SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1 to
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

This Form 10-K/A is being filed to correct one number in the property and casualty insurance loss development table on page 10. The re-estimated liability for 1998 (in millions) has been changed to $3,203 (from $3,283 as originally reported). Related amounts and percentages appearing on page 10, which are derived from this number, have also been changed. This filing includes Item 1 as amended and in its entirety.

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	Net Written Premiums 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	3,203	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%	96.9%	
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%	(3.1%)	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	$3,203	
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	$4,817	N/A
Gross cumulative deficiency (redundancy)	18.8%	13.6%	10.2%	12.0%	13.2%	0.9%	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%

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(*) 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 Value
	P&C	Annuity	Other	Total	
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%

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(*) 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.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment to be signed on its behalf by the undersigned, duly authorized.

American Financial Group, Inc.

BY: Fred J. Runk

Fred J. Runk
Senior Vice President and Treasurer

Signed: May 26, 2000