

Report of Examination of

Great American Protection Insurance Company
Cincinnati, Ohio

As of December 31, 2011

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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 Protection Insurance Company

an Ohio domiciled, stock, property and casualty 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”), 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
Ronald J. Brichler	Executive Vice President, Great American Insurance Company
Gary J. Gruber	Executive Vice President, Great American Insurance Company
Karen Holley Horrell	Senior Vice President, Executive Counsel and Secretary, Great American Insurance Company
Donald D. Larson	President, Great American Insurance Company
Robert E. Maly	Senior Vice President, Great American Insurance Company
Vito C. Peraino	Senior Vice President and Assistant General Counsel, Great American Insurance Company
Michael D. Pierce	Senior Vice President, Great American Insurance Company
Eve Cutler Rosen	Senior Vice President, General Counsel and Assistant Secretary, Great American Insurance Company
Piyush K. Singh	Senior Vice President and Chief Information Officer, Great American Insurance Company
Michael E. Sullivan, Jr.	Senior Vice President, Great American Insurance Company
David J. Witzgall	Senior Vice President, Chief Financial Officer and Treasurer, Great American Insurance Company

Officers

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

Name	Title
Donald D. Larson	Chairman and President
Ronald J. Brichler	Executive Vice President
Gary J. Gruber	Executive Vice President
Karen Holley Horrell	Senior Vice President, Executive Counsel and Secretary
Eve Cutler Rosen	Senior Vice President, General Counsel and Assistant Secretary
David J. Witzgall	Senior Vice President, Chief Financial Officer and Treasurer
John L. Doellman	Vice President and Actuary
Allen F. Eling	Vice President
Annette D. Gardner	Vice President and Assistant Treasurer
Robert J. Schwartz	Vice President and Controller

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 a wholly owned subsidiary of Great American Insurance Company ("GAIC"), which in turn, is a 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 in 6 states and approved to write surplus lines in 32 states and in the District of Columbia. During 2011, all business was written in Delaware on a surplus lines basis.

Line of Business	Direct	Assumed	Ceded	Net
Other liability – claims made	\$ 32,363	\$ 0	\$ 32,363	\$ 0
Other liability - occurrence	<u>65,934</u>	<u>0</u>	<u>65,934</u>	<u>0</u>
Total	<u>\$ 98,297</u>	<u>\$ 0</u>	<u>\$ 98,297</u>	<u>\$ 0</u>

Reinsurance

The Company participates in a reinsurance pooling agreement with GAIC and certain affiliates noted below. The effect of the pooling agreement is to transfer all direct insurance liabilities of these Companies to GAIC. GAIC retains 100% of the pooled business.

Company	Domicile	Participation
Great American Insurance Company	OH	100%
Great American Insurance Company of New York	NY	0%
Great American Alliance Insurance Company	OH	0%
Great American Assurance Company	OH	0%
Great American Casualty Insurance Company	OH	0%
Great American Contemporary Insurance Company	OH	0%
Great American E&S Insurance Company	DE	0%
Great American Fidelity Insurance Company	DE	0%
Great American Protection Insurance Company	OH	0%
Great American Security Insurance Company	OH	0%
Great American Spirit Insurance Company	OH	<u>0%</u>
Total		<u>100%</u>

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
- Statement of Income
- Statement of Changes in the Capital and Surplus Account

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

Assets

Bonds	\$ 22,513,688
Preferred stocks	367,750
Cash, cash equivalents and short term investments	<u>3,800,358</u>
Subtotal, cash and invested assets	26,681,796
Investment income due and accrued	188,969
Net deferred tax asset	<u>90,363</u>
Total assets	<u>\$ 26,961,128</u>

Liabilities

Losses and loss adjustment expenses	\$ 0
Other expenses	3,375
Current federal income taxes	<u>1,337</u>
Total liabilities	<u>4,712</u>

Capital and Surplus

Common capital stock	3,504,000
Gross paid in and contributed surplus	10,696,000
Unassigned funds	<u>12,756,416</u>
Total capital and surplus	<u>26,956,416</u>
Total liabilities, capital and surplus	<u>\$ 26,961,128</u>

Statement of Income
As of December 31, 2011

Premiums earned	<u>\$ 0</u>
Losses incurred	0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	<u>0</u>
Total underwriting deductions	<u>0</u>
Net underwriting gain	<u>0</u>
Net investment income earned	872,619
Net realized capital gains	<u>7,718</u>
Net investment gain	<u>880,337</u>
Miscellaneous income	<u>2</u>
Total other income	<u>2</u>
Net income before federal income taxes	880,339
Federal income taxes incurred	<u>168,741</u>
Net income	<u>\$ 711,598</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Capital and surplus, prior year end	<u>\$ 26,314</u>	<u>\$ 25,493</u>	<u>\$ 24,547</u>	<u>\$ 24,171</u>	<u>\$ 23,558</u>
Net income	712	904	855	512	689
Change in net unrealized capital gains (losses)	(74)	5	126	(183)	(72)
All other changes in surplus	<u>4</u>	<u>(88)</u>	<u>(35)</u>	<u>47</u>	<u>(4)</u>
Net change in capital and surplus	<u>642</u>	<u>821</u>	<u>946</u>	<u>376</u>	<u>613</u>
Capital and surplus, current year end	<u>\$ 26,956</u>	<u>\$ 26,314</u>	<u>\$ 25,493</u>	<u>\$ 24,547</u>	<u>\$ 24,171</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Loss and Loss Adjustment Expense Reserves

The Company's Board of Directors appointed John L. Doellman, FCAS, MAAA, Vice President and Actuary, to render a Statement of Actuarial Opinion ("Opinion") on the pooled reserves. Mr. Doellman prepared an Actuarial Report supporting the Opinion in connection with the preparation of the Company's December 31, 2011 Annual Statement.

Thomas Botsko, ACAS, MAAA, the Department's Property and Casualty Actuary, reviewed the Actuarial Report and performed other procedures as considered necessary to evaluate the pooled reserves. On the basis of his analysis, Mr. Botsko concluded the pooled reserves fall within a reasonable range of reserve estimates at December 31, 2011.

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:

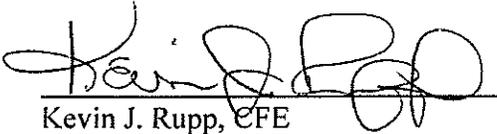
Total Admitted Assets	<u>\$26,961,128</u>
Liabilities	\$ 4,712
Capital and Surplus	<u>26,956,416</u>
Total Liabilities, Capital and Surplus	<u>\$26,961,128</u>

Acknowledgement

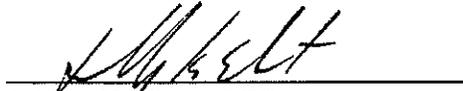
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

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.

[Signature]
Examiner-In-Charge

11/20/12
Date

[Signature]
Assistant Chief Examiner

11/20/12
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
My Commission Expires

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