AMERICAN NATIONAL INSURANCE CO /TX/
Form DEF 14A
April 01, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

American National Insurance Company
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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AMERICAN NATIONAL INSURANCE COMPANY

One Moody Plaza

Galveston, Texas 77550

NOTICE OF ANNUAL STOCKHOLDERS MEETING

To Be Held April 25, 2014

In Galveston, Texas

Notice is hereby given that the Annual Meeting of Stockholders of **AMERICAN NATIONAL INSURANCE COMPANY**, a Texas insurance company (the Company), will be held in the Mary Moody Northen Auditorium of the American National Insurance Company Building, Second Floor, One Moody Plaza, Galveston, Texas, at 10:00 a.m. local time on April 25, 2014 for the following purposes:

1. The election of a Board of nine (9) directors of the Company;

2. A non-binding advisory vote to approve the compensation of the Company s executive officers as disclosed in the accompanying proxy statement;

3. A non-binding advisory vote on the desired frequency of future non-binding advisory votes on executive officer compensation;

4. Ratification of the appointment of KPMG LLP as auditors for 2014; and

5. The transaction of such other business as may properly come before the meeting or any adjournment thereof.

Only holders of common stock of the Company of record at the close of business on March 3, 2014 are entitled to notice of, and to vote at, the meeting or any adjournment thereof.

Except for the ratification of the appointment of KPMG LLP as auditors for 2014, your broker is not permitted to vote on your behalf on any matters to be considered at the stockholders meeting unless you provide specific instructions. For your vote to be counted, you will need to communicate your voting decisions to your broker, bank or other financial institution before the date of the stockholders meeting.

IT IS IMPORTANT THAT YOUR STOCK BE REPRESENTED AT THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, PLEASE FILL IN, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD AS PROMPTLY AS POSSIBLE. A RETURN ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, IS ENCLOSED FOR YOUR CONVENIENCE.

By Order of the Board of Directors

J. Mark Flippin, Secretary

April 1, 2014

Important Notice Regarding the Availability of Proxy Materials

for the Stockholders Meeting to Be Held on April 25, 2014:

Our proxy materials relating to our 2014 Annual Meeting (notice, proxy statement, proxy and 2013 Annual Report) are available at the following website: https://materials.proxyvote.com/028591. This information as well as similar information relating to all of our future Annual Meetings will also be available by calling 1-888-252-0177 or by email to investorrelations@anico.com. We have elected to deliver a full set of proxy materials to all of our stockholders entitled to notice of and to vote at the annual meeting, and distribution will begin on or about April 1, 2014.

For the date, time and location of the 2014 Annual Meeting and the matters to be voted upon at the 2014 Annual Meeting, please see the Notice of Annual Stockholders Meeting above. For the Board s recommendation regarding those matters, please refer to the accompanying proxy statement. For information on how to obtain directions to attend the meeting and vote in person, please contact Investor Relations at 1-888-252-0177 or by email to investorrelations@anico.com.

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AMERICAN NATIONAL INSURANCE COMPANY

PROXY STATEMENT

For the Annual Meeting of Stockholders

To Be Held April 25, 2014

in the Mary Moody Northen Auditorium

on the Second Floor of the

American National Insurance Company Building

One Moody Plaza

Galveston, Texas 77550

INTRODUCTION

The Board of Directors of AMERICAN NATIONAL INSURANCE COMPANY, a Texas insurance company (sometimes referred to in this proxy statement as the Company, American National, or as we, us and our), is soli your proxy for use at the Annual Meeting of Stockholders of the Company to be held at 10:00 a.m. local time, on April 25, 2014 (the Annual Meeting), and at any adjournment thereof. At such meeting, the stockholders will consider and vote upon the items set forth in the attached Notice of Annual Stockholders Meeting. These proxy materials will be available over the Internet.

INFORMATION CONCERNING PROXY

All shares represented by duly executed proxies received by the Company will be voted in accordance with the instructions shown thereon. If no contrary instructions are given, such proxies will be voted **FOR** the election as directors of the Company of each of the director nominees named under Proposal 1, **FOR** the advisory approval of the compensation of our executive officers as disclosed in this proxy statement, **FOR** holding the non-binding advisory vote to approve our executive compensation practices annually, and **FOR** the approval of KPMG LLP as auditors for 2014. The Board of Directors does not know of any other matters to be acted upon at the Annual Meeting. As to any other matter of business that may properly be brought before the Annual Meeting, the enclosed proxy also confers discretionary authority upon the persons named therein to vote the shares represented by such proxy in accordance with their best judgment.

Any stockholder giving a proxy may revoke it by notice in writing addressed to the Secretary of the Company at One Moody Plaza, Galveston, Texas 77550, or by a proxy bearing a later date and properly signed, which may be delivered personally or by mail to the Secretary of the Company prior to the taking of a vote at the Annual Meeting. The execution of a proxy will not affect a stockholder s right to attend the Annual Meeting and to give the Secretary of the Company notice of such stockholder s intention to vote in person, in which event the proxy will not be used.

All costs of preparing, assembling and distributing the proxy materials and the cost of solicitation will be paid by the Company. The Company may pay persons holding shares in their names or the names of their nominees for the benefit of others, such as brokerage firms, banks, depositories, and other fiduciaries, for costs incurred in forwarding soliciting materials to their beneficial owners. The Company has retained Broadridge Financial Solutions, Inc., Edgewood, New York, to distribute proxies. The aggregate cost of these services is not expected to exceed $32,000. The Company may also retain other firms or individuals to assist with the solicitation of proxies.

VOTING SECURITIES

As of the close of business on March 3, 2014, which has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting, there were 26,911,752 shares of common stock, $1.00 par value per share, of the Company (the Common Stock) issued and outstanding and entitled to vote at the meeting. There were no other classes of shares issued and outstanding. A list of registered stockholders eligible to vote may be examined during business hours at the office of the Company s Secretary, Eighth Floor, American National Insurance Company Building, One Moody Plaza, Galveston, Texas, during the ten day period immediately prior to the meeting, and it will also be available at the meeting.

Each share of Common Stock entitles the holder to one vote in the determination of all matters to be brought before the meeting. Abstentions and broker non-votes will be counted for the purpose of determining the presence or absence of a quorum, and abstentions will be counted for the purpose of determining the number of votes cast on a given proposal. However, broker non-votes will not be considered present at the Annual Meeting for such proposals and thus will have the practical effect of reducing the number of affirmative votes required to achieve a majority vote by reducing the total number of shares from which a majority is calculated. Any shares for which a broker or nominee does not have discretionary voting authority under applicable NASDAQ Stock Market, LLC (NASDAQ) rules will be considered as shares not entitled to vote and will not be considered in the tabulation of the votes. Votes cast at the Annual Meeting will be counted by the independent inspector(s) of election appointed by the Company.

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The required vote for each of the proposals expected to be acted upon at the Annual Meeting is as follows:

Proposal 1 Election of Directors. The affirmative vote of a majority of shares present at the Annual Meeting, in person or by proxy, and entitled to vote is required to elect each nominee for director. Abstentions with respect to any director nominee have the effect of a vote against such nominee.

Proposal 2 Advisory (non-binding) vote on executive officer compensation (say-on-pay). The advisory proposal will be approved if a majority of the shares present at the Annual Meeting, in person or by proxy, and entitled to vote are voted in favor of the proposal. Abstentions will have the same effect as voting against the proposal.

Proposal 3 Advisory (non-binding) vote on frequency of future say-on-pay votes. The advisory vote on the frequency of future say-on-pay votes provides a choice among three frequency periods (every one, two or three years). The frequency period that receives the most votes will be deemed to be the recommendation of the stockholders. Any shares that are not voted, whether by abstention, broker non-votes or otherwise, will not affect the outcome of this proposal, except to the extent that the failure to vote for a particular period may result in another frequency period receiving a larger proportion of the votes cast.

Proposal 4 Ratification of the appointment of KPMG LLP as auditors for 2014. The appointment of KPMG LLP as the Company s auditors for 2014 will be ratified by the affirmative vote of a majority of shares present at the Annual Meeting, in person or by proxy, and entitled to vote. Abstentions will have the same effect as voting against the proposal.

Please note that NASDAQ rules do not give brokers discretionary authority to vote on the election of directors, on the say-on-pay advisory proposal or on the frequency of future say-on-pay votes advisory proposal. This means that your broker, bank, or other nominee cannot vote your shares on such matters unless you provide it with voting instructions. Therefore, if you hold shares of our Common Stock in street name and do not provide voting instructions to your broker, bank, or other nominee, your shares will not be voted on the election of directors, on the say-on-pay advisory proposal, or on the frequency of future say-on-pay votes advisory proposal.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of March 3, 2014, except as otherwise noted, concerning each person or group known to own more than five percent of the outstanding shares of our Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
THE MOODY FOUNDATION(1) 2302 Postoffice Street, Suite 704 Galveston, Texas 77550	6,131,873	22.79%
LIBBIE SHEARN MOODY TRUST(2) c/o Moody National Bank Trust Division, Trustee	9,949,585	36.97%

2302 Postoffice Street Galveston, Texas 77550		
MOODY NATIONAL BANK TRUST DIVISION (as trustee or agent of the Libbie Shearn Moody Trust and other accounts)(3) 2302 Postoffice Street Galveston, Texas 77550	12,099,007	44.96%
DONALD SMITH & CO., INC.(4) 152 West 57th Street New York, New York 10019	1,513,853	5.63%

(1) The Moody Foundation is a charitable trust classified as a private foundation established in 1942 by W. L. Moody, Jr., and his wife, Libbie Shearn Moody, for charitable and educational purposes. Its Trustees are Robert L. Moody, Sr., our Chairman of the Board and Chief Executive Officer, and two of his children, Frances A. Moody-Dahlberg, who is one of our directors, and Ross Rankin Moody.

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(2) The Libbie Shearn Moody Trust is a split-interest trust with both charitable and non-charitable beneficiaries. It was established in 1943 and funded by a residuary bequest under the Will of Libbie Shearn Moody. Moody National Bank is the Trustee of the Libbie Shearn Moody Trust and, as such, has voting power with respect to the shares of our Common Stock owned by the trust. Robert L. Moody, Sr. and William L. Moody IV, one of our directors, are the remaining life income beneficiaries of the Libbie Shearn Moody Trust. Robert L. Moody, Sr. has advised management that he has assigned all of his life income interest in such trust to National Western Life Insurance Company, a Colorado insurance company controlled by him. Management has also been advised that the Libbie Shearn Moody Trust will terminate following the death of the last life income beneficiary, and that upon such termination approximately 79% of our Common Stock held in the trust is to be distributed to The Moody Foundation, and the remaining portion is to be distributed to Moody Memorial First United Methodist Church in Galveston, Texas.

(3) The beneficial ownership shown includes the shares of our Common Stock owned by the Libbie Shearn Moody Trust. Management has been advised that, in addition to acting as Trustee of and voting the Common Stock owned by the Libbie Shearn Moody Trust, the Moody National Bank Trust Division also acts as (i) trustee for and votes the 1,155,000 shares of our Common Stock owned by the W.L. Moody, Jr. Trust for Grandchildren (Trust 19) (see Security Ownership of Directors and Executive Officers for additional information regarding Trust 19); (ii) agent for and votes 896,678 shares of our Common Stock held pursuant to an Agency and Investment Services Agreement for the benefit of The Moody Endowment, a non-profit corporation; and (iii) trustee or agent for and votes the 97,744 shares of our Common Stock owned by other trust, agency and custodian accounts. Accordingly, the Moody National Bank Trust Division, as trustee, agent or custodian, votes an aggregate of 12,099,007 shares, which constitutes 44.96% of our outstanding shares.

Management has been advised that Moody Bank Holding Company, Inc. (MBHC), which is wholly-owned by Moody Bancshares, Inc. (Bancshares), owns approximately 97.8% of the common stock of Moody National Bank. Management has further been advised that the Three R Trusts, trusts created by Robert L. Moody, Sr. for the benefit of his children (two of whom, Russell S. Moody and Frances A. Moody-Dahlberg, are among our directors, and one of whom, Robert L. Moody, Jr., is an advisory director), own 100% of Bancshares Class B Stock (which elects a majority of Bancshares directors) and 51.3% of Bancshares Class A Stock. Accordingly, the Three R Trusts, through ownership of Bancshares, control Moody National Bank. The Trustee of the Three R Trusts is Irwin M. Herz, Jr., one of our advisory directors, and a partner in Greer, Herz & Adams, L.L.P., One Moody Plaza, 18th Floor, Galveston, Texas, General Counsel to us and counsel to Moody National Bank, Bancshares and MBHC. Robert L. Moody, Sr. is Chairman of the Board, Chief Executive Officer and a director of Moody National Bank, Bancshares and MBHC.

The beneficial ownership information shown for the Moody National Bank Trust Division is based on information contained in an amended Schedule 13G filed jointly on February 12, 2014 by the Moody National Bank Trust Division, Bancshares, MBHC, Three R Trusts, and Irwin M. Herz, Jr. (the Amended 13G). According to the Amended 13G, as of December 31, 2013, the Moody National Bank Trust Division, Bancshares and MBHC have shared voting power with respect to 12,099,007 shares of our Common Stock and shared investment power with respect to 17,869 shares of our Common Stock; the Three R Trusts and Irwin M. Herz, Jr. have shared voting power with respect to 12,108,557 shares of our Common Stock and shared investment power with respect to 27,419 shares of our Common Stock; and Irwin M. Herz, Jr. has sole voting power with respect to 18,042 shares of our Common Stock and sole investment power with respect to 14,042 shares of our Common Stock. According to the Amended 13G, Bancshares, MBHC, Three R Trusts and Irwin M. Herz, Jr. disclaim beneficial ownership with respect to the shares of our Common Stock beneficially owned by the Moody National Bank Trust Division. In addition, Irwin M. Herz, Jr. disclaims beneficial ownership with respect to the 9,550 shares of our Common Stock beneficially owned by the Three R Trusts. The principal address of the Libbie Shearn Moody Trust, the Moody National Bank Trust Division, Bancshares and MBHC is as shown in the table above. The principal address of the Three R Trusts is 2302 Postoffice, Suite 702, Galveston, Texas 77550, and the principal address of Irwin M. Herz, Jr. is One Moody Plaza, 18th Floor, Galveston, Texas 77550.

(4) The beneficial ownership information shown for Donald Smith & Co., Inc., an investment advisor, is based on information contained in a Schedule 13G filed jointly on February 10, 2014 by Donald Smith & Co., Inc. and Donald Smith Long/Short Equities Fund, L.P., which states that each such entity has sole investment power with respect to 1,513,853 shares of our Common Stock as of December 31, 2013. Further, according to such Schedule 13G and as of such date, Donald Smith & Co., Inc. has sole voting power with respect to 934,970 shares of our Common Stock, and Donald Smith Long/Short Equities Fund, L.P. has sole voting power with respect to 5,338 shares of our Common Stock.

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SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The information contained in the following table is given with respect to the ownership of our Common Stock as of the close of business on March 3, 2014 by each of our director nominees, each of the executive officers named in the Summary Compensation Table, and for our directors and executive officers as a group:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]		Percent of Class
Arthur O. Dummer	6,167	Direct[2]	*
	1,451	Indirect[3]	*
Dr. Shelby M. Elliott	6,863	Direct[2]	*
Frances A. Moody-Dahlberg[4]	7,187	Direct[5]	*
	6,131,873	Indirect[6]	22.79%
Robert L. Moody, Sr.[4][7]	519,833	Direct[8]	1.93%
	557,025	Indirect[9][10]	2.07%
	6,131,873	Indirect[6]	22.79%
Russell S. Moody[4]	8,562	Direct[5]	*
William L. Moody IV[4][7]	99,740	Direct[5]	*
E. J. Pederson	6	Direct	*
James E. Pozzi	14,457	Direct[11]	*
James D. Yarbrough	9,500	Direct[5]	*
David A. Behrens	1,792	Direct	*
John J. Dunn, Jr.	1,952	Direct	*
Gregory V. Ostergren	3,214	Direct	*
	500	Indirect[12]	*
All Directors[13] and Executive Officers as a Group	809,646	Direct	3.01%
	6,696,162	Indirect	24.88%
	7,505,808		27.89%

* Less than 1%.

(1) All of the named beneficial owners have sole voting power and sole investment power as to all the shares shown to be directly beneficially owned by them, with the exception of shares that may be owned jointly with their spouses.

(2) Includes 4,667 shares of our Restricted Stock.

(3) Shares owned by a family trust.

(4) Robert L. Moody, Sr. and William L. Moody IV are life income beneficiaries of Trust 19. Frances A. Moody-Dahlberg and Russell S. Moody, two of our directors, and Robert L. Moody, Jr., one of our advisory directors, as children of Robert L. Moody, Sr., have a contingent residuary interest in his beneficial interest in Trust 19. The numbers in the tables above and immediately below do not include shares held in Trust 19. (See Footnote 3 under Security Ownership of Certain Beneficial Owners above for additional information about Trust

19).

(5) Includes 4,000 shares of our Restricted Stock.

(6) These shares are owned by The Moody Foundation, of which Frances A. Moody-Dahlberg and Robert L. Moody, Sr. are Trustees. (See Security Ownership of Certain Beneficial Owners above).

(7) The numbers in the table above do not include shares held in the Libbie Shearn Moody Trust. See Footnote 2 under Security Ownership of Certain Beneficial Owners above for additional information about such trust.

(8) Includes 100,000 shares of our Restricted Stock.

(9) Robert L. Moody, Sr. is the sole owner of the 1% general partner in the M-N Family Limited Partnership (the M-N Partnership), which owns 507,025 shares of our Common Stock. As the sole owner of the general partner of the M-N Partnership, Robert L. Moody, Sr. has the indirect power to manage the assets of the M-N Partnership, including voting its shares of our Common Stock.

(10) Robert L. Moody, Sr. is a 1% general partner in the RLMFLP Limited Partnership (the RLMFLP Partnership), which owns 50,000 shares of our Common Stock. As the sole general partner of the RLMFLP Partnership, Robert L. Moody, Sr. has the power to manage the assets of the RLMFLP Partnership, including voting its shares of our Common Stock.

(11) Includes 10,000 shares of our Restricted Stock.

(12) Shares owned by spouse.

(13) Includes our Advisory Directors, whose security ownership is described in the next section below.

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SECURITY OWNERSHIP OF ADVISORY DIRECTORS

The information contained in the following table is given with respect to the ownership of our Common Stock as of the close of business on March 3, 2013 by each of our advisory directors.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]		Percent of Class
G. Richard Ferdinandtsen	73,164	Direct[2]	*
Irwin M. Herz, Jr.[3]	17,292	Direct [4]	*
R. Eugene Lucas	9,434	Direct[4]	*
	13	Indirect [5]	*
E. Douglas McLeod	16,000	Direct[4]	*
Robert L. Moody, Jr.	2,083	Direct[6]	*
	4,000	Indirect[7]	*

* Less than 1%.

(1) All of the named beneficial owners have sole voting power and sole investment power as to all the shares shown to be directly beneficially owned by them, with the exception of shares that may be owned jointly with their spouses.

(2) Includes 40,000 shares of our Restricted Stock.

(3) According to the Amended 13G, Mr. Herz may have beneficial ownership of the shares of our Common Stock beneficially owned by the Moody National Bank Trust Division and the Three R Trusts; however, Mr. Herz disclaims beneficial ownership of such shares. Accordingly, such shares are not included in this table. (See Footnote 3 under Security Ownership of Certain Beneficial Owners above for information regarding the Amended 13G).

(4) Includes 4,000 shares of our Restricted Stock.

(5) Shares owned by spouse.

(6) Includes 1,333 shares of our Restricted Stock.

(7) Shares owned by Moody Insurance Group, Inc., which includes 2,000 shares of our Restricted Stock.

Unless otherwise noted, the information shown in the previous three tables was obtained from ownership disclosures furnished to us by each of the persons or entities listed or from other communications with such persons or entities.

PROPOSAL 1.

ELECTION OF DIRECTORS

Nine (9) directors of the Company are to be elected at the Annual Meeting to serve until our Annual Meeting of Stockholders to be held in April 2015. All nominees now serve as directors of the Company, with the exception of E. J. Pederson, who is being nominated to replace former director Frank P. Williamson, who passed away in August 2013. All nominees have consented to be nominated as directors and to be named in this proxy statement. Accordingly, it is not contemplated that any nominee named herein will be unwilling or unable to serve as a director. However, if either of such events should occur, the enclosed proxy permits the persons named in the proxy to vote the shares represented by the proxy in favor of such person or persons as our Board of Directors may nominate upon the recommendation of the Nominating Committee.

The Board has determined that Arthur O. Dummer, Dr. Shelby M. Elliott, William L. Moody IV, E. J. Pederson and James D. Yarbrough are independent as defined in the NASDAQ listing standards.

Board Recommendation: The Board of Directors recommends a vote FOR each of the director nominees named under this Proposal 1.

INFORMATION CONCERNING NOMINEES FOR DIRECTORS

The following information is given with respect to the nominees for election at the Annual Meeting:

Arthur O. Dummer (age 80) was first elected to our Board in 2004. Principal Occupation: President, The Donner Company (privately owned actuarial consulting company), Salt Lake City, Utah since 1985. Director of American Underwriters Insurance Company (privately owned insurance company); Past Chairman of the Board of Directors of the National Organization of Life and Health Guaranty Associations, Herndon, Virginia; Past Director of American Community Mutual Insurance Company, Livonia, Michigan (mutual insurance company); Casualty Underwriters Insurance Company, Salt Lake City, Utah; Beneficial Life Insurance Company, Salt Lake City, Utah; Aurora National Life Assurance Company, Los Angeles, California; Continental Western Life Insurance Company, Des Moines, Iowa; Utah Home Fire Insurance Company, Salt Lake City, Utah; and PHA Life Insurance Company, Portland, Oregon (all privately owned insurance companies); Past Director of National Western Life Insurance Company, Austin, Texas.(1)

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Mr. Dummer is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. He has fifty-four years of experience in the insurance industry, including service as the former Chief Examiner and Actuary of the Utah Insurance Department. His extensive background in the insurance industry and his knowledge of actuarial and accounting issues are valuable to our Board s discussion and analysis of these issues.

Dr. Shelby M. Elliott (age 87) was first elected to our Board in 2004. Principal Occupation: President-Emeritus of Texas Chiropractic College since 2004; President of Texas Chiropractic College from 1990 through 2003; Director of Moody National Bank from March 2000 to March 2004; Past Director of First Texas Bank, Vidor, Texas (privately owned bank); Past Director of Yettie Kersting Memorial Hospital, Liberty, Texas; and Past Chairman of the American Chiropractic Association.

Dr. Elliott brings solid administrative and executive skills to our Board from his service as President of Texas Chiropractic College. His experience in the health care field, both as a practitioner and an educator, enables him to provide a unique perspective to our Board. Dr. Elliott is a member of the American Chiropractic Association, the Texas Chiropractic Association and the Florida Chiropractic Association.

Frances A. Moody-Dahlberg (age 44) was first elected to our Board in 1987. Principal Occupation: Executive Director of The Moody Foundation (charitable and educational foundation) since 1998, and a Trustee of The Moody Foundation since 2004; Director of National Western Life Insurance Company, Austin, Texas since 1990(1); Director of Gal-Tex Hotel Corporation (hotel management corporation) from March 2000 to December 2003(2); Director of The Moody Endowment (charitable organization) from 1991 to February 2004.

Ms. Moody-Dahlberg has twenty-seven years of experience as a member of our Board. Her service as Executive Director of The Moody Foundation, one of the largest charitable foundations in the State of Texas, provides her with valuable insight regarding the concerns of our significant non-profit stockholders.

Robert L. Moody, Sr. (age 78) was first elected to our Board in 1960. Principal Occupation: Chief Executive Officer since July 1991 and Chairman of the Board since 1982; Chairman of the Board, Chief Executive Officer and Director of Moody National Bank; Chairman of the Board, Chief Executive Officer and Director of National Western Life Insurance Company, Austin, Texas(1); Trustee of The Moody Foundation (charitable and educational foundation).

Mr. Moody has a lifetime of experience in the financial services industry, serving as a director or executive officer of a variety of insurance and banking interests. He has served on our Board for over fifty years and has served as our Chairman for over thirty years. His wealth of experience as our Chairman and Chief Executive Officer provides our Board with an insightful, long-term perspective of our Company s challenges, opportunities and operations.

Russell S. Moody (age 52) was first elected to our Board in 1986. Principal Occupation: Investments, League City, Texas, since 2003. Director of National Western Life Insurance Company, Austin, Texas since 1988(1); Director of The Moody Endowment since July 2009 and Director of Transitional Learning Center at Galveston since July 2009 (charitable organizations); Director of Gal-Tex Hotel Corporation (hotel management company) from March 2000 to December 2003(2).

Mr. Moody has served as a member of our Board for twenty-eight years. Along with his sister, Frances A. Moody-Dahlberg, Mr. Moody helps to represent the concerns of our significant non-profit stockholders. Mr. Moody serves as a director of The Moody Endowment, a charitable organization that owns nearly 900,000 shares of our Common Stock.

William L. Moody, IV (age 89) was first elected to our Board in 1951. Principal Occupation: Investments and Ranching, Oil and Gas, Galveston, Texas, since 1959; Trustee, Board of Trustees of Rosenberg Library (charitable organization); Trustee, University of Texas Medical Branch Development Board (charitable organization); President and Director of Moody Ranches, Inc. (investments and ranching); Director of American National Life Insurance Company of Texas (subsidiary life insurance company).

Mr. Moody s more than sixty years of service as a member of our Board and his background as an investor, rancher and oilman bring a valuable perspective to the Board s discussion of how the past challenges that have faced the Company may impact present and future opportunities.

E. J. Jere Pederson (age 66) is being nominated to our Board for the first time. Principal Occupation: Special Assistant to the Chief Executive Officer, Texas A&M Health Science Center since October 2013; Interim President, Texas A&M Health Science Center and Interim Vice Chancellor for Health Affairs, Texas A&M University System from October 2012 to October 2013; independent management consultant from September 2006 to October 2012; Executive Vice President and Chief Operating Officer of the University of Texas Medical Branch, Galveston, Texas, from 1986 to 2005; Director since 1992 and member of the Audit Committee and the Compensation and Stock Option Committee of National Western Life Insurance Company, Austin, Texas(1); Director of Sealy Smith Foundation, Galveston, Texas (charitable organization); Managing Director of CitareTx Management, LLC (manager of medical device venture development and investment company) since 2007; Director of Kalon Biotherapeutics, LLC, College Station, Texas (private company formed by The Texas A&M University System to provide advanced biologics development manufacturing) since 2012.

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If elected, Mr. Pederson will bring to our Board the benefit of his financial and administrative expertise gained through more than thirty years of experience in health care and university administration.

James E. Pozzi (age 63) was first elected to our Board in 2012. Principal Occupation: President and Chief Operating Officer since May 2012; Senior Executive Vice President, Chief Administrative Officer from 2008 to May 2012; Senior Executive Vice President, Corporate Planning, Systems and Life Administration from 2004 to 2008; Executive Vice President, Corporate Planning & Development from 1996 to 2004; also a director and/or officer of each principal subsidiary of the Company.

Mr. Pozzi has been an officer of the Company for thirty-eight years. His past service as our Chief Administrative Officer and his current service as President and Chief Operating Officer have provided him with intimate knowledge of our operations.

James D. Yarbrough (age 58) was first elected to our Board in 2001. Principal Occupation: Owner and Consultant, James D. Yarbrough & Co., since October 2011, and October 1989 through December 1994 (privately owned contract management and financial consulting firm); Director of Economic Development, City of Galveston, Texas, February 2011 through September 2011; County Judge, County of Galveston, Texas, 1995 through 2010; Director and Member of the Governance and Executive Committees of American National Life Insurance Company of New York (subsidiary life insurance company); Director, Texas First Bank Galveston, Galveston, Texas (privately owned bank).

Judge Yarbrough has management experience in both the private and public sectors, including sixteen years as the chief executive of the County of Galveston. In the private sector, he has served as a bank president, owner of a business consulting firm, and director of numerous interests. This varied experience makes him a valuable contributor to the Board s deliberations.

(1) Robert L. Moody, Sr. is Chairman of the Board, Chief Executive Officer and controlling stockholder of National Western Life Insurance Company, a publicly traded life insurance company.

(2) The Moody Foundation owns 34.0% and the Libbie Shearn Moody Trust owns 50.2% of Gal-Tex Hotel Corporation.

INFORMATION CONCERNING ADVISORY DIRECTORS

The Board of Directors has appointed the following advisory directors, who serve at the pleasure of the Board. Although advisory directors do not vote on matters considered by the Board, we benefit from their experience and advice. Advisory directors receive the same compensation and benefits as our directors who are not also our officers.

G. Richard Ferdinandtsen (age 77) was first appointed as an advisory director in 2012, having previously served as a director from 1997 to 2012. Principal Occupation: Vice Chairman of the Board. Previously President of the Company from April 2000 to May 2012 and Chief Operating Officer from April 1997 to May 2012; Senior Executive Vice President, Chief Administrative Officer from April 1996 to April 1997; Senior Vice President, Health Insurance from April 1993 to April 1996; and Senior Vice President, Group Insurance from July 1990 to April 1993.

Mr. Ferdinandtsen has over fifty years of experience in the insurance industry, including over thirty years as an executive officer. Mr. Ferdinandtsen s experience in day-to-day leadership as our former President and Chief Operating Officer provides him with valuable insight into our operations.

Irwin M. Herz, Jr. (age 73) was first appointed as an advisory director in 2004, having previously served as a director from 1981 to 1983 and from 1984 to 2004. Principal Occupation: Since 1980, Partner of Greer, Herz & Adams, L.L.P., General Counsel to the Company; Trustee of the Three R Trusts (trusts for the benefit of the children of Robert L. Moody, Sr.).

Mr. Herz s service as a director of numerous insurance companies, including over thirty years on our Board, has provided him with extensive knowledge of the insurance industry. In addition, his background as a corporate and commercial lawyer provides an invaluable source of knowledge and problem-solving skills to the Board.

R. Eugene Lucas (age 88) was first appointed as an advisory director in 2004, having previously served as a director from 1981 to 2004. Principal Occupation: Since 1971, President and Director of Gal-Tex Hotel Corporation (hospitality and hotel management company)(1); President of Gal-Tenn Hotel Corporation, LHH Hospitality, LLC, Colorado Landmark Hotels, LLC, Kentucky Landmark Hotels, LLC, and Virginia Landmark Hotels, LLC (hospitality and hotel management companies); Director of Colonel Museum, Inc. (charitable corporation); President and Director of 1859-Beverage Company (hospitality company).

Mr. Lucas has served on our Board for over thirty years, including twenty-three years as a member of our Audit Committee. In addition, Mr. Lucas provides our Board with the perspective of an experienced and knowledgeable executive officer outside of the insurance industry. He has been associated with Gal-Tex Hotel Corporation since 1941, including over forty years as its President.

E. Douglas McLeod (age 72) was first appointed as an advisory director in 2004, having previously served as a director from 1984 to 2004. Principal Occupation: Chairman and Director of Moody Gardens, Inc. (charitable corporation); Attorney; Past Director of Development of The Moody Foundation (charitable and educational foundation) from 1982 to 2013 (retired); Director of National Western Life Insurance Company, Austin, Texas since 1979(2); Director of ANREM Corporation (subsidiary real estate management corporation); Vice President and Director of Colonel Museum, Inc. (charitable organization); Director, San Jacinto Museum of History (charitable organization); Vice Chairman of Lone Star Coastal National Recreation Area (Congressionally-designated area with outdoor recreation potential of national significance); Past Director and past Chairman of Center for Transportation and Commerce (charitable organization); Past Director and Executive Board Member, South Texas College of Law (law school); Past Member of State House of Representatives of the State of Texas (terms ended January 1983).

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Mr. McLeod has experience as a lawyer and public servant, including as a state legislator, as well as experience in real estate development and non-profit administration. He brings a varied set of problem-solving skills and valuable insight to the Board.

Robert L. Moody, Jr. (age 54) was first appointed as an advisory director in 2009, having previously served as a director from 1982 to 1987. Principal Occupation: Since 1986, President and Director of Moody Insurance Group, Inc. (privately owned insurance agency); Director of Moody National Bank; Director of ANREM Corporation (subsidiary real estate management corporation); Director of HomeTown Bank, National Association (national bank); Director of The Moody Endowment (charitable organization).

Mr. Moody is the owner of Moody Insurance Group, Inc., a marketing consultant to the Company and one of the many significant producers marketing our products. Through this insurance agency experience, Mr. Moody brings the valuable perspective of an agent to our Board s deliberations. In addition, Mr. Moody s experience as an entrepreneur provides him with a broad perspective of business operations.

(1) The Moody Foundation owns 34.0% and the Libbie Shearn Moody Trust owns 50.2% of Gal-Tex Hotel Corporation.

(2) Robert L. Moody, Sr. is Chairman of the Board, Chief Executive Officer and controlling stockholder of National Western Life Insurance Company, a publicly traded life insurance company.

Family Relationships among Directors and Advisory Directors

Robert L. Moody, Sr. is the cousin of William L. Moody IV, and the brother-in-law of E. Douglas McLeod. Frances A. Moody-Dahlberg, Russell S. Moody and Robert L. Moody, Jr. are children of Robert L. Moody, Sr.

DIRECTOR ATTENDANCE AT MEETINGS

During the year ended December 31, 2013, the Board of Directors of the Company held a total of five (5) meetings. All of the nominees for director who served as directors during the past year and all of the advisory directors attended at least 75% of the aggregate of (1) the total number of such meetings and (2) the total number of meetings held by all committees of the Board on which such nominees served during such year. It is the Company s policy that all directors should make an effort to attend the Company s annual meeting of stockholders. All directors attended the 2013 Annual Meeting.

BOARD OF DIRECTORS AND COMMITTEES

Board Leadership Structure

Our Chief Executive Officer also serves as our Chairman of the Board. The Board believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution and facilitates information flow between management and the Board, which are essential to effective governance.

The Board s Role in Risk Oversight

The Company is exposed to a number of risks and undertakes enterprise risk management reviews to identify and evaluate these risks and to develop plans to manage them effectively. Two committees lend support to the Board in reviewing the Company s consideration of material risks and overseeing the Company s management of material risks.

First, the Management Risk Committee coordinates the risk management efforts that occur within our business segments to (i) ensure alignment between our risk-taking activities and strategic objectives and (ii) ensure consistent application of enterprise risk management processes across all business units. The Management Risk Committee provides periodic reports to the Board of Directors concerning the Company s risk management, which may cover risk identification, risk limits and related significant breaches, returns on risk-adjusted capital, and information related to the development of the Company s enterprise risk management program. The Management Risk Committee is comprised of several members of our senior management team and is chaired by the Senior Executive Vice President, Corporate Risk Officer & Chief Actuary. Second, the Audit Committee of the Board of Directors makes inquiries to senior management about the Company s risk assessment and risk management policies, including risks related to our financial position and internal controls. These policies address our major financial risk exposures and the steps management has taken to monitor and mitigate these risks.

Additionally, our Board Compensation Committee considers risks that may result from our compensation policies, including working directly with senior management to determine whether such programs improperly encourage management to take risks relating to our business and whether risks arising from our compensation programs are likely to have a material adverse effect on the Company.

Independent Directors and Executive Sessions

The Board has determined, after considering all of the relevant facts and circumstances, that Arthur O. Dummer, Dr. Shelby M. Elliott, William L. Moody IV, E. J. Pederson and James D. Yarbrough are independent from management in accordance with the NASDAQ listing standards. To be considered independent, the Board must determine that a director nominee does not have any direct or indirect material relationships with our Company. In making this determination, the Board considered that William L. Moody IV is related to certain members of the Board and that E. J. Pederson serves as an independent director of National Western Life Insurance Company, a company controlled by Robert L. Moody, Sr., and the Board determined that such relationships do not impair the independence of these director nominees.

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Our independent directors meet in executive session at least twice per year, generally in connection with the April and October Board meetings. We do not have a lead independent director.

Board Committees

The Company s Board has an Audit Committee, a Compensation Committee, a Nominating Committee and an Executive Committee. The Compensation Committee of the Board of Directors is referred to herein as the Board Compensation Committee to distinguish it from the Management Compensation Committee. The Board of Directors has adopted written charters for the Audit Committee, the Board Compensation Committee and the Nominating Committee. Each of these committees review the adequacy of its charter annually. These charters are posted on the Company s website and can be viewed by going to www.anico.com/InvestorRelations/CorporateGovernance/index.htm and clicking the link to the desired charter. You may also obtain a printed copy of the committee charters at no charge by writing to the office of the Secretary at One Moody Plaza, Galveston, Texas 77550.

Current Vacancies on Board Committees

Prior to his death in August 2013, Frank P. Williamson was a member of the Audit Committee, the Board Compensation Committee and the Nominating Committee. It is anticipated that if Mr. Pederson is elected as a director at the Annual Meeting, the Board will appoint him to succeed Mr. Williamson as a member of such committees at the Board s regular meeting immediately following the Annual Meeting. Consistent with NASDAQ listing standards, the Company generally has one year from the date of a vacancy on the Audit Committee that occurs outside of the Company s control to fill such vacancy. The Board has determined that Mr. Pederson and all of the members of the Audit Committee, the Board Compensation Committee and the Nominating Committee are independent in accordance with the NASDAQ listing standards and applicable independence requirements under the Securities Exchange Act of 1934.

Audit Committee

Arthur O. Dummer, Chairman, and James D. Yarbrough are the current members of the Audit Committee. The Board has determined that Mr. Dummer is the financial expert on the Audit Committee, as defined by NASDAQ listing standards and by the Securities Exchange Act of 1934. The Audit Committee held eleven meetings during 2013. The Audit Committee is responsible for, among other matters, recommending the appointment of independent auditors for the Company, reviewing the activities and independence of such independent auditors, including the plan and scope of the audit and audit fees, monitoring the adequacy of the Company s reporting and internal controls, reviewing related party transactions, recommending the inclusion of the Company s audited financial statements in the Company s Annual Report, and meeting periodically with management and the Company s independent auditors.

Board Compensation Committee

James D. Yarbrough, Chairman, and Dr. Shelby M. Elliott are the current members of the Board Compensation Committee. The Board Compensation Committee was established in 1975 to make recommendations as to the compensation of the Company s executive officers. The committee conducts regular executive sessions with its independent consultant without management present. A description of the Company s process and procedures for the consideration and determination of executive compensation is provided below in the Compensation Discussion and Analysis. The Board Compensation Committee held nine meetings during 2013.

Nominating Committee

Dr. Shelby M. Elliott, Chairman, is the only current member of the Nominating Committee. The Nominating Committee was established in 2004 to recommend to the Board Director nominees to be submitted for election at each Annual Meeting of Stockholders. The Nominating Committee held one meeting during 2013. After receiving the Nominating Committee s recommendations, the full Board nominates the slate of directors to be presented to the Company s stockholders at the Annual Meeting.

While there are no specific minimum qualifications that a potential nominee must possess, director nominees are evaluated based upon, among other things, their integrity, diversity of experience, business or other relevant experience, leadership, the ability to exercise sound judgment, satisfaction of applicable independence standards, civility, and ability to devote sufficient time to Board matters. The Board of Directors and the Nominating Committee believe that, based on their knowledge of the needs and qualifications of the Board at any given time, the Board, with the help of the Nominating Committee, is best equipped to select nominees that will result in a well-qualified and well-rounded Board of Directors. The Nominating Committee may (but is not required to) consider candidates suggested by management or other members of the Board. In addition, the Nominating Committee may (but is not required to) consider Stockholder recommendations for candidates to the Board. In order to recommend a candidate to the Board, stockholders should submit the recommendation to the Chairperson of the Nominating Committee in the manner described in the section of this proxy statement titled Communications with the Board of Directors.

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In making its nominations, the Board and the Nominating Committee identify nominees by first evaluating the current members of the Board willing to continue their service. Current members with qualifications and skills that are consistent with the criteria for Board service are re-nominated. With respect to Mr. Pederson, the Nominating Committee received a recommendation for his nomination from a non-management director. The Nominating Committee did not receive any stockholder recommendations for Board nominees to be considered at the Annual Meeting. As to potential new candidates, it is expected that the Board and the Nominating Committee would discuss among themselves and members of management their respective recommendations and any recommendations submitted by stockholders and evaluate the qualifications, experience and background of the potential candidates. The Nominating Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating Committee believe that it is valuable that Board members represent diverse experience and viewpoints.

Executive Committee

Robert L. Moody, Sr., Chairman, William L. Moody IV, and James E. Pozzi are the present members of the Executive Committee. The Executive Committee was established in 1977 to act on behalf of the full Board of Directors, within certain limitations, between regular Board meetings. The Executive Committee held one meeting during 2013.

INFORMATION CONCERNING EXECUTIVE OFFICERS

The following is a list of our executive officers, other than Messrs. Moody and Pozzi, who are also director nominees, their current ages, and their positions and offices for the past five years. For executive officers who have been with us for less than five years, information is also provided with respect to the nature of their responsibilities undertaken with their prior employers during such time.

Name of Officer	Age	Position (Year Elected to Position)
Ronald J. Welch	68	Senior Executive Vice President, Corporate Risk Officer & Chief Actuary (2008)
David A. Behrens	51	Executive Vice President, Independent Marketing Group (1999)
John J. Dunn, Jr.	55	Executive Vice President, Corporate Chief Financial Officer (July 2010) & Treasurer (March 2011); Vice President International Accounting of Ally Financial, Inc. (formerly GMAC, Inc.) (2009-May 2010)(responsibility for auto finance and insurance accounting outside of the U.S. and Canada); Vice President and Chief Financial Officer of GMAC Insurance (2007-2009) (overall responsibility for the finance and accounting areas)
Johnny D. Johnson	61	Executive Vice President, Corporate Business Process Officer and Chief Information Officer (2013); Senior Vice President, Corporate Business Process Officer and Chief Information Officer (2012-2013); Senior Vice President, Corporate Chief Information Officer (2008-2012)
Gregory V. Ostergren	58	Executive Vice President, Director of Multiple Line (2000)
Steven H. Schouweiler	67	Executive Vice President, Health Insurance Operations (2012); Senior Vice President, Health Insurance Operations (1998-2012)
Hoyt J. Strickland	57	Executive Vice President, Career Sales and Service Division (2012); Senior Vice President, Career Sales and Service Division (2009-2012); National Field Director, Career Sales and Service Division (2001-2009)
Dwain A. Akins	63	Senior Vice President, Corporate Relations, Chief Corporate Compliance Officer (2006)

Albert L. Amato, Jr.	65	Senior Vice President, Life Insurance Administration (1994)
Scott F. Brast	50	Senior Vice President, Real Estate / Mortgage Loan Investments (2005)
Frank V. Broll, Jr.	64	Senior Vice President & Actuary (2005)
Scott C. Campbell	37	Senior Vice President, Chief Multiple Line Marketing Officer (2013); Director, Marketing, of Mutual of Omaha Insurance Company (2009-2013)
William F. Carlton	55	Senior Vice President & Corporate Controller (2010); Vice President and Controller (2007-2010)
Gordon D. Dixon	68	Senior Vice President, Stock/Bond Investments (2012); Senior Vice President, Chief Investment Officer (2010-2012); Senior Vice President, Securities Investments (2004-2010)
Bernard S. Gerwel	55	Senior Vice President, Chief Information/Innovation Officer Multiple Line (2010); Senior Vice President, Chief MLEA Administrative Officer (2006-2010)
Bruce M. LePard	57	Senior Vice President, Corporate Human Resources Officer (2012); Senior Vice President, Human Resources (2006-2012)
James W. Pangburn	57	Senior Vice President, Credit Insurance (2004)
Ronald C. Price	62	Senior Vice President, Chief Marketing Officer Career Life Agencies (2004)
John F. Simon	50	Senior Vice President & Actuary (2013); Senior Vice President and Chief Product Actuary of Protective Life Insurance Company (2010-2013)(responsibility for life and annuity product development and design); Vice President and Life Product Manager of Protective Life Insurance Company (2007-2010)(responsible for driving the product process, life product design and balancing financial and marketing success)
Shannon L. Smith	54	Senior Vice President, Chief Multiple Line Agency Officer (2013); Senior Vice President, Chief Multiple Line Marketing Officer (2008-2013)

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There are no arrangements or understandings pursuant to which any officer was elected. All officers are elected annually by the Board of Directors and serve until their successors are elected and qualified, unless otherwise specified by the Board.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This Compensation Discussion and Analysis explains the philosophy underlying our compensation strategy and the fundamental elements of compensation paid to our executive officers included in the Summary Compensation Table, to whom we refer collectively as our Named Executive Officers, or NEOs. The NEOs for 2013 were:

- Robert L. Moody, Sr., Chairman of the Board of Directors and CEO
- James E. Pozzi, President and Chief Operating Officer
- Gregory V. Ostergren, Executive Vice President, Director of Multiple Line
- David A. Behrens, Executive Vice President, Independent Marketing Group
- John J. Dunn, Jr., Executive Vice President, Corporate Chief Financial Officer and Treasurer

The overall goal of our executive compensation program is to retain and reward leaders who will help the Company achieve its long-term goals and thereby create long-term value for our stockholders. With this goal in mind, our compensation program is designed to:

- Attract and retain experienced, highly qualified individuals who are in a position to make significant contributions to our success;
- Drive exceptional performance and motivate our executive officers to achieve desired financial results;
- Encourage our executives to develop a significant ownership stake in our company; and
- Align the interests of our executive officers with the long-term interests of our stockholders through the use of performance-based incentives and stock ownership guidelines.

Our Board Compensation Committee (the Committee), comprised solely of independent directors, has oversight responsibility for our compensation program. The key components of the program include base salary, cash incentive awards and long-term equity-based incentive awards. The annual long-term incentive opportunities for our executives are based 100% on performance relative to a range of measures that are aligned with long-term stockholder value creation and outcomes that each executive has the ability to impact.

We do not grant or maintain any severance or employment agreements, nor do we provide any tax reimbursements or gross-ups for any of the NEOs. To help align the interests of our executive officers with those of our stockholders, we maintain stock ownership and retention guidelines and an incentive compensation clawback policy, both of which are described below. Further, our executive officers are prohibited from engaging in transactions involving puts, calls or short sales with respect to our stock.

Stockholder Say-on-Pay Advisory Voting

At the 2014 Annual Meeting, stockholders will have an opportunity to approve, in a non-binding advisory vote, our executive compensation for 2013 as disclosed in this proxy statement (Proposal 2 below). The most recent say-on-pay vote was held at our 2011 Annual Meeting, at which our stockholders overwhelmingly approved our 2010 executive compensation (over 96% of the votes cast). At the 2011 Annual Meeting, our stockholders also approved by a substantial majority, in a separate non-binding advisory vote, a three-year frequency for holding say-on-pay votes. At the 2014 Annual Meeting, stockholders again will have an opportunity to vote on the frequency of future say-on-pay votes (Proposal 3 below). The Board of Directors has recommended that our stockholders approve an annual frequency for future say-on-pay votes, thus allowing our stockholders to provide input on our executive compensation programs on a more consistent basis.

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Highlights of our Executive Compensation Program and Changes for 2014

The Committee viewed the say-on-pay vote at the 2011 Annual Meeting as a strong indication of support for our compensation policies and practices and, therefore, made only minor changes to the overall programs for 2011, 2012 and 2013.

Base Salaries in 2013. In response to competitive market base salary information provided to the Committee by its independent compensation consultant in 2012, the salaries of Mr. Behrens and Mr. Dunn were increased modestly in 2013, as reflected in the Summary Compensation Table below. Base salaries for the other NEOs were unchanged, as they were considered competitive.

CEO Bonus Opportunities Under the 2013 Executive Incentive Compensation Plan (EICP). For 2013, the Committee approved certain changes to the annual performance-based incentive opportunity for our CEO. The first change involved raising the degree of difficulty in achieving one of the key EICP performance measures (Five Year Average Adjusted After-tax Net Gain from Operations as a percentage of stockholders dividends). For this measure, the threshold, target and maximum performance levels were increased from 50%, 75% and 100%, respectively, to 100%, 125% and 150%, respectively, of stockholders dividends, a substantial increase in the performance required to earn an award under this measure. The second change was to weight each of the five CEO performance metrics equally at 20% instead of the previous weighting, which was 52% as to the above-referenced measurement relating to stockholders dividends and 12% as to each of the other four measures, thereby creating greater emphasis on four of the five measures than before. Finally, in recognition of the greater difficulty of achieving an incentive award under this plan, the Committee also approved an increase in the maximum award that can be earned by the CEO, from 100% of the target award opportunity to 112.5% of the target award opportunity, still well below the 150% of target award opportunity that applies to the other NEOs. As is the case with the other NEOs, any award earned by the CEO in excess of the target opportunity will be paid solely in restricted stock units (RSUs).

Annual Long-Term Incentives. Annual long-term incentives are performance-based and delivered in the form of RSUs. The grant value of RSUs delivered is based on performance under the EICP, as described below. RSUs vest ratably over three years and do not convey any voting or dividend rights until such time as they vest and are converted into shares of common stock. Recipients may choose to have RSUs settled in cash upon vesting, although our stock ownership guidelines must be taken into consideration.

Restricted Stock Grant to Our President and Chief Operating Officer. For 2013, the Committee, with advice from its independent compensation consultant, awarded our President and Chief Operating Officer, James E. Pozzi, 10,000 shares of restricted stock, which will cliff vest on March 1, 2023, the tenth anniversary of the effective date of the grant. Mr. Pozzi was appointed to such office effective May 1, 2012, and such restricted stock grant is consistent with prior grants made to our CEO and to the prior President and Chief Operating Officer.

Stock Ownership and Retention Guidelines. In 2011, the Committee adopted stock ownership guidelines for our officers and directors in order to encourage ownership of our stock by these individuals and to further align their long-term goals and objectives with those of our stockholders. The stock ownership guidelines for our officers are based on a multiple of base salary, with each officer s stock holdings based upon the greater of the market value or book value of such holdings. The recommended guidelines for stock ownership as a multiple of base salary are: CEO five times; President three times; other officers one time. For those officers not currently meeting these guidelines, the Committee has recommended that they retain at least fifty percent of all after-tax shares received as compensation as such shares vest, until such time as these individuals are in compliance with the guidelines. The CEO currently directly owns 519,833 shares of our Common Stock, including restricted stock, which represents an amount equal to approximately twenty-nine times his base salary, as of March 3, 2014.

Clawback Policy. At its February 22, 2012 meeting, the Committee adopted a formal clawback policy with respect to incentive awards to executive officers made after 2011. Under this policy, the Company is authorized to recover all or a portion of incentive awards paid within three years of a financial statement that is inaccurate due to material noncompliance with any financial reporting requirement under the securities laws. Recovery applies to the extent a lesser amount would have been paid under the restated financial statement.

Retirement Benefit Changes for 2014. Effective December 31, 2013, the Board of Directors froze participation and future benefit accruals under our defined benefit pension plans. With this action, and the adoption of certain new retirement plans, we have shifted our retirement benefits to contributory defined contribution plans, as discussed further in the Retirement Benefits section below.

CEO Incentive Payout Change for 2014. Beginning in 2014, any EICP award earned by the CEO will be settled 60% in cash and 40% in RSUs up to the aggregate target award level, with any award in excess of the aggregate target award level paid entirely in RSUs, as is the case with the other NEOs. Prior to 2014, the CEO s incentive payout was 70% in cash and 30% in RSUs up to the target award level.

Approach for Determining Form and Amount of Compensation

The Committee oversees the compensation policies and programs for our senior officers, including the NEOs, and our equity-based incentive compensation plans. The Committee is supported in its role by our Management Compensation Committee. The Management Compensation Committee is comprised of five of our most senior officers: Robert L. Moody, Sr., James E. Pozzi, Ronald J. Welch, John J. Dunn, Jr. and Gregory V. Ostergren.

The compensation process for our NEOs and other executive officers begins with an annual evaluation by the Management Compensation Committee, which considers Company performance against the stated performance measures and goals for the year, each executive officer s individual performance over the prior year, any changes in responsibilities, internal equity and consistency, and the future potential of each executive officer. The process also considers competitive market data available from a peer group of comparable insurance companies, and nationally published compensation surveys obtained from a range of industry and general market sources. The Management Compensation Committee formulates recommendations based on this process for all executive officers other than the members of such committee. After review and approval of the recommendations by the CEO, they are presented to the Committee for its consideration and evaluation. Recommendations to the Committee with respect to Mr. Dunn and Mr. Ostergren are made solely by the President. The Committee evaluates these recommendations and develops its own recommendations to the Board of Directors for the compensation of our CEO and our President.

Role of Independent Compensation Consultant

In developing its recommendations to be made to the Board, the Committee seeks the advice of its independent outside consultant, Frederic W. Cook & Co., Inc. (Cook & Co.), a national compensation consulting firm. Our Board of Directors, upon the recommendations of the Committee, ultimately makes all decisions regarding the amount and form of compensation paid to our NEOs, which may reflect factors and considerations other than the information and advice provided by the compensation consultant.

During 2013, Cook & Co. performed the following services for the Committee:

- Briefed the Committee on executive compensation trends among our peers and the broader industry, developments related to our executive compensation program, and regulatory changes;

- Provided an annual review of our executive compensation program compared to market practices and ongoing advice to the Committee as needed for periodic requests related to the determination of the amount and form of executive compensation, including incentive plan design and performance measures and goals;

- Provided an assessment of our compensation policies and practices to help the Committee determine whether the compensation program could encourage excessive risk taking that is reasonably likely to have a material adverse effect on the Company as a whole; and

- Provided advice regarding the Committee s evaluation of board compensation practices, based on third-party survey data.

Cook & Co. is independent of us and has no relationship with us other than assisting the Committee with its executive compensation governance responsibilities. The Committee has established procedures that it considers adequate to ensure that the compensation consultant s advice to the Committee remains objective and is not influenced by our management. These procedures include the following: a direct reporting relationship of the consultant to the Committee chairman; a provision in the Committee s engagement letter with Cook & Co. specifying the information, data, and recommendations that can and cannot be shared with management; meeting with the consultant at least annually in executive session without management present; an annual update to the Committee on Cook & Co. s financial relationship with us, including a summary of the work performed for us during the preceding twelve months; and an assessment and confirmation by the Committee of Cook & Co. s independence from us. Additionally, Cook & Co. has no service lines other than executive compensation consulting, so the potential for any conflict of interest as a result of providing other services to us is eliminated. With the consent of the Committee chair, the independent compensation consultant may, from time to time, contact our executive officers for information necessary to complete its assignments and may make reports and presentations to and on behalf of the Committee that the executive officers also receive.

How We Determine Each Element of Compensation

In determining the amounts of each element of compensation and the aggregate compensation for our NEOs, we review market practices as described under Market Comparisons below. We do not use any specific formulae or attempt to satisfy any specific ratio for compensation among our executive officers. We also do not generally target any particular allocation for base salary, annual incentive, or long-term equity awards as a percentage of total compensation. Target compensation levels are decided subjectively based on a review of relevant market practices, the responsibilities and future potential of each executive, internal equity considerations, each executive s ability to impact financial and operational results, and the recommendations of the Committee s independent compensation consultant.

Market Comparisons

During early 2013, Cook & Co. evaluated the total direct compensation (consisting of base salary, annual incentives, and long-term incentives) of our NEOs relative to market practices. The compensation of each of our NEOs was compared to that of individuals in comparable positions among a peer group of companies listed below, and to nationally published compensation survey data.

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The peer group consisted of thirteen publicly traded companies in the insurance industry that compete with us for talent, face similar challenges in the financial services sector, and have senior executives with comparable responsibilities. As of the date of Cook & Co. s report, peer group revenues for the prior four quarters ranged from approximately $1.0 billion to $6.3 billion (median revenues of approximately $3.4 billion), and assets ranged from approximately $7.7 billion to $58.5 billion (median assets of approximately $17.3 billion). Our total revenues were approximately $3.1 billion in 2013, and our assets were approximately $23.3 billion at the end of 2013, placing us towards the middle of the revenue and asset range of the peer group. The peer group was comprised of the following companies:

W.R. Berkley Corporation	Cincinnati Financial Corporation
The Hanover Insurance Group, Inc.	HCC Insurance Holdings, Inc.
Horace Mann Educators Corporation	Old Republic International Corporation
Phoenix Companies, Inc.	Protective Life Corporation
StanCorp Financial Group, Inc.	Torchmark Corporation
CNO Financial Group, Inc.	Kemper Corporation
White Mountains Insurance Group, Ltd.	

The published survey data covered a broader set of companies, including many if not all of the peer companies within the insurance industry. The specific surveys used for 2013 were:

Mercer *Executive Benchmark Database* (containing tabular data of insurance companies based on asset size);

Mercer *Financial Services Survey Suite Insurance Compensation Survey* (containing tabular data of survey companies based on size);

Towers Watson *Top Management Calculator* (containing insurance industry data regressed to each executive s individual scope as measured in assets); and

LOMA s *Executive Compensation Survey Report* (containing tabular insurance industry data).

Cook & Co. s evaluation for 2013 found that the total direct compensation of our CEO was in the top quartile of the peer group and survey data. The Committee believes this compensation is appropriate, given the CEO s outstanding stewardship of the Company for over twenty years and his superior track record of building the Company s revenue base, assets and book value, allowing it to maintain a strong, consistent dividend for many years. The total direct compensation for the other NEOs generally fell between the 25th and 50th percentiles of the peer group and survey data, due to relatively lower long term incentive opportunity for officers in general and the NEOs in particular. The Committee has determined that the total direct compensation positioning of the NEOs was generally appropriate given their respective levels of experience and performance.

After considering Cook & Co. s report and the recommendations of the Management Compensation Committee, the Committee submitted its compensation recommendations to our Board of Directors for their consideration. The Board of Directors unanimously approved those recommendations. For 2013, there were no material changes made to the compensation of our NEOs, with the exception of a grant of 10,000 shares of restricted stock made to our President and Chief Operating Officer, as discussed above.

Special Considerations for Pension-Related Amounts Reported in the Summary Compensation Table

It is important to note that the amounts reported in Column (e) (Changes in Pension Value and Non-Qualified Deferred Compensation Earnings) of the Summary Compensation Table below, particularly for 2012 and 2011, are not the result of any Committee or Board decision to increase pay. Rather, such reported amounts are comprised of two exogenous components. First, for each of the NEOs, the amount reported includes the year-over-year change in accrued pension benefits, which varies annually based on interest rates, mortality factors, and the age of each individual. For 2012 and 2011, for example, some of our NEOs, including the CEO, experienced an increase in accrued pension benefits over prior years as a result of the lower interest rate environment and the effect of such rates on the pension calculations. Conversely, for 2013, two of the NEOs, including the CEO, experienced a decrease in accrued pension benefits. Second, with respect to our CEO, the amount reported in Column (e) includes in-service distributions from our non-qualified and qualified pension plans. Such in-service distributions are substantial, representing 42% and 34%, respectively, of the total 2012 and 2011 compensation of the CEO reported in the Summary Compensation Table. For 2013, however, such in-service distributions to the CEO did not fully offset the overall decrease in his accrued pension benefits. The Committee considers such in-service payments to be distributions of benefits earned in prior years and, as such, does not consider such payments to be current year compensation for purposes of its evaluation of CEO pay in relation to competitive market practices or the Committee s pay for performance analysis. The Committee believes this distinction is critical to understanding the CEO s total compensation as reported in the Summary Compensation Table.

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Elements of Compensation Provided to the NEOs

The following table lists the primary elements of our executive compensation program and the primary purpose of each element. Additional explanation of each element is provided below.

Element	Purpose
Base Salary	Provides a fixed level of competitive compensation.
Annual Incentive Compensation	Focuses executive attention on key financial and operational performance measures under the EICP.
Long-Term Incentive Compensation, consisting of RSUs awarded under the EICP as a fixed percentage of any annual incentive compensation earned by achievement of performance objectives	Aligns executives interests with those of our stockholders and helps retain executive talent with deferred (three-year) vesting of RSUs awarded.
Retirement Benefits, consisting of qualified and non-qualified Company pension plans (now frozen), non-qualified deferred compensation plans, and the Company s 401(k) plan	Assists in providing for the long-term financial security and future well-being of our executives and their families.
Health and Welfare Benefits (consisting of basic and supplemental health insurance, disability protection, and life insurance)	Assists in providing for the current well-being and financial protection of our executives and their families.

Base Salary

Base salary is an important component of total compensation for our NEOs, and it is vital to our goal of recruiting and retaining executive officers with proven abilities. Base salaries are determined for each NEO based on abilities, qualifications, accomplishments, and prior work experience. Adjustments are considered annually based on current market data, the consistency of the executive officer s individual performance over the prior year, changes in responsibilities, future potential and internal equity.

As stated above, for 2013, base salaries of our NEOs remained unchanged, with the exception of those of Mr. Behrens and Mr. Dunn, who received modest increases.

Annual Incentive Compensation

Our NEOs participate in the EICP. Eligibility to participate in the EICP is determined by the Committee and approved by the Board of Directors. Payouts are based on actual performance relative to predetermined performance objectives across a range of performance measures that an executive has the ability to impact. All incentive compensation is subject to review and approval by the Committee and the Board of Directors, both at the time of the setting of the performance objectives and at the time of payment of the award. In order to receive an incentive compensation award payout, an executive must be employed by us at the time of payout; provided, however, that in the event of death, disability or normal retirement after the age of 65 prior to such payout, the payout will be prorated for the portion of the calendar year up to the date of death, disability or retirement.

Incentive Opportunities: Annual incentive opportunities are expressed as a specified percentage of base salary. For each applicable performance measure, there are threshold (Level 1), target (Level 2), and maximum (Level 3) levels of performance objectives. For each performance measure, the payout for threshold (Level 1) performance is equal to 50% of the target (Level 2) performance payout, and the payout for maximum (Level 3) performance is equal to 150% of the target performance payout. The earned percentage is prorated for performance between levels. For example, if performance is halfway between Level 1 and Level 2, an NEO would receive his Level 1 award plus one-half of the additional award attributable to Level 2 achievement for that measure.

Aggregate annual incentive awards earned in excess of the Level 2 (target) amount are subject to certain limitations. Any percentage of base salary earned as incentive compensation in excess of the aggregate target amount is paid entirely in RSUs, which vest ratably over three years. This limitation is intended to give executives an opportunity to earn above-target payouts for superior performance and also to enhance executive stock ownership and the long-term retention incentive provided through RSU awards. The CEO s aggregate incentive award for 2011 and 2012 was capped at the aggregate target (Level 2) incentive award, with no opportunity to earn above the target level. Commencing in 2013, the CEO s aggregate incentive award is capped at 112.5% of the aggregate target (Level 2) incentive award.

Incentive Payouts: For each of the NEOs other than the CEO, the total incentive, when earned at the end of each year, is paid out 60% in cash and 40% in RSUs up to the aggregate target award level. Any award in excess of the aggregate target award level is paid entirely in RSUs. The Committee previously determined that since the CEO is already a significant stockholder, his annual incentive would be paid 70% in cash and 30% in RSUs. Beginning with the 2014 EICP awards, payable in 2015, the CEO s award opportunity will be settled 60% in cash and 40% in RSUs like the other NEOs, also subject to the terms regarding above-target awards and award caps noted above. RSUs have no voting or dividend rights unless they become vested and are converted into shares of our Common Stock. We believe that payment of a portion of the annual incentive in RSUs better aligns our pay-mix with market practices and encourages each NEO to remain a major contributor to our future growth and success. The executive bears the market risk of the value of our Common Stock from the time the RSUs are first awarded until the time the RSUs vest.

Upon vesting, RSUs are converted into shares of our Common Stock or, at the election of the recipient, converted into cash based on the market price of our Common Stock on the date of vesting. We believe this cash settlement option preserves the long-term incentive of the RSU award and maintains the alignment of recipients interests with those of our stockholders, as the amount of cash to be received on vesting is tied to our stock price on the date of vesting. This cash option also helps to mitigate concerns of stockholder dilution resulting from annual equity grants under the EICP. For his RSUs vesting in March 2014, the CEO elected the cash settlement option, which the Committee believes is appropriate given the CEO s significant stock ownership in the Company.

The EICP total target annual and long-term incentive opportunity for the CEO is 385% of base salary. In maintaining this target incentive level for the CEO, the Committee considered the peer group s practices regarding the combined annual and long-term incentive awards for CEOs, noting that, according to Cook & Co. s 2013 report, the median target bonus opportunity among the peer group was 100% of base salary and the median long-term incentive grant was 243% of base salary, for a combined average annual short and long-term incentive opportunity of 343% of base salary at the market median, and 362% at the 75th percentile. Thus, Cook & Co. advised the Committee that the CEO s combined annual and long-term incentive opportunity of 385% was slightly above average, but reasonably consistent with the third quartile of the aggregate annual and long-term incentive opportunities among CEOs in our peer group, and not excessive in any way.

The aggregate annual incentive award earned that is allocable to RSUs is divided by the market price of our Common Stock on a predetermined date to set the number of RSUs awarded to each NEO. Fractional RSUs are not awarded, but paid in cash. RSUs granted to our NEOs are subject to a three-year ratable vesting schedule. One-third of the RSUs granted for 2013 performance will vest on each of the first, second and third anniversaries of the grant date, provided the executive is employed on the vesting date. The employment service requirement will be waived in the event of death, disability or normal retirement after the age of 65, and RSUs will immediately vest upon any such event.

Our CEO and our President are eligible to receive quarterly incentive payments under the EICP. Because the potential incentive payout for these two NEOs constitutes a substantial portion of their compensation, the Committee decided to spread the payout throughout the year. Quarterly payments are based on the total incentive award projected for the year based on year-to-date performance following the end of each of the first three quarters of the year. The amount payable for any quarter is discounted by 20%, and then pro-rated by the percentage of the annual incentive to be paid in cash. Amounts paid in prior quarters are subtracted from payments due in subsequent quarters. The total cash incentive awards earned by our CEO and by Mr. Pozzi for 2013 performance were $5,390,000 and $468,000, respectively. Of these amounts, $3,234,000 and $280,800 were paid to our CEO and Mr. Pozzi, respectively, for the first three quarters of 2013, and the remaining cash incentive payments of $2,156,000 and $187,200, respectively, were made in February 2014.

Performance Measures: The Committee generally establishes specific performance measures and the corresponding levels of performance objectives for each of our NEOs after consideration of our annual corporate plan and after review of recommendations from the Management Compensation Committee. The specific performance measures and performance objectives for the 2013 EICP were approved in February 2013 and communicated to the NEOs in March 2013. With a couple exceptions, we used the same performance measures for our NEOs in 2013 as in 2012, although the goals associated with those measures were adjusted to reflect changes in performance expectations. For 2013, the performance measure Five-Year Average Consolidated GAAP Operating Income (as a percentage of stockholders dividends) replaced Five-Year Average Adjusted After-Tax Net Gain from Operations (as a percentage of stockholders dividends). This measure is used for all of the NEOs except Mr. Behrens. With respect to Mr. Behrens, two performance measures used in prior years, IMG Weighted Life Sales and Direct Marketing Weighted Life Sales, were combined into a single measure, Combined IMG and Direct Marketing Weighted Life Sales. Last, for Mr. Ostergren, a new performance measure was added, the Number of Multiple Line Exclusive Agents.

NEOs are reasonably likely to meet some, but not all, Level 1 objectives. The Committee considers Level 2 objectives to be aggressive, or stretch targets. Level 3 objectives are established at levels above the expected achievement associated with a particular performance measure. Achievement of an aggregate Level 2 payout generally means that the NEO s performance has met yearly objectives established under the EICP.

Performance measures used in the 2013 EICP are listed and explained below. Specific performance measures and their relative weight are selected for each participant in the EICP based on the financial and operational measures that he has the ability to impact. Not all measures are used for every NEO, and many of the same measures are used for measuring the performance of EICP participants who are not NEOs.

1. *Consolidated Operating Revenues*. This is total revenues less amounts reported as realized gains and losses.
2. *Five-Year Average Consolidated GAAP Operating Income (as a percentage of stockholders dividends).* This is average consolidated GAAP operating income for the five-year period ending December 31, 2013.

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3. *Return on Equity from Insurance Lines (adjusted for unusual items)*. This is after-tax net gain from operations for the insurance lines (adjusted for unusual items) divided by the equity assigned to the insurance lines.
4. *Total Corporate Return on Equity*: This is adjusted gain divided by total stockholder equity. Adjusted gain is consolidated net income adjusted for unusual items.
5. *Weighted Direct Earned Premium*: This is the total weighted direct earned premium, which is premium income to us that is weighted in accordance with industry standards for measuring premium. Pursuant to such standards, recurring premiums are weighted at 100%; single life premiums, excess life premiums, and annuity deposits are weighted at 10%; and credit insurance premiums are weighted at 15% of the actual amount received. Direct earned premium refers to premium actually received.
6. *Home Office Expenses*: This is the actual controllable non-distribution related operating expenses for our home office in Galveston, Texas, and our San Antonio and League City, Texas operations.
7. *Total ML Weighted Life Sales*: This is the total Multiple Line (ML) annualized premium on paid life sales by our ML distribution channel, weighted in accordance with industry standards for measuring premium.
8. *ML P&C Direct Written Premium*: This is the total property and casualty direct written premium through our ML distribution channel.
9. *ANPAC Gain from Operations before FIT*: This is the GAAP gain from operations before federal income taxes for American National Property and Casualty Company and its subsidiaries.
10. *Total ML Gain from Operations before FIT:* This is the GAAP gain from operations before federal income taxes for American National Property and Casualty Company and its subsidiaries, the Farm Family life and property and casualty companies and the ML distribution channel.
11. *Farm Family P&C Gain from Operations before FIT:* This is the GAAP gain from operations before federal income taxes for the Farm Family property and casualty companies.
12. *ML Life Gain from Operations before FIT:* This is the ML GAAP gain from operations before federal income taxes, including life, annuity and health insurance products sold through our ML distribution channel.
13. *Number of Multiple Line Exclusive Agents.* This is the number of licensed, exclusive independent contractor agents within our Multiple Line marketing division.
14. *Combined IMG and Direct Marketing Weighted Life Sales:* This is the annualized premium on paid life sales by our Independent Marketing Group (IMG) and Direct Marketing distribution channels, weighted in accordance with industry standards for measuring premium.
15. *IMG Annuity Statutory Reserves:* This is IMG annuity statutory reserves plus IMG deposit-type liabilities.
16. *Combined IMG and Direct Marketing Marketing Expense Ratio:* This is the combined adjusted marketing expense of IMG and Direct Marketing as a percentage of the combined total target expense for these distribution channels.
17. *Combined IMG and Direct Marketing Gain from Operations Before FIT:* This is the combined IMG and Direct Marketing profit before federal income taxes.
18. *IMG Annuity Sales:* This is the total collected annuity deposits from sales generated from IMG.
19. *Combined IMG and Direct Marketing Weighted Life Direct Earned Premium:* This is combined life direct earned premium income to us generated from IMG and Direct Marketing, weighted in accordance with industry standards for measuring premium.

In assessing actual performance against relevant performance objectives, the Committee may make adjustments for extraordinary occurrences in a particular year that are not expected to recur. For 2013, the Committee approved adjustments to final results relating to four performance measures to account for certain nonrecurring items as follows: Total ML Gain from Operations before FIT and ML Life Gain from Operations before FIT were increased by \$1.1 million; Home Office Expenses were decreased by \$3.0 million; and Combined IMG and Direct Marketing Gain from Operations before FIT was decreased by \$0.7 million. In addition, the amount of an incentive award payable based on performance measures unrelated to earnings is reduced by 50% of the calculated amount if Return on Equity from Insurance Lines falls below a specified level. No such 50% reduction was required for our NEOs during 2013.

The tables below show the performance measures and their approximate relative weightings as a percentage of the total incentive opportunity for each NEO during 2013.

2013 Annual Incentive Performance Measures and Approximate Weightings

For Messrs. Moody, Pozzi and Dunn

Performance Measure	Moody	Pozzi	Dunn
Consolidated Operating Revenues	20%	21.9%	20%
Five-Year Average Consolidated GAAP Operating Income	20%	12.4%	10%
Return on Equity from Insurance Lines	20%	21.9%	20%
Total Corporate Return on Equity	20%	21.9%	20%
Weighted Direct Earned Premium	20%	21.9%	20%
Home Office Expenses			10%

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2013 Annual Incentive Performance Measures and Approximate Weightings For Mr. Ostergren

Total ML Weighted Life Sales	10%
ML P&C Direct Written Premium	20%
ANPAC Gain from Operations before FIT	20%
Total ML Gain from Operations before FIT	15%
Farm Family P&C Gain from Operations before FIT	10%
ML Life Gain from Operations before FIT	5%
Five-Year Average Consolidated GAAP Operating Income	10%
Number of Multiple Line Exclusive Agents	10%

2013 Annual Incentive Performance Measures and Approximate Weightings For Mr. Behrens

Combined IMG & Direct Marketing Weighted Life Sales	23.8%
IMG Annuity Statutory Reserves	9.5%
Combined IMG & Direct Marketing Marketing Expense Ratio	23.8%
Combined IMG & Direct Marketing Gain from Operations before FIT	23.8%
IMG Annuity Sales	9.5%
Combined IMG & Direct Marketing Weighted Life Direct Earned Premium	9.5%

The next table shows each performance measure and the Level 1, Level 2 and Level 3 goals associated with each, along with actual 2013 performance with respect to each performance measure. *Information regarding our performance measures is provided in the limited context of our EICP and should not be understood to be statements of management s expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements to other contexts.*

Performance Measure	**Level 1**	**Level 2 (Target)**	**Level 3**	**2013 Actual**
Consolidated Operating Revenues	$2.70 billion	$2.80 billion	$2.90 billion	$3.00 billion
Five-Year Average Consolidated GAAP Operating Income	100% of stockholders dividend	125% of stockholders dividend	150% of stockholders dividend	152% of stockholders dividend
Return on Equity from Insurance Lines	6.05%	6.80%	7.55%	7.66%
Total Corporate Return on Equity	5.00%	5.75%	6.50%	11.68%
Weighted Direct Earned Premium	$1.87 billion	$1.92 billion	$1.97 billion	$1.94 billion
Home Office Expenses	$138.0 million	$136.0 million	$134.0 million	$134.5 million
Total ML Weighted Life Sales	$17.5 million	$18.5 million	$19.5 million	$21.2 million
ML P&C Direct Written Premium	$1.051 billion	$1.083 billion	$1.115 billion	$1.064 billion
ANPAC Gain from Operations before FIT	$5.80 million	$11.5 million	$17.2 million	$28.1 million

Total ML Gain from Operations before FIT	$39.2 million	$60.8 million	$82.4 million	$84.4 million

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Performance Measure	Level 1	Level 2 (Target)	Level 3	2013 Actual
Farm Family P&C Gain from Operations before FIT	$8.4 million	$16.8 million	$25.2 million	$26.3 million
ML Life Gain from Operations before FIT	$25.0 million	$32.5 million	$40.0 million	$27.8 million
Number of Multiple Line Exclusive Agents	1,225	1,275	1,325	1,299
Combined IMG and Direct Marketing Weighted Life Sales	$25.0 million	$28.0 million	$31.0 million	$46.0 million
IMG Annuity Statutory Reserves	$9.15 billion	$9.30 billion	$9.45 billion	$9.66 billion
Combined IMG & Direct Marketing Marketing Expense Ratio	190%	172%	154%	163%
Combined IMG & Direct Marketing Gain from Operations before FIT	$74.0 million	$82.0 million	$90.0 million	$84.1 million
IMG Annuity Sales	$340.0 million	$380.0 million	$420.0 million	$643.9 million
Combined IMG & Direct Marketing Weighted Life Direct Earned Premium	$158.0 million	$163.0 million	$168.0 million	$178.7 million

An NEO s aggregate incentive opportunity is equal to the sum of the incentive opportunities tied to the specific performance measures applicable to that individual. As noted above, incentive opportunities are expressed as a percentage of base salary.

Following the completion of the 2013 performance year, the Committee assessed the performance of the NEOs against the objectives established at the beginning of the year to determine the aggregate incentive award payable to each. The actual aggregate EICP awards earned for 2013 by the NEOs ranged from 112.5% to 142.6% of their respective EICP target opportunities, with 60% of such awards settled in cash and 40% in RSUs (70% cash and 30% RSUs for the CEO), with a three-year vesting schedule, up to the aggregate target award level. For NEOs earning an aggregate EICP award in excess of the aggregate target award level, the excess was paid entirely in RSUs.

The following table shows how each NEO performed relative to his aggregate Level 1 and Level 2 (target) award opportunities under the 2013 EICP.

2013 Potential Aggregate Incentive Opportunities

for the NEOs Compared to Actual Aggregate Incentive Award Earned

	Level 1		Level 2 (Target)		Actual Aggregate Incentive Award Earned*		
Name	As a % of Salary	As $ Amount	As a % of Salary	As $ Amount	As a % of Salary	As $ Amount*	As a % of Target EICP
Robert L. Moody, Sr.	192.5%	$ 3,850,000	385%	$ 7,700,000	433%	$ 8,662,500	112.5%

James E. Pozzi	60%	$ 390,000	120%	$ 780,000	171%	$ 1,112,105	142.6%
Gregory V. Ostergren	50%	$ 270,047	100%	$ 540,094	127%	$ 687,711	127.3%
David A. Behrens	52.5%	$ 240,188	105%	$ 480,375	142%	$ 648,020	134.9%
John J. Dunn, Jr.	50%	$ 188,750	100%	$ 377,500	142%	$ 535,563	141.9%

* As noted above, the maximum incentive award for the Chairman and CEO was limited to 112.5% of his aggregate Level 2 award opportunity.

The following table shows the portion of the actual aggregate incentive award paid in cash, the portion converted to RSUs, and the number of RSUs issued pursuant to the 2013 EICP. Because March 1, the usual payment date, of this year was a Saturday, these awards were made effective March 3, 2014 based on a stock price of $113.49 per share, the closing price of our Common Stock on February 28, 2014:

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Name	Total 2013 EICP Award Earned	Paid in Cash		Converted to RSUs		Number of RSUs Awarded
Robert L. Moody, Sr.	$ 8,662,500	$ 5,390,000	(62%)	$ 3,272,500	(38%)	28,835
James E. Pozzi	$ 1,112,105	$ 468,000	(42%)	$ 644,105	(58%)	5,675
Gregory V. Ostergren	$ 687,711	$ 324,056	(47%)	$ 363,655	(53%)	3,204
David A. Behrens	$ 648,020	$ 288,225	(44%)	$ 359,795	(56%)	3,170
John J. Dunn, Jr.	$ 535,563	$ 226,500	(42%)	$ 309,063	(58%)	2,723

Long-Term Incentive Compensation

The American National Insurance Company 1999 Stock and Incentive Plan (the 1999 Plan) is administered by the Committee. Until 2010, we made grants only of restricted stock and freestanding stock appreciation rights under the 1999 Plan. Commencing in 2010, performance-based grants of RSUs have been made under the 1999 Plan based on the achievement of performance objectives under the EICP. For the 2013 EICP, the number of RSUs issued to the NEOs in accordance with the satisfaction of applicable performance measures under such plan is shown in the table immediately above.

We intend to continue to make performance-based grants of RSUs under the 1999 Plan on an annual basis, by paying a portion of the annual incentive to our NEOs in RSUs. We believe that providing equity opportunities on an annual basis provides stronger retention incentives for our executive officers and mitigates pricing problems in a volatile market through more frequent grants. In addition, such opportunities improve our competitive positioning with respect to long-term incentive compensation.

Retirement Benefits

We maintain Company-sponsored retirement and deferred compensation plans for the benefit of our salaried employees, including our NEOs. These benefits are designed to assist in providing for the long-term financial security of our employees and their families. During 2013 and in prior years, we offered a qualified defined benefit pension plan and two non-qualified defined benefit pension plans. The general purpose of the non-qualified defined benefit pension plans was to restore curtailments of benefits under the qualified plan required to comply with the Internal Revenue Code of 1986, as amended (the Code). Each of these plans, and the benefits provided under each to the NEOs, is further discussed below in connection with the Pension Benefits table.

In July of 2013, management recommended, and the Committee approved, that we shift our retirement benefits from defined benefit pension plans to contributory defined contribution plans. In accordance with this recommendation, we amended our qualified and non-qualified defined benefit pension plans effective December 31, 2013 to freeze participation and future benefit accruals, with no additional years of service credit or salary increase credit thereafter. Benefits earned by eligible employees prior to such date are not affected, including any such benefits earned by eligible employees who are not vested as of such date but become fully vested thereafter. All employees are affected by these amendments, including the NEOs.

In connection with the freezing of the defined benefit pension plans, we adopted the American National Family of Companies Executive Supplemental Savings Plan (the Executive Plan), a nonqualified deferred compensation plan, effective January 1, 2014. The Executive Plan permits certain executives and highly compensated employees to defer a portion of their compensation that they would otherwise receive and to permit us to match such elective deferrals in the same manner as would be permitted under our qualified 401(k) Savings Plan in the absence of limitations imposed by the Code. The Executive Plan includes both employee deferral and Company contribution components. All of the

NEOs participate in the Executive Plan. Certain other officers participate in another newly adopted nonqualified deferred compensation plan, the American National Family of Companies Supplemental Savings Plan, which does not include a Company contribution component.

Pursuant to the Executive Plan, participants may elect to defer a portion of their annual salary and certain performance-based compensation and bonuses. During each plan year, we will make a matching contribution equal to 100% of each participant s deferral, up to four percent of his or her compensation for that year, reduced by the amount of any matching contribution made by us on behalf of such participant under the 401(k) Savings Plan for that year. In addition, we will make a non-elective contribution to the Executive Plan on behalf of each participant equal to two percent