SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 1999	Commission File No. 1-13653

AMERICAN FINANCIAL GROUP, INC.

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

One East Fourth Street, Cincinnati, Ohio 45202
(513) 579-2121

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
American Financial Group, Inc.:	
Common Stock	New York Stock Exchange
7-1/8% Senior Debentures due December 15, 2007	New York Stock Exchange
7-1/8% Senior Debentures due April 15, 2009	New York Stock Exchange
American Financial Capital Trust I (Guaranteed by Registrant):	
9-1/8% Trust Originated Preferred Securities	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Other securities for which reports are submitted pursuant to Section 15(d) of the Act: None

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and need not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 1, 2000, there were 58,436,461 shares of the Registrant's Common Stock outstanding, excluding 18,666,614 shares owned by subsidiaries. The aggregate market value of the Common Stock held by nonaffiliates at that date, was approximately $670 million (based upon nonaffiliate holdings of 31,727,887 shares and a market price of $21.00 per share.)

Documents Incorporated by Reference:

Proxy Statement for the 2000 Annual Meeting of Shareholders (portions of which are incorporated by reference into Part III hereof).

AMERICAN FINANCIAL GROUP, INC.

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(a) The response to this Item is "none".

Forward-Looking Statements The Private Securities Litigation Reform Act of 1995 encourages corporations to provide investors with information about the company's anticipated performance and provides protection from liability if future results are not the same as management's expectations. This document, chiefly in Items 1, 3, 5, 7 and 8, contains certain forward-looking statements that are based on assumptions which management believes are reasonable, but by their nature, inherently uncertain. Future results could differ materially from those projected. Factors that could cause such differences include, but are not limited to: changes in economic conditions especially with regard to availability of and returns on capital, regulatory actions, changes in legal environment, levels of catastrophe and other major losses, availability of reinsurance, and competitive pressures. AFG undertakes no obligation to update any forward-looking statements.

PART I

ITEM 1

Business

Please refer to "Forward Looking Statements" following the Index in front of this Form 10-K.

Introduction

American Financial Group, Inc. ("AFG") is a holding company which, through its subsidiaries, is engaged primarily in private passenger automobile and specialty property and casualty insurance businesses and in the sale of tax-deferred annuities and certain life and supplemental health insurance products. AFG's property and casualty operations originated in the 1800's and make up one of the twenty five largest property and casualty groups in the United States based on statutory net premiums written. AFG was incorporated as an Ohio corporation in July 1997. Its address is One East Fourth Street, Cincinnati, Ohio 45202; its phone number is (513) 579-2121.

AFG's predecessor had been formed in 1994 for the purpose of acquiring American Financial Corporation ("AFC") and American Premier Underwriters, Inc. ("American Premier" or "APU") in merger transactions completed in April 1995 (the "Mergers"). For financial reporting purposes, because the former shareholders of AFC owned more than 50% of AFG following the Mergers, the financial statements of AFG for periods prior to the Mergers are those of AFC. The operations of APU are included in AFG's financial statements from the effective date of the Mergers.

At December 31, 1999, Carl H. Lindner, members of his immediate family and trusts for their benefit (collectively the "Lindner Family") beneficially owned approximately 48% of AFG's outstanding voting common stock.

General

Generally, companies have been included in AFG's consolidated financial statements when the ownership of voting securities has exceeded 50%; for investments below that level but above 20%, AFG has accounted for the investments as investees. (See Note E to AFG's financial statements.) The following table shows AFG's percentage ownership of voting securities of its significant affiliates over the past several years:

	Voting Ownership at December 31,				
	1999	1998	1997	1996	1995
American Financial Corporation	79%	79%	79%	76%	79%
American Premier Underwriters	100%	100%	100%	100%	100%
Great American Insurance Group	100%	100%	100%	100%	100%
American Annuity Group	83%	82%	81%	81%	81%
American Financial Enterprises	100%	100%	100%	83%	83%
Chiquita Brands International	36%	37%	39%	43%	44%
Citicasters	-	-	-	(a)	38%

(a) Sold in September 1996.

The following summarizes the more significant changes in ownership percentages shown in the above table.

American Financial Corporation In April 1995, AFC became a subsidiary of AFG as a result of the Mergers. For financial reporting purposes, AFC is the predecessor to AFG. In the Mergers, holders of AFC preferred stock were granted voting rights equal to approximately 21% of the voting power of all AFC shareholders.

American Premier Underwriters In April 1995, APU became a subsidiary of AFG as a result of the Mergers.

American Financial Enterprises In December 1997, AFEI became a wholly-owned subsidiary of AFG as a result of a transaction whereby AFG purchased all publicly-held shares of AFEI for cash and AFG Common Stock.

Chiquita Brands International During the second half of 1997 and the first half of 1998, Chiquita issued an aggregate of 4.6 million shares and 4.0 million shares of its common stock, respectively, in connection with the purchase of new businesses.

Citicasters In 1996, the investment in Citicasters was sold to an unaffiliated company.

Property and Casualty Insurance Operations

Following the sale of substantially all of its Commercial lines division, AFG's property and casualty group is engaged primarily in private passenger automobile and specialty insurance businesses. Accordingly, AFG manages its property and casualty group as two major business groups: Personal and Specialty. Each group reports to an individual senior executive and is comprised of multiple business units which operate autonomously but with certain strong central controls and full accountability. Decentralized control allows each unit the autonomy necessary to respond to local and specialty market conditions while capitalizing on the efficiencies of centralized investment and administrative support functions. AFG's property and casualty insurance operations employ approximately 7,800 persons.

AFG sold the Commercial lines division to Ohio Casualty Corporation in December 1998 for approximately $300 million plus warrants to purchase 6 million (post split) shares of Ohio Casualty common stock. AFG may receive up to an additional $40 million in the year 2000 based upon the retention and growth through May 31, 2000 of the insurance businesses acquired by Ohio Casualty. The commercial lines business sold generated net written premiums of approximately $230 million in 1998 prior to the sale and $315 million in 1997.

In April 1999, AFG acquired Worldwide Insurance Company (formerly, Providian Auto and Home Insurance Company), for $157 million in cash. The purchase price reflects about $45 million in capital and surplus retained by Worldwide that had been anticipated to be paid as a dividend by Worldwide prior to AFG's acquisition. Worldwide is a provider of direct response private passenger automobile insurance and is licensed in 45 states. The acquisition provides AFG with a significant base for selling private passenger auto insurance business and a variety of other insurance products directly to consumers, including over the Internet. In 1999, Worldwide generated net written premiums of $94 million, including $71 million after its acquisition.

AFG operates in a highly competitive industry that is affected by many factors which can cause significant fluctuations in its results of operations. The industry has historically been subject to pricing cycles characterized by periods of intense competition and lower premium rates (a "downcycle") followed by periods of reduced competition, reduced underwriting capacity due to lower policyholders' surplus and higher premium rates (an "upcycle"). The property and casualty insurance industry has been in an extended downcycle for over a decade, although early indications of some price firming and increases are being seen in certain specialty markets and in the private passenger automobile market.

The primary objective of AFG's property and casualty insurance operations is to achieve underwriting profitability. Underwriting profitability is measured by the combined ratio which is a sum of the ratios of underwriting losses, loss adjustment expenses ("LAE"), underwriting expenses and policyholder dividends to premiums. When the combined ratio is under 100%, underwriting results are generally considered profitable; when the ratio is over 100%, underwriting results are generally considered unprofitable. The combined ratio does not reflect investment income, other income or federal income taxes.

Management's focus on underwriting performance has resulted in a statutory combined ratio averaging 104.0% for the period 1995 to 1999, as compared to 105.4% for the property and casualty industry over the same period (Source: "Best's Review/Preview - Property/Casualty" - January 2000 Edition). AFG believes that its product line diversification and underwriting discipline have contributed to the Company's ability to consistently outperform the industry's underwriting results. Management's philosophy is to refrain from writing business that is not expected to produce an underwriting profit even if it is necessary to limit premium growth to do so.

Generally, while financial data is reported on a statutory basis for insurance regulatory purposes, it is reported in accordance with generally accepted accounting principles ("GAAP") for shareholder and other investment purposes. In general, statutory accounting results in lower capital surplus and net earnings than result from application of GAAP. Major differences include charging policy acquisition costs to expense as incurred rather than spreading the costs over the periods covered by the policies; recording bonds and redeemable preferred stocks primarily at amortized cost; netting of reinsurance recoverables and prepaid reinsurance premiums against the corresponding liability; requiring additional loss reserves; and charging to surplus certain assets, such as furniture and fixtures and agents' balances over 90 days old.

Unless indicated otherwise, the financial information presented for the property and casualty insurance operations herein is presented based on GAAP and includes for all periods (i) the insurance operations of AFC and American Premier and (ii) the commercial lines businesses sold up to the sale date.

The following table shows (in millions) certain information of AFG's property and casualty insurance operations.

	1999	1998	1997
Statutory Basis			
Premiums Earned	$2,197	$ 2,657	$2,802
Admitted Assets	6,332	6,463	6,983
Unearned Premiums	1,005	914	1,133
Loss and LAE Reserves	3,525	3,702	3,475
Capital and Surplus	1,664	1,840	1,916
GAAP Basis			
Premiums Earned	$2,211	$ 2,699	$2,824
Total Assets	9,487	10,053	9,212
Unearned Premiums	1,326	1,233	1,329
Loss and LAE Reserves	4,795	4,773	4,225
Shareholder's Equity	3,158	3,174	3,019

The following table shows the segment, independent ratings, and size (in millions) of AFG's major property and casualty insurance subsidiaries. AFG continues to focus on growth opportunities in what it believes to be more profitable specialty and private passenger auto businesses which represented the bulk of 1999 net written premiums.

Company	(Ratings - AM Best/S&P)		Net Written Premiums Personal	Specialty
Great American Pool(*)	A	A+	$ 204	$ 811
Republic Indemnity	A	A+	-	135
Mid-Continent	A	A+	-	105
National Interstate	A-	-	-	37
American Empire Surplus Lines	A	A+	-	15
Atlanta Casualty	A-	A+	281	-
Infinity	A	A+	308	-
Windsor	A	A+	229	-
Leader	A-	A+	125	-
Other			7	8
			$1,154	$1,111

(*) The Great American Pool represents approximately 15 subsidiaries, including Great American Insurance, American National Fire and Worldwide. Duff & Phelps assigned the Great American Pool a rating of AA- (very high).

The following table shows the performance of AFG's property and casualty insurance operations (dollars in millions):

	1999	1998	1997
Net written premiums	$2,263	$2,609(a)	$2,858
Net earned premiums	$2,211	$2,699	$2,824
Loss and LAE	1,589	2,001	2,076
Special A&E charge	-	214	-
Underwriting expenses	661	764	783
Policyholder dividends	4	9	7
Underwriting loss	($ 43)	($ 289)	($ 42)
GAAP ratios:			
Loss and LAE ratio	71.9%	82.1%	73.5%
Underwriting expense ratio	29.9	28.3	27.7
Policyholder dividend ratio	.2	.3	.2
Combined ratio (b)	102.0%	110.7%	101.4%
Statutory ratios:			
Loss and LAE ratio	73.4%	82.7%	73.4%
Underwriting expense ratio	30.0	27.9	27.3
Policyholder dividend ratio	.3	.5	.7
Combined ratio (b)	103.7%	111.1%	101.4%
Industry statutory combined ratio (c)	107.5%	105.6%	101.6%

(a) Includes $232 million generated by the Commercial lines sold.
(b) The 1998 combined ratios include effects of the strengthening of insurance reserves relating to asbestos and other environmental matters ("A&E") of 7.9 percentage points (GAAP) and 8.0 percentage points (statutory).
(c) Ratios are derived from "Best's Review/Preview - Property/Casualty" (January 2000 Edition).

As with other property and casualty insurers, AFG's operating results can be adversely affected by unpredictable catastrophe losses. Certain natural disasters (hurricanes, tornadoes, floods, forest fires, etc.) and other incidents of major loss (explosions, civil disorder, fires, etc.) are classified as catastrophes by industry associations. Losses from these incidents are usually tracked separately from other business of insurers because of their sizable effects on overall operations. AFG generally seeks to reduce its exposure to such events through individual risk selection and the purchase of reinsurance. Major catastrophes in recent years included midwestern hailstorms and tornadoes and Hurricanes Bonnie and Georges in 1998. Total net losses to AFG's insurance operations from catastrophes were $24 million in 1999; $60 million in 1998; and $20 million in 1997. These amounts are included in the tables herein.

Personal

General The Personal group writes primarily private passenger automobile liability and physical damage insurance, and to a lesser extent, homeowners' insurance.

The majority of AFG's auto premiums has been from sales in the nonstandard market covering drivers unable to obtain insurance through standard market carriers due to factors such as age, record of prior accidents, driving violations, particular occupation or type of vehicle. Though the Personal group will continue to write coverage in this market, it has launched an expanded approach making personal automobile coverage available to drivers across a full spectrum from preferred to nonstandard with emphasis on the preferred and standard categories. AFG's approach to its auto business is to develop tailored rates for its personal automobile customers based on a variety of factors, including the driving record of the insureds, the number of and type of vehicles covered, etc.

AFG's approach to homeowners business is to limit exposure in locations which have significant catastrophic potential (such as windstorms, earthquakes and hurricanes). Since the beginning of 1998, AFG has ceded 90% of its homeowners' business through reinsurance agreements and will continue to do so at least through the end of 2000.

The Personal group writes business in 49 states and holds licenses to write policies in all states and the District of Columbia. The U.S. geographic distribution of the Personal group's statutory direct written premiums in 1999 compared to 1995, was as follows:

	1999	1995		1999	1995
California	18.1%	5.8%	Arizona	2.1%	3.3%
New York	9.7	*	Tennessee	*	3.1
Georgia	9.6	6.8	Oklahoma	*	2.5
Connecticut	9.4	8.4	Indiana	*	2.5
Florida	9.0	8.7	Washington	*	2.2
Pennsylvania	5.1	7.2	Mississippi	*	2.2
Texas	4.6	19.5	Alabama	*	2.2
New Jersey	3.4	2.0	Ohio	*	2.0
North Carolina	2.4	3.0	Other	26.6	18.6
				100.0%	100.0%

(*) less than 2%

Management believes that the Personal group's underwriting success has been due, in part, to the refinement of various risk profiles, thereby dividing the consumer market into more defined segments which can be underwritten or priced properly. In addition, the Personal group has implemented cost control measures both in the underwriting and claims handling areas.

The following table shows the performance of AFG's Personal group insurance operations (dollars in millions):

	1999	1998	1997
Net written premiums	$1,154	$1,279	$1,345
Net earned premiums	$1,163	$1,290	$1,357
Loss and LAE	881	958	1,019
Underwriting expenses	290	298	318
Policyholder dividends	-	-	(1)
Underwriting profit (loss)	($ 8)	$ 34	$ 21
GAAP ratios:			
Loss and LAE ratio	75.7%	74.2%	75.1%
Underwriting expense ratio	25.0	23.1	23.5
Policyholder dividend ratio	-	-	(.1)
Combined ratio	100.7%	97.3%	98.5%

Statutory ratios:			
Loss and LAE ratio	75.6%	74.3%	75.2%
Underwriting expense ratio	25.4	22.4	22.9
Combined ratio	101.0%	96.7%	98.1%
Industry statutory combined ratio (a)	106.0%	104.3%	100.1%

(a) Represents the personal lines industry statutory combined ratio derived from "Best's Review/Preview - Property/Casualty" (January 2000 Edition).

Marketing A goal of the Personal group is to be able to provide a full spectrum of quality, competitively priced products to customers at any time and in any manner desirable to the customer, whether through independent agents or direct marketing channels, including over the Internet. The acquisition of Worldwide Insurance Company was important to the Personal group's overall marketing strategy as it enhances AFG's ability to sell products over the Internet and through other direct marketing channels. By the end of the year 2000, AFG expects to have the capability to sell over the Internet in as many as twelve states which together represent the majority of the U.S. auto market.

The Personal group had approximately 1.1 million policies in force at December 31, 1999, just under 80% of which had policy limits of $50,000 or less per occurrence.

Competition A large number of national, regional and local insurers write private passenger automobile and homeowners' insurance coverage. Insurers in this market generally compete on the basis of price (including differentiation on liability limits, variety of coverages offered and deductibles), geographic presence and ease of enrollment and, to a lesser extent, reputation for claims handling, financial stability and customer service. Management believes that sophisticated data analysis for refinement of risk profiles has helped the Personal group to compete successfully. The Personal group attempts to provide selected pricing for a wider spectrum of risks and with a greater variety of payment options, deductibles and limits of liability than are offered by many of its competitors.

Specialty

General The Specialty group emphasizes the writing of specialized insurance coverage where AFG personnel are experts in particular lines of business or customer groups. The following are examples of such specialty businesses:

Inland and Ocean Marine	Provides coverage primarily for marine cargo, boat dealers, marina operators/dealers, excursion vessels, builder's risk, contractor's equipment, excess property and motor truck cargo.
Workers' Compensation	Writes coverage for prescribed benefits payable to employees (principally in California) who are injured on the job.
Agricultural-related (allied lines)	Provides 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.
Executive and Professional Liability	Markets liability coverage for attorneys and for directors and officers of businesses and not-for-profit organizations.
Japanese Business	Provides coverage primarily for workers' compensation, commercial auto, umbrella, and general liability of Japanese businesses operating in the U.S.
Fidelity and Surety Bonds	Provides surety coverage for various types of contractors and public and private corporations and fidelity and crime coverage for government, mercantile and financial institutions.
Collateral Protection	Provides coverage for insurance risk management programs for lending and leasing institutions.

Umbrella and Excess	Consists primarily of large liability coverage in excess of primary layers.

Specialization is the key element to the underwriting success of these business units. Each unit has independent management with significant operating autonomy to oversee the important operational functions of its business such as underwriting, pricing, marketing, policy processing and claims service. These specialty businesses are opportunistic and their premium volume will vary based on current market conditions. AFG continually evaluates expansion in existing markets and opportunities in new specialty markets.

The U.S. geographic distribution of the Specialty group statutory direct written premiums in 1999 compared to 1995 is shown below.

	1999	1995		1999	1995
California	26.3%	25.7%	Pennsylvania	2.3%	3.1%
Texas	7.8	6.6	Ohio	2.2	2.6
New York	5.7	8.4	North Dakota	2.1	*
Florida	4.4	3.1	Georgia	2.0	*
Illinois	4.0	3.5	North Carolina	*	3.4
Massachusetts	3.7	4.1	Michigan	*	3.2
Oklahoma	3.3	2.7	Connecticut	*	2.6
New Jersey	2.5	4.3	Maryland	*	2.0
			Other	33.7	24.7
				100.0%	100.0%

(*) less than 2%

The following table sets forth a distribution of statutory net written premiums for AFG's Specialty group by NAIC annual statement line for 1999 compared to 1995.

	1999	1995
Other liability	19.3%	18.6%
Workers' compensation	18.7	30.9
Inland marine	13.3	6.2
Commercial multi-peril	9.8	14.7
Auto liability	9.3	8.3
Allied lines	5.9	6.5
Fidelity and surety	4.9	2.5
Auto physical damage	4.5	2.7
Ocean marine	3.7	3.4
General aviation	2.8	*
Collateral protection	2.7	*
Other	5.1	6.2
	100.0%	100.0%

(*) less than 2%

The following table shows the performance of AFG's Specialty group insurance operations (dollars in millions):

	1999	1998	1997
Net written premiums	$1,111	$1,312(a)	$1,468
Net earned premiums	$1,048	$1,372	$1,429
Loss and LAE	702	979	967
Underwriting expenses	370	451	454
Policyholder dividends	4	9	8
Underwriting profit (loss)	($ 28)	($ 67)	$ -
GAAP ratios:			
Loss and LAE ratio	67.0%	71.4%	67.6%
Underwriting expense ratio	35.3	32.9	31.8
Policyholder dividend ratio	.4	.7	.6
Combined ratio	102.7%	105.0%	100.0%
Statutory ratios:			
Loss and LAE ratio	70.2	72.1%	67.6%
Underwriting expense ratio	34.8	34.1	31.5
Policyholder dividend ratio	.5	1.0	1.4
Combined ratio	105.5%	107.2%	100.5%
Industry statutory combined ratio (b)	109.0%	107.3%	103.7%

(a) Includes $232 million generated by the Commercial lines sold.
(b) Represents the commercial industry statutory combined ratio derived from "Best's Review/Preview - Property/Casualty" (January 2000 Edition).

Marketing The Specialty group operations direct their sales efforts primarily through independent property and casualty insurance agents and brokers, although portions are written through employee agents. These businesses write insurance through several thousand agents and brokers and have approximately 330,000 policies in force.

Competition These businesses compete with other individual insurers, state funds and insurance groups of varying sizes, some of which are mutual insurance companies possessing competitive advantages in that all their profits inure to their policyholders. They also compete with self- insurance plans, captive programs and risk retention groups. Because of the specialty nature of these coverages, competition is based primarily on service to policyholders and agents, specific characteristics of products offered and reputation for claims handling. Price, commissions and profit sharing terms are also important factors. Management believes that sophisticated data analysis for refinement of risk profiles, extensive specialized knowledge and loss prevention service have helped AFG's Specialty group compete successfully.

Reinsurance

Consistent with standard practice of most insurance companies, AFG reinsures a portion of its business with other insurance companies and assumes a relatively small amount of business from other insurers. Ceding reinsurance permits diversification of risks and limits the maximum loss arising from large or unusually hazardous risks or catastrophic events. The availability and cost of reinsurance are subject to prevailing market conditions which may affect the volume and profitability of business that is written. AFG is subject to credit risk with respect to its reinsurers, as the ceding of risk to reinsurers generally does not relieve AFG of its liability to its insureds.

Reinsurance is provided on one of two bases, facultative or treaty. Facultative reinsurance is generally provided on a risk by risk basis. Individual risks are ceded and assumed based on an offer and acceptance of risk by each party to the transaction. Treaty reinsurance provides for risks meeting prescribed criteria to be automatically ceded and assumed according to contract provisions. The following table presents (by type of coverage) the amount of each loss above the specified retention maximum generally covered by treaty reinsurance programs (in millions):

Coverage	Retention Maximum	Reinsurance Coverage(a)	
California Workers' Compensation	$ .5	$150.0	(b)
Other Workers' Compensation	1.0	49.0	
Commercial Umbrella	1.0	49.0	
Other Casualty	5.0	15.0	
Property - General	5.0	25.0	(c)
Property - Catastrophe	10.0	65.0	

(a) Reinsurance covers substantial portions of losses in excess of retention.
(b) In 1999 and 1998, AFG ceded 30% of its California workers' compensation business through a reinsurance agreement. This agreement was commuted in 2000.
(c) In 1999 and 1998, AFG ceded 90% (80% in 1997) of its homeowners insurance coverage through a reinsurance agreement.

AFG also purchases facultative reinsurance providing coverage on a risk by risk basis, both pro rata and excess of loss, depending on the risk and available reinsurance markets. Due in part to the limited exposure on individual policies, the nonstandard auto business is not materially involved in reinsuring risks with third party insurance companies.

Included in the balance sheet caption "recoverables from reinsurers and prepaid reinsurance premiums" were approximately $140 million on paid losses and LAE and $1.6 billion on unpaid losses and LAE at December 31, 1999. The collectibility of a reinsurance balance is based upon the financial condition of a reinsurer as well as individual claim considerations. At December 31, 1999, AFG's insurance subsidiaries had allowances of approximately $82 million for doubtful collection of reinsurance recoverables, most of which related to unpaid losses.

In 1998, AFG ceded $170 million in premiums to Ohio Casualty in connection with the sale of the Commercial lines division. In addition, AFG agreed to continue to issue and renew policies (in certain states) related to the business transferred until Ohio Casualty receives the required approvals and licensing to begin writing this business on its own behalf. Under the agreement, AFG cedes 100% of these premiums to Ohio Casualty. In 1999, AFG ceded approximately $337 million in premiums under the agreement.

In 1999 and 1998, AFG ceded approximately 30% of its California workers' compensation business through a reinsurance agreement with Reliance Insurance Company. Due to concerns over Reliance's participation in a reinsurance pool run by Unicover Managers, Inc., AFG's reinsurance contracts with Reliance were commuted in January 2000. Under the commutation, AFG received cash in exchange for releasing Reliance from its obligations under the contracts. While amounts have been reserved in connection with the original insurance policies and the reinsurance agreement, no significant gain or loss was incurred from the commutation itself.

AFG regularly monitors the financial strength of its reinsurers. This process periodically results in the transfer of risks to more financially secure reinsurers. Substantially all reinsurance is ceded to reinsurers having more than $100 million in capital and A.M. Best ratings of "A-" or better. Excluding business ceded to Ohio Casualty and Reliance (discussed above), the following companies assumed nearly half of AFG's 1999 ceded reinsurance: Mitsui Marine and Fire Insurance Company, American Re- Insurance Company, General Reinsurance Corporation, Hartford Fire Insurance Company, NAC Reinsurance Corporation, Transatlantic Reinsurance Company, Employers Reinsurance Corporation, Swiss Reinsurance America Corporation, Zurich Reinsurance North America, Inc. and Underwriters Reinsurance Company.

Premiums written for reinsurance ceded and assumed are presented in the following table (in millions):

	1999	1998	1997
Reinsurance ceded	$898	$788	$614
Reinsurance assumed - including involuntary pools and associations	48	38	89

Loss and Loss Adjustment Expense Reserves

The consolidated financial statements include the estimated liability for unpaid losses and LAE of AFG's insurance subsidiaries. This liability represents estimates of the ultimate net cost of all unpaid losses and LAE and is determined by using case-basis evaluations and actuarial projections. These estimates are subject to the effects of changes in claim amounts and frequency and are periodically reviewed and adjusted as additional information becomes known. In accordance with industry practices, such adjustments are reflected in current year operations.

Future costs of claims are projected based on historical trends adjusted for changes in underwriting standards, policy provisions, product mix and other factors. Estimating the liability for unpaid losses and LAE is inherently judgmental and is influenced by factors which are subject to significant variation. Through the use of analytical reserve development techniques, management monitors items such as the effect of inflation on medical, hospitalization, material, repair and replacement costs, general economic trends and the legal environment. Although management believes that the reserves currently established reflect a reasonable provision for the ultimate cost of all losses and claims, actual development may vary materially.

AFG recognizes underwriting profit only when realization is reasonably determinable and assured. In certain specialty businesses, where experience is limited or where there is potential for volatile results, AFG holds reasonable "incurred but not reported" reserves and does not recognize underwriting profit until the experience matures.

Generally, reserves for reinsurance and involuntary pools and associations are reflected in AFG's results at the amounts reported by those entities.

Unless otherwise indicated, the following discussion of insurance reserves includes the reserves of American Premier's subsidiaries for only those periods following the Mergers. See Note N to the Financial Statements for an analysis of changes in AFG's estimated liability for losses and LAE, net and gross of reinsurance, over the past three years on a GAAP basis.

The following table presents the development of AFG's liability for losses and LAE, net of reinsurance, on a GAAP basis for the last ten years, excluding reserves of American Premier subsidiaries prior to the Mergers. The top line of the table shows the estimated liability (in millions) for unpaid losses and LAE recorded at the balance sheet date for the indicated years. The second line shows the re-estimated liability as of December 31, 1999. The remainder of the table presents development as percentages of the estimated liability. The development results from additional information and experience in subsequent years. The middle line shows a cumulative deficiency (redundancy) which represents the aggregate percentage increase (decrease) in the liability initially estimated. The lower portion of the table indicates the cumulative amounts paid as of successive periods as a percentage of the original loss reserve liability. The percentage of the December 31, 1997 reserve liability paid in 1998 includes approximately 10 percentage points for reserves ceded in connection with the sale of the Commercial lines division.

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Liability for unpaid losses and loss adjustment expenses:											
As originally estimated	$2,246	$2,137	$2,129	$2,123	$2,113	$2,187	$3,393	$3,404	$3,489	$3,305	$3,224
As re-estimated at December 31, 1999	2,785	2,538	2,453	2,385	2,299	2,384	3,499	3,582	3,649	3,283	N/A
Liability re-estimated (*):											
One year later	100.4%	98.6%	99.3%	99.9%	98.1%	95.9%	98.7%	100.9%	104.5%	99.3%	
Two years later	99.3%	97.7%	98.7%	98.2%	94.1%	99.3%	98.5%	105.9%	104.6%		
Three years later	98.4%	97.4%	98.0%	95.2%	97.4%	99.9%	103.9%	105.2%			
Four years later	98.2%	99.2%	97.3%	100.3%	98.9%	109.4%	103.1%				
Five years later	101.1%	100.0%	103.0%	102.6%	109.7%	109.0%					
Six years later	102.7%	106.3%	105.6%	113.6%	108.8%						
Seven years later	109.2%	109.4%	116.9%	112.3%							
Eight years later	112.2%	120.9%	115.2%								
Nine years later	123.4%	118.8%									
Ten years later	124.0%										
Cumulative deficiency (redundancy)	24.0%	18.8%	15.2%	12.3%	8.8%	9.0%	3.1%	5.2%	4.6%	(0.7%)	N/A
Cumulative paid as of:											
One year later	32.3%	26.1%	26.4%	26.7%	25.2%	26.8%	33.1%	33.8%	41.7%	29.8%	
Two years later	48.2%	43.2%	43.0%	43.7%	40.6%	42.5%	51.6%	58.0%	56.6%		
Three years later	59.2%	55.3%	55.4%	54.2%	50.9%	54.4%	67.2%	66.7%			
Four years later	67.6%	64.8%	63.3%	60.8%	59.1%	66.3%	72.0%				
Five years later	74.3%	71.1%	67.8%	67.0%	68.0%	69.8%					
Six years later	78.8%	74.5%	72.7%	74.0%	70.8%						
Seven years later	81.2%	78.6%	78.6%	76.3%							
Eight years later	84.8%	83.9%	80.5%								
Nine years later	89.0%	85.5%									
Ten years later	93.2%										

(*) Reflects significant A&E charges and reallocations in 1994, 1996 and 1998 for prior years' losses. Excluding these items, the re-estimated liability shown above would decrease ranging from approximately 17 percentage points in 1989 to 6 percentage points in 1997.

The following is a reconciliation of the net liability to the gross liability for unpaid losses and LAE.

	1993	1994	1995	1996	1997	1998	1999
As originally estimated:							
Net liability shown above	$2,113	$2,187	$3,393	$3,404	$3,489	$3,305	$3,224
Add reinsurance recoverables	611	730	704	720	736	1,468	1,571
Gross liability	$2,724	$2,917	$4,097	$4,124	$4,225	$4,773	$4,795
As re-estimated at December 31, 1999:							
Net liability shown above	$2,299	$2,384	$3,499	$3,582	$3,649	$3,283	
Add reinsurance recoverables	937	929	1,014	1,037	1,133	1,614	
Gross liability	$3,236	$3,313	$4,513	$4,619	$4,782	$4,897	N/A
Gross cumulative deficiency (redundancy)	18.8%	13.6%	10.2%	12.0%	13.2%	2.6%	N/A

These tables do not present accident or policy year development data. Furthermore, in evaluating the re-estimated liability and cumulative deficiency (redundancy), it should be noted that each percentage includes the effects of changes in amounts for prior periods. For example, AFG's $214 million special charge for A&E claims related to losses recorded in 1998, but incurred before 1989, is included in the re-estimated liability and cumulative deficiency (redundancy) percentage for each of the previous years shown. Conditions and trends that have affected development of the liability in the past may not necessarily exist in the future. Accordingly, it may not be appropriate to extrapolate future redundancies or deficiencies based on this table.

The adverse development in the tables is due primarily to A&E exposures for which AFG has been held liable under general liability policies written years ago where environmental coverage was not intended. Other factors affecting development included higher than projected inflation on medical, hospitalization, material, repair and replacement costs. Additionally, changes in the legal environment have influenced the development patterns over the past ten years. For example, changes in the California workers' compensation law in 1993 and subsequent court decisions, primarily in late 1996, greatly limited the ability of insurers to challenge medical assessments and treatments. These limitations, together with changes in work force characteristics and medical delivery costs, are contributing to an increase in claims severity.

The differences between the liability for losses and LAE reported in the annual statements filed with the state insurance departments in accordance with statutory accounting principles ("SAP") and that reported in the accompanying consolidated financial statements in accordance with GAAP at December 31, 1999 are as follows (in millions):

Liability reported on a SAP basis, net of $377 million of retroactive reinsurance	$3,148
Additional discounting of GAAP reserves in excess of the statutory limitation for SAP reserves	(8)
Reserves of foreign operations	2
Reinsurance recoverables, net of allowance	1,571
Reclassification of allowance for uncollectible reinsurance	82
Liability reported on a GAAP basis	$4,795

Asbestos and Environmental Reserves ("A&E") In defining environmental exposures, the insurance industry typically includes claims relating to polluted waste sites and asbestos as well as other mass tort claims such as those relating to breast implants, repetitive stress on keyboards, DES (a drug used in pregnancies years ago alleged to cause cancer and birth defects) and other latent injuries.

Establishing reserves for A&E claims is subject to uncertainties that are greater than those presented by other types of claims. Factors contributing to those uncertainties include a lack of sufficiently detailed historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure, unresolved legal issues regarding policy coverage, and the extent and timing of any such contractual liability. Courts have reached different and sometimes inconsistent conclusions as to when a loss is deemed to have occurred, what policies provide coverage, what claims are covered, whether there is an insured obligation to defend, how policy limits are determined and other policy provisions. Management believes these issues are not likely to be resolved in the near future.

Significant industrywide information concerning A&E reserves first became broadly available in mid-1996 following the publication of new data relating to that subject in the 1995 Annual Statements of insurance companies. During 1995 and 1996, a number of insurers recorded large reserve increases for A&E exposures. During this time, the industry's survival ratio (reserves divided by annual paid losses) was used as a benchmark for reserving such claims.

Industry actions and statistics in 1995 caused AFG to re-evaluate its position in relation to its peers as part of the continuing process of obtaining additional information and revising accounting estimates. This process led management to conclude in 1996 that the A&E reserves should be increased sufficiently to bring AFG's three-year survival ratio in line with those of the top 50 companies. In the third quarter of 1996, AFG recorded a noncash, pretax charge of $80 million and reallocated $40 million in reserves from its Specialty group.

As part of the continuing process of monitoring appropriate reserve needs and prompted by the retention of certain A&E exposures under the agreement covering the sale of its Commercial lines division, AFG began a thorough study of its A&E exposures in 1998. Based on this study and observations of industry trends in this regard, AFG decided that the survival ratio may not be the best basis for measuring ultimate A&E exposures. AFG's study was reviewed by independent actuaries who used state of the art actuarial techniques that have wide acceptance in the industry. AFG recorded a fourth quarter charge of $214 million in 1998 to increase A&E reserves to its best estimate of the ultimate liability. At December 31, 1999, AFG's three year survival ratio is approximately 15 times paid losses.

The following table (in millions) is a progression of A&E reserves. The significantly larger amount of payments made in 1999 reflects an acceleration of the settlement process; individual claims were generally paid at projected levels previously recorded as reserve liabilities. During the review of A&E exposures in 1998, $13.8 million in reserves recorded prior to 1998 and not identified as A&E were determined to be A&E reserves. In addition, the allowance for uncollectible reinsurance applicable to ceded A&E reserves was not reflected in the following table prior to 1998.

	1999	1998	1997
Reserves at beginning of year	$625.4	$347.9	$343.4
Incurred losses and LAE (a)	.1	247.5	43.2
Paid losses and LAE	(48.8)	(26.1)	(38.7)
Reserves transferred with sale of Commercial lines	-	(11.4)	-
Reserves not classified as A&E prior to 1998:			
Reserves	-	13.8	-
Allowance for uncollectable reinsurance applicable to ceded A&E reserves	-	53.7	-
Reserves at end of year, net of reinsurance recoverable	576.7	625.4	347.9
Reinsurance recoverable, net of allowance in 1999 and 1998	219.8	240.7	173.2
Gross reserves at end of year	$796.5	$866.1	$521.1

(a) Includes a special charge of $214 million in 1998.

Since the mid-1980's, AFG has also written certain environmental coverages (asbestos abatement and underground storage tank liability) in which the premium charged is intended to provide coverage for the specific environmental exposures inherent in these policies. To date, approximately $200 million of premiums has been written; losses and LAE incurred (paid and reserved) through December 31, 1999 are estimated at less than 50% of premiums. This business is not included in the discussion or table above.

Annuity and Life Operations

General

AFG's annuity and life operations are conducted through American Annuity Group, Inc. ("AAG"), a holding company which markets primarily retirement annuity products as well as life and supplemental health insurance through the following major entities which were acquired or formed in the years shown. AAG and its subsidiaries employ approximately 1,900 persons.

Great American Life Insurance Company ("GALIC") - 1992(*)
Annuity Investors Life Insurance Company ("AILIC") - 1994
Loyal American Life Insurance Company ("Loyal") - 1995
Great American Life Assurance Company of Puerto Rico, Inc. ("GAPR") - 1997
GALIC's Life Division - 1997
United Teacher Associates Insurance Company ("UTA") - 1999

(*) Acquired from Great American.

Acquisitions in recent years have supplemented AAG's internal growth as the assets of the holding company and its operating subsidiaries have increased from $4.5 billion at the end of 1992 to approximately $7.5 billion at the end of 1999. Premiums over the last three years were as follows (in millions):

Insurance Product(*)	1999	1998	1997
Annuities	$588	$521	$489
Life and health	126	104	42
	$714	$625	$531

(*) Table does not include premiums of subsidiaries or divisions until their first full year following acquisition or formation. All periods exclude premiums of subsidiaries sold.

In October 1999, AAG acquired United Teacher Associates. UTA provides retired and active teachers with supplemental health products and retirement annuities, and purchases blocks of insurance policies from other insurance companies. In July 1999, AAG acquired Consolidated Financial Corporation, an insurance agency. Consolidated Financial historically has been one of the top 10 sellers of AAG's annuity products. In February 1999, AAG acquired Great American Life Insurance Company of New York (formerly known as Old Republic Life Insurance Company of New York) to facilitate AAG's entry into the New York market.

In September 1998, AAG sold its Funeral Services division. This division had assets of approximately $1 billion and 1997 premiums of $111 million.

Retirement Products

AAG's principal retirement products are Flexible Premium Deferred Annuities ("FPDAs") and Single Premium Deferred Annuities ("SPDAs"). Annuities are long-term retirement saving instruments that benefit from income accruing on a tax-deferred basis. The issuer of the annuity collects premiums, credits interest on the policy and pays out a benefit upon death, surrender or annuitization. FPDAs are characterized by premium payments that are flexible in both amount and timing as determined by the policyholder. SPDAs are issued in exchange for a one-time lump-sum premium payment.

The following table (in millions) presents combined financial information concerning AAG's principal annuity subsidiaries.

	1999	1998	1997
GAAP Basis			
Total Assets	$6,657	$6,549	$6,289
Fixed Annuity Reserves	5,349	5,396	5,355
Variable Annuity Reserves	354	120	37
Stockholder's Equity	801	862	770
Statutory Basis			
Total Assets	$6,493	$6,159	$5,977
Fixed Annuity Reserves	5,564	5,538	5,469
Variable Annuity Reserves	354	120	37
Capital and Surplus	404	350	317
Asset Valuation Reserve (a)	67	63	65
Interest Maintenance Reserve (a)	10	21	24
Annuity Receipts:			
Flexible Premium:			
First Year	$ 55	$ 45	$ 38
Renewal	145	149	160
	200	194	198
Single Premium	388	327	291
Total Annuity Receipts	$ 588	$ 521	$ 489

(a) Allocation of surplus.

Sales of annuities are affected by many factors, including: (i) competitive annuity products and rates; (ii) the general level of interest rates; (iii) the favorable tax treatment of annuities; (iv) commissions paid to agents; (v) services offered; (vi) ratings from independent insurance rating agencies; (vii) other alternative investments and (viii) general economic conditions. At December 31, 1999, AAG had approximately 280,000 annuity policies in force.

Annuity contracts are generally classified as either fixed rate (including equity-indexed) or variable. The following table presents premiums by classification:

Premiums	1999	1998	1997
Traditional fixed	55%	72%	83%
Variable	35	17	9
Equity-indexed	10	11	8
	100%	100%	100%

With a traditional fixed rate annuity, the interest crediting rate is initially set by the issuer and thereafter may be changed from time to time by the issuer subject to any guaranteed minimum interest crediting rates in the policy.

AAG seeks to maintain a desired spread between the yield on its investment portfolio and the rate it credits to its fixed rate annuities. AAG accomplishes this by: (i) offering crediting rates which it has the option to change; (ii) designing annuity products that encourage persistency and (iii) maintaining an appropriate matching of assets and liabilities. AAG designs its products with certain provisions to encourage policyholders to maintain their funds with AAG for at least five to ten years. Partly due to these features, annuity surrenders have averaged less than 10% of statutory reserves over the past five years.

All of AAG's traditional fixed rate annuities offer a minimum interest rate guarantee of 3% or 4%; the majority permit AAG to change the crediting rate at any time (subject to the minimum guaranteed interest rates). In determining the frequency and extent of changes in the crediting rate, AAG takes into account the economic environment and the relative competitive position of its products.

Over the last few years, traditional fixed rate annuities have met substantial competition from mutual funds and other equity-based investments. In response, AAG began offering variable annuities and equity-indexed annuities. Industry sales of variable annuities have increased substantially over the last ten years as investors have sought to obtain the returns available in the equity markets while enjoying the tax-deferred status of annuities. With a variable annuity, the earnings credited to the policy vary based on the investment results of the underlying investment options chosen by the policyholder. Premiums directed to the variable options in policies issued by AAG are invested in funds managed by various independent investment managers. AAG earns a fee on amounts deposited into variable accounts. Policyholders may also choose to direct all or a portion of their premiums to various fixed rate options, in which case AAG earns a spread on amounts deposited.

An equity-indexed fixed annuity provides policyholders with a crediting rate tied, in part, to the performance of an existing stock market index while protecting them against the related downside risk through a guarantee of principal. AAG hedges the equity-based risk component of this product through the purchase of call options on the appropriate index. These options are designed to offset substantially all of the increases in the liabilities associated with equity-indexed annuities.

The following table reflects the geographical distribution of AAG's annuity premiums in 1999 compared to 1995.

	1999	1995		1999	1995
California	28.5%	19.1%	New Jersey	3.6	3.8
Ohio	7.2	6.1	North Carolina	3.2	5.8
Washington	6.7	5.6	Indiana	2.8	*
Massachusetts	4.7	6.2	Connecticut	2.5	3.3
Florida	4.6	7.4	Pennsylvania	2.1	*
Michigan	4.4	5.8	Illinois	*	3.2
Texas	4.1	4.6	Iowa	*	2.1
Minnesota	4.0	4.2	Other	21.6	22.8
				100.0%	100.0%

(*) less than 2%

AAG's FPDAs are sold primarily to employees of qualified not-for- profit organizations. Employees of these organizations are eligible to save for retirement through contributions made on a before-tax basis. Contributions are made at the discretion of the participants through payroll deductions or through tax-free "rollovers" of funds from other qualified investments. Federal income taxes are not payable on contributions or earnings until amounts are withdrawn.

Historically, AAG's principal marketing focus had been on sales to employees of educational institutions in the kindergarten through high school segment. However, sales of non-qualified annuities have begun to represent an increasing percentage of premiums (30% in 1999 compared to 15% in 1995) as AAG has developed products and distribution channels targeted to the non-qualified markets.

AAG distributes its annuity products through more than 100 managing general agents ("MGAs") who, in turn, direct approximately 1,000 actively producing independent agents. To extend the distribution of its annuities to a broader customer base, AAG developed a personal producing general agent ("PPGA") distribution system. More than 100 PPGAs are contracted to sell annuities in those territories not served by an MGA.

Life, Accident and Health Products

AAG offers a variety of life, accident and health products through Loyal, GAPR and GALIC's life division. This group produced over $120 million of statutory premiums in 1999. It also had more than 740,000 policies and $11.9 billion of life insurance in force.

Loyal offers a variety of life and supplemental health insurance products through payroll deduction plans and credit unions. The principal products sold by Loyal include cancer, universal life, traditional whole life, hospital indemnity, and short-term disability insurance. Loyal's products are marketed with the endorsement or consent of the employer or the credit union management.

GAPR sells in-home service life and supplemental health products through a network of company-employed agents. Ordinary life, cancer, credit and group life products are sold through independent agents.

In December 1997, GALIC's life division began offering term, universal and whole life insurance products through national marketing organizations.

In October 1999, AAG acquired UTA, a provider of supplemental health products and annuities to retired and active teachers.

In late 1999, AAG began offering long-term care products.

Sale of Funeral Services Division

In September 1998, AAG sold its Funeral Services division for approximately $165 million in cash. The Funeral Services division provided life insurance and annuities to fund pre-arranged funerals, as well as administrative services for pre-arranged funeral trusts. This division included American Memorial Life Insurance Company (acquired in 1995) and Arkansas National Life Insurance Company (acquired in 1998).

Independent Ratings

AAG's principal insurance subsidiaries are rated by Standard & Poor's, A.M. Best and Duff & Phelps. In addition, GALIC is rated A3 (good financial security) by Moody's. Such ratings are generally based on items of concern to policyholders and agents and are not directed toward the protection of investors.

	Standard & Poor's	A.M. Best	Duff & Phelps
GALIC	A+ (Strong)	A (Excellent)	AA- (Very high)
AILIC	A+ (Strong)	A (Excellent)	AA- (Very high)
Loyal	A+ (Strong)	A (Excellent)	AA- (Very high)
GAPR	Not rated	A (Excellent)	Not rated
UTA	Not rated	A- (Excellent)	Not rated

AAG believes that the ratings assigned by independent insurance rating agencies are important because potential policyholders often use a company's rating as an initial screening device in considering annuity products. AAG believes that a rating in the "A" category by at least one rating agency is necessary to successfully market tax-deferred annuities to public education employees and other not-for-profit groups.

Although AAG believes that its insurance companies' ratings are very stable, those companies' operations could be materially adversely affected by a downgrade in ratings.

Competition

AAG's insurance companies operate in highly competitive markets. They compete with other insurers and financial institutions based on many factors, including: (i) ratings; (ii) financial strength; (iii) reputation; (iv) service to policyholders and agents; (v) product design (including interest rates credited and premium rates charged); and (vi) commissions. Since policies are marketed and distributed primarily through independent agents (except at GAPR), the insurance companies must also compete for agents.

No single insurer dominates the markets in which AAG's insurance companies compete. Competitors include (i) individual insurers and insurance groups, (ii) mutual funds and (iii) other financial institutions. In a broader sense, AAG's insurance companies compete for retirement savings with a variety of financial institutions offering a full range of financial services. Financial institutions have demonstrated a growing interest in marketing investment and savings products other than traditional deposit accounts.

Other Companies

Through subsidiaries, AFG is engaged in a variety of other businesses, including The Golf Center at Kings Island (golf and tennis facility) in the Greater Cincinnati area; commercial real estate operations in Cincinnati (office buildings and The Cincinnatian Hotel), New Orleans (Le Pavillon Hotel), Cape Cod (Chatham Bars Inn), Austin (Driskill Hotel), Chesapeake Bay (Skipjack Cove Yachting Resort) and apartments in Lafayette (Louisiana), Louisville, Pittsburgh, St. Paul and Tampa Bay. These operations employ approximately 700 full-time employees.

Investment Portfolio

General

A summary of AFG's December 31, 1999, investment portfolio by business segment follows (excluding investment in equity securities of investee corporations) (in millions).

	Carrying Value				Total Market
	P&C	Annuity	Other	Total	Value
Cash and short-term investments	$ 260	$ 120	$11	$ 391	$ 391
Fixed maturities	3,903	5,947	12	9,862	9,862
Other stocks, options and warrants	339	70	1	410	410
Policy loans	-	217	-	217	217 (a)
Real estate and other investments	130	114	25	269	269 (a)
	$4,632	$6,468	$49	$11,149	$11,149

(a) Carrying value used since market values are not readily available.

The following tables present the percentage distribution and yields of AFG's investment portfolio (excluding investment in equity securities of investee corporations) as reflected in its financial statements.

	1999	1998	1997	1996	1995
Cash and Short-term Investments	3.5%	2.6%	2.1%	3.9%	4.9%
Fixed Maturities:					
U.S. Government and Agencies	4.9	4.4	5.0	4.1	3.7
State and Municipal	2.7	1.2	1.3	1.0	.7
Public Utilities	5.1	6.0	6.8	8.2	9.7
Mortgage-Backed Securities	22.0	20.8	21.4	22.2	20.7
Corporate and Other	55.3	53.0	52.3	51.5	49.5
Redeemable Preferred Stocks	.6	.5	.6	.5	1.0
	90.6	85.9	87.4	87.5	85.3
Net Unrealized Gains (Losses) on fixed maturities held Available for Sale	(2.1)	3.5	2.5	1.1	2.7
	88.5	89.4	89.9	88.6	88.0
Other Stocks, Options and Warrants	3.7	3.7	3.7	2.8	2.3
Policy Loans	1.9	1.9	2.0	2.1	2.1
Real Estate and Other Investments	2.4	2.4	2.3	2.6	2.7
	100.0%	100.0%	100.0%	100.0%	100.0%
Yield on Fixed Income Securities:					
Excluding realized gains and losses	7.7%	7.8%	7.8%	7.9%	7.9%
Including realized gains and losses	7.6%	8.0%	7.9%	7.7%	8.8%
Yield on Stocks:					
Excluding realized gains and losses	5.9%	5.4%	5.6%	5.8%	3.9%
Including realized gains and losses	20.7%	(5.3%)	30.2%	15.1%	8.4%
Yield on Investments (*):					
Excluding realized gains and losses	7.7%	7.8%	7.8%	7.8%	7.9%
Including realized gains and losses	7.9%	7.8%	8.2%	7.8%	8.8%

(*) Excludes "Real Estate and Other Investments".

Fixed Maturity Investments

Unlike many insurance groups which have portfolios that are invested heavily in tax-exempt bonds, AFG's bond portfolio is invested primarily in taxable bonds. The NAIC assigns quality ratings which range from Class 1 (highest quality) to Class 6 (lowest quality). The following table shows AFG's bonds and redeemable preferred stocks, by NAIC designation (and comparable Standard & Poor's Corporation rating) as of December 31, 1999 (dollars in millions).

NAIC Rating	Comparable S&P Rating	Amortized Cost	Market Value Amount	Market Value %
1	AAA, AA, A	$ 7,041	$6,886	70%
2	BBB	2,085	2,025	20
	Total investment grade	9,126	8,911	90
3	BB	448	434	5
4	B	420	410	4
5	CCC, CC, C	99	97	1
6	D	8	10	*
	Total noninvestment grade	975	951	10
	Total	$10,101	$9,862	100%

(*) Less than 1%

Risks inherent in connection with fixed income securities include loss upon default and market price volatility. Factors which can affect the market price of securities include: creditworthiness, changes in interest rates, the number of market makers and investors and defaults by major issuers of securities.

AFG's primary investment objective for fixed maturities is to earn interest and dividend income rather than to realize capital gains. AFG invests in bonds and redeemable preferred stocks that have primarily short- term and intermediate-term maturities. This practice allows flexibility in reacting to fluctuations of interest rates.

Equity Investments

AFG's equity investment practice permits concentration of attention on a relatively limited number of companies. Some of the equity investments, because of their size, may not be as readily marketable as the typical small investment position. Alternatively, a large equity position may be attractive to persons seeking to control or influence the policies of a company and AFG's concentration in a relatively small number of companies may permit it to identify investments with above average potential to increase in value.

Chiquita At December 31, 1999, AFG owned 24 million shares of Chiquita common stock representing 36% of its outstanding shares. The carrying value and market value of AFG's investment in Chiquita were approximately $160 million and $114 million, respectively, at December 31, 1999. Chiquita is a leading international marketer, producer and distributor of quality fresh fruits and vegetables and processed foods. In addition to bananas, these products include a wide variety of other fresh fruits and vegetables; fruit and vegetable juices and beverages; processed bananas and other processed fruits and vegetables; private-label and branded canned vegetables; fresh cut and ready-to-eat salads; and edible oil-based consumer products.

Other Stocks AFG's $231 million investment in Provident Financial Group, Inc., a Cincinnati-based commercial banking and financial services company, comprised approximately three-fifths of the equity investments included in "Other stocks" in AFG's Balance Sheet at December 31, 1999.

Foreign Operations

AFG sells life and supplemental health products in Puerto Rico and property and casualty products in Canada, Mexico, Europe and Asia. In addition, AAG has an office in India where employees perform computer programming and certain back office functions. Less than 3% of AFG's revenues and costs and expenses are derived from foreign sources.

Regulation

AFG's insurance company subsidiaries are subject to regulation in the jurisdictions where they do business. In general, the insurance laws of the various states establish regulatory agencies with broad administrative powers governing, among other things, premium rates, solvency standards, licensing of insurers, agents and brokers, trade practices, forms of policies, maintenance of specified reserves and capital for the protection of policyholders, deposits of securities for the benefit of policyholders, investment activities and relationships between insurance subsidiaries and their parents and affiliates. Material transactions between insurance subsidiaries and their parents and affiliates generally must be disclosed and prior approval of the applicable insurance regulatory authorities generally is required for any such transaction which may be deemed to be material or extraordinary. In addition, while differing from state to state, these regulations typically restrict the maximum amount of dividends that may be paid by an insurer to its shareholders in any twelve-month period without advance regulatory approval. Such limitations are generally based on net earnings or statutory surplus. Under applicable restrictions, the maximum amount of dividends available to AFG in 2000 from its insurance subsidiaries without seeking regulatory clearance is approximately $186 million.

Changes in state insurance laws and regulations have the potential to materially affect the revenues and expenses of the insurance operations. For example, between July 1993 and January 1995, the California Commissioner ordered reductions in workers' compensation insurance premium rates totaling more than 30% and subsequently replaced the workers' compensation insurance minimum rate law with an "open rating" policy. The Company is unable to predict whether or when other state insurance laws or regulations may be adopted or enacted or what the impact of such developments would be on the future operations and revenues of its insurance businesses.

Most states have created insurance guaranty associations to provide for the payment of claims of insurance companies that become insolvent. Annual assessments for AFG's insurance companies have not been material. In addition, many states have created "assigned risk" plans or similar arrangements to provide state mandated minimum levels of automobile liability coverage to drivers whose driving records or other relevant characteristics make it difficult for them to obtain insurance otherwise. Automobile insurers in those states are required to provide such coverage to a proportionate number of those drivers applying as assigned risks. Premium rates for assigned risk business are established by the regulators of the particular state plan and are frequently inadequate in relation to the risks insured, resulting in underwriting losses. Assigned risks accounted for approximately one percent of AFG's net written premiums in 1999.

The NAIC is an organization which is comprised of the chief insurance regulator for each of the 50 states and the District of Columbia. The NAIC model law for Risk Based Capital applies to both life and property and casualty companies. The risk-based capital formulas determine the amount of capital that an insurance company needs to ensure that it has an acceptably low expectation of becoming financially impaired. The model law provides for increasing levels of regulatory intervention as the ratio of an insurer's total adjusted capital and surplus decreases relative to its risk-based capital, culminating with mandatory control of the operations of the insurer by the domiciliary insurance department at the so-called "mandatory control level". At December 31, 1999, the capital ratios of all AFG insurance companies substantially exceeded the risk-based capital requirements.

Legislation adopted in 1999 substantially eliminated restrictions on affiliations among insurance companies, banks and securities firms. It is too early to predict what impact this legislation will have in the markets in which the insurance companies compete.

ITEM 2

Properties

Subsidiaries of AFG own several buildings in downtown Cincinnati. AFG and its affiliates occupy about three-fourths of the aggregate 660,000 square feet of commercial and office space.

AFG's insurance subsidiaries lease the majority of their office and storage facilities in numerous cities throughout the United States, including Great American's and AAG's home offices in Cincinnati. An AAG subsidiary owns an office building in Austin, Texas; approximately 80% of its 40,000 square feet is used by the company for its operations.

AFG subsidiaries own transferable rights to develop approximately 1.5 million square feet of floor space in the Grand Central Terminal area in New York City. The development rights were derived from ownership of the land upon which the terminal is constructed.

ITEM 3

Legal Proceedings

Please refer to "Forward Looking Statements" following the Index in front of this Form 10-K.

AFG and its subsidiaries are involved in various litigation, most of which arose in the ordinary course of business, including litigation alleging bad faith in dealing with policyholders and challenging certain business practices of insurance subsidiaries. Except for the following, management believes that none of the litigation meets the threshold for disclosure under this Item.

In February 1994, the USX Corporation ("USX") paid nearly $600 million in satisfaction of antitrust judgments entered against its subsidiary, The Bessemer & Lake Erie Railroad ("B&LE"). In May 1994, USX/B&LE filed two lawsuits, one in state and the other in federal court, against American Premier as the reorganized successor of The Penn Central Corporation seeking to recover this amount under theories of indemnity and contribution law. In disclosing the existence of these lawsuits, American Premier stated that it had sufficient defenses and did not expect to suffer any material loss from the litigation.

In May 1998, the largest and last of these lawsuits was dismissed in state court; a companion federal lawsuit had been dismissed earlier in 1998. Both of the lawsuits were dismissed on American Premier's Motion for Summary Judgment filed in state and federal court.

The state court action was appealed to the Eighth Appellate District of Ohio in Cleveland, Ohio. The federal court action was appealed to the US Court of Appeals for the Sixth Circuit in Cincinnati, Ohio. Both appellate courts affirmed the decisions of the lower courts dismissing the lawsuits. In both cases, Plaintiffs petitioned for re-hearing by the federal and state panels of appellate court judges; the Sixth Circuit Court of Appeals denied the petition as did the state appellate court. American Premier and its outside counsel continue to believe that American Premier will not suffer any material loss from either of these cases.

American Premier is a party or named as a potentially responsible party in a number of proceedings and claims by regulatory agencies and private parties under various environmental protection laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), seeking to impose responsibility on American Premier for hazardous waste remediation costs at certain railroad sites formerly owned by Penn Central Transportation Company ("PCTC") and at certain other sites where hazardous waste allegedly generated by PCTC's railroad operations is present. It is difficult to estimate American Premier's liability for remediation costs at these sites for a number of reasons, including the number and financial resources of other potentially responsible parties involved at a given site, the varying availability of evidence by which to allocate responsibility among such parties, the wide range of costs for possible remediation alternatives, changing technology and the period of time over which these matters develop. Nevertheless, American Premier believes that its previously established loss accruals for potential pre-reorganization environmental liabilities at such sites are adequate to cover the probable amount of such liabilities, based on American Premier's estimates of remediation costs and related expenses at such sites and its estimates of the portions of such costs that will be borne by other parties. Such estimates are based on information currently available to American Premier and are subject to future change as additional information becomes available. American Premier intends to seek reimbursement from certain insurers for portions of whatever remediation costs it incurs.

In terms of potential liability to American Premier, the company believes that the most significant such site is the railyard at Paoli, Pennsylvania ("Paoli Yard") which PCTC transferred to Consolidated Rail Corporation ("Conrail") in 1976. A Record of Decision issued by the U.S. Environmental Protection Agency in 1992 presented a final selected remedial action for clean-up of polychlorinated biphenyls ("PCB's") at Paoli Yard having an estimated cost of approximately $28 million. American Premier has accrued its portion of such estimated clean-up costs in its financial statements (in addition to other expenses) but has not accrued the entire amount because it believes it is probable that other parties, including Conrail, will be responsible for substantial percentages of the clean-up costs by virtue of their operation of electrified railroad cars at Paoli Yard that discharged PCB's at higher levels than discharged by cars operated by PCTC.

In management's opinion, the outcome of the foregoing environmental claims and contingencies will not, individually or in the aggregate, have a material adverse effect on the financial condition of American Premier. In making this assessment, management has taken into account previously established loss accruals in its financial statements and probable recoveries from third parties.

Great American Life Insurance Company ("GALIC") was named a defendant in purported class action lawsuits (Woodward v. Great American Life Insurance Company, Hamilton County Court of Common Pleas, Case No. A9900587, filed February 2, 1999 and Marshak v. Great American Life Insurance Company, Harris County, Texas filed June 18, 1999). The complaints seek unspecified money damages (the Texas complaint also seeks declaratory relief) based on alleged (i) failure of GALIC to allow the tax- free transfer of the annuity value of certain annuities to other product providers, and (ii) misleading and fraudulent disclosures concerning GALIC's interest crediting practices. The Texas complaint also alleges that the sale of annuities to tax-qualified plans was inappropriate. The plaintiffs in the Texas action have suspended that case pending developments in the Ohio case. GALIC believes it has meritorious defenses but it is not possible to predict the ultimate impact of this action on the company.

In March 2000, a jury in Dallas, Texas, awarded a verdict against GALIC in the amount of $11.2 million. The case (Martin v. Great American Life Insurance Company, 191st District Court of Dallas County, Texas, Case No. 96-04843) was brought by two former agents of GALIC who alleged that GALIC had engaged in fraudulent conduct in connection with the termination of the agency relationship. GALIC believes that the verdict was contrary to both the facts and the law and expects to prevail on appeal. The ultimate outcome of this case will not have a material adverse impact on the financial condition of the company.

PART II

ITEM 5

Market for Registrant's Common Equity and Related Stockholder Matters

Please refer to "Forward Looking Statements" following the Index in front of this Form 10-K.

AFG Common Stock has been listed and traded on the New York Stock Exchange under the symbol AFG. The information presented in the table below represents the high and low sales prices per share reported on the NYSE Composite Tape.

	1999		1998	
	High	Low	High	Low
First Quarter	$43 5/8	$34 1/16	$44 3/16	$37 5/8
Second Quarter	37 3/8	33	45 3/4	42 3/8
Third Quarter	35 7/16	26 9/16	44 7/8	32 3/8
Fourth Quarter	30 1/4	24 1/2	43 7/8	30 1/2

There were approximately 15,800 shareholders of record of AFG Common Stock at March 1, 2000. AFG's policy is to pay quarterly dividends on its Common Stock in amounts determined by its Board of Directors. In 1999 and 1998, AFG declared and paid quarterly dividends of $.25 per share. The ability of AFG to pay dividends will be dependent upon, among other things, the availability of dividends and payments under intercompany tax allocation agreements from its insurance company subsidiaries.

ITEM 6

Selected Financial Data

The following table sets forth certain data for the periods indicated (dollars in millions, except per share data).

	1999	1998	1997	1996	1995
Earnings Statement Data:					
Total Revenues	$3,334	$4,063	$4,026	$4,132	$3,614
Operating Earnings Before Income Taxes	302	274	380	418	265
Earnings Before Extraordinary Items and Accounting Change	147	125	199	262	190
Extraordinary Items	(2)	(1)	(7)	(29)	1
Cumulative Effect of Accounting Change	(4)	-	-	-	-
Net Earnings	141	124	192	233	191
Basic Earnings Per Common Share (a):					
Earnings before Extraordinary Items and Accounting Change	$2.46	$2.04	$ .77	$4.31	$3.87
Net Earnings Available to Common Shares	2.37	2.03	.65	3.84	3.88
Diluted Earnings Per Common Share (a):					
Earnings before Extraordinary Items and Accounting Change	$2.44	$2.01	$ .76	$4.26	$3.83
Net Earnings Available to Common Shares	2.35	2.00	.64	3.79	3.85
Cash Dividends Paid Per Share of Common Stock	$1.00	$1.00	$1.00	$1.00	$ .75 (b)
Ratio of Earnings to Fixed Charges (c)	3.36	3.22	3.98	4.22	2.60
Balance Sheet Data:					
Total Assets	$16,054	$15,845	$15,755	$15,051	$14,954
Long-term Debt:					
Holding Companies	493	415	387	340	648
Subsidiaries	240	177	194	178	234
Minority Interest	489	522	513	494	314
Shareholders' Equity	1,340	1,716	1,663	1,554	1,440

(a) Per share results for 1997 are calculated after deducting a premium over stated value on redemption of a subsidiary's preferred stock of $153.3 million.

(b) Prior to the Mergers in 1995, American Premier declared dividends per share of $.25; AFG declared two quarterly $.25 per share dividends subsequent to the Mergers.

(c) Fixed charges are computed on a "total enterprise" basis. For purposes of calculating the ratios, "earnings" have been computed by adding to pretax earnings the fixed charges and the minority interest in earnings of subsidiaries having fixed charges and deducting (adding) the undistributed equity in earnings (losses) of investees. Fixed charges include interest (excluding interest on annuity benefits), amortization of debt premium/discount and expense, preferred dividend and distribution requirements of subsidiaries and a portion of rental expense deemed to be representative of the interest factor.

ITEM 7

Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to "Forward Looking Statements" following the Index in front of this Form 10-K.

GENERAL

Following is a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of AFG's financial condition and results of operations. This discussion should be read in conjunction with the financial statements beginning on page F-1.

AFG was formed through the combination of AFC and American Premier in merger transactions completed in April 1995 (the "Mergers").

LIQUIDITY AND CAPITAL RESOURCES

Ratios Following the Mergers, AFC and American Premier retired or replaced with lower cost financing over one billion dollars in debt and preferred stock reducing AFG's interest expense and preferred dividend requirements by approximately $110 million annually. AFG's debt to total capital ratio at the parent holding company level improved from nearly 60% at the date of the Mergers to approximately 25% at December 31, 1999.

AFG's ratio of earnings to fixed charges on a total enterprise basis was 3.36 for the year ended December 31, 1999 compared to 2.93 in 1995 (pro forma for the Mergers and related transactions).

The National Association of Insurance Commissioners' model law for risk based capital ("RBC") applies to both life and property and casualty companies. RBC formulas determine the amount of capital that an insurance company needs to ensure that it has an acceptable expectation of not becoming financially impaired. At December 31, 1999, the capital ratios of all AFG insurance companies substantially exceeded the RBC requirements (the lowest capital ratio of any AFG subsidiary was 2.3 times its authorized control level RBC; weighted average of all AFG subsidiaries was 4.8 times).

Sources of Funds AFG, AFC Holding, AFC and American Premier, are organized as holding companies with almost all of their operations being conducted by subsidiaries. These parent corporations, however, have continuing cash needs for administrative expenses, the payment of principal and interest on borrowings, shareholder dividends, and taxes. Funds to meet these obligations come primarily from dividend and tax payments from their subsidiaries.

Management believes these parent holding companies have sufficient resources to meet their liquidity requirements through operations. If funds generated from operations, including dividends and tax payments from subsidiaries, are insufficient to meet fixed charges in any period, these companies would be required to generate cash through borrowings, sales of securities or other assets, or similar transactions.

The parent holding companies have a reciprocal Master Credit Agreement under which these companies make funds available to each other for general corporate purposes.

A five-year, $300 million bank credit line was established by AFC in February 1998 replacing two subsidiary holding company lines. This credit line provides ample liquidity and can be used to obtain funds for operating subsidiaries or, if necessary, for the parent companies. At December 31, 1999, there was $68 million borrowed under the line.

All debentures issued by the parent holding companies and AAG are rated investment grade by three nationally recognized rating agencies. In April 1999, AFG issued $350 million principal amount of 7-1/8% senior debentures due 2009, using the proceeds to retire outstanding holding company public debt and borrowings under AFC's credit line. Under currently effective shelf registration statements, AFG can issue up to an aggregate of $500 million in additional common stock, debt or trust securities. The shelf registrations provide AFG with greater flexibility to access the capital markets from time to time as market and other conditions permit.

Dividend payments from subsidiaries have been very important to the liquidity and cash flow of the individual holding companies during certain periods in the past. However, the reliance on such dividend payments has been lessened in recent years by the combination of (i) reductions in the amounts and cost of debt at the holding companies subsequent to the Mergers (and the related decrease in ongoing cash needs for interest and principal payments), (ii) AFG's ability to obtain financing in capital markets, as well as (iii) the sales of certain noncore investments. Strong capital at the insurance companies also decreases the likelihood of a need for additional investment in these companies.

For statutory accounting purposes, equity securities are generally carried at market value. At December 31, 1999, AFG's insurance companies owned publicly traded equity securities with a market value of $1.1 billion, including equity securities of AFG affiliates (including subsidiaries) of $.7 billion. Since significant amounts of these are concentrated in a relatively small number of companies, decreases in the market prices could adversely affect the insurance group's capital, potentially impacting the amount of dividends available or necessitating a capital contribution. Conversely, increases in the market prices could have a favorable impact on the group's dividend-paying capability.

Under tax allocation agreements with AFC, its 80%-owned U.S. subsidiaries generally compute tax provisions as if filing separate returns based on book taxable income computed in accordance with generally accepted accounting principles. The resulting provision (or credit) is currently payable to (or receivable from) AFC.

Uncertainties

IT Initiative From inception of the Year 2000 Project in the early 1990's, AFG estimates that it incurred approximately $79 million in Year 2000 costs, including capitalized costs of $20 million, to successfully ensure its systems function properly in the year 2000 and beyond. Although a significant portion of the costs charged to expense were related primarily to allowing systems to continue to execute properly, the Project also included the upgrading of a significant number of systems and enhanced the knowledge of virtually all existing systems.

In the third quarter of 1999, AFG's newly hired Chief Information Officer initiated an enterprise-wide study of its information technology ("IT") resources, needs and opportunities. AFG expects that the initiative will entail extensive effort and costs and may lead to substantial changes in the area, which should result in significant cost savings, efficiencies and effectiveness in the future. While the costs (most of which will be expensed) will precede any savings to be realized, management expects benefits to greatly exceed the costs incurred, all of which will be funded through available working capital.

Litigation Two lawsuits were filed in 1994 against American Premier by USX Corporation ("USX") and a former USX subsidiary. The lawsuits seek contribution from American Premier for all or a portion of a $600 million final antitrust judgment entered against a USX subsidiary in 1994. The lawsuits argue that USX's liability for that judgment is attributable to the alleged activities of American Premier's predecessor in an unlawful antitrust conspiracy among certain railroad companies. In May 1998, the largest and last of the lawsuits was dismissed in state court. All of USX's claims against American Premier have now been dismissed with prejudice, and, although USX has appeals pending, American Premier and its outside legal counsel continue to believe that American Premier will not suffer a material loss from this litigation.

Great American's liability for unpaid losses and loss adjustment expenses includes amounts for various liability coverages related to environmental, hazardous product and other mass tort claims. At December 31, 1999, Great American had recorded $797 million (before reinsurance recoverables of $220 million) for such claims on policies written many years ago where, in most cases, coverage was never intended. Due to inconsistent court decisions on many coverage issues and the difficulty in determining standards acceptable for cleaning up pollution sites, significant uncertainties exist which are not likely to be resolved in the near future.

AFG's subsidiaries are parties in a number of proceedings relating to former operations. While the results of all such uncertainties cannot be predicted, based upon its knowledge of the facts, circumstances and applicable laws, management believes that sufficient reserves have been provided. See Note L to the financial statements.

Exposure to Market Risk Market risk represents the potential economic loss arising from adverse changes in the fair value of financial instruments. AFG's exposures to market risk relate primarily to its investment portfolio and annuity contracts which are exposed to interest rate risk and, to a lesser extent, equity price risk. AFG's long-term debt is also exposed to interest rate risk. AFG's investments in derivatives were not significant at December 31, 1999 or 1998.

Fixed Maturity Portfolio The fair value of AFG's fixed maturity portfolio is directly impacted by changes in market interest rates. For example, as a result of increased market rates, AFG's fixed maturity portfolio declined in value by more than six percent in 1999. AFG's fixed maturity portfolio is comprised of substantially all fixed rate investments with primarily short-term and intermediate-term maturities. This practice allows flexibility in reacting to fluctuations of interest rates. The portfolios of AFG's property and casualty insurance and life and annuity operations are managed with an attempt to achieve an adequate risk-adjusted return while maintaining sufficient liquidity to meet policyholder obligations. AFG's life and annuity operations use various actuarial models in an attempt to align the duration of their invested assets to the projected cash flows of policyholder liabilities.

The following table provides information about AFG's fixed maturity investments at December 31, 1999 and 1998, that are sensitive to interest rate risk. The table shows principal cash flows (in millions) and related weighted average interest rates by expected maturity date for each of the five subsequent years and for all years thereafter. Callable bonds and notes are included based on call date or maturity date depending upon which date produces the most conservative yield. Mortgage-backed securities ("MBSs") and sinking fund issues are included based on maturity year adjusted for expected payment patterns. Actual cash flows may differ from those expected.

	December 31, 1999			December 31, 1998	
	Principal Cash Flows	Rate		Principal Cash Flows	Rate
2000	$ 618.2	7.83%	1999	$ 849.8	7.97%
2001	622.6	8.69	2000	942.7	7.64
2002	848.4	8.14	2001	954.2	8.32
2003	1,267.6	7.65	2002	1,086.3	7.77
2004	999.2	7.73	2003	1,415.3	7.57
Thereafter	5,871.0	7.50	Thereafter	4,784.1	7.53
Total	$10,227.0	7.69%		$10,032.4	7.68%
Fair Value	$ 9,862.2			$10,324.3	

Equity Price Risk Equity price risk is the potential economic loss from adverse changes in equity security prices. Although AFG's investment in "Other stocks" is less than 4% of total investments, it is concentrated in a relatively limited number of major positions. While this approach allows management to more closely monitor the companies and industries in which they operate, it does increase risk exposure to adverse price declines in a major position.

Annuity Contracts Substantially all of AAG's fixed rate annuity contracts permit AAG to change crediting rates (subject to minimum interest rate guarantees of 3% to 4% per annum) enabling management to react to changes in market interest rates and maintain an adequate spread. Projected payments (in millions) in each of the subsequent five years and for all years thereafter on AAG's fixed annuity liabilities at December 31 were as follows.

	First	Second	Third	Fourth	Fifth	Thereafter	Total	Fair Value
1999	$690	$620	$550	$490	$440	$2,730	$5,520	$5,371
1998	660	620	560	500	450	2,660	5,450	5,307

Nearly half of AAG's fixed annuity liabilities at December 31, 1999, were two-tier in nature in that policyholders can receive a higher amount if they annuitize rather than surrender their policy, even if the surrender period has expired. Current stated crediting rates on AAG's principal fixed annuity products range from 3% on equity-indexed annuities (before any equity participation) to over 7% on certain new policies (including first year bonus amounts). AAG estimates that its effective weighted average crediting rate over the next five years will approximate 5%. This rate reflects actuarial assumptions as to (i) deaths, (ii) the number of policyholders who annuitize and receive higher credited amounts and (iii) the number of policyholders who surrender. Actual experience and changes in actuarial assumptions may result in different effective crediting rates than those above.

Debt and Preferred Securities The following table shows scheduled principal payments (in millions) on fixed-rate long-term debt of AFG and its subsidiaries and related weighted average interest rates for each of the subsequent five years and for all years thereafter.

	December 31, 1999			December 31, 1998	
	Scheduled Principal Payments	Rate		Scheduled Principal Payments	Rate
2000	$ 26.9	9.96%	1999	$ 90.7	9.69%
2001	*		2000	49.1	9.85
2002	*		2001	*	
2003	*		2002	*	
2004	14.2	8.38	2003	*	
Thereafter	517.4	7.16	Thereafter	333.3	7.92
Total	$562.5	7.32%		$476.5	8.45%
Fair Value	$520.4			$490.6	

(*) Less than $2 million.

At December 31, 1999 and 1998, respectively, AFG and its subsidiaries had $171 million and $114 million in variable-rate debt maturing primarily in 2002 and 2003. The weighted average interest rate on AFG's variable- rate debt was 6.82% at December 31, 1999 compared to 5.98% at December 31, 1998. There were $320 million and $325 million of subsidiary trust preferred securities outstanding at December 31, 1999 and 1998, none of which are scheduled for maturity or mandatory redemption during the next five years; the weighted average interest rate on these securities at both dates was 8.66%.

Investments Approximately two-thirds of AFG's consolidated assets are invested in marketable securities. A diverse portfolio of primarily publicly traded bonds and notes accounts for nearly 95% of these securities. AFG attempts to optimize investment income while building the value of its portfolio, placing emphasis upon long-term performance. AFG's goal is to maximize return on an ongoing basis rather than focusing on short-term performance.

Fixed income investment funds are generally invested in securities with short-term and intermediate-term maturities with an objective of optimizing total return while allowing flexibility to react to changes in market conditions. At December 31, 1999, the average life of AFG's fixed maturities was about 6 years.

Approximately 90% of the fixed maturities held by AFG were rated "investment grade" (credit rating of AAA to BBB) by nationally recognized rating agencies at December 31, 1999. Investment grade securities generally bear lower yields and lower degrees of risk than those that are unrated or noninvestment grade. Management believes that the high quality investment portfolio should generate a stable and predictable investment return.

Investments in MBSs represented approximately one-fourth of AFG's fixed maturities at December 31, 1999. AFG invests primarily in MBSs which have a reduced risk of prepayment. In addition, the majority of MBSs held by AFG were purchased at a discount. Management believes that the structure and discounted nature of the MBSs will mitigate the effect of prepayments on earnings over the anticipated life of the MBS portfolio. Over 90% of AFG's MBSs are rated "AAA" with substantially all being of investment grade quality. The market in which these securities trade is highly liquid. Aside from interest rate risk, AFG does not believe a material risk (relative to earnings or liquidity) is inherent in holding such investments.

Individual portfolio securities are sold creating gains or losses as market opportunities exist. Pretax capital gains recognized upon disposition of securities, including investees, during the past five years have been: 1999 - $20 million; 1998 - $16 million; 1997 - $57 million; 1996 - $166 million and 1995 - $84 million. At December 31, 1999, AFG had a net unrealized loss on fixed maturities of $239 million (before income taxes). The net unrealized gain on equity securities was $181 million (before income taxes) at that same date.

RESULTS OF OPERATIONS - THREE YEARS ENDED DECEMBER 31, 1999

General Operating earnings before income taxes were $302 million in 1999, $274 million in 1998 and $380 million in 1997. Results for 1998 include a pretax charge of $214 million for reserve strengthening relating to asbestos and other environmental matters ("A&E") and $159 million of pretax gains on sales of subsidiaries.

Pretax operating earnings for 1999 were 8% lower than those of 1998 (excluding the above mentioned A&E charge and sales gains) due primarily to decreased investment income and a fourth quarter charge of $10 million for estimated expenses related to realignment within the operating units of the life, health and annuity business. These were partially offset by improved underwriting results in the property and casualty insurance operations.

Pretax operating earnings for 1998 (excluding the above mentioned A&E charge and sales gains) were 13% lower than those of 1997 due primarily to lower gains on sales of securities and affiliates and a decline in the underwriting results of the property and casualty insurance operations which were impacted by higher catastrophe losses in 1998. These declines were partially offset by higher income on investments.

Property and Casualty Insurance - Underwriting AFG's property and casualty operations consist of two major business groups: Personal and Specialty.

The Personal group sells nonstandard and preferred/standard private passenger auto insurance and, to a lesser extent, homeowners' insurance. Nonstandard automobile insurance covers risks not typically accepted for standard automobile coverage because of the applicant's driving record, type of vehicle, age or other criteria.

The Specialty group includes a highly diversified group of business lines. Some of the more significant areas are inland and ocean marine, California workers' compensation, agricultural-related coverages, executive and professional liability, U.S.-based operations of Japanese companies, fidelity and surety bonds, collateral protection, and umbrella and excess coverages.

To understand the overall profitability of particular lines, the timing of claims payments and the related impact of investment income must be considered. Certain "short-tail" lines of business (primarily property coverages) have quick loss payouts which reduce the time funds are held, thereby limiting investment income earned thereon. On the other hand, "long-tail" lines of business (primarily liability coverages and workers' compensation) have payouts that are either structured over many years or take many years to settle, thereby significantly increasing investment income earned on related premiums received.

Underwriting profitability is measured by the combined ratio which is a sum of the ratios of underwriting losses, loss adjustment expenses, underwriting expenses and policyholder dividends to premiums. When the combined ratio is under 100%, underwriting results are generally considered profitable; when the ratio is over 100%, underwriting results are generally considered unprofitable. The combined ratio does not reflect investment income, other income or federal income taxes.

For certain lines of business and products where the credibility of the range of loss projections is less certain (primarily the various specialty businesses listed above), management believes that it is prudent and appropriate to use conservative assumptions until such time as the data, experience and projections have more credibility, as evidenced by data volume, consistency and maturity of the data. While this practice mitigates the risk of adverse development on this business, it does not eliminate it.

While AFG desires and seeks to earn an underwriting profit on all of its business, it is not always possible to do so. As a result, AFG attempts to expand in the most profitable areas and control growth or even reduce its involvement in the least profitable ones.

Underwriting results of AFG's insurance operations outperformed the industry average for the fourteenth consecutive year (excluding the special $214 million A&E charge in 1998). AFG's insurance operations have been able to exceed the industry's results by focusing on growth opportunities in the more profitable areas of the specialty and nonstandard auto businesses.

Net written premiums and combined ratios for AFG's property and casualty insurance subsidiaries were as follows (dollars in millions):

	1999	1998	1997
Net Written Premiums (GAAP)			
Personal	$1,154	$1,279	$1,345
Specialty	1,111	1,312(*)	1,468
Other Lines	(2)	18	45
	$2,263	$2,609	$2,858
Combined Ratios (GAAP)			
Personal	100.7%	97.3%	98.5%
Specialty	102.7	105.0	100.0
Aggregate (including A&E and other lines)	102.0%	110.7%	101.4%

(*) Includes $232 million for the 1998 year generated by the Commercial lines sold.

Special A&E Charge Under the agreement covering the sale of its Commercial lines division in 1998, AFG retained liabilities for certain A&E exposures. Prompted by this retention and as part of the continuing process of monitoring reserves, AFG began a thorough study of its A&E exposures. AFG's study was reviewed by independent actuaries who used state of the art actuarial techniques that have wide acceptance in the industry. The methods used involved sampling and statistical modeling incorporating external databases that supplement the internal information. AFG recorded a fourth quarter charge of $214 million increasing A&E reserves at December 31, 1998, to approximately $866 million (before deducting reinsurance recoverables of $241 million), an amount which, in the opinion of management, makes a reasonable provision for AFG's ultimate liability for A&E claims.

Personal The Personal group's net written premiums for 1999 include $71 million in net premiums written by Worldwide since its acquisition in April. The 10% decrease in written premiums reflects continuing strong price competition in the private passenger automobile market. The combined ratio for 1999 increased as loss and underwriting expenses declined at a slower rate than premiums.

In 1998, the Personal group's net written premiums decreased 5% due primarily to stronger price competition in the personal automobile market. The combined ratio improved in 1998 due to both lower loss experience and a 6% reduction in underwriting expenses.

Specialty The Specialty group's net written premiums for 1999 increased slightly compared to the 1998 period, excluding premiums of the Commercial lines division sold in December 1998. The combined ratio improved as the beneficial effects of the Commercial lines sale more than offset less favorable underwriting results in other specialty businesses, in particular the multi-peril crop insurance program. The Specialty group's underwriting results for 1999 include $28 million representing amortization of a portion of the deferred gain related to the Commercial lines business ceded to Ohio Casualty in 1998. In addition, underwriting margins improved in the California workers' compensation business as favorable reinsurance agreements executed during 1998 more than offset an increase in reserves during the fourth quarter of 1999. In January 2000, AFG completed an agreement with Reliance Insurance Company which commuted these reinsurance agreements.

The Specialty group's net written premiums decreased $156 million (11%) during 1998 due primarily to the impact of a reinsurance agreement whereby approximately 30% of AFG's California workers' compensation premiums were ceded and the sale of the Commercial lines division. Excluding these operations, the net written premiums of the other specialty businesses were essentially the same as in 1997. Underwriting results worsened from the comparable period in 1997 due to losses from the midwestern storms in the second quarter of 1998 compared to milder weather conditions during 1997 and unusually good results in 1997 in certain other lines.

Life, Accident and Health Premiums and Benefits Life, accident and health premiums and benefits increased in 1999 (excluding Funeral Services division sold in 1998) due primarily to the acquisition of United Teacher Associates in October 1999 and increased sales by GALIC's Life division. The increase in 1998's premiums and benefits reflects primarily AAG's acquisition of Great American Life Assurance Company of Puerto Rico, Inc. in December 1997.

Investment Income Changes in investment income reflect fluctuations in market rates and changes in average invested assets.

1999 compared to 1998 Investment income decreased 5% from 1998 due primarily to the transfer of investment assets in connection with the sales of the Commercial lines division and Funeral Services division in 1998, partially offset by the effect of the purchases of Worldwide and United Teacher Associates in 1999.

1998 compared to 1997 Investment income increased 2% from 1997 due primarily to an increase in the average amount of investments held partially offset by decreasing market interest rates.

Gains on Sales of Investee The gains on sales of investee in 1998 and 1997 represent pretax gains to AFG as a result of Chiquita's public issuance of shares of its common stock.

Gains on Sales of Subsidiaries The gains on sales of subsidiaries in 1998 include (i) a pretax gain of $152.6 million on the sale of the Commercial lines division, (ii) a pretax gain of $21.6 million on AAG's sale of its Funeral Services division and (iii) a charge of $15.5 million relating to operations expected to be sold or otherwise disposed of. The gains on sales of subsidiaries in 1997 include a pretax gain of $49.9 million on the sale of MDI and a charge of $17 million relating to operations expected to be sold or otherwise disposed of.

Other Income

1999 compared to 1998 Other income increased $6.8 million (5%) in 1999 as increased fee income generated by certain insurance operations more than offset a decrease in income from the sale of operating real estate and lease residuals.

1998 compared to 1997 Other income increased $10.3 million (9%) in 1998 due primarily to income from the sale of operating real estate assets and lease residuals which more than offset the absence of revenues from a noninsurance subsidiary which was sold in the fourth quarter of 1997.

Annuity Benefits For GAAP financial reporting purposes, annuity receipts are accounted for as interest-bearing deposits ("annuity benefits accumulated") rather than as revenues. Under these contracts, policyholders' funds are credited with interest on a tax-deferred basis until withdrawn by the policyholder. Annuity benefits reflect amounts accrued on annuity policyholders' funds accumulated. The rate at which AAG credits interest on most of its annuity policyholders' funds is subject to change based on management's judgment of market conditions. As a result, management has been able to react to changes in market interest rates and maintain a desired interest rate spread. While AAG believes the interest rate and stock market environment over the last several years has contributed to an increase in annuitizations and surrenders, the company's persistency rate remains approximately 90%.

Traditional fixed annuity receipts totaled approximately $320 million in 1999, $375 million in 1998 and $410 million in 1997. AAG believes that the success of the stock market and the recent interest rate environment have resulted in decreased sales and persistency of traditional fixed annuities. Sales of annuity products linked to the performance of the stock market (equity-indexed and variable annuities) more than offset this decrease.

Annuity benefits decreased $17.2 million (6%) in 1998 due primarily to decreases in crediting rates and changes in actuarial assumptions.

Interest on Borrowed Money Changes in interest expense result from fluctuations in market rates as well as changes in borrowings. AFG has generally financed its borrowings on a long-term basis which has resulted in higher current costs. Interest expense increased in both 1999 and 1998 due to higher average indebtedness partially offset by lower average interest rates on AFG's borrowings.

Other Operating and General Expenses From inception of AFG's Year 2000 Project in the early 1990's through 1997, AFG expensed approximately $9 million in remediation costs. During 1999 and 1998, respectively, $23 million and $27 million in such costs were expensed. Because a significant portion of the Year 2000 Project was completed using internal staff, these costs do not represent solely incremental costs.

1999 compared to 1998 Other operating and general expenses increased $15.6 million (4%) as AAG's $10 million realignment charge and increased expenses from start-up insurance services subsidiaries more than offset a decrease in franchise taxes and a decrease in amortization of annuity and life acquisition costs related to the Funeral Services division sold.

1998 compared to 1997 Other operating and general expenses increased $10.8 million (3%) in 1998 due primarily to inclusion of the operations of Great American Life Assurance Company of Puerto Rico following its acquisition in late 1997 which more than offset the absence of expenses from a noninsurance subsidiary which was sold in the fourth quarter of 1997.

Income Taxes See Note J to the Financial Statements for an analysis of items affecting AFG's effective tax rate.

Minority Interest Expense Dividends paid by subsidiaries on their preferred securities have varied as the securities were issued and retired over the past three years.

Investee Corporation Equity in net losses of investee corporation represents AFG's proportionate share of the results of Chiquita Brands International.

AFG recorded pretax equity in net losses of Chiquita of $27.4 million, $13.2 million and $5.6 million in 1999, 1998 and 1997, respectively. Chiquita's loss attributable to common shareholders was $75.5 million, $35.5 million and $16.6 million during these same periods.

In 1993, the European Union ("EU") implemented a regulatory system governing the importation of bananas into the EU. The quota regime grants preferred status to producers and importers within the EU and its former colonies, while imposing restrictive quotas, licenses and tariffs on bananas imported from other sources, including Latin America, Chiquita's primary source of fruit. This quota system has significantly decreased Chiquita's overall volume and market share in Europe. Following the imposition of the quota regime, prices within the EU increased and have generally remained higher than before the quota. Banana prices in other worldwide markets, however, have declined as the displaced EU volume entered those markets. Additionally, a stronger dollar in relation to major European currencies (mitigated in part by Chiquita's foreign currency hedging program) has contributed to lower earnings in the last few years.

Chiquita's operating income declined in 1999 from 1998 primarily due to weak banana pricing, particularly in Europe as a result of the overallocation of EU banana import licenses early in the year and weakness in demand from Eastern Europe and Russia. In late 1999, Chiquita underwent a workforce reduction program that streamlined certain corporate and staff functions in the U.S., Central America and Europe. While the program is expected to generate annual savings of $15 to $20 million, operating income for 1999 includes a $9 million charge for severance and other costs associated with the program.

Chiquita's results for 1998 include pretax writedowns and costs of $74 million as a result of significant damage in Honduras and Guatemala caused by Hurricane Mitch. Excluding these unusual items, operating income improved in 1998 compared to 1997 due primarily to lower delivered product costs for bananas on higher worldwide volume, which more than offset the adverse effect of lower banana pricing.

Chiquita's results for 1997 were adversely affected by a stronger dollar in relation to major European currencies and by increased banana production costs resulting from widespread flooding in 1996.

Cumulative Effect of Accounting Change In the first quarter of 1999, AAG implemented Statement of Position 98-5, "Reporting on the Costs of Start- Up Activities." The SOP requires that costs of start-up activities be expensed as incurred and that unamortized balances of previously deferred costs be expensed and reported as the cumulative effect of a change in accounting principle. Accordingly, AFG expensed previously capitalized start-up costs of $3.8 million (net of minority interest and taxes) in the first quarter of 1999.

Recent Accounting Standards The following accounting standards have been implemented by AFG in 1998 or 1999 or will be implemented in 2001. The implementation of these standards is discussed under various subheadings of Note A to the Financial Statements (segment information is discussed in Note C); effects of each are shown in the relevant Notes. Implementation of Statement of Financial Accounting Standards ("SFAS") No. 133 in the first quarter of 2001 is not expected to have a significant effect on AFG.

Accounting Standard	Subject of Standard (Year Implemented)	Reference
SFAS #130	Comprehensive Income (1998)	"Comprehensive Income"
SFAS #131	Segment Information (1998)	"Segment Information"
SOP 98-5	Start-up Costs (1999)	"Start-up Costs"
SFAS #133	Derivatives (2001)	"Derivatives"

Other standards issued in recent years did not apply to AFG or had only negligible effects on AFG.

ITEM 7A

Quantitative and Qualitative Disclosures About Market Risk

The information required by Item 7A is included in Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8

Financial Statements and Supplementary Data

"Selected Quarterly Financial Data" has been included in Note M to the Consolidated Financial Statements.

Please refer to "Forward Looking Statements" following the Index in front of this Form 10-K.

PART III

The information required by the following Items will be included in AFG's definitive Proxy Statement for the 2000 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission within 120 days after the end of Registrant's fiscal year and is incorporated herein by reference.

ITEM 10 Directors and Executive Officers of the Registrant

ITEM 11 Executive Compensation

ITEM 12 Security Ownership of Certain Beneficial Owners and Management

ITEM 13 Certain Relationships and Related Transactions

REPORT OF INDEPENDENT AUDITORS

Board of Directors
American Financial Group, Inc.

We have audited the accompanying consolidated balance sheet of American Financial Group, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Financial Group, Inc. and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Cincinnati, Ohio
March 9, 2000

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(Dollars In Thousands)

	December 31, 1999	December 31, 1998
Assets:		
Cash and short-term investments	$ 390,630	$ 296,721
Investments:		
Fixed maturities - at market (amortized cost - $10,101,105 and $9,921,344)	9,862,205	10,324,344
Other stocks - at market (cost - $229,201 and $207,345)	409,701	430,345
Investment in investee corporation	159,984	192,138
Policy loans	217,171	220,496
Real estate and other investments	269,032	271,915
Total investments	10,918,093	11,439,238
Recoverables from reinsurers and prepaid reinsurance premiums	2,105,818	1,973,895
Agents' balances and premiums receivable	656,924	618,198
Deferred acquisition costs	660,672	464,047
Other receivables	223,753	306,821
Variable annuity assets (separate accounts)	354,371	120,049
Prepaid expenses, deferred charges and other assets	411,742	344,465
Cost in excess of net assets acquired	332,072	281,769
	$16,054,075	$15,845,203

Liabilities and Capital:		
Unpaid losses and loss adjustment expenses	$ 4,795,449	$ 4,773,377
Unearned premiums	1,325,766	1,232,848
Annuity benefits accumulated	5,519,528	5,449,633
Life, accident and health reserves	520,644	341,595
Long-term debt:		
Holding companies	492,923	415,536
Subsidiaries	239,733	176,896
Variable annuity liabilities (separate accounts)	354,371	120,049
Accounts payable, accrued expenses and other liabilities	976,413	1,097,316
Total liabilities	14,224,827	13,607,250
Minority interest	489,270	521,776
Shareholders' Equity:		
Common Stock, no par value		
- 200,000,000 shares authorized		
- 58,419,952 and 60,928,322 shares outstanding	58,420	60,928
Capital surplus	742,220	770,721
Retained earnings	557,538	527,028
Unrealized gain (loss) on marketable securities, net	(18,200)	357,500
Total shareholders' equity	1,339,978	1,716,177
	$16,054,075	$15,845,203

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(In Thousands, Except Per Share Data)

	Year ended December 31, 1999	1998	1997
Income:			
Property and casualty insurance premiums	$2,210,819	$2,698,738	$2,824,381
Life, accident and health premiums	123,928	170,365	121,506
Investment income	842,065	883,700	868,946
Realized gains on sales of:			
Securities	20,152	6,275	46,006
Investee	-	9,420	11,428
Subsidiaries	-	158,673	33,602
Other investments	-	5,293	-
Other income	137,518	130,768	120,418
	3,334,482	4,063,232	4,026,287
Costs and Expenses:			
Property and casualty insurance:			
Losses and loss adjustment expenses	1,588,651	2,215,283	2,075,616
Commissions and other underwriting expenses	665,109	772,917	790,324
Annuity benefits	262,632	261,666	278,829
Life, accident and health benefits	86,439	131,652	110,082
Interest charges on borrowed money	63,672	57,682	52,331
Other operating and general expenses	365,918	350,282	339,475
	3,032,421	3,789,482	3,646,657
Operating earnings before income taxes	302,061	273,750	379,630
Provision for income taxes	98,198	94,067	130,684
Net operating earnings	203,863	179,683	248,946
Minority interest expense, net of tax	(39,085)	(45,935)	(45,846)
Equity in net losses of investee, net of tax	(17,783)	(8,578)	(3,617)
Earnings before extraordinary items and accounting change	146,995	125,170	199,483
Extraordinary items - loss on prepayment of debt	(1,701)	(770)	(7,233)
Cumulative effect of accounting change	(3,854)	-	-
Net Earnings	$ 141,440	$ 124,400	$ 192,250
Premium over stated value paid on redemption of preferred stock	-	-	(153,333)
Net earnings available to Common Shares	$ 141,440	$ 124,400	$ 38,917

Basic earnings (loss) per Common Share:			
Before extraordinary items and accounting change	$2.46	$2.04	$.77
Loss on prepayment of debt	(.03)	(.01)	(.12)
Cumulative effect of accounting change	(.06)	-	-
Net earnings available to Common Shares	$2.37	$2.03	$.65
Diluted earnings (loss) per Common Share:			
Before extraordinary items and accounting change	$2.44	$2.01	$.76
Loss on prepayment of debt	(.03)	(.01)	(.12)
Cumulative effect of accounting change	(.06)	-	-
Net earnings available to Common Shares	$2.35	$2.00	$.64
Average number of Common Shares:			
Basic	59,732	61,222	59,660
Diluted	60,210	62,185	60,748
Cash dividends per Common Share	$1.00	$1.00	$1.00

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars In Thousands)

	Common Shares	Common Stock and Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Securities	Total
Balance at December 31, 1996	61,071,626	$806,721	$559,716	$188,000	$1,554,437
Net earnings	-	-	192,250	-	192,250
Change in unrealized	-	-	-	160,900	160,900
Comprehensive income					353,150
Dividends on Common Stock	-	-	(59,589)	-	(59,589)
Shares issued:					
Exercise of stock options	413,312	11,292	-	-	11,292
Dividend reinvestment plan	8,207	314	-	-	314
Employee stock purchase plan	65,692	2,553	-	-	2,553
Portion of bonuses paid in stock	40,500	1,521	-	-	1,521
Directors fees paid in stock	1,662	68	-	-	68
AFEI merger	2,122,548	51,926	-	-	51,926
Shares repurchased	(2,674,643)	(35,347)	(61,973)	-	(97,320)
Retirement of AFC Preferred Stock	-	-	(153,333)	-	(153,333)
Tax effect of intercompany dividends	-	(1,960)	-	-	(1,960)
Other	-	(350)	-	-	(350)
Balance at December 31, 1997	61,048,904	$836,738	$477,071	$348,900	$1,662,709
Net earnings	-	-	124,400	-	$ 124,400
Change in unrealized	-	-	-	8,600	8,600
Comprehensive income					133,000
Dividends on Common Stock	-	-	(61,222)	-	(61,222)
Shares issued:					
Exercise of stock options	296,416	8,288	-	-	8,288
Dividend reinvestment plan	11,021	432	-	-	432
Employee stock purchase plan	68,177	2,689	-	-	2,689
401-K plan company match	44,035	1,783	-	-	1,783
Portion of bonuses paid in stock	20,300	816	-	-	816
Directors fees paid in stock	2,280	90	-	-	90
Shares repurchased	(562,811)	(7,768)	(13,221)	-	(20,989)
Tax effect of intercompany dividends	-	(11,703)	-	-	(11,703)
Other	-	284	-	-	284
Balance at December 31, 1998	60,928,322	$831,649	$527,028	$357,500	$1,716,177

Net earnings	-	-	141,440	-	$ 141,440
Change in unrealized	-	-	-	(375,700)	(375,700)

Comprehensive income (loss)					(234,260)
Dividends on Common Stock	-	-	(59,754)	-	(59,754)
Shares issued:					
Exercise of stock options	79,762	2,200	-	-	2,200
Dividend reinvestment plan	6,099	222	-	-	222
Employee stock purchase plan	63,794	2,136	-	-	2,136
401-K plan company match	57,888	2,171	-	-	2,171
Portion of bonuses paid in stock	38,640	1,439	-	-	1,439
Directors fees paid in stock	2,683	90	-	-	90
Shares repurchased	(2,757,236)	(37,726)	(51,176)	-	(88,902)
Tax effect of intercompany dividends	-	(6,400)	-	-	(6,400)
Other	-	4,859	-	-	4,859
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Balance at December 31, 1999	58,419,952	$800,640	$557,538	($ 18,200)	$1,339,978
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See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

	Year ended December 31, 1999	1998	1997
Operating Activities:			
Net earnings	$ 141,440	$ 124,400	$ 192,250
Adjustments:			
Extraordinary items	1,701	770	7,233
Cumulative effect of accounting change	3,854	-	-
Equity in net losses of investee	17,783	8,578	3,617
Depreciation and amortization	94,984	106,041	76,434
Annuity benefits	262,632	261,666	278,829
Changes in reserves on assets	(8,285)	14,020	7,610
Realized gains on investing activities	(37,988)	(205,659)	(103,157)
Deferred annuity and life policy acquisition costs	(119,382)	(117,202)	(72,634)
Increase in reinsurance and other receivables	(112,558)	(439,183)	(171,690)
Decrease (increase) in other assets	58,404	(5,575)	23,763
Increase in insurance claims and reserves	112,721	480,052	206,900
Increase (decrease) in other liabilities	(50,590)	158,523	(26,056)
Increase in minority interest	11,112	5,731	22,654
Dividends from investee	4,799	4,799	4,799
Other, net	(2,396)	(11,516)	(24,549)
	378,231	385,445	426,003
Investing Activities:			
Purchases of and additional investments in:			
Fixed maturity investments	(2,049,536)	(2,155,192)	(2,555,060)
Equity securities	(80,624)	(78,604)	(37,107)
Subsidiaries	(285,971)	(30,325)	(118,713)
Real estate, property and equipment	(74,063)	(66,819)	(64,917)
Maturities and redemptions of fixed maturity investments	1,047,169	1,248,775	897,786
Sales of:			
Fixed maturity investments	1,226,111	795,520	1,407,598
Equity securities	100,076	28,850	104,960
Investees and subsidiaries	-	164,589	32,500
Real estate, property and equipment	31,354	53,962	23,289
Cash and short-term investments of acquired (former) subsidiaries, net	54,331	(21,141)	2,714
Decrease (increase) in other investments	21,439	(15,135)	(12,892)
	(9,714)	(75,520)	(319,842)

Financing Activities:			
Fixed annuity receipts	446,430	480,572	493,708
Annuity surrenders, benefits and withdrawals	(706,840)	(690,388)	(607,174)
Additional long-term borrowings	614,638	262,537	284,150
Reductions of long-term debt	(478,657)	(251,837)	(230,688)
Issuances of Common Stock	3,459	10,236	13,845
Repurchases of Common Stock	(88,597)	(20,651)	(97,320)
Issuances of trust preferred securities	-	-	149,353
Repurchase of trust preferred securities	(5,509)	-	-
Repurchases of subsidiary preferred stock	-	-	(243,939)
Cash dividends paid	(59,532)	(60,790)	(59,275)
	(274,608)	(270,321)	(297,340)
Net Increase (Decrease) in Cash and Short-term Investments	93,909	39,604	(191,179)
Cash and short-term investments at beginning of period	296,721	257,117	448,296
Cash and short-term investments at end of period	$ 390,630	$ 296,721	$ 257,117

See notes to consolidated financial statements.

INDEX TO NOTES

A. Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of American Financial Group, Inc. ("AFG") and its subsidiaries. Certain reclassifications have been made to prior years to conform to the current year's presentation. All significant intercompany balances and transactions have been eliminated. All acquisitions have been treated as purchases. The results of operations of companies since their formation or acquisition are included in the consolidated financial statements.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Changes in circumstances could cause actual results to differ materially from those estimates.

Investments All fixed maturity securities are considered "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of shareholders' equity. Short-term investments are carried at cost; loans receivable are carried primarily at the aggregate unpaid balance. Premiums and discounts on mortgage-backed securities are amortized over their expected average lives using the interest method.

Gains or losses on sales of securities are recognized at the time of disposition with the amount of gain or loss determined on the specific identification basis. When a decline in the value of a specific investment is considered to be other than temporary, a provision for impairment is charged to earnings and the carrying value of that investment is reduced.

Investment in Investee Corporation Investments in securities of 20%- to 50%-owned companies are generally carried at cost, adjusted for AFG's proportionate share of their undistributed earnings or losses.

Cost in Excess of Net Assets Acquired The excess of cost of subsidiaries and investees over AFG's equity in the underlying net assets ("goodwill") is being amortized over periods of 20 to 40 years.

Insurance As discussed under "Reinsurance" below, unpaid losses and loss adjustment expenses and unearned premiums have not been reduced for reinsurance recoverable. To the extent that unrealized gains (losses) from securities classified as "available for sale" would result in adjustments to deferred acquisition costs and policyholder liabilities had those gains (losses) actually been realized, such balance sheet amounts are adjusted, net of deferred taxes.

Reinsurance In the normal course of business, AFG's insurance subsidiaries cede reinsurance to other companies to diversify risk and limit maximum loss arising from large claims. To the extent that any reinsuring companies are unable to meet obligations under the agreements covering reinsurance ceded, AFG's insurance subsidiaries would remain liable. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. AFG's insurance subsidiaries report as assets (a) the estimated reinsurance recoverable on unpaid losses, including an estimate for losses incurred but not reported, and (b) amounts paid to reinsurers applicable to the unexpired terms of policies in force. AFG's insurance subsidiaries also assume reinsurance from other companies. Income on reinsurance assumed is recognized based on reports received from ceding reinsurers.

Deferred Acquisition Costs Policy acquisition costs (principally commissions, premium taxes and other underwriting expenses) related to the production of new business are deferred ("DPAC"). For the property and casualty companies, DPAC is limited based upon recoverability without any consideration for anticipated investment income and is charged against income ratably over the terms of the related policies. For the annuity companies, DPAC is amortized, with interest, in relation to the present value of expected gross profits on the policies.

Unpaid Losses and Loss Adjustment Expenses The net liabilities stated for unpaid claims and for expenses of investigation and adjustment of unpaid claims are based upon (a) the accumulation of case estimates for losses reported prior to the close of the accounting period on the direct business written; (b) estimates received from ceding reinsurers and insurance pools and associations; (c) estimates of unreported losses based on past experience; (d) estimates based on experience of expenses for investigating and adjusting claims and (e) the current state of the law and coverage litigation. These liabilities are subject to the impact of changes in claim amounts and frequency and other factors. In spite of the variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate. Changes in estimates of the liabilities for losses and loss adjustment expenses are reflected in the Statement of Earnings in the period in which determined.

Annuity Benefits Accumulated Annuity receipts and benefit payments are recorded as increases or decreases in "annuity benefits accumulated" rather than as revenue and expense. Increases in this liability for interest credited are charged to expense and decreases for surrender charges are credited to other income.

Life, Accident and Health Reserves Liabilities for future policy benefits under traditional life, accident and health policies are computed using the net level premium method. Computations are based on anticipated investment yield, mortality, morbidity and surrenders and include provisions for unfavorable deviations. Reserves established for accident and health claims are modified as necessary to reflect actual experience and developing trends.

Variable Annuity Assets and Liabilities Separate accounts related to variable annuities represent deposits invested in underlying investment funds on which AAG earns a fee. The investment funds are selected and may be changed only by the policyholder.

Premium Recognition Property and casualty premiums are earned over the terms of the policies on a pro rata basis. Unearned premiums represent that portion of premiums written which is applicable to the unexpired terms of policies in force. On reinsurance assumed from other insurance companies or written through various underwriting organizations, unearned premiums are based on reports received from such companies and organizations. For traditional life, accident and health products, premiums are recognized as revenue when legally collectible from policyholders. For interest-sensitive life and universal life products, premiums are recorded in a policyholder account which is reflected as a liability. Revenue is recognized as amounts are assessed against the policyholder account for mortality coverage and contract expenses.

Policyholder Dividends Dividends payable to policyholders are included in "Accounts payable, accrued expenses and other liabilities" and represent estimates of amounts payable on participating policies which share in favorable underwriting results. The estimate is accrued during the period in which the related premium is earned. Changes in estimates are included in income in the period determined. Policyholder dividends do not become legal liabilities unless and until declared by the boards of directors of the insurance companies.

Minority Interest For balance sheet purposes, minority interest represents the interests of noncontrolling shareholders in AFG subsidiaries, including American Financial Corporation ("AFC") preferred stock and preferred securities issued by trust subsidiaries of AFG. For income statement purposes, minority interest expense represents those shareholders' interest in the earnings of AFG subsidiaries as well as AFC preferred dividends and accrued distributions on the trust preferred securities.

Issuances of Stock by Subsidiaries and Investees Changes in AFG's equity in a subsidiary or an investee caused by issuances of the subsidiary's or investee's stock are accounted for as gains or losses where such issuance is not a part of a broader reorganization.

Income Taxes AFC files consolidated federal income tax returns which include all 80%-owned U.S. subsidiaries, except for certain life insurance subsidiaries and their subsidiaries. Because holders of AFC Preferred Stock hold in excess of 20% of AFC's voting rights, AFG (parent) and its direct subsidiary, AFC Holding Company ("AFC Holding" or "AFCH") own less than 80% of AFC, and therefore, file separate returns.

Deferred income taxes are calculated using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases and are measured using enacted tax rates. Deferred tax assets are recognized if it is more likely than not that a benefit will be realized.

Stock-Based Compensation As permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," AFG accounts for stock options and other stock-based compensation plans using the intrinsic value based method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Benefit Plans AFG provides retirement benefits to qualified employees of participating companies through contributory and noncontributory defined contribution plans contained in AFG's Retirement and Savings Plan. Under the retirement portion of the plan, company contributions are invested primarily in securities of AFG and affiliates. Under the savings portion of the plan, AFG matches a specific portion of employee contributions. Contributions to benefit plans are charged against earnings in the year for which they are declared.

AFG and many of its subsidiaries provide health care and life insurance benefits to eligible retirees. AFG also provides postemployment benefits to former or inactive employees (primarily those on disability) who were not deemed retired under other company plans. The projected future cost of providing these benefits is expensed over the period the employees earn such benefits.

Under AFG's stock option plan, options are granted to officers, directors and key employees at exercise prices equal to the fair value of the shares at the dates of grant. No compensation expense is recognized for stock option grants.

Start-up Costs Prior to 1999, American Annuity Group, Inc. ("AAG"), an 83%-owned subsidiary, deferred certain costs associated with introducing new products and distribution channels and amortized them on a straight-line basis over 5 years. In 1999, AAG implemented Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities." The SOP requires that (i) costs of start-up activities be expensed as incurred and (ii) unamortized balances of previously deferred costs be expensed and reported as the cumulative effect of a change in accounting principle. Accordingly, AFG expensed previously capitalized start- up costs of $3.8 million (net of minority interest and taxes) or $.06 per diluted share, effective January 1, 1999.

Derivatives The Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," during the second quarter of 1998. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including derivative instruments that are embedded in other contracts, and for hedging activities and must be implemented no later than January 1, 2001. SFAS No. 133 requires the recognition of all derivatives (both assets and liabilities) in the balance sheet at fair value. Changes in fair value of derivative instruments are included in current income or as a component of comprehensive income (outside current income) depending on the type of derivative. Implementation of SFAS No. 133 is not expected to have a material effect on AFG's financial position or results of operations.

Earnings Per Share Basic earnings per share is calculated using the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share include the following dilutive effects of common stock options: 1999 - .5 million shares; 1998 - 1.0 million shares and 1997 - 1.1 million shares.

Statement of Cash Flows For cash flow purposes, "investing activities" are defined as making and collecting loans and acquiring and disposing of debt or equity instruments and property and equipment. "Financing activities" include obtaining resources from owners and providing them with a return on their investments, borrowing money and repaying amounts borrowed. Annuity receipts, benefits and withdrawals are also reflected as financing activities. All other activities are considered "operating". Short-term investments having original maturities of three months or less when purchased are considered to be cash equivalents for purposes of the financial statements.

B. Acquisitions and Sales of Subsidiaries and Investees

Worldwide Insurance Company In April 1999, AFG acquired Worldwide Insurance Company (formerly Providian Auto and Home Insurance Company) for $157 million in cash. Worldwide is a provider of direct response private passenger automobile insurance.

United Teacher Associates In October 1999, AAG acquired United Teacher Associates Insurance Company of Austin, Texas ("UTA") for $81 million in cash, pending post-closing adjustments under which AAG may receive as much as several million dollars. UTA provides supplemental health products and retirement annuities, and purchases blocks of insurance policies from other insurers.

Great American Life Insurance Company of New York and Consolidated Financial In February 1999, AAG acquired Great American Life Insurance Company of New York, formerly Old Republic Life Insurance Company of New York, for $27 million in cash. In July 1999, AAG acquired Consolidated Financial Corporation, an insurance agency, for $21 million in cash.

Commercial lines division In December 1998, AFG completed the sale of substantially all of its Commercial lines division to Ohio Casualty Corporation for $300 million plus warrants to purchase 6 million (post split) shares of Ohio Casualty common stock. AFG deferred a gain of $103 million on the insurance ceded to Ohio Casualty and recognized a pretax gain of $153 million on the sale of the other net assets. The deferred gain is being recognized over the estimated remaining settlement period (weighted average of 4.25 years) of the claims ceded. AFG may also receive up to an additional $40 million in the year 2000 based upon the retention and growth of the insurance businesses acquired by Ohio Casualty. The commercial lines sold generated net written premiums of approximately $230 million in 1998 (11 months) and $315 million in 1997.

Funeral Services division In September 1998, AAG sold its Funeral Services division for approximately $165 million in cash. The division held assets of approximately $1 billion at the sale date. AFG realized a pretax gain of $21.6 million, before $2.7 million of minority interest, on this sale.

Chiquita During 1997 and 1998, Chiquita issued shares of its common stock in acquisitions of operating businesses. AFG recorded pretax gains of $11.4 million in the fourth quarter of 1997, $7.7 million in the first quarter of 1998 and $1.7 million in the second quarter of 1998 representing the excess of AFG's equity in Chiquita following the issuances of its common stock over AFG's previously recorded carrying value.

Millennium Dynamics, Inc. In 1997, AFG completed the sale of the assets of its software solutions and consulting services subsidiary, Millennium Dynamics, Inc. ("MDI"), to a subsidiary of Peritus Software Services, Inc. for $30 million in cash and 2,175,000 shares of Peritus common stock. AFG recognized a pretax gain of approximately $50 million on the sale.

Peritus experienced difficulties in 1998, wrote off substantial amounts of its assets, and reported significant losses throughout the year. As a result, AFG recognized a pretax realized loss of $26.9 million and reduced its carrying value of Peritus shares to a nominal value at December 31, 1998.

American Financial Enterprises, Inc. ("AFEI") In 1997, AFG and AFEI engaged in a merger transaction whereby the shares of AFEI not held by AFG were acquired by AFG for approximately $23 million in cash and approximately 2.1 million shares of its common stock.

C. Segments of Operations AFG's property and casualty group is engaged primarily in private passenger automobile and specialty insurance businesses. The Personal group writes nonstandard and preferred/standard private passenger auto and other personal insurance coverage. The Specialty group includes a highly diversified group of specialty business units. Some of the more significant areas are inland and ocean marine, California workers' compensation, agricultural-related coverages, executive and professional liability, U.S.-based operations of Japanese companies, fidelity and surety bonds, collateral protection, and umbrella and excess coverages. AFG's annuity and life business markets primarily retirement products as well as life and supplemental health insurance. AFG's businesses operate throughout the United States. In 1999 and 1998, AFG derived less than 2% of its revenues from the sale of life and supplemental health products in Puerto Rico and less than 1% of its revenues from the sale of property and casualty insurance in Canada, Mexico, Europe and Asia. In addition, AFG owns a significant portion of the voting equity securities of Chiquita Brands International, Inc. (an investee corporation - see Note E).

The following tables (in thousands) show AFG's assets, revenues and operating profit (loss) by significant business segment. Operating profit (loss) represents total revenues less operating expenses.

	1999	1998	1997
Assets			
Property and casualty insurance (a)	$ 8,158,371	$ 8,278,898	$ 7,517,856
Annuities and life	7,523,570	7,174,544	7,693,463
Other	212,150	199,623	343,316
	15,894,091	15,653,065	15,554,635
Investment in investee	159,984	192,138	200,714
	$16,054,075	$15,845,203	$15,755,349
Revenues (b)			
Property and casualty insurance:			
Premiums earned:			
Personal	$ 1,163,223	$ 1,289,689	$ 1,356,642
Specialty	1,047,858	1,371,509	1,429,143
Other lines	(262)	37,540	38,596
	2,210,819	2,698,738	2,824,381
Investment and other income	450,829	643,106	448,849
	2,661,648	3,341,844	3,273,230
Annuities and life (c)	640,036	729,854	638,348
Other	32,798	(8,466)	114,709
	$ 3,334,482	$ 4,063,232	$ 4,026,287

Operating Profit (Loss)			
Property and casualty insurance:			
Underwriting:			
Personal	($ 7,685)	$ 34,029	$ 21,235
Specialty	(28,015)	(67,131)	(324)
Other lines (d)	(7,241)	(256,360)	(62,470)
	(42,941)	(289,462)	(41,559)
Investment and other income	299,057	518,234	320,710
	256,116	228,772	279,151
Annuities and life	112,498	165,238	122,401
Other (e)	(66,553)	(120,260)	(21,922)
	$ 302,061	$ 273,750	$ 379,630

(a) Not allocable to segments.
(b) Revenues include sales of products and services as well as other income earned by the respective segments.
(c) Represents primarily investment income.
(d) Represents primarily losses related to asbestos and other environmental matters ("A&E").
(e) Includes holding company expenses.

D. Investments Fixed maturities and other stocks at December 31, consisted of the following (in millions):

	Available for Sale							
	1999				1998			
	Amortized Cost	Market Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Market Value	Gross Unrealized Gains	Gross Unrealized Losses
Fixed maturities:								
United States Government and government agencies and authorities	$ 549.1	$ 539.1	$ 2.4	($ 12.4)	$ 507.5	$ 537.6	$ 30.2	($ .1)
States, municipalities and political subdivisions	303.2	292.4	.8	(11.6)	137.0	144.8	7.8	-
Foreign government	64.4	63.3	.2	(1.3)	67.3	71.0	3.8	(.1)
Public utilities	567.8	556.6	2.4	(13.6)	700.2	728.9	29.1	(.4)
Mortgage-backed securities	2,457.6	2,420.9	28.4	(65.1)	2,399.9	2,493.2	102.0	(8.7)
All other corporate	6,088.1	5,922.3	34.3	(200.1)	6,050.1	6,286.8	266.7	(30.0)
Redeemable preferred stocks	70.9	67.6	1.1	(4.4)	59.3	62.0	3.5	(.8)
	$10,101.1	$9,862.2	$ 69.6	($308.5)	$9,921.3	$10,324.3	$443.1	($40.1)
Other stocks	$ 229.2	$ 409.7	$204.4	($ 23.9)	$ 207.3	$ 430.3	$230.7	($ 7.7)

The table below sets forth the scheduled maturities of fixed maturities based on market value as of December 31, 1999. Data based on amortized cost is generally the same. Mortgage-backed securities had an average life of approximately 6 years at December 31, 1999.

Maturity	
One year or less	5%
After one year through five years	24
After five years through ten years	29
After ten years	17
	75
Mortgage-backed securities	25
	100%

Certain risks are inherent in connection with fixed maturity securities, including loss upon default, price volatility in reaction to changes in interest rates, and general market factors and risks associated with reinvestment of proceeds due to prepayments or redemptions in a period of declining interest rates.

The only investment which exceeds 10% of Shareholders' Equity is an equity investment in Provident Financial Group, Inc., having a market value of $231 million and $243 million at December 31, 1999 and 1998, respectively.

Realized gains (losses) and changes in unrealized appreciation (depreciation) on fixed maturity and equity security investments are summarized as follows (in thousands):

	Fixed Maturities	Equity Securities	Tax Effects	Total
1999				
Realized	($ 13,092)	$ 33,244	($ 7,053)	$ 13,099
Change in Unrealized	(641,900)	(42,500)	239,500	(444,900)
1998				
Realized (*)	25,841	(19,566)	(2,196)	4,079
Change in Unrealized	4,982	(69,900)	22,721	(42,197)
1997				
Realized	11,542	34,464	(16,102)	29,904
Change in Unrealized	222,188	107,600	(115,426)	214,362

(*) Includes $6.8 million in realized gains on fixed maturities transferred to Ohio Casualty in connection with the sale of the Commercial lines division.

Transactions in fixed maturity investments included in the Statement of Cash Flows consisted of the following (in millions):

	Purchases	Maturities and Redemptions	Sales	Gross Gains	Gross Losses
1999					
Available for Sale	$2,049.5	$1,047.2	$1,226.1	$29.2	($42.3)
1998					
Held to Maturity (*)	$ .8	$ 585.0	$ 45.3	$12.1	($ .5)
Available for Sale	2,154.4	663.8	750.2	24.9	(17.5)
Total	$2,155.2	$1,248.8	$ 795.5	$37.0	($18.0)
1997					
Held to Maturity	$ 5.6	$ 422.3	$ 8.0	$ .5	($ 1.0)
Available for Sale	2,549.5	475.5	1,399.6	37.7	(25.7)
Total	$2,555.1	$ 897.8	$1,407.6	$38.2	($26.7)

(*) Prior to reclassification to available for sale at December 31, 1998.

Securities classified as "held to maturity" having amortized cost of $41.8 million and $8.2 million were sold for gains (losses) of $603,000 and ($170,000) in 1998 and 1997, respectively, due to significant deterioration in the issuers' creditworthiness.

E. Investment in Investee Corporation Investment in investee corporation reflects AFG's ownership of 24 million shares (36%) of Chiquita common stock. The market value of this investment was $114 million and $229 million at December 31, 1999 and 1998, respectively. Chiquita is a leading international marketer, producer and distributor of quality fresh fruits and vegetables and processed foods.

Summarized financial information for Chiquita at December 31, is shown below (in millions).

	1999	1998	1997
Current Assets	$ 903	$ 840	
Noncurrent Assets	1,693	1,669	
Current Liabilities	488	531	
Noncurrent Liabilities	1,403	1,184	
Shareholders' Equity	705	794	
Net Sales	$2,556	$2,720	$2,434
Operating Income	42	79	100
Net Loss	(58)	(18)	-
Net Loss Attributable to Common Shares	(75)	(36)	(17)

Chiquita's 1999 results include a $9 million charge resulting from a workforce reduction program. Operating results for 1998 include $74 million of fourth quarter write-offs and costs resulting from widespread flooding in Honduras and Guatemala caused by Hurricane Mitch.

F. Cost in Excess of Net Assets Acquired Amortization expense for the excess of cost over net assets of purchased subsidiaries was $14.3 million in 1999, $11.9 million in 1998 and $11.6 million in 1997. At December 31, 1999 and 1998, accumulated amortization amounted to approximately $157 million and $143 million, respectively.

G. Long-Term Debt Long-term debt consisted of the following at December 31, (in thousands):

	1999	1998
Holding Companies:		
AFG 7-1/8% Senior Debentures due April 2009, less discount of $2,084 (imputed rate - 7.2%)	$300,766	$ -
AFG 7-1/8% Senior Debentures due December 2007	79,600	100,000
AFC notes payable under bank line	68,000	80,000
AFC 9-3/4% Debentures, less discount of $618	-	78,560
American Premier Underwriters, Inc. ("APU") 9-3/4% Subordinated Notes, including premium of $487	-	89,467
APU 10-5/8% Subordinated Notes due April 2000, including premium of $119 and $883 (imputed rate - 8.7%)	23,786	41,518
APU 10-7/8% Subordinated Notes due May 2011, including premium of $940 and $1,471 (imputed rate - 9.6%)	11,661	17,473
Other	9,110	8,518
	$492,923	$415,536
Subsidiaries:		
AAG 6-7/8% Senior Notes due June 2008	$100,000	$100,000
AAG notes payable under bank line	97,000	27,000
Notes payable secured by real estate	31,704	37,602
Other	11,029	12,294
	$239,733	$176,896

In April 1999, AFG issued $350 million principal amount of 7-1/8% Debentures due 2009. The proceeds from this offering were used primarily to redeem or repurchase other debt. During the second half of 1999, AFG repurchased $47.2 million of its 7-1/8% Debentures due 2009 for $44 million in cash.

At December 31, 1999, sinking fund and other scheduled principal payments on debt for the subsequent five years were as follows (in thousands):

	Holding Companies	Subsidiaries	Total
2000	$23,667	$ 3,248	$ 26,915
2001	-	1,430	1,430
2002	74,157	38,265	112,422
2003	-	61,278	61,278
2004	-	14,231	14,231

Debentures purchased in excess of scheduled payments may be applied to satisfy any sinking fund requirement. The scheduled principal payments shown above assume that debentures previously purchased are applied to the earliest scheduled retirements.

AFC and AAG each have an unsecured credit agreement with a group of banks under which they can borrow up to $300 million and $200 million, respectively. Borrowings bear interest at floating rates based on prime or Eurodollar rates. Loans mature December 2002 under the AFC credit agreement and from 2000 to 2003 under the AAG credit agreement. At December 31, 1999, the weighted average interest rates on amounts borrowed under the AFC and AAG bank credit lines were 6.56% and 6.76%, respectively.

Cash interest payments of $55 million, $49 million and $50 million were made on long-term debt in 1999, 1998 and 1997, respectively.

H. Minority Interest Minority interest in AFG's balance sheet is comprised of the following (in thousands):

	1999	1998
Interest of noncontrolling shareholders in subsidiaries' common stock	$ 97,516	$124,622
Preferred securities issued by subsidiary trusts	319,600	325,000
AFC preferred stock	72,154	72,154
	$489,270	$521,776

Preferred Securities Wholly-owned subsidiary trusts of AFCH and AAG have issued $325 million of preferred securities and, in turn, purchased a like amount of AFCH and AAG subordinated debt which provides interest and principal payments to fund the respective trusts' obligations. The preferred securities must be redeemed upon maturity or redemption of the subordinated debt. AFCH and AAG effectively provide unconditional guarantees of their respective trusts' obligations and AFG guarantees AFCH's obligations.

The preferred securities consisted of the following (in thousands):

Date of Issuance	Issue (Maturity Date)	1999	1998	Optional Redemption Dates
October 1996	AFCH 9-1/8% TOPrS (2026)	$100,000	$100,000	On or after 10/22/2001
November 1996	AAG 9-1/4% TOPrS (2026)	74,600	75,000	On or after 11/7/2001
March 1997	AAG 8-7/8% Pfd (2027)	70,000	75,000	On or after 3/1/2007
May 1997	AAG 7-1/4% ROPES (2041)	75,000	75,000	Prior to 9/28/2000 and after 9/28/2001

In the first quarter of 1999, AAG repurchased $5.4 million of its preferred securities for $5.5 million in cash.

AFC Preferred Stock AFC's Preferred Stock is voting, cumulative, and consists of the following:

Series J, no par value; $25.00 liquidating value per share; annual dividends per share $2.00; redeemable at AFC's option at $25.75 per share beginning December 2005 declining to $25.00 at December 2007 and thereafter; 2,886,161 shares (stated value $72.2 million) outstanding at December 31, 1999 and 1998.

In December 1997, AFC retired all shares of its Series F and G Preferred Stock in exchange for approximately $244 million in cash and the above shares of Series J Preferred Stock. AFG recorded a charge to retained earnings of $153.3 million representing the excess of total consideration paid over the stated value of the preferred stock retired.

Minority Interest Expense Minority interest expense is comprised of (in thousands):

	1999	1998	1997
Interest of noncontrolling shareholders in earnings of subsidiaries	$15,308	$21,845	$16,142
Accrued distributions by subsidiaries on preferred securities:			
Trust issued securities, net of tax	18,005	18,318	15,989
AFC preferred stock	5,772	5,772	13,715
	$39,085	$45,935	$45,846

I. Shareholders' Equity At December 31, 1999, there were 58,419,952 shares of AFG Common Stock outstanding, including 1,365,040 shares held by American Premier for possible distribution to certain creditors and other claimants upon proper claim presentation and settlement pursuant to the 1978 plan of reorganization of American Premier's predecessor, The Penn Central Corporation. Shares being held for distribution are not eligible to vote but otherwise are accounted for as issued and outstanding. AFG is authorized to issue 12.5 million shares of Voting Preferred Stock and 12.5 million shares of Nonvoting Preferred Stock, each without par value.

Stock Options At December 31, 1999, there were 6.9 million shares of AFG Common Stock reserved for issuance under AFG's Stock Option Plan. Options are granted with an exercise price equal to the market price of AFG Common Stock at the date of grant. Options generally become exercisable at the rate of 20% per year commencing one year after grant; those granted to nonemployee directors of AFG are fully exercisable upon grant. All options expire ten years after the date of grant. Data for AFG's Stock Option Plan is presented below:

	1999		1998		1997	
	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Average Exercise Price
Outstanding at beginning of year	3,808,369	$30.25	3,687,635	$28.73	3,331,947	$26.53
Granted	948,001	$34.92	466,250	$41.13	770,500	$37.54
Exercised	(79,762)	$24.42	(296,416)	$27.96	(413,312)	$27.32
Forfeited	(12,500)	$37.62	(49,100)	$33.79	(1,500)	$37.88
Outstanding at end of year	4,664,108	$31.28	3,808,369	$30.25	3,687,635	$28.73
Options exercisable at year-end	2,616,170	$28.19	2,085,873	$27.06	1,774,280	$26.03

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Average Exercise Price	Average Remaining Life	Shares	Average Exercise Price
$17.24 - $20.00	74,496	$17.89	1.0 years	74,496	$17.89
$20.00 - $25.00	1,255,091	$23.95	4.1 "	1,097,454	$23.95
$25.00 - $30.00	321,770	$26.96	5.4 "	253,770	$27.01
$30.00 - $35.00	1,080,250	$30.55	6.3 "	796,750	$30.26
$35.00 - $40.00	1,640,001	$36.82	8.3 "	331,300	$37.79
$40.00 - $45.19	292,500	$42.42	8.2 "	62,400	$42.58

No compensation cost has been recognized for stock option grants. Had compensation cost been determined for stock option awards based on the fair values at grant dates consistent with the method prescribed by Statement of Financial Accounting Standards No. 123, AFG's net income and earnings per share would not have been materially different from amounts reported. For SFAS No. 123 purposes, calculations were determined using the Black-Scholes option pricing model and the following assumptions: dividend yield of 3% for 1999 and 2% for 1998 and 1997; expected volatility of 22% for 1999 and 21% for 1998 and 1997; weighted average risk-free interest rate of 5.4% for 1999, 4.8% for 1998 and 5.8% for 1997; and expected life of 7.3 years for 1999 and 1998 and 6.7 years for 1997.

Unrealized Gain (Loss) on Marketable Securities, Net The change in unrealized gain (loss) on marketable securities included the following (in millions):

	Pretax	Tax Effects	Minority Interest	Net
1999				
Unrealized holding gains (losses) on securities arising during the period	($612.1)	$212.1	$38.4	($361.6)
Reclassification adjustment for realized gains included in net income	(20.2)	7.1	(1.0)	(14.1)
Change in unrealized gain (loss) on marketable securities, net	($632.3)	$219.2	$37.4	($375.7)
1998				
Unrealized holding gains (losses) on securities arising during the period	($ 50.5)	$ 19.0	$ .6	($ 30.9)
Unrealized gain on securities transferred from held to maturity	87.0	(30.4)	(7.0)	49.6
Reclassification adjustment for realized gains included in net income and unrealized gains of subsidiaries sold	(20.4)	7.1	3.2	(10.1)
Change in unrealized gain (loss) on marketable securities, net	$ 16.1	($ 4.3)	($ 3.2)	$ 8.6
1997				
Unrealized holding gains (losses) on securities arising during the period	$320.2	($112.2)	($15.1)	$192.9
Reclassification adjustment for realized gains included in net income	(51.5)	18.0	1.5	(32.0)
Change in unrealized gain (loss) on marketable securities, net	$268.7	($ 94.2)	($13.6)	$160.9

J. Income Taxes The following is a reconciliation of income taxes at the statutory rate of 35% and income taxes as shown in the Statement of Earnings (in thousands):

	1999	1998	1997
Earnings before income taxes:			
Operating	$302,061	$273,750	$379,630
Minority interest expense	(48,780)	(55,798)	(54,456)
Equity in net losses of investee	(27,357)	(13,198)	(5,564)
Extraordinary items	(2,617)	(1,265)	(11,287)
Accounting change	(6,370)	-	-
Total	$216,937	$203,489	$308,323
Income taxes at statutory rate	$ 75,928	$ 71,221	$107,912
Effect of:			
Minority interest	7,093	9,438	10,058
Losses utilized	(5,250)	(6,572)	(3,164)
Amortization of intangibles	4,686	4,482	3,362
Dividends received deduction	(2,783)	(2,189)	(2,002)
Other	(4,177)	2,709	(93)
Total Provision	75,497	79,089	116,073
Amounts applicable to:			
Minority interest expense	9,695	9,863	8,610
Equity in net losses of investee	9,574	4,620	1,947
Extraordinary items	916	495	4,054
Accounting change	2,516	-	-
Provision for income taxes as shown on the Statement of Earnings	$ 98,198	$ 94,067	$130,684

Total earnings before income taxes include income (losses) subject to tax in foreign jurisdictions of $8.1 million in 1999, $7.5 million in 1998 and ($9.3) million in 1997.

The total income tax provision consists of (in thousands):

	1999	1998	1997
Current taxes (credits):			
Federal	($ 5,434)	$63,368	$ 35,495
Foreign	32	94	-
State	511	652	(2,544)
Deferred taxes:			
Federal	81,419	14,553	83,581
Foreign	(1,031)	422	(459)
	$75,497	$79,089	$116,073

For income tax purposes, certain members of the AFC consolidated tax group had the following carryforwards available at December 31, 1999 (in millions):

	Expiring	Amount
Operating Loss {	2000 - 2004	$91
Operating Loss {	2005 - 2009	2
Other - Tax Credits		19

Deferred income tax assets and liabilities reflect temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes. The significant components of deferred tax assets and liabilities included in the Balance Sheet at December 31, were as follows (in millions):

	1999	1998
Deferred tax assets:		
Net operating loss carryforwards	$ 32.6	$ 44.3
Capital loss carryforwards	-	23.7
Insurance claims and reserves	236.5	291.2
Other, net	117.6	110.0
	386.7	469.2
Valuation allowance for deferred tax assets	(48.9)	(88.6)
	337.8	380.6
Deferred tax liabilities:		
Deferred acquisition costs	(172.3)	(121.3)
Investment securities	(67.0)	(267.9)
	(239.3)	(389.2)
Net deferred tax asset (liability)	$ 98.5	($ 8.6)

The gross deferred tax asset has been reduced by a valuation allowance based on an analysis of the likelihood of realization. Factors considered in assessing the need for a valuation allowance include: (i) recent tax returns, which show neither a history of large amounts of taxable income nor cumulative losses in recent years, (ii) opportunities to generate taxable income from sales of appreciated assets, and (iii) the likelihood of generating larger amounts of taxable income in the future. The likelihood of realizing this asset will be reviewed periodically; any adjustments required to the valuation allowance will be made in the period in which the developments on which they are based become known. The aggregate valuation allowance decreased by $39.7 million in 1999 due primarily to the utilization and expiration of loss carryforwards previously reserved.

Cash payments for income taxes, net of refunds, were $9.2 million, $45.9 million and $51.6 million for 1999, 1998 and 1997, respectively.

K. Extraordinary Items Extraordinary items represent AFG's proportionate share of gains and losses related to debt retirements by the following companies. Amounts shown are net of minority interest and income taxes (in thousands):

	1999	1998	1997
Holding Companies:			
AFG (parent)	$2,295	$ -	$ -
AFC (parent)	(2,993)	(77)	(5,395)
APU (parent)	(1,003)	(44)	(588)
Subsidiary:			
AAG	-	(649)	(1,250)
	($1,701)	($770)	($7,233)

L. Commitments and Contingencies Loss accruals (included in other liabilities) have been recorded for various environmental and occupational injury and disease claims and other contingencies arising out of the railroad operations disposed of by American Premier's predecessor, Penn Central Transportation Company ("PCTC"), prior to its bankruptcy reorganization in 1978. Under purchase accounting in connection with the Mergers, any such excess liability will be charged to earnings in AFG's financial statements.

American Premier's liability of $32.3 million for environmental claims at December 31, 1999, consists of a number of proceedings and claims seeking to impose responsibility for hazardous waste remediation costs at certain railroad sites formerly owned by PCTC and certain other sites where hazardous waste was allegedly generated by PCTC's railroad related operations. It is difficult to estimate remediation costs for a number of reasons, including the number and financial resources of other potentially responsible parties, the range of costs for remediation alternatives, changing technology and the time period over which these matters develop. American Premier's liability is based on information currently available and is subject to change as additional information becomes available.

American Premier's liability of $39.9 million for occupational injury and disease claims at December 31, 1999, includes pending and expected claims by former employees of PCTC for injury or disease allegedly caused by exposure to excessive noise, asbestos or other substances in the workplace. Anticipated recoveries of $26 million on these liabilities are included in other assets. Recorded amounts are based on the accumulation of estimates of reported and unreported claims and related expenses and estimates of probable recoveries from insurance carriers.

AFG has accrued approximately $11.2 million at December 31, 1999, for environmental costs and certain other matters associated with the sales of former operations.

In management's opinion, the outcome of the items discussed in this note and under "Uncertainties" in Management's Discussion and Analysis will not, individually or in the aggregate, have a material adverse effect on AFG's financial condition or results of operations.

M. Quarterly Operating Results (Unaudited) The operations of certain of AFG's business segments are seasonal in nature. While insurance premiums are recognized on a relatively level basis, claim losses related to adverse weather (snow, hail, hurricanes, tornadoes, etc.) may be seasonal. Historically, Chiquita's operations are significantly stronger in the first and second quarters than in the third and fourth quarters. Quarterly results necessarily rely heavily on estimates. These estimates and certain other factors, such as the nature of investees' operations and discretionary sales of assets, cause the quarterly results not to be necessarily indicative of results for longer periods of time. The following are quarterly results of consolidated operations for the two years ended December 31, 1999 (in millions, except per share amounts).

1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
Revenues	$797.5	$830.2	$868.9	$837.9	$3,334.5
Earnings before extraordinary items and accounting change	59.1	45.1	28.6	14.1	146.9
Extraordinary items - gain (loss) on prepayment of debt	-	(3.8)	1.5	.6	(1.7)
Cumulative effect of accounting change	(3.8)	-	-	-	(3.8)
Net earnings	55.3	41.3	30.1	14.7	141.4
Basic earnings per common share:					
Before extraordinary items and accounting change	$.97	$.75	$.48	$.24	$2.46
Gain (loss) on prepayment of debt	-	(.06)	.02	.01	(.03)
Cumulative effect of accounting change	(.06)	-	-	-	(.06)
Net earnings available to Common Shares	.91	.69	.50	.25	2.37
Diluted earnings per common share:					
Before extraordinary items and accounting change	$.96	$.74	$.48	$.24	$2.44
Gain (loss) on prepayment of debt	-	(.06)	.02	.01	(.03)
Cumulative effect of accounting change	(.06)	-	-	-	(.06)
Net earnings available to Common Shares	.90	.68	.50	.25	2.35
Average number of Common Shares:					
Basic	61.0	60.0	59.6	58.4	59.7
Diluted	61.7	60.6	60.0	58.6	60.2

1998					
Revenues	$1,002.9	$1,019.8	$1,037.3	$1,003.2	$4,063.2
Earnings (loss) before extraordinary items	66.9	40.6	56.4	(38.7)	125.2
Extraordinary items - loss on prepayment of debt	(.7)	(.1)	-	-	(.8)
Net earnings (loss)	66.2	40.5	56.4	(38.7)	124.4
Basic earnings (loss) per common share:					
Before extraordinary items	$1.09	$.66	$.92	($.63)	$2.04
Loss on prepayment of debt	(.01)	-	-	-	(.01)
Net earnings (loss) available to Common Shares	1.08	.66	.92	(.63)	2.03
Diluted earnings (loss) per common share:					
Before extraordinary items	$1.08	$.65	$.91	($.63)	$2.01
Loss on prepayment of debt	(.01)	-	-	-	(.01)
Net earnings (loss) available to Common Shares	1.07	.65	.91	(.63)	2.00
Average number of Common Shares:					
Basic	61.1	61.4	61.4	61.1	61.2
Diluted	62.1	62.6	62.2	61.8	62.2

Quarterly earnings per share do not add to year-to-date amounts due to changes in shares outstanding.

The 1999 fourth quarter results include a charge of $10 million for expenses related to realignment within the operating units of the life and annuity business.

In the second quarter of 1998, AFG recorded approximately $41 million of losses due to severe storms in the midwestern part of the country. Included in "Loss and loss adjustment expenses" for 1998 is a fourth quarter noncash, pretax charge of $214 million for A&E exposures. Under the agreement covering the sale of the Commercial lines division in 1998, AFG retained liabilities for certain A&E exposures. Prompted by this retention and as part of the continuing process of monitoring reserves, AFG began a comprehensive review of its A&E exposures. AFG increased its A&E reserve to an amount consistent with the conclusions of the review.

AFG has realized substantial gains (losses) on sales of subsidiaries and investees in recent years (see Note B). Sales of subsidiaries also includes pretax charges of $10.5 million and $5.0 million in the third and fourth quarters of 1998, respectively, relating to operations expected to be disposed of. Realized gains (losses) on sales of securities, affiliates and other investments amounted to (in millions):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
1999	$ 4.4	$7.3	($ 5.7)	$ 14.2	$ 20.2
1998	22.0	8.9	25.4	123.4	179.7

N. Insurance Securities owned by insurance subsidiaries having a carrying value of about $900 million at December 31, 1999, were on deposit as required by regulatory authorities.

Insurance Reserves The liability for losses and loss adjustment expenses for certain long-term scheduled payments under workers' compensation, auto liability and other liability insurance has been discounted at about 8%, an approximation of long-term investment yields. As a result, the total liability for losses and loss adjustment expenses at December 31, 1999, has been reduced by $30 million.

The following table provides an analysis of changes in the liability for losses and loss adjustment expenses, net of reinsurance (and grossed up), over the past three years on a GAAP basis (in millions):

	1999	1998	1997
Balance at beginning of period	$3,305	$3,489	$3,404
Provision for losses and LAE occurring in the current year	1,691	2,059	2,045
Net increase (decrease) in provision for claims of prior years	(102)	156	31
	1,589	2,215	2,076
Payments for losses and LAE of:			
Current year	(780)	(885)	(840)
Prior years	(958)	(1,110)	(1,151)
	(1,738)	(1,995)	(1,991)
Reserves of businesses acquired or sold, net	57	(481)	-
Reclassification of allowance for uncollectible reinsurance	11	77	-
Balance at end of period	$3,224	$3,305	$3,489
Add back reinsurance recoverables, net of allowance in 1999 and 1998	1,571	1,468	736
Gross unpaid losses and LAE included in the Balance Sheet	$4,795	$4,773	$4,225

Net Investment Income The following table shows (in millions) investment income earned and investment expenses incurred by AFG's insurance companies.

	1999	1998	1997
Insurance group investment income:			
Fixed maturities	$806.1	$849.6	$830.6
Equity securities	12.2	9.1	6.4
Other	7.7	12.1	10.6
	826.0	870.8	847.6
Insurance group investment expenses (*)	(40.6)	(42.6)	(37.3)
	$785.4	$828.2	$810.3

(*) Included primarily in "Other operating and general expenses" in the Statement of Earnings.

Statutory Information AFG's insurance subsidiaries are required to file financial statements with state insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities (statutory basis). Net earnings and policyholders' surplus on a statutory basis for the insurance subsidiaries were as follows (in millions):

	Net Earnings			Policyholders' Surplus	
	1999	1998	1997	1999	1998
Property and casualty companies	$170	$261	$159	$1,664	$1,840
Life insurance companies	37	41	74	421	365

Reinsurance In the normal course of business, AFG's insurance subsidiaries assume and cede reinsurance with other insurance companies. The following table shows (in millions) (i) amounts deducted from property and casualty written and earned premiums in connection with reinsurance ceded, (ii) written and earned premiums included in income for reinsurance assumed and (iii) reinsurance recoveries deducted from losses and loss adjustment expenses.

	1999	1998	1997
Direct premiums written	$3,113	$3,221	$3,383
Reinsurance assumed	48	38	89
Reinsurance ceded	(898)	(788)(*)	(614)
Net written premiums	$2,263	$2,471	$2,858
Direct premiums earned	$3,056	$3,320	$3,316
Reinsurance assumed	45	42	90
Reinsurance ceded	(890)	(663)	(582)
Net earned premiums	$2,211	$2,699	$2,824
Reinsurance recoveries	$ 811	$ 651	$ 296

(*) Includes $138 million for the unearned premium transfer related to the sale of the Commercial lines division.

O. Additional Information Total rental expense for various leases of office space, data processing equipment and railroad rolling stock was $39 million, $41 million and $36 million for 1999, 1998 and 1997, respectively. Sublease rental income related to these leases totaled $2.6 million in 1999, $5.4 million in 1998 and $5.4 million in 1997.

Future minimum rentals, related principally to office space and railroad rolling stock, required under operating leases having initial or remaining noncancelable lease terms in excess of one year at December 31, 1999, were as follows: 2000 - $39 million; 2001 - $33 million; 2002 - $25 million; 2003 - $19 million; 2004 - $8 million; and $10 million thereafter. At December 31, 1999, minimum sublease rentals to be received through the expiration of the leases aggregated $6 million.

Other operating and general expenses included charges for possible losses on agents' balances, other receivables and other assets in the following amounts: 1999 - $5.1 million; 1998 - $2.8 million; and 1997 - $10.5 million. Losses and loss adjustment expenses included charges for possible losses on reinsurance recoverables of $.4 million in 1999 and $14.2 million in 1998. The aggregate allowance for all such losses amounted to approximately $148 million and $149 million at December 31, 1999 and 1998, respectively.

Summary Financial Information of AFC Holding AFG has guaranteed the obligations of AFC Holding relating to the preferred securities issued by a wholly-owned subsidiary trust. Summarized consolidated financial information for AFC Holding is as follows (in millions):

	1999	1998	1997
Cash and Investments	$11,225	$11,748	
Other Assets	4,732	4,116	
Insurance Claims and Reserves	12,161	11,797	
Debt	352	492	
Minority Interest	568	600	
Shareholders' Equity	1,549	1,754	
Revenues	$ 3,339	$ 4,069	$ 4,026
Net Operating Earnings	325	286	380
Earnings before Extraordinary Items and Accounting Change	161	133	199
Extraordinary Items - Loss on Prepayment of Debt	(4)	(1)	(7)
Cumulative Effect of Accounting Change	(4)	-	-
Net Income	153	132	192

Fair Value of Financial Instruments The following table presents (in millions) the carrying value and estimated fair value of AFG's financial instruments at December 31.

	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities	$9,862	$9,862	$10,324	$10,324
Other stocks	410	410	430	430
Investment in investee	160	114	192	229
Liabilities:				
Annuity benefits accumulated	$5,520	$5,371	$ 5,450	$ 5,307
Long-term debt:				
Holding companies	493	462	415	428
Subsidiaries	240	230	177	176
Minority Interest:				
Trust preferred securities	$ 320	$ 297	$ 325	$ 336
AFC preferred stock	72	69	72	80
Shareholders' Equity	$1,340	$1,541	$ 1,716	$ 2,673

When available, fair values are based on prices quoted in the most active market for each security. If quoted prices are not available, fair value is estimated based on present values, discounted cash flows, fair value of comparable securities, or similar methods. The fair value of the liability for annuities in the payout phase is assumed to be the present value of the anticipated cash flows, discounted at current interest rates. Fair value of annuities in the accumulation phase is assumed to be the policyholders' cash surrender amount. Fair value of shareholders' equity is based on the quoted market price of AFG's Common Stock.

Unrealized Gain (Loss) on Marketable Securities, Net The components of the Consolidated Balance Sheet caption "Unrealized gain (loss) on marketable securities, net" in shareholders' equity are summarized as follows (in millions):

	Unadjusted Asset (Liability)	Effect of SFAS 115	Adjusted Asset (Liability)
1999			
Fixed maturities	$10,101.1	($238.9)	$9,862.2
Other stocks	229.2	180.5	409.7
Deferred acquisition costs	656.1	4.6	660.7
Annuity benefits accumulated	(5,532.6)	13.1	(5,519.5)
Pretax unrealized		(40.7)	
Deferred taxes	85.1	13.4	98.5
Minority interest	(498.4)	9.1	(489.3)
Unrealized gain (loss)		($ 18.2)	
1998			
Fixed maturities	$9,921.3	$403.0	$10,324.3
Other stocks	207.3	223.0	430.3
Deferred acquisition costs	472.9	(8.9)	464.0
Annuity benefits accumulated	(5,424.1)	(25.5)	(5,449.6)
Pretax unrealized		591.6	
Deferred taxes	197.2	(205.8)	(8.6)
Minority interest	(493.5)	(28.3)	(521.8)
Unrealized gain (loss)		$357.5	

Financial Instruments with Off-Balance-Sheet Risk On occasion, AFG and its subsidiaries have entered into financial instrument transactions which may present off-balance-sheet risks of both a credit and market risk nature. These transactions include commitments to fund loans, loan guarantees and commitments to purchase and sell securities or loans. At December 31, 1999, AFG and its subsidiaries had commitments to fund credit facilities and contribute limited partnership capital totaling up to $54 million.

Restrictions on Transfer of Funds and Assets of Subsidiaries Payments of dividends, loans and advances by AFG's subsidiaries are subject to various state laws, federal regulations and debt covenants which limit the amount of dividends, loans and advances that can be paid. Under applicable restrictions, the maximum amount of dividends available to AFG in 2000 from its insurance subsidiaries without seeking regulatory clearance is approximately $186 million. Total "restrictions" on intercompany transfers from AFG's subsidiaries cannot be quantified due to the discretionary nature of the restrictions.

Benefit Plans AFG expensed approximately $13 million in 1999, $22 million in 1998 and $21 million in 1997 for its retirement and employee savings plans.

Transactions With Affiliates AFG owns a $3.7 million minority interest in a residential homebuilding company. A brother of AFG's Chairman also owns a minority interest. AAG has extended a line of credit to this company under which the homebuilder may borrow up to $8 million at 13% with interest deferred and added to principal. At December 31, 1999 and 1998, $8 million and $6.1 million was due under the credit line, respectively.

In a 1997 transaction, AAG purchased for $4.9 million a minority ownership position in a company engaged in the production of ethanol. AFG's Chairman purchased the remaining ownership. During 1998, this company borrowed $4.0 million from AAG under a subordinated note bearing interest at 14% and paid a $6.3 million capital distribution, including $3.1 million to AAG. AAG's equity investment in this company at December 31, 1999 was $1.8 million. In addition, AAG and Great American have each extended a $5 million line of credit to this company; no amounts have been borrowed under the credit lines.

PART IV

ITEM 14

Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this Report:

1. Financial Statements are included in Part II, Item 8.

2. Financial Statement Schedules:

   A. Selected Quarterly Financial Data is included in Note M to the Consolidated Financial Statements.

   B. Schedules filed herewith for 1999, 1998 and 1997:

   All other schedules for which provisions are made in the applicable regulation of the Securities and Exchange Commission have been omitted as they are not applicable, not required, or the information required thereby is set forth in the Financial Statements or the notes thereto.

3. Exhibits - see Exhibit Index on page E-1.

(b) Reports on Form 8-K: None

AMERICAN FINANCIAL GROUP, INC. - PARENT ONLY (*)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(In Thousands)

Condensed Balance Sheet

	December 31, 1999	December 31, 1998
Assets:		
Cash and short-term investments	$ 1,612	$ 6,777
Receivables from affiliates	370,218	270,500
Investment in subsidiaries	1,404,653	1,612,674
Other assets	53,935	44,502
	$1,830,418	$1,934,453
Liabilities and Shareholders' Equity:		
Accounts payable, accrued expenses and other liabilities	$ 4,995	$ 1,659
Payables to affiliates	105,079	116,617
Long-term debt	380,366	100,000
Shareholders' equity	1,339,978	1,716,177
	$1,830,418	$1,934,453

Condensed Statement of Earnings

	Year Ended December 31, 1999	1998	1997
Income:			
Dividends from subsidiaries	$ 282	$ 282	$ 281
Equity in undistributed earnings of subsidiaries	242,850	209,453	301,385
Investment and other income	27,436	22,367	35,470
	270,568	232,102	337,136
Costs and Expenses:			
Interest charges on borrowed money	34,707	18,748	9,702
Other operating and general expenses	9,937	8,600	7,824
	44,644	27,348	17,526

Earnings before income taxes, extraordinary items and accounting change	225,924	204,754	319,610
Provision for income taxes	78,929	79,584	120,127
Earnings before extraordinary items and accounting change	146,995	125,170	199,483
Extraordinary items - loss on prepayment of debt	(1,701)	(770)	(7,233)
Cumulative effect of accounting change	(3,854)	-	-
Net Earnings	$141,440	$124,400	$192,250

(*) The Parent Only Financial Statements include the accounts of AFG and its predecessor, AFC Holding Company, a wholly-owned subsidiary.

AMERICAN FINANCIAL GROUP, INC. - PARENT ONLY (*)
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT - CONTINUED
(In Thousands)

Condensed Statement of Cash Flows

	Year Ended December 31, 1999	1998	1997
Operating Activities:			
Net earnings	$141,440	$124,400	$192,250
Adjustments:			
Extraordinary items	1,701	770	7,233
Cumulative effect of accounting change	3,854	-	-
Equity in earnings of subsidiaries	(158,067)	(128,317)	(187,814)
Change in balances with affiliates	(110,243)	76,116	54,620
Decrease (increase) in other assets	(8,844)	(2,972)	687
Increase (decrease) in payables	3,336	(2,612)	881
Dividends from subsidiaries	282	282	281
Other	15	90	1,588
	(126,526)	67,757	69,726
Investing Activities:			
Purchases of subsidiaries and other investments	(14,894)	-	(24,872)
Sales of investments	13,903	-	-
	(991)	-	(24,872)
Financing Activities:			
Additional long-term borrowings	344,938	-	98,987
Reductions of long-term debt	(63,179)	-	-
Issuances of common stock	7,389	13,238	13,845
Repurchases of common stock	(88,597)	(20,651)	(97,320)
Cash dividends paid	(78,199)	(79,457)	(77,941)
	122,352	(86,870)	(62,429)
Net Decrease in Cash and Short-term Investments	(5,165)	(19,113)	(17,575)
Cash and short-term investments at beginning of period	6,777	25,890	43,465
Cash and short-term investments at end of period	$ 1,612	$ 6,777	$ 25,890

(*) The Parent Only Financial Statements include the accounts of AFG and its predecessor, AFC Holding Company, a wholly-owned subsidiary.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE V - SUPPLEMENTAL INFORMATION CONCERNING
PROPERTY-CASUALTY INSURANCE OPERATIONS

THREE YEARS ENDED DECEMBER 31, 1999
(IN MILLIONS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
AFFILIATION WITH REGISTRANT	DEFERRED POLICY ACQUISITION COSTS	(a) RESERVES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES	(b) DISCOUNT DEDUCTED IN COLUMN C	(c) UNEARNED PREMIUMS
CONSOLIDATED PROPERTY-CASUALTY ENTITIES				
1999	$254	$4,795	$30	$1,326
1998	$217	$4,773	$41	$1,233

	COLUMN F	COLUMN G	COLUMN H		COLUMN I	COLUMN J	COLUMN K
			CLAIMS AND CLAIM ADJUSTMENT EXPENSES INCURRED RELATED TO				
	EARNED PREMIUMS	NET INVESTMENT INCOME	CURRENT YEARS	PRIOR YEARS	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	PAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES	PREMIUMS WRITTEN
1999	$2,211	$297	$1,691	($102)	$498	$1,738	$2,263
1998	$2,699	$324	$2,059	$156	$589	$1,995	$2,471
1997	$2,824	$316	$2,045	$ 31	$620	$1,991	$2,858

(a) Grossed up for reinsurance recoverables of $1,571 and $1,468 at December 31, 1999 and 1998, respectively.
(b) Discounted at approximately 8%.
(c) Grossed up for prepaid reinsurance premiums of $320 and $314 at December 31, 1999 and 1998, respectively.

Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, American Financial Group, Inc. has duly caused this Report to be signed on its behalf by the undersigned, duly authorized.

American Financial Group, Inc.

Signed: March 28, 2000

BY:s/CARL H. LINDNER
Carl H. Lindner
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Capacity	Date
s/CARL H. LINDNER Carl H. Lindner	Chairman of the Board of Directors	March 28, 2000
s/THEODORE H. EMMERICH Theodore H. Emmerich	Director*	March 28, 2000
s/JAMES E. EVANS James E. Evans	Director	March 28, 2000
s/THOMAS M. HUNT Thomas M. Hunt	Director*	March 28, 2000
s/CARL H. LINDNER III Carl H. Lindner III	Director	March 28, 2000
s/KEITH E. LINDNER Keith E. Lindner	Director	March 28, 2000
s/S. CRAIG LINDNER S. Craig Lindner	Director	March 28, 2000
s/WILLIAM R. MARTIN William R. Martin	Director*	March 28, 2000
s/FRED J. RUNK Fred J. Runk	Senior Vice President and Treasurer (principal financial and accounting officer)	March 28, 2000

* Member of the Audit Committee

INDEX TO EXHIBITS

AMERICAN FINANCIAL GROUP, INC.

Number	Exhibit Description	
3(a)	Amended and Restated Articles of Incorporation, filed as Exhibit 3(a) to AFG's Form 10-K for 1997.	(*)
3(b)	Code of Regulations, filed as Exhibit 3(b) to AFG's Form 10-K for 1997.	(*)
4	Instruments defining the rights of security holders.	Registrant has no outstanding debt issues exceeding 10% of the assets of Registrant and consolidated subsidiaries.
	Management Contracts:	
10(a)	Stock Option Plan, filed as Exhibit 10(a) to AFG's Form 10-K for 1998.	(*)
10(b)	Form of stock option agreements, filed as Exhibit 10(b) to AFG's Form 10-K for 1998.	(*)
10(c)	1999 Annual Bonus Plan.	-----
10(d)	Nonqualified Auxiliary RASP, filed as Exhibit 10(d) to AFG's Form 10-K for 1998.	(*)
10(e)	Retirement program for outside directors, filed as Exhibit 10(e) to AFG's Form 10-K for 1995.	(*)
10(f)	Directors' Compensation Plan, filed as Exhibit 10(f) to AFG's Form 10-K for 1995.	(*)
10(g)	Deferred Compensation Plan, filed as Exhibit 10 to AFG's Registration Statement on Form S-8 on December 2, 1999	(*)
12	Computation of ratios of earnings to fixed charges.	-----
21	Subsidiaries of the Registrant.	-----
23	Consent of independent auditors.	-----
27	Financial data schedule.	(**)

(*) Incorporated herein by reference.
(**) Copy included in Report filed electronically with the Securities and Exchange Commission.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES

EXHIBIT 12 - COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Dollars in Thousands)

	Year Ended December 31,				
	1999	1998	1997	1996	1995
Pretax income	$223,307	$203,489	$308,323	$317,574	$247,455
Minority interest in subsidiaries having fixed charges (*)	48,780	55,646	54,163	46,689	33,190
Less undistributed equity in (earnings) losses of investees	32,156	17,997	10,363	31,353	(1,559)
Fixed charges:					
Interest expense	64,544	58,925	53,578	78,048	124,633
Debt discount (premium) and expense	(129)	(504)	(701)	(1,174)	(1,023)
One-third of rentals	12,226	11,883	10,152	9,279	9,471
EARNINGS	$380,884	$347,436	$435,878	$481,769	$412,167
Fixed charges:					
Interest expense	$ 64,544	$ 58,925	$ 53,578	$ 78,048	$124,633
Debt discount (premium) and expense	(129)	(504)	(701)	(1,174)	(1,023)
One-third of rentals	12,226	11,883	10,152	9,279	9,471
Pretax preferred dividend requirements of subsidiaries	36,566	37,628	46,578	27,970	25,376
FIXED CHARGES	$113,207	$107,932	$109,607	$114,123	$158,457
Ratio of Earnings to Fixed Charges	3.36	3.22	3.98	4.22	2.60
Earnings in Excess of Fixed Charges	$267,677	$239,504	$326,271	$367,646	$253,710

(*) Amounts include subsidiary preferred dividends and accrued distributions on trust preferred securities.

AMERICAN FINANCIAL GROUP, INC.

EXHIBIT 21 - SUBSIDIARIES OF THE REGISTRANT

The following is a list of subsidiaries of AFG at December 31, 1999. All corporations are subsidiaries of AFG and, if indented, subsidiaries of the company under which they are listed.

Name of Company	State of Incorporation	Percentage of Common Equity Ownership
AFC Holding Company	Ohio	100
American Financial Capital Trust I	Delaware	100
American Financial Corporation	Ohio	100
American Premier Underwriters, Inc.	Pennsylvania	100
Pennsylvania Company	Delaware	100
Atlanta Casualty Company	Ohio	100
Infinity Insurance Company	Indiana	100
Leader Insurance Company	Ohio	100
Republic Indemnity Company of America	California	100
Windsor Insurance Company	Indiana	100
Great American Insurance Company	Ohio	100
American Annuity Group, Inc.	Delaware	83
AAG Holding Company, Inc.	Ohio	100
American Annuity Group Capital Trust I	Delaware	100
American Annuity Group Capital Trust II	Delaware	100
American Annuity Group Capital Trust III	Delaware	100
Great American Life Insurance Company	Ohio	100
Loyal American Life Insurance Company	Ohio	100
United Teacher Associates Insurance Company	Texas	100
American Empire Surplus Lines Insurance Company	Delaware	100
American National Fire Insurance Company	New York	100
Brothers Property Corporation	Ohio	80
Mid-Continent Casualty Company	Oklahoma	100
National Interstate Corporation	Ohio	58
Stonewall Insurance Company	Ohio	100
Transport Insurance Company	Ohio	100
Worldwide Insurance Company	Ohio	100

The names of certain subsidiaries are omitted, as such subsidiaries in the aggregate would not constitute a significant subsidiary.

AMERICAN FINANCIAL GROUP, INC.

EXHIBIT 23 - CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements and related prospectuses of American Financial Group, Inc. of our report dated March 9, 2000, with respect to the consolidated financial statements and schedules of American Financial Group, Inc. included in the Annual Report on Form 10-K for the year ended December 31, 1999.

Form	Registration Number	Description
S-8	33-58825	Stock Option Plan
S-8	33-58827	Employee Stock Purchase Plan
S-3	33-62459	Dividend Reinvestment Plan
S-8	333-10853	Nonemployee Directors' Compensation Plan
S-8	333-14935	Retirement and Savings Plan
S-3	333-21995	$500 million of Debt Securities, Common Stock and Trust Securities
S-3	333-81903	$450 million of Debt Securities, Common Stock and Trust Securities
S-8	333-91945	Deferred Compensation Plan

ERNST & YOUNG LLP

Cincinnati, Ohio
March 24, 2000

1999 ANNUAL BONUS PLAN

Adopted on July 21, 1999

AMERICAN FINANCIAL GROUP, INC.

1999 ANNUAL BONUS PLAN

1. PURPOSE

The purpose of the Annual Bonus Plan (the "Plan") is to further the profitability of American Financial Group, Inc. (the "Company") to the benefit of the shareholders of the Company by providing incentive to the Plan participants.

2. ADMINISTRATION

Except as otherwise expressly provided herein, the Plan shall be administered by the Compensation Committee or a successor committee or subcommittee (the "Committee") of the Board of Directors of the Company (the "Board") composed solely of two or more "outside directors" as defined pursuant to Section 162(m) of the Internal Revenue Code. No member of the Committee while serving as such shall be eligible to be granted a bonus under the Plan. Subject to the provisions of the Plan (and to the approval of the Board where specified in the Plan), the Committee shall have exclusive power to determine the conditions (including performance requirements) to which the payment of the bonuses may be subject and to certify that performance goals are attained. Subject to the provisions of the Plan, the Committee shall have the authority to interpret the Plan and establish, adopt or revise such rules and regulations and to make all determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan and all of its actions and decisions with respect to the Plan shall be final, binding and conclusive on all parties.

3. PLAN TERM AND BONUS YEARS

The term of the Plan is one year, commencing January 1, 1999, which term shall be renewed from year to year unless and until the Plan shall be terminated or suspended as provided in Section 9. As used in the Plan the term "Bonus

Year" shall mean a calendar year.

4. PARTICIPATION

Subject to the approval of the Committee and the Board of Directors (based on the recommendation of the Committee), the Chief Executive Officer and each of the Co-Presidents shall participate in the Plan (the "Participants"). The Executive Committee may designate other employees of the Company or its subsidiaries to be governed by the terms of the Plan, including consideration that a portion of payments made to such employees be in shares of common stock of the Company.

5. ESTABLISHMENT OF INDIVIDUAL BONUS TARGETS AND PERFORMANCE CRITERIA

The Committee shall approve the individual target amount of bonus (the "Bonus Target") that may be awarded to each Participant and recommend that the Board adopt such action. In no event shall the establishment of any Participant's Bonus Target give a Participant any right to be paid all or any part of such amount unless and until a bonus is actually awarded pursuant to Section 6.

The Committee shall establish the performance criteria, both subjective and objective, (the "Performance Criteria") that will apply to the determination of the bonus of the Chief Executive Officer and each of the Co-Presidents for that Bonus Year and recommend that the Board adopt such action. The Bonus Targets and Performance Criteria set forth on Schedules I and II have been recommended by the Committee and approved by the Board.

6. DETERMINATION OF BONUSES AND TIME OF PAYMENT

As soon as practicable after the end of 1999, the Committee shall certify whether or not the performance criteria of the Chief Executive Officer and each of the Co-Presidents has been attained and shall recommend to the Board, and the Board shall determine, the amount of the bonus, if any, to be awarded to each Participant for 1999 according to the terms of this Plan. Such bonus determinations shall be based on achievement of the Performance Criteria for 1999.

Once the bonus is so determined for the Chief Executive Officer and each of the Co-Presidents, it shall be paid seventy-five percent in cash and twenty-five percent in Company Common Stock to the Participant (less any applicable withholding and employment taxes) as soon as practicable. The number of shares of Company Common Stock to be issued to a Participant shall be determined by dividing twenty-five percent of the bonus payable (before applicable taxes and deductions) by the average of the per share Fair Market Value of the Common Stock for all of the trading days of January 2000; the resulting number shall then be rounded to the nearest hundred. Any shares of Company Common Stock issued pursuant to this Plan will be "restricted."

"Fair Market Value" means the last sale price reported on any stock exchange or over-the-counter trading system on which Company Common Stock is trading on the last trading day prior to a specified date or, if no last sales price is reported, the average of the closing bid and asked prices for a share of Common Stock on a specified date. If no sale has been made on any date, then prices on the last preceding day on which any such sale shall have been made shall be used in determining Fair Market Value under either method prescribed in the previous sentence.

7. TERMINATION OF EMPLOYMENT

If a Participant's employment with the Company or a subsidiary, as the case may be, is terminated for any reason other than discharge for cause, he may be entitled to such bonus, if any, as the Committee, in its sole discretion, may determine.

In the event of a Participant's discharge for cause from the employ of the Company or a Subsidiary, as the case may be, he shall not be entitled to any amount of bonus unless the Committee, in its sole discretion, determines otherwise.

8. MISCELLANEOUS

A. Government and Other Regulations. The obligation of the Company to make payment of bonuses shall be subject to all applicable laws, rules and regulations and to such approvals by governmental agencies as may be required.

B. Tax Withholding. The Company or a Subsidiary, as appropriate, shall have the right to deduct from all bonuses paid in cash any federal, state or local taxes required by law to be withheld with respect to such cash payments.

C. Claim to Bonuses and Employment Rights. The designation of persons to participate in the Plan shall be wholly at the discretion of the Board. Neither this Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of the Company or a Subsidiary.

D. Beneficiaries. Any bonuses awarded under this Plan to a Participant who dies prior to payment shall be paid to the beneficiary designated by the Participant on a form filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the Participant's legal representative. A beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Company.

E. Nontransferability. A person's rights and interests under the Plan may not be assigned, pledged or transferred except, in the event of a Participant's death, to his designated beneficiary as provided in the Plan or, in the absence of such designation, by will or the laws of descent and distribution.

F. Indemnification. Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company (to the extent permitted by the Articles of Incorporation and Code of Regulations of the Company and applicable law) against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be a party or in which they may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him, in satisfaction of judgment in any such action, suit or proceeding against him. He shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's Articles of Incorporation or Code of Regulations, as a matter of law or otherwise or of any power that the Company may have to indemnify him or hold him harmless.

G. Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent certified public accountants of the Company or of its Subsidiaries or upon any other information furnished in connection with the Plan by any officer or director of the Company or any of its Subsidiaries. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

H. Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries in such proportions as shall be agreed upon by them from time to time.

I. Pronouns. Masculine pronouns and other words of masculine gender shall refer to both men and women.

J. Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only, and, in the event of any conflict between any such title or heading and the text of the Plan, such text shall control.

9. AMENDMENT AND TERMINATION

The Board may at any time terminate the Plan. The Board may at any time, or from time to time, amend or suspend and, if suspended, reinstate the Plan in whole or in part. Notwithstanding the foregoing, the Plan shall continue in effect to the extent necessary to settle all matters relating to the payment of bonuses awarded prior to any such termination or suspension.

Schedule I

Annual Bonus Plan
for 1999
Participants and
Bonus Targets

Name	Position	Total Bonus Target	EPS Component	Company Performance Component
Carl H. Lindner	Chairman of the Board & Chief Executive Officer	$950,000	50%	50%
Carl H. Lindner III	Co-President	$950,000	50%	50%
Keith E. Lindner	Co-President	$950,000	50%	50%
S. Craig Lindner	Co-President	$950,000	50%	50%

Schedule II

Annual Bonus Plan

1999 Performance Criteria for Participants

The overall bonus for 1999 for each Participant will be the sum of such Participant's bonuses for the following two Performance Criteria components:

	Weighting of Dollar Amount of Bonus Target (Assuming Schedule I indicates $925,000 Bonus Target)
Earnings Per Share ("EPS") - 50%	$462,500
Company Performance - 50%	$462,500

A. EPS Component.

Each participant's bonus will range from 0% to 175% of the dollar amount of the Bonus Target allocated to the EPS Component, based on the following levels of reported earnings per common share achieved by the Company and its consolidated subsidiaries for 1999:

Operating EPS	Percentage of Bonus Target to be paid for EPS Component
$2.06 or less than	0
$2.75	100%
more than $2.75	more than 100% up to 175%

Where the Operating EPS is between $2.06 and $2.75, the bonus will be determined by straight line interpolation; if it is above $2.75, the Committee, in its discretion, shall determine the percentage of bonus above 100%.

The Operating EPS to be considered is diluted EPS from the Company's insurance operations and not including investee results, realized gains and losses in the investment portfolio and unusual or non-recurring items. Additionally, the Committee shall have the power and authority, in its discretion, to adjust reported EPS upward or downward for purposes of the Plan to the extent the Committee deems equitable in the event of occurrences which might unfairly affect the computation of EPS for purposes of the Plan.

B. Company Performance Component

Each participant's bonus could range up to 175% of the dollar amount of the Bonus Target allocated to the Company Performance Component and will be determined by the Board, upon the Compensation Committee's recommendation, based on the Compensation Committee's subjective rating of the Company's relative overall performance for 1999. Such rating shall include a consideration of all factors deemed relevant, including financial (and non-financial) and strategic factors.

When determining the Company's performance for 1999, the Committee intends to take into consideration the factors it believes are relevant to such performance. For 1999, it may be appropriate to consider factors including, but not limited to: earnings per share, including a specific review of the impact of any extraordinary transactions and investees results; return on equity; per share price of common stock relative to prior periods and comparable companies as well as financial markets; status of credit ratings on outstanding debt and claims paying ability of the Company's subsidiaries; status of debt-to-capital ratio; combined ratio of the Company's subsidiaries; investment portfolio performance including realized gains and losses; and other operating criteria.

This schedule contains summary financial information extracted from the
American Financial Group, Inc. 10-K for the year ended December 31, 1999
and is qualified in its entirety by reference to such financial statements.

1,000

YEAR
DEC-31-1999
DEC-31-1999
$390,630
10,431,890
656,924
0
0
0
0
0
16,054,075
0
732,656
0
0
58,420
1,281,558
16,054,075
0
3,334,482
0
0
365,918
0
63,672
302,061
98,198
146,995
0
(1,701)
(3,854)
$141,440
2.37
2.35

Includes an investment in investee corporation of $160 million.