurers in the United States with over 3.4 million policyholders and \$12 billion in assets. The company's products and services include life insurance, annuities, health insurance, personal lines, property and casualty insurance, credit insurance, pension plan services, mutual funds and real estate management. American National's major subsidiaries include American National Life of Texas, Standard Life and Accident Insurance Company, Garden State Life Insurance Company, American National Property and Casualty Company as well as Farm Family Holdings Inc.

FINANCIAL DATA

	2007	2008	2009
Earnings per Share (\$)	9.09	(5.82)	0.59
Price to Earnings (times)	8.8	-13.7	135.6
Dividend (\$)	3.08	3.08	3.08
Dividend Yield (%)	3.85	3.85	3.85
Book Value (\$)	140.28	118.35	130.29
Price to Book Value (times)	0.57	0.68	0.61

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT AMERICAN NATIONAL

William Lewis Moody Jr. founded American National in 1905 at a time when he felt the Texas market was being underserved by the bigger insurance companies based in the U.S. Northeast. In the same year, the company went public by coming to the market with a common share issue. As a result, American National is now one of the oldest public companies based in the U.S. It is also interesting to note that most of American National's profits are still generated from agents who sell policies door-to-door; while this process is very old school, it remains profitable. The Moody family continues to control the company and Robert Moody, grandson of William Moody, is currently the company's Chairman and CEO.

We believe American National is undervalued at its current price of around \$82 a share. At this level the shares trade at a 28 % discount to its September 30, 2003 tangible book value of \$113.85 a share. As a measure of comparison, the average life insurance company trades at a 20 % premium to book value. Also, American National pays an annual dividend of \$2.96 per share, which represents a yield of 3.6%. This is a relatively good yield considering most money market funds in the U.S. pay only 1% or less. Furthermore, investors can take comfort in the fact that American National has not missed a dividend payment since it first began paying dividends in 1911.

One reason for American National's discounted stock price could be the low return on equity it has earned over the last few years. American National had earnings of \$2.45 and \$0.64 per share in 2002 and 2001. This represents a return on equity of just 2.2% and 0.6% respectively. Another reason for the discount could be the controlling ownership by the Moody family. The family refuses to repurchase shares and has publicly stated that the company is not for sale. Finally, American National is not officially followed by any Wall Street analysts and, moreover, the company does very little to promote itself to investors. In effect, American National Insurance Company has yet to be discovered by Wall Street. This is a very positive contrary indicator.

American National's low returns can partly be attributed to the fact that the company is virtually debt free. As a result, earnings do not get a lift from the use of financial leverage. In fact, due to its conservative balance sheet, the company boasts a credit rating that is unparalleled in the industry. For instance, the company was rated A+ (Superior) by A.M. Best Company, and AA (Very Strong) by Standard & Poor's.

Most recently, American National posted a strong third quarter performance for the period ending September 30 2003. Earnings were \$1.66 per share compared to \$1.19 per share in the same period last year, an increase of 39 %. If the company can continue to improve earnings, we believe the discount between its share price and book value could begin to narrow. In addition, given that the company is largely under-followed by the investment community, interest in the company from new investors could provide a positive catalyst for the stock. Finally, although the Moody family states that the company is not for sale, investors should not rule out "a change of heart" due to a premium price, family issues, etc. If the company was put up for sale we believe that the sum of the component parts would be worth considerably more than the current stock price.

UPDATES

On February 6th 2004, American National Insurance Company announced fourth quarter 2003 net income of \$72.3 million or \$2.73 per share compared to a net loss of \$62.8 million or \$2.37 per share for the same period in 2002. After tax net gain from operations for the fourth quarter was \$48.8 million or \$1.84 per share versus a loss of \$1.4 million or \$0.05 per share last year. Net income for the full year of 2003 was \$182.2 million or \$6.88 per share compared to net income for 2002 of \$16.9 million or \$0.64 per share. The after tax net gain from operations for the full year of 2003 was \$160.8 million or \$6.07 per share versus \$102.5 million or \$3.87 per share for 2002, an increase of 56.9%.

American National's operations showed impressive growth during 2003. Premiums for the full year grew 12.9%, revenues increased by 19.7% and assets rose by 23.7%. American National had a return on equity of approximately 6.4% in 2003, which was a noticeable improvement over its return on equity in 2002 and 2001 of just 2.2% and 0.6% respectively. Keep in mind also that American National, unlike many of its peers, has virtually no debt. As a result, the company's return on equity appears less impressive since it does not get a pick up due to the use of financial leverage. Shares of American National now trade at an 17% discount to its book value of \$113.85 per share and yield approximately 3.1%. We believe that if American National continues to post improving results, i.e. growth in premiums, higher return on equity, etc, the discount between its book value and share price will continue to narrow.

ABC Funds
February 27, 2004

American National Insurance Company announced first quarter 2004 net income of \$64,704,000 (\$2.44 per share) compared to \$40,121,000 (\$1.51 per share) for the same period in 2003, a 61.3% increase. After tax net gain from operations for the first quarter was \$62,618,000 (\$2.36 per share) compared with \$42,988,000 (\$1.62 per share) for the same period in 2003, a 45.7% increase. These gains from operations exclude any net realized investment gains and losses.

Premiums for the first quarter of 2004 increased 13.6% to \$499.9 million from \$440.0 million in 2003 while policy account deposits increased 9.2% to \$513.0 million from \$469.8 million a year earlier. A significant contributor to this quarter's results was the property and casualty multiple lines business. After tax gains more than doubled from the previous quarter to \$29.2 million while the combined ratio improved from 97.2% to 89.7%.

At \$92, shares of American National trade at a 23% discount to its tangible book value of \$119.80 per share. The company's balance sheet remains impressive given that it is debt free and has excess capital. This fact has not gone unnoticed by the rating agencies. The company is currently rated A+ (Superior) by A.M. Best Company, and AA (Very Strong) by Standard & Poor's. Earnings have shown improvement during the last two quarters and we suspect that if this trend continues, American National's stock price could begin to approach book value. In the meantime, investors can take comfort in a \$2.96 dividend, which represents a yield of over 3%.

ABC Funds
May 20, 2004

American National Insurance Company announced second quarter 2004 net income of \$64,154,000 (\$2.42 per share) compared to \$25,780,000 (\$0.97 per share) for the same period in 2003. After tax net gain from operations for the second quarter was \$49,758,000 (\$1.88 per share) compared with \$25,374,000 (\$0.96 per share) for the same period in 2003, a 96.1% increase. After tax net gain from operations excludes after tax net realized investment gains and losses which totaled \$14,396,000 for the second quarter of 2004 compared with net realized gains of \$406,000 for the same period in 2003.

Premiums for the first six months of 2004 were \$1,024,719,000, an increase of 16.1% over the amount for the first half of 2003. Policy account deposits received were \$873,558,000 versus \$1,277,040,000 for the first six months of 2003. The decrease in policy account deposits was primarily the result of reduced annuity sales consistent with the 2004 business plan. The property and casualty business of the Multiple Line operations was the largest contributor to the increase in operating earnings. After tax gain from the property and casualty business for the first half of 2004 was \$47,082,000, which was more than double the results of the first six months of 2003. The combined ratio was 92.9%, a significant improvement over the 99.9% combined ratio achieved in the first half of 2003.

Shares of American National trade at a 22% discount to its book value of \$119.54 per share and yield approximately 3.2%. We believe that if American National continues to post improving results, i.e. growth in premiums, higher earnings and return on equity, etc, the discount between its book value and share price will continue to narrow.

ABC Funds
August 6, 2004

UPDATES (cont'd)

On August 17th American National Insurance Corp. announced that its subsidiary Property and Casualty Companies estimates that the after-tax net impact from Hurricane Charley will be in the \$7 million range. This is roughly \$0.26 a share, which is not material in the context of a \$12 billion company. As of August 16, 736 homeowner, 44 auto, and 1 boat claims have been reported. Prior to Hurricane Charley making landfall, American National made early preparations for sending Catastrophe Teams to the areas damaged. We are relieved with this news given that reports estimate the damage from Hurricane Charley to insured properties at \$7.4 billion.

ABC Funds
August 20, 2004

On October 25th 2004 American National Insurance Company (ANAT) reported third quarter results. Net income was \$47.0 million (\$1.77 per share) compared to \$44.0 million (\$1.66 per share) for the same period in 2003. After tax net gain from operations, which excludes realized investment gains and losses, were \$42.7 million (\$1.61 per share) compared with \$42.8 million (\$1.62 per share) in the third quarter of 2003.

The property and casualty (P&C) business was the largest contributor to the increase in operating earnings. After tax gain from P&C for the first nine months of 2004 was \$59.4 million, which was a 60% increase over the results of the first nine months of 2003. This strong increase in earnings was achieved in spite of record catastrophe losses in 2004 as a result of hurricanes Charlie, Frances, Ivan and Jeanne. In addition, the P&C division improved its combined ratio, a common measure of profitability in the industry, from 98.6% to 95.8%.

Year to date, ANAT has earned \$6.64 per share compared to \$4.15 for the first three quarters of 2003; a 60% increase. These results have not gone unnoticed by investors. ANAT shares are up over 23% so far in 2004. ANAT shares trade at a 13% discount to its book value of \$120.72 per share while carrying a decent yield of 2.8%.

ABC Funds
October 29, 2004

On February 7th 2004 American National Insurance Company (ANAT) reported third quarter results. Net income was \$79.7 million (\$3.01 per share) compared to \$72.3 million (\$2.73 per share) for the same period in 2003. After tax net gain from operations, which excludes realized investment gains and losses, were \$65.2 million (\$2.46 per share) compared with \$49.6 million (\$1.87 per share) in the third quarter of 2003.

The property and casualty (P&C) business was the largest contributor to the increase in operating earnings. After tax gain from P&C for 2004 was \$99.4 million, which was a 70% increase over the results of 2003. In addition, the P&C division improved its combined ratio, a common measure of profitability in the industry, from 97.3% to 92.8%.

For the year, ANAT earned \$8.30 per share excluding realized gains. This represents a respectable 7.3% return on equity, which is an improvement from prior years. The company remains debt free and pays a quarterly dividend of \$0.74, which yields investors around 2.75% a year. Finally, ANAT shares currently trade at a 14% discount to its book value of \$124.46 per share.

ABC Funds
March 4, 2005

On April 25th 2005 American National Insurance Company (ANAT) reported first quarter results. Net income was \$90.9 million (\$3.43 per share) compared to \$64.7 million (\$2.44 per share) for the same period in 2004. After tax net gain from operations, which excludes realized investment gains and losses, was \$80.3 million (\$3.03 per share) compared with \$62.6 million (\$2.36 per share) in the third quarter of 2004.

The property and casualty (P&C) business was the largest contributor to the increase in operating earnings. After tax gain from P&C for 2004 was \$43.4 million, which was a 49% increase over the results of 2004. In addition, the P&C division significantly improved its combined ratio, a common measure of profitability in the industry, from 89.7% to 82.6%.

For the last 4 quarters, ANAT's combined earnings per share (excluding realized gains) was \$8.98 which represents a 7.2% return on equity. This is impressive given that ANAT has no interest bearing debt and therefore, its earnings do not get a lift from the use of financial leverage. In addition, ANAT continues to pay a quarterly dividend of \$0.74, yielding investors around

UPDATES (cont'd)

2.8% a year. ANAT has paid this dividend for 94 consecutive years and last increased the dividend in 2001. At its present price, we believe that ANAT remains fundamentally undervalued given that its shares trade at a 16% discount to its book value of \$124.95 per share.

ABC Funds
April 29, 2005

On July 25th 2005 American National Insurance Company (ANAT) reported second quarter results. Net income was \$55.5 million (\$2.10 per share) compared to \$64.1 million (\$2.42 per share) for the same period in 2004. After tax net gain from operations, which excludes realized investment gains and losses, was \$53.9 million (\$2.04 per share) compared with \$49.8 million (\$1.88 per share) in the second quarter of 2004. The property and casualty (P&C) business was the largest contributor to the increase in operating earnings. After tax gain from P&C for 2004 was \$71.1 million, which was a 51% increase over the results of 2004.

ANAT's return on equity ratio (ROE) remains in the 7% to 8% range. While this scores below the industry average, it is important to keep in mind that ANAT employs a fairly risk-averse approach to running its business. First of all, the company scarcely uses financial leverage. For instance, at the end of the second quarter ANAT had a debt to equity ratio of less than 4%. Second, management maintains a low-risk investment portfolio consisting mostly of government and investment grade corporate bonds. This compares with insurers who will often invest the majority of their assets in higher yielding, riskier investments such as mortgage backed securities and common stocks to increase their ROE. Finally, ANAT is quite conservative in the actuarial assumptions it uses to set aside reserves for the future. In short, the company is overcapitalized and as a result, has much flexibility and considerable options. For example, management could use this excess capital to underwrite more policies, buy back its stock, make accretive acquisitions or increase their quarterly dividends. Incidentally, share repurchases would be anti-dilutive as ANAT shares currently trade at a 4% discount to its book value of \$127.71.

ABC Funds
August 12, 2005

On September 2, 2005 American National Insurance Corp. announced that its subsidiary, Property and Casualty Companies, estimated that the after-tax net impact from Hurricane Katrina would be in the \$17 million range. This amount is roughly \$0.65 a share, which is not extraordinary in the context of a \$12 billion company. ANAT is able to limit its potential disaster losses because it takes out reinsurance to protect itself. It is interesting to note that without this reinsurance, ANAT's exposure to Hurricane Katrina, probably would already amounted to over \$100 million.

ABC Funds
September 9, 2005

On October 24th, 2005, American National Insurance Company (ANAT) announced third quarter results. Net income for the quarter was \$54.0 million (\$2.04 per share) compared to \$47.0 million (\$1.77) for the same period of 2004. After tax net gain from operations for the third quarter was \$42.3 million (\$1.60 per share) compared with \$42.7 million (\$1.61 per share) in 2004. This amount excludes after tax net realized investment gains and losses. Incidentally, after-tax losses for the third quarter from hurricanes Katrina and Rita totaled approximately \$33.8 million (\$1.28 per share). In the context of its \$17.6 billion of assets, ANAT's exposure was less than 0.2% of its asset base.

Recently, investor concern relating to hurricane activity in the US Southeast has sent shares of ANAT below \$120 per share. However, with the fall storm season coming to an end, and the financial impact from the hurricanes largely calculated, we believe investors will once again be attracted to ANAT's relatively cheap valuation and strong balance sheet. The shares currently trade at a 7% discount to their book value of \$127.61 and pay an annual dividend of \$2.96 producing a yield of 2.5%. More importantly, ANAT remains debt free and has excess capital which could be used to increase the dividend, repurchase shares or make an accretive acquisition.

ABC Funds
November 4, 2005

This year will mark the 96th consecutive year a dividend will be paid to American National Insurance Company (ANAT) shareholders. Over the years, the dividend has been raised slowly but steadily. In fact, it was recently increased again in October from \$0.75 to \$0.76 per quarter. At \$113 per share, ANAT now yields around 2.7%, and given its payout history, we think this dividend is pretty secure.

UPDATES (cont'd)

After a fairly benign hurricane season this year, we don't expect any material underwriting losses to surface in the fourth quarter. Third quarter results also had few surprises. ANAT earned \$1.89 per share from operations, and had realized gains from investments of \$0.17. We expect ANAT's return on equity for 2006 to be in the range of 5 to 6%. While this number is low compared to other insurers, it is important to remember that this return is unlevered given that ANAT does not employ any long term debt.

ANAT is not widely followed on Wall Street. It also has a relatively small float given that the Moody family of Texas owns a significant proportion of the outstanding shares. In consequence trading in the stock is pretty thin and share price movements can be erratic. For the patient long term investor however, ANAT shares appear attractively priced. In addition to its good yield, shares of ANAT are trading at a 14% discount to its \$130.97 book value. More importantly, ANAT remains debt free and has excess capital which could be used to increase the dividend, repurchase shares or make an accretive acquisition.

ABC Funds

November 24, 2006

A fairly benign hurricane season helped to lift American National Insurance Company (ANAT) to its best fourth quarter on record. On Feb 16th, the Galveston based insurer posted earnings of \$110 million or \$4.17 per share compared to earnings of \$35 million or \$1.34 per share in the fourth quarter of 2005. For the year, ANAT earned \$273 million, or \$10.27 per share compared to \$236 million or \$8.87 per share a year earlier, a 16% increase. While impressive, it is important to keep in mind that 2005 was a very active hurricane season resulting in higher than normal underwriting losses. On the other hand, hurricane activity in 2006 was negligible producing significantly fewer claims.

Looking ahead, we believe ANAT can grow its earnings around 5% a year on average. This assumes a sustainable return on equity of 7%, and a 30% dividend payout ratio which is in line with previous years. As we have pointed out in the past, the controlling Moody family has deliberately chosen this slow but steady approach to managing the Company. ANAT uses virtually no financial leverage and employs a disciplined and conservative underwriting philosophy. This is evident by observing ANAT's A+ (superior) rating by A.M Best, and its AA (very strong) rating by Standard and Poor's. Given the recent stock market volatility, we take comfort in ANAT's rock solid balance sheet and high credit rating.

As a patient investor with a longer term view, we believe ANAT remains an attractive investment given its risk/reward characteristics. In addition to its 2.4% dividend yield, ANAT trades at a 6% discount to its book value of \$134 per share. More importantly, ANAT remains debt free and has excess capital which could be used to increase the dividend, repurchase shares or make an accretive acquisition. Finally should the Moody family ever decide to sell the company we believe that ANAT would fetch a significant premium to its current public market value.

ABC Funds

March 9, 2007

On April 23rd American National Insurance Co. (ANAT) reported earnings of \$49.2 million or \$1.85 per share compared to earnings of \$56.2 million or \$2.11 per share for the same period in 2006. Earnings before investment gains, a more meaningful comparison, increased 4.3% to \$50.7 million or \$1.91 per share compared to \$48.7 million or \$1.83 last year. ANAT's life insurance and annuity division performed exceptionally well. Policyholder deposits increased 37% year over year while earned premiums, which tend to lag deposits, increased 31%.

Although shares of ANAT have increased 27% this year, we believe they are still relatively inexpensive. In addition to its 2.1% dividend yield, ANAT trades at only 1.1 times its book value of \$135 per share. More importantly, the Company's balance sheet remains rock solid. Not only does ANAT remain debt free with one of the highest credit ratings in the industry, but it also has excess capital which could be used to increase its dividend, repurchase shares or make an accretive acquisition.

Finally, it is worth noting that ANAT remains an attractive acquisition target. It would actually be cheaper for a larger insurer to just buy ANAT, with its strong franchise and established distribution network, then to start the business from scratch. Should the controlling shareholders (i.e. the Moody family) ever decide to sell, we believe ANAT would command a significant premium to its current market value.

ABC Funds

June 1, 2007

UPDATES (cont'd)

With the recent stock and credit market turmoil, particularly in U.S. financial stocks, (i.e. Bear Stearns and Countrywide Financial), we felt an update on American National Insurance Company (ANAT) was appropriate. Given that ANAT has consistently paid a dividend for 96 years, it should come as no surprise that ANAT's managers have a fairly conservative investment philosophy. ANAT's portfolio is comprised mostly of government and corporate bonds, public utility debt and common and preferred shares. It is reassuring to know that ANAT has no sub-prime mortgage exposure, and its AA credit rating remains one of the highest in the insurance business.

On July 23rd ANAT announced terrific results for the second quarter. The company reported earnings of \$58.9 million (\$2.22 per share) compared to earnings of \$51.3 million (\$1.93 per share) for the same period in 2006. Earnings before investment gains, a more meaningful comparison, increased 53.1% to \$53.9 million (\$2.03 per share) compared to \$35.2 million (\$1.32 per share) last year. ANAT's life insurance and annuity division performed exceptionally well. Policyholder deposits increased 34% while earned premiums from life insurance and annuities increased 67%. Over the last 12 months, earnings per share were \$10.35 and return on equity (ROE) was a respectable 8.1%.

Like most financial companies, ANAT earns profit from its spread, which is the difference between what it pays in claims and what it earns on its investments. In recent years ANAT's spread has narrowed due to a flattening yield curve and a shrinking credit spread between US treasuries and corporate bonds. Recently however, these trends have begun to reverse, and this should help boost ANAT's earnings in coming years. Interestingly, ANAT is debt free and has excess capital at its disposal. With its shares currently trading at a 10% discount to its \$137 per share book value, the company could use the cash towards an accretive share buyback. Finally, it is worth noting that ANAT remains an attractive acquisition target. It would actually be cheaper for a larger insurer to just buy ANAT, with its strong franchise and established distribution network, than to start the business from scratch. Should the controlling shareholders (i.e. the Moody family) ever decide to sell, we believe ANAT would command a significant premium to its current market value.

ABC Funds
August 31, 2007

On October 22nd American National Insurance Company (ANAT) announced third quarter results. Net income was \$79.2 million or \$2.98 per share compared to \$54.8 million or \$2.06 for the same period last year. After tax operating earnings, which excludes realized investment gains and losses, increased 13.3% to \$57.1 million or \$2.15 per share, compared with \$50.0 million or \$1.89 per share for the same period in 2006. Policyholder deposits on interest-sensitive products, both life insurance and annuities, totaled \$944 million at the end of the quarter, an increase of 15.9% from the same period in 2006. In addition, earned premiums from life insurance and annuities increased 33.6% to a total of \$423 million.

Shortly following its quarterly release, ANAT's board of directors approved an increase to its quarterly dividend from 76 to 77 cents per share. Based on current prices, ANAT shares now yield over 2.4%. It should be noted, that this is the 97th consecutive year that dividends have been paid to stockholders. It is also the 31st dividend increase in the last 34 years. However, given that earnings have increased over 20% year to date, the size of the increase – just 1.4% - seems conservative. On the other hand, ANAT could be conserving its cash. With its virtually debt-free balance sheet and its shares currently trading about \$10 below its \$140 book value per share, ANAT could decide to take advantage of the current stock market volatility and repurchase its fundamentally undervalued shares in the market.

ABC Funds
October 26, 2007

U.S. Financial stocks continue to perform poorly in 2008 and American National Insurance Corporation (ANAT) is no exception. So far this year, ANAT shares are down about 20% which compares favourably to the S&P 500 Diversified Financial Services Industry Index which is down close to 40%. Shares in US investment banks such as Bear Stearns, Lehman Brothers, and Citigroup are now paying the price for making questionable loans and using excessive amounts of leverage. Meanwhile, ANAT has remained debt free and has virtually no exposure to sub-prime mortgages, CDOs, asset backed commercial paper etc. In fact, on May 13th, A.M. Best revised its outlook on ANAT to stable and affirmed its financial strength rating of A+ (Superior).

Although ANAT has managed to avoid many of these mortgage related pitfalls, its fortunes are still tied to the ups and downs of the property and casualty cycle. On April 21st, 2008, the company announced that first quarter 2008 net income fell to \$39.0 million (\$1.46 per share) compared to \$49.2 million (\$1.85 per share) for the same period in 2007. After tax net gain from operations, which excludes realized investment gains and losses was \$42.7 million (\$1.60 per share) for the first quarter compared with \$50.7 million (\$1.91 per diluted share) for the same period in 2007. The reason for the decline was an increase in catastrophic losses from an extremely low level of \$3.7 million in 2007 to a more normal level \$14.1 million in 2008.

UPDATES (cont'd)

Even though earnings are expected to be somewhat lower this year compared to 2007, we see a bigger trend emerging which could give ANAT's earnings a nice boost in future years. Since the credit market troubles began close to a year ago, the US yield curve has steepened while credit spreads have widened. This is good for well capitalized banks and insurers because as bonds mature over time, the proceeds can be reinvested at today's higher rates. This would effectively boost ANAT's interest income and could add materially to the company's earnings per share over time.

In summary, we believe that ANAT remains one of the cheapest insurance companies in North America as it currently trades at a 30% discount to its book value of \$138.53. In addition, the company's dividend of \$3.08 payable at \$0.77 per quarter gives ANAT a 3.18% investment yield. This dividend is adequately covered by the company's recent quarterly earnings of \$1.46 per share. It should also be noted that ANAT has excess capital which could be used to accretively repurchase shares below book value. Finally, it is worth noting that ANAT remains an attractive acquisition target. In fact, it would actually be cheaper for a competitor to just buy ANAT, with its strong franchise and established distribution network, than to start the business from scratch. Should the controlling shareholders (i.e. the Moody family) ever decide to sell, we believe ANAT would command a significant premium to its current market value.

ABC Funds
July 11, 2008

American National Insurance has been dealing with two disasters - one natural (Hurricane Ike) and the other financial (the current credit crisis). Both of these events have weighed heavily on ANAT's share price, which has recently fallen to a nearly five year low of approximately \$84.75. In reality, we believe that neither Hurricane Ike nor the current credit crisis poses a major risk to ANAT. In fact, we would argue that in the years to come, ANAT will probably be a major benefactor as a result of these two events.

Hurricane Ike:

While it is too early to estimate the financial impact of property and casualty claims from Hurricane Ike, we believe ANAT is adequately reserved, and geographically diversified enough to absorb any potential claims. Keep in mind that ANAT has a 100 year history and has been through many natural disasters including hurricanes. In addition, ANAT carries a significant amount of reinsurance which helps to mitigate the cost of large settlements. It should also be stated that large natural disasters are typically good for those insurers with sound underwriting practices and strong balance sheets such as ANAT. This is because after major storms such as Hurricane Ike, insurance premiums tend to rise as less well capitalized competitors leave the market and those remaining reassess their underwriting risk.

Credit Crisis:

Given the problems at Bear Stearns, Lehman Brothers, Freddie and Fannie Mae, AIG, Wachovia etc, many investors have been left wondering "who is next". Not wanting to take a chance, many investors are indiscriminately selling their shares in even the most stable and secure financial companies. This includes companies such as ANAT. In response to this panic, executives at ANAT issued an open letter to shareholders on September 19th to reemphasize the financial stability of the company. The highlights of this letter include the following:

1. While other companies have been lured by more exotic investments such as Collateralized Debt Obligations, Credit Default Swaps, and sub-prime mortgages, American National staunchly adhered to its traditional and conservative investment policy.
2. American National has maintained a well-diversified investment portfolio consisting mostly of investment grade bonds, conservatively underwritten commercial mortgages and common stocks.
3. The amount of potential impairments under current market conditions should account for less than 5% of our capital and surplus, which totaled \$3.5 billion as of June 30, 2008

While ANAT may report relatively small investment losses this year, we believe it is actually benefiting from the current environment. In the past year, the US yield curve has steepened and credit spreads have widened. This is good for American National because as their bonds mature, the proceeds can be reinvested at much higher rates. This would effectively boost ANAT's interest income and could add materially to the company's earnings per share in future years.

Overall, we continue to believe that ANAT remains one of the cheapest insurance companies in North America as it currently trades at a 37% discount to its book value of \$134.28. In addition, the company's dividend of \$3.08 payable at \$0.77 per quarter

UPDATES (cont'd)

gives ANAT a \$3.18% investment yield. This dividend is adequately covered by the company's recent quarterly earnings of \$1.46 per share. It should also be noted that ANAT is virtually debt free and has excess capital which could be used to accretively repurchase shares below book value. Finally, it is worth noting that ANAT remains an attractive acquisition target. In fact, it would actually be cheaper for a competitor to just buy ANAT, with its strong franchise and established distribution network, than to start the business from scratch. Should the controlling shareholders (i.e. the Moody family) ever decide to sell, we believe ANAT would command a significant premium to its current market value.

ABC Funds
October 3, 2008

Thankfully, the credit and equity markets have recovered from the brink of collapse. Although it has been a wild ride, fundamentally sound banks and insurance companies have rallied off their lows. Over the past year, shares of American National Insurance Company (ANAT) plunged from a 52-week high of \$111.99 to reach a low of \$33.74 per share, a decline of 70%. As the markets rebounded so did the shares, which bounced approximately 120% to the current price of \$75 per share.

Throughout the crisis, deciphering the balance sheets, valuing assets and determining potential liabilities, was an extremely difficult task. However, the credit and equity markets are no longer anticipating a "worst-case-scenario". The pricing of financial assets and liabilities has become more rational and transparent. Since 1905, ANAT's conservative culture and balance sheet enabled the Company to survive all manner of "wars, hurricanes, economic volatility, extraordinary technological advancements, evolving products and the changing needs of policyholders and agents". We believe that the Company has weathered this most recent storm and has emerged financially sound.

In fiscal 2008 and in the first quarter of fiscal 2009, the impact of falling stock markets and weak credit markets had a significant impact on the Company's financial performance. After tax net realized investment losses totaled \$246.7 million and \$47.75 million, in fiscal 2008 and Q1/09 respectively. Currently, only 8% of the Company's investment portfolio is in preferred and common stocks, with the balance in debt securities. The bond portfolio is diversified and investment grade with 95% of the positions rated BBB or higher. With a conservative asset mix and a better tone to the markets, we believe that Q1/09 will prove to be the trough in terms of investment performance.

Now that the dust is beginning to settle, we can return our focus to the performance of the Company's ongoing operations. Today, ANAT has over \$69 billion of life insurance policies in force and over \$18.5 billion of assets. As a display of confidence, the Board declared the regular quarterly dividend of \$0.77 per share on April 24th. Amazingly, this is the 99th consecutive year that dividends have been paid to shareholders. From a valuation perspective ANAT trades well below its historic price to book multiple of 0.8. With a current book value of \$115.46 per share, we believe that the stock should continue to rebound from historic lows as the underlying credit and equity markets stabilize.

ABC Funds
June 12, 2009

Shares of American National Insurance Company (ANAT) have been extraordinarily weak since the middle of March. After briefly touching \$120, the stock has declined about 30% to \$80.00 today. We are struggling to find justification for the move given the fact that the Company has reported gradually improving results over the past few quarters.

On February 19, 2010 ANAT reported Q4 and fiscal 2009 operating and financial results. After the difficult fiscal 2008, experienced by almost every company in the financial sector, the Company returned to profitability in 2009. ANAT reported Q4 net income of \$35.0 million or \$1.31 per share compared to a net loss of \$65.1 million or \$2.46 per share in the comparable period a year ago. Net income for the year totaled \$15.6 million or \$0.59 per share compared to a net loss of \$154.0 million or \$5.82 per share in fiscal 2008. The trend continued with the release of the Company's Q1 results on April 27, 2010. In the first quarter of fiscal 2010, ANAT earned \$34.8 million or \$1.31 per share. Book value totaled \$133.01 per share as at March 31, 2010 after recovering from \$118.35 per share at the end of fiscal 2008.

We believe that investors should have been reasonably pleased with these results. Although ANAT has a relatively low return on equity for a financial company, it stems from the Company's overcapitalized balance sheet and absence of any long-term debt. Due to the low ROE, ANAT's stock generally peaks at a 0.9 times book value. With the multiple currently 0.65, we believe that ANAT has been overly punished by the market.

We would point to two major developments that may have spooked investors. First, the European credit/banking crisis has impacted financial institutions that hold European corporate and sovereign debt. Second, the explosion and subsequent oil spill from BP's well in the Gulf of Mexico has had a severe impact on people, businesses and the environment. The costs of

UPDATES (cont'd)

cleanup and damages could be enormous.

We have spoken to the Company and have been advised that they don't have any material exposure to either of these issues. On May 20, 2010 A.M. Best even reaffirmed the financial strength ratio of "A (Excellent)" and the issuer credit rating of "a+" for American National Insurance Company. Further, the annual dividend of \$3.08 per share yields approximately 3.9 %, which is a welcome cash flow stream. We will continue to hold our position and will watch the quarterly results to ensure that the financial performance keeps moving in the right direction. Eventually, the stock price should follow.

ABC Funds

July 2, 2010