



# **American Financial Group, Inc. Sustainability Accounting Standards Board Report 2022**





# American Financial Group, Inc.

## Sustainability Accounting

### Standards Board Report 2022



#### SUSTAINABILITY ACCOUNTING STANDARDS BOARD DISCLOSURE

American Financial Group, Inc. (AFG) is an insurance holding company, based in Cincinnati, Ohio. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company. The following disclosure is aligned with the Sustainability Accounting Standards Board (SASB) standards for the insurance industry. For more information about SASB, please visit [sasb.org](https://sasb.org).

Our environmental, social, and governance (ESG) and climate-related disclosures in this report and in our [Corporate Social Responsibility Report](#) are voluntary disclosures to provide additional information to various stakeholders. The standard of materiality required for our disclosures filed with the Securities and Exchange Commission is not the same as that used for our voluntary ESG and climate-related disclosures. Inclusion of information in this report or in our Corporate Social Responsibility Report is not an indication that we deem such information to be material or important to an understanding of our business or an investment decision with respect to our securities.

This report may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of words such as "anticipates," "believes," "expects," "projects," "estimates," "intends," "plans," "seeks," "could," "may," "should," "will" or the negative version of those words or other comparable terminology. All statements in this report not dealing with historical results are forward-looking and are based on estimates, assumptions, and projections. These forward-looking statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance, or achievements to differ materially from the results, level of activity, performance, or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to, those discussed in our Annual Report on Form 10-K under Item 1A "Risk Factors," and also discussed from time to time in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We are under no duty to update any of these forward-looking statements after the date of this report to conform our prior statements to actual results or revised expectations, and we do not intend to do so.

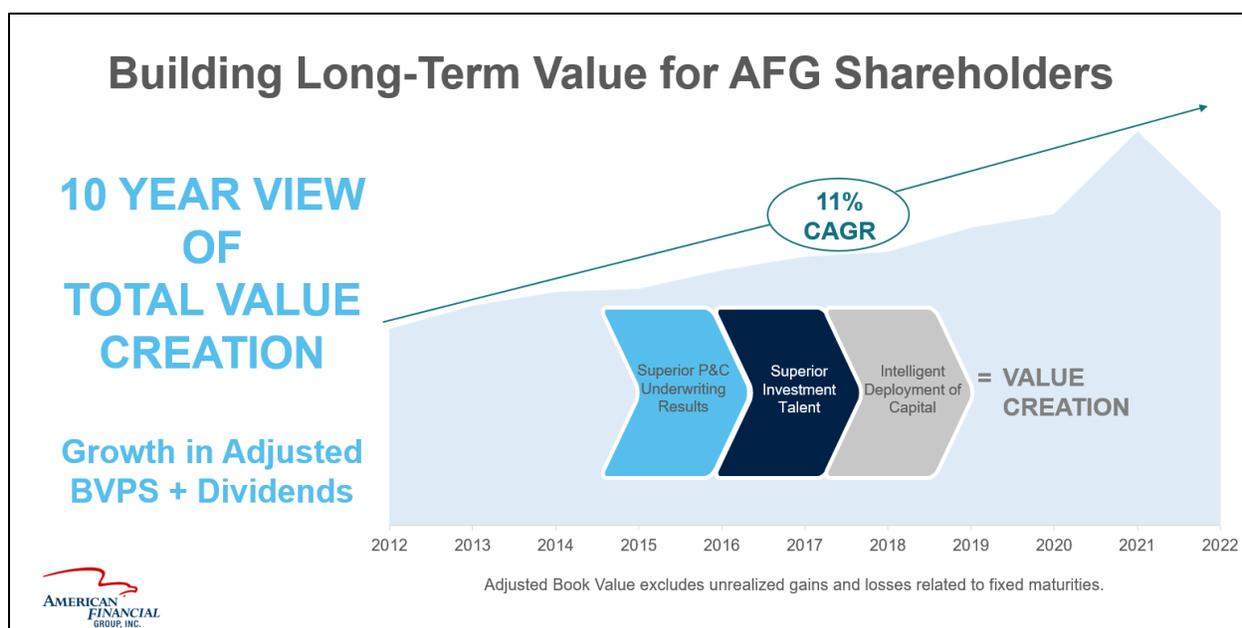
Nothing in this report or in our Corporate Social Responsibility Report is incorporated by reference or shall be deemed to be incorporated by reference into the documents that we have filed or will file with the U.S. Securities and Exchange Commission. All references in this report to "AFG," "the Company," "we," "us" and "our" refer to American Financial Group, Inc.

## Sustainability Disclosure Topics & Accounting Metrics

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Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty (P&C) insurance, focusing on specialty commercial products for businesses. Great American Insurance Group provides a wide range of commercial coverages through approximately 35 insurance businesses (at December 31, 2022).

Each business is managed by experienced professionals in particular insurance lines or customer groups and operates autonomously but with certain central controls and accountability. The decentralized approach allows each business the autonomy necessary to respond to local and specialty market conditions while capitalizing on the efficiencies of centralized investment and administrative support functions.



We believe that superior underwriting results, superior investment talent and intelligent deployment of capital lead to long-term value creation for our shareholders. Our commitment to building long-term shareholder value starts with maintaining strong and consistent core operating businesses. Our success depends on disciplined underwriting, which includes appropriate risk selection and prudent pricing, and careful expense management. Through our entrepreneurial business model and effective alignment of incentives with business objectives, we enable a culture of empowerment and accountability and create a strong foundation for success.

We view investment management as a core competency and have a highly skilled in-house team of investment professionals. By following an appropriately conservative but opportunistic strategy over many years and changing economic conditions, we have outperformed market indices over the long term while effectively managing portfolio risk.

We strive to find the highest and best use of AFG’s capital to maximize long-term value for our shareholders. We deploy capital intelligently through a combination of dividends, share repurchases, acquisitions and the addition of bolt-on or start-up businesses. We also look to grow organically when there is dislocation in the market or we identify other prospects that align with our existing businesses.

Management believes that AFG’s ability to grow book value per share at a double-digit annual rate over time is evidence that the Company’s culture, business model and employee incentive plans create a compelling structure to build long-term sustainable value for AFG’s shareholders.

## Transparent Information & Fair Advice for Customers

### FN-IN-270a.1

#### *Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers*

In accordance with Securities and Exchange Commission (SEC) requirements, AFG discloses all material legal proceedings, other than ordinary routine litigation incidental to the business, in its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

In 2022, legal proceedings and/or losses, if any, associated with marketing and communication of insurance product-related information to new and returning customers were immaterial.

### FN-IN-270a.2

#### *Complaints-to-claims ratio*

Experienced leaders within our individual specialty P&C businesses facilitate local decision making for underwriting, claims and policy servicing in each of our niche operations. This model helps ensure that complaints are handled in a timely, complete and equitable manner.

Consistent with our [corporate values](#), customer focus is part of the Company's operating philosophy. We strive to provide quality products and service to our policyholders, agents and business associates.

We do not track a complaints-to-claims ratio because we do not believe it is a meaningful metric for assessing our claims handling processes.

### FN-IN-270a.3

#### *Customer retention rate*

We routinely monitor our customer retention rates for most of our insurance businesses, excluding products that are by their nature nonrecurring (e.g., surety bonds, mergers & acquisitions liability coverage). We include this measure as part of our internal management reporting and consider any unexpected patterns or trends that might indicate a challenge or opportunity. Due to the wide diversification of business written by our insurance operations, the expected customer retention ratio varies significantly across our insurance businesses.

When calculating policyholder retention, we generally use the following formula: Policies Renewed divided by Policies Eligible for Renewal. Using this approach, approximately 80% of our insurance businesses achieve retention ratios for recurring products in the range of 76% to 98%, which has remained relatively consistent over time. Retentions may be influenced by market conditions and the overall pricing environment.

### FN-IN-270a.4

#### *Description of approach to informing customers about products*

We communicate with our existing and potential policyholders directly through our employees and indirectly through the agents and brokers who distribute our products. The property and casualty insurance group directs its sales efforts primarily through independent insurance agents and brokers and writes insurance through several thousand of these agents and brokers.

Our independent agents and brokers are instrumental in providing information and advisory assistance to both existing and potential policyholders. We have appointed and developed relationships with independent agents who are demonstrated experts in their field, and we dedicate resources to familiarize them with our products, coverages and amounts and types of risks we are willing to write.

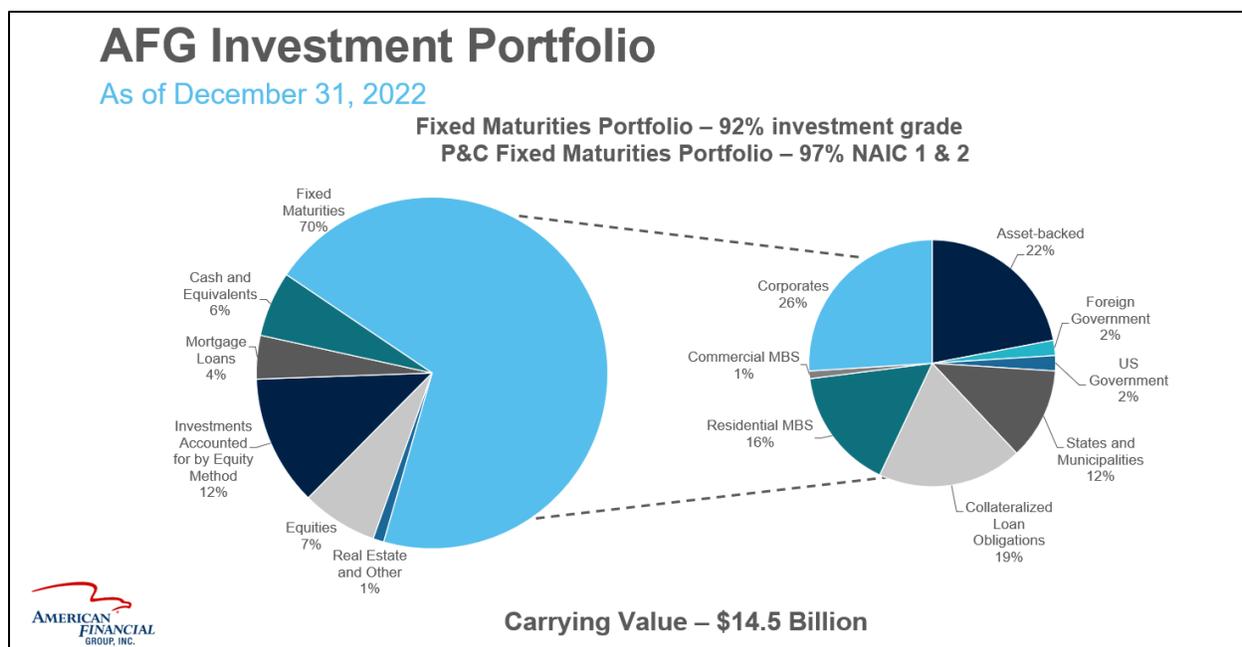
We also provide information to customers and potential customers on the Great American Insurance Group website, [www.gaig.com](http://www.gaig.com), and through advertising and promotional materials.

## Incorporation of Environmental, Social & Governance Factors in Investment Management

### *FN-IN-410a.1*

#### *Total invested assets, by industry and asset class*

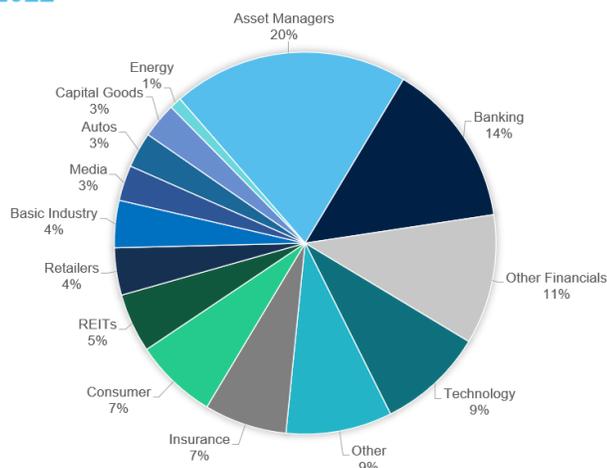
The investment portfolios of the P&C insurance company subsidiaries of AFG are managed by American Money Management Corporation (“AMMC”), a wholly-owned subsidiary of AFG and a registered investment adviser. The allocation of AFG’s \$14.5 billion investment portfolio at December 31, 2022 is shown below.



The fixed income portfolio of the P&C insurance companies is invested across a range of industries. The concentration among industries as of December 31, 2022 is set out below.

## Corporate Securities by Industry Concentration

As of December 31, 2022



Additional information about the components of AFG's investment portfolio, including fixed maturity credit ratings, NAIC designations and industry classifications may be found in AFG's quarterly investment supplements posted on our [website](#).

### *FN-IN-410a.2*

#### *Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies*

AMMC's investment philosophy is based on fundamental analysis, which considers all material factors that influence investment return, including environmental, social and governance factors. AMMC has adopted a formal policy outlining its approach to consideration of ESG factors in its investment process.

AMMC recognizes that currently no standardized approach to ESG factors, analysis or disclosure has been developed. If standardized reporting becomes available, including in connection with the adoption of the proposed SEC climate related disclosure rules, AMMC will review the applicable information in connection with investment decisions. Consideration of issues relating to any particular issuer or investment opportunity will not be uniform and will depend on available information.

In connection with the management of the investment portfolios of the P&C insurance companies, AMMC contemplates portfolio level considerations prior to evaluating any particular potential investment, including industry and product-type concentrations, yield, duration, ratings, available cash and expected cash needs, the effect on capital and surplus, applicable legal restrictions, reporting considerations, macro-economic factors and other similar factors.

If a potential investment opportunity is appropriate based on portfolio level considerations, AMMC takes a fundamental, issuer-level approach to the purchase or sale of a security, including the risks and opportunities associated with ESG factors. The evaluation of such ESG factors is based on public and private third-party research, including rating agency analyses, information available from the issuer, questionnaires and supplementary information based on direct engagement with the issuer, and other data sources, including governmental, inter-governmental and non-governmental organization reports. If the risks or opportunities associated with ESG factors are significant, AMMC management and analysts may seek additional data. If the applicable ESG factors, either individually or collectively, have a material negative or material positive effect on the performance of the investment, including, if applicable, the

likelihood of default or the severity of loss following default, such factors will impact the ultimate investment decision.

AMMC has determined that certain specific industries pose significant risks based on the controversial nature of the industry and/or pervasive negative ESG impact. At present, AMMC does not invest in securities from issuers which derive significant direct revenue (25% or more in last fiscal year) from the following industries:

- Adult entertainment and/or pornography
- Controversial weapons (including cluster bombs, nuclear weapons and biochemical weapons)
- Tobacco production and/or processing and nicotine delivery alternatives
- Cannabis products

A portion of the P&C insurance portfolios is comprised of collateralized loan obligations, asset-backed securities and other structured securities and investments in private funds or separately managed accounts. In each of these cases, the investment decisions relating to the pool of assets supporting the investment are made by a third-party unaffiliated manager. In these cases, it is not appropriate or practical to specifically consider ESG factors in making an investment decision.

AMMC regularly reviews developing methodologies for evaluating ESG practices and is committed to updating its ESG investment policy on a regular basis.

## Policies Designed to Incentivize Responsible Behavior

### *FN-IN-410b.1*

#### *Net premiums written related to energy efficiency and low carbon technology*

The Company does not currently track premium data specifically related to energy efficiency and low carbon technology insurance solutions. The Company's statutory filings include direct and net written premiums by line of business and by state (as applicable), as required by insurance regulators. See response to FN-IN-410b.2 for additional information on products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors.

### *FN-IN-410b.2*

#### *Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors*

AFG offers a variety of products and services with features that enable our insureds to implement health, safety, and/or environmentally responsible actions or behaviors. The following provides some examples of insurance products and services that address the health, safety and environmental needs of our insureds.

The products and product features discussed below are not available to all customers but are offered to certain insureds depending on the type, scope and amount of coverage.

### **Loss Control**

Maximizing safety is a critical component of many of our product offerings. We provide tools and incentives to enable insureds to operate in a healthier and safer environment. While loss control is the responsibility of our insureds, we provide resources to assist them in achieving their loss control goals.

By tailoring our loss control services to the unique needs of our insureds, we provide high-quality professional services to help reduce loss potential, control loss costs and minimize unsafe activities and conditions.

Insureds have access to an extensive library of technical guidance that covers actual and potential health, safety, and environmental hazards specific to different industry segments. We provide a wide range of risk management and loss prevention services and resources to address these hazards, including: loss prevention data guides, playground safety guides, ergonomic practices workbooks, return to work program guides, regulatory guides relating to workplace and business safety, drug-free workplace programs, driver safety materials, and emergency planning—including addressing weather events, fire prevention and property safety programs.

The average loss control consultant in our P&C operations has more than 18 years of industry experience; more than 90% of these professionals hold advanced degrees and certificates.

### **Environmental Insurance**

We offer a comprehensive portfolio of environmental insurance solutions to a wide variety of commercial customers as an essential component of their overall risk management strategy. Our environmental products and services better position insureds to withstand the financial impact of pollution incidents – which are often excluded from standard general liability and property insurance policies – while protecting the environment. We insure loss and clean-up costs related to premises, contractor activities, indoor air quality and mold issues, and pollution caused by storage tanks, among other environmental risks. We also provide closure and post-closure financial assurance for disposal sites. We understand existing environmental regulations and the risk posed by emerging contaminants and can assess environmental exposures.

We provide risk control services to current and prospective insureds through our risk engineering team alongside a network of specialty vendors, representing diverse capabilities and experience in a variety of environmental areas. As new issues and regulations continue to emerge, we offer educational tools and training on industry-focused topics to help our insureds understand and evaluate environmental risk. Overall services may include training on certain pollutants, remediation cost and strategy review, and environmental reserve evaluations. We also offer comprehensive environmental risk control plans for targeted pollutants and spill incidents. A response and react program offers spill response management in all 50 states and Canada, 24 hours a day, 365 days a year.

### **Commercial Auto Insurance**

We offer diverse safety and compliance resources to assist our commercial auto insurance customers with loss prevention and cost containment measures. Our goal from a loss control perspective is to provide tools to our insureds to implement appropriate safety management controls that reduce the likelihood of accidents, protect their employees, and enhance the safety of the general public travelling on roadways.

- **Defensive Driving Program** – A leading cause of occupational fatalities and injuries each year is motor vehicle accidents. We offer customers a variety of resources to assist them with training their employees on key defensive driving skills, which can reduce the likelihood of motor vehicle accidents. Resource offerings are diversified and consist of defensive driving programs, online videos, safety handouts, and additional materials created by our loss control team.
- **Loss Control Consultations** – Loss control representatives offer a thorough review of an insured's safety management controls, historical losses, and compliance programs with a goal of identifying opportunities for improvement to minimize the likelihood of accidents and injuries.

- **Online Training Resources** – Training resources, which include streaming videos, safety guides and handouts, safety campaigns, and discounted learning management service offerings are available to assist operators to make safe decisions. Training topics are diverse but specific to customer needs, and subjects cover safe driving techniques, compliance, occupational safety, health and wellness, and behavioral based safety.
- **Discounted Offerings** – Ensuring insureds have access to industry safety and compliance resources at a discounted price provides cost effective options for our insureds and increases the likelihood of adoption. We have negotiated preferred pricing for customers on a variety of industry known providers and products that address safety, hiring practices, compliance, employee monitoring, and technology.
- **Technology** – We provide subsidized dash camera solutions in addition to a telematics platform to qualified policyholders. These technologies alert insureds to unsafe driving conditions and behaviors and provide them with an opportunity to be proactive in protecting their fleets and training drivers in safe driving techniques.
- **Safety Workshops** – Networking with peers and staying apprised of industry trends and effective safety management controls are vital to our insured's success. AFG provides a variety of outlets, whether virtual or in person, for our insureds to collaborate with their peers, hear from industry experts and have contact with insurance representatives.
- **Functional Capacity Testing** – We believe that promoting a safe work environment and ensuring employment candidates and employees are physically capable of performing job functions are important to our insureds. Subsidized program offerings are available to assist insureds with implementing cost-effective functional capacity testing programs.
- **Occupational Accident Services** – When an injury occurs, we focus on helping drivers get well and return to work as quickly as possible. Drivers can receive additional support for work related injuries with nurse case manager support, physician referral services and pharmacy benefits.

### **Workers' Compensation Insurance**

We offer numerous workers' compensation products, product features and solutions that incentivize health and safety in the workplace. We work closely with insureds to develop practical strategies to enable them to prevent accidents and provide service to injured workers to ensure that they receive the appropriate care and attention.

AFG works with insureds to develop financial incentives to maximize workplace safety. A large portion of our workers' compensation premium is generated from "loss sensitive" policies, which are policies that tie the cost of our policy to the insured's losses under our program. These policies range in format and may include large deductibles, retrospectively rated programs or captive insurance products. These programs incentivize insureds to implement practical solutions that help to prevent losses. As a result of these programs, AFG's workers' compensation businesses have historically experienced a lower frequency of losses more than \$500,000 when compared to what would be predicted by various state rating bureaus.

We routinely evaluate emerging safety-related technology and collaborate with vendors to provide their products and services to our insureds at discounted costs. For example, we have partnered with vendors that provide telematics and in-vehicle cameras to increase accountability for safe driving.

After a loss occurs, our focus turns to assuring that the insured worker receives the appropriate care and, if appropriate, a plan to return to work. Some examples include:

- **Care For Injured Workers** – We utilize licensed psychologists and several specialty vendors to address the impact of life-events on injured workers’ ability to fully recover. We perceive the following categories to be impactful to one’s ability to heal: biology, psychology, sociology, and economics. Resources are provided to help the injured worker address these dimensions of injury. In addition, a proprietary empathy program helps to ensure our customer-facing interactions contemplate the above-mentioned considerations.
- **Telemedicine and Nurse Intervention** – Some health-care providers in our network offer telemedicine—medical care provided remotely by secure video conference—making appropriate medical resources more easily accessible and readily available to our insured’s injured workers.
- **Return-to-Work Programs** – We offer return-to-work programs that provide coordinators who assist with the creation of transitional duty strategies tailored to specific industries. For instance, a “Light Duty Work Program” can be developed to facilitate the early return to work of injured employees who have recovered to the point that they can perform some useful functions, but who are unable to meet the full requirements of their regular job. Additionally, we work with vendors to identify transitional duty jobs in non-profit organizations when insureds do not have a light duty job available for the injured worker.
- **Predictive Models** – We use predictive models so that adjusters, nurses, and in-house medical directors can intervene to enable quick and appropriate care for injured workers.

### **Nonprofit, Social Services and Public Entities Insurance**

AFG is a leading provider of insurance solutions to the human and social service marketplace. We offer coverage to social service agencies and nonprofit organizations to help protect those who improve our community. We also provide customized insurance programs that meet the unique risk management needs of municipalities (local, county and state), education organizations, special service districts, housing authorities, and other entities designed to serve the general public.

- **Nonprofit Risk Management and Online Learning Tools** – We collaborate with a third-party nonprofit risk management center that creates a risk management capability tailored to nonprofit organizations. The center provides counsel and resources on issues such as employment practices, governance, fraud prevention, customer safety and legal risk. In addition, we have curated a collection of online courses specifically for nonprofit and social service organizations to help improve safety, reduce losses and meet organizational requirements. Course topics include premises safety, abuse prevention, driver training, aquatics training, organization specific training, supervisor training, and general safety.
- **Abuse Prevention and Anti-Bullying** – AFG provides resources to our insureds to assist in abuse prevention by offering accreditation of policyholder abuse prevention programs. Working with a respected sexual abuse prevention and risk management resource partner, the accreditation process is a series of steps beginning with an assessment of existing programs, consultative assistance with improvements, followed by a rigorous onsite accreditation assessment. Additionally, we facilitate a mobile platform that empowers students to anonymously report, prevent and provide follow-up information about bullying and other inappropriate conduct. This platform also offers deterrence, reporting, and mitigation solutions to these insureds as well as 24/7 suicide prevention and mental health services.
- **Driver Monitoring** – Collaborations with third-party driver safety programs help our insureds identify employees who are taking risks while driving and focuses management attention on those drivers who require additional training. This program can help customers better manage their fleet, reduce the frequency and total cost of accidents and help them maintain affordable insurance costs with practical, easy tools to monitor compliance with driver safety policies -

whether enforcing distracted driving prevention or simply spotting behaviors that place drivers "at-risk" of becoming involved in a collision.

- **Additional Benefits for Nonprofit and Social Service Organizations** – We strive to work with our customers to help them prevent a loss before it happens. Our offerings include the capability to assist with employee background checks, visitor management solutions, glass safety technology and aquatic safety consulting.

### **Property & Inland Marine Insurance**

We offer commercial property and inland marine coverages, including builder's risk, contractor's equipment and motor truck cargo. Examples of related health, safety and environmental offerings include:

- **Clean & Green Solar Energy Coverage** – In order to support deployment of clean energy technology, we offer coverages for alternative energy with our clean & green solar energy coverage to hotels, apartments, leasing entities, installation projects, permanent arrays for solar fixed panels, building integrated photovoltaic, and moving panels.
- **Water Sensor Technology** – Every year, the insurance industry pays out billions of dollars in water damage claims. While natural disasters are most prominent, water leaks and frozen pipes often cause large losses. With advancements in sensor technology, we offer monitoring technology that can alert the policyholder of a water leak or dangerously low room temperatures that may cause a pipe break before it can cause substantial property damage. Early warning can translate into avoided losses and substantive savings.
- **Restoring and Revitalizing Communities** – We have partnered with a property development and commercial construction company and work to revitalize vacant and urban blocks into high quality mixed-use communities. We also provide coverage for the protection of tax credits associated with historic property renovation projects, which helps to ensure the preservation and rehabilitation of historic buildings while maintaining their historical significance.

### **Ocean Marine Insurance**

Our ocean marine insurance products respond to the special needs of a full range of marine-based businesses, including coverage for small resort marinas to ocean-going cargo. We provide a comprehensive suite of clean up and containment services and coverages for marina operators and boat dealers, including offerings like vessel pollution liability coverage and a spill responder program. We offer a 24/7 spill response hotline and a 24-hour pollution response team to reduce the potential for environmental impact.

The U.S. Coast Guard's National Pollution Funds Center administers the Certificate of Financial Responsibility (COFR) program under which certain vessels transporting oil and chemical-based products in U.S. waterways are required to demonstrate their ability to pay cleanup and damage costs up to required liability limits. We provide COFR coverage through a performance bond posted with the government that guarantees cleanup obligations are met.

### **Ecological Restoration & Conservation**

We develop financial assurance and insurance solutions tailored for complex and emerging ecological restoration and conservation risks and programs. Compensatory mitigation is a requirement under the Clean Water Act stipulating that unavoidable adverse impact to wetlands resulting from development must be offset by an equal positive impact. The offsetting positive impact is derived from projects that restore, establish, enhance, and preserve wetlands, streams and other aquatic resources. We also underwrite specialized, multi-year performance bonds that meet the project-specific financial assurance requirements of federal and state regulators for wetland, stream and nutrient buffer projects.

## Environmental Risk Exposure

### ***FN-IN-450a.1***

#### *Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes*

AFG generally seeks to reduce its exposure to catastrophes (whether resulting from climate change or otherwise) through individual risk selection, including minimizing coastal and known fault-line exposures, and the purchase of reinsurance. Based on data available at December 31, 2022 and considering the reinsurance coverage in place for 2023, AFG's exposure to a catastrophic earthquake or windstorm that industry models indicate should statistically occur once in every 100, 250 or 500 years as a percentage of AFG's Shareholders' Equity is shown below:

<b>Industry Model</b>	<b>Approximate impact of modeled loss on AFG's Shareholders' Equity</b>
100-year event	2%
250-year event	2%
500-year event	2%

AFG's calculations are based on net losses, which are net of reinsurance, estimated reinstatement premiums and income taxes, assuming a 21% federal tax rate. While reporting across our peer group for the impact of modeled loss varies, the results in the table above compare very favorably with selected peers, based on peers' Form 10-K disclosures.

In January 2023, AFG's property and casualty insurance subsidiaries renewed their catastrophe reinsurance coverages. For AFG's U.S.-based operations, the Company placed \$75 million of coverage in excess of a \$50 million per event primary retention in the traditional reinsurance markets. In certain unlikely events, AFG's ultimate loss under this coverage could be as high as \$82 million. In addition to traditional reinsurance, AFG has catastrophe coverage through a catastrophe bond structure with Riverfront Re Ltd., which provides coverage of up to 94% of \$325 million for catastrophe losses in excess of \$125 million through December 31, 2024.

For further information regarding the Company's reinsurance, see "Item 1 – Business – Reinsurance" in our [2022 Annual Report on Form 10-K](#).

### ***FN-IN-450a.2***

#### *Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)*

As with other property and casualty insurers, AFG's operating results can be adversely affected by unpredictable catastrophe losses. Certain natural disasters (hurricanes, severe storms, earthquakes, tornadoes, floods, etc.) and other incidents of major loss (explosions, civil disorder, terrorist events, 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 recorded net catastrophe losses of \$88 million in 2022, primarily from winter storms in multiple regions of the United States in the first quarter; storms in multiple regions of the United States in the second quarter; Hurricane Ian in the third quarter; and Winter Storm Elliott in the fourth quarter.

Net catastrophe losses of \$86 million in 2021 resulted primarily from winter storms in Texas in the first quarter; storms in multiple regions of the United States in the second, third and fourth quarters; Hurricane Ida in the third quarter; and Kentucky tornadoes and Colorado fires in the fourth quarter.

Net catastrophe losses of \$128 million in 2020 resulted primarily from storms and tornadoes in multiple regions of the United States in the first quarter; storms and tornadoes in multiple regions of the United States and civil unrest in the second quarter; Hurricanes Hanna, Laura and Sally, Tropical Storm Isaias, storms and tornadoes in multiple regions of the United States and multiple wildfires in west coast states in the third quarter; and Hurricanes Laura, Sally, Delta and Zeta and the Nashville explosion in the fourth quarter.

AFG does not separately identify its losses based on modeled or non-modeled catastrophes, as we do not believe this categorization is meaningful to our business.

AFG uses various modeling techniques and data analytics to analyze and estimate exposures, loss trends and other risks associated with its assets and liabilities. AFG uses the modeled outputs and related analyses to assist in decision-making in areas such as underwriting, claims, reserving, reinsurance and catastrophe risk. The modeled outputs and related analyses are subject to various assumptions, uncertainties, model errors and the inherent limitations of any statistical analysis, including the use of historical internal and industry data. In addition, the modeled outputs and related analyses may from time to time contain inaccuracies, perhaps in material respects, including as a result of inaccurate inputs or applications thereof. Consequently, actual results may differ materially from AFG's modeled results.

For additional information on AFG's consolidated results, including catastrophe losses, see our [2022 Annual Report on Form 10-K](#).

### *FN-IN-450a.3*

#### *Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy*

As noted above, the Company utilizes a wide variety of programs and strategies to enable our insureds to avoid or mitigate loss. We also seek to reduce our exposure to catastrophes through individual risk selection, including minimizing coastal exposures that could be more directly affected by climate change. The Company provides services, training, and educational information designed to help customers improve safety, remediate environmentally adverse events, reduce losses, and operate more sustainably. Whether is it limiting exposure to catastrophic risk, helping its insureds manage the risk of weather's uncertainty for their crops, or providing insureds coverage for cleaning up environmental contamination, the Company places management of environmental risk as an important component of risk management in several of its operations.

Weather related risk, including risk that may be associated with climate change, is an element of the Company's Enterprise Risk Management (ERM) program, which is designed to reinforce the way the Company operates its business and reflects its culture, organizational structure and risks. The Company's ERM process is overseen by a risk officer, who regularly meets with senior leaders representing significant areas from throughout the organization, including administration, operations, finance, accounting, legal, human resources, investments, information technology and information security to assess significant risks. Through the ERM process, risks are identified, assessed, and where appropriate, mitigated.

In addition, AFG maintains ratings from three major credit rating agencies. This provides an external view of AFG's own assessment of capital adequacy. Environmental risks are incorporated into each of the

rating agencies' evaluations of our capital adequacy. Great American Insurance Company has received an "A" (Excellent) or higher rating from the A.M. Best Company for 115 years and is currently rated "A+" (Superior). View financial strength ratings for the Property & Casualty Insurance Operations on the [Great American Insurance Group](#) website.

## Systemic Risk Management

### *FN-IN-550a.1*

*Exposure to derivative instruments by category: (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse and (3) total potential exposure to centrally cleared derivatives*

The Company utilizes various over-the-counter and cleared derivatives as part of its overall risk management strategy, including to manage interest rate risk relating to its investment portfolio. Cleared derivatives are valued on a mark-to-market basis by the clearinghouse and over-the-counter derivatives are valued on a mark-to-market basis by the counterparty or using market transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. All derivatives are recognized on the balance sheet at fair value and reported as other assets or other liabilities. The outstanding notional amount of the Company's centrally cleared derivatives (interest rate swaps) was \$1.25 billion at December 31, 2022 with a fair value liability of \$37 million. At December 31, 2022, a collateral receivable of \$62 million supporting these swaps was on the Company's Balance Sheet. The Company's non-centrally cleared derivative (a total return swap) had a fair value liability of \$5 million at December 31, 2022 with a collateral receivable of \$7 million supporting this swap on the Company's Balance Sheet.

### *FN-IN-550a.2*

*Total fair value of securities lending collateral assets*

The Company did not engage in securities lending transactions in 2022.

### *FN-IN-550a.3*

*Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities*

AFG's non-insurance activities generally consist of real estate investments and are considered within the investment guidelines of our in-house investment management operation.

For all of its operations, the Company believes a role of senior management is to identify and manage risks confronting the Company. The Board of Directors and its committees play integral parts in the Company's risk oversight, primarily to review the processes used by management to identify and report risk and to monitor corporate actions so as to minimize inappropriate levels of risk.

The Company's Enterprise Risk Management (ERM) program is designed to reinforce the way the Company operates its business and reflects its culture, organizational structure and risks. The Company's ERM process is overseen by a risk officer, who regularly meets with senior leaders representing significant areas from throughout the organization, including administration, operations, finance, accounting, legal, human resources, investments, information technology and information security, to assess significant risks. The risk officer is responsible for identifying potential events that may adversely

or favorably impact the Company, managing risks to be within the Company's risk appetite, and providing reasonable assurance regarding the achievement of Company objectives.

AFG's Co-Chief Executive Officers have delegated the ERM process, including risk identification, risk impact, risk limits and mitigation strategies, to an AFG Enterprise Risk Committee (ERC) consisting of AFG's Chief Financial Officer, AFG's Chief Administrative Officer, AFG's General Counsel, and Great American Insurance Company's President, each of whom directly reports to the Co-Chief Executive Officers.

The risk officer, together with the Company's ERC and individual senior leader risk owners, regularly review the top organizational risks to consider whether to add any new significant risks and to discuss the risk rating attributed to each significant risk. The risk officer, through regular meetings with senior leaders of the Company, monitors these risks, as well as any other significant and emerging risks that may arise during the year, and reviews the risk profile with the Audit Committee and ERC on a quarterly basis.

Also, due to evolving threats to corporate cybersecurity, the Board and Audit Committee receive reports from the Company's Chief Information Security Officer (CISO) regarding cybersecurity risks and the steps management has taken to monitor and control such risks. The CISO presents to the Audit Committee at least quarterly to review and discuss the Company's cybersecurity program.

The Company's leadership structure and overall corporate governance framework is designed to aid the Board in its oversight of management responsibility for risk. The Audit Committee serves a key risk oversight function in carrying out its review of the Company's financial reporting and internal reporting processes, as required by the Sarbanes-Oxley Act of 2002. Inherently, part of this review involves an evaluation of whether our financial reporting and internal reporting systems are adequately reporting the Company's exposure to certain risks. In connection with this evaluation, the Audit Committee has, from time to time, considered whether any changes to these processes are necessary or desirable. While it has concluded that no such changes are warranted at this time, the Audit Committee will continue to monitor the Company's financial reporting and internal reporting processes. In addition, pursuant to its charter, the Audit Committee is responsible for discussing with management the guidelines and policies related to enterprise risk assessment and risk management and assisting the Board of Directors in its oversight of the Company's enterprise risk management process.

The goals of AFG's ERM framework that drive our corporate strategy are as follows:

- Identify and manage the actual and perceived risks that threaten the Company and its solvency;
- Optimize the Company's risk-based capital position;
- Optimize actual returns relative to targeted, risk-adjusted returns on capital;
- Manage underwriting, investment and operational volatility;
- Engage the Board of Directors, senior management and other employees in the ERM process to ensure business decisions are aligned with our framework; and
- Embed risk management principles in all key business decisions and transactions.

On an annual basis, AFG measures the impact of multiple stress scenarios on AFG's capital over a three-year projection period and has not discovered any material challenges to the execution of our business plans or remote threats to the Company's solvency, even under scenarios that we believe to be severely adverse in nature.

## Activity Metrics

### *FN-IN-000.A*

#### *Number of policies in force, by segment*

AFG does not disclose the number of policies in force, as it is not a metric that is meaningful for the types of coverages we sell in the specialty markets in which we operate. Many of our insureds operate through multiple locations or divisions, which may decrease the value of this type of a measure. Additionally, many of our policies may be sold on a non-recurring or project specific basis for risks such as mergers and acquisitions liability or surety.

AFG reports the underwriting performance of its P&C insurance business in three sub-segments: property and transportation, specialty casualty and specialty financial. A summary of our gross written premium and net written premium by sub-segment follows:

