American Financial Group, Inc. (AFG), incorporated in Ohio in 1997, is a prominent holding company engaged in private passenger automobile and specialty property and casualty insurance, as well as tax-deferred annuities and certain life and supplemental health insurance products. Following significant mergers in 1995, AFG's financial statements reflect those of its predecessor, American Financial Corporation (AFC). As of December 31, 1999, the Lindner Family owned approximately 48% of AFG's voting common stock. AFG's operations are divided into personal and specialty insurance, with a focus on underwriting profitability, evidenced by a combined ratio of 102.0% in 1999, slightly better than the industry average. The company has been navigating a prolonged pricing downcycle in the property and casualty insurance market, although some price firming is observed in specific areas.

AFG's property and casualty operations reported earned premiums of $2.211 billion in 1999, with a significant portion derived from the nonstandard auto market, which caters to drivers unable to obtain insurance through standard carriers. The Personal group, which includes private passenger automobile liability and homeowners' insurance, reported net written premiums of $1,154 million and a combined ratio of 100.7%. AFG limits exposure in high-risk areas and has ceded 90% of its homeowners' business through reinsurance since 1998. The Specialty group, focusing on specialized insurance coverage such as workers' compensation and professional liability, reported net written premiums of $1,111 million with a combined ratio of 102.7%. AFG employs both facultative and treaty reinsurance to manage risks, with a notable portion of its California workers' compensation business ceded to Reliance Insurance Company.

The document outlines AFG's financial liabilities, including Asbestos and Environmental Reserves (A&E), which totaled $4,795 million as of December 31, 1999. The establishment of A&E reserves is complex due to insufficient historical data and varying court interpretations. AFG has significantly increased its A&E reserves over the years, reflecting an acceleration in the settlement process. In terms of annuity and life operations, primarily conducted through American Annuity Group, Inc.

(AAG), the company has seen growth in its annuity products, with total receipts of $588 million in 1999. AAG's offerings include Flexible Premium Deferred Annuities (FPDAs) and Single Premium Deferred Annuities (SPDAs), designed for long-term retirement savings.

AFG's investment portfolio, valued at approximately $11.1 billion as of December 31, 1999, is diversified across various asset classes, with a focus on earning interest income. The company operates internationally, selling life and health products in Puerto Rico and property and casualty products in Canada, Mexico, Europe, and Asia. AFG's insurance subsidiaries are subject to extensive state regulations, which govern premium rates, solvency standards, and investment activities. The document notes that state regulations limit the maximum dividends insurers can pay to shareholders without prior approval, with AFG's available dividends from its insurance subsidiaries in 2000 being approximately $186 million. Changes in state insurance laws can significantly impact AFG's revenues and expenses, as illustrated by California's substantial reduction of workers' compensation insurance premium rates in the mid-1990s. The document concludes with a formal signing by Fred J. Runk, Senior Vice President and Treasurer of American Financial Group, Inc., on May 26, 2000.