

AMERICAN FINANCIAL GROUP INC
Form DEF 14A
March 27, 2009

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

AMERICAN FINANCIAL GROUP, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined)

(4) Proposed maximum aggregate value of transaction:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4)

Date Filed:

One East Fourth Street
Cincinnati, Ohio 45202

Notice of Annual Meeting of Shareholders
and Proxy Statement

To be Held on May 14, 2009

Dear Shareholder:

We invite you to attend our Annual Meeting of Shareholders on Thursday, May 14, 2009, in Cincinnati, Ohio. In connection with the meeting, we will report on our operations and you will have an opportunity to meet your Company's directors and senior executives.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you more about the agenda and procedures for the meeting. It also describes how your Board of Directors operates and provides information about the director candidates.

We are pleased once again to take advantage of U.S. Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, we are mailing to most of our shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a paper copy of this proxy statement and our 2008 Annual Report. The Notice contains instructions on how to access and review those documents over the Internet. The Notice also instructs you on how to submit your proxy over the Internet. We believe that this process will allow us to provide our shareholders with the information they need in a more timely manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice.

We want your shares to be represented at the meeting and urge you to vote using our internet or telephone voting systems or by promptly returning a properly completed proxy card.

Sincerely,

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

Cincinnati, Ohio
March 27, 2009

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF AMERICAN FINANCIAL GROUP, INC.

Date: Thursday, May 14, 2009

Time: 11:30 a.m. Eastern Daylight Saving Time

Place: The Cincinnati Hotel
Second Floor — Filson Room
601 Vine Street
Cincinnati, Ohio 45202

Purpose: 1. Elect ten Directors
2. Ratify Independent Registered Public Accounting Firm
3. Approve the Annual Co-CEO Equity Bonus Plan
4. Conduct other business if properly raised

R e c o r d March 17, 2009 - Shareholders registered in the records of the Company or
Date: its agents on that date are entitled to receive notice of and to vote at the
meeting.

M a i l i n g The approximate mailing date of the notice of availability of this proxy
Date: statement and accompanying proxy card is April 3, 2009.

Your vote is important.

If you are a shareholder of record, you can vote your shares via the Internet or by using a toll-free telephone number by following the instructions on your proxy card. If voting by mail, please complete, date and sign your proxy card and return it as soon as possible in the enclosed postage-paid envelope.

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The Company makes available, free of charge on its website, all of its filings that are made electronically with the Securities and Exchange Commission (“SEC”), including Forms 10-K, 10-Q and 8-K. To access these filings, go to the Company’s website (www.AFGinc.com) and click on the “SEC Filings” tab at the left under the “Investor Relations” page. Copies of the Company’s Annual Report on Form 10-K for the year ended December 31, 2008, including financial statements and schedules thereto, filed with the SEC, are also available without charge to shareholders upon written request addressed to:

Investor Relations
 American Financial Group, Inc.

580 Walnut Street, Floor 9 East
Cincinnati, Ohio 45202

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GENERAL INFORMATION

Record Date; Shares Outstanding

As of March 17, 2009, the record date for determining shareholders entitled to notice of and to vote at the meeting, the Company had 115,721,254 shares of common stock deemed outstanding and eligible to vote. This number does not include 14,940,627 shares held by subsidiaries of AFG. Under Ohio law, shares held by subsidiaries are not entitled to vote and are therefore not considered to be outstanding for purposes of the meeting. Each share of outstanding common stock is entitled to one vote on each matter to be presented at the meeting. Abstentions (including instructions to withhold authority to vote for one or more nominees) and broker non-votes are counted for purposes of determining a quorum, but will have no effect on the outcome of any matter voted on at the meeting. Broker non-votes occur when a broker returns a proxy card but does not have authority to vote on a particular proposal.

Proxies and Voting Procedures

Shareholders of record can vote by mail or via the Internet or by using the toll-free telephone number listed on the proxy card. Internet and telephone voting information is provided on the proxy card. If you vote via the Internet or by telephone, please do not return a signed proxy card. Shareholders who hold their shares through a bank or broker can vote by mail, or via the Internet or by telephone if these options are offered by the bank or broker. You may vote by telephone or Internet 24 hours a day, 7 days a week until 11:59 p.m. Eastern Daylight Saving Time, the day before the meeting. Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you had executed a proxy card.

If voting by mail, please complete, sign, date and return your proxy card enclosed with the proxy statement in the accompanying postage-paid envelope.

If your shares are held in the name of your broker or bank and you wish to vote in person at the meeting, you should request your broker or bank to issue you a proxy covering your shares.

Solicitation of proxies through the mail, in person and otherwise, is being made by management at the direction of AFG's Board of Directors, without additional compensation. AFG will pay all costs of soliciting proxies. In addition, AFG will request brokers and other custodians, nominees and fiduciaries to forward proxy-soliciting material to the beneficial owners of shares held of record by such persons, and AFG will reimburse them for their expenses.

If a choice is specified on a properly executed proxy card, the shares will be voted accordingly. If a proxy card is signed without a preference indicated, those shares will be voted "FOR" the election of the ten nominees proposed by the Board of Directors, "FOR" the ratification of the Company's independent registered public accounting firm, and "FOR" the proposal to approve the Annual Co-CEO Equity Bonus Plan. The authority solicited by this proxy statement includes discretionary authority to cumulate votes in the election of directors. If any other matters properly come before the meeting or any postponement or adjournment thereof, each properly executed proxy card will be voted in the discretion of the proxies named therein.

With respect to Proposal No. 1, the ten nominees who receive the greatest number of votes will be elected. With respect to Proposal Nos. 2 and 3, the proposal will be adopted only if it receives approval by a majority of the votes cast.

Retirement and Savings Plan Participants

If you are a participant in the Company's retirement and savings plan with a balance in the AFG Common Stock Fund, the accompanying proxy card shows the number of shares of common stock attributed to your account balance, calculated as of the record date. In order for your plan shares to be voted in your discretion, you must vote at least two business days prior to the day of the meeting (by the end of the day on May 11, 2009) either by Internet, telephone, or returned properly signed proxy card. If you choose not to vote or if you return an invalid or unvoted proxy card, the Administrative Plan Committee will vote your plan shares in the Committee's sole discretion. Individual plan participants' votes will be processed by the plan trustee, and will not be disclosed to the Company.

Revoking a Proxy

Whether you vote by mail, via the Internet or by telephone, you may revoke your proxy at any time before it is voted by submitting a new proxy with a later date, voting via the Internet or by telephone at a later time, delivering a written notice of revocation to the Company's corporate secretary, or voting in person at the meeting.

Cumulative Voting

Shareholders have cumulative voting rights in the election of directors and one vote per share on all other matters. Cumulative voting allows a shareholder to multiply the number of shares owned on the record date by the number of directors to be elected and to cast the total for one nominee or distribute the votes among the nominees as the shareholder desires. The ten nominees who receive the greatest number of votes will be elected. In order to invoke cumulative voting, notice of cumulative voting must be given in writing to the Company's corporate secretary not less than 48 hours before the time fixed for the holding of the meeting.

Adjournment and Other Matters

Approval of a motion for adjournment, postponement or other matters brought before the meeting requires the affirmative vote of a majority of the shares voting at the meeting. Management has not received proper notice of other matters to be presented at the meeting other than those stated in this document.

MATTERS TO BE CONSIDERED

Proposal No. 1 Elect Ten Directors

The Board of Directors oversees the management of the Company on your behalf. The Board reviews AFG's long-term strategic plans and exercises direct decision-making authority in key areas such as choosing the Co-Chief Executive Officers, setting the scope of their authority to manage the Company's business day-to-day, and evaluating senior management performance.

Upon the recommendation of the Corporate Governance Committee (the "Governance Committee"), the Board of Directors has nominated ten individuals to hold office until the next annual meeting of shareholders and until their successors are elected and qualified. If any of the nominees should become unable to serve as a director, the proxies will be voted for any substitute nominee designated by the Board of Directors but, in any event, no proxy may be voted for more than ten nominees.

The nominees for election to the Board of Directors are:

Carl H. Lindner Director since 1959	For more than five years, Mr. Lindner has served as the Chairman of the Board, and until January 2005, also served as Chief Executive Officer of the Company.
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Carl H. Lindner III He has been Co-Chief Executive Officer since January 2005, and for
Director since 1991 more than five years, Mr. Lindner has served as Co-President of the
Company. For more than ten years, Mr. Lindner has been President of
Great American Insurance Company and has been principally
responsible for the Company's property and casualty insurance
operations.

S. Craig Lindner He has been Co-Chief Executive Officer since January 2005, and for
Director since 1985 more than five years, Mr. Lindner has served as Co-President of the
Company. For more than ten years, Mr. Lindner has been President of
our Great American Financial Resources, Inc. subsidiary, and has been
principally responsible for the Company's annuity and supplemental
health insurance operations. He is also President of American Money
Management Corporation, a subsidiary that provides investment services
for the Company and certain of its affiliated companies.

- Kenneth C. Ambrecht (Member of the Compensation Committee; Member of the Corporate Governance Committee) Mr. Ambrecht has extensive corporate finance experience having worked in the U.S. capital markets for over 30 years. In December 2005, Mr. Ambrecht organized KCA Associates LLC, through which he serves as a consultant to several companies, advising them with respect to financings and financial transactions. From July 2004 to December 2005, he served as a Managing Director with the investment banking firm First Albany Capital. For more than five years prior, Mr. Ambrecht was a Managing Director with Royal Bank Canada Capital Markets. Prior to that post, Mr. Ambrecht worked with the investment bank Lehman Brothers as Managing Director of its capital markets division. Mr. Ambrecht is also a member of the Boards of Directors of Fortescue Metals Group Limited, an Australian mining company and Dominion Petroleum Ltd., a Bermuda domiciled company dedicated to exploration of oil and gas reserves in east and central Africa.
- Theodore H. Emmerich (Chairman of the Audit Committee) Prior to his retirement in 1986, Mr. Emmerich was managing partner of the Cincinnati office of the independent accounting firm of Ernst & Whinney. He serves on the Board of Trustees of The Christ Hospital in Cincinnati, Ohio, and a number of charitable organizations.
- James E. Evans For more than five years, Mr. Evans has served as Senior Vice President and General Counsel of the Company.
- Terry S. Jacobs (Chairman of the Compensation Committee; Member of the Audit Committee) Mr. Jacobs has served as Chairman and Chief Executive Officer of The JFP Group, LLC, a real estate development company, since September 2005. Since September 2008, he has served as Chairman and Chief Executive Officer of Jamos Capital, LLC, a private equity firm specializing in alternative investment strategies. From its founding in September 1996 until September 2005, Mr. Jacobs served as Chairman of the Board and Chief Executive Officer of Regent Communications, Inc. Mr. Jacobs is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. He also serves as a director of Global Entertainment Corp and serves on the Board and Executive Committee of the National Football Foundation and College Hall of Fame, Inc.
- Gregory G. Joseph (Member of the Audit Committee; Member of the Corporate Governance Committee) For more than five years, Mr. Joseph has been Executive Vice President, an attorney, and a principal of Joseph Automotive Group, a Cincinnati, Ohio-based company that manages a number of automobile dealerships and certain real estate holdings. Until May 2008, he served as the lead director of Infinity Property & Casualty Corporation (“IPCC”), an insurance company primarily offering personal automobile insurance. Since 2005, Mr. Joseph has served on the Board of Trustees

of Xavier University, a private college located in Cincinnati, Ohio.

William W. Verity (Chairman of the Corporate Governance Committee; Member of the
Director since 2002 Compensation Committee) Mr. Verity has been President of Verity &
Verity, LLC, an investment management company, since January 1,
2002, and prior to that, he was a partner of Pathway Guidance L.L.C., an
executive consulting firm, from October 2000. Previously, Mr. Verity
was Chairman and Chief Executive Officer of ENCOR Holdings, Inc., a
developer and manufacturer of plastic molded components.

John I. Von Lehman (Member of the Audit Committee) For more than five years until his
Director since 2008 retirement in 2007, Mr. Von Lehman served as Executive Vice President,
Chief Financial Officer, Secretary and a director of The Midland
Company, an Ohio-based provider of specialty insurance products. He
serves on the Board of Trustees of Ohio National Mutual Funds and a
number of Cincinnati-based charitable organizations.

Carl H. Lindner is the father of Carl H. Lindner III and S. Craig Lindner. All of the nominees other than Mr. Von
Lehman were elected directors at the last annual meeting of shareholders of the Company held on May 15, 2008. See
"Management" and "Compensation" below for additional information concerning the background, securities holdings,
remuneration and other matters relating to the nominees.

The Board of Directors recommends that shareholders vote FOR the election of these ten nominees as directors.

Proposal No. 2 Ratification of the Company's Independent Registered Public Accounting Firm

The Company's Audit Committee Charter provides that the Audit Committee shall appoint annually an independent registered public accounting firm to serve as auditors. In February 2009, the Audit Committee appointed Ernst & Young LLP to serve as auditors for 2009. Ernst & Young (or its predecessor) has served as the Company's independent auditors since the Company's founding.

Although the Audit Committee has the sole authority to appoint auditors, shareholders are being asked to ratify this appointment. If the shareholders do not ratify the appointment, the Audit Committee will take that fact into consideration, but may, nevertheless, continue to retain Ernst & Young. However, the Audit Committee in its discretion may engage a different registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company.

Audit Fees and Non-Audit Fees

The following table presents fees for professional services performed by Ernst & Young for the years ended December 31, 2008 and December 31, 2007.

	2008	2007
Audit fees (1)	\$ 5,112,000	\$ 4,892,000
Audit related fees (2)	135,000	235,000
Tax fees (3)	35,000	47,000
All other fees	3,000	3,000
Total	\$ 5,285,000	\$ 5,177,000

(1) These aggregate fees were for audits of the financial statements (including services incurred to render an opinion under Section 404 of the Sarbanes-Oxley Act of 2002), subsidiary insurance company audits, reviews of SEC filings, and quarterly reviews.

(2) These fees related primarily to attestation services not required by regulation and services related to state insurance examinations.

(3) These fees relate primarily to review of federal and state tax returns.

Representatives of Ernst & Young are expected to be at the meeting and will be given the opportunity to make a statement if they so desire. They will also be available to respond to appropriate questions from shareholders.

The Board of Directors recommends that shareholders vote FOR the ratification of the Audit Committee's appointment of Ernst & Young as our independent registered public accounting firm for 2009.

Proposal No. 3 Proposal to Approve the Annual Co-CEO Equity Bonus Plan

Shareholders are being asked to approve the Annual Co-CEO Equity Bonus Plan (the “Equity Bonus Plan”). A copy of this Plan is attached to these proxy materials as Annex A. The following description of the material terms of the Equity Bonus Plan is qualified in its entirety by reference to the complete text set forth in Annex A.

The Compensation Committee of the Board of Directors established the Plan to formalize its practice of using equity awards to reward the Co-Chief Executive Officers for extraordinary performance in enhancing the profitability of the Company. The Plan is designed to reflect the current market for executive compensation and to promote extraordinary levels of corporate performance that the Committee believes will enhance long-term shareholder value. This Plan is being presented for shareholder approval so that the compensation expense for awards under the Plan will be, to the extent permissible, tax deductible for the Company and not subject to the \$1 million per year limitation on deductibility (“Deduction Limit”) as outlined under Section 162(m) of the Internal Revenue Code of 1986, as amended (“Section 162(m)”).

Under the Plan, the Company may grant bonus awards in the form of shares of common stock of the Company to the Co-Chief Executive Officers of the Company, the only participants in the Plan, based on the satisfaction of pre-established performance goals set forth in the Plan. The Committee believes that making bonus awards under the Plan payable only in shares of common stock of the Company further aligns the interests of the Co-Chief Executive Officers with those of our shareholders.

Administration. The Plan is administered by the Compensation Committee, which is composed solely of three “outside directors” as defined under Section 162(m). No member of the Committee is eligible to be granted a bonus under the Plan. The Committee has exclusive power to determine the conditions (including the specific annual performance goals consistent with the Plan) to which the payment of the bonuses under the Plan may be subject and to certify that performance goals are attained.

Performance Criteria and Goals. Performance criteria and goals are established annually based on financial measurements and operational metrics. The financial measurements may, among others, include book value growth, return on equity, earnings per share from insurance operations, operating earnings (pre-tax, pre-interest) of Great American Financial Resources, Inc., a wholly owned-subsiidiary of the Company (“GAFRI”), and per share price of common stock relative to prior periods and an industry benchmark. The operational metrics will include performance goals relating to, amon