



# Specialty Property and Casualty Insurance Fixed and Fixed-Indexed Annuities

Dowling & Partners - Investor Meeting  
November 18, 2020



# Forward Looking Statements

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

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

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



A history dating back

**145+** years

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

Approximately **50%** of Specialty P&C Group gross written premium produced by businesses with “top 10” market rankings

**#10** Fixed Annuity provider

**#2** in sales of FIAs through financial institutions



Great American Insurance Company **1** of only **4** companies rated **“A” (Excellent)** or better by A.M. Best for **110+ years**



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

## Specialty P&C Insurance

### Property & Transportation



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

### Specialty Casualty



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

### Specialty Financial



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

## Annuity



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

\$58.1 Billion Investment Portfolio Managed In-House

# Building Long-Term Value for AFG Shareholders



Culture • Entrepreneurial Business Model • Incentives

# Our Corporate Values

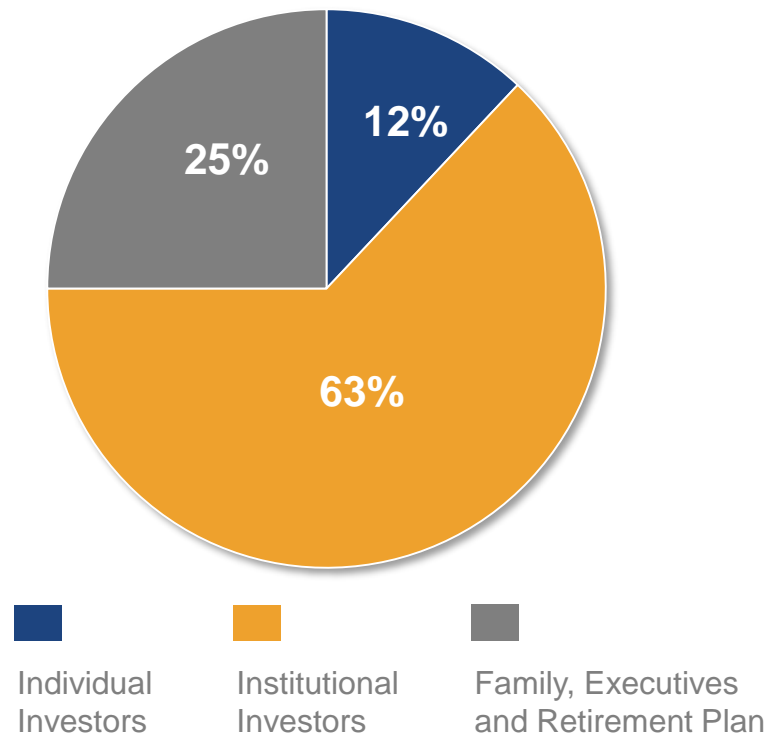


Our Foundation	Our Priorities	Our Expectations
Specialization	Customer Focus	Integrity
Entrepreneurial Spirit	Clear & Open Communications	Self-Discipline
Accountability	Work / Family Balance	Respect for Others

*Over 8,500 employees in 120 locations worldwide*

# Significant Insider Ownership

AFG Shareholder Base



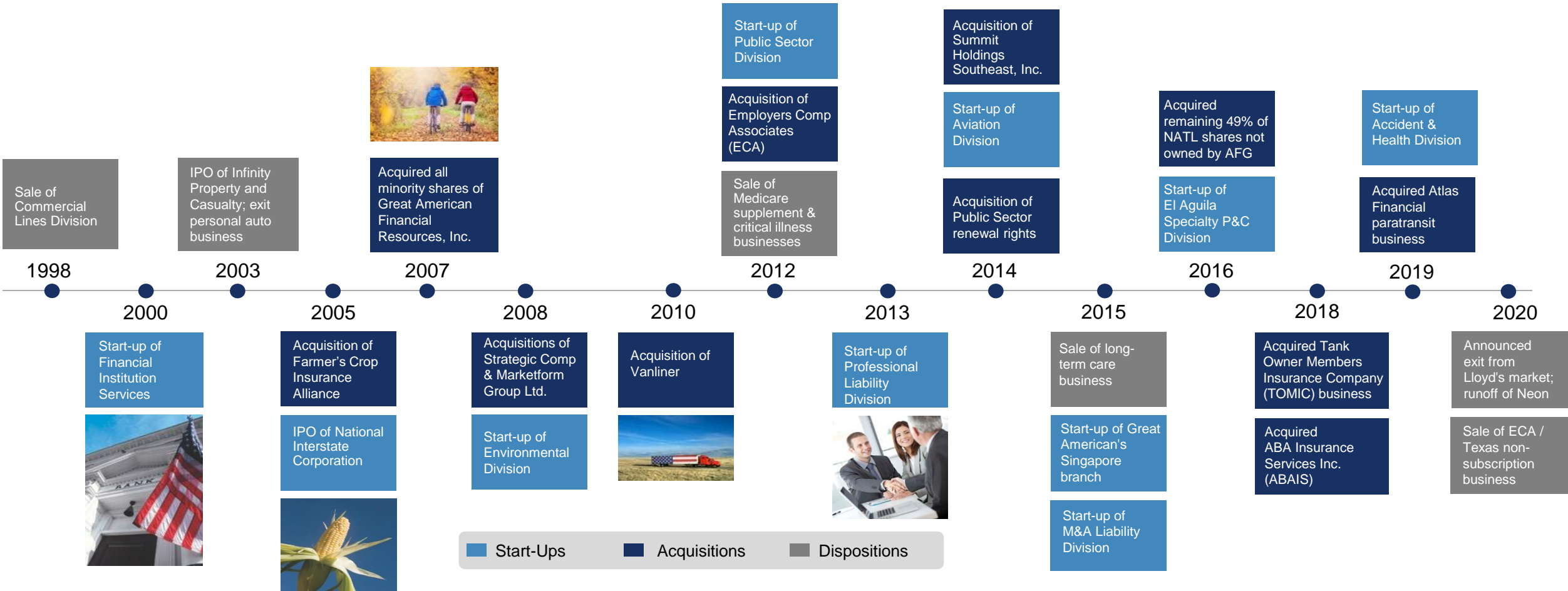
Significant ownership by management creates strong alignment of interests with shareholders over the long term.

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

## Ownership Details

- Co-CEOs / family = 21%
- Executives and Retirement Plan = 4%

# Focusing on What We Know Best



# Intelligent Use of Excess Capital

## 2019 Capital Management

- Returned \$446 million of capital to shareholders
- 12.5% increase in regular annual dividend
- Two special dividends in 2019
  - \$1.50 per share paid in May 2019
  - \$1.80 per share paid in November 2019

## 2020 Capital Management

- Excess capital at September 30, 2020 approximately \$1 billion
- Repurchased \$233 million of AFG common shares at an average price per share of \$67.19 YTD through September 30
- Paid \$120 million in regular dividends YTD through September 30
- In August, announced an 11% increase in regular annual dividend to \$2.00 per share, beginning in 4Q 2020
  - 15<sup>th</sup> consecutive annual dividend increase
- 6.1 million shares remaining in repurchase authorization as of November 1

## Capital Returned to Shareholders Five Years Ended 12/31/2019 (in millions)

Dividends Paid	\$ 1,629
Repurchases	<u>265</u>
Total	<u>\$ 1,894</u>



***\$1.9 Billion Returned to Shareholders***

# Components of Excess Capital

Dollars in millions

## Components of AFG Excess Capital

Cash at Holding Companies	\$ 580
P&C Segment Excess Capital	-
Annuity Segment Excess Capital	119
Borrowing Capacity	<u>344</u>
	<u>\$ 1,043</u>

AFG had approximately  
**\$1 billion** in  
Excess Capital at  
September 30, 2020

### Insurance Company Excess Capital

*Excess capital amounts shown above are based on the most stringent capital model of any rating agency*

#### P&C Segment: Most Stringent Benchmark = S&P

- Statutory Capital exceeds S&P capital requirement for an A+ rating

#### Annuity Segment: Most Stringent Benchmark = Moody's (NAIC)

- Capital in Excess of Target 375% RBC = \$119 million
- Moody's has indicated that an NAIC RBC ratio below 325% is a factor that could lead to a downgrade, and indicated that a ratio of 375% or greater is a factor that could lead to an upgrade
- AFG's RBC Threshold takes into account favorable factors cited by Moody's, including: efficient expense structure, ability to lower cost of funds, and relatively simple product designs that provide surrender protection, among others

### Borrowing Capacity

AFG can borrow an additional \$344 million without exceeding its 22% debt leverage target and commitment to rating agencies

# Components of Excess Capital (continued)

Dollars in millions

Pro Forma Excess Capital  
at September 30, 2020  
**\$1.2 billion**

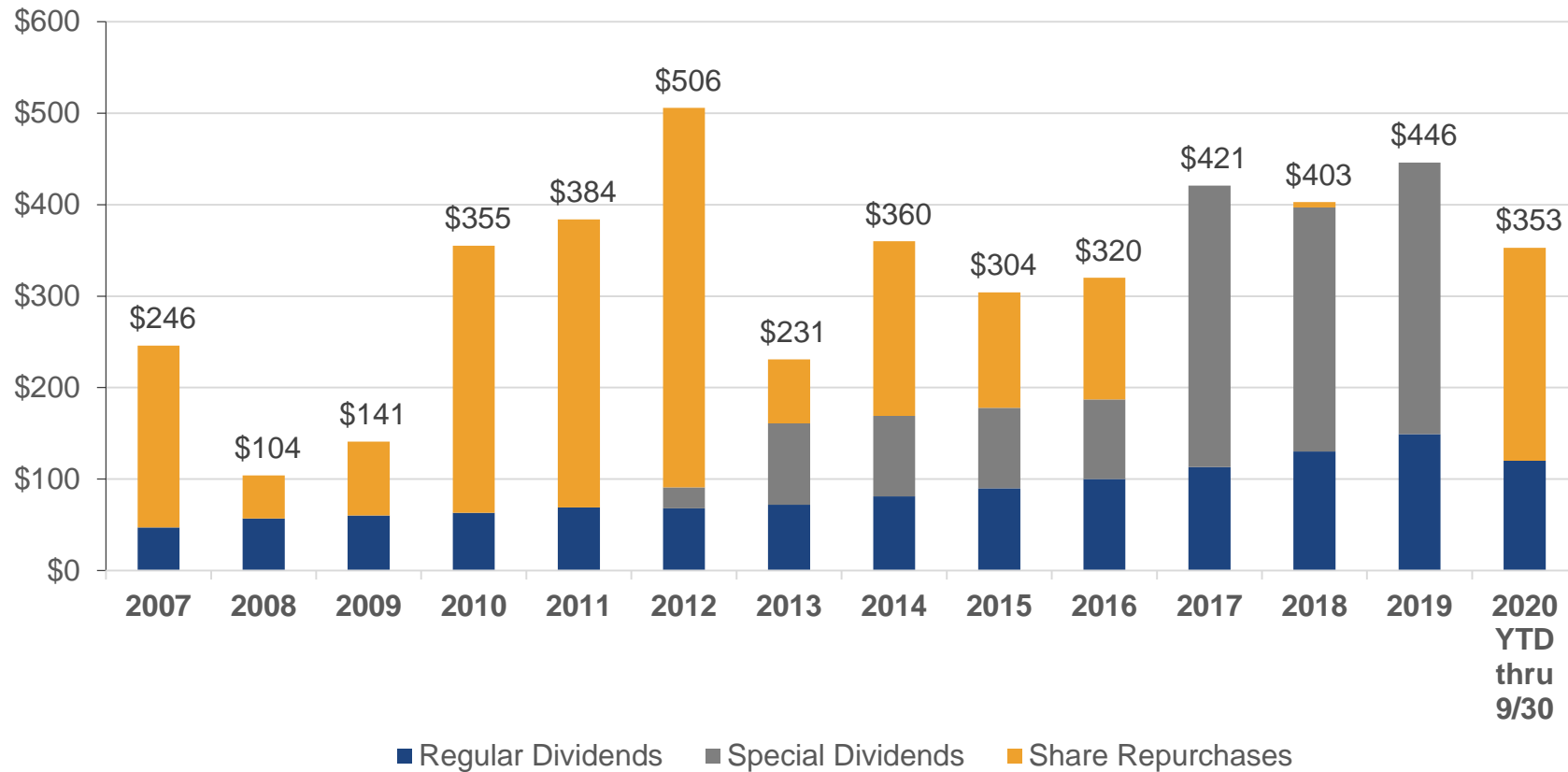
(Adjusted as noted below)

Pro Forma Impacts				
<i>Dollars in millions</i>	Sept 30, 2020 <b>Actual</b>	Impact of Annuity Block Reinsurance Agreement	November Redemption of 6% Subordinated Debentures Due 2055	Sept 30, 2020 <b>Adjusted</b>
Holding Co Cash	\$580	\$200*	(\$150)	\$630
Excess Capital	\$1,043	\$375	(\$192)	\$1,226

\* Dividend paid by GALIC to AFG parent on November 2, 2020.

# Share Repurchases and Common Stock Dividends

Dollars in millions

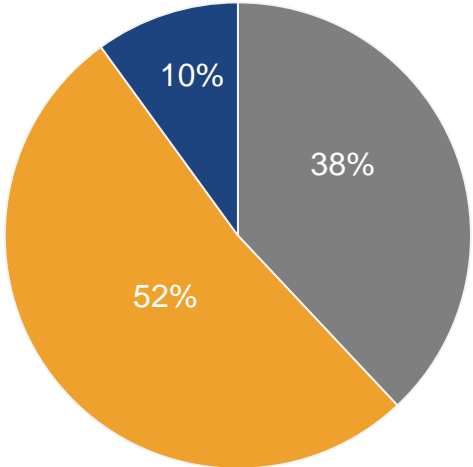


Between years 2009 – 2012, AFG repurchased **33.7 million** shares at a weighted average price of **~ 90.5%** of adjusted book value (book value per share excluding unrealized gains/losses related to fixed maturities).

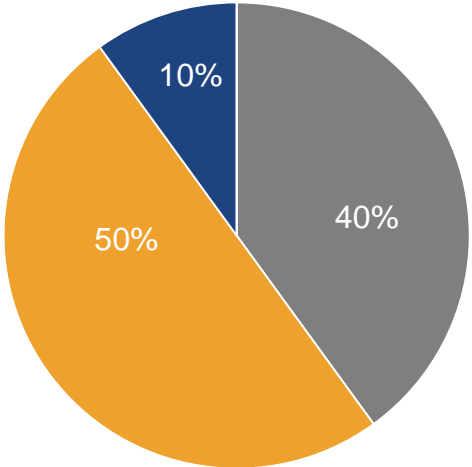
# Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

**Gross Written Premiums  
Full Year 2019  
\$7.30 Billion**



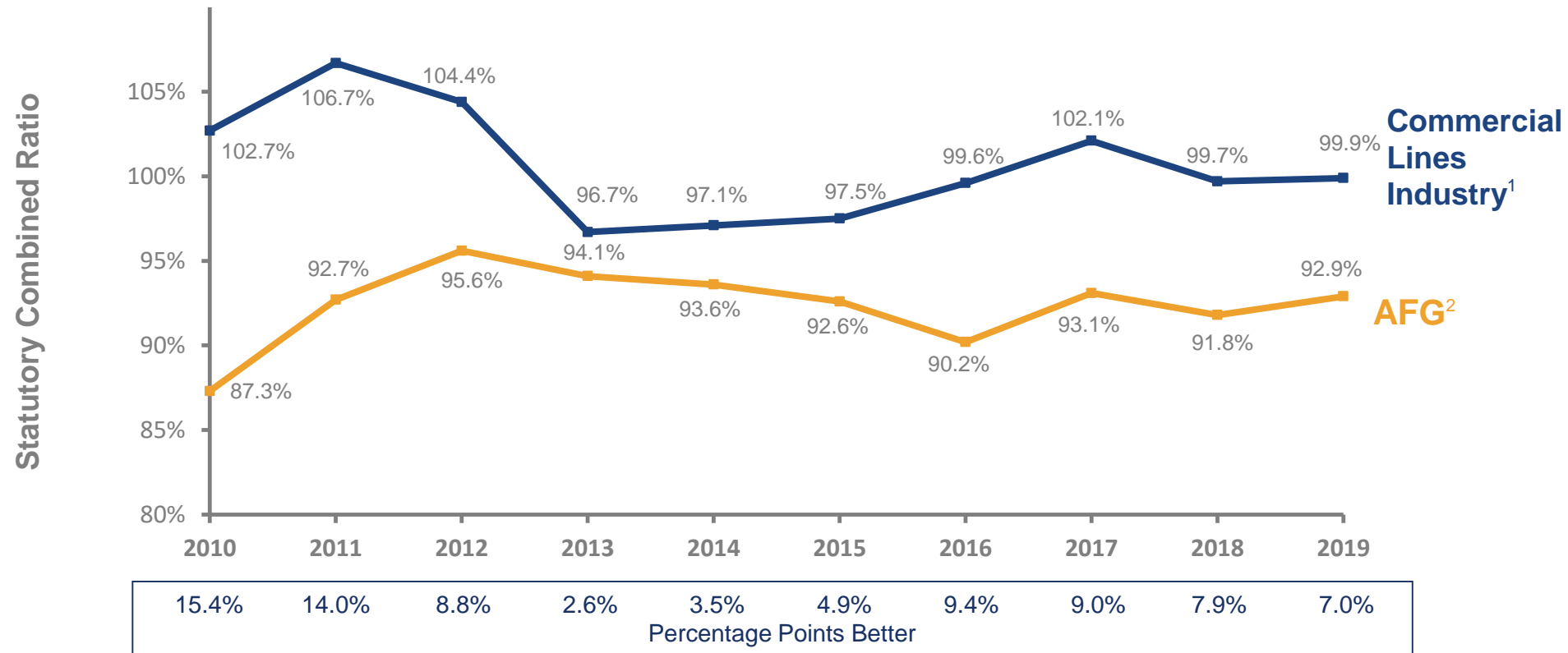
**Gross Written Premiums  
LTM Ended September 30, 2020  
\$7.04 Billion**



- Property & Transportation
- Specialty Casualty
- Specialty Financial

Approximately 50% of P&C Group GWP produced by businesses with “Top 10” market rankings including:  
Crop • Equine • Fidelity/Crime • Financial Institution Services • FL Workers Comp •  
Non-Profit/Social Services • Passenger Transportation • Trade Credit • Trucking

# Superior Underwriting Talent



**8.3%**  
Points  
Better  
Over 10  
Years

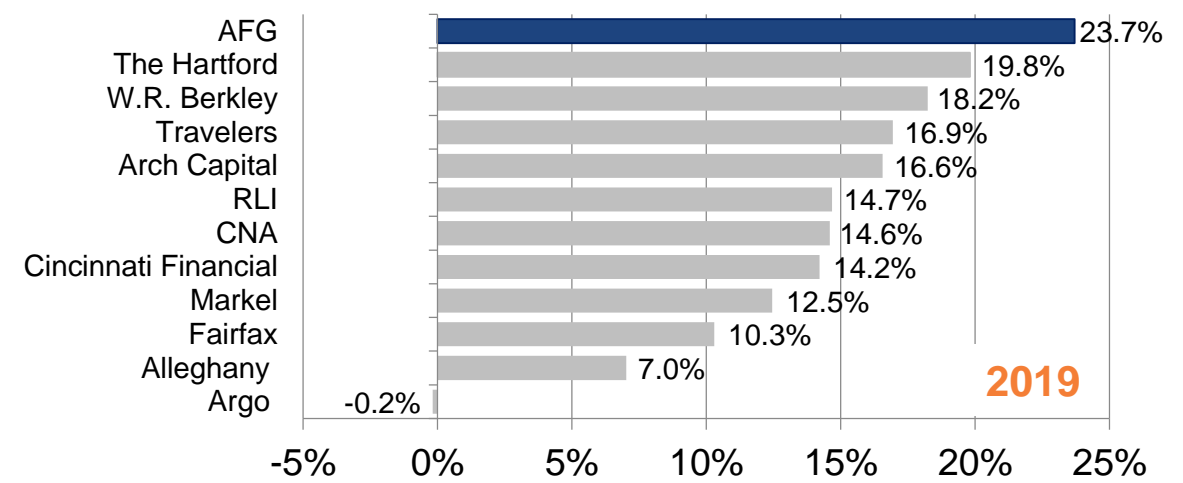
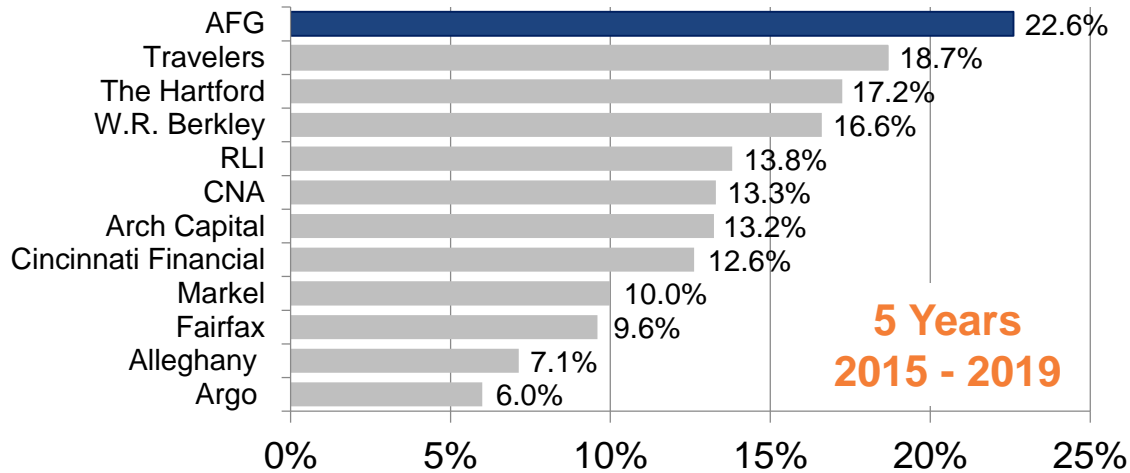
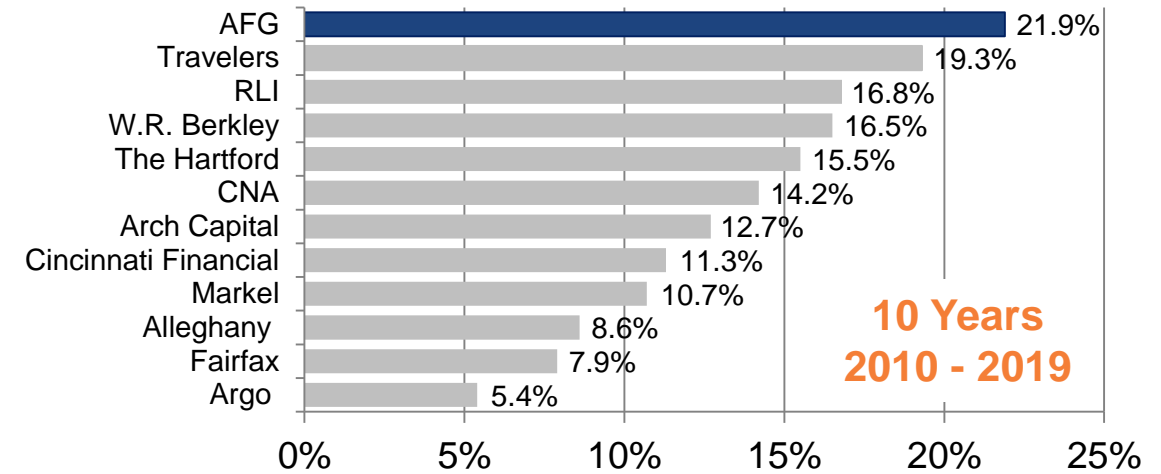
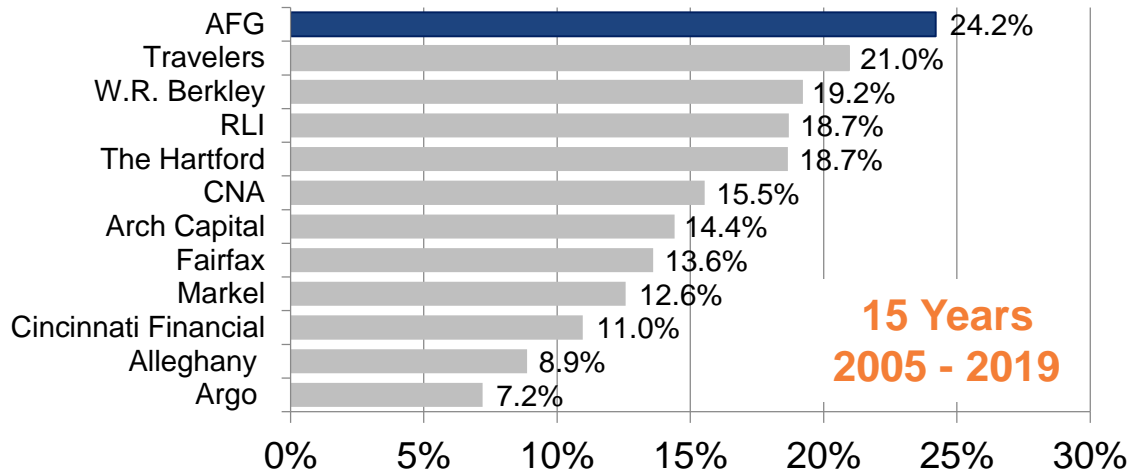
<sup>1</sup> Commercial Lines Industry based on data from A.M. Best's U.S. Property/Casualty Review & Preview – March 2, 2020.

<sup>2</sup> American Financial Group Form 10K filings.

# Strong Alignment Creates Superior Underwriting Results

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

# Pretax Property & Casualty Returns

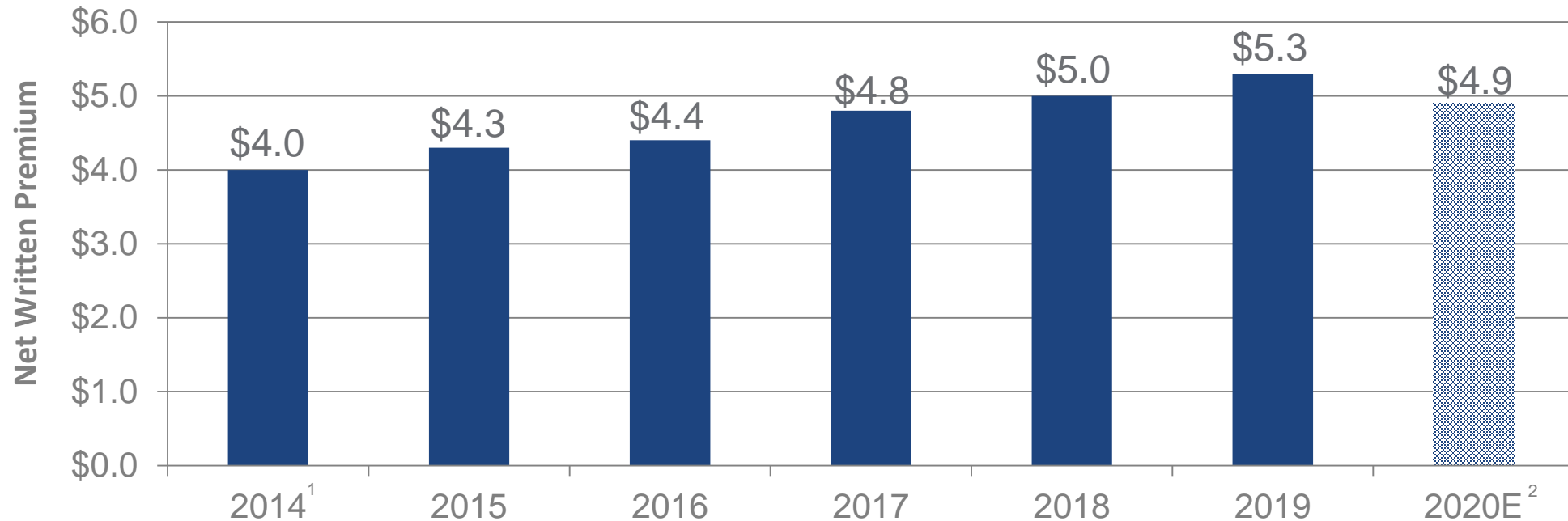


Source: Dowling & Partners

# Specialty Property & Casualty Premium Growth

Dollars in billions

P&C Net Written Premium and Renewal Rates



Rate Increases	2014 <sup>1</sup>	2015	2016	2017	2018	2019	2020E <sup>2</sup>
	3%	1%	1%	1%	1%	3%	10% - 12%

► Overall Specialty P&C renewal rates increased approximately 13% in 3Q20. Excluding workers' compensation, renewal rates increased 16%.

<sup>1</sup> Includes Summit premiums for nine months.

<sup>2</sup> Excluding impact of the run-off of Neon, the change in Net Written Premiums is expected to be in the range of (1%) to +3%.

Excluding workers' compensation and the impact of the run-off of Neon, the change in Net Written Premiums is expected to be in the range of +1% to +5%.

# A View of our Annuity Segment



Channel	Market Rank	Distribution	Product Focus	2019 Gross Premiums
Financial Institutions	#2 FIAs #5 in Total Fixed and FIAs	~35 Financial Institutions; ~ 4,800 agents – Direct through Financial Institutions – Independent Agents and Brokers	<ul style="list-style-type: none"> <li>• Fixed Annuities</li> <li>• Indexed Annuities</li> </ul>	\$2.8B
Retail (Independent Producers)	#15 FIAs #14 in Total Fixed and FIAs	Over 4,500 Retail Agents – Independent Marketing Organizations (IMOs) – Independent Broker Dealers – Registered Investment Advisors		\$2.2B
All Channels	#9 FIAs #10 in Total Fixed and FIAs			\$5.0B

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

## An Industry Leader

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

Market ranking through 9/30/2020 as reported by LIMRA for deferred annuities.

# What Differentiates our Annuity Business?



It Pays To Keep Things **Simple.**<sup>SM</sup>

*It's how we operate our annuity business and always have.*

*We are committed to simplifying our policyholders' paths to financial security by selling annuities that are easier to understand while operating our business in a consistent and conservative manner.*

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Few of our products have upfront policyholder bonuses or pay higher agent commissions. More than 90% of our products are sold without a bonus.

At September 30, 2020, only about 14% of AFG's annuity reserves contained these guarantees, which is about half the industry average.

This business model

... results in **lower deferred policy acquisition costs (DAC)**

... results in **lower sales inducement expenses**

... results in **better expense efficiency**

... which means **lower required investment spreads**

This has enabled AFG to achieve target rates of return in its annuity business without significant changes in renewal rates on our inforce business.

## Well Positioned to Navigate a Low Interest Rate Environment

In the first quarter of 2020, AFG began taking more proactive measures to adjust renewal rates, particularly on those products near the end or out of the surrender charge period.

- Once fully implemented over 12 months, we estimate **annualized savings of \$40 million to \$60 million**, depending on surrender activity, the equivalent to **reducing our overall cost of funds by 10 to 15 basis points**.
- As a result of the Block Reinsurance transaction, we now have the **ability to lower crediting rates by 108 bps on \$26 billion of reserves** (excludes immediate annuities and reserves with lifetime guaranteed income riders).

Although we do not intend to reduce crediting rates on all inforce policies to GMIRs, this large margin gives us a great deal of flexibility in helping us manage returns on our inforce business.

# What Differentiates our Annuity Business?

## Flexibility to Manage Our Cost of Funds

AFG's cost of funds and other benefit expenses was **258 basis points** for the first nine months of 2020

- Included **11 basis points** for amortization of bonuses and accretion of withdrawal benefit reserves

Amortization of bonuses and accretion of withdrawal benefit reserves are not consistently reported as a component of cost of funds by others in the industry, including some that sell significant amounts of products with bonuses and guaranteed benefits.

This makes it difficult to compare cost of funds between different companies.

We believe these costs could be as high as 50 to 100 basis points for some annuity competitors.

### American Financial Group, Inc. Core Net Spread on Fixed Annuities (\$ in millions)

	<u>Nine Months Ended</u>	
	<u>9/30/2020</u>	<u>9/30/2019</u>
Average fixed annuity investments (at amortized cost) (a)	\$ 40,501	\$ 37,849
Average annuity benefits accumulated	40,633	38,075
Annuity benefits accumulated in excess of investments (a)	<u>\$ (132)</u>	<u>\$ (226)</u>
<u>As % of average annuity benefits accumulated (except as noted)</u>		
Net investment income (excluding alternative investments marked to market) (as % of investments)	4.15%	4.37%
Cost of funds	(2.47%)	(2.56%)
Other annuity benefits, net of guaranteed withdrawal benefit fees	(0.11%)	(0.13%)
<b>Core net interest spread on fixed annuities</b>	<b>1.57%</b>	<b>1.68%</b>
Policy charges and other miscellaneous income	0.13%	0.11%
Acquisition expenses (excluding alternative investments marked to market)	(0.57%)	(0.64%)
Other expenses	(0.32%)	(0.36%)
<b>Core net spread earned on fixed annuities (excluding alternative investments marked to market)</b>	<b>0.81%</b>	<b>0.79%</b>
Alternative investments marked to market, net of DAC	<u>(0.05%)</u>	<u>0.29%</u>
<b>Core net spread earned on fixed annuities</b>	<b>0.76%</b>	<b>1.08%</b>
Net spread earned on items previously reported as core operating	<u>n/a</u>	<u>(0.04%)</u>
<b>Core net spread earned on fixed annuities - as reported</b>	<b>0.76%</b>	<b>1.04%</b>

# Annuity Reinsurance Strategy

## Block Reinsurance Agreement (effective October 1, 2020)

GAAP Carrying Value of Ceded Reserves	\$6.0 billion
GAAP book value (amortized cost) of assets transferred	\$5.7 billion
Book Yield on Bonds Transferred	3.13%
Statutory Capital Released in our Annuity Operations	\$300 – \$325 million
Excess Capital Created for AFG	\$375 – \$400 million

	<u>After-tax Non-Core</u>	<u>Recognition Period Under GAAP</u>
Realized Gains <sup>1</sup>	\$275 – \$300	Upon execution of transaction in Q4 2020
Deferred Loss <sup>2</sup>	(\$80) – (\$70)	Over lifetime of ceded reserves <sup>3</sup>
Negative Ceding Commission	(\$40) – (\$35)	Over lifetime of ceded reserves <sup>3</sup>
Unamortized DAC	(\$35) – (\$30)	Over lifetime of ceded reserves <sup>3</sup>
Deferred Loss on Options	(\$65) – (\$60)	Over next 12 months as options expire
<b>Block Reinsurance Non-Core Impact</b>	<b><u>\$55 – \$105</u></b>	

<sup>1</sup> Difference between market value and amortized cost of investments transferred, net of DAC.

<sup>2</sup> Difference between market value of investments transferred and carrying value of reserves transferred.

<sup>3</sup> Expected to be 7 - 10 years.

# Annuity Reinsurance Strategy (continued)

## Flow Reinsurance Agreement (effective May 7, 2020)

Up to 50% of premiums for select annuity products, the equivalent of approximately 20% - 25% of gross annuity premiums

In the third quarter of 2020, the Annuity Segment ceded new premiums of \$168 million, or nearly 20% of 3Q 2020 gross statutory premiums

Ceded premiums YTD since inception = \$246 million

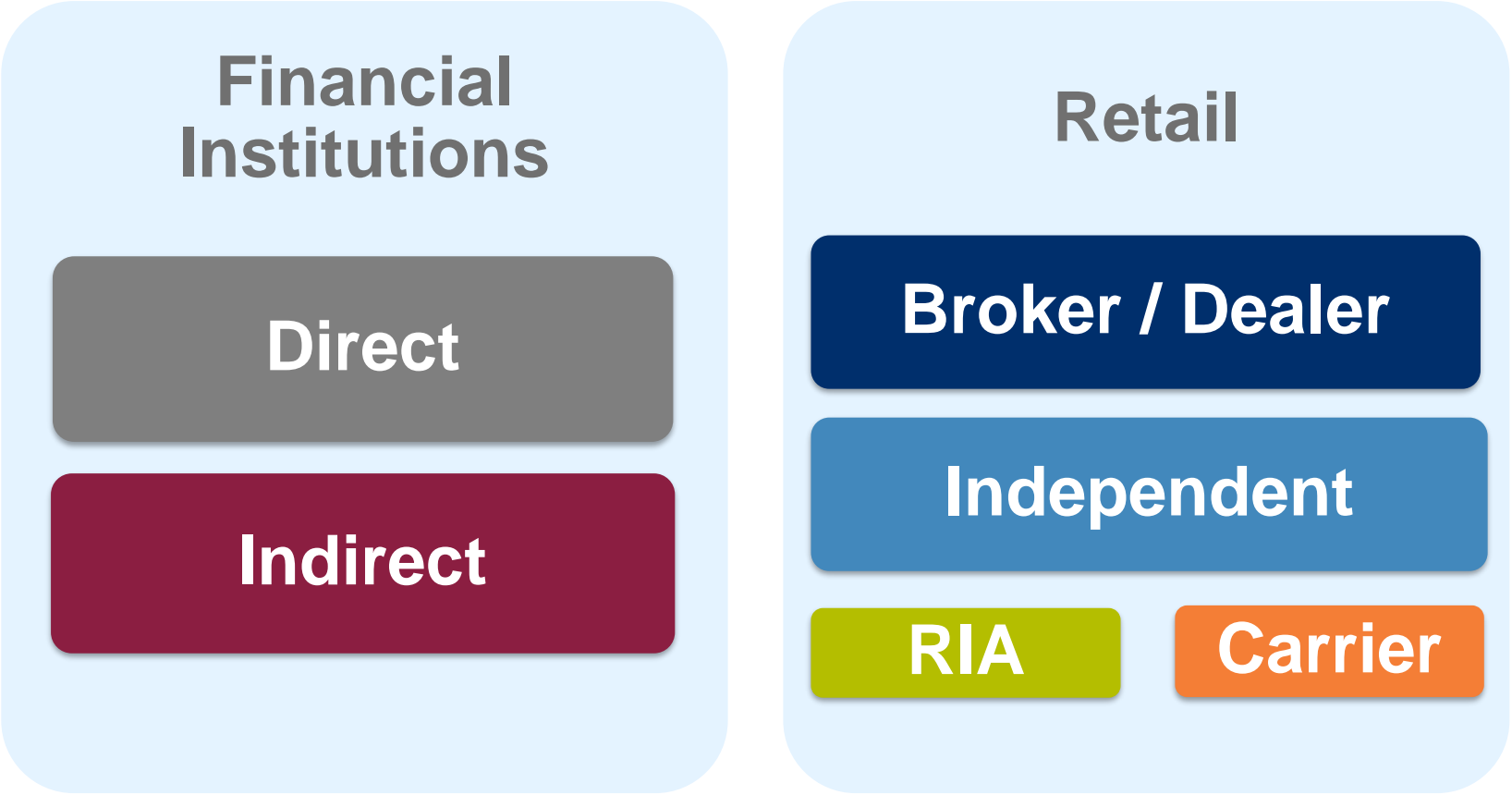
Ability to reinsure up to \$2 billion of premiums through November 7, 2021

*Both the block reinsurance agreement and the flow reinsurance agreement*

- ✓ *Reduce statutory capital committed to AFG's annuity business*
- ✓ *Enhance returns on inforce and new annuity business*

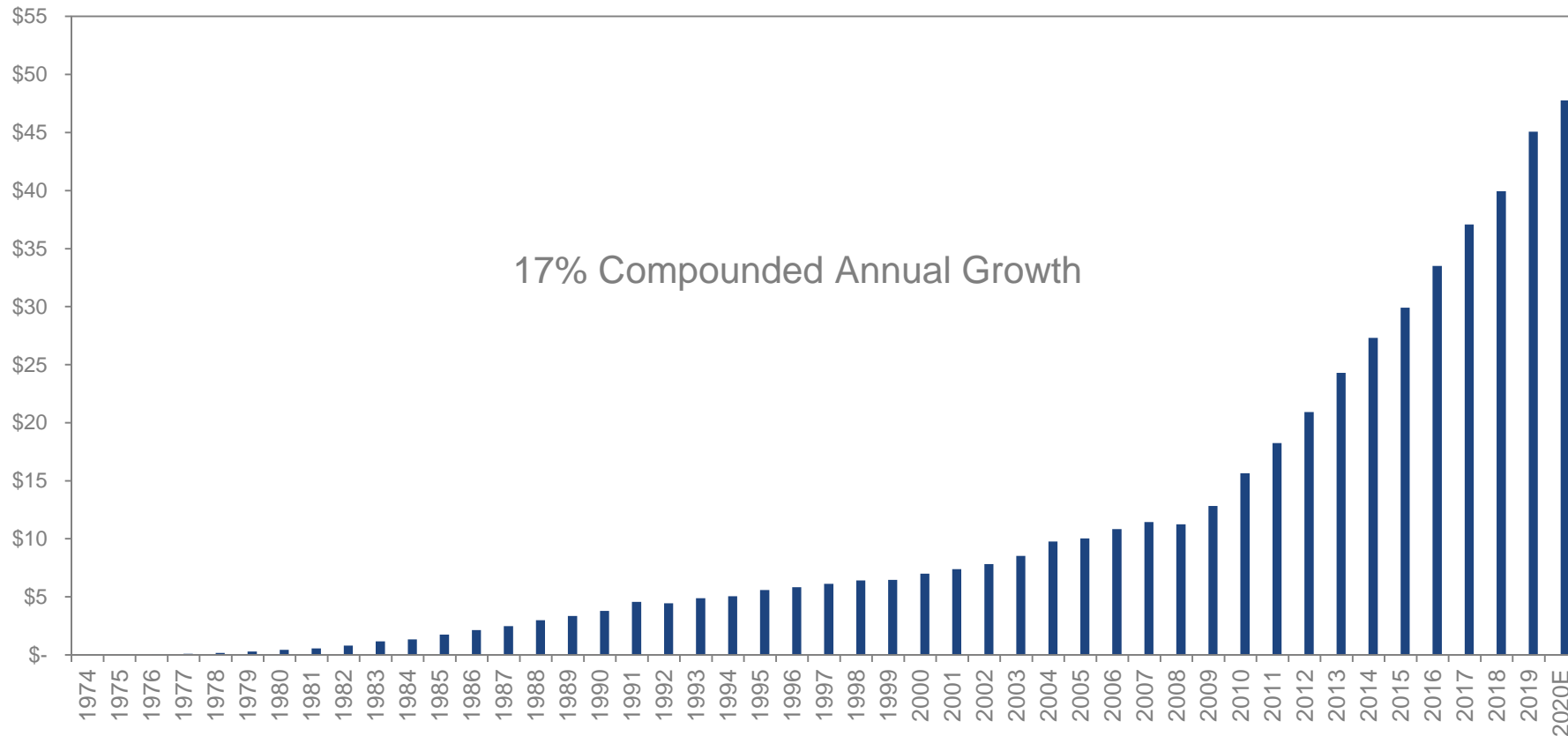


# Annuity Distribution Channels



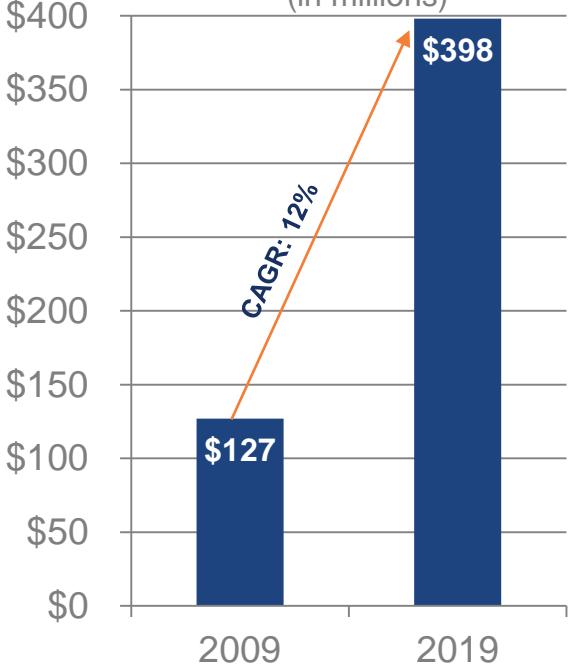
# Growth in Annuity Segment Assets (GAAP)

Dollars in billions

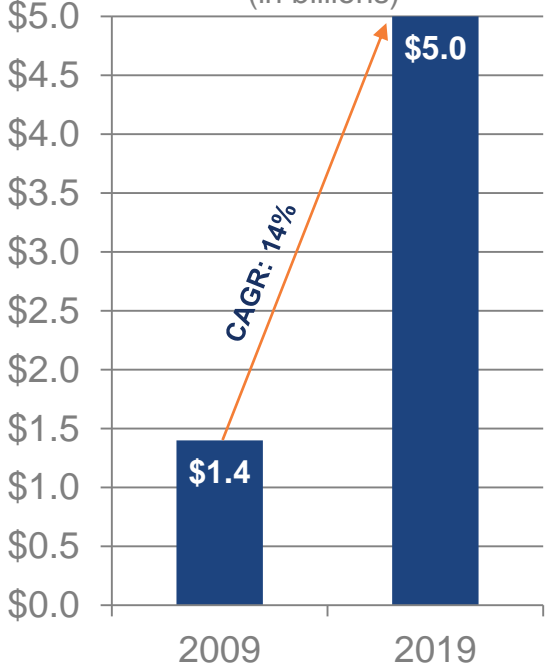


# Growth in Annuity Earnings, Premiums and Assets

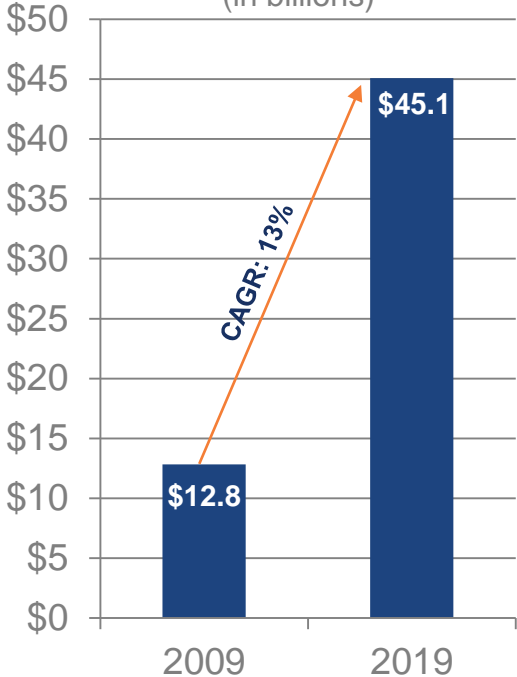
Pretax Core Annuity Earnings (in millions)



Gross Annuity Premiums (in billions)



Annuity Assets (in billions)



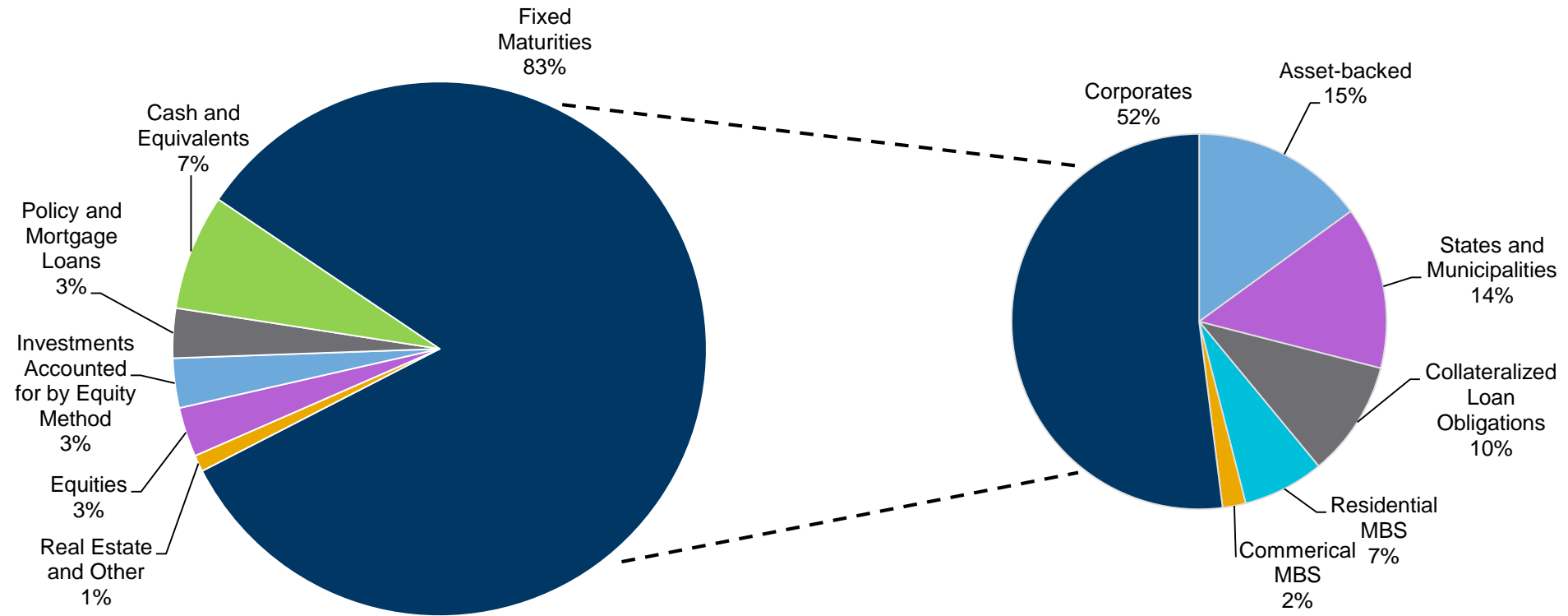
## Annuity Transformation

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

# AFG Investment Portfolio

As of September 30, 2020

Fixed Maturities Portfolio – 90% investment grade; 97% NAIC 1 & 2



Carrying Value – \$58.1 Billion

# Investment Portfolio Information and Outperformance

	Property & Casualty	Annuity
Approximate Average Duration – Fixed Maturities as of September 30, 2020	3.0 years	4.5 years
Annualized yield on available for sale fixed maturities		
Quarter ended 9/30/2020:		
• Net of investment expenses <sup>(a)</sup>	3.34%	4.29%
• Tax equivalent, net of investment expenses <sup>(b)</sup>	3.49%	4.29%

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

<sup>(b)</sup> Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

## Fixed Income Annualized Total Return 12 Years Ended 12/31/2019<sup>1</sup>

AFG	6.1%
Benchmark: Blended Insurance Industry <sup>2</sup>	<u>5.4%</u>
Outperformance	<u><u>0.7%</u></u>

≈ \$1.3 Billion Total Return Outperformance

<sup>1</sup> 2008-2019 time period captures the beginning of the global financial crisis.

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

# Strong Financial Position

Dollars in millions, except per share data

	<u>Sept 30, 2020</u>	<u>Dec 31, 2019</u>
Principal Amount of Long-Term Debt	\$ 2,143	\$ 1,493
Adjusted shareholders' equity <sup>(a)</sup>	<u>5,087</u>	<u>5,390</u>
Total adjusted capital	<u>\$ 7,230</u>	<u>\$ 6,883</u>
Ratio of debt to total adjusted capital <sup>(b)</sup>		
Including subordinated debt	29.6%	21.7%
Excluding subordinated debt	18.2%	14.8%
<i>Pro forma – including sub debt</i>	<i>28.1%</i>	<i>n/a</i>
<i>Pro forma – excluding sub debt</i>	<i>18.6%</i>	<i>n/a</i>
Common shares outstanding	87.267	90.304
<u>Book value per share:</u>		
Book value per share	\$ 72.65	\$ 69.43
Adjusted <sup>(c)</sup>	58.29	59.70
Tangible, adjusted <sup>(d)</sup>	55.53	56.93
Parent Company Cash	\$ 577	\$ 166

## Capital

- Above target levels for all rating agencies
- Excess capital approximately \$1 billion
- Share repurchases of \$233 million YTD through 9/30/2020 at an average price per share of \$67.19
- YTD regular dividends = \$120 million

## Long-Term Debt at September 30, 2020

- In September, issued \$200 million 4.50% Sub Debs due 2060
- No debt maturities until 2026
- No borrowings under \$500 million credit line

## Financial Strength Ratings – U.S. Based Insurers

- A.M. Best: GAI, Mid-Continent, National Interstate, Republic = A+, Annuity = A+ (upgraded Oct 2020)
- Standard & Poor's: = A+
- Moody's: GAI = A1, Republic = A3, and Annuity = A2

(a) Excludes net unrealized gains (losses) related to fixed maturity securities.

(b) The ratio is calculated by dividing the principal amount of AFG's long-term debt by its total capital, which includes long-term debt, noncontrolling interests and shareholders' equity (excluding unrealized gains (losses) related to fixed maturity investments). Proforma amounts adjusted for redemption of 6% Subordinated Debentures in November 2020.

(c) Excludes unrealized gains related to fixed maturity investments.

(d) Excludes unrealized gains related to fixed maturity investments, goodwill and intangibles.

# 2020 Outlook – AFG

**AFG Core Operating Earnings Guidance \$7.00 - \$7.50 per share**  
(excluding the impact of alternative investments marked-to-market through core operating earnings)

	<u>NWP Growth</u>	<u>Combined Ratio</u>
<b>Specialty P&amp;C Group Overall</b>	<b>(9%) – (5%)</b>	<b>92% – 94%</b>
<i>Excluding Impact of Neon Runoff</i>	<i>(1%) – 3%</i>	
<i>Excluding Impact of Neon Runoff &amp; Workers' Comp</i>	<i>1% – 5%</i>	
<b><u>Business Groups:</u></b>		
<b>Property &amp; Transportation</b>	<b>(1%) – 3%</b>	<b>90% – 93%</b>
<b>Specialty Casualty</b>	<b>(17%) – (13%)</b>	<b>90% – 93%</b>
<i>Excluding Neon</i>	<i>(2%) – 2%</i>	
<i>Excluding Neon &amp; Workers' Comp</i>	<i>5% – 9%</i>	
<b>Specialty Financial</b>	<b>(6%) – (2%)</b>	<b>91% – 95%</b>

P&C average renewal rates up 10% to 12%, excluding workers' comp rates are expected to be up 13% to 15%

Pretax P&C Core Operating Earnings, excluding alternative investments, in the range of \$650 million to \$690 million

## Annuity Segment:

- Pretax Annuity Core Operating Earnings, excluding alternative investments, in the range of \$310 million to \$325 million
- Gross annuity premiums in the range of \$3.7 billion to \$4.0 billion

# Appendix

# Financial Highlights – Third Quarter and First Nine Months 2020

Dollars in millions, except per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
• Results of Operations:				
– Core net operating earnings	\$ 217	\$ 205	\$ 483	\$ 581
– Core net operating earnings per share	\$ 2.45	\$ 2.25	\$ 5.37	\$ 6.39
– Average number of diluted shares	88.5	91.1	89.9	90.9
• Book Value per Share:				
– Excluding unrealized gains (losses) related to fixed maturities	\$ 58.29	\$ 59.70		
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 55.53	\$ 56.93		
• Capital Adequacy, Financial Condition and Liquidity:				
– Maintained capital at levels that support operations; in excess of amounts required for rating levels				
– Excess capital of approximately \$1 billion at September 30, 2020, including parent cash of approximately \$580 million				

# Financial Highlights – 2019

Dollars in millions, except per share amounts

	Twelve Months Ended December 31,	
	<u>2019</u>	<u>2018</u>
• Results of Operations:		
– Core net operating earnings	\$ 784	\$ 761
– Core net operating earnings per share	\$ 8.62	\$ 8.40
– Average number of diluted shares	91.0	90.6
• Core Operating Return on Equity: <sup>1</sup>		
AFG Consolidated <sup>2</sup>	<u>2019</u>	<u>2018</u>
– Specialty Property & Casualty	14.9%	15.6%
– Annuity, as reported	15.4%	16.8%
	12.3%	12.2%
• Book Value per Share:		
– Excluding unrealized gains (losses) related to fixed maturities	<u>Dec 31,</u> <u>2019</u>	<u>Dec 31,</u> <u>2018</u>
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 59.70	\$ 54.86
	\$ 56.93	\$ 51.93

**17.8%**  
Growth in Adj  
BVPS + Dividends

<sup>1</sup> Equity excludes AOCI.

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

# Specialty Property & Casualty Businesses

Dollars in millions

	Net Written Premium				2020E excl. Neon	2020E excl. Neon & Workers' Comp
	2018	2019	YTD 9/30/2020	2020E <sup>1</sup>		
Specialty Property & Transportation	\$ 1,754	\$ 1,876	\$ 1,447	(1%) – 3%		
Specialty Casualty	\$ 2,509	\$ 2,701	\$ 1,739	(17%) – (13%)	(2%) – 2%	5% – 9%
Specialty Financial	\$ 602	\$ 617	\$ 441	(6%) – (2%)		
Other Specialty	\$ 158	\$ 148	\$ 149	n/a		
<b>Total Specialty</b>	<b>\$ 5,023</b>	<b>\$ 5,342</b>	<b>\$ 3,776</b>	<b>(9%) – (5%)</b>	<b>(1%) – 3%</b>	<b>1% – 5%</b>

<sup>1</sup> 2020E based on guidance issued October 29, 2020.

# Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2018</u>	<u>2019</u>	<u>YTD 9/30/2020</u>	<u>2020E<sup>1</sup></u>
Specialty Property & Transportation	93.1%	95.7%	92.1%	90% – 93%
Specialty Casualty	94.2%	93.3%	92.1%	90% – 93%
Specialty Financial	88.9%	85.0%	93.5%	91% – 95%
Other Specialty	103.7%	113.3%	115.7%	n/a
<b>Total Specialty</b>	<b>93.4%</b>	<b>93.7%</b>	<b>93.2%</b>	<b>92% – 94%</b>

<sup>1</sup> 2020E based on guidance issued October 29, 2020.

# Annuity Segment

Dollars in millions, unless otherwise noted

	<u>2018</u>	<u>2019</u>	<u>YTD 9/30/2020</u>	<u>2020E<sup>1</sup></u>
Gross Annuity Premiums	\$ 5,407	\$ 4,960	\$ 2,768	\$3.7 to \$4.0 billion
Average Fixed Annuity Reserves	\$ 34,706	\$ 38,460	\$ 40,633	+ 5% to 7%
<hr/>				
Pretax Annuity Core Earnings, excl. Alternative Investments	\$ 257	\$ 298	\$ 245	\$310 to \$325 million
Pretax Annuity Core Operating Earnings, as reported	\$ 361	\$ 398	\$ 230	n/a
<u>Net Spread Earned:</u>				
<b>Core Net Spread Earned, excl. Alternative Investments</b>	<b>0.90%</b>	<b>0.82%</b>	<b>0.81%</b>	<b>0.75% to 0.80%</b>
<b>Core Net Spread Earned on Fixed Annuities Items Previously Reported as Core Operating</b>	<b>1.20%</b> <u>(0.13%)</u>	<b>1.08%</b> <u>(0.03%)</u>	<b>0.76%</b> <u>n/a</u>	<b>n/a</b> n/a
<b>Core Net Spread Earned, as reported<sup>2</sup></b>	<b><u>1.07%</u></b>	<b><u>1.05%</u></b>	<b><u>0.76%</u></b>	<b>n/a</b>

<sup>1</sup> This guidance reflects (i) the continued negative impact of low short-term interest rates on the Annuity Segment's approximately \$5 billion net investment in cash and floating rate securities, (ii) the favorable impact of more aggressive renewal rate actions taken on annuity policies near or after the end of their surrender charge period, and (iii) the assumption that the stock market and longer-term interest rates remain relatively flat for the remainder of 2020.

<sup>2</sup> Amounts for 2019 and 2020 are calculated using the new definition of core operating earnings. Amounts for 2018 are shown as originally reported.

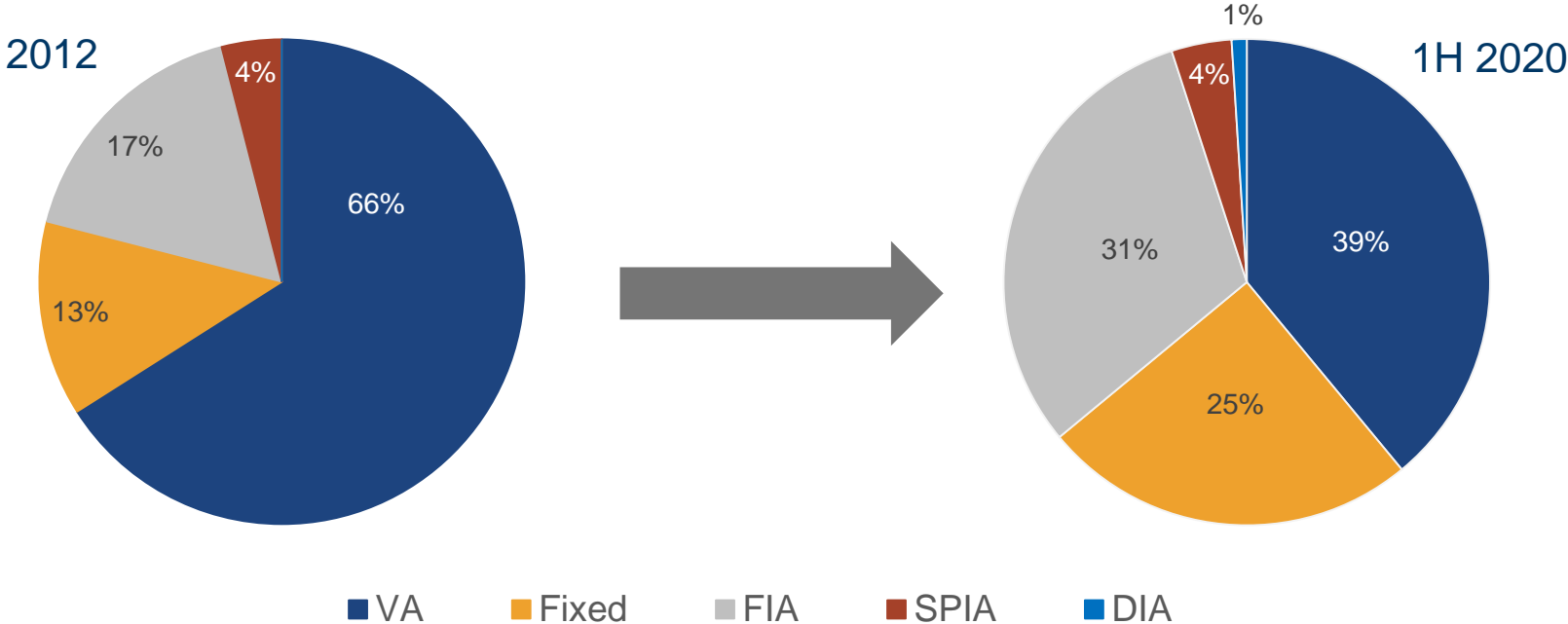
# Snapshot of Current AFG Annuity Segment Sales

## As of September 30, 2020

- Target market = middle and mass affluent baby boomers (not high wealth clients)
- Average single premium policy size ~\$110,000
- About 14% of inforce annuity reserves at September 30, 2020 included living benefit riders – adjusted for block reinsurance transaction. (Compare to industry ~ 28%)
- Approximately 35% of retail and 50% of financial institutions sales in the third quarter of 2020 had some form of "non-heaped" commissions
- Each product is priced to its own risk-adjusted return target, 12% in aggregate
- For annuity premium breakdown by product, distribution channel and tax qualification, see Appendix

# Annuity Industry: Market Share by Product Line

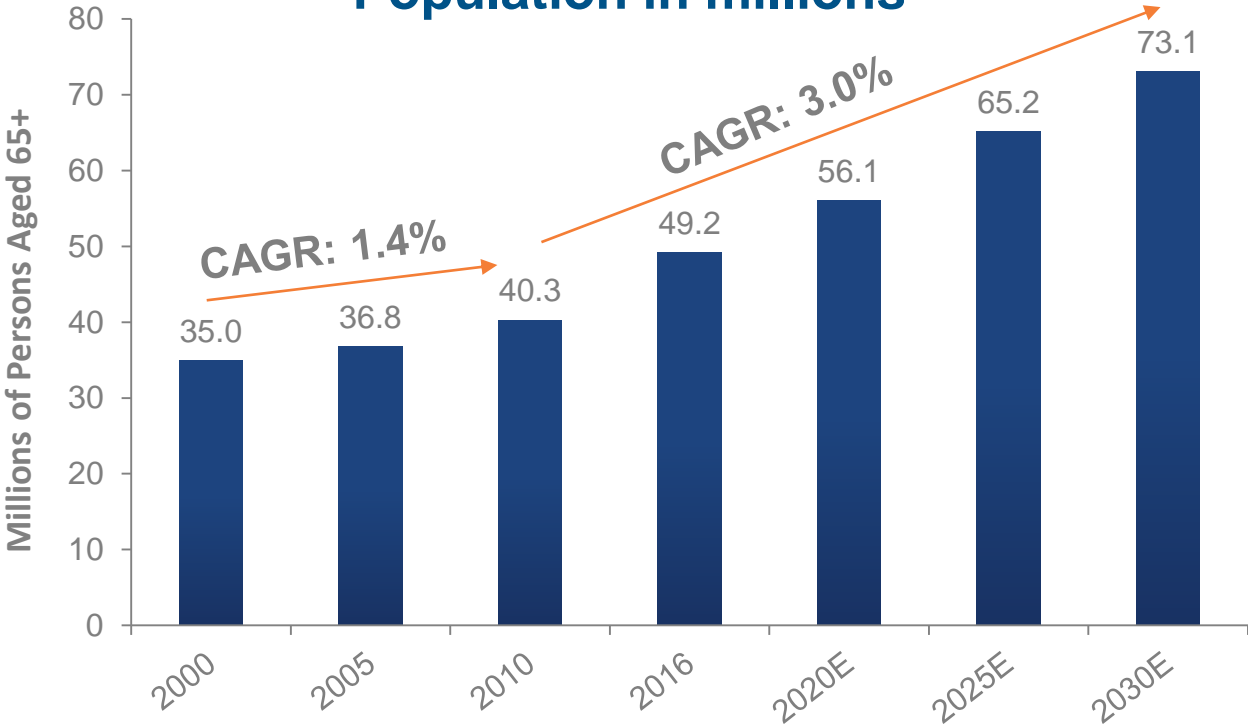
*Shift from Variable Annuities to Traditional Fixed and Indexed Annuities*



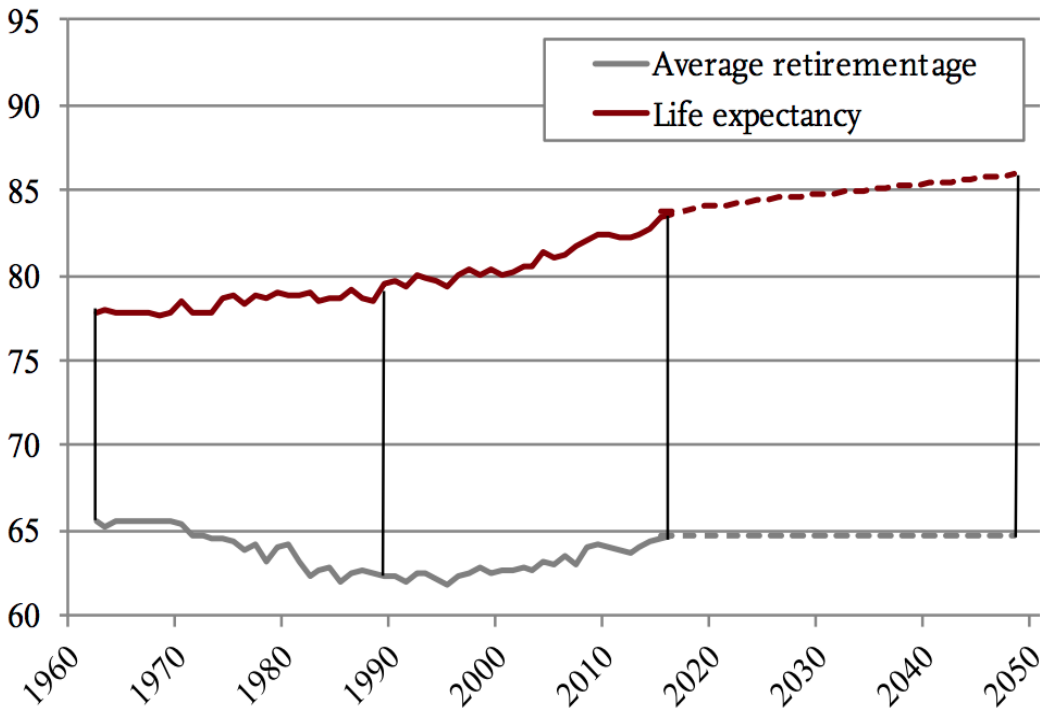
Market share for Bank, Independent B-D, Independent Agent, Full-Service BD, and Career Agent Channels only; Source: LIMRA

# Changing Demographics Create Opportunities for the Annuity Market

**U.S. Growth in Persons Aged 65+ Population in millions**



**Retiring At The Same Age, But Living Longer**



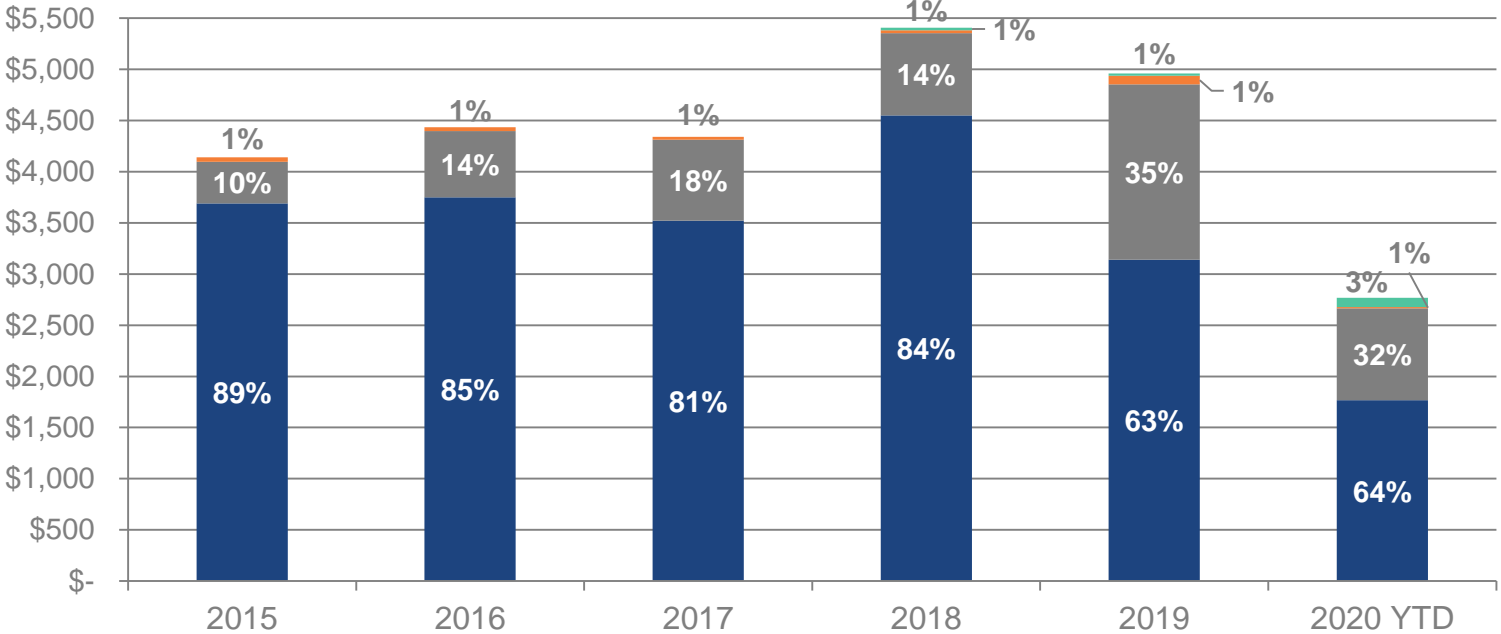
Source: U.S. Census Bureau and Stanford Center for Longevity

# Annuity Product Snapshot

Dollars in millions

Gross Annuity Premiums by Product Line

■ Indexed ■ Fixed ■ Variable ■ VIA

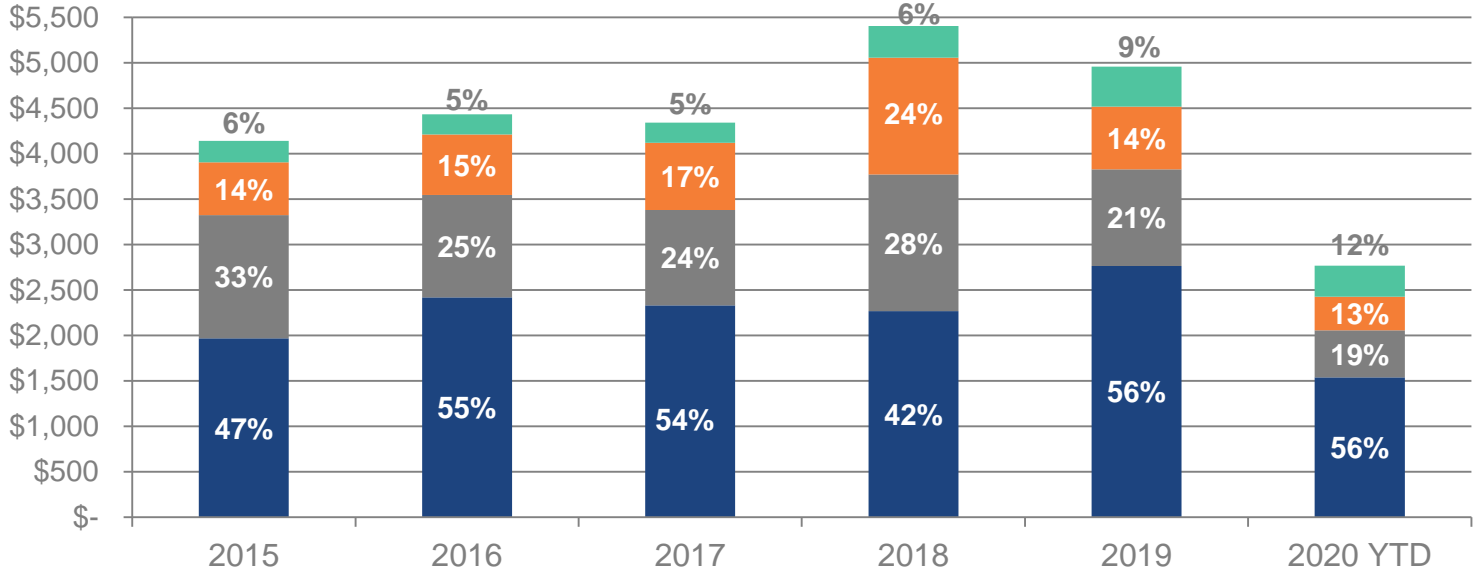


# Annuity Product Snapshot (continued)

Dollars in millions

Gross Annuity Premiums by Distribution Channel

■ Financial Institutions ■ Retail ■ Broker Dealer ■ Other



# Annuity Product Snapshot (continued)

Dollars in millions

Gross Annuity Premiums by Tax Qualification Type

■ Non-Qualified ■ Qualified/IRA ■ Qualified/403(b)

