UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended March 31, 2022

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ____ to ____

Commission File No. 1-13653

AMERICAN FINANCIAL GROUP, INC.

Incorporated under the Laws of Ohio **IRS Employer I.D. No. 31-1544320**

301 East Fourth Street, Cincinnati, Ohio 45202

(513) 579-2121

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	AFG	New York Stock Exchange
5.875% Subordinated Debentures due March 30, 2059	AFGB	New York Stock Exchange
5.625% Subordinated Debentures due June 1, 2060	AFGD	New York Stock Exchange
5.125% Subordinated Debentures due December 15, 2059	AFGC	New York Stock Exchange
4.50% Subordinated Debentures due September 15, 2060	AFGE	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of May 1, 2022, there were 85,102,026 shares of the Registrant’s Common Stock outstanding, excluding 14.9 million shares owned by subsidiaries.

AMERICAN FINANCIAL GROUP, INC. 10-Q

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PART I
ITEM 1. — FINANCIAL STATEMENTS
AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(Dollars in Millions)

	March 31, 2022	December 31, 2021
Assets:		
Cash and cash equivalents	$ 1,181	$ 2,131
Investments:		
Fixed maturities, available for sale at fair value (amortized cost — $10,954 and $10,193; allowance for expected credit losses of $7 and $9)	10,809	10,357
Fixed maturities, trading at fair value	30	28
Equity securities, at fair value	1,022	1,042
Investments accounted for using the equity method	1,619	1,517
Mortgage loans	784	520
Real estate and other investments	156	150
Total cash and investments	15,601	15,745
Recoverables from reinsurers	3,478	3,519
Prepaid reinsurance premiums	933	834
Agents' balances and premiums receivable	1,391	1,265
Deferred policy acquisition costs	271	267
Assets of managed investment entities	5,231	5,296
Other receivables	645	857
Other assets	966	902
Goodwill	246	246
Total assets	$ 28,762	$ 28,931
Liabilities and Equity:		
Unpaid losses and loss adjustment expenses	$ 10,986	$ 11,074
Unearned premiums	3,206	3,041
Payable to reinsurers	910	920
Liabilities of managed investment entities	5,112	5,220
Long-term debt	1,917	1,964
Other liabilities	1,796	1,700
Total liabilities	23,927	23,919
Shareholders' equity:		
Common Stock, no par value — 200,000,000 shares authorized — 85,102,829 and 84,920,965 shares outstanding	85	85
Capital surplus	1,340	1,330
Retained earnings	3,541	3,478
Accumulated other comprehensive income (loss), net of tax	(131)	119
Total shareholders' equity	4,835	5,012
Total liabilities and shareholders' equity	$ 28,762	$ 28,931

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)
(In Millions, Except Per Share Data)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenues:		
Property and casualty insurance net earned premiums	$ 1,302	$ 1,173
Net investment income	230	188
Realized gains (losses) on securities	(15)	77
Income of managed investment entities:		
Investment income	46	46
Gain (loss) on change in fair value of assets/liabilities	(5)	2
Other income	30	23
Total revenues	1,588	1,509
Costs and Expenses:		
Property and casualty insurance:		
Losses and loss adjustment expenses	693	667
Commissions and other underwriting expenses	414	380
Interest charges on borrowed money	23	24
Expenses of managed investment entities	39	39
Other expenses	58	64
Total costs and expenses	1,227	1,174
Earnings from continuing operations before income taxes	361	335
Provision for income taxes	71	68
Net earnings from continuing operations	290	267
Net earnings from discontinued operations	—	152
Net Earnings	$ 290	$ 419
Earnings per Basic Common Share:		
Continuing operations	$ 3.41	$ 3.11
Discontinued operations	—	1.77
Total basic earnings	$ 3.41	$ 4.88
Earnings per Diluted Common Share:		
Continuing operations	$ 3.40	$ 3.08
Discontinued operations	—	1.76
Total diluted earnings	$ 3.40	$ 4.84
Average number of Common Shares:		
Basic	85.0	85.9
Diluted	85.2	86.6

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Millions)

	Three months ended March 31,	
	2022	2021
Net earnings	$ 290	$ 419
Other comprehensive loss, net of tax:		
Net unrealized gains (losses) on securities:		
Unrealized holding losses on securities arising during the period	(247)	(281)
Reclassification adjustment for realized (gains) losses included in net earnings	2	(11)
Total net unrealized losses on securities	(245)	(292)
Net unrealized losses on cash flow hedges	(4)	(14)
Foreign currency translation adjustments	(1)	—
Other comprehensive loss, net of tax	(250)	(306)
Comprehensive income	$ 40	$ 113

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(Dollars in Millions)

		Shareholders' Equity			
	Common Shares	Common Stock and Capital Surplus	Retained Earnings	Accumulated Other Comp. Income (Loss)	Total
Balance at December 31, 2021	84,920,965	$ 1,415	$ 3,478	$ 119	$ 5,012
Net earnings	—	—	290	—	290
Other comprehensive loss	—	—	—	(250)	(250)
Dividends ($2.56 per share)	—	—	(217)	—	(217)
Shares issued:					
Exercise of stock options	105,404	4	—	—	4
Restricted stock awards	151,080	—	—	—	—
Other benefit plans	10,607	1	—	—	1
Dividend reinvestment plan	6,282	1	—	—	1
Stock-based compensation expense	—	6	—	—	6
Shares acquired and retired	(35,201)	(1)	(4)	—	(5)
Shares exchanged — benefit plans	(47,909)	(1)	(6)	—	(7)
Forfeitures of restricted stock	(8,399)	—	—	—	—
Balance at March 31, 2022	85,102,829	$ 1,425	$ 3,541	$ (131)	$ 4,835
Balance at December 31, 2020	86,345,246	$ 1,367	$ 4,149	$ 1,273	$ 6,789
Net earnings	—	—	419	—	419
Other comprehensive loss	—	—	—	(306)	(306)
Dividends ($0.50 per share)	—	—	(43)	—	(43)
Shares issued:					
Exercise of stock options	403,012	19	—	—	19
Restricted stock awards	207,020	—	—	—	—
Other benefit plans	15,632	2	—	—	2
Dividend reinvestment plan	2,306	—	—	—	—
Stock-based compensation expense	—	5	—	—	5
Shares acquired and retired	(1,757,702)	(28)	(164)	—	(192)
Shares exchanged — benefit plans	(76,984)	(1)	(7)	—	(8)
Forfeitures of restricted stock	(12,468)	—	—	—	—
Balance at March 31, 2021	85,126,062	$ 1,364	$ 4,354	$ 967	$ 6,685

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(In Millions)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Operating Activities:		
Net earnings	$ 290	$ 419
Adjustments:		
Depreciation and amortization	26	99
Annuity benefits	—	161
Realized (gains) losses on investing activities	15	(158)
Net purchases of trading securities	(1)	(3)
Deferred annuity and life policy acquisition costs	—	(49)
Change in:		
Reinsurance and other receivables	39	275
Other assets	1	164
Insurance claims and reserves	77	5
Payable to reinsurers	(10)	(54)
Other liabilities	18	(25)
Managed investment entities' assets/liabilities	172	(38)
Other operating activities, net	(124)	(169)
Net cash provided by operating activities	503	627
Investing Activities:		
Purchases of:		
Fixed maturities	(1,682)	(3,443)
Equity securities	(45)	(41)
Mortgage loans	(265)	(35)
Equity index options and other investments	(47)	(164)
Real estate, property and equipment	(23)	(13)
Proceeds from:		
Maturities and redemptions of fixed maturities	959	1,947
Repayments of mortgage loans	1	12
Sales of fixed maturities	17	147
Sales of equity securities	60	350
Sales and settlements of equity index options and other investments	59	269
Sales of real estate, property and equipment	—	—
Managed investment entities:		
Purchases of investments	(357)	(527)
Proceeds from sales and redemptions of investments	217	557
Other investing activities, net	(5)	3
Net cash used in investing activities	(1,111)	(938)
Financing Activities:		
Reductions of long-term debt	(50)	—
Issuances of Common Stock	5	20
Repurchases of Common Stock	(5)	(192)
Cash dividends paid on Common Stock	(216)	(43)
Annuity receipts	—	1,179
Ceded annuity receipts	—	(207)
Annuity surrenders, benefits and withdrawals	—	(1,148)
Ceded annuity surrenders, benefits and withdrawals	—	167
Net transfers from variable annuity assets	—	25
Issuances of managed investment entities' liabilities	60	752
Retirements of managed investment entities' liabilities	(136)	(725)
Net cash used in financing activities	(342)	(172)
Net Change in Cash and Cash Equivalents	(950)	(483)
Cash and cash equivalents at beginning of period	2,131	2,810
Cash and cash equivalents at end of period	1,181	2,327
Less: cash and cash equivalents at end of period from discontinued operations	—	636
Cash and cash equivalents at end of period from continuing operations	$ 1,181	$ 1,691

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A. Accounting Policies

Basis of Presentation The accompanying consolidated financial statements for American Financial Group, Inc. and its subsidiaries ("AFG") are unaudited; however, management believes that all adjustments (consisting only of normal recurring accruals unless otherwise disclosed herein) necessary for fair presentation have been made. The results of operations for interim periods are not necessarily indicative of results to be expected for the year. The financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary to be in conformity with U.S. generally accepted accounting principles ("GAAP").

Certain reclassifications have been made to prior periods to conform to the current year's presentation. All significant intercompany balances and transactions have been eliminated. The results of operations of companies since their formation or acquisition are included in the consolidated financial statements. Events or transactions occurring subsequent to March 31, 2022, and prior to the filing of this Form 10-Q, have been evaluated for potential recognition or disclosure herein.

Unless otherwise stated, the information in the Notes to the Consolidated Financial Statements relates to AFG's continuing operations.

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Changes in circumstances could cause actual results to differ materially from those estimates.

Discontinued Operations Disposals of components of an entity that represent a strategic shift and that have a major effect on a reporting entity's operations and financial results are reported as discontinued operations.

Fair Value Measurements Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The standards establish a hierarchy of valuation techniques based on whether the assumptions that market participants would use in pricing the asset or liability ("inputs") are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect AFG's assumptions about the assumptions market participants would use in pricing the asset or liability. AFG did not have any material nonrecurring fair value measurements in the first three months of 2022.

Investments Equity securities other than those accounted for under the equity method are reported at fair value with holding gains and losses generally recorded in realized gains (losses) on securities. However, AFG records holding gains and losses on its portfolio of limited partnerships and similar investments, which do not qualify for equity method accounting and are carried at fair value, and certain other securities classified at purchase as "fair value through net investment income" in net investment income.

Fixed maturity securities classified as "available for sale" are reported at fair value with unrealized gains and losses included in accumulated other comprehensive income ("AOCI") in AFG's Balance Sheet. Fixed maturity securities classified as "trading" are reported at fair value with changes in unrealized holding gains or losses during the period included in net investment income. Mortgage loans (net of any allowance) are carried primarily at the aggregate unpaid balance.

Premiums and discounts on fixed maturity securities are amortized using the effective interest method. Mortgage-backed securities ("MBS") are amortized over a period based on estimated future principal payments, including prepayments. Prepayment assumptions are reviewed periodically and adjusted to reflect actual prepayments and changes in expectations.

Limited partnerships and similar investments are generally accounted for using the equity method of accounting. Under the equity method, AFG records its share of the earnings or losses of the investee based on when it is reported by the investee in its financial statements rather than in the period in which the investee declares a dividend. AFG's share of the earnings or losses from equity method investments is generally recorded on a quarter lag due to the timing of the receipt of the investee's financial statements. AFG's equity in the earnings (losses) of limited partnerships and similar investments is included in net investment income.

Realized gains or losses on the disposal of fixed maturity securities are determined on the specific identification basis. When a decline in the value of an available for sale fixed maturity is considered to be other-than-temporary at the balance sheet date, an allowance for credit losses (impairment), including any write-off of accrued interest, is charged to earnings (included in realized gains (losses) on securities). If management can assert that it does not intend to sell the security and it is not more likely than not that it will have to sell it before recovery of its amortized cost basis (net of allowance), then the impairment is separated into two components: (i) the allowance related to credit losses (recorded in earnings) and (ii) the amount related to all other factors (recorded in other comprehensive income). The credit-related portion is measured by comparing a security's amortized cost to the present value of its current expected cash flows discounted at its effective yield prior to the charge. If management intends to sell an impaired security, or it is more likely than not that it will be required to sell the security before recovery, an impairment is recorded in earnings to reduce the amortized cost (net of allowance) of that security to fair value. The allowance is limited to the difference between a security's amortized cost basis and its fair value. Subsequent increases or decreases in expected credit losses are recorded immediately in net earnings through realized gains (losses).

Credit Losses on Financial Instruments Measured at Amortized Cost Credit-related impairments for financial instruments measured at amortized cost (mortgage loans, premiums receivable and reinsurance recoverables) reflect estimated credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses considers historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. Expected credit losses, and subsequent increases or decreases in such expected losses, are recorded immediately through net earnings as an allowance that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet at the amount expected to be collected.

Derivatives Derivatives included in AFG's Balance Sheet are recorded at fair value. Changes in fair value of derivatives are included in earnings unless the derivatives are designated and qualify as highly effective cash flow hedges. Derivatives that do not qualify for hedge accounting under GAAP consist primarily of components of certain fixed maturity securities (primarily interest-only and principal only MBS).

To qualify for hedge accounting, at the inception of a derivative contract, AFG formally documents the relationship between the terms of the hedge and the hedged items and its risk management objective. This documentation includes defining how hedge effectiveness is evaluated at the inception date and over the life of the derivative.

Changes in the fair value of derivatives that are designated and qualify as highly effective cash flow hedges are recorded in AOCI and are reclassified into earnings when the variability of the cash flows from the hedged items impacts earnings. When the change in the fair value of a qualifying cash flow hedge is included in earnings, it is included in the same line item in the statement of earnings as the cash flows from the hedged item. AFG used interest rate swaps that are designated and qualify as highly effective cash flow hedges to mitigate interest rate risk related to certain floating-rate securities.

Goodwill Goodwill represents the excess of cost of subsidiaries over AFG's equity in their underlying net assets at the date of acquisition. Goodwill is not amortized, but is subject to an impairment test at least annually. An entity is not required to complete the quantitative annual goodwill impairment test on a reporting unit if the entity elects to perform a qualitative analysis and determines that it is more likely than not that the reporting unit's fair value exceeds its carrying amount.

Reinsurance Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. AFG reports as assets (i) the estimated reinsurance recoverable on paid and unpaid losses, including an estimate for losses incurred but not reported, and (ii) amounts paid or due to reinsurers applicable to the unexpired terms of policies in force. Payable to reinsurers includes ceded premiums due to reinsurers, as well as ceded premiums retained by AFG under contracts to fund ceded losses as they become due. AFG also assumes reinsurance from other companies. Earnings on reinsurance assumed is recognized based on information received from ceding companies.

Deferred Policy Acquisition Costs ("DPAC") Policy acquisition costs (principally commissions, premium taxes and certain underwriting and policy issuance costs) directly related to the successful acquisition or renewal of an insurance contract are deferred. DPAC is limited based upon recoverability without any consideration for anticipated investment income and is charged against income ratably over the terms of the related policies. A premium deficiency is recognized if the sum of expected claims costs, claims adjustment expenses and unamortized acquisition costs exceed the related unearned premiums. A premium deficiency is first recognized by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency. If the premium deficiency is greater than unamortized acquisition costs, a liability is accrued for the excess deficiency and reported with unpaid losses and loss adjustment expenses.

Managed Investment Entities A company is considered the primary beneficiary of, and therefore must consolidate, a variable interest entity ("VIE") based primarily on its ability to direct the activities of the VIE that most significantly impact that entity's economic performance and the obligation to absorb losses of, or receive benefits from, the entity that could potentially be significant to the VIE.

AFG manages, and has investments in, collateralized loan obligations ("CLOs") that are VIEs (see *Note G — "Managed Investment Entities"*). AFG has determined that it is the primary beneficiary of these CLOs because (i) its role as asset manager gives it the power to direct the activities that most significantly impact the economic performance of the CLOs and (ii) through its investment in the CLO debt tranches, it has exposure to CLO losses (limited to the amount AFG invested) and the right to receive CLO benefits that could potentially be significant to the CLOs.

Because AFG has no right to use the CLO assets and no obligation to pay the CLO liabilities, the assets and liabilities of the CLOs are shown separately in AFG's Balance Sheet. AFG has elected the fair value option for reporting on the CLO assets and liabilities to improve the transparency of financial reporting related to the CLOs. The net gain or loss from accounting for the CLO assets and liabilities at fair value is presented separately in AFG's Statement of Earnings.

The fair values of a CLO's assets may differ from the separately measured fair values of its liabilities even though the CLO liabilities only have recourse to the CLO assets. AFG has set the carrying value of the CLO liabilities equal to the fair value of the CLO assets (which have more observable fair values) as an alternative to reporting those liabilities at a separately measured fair value. CLO earnings attributable to AFG's shareholders are measured by the change in the fair value of AFG's investments in the CLOs and management fees earned.

At March 31, 2022, assets and liabilities of managed investment entities included $167 million in assets and $137 million in liabilities of a temporary warehousing entity that was established in connection with the formation of a new CLO that is expected to close in May 2022. At closing, all warehoused assets will be transferred to the new CLO and the liabilities will be repaid.

Unpaid Losses and Loss Adjustment Expenses The net liabilities stated for unpaid claims and for expenses of investigation and adjustment of unpaid claims represent management's best estimate and are based upon (i) the accumulation of case estimates for losses reported prior to the close of the accounting period on direct business written; (ii) estimates received from ceding reinsurers and insurance pools and associations; (iii) estimates of unreported losses (including possible development on known claims) based on past experience; (iv) estimates based on experience of expenses for investigating and adjusting claims; and (v) the current state of the law and coverage litigation. Establishing reserves for asbestos, environmental and other mass tort claims involves considerably more judgment than other types of claims due to, among other things, inconsistent court decisions, an increase in bankruptcy filings as a result of asbestos-related liabilities, novel theories of coverage, and judicial interpretations that often expand theories of recovery and broaden the scope of coverage.

Loss reserve liabilities are subject to the impact of changes in claim amounts and frequency and other factors. Changes in estimates of the liabilities for losses and loss adjustment expenses are reflected in the statement of earnings in the period in which determined. Despite the variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate and reasonable.

Debt Issuance Costs Debt issuance costs related to AFG's outstanding debt are presented in its Balance Sheet as a direct reduction in the carrying value of long-term debt and are amortized over the life of the related debt using the effective interest method as a component of interest expense. Debt issuance costs related to AFG's revolving credit facilities are included in other assets in AFG's Balance Sheet.

Leases Leases for terms of longer than one year are recognized as assets and liabilities for the rights and obligations created by those leases on the balance sheet based on the present value of contractual cash flows.

At March 31, 2022 AFG has a $127 million lease liability included in other liabilities and a lease right-of-use asset of $111 million included in other assets compared to $136 million and $118 million, respectively, at December 31, 2021.

Premium Recognition Property and casualty premiums are earned generally over the terms of the policies on a pro rata basis. Unearned premiums represent that portion of premiums written, which is applicable to the unexpired terms of policies in force. On reinsurance assumed from other insurance companies or written through various underwriting organizations, unearned premiums are based on information received from such companies and organizations.

Income Taxes Deferred income taxes are calculated using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases and are measured using enacted tax rates. A valuation allowance is established to reduce total deferred tax assets to an amount that will more likely than not be realized. The effect of a change in tax rates on deferred tax assets and liabilities is recorded in net earnings in the period that includes the enactment date.

AFG recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained under examination by the appropriate taxing authority. Interest and penalties on AFG's reserve for uncertain tax positions are recognized as a component of tax expense.

Stock-Based Compensation All share-based grants are recognized as compensation expense on a straight-line basis over their vesting periods based on their calculated fair value at the date of grant.

AFG records excess tax benefits or deficiencies for share-based payments through income tax expense in the statement of earnings. In addition, AFG accounts for forfeitures of awards when they occur.

Benefit Plans AFG provides retirement benefits to qualified employees of participating companies through the AFG 401(k) Retirement and Savings Plan, a defined contribution plan. AFG makes all contributions to the retirement fund portion of the plan and matches a percentage of employee contributions to the savings fund. Company contributions are expensed in the year for which they are declared. AFG and many of its subsidiaries provide health care and life insurance benefits to eligible retirees. AFG also provides postemployment benefits to former or inactive employees (primarily those on disability) who were not deemed retired under other company plans. The projected future cost of providing these benefits is expensed over the period employees earn such benefits.

Earnings Per Share Although basic earnings per share only considers shares of common stock outstanding during the period, the calculation of diluted earnings per share includes the following adjustments to weighted average common shares related to stock-based compensation plans: first three months of 2022 and 2021 — 0.2 million and 0.7 million.

There were no anti-dilutive potential common shares for the first three months of 2022 or 2021.

Statement of Cash Flows For cash flow purposes, "investing activities" are defined as making and collecting loans and acquiring and disposing of debt or equity instruments, property and equipment and businesses. "Financing activities" include obtaining resources from owners and providing them with a return on their investments, borrowing money and repaying amounts borrowed. All other activities are considered "operating." Short-term investments having original maturities of three months or less when purchased are considered to be cash equivalents for purposes of the financial statements.

B. Discontinued Operations

Annuity Business Effective May 31, 2021, AFG completed the sale of its Annuity business to Massachusetts Mutual Life Insurance Company ("MassMutual"). MassMutual acquired Great American Life Insurance Company ("GALIC") and its two insurance subsidiaries, Annuity Investors Life Insurance Company and Manhattan National Life Insurance Company. In addition to AFG's annuity operations, these subsidiaries included AFG's run-off life and long-term care operations. Proceeds from the sale were $3.57 billion (including $34 million in post-closing adjustments) and AFG realized a $656 million net gain on the sale in the first six months of 2021. The sale continues to be subject to tax-related post-closing adjustments, which are not expected to be material and are expected to be completed in 2022.

Details of the assets and liabilities of the Annuity subsidiaries sold were as follows (in millions):

	May 31, 2021
Assets of businesses sold:	
Cash and cash equivalents	$ 2,060
Investments	38,323
Recoverables from reinsurers	6,748
Other assets	2,152
Total assets of discontinued annuity operations	49,283
Liabilities of businesses sold:	
Annuity benefits accumulated	43,690
Other liabilities	1,813
Total liabilities of discontinued annuity operations	45,503
Reclassify AOCI	(913)
Net investment in annuity businesses sold, excluding AOCI	$ 2,867

Details of the results of operations for the discontinued annuity operations were (in millions):

	Three months ended March 31, 2021
Net investment income	$ 447
Realized gains on securities	81
Other income	32
Total revenues	560
Annuity benefits	161
Annuity and supplemental insurance acquisition expenses	112
Other expenses	46
Total costs and expenses	319
Earnings before income taxes from discontinued operations	241
Provision for income taxes on discontinued operations	48
Tax liabilities triggered by pending sale	41
Net earnings from discontinued operations	$ 152

The impact of the sale of the annuity business is shown below (in millions):

	May 31, 2021
Cash proceeds	$ 3,571
Sale related expenses	(8)
Total net proceeds	3,563
Net investment in annuity businesses sold, excluding AOCI	2,867
Reclassify net deferred tax asset	(199)
Pretax gain on sale	895
Income tax expense:	
Reclassify net deferred tax asset	199
Tax liabilities triggered by pending sale in the first quarter of 2021	41
Other	(1)
Total income tax expense	239
Net gain on sale	$ 656

Summarized cash flows for the discontinued annuity operations were (in millions):

	Three months ended March 31, 2021
Net cash provided by operating activities	$ 209
Net cash used in investing activities	(734)
Net cash provided by financing activities	16

Derivatives The vast majority of AFG's derivatives that do not qualify for hedge accounting were held by the sold annuity subsidiaries. The following table summarizes the gains (losses) included in net earnings from discontinued operations for changes in the fair value of derivatives that do not qualify for hedge accounting for the first three months of 2021 (in millions):

Derivative	Three months ended March 31, 2021
MBS with embedded derivatives	$ —
Fixed-indexed and variable-indexed annuities (embedded derivative)	(40)
Equity index call options	114
Equity index put options	2
Reinsurance contract (embedded derivative)	1
	$ 77

C. Acquisition and Sale of Businesses

Verikai In December 2021, AFG acquired Verikai, Inc., a machine learning and artificial intelligence company that utilizes a predictive risk tool for assessing insurance risk for $120 million using cash on hand at the parent. Verikai will continue to operate as a stand-alone company to service its insurance clients. AFG expects to benefit from Verikai's predictive risk tool and unique Marketplace solution as it enters the medical stop loss insurance business, with a primary focus on small and underserved risks. AFG may pay up to $50 million in contingent consideration based on performance measures over a multiple year period.

Expenses related to the acquisition were approximately $1 million and were expensed as incurred. The purchase price was allocated to the acquired assets and liabilities of Verikai based on management's best estimate of fair value as of the acquisition date. While no adjustments were made during the first three months of 2022 and management does not expect significant adjustments, the purchase price allocation continues to be subject to refinement during 2022.

Annuity Operations See *Note B — "Discontinued Operations,"* for information on the 2021 sale of AFG's annuity operations.

D. Segments of Operations

Subsequent to the sale of its annuity operations, see *Note B — "Discontinued Operations,"* AFG manages its business as two segments: Property and casualty insurance and Other, which includes holding company costs and operations attributable to the noncontrolling interests of the managed investment entities.

AFG reports its property and casualty insurance business in the following Specialty sub-segments: (i) Property and transportation, which includes physical damage and liability coverage for buses and trucks and other specialty transportation niches, inland and ocean marine, agricultural-related products and other commercial property coverages, (ii) Specialty casualty, which includes primarily excess and surplus, executive and professional liability, general liability, umbrella and excess liability, specialty coverages in targeted markets, customized programs for small to mid-sized businesses and workers' compensation insurance, and (iii) Specialty financial, which includes risk management insurance programs for lending and leasing institutions (including equipment leasing and collateral and lender-placed mortgage property insurance), fidelity and surety products and trade credit insurance. Premiums and underwriting profit included under Other specialty represent business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty sub-segments and amortization of deferred gains on retroactive reinsurance transactions related to the sales of businesses in prior years. AFG's reportable segments and their components were determined based primarily upon similar economic characteristics, products and services.

The following tables (in millions) show AFG's revenues and earnings from continuing operations before income taxes by segment and sub-segment.

	Three months ended March 31, 2022	2021
Revenues		
Property and casualty insurance:		
Premiums earned:		
Specialty		
Property and transportation	$ 443	$ 394
Specialty casualty	639	571
Specialty financial	163	157
Other specialty	57	51
Total premiums earned	1,302	1,173
Net investment income	223	159
Other income	4	4
Total property and casualty insurance	1,529	1,336
Other	74	67
Real estate-related entities (*)	—	29
Total revenues before realized gains (losses)	1,603	1,432
Realized gains (losses) on securities	(15)	77
Total revenues	$ 1,588	$ 1,509

(*) Represents investment income from the real estate and real estate-related entities acquired from AFG's discontinued annuity operations while they were held by those operations. Subsequent to the sale of the annuity operations, this income is included in the segment of the acquirer.

	Three months ended March 31,	
	2022	2021
Earnings From Continuing Operations Before Income Taxes		
Property and casualty insurance:		
Underwriting:		
Specialty		
Property and transportation	$ 62	$ 56
Specialty casualty	124	56
Specialty financial	29	25
Other specialty	(7)	(3)
Other lines	(1)	—
Total underwriting	207	134
Investment and other income, net	215	154
Total property and casualty insurance	422	288
Other (a)	(46)	(59)
Real estate-related entities (b)	—	29
Total earnings from continuing operations before realized gains (losses) and income taxes	376	258
Realized gains (losses) on securities	(15)	77
Total earnings from continuing operations before income taxes	$ 361	$ 335

(a) Includes holding company interest and expenses, including a $2 million loss on retirement of debt in the first three months of 2022.
(b) Represents investment income from the real estate and real estate-related entities acquired from AFG's discontinued annuity operations while they were held by those operations. Subsequent to the sale of the annuity operations, this income is included in the segment of the acquirer.

E. Fair Value Measurements

Accounting standards for measuring fair value are based on inputs used in estimating fair value. The three levels of the hierarchy are as follows:

Level 1 — Quoted prices for identical assets or liabilities in active markets (markets in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis). AFG's Level 1 financial instruments consist primarily of publicly traded equity securities, highly liquid government bonds for which quoted market prices in active markets are available and short-term investments of managed investment entities.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (markets in which there are few transactions, the prices are not current, price quotations vary substantially over time or among market makers, or in which little information is released publicly); and valuations based on other significant inputs that are observable in active markets. AFG's Level 2 financial instruments include corporate and municipal fixed maturity securities, asset-backed securities ("ABS"), mortgage-backed securities ("MBS"), certain non-affiliated common stocks and investments of managed investment entities priced using observable inputs. Level 2 inputs include benchmark yields, reported trades, corroborated broker/dealer quotes, issuer spreads and benchmark securities. When non-binding broker quotes can be corroborated by comparison to similar securities priced using observable inputs, they are classified as Level 2.

Level 3 — Valuations derived from market valuation techniques generally consistent with those used to estimate the fair values of Level 2 financial instruments in which one or more significant inputs are unobservable or when the market for a security exhibits significantly less liquidity relative to markets supporting Level 2 fair value measurements. The unobservable inputs may include management's own assumptions about the assumptions market participants would use based on the best information available at the valuation date. Financial instruments whose fair value is estimated based on non-binding broker quotes or internally developed using significant inputs not based on, or corroborated by, observable market information are classified as Level 3.

The contingent consideration liability (included in other liabilities in AFG's Balance Sheet) relates to AFG's December 2021 acquisition of Verikai discussed in *Note C — "Acquisition and Sale of Businesses."* The liability is remeasured at fair value at each balance sheet date with changes in fair value recognized in net earnings. To estimate the fair value of the contingent consideration liability, AFG uses a weighted probability-based income approach which includes significant unobservable inputs and is classified as Level 3. There was no change to the estimated fair value of this liability during the first three months of 2022.

As discussed in *Note A — "Accounting Policies — Managed Investment Entities,"* AFG has set the carrying value of its CLO liabilities equal to the fair value of the CLO assets (which have more observable fair values) as an alternative to reporting those liabilities at separately measured fair values. As a result, the CLO liabilities are categorized within the fair value hierarchy on the same basis (proportionally) as the related CLO assets. Since the portion of the CLO liabilities allocated to Level 3 is derived from the fair value of the CLO assets, these amounts are excluded from the progression of Level 3 financial instruments.

AFG's management is responsible for the valuation process and uses data from outside sources (including nationally recognized pricing services and broker/dealers) in establishing fair value. AFG's internal investment professionals are a group of approximately 20 investment professionals whose primary responsibility is to manage AFG's investment portfolio. These professionals monitor individual investments as well as overall industries and are active in the financial markets on a daily basis. The group is led by AFG's chief investment officer, who reports directly to one of AFG's Co-CEOs. Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by AFG's internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, the Company communicates directly with the pricing services regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the service to value specific securities.

Assets and liabilities measured and carried at fair value in the financial statements are summarized below (in millions):

	Level 1	Level 2	Level 3	Total
March 31, 2022				
Assets:				
Available for sale ("AFS") fixed maturities:				
U.S. Government and government agencies	$ 208	$ 1	$ —	$ 209
States, municipalities and political subdivisions	—	1,624	33	1,657
Foreign government	—	257	—	257
Residential MBS	—	1,520	11	1,531
Commercial MBS	—	100	—	100
Collateralized loan obligations	—	1,894	—	1,894
Other asset-backed securities	—	2,320	337	2,657
Corporate and other	10	2,250	244	2,504
Total AFS fixed maturities	218	9,966	625	10,809
Trading fixed maturities	—	30	—	30
Equity securities	617	44	361	1,022
Assets of managed investment entities ("MIE")	191	5,028	12	5,231
Total assets accounted for at fair value	$ 1,026	$ 15,068	$ 998	$ 17,092
Liabilities:				
Contingent consideration — acquisitions	$ —	$ —	$ 23	$ 23
Liabilities of managed investment entities	187	4,914	11	5,112
Other liabilities — derivatives	—	5	—	5
Total liabilities accounted for at fair value	$ 187	$ 4,919	$ 34	$ 5,140
December 31, 2021				
Assets:				
Available for sale fixed maturities:				
U.S. Government and government agencies	$ 215	$ 1	$ —	$ 216
States, municipalities and political subdivisions	—	1,791	41	1,832
Foreign government	—	246	—	246
Residential MBS	—	946	14	960
Commercial MBS	—	104	—	104
Collateralized loan obligations	—	1,643	—	1,643
Other asset-backed securities	—	2,398	278	2,676
Corporate and other	11	2,402	267	2,680
Total AFS fixed maturities	226	9,531	600	10,357
Trading fixed maturities	—	28	—	28
Equity securities	679	50	313	1,042
Assets of managed investment entities	390	4,893	13	5,296
Total assets accounted for at fair value	$ 1,295	$ 14,502	$ 926	$ 16,723
Liabilities:				
Contingent consideration — acquisitions	$ —	$ —	$ 23	$ 23
Liabilities of managed investment entities	384	4,823	13	5,220
Total liabilities accounted for at fair value	$ 384	$ 4,823	$ 36	$ 5,243

Approximately 6% of the total assets carried at fair value at March 31, 2022, were Level 3 assets. Approximately 16% ($164 million) of those Level 3 assets were priced using non-binding broker quotes, for which there is a lack of transparency as to the inputs used to determine fair value. Details as to the quantitative inputs are neither provided by the brokers nor otherwise reasonably obtainable by AFG. Approximately $58 million (6%) of the Level 3 assets were priced by pricing services where either a single price was not corroborated, prices varied enough among the providers, or other market factors led management to determine these securities be classified as Level 3 assets. Approximately 19% ($186 million) of the Level 3 assets were equity investments in limited partnerships and similar investments that do not qualify for equity method accounting whose prices were determined based on financial information provided by the limited partnerships.

Internally developed fixed maturities are priced using a variety of inputs, including appropriate credit spreads over the treasury yield (of a similar duration), trade information and prices of comparable securities and other security specific features (such as optional early redemption). Internally developed Level 3 asset fair values represent approximately $590 million (59%) of the total fair value of Level 3 assets at March 31, 2022. Approximately 61% ($361 million) of these internally developed Level 3 assets are priced using a pricing model that uses a discounted cash flow approach to estimate the fair value of fixed maturity securities. The credit spread applied by management is the significant unobservable input of the pricing model. In instances where the pricing model suggests a price in excess of 100% and the security is currently callable at 100%, management caps the fair value at 100%. Approximately 28% ($168 million) of these internally developed Level 3 assets are equity securities which are priced primarily using broker quotes and internal models with some inputs that are not market observable. Management believes that any justifiable changes in unobservable inputs used to determine internally developed fair values would not have resulted in a material change in AFG's financial position.

Changes in balances of Level 3 financial assets and liabilities carried at fair value during the first three months of 2022 and 2021 are presented below (in millions). The transfers into and out of Level 3 were due to changes in the availability of market observable inputs. All transfers are reflected in the table at fair value as of the end of the reporting period.

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2021	Net earnings (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at March 31, 2022
AFS fixed maturities:								
U.S. government agency	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
State and municipal	41	—	(2)	—	(1)	—	(5)	33
Residential MBS	14	—	—	—	(1)	—	(2)	11
Commercial MBS	—	—	—	—	—	—	—	—
Collateralized loan obligations	—	—	—	—	—	—	—	—
Other asset-backed securities	278	2	(9)	47	(15)	34	—	337
Corporate and other	267	—	(10)	28	(7)	—	(34)	244
Total AFS fixed maturities	600	2	(21)	75	(24)	34	(41)	625
Equity securities	313	22	—	30	(3)	3	(4)	361
Assets of MIE	13	(1)	—	—	—	—	—	12
Total Level 3 assets	$ 926	$ 23	$ (21)	$ 105	$ (27)	$ 37	$ (45)	$ 998
Contingent consideration — acquisitions	$ (23)	$ —	$ —	$ —	$ —	$ —	$ —	$ (23)
Total Level 3 liabilities	$ (23)	$ —	$ —	$ —	$ —	$ —	$ —	$ (23)

	Balance at December 31, 2020	Total realized/unrealized gains (losses) included in Net earnings (loss)	Total realized/unrealized gains (losses) included in Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at March 31, 2021
AFS fixed maturities:								
U.S. government agency	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
State and municipal	39	—	—	—	—	—	—	39
Residential MBS	38	(3)	—	6	—	3	(17)	27
Commercial MBS	2	—	—	—	—	—	(2)	—
Collateralized loan obligations	16	1	(1)	—	(1)	—	(9)	6
Other asset-backed securities	305	—	—	52	(23)	14	(22)	326
Corporate and other	138	1	(1)	84	(18)	2	(2)	204
Total AFS fixed maturities	538	(1)	(2)	142	(42)	19	(52)	602
Equity securities	176	53	—	12	(14)	—	—	227
Assets of MIE	21	4	—	1	—	—	(12)	14
Assets of discontinued annuity operations	2,971	70	(43)	196	(191)	32	(229)	2,806
Total Level 3 assets	$ 3,706	$ 126	$ (45)	$ 351	$ (247)	$ 51	$ (293)	$ 3,649
Liabilities of discontinued annuity operations	$ (3,933)	$ (40)	$ —	$ (74)	$ 93	$ —	$ —	$ (3,954)
Total Level 3 liabilities	$ (3,933)	$ (40)	$ —	$ (74)	$ 93	$ —	$ —	$ (3,954)

Fair Value of Financial Instruments The carrying value and fair value of financial instruments that are not carried at fair value in the financial statements are summarized below (in millions):

	Carrying Value	Fair Value Total	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
March 31, 2022					
Financial assets:					
Cash and cash equivalents	$ 1,181	$ 1,181	$ 1,181	$ —	$ —
Mortgage loans	784	768	—	—	768
Total financial assets not accounted for at fair value	$ 1,965	$ 1,949	$ 1,181	$ —	$ 768
Long-term debt	$ 1,917	$ 1,979	$ —	$ 1,976	$ 3
Total financial liabilities not accounted for at fair value	$ 1,917	$ 1,979	$ —	$ 1,976	$ 3
December 31, 2021					
Financial assets:					
Cash and cash equivalents	$ 2,131	$ 2,131	$ 2,131	$ —	$ —
Mortgage loans	520	533	—	—	533
Total financial assets not accounted for at fair value	$ 2,651	$ 2,664	$ 2,131	$ —	$ 533
Long-term debt	$ 1,964	$ 2,261	$ —	$ 2,258	$ 3
Total financial liabilities not accounted for at fair value	$ 1,964	$ 2,261	$ —	$ 2,258	$ 3

F. Investments

Available for sale fixed maturities at March 31, 2022 and December 31, 2021, consisted of the following (in millions):

	Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized	Fair Value
March 31, 2022						
Fixed maturities:						
U.S. Government and government agencies	$ 216	$ —	$ 1	$ (8)	$ (7)	$ 209
States, municipalities and political subdivisions	1,648	—	22	(13)	9	1,657
Foreign government	266	—	—	(9)	(9)	257
Residential MBS	1,550	—	36	(55)	(19)	1,531
Commercial MBS	100	—	—	—	—	100
Collateralized loan obligations	1,907	1	2	(14)	(12)	1,894
Other asset-backed securities	2,725	5	5	(68)	(63)	2,657
Corporate and other	2,542	1	16	(53)	(37)	2,504
Total fixed maturities	$ 10,954	$ 7	$ 82	$ (220)	$ (138)	$ 10,809
December 31, 2021						
Fixed maturities:						
U.S. Government and government agencies	$ 216	$ —	$ 2	$ (2)	$ —	$ 216
States, municipalities and political subdivisions	1,758	—	74	—	74	1,832
Foreign government	248	—	—	(2)	(2)	246
Residential MBS	915	—	48	(3)	45	960
Commercial MBS	102	—	2	—	2	104
Collateralized loan obligations	1,643	1	3	(2)	1	1,643
Other asset-backed securities	2,677	7	17	(11)	6	2,676
Corporate and other	2,634	1	55	(8)	47	2,680
Total fixed maturities	$ 10,193	$ 9	$ 201	$ (28)	$ 173	$ 10,357

Equity securities which are reported at fair value with holding gains and losses recognized in net earnings, consisted of the following at March 31, 2022 and December 31, 2021 (in millions):

	March 31, 2022			December 31, 2021		
	Actual Cost	Fair Value	Fair Value over Cost	Actual Cost	Fair Value	Fair Value over Cost
Common stocks	$ 496	$ 578	$ 82	$ 491	$ 586	$ 95
Perpetual preferred stocks	407	444	37	403	456	53
Total equity securities carried at fair value	$ 903	$ 1,022	$ 119	$ 894	$ 1,042	$ 148

Investments accounted for using the equity method held by AFG's continuing operations, by category, carrying value and net investment income are as follows (in millions):

	Carrying Value		Net Investment Income Three months ended March 31,	
	March 31, 2022	December 31, 2021	2022	2021
Real estate-related investments (*)	$ 1,195	$ 1,130	$ 100	$ 54
Private equity	391	352	33	21
Private debt	33	35	—	3
Total investments accounted for using the equity method	$ 1,619	$ 1,517	$ 133	$ 78

(*) Includes 88% with underlying investments in multi-family properties, 1% in single family properties and 11% in other property types as of both March 31, 2022 and December 31, 2021.

The earnings (losses) from these investments are generally reported on a quarter lag due to the timing required to obtain the necessary information from the funds. AFG regularly reviews and discusses fund performance with the fund managers to corroborate the reasonableness of the underlying reported asset values and to assess whether any events have occurred within the lag period that may materially affect the valuation of these investments.

With respect to partnerships and similar investments, AFG had unfunded commitments of $354 million and $366 million as of March 31, 2022 and December 31, 2021, respectively.

The following table shows gross unrealized losses (dollars in millions) on available for sale fixed maturities by investment category and length of time that individual securities have been in a continuous unrealized loss position at the following balance sheet dates.

	Less Than Twelve Months			Twelve Months or More		
	Unrealized Loss	Fair Value	Fair Value as % of Cost	Unrealized Loss	Fair Value	Fair Value as % of Cost
March 31, 2022						
Fixed maturities:						
U.S. Government and government agencies	$ (3)	$ 114	97 %	$ (5)	$ 61	92 %
States, municipalities and political subdivisions	(12)	444	97 %	(1)	12	92 %
Foreign government	(9)	241	96 %	—	—	— %
Residential MBS	(55)	1,213	96 %	—	11	100 %
Commercial MBS	—	52	100 %	—	—	— %
Collateralized loan obligations	(12)	1,302	99 %	(2)	78	98 %
Other asset-backed securities	(63)	2,053	97 %	(5)	82	94 %
Corporate and other	(49)	1,226	96 %	(4)	68	94 %
Total fixed maturities	$ (203)	$ 6,645	97 %	$ (17)	$ 312	95 %
December 31, 2021						
Fixed maturities:						
U.S. Government and government agencies	$ (1)	$ 92	99 %	$ (1)	$ 22	96 %
States, municipalities and political subdivisions	—	9	100 %	—	13	100 %
Foreign government	(2)	160	99 %	—	—	— %
Residential MBS	(3)	419	99 %	—	7	100 %
Commercial MBS	—	34	100 %	—	—	— %
Collateralized loan obligations	(1)	806	100 %	(1)	77	99 %
Other asset-backed securities	(8)	1,250	99 %	(3)	81	96 %
Corporate and other	(8)	500	98 %	—	26	100 %
Total fixed maturities	$ (23)	$ 3,270	99 %	$ (5)	$ 226	98 %

At March 31, 2022, the gross unrealized losses on fixed maturities of $220 million relate to 1,128 securities. Investment grade securities (as determined by nationally recognized rating agencies) represented approximately 94% of the gross unrealized loss and 95% of the fair value.

To evaluate fixed maturities for expected credit losses (impairment), management considers whether the unrealized loss is credit-driven or a result of changes in market interest rates, the extent to which fair value is less than cost basis, historical operating, balance sheet and cash flow data from the issuer, third party research and communications with industry specialists and discussions with issuer management.

AFG analyzes its MBS securities for expected credit losses (impairment) each quarter based upon expected future cash flows. Management estimates expected future cash flows based upon its knowledge of the MBS market, cash flow projections (which reflect loan to collateral values, subordination, vintage and geographic concentration) received from independent sources, implied cash flows inherent in security ratings and analysis of historical payment data.

Management believes AFG will recover its cost basis (net of any allowance) in the securities with unrealized losses and that AFG has the ability to hold the securities until they recover in value and had no intent to sell them at March 31, 2022.

Credit losses on available for sale fixed maturities are measured based on the present value of expected future cash flows compared to amortized cost. Impairment losses are recognized through an allowance and recoveries of previously impaired amounts are recorded as an immediate reversal of all or a portion of the allowance. In addition, the allowance on available for sale fixed maturities cannot cause the amortized cost net of the allowance to be below fair value. Accordingly, future changes in the fair value of an impaired security (when the allowance was limited by the fair value) due to reasons other than issuer credit (e.g. changes in market interest rates) result in increases or decreases in the allowance, which are recorded through realized gains (losses) on securities. A progression of the allowance for expected credit losses on fixed maturity securities held by AFG's continuing operations is shown below (in millions):

	Structured Securities (*)	Corporate and Other	Total
Balance at January 1, 2022	$ 8	$ 1	$ 9
Initial allowance for purchased securities with credit deterioration	—	—	—
Provision for expected credit losses on securities with no previous allowance	—	—	—
Additions (reductions) to previously recognized expected credit losses	(2)	—	(2)
Reductions due to sales or redemptions	—	—	—
Balance at March 31, 2022	$ 6	$ 1	$ 7
Balance at January 1, 2021	$ 10	$ 2	$ 12
Initial allowance for purchased securities with credit deterioration	—	—	—
Provision for expected credit losses on securities with no previous allowance	—	—	—
Additions (reductions) to previously recognized expected credit losses	(1)	—	(1)
Reductions due to sales or redemptions	—	(1)	(1)
Balance at March 31, 2021	$ 9	$ 1	$ 10

(*) Includes mortgage-backed securities, collateralized loan obligations and other asset-backed securities.

In the first three months of 2022 and 2021, AFG did not purchase any securities with expected credit losses.

The table below sets forth the scheduled maturities of AFG's available for sale fixed maturities as of March 31, 2022 (dollars in millions). Securities with sinking funds are reported at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

	Amortized	Fair Value	
	Cost, net (*)	Amount	%
Maturity			
One year or less	$ 923	$ 930	9 %
After one year through five years	2,572	2,539	23 %
After five years through ten years	825	816	8 %
After ten years	351	342	3 %
	4,671	4,627	43 %
Collateralized loan obligations and other ABS (average life of approximately 3 years)	4,626	4,551	42 %
MBS (average life of approximately 5 years)	1,650	1,631	15 %
Total	$ 10,947	$ 10,809	100 %

(*) Amortized cost, net of allowance for expected credit losses.

Certain risks are inherent in fixed maturity securities, including loss upon default, price volatility in reaction to changes in interest rates, and general market factors and risks associated with reinvestment of proceeds due to prepayments or redemptions in a period of declining interest rates.

There were no investments in individual issuers that exceeded 10% of shareholders' equity at March 31, 2022 or December 31, 2021.

Net Investment Income The following table shows (in millions) investment income earned and investment expenses incurred in AFG's continuing operations.

	Three months ended March 31, 2022	2021
Investment income:		
Fixed maturities	$ 80	$ 72
Equity securities:		
Dividends	7	8
Change in fair value (*)	7	26
Equity in earnings of partnerships and similar investments	133	78
Other	7	6
Gross investment income	234	190
Investment expenses	(4)	(2)
Net investment income	$ 230	$ 188

(*) Although the change in the fair value of the majority of AFG's equity securities is recorded in realized gains (losses) on securities, AFG records holding gains and losses in net investment income on its portfolio of limited partnerships and similar investments that do not qualify for equity method accounting and certain other securities classified at purchase as "fair value through net investment income."

Realized gains (losses) and changes in unrealized appreciation (depreciation) from continuing operations included in AOCI related to fixed maturity securities are summarized as follows (in millions):

	Three months ended March 31, 2022				Three months ended March 31, 2021			
	Realized gains (losses)				Realized gains (losses)			
	Before Impairments	Impairment Allowance	Total	Change in Unrealized	Before Impairments	Impairment Allowance	Total	Change in Unrealized
Fixed maturities	$ (4)	$ 2	$ (2)	$ (311)	$ (1)	$ 1	$ —	$ (44)
Equity securities	(13)	—	(13)	—	77	—	77	—
Mortgage loans and other investments	—	—	—	—	—	—	—	—
Total pretax	(17)	2	(15)	(311)	76	1	77	(44)
Tax effects	3	—	3	66	(16)	—	(16)	9
Net of tax	$ (14)	$ 2	$ (12)	$ (245)	$ 60	$ 1	$ 61	$ (35)

All equity securities other than those accounted for under the equity method are carried at fair value through net earnings. AFG recorded net holding gains (losses) on equity securities from continuing operations during the first three months of 2022 and 2021 on securities that were still owned at March 31, 2022 and March 31, 2021 as follows (in millions):

	Three months ended March 31, 2022	2021
Included in realized gains (losses)	$ (13)	$ 67
Included in net investment income	4	26
	$ (9)	$ 93

Gross realized gains and losses (excluding changes in impairment allowance and mark-to-market of derivatives) on available for sale fixed maturity investment transactions from continuing operations consisted of the following (in millions):

	Three months ended March 31, 2022	2021
Gross gains	$ 1	$ 2
Gross losses	—	(1)

Derivatives Designated and Qualifying as Cash Flow Hedges As of March 31, 2022, AFG has five active interest rate swaps that are designated and qualify as highly effective cash flow hedges to mitigate interest rate risk related to certain floating-rate securities included in AFG's portfolio of fixed maturity securities. The purpose of each of these swaps is to effectively convert a portion of AFG's floating-rate fixed maturity securities to fixed rates by offsetting the variability in cash flows attributable to changes in short-term LIBOR.

Under the terms of the swaps, AFG receives fixed-rate interest payments in exchange for variable interest payments based on short-term LIBOR. The notional amounts of the interest rate swaps generally decline over each swap's respective life (the swaps expire between January 2025 and July 2027) in anticipation of the expected decline in AFG's portfolio of fixed maturity securities with floating interest rates based on short-term LIBOR. The total outstanding notional amount of AFG's interest rate swaps was $408 million at March 31, 2022, all of which were entered into in the first three months of 2022. The fair value of the interest rate swaps, all of which were in a liability position and included in other liabilities at March 31, 2022, was $5 million. The net unrealized gain or loss on cash flow hedges is included in AOCI, net of deferred taxes. The amount reclassified from AOCI (before taxes) to net earnings was income of $1 million for the first three months of 2022. A collateral receivable supporting these swaps of $15 million at March 31, 2022 is included in other assets in AFG's Balance Sheet.

G. Managed Investment Entities

AFG is the investment manager and it has investments ranging from 7.4% to 82.7% of the most subordinate debt tranche of thirteen active collateralized loan obligation entities ("CLOs"), which are considered variable interest entities. AFG also owns portions of the senior debt tranches of certain of these CLOs. Upon formation between 2012 and 2021, these entities issued securities in various senior and subordinate classes and invested the proceeds primarily in secured bank loans, which serve as collateral for the debt securities issued by each CLO. None of the collateral was purchased from AFG. AFG's investments in the subordinate debt tranches of these entities receive residual income from the CLOs only after the CLOs pay expenses (including management fees to AFG) and interest on and returns of capital to senior levels of debt securities. There are no contractual requirements for AFG to provide additional funding for these entities. AFG has not provided and does not intend to provide any financial support to these entities.

AFG's maximum exposure to economic loss on the CLOs that it manages is limited to its investment in those CLOs, which had an aggregate fair value of $119 million (including $98 million invested in the most subordinate tranches) at March 31, 2022, and $76 million at December 31, 2021.

The following table shows a progression of the fair value of AFG's investment in CLO tranches held by continuing operations (in millions):

	Three months ended March 31,	
	2022	2021
Balance at beginning of period	$ 76	$ 57
Purchases	18	—
Sales	—	—
Distributions	(3)	(5)
Change in fair value	(2)	5
Balance at end of period (*)	$ 89	$ 57

(*) Excludes $30 million invested in a temporary warehousing entity that was established in connection with the formation of a new CLO that is expected to close in May 2022.

The revenues and expenses of the CLOs are separately identified in AFG's Statement of Earnings, after the elimination of management fees and earnings attributable to AFG as measured by the change in the fair value of AFG's investments in the CLOs. Selected financial information related to the CLOs is shown below (in millions):

	Three months ended March 31,	
	2022	2021
Gains (losses) on change in fair value of assets/liabilities (*):		
Assets	$ (57)	$ 46
Liabilities	52	(44)
Management fees paid to AFG	4	4
CLO earnings (losses) attributable to AFG:		
From continuing operations	$ (2)	$ 5
From discontinued annuity operations	—	13
Total	$ (2)	$ 18

(*) Included in revenues in AFG's Statement of Earnings.

The aggregate unpaid principal balance of the CLOs' fixed maturity investments exceeded the fair value of the investments by $123 million and $72 million at March 31, 2022 and December 31, 2021, respectively. The aggregate unpaid principal balance of the CLOs' debt exceeded its carrying value by $223 million and $187 million at those dates. The CLO assets include loans with an aggregate fair value of $4 million at March 31, 2022 and $9 million at December 31, 2021, for which the CLOs are not accruing interest because the loans are in default (aggregate unpaid principal balance of $10 million at March 31, 2022 and $18 million at December 31, 2021).

In addition to the CLOs that it manages, AFG had investments in CLOs that are managed by third parties (therefore not consolidated), which are included in available for sale fixed maturity securities and had a fair value of $1.89 billion at March 31, 2022 and $1.64 billion at December 31, 2021.

H. Goodwill and Other Intangibles

There were no changes in the goodwill balance of $246 million during the first three months of 2022.

Included in other assets in AFG's Balance Sheet is $104 million at March 31, 2022 and $106 million at December 31, 2021 in amortizable intangible assets related to property and casualty insurance acquisitions. These amounts are net of accumulated amortization of $15 million and $67 million, respectively. Amortization of intangibles was $2 million and $3 million in the first three months of 2022 and 2021, respectively.

I. Long-Term Debt

Long-term debt consisted of the following (in millions):

	March 31, 2022			December 31, 2021		
	Principal	Discount and Issue Costs	Carrying Value	Principal	Discount and Issue Costs	Carrying Value
Direct Senior Obligations of AFG:						
4.50% Senior Notes due June 2047	$ 590	$ (2)	$ 588	$ 590	$ (2)	$ 588
3.50% Senior Notes due August 2026 (*)	377	(2)	375	425	(3)	422
5.25% Senior Notes due April 2030	300	(5)	295	300	(5)	295
Other	3	—	3	3	—	3
	1,270	(9)	1,261	1,318	(10)	1,308
Direct Subordinated Obligations of AFG:						
4.50% Subordinated Debentures due September 2060	200	(5)	195	200	(5)	195
5.125% Subordinated Debentures due December 2059	200	(6)	194	200	(6)	194
5.625% Subordinated Debentures due June 2060	150	(4)	146	150	(4)	146
5.875% Subordinated Debentures due March 2059	125	(4)	121	125	(4)	121
	675	(19)	656	675	(19)	656
	$ 1,945	$ (28)	$ 1,917	$ 1,993	$ (29)	$ 1,964

(*) See *Note N — "Subsequent Events"* to the financial statements.

Scheduled principal payments on debt for the balance of 2022, the subsequent five years and thereafter are as follows: 2022 — none; 2023 — none; 2024 — none; 2025 — none; 2026 — $377 million; 2027 — none and thereafter — $1.57 billion.

See *Note N — "Subsequent Events"* for information on AFG's announcement to redeem its 3.50% Senior Notes due August 2026.

In the first three months of 2022, AFG repurchased $48 million principal amount of its 3.50% Senior Notes due in August 2026 in open market transactions for $50 million.

AFG can borrow up to $500 million under its revolving credit facility, which expires in December 2025. Amounts borrowed under this agreement bear interest at rates ranging from 1.00% to 1.875% (currently 1.375%) over LIBOR based on AFG's credit rating. No amounts were borrowed under this facility at March 31, 2022 or December 31, 2021.

J. Shareholders' Equity

AFG is authorized to issue 12.5 million shares of Voting Preferred Stock and 12.5 million shares of Nonvoting Preferred Stock, each without par value.

Accumulated Other Comprehensive Income (Loss), Net of Tax ("AOCI") Comprehensive income is defined as all changes in shareholders' equity except those arising from transactions with shareholders. Comprehensive income includes net earnings and other comprehensive income (loss), which consists primarily of changes in net unrealized gains or losses on available for sale fixed maturity securities.

The progression of the components of accumulated other comprehensive income (loss) follows (in millions):

		Other Comprehensive Income (Loss)			
	AOCI Beginning Balance	Pretax	Tax	Net of tax	AOCI Ending Balance
Three months ended March 31, 2022					
Net unrealized gains (losses) on securities:					
Unrealized holding losses on securities arising during the period		$ (313)	$ 66	$ (247)	
Reclassification adjustment for realized losses included in net earnings (*)		2	—	2	
Total net unrealized gains (losses) on securities	$ 136	(311)	66	(245)	$ (109)
Net unrealized gains (losses) on cash flow hedges	—	(5)	1	(4)	(4)
Foreign currency translation adjustments	(18)	(2)	1	(1)	(19)
Pension and other postretirement plan adjustments	1	—	—	—	1
Total	$ 119	$ (318)	$ 68	$ (250)	$ (131)
Three months ended March 31, 2021					
Net unrealized gains (losses) on securities:					
Unrealized holding losses on securities arising during the period		$ (355)	$ 74	$ (281)	
Reclassification adjustment for realized (gains) losses included in net earnings (*)		(14)	3	(11)	
Total net unrealized gains (losses) on securities	$ 1,255	(369)	77	(292)	$ 963
Net unrealized gains (losses) on cash flow hedges	41	(17)	3	(14)	27
Foreign currency translation adjustments	(16)	—	—	—	(16)
Pension and other postretirement plans adjustments	(7)	—	—	—	(7)
Total	$ 1,273	$ (386)	$ 80	$ (306)	$ 967

(*) The reclassification adjustment out of net unrealized gains (losses) on securities affected the following lines in AFG's Statement of Earnings:

OCI component	Affected line in the statement of earnings
Pretax	Realized gains (losses) on securities
Tax	Provision for income taxes

Stock Incentive Plans Under AFG's stock incentive plans, employees of AFG and its subsidiaries are eligible to receive equity awards in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock units and stock awards. In the first three months of 2022, AFG issued 151,080 shares of restricted Common Stock (fair value of $133.94 per share) under the Stock Incentive Plan.

Total compensation expense related to stock incentive plans of AFG and its subsidiaries was $6 million and $5 million in the first three months of 2022 and 2021, respectively.

K. Income Taxes

The following is a reconciliation of income taxes on continuing operations at the statutory rate of 21% to the provision for income taxes as shown in AFG's Statement of Earnings (dollars in millions):

	Three months ended March 31,			
	2022		2021	
	Amount	% of EBT	Amount	% of EBT
Earnings from continuing operations before income taxes ("EBT")	$ 361		$ 335	
Income taxes at statutory rate	$ 76	21 %	$ 70	21 %
Effect of:				
Stock-based compensation	(2)	(1 %)	(2)	(1 %)
Employee stock ownership plan dividend paid deduction	(2)	(1 %)	—	— %
Tax exempt interest	(2)	(1 %)	(2)	(1 %)
Change in valuation allowance	(2)	(1 %)	—	— %
Dividends received deduction	(1)	— %	—	— %
Foreign operations	5	2 %	(1)	— %
Nondeductible expenses	2	1 %	2	1 %
Other	(3)	— %	1	— %
Provision for income taxes as shown in the statement of earnings	$ 71	20 %	$ 68	20 %

AFG's net operating loss carryforwards ("NOL") subject to separate return limitation year ("SRLY") tax rules of $43 million will expire unutilized at December 31, 2022. Since AFG maintains a full valuation allowance against its SRLY NOLs, the expiration of these loss carryforwards will be offset by a corresponding reduction in the valuation allowance and will have no overall impact on AFG's income tax expense or results of operations.

L. Contingencies

There have been no significant changes to the matters discussed and referred to in *Note M — "Contingencies"* of AFG's 2021 Form 10-K, which covers property and casualty insurance reserves for claims related to environmental exposures, asbestos and other mass tort claims and environmental and occupational injury and disease claims of subsidiaries' former railroad and manufacturing operations.

M. Insurance

Property and Casualty Insurance Reserves The following table provides an analysis of changes in the liability for losses and loss adjustment expenses during the first three months of 2022 and 2021 (in millions):

	Three months ended March 31, 2022	Three months ended March 31, 2021
Balance at beginning of year	$ 11,074	$ 10,392
Less reinsurance recoverables, net of allowance	3,419	3,117
Net liability at beginning of year	7,655	7,275
Provision for losses and LAE occurring in the current period	781	726
Net decrease in the provision for claims of prior years	(88)	(59)
Total losses and LAE incurred	693	667
Payments for losses and LAE of:		
Current year	(67)	(52)
Prior years	(647)	(622)
Total payments	(714)	(674)
Foreign currency translation and other	—	—
Net liability at end of period	7,634	7,268
Add back reinsurance recoverables, net of allowance	3,352	3,116
Gross unpaid losses and LAE included in the balance sheet at end of period	$ 10,986	$ 10,384

The net decrease in the provision for claims of prior years during the first three months of 2022 reflects (i) lower than anticipated losses in the crop business, lower than expected claim frequency in the trucking and ocean marine businesses and at the Singapore branch and lower than anticipated claim severity in the property and inland marine business (within the Property and transportation sub-segment), (ii) lower than anticipated claim severity in the workers' compensation businesses, lower than expected claim frequency in the executive liability business and lower than anticipated claim frequency and severity in the excess and surplus business (within the Specialty casualty sub-segment) and (iii) lower than anticipated claim frequency in the surety, trade credit and financial institutions businesses (within the Specialty financial sub-segment). This favorable development was partially offset by higher than anticipated claim severity in the targeted markets businesses (within the Specialty casualty sub-segment).

The net decrease in the provision for claims of prior years during the first three months of 2021 reflects (i) lower than anticipated claim frequency and severity in the transportation businesses, lower than expected losses in the crop business and lower than expected claim frequency in the aviation business (within the Property and transportation sub-segment), (ii) lower than anticipated claim severity in the workers' compensation businesses (within the Specialty casualty sub-segment) and (iii) lower than anticipated claim frequency and severity in the financial institutions business and lower than anticipated claim frequency in the surety business (within the Specialty financial sub-segment). This favorable development was partially offset by (i) higher than expected claim frequency and severity in equine business (within the Property and transportation sub-segment) and (ii) higher than anticipated claim severity in the targeted markets, professional liability and excess liability businesses (within the Specialty casualty sub-segment).

Recoverables from Reinsurers and Premiums Receivable Progressions of the 2022 and 2021 allowance for expected credit losses on recoverables from reinsurers and premiums receivable related to continuing operations are shown below (in millions):

	Recoverables from Reinsurers 2022	Recoverables from Reinsurers 2021	Premiums Receivable 2022	Premiums Receivable 2021
Balance at January 1	$ 8	$ 6	$ 8	$ 10
Provision for expected credit losses	(1)	1	(1)	1
Write-offs charged against the allowance	—	—	—	—
Balance at March 31	$ 7	$ 7	$ 7	$ 11

N. Subsequent Events

On May 4, 2022, AFG announced a make-whole call to redeem all of its approximately $375 million in outstanding 3.50% Senior Notes due August 2026 on June 3, 2022. Management expects that the redemption of the 3.50% Senior Notes will result in a pretax loss on retirement of debt of less than $10 million in the second quarter of 2022. Concurrent with the debt retirement, AFG declared a special cash dividend of $8.00 per share of AFG Common Stock payable on May 27, 2022 to shareholders of record on May 20, 2022 (approximately $680 million in aggregate).

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INDEX TO MD&A

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for 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. Such forward-looking statements include statements relating to: expectations concerning market and other conditions and their effect on future premiums, revenues, earnings, investment activities, and the amount and timing of share repurchases; recoverability of asset values; expected losses and the adequacy of reserves for asbestos, environmental pollution and mass tort claims; rate changes; and improved loss experience.

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including but not limited to:
- changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and/or abroad;
- performance of securities markets;
- new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio;
- the availability of capital;
- changes in insurance law or regulation, including changes in statutory accounting rules, including modifications to capital requirements;
- the effects of the COVID-19 pandemic;
- changes in the legal environment affecting AFG or its customers;
- tax law and accounting changes;
- levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war or losses resulting from pandemics, civil unrest and other major losses;
- disruption caused by cyber-attacks or other technology breaches or failures by AFG or its business partners and service providers, which could negatively impact AFG's business and/or expose AFG to litigation;
- development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims;
- availability of reinsurance and ability of reinsurers to pay their obligations;
- competitive pressures;
- the ability to obtain adequate rates and policy terms;
- changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to AFG's operating subsidiaries; and
- the impact of the conditions in the international financial markets and the global economy relating to AFG's international operations.

The forward-looking statements herein are made only as of the date of this report. The Company assumes no obligation to publicly update any forward-looking statements.

OBJECTIVE

The objective of Management's Discussion and Analysis is to provide a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of AFG's financial condition, changes in financial condition and results of operations. The tables and narrative that follow are presented in a manner that is consistent with the information that AFG's management uses to make operational decisions and allocate capital resources. They are provided to demonstrate the nature of the transactions and events that could impact AFG's financial results. This discussion should be read in conjunction with the financial statements beginning on page 2.

OVERVIEW

Financial Condition

AFG is organized as a holding company with almost all of its operations being conducted by subsidiaries. AFG, however, has continuing cash needs for administrative expenses, the payment of principal and interest on borrowings, shareholder dividends, and taxes. Therefore, certain analyses are most meaningfully presented on a parent only basis while others are best done on a total enterprise basis. In addition, because its businesses are financial in nature, AFG does not prepare its consolidated financial statements using a current-noncurrent format. Consequently, certain traditional ratios and financial analysis tests are not meaningful.

Results of Operations

Through the operations of its subsidiaries, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses. AFG's former annuity operations are reported as discontinued operations.

AFG reported net earnings from continuing operations of $290 million ($3.40 per share, diluted) for the first three months of 2022 compared to $267 million ($3.08 per share, diluted) for the first three months of 2021 reflecting higher underwriting profit, higher net investment income and lower holding company expenses in 2022 compared to 2021, partially offset by net realized losses on securities in first three months of 2022 compared to net realized gains on securities in the first three months of 2021.

Sale of the Annuity Business

In May 2021, AFG sold its annuity business, including Great American Life Insurance Company ("GALIC") and its two insurance subsidiaries, Annuity Investors Life Insurance Company and Manhattan National Life Insurance Company to Massachusetts Mutual Life Insurance Company ("MassMutual"). Total proceeds from the sale were $3.57 billion and AFG realized an after-tax gain on the sale of $656 million in the first six months of 2021.

Outlook

AFG's financial condition, results of operations and cash flows are impacted by the economic, legal and regulatory environment. Inflation, supply chain disruption, labor shortages and other economic conditions may impact premium levels, loss cost trends and investment returns. Management believes that AFG's strong financial position and current liquidity and capital at its subsidiaries will give AFG the flexibility to continue to effectively address and respond to the ongoing uncertainties presented by rising inflation, the conflict between Russia and Ukraine and the COVID-19 pandemic. AFG's insurance subsidiaries continue to have capital at or in excess of the levels required by ratings agencies in order to maintain their current ratings, and the parent company does not have any near-term debt maturities.

Management expects continued premium growth and strong underwriting results in the ongoing favorable property and casualty insurance market. In addition, the deployment of cash in a rising interest rate environment is expected to result in improved investment returns in 2022 compared to 2021.

CRITICAL ACCOUNTING POLICIES

Significant accounting policies are summarized in *Note A — "Accounting Policies"* to the financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that can have a significant effect on amounts reported in the financial statements. As more information becomes known, these estimates and assumptions change and, thus, impact amounts reported in the future. The areas where

management believes the degree of judgment required to determine amounts recorded in the financial statements is most significant are as follows:
- the establishment of insurance reserves, especially asbestos and environmental-related reserves,
- the recoverability of reinsurance,
- the establishment of asbestos and environmental liabilities of former railroad and manufacturing operations, and
- the valuation of investments, including the determination of impairment allowances.

For a discussion of these policies, see *Management's Discussion and Analysis — "Critical Accounting Policies"* in AFG's 2021 Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

Ratios

AFG's debt to total capital ratio on a consolidated basis is shown below (dollars in millions):

	March 31, 2022		December 31,	
	Actual	Adjusted (*)	2021	2020
Principal amount of long-term debt	$ 1,945	$ 1,568	$ 1,993	$ 1,993
Total capital	6,893	5,835	6,869	7,486
Ratio of debt to total capital:				
Including subordinated debt	28.2 %	26.9 %	29.0 %	26.6 %
Excluding subordinated debt	18.4 %	15.3 %	19.2 %	17.6 %

(*) Reflects the retirement of AFG's 3.50% Senior Notes due in August 2026, which have been called for redemption on June 3, 2022 and the $8.00 special dividend payable on May 27, 2022 as if both transactions happened on March 31, 2022.

The ratio of debt to total capital is a non-GAAP measure that management believes is useful for investors, analysts and ratings agencies to evaluate AFG's financial strength and liquidity and to provide insight into how AFG finances its operations. In addition, maintaining a ratio of debt, excluding subordinated debt and debt secured by real estate (if any), to total capital of 35% or lower is a financial covenant in AFG's bank credit facility. The ratio is calculated by dividing the principal amount of AFG's long-term debt by its total capital, which includes long-term debt and shareholders' equity (excluding unrealized gains (losses) related to fixed maturity investments).

Condensed Consolidated Cash Flows

AFG's principal sources of cash include insurance premiums, income from its investment portfolio and proceeds from the maturities, redemptions and sales of investments. Insurance premiums in excess of acquisition expenses and operating costs are invested until they are needed to meet policyholder obligations or made available to the parent company through dividends to cover debt obligations and corporate expenses, and to provide returns to shareholders through share repurchases and dividends. Cash flows from operating, investing and financing activities as detailed in AFG's Consolidated Statement of Cash Flows are shown below (in millions):

	Three months ended March 31,	
	2022	2021
Net cash provided by operating activities	$ 503	$ 627
Net cash used in investing activities	(1,111)	(938)
Net cash used in financing activities	(342)	(172)
Net change in cash and cash equivalents	$ (950)	$ (483)

Net Cash Provided by Operating Activities AFG's property and casualty insurance operations typically produce positive net operating cash flows as premiums collected and investment income exceed policy acquisition costs, claims payments and operating expenses. AFG's net cash provided by operating activities is impacted by the level and timing of property and casualty premiums, claim and expense payments and recoveries from reinsurers. AFG's discontinued annuity operations, which were sold in May 2021, typically produced positive net operating cash flows as investment income exceeded acquisition costs and operating expenses. Interest credited on annuity policyholder funds is a non-cash increase in AFG's annuity benefits accumulated liability and annuity premiums, benefits and withdrawals are considered financing activities due to the deposit-type nature of annuities. Cash flows provided by operating activities also include the activity of AFG's managed investment entities (collateralized loan obligations ("CLO")) other than those activities included in investing or financing activities. The changes in the assets and liabilities of the managed investment entities included in operating activities increased cash flows from operating activities by $172 million during the first three months of 2022 and reduced cash flows from operating activities by $38 million in the first three months of 2021, accounting for a $210 million increase in cash flows from operating activities in the 2022 period compared to the 2021 period. As discussed in *Note A — "Accounting Policies — Managed Investment Entities"* to the financial statements, AFG has no right to use the CLO assets and no obligation to pay the CLO liabilities and such assets and liabilities are shown separately in AFG's Balance Sheet. Excluding the impact of the managed investment entities, net cash provided by operating activities was $331 million in the first three months of 2022 compared to $665 million in the first three months of 2021, a decrease of $334 million reflecting the sale of the annuity operations.

Net Cash Used in Investing Activities AFG's investing activities consist primarily of the investment of funds provided by its property and casualty businesses and, prior to the May 2021 sale, its discontinued annuity operations. Net cash used in investing activities was $1.11 billion for the first three months of 2022 compared to $938 million in the first three months of 2021, an increase of $173 million as the opportunistic investment of cash on hand in the property and casualty operations during the rising interest rate environment in the first three months of 2022 more than offset the absence of investing activities from the disposed annuity operations. In addition to the investment of funds provided by the insurance operations, investing activities also include the purchase and disposal of managed investment entity investments, which are presented separately in AFG's Balance Sheet. Net investment activity in the managed investment entities was a $140 million use of cash in the first three months of 2022 compared to a $30 million source of cash in the comparable 2021 period, accounting for a $170 million increase in net cash used in investing activities in the first three months of 2022 compared to the same 2021 period. See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note G — "Managed Investment Entities"* to the financial statements.

Net Cash Used in Financing Activities AFG's financing activities consist primarily of issuances and retirements of long-term debt, issuances and repurchases of common stock, dividend payments and, prior to the sale of the annuity business, transactions with annuity policyholders. Net cash used in financing activities was $342 million for the first three months of 2022 compared to $172 million in the first three months of 2021, an increase of $170 million. The impact of a special dividend and $48 million in debt retirements in the first three months of 2022 was substantially offset by lower repurchases of AFG Common Stock compared to the first three months of 2021. During the first three months of 2022, AFG repurchased $5 million of its Common Stock compared to $192 million in the comparable 2021 period. In addition to its regular quarterly cash dividends, AFG paid a special cash dividend of $2.00 per share in March 2022, which resulted in total cash dividends paid of $216 million in the first three months of 2022 compared to $43 million in the first three months of 2021. Financing activities also include issuances and retirements of managed investment entity liabilities, which are nonrecourse to AFG and presented separately in AFG's Balance Sheet. Retirements of managed investment entity liabilities exceeded issuances by $76 million in the first three months of 2022 compared to issuances exceeding retirements by $27 million in the first three months of 2021, accounting for a $103 million increase in net cash used in financing activities in the 2022 period compared to the 2021 period. See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note G — "Managed Investment Entities"* to the financial statements.

Parent and Subsidiary Liquidity

Parent Holding Company Liquidity Management believes AFG has sufficient resources to meet its liquidity requirements. If funds generated from operations, including dividends, tax payments and borrowings from subsidiaries, are insufficient to meet fixed charges in any period, AFG would be required to utilize parent company cash and investments or to generate cash through borrowings, sales of other assets, or similar transactions.

AFG's capital and liquidity was significantly enhanced as a result of the 2021 sale of its annuity business to MassMutual for proceeds of $3.57 billion. Management has and will continue to evaluate opportunities for deploying AFG's significant remaining excess capital, including returning capital to shareholders in the form of regular and special cash dividends and through opportunistic share repurchases. In addition, excess capital will be deployed into AFG's property and casualty businesses as management identifies the potential for healthy, profitable organic growth, and opportunities to expand through acquisitions and start-ups that meet target return thresholds.

During the first three months of 2022, AFG repurchased 35,201 shares of its Common Stock for $5 million and paid a special cash dividend of $2.00 per share in March totaling $170 million. On May 4, 2022, AFG announced that it will redeem all of its outstanding 3.50% Senior Notes due August 2026 on June 3, 2022, using cash on hand at the parent. In addition, AFG declared a special cash dividend of $8.00 per share (aggregate $680 million), payable on May 27, 2022.

During 2021, AFG repurchased 2,777,684 shares of its Common Stock for $319 million and paid special cash dividends of $26.00 per share of AFG Common Stock ($14.00 per share in June, $2.00 per share in August, $4.00 per share in October, $4.00 per share in November and $2.00 per share in December) totaling $2.21 billion.

AFG may, at any time and from time to time, seek to retire or purchase its outstanding debt through cash purchases or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as management may determine, and will depend on prevailing market conditions, AFG's liquidity requirements, contractual restrictions and other factors. During the first quarter of 2022, AFG repurchased $48 million principal amount of its 3.50% Senior Notes due 2026 for $50 million cash, which resulted in a $2 million loss on retirement of debt (included in other expenses).

In December 2021, AFG acquired Verikai, Inc., a machine learning and artificial intelligence company that utilizes a predictive risk tool for assessing insurance risk, for $120 million using cash on hand at the parent.

AFG can borrow up to $500 million under its revolving credit facility, which expires in December 2025. Amounts borrowed under this agreement bear interest at rates ranging from 1.00% to 1.875% (currently 1.375%) over LIBOR based on AFG's credit rating. The credit facility also includes provisions relating to the replacement of LIBOR with different floating rates in the event of the discontinuance of LIBOR. There were no borrowings under this agreement, or under any other parent company short-term borrowing arrangements, during 2021 or the first three months of 2022.

Under a tax allocation agreement with AFG, all 80% (or more) owned U.S. subsidiaries generally pay taxes to (or recover taxes from) AFG based on each subsidiary's contribution to amounts due under AFG's consolidated tax return.

Subsidiary Liquidity The liquidity requirements of AFG's insurance subsidiaries relate primarily to the policyholder claims and underwriting expenses and payments of dividends and taxes to AFG. Historically, cash flows from premiums and investment income have generally provided more than sufficient funds to meet these requirements. Funds received in excess of cash requirements are generally invested in marketable securities. In addition, the insurance subsidiaries generally hold a significant amount of highly liquid, short duration investments.

AFG believes its insurance subsidiaries maintain sufficient liquidity to pay claims and underwriting expenses. In addition, these subsidiaries have sufficient capital to meet commitments in the event of unforeseen events such as reserve deficiencies, inadequate premium rates or reinsurer insolvencies. Even in the current uncertain economic environment, management believes that the capital levels in AFG's insurance subsidiaries are adequate to maintain its business and rating agency ratings. Nonetheless, changes in statutory accounting rules, significant declines in the fair value of the insurance subsidiaries' investment portfolios or significant ratings downgrades on these investments, could create a need for additional capital.

Investments

AFG's investment portfolio at March 31, 2022, contained $10.81 billion in fixed maturity securities classified as available for sale and carried at fair value with unrealized gains and losses included in accumulated other comprehensive income and $30 million in fixed maturities classified as trading with holding gains and losses included in net investment income. In addition, AFG's investment portfolio includes $705 million in equity securities carried at fair value with holding gains and losses included in realized gains (losses) on securities and $317 million in equity securities carried at fair value with holding gains and losses included in net investment income.

Fair values for AFG's portfolio are determined by AFG's internal investment professionals using data from nationally recognized pricing services, non-binding broker quotes and other market information. Fair values of equity securities are generally based on published closing prices. For AFG's fixed maturity portfolio, approximately 85% was priced using pricing services at March 31, 2022 and 8% was priced primarily by using non-binding broker quotes. When prices obtained for the same security vary, AFG's internal investment professionals select the price they believe is most indicative of an exit price.

The pricing services use a variety of observable inputs to estimate fair value of fixed maturities that do not trade on a daily basis. Based upon information provided by the pricing services, these inputs include, but are not limited to, recent reported trades, benchmark yields, issuer spreads, bids or offers, reference data, and measures of volatility. Included in the pricing of mortgage-backed securities ("MBS") are estimates of the rate of future prepayments and defaults of principal over the remaining life of the underlying collateral. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on brokers’ prices are classified as Level 3 in the GAAP hierarchy unless the price can be corroborated, for example, by comparison to similar securities priced using observable inputs.

Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by AFG’s internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, AFG communicates directly with pricing services regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the services to value specific securities.

In general, the fair value of AFG’s fixed maturity investments is inversely correlated to changes in interest rates. The following table demonstrates the sensitivity of such fair values to reasonably likely changes in interest rates by illustrating the estimated effect on AFG’s fixed maturity portfolio that an immediate increase of 100 basis points in the interest rate yield curve would have at March 31, 2022 (dollars in millions). Effects of increases or decreases from the 100 basis points illustrated would be approximately proportional.

Fair value of fixed maturity portfolio	$	10,839
Percentage impact on fair value of 100 bps increase in interest rates		(2.5 %)
Pretax impact on fair value of fixed maturity portfolio	$	(271)

Approximately 90% of the fixed maturities held by AFG at March 31, 2022, were rated “investment grade” (credit rating of AAA to BBB) by nationally recognized rating agencies, 3% were rated “non-investment grade” and 7% were not rated. Investment grade securities generally bear lower yields and lower degrees of risk than those that are unrated and non-investment grade. Management believes that the high-quality investment portfolio should generate a stable and predictable investment return.

Municipal bonds represented approximately 15% of AFG’s fixed maturity portfolio at March 31, 2022. AFG’s municipal bond portfolio is high quality, with more than 99% of the securities rated investment grade at that date. The portfolio is well diversified across the states of issuance and individual issuers. At March 31, 2022, approximately 91% of the municipal bond portfolio was held in revenue bonds, with the remaining 9% held in general obligation bonds.

Summarized information for the unrealized gains and losses recorded in AFG’s Balance Sheet at March 31, 2022, is shown in the following table (dollars in millions). Approximately $559 million of available for sale fixed maturity securities had no unrealized gains or losses at March 31, 2022.

		Securities With Unrealized Gains		Securities With Unrealized Losses
Available for Sale Fixed Maturities				
Fair value of securities	$	3,293	$	6,957
Amortized cost of securities, net of allowance for expected credit losses	$	3,211	$	7,177
Gross unrealized gain (loss)	$	82	$	(220)
Fair value as % of amortized cost		103 %		97 %
Number of security positions		964		1,128
Number individually exceeding $2 million gain or loss		2		9
Concentration of gains (losses) by type or industry (exceeding 5% of unrealized):				
Mortgage-backed securities	$	36	$	(55)
States and municipalities		22		(13)
Other asset-backed securities		5		(68)
Asset managers		2		(19)
Collateralized loan obligations		2		(14)
Percentage rated investment grade		90 %		95 %

The table below sets forth the scheduled maturities of AFG’s available for sale fixed maturity securities at March 31, 2022, based on their fair values. Securities with sinking funds are reported at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

	Securities With Unrealized Gains	Securities With Unrealized Losses
Maturity		
One year or less	17 %	1 %
After one year through five years	34 %	20 %
After five years through ten years	10 %	7 %
After ten years	3 %	3 %
	64 %	31 %
Collateralized loan obligations and other asset-backed securities (average life of approximately 3 years)	27 %	51 %
Mortgage-backed securities (average life of approximately 5 years)	9 %	18 %
	100 %	100 %

The table below (dollars in millions) summarizes the unrealized gains and losses on fixed maturity securities by dollar amount:

	Aggregate Fair Value	Aggregate Unrealized Gain (Loss)	Fair Value as % of Cost
Fixed Maturities at March 31, 2022			
Securities with unrealized gains:			
Exceeding $500,000 (27 securities)	$ 185	$ 26	116 %
$500,000 or less (937 securities)	3,108	56	102 %
	$ 3,293	$ 82	103 %
Securities with unrealized losses:			
Exceeding $500,000 (128 securities)	$ 2,272	$ (134)	94 %
$500,000 or less (1,000 securities)	4,685	(86)	98 %
	$ 6,957	$ (220)	97 %

The following table (dollars in millions) summarizes the unrealized losses for all securities with unrealized losses by issuer quality and the length of time those securities have been in an unrealized loss position:

	Aggregate Fair Value	Aggregate Unrealized Loss	Fair Value as % of Cost
Securities with Unrealized Losses at March 31, 2022			
Investment grade fixed maturities with losses for:			
Less than one year (898 securities)	$ 6,326	$ (193)	97 %
One year or longer (71 securities)	285	(14)	95 %
	$ 6,611	$ (207)	97 %
Non-investment grade fixed maturities with losses for:			
Less than one year (114 securities)	$ 319	$ (10)	97 %
One year or longer (45 securities)	27	(3)	90 %
	$ 346	$ (13)	96 %

When a decline in the value of a specific investment is considered to be other-than-temporary, an allowance for credit losses (impairment) is charged to earnings (accounted for as a realized loss). The determination of whether unrealized losses are other-than-temporary requires judgment based on subjective as well as objective factors as detailed in AFG’s 2021 Form 10-K under *Management’s Discussion and Analysis — “Investments.”*

Based on its analysis, management believes AFG will recover its cost basis (net of any allowance) in the fixed maturity securities with unrealized losses and that AFG has the ability to hold the securities until they recover in value and had no intent to sell them at March 31, 2022. Although AFG has the ability to continue holding its fixed maturity investments with unrealized losses, its intent to hold them may change due to deterioration in the issuers' creditworthiness, decisions to lessen exposure to a particular issuer or industry, asset/liability management decisions, market movements, changes in views about appropriate asset allocation or the desire to offset taxable realized gains. Should AFG's ability or intent change regarding a particular security, a charge for impairment would likely be required. While it is not possible to accurately predict if or when a specific security will become impaired, increases in the allowance for credit losses could be material to results of operations in future periods. Significant declines in the fair value of AFG's investment portfolio could have a significant adverse effect on AFG's liquidity. For information on AFG's realized gains (losses) on securities, see *"Results of Operations — Realized Gains (Losses) on Securities."*

Uncertainties

Management believes that the areas posing the greatest risk of material loss are the adequacy of its insurance reserves and contingencies arising out of its former railroad and manufacturing operations. See *Management's Discussion and Analysis — "Uncertainties — Asbestos and Environmental-related ("A&E") Insurance Reserves*" in AFG's 2021 Form 10–K.

MANAGED INVESTMENT ENTITIES

Accounting standards require AFG to consolidate its investments in collateralized loan obligation ("CLO") entities that it manages and owns an interest in (in the form of debt). See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note G — "Managed Investment Entities"* to the financial statements. The effect of consolidating these entities is shown in the tables below (in millions). The "Before CLO Consolidation" columns include AFG's investment and earnings in the CLOs on an unconsolidated basis.

CONDENSED CONSOLIDATING BALANCE SHEET

	Before CLO Consolidation	Managed Investment Entities	Consol. Entries		Consolidated As Reported
March 31, 2022					
Assets:					
Cash and investments	$ 15,720	$ —	$ (119)	(*)	$ 15,601
Assets of managed investment entities	—	5,231	—		5,231
Other assets	7,930	—	—	(*)	7,930
Total assets	$ 23,650	$ 5,231	$ (119)		$ 28,762
Liabilities:					
Unpaid losses and loss adjustment expenses and unearned premiums	$ 14,192	$ —	$ —		$ 14,192
Liabilities of managed investment entities	—	5,201	(89)	(*)	5,112
Long-term debt and other liabilities	4,623	—	—		4,623
Total liabilities	18,815	5,201	(89)		23,927
Shareholders' equity:					
Common Stock and Capital surplus	1,425	30	(30)		1,425
Retained earnings	3,541	—	—		3,541
Accumulated other comprehensive income (loss), net of tax	(131)	—	—		(131)
Total shareholders' equity	4,835	30	(30)		4,835
Total liabilities and shareholders' equity	$ 23,650	$ 5,231	$ (119)		$ 28,762
December 31, 2021					
Assets:					
Cash and investments	$ 15,821	$ —	$ (76)	(*)	$ 15,745
Assets of managed investment entities	—	5,296	—		5,296
Other assets	7,890	—	—	(*)	7,890
Total assets	$ 23,711	$ 5,296	$ (76)		$ 28,931
Liabilities:					
Unpaid losses and loss adjustment expenses and unearned premiums	$ 14,115	$ —	$ —		$ 14,115
Liabilities of managed investment entities	—	5,296	(76)	(*)	5,220
Long-term debt and other liabilities	4,584	—	—		4,584
Total liabilities	18,699	5,296	(76)		23,919
Shareholders' equity:					
Common Stock and Capital surplus	1,415	—	—		1,415
Retained earnings	3,478	—	—		3,478
Accumulated other comprehensive income, net of tax	119	—	—		119
Total shareholders' equity	5,012	—	—		5,012
Total liabilities and shareholders' equity	$ 23,711	$ 5,296	$ (76)		$ 28,931

(*) Elimination of the fair value of AFG's investment in CLOs and related accrued interest.

CONDENSED CONSOLIDATING STATEMENT OF EARNINGS

	Before CLO Consol. (a)	Managed Investment Entities	Consol. Entries		Consolidated As Reported
Three months ended March 31, 2022					
Revenues:					
Property and casualty insurance net earned premiums	$ 1,302	$ —	$ —		$ 1,302
Net investment income	228	—	2	(b)	230
Realized gains (losses) on securities	(15)	—	—		(15)
Income of managed investment entities:					
Investment income	—	46	—		46
Gain (loss) on change in fair value of assets/liabilities	—	—	(5)	(b)	(5)
Other income	34	—	(4)	(c)	30
Total revenues	1,549	46	(7)		1,588
Costs and Expenses:					
Insurance benefits and expenses	1,107	—	—		1,107
Expenses of managed investment entities	—	46	(7)	(b)(c)	39
Interest charges on borrowed money and other expenses	81	—	—		81
Total costs and expenses	1,188	46	(7)		1,227
Earnings before income taxes	361	—	—		361
Provision for income taxes	71	—	—		71
Net earnings	$ 290	$ —	$ —		$ 290
Three months ended March 31, 2021					
Revenues:					
Property and casualty insurance net earned premiums	$ 1,173	$ —	$ —		$ 1,173
Net investment income	193	—	(5)	(b)	188
Realized gains (losses) on securities	77	—	—		77
Income of managed investment entities:					
Investment income	—	46	—		46
Gain (loss) on change in fair value of assets/liabilities	—	(1)	3	(b)	2
Other income	27	—	(4)	(c)	23
Total revenues	1,470	45	(6)		1,509
Costs and Expenses:					
Insurance benefits and expenses	1,047	—	—		1,047
Expenses of managed investment entities	—	45	(6)	(b)(c)	39
Interest charges on borrowed money and other expenses	88	—	—		88
Total costs and expenses	1,135	45	(6)		1,174
Earnings from continuing operations before income taxes	335	—	—		335
Provision for income taxes	68	—	—		68
Net earnings from continuing operations	267	—	—		267
Net earnings from discontinued operations	152	—	—		152
Net earnings	$ 419	$ —	$ —		$ 419

(a) Includes a loss of $2 million in the first three months of 2022 and income of $5 million in the first three months of 2021, representing the change in fair value of AFG's CLO investments plus $4 million in both the first three months of 2022 and 2021, in CLO management fees earned.
(b) Elimination of the change in fair value of AFG's investments in the CLOs, including $3 million and $2 million in the first three months of 2022 and 2021, respectively, in distributions recorded as interest expense by the CLOs.
(c) Elimination of management fees earned by AFG.

RESULTS OF OPERATIONS

General

AFG’s net earnings, determined in accordance with GAAP, include certain items that may not be indicative of its ongoing core operations. In addition to discontinued operations, core net operating earnings excludes realized gains (losses) on securities because such gains and losses are influenced significantly by financial markets, interest rates and the timing of sales. In addition, special charges related to coverage that AFG no longer writes, such as asbestos and environmental exposures, are excluded from core earnings.

AFG recorded $152 million in non-core net earnings from its discontinued annuity operations (sold in May 2021) in the first three months of 2021, which includes $41 million in tax liabilities triggered by the pending sale.

The following table (in millions, except per share amounts) identifies non-core items and reconciles net earnings to core net operating earnings, a non-GAAP financial measure. AFG believes core net operating earnings is a useful tool for investors and analysts in analyzing ongoing operating trends and for management to evaluate financial performance against historical results because it believes this provides a more comparable measure of its continuing business.

	Three months ended March 31, 2022	Three months ended March 31, 2021
Components of net earnings:		
Core operating earnings before income taxes	$ 378	$ 258
Pretax non-core items:		
Realized gains (losses) on securities	(15)	77
Loss on retirement of debt	(2)	—
Earnings before income taxes	361	335
Provision for income taxes:		
Core operating earnings	75	52
Non-core items:		
Realized gains (losses) on securities	(3)	16
Loss on retirement of debt	(1)	—
Total provision for income taxes	71	68
Net earnings from continuing operations	290	267
Net earnings from discontinued operations	—	152
Net earnings	$ 290	$ 419
Net earnings:		
Core net operating earnings	$ 303	$ 206
Realized gains (losses) on securities	(12)	61
Loss on retirement of debt	(1)	—
Net earnings from continuing operations	290	267
Discontinued annuity operations	—	152
Net earnings	$ 290	$ 419
Diluted per share amounts:		
Core net operating earnings	$ 3.56	$ 2.38
Realized gains (losses) on securities	(0.14)	0.70
Loss on retirement of debt	(0.02)	—
Diluted per share amounts, continuing operations	3.40	3.08
Discontinued annuity operations	—	1.76
Net earnings	$ 3.40	$ 4.84

Net earnings were $290 million in the first three months of 2022 compared to $419 million in the first three months of 2021. The decrease in results reflects net earnings from the discontinued annuity operations in the first quarter of 2021 and net realized losses on securities in the first three months of 2022 compared to net realized gains on securities in the first three months of 2021, partially offset by higher core net operating earnings. Core net operating earnings for the first three months of 2022 increased $97 million compared to the first three months of 2021 reflecting higher underwriting profit, higher net investment income and lower holding company expenses. Realized gains (losses) on securities in the first three months of 2022 and 2021 resulted primarily from the change in fair value of equity securities that were still held at the balance sheet date.

RESULTS OF OPERATIONS — THREE MONTHS ENDED MARCH 31, 2022 AND 2021

Segmented Statement of Earnings

Subsequent to the sale of its annuity operations, AFG reports its operations as two segments: (i) Property and casualty insurance ("P&C") and (ii) Other, which includes holding company costs and income and expenses related to the managed investment entities ("MIEs").

AFG's net earnings, determined in accordance with GAAP, include certain items that may not be indicative of its ongoing core operations. The following tables for the three months ended March 31, 2022 and 2021 identify such items by segment and reconcile net earnings to core net operating earnings, a non-GAAP financial measure that AFG believes is a useful tool for investors and analysts in analyzing ongoing operating trends (in millions):

		Other				
	P&C	Consol. MIEs	Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
Three months ended March 31, 2022						
Revenues:						
Property and casualty insurance net earned premiums	$ 1,302	$ —	$ —	$ 1,302	$ —	$ 1,302
Net investment income	223	2	5	230	—	230
Realized gains (losses) on securities	—	—	—	—	(15)	(15)
Income of MIEs:						
Investment income	—	46	—	46	—	46
Gain (loss) on change in fair value of assets/liabilities	—	(5)	—	(5)	—	(5)
Other income	4	(4)	30	30	—	30
Total revenues	1,529	39	35	1,603	(15)	1,588
Costs and Expenses:						
Property and casualty insurance:						
Losses and loss adjustment expenses	693	—	—	693	—	693
Commissions and other underwriting expenses	402	—	12	414	—	414
Interest charges on borrowed money	—	—	23	23	—	23
Expenses of MIEs	—	39	—	39	—	39
Other expenses	12	—	44	56	2	58
Total costs and expenses	1,107	39	79	1,225	2	1,227
Earnings before income taxes	422	—	(44)	378	(17)	361
Provision for income taxes	86	—	(11)	75	(4)	71
Core Net Operating Earnings	336	—	(33)	303		
Non-core earnings (loss) (*):						
Realized gains (losses) on securities, net of tax	—	—	(12)	(12)	12	—
Loss on retirement of debt, net of tax	—	—	(1)	(1)	1	—
Net Earnings	$ 336	$ —	$ (46)	$ 290	$ —	$ 290

	P&C	Other: Annuity	Other: Consol. MIEs	Other: Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
Three months ended March 31, 2021							
Revenues:							
Property and casualty insurance net earned premiums	$ 1,173	$ —	$ —	$ —	$ 1,173	$ —	$ 1,173
Net investment income	159	29	(5)	5	188	—	188
Realized gains (losses) on securities	—	—	—	—	—	77	77
Income of MIEs:							
Investment income	—	—	46	—	46	—	46
Gain (loss) on change in fair value of assets/liabilities	—	—	2	—	2	—	2
Other income	4	—	(4)	23	23	—	23
Total revenues	1,336	29	39	28	1,432	77	1,509
Costs and Expenses:							
Property and casualty insurance:							
Losses and loss adjustment expenses	667	—	—	—	667	—	667
Commissions and other underwriting expenses	372	—	—	8	380	—	380
Interest charges on borrowed money	—	—	—	24	24	—	24
Expenses of MIEs	—	—	39	—	39	—	39
Other expenses	9	1	—	54	64	—	64
Total costs and expenses	1,048	1	39	86	1,174	—	1,174
Earnings from continuing operations before income taxes	288	28	—	(58)	258	77	335
Provision for income taxes	56	6	—	(10)	52	16	68
Core Net Operating Earnings	232	22	—	(48)	206		
Non-core earnings (loss) (*):							
Realized gains (losses) on securities, net of tax	—	—	—	61	61	(61)	—
Discontinued operations, net of tax	—	152	—	—	152	—	152
Net Earnings	$ 232	$ 174	$ —	$ 13	$ 419	$ —	$ 419

(*) See the reconciliation of core earnings to GAAP net earnings under "*Results of Operations — General*" for details on the tax impacts of these reconciling items.

Property and Casualty Insurance Segment — Results of Operations

Performance measures such as underwriting profit or loss and related combined ratios are often used by property and casualty insurers to help users of their financial statements better understand the company's performance. Underwriting profitability is measured by the combined ratio, which is a sum of the ratios of losses and loss adjustment expenses, and commissions and other underwriting expenses to premiums. A combined ratio under 100% indicates an underwriting profit. The combined ratio does not reflect net investment income, other income, other expenses or federal income taxes.

AFG's property and casualty insurance operations contributed $422 million in GAAP pretax earnings in the first three months of 2022 compared to $288 million in the first three months of 2021, an increase of $134 million (47%). The increase in pretax earnings reflects higher underwriting profit and higher net investment income primarily from alternative investments (partnerships and similar investments and AFG-managed CLOs) in the first three months of 2022 compared to the first three months of 2021.

The following table details AFG's earnings before income taxes from its property and casualty insurance operations for the three months ended March 31, 2022 and 2021 (dollars in millions):

	Three months ended March 31, 2022	Three months ended March 31, 2021	% Change
Gross written premiums	$ 1,936	$ 1,616	20 %
Reinsurance premiums ceded	(568)	(411)	38 %
Net written premiums	1,368	1,205	14 %
Change in unearned premiums	(66)	(32)	106 %
Net earned premiums	1,302	1,173	11 %
Loss and loss adjustment expenses	693	667	4 %
Commissions and other underwriting expenses	402	372	8 %
Underwriting gain	207	134	54 %
Net investment income	223	159	40 %
Other income and expenses, net	(8)	(5)	60 %
Earnings before income taxes	$ 422	$ 288	47 %

	Three months ended March 31, 2022	Three months ended March 31, 2021	Change
Combined Ratios:			
Specialty lines			
Loss and LAE ratio	53.1 %	56.8 %	(3.7 %)
Underwriting expense ratio	30.9 %	31.7 %	(0.8 %)
Combined ratio	84.0 %	88.5 %	(4.5 %)
Aggregate — including exited lines			
Loss and LAE ratio	53.2 %	56.9 %	(3.7 %)
Underwriting expense ratio	30.9 %	31.7 %	(0.8 %)
Combined ratio	84.1 %	88.6 %	(4.5 %)

AFG reports the underwriting performance of its Specialty property and casualty insurance business in the following sub-segments: (i) Property and transportation, (ii) Specialty casualty and (iii) Specialty financial.

To understand the overall profitability of particular lines, the timing of claims payments and the related impact of investment income must be considered. Certain "short-tail" lines of business (primarily property coverages) generally have quick loss payouts, which reduce the time funds are held, thereby limiting investment income earned thereon. In contrast, "long-tail" lines of business (primarily liability coverages and workers' compensation) generally have payouts that are either structured over many years or take many years to settle, thereby significantly increasing investment income earned on related premiums received.

Gross Written Premiums

Gross written premiums ("GWP") for AFG's property and casualty insurance segment were $1.94 billion for the first three months of 2022 compared to $1.62 billion for the first three months of 2021, an increase of $320 million (20%). Detail of AFG's property and casualty gross written premiums is shown below (dollars in millions):

	Three months ended March 31, 2022 GWP	2022 %	2021 GWP	2021 %	% Change
Property and transportation	$ 760	39 %	$ 520	32 %	46 %
Specialty casualty	976	51 %	904	56 %	8 %
Specialty financial	200	10 %	192	12 %	4 %
	$ 1,936	100 %	$ 1,616	100 %	20 %

Reinsurance Premiums Ceded

Reinsurance premiums ceded (“Ceded”) for AFG’s property and casualty insurance segment were 29% of gross written premiums for the first three months of 2022 compared to 25% of gross written premiums for the first three months of 2021, an increase of 4 percentage points. Detail of AFG’s property and casualty reinsurance premiums ceded is shown below (dollars in millions):

	Three months ended March 31,				
	2022		2021		Change in
	Ceded	% of GWP	Ceded	% of GWP	% of GWP
Property and transportation	$ (259)	34 %	$ (117)	23 %	11 %
Specialty casualty	(326)	33 %	(316)	35 %	(2 %)
Specialty financial	(41)	21 %	(31)	16 %	5 %
Other specialty	58		53		
	$ (568)	29 %	$ (411)	25 %	4 %

Net Written Premiums

Net written premiums (“NWP”) for AFG’s property and casualty insurance segment were $1.37 billion for the first three months of 2022 compared to $1.21 billion for the first three months of 2021, an increase of $163 million (14%). Detail of AFG’s property and casualty net written premiums is shown below (dollars in millions):

	Three months ended March 31,				
	2022		2021		
	NWP	%	NWP	%	% Change
Property and transportation	$ 501	37 %	$ 403	33 %	24 %
Specialty casualty	650	47 %	588	49 %	11 %
Specialty financial	159	12 %	161	13 %	(1 %)
Other specialty	58	4 %	53	5 %	9 %
	$ 1,368	100 %	$ 1,205	100 %	14 %

Net Earned Premiums

Net earned premiums (“NEP”) for AFG’s property and casualty insurance segment were $1.30 billion for the first three months of 2022 compared to $1.17 billion for the first three months of 2021, an increase of $129 million (11%). Detail of AFG’s property and casualty net earned premiums is shown below (dollars in millions):

	Three months ended March 31,				
	2022		2021		
	NEP	%	NEP	%	% Change
Property and transportation	$ 443	34 %	$ 394	34 %	12 %
Specialty casualty	639	49 %	571	49 %	12 %
Specialty financial	163	13 %	157	13 %	4 %
Other specialty	57	4 %	51	4 %	12 %
	$ 1,302	100 %	$ 1,173	100 %	11 %

Gross written premiums for the first three months of 2022 increased $320 million (20%) compared to the first three months of 2021. Growth during the first three months of 2022 was favorably impacted by timing differences in the recording of premiums in the Property and transportation sub-segment. Excluding that impact, gross and net written premiums increased 9% and 10%, respectively, compared to the first three months of 2021 as a result of an improving economy, new business opportunities and a strong renewal rate environment. Overall average renewal rates increased approximately 5% in the first three months of 2022. Excluding rate decreases in the workers’ compensation business, renewal rates increased approximately 8%.

Property and transportation Gross written premiums increased $240 million (46%) in the first three months of 2022 compared to the first three months of 2021 due primarily to the timing of premium recognition between the fourth quarter of 2021 and the first quarter of 2022 in the crop insurance business and the timing of the renewal of a large account in the transportation business. Excluding the impact of these items, first quarter gross and net written premiums in this group grew 14% and 12%, respectively, year-over-year. Average renewal rates increased approximately 6% for this group in the first three months of 2022. Reinsurance premiums ceded as a percentage of gross written premiums increased 11 percentage points in the first three months of 2022 compared to the first three months of 2021 reflecting the timing of premium recognition in the crop insurance operations, which cede a larger percentage of premiums than the other businesses in the Property and transportation sub-segment.

Specialty casualty Gross written premiums increased $72 million (8%) in the first three months of 2022 compared to the first three months of 2021. With the exception of the workers’ compensation group, nearly all the businesses in this group achieved strong renewal rate increases and the vast majority of businesses in this group reported premium growth in the first three months of 2022. Average renewal rates increased approximately 5% for this group in the first three months of 2022. Excluding rate decreases in the workers’ compensation business, renewal rates for this group increased approximately 10%. Reinsurance premiums ceded as a percentage of gross written premiums decreased 2 percentage points in the first three months of 2022 compared to the first three months of 2021 reflecting lower cessions in the environmental, excess and surplus and excess liability businesses.

Specialty financial Gross written premiums increased $8 million (4%) in the first three months of 2022 compared to the first three months of 2021 due primarily to strong rate increases and new business opportunities in the fidelity business and new business opportunities in the innovative markets business, partially offset by a decrease in premiums in the financial institutions business. Average renewal rates increased approximately 6% for this group in the first three months of 2022. Reinsurance premiums ceded as a percentage of gross written premiums increased 5 percentage points in the first three months of 2022 compared to the first three months of 2021 reflecting higher cessions in the innovative markets business.

Other specialty The amounts shown as reinsurance premiums ceded represent business assumed by AFG’s internal reinsurance program from the operations that make up AFG’s other Specialty property and casualty insurance sub-segments. Reinsurance premiums assumed increased $5 million in the first three months of 2022 compared to the first three months of 2021 reflecting an increase in premiums retained, primarily from businesses in the Specialty casualty sub-segment.

Combined Ratio

The table below (dollars in millions) details the components of the combined ratio and underwriting profit for AFG's property and casualty insurance segment:

	Three months ended March 31,			Three months ended March 31,	
	2022	2021	Change	2022	2021
Property and transportation					
Loss and LAE ratio	57.7 %	56.0 %	1.7 %		
Underwriting expense ratio	28.1 %	29.6 %	(1.5 %)		
Combined ratio	85.8 %	85.6 %	0.2 %		
Underwriting profit				$ 62	$ 56
Specialty casualty					
Loss and LAE ratio	53.8 %	63.1 %	(9.3 %)		
Underwriting expense ratio	26.8 %	27.1 %	(0.3 %)		
Combined ratio	80.6 %	90.2 %	(9.6 %)		
Underwriting profit				$ 124	$ 56
Specialty financial					
Loss and LAE ratio	29.4 %	33.8 %	(4.4 %)		
Underwriting expense ratio	52.6 %	50.3 %	2.3 %		
Combined ratio	82.0 %	84.1 %	(2.1 %)		
Underwriting profit				$ 29	$ 25
Total Specialty					
Loss and LAE ratio	53.1 %	56.8 %	(3.7 %)		
Underwriting expense ratio	30.9 %	31.7 %	(0.8 %)		
Combined ratio	84.0 %	88.5 %	(4.5 %)		
Underwriting profit				$ 208	$ 134
Aggregate — including exited lines					
Loss and LAE ratio	53.2 %	56.9 %	(3.7 %)		
Underwriting expense ratio	30.9 %	31.7 %	(0.8 %)		
Combined ratio	84.1 %	88.6 %	(4.5 %)		
Underwriting profit				$ 207	$ 134

The Specialty property and casualty insurance operations generated an underwriting profit of $208 million in the first three months of 2022 compared to $134 million in the first three months of 2021, an increase of $74 million (55%). The higher underwriting profit in the first three months of 2022 reflects higher underwriting profits in each of the Specialty property and casualty insurance sub-segments with the most significant increase in the Specialty casualty sub-segment. Overall catastrophe losses were $9 million (0.7 points on the combined ratio) in the first three months of 2022 compared to catastrophe losses of $20 million (1.7 points) and related net reinstatement premiums of $11 million in the first three months of 2021.

Property and transportation Underwriting profit for this group was $62 million for the first three months of 2022 compared to $56 million for the first three months of 2021, an increase of $6 million (11%). Higher underwriting profitability in the property and inland marine and crop operations more than offset lower underwriting profit in the transportation businesses, primarily as a result of lower favorable prior year reserve development. In the first three months of 2021, the profitability of the transportation businesses was exceptionally strong as this group benefited from COVID-19 related low frequency from both an accident year and prior year development perspective. Catastrophe losses were $6 million (1.5 points on the combined ratio) in the first three months of 2022 compared to catastrophe losses of $14 million (3.6 points) and related net reinstatement premiums of $8 million in the first three months of 2021.

Specialty casualty Underwriting profit for this group was $124 million for the first three months of 2022 compared to $56 million for the first three months of 2021, an increase of $68 million (121%). This increase reflects higher year-over-year underwriting profitability in the workers' compensation, excess and surplus and executive liability businesses in the first three months of 2022 compared to the first three months of 2021.

Specialty financial Underwriting profit for this group was $29 million for the first three months of 2022 compared to $25 million in the first three months of 2021, an increase of $4 million (16%). This increase reflects higher year-over-year underwriting profitability in the trade credit and surety businesses. Catastrophe losses were $2 million (1.2 points on the combined ratio) in the first three months of 2022 compared to catastrophe losses of $4 million (2.1 points) and related net reinstatement premiums of $2 million in the first three months of 2021.

Other specialty This group reported an underwriting loss of $7 million in the first three months of 2022 compared to $3 million in the first three months of 2021, an increase of $4 million (133%). This increase reflects higher losses in the business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty sub-segments in the first three months of 2022 compared to the first three months of 2021.

Losses and Loss Adjustment Expenses

AFG's overall loss and LAE ratio was 53.2% for the first three months of 2022 compared to 56.9% for the first three months of 2021, a decrease of 3.7 percentage points. The components of AFG's property and casualty losses and LAE amounts and ratio are detailed below (dollars in millions):

	Three months ended March 31,				Change in Ratio
	Amount		Ratio		
	2022	2021	2022	2021	
Property and transportation					
Current year, excluding COVID-19 related and catastrophe losses	$ 284	$ 250	64.0 %	63.4 %	0.6 %
Prior accident years development	(34)	(43)	(7.8 %)	(11.1 %)	3.3 %
Current year COVID-19 related losses	—	—	— %	0.1 %	(0.1 %)
Current year catastrophe losses	6	14	1.5 %	3.6 %	(2.1 %)
Property and transportation losses and LAE and ratio	$ 256	$ 221	57.7 %	56.0 %	1.7 %
Specialty casualty					
Current year, excluding COVID-19 related and catastrophe losses	$ 392	$ 362	61.3 %	63.3 %	(2.0 %)
Prior accident years development	(49)	(9)	(7.6 %)	(1.7 %)	(5.9 %)
Current year COVID-19 related losses	—	7	— %	1.2 %	(1.2 %)
Current year catastrophe losses	1	1	0.1 %	0.3 %	(0.2 %)
Specialty casualty losses and LAE and ratio	$ 344	$ 361	53.8 %	63.1 %	(9.3 %)
Specialty financial					
Current year, excluding COVID-19 related and catastrophe losses	$ 59	$ 55	36.3 %	35.6 %	0.7 %
Prior accident years development	(13)	(8)	(8.1 %)	(5.4 %)	(2.7 %)
Current year COVID-19 related losses	—	2	— %	1.5 %	(1.5 %)
Current year catastrophe losses	2	4	1.2 %	2.1 %	(0.9 %)
Specialty financial losses and LAE and ratio	$ 48	$ 53	29.4 %	33.8 %	(4.4 %)
Total Specialty					
Current year, excluding COVID-19 related and catastrophe losses	$ 772	$ 697	59.2 %	59.5 %	(0.3 %)
Prior accident years development	(89)	(59)	(6.8 %)	(5.2 %)	(1.6 %)
Current year COVID-19 related losses	—	9	— %	0.8 %	(0.8 %)
Current year catastrophe losses	9	20	0.7 %	1.7 %	(1.0 %)
Total Specialty losses and LAE and ratio	$ 692	$ 667	53.1 %	56.8 %	(3.7 %)
Aggregate — including exited lines					
Current year, excluding COVID-19 related and catastrophe losses	$ 772	$ 697	59.2 %	59.5 %	(0.3 %)
Prior accident years development	(88)	(59)	(6.7 %)	(5.1 %)	(1.6 %)
Current year COVID-19 related losses	—	9	— %	0.8 %	(0.8 %)
Current year catastrophe losses	9	20	0.7 %	1.7 %	(1.0 %)
Aggregate losses and LAE and ratio	$ 693	$ 667	53.2 %	56.9 %	(3.7 %)

Current accident year losses and LAE, excluding COVID-19 related and catastrophe losses
The current accident year loss and LAE ratio, excluding COVID-19 related and catastrophe losses for AFG’s Specialty property and casualty insurance operations was 59.2% for the first three months of 2022 compared to 59.5% for the first three months of 2021, a decrease of 0.3 percentage points.

Property and transportation The 0.6 percentage point increase in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses reflects an increase in the loss and LAE ratio at National Interstate due primarily to higher claim frequency in the first three months of 2022 compared to the first three months of 2021, partially offset by a decrease in the loss and LAE ratio in the aviation business.

Specialty casualty The 2.0 percentage point decrease in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses reflects a decrease in the loss and LAE ratios of the workers’ compensation, excess and surplus and targeted markets businesses.

Specialty financial The 0.7 percentage point increase in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses reflects an increase in the loss and LAE ratio of the innovative markets business.

Net prior year reserve development
AFG’s Specialty property and casualty insurance operations recorded net favorable reserve development related to prior accident years of $89 million in the first three months of 2022 compared to $59 million in the first three months of 2021, an increase of $30 million (51%).

Property and transportation Net favorable reserve development of $34 million in the first three months of 2022 reflects lower than anticipated losses in the crop business, lower than expected claim frequency in the trucking and ocean marine businesses and at the Singapore branch and lower than anticipated claim severity in the property and inland marine business. Net favorable reserve development of $43 million in the first three months of 2021 reflects lower than anticipated claim frequency and severity in the transportation businesses, lower than expected losses in the crop business and lower than expected claim frequency in the aviation business, partially offset by higher than expected claim frequency and severity in the equine business.

Specialty casualty Net favorable reserve development of $49 million in the first three months of 2022 reflects lower than anticipated claim severity in the workers’ compensation businesses, lower than expected claim frequency in the executive liability business and lower than anticipated claim frequency and severity in the excess and surplus business, partially offset by higher than anticipated claim severity in the targeted markets businesses. Net favorable reserve development of $9 million in the first three months of 2021 reflects lower than anticipated claim severity in the workers’ compensation businesses, partially offset by higher than anticipated claim severity in the targeted markets, professional liability and excess liability businesses.

Specialty financial Net favorable reserve development of $13 million in the first three months of 2022 reflects lower than anticipated claim frequency in the surety, trade credit and financial institutions businesses. Net favorable reserve development of $8 million in the first three months of 2021 reflects lower than anticipated claim frequency and severity in the financial institutions business and lower than anticipated claim frequency in the surety business.

Other specialty In addition to the development discussed above, total Specialty prior year reserve development includes net adverse reserve development of $7 million in the first three months of 2022 and $1 million in the first three months of 2021, reflecting net adverse reserve development associated with AFG’s internal reinsurance program, partially offset by the amortization of the deferred gains on the retroactive reinsurance transactions entered into in connection with the sale of businesses in 1998 and 2001.

Aggregate Aggregate net prior accident years reserve development for AFG’s property and casualty insurance segment includes net adverse reserve development of $1 million in the first three months of 2022 related to business outside the Specialty group that AFG no longer writes.

COVID-19 related losses
Underwriting results for AFG’s Specialty property and casualty insurance operations in the first three months of 2021 include $9 million in reserve charges related to COVID-19, primarily related to the workers’ compensation businesses. AFG released approximately $6 million of accident year 2020 reserves based on loss experience in the first three months

of 2021. Given the uncertainties surrounding the ultimate number and scope of claims relating to the pandemic, approximately 61% of the $90 million in COVID-19 related reserves are held as incurred but not reported at March 31, 2022.

Catastrophe losses
AFG generally seeks to reduce its exposure to catastrophes through individual risk selection, including minimizing coastal and known fault-line exposures, and the purchase of reinsurance. Based on data available at December 31, 2021, 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:

Industry Model	Approximate impact of modeled loss on AFG's Shareholders' Equity
100-year event	1%
250-year event	1%
500-year event	2%

AFG maintains comprehensive property catastrophe reinsurance coverage for its property and casualty insurance operations, including a $20 million per occurrence net retention, for losses up to $125 million in the vast majority of circumstances. In certain unlikely events, AFG's ultimate loss under this coverage could be as high as $39 million for a single occurrence. AFG further maintains supplemental fully collateralized reinsurance coverage up to 94% of $325 million for catastrophe losses in excess of $125 million of traditional catastrophe reinsurance through a catastrophe bond.

Catastrophe losses of $9 million in the first three months of 2022 resulted primarily from winter storms in multiple regions of the United States. Catastrophe losses of $20 million in the first three months of 2021 resulted primarily from winter storms in Texas.

Commissions and Other Underwriting Expenses

AFG's property and casualty commissions and other underwriting expenses ("U/W Exp") were $402 million in the first three months of 2022 compared to $372 million for the first three months of 2021, an increase of $30 million (8%). AFG's underwriting expense ratio, calculated as commissions and other underwriting expenses divided by net premiums earned, was 30.9% for the first three months of 2022 compared to 31.7% for the first three months of 2021, a decrease of 0.8 percentage points. Detail of AFG's property and casualty commissions and other underwriting expenses and underwriting expense ratios is shown below (dollars in millions):

	Three months ended March 31,				
	2022		2021		Change in
	U/W Exp	% of NEP	U/W Exp	% of NEP	% of NEP
Property and transportation	$ 125	28.1 %	$ 117	29.6 %	(1.5 %)
Specialty casualty	171	26.8 %	154	27.1 %	(0.3 %)
Specialty financial	86	52.6 %	79	50.3 %	2.3 %
Other specialty	20	35.8 %	22	42.3 %	(6.5 %)
	$ 402	30.9 %	$ 372	31.7 %	(0.8 %)

Property and transportation Commissions and other underwriting expenses as a percentage of net earned premiums decreased 1.5 percentage points in the first three months of 2022 compared to the first three months of 2021 reflecting higher profitability-based ceding commissions received from reinsurers in the crop business and the impact of higher premiums on the ratio in the ocean marine and trucking businesses in the first three months of 2022 compared to the first three months of 2021.

Specialty casualty Commissions and other underwriting expenses as a percentage of net earned premiums decreased 0.3 percentage points in the first three months of 2022 compared to the first three months of 2021 reflecting higher ceding commissions received from reinsurers as a result of growth in the environmental business in the first three months of 2022 compared to the first three months of 2021.

Specialty financial Commissions and other underwriting expenses as a percentage of net earned premiums increased 2.3 percentage points in the first three months of 2022 compared to the first three months of 2021 reflecting higher contingent commissions to reinsurers in the financial institutions business in the first three months of 2022 compared to the first three months of 2021.

Property and Casualty Net Investment Income

Net investment income in AFG’s property and casualty insurance operations was $223 million in the first three months of 2022 compared to $159 million in the first three months of 2021, an increase of $64 million (40%). The average invested assets and overall yield earned on investments held by AFG’s property and casualty insurance operations are provided below (dollars in millions):

	Three months ended March 31, 2022	Three months ended March 31, 2021	Change	% Change
Net investment income:				
Net investment income excluding alternative investments	$ 84	$ 82	$ 2	2 %
Alternative investments	139	77	62	81 %
Total net investment income	$ 223	$ 159	$ 64	40 %
Average invested assets (at amortized cost)	$ 13,858	$ 12,573	$ 1,285	10 %
Yield (net investment income as a % of average invested assets)	6.44 %	5.06 %	1.38 %	
Tax equivalent yield (*)	6.54 %	5.20 %	1.34 %	

(*) Adjusts the yield on equity securities and tax-exempt bonds to the fully taxable equivalent yield.

The property and casualty insurance segment’s increase in net investment income for the first three months of 2022 compared to the first three months of 2021 reflects higher average investments and a higher percentage of the portfolio invested in alternative investments (partnerships and similar investments and AFG managed CLOs). The property and casualty insurance segment’s overall yield on investments (net investment income as a percentage of average invested assets) was 6.44% for the first three months of 2022 compared to 5.06% for the first three months of 2021, an increase of 1.38 percentage points. The annualized return earned on alternative investments was 29.1% in the first three months of 2022 compared to 29.8% in the comparable prior year period.

Property and Casualty Other Income and Expenses, Net

Other income and expenses, net for AFG’s property and casualty insurance operations was a net expense of $8 million for the first three months of 2022 compared to $5 million for the first three months of 2021, an increase of $3 million (60%). The table below details the items included in other income and expenses, net for AFG’s property and casualty insurance operations (in millions):

	Three months ended March 31, 2022	Three months ended March 31, 2021
Other income	$ 4	$ 4
Other expenses		
Amortization of intangibles	2	3
Interest expense on funds withheld	6	6
Other	4	—
Total other expenses	12	9
Other income and expenses, net	$ (8)	$ (5)

Holding Company, Other and Unallocated — Results of Operations

AFG’s net GAAP pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $46 million in the first three months of 2022 compared to $58 million in the first three months of 2021, a decrease of $12 million (21%). AFG’s net core pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $44 million in the first three months of 2022 compared to $58 million in the first three months of 2021, a decrease of $14 million (24%).

The following table details AFG’s GAAP and core loss before income taxes from operations outside of its property and casualty insurance segment for the three months ended March 31, 2022 and 2021 (dollars in millions):

	Three months ended March 31, 2022	Three months ended March 31, 2021	% Change
Revenues:			
Net investment income	$ 5	$ 5	— %
Other income — P&C fees	24	19	26 %
Other income	6	4	50 %
Total revenues	35	28	25 %
Costs and Expenses:			
Property and casualty insurance — loss adjustment and underwriting expenses	12	8	50 %
Other expense — expenses associated with P&C fees	12	11	9 %
Other expenses	32	43	(26 %)
Costs and expenses, excluding interest charges on borrowed money	56	62	(10 %)
Loss before income taxes, excluding realized gains and losses and interest charges on borrowed money	(21)	(34)	(38 %)
Interest charges on borrowed money	23	24	(4 %)
Core loss before income taxes, excluding realized gains and losses	(44)	(58)	(24 %)
Pretax non-core loss on retirement of debt	(2)	—	— %
GAAP loss from continuing operations before income taxes, excluding realized gains and losses	$ (46)	$ (58)	(21 %)

Holding Company and Other — Net Investment Income

AFG recorded net investment income on investments held outside of its property and casualty insurance segment of $5 million in both the first three months of 2022 and in the first three months of 2021, reflecting income in the first three months of 2022 from directly owned real estate acquired from the annuity subsidiaries prior to the sale of the annuity business and purchases of fixed maturity investments at the holding company, offset by the impact of mark-to-market adjustments on a small portfolio of securities that are carried at fair value through net investment income. These securities decreased in value by $1 million in the first three months of 2022 compared to an increase in value of $3 million in the first three months of 2021.

Holding Company and Other — P&C Fees and Related Expenses

Summit, a workers’ compensation insurance subsidiary, collects fees from a small group of unaffiliated insurers for providing underwriting, policy administration and claims services. In addition, certain of AFG’s property and casualty insurance businesses collect fees from customers for ancillary services such as workplace safety programs and premium financing. In the first three months of 2022, AFG collected $22 million for these services compared to $19 million in the first three months of 2021. Management views this fee income, net of the $12 million in the first three months of 2022 and $11 million in the first three months of 2021, in expenses incurred to generate such fees, as a reduction in the cost of underwriting its property and casualty insurance policies. In addition, AFG’s property and casualty insurance businesses collected $2 million in fees from AFG’s disposed annuity operations during the first three months of 2022 as compensation for certain services provided under a transition services agreement. The expenses related to providing such services are embedded in property and casualty underwriting expenses. Consistent with internal management reporting, these fees and the related expenses are netted and recorded as a reduction of loss adjustment expenses and underwriting expenses in AFG’s segmented results.

Holding Company and Other — Other Income

Other income in the table above includes $4 million in both the first three months of 2022 and the first three months of 2021, in management fees paid to AFG by the AFG-managed CLOs (AFG’s consolidated managed investment entities). The management fees are eliminated in consolidation — see the other income line in the Consolidate MIEs column under *“Results of Operations — Segmented Statement of Earnings.”* Excluding amounts eliminated in consolidation, AFG recorded other income outside of its property and casualty insurance segment of $2 million and less than $1 million in the first three months of 2022 and the first three months of 2021, respectively.

Holding Company and Other — Other Expenses
AFG's holding companies and other operations outside of its property and casualty insurance segment recorded other expenses of $32 million in the first three months of 2022 compared to $43 million in the first three months of 2021, a decrease of $11 million (26%), reflecting lower holding company expenses related to employee benefit plans that are tied to stock market performance.

Holding Company and Other — Interest Charges on Borrowed Money
AFG's holding companies and other operations outside of its property and casualty insurance segment recorded interest expense of $23 million in the first three months of 2022 compared to $24 million in the first three months of 2021, a decrease of $1 million (4%), reflecting the repurchase of $48 million principal amount of 3.50% Senior Notes in the first three months of 2022. The following table details the principal amount of AFG's long-term debt balances as of March 31, 2022 compared to March 31, 2021 (dollars in millions):

	March 31, 2022	March 31, 2021
Direct obligations of AFG:		
4.50% Senior Notes due June 2047	$ 590	$ 590
3.50% Senior Notes due August 2026	377	425
5.25% Senior Notes due April 2030	300	300
5.125% Subordinated Debentures due December 2059	200	200
4.50% Subordinated Debentures due September 2060	200	200
5.625% Subordinated Debentures due June 2060	150	150
5.875% Subordinated Debentures due March 2059	125	125
Other	3	3
Total principal amount of Holding Company Debt	$ 1,945	$ 1,993
Weighted Average Interest Rate	4.7 %	4.6 %

AFG has given notice that it will redeem all of its outstanding 3.50% Senior Notes due August 2026 on June 3, 2022. Management expects that the redemption of the 3.50% Senior Notes will result in a pretax non-core loss on retirement of debt of less than $10 million in the second quarter of 2022.

Holding Company and Other — Loss on Retirement of Debt
During the first quarter of 2022, AFG repurchased $48 million principal amount of its 3.50% Senior Notes due 2026 for $50 million cash, which resulted in a $2 million pretax non-core loss.

Realized Gains (Losses) on Securities
AFG's realized gains (losses) on securities were net losses of $15 million in the first three months of 2022 compared to net gains of $77 million in the first three months of 2021, a change of $92 million (119%). Realized gains (losses) on securities consisted of the following (in millions):

	Three months ended March 31, 2022	2021
Realized gains (losses) before impairments:		
Disposals	$ 1	$ 1
Change in the fair value of equity securities	(13)	77
Change in the fair value of derivatives	(5)	(2)
	(17)	76
Change in allowance for impairments on securities	2	1
Realized gains (losses) on securities	$ (15)	$ 77

The $13 million net realized loss from the change in the fair value of equity securities in the first three months of 2022 includes losses of $23 million on investments in banks and financing companies and $5 million on investments in healthcare companies, partially offset by gains of $11 million on investments in energy and natural gas companies and $11 million on investments in media companies. The $77 million net realized gain from the change in the fair value of equity securities in the first three months of 2021 includes gains of $17 million on investments in healthcare companies,

$15 million on investments in energy and natural gas companies, $13 million on investments in media companies and $10 million on investments in banks and financing companies.

Consolidated Income Taxes on Continuing Operations

AFG's consolidated provision for income taxes on continuing operations was $71 million for the first three months of 2022 compared to $68 million for the first three months of 2021, an increase of $3 million (4%). See *Note K — "Income Taxes"* to the financial statements for an analysis of items affecting AFG's effective tax rate on continuing operations.

Real Estate Entities Acquired from the Annuity Operations

Prior to the completion of the sale of its annuity operations in May 2021, AFG parent and its property and casualty insurance operations acquired certain real estate-related partnerships and directly owned real estate from those operations. GAAP pretax earnings from continuing operations for the first three months of 2021 includes the earnings from these entities and certain other expenses that were retained from the annuity operations.

Discontinued Annuity Operations

AFG's discontinued annuity operations, which were sold in May 2021, contributed $152 million in GAAP net earnings in the first three months of 2021.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

As of March 31, 2022, there were no material changes to the information provided in *Item 7A — Quantitative and Qualitative Disclosures about Market Risk* of AFG's 2021 Form 10-K. The following table demonstrates the sensitivity of fair values to reasonably likely changes in interest rates by illustrating the estimated effect on AFG's fixed maturity portfolio that an immediate increase of 100 basis points in the interest rate yield curve would have at March 31, 2022 (dollars in millions). Effects of increases or decreases from the 100 basis points illustrated would be approximately proportional.

Fair value of fixed maturity portfolio	$	10,839
Percentage impact on fair value of 100 bps increase in interest rates		(2.5 %)
Pretax impact on fair value of fixed maturity portfolio	$	(271)

ITEM 4. Controls and Procedures

AFG's management, with participation of its Co-Chief Executive Officers and its Chief Financial Officer, has evaluated AFG's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15) as of the end of the period covered by this report. Based on that evaluation, AFG's Co-CEOs and CFO concluded that the controls and procedures are effective. There have been no changes in AFG's internal control over financial reporting during the first fiscal quarter of 2022 that materially affected, or are reasonably likely to materially affect, AFG's internal control over financial reporting.

In the ordinary course of business, AFG and its subsidiaries routinely enhance their information systems by either upgrading current systems or implementing new systems. During the first quarter of 2022, AFG implemented a new general ledger, accounting and financial reporting system. The new general ledger system was implemented in order to provide a consistent system platform for AFG's subsidiaries, enhance overall efficiency and streamline management reporting and analysis. This change in systems was subject to thorough testing and review both before and after final implementation. This implementation has not materially affected, and management does not expect it to materially affect, AFG's internal controls.

PART II
OTHER INFORMATION

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities AFG repurchased shares of its Common Stock during 2022 as follows:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (b)
First quarter:				
January	—	$ —	—	7,690,922
February	30,000	130.37	30,000	7,660,922
March	5,201	134.99	5,201	7,655,721
Total	35,201	$ 131.05 (a)	35,201	

(a) AFG declared a special dividend of $2.00 per share of its Common Stock in March 2022. Adjusted for the special dividend, the average price paid per share was $129.05 for the three months ended March 31, 2022.
(b) Represents the remaining shares that may be repurchased until December 31, 2025 under the Plans authorized by AFG's Board of Directors in October 2020 and May 2021.

In addition, AFG acquired 2,935 shares (at an average of $134.82 per share) in January 2022, 43,825 shares (at an average of $135.37 per share) in February 2022 and 1,149 shares (at an average of $138.35 per share) in March 2022 in connection with its stock incentive plans.

ITEM 6. Exhibits

Number	Exhibit Description
31(a)	Certification of Co-Chief Executive Officer pursuant to section 302(a) of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Co-Chief Executive Officer pursuant to section 302(a) of the Sarbanes-Oxley Act of 2002.
31(c)	Certification of Chief Financial Officer pursuant to section 302(a) of the Sarbanes-Oxley Act of 2002.
32	Certification of Co-Chief Executive Officers and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Signature

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

American Financial Group, Inc.

May 9, 2022

By: /s/ Brian S. Hertzman
Brian S. Hertzman
Senior Vice President and Chief Financial Officer

Exhibit 31(a)

AMERICAN FINANCIAL GROUP, INC. 10-Q
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, Carl H. Lindner III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2022

By: /s/ Carl H. Lindner III
Carl H. Lindner III
Co-Chief Executive Officer

Exhibit 31(b)

AMERICAN FINANCIAL GROUP, INC. 10-Q
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, S. Craig Lindner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2022

By: /s/ S. Craig Lindner
S. Craig Lindner
Co-Chief Executive Officer

Exhibit 31(c)

AMERICAN FINANCIAL GROUP, INC. 10-Q
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, Brian S. Hertzman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 9, 2022

By: /s/ Brian S. Hertzman
Brian S. Hertzman
Senior Vice President and Chief Financial Officer

Exhibit 32

AMERICAN FINANCIAL GROUP, INC. 10-Q
CERTIFICATION OF CHIEF EXECUTIVE OFFICERS AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of American Financial Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 (the "Report"), the undersigned officers of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2022	By: /s/ S. Craig Lindner
Date	S. Craig Lindner Co-Chief Executive Officer
May 9, 2022	By: /s/ Carl H. Lindner III
Date	Carl H. Lindner III Co-Chief Executive Officer
May 9, 2022	By: /s/ Brian S. Hertzman
Date	Brian S. Hertzman Senior Vice President and Chief Financial Officer

A signed original of this written statement will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.