



## 2017 in Review

**E**X**P**E**R**T  
**A**C**C**E**S**S**I**B**L**E  
**R**E**L**I**A**B**L**E  
**S**T**A**B**L**E

In the Bond Division of Great American Insurance Group, **we've kept our ears open for more than 90 years** by listening and learning from our surety agents and customers. That's why we've grown to become one of the largest surety writers in the US. Visit [GAIG.com/WeLiveIt](http://GAIG.com/WeLiveIt) to see why relationships matter to Great American!

*Gary Dunbar (L), President of the Bond Division of Great American Insurance Group and Bernie Fineman (R), President of Caldwell Tanks, Louisville, KY, have worked together as carrier and customer for nearly 30 years.*

### Greetings from the President

*Hello, everyone —*

We worked very hard in 2017 to support the successful growth of our accounts – just like we do every year at Great American. We received many favorable comments from producers (agents/brokers) and principals (contractors and other business owners) regarding our service to their businesses. It makes me very proud to hear comments about our professionalism, extra effort (for stretch cases and acquisitions), creativity and responsiveness, some of which you can read on the last page of this newsletter.



The Great American Bond Division provided surety credit to over 1,400 contractors and over 32,000 other businesses during 2017. We wrote bid bonds for most of our contractors and final bonds for over 1,200 of them. Of the 1,200 contractors needing final bonds, we bonded the largest contract ever performed for 15% of our contractors. In 28 cases, we wrote bonds that were more than three times larger than our contractor's prior largest contract. In over 50 cases, we wrote bonds that were more than twice the size of our contractor's prior largest contract.

We maintained the underwriting discipline that has allowed us to remain a steady, dependable surety writer for over 90 years. Very few of our competitors, regardless of their size, can claim a similar uninterrupted period of writing surety bonds. We are proud of our heritage and work hard to preserve it. We added 143 new contract surety accounts in 2017 with estimated annual premiums of over \$7 million. We appointed 42 new agencies as we expanded our footprint within the independent agency system. We also increased our 2017 Treasury limits to nearly \$197 million to service the larger needs of more of our customers.

We are proud of the professional services we provide to our stakeholders; including our producers, principals, obligees and payment bond claimants. Our underwriters; with the assistance of internal construction management personnel, research professionals, and attorneys, helped many of our accounts qualify and be awarded stretch, complex and or atypical contracts that will contribute to their success for years to come. We also helped some accounts with business acquisitions.

We grew by **6%** in 2017

**143** New contract surety accounts with over **\$7 million** in estimated annual premiums

Expanded our independent agency footprint by **42** agencies

Our Claims Department provided valuable services such as "mediating" disputes; supporting our clients in claims when warranted. We also honored valid payment and performance bond claims. Our goal is to fulfill our bonded obligations in a fair, efficient and effective manner. We are proud to receive unsolicited positive feedback about the performance of our Claims Department from obligees, principals, subcontractors, suppliers and others.

We grew 6% in 2017 and plan similar growth in both contract and commercial surety for 2018. We know the surety market is "soft" with excess capacity, but we expect to see new account opportunities because professional producers and informed principals appreciate a strong and stable surety company such as Great American that works hard to support their unique opportunities and resolve conflicts.

We thank our producers, principals, reinsurers, Great American management and our employees for their contribution to our success. It takes an entire business community to achieve and sustain success, and we are blessed with great supporters.

GARY T. DUNBAR  
Divisional President, Bond Division

## Corporate News

Great American Insurance Company is rated A+ (Superior) by A. M. Best Company, as of August 11, 2017, and has maintained a financial strength of A (Excellent) or higher by A. M. Best for 110 consecutive years. Great American's business model is founded on an entrepreneurial approach that allows decision making for surety underwriting, marketing, claims, and services within the Bond Division. For 2017 property and casualty premium was \$6.5 billion, a 9.0% increase over 2016. Great American Insurance Group continues to expand its operations in the US, Mexico, Canada, Europe and Asia.

Great American Insurance Company and affiliates are wholly owned subsidiaries of American Financial Group, a publicly traded company on the NYSE. AFG's net earnings for 2017 were \$5.28 per share. Core net operating earnings per share were \$6.55 for the full year; up 9% from 2016. Full year 2017 ROE was 10.3%. 2017 core operating ROE was 12.7%. For the twelve months ended December 31, 2017, AFG's growth in adjusted book value per share plus dividends was 9.8%.



Specialty Property and Casualty Insurance Operations  
2017 Gross Written Premiums | \$6.5 Billion

- 47% Specialty Casualty
- 42% Property & Transportation
- 11% Specialty Financial

### ***The performance of our parent company American Financial Group achieved strong results in 2016.***

- Record core net operating earnings per share of \$6.55 for 2017; up 9% from 2016
- 2017 ROE of 10.3%; 2017 core operating ROE of 12.7%
- 2017 core net operating ROE was 12.7%

## Bond Summary

### **Bond Division Results**

Total production for 2017 was \$123.4 million, a record production year. Total gross written production was 6% favorable to 2016. Contract surety production was 5% favorable to 2016 and commercial surety production was up 7% compared to 2016. Our combined operating ratio was positive and continues a string of profitable operations dating back to the early 2000s. In 2017 the U. S. Treasury increased our Treasury Limits to \$196,850,000. With affiliate Treasury Limits, our combined Treasury Limits are \$204,704,000. In partnership with an affiliate operation of Great American, we developed opportunities to write bonds internationally.

### **Agency Relations**

We continue to expand our footprint within the independent agency system by appointing 42 new agencies in 2017. Thirty-three agencies produced \$1 million+ in gross written premium during 2017, with twelve producing over \$2 million and one producing nearly \$5 million.

### **Commercial Surety**

We have steadily grown our commercial premiums over the past 10 years, up 7% in 2017 alone. Our dedication and commitment to find credible solutions to support the needs of our agents and brokers, in the face of a continued soft market, has driven our growth.

Because we aim to provide the most solutions to our partners, we offer account-based and transactional business capabilities as well as large one-shot bond opportunities. Our array of product capabilities is also a positive factor in our continued growth.

In the commercial surety segment, we have realigned our regional offices to be closer to our business partners, with branch locations in Boston, MA; New York City; Orlando, FL; Austin, TX; Louisville, KY; and Foster City, CA.

# Movers and Shakers

After 90 years in the surety business, it's a pleasure to be able to provide great service through the efforts of a long tenured and knowledgeable staff. Thirty-five members of our team have been with the Bond Division 15 or more years.



## Emily Brooks Chosen for IBA's "HOT 100" List

Now in its fifth year, Insurance Business America's **Hot 100** list pulls together insurance professionals who stand out above the crowd. From a pool of hundreds of nominations received in 2017, IBA narrowed its list to include

the industry's top innovators and entrepreneurs. We're proud that **Emily Brooks**, Financial Products Underwriter for Great American's Bond Division, was chosen for this recognition as one of the industry's best and brightest.

## Welcome Aboard!

We dedicate ourselves to retaining and hiring highly qualified employees across the country who understand and meet the needs of our agents and principals. Below is a list of new team members who joined us in 2017 and 2018.

### Commercial Surety

Jenna Stanton  
Emily Wonder  
Lissette Arechavaleta  
Charles Royse  
Mark Letourneau  
Nick Babineau  
Emily Brooks  
Audrey Leihser  
Kyle Carter  
Neil Kumar

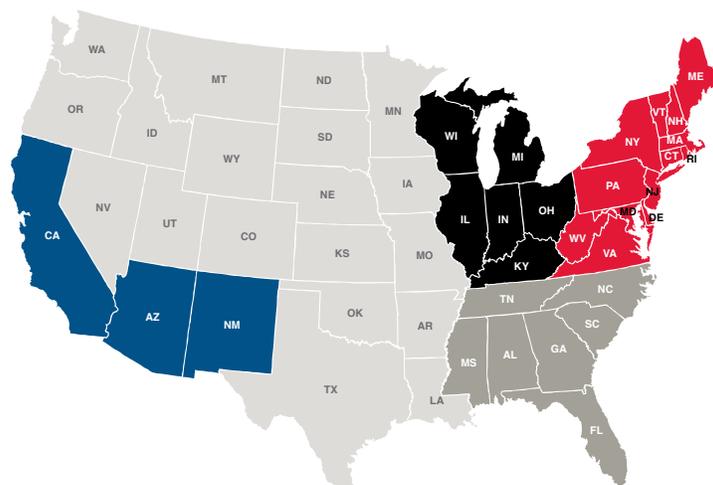
### Contract Surety

Jeff Hayes  
Aaron Zeigler  
Kevin Baird  
Matt Jeglinski  
Michael Vanasopha  
Tom Brewka  
Dave Watson

### Claims

Sharon Raleigh  
Christopher Wise

## Commercial Surety Regional Contacts



### Southwest

Foster City, CA  
Rick Faqiri  
(650) 513-8802

### Midwest

Louisville, KY  
Emily Brooks  
(502) 498-8171

### Northeast

New York, NY  
Katy Galli  
(617) 936-7402

### West

Austin, TX  
Sue Wetstein  
(737) 228-1138

### Southeast

Atlanta, GA  
Mark Letourneau  
(770) 817-7573

## Bond Division Offices Nationwide

Atlanta, GA  
Austin, TX  
Blue Ash, OH  
Boston, MA  
Charlotte, NC  
Cincinnati, OH  
Columbia, MD  
Dallas, TX  
Denver, CO  
Edmonds, WA  
Foster City, CA  
Hartford, CT  
Louisville, KY  
Minneapolis, MN  
Nashville, TN

Orange, CA  
Orlando, FL  
Philadelphia, PA  
Pittsburgh, PA  
Sacramento, CA  
Salt Lake City, UT  
San Antonio, TX  
Schaumburg, IL  
Scottsdale, AZ  
Seattle, WA  
Spokane, WA  
Tampa, FL  
Walnut Creek, CA  
Windsor, CT

## In Others' Words

"I have been able to place business with Great American because they listen."

The Great American Bond team has provided insightful strategies, deep and competent industry knowledge and the initiative to understand the unique needs of our clients. The structure of Great American's business process ensures fast execution and consistent, practical and highly specialized solutions.

The average tenure of my Great American bond clients is 15 years. It's simply a value generating business!

---

PRESIDENT, SURETY AGENCY  
North Carolina

31 years ago, Great American took a chance on our failing company and has been with us ever since, through good times and bad. We're now in our 130th year of operation and Great American remains one of our most trusted business associates. Our relationship with Gary Dunbar's team has enabled us to grow both organically and through acquisition.

I would highly recommend the Bond team of professionals to any business owner.

---

OWNER, MANUFACTURING COMPANY  
Kentucky

Great American has been our bonding company for 10 years. Our company has grown significantly during that time. They supported us through major ownership changes that involved complex financing arrangements and also provided professional services during two major acquisitions. Great American puts forth the extra effort to support our needs and has been instrumental to our success.

---

PRESIDENT, CONSTRUCTION FIRM  
Pennsylvania

I have had a relationship with the Bond team at Great American since 1989. Their understanding of the agency-client-carrier relationship is second to none. The success of our agency depends on our ability to bring the right surety to the table — one that offers advice, alternatives, constructive guidance and a creative but solid underwriting process. I believe that the Great American Surety team has us covered!

---

PRESIDENT, SURETY AGENCY  
Kentucky

Great American has been — and continues to be — a surety company that stands out from a sea of insurance carriers. Their willingness to listen to their agents and customers and provide impactful and meaningful products and solutions is unparalleled in the industry. We always look to Great American, as they have the creativity and financial strength to set us apart from our competition.

---

PRESIDENT, SURETY AGENCY  
Pennsylvania

I have found that Great American's Bond Division has the most responsive group of underwriters that I have worked with over the past 20 years. I have been able to place business with Great American because they listen and respect the relationships I have with my accounts. They demonstrate flexible underwriting and have even traveled on short notice to help put an account together.

It's been a great relationship for many years.

---

ACCOUNT EXECUTIVE, INSURANCE AGENCY  
Nevada



AT GREAT AMERICAN, WE'RE ALL EARS!

E X P E R T

A C C E S S I B L E

R E L I A B L E

S T A B L E

It has been a great pleasure to work with Great American for our bonding needs for the past 15 years. Their professionalism, willingness to work through tough times, and overall support has been incredible. We trust Great American's leadership and value our relationship with the Bond Division.

They're simply great to work with!

---

PRESIDENT, ENGINEERING COMPANY  
Ohio



[GreatAmericanBonds.com](http://GreatAmericanBonds.com)