

BEST'S RATING REPORT



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Great American Insurance Company

Disclosure Information: View A.M. Best's [Rating Disclosure Form](#)

Ultimate Parent: [058317 - American Financial Group, Inc.](#)

A.M. Best Rating Unit: [005990 - Great American Insurance Companies](#)

Best's Credit Ratings:

Rating Effective Date: August 17, 2018

Best's Financial Strength Rating:	A+	Outlook:	Stable	Action:	Affirmed
Best's Issuer Credit Rating:	aa-	Outlook:	Stable	Action:	Affirmed

Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
08/17/2018	A+	Stable	Affirmed	aa-	Stable	Affirmed
08/11/2017	A+	Stable	Affirmed	aa-	Stable	Affirmed
05/12/2016	A+	Stable	Affirmed	aa-	Stable	Affirmed
03/20/2015	A+	Stable	Affirmed	aa-	Stable	Affirmed
02/21/2014	A+	Stable	Upgraded	aa-	Stable	Upgraded

Rating Rationale:

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

Balance Sheet Strength: Strongest

- Historically, risk-adjusted capitalization of Great American Insurance Companies (Great American) has consistently been strongly supportive of the ratings and exceeds the threshold for the "Strongest" categorization, as measured by Best's Capital Adequacy Ratio (BCAR) model.
- The group's risk-adjusted capitalization is reflective of its stable loss reserve position, relatively low catastrophe exposure, the use of high quality reinsurance partners and benefits from the additional financial flexibility available through its publicly traded parent, American Financial Group, Inc. (AFG).
- Despite solid operating earnings during the recent five-year period, growth in the group's policyholder surplus has been somewhat constrained by ongoing stockholder dividends to AFG.
- Net and gross underwriting leverage measures have been historically elevated relative to the composite and have increased in recent years. The elevated leverage metrics are considered in the ratings, but the profitability of the business and excellent risk-adjusted capitalization alleviate this concern.

Operating Performance: Strong

- The group's consistently solid underwriting results and steady investment income lead to an assessment of overall operating performance as "Strong."
- The strong underwriting performance reflects the group's niche focus within specialty commercial lines of business, relatively low catastrophe-related losses stemming from underwriting activities intended to reduce the group's exposure to these losses, and management's commitment to maintaining both underwriting discipline and reserving adequacy, which has resulted in favorable prior-year reserve development in most years.

- The group's combined and operating ratios and pre-tax return measures typically outperform peer group averages.

Business Profile: Favorable

- A.M. Best views the group's business profile as Favorable. The group has a strong, diversified product offering that serves to protect its earnings stream.
- The group's business profile is enhanced by its broad market knowledge, utilization of multiple distribution channels, diversified product offerings, excellent geographic spread of risk and access to data through its sophisticated technology platform. Great American ranks within the top five in terms of market position in several of its main niche lines such as crop, trucking for individual owners/operators, equine and fidelity and crime.
- Business is divided among diversified business divisions, with premium volume varying based on market conditions. Each division is managed autonomously, with the home office allowing managers to focus on their particular products to promote their continued profitability.

Enterprise Risk Management: Appropriate

- The group is part of a comprehensive ERM program with its parent, AFG, that is viewed as appropriate given the size and complexity of the organization.
- At the group level, management employs traditional risk techniques regarding operational risks (e.g., underwriting, investment, and credit) that include catastrophe analysis.
- Exposures identified by management are rolled up into the broad AFG risk management program, which is overseen by the Audit Committee within the AFG Board of Directors.

Outlook

The stable outlooks reflect A.M. Best's expectation of no rating actions in the near term. A.M. Best expects that Great American will continue to demonstrate Strong operating results while maintaining Strongest risk-adjusted capitalization and that ultimate parent AFG will continue to have a neutral impact on the ratings of the members of the group.

Rating Drivers

The ratings could be positively affected by the following:

- A trend of strong underwriting and operating performance that exceeds the group's peers over time while maintaining the strongest level of risk-adjusted capitalization.

The ratings could be negatively affected by the following:

- Deterioration in underwriting and operating performance to a level short of A.M. Best's expectation.
- 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 the current ratings.
- A deterioration in American Financial Group, Inc.'s overall financial strength or credit quality.

Financial Statements:

Balance Sheet:

Balance Sheet:

Admitted Assets	Year End - December 31			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Bonds	3,060,398	2,751,319	43.2	40.2
Preferred Stock	225,083	214,504	3.2	3.1
Common Stock	451,014	469,233	6.4	6.8
Cash and Short-term Invest	520,408	484,223	7.4	7.1
Real Estate, Investment	58,358	58,240	0.8	0.9
Derivatives	73	782	...	...
Other Non-Affil Inv Asset	697,881	490,942	9.9	7.2
Investments in Affiliates	492,838	857,171	7.0	12.5
Real Estate, Offices	...	...	...	...
Total Invested Assets	5,506,052	5,326,415	77.8	77.7
Premium Balances	594,219	530,482	8.4	7.7
Accrued Interest	27,048	24,046	0.4	0.4
All Other Assets	949,206	970,288	13.4	14.2
Total Assets	7,076,525	6,851,231	100.0	100.0
Liabilities & Surplus	Year End - December 31			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Loss and LAE Reserves	3,234,968	2,828,880	45.7	41.3
Unearned Premiums	1,213,165	1,104,230	17.1	16.1
Derivatives	...	...	...	...
Conditional Reserve Funds	28,577	28,228	0.4	0.4
All Other Liabilities	931,441	891,025	13.2	13.0
Total Liabilities	5,408,152	4,852,364	76.4	70.8
Surplus notes	...	...	...	...
Capital and Assigned Surplus	925,938	756,185	13.1	11.0
Unassigned Surplus	742,435	1,242,682	10.5	18.1
Total Policyholders' Surplus	1,668,373	1,998,867	23.6	29.2
Total Liabilities and Surplus	7,076,525	6,851,231	100.0	100.0

Source: Bestlink - Best's Statement File - P/C, US

Company History:

Date Incorporated: 03/07/1872

Date Commenced: 03/07/1872

Domicile: United States: Ohio

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.

Company Management:

Last significant update on 10/04/2017

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 CEO: Carl H. Linder, III

President and COO: Gary J. Gruber

EVP: Ronald J. Brichler

EVP: Vince McLenaghan

SVP and Chief Information Officer: James R. Niehaus

SVP, Treasurer and CFO: David J. Witzgall

SVP and General Counsel: Sue A. Erhart

SVP: Aaron B. Latto

SVP: Michael D. Pierce

SVP: Lloyd J. Stoik

SVP: Michael E. Sullivan, Jr.

Vice President and Actuary: Lisa A. Hays

Vice President and Controller: Robert J. Schwartz

Vice President: Annette D. Gardner

Vice President: 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

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do 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. A Financial Strength 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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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