

AMERICAN FINANCIAL GROUP INC

Form 10-Q

May 06, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the

Quarterly

Period

Ended

March 31,

2016

Commission

File No.

1-13653

AMERICAN FINANCIAL GROUP, INC.

Incorporated under the Laws of Ohio IRS Employer I.D. No. 31-1544320

301 East Fourth Street, Cincinnati, Ohio 45202

(513) 579-2121

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 1, 2016, there were 86,706,813 shares of the Registrant's Common Stock outstanding, excluding 14.9 million shares owned by subsidiaries.

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PART I

ITEM I — FINANCIAL STATEMENTS

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (UNAUDITED)

(Dollars in Millions)

	March 31, 2016	December 31, 2015
Assets:		
Cash and cash equivalents	\$ 1,231	\$ 1,220
Investments:		
Fixed maturities, available for sale at fair value (amortized cost — \$32,749 and \$31,565)	33,921	32,284
Fixed maturities, trading at fair value	249	254
Equity securities, available for sale at fair value (cost — \$1,475 and \$1,469)	1,536	1,553
Equity securities, trading at fair value	112	166
Mortgage loans	1,097	1,067
Policy loans	198	201
Real estate and other investments	1,093	991
Total cash and investments	39,437	37,736
Recoverables from reinsurers	2,561	2,636
Prepaid reinsurance premiums	475	480
Agents' balances and premiums receivable	936	937
Deferred policy acquisition costs	1,055	1,184
Assets of managed investment entities	3,906	4,047
Other receivables	693	820
Variable annuity assets (separate accounts)	595	608
Other assets	1,181	1,190
Goodwill	199	199
Total assets	\$ 51,038	\$ 49,837
Liabilities and Equity:		
Unpaid losses and loss adjustment expenses	\$ 8,108	\$ 8,127
Unearned premiums	2,051	2,060
Annuity benefits accumulated	27,812	26,622
Life, accident and health reserves	708	705
Payable to reinsurers	501	591
Liabilities of managed investment entities	3,656	3,781
Long-term debt	998	998
Variable annuity liabilities (separate accounts)	595	608
Other liabilities	1,672	1,575
Total liabilities	46,101	45,067
Shareholders' equity:		
Common Stock, no par value		
— 200,000,000 shares authorized	87	87
— 86,966,290 and 87,474,452 shares outstanding		
Capital surplus	1,218	1,214
Retained earnings	3,002	2,987
Accumulated other comprehensive income, net of tax	448	304
Total shareholders' equity	4,755	4,592

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Noncontrolling interests	182	178
Total equity	4,937	4,770
Total liabilities and equity	\$ 51,038	\$ 49,837

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AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

(In Millions, Except Per Share Data)

	Three months ended March 31,	
	2016	2015
Revenues:		
Property and casualty insurance net earned premiums	\$998	\$946
Life, accident and health net earned premiums	6	25
Net investment income	411	388
Realized gains (losses) on:		
Securities (*)	(18)	19
Subsidiaries	—	(162)
Income (loss) of managed investment entities:		
Investment income	45	34
Loss on change in fair value of assets/liabilities	(13)	(3)
Other income	46	50
Total revenues	1,475	1,297
Costs and Expenses:		
Property and casualty insurance:		
Losses and loss adjustment expenses	581	576
Commissions and other underwriting expenses	334	313
Annuity benefits	228	184
Life, accident and health benefits	9	32
Annuity and supplemental insurance acquisition expenses	35	41
Interest charges on borrowed money	18	20
Expenses of managed investment entities	35	24
Other expenses	79	77
Total costs and expenses	1,319	1,267
Earnings before income taxes	156	30
Provision for income taxes	52	5
Net earnings, including noncontrolling interests	104	25
Less: Net earnings attributable to noncontrolling interests	3	6
Net Earnings Attributable to Shareholders	\$101	\$19
Earnings Attributable to Shareholders per Common Share:		
Basic	\$1.16	\$0.22
Diluted	\$1.14	\$0.21
Average number of Common Shares:		