

AMERICAN FINANCIAL GROUP INC

Form 10-Q

August 03, 2018

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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 June

30, 2018

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. Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 1, 2018, there were 89,087,663 shares of the Registrant's Common Stock outstanding, excluding 14.9 million shares owned by subsidiaries.

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## AMERICAN FINANCIAL GROUP, INC. 10-Q

## PART I

## ITEM I — FINANCIAL STATEMENTS

## AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

(Dollars in Millions)

	June 30, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	\$1,810	\$ 2,338
Investments:		
Fixed maturities, available for sale at fair value (amortized cost — \$39,244 and \$37,038)	39,648	38,379
Fixed maturities, trading at fair value	137	348
Equity securities, at fair value	1,777	1,662
Investments accounted for using the equity method	1,194	999
Mortgage loans	1,147	1,125
Policy loans	179	184
Equity index call options	615	701
Real estate and other investments	272	312
Total cash and investments	46,779	46,048
Recoverables from reinsurers	3,073	3,369
Prepaid reinsurance premiums	645	600
Agents' balances and premiums receivable	1,266	1,146
Deferred policy acquisition costs	1,582	1,216
Assets of managed investment entities	5,032	4,902
Other receivables	1,048	1,030
Variable annuity assets (separate accounts)	636	644
Other assets	1,574	1,504
Goodwill	199	199
Total assets	\$61,834	\$ 60,658
Liabilities and Equity:		
Unpaid losses and loss adjustment expenses	\$9,093	\$ 9,678
Unearned premiums	2,539	2,410
Annuity benefits accumulated	34,886	33,316
Life, accident and health reserves	647	658
Payable to reinsurers	721	743
Liabilities of managed investment entities	4,840	4,687
Long-term debt	1,301	1,301
Variable annuity liabilities (separate accounts)	636	644
Other liabilities	2,087	1,887
Total liabilities	56,750	55,324
Redeemable noncontrolling interests	—	3
Shareholders' equity:		
Common Stock, no par value		
— 200,000,000 shares authorized	89	88
— 89,072,114 and 88,275,460 shares outstanding		

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Capital surplus	1,220	1,181
Retained earnings	3,628	3,248
Accumulated other comprehensive income, net of tax	147	813
Total shareholders' equity	5,084	5,330
Noncontrolling interests	—	1
Total equity	5,084	5,331
Total liabilities and equity	\$61,834	\$ 60,658

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## AMERICAN FINANCIAL GROUP, INC. 10-Q

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

(In Millions, Except Per Share Data)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues:				
Property and casualty insurance net earned premiums	\$1,161	\$1,065	\$2,268	\$2,087
Life, accident and health net earned premiums	6	5	12	11
Net investment income	530	460	1,025	895
Realized gains (losses) on securities (*)	31	8	(62 )	11
Income (loss) of managed investment entities:				
Investment income	64	50	122	101
Gain (loss) on change in fair value of assets/liabilities	(2 )	11	(5 )	11
Other income	43	47	92	106
Total revenues	1,833	1,646	3,452	3,222
Costs and Expenses:				
Property and casualty insurance:				
Losses and loss adjustment expenses	693	635	1,334	1,244
Commissions and other underwriting expenses	400	366	781	