

Best's Rating Report



Cincinnati, Ohio



A+

Ultimate Parent:

American Financial Group, Inc
GREAT AMERICAN
INSURANCE COMPANY

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AMB#: 002213

Ultimate Parent#: 058317

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NAIC#: 16691

FEIN#: 31-0501234

BEST'S CREDIT RATING

Best's Financial Strength Rating: A+

Best's Financial Size Category: XIV

Outlook: Stable

RATING RATIONALE

The following text is derived from A.M. Best's Credit Report on Great American Insurance Companies (AMB# 005990).

Rating Rationale: The ratings apply to Great American Insurance Companies' (Great American) 12 intercompany pool members, led by Great American Insurance Company (GAIC) and Great American Lloyd's Insurance Company, which maintain a 100% quota share reinsurance agreement with GAIC. The ratings reflect the group's excellent risk-adjusted capitalization, strong operating profitability that has been sustained over the long term and diversified business profile that serves to protect its earnings stream. Great American's strong operating performance reflects the profitable underwriting results derived through management's disciplined operating strategy and specialty market knowledge, as well as the group's multiple distribution channels, diversified product offerings, excellent

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geographic spread of risk and access to data through its sophisticated technology platform. Great American's strong underwriting performance also reflects the diversification of its premium writings and its modest exposure to natural catastrophes. The group also benefits from the financial flexibility provided by American Financial Group, Inc. (AFG), which maintains financial leverage that is in line with its current ratings, as well as additional liquidity sources given its access to capital markets and line of credit. A.M. Best expects that earnings and cash flows from AFG's operating subsidiaries will allow it to support Great American's risk-adjusted capitalization, should the need arise.

These positive rating factors are somewhat offset by the significant stockholder dividends paid to AFG over the recent five-year period, which have tempered organic surplus growth, as well as elevated common stock leverage and adverse loss development occurring in certain lines of business. While Great American has reported favorable loss reserve development in recent calendar years, areas of adverse reserve development persist, particularly relating to the run-off of its asbestos and environmental (A&E) claims.

While the ratings for GAIC are stable, future positive rating actions may result from a trend of strong underwriting and operating performance that exceeds its peers over time while maintaining its excellent risk-adjusted capitalization. However, negative rating actions could result from a deterioration of underwriting and operating performance to a level short of A.M. Best's expectations, an erosion of surplus or increase in underwriting leverage that causes a significant decline in risk-adjusted capitalization or if AFG experienced a deterioration in its overall financial strength or credit quality.

Great American Insurance Companies, led by Great American Insurance Company (GAIC), provides niche property and casualty coverages in all 50 states, the District of Columbia, Singapore and Canada. Great American is the largest of five property/casualty insurance divisions within the American Financial Group, Inc. (NYSE:/AFG) enterprise, which collectively represent one of the 25 largest groups in the United States, ranked by premium volume. GAIC and 10 companion carriers participate in an intercompany pooling arrangement whereby GAIC retains 100% of the pooled business. Additionally, GAIC assumes 100% of the business written by Great American Lloyd's Insurance Company, for which it earns a management fee.

Premium is produced through a network of independent agents and brokers who collectively offer specialized commercial lines product offerings that include inland and ocean marine, agricultural (primarily multi-peril crop insurance), equine mortality, executive liability (directors and officers (D&O) / errors and omission (E&O)), workers' compensation, fidelity and surety, trade credit, commercial auto, bonds, general liability, collateral protection, umbrella, excess liability and excess property.

Business is divided among diversified business divisions, with premium volume varying based on market conditions. Each division is managed autonomously, with home office allowing managers to focus on their particular products to ensure their continued profitability.

Territory: The company is licensed in the District of Columbia, Guam, Puerto Rico and all states. It is also licensed in Canada.

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pre-tax Operating Income	Total Admitted Assets	Policy-holders' Surplus	Comb. Ratio
2011	1,786,184	302,943	5,273,622	1,411,293	93.6
2012	1,862,434	177,316	5,132,593	1,469,645	98.7
2013	2,100,101	275,524	5,376,892	1,403,303	92.7
2014	2,256,945	311,081	5,811,740	1,413,566	91.6
2015	2,354,175	384,634	6,110,911	1,550,906	90.0

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on Great American Insurance Companies (AMB# 005990).

2015 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance	
	(\$000)	(%)	—Prem Assumed— (\$000)	(%)
Oth Liab CM	227,372	11.5	141,135	8.0
Allied Lines	948,106	47.9	21,303	1.2
Oth Liab Occur	179,583	9.1	402,500	22.9
Credit	120,713	6.1	191,402	10.9
Workers' Comp	1,516	0.1	253,652	14.5
Inland Marine	33,933	1.7	199,283	11.4
Com'l MultiPeril	58,170	2.9	188,406	10.7
Surety	102,688	5.2	29,306	1.7
Auto Physical	3,819	0.2	92,645	5.3
Ocean Marine	90,054	4.5	8,561	0.5
Prod Liab Occur	160	0.0	81,398	4.6
Fidelity	89,960	4.5	8,666	0.5
Comm'l Auto Liab	19,636	1.0	61,014	3.5
Group A & H	46,866	2.4	1	0.0
All Other	58,013	2.9	74,913	4.3
Total	1,980,589	100.0	1,754,186	100.0

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Product Line	Reinsurance —Prem Ceded—		—NPW—		Business Retention (%)
	(\$000)	(%)	(\$000)	(%)	
Oth Liab CM	88,183	6.4	280,324	11.9	76.1
Allied Lines	691,815	50.1	277,595	11.8	28.6
Oth Liab Occur	312,425	22.6	269,658	11.5	46.6
Credit	55,302	4.0	256,813	10.9	82.3
Workers' Comp	39,302	2.8	215,866	9.2	85.6
Inland Marine	21,223	1.5	211,993	9.0	91.1
Com'l MultiPeril	48,530	3.5	198,045	8.4	80.3
Surety	8,282	0.6	123,712	5.3	93.9
Auto Physical	6,005	0.4	90,459	3.8	94.2
Ocean Marine	12,999	0.9	85,616	3.6	87.0
Prod Liab Occur	1,498	0.1	80,060	3.4	98.2
Fidelity	24,381	1.8	74,245	3.2	75.3
Comm'l Auto Liab	18,381	1.3	62,270	2.6	77.6
Group A & H	1,779	0.1	45,088	1.9	96.2
All Other	50,497	3.7	82,430	3.5	62.0
Total	1,380,601	100.0	2,354,175	100.0	63.2

HISTORY

Great American Insurance Company was originally organized under New York laws and began business on March 7, 1872, and was acquired by American Financial Group, Inc. (formerly American Financial Corporation) in October 1973. Great American Insurance Company represents a perpetuation of an enterprise under an Ohio charter through a transfer of corporate domicile from New York, New York, to Cincinnati, Ohio. Under the reorganization, the company was merged with a subsidiary, American Continental Insurance Company, on September 30, 1976.

Administrative offices were moved in late 1970 from New York, New York, to Los Angeles, California, and in August 1974 to Cincinnati, Ohio.

Paid-up capital of \$15,440,600 consists of 100,000 common shares at \$154.406 par value each. All authorized shares are issued and outstanding.

MANAGEMENT

Supervision and administration of the group's affairs are under the direction of the chairman and chief executive officer, Carl H. Lindner III and president and chief operating officer, Donald D. Larson. Carl H. Lindner III and Craig Lindner are co-chief executive officers of the parent holding company, American Financial Group, Inc. Mr. Lindner III served as president of Great American prior to assuming his present position as chairman and CEO in May 2010.

Officers: President and Chief Operating Officer, Donald D. Larson; Executive Vice Presidents, Ronald J. Brichler, Gary J. Gruber, Vince McLenaghan; Senior Vice President and Chief Information Officer, James R. Niehaus; Senior Vice President, Secretary and General Counsel, Eve Cutler Rosen; Senior Vice President, Treasurer and Chief Financial Officer, David J. Witzgall; Senior Vice Presidents, Dale E. Kelley, Aaron B. Latto, Michael D. Pierce, Michael E. Sullivan, Jr.; Vice President and Actuary, John L. Doellman; Vice President and Controller, Robert J. Schwartz; Vice Presidents, Sue A. Erhart, David P. Faeth, Annette D. Gardner, John W. Tholen.

Directors: Ronald J. Brichler, Gary J. Gruber, Donald D. Larson, Aaron B. Latto, Carl H. Lindner III, Michael D. Pierce, Eve Cutler Rosen, Michael E. Sullivan, Jr., David J. Witzgall.

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Balance Sheet Admitted Assets (\$000)

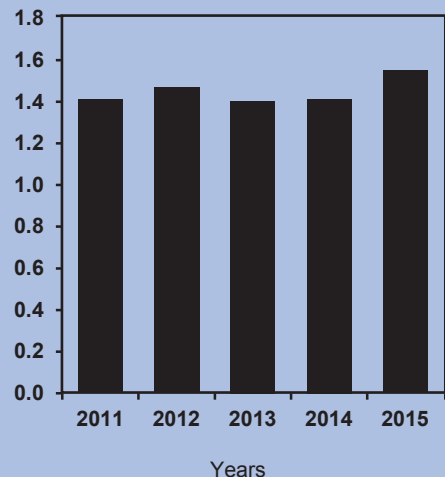
	12/31/2015	%
Bonds	\$2,842,228	46.5
Preferred stock	209,115	3.4
Common stock	531,878	8.7
Cash & short-term invest	258,763	4.2
Real estate, investment	53,226	0.9
Derivatives	822	0.0
Other non-affil inv asset	334,681	5.5
Investments in affiliates	574,084	9.4
Real estate, offices	614	0.0
Total invested assets	\$4,805,412	78.6
Premium balances	488,997	8.0
Accrued interest	25,818	0.4
All other assets	<u>790,684</u>	<u>12.9</u>
Total assets	\$6,110,911	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$2,676,828	43.8
Unearned premiums	1,035,242	16.9
Conditional reserve funds	17,482	0.3
All other liabilities	<u>830,454</u>	<u>13.6</u>
Total liabilities	\$4,560,005	74.6
Capital & assigned surplus	457,809	7.5
Unassigned surplus	<u>1,093,096</u>	<u>17.9</u>
Total policyholders' surplus	\$1,550,906	25.4
Total liabilities & surplus	\$6,110,911	100.0

GREAT AMERICAN INSURANCE COMPANY

Policyholders' Surplus



in billions
of dollars

FINANCIAL SUMMARY (\$000) as of 12/31/2015

Policyholders' Surplus	\$ 1,550,906
Direct Premiums Written	\$ 1,980,589
Combined Ratio	90.0
Net Underwriting Income	\$ 211,079
Net Investment Income	\$ 181,487

Best's Rating Report

Why is this *Best's® Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. The rating is **not a recommendation**

to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company or A.M. Best Europe – Rating Services Limited.

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