

A.M. Best Downgrades Ratings of American National Insurance Company and its Core Property/Casualty Subsidiaries



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OLDWICK, N.J. - (Business Wire) **A.M. Best Co.** has downgraded the financial strength rating (FSR) to A (Excellent) from A+ (Superior) and the issuer credit rating (ICR) to “a+” from “aa-” of **American National Insurance Company (ANICO)** (Galveston, TX) [NASDAQ:ANAT], the lead life insurer and the ultimate parent company within the **American National Group (ANG)**. The outlook for these ratings is stable.

A.M. Best also has downgraded the FSR to A (Excellent) from A+ (Superior) and ICRs to “a+” from “aa-” for **American National Property and Casualty Group (ANPAC)** and its member companies: **American National Property and Casualty Company**, **American National General Insurance Company** and **American National County Mutual Insurance Company** (Galveston, TX). The outlook for the FSR is stable, while the outlook for the ICRs has been revised to negative from stable. These companies are domiciled in Springfield, MO, unless otherwise specified.

Additionally, A.M. Best has downgraded the FSR to A (Excellent) from A+ (Superior) and ICRs to “a+” from “aa-” for **Farm Family Casualty Insurance Company** and **United Farm Family Insurance Company** the two pooled property/casualty member companies of the **Farm Family Insurance Companies (Farm Family)**. The outlook for these ratings is stable. These companies are domiciled in Glemont, NY.

These rating actions reflect A.M. Best’s concern over ANICO’s decline in its consolidated GAAP equity as of year-end 2008 and its continuing decline through the end of first quarter 2009, with fluctuating to declining trends in net operating results both on a statutory and GAAP basis from its core life/health and property/casualty businesses over the past five years, the negative impact of investment losses on ANICO’s consolidated balance sheet and a decline in the risk-based capitalization of ANICO in 2008.

Although ANICO has already recognized impairments that reduced its risk-adjusted capitalization, its level of unrealized losses may further pressure its capital and surplus position going forward. Additional factors affecting the ratings include ANICO’s sizeable exposure to interest sensitive liabilities, which are vulnerable to the impact of spread compression and investment risk, its reliance on income and revenue growth from the property/casualty businesses, which reported poor operating results in 2008 and the somewhat inconsistent performance of its life insurance subsidiaries. All core lines reported a decline in earnings in 2008.

ANICO’s ratings continue to recognize its excellent risk-adjusted capital position, despite the

recent decline in capital, diversified business profile covering both insurance and non-insurance business and low financial leverage.

The negative outlook on the ICRs of ANPAC reflect the group's diminished capital strength and elevated underwriting leverage combined with its increasing exposure to frequent weather events in the Midwest. ANPAC is challenged in the near to mid term to stabilize its results with regards to its exposure to the earnings volatility inherent in its growing geographic footprint.

Partially offsetting these negative rating factors are ANPAC's well-established regional market presence and partially improved operational metrics, ANPAC's risk management initiatives that have reduced its coastal exposure to hurricanes and the financial commitment of its life/health parent, ANICO.

Furthermore, the ratings and outlook of Farm Family recognize its consistently favorable operating earnings, adequate capitalization and well-established market position in the Northeast. The ratings also consider Farm Family's ownership by its life/health parent, ANICO and the synergies that are being enhanced with its affiliated group, ANPAC. Somewhat offsetting these positive factors are Farm Family's elevated but improving underwriting leverage and susceptibility to severe weather losses.

Concurrently, A.M. Best has affirmed the FSRs of A (Excellent) and ICRs of "a" of **Pacific Property & Casualty Company** (San Jose, CA) and **American National Lloyds Insurance Company** (Galveston, TX). The outlook for these ratings is stable.

Additionally, A.M. Best has affirmed the FSR of A- (Excellent) and ICR of "a-" of **ANPAC Louisiana Insurance Company** (Mandeville, LA). The outlook for both ratings is stable. All the above companies are affiliates of American National Property and Casualty Company.

In addition, A.M. Best has affirmed the FSR of A (Excellent) and ICRs of "a" for the following life insurance subsidiaries of ANICO: **American National Life Insurance Company of Texas** (Texas), **Farm Family Life Insurance Company** (New York), **Garden State Life Insurance Company** (Texas) and **Standard Life and Accident Insurance Company** (Oklahoma). The outlook for these ratings is stable.

The ratings of the four life insurance subsidiaries of ANICO reflect their adequate level of risk-adjusted capitalization, implicit financial and management support of the ANG and each of the four life subsidiaries' marketing niches and product offerings. Offsetting these rating factors are the life subsidiaries' inconsistent earnings and premium trends, limited business profile and potential growth challenges.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit www.ambest.com/ratings.

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at www.ambest.com/ratings/methodology.

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