

The insurance policy document provides a comprehensive overview of American Financial Group, Inc. (AFG), a holding company engaged in private passenger automobile and specialty property and casualty insurance, as well as tax-deferred annuities and life and supplemental health insurance products. AFG, incorporated in Ohio in 1997, operates one of the largest property and casualty groups in the U.S., with a focus on underwriting profitability, which is measured by the combined ratio. The company reported net written premiums of \$2,263 million in 1999, a decrease from \$2,609 million in 1998, with the personal insurance segment generating \$1,154 million and the specialty segment \$1,111 million. AFG's personal insurance primarily targets the nonstandard market, while its homeowners' insurance strategy involves limiting exposure in high-risk areas through reinsurance agreements. The specialty segment includes marine, workers' compensation, and professional liability, with premium volumes fluctuating based on market conditions.

The document outlines AFG's financial performance, including written premiums, net earned premiums, losses, and underwriting expenses over three years, revealing a combined ratio of 102.7%, 105.0%, and 100.0%. The marketing strategy emphasizes sales through independent agents and brokers, with approximately 330,000 policies in force. AFG employs reinsurance practices to diversify risks, ceding a portion of its business to limit potential losses. The liability for unpaid losses and loss adjustment expenses is estimated using case evaluations and actuarial projections, with historical data indicating cumulative deficiencies in some years.

AFG's annuity and life operations, primarily conducted through American Annuity Group, Inc. (AAG), have seen growth in assets and premiums, with a focus on retirement products. The document details the premium distribution for traditional fixed, variable, and equity-indexed annuities, highlighting the company's strategy to maintain a spread between investment yield and credited rates. AAG's life, accident, and health products generated over \$120 million in premiums in 1999, with a diverse range of offerings.

The investment portfolio summary indicates a significant allocation to fixed maturities, primarily taxable bonds, with a focus on maintaining a stable yield. AFG's operations extend internationally, with less than 3% of revenues derived from foreign sources. The document discusses ongoing litigation involving AFG and its subsidiaries, including class action lawsuits and antitrust claims, with management expressing confidence in their defenses.

Financially, AFG reported total revenues of \$3,334 million in 1999, with net earnings fluctuating and basic earnings per share rising to \$2.46. The balance sheet data indicates total assets of \$16,054 million and shareholders' equity of \$1,340 million. The document highlights the importance of dividend payments from subsidiaries for liquidity, while also noting a \$300 million bank credit line established in 1998. The company faces uncertainties, including environmental claims and market risks related to interest rate fluctuations.

The document also outlines the 1999 Annual Bonus Plan, which incentivizes participants based on performance criteria such as Earnings Per Share (EPS) and Company Performance. The plan is administered by a Compensation Committee, with provisions for bonus determination and payment timing. Overall, the document provides a detailed view of AFG's financial health, operational strategies, and risk management practices, emphasizing the complexities of its insurance and annuity operations.