

Report of Examination of

Great American Life Insurance Company
Cincinnati, Ohio

As of December 31, 2011

Table of Contents

Subject	Page
Salutation	1
Description of Company	1
Scope of Examination	1
Management and Control:	
Board of Directors	2
Officers	2
Insurance Holding Company System	3
Territory and Plan of Operations	3
Reinsurance:	
Ceded	3
Assumed	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds	5
Summary of Operations	7
Statement of Changes in the Capital and Surplus Account	8
Notes to Financial Statements:	
Investments	8
Aggregate Reserve for Life Contracts	8
Conclusion	9
Acknowledgement	9

Columbus, Ohio
October 26, 2012

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Great American Life Insurance Company

an Ohio domiciled, stock, life insurance company, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2006. The Department’s current examination covers the period of January 1, 2007 through December 31, 2011.

The Department, as the coordinating state regulator of the insurance company subsidiaries of American Financial Group, Inc. (“AFG”), an affiliate, led the multi-state coordinated examination that included representatives from the states of California, Delaware, Illinois, New York, Ohio and Texas.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For all years under examination, the Certified Public Accounting firm of Ernst & Young LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Jeffrey G. Hester	Vice President, Expense, Budget and Investments/Capital, Great American Financial Resources, Inc.
S. Craig Lindner	Co-Chief Executive Officer, American Financial Group, Inc.
Christopher P. Miliano	Executive Vice President, Chief Financial Officer and Treasurer, Great American Financial Resources, Inc.
Mark F. Muething	Executive Vice President, General Counsel and Secretary, Great American Financial Resources, Inc.
Michael J. Prager	Executive Vice President, Chief Actuary and Chief Risk Officer, Great American Financial Resources, Inc.

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
S. Craig Lindner	President and Chief Executive Officer
Christopher P. Miliano	Executive Vice President, Chief Financial Officer and Treasurer
Mark F. Muething	Executive Vice President and Secretary
John P. Gruber	Senior Vice President, General Counsel and Chief Compliance Officer
Adrienne S. Kessling	Senior Vice President, Operations
Paul A. Severt	Vice President
Brian P. Sponaugle	Vice President
Bradley A. Wolfram	Vice President

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The Company is an indirect wholly owned subsidiary of Great American Financial Resources, Inc. (“GAFRI”), domiciled in Delaware, and an indirect wholly owned subsidiary of AFG, the ultimate controlling person in the holding company system. Through its insurance company subsidiaries, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and the sale of traditional fixed and indexed annuities and a variety of supplemental insurance products. The common stock of AFG is traded on the New York Stock Exchange.

Territory and Plan of Operations

The Company is licensed to write life, annuity and accident and health insurance in all states except New York and is also licensed in the District of Columbia, Guam and the U.S. Virgin Islands.

The Company predominantly markets fixed and fixed indexed annuities, and maintains long term care (“LTC”) products, variable annuities, term and universal life in-force business. In 2009, the Company ceded 100% of the LTC block to an affiliate, and stopped new sales in 2010.

Reinsurance

Ceded

The Company cedes business to various unaffiliated reinsurers pursuant to the terms of various agreements. Most of the Company’s cessions are existing ordinary life risks that the Company no longer actively markets. The maximum amount of exposure retained on any one life is \$250,000 on ordinary life risks.

All contracts examined contained the necessary clauses to meet the guidelines prescribed by the NAIC.

Assumed

The Company assumes annuity, life insurance and a small amount of accident and health business from three affiliates. The Company does not assume a material amount of business from non-affiliates.

All contracts examined contained the necessary clauses to meet the guidelines prescribed by the NAIC.

Financial Statements

The financial condition and the results of its operations for the five-year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds

Summary of Operations

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2011**

Assets

Bonds	\$ 12,433,476,169
Preferred stocks	15,147
Common stocks	335,237,658
Mortgage loans – first liens	291,111,463
Properties held for the production of income	84,418,419
Cash and short-term investments	210,511,685
Contract loans	144,915,808
Derivatives	65,621,758
Other invested assets	<u>55,164,039</u>
Subtotal, cash and invested assets	13,620,472,146
Accrued investment income	132,501,846
Uncollected premiums in course of collection	347,367
Deferred premiums and installments booked but deferred and not due	12,353,187
Amounts recoverable from reinsurers	11,276,613
Net deferred tax asset	56,883,115
Electronic data processing equipment and software	1,564,136
Receivable from parent, subsidiaries and affiliates	1,212,046
Aggregate write-ins for other than invested assets	<u>113,857,704</u>
Total assets	<u>\$ 13,950,468,160</u>

Statement of Assets, Liabilities, Surplus and Other Funds (continued)
December 31, 2011

Liabilities

Aggregate reserve for life contracts	\$ 11,938,228,594
Aggregate reserve for accident and health contracts	750,368
Liability for deposit-type contracts	703,108,767
Life contract claims	61,908,751
Accident and health contract claims	876,425
Premiums and annuity considerations received in advance	386,985
Other amounts payable on reinsurance ceded	1,141,371
Interest maintenance reserve	41,452,957
Commissions to agents due or accrued	4,048,406
General expenses due or accrued	16,637,353
Taxes, licenses and fees due or accrued	5,021,971
Current federal income taxes	19,498,423
Amounts withheld or retained by company as agent or trustee	197,094
Amounts held for agents' accounts	1,790,822
Remittances and items not allocated	29,608,965
Asset valuation reserve	22,608,226
Payable to affiliates	705,244
Payable for securities	25,094,987
Aggregate write-ins for liabilities	<u>6,898,447</u>
Total liabilities	<u>12,879,964,156</u>

Capital and Surplus

Common capital stock	2,512,500
Aggregate write-ins for other than special surplus funds	20,011,829
Gross paid in and contributed surplus	704,977,734
Unassigned funds	<u>343,001,941</u>
Total capital and surplus	<u>1,070,504,004</u>
Total liabilities, capital and surplus	<u>\$ 13,950,468,160</u>

**Summary of Operations
For the Year Ended December 31, 2011**

Premiums and annuity considerations	\$ 2,802,897,447
Consideration for supplementary contracts with life contingencies	596,832
Net investment income	760,456,897
Amortization of interest maintenance reserve	5,038,168
Commissions and expense allowances on reinsurance ceded	7,592,354
Reserve adjustments on reinsurance ceded	(265,785)
Charges and fees for deposit-type contracts	7,704,700
Aggregate write-ins for miscellaneous income	<u>12,838,816</u>
Total	<u>3,596,859,429</u>
Death benefits	24,316,989
Matured endowments	10,362
Annuity benefits	230,034,346
Disability benefits and benefits under accident & health contracts	8,316,573
Surrender benefits and withdrawals for life contracts	597,222,922
Group conversions	317
Interest and adjustments on contract or deposit-type contract funds	123,154,727
Payments on supplementary contracts with life contingencies	6,854
Increase in aggregate reserves	<u>2,136,561,704</u>
Total	3,119,624,794
Commissions on premiums, annuity considerations and deposit-type contract funds	181,068,705
Commissions and expense allowances on reinsurance assumed	(2,497,842)
General insurance expenses	47,013,859
Insurance taxes, licenses and fees	5,753,053
Increase in loading on deferred and uncollected premiums	<u>(323,934)</u>
Total	<u>3,350,638,635</u>
Net gain from operations before federal income taxes and before net realized capital losses	246,220,794
Federal income taxes	<u>57,631,853</u>
Net gain from operations after federal income taxes and before realized capital losses	188,588,941
Net realized capital losses	<u>(36,412,992)</u>
Net income	<u>\$ 152,175,949</u>

Statement of Changes in the Capital and Surplus Account
(In thousands)

	2007	2008	2009	2010	2011
Capital and surplus, beginning of year	<u>\$643,816</u>	<u>\$732,328</u>	<u>\$794,257</u>	<u>\$874,636</u>	<u>\$990,856</u>
Net income (loss)	43,978	(3,980)	(31,555)	161,214	152,176
Change in net unrealized capital gains (losses)	(51,162)	(79,764)	94,197	23,988	(48,075)
Change in net deferred income tax	15,808	10,046	(4,633)	(26,884)	6,190
Change in nonadmitted assets	6,086	7,537	18,138	(5,625)	(6,909)
Change in reserve on account of change in valuation basis	-	-	4,352	-	-
Change in asset valuation reserve	29,214	42,724	4,189	(25,286)	15,582
Cumulative effect of changes in accounting principles	-	-	(18,569)	-	-
Surplus paid in	72,683	125,038	119,106	-	-
Change in surplus from reinsurance	(1,609)	13,770	(3,333)	(3,129)	(2,798)
Dividends to stockholder	(30,000)	(72,500)	(104,703)	(10,000)	(40,000)
Aggregate write-ins	<u>3,514</u>	<u>19,058</u>	<u>3,190</u>	<u>1,942</u>	<u>3,482</u>
Net change in capital and surplus	<u>88,512</u>	<u>61,929</u>	<u>80,379</u>	<u>116,220</u>	<u>79,648</u>
Capital and surplus, end of year	<u>\$732,328</u>	<u>\$794,257</u>	<u>\$874,636</u>	<u>\$990,856</u>	<u>\$1,070,504</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3907.14 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Aggregate Reserve for Life Contracts

The Company's Board of Directors appointed Richard L. Sutton, FSA, MAAA, Senior Actuary of the Company, to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Sutton prepared an Actuarial Memorandum supporting the Opinion in connection with the preparation of the Company's December 31, 2011, Annual Statement.

Peter A. Weber, ASA, MAAA, the Department's Life and Annuity Actuary, reviewed the Actuarial Memorandum and performed other procedures as considered necessary to evaluate the Company's reserves. On the basis of his analysis, Mr. Weber determined that the reserves presented in the December 2011 Annual Statement are consistent with requirements in Ohio law, and furthermore, that the reserves and related items held by the Company are adequate and appropriate.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

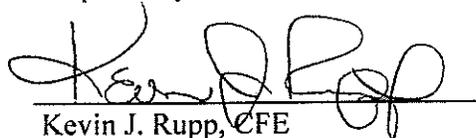
Total Admitted Assets	<u>\$13,950,468,160</u>
Liabilities	\$12,879,964,156
Surplus as Regards Policyholders	<u>1,070,504,004</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$13,950,468,160</u>

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the aforementioned and undersigned, the following representatives of the Department participated in this examination: Mohammad A. Arif, AES, CFE, CISA, CIDM, CISSP; Ryan S. Gibson, CFE, FLMI; Aaron R. Hibbs, CFE, ChFC, CPA, FLMI; James H. Luke, CFE, CPA; Larry G. Rice, AES, CFE, CISA, CPA; and Zachary L. Wheatley, CPA.

Respectfully,



Kevin J. Rupp, CFE
Examiner-In-Charge
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2011.

Kevin J. Rupp 11/20/12 Jeffrey K. Ebert 11/20/12
Examiner-In-Charge Date Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Kevin J. Rupp, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 20 day of November, 2012.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
My Commission Expires MAY 22, 2017

State of Ohio
County of Franklin

Personally appeared before me the above named, Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 20 day of November, 2012.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires