



Specialty Property and Casualty Insurance Fixed and Fixed-Indexed Annuities

Morgan Stanley Financials Conference

June 11, 2019

Forward Looking Statements

Certain statements made during this presentation, as well as included in this document, are not historical facts and may be considered “forward-looking statements” and are based on estimates, assumptions and projections which management believes are reasonable but by their nature subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements.

The reasons which could cause actual results and/or financial condition to differ materially from those suggested by such forward-looking statements include but are not limited to those discussed or identified from time-to-time in AFG’s filings with the Securities and Exchange Commission, including the annual report on Form 10-K and the quarterly reports on Form 10-Q. We do not promise to update such forward-looking statements to reflect actual results or changes in assumptions or other factors that could affect these statements.

Core net operating earnings is a non-GAAP financial measure which sets aside items that are generally not considered to be part of ongoing operations, such as net realized gains and losses, discontinued operations, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations. AFG believes that this non-GAAP measure is a useful tool for investors and analysts in analyzing ongoing operating trends of AFG.



A history dating back

145+ years

Approximately **55%** of Specialty P&C
Group gross written premium produced by
businesses with “top 10” market rankings

Top 10 Fixed Annuity provider

#1 in sales of FIAs through financial institutions

Specialists in providing insurance products that **help**
businesses manage their **unique financial risks** and
exposures and **individuals save** for their **financial futures**.



Great American Insurance Group **1** of only **5** companies
rated **“A” (Excellent)** or better by A.M. Best for
100+ years



We provide financial solutions that fulfill today's needs and tomorrow's dreams; a trusted partner in delivering long-term value to our customers, employees and investors.

Specialty P&C Insurance

Property & Transportation



- Inland and Ocean Marine
- Agricultural-Related
- Aviation
- Commercial Automobile (buses, trucks)

Specialty Casualty



- Executive and Professional Liability
- Umbrella and Excess Liability
- Excess and Surplus
- General Liability
- M&A Liability
- Targeted Programs
- Workers' Compensation

Specialty Financial



- Fidelity / Crime
- Surety
- Lease and Loan Services
- Financial Institution Services

Annuity



- Fixed, Fixed-Indexed and Variable Indexed Annuities
- Sold in retail, financial institutions, broker-dealer, and registered investment advisor markets

\$51.0 Billion Investment Portfolio Managed In-House

Building Long-Term Value for AFG Shareholders

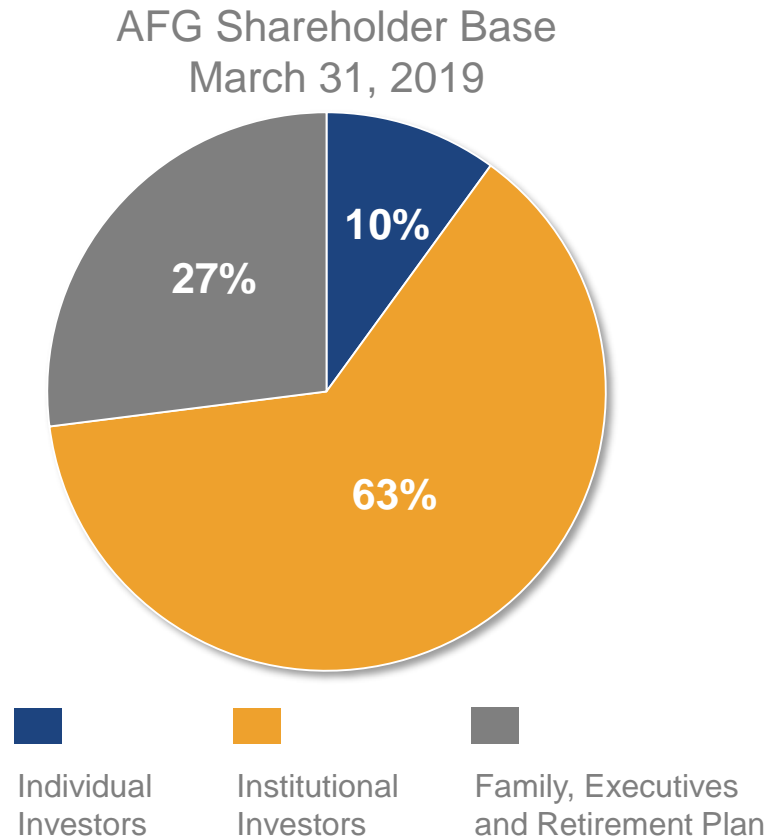


Culture • Entrepreneurial Business Model • Incentives

Our Corporate Values

		
Our Foundation	Our Priorities	Our Expectations
Specialization	Customer Focus	Integrity
Entrepreneurial Spirit	Clear & Open Communications	Self-Discipline
Accountability	Work / Family Balance	Respect for Others
8,500 employees in 120 locations worldwide		

Significant Insider Ownership



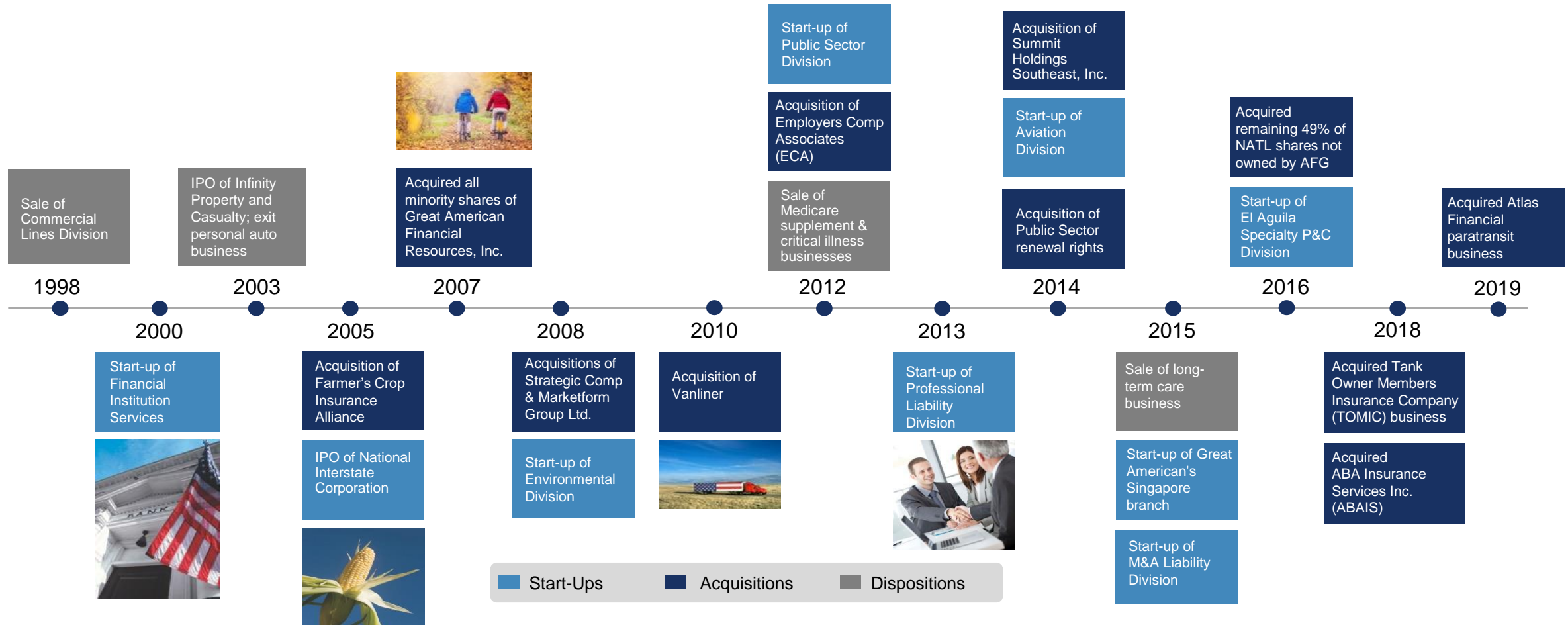
Significant ownership by management creates strong alignment of interests with shareholders over the long term.

The Lindner Family formed AFG in 1959 and continue to be significant shareholders.

Ownership Details

- Co-CEOs / family = 23%
- Executives and Retirement Plan = 4%

Focusing on What We Know Best



Intelligent Use of Excess Capital

2018 Capital Management

- Returned \$403 million of capital to shareholders
- 14% increase in ordinary annual dividend
 - 13th consecutive annual dividend increase
 - five year CAGR in dividends ~12.5%
- Two special dividends in 2018
 - \$1.50 per share paid in May 2018
 - \$1.50 per share paid in November 2018
- \$6 million in share repurchases (\$93.38 per share average)

2019 Capital Management

- Excess capital at 3/31/2019 – \$1.1 billion
- Paid a \$1.50 per share special dividend in May 2019
- 5.0 million shares remaining in repurchase authorization as of 3/31/2019

Capital Returned to Shareholders Five Years Ended 12/31/2018 (in millions)

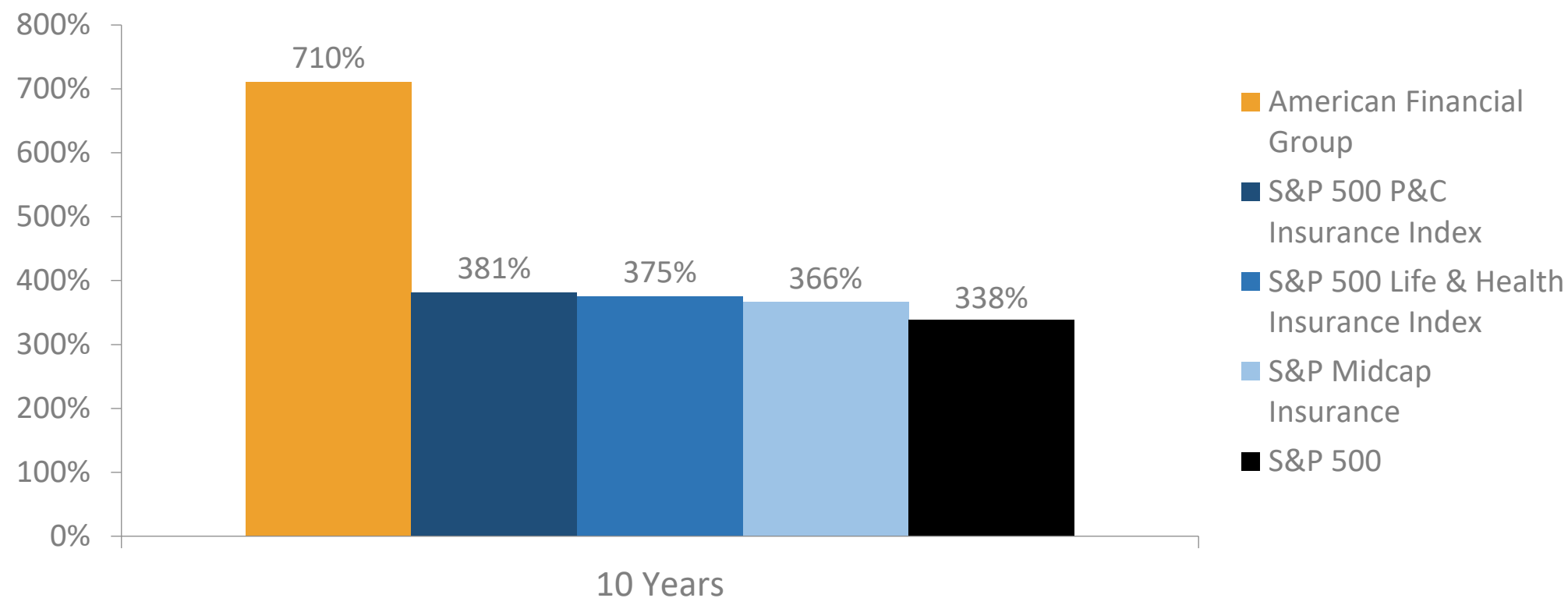
Dividends Paid	\$ 1,352
Repurchases	<u>456</u>
Total	<u>\$ 1,808</u>



***\$1.8 Billion Returned to
Shareholders***

AFG Shareholder Return vs. Indices

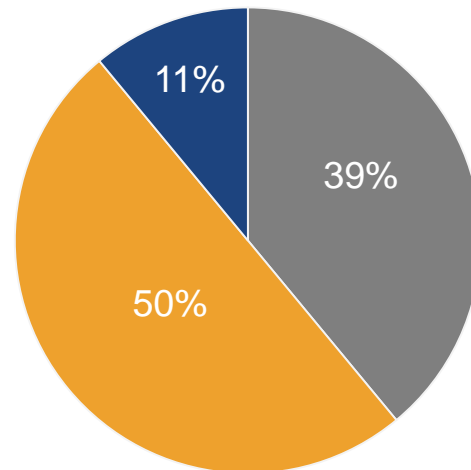
As of March 31, 2019



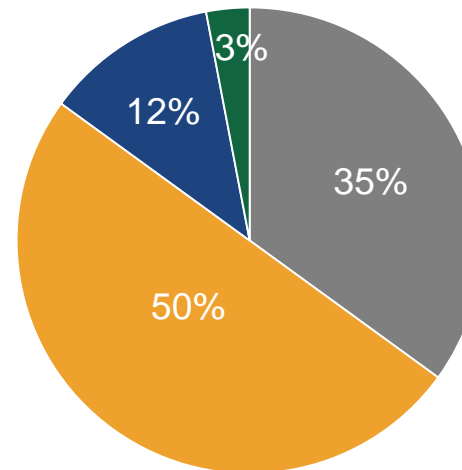
Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

Gross Written Premiums
Full Year 2018
\$6.8 Billion



Net Written Premiums
Full Year 2018
\$5.0 Billion

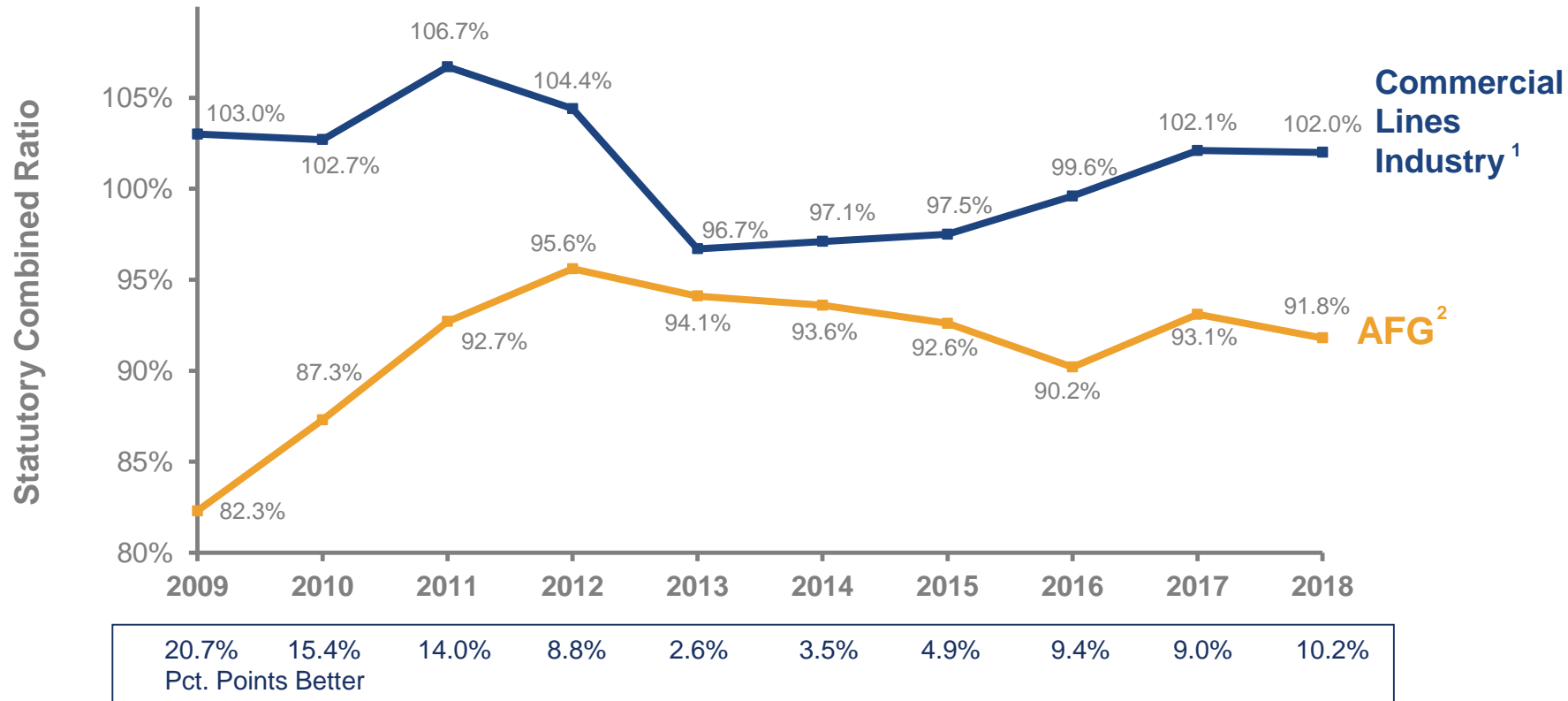


- Property & Transportation
- Specialty Casualty
- Specialty Financial
- Other¹

Approximately 55% of P&C Group GWP produced by businesses with “Top 10” market rankings including:
Crop • Equine • Executive Liability • Fidelity/Crime • Financial Institution Services • FL Workers Comp •
Non-Profit/Social Services • Passenger Transportation • Surety • Trade Credit • Trucking

¹ Includes an internal reinsurance facility

Superior Underwriting Talent



9.9%
Points
Better
Over 10
Years

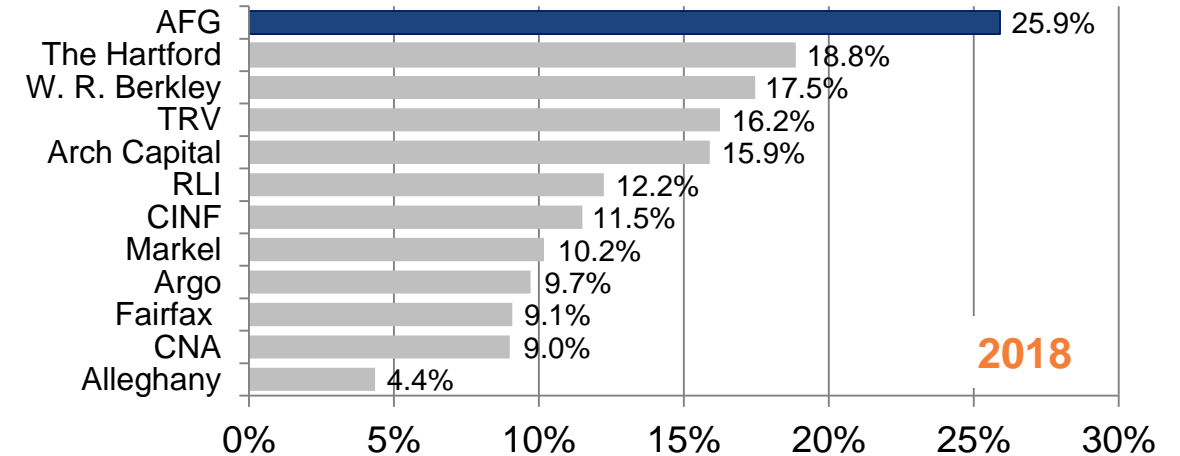
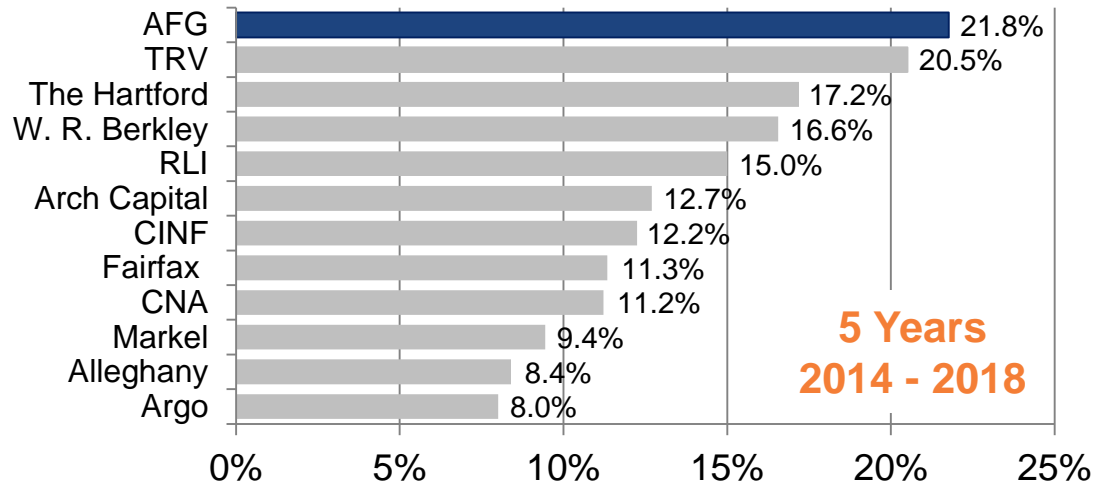
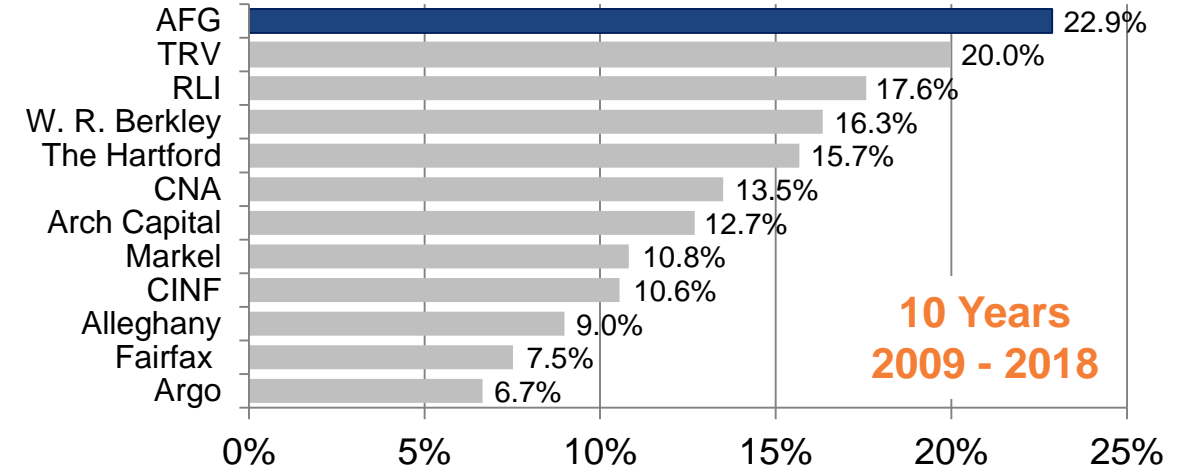
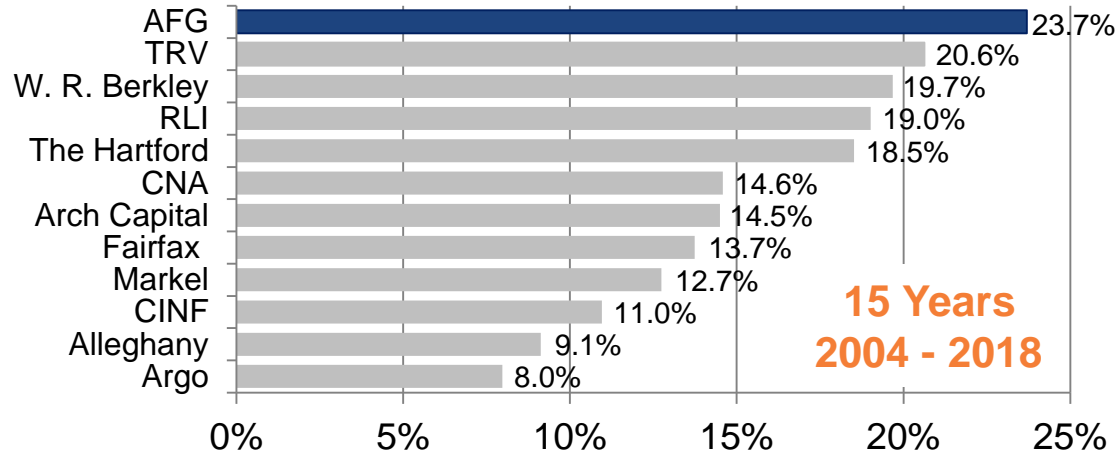
¹ Commercial Lines Industry based on data from A.M. Best's U.S. Property/Casualty Review & Preview – February 26, 2019.

² American Financial Group Form 10K filings.

Strong Alignment Creates Superior Underwriting Results

- Unique incentive programs for P&C Group based on underwriting profitability
- Annual awards
 - based on AY COR targets derived from ROE requirements
 - paid over 2-3 years
 - no rewards for volume unless COR targets are met
 - claw back feature
- Long Term Incentive Compensation (LTIC) Plan
 - five year measurement period based on AY COR targets derived from ROE requirements
 - paid out over the following 4-5 years
- Business executives are held accountable for COR performance, not investment performance
- Attract, retain and reward key operating executives & officers

Pretax Property & Casualty Returns

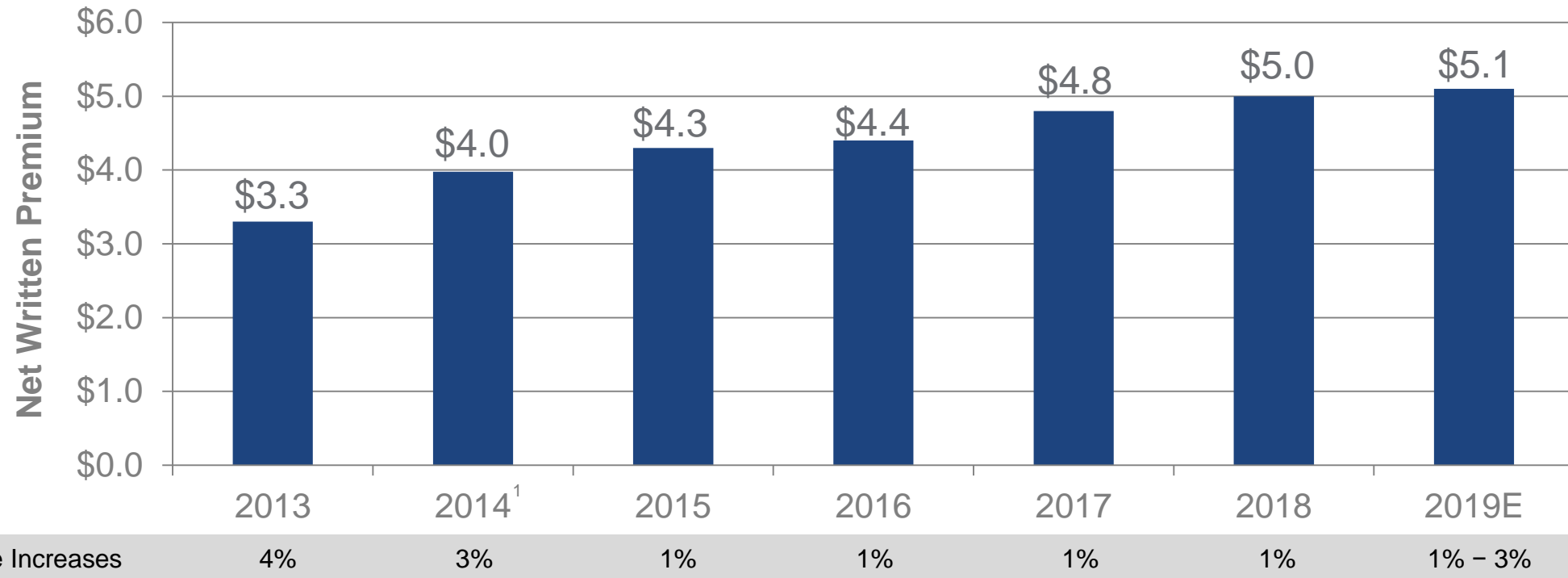


Source: Dowling & Partners

Specialty Property & Casualty Premium Growth

Dollars in billions

P&C Net Written Premium and Renewal Rates



► Overall Specialty P&C renewal rates increased 3% QTD through May 2019. Excluding workers' compensation, renewal rates increased 5%.

¹ Includes Summit premiums for nine months.

Annuity Segment Overview



Channel	Market Rank	Distribution	Product Focus	2018 Premiums
Financial Institutions	#1 FIAs #4 in Total Fixed and FIAs	~35 Financial Institutions; ~ 4,000 agents – Direct through Financial Institutions – Independent Agents and Brokers	<ul style="list-style-type: none"> Fixed Annuities Fixed-Indexed Annuities 	\$2.3B
Retail (Independent Producers)	#7 FIAs #7 in Total Fixed and FIAs	Over 6,000 Retail Agents – Independent Marketing Organizations (IMOs) – Independent Broker Dealers – Registered Investment Advisors		\$3.1B
All Channels	#5 FIAs Top Ten Total Fixed and FIAs			\$5.4B

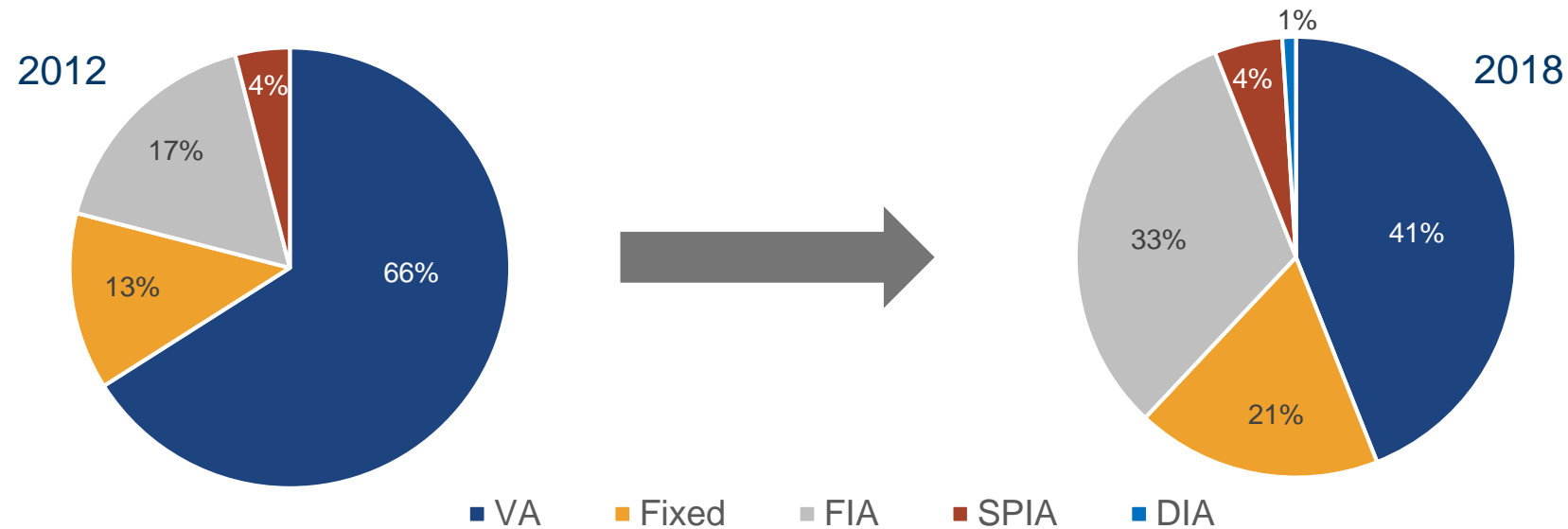
- Focus on fixed and fixed-indexed annuities makes use of core competency in fixed income investing
- Simple, easy to understand products
- Lower up-front commissions and bonuses, shorter surrender charge periods
- Not a significant issuer of variable annuities.

An Industry Leader

- *Focus on fixed and fixed-indexed annuities*
- *Strong financial strength ratings and ALIRT score*
- *Long history in the industry and long-term agent relationships*
- *Consistent crediting rate strategy*
- *Reputation for simple, consumer-centric products*
- *Low cost structure*

Annuity Industry: Market Share by Product Line

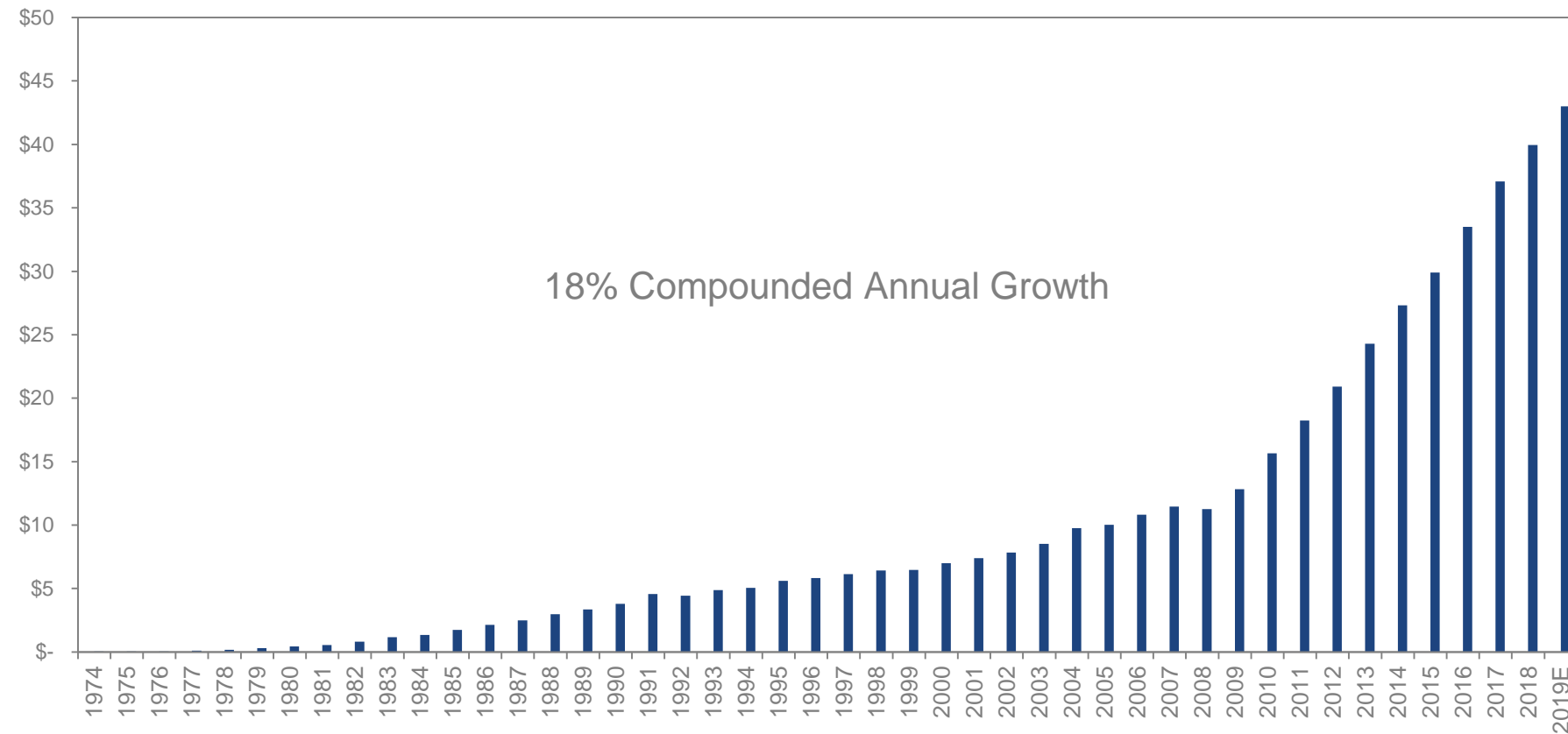
Shift from Variable Annuities to Traditional Fixed and Fixed-Indexed Annuities
*Fixed-indexed annuity market share **increased by more than 85%***



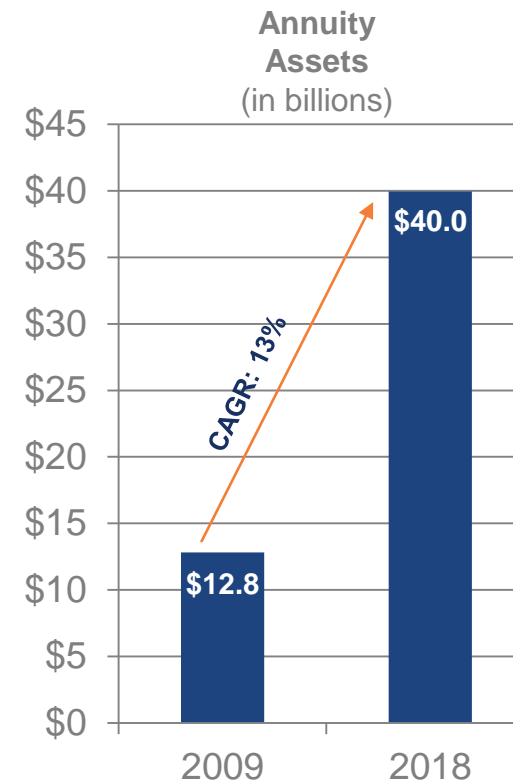
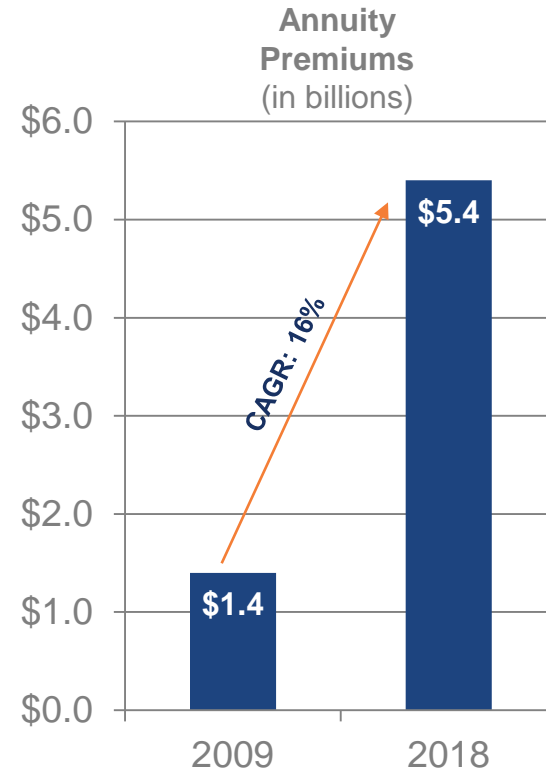
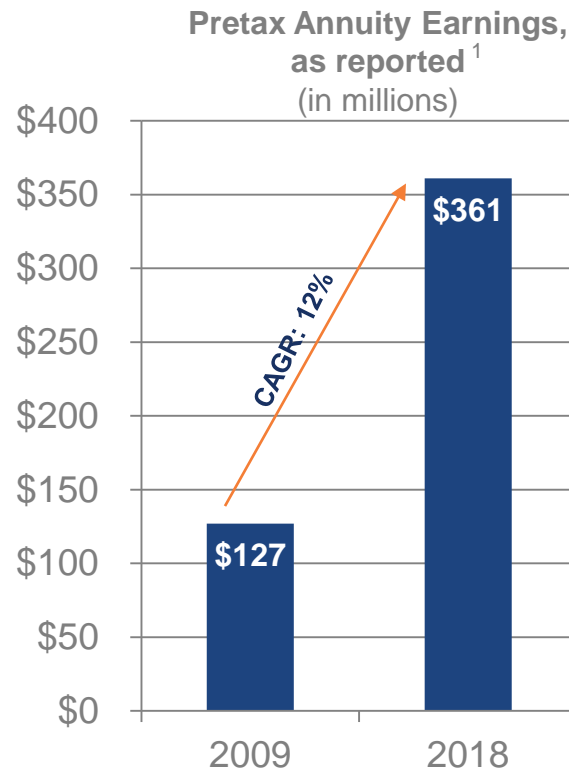
Market share for Bank, Independent B-D, Independent Agent, Full-Service BD, and Career Agent Channels only; Source: LIMRA

Growth in Annuity Segment Assets (GAAP)

Dollars in billions



Growth in Annuity Earnings, Premiums and Assets



Annuity Transformation

- Focus on core competency of fixed and fixed-indexed annuities; focus where we have critical mass and competitive advantage
- Significantly improved ROEs
 - appropriate pricing
 - expense discipline
- Ratings
 - no downgrades during recession
 - upgrades by S&P and Moody's since recession

¹ After the impact of fair value accounting for FIAs and unlocking.

Protection From Changes in Interest Rates

As of March 31, 2019

Protection From Rising Interest Rates

- 86% of inforce annuities have some surrender penalty
 - 57% of annuity reserves have a surrender charge of 5% or higher
 - including 7% of these annuity reserves are two-tier in nature, with an average surrender charge of 14%
- Other product features that should encourage persistency or discourage lapses
 - 17% with 3%+ GMIR
 - 25% with an MVA or Longevity Rider
 - over 45% of new sales electing some form of trail or multi-year commission when available
- Asset duration shorter than liability duration by 0.70 (4.74 vs. 5.44)
- Unrealized gain in bond portfolio of \$0.9 billion pre-tax, pre-DAC (103% of book value)

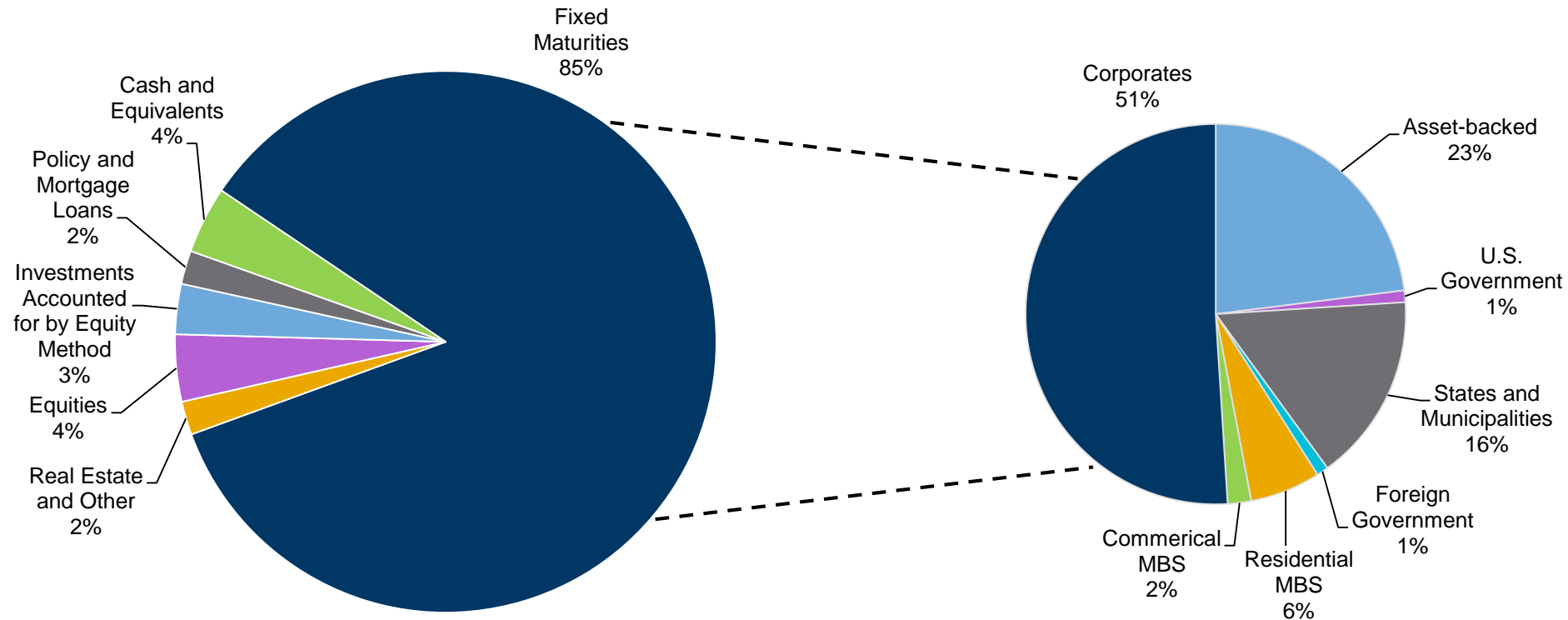
Protection From Falling Interest Rate Environment

- Ability to lower crediting rates by 120 bps on \$29 billion of reserves (excludes immediate annuities and FIAs with riders)
- Produces extra \$350 million of pretax income
- Low upfront costs to recover (lower commissions than competitors, low or no bonuses)

AFG Investment Portfolio

As of March 31, 2019

Fixed Maturities Portfolio – 91% investment grade; 98% NAIC 1 & 2



Carrying Value – \$51.0 Billion

Investment Portfolio Information and Outperformance

	Property & Casualty	Annuity
Approximate Average Duration – Fixed Maturities as of March 31, 2019	3.5 years	4.5 years
Annualized yield on available for sale fixed maturities		
Quarter ended 3/31/19:		
• Net of investment expenses ^(a)	3.85%	4.51%
• Tax equivalent, net of investment expenses ^(b)	4.04%	4.51%

^(a) Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter. Average cost is the average of the beginning and ending quarter asset balances.

^(b) Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

Fixed Income Annualized Total Return 11 Years Ended 12/31/18 ¹

AFG **5.9%**

Benchmark:
Blended Insurance Industry² 4.9%

Outperformance 1.0%

≈ \$2 Billion Total Return Outperformance

¹ 2008-2018 time period captures the beginning of the global financial crisis.

² Source: SNL. Blended Insurance Industry returns reflect actual Life & Annuity and Property & Casualty industry returns weighted by AFG's Annuity and P&C Groups' relative assets.

2019 Outlook – AFG

AFG Core Earnings Guidance \$8.35 – \$8.85 per share

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	0% – 3%	92% – 94%
<u>Business Groups:</u>		
Property & Transportation	3% – 7%	92% – 96%
Specialty Casualty	(2%) – 2%	91% – 95%
Specialty Financial	3% – 7%	88% – 92%

P&C investment income flat to 4% higher than 2018

P&C average renewal rates up between 1% and 3%; up 4% to 6% excluding workers' compensation businesses

Annuity Segment:

- Pretax Annuity Earnings (before fair value accounting for FIAs and unlocking) \$445 million to \$475 million
- Pretax Annuity Earnings, as reported \$365 million to \$425 million
- Annuity premiums flat to down slightly from the \$5.4 billion reported in 2018

APPENDIX

Financial Highlights – First Quarter 2019

Dollars in millions, except per share amounts

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
• Results of Operations:		
– Core net operating earnings	\$ 184	\$ 219
– Core net operating earnings per share	\$ 2.02	\$ 2.42
– Average number of diluted shares	90.7	90.4
	March 31, <u>2019</u>	Dec. 31, <u>2018</u>
• Book Value per Share:		
– Excluding unrealized gains (losses) related to fixed maturities	\$ 58.02	\$ 54.86
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 55.14	\$ 51.93
• Capital Adequacy, Financial Condition and Liquidity:		
– Maintained capital at levels that support operations; in excess of amounts required for rating levels		
– Excess capital of approximately \$1.1 billion at March 31, 2019, including parent cash of approximately \$215 million		

Financial Highlights – 2018

Dollars in millions, except per share amounts

	Twelve Months Ended December 31,	
	<u>2018</u>	<u>2017</u>
• Results of Operations:		
– Core net operating earnings	\$ 761	\$ 588
– Core net operating earnings per share	\$ 8.40	\$ 6.55
– Average number of diluted shares	90.6	89.8
• Book Value per Share:	<u>2018</u>	<u>2017</u>
– Excluding unrealized gains (losses) related to fixed maturities	\$ 54.86	\$ 53.51
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 51.93	\$ 50.95
• Core Operating Return on Equity: ¹	<u>2018</u>	<u>2017</u>
AFG Consolidated ²	15.6%	12.7%
– Specialty Property & Casualty	16.8%	13.5%
– Annuity, as reported	12.2%	11.2%
– Annuity, before the impact of fair value accounting	13.3%	12.2%

¹ Equity excludes AOCI.

² Includes the impact of holding company and other operations not reported in AFG's operating segments.

Specialty Property & Casualty Businesses

Dollars in millions

	Net Written Premiums			
	<u>2017</u>	<u>2018</u>	<u>1Q 2019</u>	<u>2019E</u> ¹
Specialty Property & Transportation	\$ 1,765	\$ 1,754	\$ 344	3% – 7%
Specialty Casualty	\$ 2,280	\$ 2,509	\$ 626	(2%) – 2%
Specialty Financial	\$ 596	\$ 602	\$ 145	3% – 7%
Other Specialty	<u>\$ 110</u>	<u>\$ 158</u>	<u>\$ 32</u>	n/a
Total Specialty	<u>\$ 4,751</u>	<u>\$ 5,023</u>	<u>\$ 1,147</u>	0% – 3%

¹ 2019E based on guidance issued May 2, 2019.

Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2017</u>	<u>2018</u>	<u>1Q 2019</u>	<u>2019E¹</u>
Specialty Property & Transportation	91.0%	93.1%	89.0%	92% – 96%
Specialty Casualty	95.2%	94.2%	94.2%	91% – 95%
Specialty Financial	89.4%	88.9%	91.4%	88% – 92%
Other Specialty	102.7%	103.7%	98.9%	n/a
Total Specialty	93.1%	93.4%	92.5%	92% – 94%

¹ 2019E based on guidance issued May 2, 2019.

Specialty Property & Casualty Update – Crop Insurance

Planting Conditions for Spring Crops

- Soil conditions across most of the Midwest remain overly wet or saturated, delaying corn and soybean planting by historical amounts.
- While generally impractical to plant corn in most areas beyond June 15th, the general consensus is that farmers will continue to plant corn into the late planting period before they decide to leave the ground fallow or switch to soybeans.
- An uptick in commodity prices, along with agricultural aid, is creating an incentive to plant corn.
- Prevented plantings, along with yield drag related to late planting dates, will have an impact on our 2019 results although it's too early to quantify.

Production / Commodity Prices

- Spring crop planting delays will create a delay in reporting second quarter 2019 crop premiums; total 2019 crop premiums (MPCI and crop hail) are expected to be in line with guidance.
- Commodity prices are fairly benign at this stage. December corn is up 9% over its base price; November soybeans are down 7%.

Agricultural Trade Aid / Disaster Bill

- Uncertainty remains around the 2019 Market Facilitation Program, but the USDA has communicated recently that prevented planting acres are not likely to be considered in the program.
- The pending disaster bill also contains a provision that provides the Secretary of Agriculture the authority to issue prevented planting disaster payments. It is unknown whether a disaster payment will be authorized or how the benefit will be determined.

Other Crops

- Rainfall index and winter wheat business, which represent 22% of our MPCI GWP, are performing well.

Specialty Property & Casualty Update – Commercial Transportation

AFG's Business

- Three specialist units – Great American Trucking, National Interstate and Vanliner
- These units represent approximately 14% of AFG's 2018 GAAP GWP
- In 8th consecutive year of achieving rate increases
- Through May, our commercial transportation specialist companies achieved commercial auto liability renewal rate increases of 9% YTD and 12.5% year-over-year growth in GWP
- Earning appropriate returns and combined ratios across our specialist transportation businesses

NATL Paratransit Business

- National Interstate began writing paratransit business in 2003
- Long history of strong underwriting results
- Averaged over 15% year-over-year growth since 2014
- 2018 gross written premiums ~\$20 million
- Focus has been on fleets with 10 vehicles or more; averaged 34 vehicles per customer in 2018
- Competitors include Selective, Philadelphia and Berkshire Hathaway

AFH Paratransit Transaction

- Atlas specializes in small fleet paratransit business with an average fleet size of 5 vehicles
- Strong agency distribution network; solid infrastructure necessary to sell and issue small fleet policies
- Opportunistic growth given aging U.S. population
- Great strategic fit allowing National Interstate to expand its existing footprint in additional niches
- The majority of AFH's \$110 million of paratransit business will be eligible for quotation
- AFG has also been granted a five-year warrant to acquire 19.9% of AFH's common stock at an exercise price of \$0.69 per share

Annuity Segment

Dollars in millions, unless otherwise noted

	<u>2017</u>	<u>2018</u>	<u>1Q 2019</u>	<u>2019E</u>
Annuity Premiums	\$ 4,341	\$ 5,407	\$ 1,395	flat to down slightly
Average Fixed Annuity Investments	\$ 31,250	\$ 34,471	\$ 36,991	+ 8% to 10%
Average Fixed Annuity Reserves	\$ 31,526	\$ 34,706	\$ 37,078	+ 8% to 10%
<hr/>				
Pretax Annuity Earnings (before fair value accounting for FIAs and unlocking)	\$ 416	\$ 425	\$ 134	\$445 to \$475 million
Pretax Annuity Earnings, as Reported ¹	\$ 380	\$ 361	\$ 90	\$365 to \$425 million
Net Spread Earned (before fair value accounting for FIAs and unlocking)	1.34%	1.26%	1.43%	1.17% to 1.27%
Net Spread Earned ¹	1.23%	1.07%	0.96%	0.95% to 1.15%

¹ After the impact of fair value accounting for FIAs and unlocking.

2019 Annuity Earnings Guidance

Dollars in millions

Earnings Sensitivities (Incremental Changes Are Versus Amounts Assumed in Guidance)

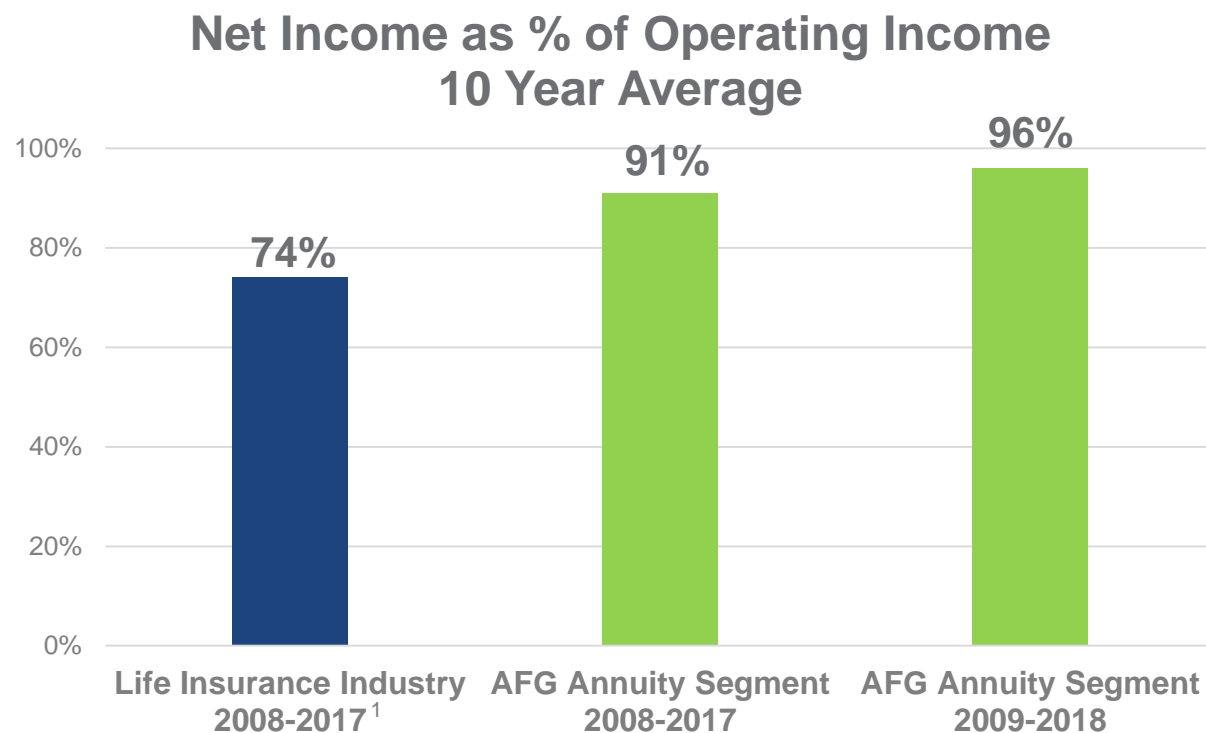
	Guidance Per Slide 28 ^{1, 2}	Midpoint of Guidance	Incremental +/- 1% in S&P 500 ^{1, 2}	Incremental +/- 10 bps change Interest Rates ^{2, 3}	Incremental +/- 1% Yield on Partnerships, Private Equities, Mark-to-Market Investments ¹
Pretax Annuity Earnings (before fair value accounting for FIAs) ¹	\$ 445 to \$ 475	\$ 460	~ +/- \$1mm to \$2mm		~ +/- \$8mm
Implied Fair Value Accounting Impact ²	(80) to (50)	(65)	~ +/- \$1mm to \$2mm	~ +/- \$8mm to \$10mm	
Pretax Annuity Earnings, as reported	\$ 365 to \$ 425	\$ 395	~ +/- \$2mm to \$4mm	~ +/- \$8mm to \$10mm	~ +/- \$8mm

¹ Current guidance assumptions related to Pretax Annuity Earnings (before fair value accounting for FIAs)
- Assumes 20% increase in stock market in 2019
- Assumes 8% to 9% yield on partnerships, private equities and investments marked to market in last 3 quarters of 2019
- See additional information included in AFG 's Investor Supplement

² Current guidance assumptions related to Impact of Fair Value Accounting for FIAs
- Assumes 20% increase in stock market in 2019
- Assumes 10 to 20 bp increase in average of 5 year and 15 year Corporate A2 rates in last 3 quarters of 2019
- See additional information included in AFG 's Investor Supplement

³ Assumes parallel shift in rates (primarily Corporate A2 rates)

Annuity Segment – Net Earnings vs. After-tax Operating Earnings



AFG's Annuity Segment Net Earnings have nearly equaled Annuity Operating Earnings from 2009 through 2018.

These results are in contrast to the industry, where Net Earnings have been significantly lower than Operating Earnings.

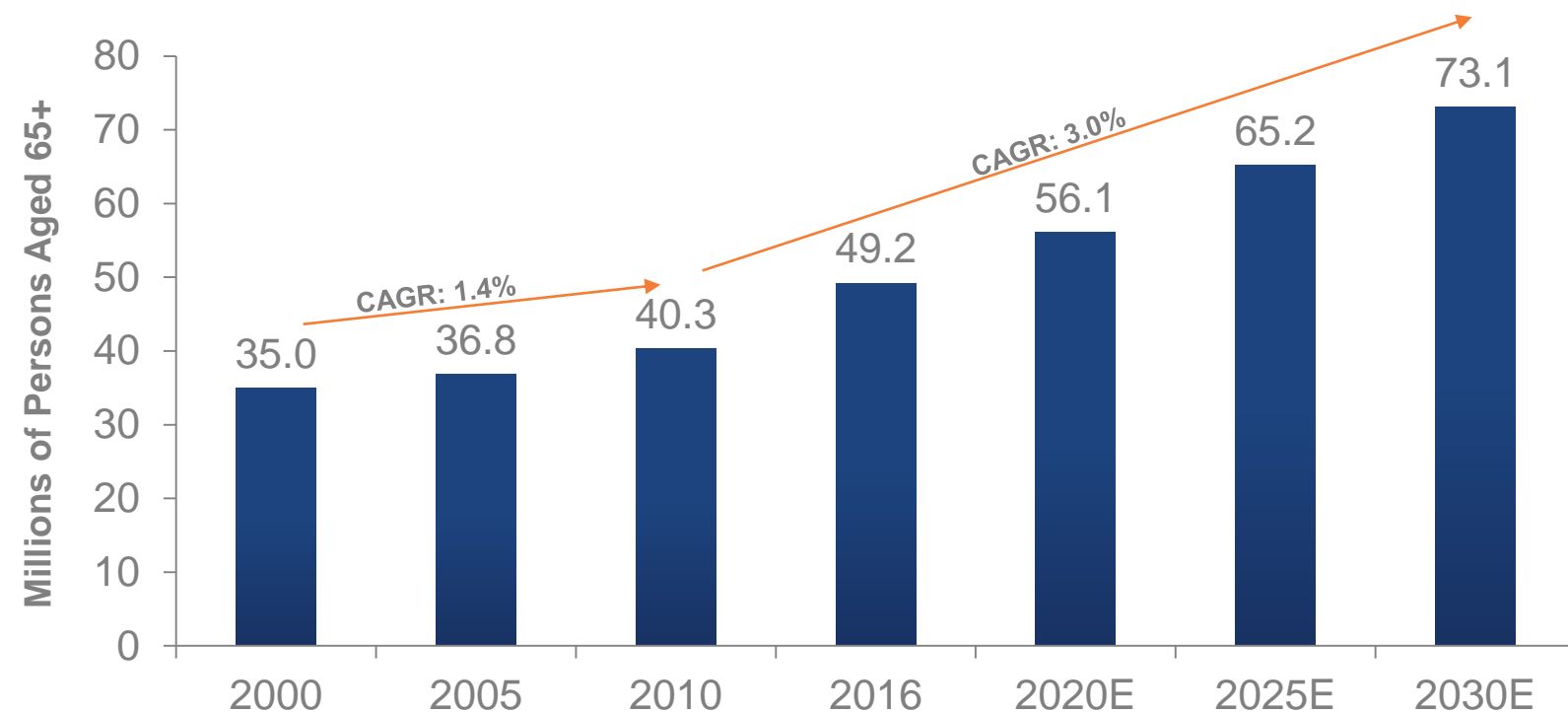
¹ JP Morgan "Life Insurance Earnings Quality" – May 2018.

Snapshot of Current AFG Annuity Segment Sales

- Target market = middle and mass affluent baby boomers (not high wealth clients)
- Average single premium policy size ~\$100,000
- Approximately 85% of 2018 sales were FIA
- About 50% of 2018 sales were qualified / IRA
- Only 6% of sales have living benefit riders
- Almost 50% of sales have some form of "non-heaped" commissions
- Each product is priced to its own risk-adjusted return target, 12% in aggregate

U.S. Growth in Persons Aged 65+

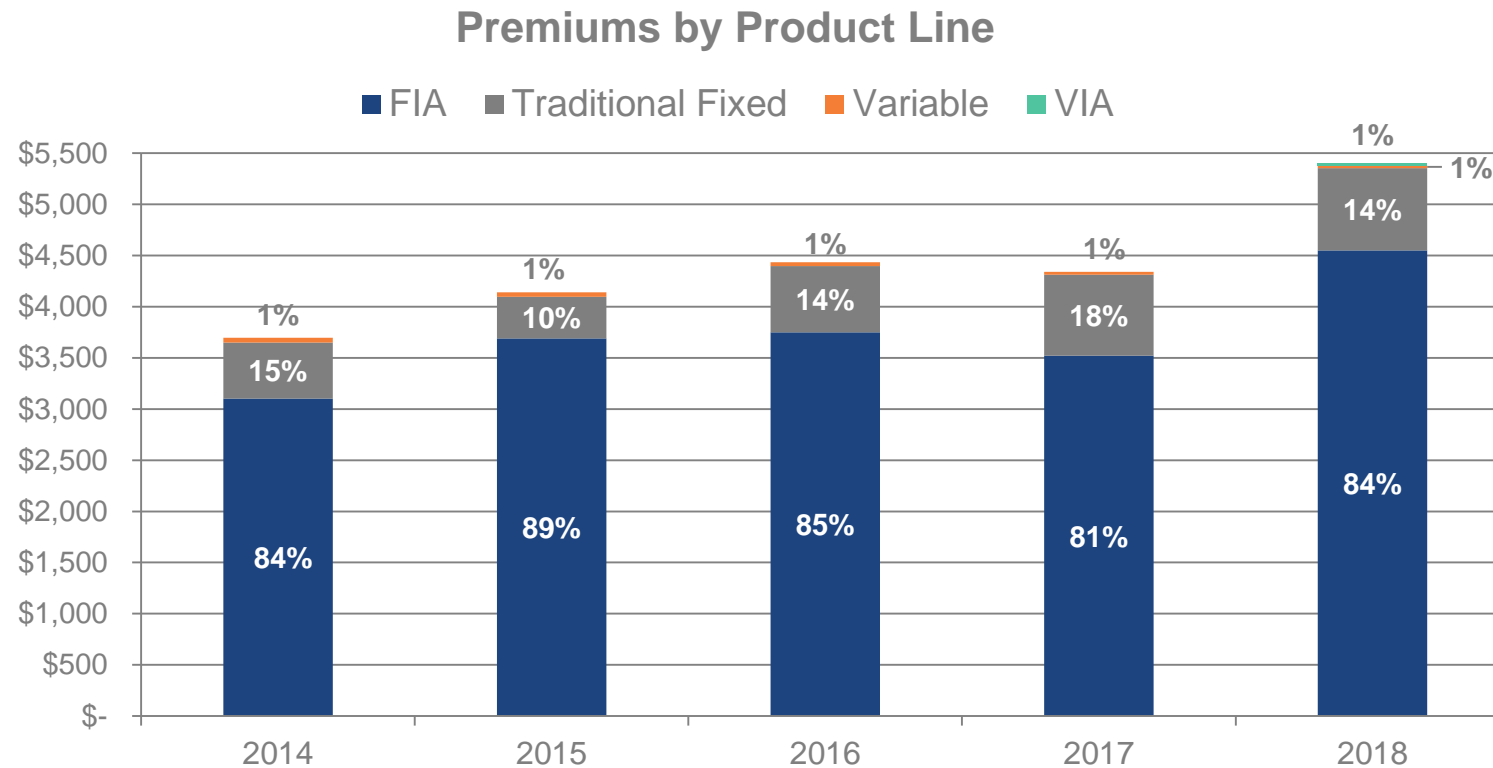
Population in millions



Source: U.S. Census Bureau, Population Division.

Annuity Product Snapshot

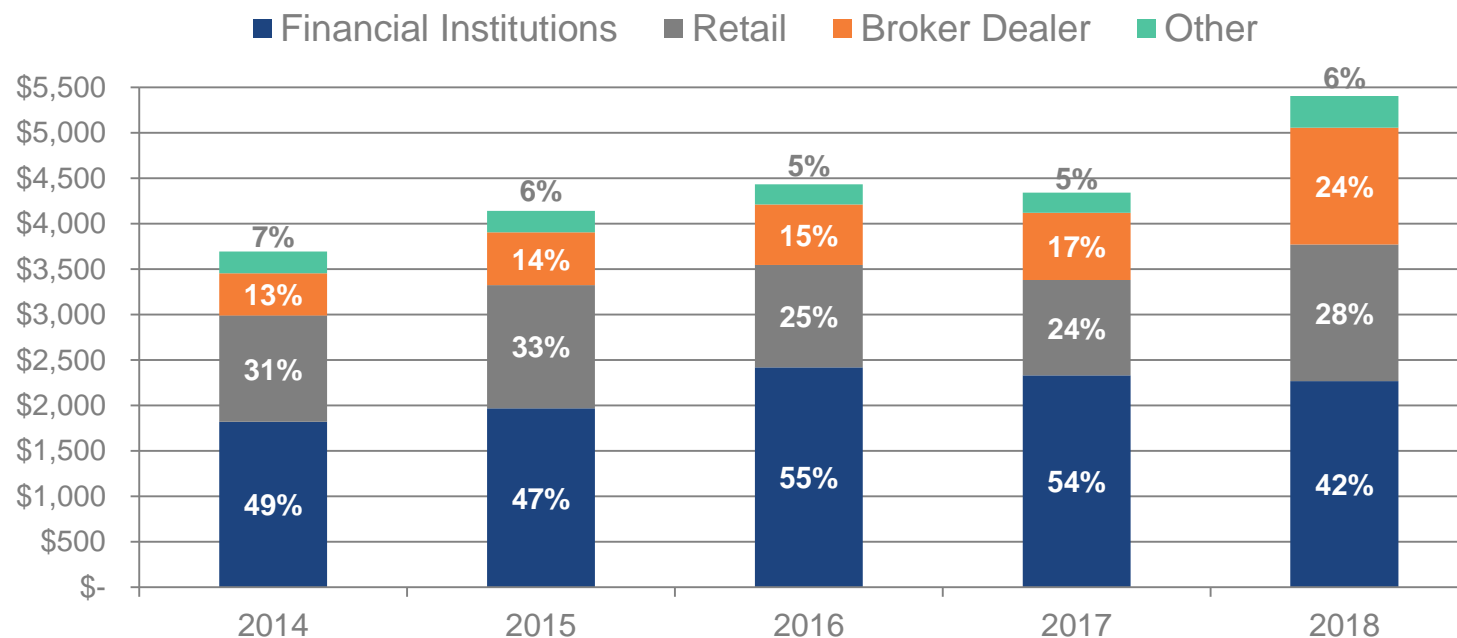
Dollars in millions



Annuity Product Snapshot (continued)

Dollars in millions

Premiums by Distribution Channel



Annuity Product Snapshot (continued)

Dollars in millions

Premiums by Tax Qualification Type

