

# Best's Rating Report



Cincinnati, Ohio



A+

**Ultimate Parent:**  
**American Financial Group, Inc**  
**GREAT AMERICAN**  
**INSURANCE COMPANY**

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NAIC#: 16691  
FEIN#: 31-0501234

**BEST'S CREDIT RATING**

Best's Financial Strength Rating: A+

Best's Financial Size Category: XIII

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) eleven intercompany pool members, led by Great American Insurance Company (GAIC), and Great American Lloyd's Insurance Company, which maintains a 100% quota share reinsurance agreement with GAIC. The ratings reflect the group's excellent risk-adjusted capitalization, strong operating profitability sustained over the long term and diversified business profile, which 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 geographic spread of risk, as well as 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 lines 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 has constrained organic surplus growth, as well as elevated common stock leverage and adverse loss development 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. Despite these offsetting factors, the outlook for the ratings acknowledges the group's excellent risk-adjusted capitalization, solid underwriting performance throughout the underwriting cycle, experienced management team and balanced portfolio of specialty risks that are enhanced by its geographic diversification.

Due to rating actions taken by A.M. Best on the organization in 2014, additional positive rating actions are unlikely in the near term.

Key factors that could trigger negative rating actions include a material deterioration of underwriting and operating results, particularly if the resulting performance is materially below similarly rated peers; a significant weakening in risk-adjusted capitalization; or an increase in

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the financial leverage or reduction in the interest coverage at AFG to a level that is out of line with its current ratings.

## KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pre-tax Operating Income	Total Admitted Assets	Policy-holders' Surplus	Comb. Ratio
2009	1,500,130	613,729	5,353,036	1,433,066	81.6
2010	1,529,095	487,907	4,934,096	1,476,282	86.0
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

(\* ) 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).

Great American Insurance Companies (Great American), led by Great American Insurance Company (GAIC), provides niche property and casualty coverages in all 50 states, the District of Columbia, and Canada. Great American is the largest of five property/casualty insurance divisions within the American Financial Group, Inc. (NYSE/NASDAQ: AFG) enterprise, which collectively are one of the 25 largest groups in the United States, ranked by premium volume. GAIC and ten companion carriers participate in an intercompany pooling arrangement whereby GAIC retains 100 percent 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 and surplus, 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.

## 2013 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance —Prem Assumed—	
	(\$000)	(%)	(\$000)	(%)
Allied Lines	1,044,242	54.5	19,051	1.3
Credit	98,882	5.2	174,082	12.0
Oth Liab CM	204,605	10.7	84,781	5.9
Oth Liab Occur	175,514	9.2	293,747	20.3
Com'l MultiPeril	57,717	3.0	178,729	12.3
Inland Marine	34,870	1.8	173,875	12.0
Workers' Comp	1,570	0.1	186,172	12.8
Surety	91,190	4.8	23,776	1.6
Ocean Marine	4,487	0.2	84,144	5.8
Fidelity	87,530	4.6	7,417	0.5
Auto Physical	3,005	0.2	65,369	4.5
Prod Liab Occur	2,521	0.1	60,601	4.2
Comm'l Auto Liab	13,910	0.7	41,720	2.9
Group A & H	46,896	2.4	...	...
All Other	48,463	2.5	55,708	3.8

Total ..... 1,915,401 100.0 1,449,171 100.0

Product Line	Reinsurance —Prem Ceded—		—NPW—		Business Retention (%)
	(\$000)	(%)	(\$000)	(%)	
Allied Lines	695,104	55.0	368,188	17.5	34.6
Credit	37,132	2.9	235,832	11.2	86.4
Oth Liab CM	70,641	5.6	218,745	10.4	75.6
Oth Liab Occur	256,848	20.3	212,413	10.1	45.6
Com'l MultiPeril	47,843	3.8	188,603	9.0	79.8
Inland Marine	25,488	2.0	183,257	8.7	87.9
Workers' Comp	27,187	2.2	160,556	7.6	86.2
Surety	7,471	0.6	107,494	5.1	93.6
Ocean Marine	11,662	0.9	76,969	3.7	87.1
Fidelity	24,941	2.0	70,005	3.3	73.8
Auto Physical	5,574	0.4	62,800	3.0	94.1
Prod Liab Occur	4,103	0.3	59,019	2.8	93.6
Comm'l Auto Liab	6,268	0.5	49,362	2.4	89.4
Group A & H	2,201	0.2	44,695	2.1	95.3
All Other	42,006	3.3	62,165	3.0	59.8

Total ..... 1,264,470 100.0 2,100,101 100.0 62.6

## 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.

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## MANAGEMENT

Supervision and administration of the group's affairs are under the direction of the chairman and chief executive officer, Carl H. Lindner III. Carl H. Lindner III and S. 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, Piyush K. Singh; 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, Scott H. Beeken, 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, Piyush K. Singh, Michael E. Sullivan, Jr., David J. Witzgall.

### Balance Sheet Admitted Assets (\$000)

	12/31/2013	%
Bonds .....	\$2,535,967	47.2
Preferred stock .....	164,325	3.1
Common stock .....	481,453	9.0
Cash & short-term invest .....	218,303	4.1
Real estate, investment .....	47,987	0.9
Derivatives .....	194	0.0
Other non-affil inv asset .....	166,270	3.1
Investments in affiliates .....	544,203	10.1
Real estate, offices .....	<u>829</u>	<u>0.0</u>
Total invested assets .....	\$4,159,534	77.4
Premium balances .....	406,651	7.6
Accrued interest .....	27,300	0.5
All other assets .....	<u>783,408</u>	<u>14.6</u>
Total assets .....	\$5,376,892	100.0

### Liabilities & Surplus (\$000)

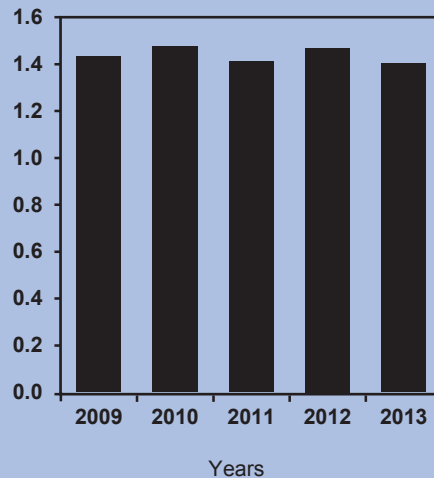
Loss & LAE reserves .....	\$2,428,657	45.2
Unearned premiums .....	882,052	16.4
Conditional reserve funds .....	26,478	0.5
Derivatives .....	249	0.0
All other liabilities .....	<u>636,155</u>	<u>11.8</u>
Total liabilities .....	\$3,973,590	73.9
Capital & assigned surplus .....	465,035	8.6
Unassigned surplus .....	<u>938,267</u>	<u>17.4</u>
Total policyholders' surplus .....	\$1,403,303	26.1
Total liabilities & surplus .....	\$5,376,892	100.0

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## GREAT AMERICAN INSURANCE COMPANY

### Policyholders' Surplus



in billions  
of dollars

### FINANCIAL SUMMARY (\$000) as of 12/31/2013

Policyholders' Surplus .....	\$	1,403,303
Direct Premiums Written .....	\$	1,915,401
Combined Ratio .....		92.7
Net Underwriting Income .....	\$	119,872
Net Investment Income .....	\$	161,988

# Best's Rating Report



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## 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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