

Best's Rating Report



Cincinnati, Ohio



A+

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

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Cincinnati, OH 45202

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AMB#: 002213

Ultimate Parent#: 058317

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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 re-insurance agreement with GAIC. The ratings reflect the group's solid 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 geographic spread of risk and access to data through its sophisticated technology platform.

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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 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 solid 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 rise in underwriting leverage that causes a significant decline in the group's risk-adjusted capital position to a level short of supporting current ratings 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
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
2016	2,471,354	495,843	6,851,231	1,998,867	86.1

(*) 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).

2016 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance	
	(\$000)	(%)	—Prem Assumed— (\$000)	(%)
Oth Liab Occur	168,037	8.3	462,783	24.3
Oth Liab CM	233,545	11.6	152,044	8.0
Credit	128,094	6.3	216,465	11.4
Allied Lines	956,626	47.3	20,873	1.1
Inland Marine	28,731	1.4	229,157	12.0
Workers' Comp	5,354	0.3	258,596	13.6
Com'l MultiPeril	59,097	2.9	187,710	9.9
Surety	108,361	5.4	32,060	1.7
Auto Physical	4,934	0.2	101,397	5.3
Ocean Marine	102,565	5.1	7,445	0.4
Prod Liab Occur	216	0.0	85,036	4.5
Fidelity	88,239	4.4	8,373	0.4
Comm'l Auto Liab	25,950	1.3	63,790	3.4
Group A & H	47,412	2.3
All Other	64,615	3.2	76,334	4.0

Total 2,021,778 100.0 1,902,063 100.0

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Product Line	Reinsurance		—NPW—		Business Retention (%)
	—Prem Ceded— (\$000)	(%)	(\$000)	(%)	
Oth Liab Occur	323,295	22.3	307,525	12.4	49.0
Oth Liab CM	96,450	6.6	289,139	11.7	75.0
Credit	61,831	4.3	282,728	11.4	82.1
Allied Lines	736,186	50.7	241,313	9.8	24.7
Inland Marine	21,634	1.5	236,254	9.6	91.7
Workers' Comp	36,488	2.5	227,462	9.2	87.0
Com'l MultiPeril	54,576	3.8	192,232	7.8	77.9
Surety	8,696	0.6	131,725	5.3	93.9
Auto Physical	6,369	0.4	99,962	4.0	94.1
Ocean Marine	14,590	1.0	95,420	3.9	86.9
Prod Liab Occur	2,994	0.2	82,258	3.3	96.5
Fidelity	24,181	1.7	72,431	2.9	75.0
Comm'l Auto Liab	17,759	1.2	71,982	2.9	80.3
Group A & H	1,230	0.1	46,182	1.9	97.4
All Other	46,208	3.2	94,741	3.8	67.2
Total	1,452,487	100.0	2,471,354	100.0	63.1

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, Gary J. Gruber. 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: Chairman and Chief Executive Officer, Carl H. Linder, III; President and Chief Operating Officer, Gary J. Gruber; Executive Vice Presidents, Ronald J. Brichler, Vince McLenaghan; Senior Vice President and Chief Information Officer, James R. Niehaus; Senior Vice President, Treasurer and Chief Financial Officer, David J. Witzgall; Senior Vice President and General Counsel, Sue A. Erhart; Senior Vice Presidents, Aaron B. Latto, Michael D. Pierce, Lloyd J. Stoik, Michael E. Sullivan, Jr.; Vice President and Actuary, Lisa A. Hays; Vice President and Controller, Robert J. Schwartz; Vice Presidents, Annette D. Gardner, John W. Tholen.

Directors: Ronald J. Brichler, Michelle A. Gillis, Gary J. Gruber, Aaron B. Latto, Carl H. Lindner III, Michael D. Pierce, Michael E. Sullivan, Jr., David L. Thomson, Jr., David J. Witzgall.

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Balance Sheet Admitted Assets (\$000)

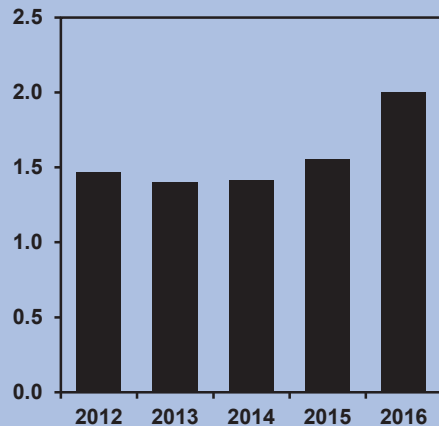
	YE 2016	%
Bonds	\$2,751,319	40.2
Preferred stock	214,504	3.1
Common stock	469,233	6.8
Cash and short-term invest	484,223	7.1
Real estate, investment	58,240	0.9
Derivatives	782	0.0
Other non-affil inv asset	490,942	7.2
Investments in affiliates	<u>857,171</u>	<u>12.5</u>
Total invested assets	\$5,326,415	77.7
Premium balances	530,482	7.7
Accrued interest	24,046	0.4
All other assets	<u>970,288</u>	<u>14.2</u>
Total assets	\$6,851,231	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$2,828,880	41.3
Unearned premiums	1,104,230	16.1
Conditional reserve funds	28,228	0.4
All other liabilities	<u>891,025</u>	<u>13.0</u>
Total liabilities	\$4,852,364	70.8
Capital & assigned surplus	756,185	11.0
Unassigned surplus	<u>1,242,682</u>	<u>18.1</u>
Total policyholders' surplus	\$1,998,867	29.2
Total liabilities & surplus	\$6,851,231	100.0

GREAT AMERICAN INSURANCE COMPANY

Policyholders' Surplus



in billions
of dollars

FINANCIAL SUMMARY (\$000) as of YE 2016

Policyholders' Surplus	\$ 1,998,867
Direct Premiums Written	\$ 2,021,778
Combined Ratio	86.1
Net Underwriting Income	\$ 309,828
Net Investment Income	\$ 192,730

Best's Rating Report

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

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

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

The company information appearing in this pamphlet is an extract from the complete AMB Credit Report. You may obtain the complete report by contacting Customer Service at +1(908)439-2200 or customer_service@ambest.com. Please reference the company's identification number (AMB#) listed on this rating report.

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