AMERICAN FINANCIAL GROUP, INC.

ANNUAL REPORT 2009

Property and Casualty
Specialty Commercial Insurance

Annuities and
Supplemental Insurance

ABOUT THE COVER

The artwork for the cover is a photo mosaic based on an image of the American Bald Eagle. The eagle has special significance to AFG, as it is the symbol our Company chose many years ago as a sign of our commitment to financial strength and integrity. Although this image has evolved over the years, the values it stands for and our commitment to the insurance industry have not.

Upon closer examination, you'll see that this mosaic is comprised of many smaller images that are representative of the depth and breadth of our specialty insurance businesses that protect our policyholders against today's perils and help to secure tomorrow's possibilities. These smaller components serve to fulfill a larger specialization strategy that has enabled AFG to emerge as an industry leader in many of the markets it serves.

By using 10% post-consumer recycled content in place of only virgin fiber, an environmental savings of 24 trees and 8 million BTUs of energy was achieved. The 2009 AFG Annual Report uses about half the number of sheets of paper used in the 2008 Report.
Source: www.neenahpaper.com/ECOpaperCalculator

AMERICAN FINANCIAL GROUP

American Financial Group, Inc. is engaged in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed, indexed and variable annuities and a variety of supplemental insurance products.

OUR VISION

To deliver financial solutions that fulfill today's needs and tomorrow's dreams — to be a trusted partner delivering long-term value to our customers, employees and investors.

OUR PURPOSE

To enable individuals and businesses to manage financial risk. We provide insurance products and services tailored to meet the specific and ever-changing financial risk exposures facing our customers. We build value for our investors through the strength of our customers' satisfaction and by consistently producing superior operating results.

AMERICAN FINANCIAL GROUP, INC.

GREAT AMERICAN INSURANCE GROUP

GREAT AMERICAN FINANCIAL RESOURCES

AMERICAN EMPIRE GROUP

MID-CONTINENT GROUP

GREAT AMERICAN INSURANCE COMPANY

NATIONAL INTERSTATE

Marketform

Republic Indemnity

Annuity Investors LIFE INSURANCE COMPANY

GREAT AMERICAN PLAN ADMINISTRATORS

GREAT AMERICAN LIFE INSURANCE COMPANY

UNITED TEACHER ASSOCIATES INSURANCE COMPANY

Carl H. Lindner III, Co-Chief Executive Officer

S. Craig Lindner, Co-Chief Executive Officer

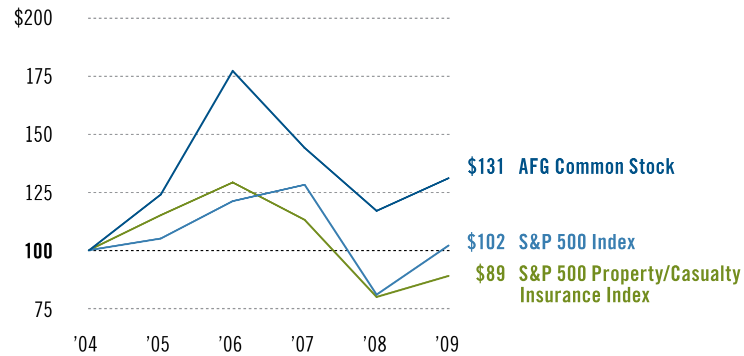
TO OUR SHAREHOLDERS

Looking back at 2009, we could not have imagined the turn of events we experienced in the global economy and the implications to the insurance industry overall. The course of events over the past eighteen months will shape the way financial markets function and the way many companies conduct business for years to come. While this period has been full of uncertainties, our team at AFG has managed our business cautiously, yet opportunistically. Maintaining this balance was challenging and served to underscore the importance and success of our specialization strategy and the foundation of our business objectives. As a result, AFG generated record core net operating earnings and record net earnings attributable to shareholders in 2009.

AFG's financial condition is strong, with over $450 million in excess capital available to take advantage of business opportunities. We've often spoken about "keeping some powder dry" when discussing capital management. That philosophy was critical as we issued $350 million of 9-7/8% ten-year senior notes in June 2009. This offering provided additional flexibility and liquidity, and facilitated the pay down of a revolving bank line of credit that matures in 2011. This source of longer-term financing, plus a membership in the Federal Home Loan Bank of Cincinnati, provided options at a time when accessibility of the credit markets was uncertain.

Market conditions last year were the toughest we've seen during our tenure in the insurance industry. Soft pricing, decreased commercial demand as a result of a depressed economy and fluctuations in investment valuations contributed to the challenges. We were pleased, however, by the recovery in investment values during the second half of the year. Additionally, the stabilization of used car sale prices, which impact our run-off residual value insurance (RVI) business, and strong crop yields and commodity prices contributed to excellent results in our insurance operations. Our premium volume reductions were anticipated due to disciplined underwriting in a soft market.

5 YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN
ON AFG COMMON STOCK VS. S&P INDICES



This graph assumes $100 invested on December 31, 2004 in AFG's common stock, the Standard & Poor's ("S&P") 500 Index and the S&P 500 Property/Casualty Insurance Index, including reinvestment of dividends.

The Company's 2009 results continued a pattern in which AFG has outperformed the overall market and the insurance sector. The annual compounded growth rate of AFG's common stock plus dividends over the past five years was just over 5%, compared with returns of less than one-half of 1% in the S&P 500 Index and -2% in the S&P Property and Casualty Insurance Index. Furthermore, the annual compounded growth rate of AFG's book value per share, excluding unrealized gains and losses on fixed income securities, was 11% over the past five years.

OUR BUSINESS MODEL

AFG is a premier specialty insurer, focused on niche specialty commercial property and casualty markets and on annuities and supplemental insurance products for targeted customer groups. Our business model is focused on those markets where we can offer our policyholders significant expertise, capable distribution relationships and excellent policyholder service. In today's investment environment, underwriting decisions are more important than ever as we are faced with lower investment returns. We pride ourselves on skilled underwriting, objective and fair claims handling and prudent investing, which are fundamental to long-term success and value creation.

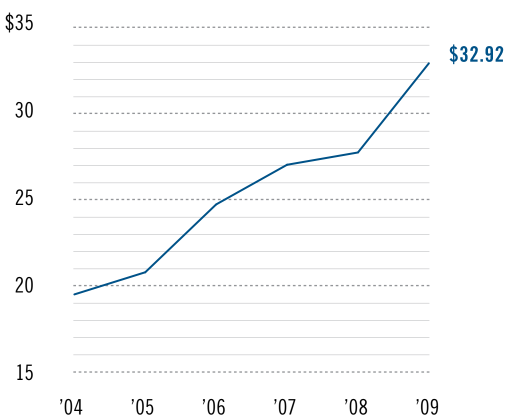
Our overriding goal is to increase long-term shareholder value. During the past year:

- AFG's book value per share increased to $33.35 as a result of our strong earnings performance and the significant improvement in the market value of our investment portfolio during 2009. This represents an increase of 55% from the $21.54 per share reported at the end of 2008.
- Tangible book value per share was $30.99 at the end of 2009, up 63% from the prior year.

- We took advantage of the opportunity provided by the decline in our stock price by making open market purchases of 3.3 million shares of AFG Common Stock at an average price of $24.62 per share. We believe that repurchasing shares below book value is an effective use of our excess capital, producing a favorable effect on our earnings per share and book value per share.
- We also announced an increase in AFG's annual dividend to $0.55 per share, beginning in January of 2010. This dividend was the fifth consecutive annual dividend increase for the Company and represents a six percent increase over the dividend paid in 2009. This underscores the confidence of the Board and management in the Company's business and long-term financial outlook.

The significant ownership of AFG's stock by our management team and employees provides alignment of interests with our public shareholders. The following aspects of our strategic focus will help us increase shareholder value over the long run:

BOOK VALUE PER SHARE*



*As of December 31, excluding unrealized gains and losses on fixed maturities

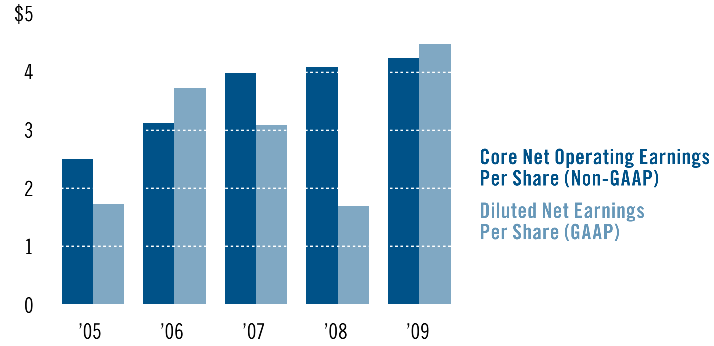
- Operate in specialty niches where we have significant experience.
- Maintain our strong underwriting culture through astute risk selection, pricing discipline and risk management practices.
- Reduce business volume in select lines if needed to achieve appropriate underwriting results.
- Maintain financial leverage and capital adequacy that are consistent with our commitments to rating agencies and the market.
- Nurture relationship-based distribution networks that result in strong, mutually beneficial partnerships and contribute to business retention and continuity.
- Focus on achieving investment returns over the long-term that outperform market indices while effectively managing our portfolio risk.
- Identify, develop and appropriately reward business leaders who will enhance the Company's intellectual capital.

Our long-term financial objectives are to achieve returns on equity in excess of 12%, grow book value, and maintain a strong balance sheet and adequate liquidity to provide financial flexibility.

2009 RESULTS

Our 2009 record core net operating earnings of $4.23 per share increased 4% from 2008, surpassing our expectations and reflecting agility and adherence to our strategy. The 2009 core net operating earnings generated a return on equity of 16%. The 2009 underwriting profit for the specialty P&C operations increased by 17%, producing a combined ratio of 82%. The combined ratio reflects favorable reserve development, particularly in our run-off RVI operations, unusually strong results in our crop insurance operations and minimal catastrophe losses. We are pleased that almost all of our P&C business units produced profitable underwriting margins, and our returns were consistent with, and in many cases exceeded, our objectives in these businesses.

EARNINGS PER SHARE
(For the year ended December 31)

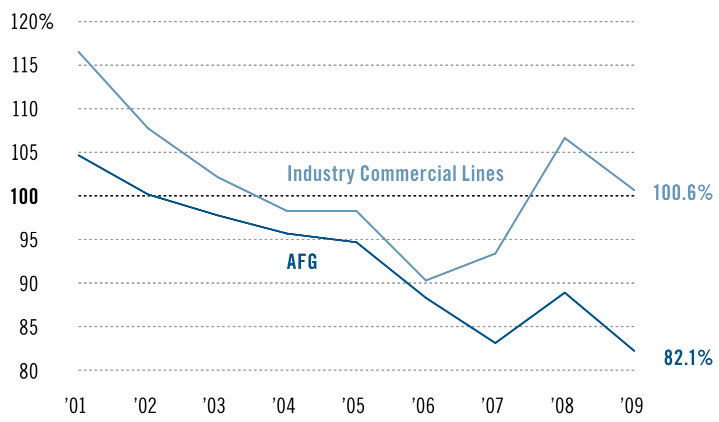


Declines in net written premiums in our P&C operations were in line with our stated expectations for the year, and were impacted by a decision to cede a greater portion of our crop insurance business in order to free up capital during the early part of 2009. Excluding our crop business, the overall decrease in net written premium for the year was about 10%. Soft market conditions and planned volume reductions in certain product lines contributed to the premium declines. In some markets, the economic downturn impacted premium levels. Reduced payrolls, for example, resulted in a lower premium base in our California workers' compensation business. Also, our general liability and property lines were affected by homebuilders who are building fewer properties. Some business owners also chose to reduce coverage in tough economic times.

Our Annuity and Supplemental Group benefitted from improved spreads in its annuity businesses during the first half of the year, which were offset somewhat by lower earnings in the supplemental insurance businesses. The A&S Group's 2009 statutory premiums decreased to $1.9 billion, 11% lower than the record levels recorded in 2008. The decrease was primarily related to lower sales of indexed annuities.

The investment environment for fixed maturity securities experienced a recovery, which resulted in a dramatic improvement in the market value of our investments and a significant increase in net earnings over the 2008 period. AFG's 2009 net earnings generated a return on equity of 17%, and over the last five years it has averaged 12%, including realized gains and losses.

STATUTORY COMBINED RATIO (COR) –
SPECIALTY GROUP



2004—2009 Industry CORs exclude A&E losses. The Industry Source is A.M. Best Company, Inc. and 2009 Industry Commercial COR is estimated.

INVESTMENTS

Our primary investment objective is to maximize total return from a long-term perspective. Our investment portfolio is primarily comprised of investment grade securities providing a predictable, steady stream of income. Investment performance improved significantly in 2009 as market conditions stabilized and as the value of many investments recovered. At the end of 2009, the unrealized gain on AFG's investments was $166 million, an $850 million improvement during the year, reflecting both the quality of our portfolio as well as prudent management during times of market volatility and economic uncertainty.

During the fourth quarter of 2009, AFG had a gain of $49 million ($0.42 per share) on the sale of a portion of our holdings in connection with the initial public offering of Verisk Analytics. We are very pleased with our returns on this investment, the remainder of which had a carrying value of just over $180 million on a cost basis of approximately $24 million at December 31, 2009.

CAPITAL AND LIQUIDITY

The capital in our insurance businesses is at levels that support our operations and is consistent with amounts required for our rating levels. Our financial leverage of 18% is well below the levels committed to the ratings agencies and the market. At the end of 2009, available liquidity at the parent company was approximately $700 million, based on borrowings available under our bank line and cash and securities held at the parent company. We anticipate continuing to generate additional capital and cash through operations during 2010.

LOOKING AHEAD

We expect our 2010 core net operating earnings to be in the range of $3.30 - $3.70 per share. This guidance is lower than our 2009 results due to the level of favorable reserve development recorded in 2009 (especially in our run-off RVI business), the above average profitability in our crop operations in 2009, a continued soft market and lower investment returns expected in 2010.

Despite the ongoing challenges in the economy and global credit markets, we continue to believe that ongoing operations will be strong. The outcome of our 2009 underwriting and pricing decisions will take years to become fully known. In every part of the insurance cycle, but especially in this soft market, we remain disciplined and patient. We recognize the importance of achieving appropriate pricing for the risks we assume, ensuring our claims settlements are appropriate and keeping our expenses in line with our premium volume. We believe that the Company's financial strength, diversified business model and underwriting and risk management skills provide the foundation for lasting shareholder value.

We thank God for His blessings and we are grateful for our management team for their excellent work during this time of economic challenge. We also express our appreciation to our policyholders, agents and brokers for their continuing business and to you, our shareholders, for your investment and support.

Carl H. Lindner III   S. Craig Lindner

Carl H. Lindner III
Co-Chief Executive Officer

S. Craig Lindner
Co-Chief Executive Officer

FINANCIAL HIGHLIGHTS
(IN MILLIONS, EXCEPT PER SHARE DATA)

BALANCE SHEET DATA	2009	2008	2007
Cash and investments	**$19,791**	$16,871	$18,054
Total assets	**27,683**	26,428	25,808
Long-term debt	**828**	1,030	937
Shareholders' equity	**3,781**	2,490	3,046
Book value per share	**$33.35**	$21.54	$26.84
Shareholders' equity [A]	**3,733**	3,210	3,071
Book value per share [A]	**$32.92**	$27.77	$27.06
Cash dividends per share	**$0.52**	$0.50	$0.40
Ratio of debt to total capital [B]	**18%**	24%	23%
Shares outstanding	**113.4**	115.6	113.5

SUMMARY OF OPERATIONS	2009	2008	2007
Total revenues	**$4,321**	$4,293	$4,379
Components of net earnings:			
Core net operating earnings [C]	**$493**	$476	$486
Major A&E reserve increases	**–**	(10)	(56)
Realized investment gains (losses)	**26**	(270)	(47)
Net earnings attributable to shareholders – GAAP	**$519**	$196	$383
Return on Shareholders' Equity:			
Core net operating earnings	**16%**	17%	16%
Net earnings	**17%**	7%	13%
Components of diluted earnings per share:			
Core net operating earnings [C]	**$4.23**	$4.07	$3.94
Major A&E reserve increases	**–**	(.09)	(.46)
Realized investment gains (losses)	**.22**	(2.31)	(.38)
Diluted earnings per share – GAAP	**$4.45**	$1.67	$3.10

A Excludes unrealized gains and losses on fixed maturity investments.

B For this calculation, capital includes long-term debt, noncontrolling interests and shareholders' equity (excluding unrealized gains and losses on fixed maturity investments).

C Certain significant items that may not be indicative of ongoing core operations are excluded in deriving our core net operating earnings, a non-GAAP measure used for discussion and analytical purposes. Though it is not a generally accepted accounting principles ("GAAP") measure, it is a key performance measure used by analysts and rating agencies.

AFG (AT A GLANCE)

FINANCIAL STRENGTH RATINGS

SPECIALTY PROPERTY & CASUALTY INSURANCE GROUP	A.M. BEST	STANDARD & POOR'S
Great American Insurance Company	A (Excellent)	A (Strong)
American Empire Surplus Lines Insurance Company	A+ (Superior)	A (Strong)
Mid-Continent Casualty Company	A (Excellent)	A (Strong)
National Interstate Insurance Company	A (Excellent)	*Not Rated*
Republic Indemnity Company of America	A (Excellent)	A (Strong)
Marketform/Lloyd's Syndicate	A (Excellent)	A+ (Strong)

ANNUITY & SUPPLEMENTAL INSURANCE GROUP	A.M. BEST	STANDARD & POOR'S
Great American Life Insurance Company	A (Excellent)	A (Strong)
Annuity Investors Life Insurance Company	A (Excellent)	A (Strong)
United Teacher Associates Insurance Company	A– (Excellent)	*Not Rated*
Loyal American Life Insurance Company	A (Excellent)	*Not Rated*

GROUP COMPONENTS

SPECIALTY PROPERTY & CASUALTY INSURANCE GROUP

PROPERTY AND TRANSPORTATION

Inland and Ocean Marine
Builders' risk, contractors' equipment, property, motor truck cargo, marine cargo, boat dealers, marina operators/dealers and excursion vessels.

Agricultural-related
Federally reinsured multi-peril crop insurance covering most perils as well as crop-hail, equine mortality and other coverages for full-time operating farms/ranches and agribusiness operations on a nationwide basis.

Commercial Automobile
All types of vehicles in a broad range of businesses and customized insurance programs for various transportation operations (buses and trucks) and a specialized physical damage product for the trucking industry.

SPECIALTY CASUALTY

Executive and Professional Liability
Liability coverage for directors and officers of businesses and non-profit organizations; errors and omissions; and non-U.S. medical malpractice insurance.

Umbrella and Excess Liability
Higher layer liability coverage in excess of primary layers.

Excess and Surplus
Liability, umbrella and excess coverage for unique, volatile or hard-to-place risks, using rates and forms that generally do not have to be approved by state insurance regulators.

General Liability
Contractor-related businesses, energy development and production risks, and environmental liability risks.

Targeted Programs
Coverage (primarily liability, property, and in certain cases, workers' compensation) for social service agencies, leisure, entertainment and non-profit organizations, customized solutions for other targeted markets and alternative risk programs using agency captives.

CALIFORNIA WORKERS' COMPENSATION

Workers' Compensation
Coverage for prescribed benefits payable to employees (principally in California) who are injured on the job.

SPECIALTY FINANCIAL

Fidelity and Surety
Fidelity and crime coverage for government, mercantile and financial institutions and surety coverage for various types of contractors and public and private corporations.

Lease & Loan Services
Coverage for insurance risk management programs for lending and leasing institutions, including vehicle and equipment leasing and collateral and mortgage protection.

ANNUITY & SUPPLEMENTAL INSURANCE GROUP

Fixed, Indexed and Variable Annuities
Sold primarily to teachers and public school employees and non-profit organizations.

Fixed and Indexed Annuities
Sold primarily to the single premium market.

Medicare Supplement, Cancer and Other Supplemental Health Products
Sold primarily to the senior and worksite markets.

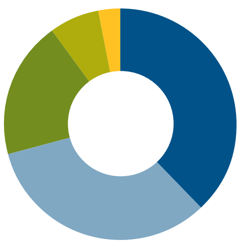
OPERATIONAL OVERVIEW

A LEADER IN THE INSURANCE INDUSTRY

American Financial Group is committed to providing insurance products that meet the unique risk management needs of businesses and financial planning needs of individuals. Today's operations consist of approximately 25 niche insurance businesses which are focused on serving the markets we know best.

We understand the business of managing risk – whether it is inherent in business operations, or in planning for our policyholders' retirement. Our commitment to skilled underwriting helps us to provide desired coverage or financial solutions that are priced appropriately and earn an appropriate return. Our business model is founded on an entrepreneurial approach that allows "local" decision making for underwriting, claims and policy servicing in each of our niches. Each business designs products, creates distribution strategies and builds relationships in the markets they know and serve. We know that positive customer experiences happen when knowledgeable professionals provide high quality, reliable service and that a strong brand evolves from repeated positive experiences.

2009 NET WRITTEN PREMIUM



Our 7,100 employees located in over 100 locations throughout North America and Western Europe are the foundation to the success of our business. Management development programs and succession planning have been instrumental in building and protecting our intellectual capital as we expand our knowledge and expertise in the specialty insurance marketplace.

SPECIALTY PROPERTY AND CASUALTY INSURANCE OPERATIONS

The underwriting results of our Specialty P&C operations have consistently outperformed the industry. We are proud that Great American Insurance Company, our flagship insurer, is one of only four property and casualty insurers maintaining a financial strength rating of "A" Excellent from A. M. Best Company for over 100 years. Additionally, Great American was named to the "Ward's 50" list of best performing P&C insurance companies for the third consecutive year in 2009.

SPECIALTY PROPERTY AND CASUALTY INSURANCE GROUP
Year Ended December 31 (in millions)

	2009	2008	2007
Gross Written Premiums	**$3,762**	$4,266	$3,980
Net Written Premiums	**$2,311**	$2,886	$2,712
GAAP Combined Ratio	**82%**	87%	81%

We posted excellent underwriting profits in 2009, aided by a record year in our crop operations, favorable reserve development and low catastrophe losses. Disciplined underwriting processes and established pricing objectives remained priorities over top-line growth. Gross premiums were down 12% from 2008 due primarily to lower crop commodity prices, general economic conditions and a competitive market. These declines were in line with our expectations, and further demonstrate our commitment to walk away from business that does not produce appropriate returns. We have controlled expenses, consistent with the overall decrease in premium levels.

PROPERTY AND TRANSPORTATION GROUP
Year Ended December 31 (in millions)

	2009	2008	2007
Gross Written Premiums	**$1,816**	$2,160	$1,834
Net Written Premiums	**$872**	$1,292	$1,132
GAAP Combined Ratio	**74%**	88%	78%

OUR PROPERTY AND TRANSPORTATION group generated underwriting profits in 2009 which were 51% higher than in 2008. These results were due primarily to record profitability in our crop operations, fueled by favorable crop yields and relatively strong commodity prices. Additionally, catastrophe losses in our property and inland marine businesses were significantly lower than the previous year. Soft market conditions offset some of these increases. Gross and net written premiums decreased 16% and 33%, respectively, from 2008. Lower spring commodity prices, planned volume reductions in our inland marine operations and soft market conditions in the property and inland marine and transportation businesses contributed to these declines. Increased cessions under a crop reinsurance treaty drove the significantly lower net written premiums. Excluding our crop operations, 2009 net written premiums for this group decreased 11% for the year when compared to the prior year. This group's average rates on renewal were down slightly when compared to the same period a year earlier.

For 2010, we expect this group to produce excellent underwriting margins, with a combined ratio in the 84% to 88% range. We expect net written premiums to increase by 25% to 30%, primarily as a result of higher net retention in our crop operations.

OUR SPECIALTY CASUALTY group produced solid underwriting profits during 2009, but at lower levels than in 2008. Results in this group were impacted by $56 million in pre-tax adverse development in Marketform's Italian public hospital medical malpractice business related to 2008 and prior years. Marketform has ceased writing this line of business. Approximately one-third of this adverse development was attributable to noncontrolling shareholders of Marketform. Higher accident year losses in a book of targeted program business also contributed to these results. Most of the other businesses in this group generated excellent underwriting margins, but on lower premium levels. Declines in gross and net written premiums during 2009 are primarily attributable to lower general liability coverages resulting from the softening in the homebuilders market and strong competition in the excess and surplus lines. These declines were partially offset by additional premium growth from Marketform, our start-up Environmental Division and our Executive Liability businesses. Average renewal rates for this group were flat compared to 2008.

SPECIALTY CASUALTY GROUP
Year Ended December 31 (in millions)

	2009	2008	2007
Gross Written Premiums	**$1,200**	$1,273	$1,309
Net Written Premiums	**$755**	$816	$789
GAAP Combined Ratio	**92%**	75%	75%

OUR CALIFORNIA WORKERS' COMPENSATION group recorded underwriting results at about break-even in 2009, compared to an underwriting profit of $45 million in 2008, primarily due to the competitive pricing environment in California. Gross and net written premiums decreased 19% and 21%, respectively, from 2008 levels in large measure due to the rate reductions in traditional workers' compensation business in California and reductions in employer payrolls. We are seeing some increases in severity trends in this business, primarily related to increases in medical costs. Renewal rates for our book of business written in California were up approximately 3% in 2009.

CALIFORNIA WORKERS' COMPENSATION GROUP
Year Ended December 31 (in millions)

	2009	2008	2007
Gross Written Premiums	**$194**	$238	$249
Net Written Premiums	**$168**	$213	$233
GAAP Combined Ratio	**100%**	78%	78%

Our Republic Indemnity subsidiaries received approval for an 8% rate increase effective January 1, 2010 in addition to a blended 8% increase that was effective July 1, 2009. We firmly believe that more rate is needed to achieve appropriate returns in this business.

Beginning in 2010, we will report the results of our California Workers' Compensation business as a component of our Specialty Casualty Group, due to the decreasing size of this book of business. We are projecting a flat to 3% increase in net written premiums in the combined Specialty Casualty Group in 2010, as pricing pressures in some of our operations will offset growth from our new initiatives. We expect this group to generate solid underwriting profit with a combined ratio in the 91% to 95% range.

SPECIALTY FINANCIAL GROUP
Year Ended December 31 (in millions)

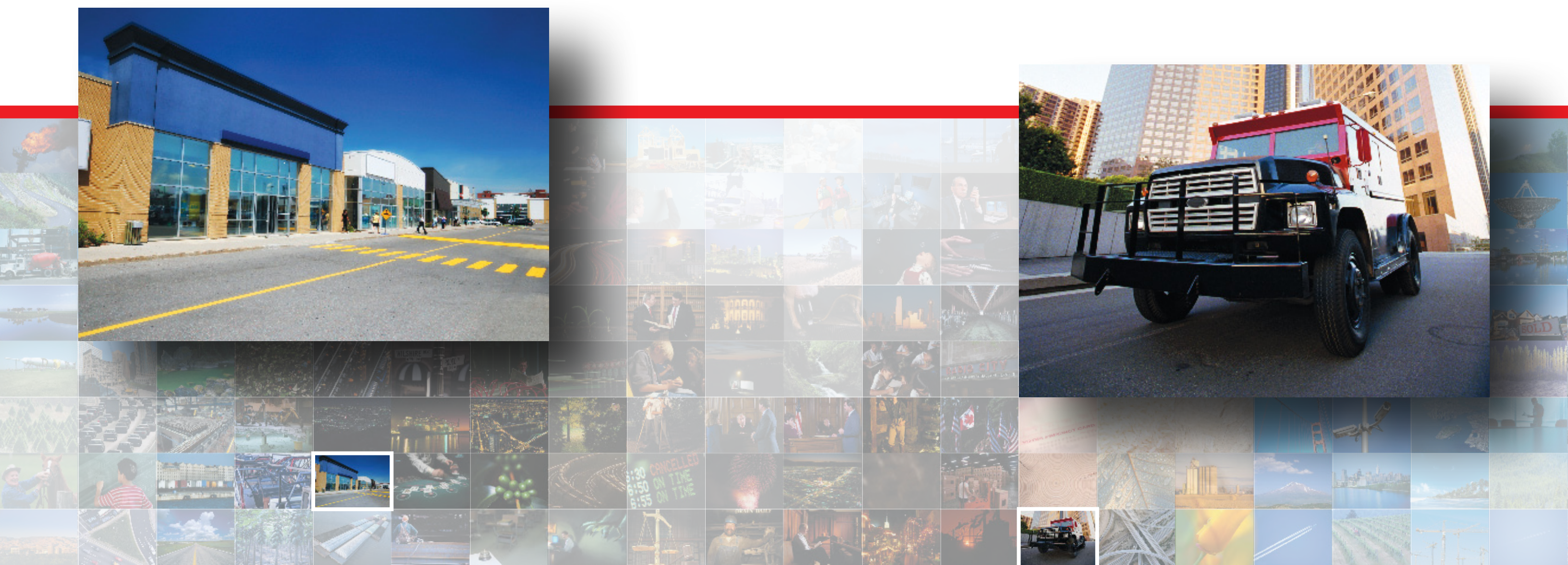
	2009	2008	2007
Gross Written Premiums	**$557**	$596	$585
Net Written Premiums	**$448**	$492	$488
GAAP Combined Ratio	**74%**	109%	95%

OUR SPECIALTY FINANCIAL group reported excellent underwriting profits in 2009. This was primarily driven by the $90 million of favorable development in our run-off RVI business due to improvements in used car sale prices during the year. Economic conditions helped to stimulate demand for coverages offered by our Financial Institution and Fidelity and Crime operations. Net written premiums were down 9% primarily as a result of our decision to exit certain automotive-related lines of business earlier in the year. Average renewal rates for this group were up approximately 3% for the year.

We project the Specialty Financial Group's net written premiums to decline by 4% to 6% in 2010 due to the run-off of some of our automotive-related products and continuing pricing pressures. We project an increase in the combined ratio to between 85% and 88% due to the absence of the favorable reserve development, especially in our run-off RVI business, recognized in 2009.

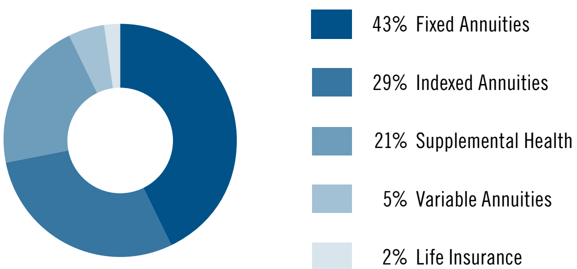
ANNUITY AND SUPPLEMENTAL INSURANCE GROUP

Our A&S Insurance Group markets traditional fixed, indexed and variable annuities and various forms of supplemental insurance. These operations help us to fulfill our specialization strategy and balance the ebbs and flows of the overall property and casualty insurance market cycles.



This segment of our business has its roots in the 403(b) fixed annuity business, and has been a market leader in serving teachers in the K-12 market, employees of not-for-profit organizations and other qualified markets since the early 1980's. Retirement annuities account for over 75% of this group's premium revenue, with tax-qualified annuities representing over half of all annuity premiums. This group also offers plan administration services to employers, primarily school districts, to assist them with managing their plan administration responsibilities.

2009 STATUTORY PREMIUM DISTRIBUTION



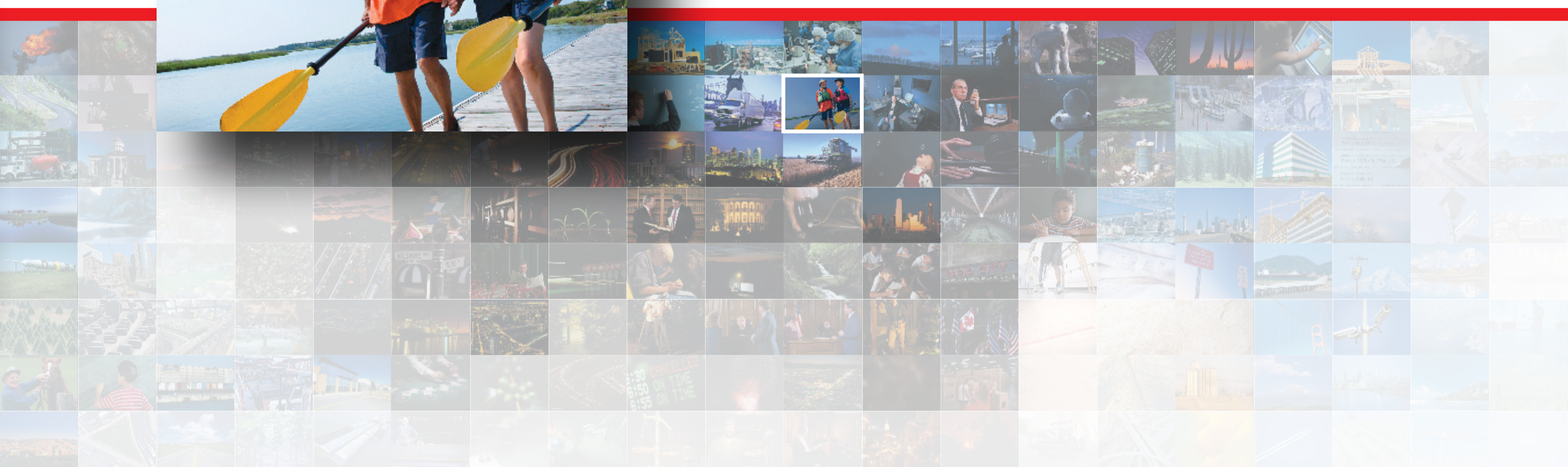
The Company has also developed expertise in the non-qualified single premium market. Fixed, indexed and variable annuity product offerings are continually enhanced to meet the retirement planning needs of those in our target markets and to attract a high caliber agency force.

Core net operating earnings in this group were 3% higher in 2009 as a result of improved profitability in the annuity operations, offset somewhat by lower earnings in the long-term care segment of our supplemental insurance operations. Statutory premiums for 2009 were 11% lower than in 2008 due to lower sales of products in the single premium market, particularly indexed annuities. This reduction in premium reflects our disciplined pricing in this difficult economy. AFG's annuity liabilities remain stable. The company continues to move toward product designs that reward policyholders and agents for long-term persistency. In addition, we strive to be disciplined in our expense management and have maintained a cost structure that is consistent with our premium levels.

We expect the 2010 core pre-tax operating earnings of this group to be 10% to 15% higher than in 2009.

ANNUITY AND SUPPLEMENTAL INSURANCE GROUP
Year Ended December 31 (in millions)

Statutory Net Premiums	2009	2008	2007
Annuities – Fixed	**$808**	$858	$479
Variable	**87**	91	81
Indexed	**539**	727	1,012
Total Annuities	**$1,434**	$1,676	$1,572
Supplemental Health and Life Premiums	**434**	413	423
Total Premiums	**$1,868**	$2,089	$1,995

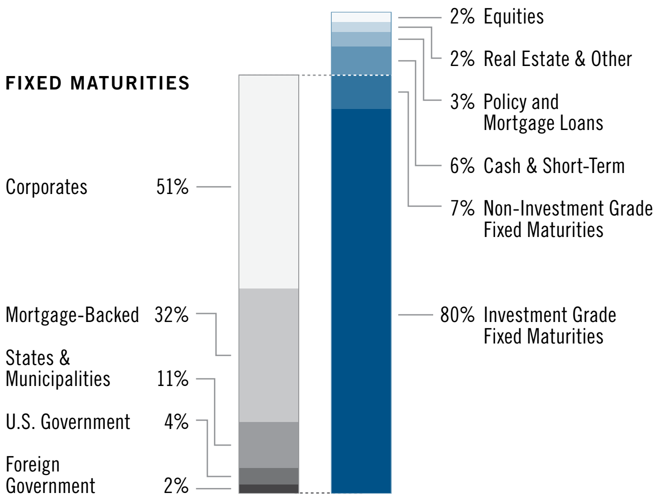


INVESTMENTS

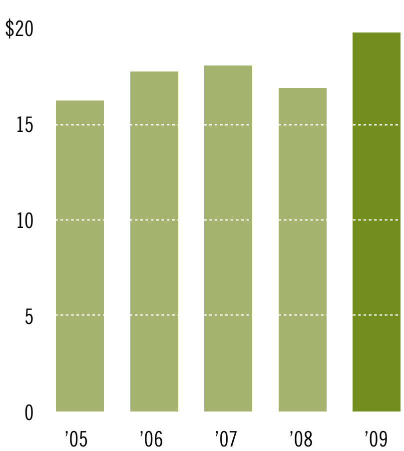
Our investment philosophy is to focus on high-quality, liquid diversified investments and to maximize return on a long-term basis, rather than focusing on short-term performance. Fixed income securities, primarily investment grade bonds and mortgage-backed securities, account for approximately 96% of our total investments. Approximately 92% of our fixed maturity investments are rated investment grade and 95% have an NAIC designation of 1 or 2, its highest two levels.

During 2009, our unrealized loss on investments improved by $850 million to an unrealized gain position as of December 31, 2009. Improved conditions in the financial markets and our commitment to investing only in the senior tranches of mortgage-backed securities helped to limit our exposure to losses.

INVESTMENT PORTFOLIO *(as of December 31, 2009)*



INVESTED ASSETS *(as of December 31, in billions)*



Stocks, real estate and other investments make up the remaining 4% of our portfolio. In the fourth quarter of 2009, AFG recorded an after-tax gain of $49 million ($0.42 per share) on the sale of a portion of its common stock investment in Verisk Analytics, Inc., in connection with Verisk's initial public offering. AFG continues to own approximately 6.7 million shares (cost basis of approximately $24 million) of Verisk Class B common shares that are convertible into Class A shares on a share-for-share basis after the expiration of holding periods.

Our real estate investments include a group of hotels, marinas and a resort in various parts of the United States as well as apartment and retail commercial developments. Our real estate investment strategy is based upon our history of buying underperforming or out-of-favor assets, developing and managing them "in house", and selling them when we believe value has been maximized. Over the past 10 years, we have realized net pre-tax gains of $320 million on sales of real estate properties.

During 2009, we enjoyed the benefits of higher investment returns, particularly in our property and casualty business, due to opportunistic purchases of investments. For 2010, we expect the investment returns in our property and casualty business to be approximately $70 million lower than our 2009 results, primarily due to the sale and run-off of higher yielding non-agency residential mortgage-backed securities and generally lower reinvestment rates. We continue to look for attractive investment opportunities and will capitalize on our strong internal investment capabilities that we believe will give us a competitive advantage. We believe that our investment returns will continue to be a major contributor to our earnings and book value growth.

A BUSINESS BUILT ON RELATIONSHIPS

The specialty insurance business is a knowledge and service business. Our employees' specialty insurance expertise, along with their commitment to building and nurturing strategic relationships with our distribution partners, are fundamental to our Company's success. Our people and these relationships form the cornerstone of our business model.

Selecting and developing people who have the talent and passion to succeed are priorities for AFG. We continually work to ensure that we have the depth and breadth of expertise to deliver high caliber service. Clear alignment between company performance and employee rewards provides incentives for our employees to achieve collective success. This success ultimately serves the best interests of our policyholders, distribution partners and shareholders and fosters a satisfying work environment for our employees.

Supporting our employees' interests in physical well-being is a priority and an important aspect of our investment in our people. Our AFGreatHealth Challenge provides employees a variety of company sponsored programs and incentives to improve their health and wellness. The Challenge's success led to Great American Insurance Group being recognized as one of the "Healthiest Companies in America." This award honors companies committed to the health and well-being of employees, and that create a corporate culture that encourages individuals to be responsible for their own health. Interactive Health Solutions, a national provider of employee health management programs, awarded this distinction to Great American Insurance in May 2009.

AFG's history of giving back to our communities provides another way for our employees to build relationships, participate in, and strengthen outreach efforts where we live and work. Our corporate outreach programs are supplemented by employee volunteerism and contributions that serve communities through a wide variety of organizations. These efforts focus on providing education to underserved populations, improving health and welfare, serving the needs of children, enriching lives through art and culture, and providing domestic disaster relief services, among others.

AFG and Great American Insurance Group employees participated in Cincinnati's American Diabetes Association Tour de Cure cycling event.

The Company celebrated its "healthy" distinction in front of the home of the Cincinnati Reds, Great American Ball Park.

BOARD OF DIRECTORS

Carl H. Lindner
Chairman of the Board

Carl H. Lindner III
Co-Chief Executive Officer, American Financial Group, Inc.
Chairman and President, Great American Insurance Company

S. Craig Lindner
Co-Chief Executive Officer, American Financial Group, Inc.
President and Chief Executive Officer, Great American Financial Resources, Inc.

Kenneth C. Ambrecht [2, 3]
Principal, KCA Associates, LLC, an investment banking firm

Theodore H. Emmerich [1*]
Retired Managing Partner, Ernst & Young LLP, certified public accountants

James E. Evans
Senior Vice President and General Counsel, American Financial Group, Inc.

Terry S. Jacobs [1, 2*]
Chairman and Chief Executive Officer, JFP Group, LLC, a real estate development company, and Jamos Capital, LLC, a private equity firm specializing in alternative investment strategies

Gregory G. Joseph [1, 3]
Executive Vice President and Principal, Joseph Automotive Group, an automobile dealership and real estate management company

William W. Verity [2, 3*]
President, Verity & Verity, LLC, an investment management company

John I. Von Lehman [1, 3]
Retired Executive Vice President, Chief Financial Officer and Secretary, The Midland Company, an Ohio-based provider of specialty insurance products

Board of Directors Committees:
1 Audit Committee
2 Compensation Committee
3 Corporate Governance Committee
* Chairman of Committee

CORPORATE MANAGEMENT

Carl H. Lindner III
Co-Chief Executive Officer and Co-President

S. Craig Lindner
Co-Chief Executive Officer and Co-President

James E. Evans
Senior Vice President and General Counsel

Keith A. Jensen
Senior Vice President

Thomas E. Mischell
Senior Vice President – Taxes

Kathleen J. Brown
Vice President – Taxes

Robert E. Dobbs
Vice President – Internal Audit

Karl J. Grafe
Vice President and Assistant Secretary

Sandra W. Heimann
Vice President

Karen Holley Horrell
Vice President

James C. Kennedy
Vice President, Deputy General Counsel and Secretary

Robert H. Ruffing
Vice President and Controller

Piyush K. Singh
Vice President

David J. Witzgall
Vice President and Treasurer

ANNUAL SHAREHOLDERS MEETING
The Annual Shareholders' Meeting will be held at The Cincinnatian Hotel in Cincinnati on May 12, 2010. Notices will be mailed to all holders of the Company's voting stock.

COMMON STOCK MARKET INFORMATION
American Financial Group's Common Stock is traded on both the New York Stock Exchange and the Nasdaq Global Select Market under the symbol AFG. On February 1, 2010, approximately 7,900 holders of record own our shares.

DIVIDEND REINVESTMENT PLAN
This plan allows registered shareholders to automatically reinvest the dividends on their AFG Common Stock towards the purchase of additional shares of AFG Common Stock, at a 4% discount to the current market price. Dividend Reinvestment Plan information and enrollment forms may be obtained from the Company's Transfer Agent.

TRANSFER AGENT
American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
Toll-Free: (866) 662-3946
www.amstock.com

ADDITIONAL INFORMATION

Investors or analysts requesting additional information, including copies of the American Financial Group, Inc. Form 10-K as filed with the Securities and Exchange Commission, may contact:

Investor Relations
American Financial Group, Inc.
580 Walnut Street, 9th Floor
Cincinnati, Ohio 45202
(513) 579-6739
AFGInvestorRelations@gaic.com

SEC filings, news releases, and other information may also be accessed on American Financial Group's Internet site at www.AFGinc.com.

FORWARD-LOOKING STATEMENTS

This document contains certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements in this document not dealing with historical results are forward-looking and are based on estimates, assumptions and projections. Examples of such forward-looking statements include statements relating to: the Company's expectations concerning market and other conditions and their effect on future premiums, revenues, earnings and investment activities; recoverability of asset values; expected losses and the adequacy of reserves for asbestos, environmental pollution and mass tort claims; rate changes and improved loss experience. Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including but not limited to:

- changes in financial, political and economic conditions, including changes in interest rates and extended economic recessions or expansions;
- performance of securities markets;
- our ability to estimate accurately the likelihood, magnitude and timing of any losses in connection with investments in the non-agency residential mortgage market;
- new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in our investment portfolio, including mortgage-backed securities;
- the availability of capital;
- regulatory actions (including changes in statutory accounting rules);
- changes in the legal environment affecting AFG or its customers;
- tax law and accounting changes;
- levels of natural catastrophes, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war and other major losses;
- development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims;
- availability of reinsurance and ability of reinsurers to pay their obligations;
- the unpredictability of possible future litigation if certain settlements of current litigation do not become effective;
- trends in persistency, mortality and morbidity;
- competitive pressures, including the ability to obtain adequate rates;
- changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to our operating subsidiaries; and
- other factors identified in our filings with the Securities and Exchange Commission.

The forward-looking statements herein are made only as of the date of this report.
The Company assumes no obligation to publicly update any forward-looking statements.

AMERICAN FINANCIAL GROUP, INC.

ANNUAL REPORT 2009

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