GREAT AMERICAN FINANCIAL RESOURCES INC
Form DEF 14A
April 20, 2006

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 x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement	o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement	
o Definitive Additional Materials	
o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12.	

GREAT AMERICAN FINANCIAL RESOURCES, 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):

x No fee required.
o 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:

(2) Aggregate number of securities to which transaction applies:

(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:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

250 East Fifth Street
Cincinnati, Ohio 45202

Notice of Annual Meeting of Stockholders
and Proxy Statement

To be Held on May 18, 2006

Dear Stockholder:

We invite you to attend our Annual Meeting of Stockholders on Thursday, May 18, 2006, in Cincinnati, Ohio. At the meeting, you will hear a report on our operations and have an opportunity to meet your company s directors and 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.

All stockholders are important to us. We want your shares to be represented at the meeting and urge you either to use our telephone voting system or to complete, sign, date and return your proxy form.

Sincerely,

Carl H. Lindner
Chairman of the Board

Cincinnati, Ohio
March 31, 2006

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
OF GREAT AMERICAN FINANCIAL RESOURCES, INC.

Date:	Thursday, May 18, 2006
Time:	11:00 a.m., Eastern Daylight Savings Time
Place:	The Cincinnatian Hotel Sixth and Vine Streets Cincinnati, Ohio
Purpose:	1. Elect Directors 2. Approve the Non-Employee Directors Compensation Plan 3. Ratify Ernst & Young LLP as our Independent Registered Public Accountants for 2006 4. Conduct other business if properly raised
Record Date:	March 31, 2006. Stockholders listed in our records on that date are entitled to receive notice of and to vote at the meeting.
Mailing Date:	The approximate mailing date of this proxy statement and accompanying proxy form is April 21, 2006.

Your vote is important. Whether or not you attend the meeting, you may vote your shares using the toll-free telephone voting system described on page 3, or by mailing a signed proxy form, which is the bottom portion of the enclosed perforated form. If you do attend the meeting, you may either vote by proxy or revoke your proxy and vote in person. You may also revoke your proxy at any time before the vote is taken at the meeting by written revocation, using the telephone voting system or by submitting a later-dated proxy form.

GENERAL INFORMATION

Record Date; Shares Outstanding

As of March 31, 2006, the record date for determining stockholders entitled to notice of and to vote at the meeting, we had 47,367,452 shares of common stock outstanding and eligible to vote. Each share of outstanding common stock is entitled to one vote on each matter to be presented at the meeting. Stockholders do not have cumulative voting rights in the election of directors. Abstentions (including instructions to withhold authority to vote for one or more nominees) and broker non-votes will not have any effect with respect to the election of directors but will be counted as votes against the other proposals.

Proxies and Voting Procedures

Registered stockholders may vote by using a toll-free telephone number, by completing a proxy form and mailing it to the proxy tabulator, or by attending the meeting and voting in person. The telephone voting facilities will open following the mailing of materials on April 21, 2006, and close at 9:00 a.m. Eastern Daylight Savings Time on the meeting date. The telephone voting procedures are designed to authenticate stockholders by use of a proxy control to allow stockholders to confirm that their instructions have been properly recorded.

Stockholders whose shares are held in the name of a broker, bank or other nominee should refer to the proxy card or the information forwarded by such broker, bank or other nominee to see what voting options are available.

To vote by telephone, stockholders should call toll-free 1-800-PROXIES (1-800-776-9437) using any touch-tone telephone and have their proxy form at hand. To vote by mail, stockholders should complete and sign the bottom portion of the proxy form and return only that portion to the proxy tabulator.

Solicitation of proxies through the mail, in person and otherwise, is being made by management at the direction of the Board of Directors, without additional compensation. We will pay all costs of soliciting proxies. In addition, we 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 we will reimburse them for their expenses.

The execution of a proxy or vote by phone does not affect the right to vote in person at the meeting, and a proxy or vote by phone may be revoked by the person giving it prior to the exercise of the powers conferred by it. A stockholder may revoke a prior vote by writing to our Secretary at our principal offices or by properly executing and delivering a proxy bearing a later date (or recording a later telephone vote) or by voting in person at the meeting. In addition, persons attending the meeting in person may withdraw their proxies. Attending the meeting will not serve to vote your proxy unless you vote at the meeting.

If a choice is specified on a properly executed proxy form, the shares will be voted accordingly. If a proxy form is signed without a preference indicated, those shares will be voted FOR the election as directors of the eight nominees proposed by the Board of Directors, FOR approval of the Non-Employee Directors Compensation Plan and FOR the ratification of Ernst & Young LLP as our independent public accountants for 2006. If any other matters properly come before the meeting or any adjournment thereof, each properly executed proxy form will be voted in the discretion of the proxies named therein.

Adjournment and Other Matters

Approval of a motion for adjournment or other matters brought before the meeting requires the affirmative vote of a majority of the shares voting at the meeting. We know of no other matters to be presented at the meeting other than those stated in this document.

PRINCIPAL STOCKHOLDERS

As of the record date, the only person known to us to own beneficially more than 5% of our common stock was American Financial Group, Inc. (AFG), One East Fourth Street, Cincinnati, Ohio 45202. AFG owns shares directly and indirectly through its subsidiaries. AFG beneficially owned 38,565,995 shares or approximately 81.4% of the shares outstanding as of the record date.

PROPOSAL NO. 1-ELECTION OF DIRECTORS

The Board of Directors oversees the management of the company on your behalf. The Board reviews our long-term strategic plans and exercises direct decision-making authority in key areas such as choosing the Chief Executive Officer, setting the scope of his authority to manage our day-to-day business, and evaluating management s performance.

The Board of Directors has nominated eight individuals to hold office until the next annual meeting of stockholders 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 eight nominees. The eight nominees who receive the greatest number of votes will be elected.

In accordance with our Certificate of Incorporation, the only candidates eligible for election at the annual meeting are candidates nominated by the Board of Directors and candidates nominated at the meeting by a stockholder who has complied with the procedures set forth in the Certificate of Incorporation.

The persons nominated by the Board of Directors to serve as directors for the ensuing year are CARL H. LINDNER, S. CRAIG LINDNER, ROBERT A. ADAMS, KENNETH C. AMBRECHT, RONALD G. JOSEPH, JOHN T. LAWRENCE III, WILLIAM R. MARTIN and CHARLES R. SCHEPER. The eight nominees receiving the highest numbers of votes will be elected as directors.

The nominees for election to the Board of Directors are:

Carl H. Lindner **Age 86** **Director since 1987**	**Carl H. Lindner** has been Chairman of the Board since 1987. Mr. Lindner also serves as Chairman of the Board of AFG, a diversified financial services company. Carl H. Lindner is the father of S. Craig Lindner.
S. Craig Lindner **Age 51** **Director since 1993**	**S. Craig Lindner** was elected Chief Executive Officer in November 1999. Mr. Lindner is President of American Money Management Corporation (AMM), a subsidiary of AFG which provides investment services for AFG and its affiliated companies, including us. He is also Co-Chief Executive Officer and a director of AFG.

Robert A. Adams **Age 60** **Director since 1992**	**Robert A. Adams** served as Executive Vice President since December 1992 and a director since 1993. He also served as Chief Operating Officer until November 1999. Mr. Adams retired as an employee of Great American Financial Resources in December 2001.
Kenneth C. Ambrecht **Age 60** **Director since 2004**	**Kenneth C. Ambrecht** has been a director since July 2004. In December 2005, Mr. Ambrecht organized KCA Associates, LLC. KCA Associates serves as a consultant to several companies, advising them with respect to financings and financial transactions. From July 2004 to December 2005, Mr. Ambrecht served as a Managing Director for the investment banking firm of First Albany Capital. For more than five years prior thereto he was a Managing Director with Royal Bank Canada Capital Markets. Mr. Ambrecht also serves as a director of AFG and Fortescue Metals Group Limited, an Australian Mining Company.
Ronald G. Joseph **Age 69** **Director since 1994**	**Ronald G. Joseph** has been a director since March 1994. For more than five years, Mr. Joseph has been Chief Executive Officer and attorney of various Cincinnati-based automobile dealerships and real estate holdings.
John T. Lawrence III **Age 54** **Director since 1994**	**John T. Lawrence III** has been a director since March 1994. For more than five years, Mr. Lawrence has been a Senior Vice President with UBS Financial Services, Inc., a national investment banking firm.
William R. Martin **Age 77** **Director since 1994**	**William R. Martin** has been a director since March 1994. Although currently retired, Mr. Martin was previously President of both Tominy, Inc. and M.B. Computing, Inc., which are privately held software development companies. Mr. Martin is also a director of AFG.
Charles R. Scheper **Age 53** **Director since 1999**	**Charles R. Scheper** was elected Chief Operating Officer in November 1999 and has been a director since May 2002.

In March 2002, Chiquita Brands International, Inc., a leading international marketer, producer and distributor of bananas and other quality fresh and processed food products, completed a comprehensive financial restructuring that included a prepackaged plan of reorganization filed in November of the prior year under Chapter 11 of the Bankruptcy Code. Carl H. Lindner was an executive officer and director of Chiquita at the time of the bankruptcy filing.

The Board of Directors recommends that stockholders vote for the election of the eight nominees listed above. We have been informed that AFG intends to vote its shares FOR the above nominees.

PROPOSAL NO. 2-APPROVAL OF NON-EMPLOYEE DIRECTORS COMPENSATION PLAN

After a review of our compensation programs and policies for non-employee directors, and reflecting on the desire to align more closely the Board of Directors compensation practices with those of other public insurance holding companies and the interests of all of our stockholders, the Board adopted the Non-Employee Directors Compensation Plan in February, 2006, subject to approval by our stockholders. If approved by our stockholders, the Plan will become effective on May 18, 2006, the date of stockholder approval, and will continue in effect until the earlier of its termination by the Board or the Plan s tenth anniversary. Our Board has approved the Plan, and is recommending it to the stockholders for their approval because the Board believes it is important for non-employee directors to be provided compensation commensurate with their contributions to our success.

This summary of the material terms of the Plan is qualified in its entirety by the full text of the Plan, a copy of which is set forth as Annex I to this Proxy Statement.

The Plan provides for the grant to non-employee directors of retainers and meeting fees in cash and annual restricted stock grants. The shares with respect to which awards may be made under the Plan may be shares that are currently authorized but unissued. The total number of shares reserved for issuance under the Plan is 150,000. Each director who is not our employee or an employee of one of our subsidiaries is entitled to participate in the Plan. As of the record date, four directors of the Company were eligible to receive awards under the Plan.

Retainers and Meeting Fees

Under the Plan, our non-employee directors will be paid an annual retainer for their service as a member of the Board, an additional annual retainer for service on Board committees, including additional amounts paid for service as Chairman of a Board committee, and an attendance fee for each Board or committee meeting attended, each in amounts which shall be established from time to time by the Board of Directors without stockholder approval. We will pay all such retainers and meeting fees in cash, quarterly in arrears, as soon as practicable following the end of each calendar quarter. The following are the retainer and meeting fees set forth in the Plan:

Annual Board Retainer	$30,000
Annual Committee Chair Retainer	$10,000
Fee per Board Meeting	$ 2,000
Fee per Committee Meeting	$ 1,750

Restricted Stock Grant

Under the Plan, on June 1 of each year during which a non-employee director is a member of our Board of Directors, such director shall be granted restricted shares of our common stock. The number of shares of our common stock to be issued to each non-employee director will be determined by dividing $40,000 by the average of the per share high and low sale prices reported on the New York Stock Exchange for the ten trading days ending on the last business day prior to June 1 of the applicable year. The value of this restricted stock grant may be changed by the Board of Directors from time to time without stockholder approval.

Plan Benefits

The following table sets forth the benefits which would have been received for our last completed fiscal year if the Plan had then been in effect:

Position	Cash	Number of Shares
All current executive officers, as a group	0	0
All current directors who are not executive officers, as a group (4 persons)	$245,000	9,691
All employees who are not executive officers, as a group	0	0

Amendment and Termination

Our Board of Directors may suspend or terminate the Plan or any portion of it at any time, and may amend it from time to time as the Board may deem advisable except that the Board shall not have the authority to amend the plan without the approval of stockholders to increase the number of shares of our common stock which may be issued under the Plan, materially modify the requirements as to eligibility for participating in the Plan, or extend the termination date of the Plan. In addition, the amount, pricing and timing of our common stock issuances pursuant to the Plan shall not be amended more than once every six months, other than to comply with changes in the Internal Revenue Code or other applicable law.

Transferability

In order to address certain provisions of federal securities laws, non-employee directors are prevented from disposing of shares received under the Plan within six months from the date of issuance.

Registration

Following approval by the stockholders, the Company intends to register with the SEC the issuance of shares under the Plan.

Interest of Certain Persons in Matters to be Acted Upon

Each of the non-employee directors has a direct interest in the approval of the Plan, which will make additional shares of common stock available to non-employee directors.

United States Income Tax Consequences of the Plan

The following paragraphs provide a summary of the material U.S. federal income tax consequences of the Plan based upon current laws and regulations. These laws and regulations are subject to change. This summary does not address state, local or foreign tax consequences to which a participant in the Plan may be subject. We suggest that participants consult with their individual tax advisors to determine the applicability of the tax rules to the awards granted to them under the Plan.

Plan participants will realize ordinary income at the time of grant in an amount equal to the fair market value of the shares of our common stock received and/or the retainer and meeting cash payments, as applicable. Gains or losses realized by the participant upon disposition of such AFG shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of grant. We will be entitled to a deduction equal to an amount of income includible in the participant s income.

The Board of Directors recommends that stockholders vote FOR the approval of the Non-Employee Directors Compensation Plan. We have been informed that AFG intends to vote its shares FOR the above nominees.

PROPOSAL NO. 3-RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Ernst & Young LLP, to serve as our independent registered public accounting firm for 2006, and stockholders are asked to ratify that selection at the Annual Meeting. Representatives of Ernst & Young LLP will be present at the Annual Meeting. Such representatives will have the opportunity to make a statement if they desire to do so, and to respond to appropriate questions.

The Board of Directors recommends that stockholders vote FOR the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2006. We have been informed that AFG intends to vote its shares FOR ratification of the appointment of Ernst & Young LLP.

EQUITY COMPENSATION PLAN INFORMATION

The following reflects certain information about shares of our common stock authorized for issuance (at December 31, 2005) under equity compensation plans.

Equity Compensation Plans	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in first column)
Approved by stockholders	3,169,065	$ 17.09	3,005,991(1)
Not approved by stockholders	162,690	$ 17.66	2,860,333(2)

(1) Includes options exercisable into 2.2 million shares available for issuance under Stock Option Plans for employees and directors, 0.8 million shares issuable under our Employee Stock Purchase Plan and 53,775 shares issuable under our 1997 Directors Stock Option Plan.

(2) Represents shares issuable under our Deferred Compensation Plan (0.2 million shares) adopted in 1994, our Agent Stock Purchase Plan (0.9 million shares) adopted in 1994, our

Agent Stock Option Plan (1.4 million shares) adopted in 1998 and amended in 2004 and our Bonus Plan (0.4 million shares) adopted in 1998.

Under the Deferred Compensation Plan, certain highly compensated employees may defer a portion of their annual salary and/or bonus. Participants may elect to have the value of deferrals (i) earn a fixed rate of interest set annually, or (ii) fluctuate based on the market value of our common stock, as adjusted to reflect stock splits, distributions, dividends, and a 7-1/2% match to participant deferrals.

Under the Agent Stock Purchase Plan, selected agents are able to utilize commissions earned from the sale of insurance products issued by our subsidiaries to purchase our common stock at 92.5% of the fair market value. The Plan provides that up to 1,000,000 of our common stock may be issued.

Under the Agent Stock Option Plan, selected agents are able to earn options to purchase our common stock based on the amount and quality of premium the agents produce from the sale of insurance products issued by our subsidiaries. The options have an exercise price equal to the fair market value of our common stock at the time of grant. The options include vesting provisions based on future premium production and other factors. The Plan provides that up to 1,500,000 of our common stock may be issued upon the exercise of options.

Under GAFRI s Bonus Plan covering the majority of the Company s officers, participants may be required to receive 25% of their annual bonus in the form of GAFRI Common Stock. The Bonus Plan provides for the issuance of up to 500,000 shares of GAFRI Common Stock as partial payment of annual bonuses.

MANAGEMENT

Our directors, nominees and executive officers are:

Name	Age (1)	Position	Director or Executive Since
Carl H. Lindner	86	Chairman of the Board	1987
S. Craig Lindner	51	Chief Executive Officer and President, Director	1993
Robert A. Adams	60	Director	1992
Kenneth C. Ambrecht	60	Director	2004
Ronald G. Joseph	69	Director	1994
John T. Lawrence III	54	Director	1994
William R. Martin	77	Director	1994
Charles R. Scheper	53	Director and Chief Operating Officer	1999
John B. Berding	43	Executive Vice President, Investments	1993
Richard L. Magoteaux	46	Senior Vice President	1996
Christopher P. Miliano	47	Executive Vice President, Chief Financial	1993
James E. Moffett	46	Officer and Treasurer Senior Vice President	2001
Mark F. Muething	46	Executive Vice President, General Counsel and Secretary	1993
Michael J. Prager	46	Executive Vice President and Chief Actuary	2002

As of March 31, 2006

John B. Berding was elected Executive Vice President in May 1999. During that time, he has also been a Senior Vice President, and effective March 2002, an Executive Vice President of AMM.

Richard L. Magoteaux was elected Senior Vice President in May 2001. Prior to that time, he served as Vice President for over five years.

Christopher P. Miliano was elected Treasurer in May 2004, Executive Vice President in May 2002 and Chief Financial Officer in May 2001. Prior to that time, he served as Vice President and Controller for over five years.

James E. Moffett was elected Senior Vice President in May 2001. In June 2000, Mr. Moffett was employed by the Company as a Vice President and Chief Operating Officer of Loyal American Life Insurance Company. Prior to that time, he was employed by Thomas Group, Inc., a Dallas based strategy and operations consulting firm.

Mark F. Muething was elected Executive Vice President, General Counsel and Secretary in May 1999.

Michael J. Prager was elected Executive Vice President in November 2005 and Senior Vice President and Chief Actuary in May 2002. Prior to that time he served in various capacities since joining the Company in June 2000. Prior to that time, Mr. Prager was an independent consultant with respect to actuarial and general insurance matters.

See ELECTION OF DIRECTORS for information on our directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than ten percent of our common stock to file reports of ownership with the Securities and Exchange Commission and to furnish us with copies of these reports. Based solely on a review of the reports of ownership furnished to us, we believe that all filing requirements were met during 2005.

Securities Ownership

The following table sets forth information, as of March 31, 2006 concerning the beneficial ownership of our equity securities by each director, nominee for director, the executive officers named in the Summary Compensation Table (see Compensation below) and by all of these individuals and executive officers not named in the Summary Compensation Table as a group. Such information is based on data furnished by the persons named. Except as set forth in the following table, no director or executive officer beneficially owned 1% or more of any class of our equity securities outstanding at March 31, 2006. Unless otherwise indicated, the persons named have sole voting and dispositive power over the shares reported.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (a) Shares of Common Stock Held(a)(g)	Percent of Class
Robert A. Adams	313,792	*
Kenneth C. Ambrecht	4,600	*
Ronald G. Joseph	79,404	*
John T. Lawrence III	47,578	*
Carl H. Lindner	536,808(b)	1.1%
S. Craig Lindner	139,763(b)	*
William R. Martin	44,861	*
Charles R. Scheper	416,814(c)	*
Christopher P. Miliano	102,142(d)	*
Mark F. Muething	229,378(e)	*
Michael J. Prager	96,729(f)	*
All Directors and Executive Officers as a Group (14 persons)	2,384,842	4.9%

* Less than 1%

(a) Unless otherwise indicated, the persons named have sole voting and dispositive power over the shares listed opposite their names. The amounts listed include the following number of shares which may be acquired pursuant to options which are exercisable within 60 days: Mr. Adams 97,588; Mr. Ambrecht 4,600; Mr. Joseph 29,114; Mr. Lawrence 29,114; Mr. Martin - 29,114; Mr. Scheper 360,000; Mr. Miliano 83,350; Mr. Muething 137,500; and Mr. Prager - 84,000.

(b) Messrs. Carl H. Lindner and S. Craig Lindner disclaim beneficial ownership of the shares owned by AFG, of which Mr. Carl H. Lindner is Chairman of the Board and a principal stockholder and Mr. S. Craig Lindner is a director, officer and principal stockholder. See Principal Stockholders.

(c) Includes 3,965 shares allocated to Mr. Scheper s account in the ESORP and 32,430 share equivalents allocated to Mr. Scheper s account in the Great American Financial Resources, Inc. Deferred Compensation Plan (Deferred Compensation Plan).

(d) Includes 7,512 shares allocated to Mr. Miliano s account in the ESORP.

(e)

Includes 6,664 shares allocated to Mr. Muething s account in the ESORP and 43,710 share equivalents allocated to Mr. Muething s account in the Deferred Compensation Plan.

(f) Includes 2,768 shares allocated to Mr. Prager s account in the ESORP and 8,329 share equivalents allocated to Mr. Prager s account in the Deferred Compensation Plan.

(g) Messrs. Adams, Ambrecht, Joseph, Lawrence, Carl H. Lindner, S. Craig Lindner, Martin, Scheper, Miliano, Muething and Prager also beneficially own; 149; 1,864; 51,000; 4,000; 9,018,672; 6,431,283; 69,938; 149; 149; 219 and 149 shares, respectively, of common stock of AFG.

COMPENSATION

The following table summarizes information concerning the annual and long-term compensation for services in all capacities to us and our subsidiaries for the three years ended December 31, 2005 paid to our Chief Executive Officer and our four other most highly compensated executive officers during 2005 (the Named Executive Officers).

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary	Annual Compensation Bonus	Other Annual Compensation (a)	Securities Underlying Options Granted (# of Shares)	All Other Compensation (b)
S. Craig Lindner Chief Executive	2005	$525,020	$425,865	$ 810		
Officer and	2004	$524,291	$426,605	$ 810		
President	2003	$484,673	$201,372	$ 810		
Charles R. Scheper Chief Operating	2005	$525,020	$425,865	$ 2,622	50,000	$25,000
Officer	2004	$524,291	$426,605	$ 7,475	50,000	$25,000
	2003	$484,673	$201,372	$ 9,997	50,000	$25,000
Mark F. Muething Executive Vice	2005	$300,015	$189,450	$ 966	20,000	$22,203
President,	2004	$281,844	$144,037	$ 1,258	20,000	$19,077
General Counsel and Secretary	2003	$261,327	$ 99,698	$ 563	20,000	$17,738
Christopher P. Miliano Executive Vice	2005	$290,004	$152,613	$ 896	20,000	$20,347
President, Chief Financial Officer	2004	$236,608	$116,930	$ 8,528	20,000	$15,905
and Treasurer	2003	$199,808	$ 81,500	$ 622	20,000	$13,505
Michael J. Prager Executive Vice	2005	$280,019	$147,350	$ 881	20,000	$20,273
President	2004	$245,079	$125,434	$ 501	20,000	$16,790
and Chief Actuary	2003	$227,308	$ 90,716	$ 480	20,000	$15,715

(a) The amount listed under Other Annual Compensation for 2005 are for the premiums paid for group life coverage in excess of $50,000 per individual.

(b) Amounts listed under All Other Compensation for each of the named persons reflect amounts contributed to our retirement plan.

Stock Options

The tables below show stock options granted to, or exercised by, the Named Executive Officers during 2005, and the number and value of unexercised options held by them at December 31, 2005.

STOCK OPTION GRANTS IN 2005

Name	Stock Options Granted	Individual Grants % of Total Stock Options Granted to Employees in Fiscal Year	Exercise Price(b)	Expiration Date(c)	Potential Realized Value at Assumed Rates of Stock Price Appreciation For Stock Option Term (a) 0%	5%	10%
S. Craig Lindner							
Charles R. Scheper	50,000	11.6%	$16.46	3/16/2015		$517,580	$1,311,650
Mark F. Muething	20,000	4.6%	$16.46	3/16/2015		$207,032	$ 524,660
Christopher P. Miliano	20,000	4.6%	$16.46	3/16/2015		$207,032	$ 524,660
Michael J. Prager	20,000	4.6%	$16.46	3/16/2015		$207,032	$ 524,660

(a) The Potential Realizable Value is calculated based on a market price for our common stock of $16.46 for the stock options granted on March 16, 2005.

(b) The closing price for our common stock on March 15, 2005 was $16.46.

(c) The stock options become exercisable in

20% increments on each of the first five anniversaries of the date of grant.

AGGREGATED OPTION EXERCISES IN 2005
AND 2005 YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (# of Shares)	Value Realized (b)	Number of Securities Underlying Unexercised Options At Year End Exercisable	Unexercisable	Value of Unexercised In-the-Money Options At Year End (a) Exercisable	Unexercisable
S. Craig Lindner						
Charles R. Scheper			304,000	156,000	$838,660	$ 597,540
Mark F. Muething	70,795	$508,772	118,000	59,500	$284,470	$ 233,680
Christopher P. Miliano	33,880	233,058	63,850	59,500	$ 88,834	$ 233,680
Michael J. Prager			65,000	65,000	$199,020	$ 249,680

(a) The Value of Unexercised In-the-Money Options at Fiscal Year End is calculated based on a market price for our common stock on December 30, 2005 of $19.84 per share. For options on which the exercise price is greater than $19.84 per share, the value is assumed to be $0.

(b) The value realized on the

exercise of stock options is calculated by subtracting the exercise price from the market value of our common stock on the date of exercise.

Organization and Policy Committee Report

The members of the Organization and Policy Committee of the Board of Directors are Ronald G. Joseph and John T. Lawrence III, neither of whom is an employee of Great American Financial Resources or any of its subsidiaries. The Committee s functions include approving recommendations with respect to the compensation of each executive officer of the company and providing a report to the Board of Directors on those matters. The cash compensation paid to the executive officers for 2005 was comprised principally of annual base salaries and payments under the Corporate Bonus Plan. Stock options are granted to executive officers to provide long-term incentive based compensation. In determining compensation for executive officers, the Committee gives some consideration to the compensation paid to executive officers of companies engaged in similar lines of business.

Annual Base Salaries. The Committee approves annual base salaries and salary increases for executive officers that are appropriate for their positions and levels of responsibilities. The Committee takes into consideration the Company s long-term performance in establishing annual base salaries for executive officers.

Corporate Bonus Plan. Each of the named executive officers was eligible to participate in the Corporate Bonus Plan. The Bonus Plan compensates participants based on the Company s financial and operational performance. Under the Bonus Plan, the Organization and Policy Committee approved a target bonus for each participant based on such person s duties and responsibilities and expected contributions during the year. The Committee also reviewed premium, financial and operational goals for the company as well as individual goals for each participant. Based on the specific responsibilities of the participant, the Committee allocated a total of 100% among the premium, financial, operational, and individual goals. Based on the attainment of these goals, participants in the Bonus Plan could earn up to 125% of the target bonus amounts. The bonuses reported in the Summary Compensation Table are amounts paid to participating executive officers in the first quarter of