



# Specialty Property and Casualty Insurance

*KBW Insurance Conference  
September 10, 2021*

# Forward Looking Statements

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

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

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

# A History Dating Back Nearly 150 Years

We are specialists in providing P&C insurance products that help businesses manage their unique financial risks and exposures.

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

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**Superior Underwriting  
Talent**

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**7.6%**

*Points of COR  
outperformance vs.  
peers over 10 years*

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**Combined  
Ratio**

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**8 years**

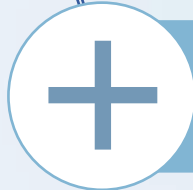
*Consecutive years  
under 94%*



# Top Tier Specialty Property & Casualty Insurer



Entrepreneurial Culture, Strategic Alignment of Interests



Market Leading P&C Insurance Specialist



Consistent Investment Outperformance



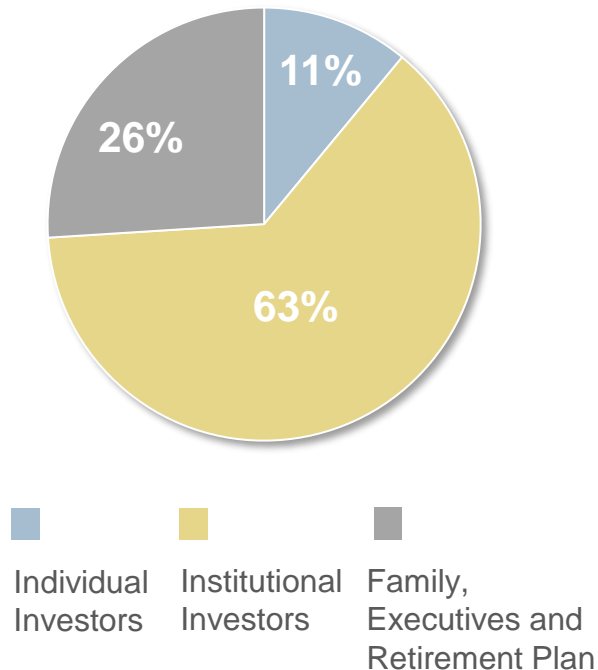
Superior Capital Management and Strong Balance Sheet

# Our Corporate Values



# Strategic Alignment of Interests for Optimal Results

## Significant Ownership by Management



## Unique, Incentive-Based Programs for P&C Business Leaders

- Annual awards
  - based on AY COR targets derived from ROE thresholds
  - paid over 2-3 years; claw back feature
- Long Term Incentive Comp (LTIC) Plan
  - 5 year measurement period based on AY COR targets derived from ROE thresholds
  - paid out over the following 4-5 years
- Attract, retain and reward key operating executives & officers

## Profit-Sharing for Employees

- Our Profit Sharing Plan is a key component of AFG's Total Rewards Program, rewarding eligible employees for their contributions toward overall performance

## Innovator in Risk Sharing and Alternative Risk Transfer Programs For Policyholders and Agents

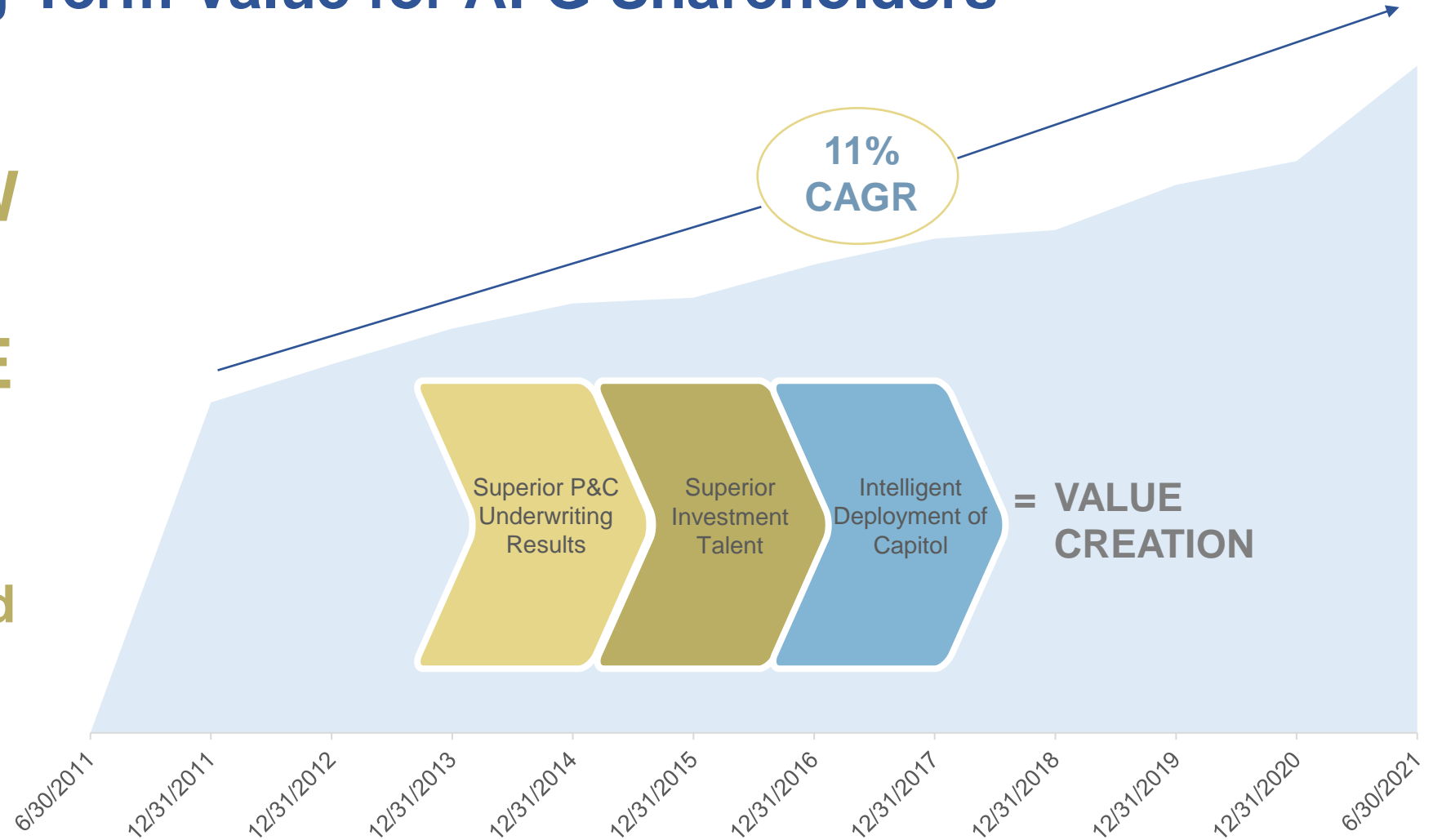


- A leader in providing risk sharing alternatives to the passenger transportation, moving & storage and trucking industries
- Through collaboration and specialized knowledge, we work with a variety of agency and group risk sharing programs in a wide range of industry segments in our Targeted Markets operations
- Our Strategic Comp business offers unique coverage options for workers' comp accounts that include higher retentions and specialty loss prevention – giving businesses more control over their costs, risks, and outcomes
- Innovative commission structures for distribution partners reward production of profitable business

# Building Long-Term Value for AFG Shareholders

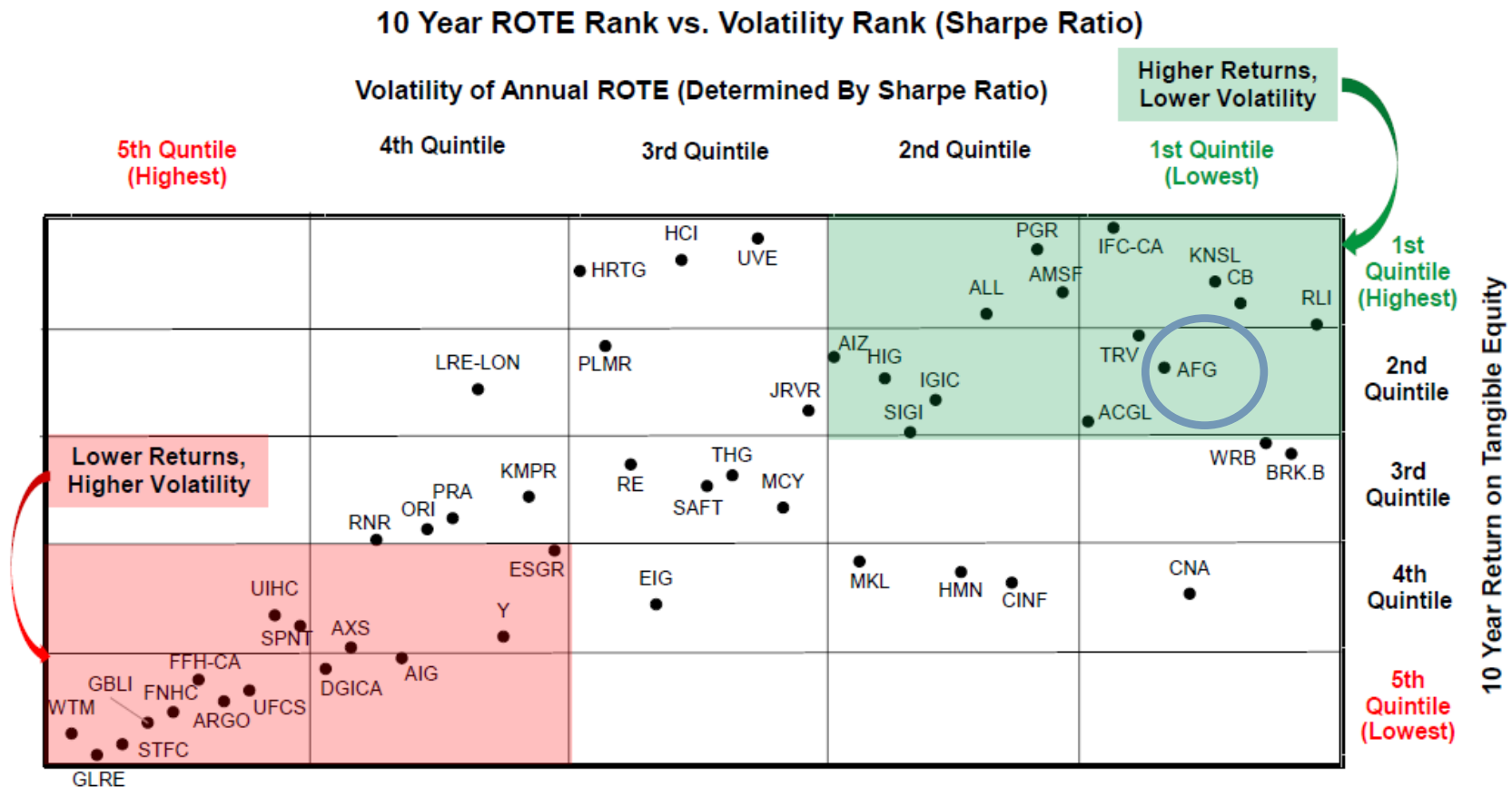
## 10 YEAR VIEW OF TOTAL VALUE CREATION

Growth in Adjusted  
BVPS + Dividends



# Higher Returns and Lower Volatility

AFG ranks favorably among peers with higher returns and lower volatility



Source: Company Reports; D&P Analysis; Cos with <10Y of data include: AIG, HRTG, JRVR, KNSL, PLMR, SPNT

Dowling & Partners – IBNR #15, April 15, 2021. ROTE = Return on Average Tangible Equity



# Focusing on What We Know Best



# Specialty P&C Insurance Operations

*We are specialists in providing property and casualty insurance solutions that fulfill today's needs and tomorrow's dreams. We are a trusted partner in delivering long-term value to our customers, employees and investors.*

## PROPERTY & TRANSPORTATION

Agribusiness (farm & ranch)

Commercial Automobile

Commercial Property

Crop

Equine Mortality

Inland and Ocean Marine

## SPECIALTY CASUALTY

Excess and Surplus

Executive and Professional Liability

General Liability

M&A Liability

Public Entities

Targeted Programs

Umbrella and Excess Liability

Workers' Compensation

## SPECIALTY FINANCIAL

Fidelity / Crime

Financial Institution Services

Lease and Loan Services

Surety

Trade Credit



# Great American Insurance Company's Ratings



**A+**

Stable Outlook

**S&P Global**  
Ratings

**A+**

Stable Outlook

**MOODY'S**

**A1**

Stable Outlook

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

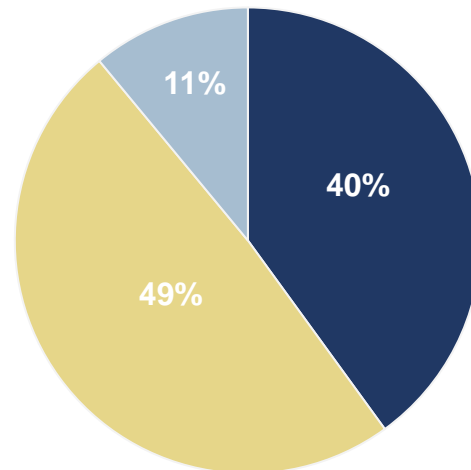


**Diversified product offerings in niche markets**  
**Consistent, solid underwriting results**  
**Strong market positions**  
**Strong capitalization**  
**Low catastrophe risk profile**

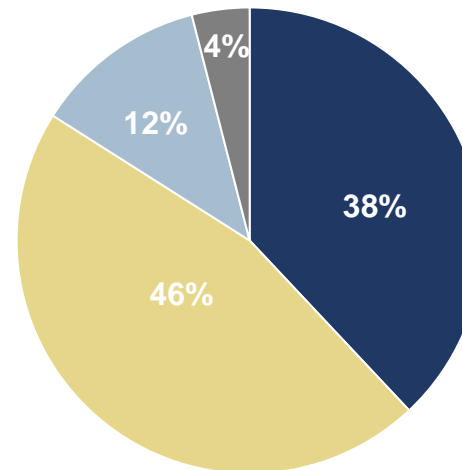
# Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

**Gross Written Premiums  
Full Year 2020  
\$7.0 Billion**



**Net Written Premiums  
Full Year 2020  
\$5.0 Billion**



- Property & Transportation
- Specialty Casualty
- Specialty Financial
- Other Specialty<sup>1</sup>

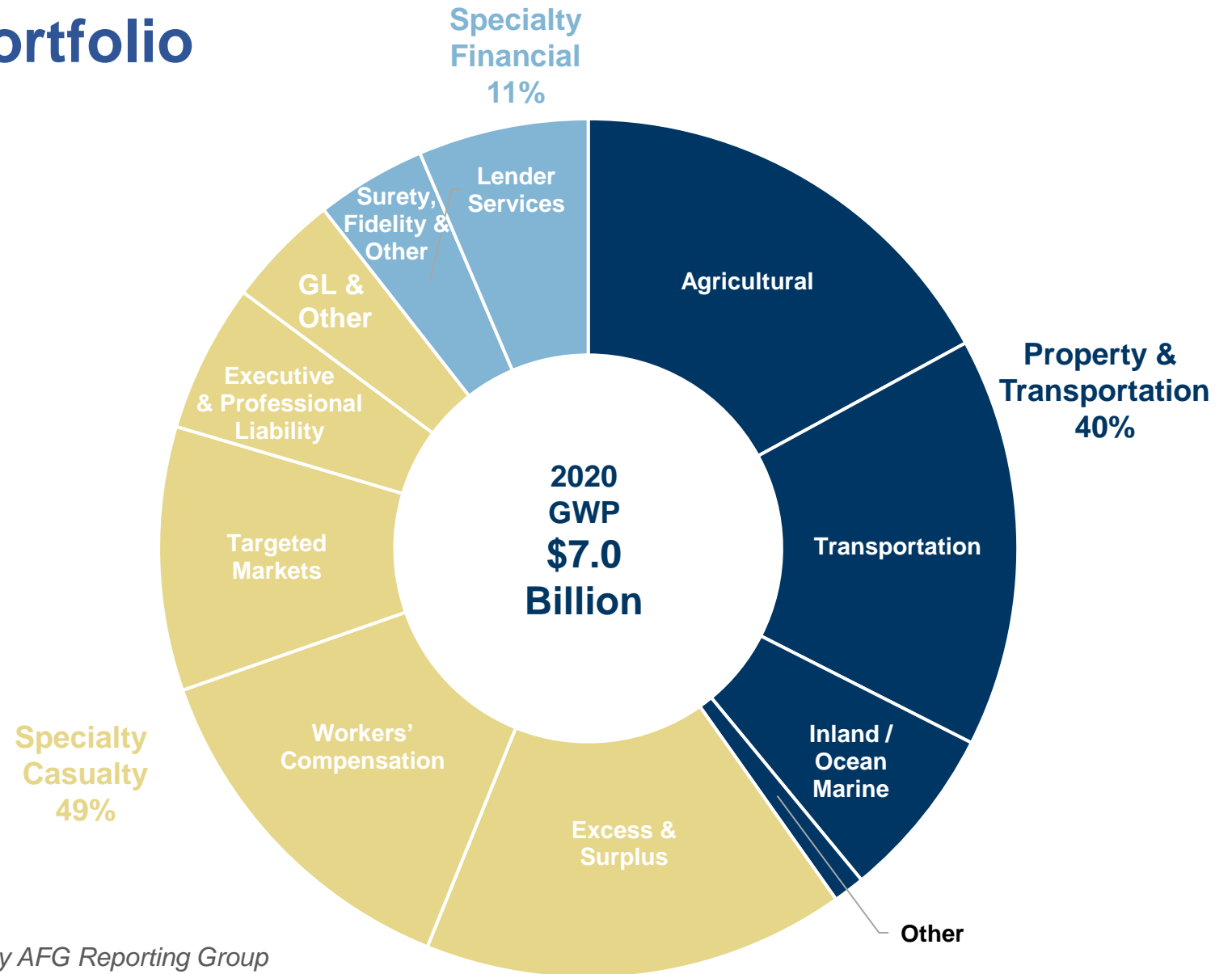
Approximately 50% of P&C Group GWP produced by businesses with “Top 10” market rankings including:  
Crop • Equine • Fidelity/Crime • Financial Institution Services • FL Workers Comp • Moving & Storage •  
Non-Profit/Social Services • Ocean Marine • Passenger Transportation • Trade Credit • Trucking

<sup>1</sup> Includes an internal reinsurance facility.

# Diversified Product Portfolio

## Gross Written Premiums

*Our Property & Casualty insurance operations provide a wide variety of specialty commercial coverages to niche industries*



# Business Spotlight: Crop Insurance

## Helping generations of farmers manage their risks since 1915

*Specialized Crop Coverage Including Multiple Peril Crop Insurance (MPCI), Crop-Hail, Named Peril Insurance*

*One of a select few private companies authorized by the United States Department of Agriculture Risk Management Agency (USDA RMA) to write MPCI policies.*

**#5 Ranked**

*Provider of Multi-Peril Crop Insurance*

**9%**

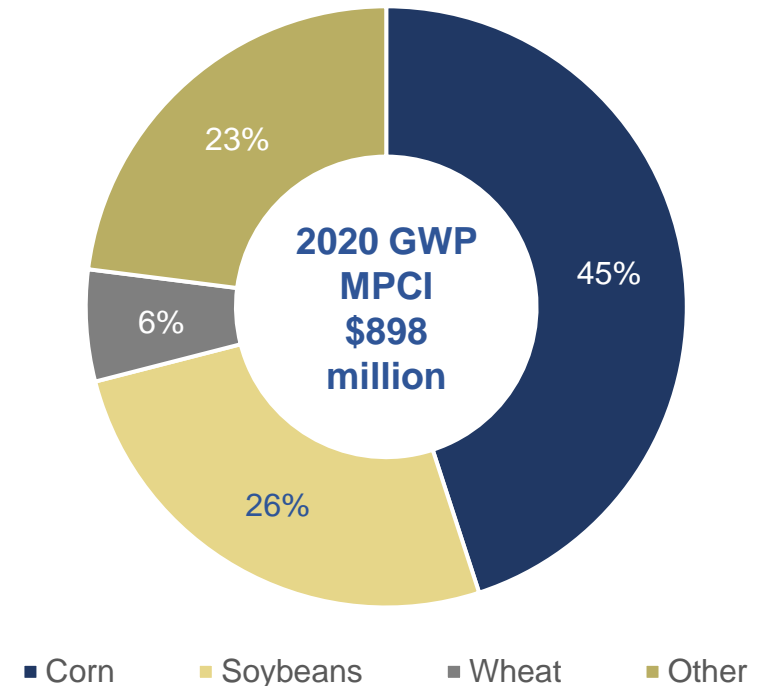
*Market Share*

*AFG is the **largest U.S.-based parent** company of an Approved Insurance Provider (AIP). Great American Insurance Company is one of the few original MPCI program participants.*

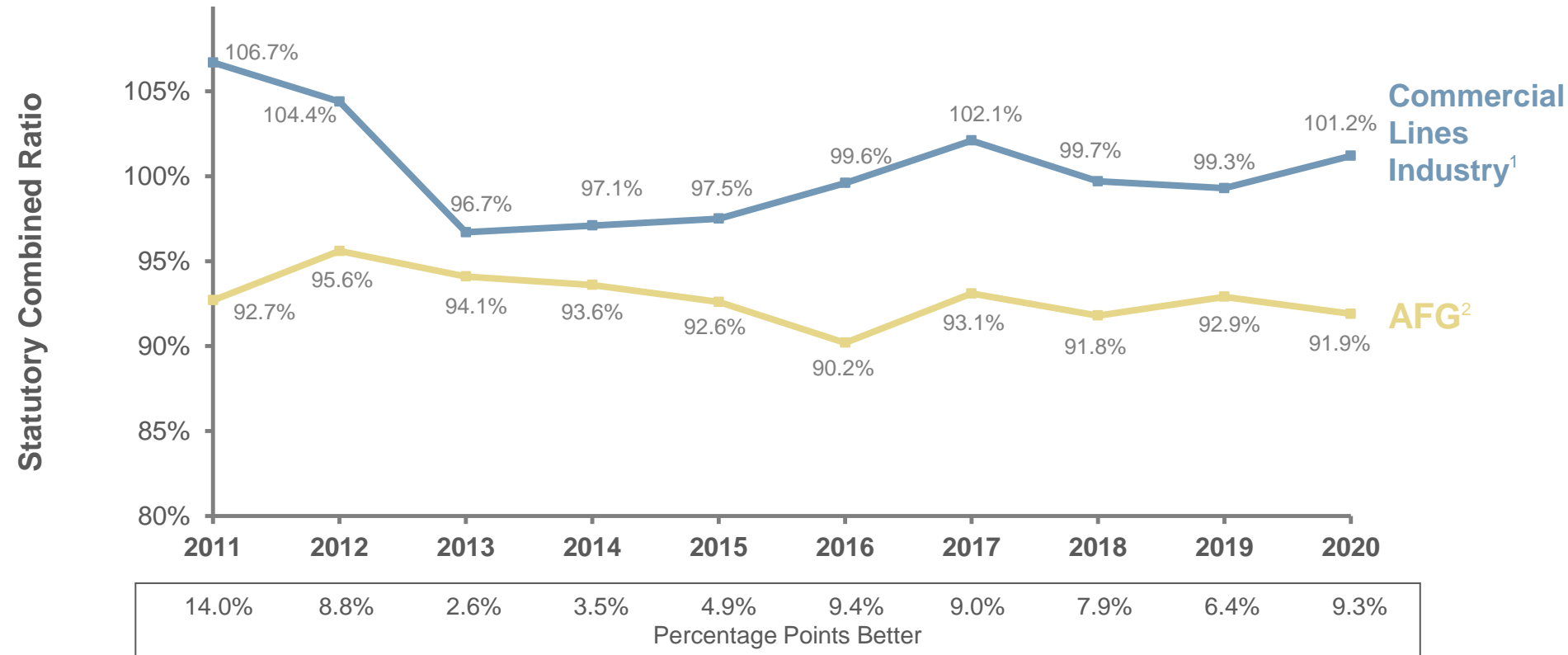
### August 2021 Update

- Crop conditions vary across the country. Corn and soybean crops overall in the eastern corn belt remain in good shape. Conversely, crops in the Pacific Northwest eastward through North Dakota continue to struggle due to extreme drought conditions, while conditions in the central and southern plains and in the southeast are about average.
- The USDA released updated projections for 2021 yields on August 12th. While 2021 plantings for corn and soybeans exceed 2020 levels, projections for soybean bushels per harvested acre is down slightly in 2021.
- Commodity prices are well above spring discovery prices: Corn up ~12% and soybeans up ~8%
- AFG's crop premiums are expected to grow approximately 35% in 2021

MPCI Premium Breakdown by Crop



# Superior Underwriting Talent



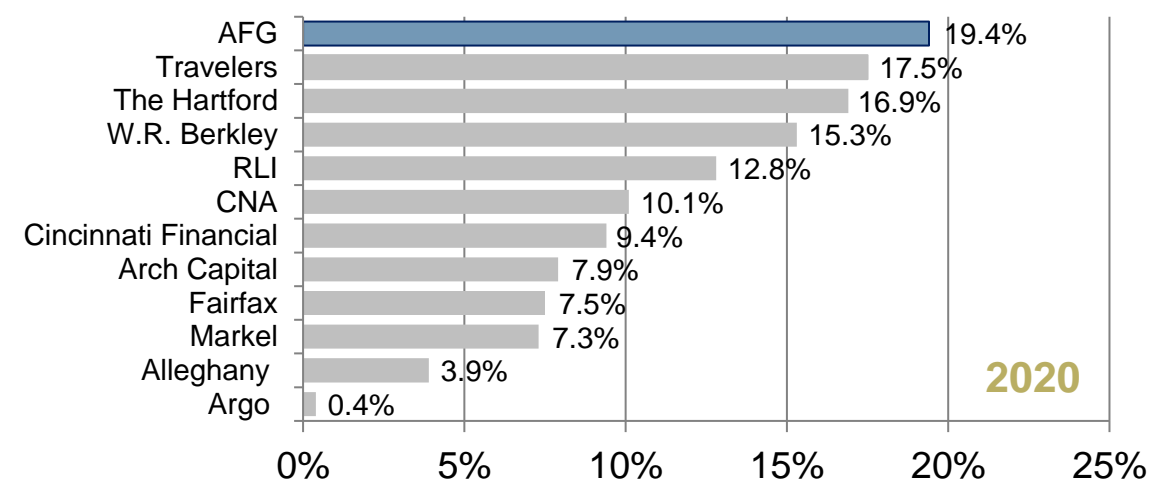
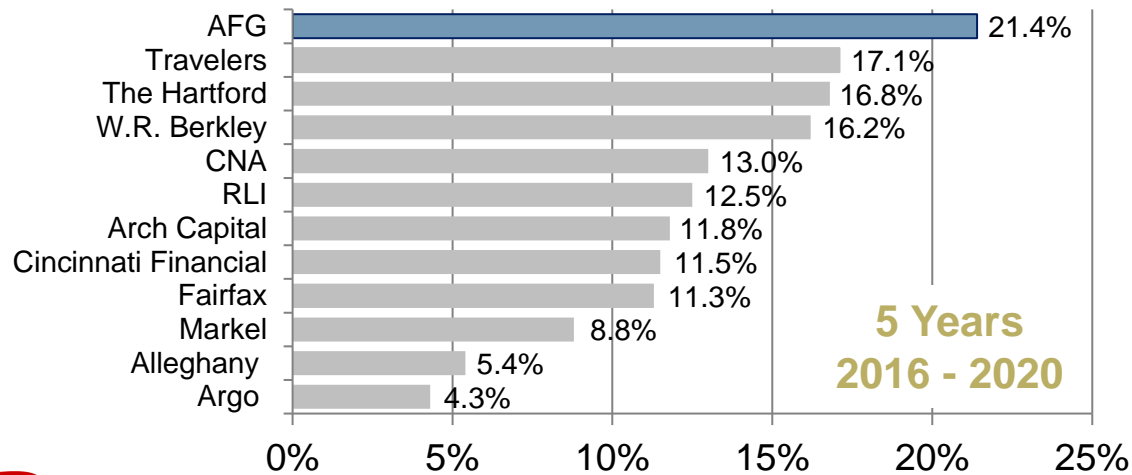
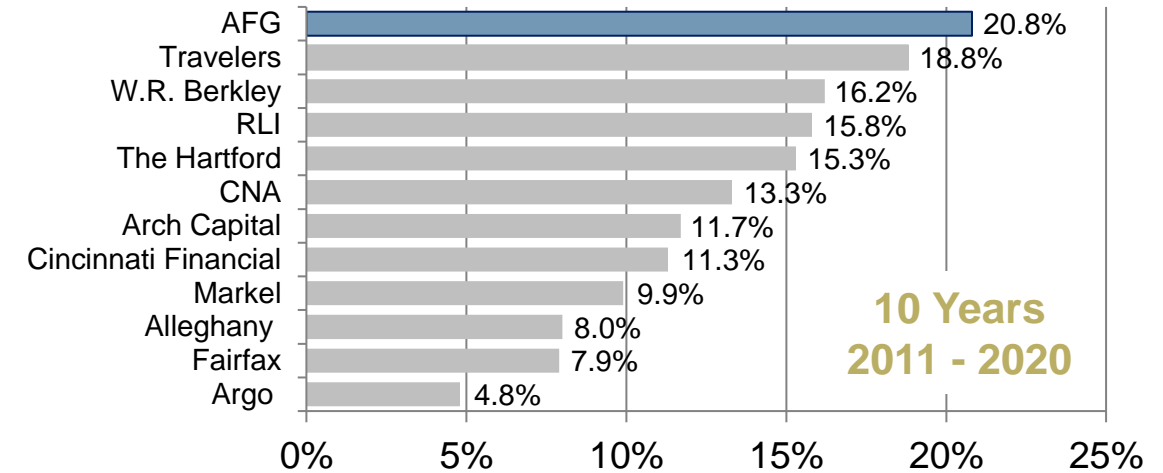
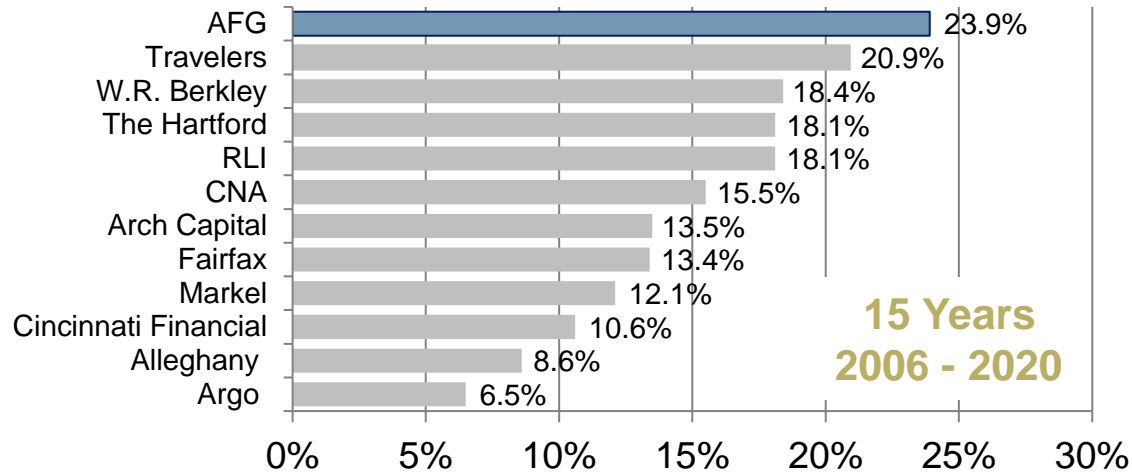
**7.6%**  
Points  
Better  
Over 10  
Years

<sup>1</sup> Commercial Lines Industry based on data from A.M. Best's Market Segment Report – February 25, 2021.

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



# Pretax Property & Casualty Returns



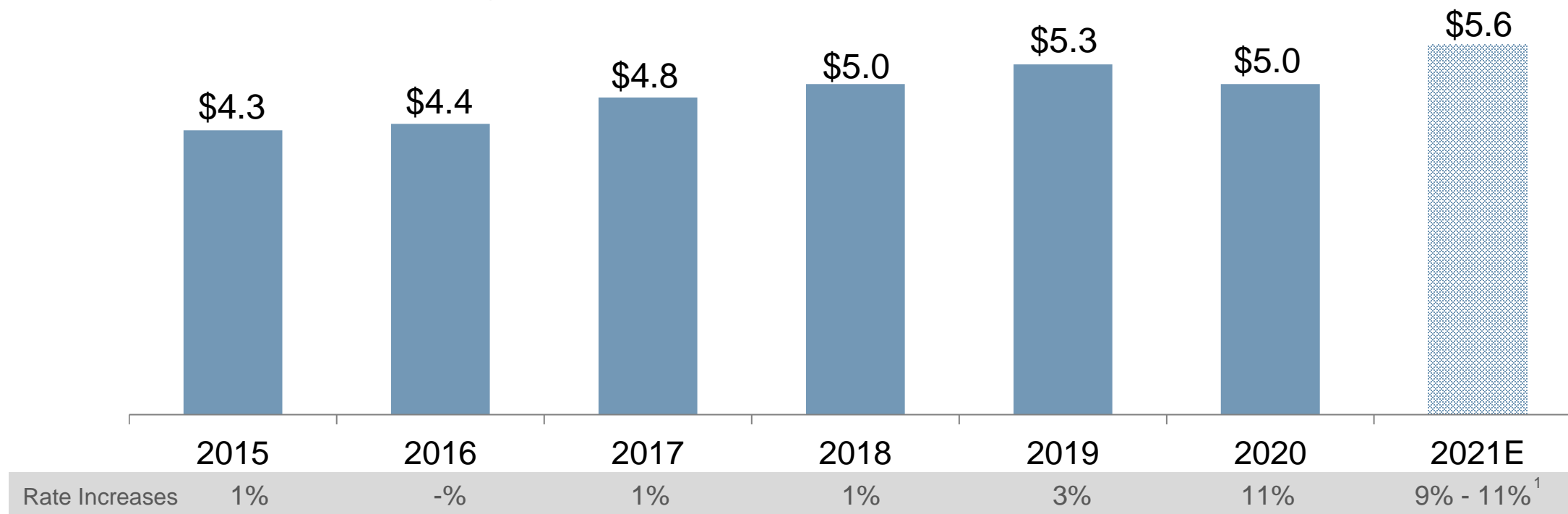
Source: Dowling & Partners



# Specialty Property & Casualty Premium Growth

Dollars in billions

## P&C Net Written Premium and Renewal Rates



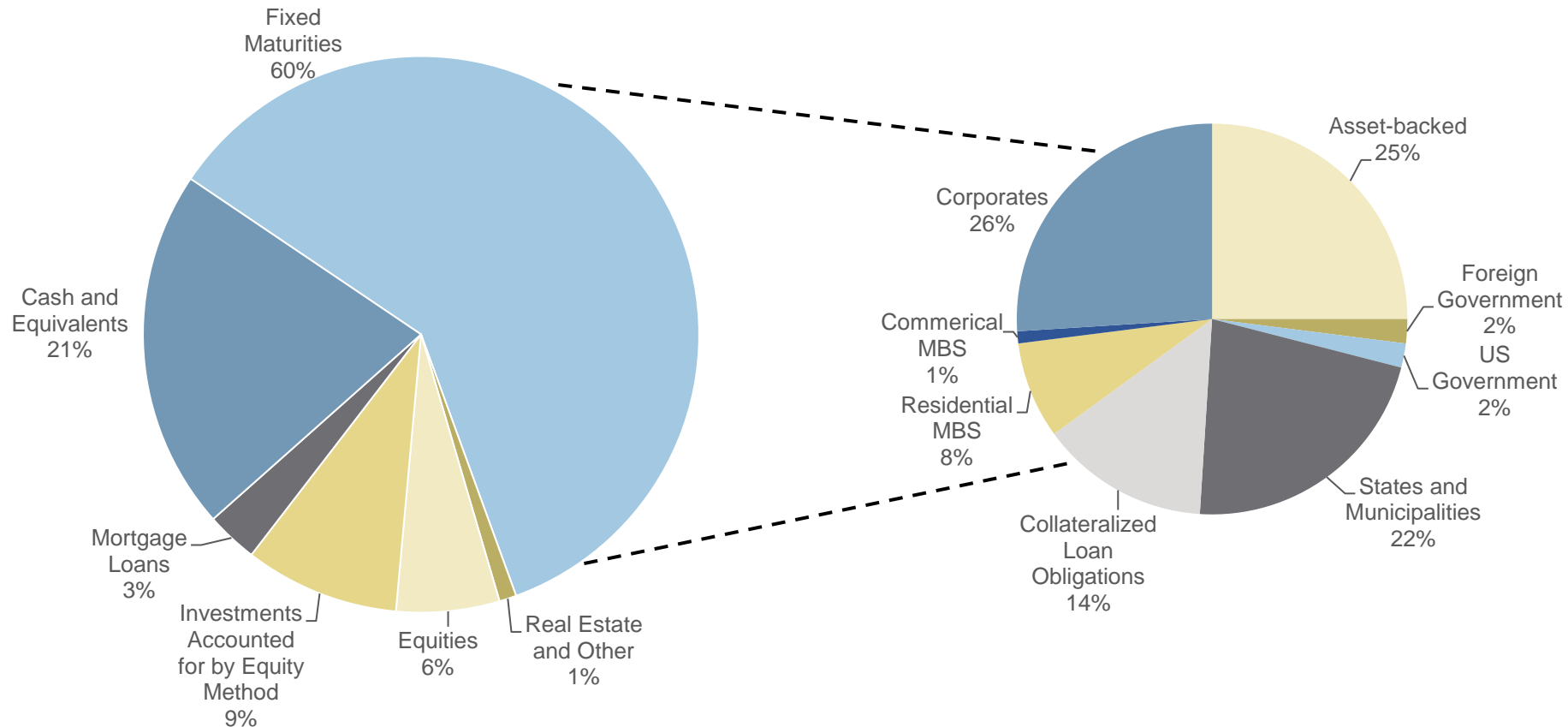
Overall Specialty P&C renewal rates increased approximately 9% in 2Q21. Excluding workers' compensation, renewal rates increased approximately 12%.

<sup>1</sup> Excluding the impact of workers' compensation, overall Specialty P&C renewal rates are expected to increase in the range of 11% to 13%.

# AFG Investment Portfolio

As of June 30, 2021

Fixed Maturities Portfolio – 88% investment grade  
P&C Fixed Maturities Portfolio – 98% NAIC 1 & 2



Carrying Value – \$16.1 Billion

# Investment Portfolio Information and Outperformance

	AFG Consolidated
Approximate Average Duration – Fixed Maturities as of June 30, 2021	2.5 years
Annualized yield on available for sale fixed maturities	
Quarter ended 6/30/2021:	
• Net of investment expenses <sup>1</sup>	3.00%
• Tax equivalent, net of investment expenses <sup>2</sup>	3.16%

<sup>1</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>2</sup> Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

## Fixed Income Annualized Total Return 13 Years Ended 12/31/2020<sup>1</sup>

AFG P&C Group **5.3%**

Benchmark:  
Blended Insurance Industry<sup>2</sup> 4.5%

Outperformance 0.8%

≈ \$500 Million Total Return Outperformance

<sup>1</sup> 2008-2020 time period captures the beginning of the global financial crisis.

<sup>2</sup> Source: S&P Global Market Intelligence

# Strong Financial Position

Dollars in millions, except per share data

	<u>Jun 30, 2021</u>	<u>Dec 31, 2020</u>
Principal Amount of Long-Term Debt	\$ 1,993	\$ 1,993
Adjusted shareholders' equity <sup>1</sup>	<u>5,396</u>	<u>5,493</u>
Total adjusted capital	<u>\$ 7,389</u>	<u>\$ 7,486</u>
Ratio of debt to total adjusted capital <sup>2</sup>		
Including subordinated debt	27.0%	26.6%
Excluding subordinated debt	17.8%	17.6%
Common shares outstanding	84.714	86.345
<u>Book value per share:</u>		
Book value per share	\$ 66.12	\$ 78.62
Adjusted <sup>1</sup>	63.70	63.61
Tangible, adjusted <sup>3</sup>	61.27	60.82
Parent Company Cash	\$ 2,977	\$ 488

## Capital

- Above target levels for all rating agencies
- Excess capital approximately \$3.2 billion
- 2Q21 share repurchases = \$114 million
- Second quarter regular dividends = \$42 million
- June special dividend = \$1.2 billion
- August special dividend = \$170 million

## Long-Term Debt at June 30, 2021

- No debt maturities until 2026
- No borrowings under \$500 million credit line

## Financial Strength Ratings - U.S. Based P&C Insurers (where rated)

- A.M. Best: All companies = A+
- Standard & Poor's: All companies = A+
- Moody's: All companies = A1

<sup>1</sup> Excludes net unrealized gains related to fixed maturity investments.

<sup>2</sup> 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 related to fixed maturity investments).

<sup>3</sup> Excludes net unrealized gains related to fixed maturity investments, goodwill and intangibles.

# Intelligent Use of Excess Capital

## 2020 Capital Management

- Returned \$649 million of capital to shareholders
- 11% increase in regular annual dividend
- Paid \$2.00 special dividend in December 2020
- Repurchased \$313 million of AFG common shares at an average price per share of \$69.02

## 2021 Capital Management

- Two special dividends in 2021
  - \$14.00 per share special dividend paid in June 2021
  - \$2.00 per share special dividend paid in August 2021
- Excess capital at June 30, 2021 approximately \$3.2 billion
- YTD through June 30, 2021 repurchased \$306 million of AFG common shares at an average price per share of \$114.26
- In August, announced a 12% increase in regular annual dividend to \$2.24 per share, beginning in 4Q 2021
  - 16<sup>th</sup> consecutive annual dividend increase
- 7.8 million shares remaining in repurchase authorization as of August 1, 2021

## Capital Returned to Shareholders Five Years Ended 12/31/2020 (in millions)

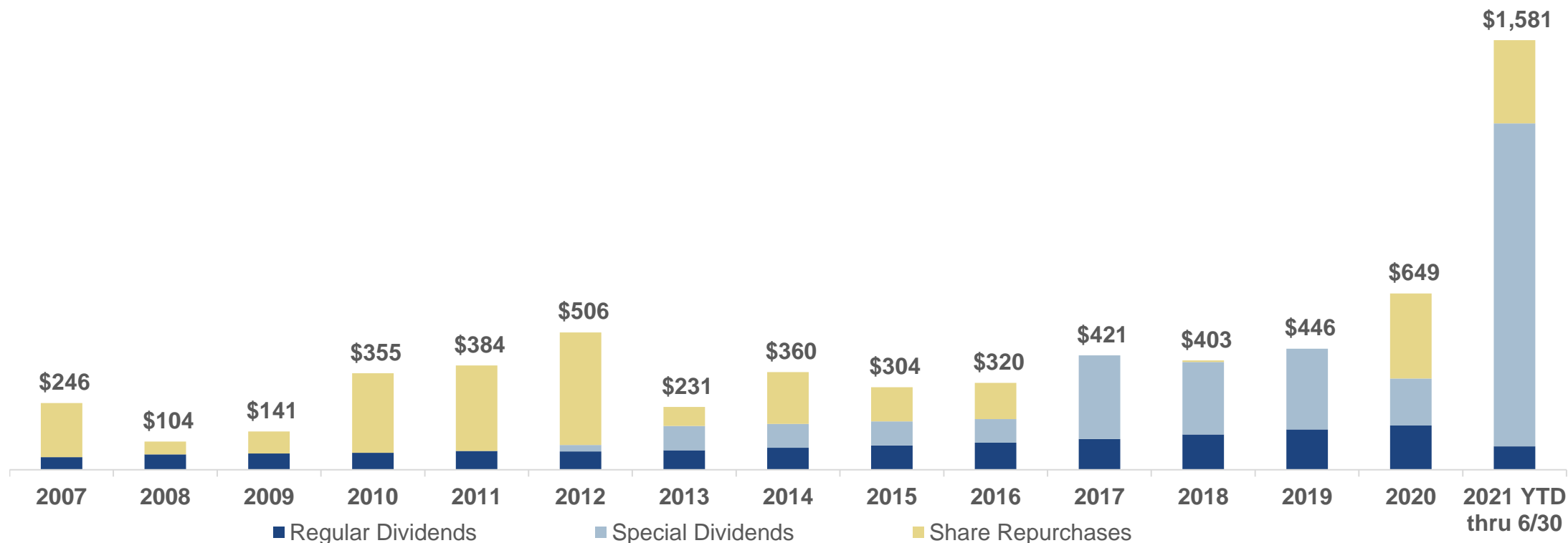
Dividends Paid	\$ 1,787
Repurchases	<u>452</u>
Total	<u><u>\$ 2,239</u></u>



***\$2.2 Billion Returned to  
Shareholders***

# Balanced Approach to Capital Allocation

Dollars in millions

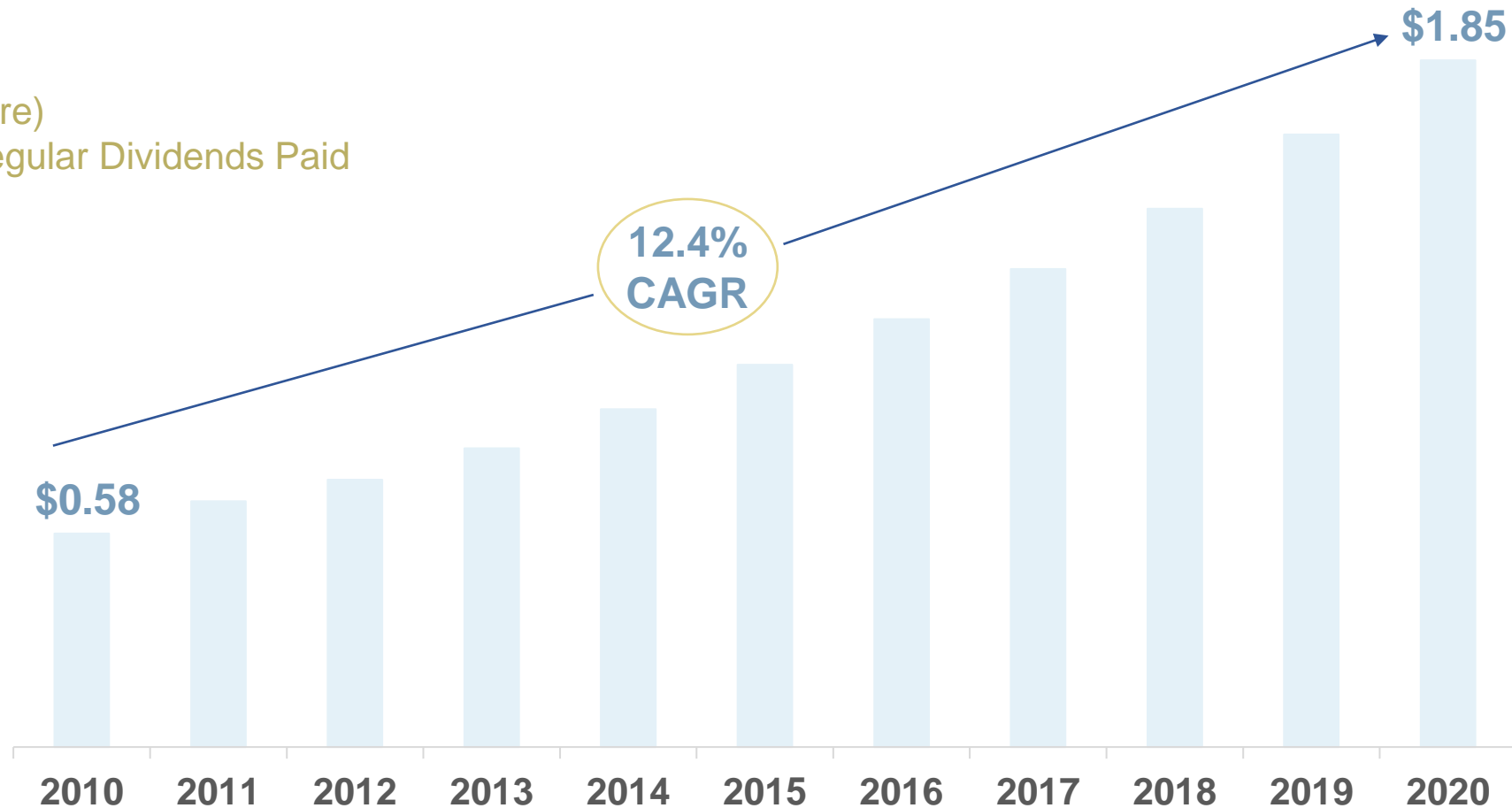


Between years 2009 – 2012, AFG repurchased **33.7 million** shares at a weighted average price of **approximately 90.5% of adjusted book value** (*book value per share excluding appropriated retained earnings and net unrealized gains (losses) related to fixed maturities*).

# Double-Digit Growth in Regular Dividends

(\$ per share)

Annual Regular Dividends Paid



*Including the \$14.00 special dividend paid in June 2021 and the \$2.00 special dividend paid in August 2021, AFG has paid \$32.05 per share in special dividends since 2012.*

# Protecting What Matters

We sustain AFG's business success by effectively managing risk—financial, social, environmental—to help create stability for our customers and deliver value to our shareholders.

We focus our corporate responsibility and sustainability strategies in four primary areas where AFG can achieve the most direct and substantial results:

- Operating our business with integrity and managing financial risk
- Giving back to our communities and promoting social opportunity
- Creating a welcoming, rewarding and safe place to work and build a career *Be here. Be great.*
- Managing environmental risk and operating sustainably

for the *greater* good





# 2021 Outlook – AFG Specialty P&C Group Outlook

**AFG's 2021 core net operating earnings guidance \$8.40 to \$9.20 per share**

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	10% – 13%	88% – 90%
<u>Business Groups:</u>		
Property & Transportation	15% – 19%	87% – 90%
Specialty Casualty	5% – 9%	87% – 90%
<i>Specialty Casualty Excluding Workers' Comp</i>	10% – 14%	
Specialty Financial	10% – 14%	84% – 87%

**P&C average renewal rates up 9% to 11% when compared to 2020**

- 
- Excludes earnings from our discontinued annuity operations that were sold to MassMutual, which were classified as discontinued operations effective January 1, 2021.
  - Assumes zero earnings on \$2.2 billion in parent company cash. Accordingly, AFG's ultimate results for 2021 will be impacted by the deployment of this capital.
  - The above guidance reflects a normal crop year and an annualized return of approximately 8% on alternative investments over the remaining two quarters of 2021.

# Appendix

# Sale of Annuity Business to MassMutual

- On May 28, 2021, AFG completed the sale of its Annuity business to 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
- Transaction resulted in AFG's exit from the fixed and indexed annuity market



## Transaction Summary

- Initial after-tax cash proceeds from the sale (based on preliminary closing balance sheet) were \$3.5 billion
- AFG recognized an after-tax non-core gain on the sale of \$697 million (\$8.14 per AFG share) upon closing
- Both proceeds and gain are subject to post-closing adjustments.
- Prior to completion of the transaction, AFG Parent acquired approximately \$100 million in directly owned real estate from GALIC and the P&C Group acquired \$480 million in real-estate related investments from GALIC

# Annuity Segment – 10 Year Value Creation for AFG

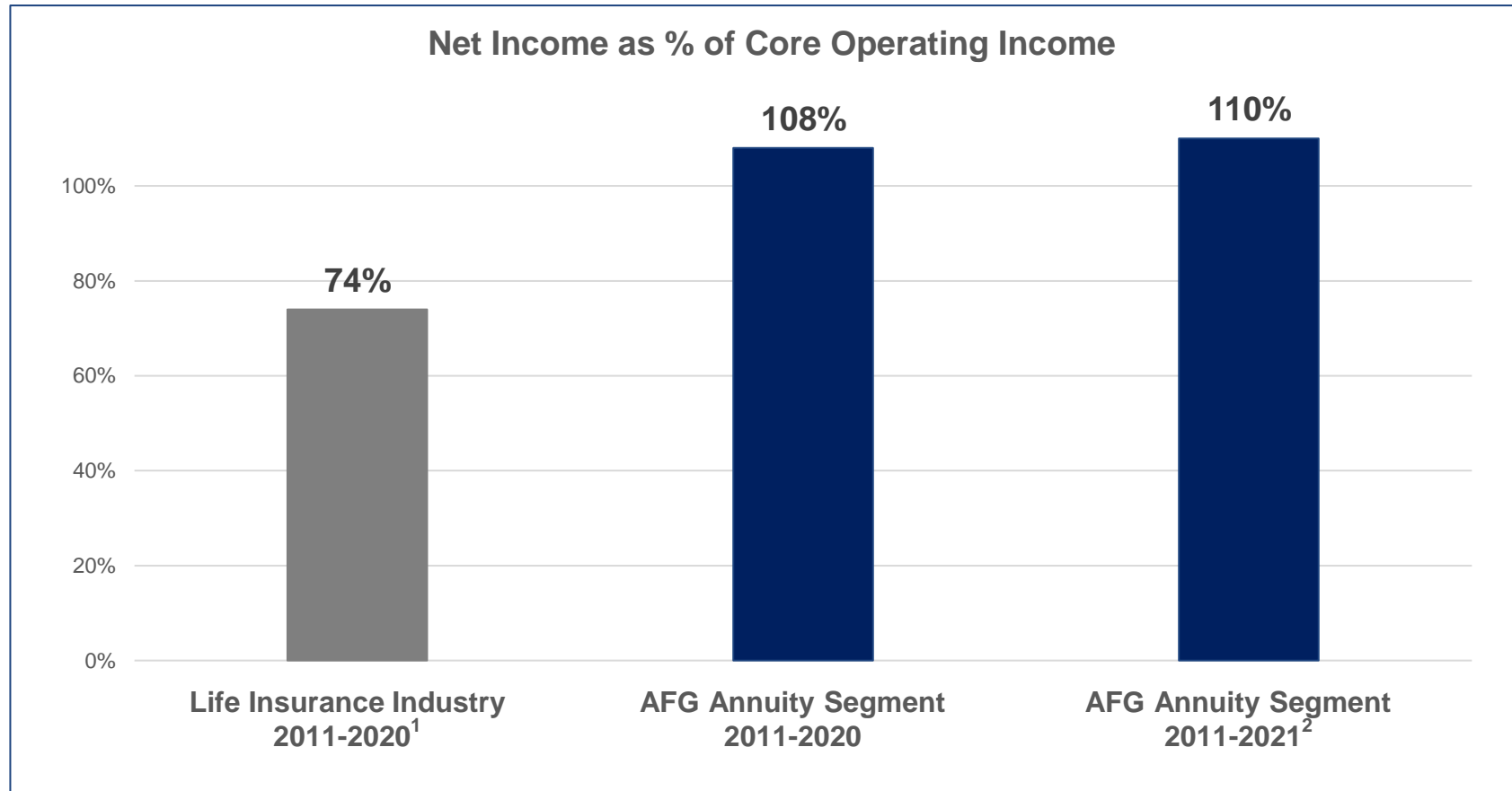
Dollars in millions

<b>12/31/2011</b>	(\$1,561)	GALIC beginning GAAP Equity
<b>2012</b>	\$150	Dividend to AFG
<b>2013</b>	\$100	Dividend to AFG
<b>2014</b>	\$160	Dividend to AFG
<b>2015</b>	\$110	Dividend to AFG
<b>2016</b>	\$125	Dividend to AFG
<b>2017</b>	\$210	Dividend to AFG
<b>2018</b>	\$50	Dividend to AFG
<b>2019</b>	\$125	Dividend to AFG
<b>2020</b>	\$265	Dividend to AFG
<b>6/30/2021</b>	\$3,859	\$290mm Dividend to AFG + \$3,569 sales price

**15.8% IRR**

*For purposes of this calculation, the proceeds from the sale of the Annuity businesses as of June 30, 2021 are \$3.569 billion, which consist of the original proceeds of \$3.537 billion received from MassMutual on May 28, 2021, plus a receivable for additional proceeds of \$32 million based on the increase in the equity of the businesses sold.*

# Annuity Segment Ten-Year Earnings History



**AFG's Annuity Segment Net Earnings exceeded Annuity Core Operating Earnings from 2011 through the date of sale in 2021.**

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

<sup>1</sup> JP Morgan: "Life Insurance Earnings Quality" - June 1, 2021.

<sup>2</sup> Results for 2021 are shown through the date of sale in May.

# Financial Highlights – Second Quarter and First Six Months 2021

Dollars in millions, except per share data

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2021</u>	<u>2020<sup>1</sup></u>	<u>2021</u>	<u>2020<sup>1</sup></u>
• Results of Operations:				
– Core net operating earnings	\$ 205	\$ 60	\$ 411	\$ 185
– Core net operating earnings per share	\$ 2.39	\$ 0.67	\$ 4.78	\$ 2.04
– Average number of diluted shares <sup>2</sup>	85.6	90.0	86.1	90.0
• Book Value per Share:				
	<u>June 30,</u> <u>2021</u>	<u>Dec. 31,</u> <u>2020</u>		
– Excluding unrealized gains related to fixed maturities	\$ 63.70	\$ 63.61		
– Tangible, excluding unrealized gains related to fixed maturities	\$ 61.27	\$ 60.82		
• 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 \$3.2 billion at June 30, 2021, including parent company cash and investments of approximately \$3.0 billion				

<sup>1</sup> On May 28, 2021, AFG completed the sale of its Annuity business to MassMutual. The results of AFG's Annuity operations are reported as discontinued operations beginning with the first quarter of 2021 and through the date of sale, in accordance with GAAP, which included adjusting prior period results to reflect these operations as discontinued.

<sup>2</sup> Because AFG had a net loss for the six months ended June 30, 2020, the impact of potential dilutive options (weighted average of 0.59 million shares) was excluded from AFG's fully diluted earnings per share calculation. However, for the non-GAAP measure of core net operating earnings, the Company believes it is most appropriate to use the fully diluted share data that would have been used if AFG had net earnings for the six months ended June 30, 2020.

# Financial Highlights – 2020

Dollars in millions, except per share amounts

- Results of Operations:

- Core net operating earnings
- Core net operating earnings per share
- Average number of diluted shares

- Core Operating Return on Equity:<sup>2</sup>

AFG Consolidated<sup>3</sup>

- Specialty Property & Casualty

- Book Value per Share:

- Excluding unrealized gains related to fixed maturities
- Tangible, excluding unrealized gains related to fixed maturities

Twelve Months Ended  
December 31,

2020<sup>1</sup>      2019<sup>1</sup>

\$ 481	\$ 482
\$ 5.40	\$ 5.29
89.2	91.0

2020<sup>1</sup>      2019<sup>1</sup>

9.2%	9.2%
15.0%	15.4%

**Dec 31,**      **Dec 31,**  
2020      2019

\$ 63.61	\$ 59.70
\$ 60.82	\$ 56.93

**13.0%**  
Growth in Adj  
BVPS + Dividends

<sup>1</sup> On January 27, 2021 AFG announced that it entered into a definitive agreement to sell its Annuity business to MassMutual. The results of AFG's Annuity operations are reported as discontinued operations beginning with the first quarter of 2021, in accordance with GAAP, which included adjusting prior period results to reflect these operations as discontinued.

<sup>2</sup> Equity excludes AOCI.

<sup>3</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				<u>2021E excl. Workers' Comp</u>
	<u>2019</u>	<u>2020</u>	<u>YTD 6/30/2021</u>	<u>2021E<sup>1</sup></u>	
Specialty Property & Transportation	\$ 1,876	\$ 1,887	\$ 967	15% – 19%	
Specialty Casualty	\$ 2,701	\$ 2,304	\$ 1,180	5% – 9%	10% – 14%
Specialty Financial	\$ 617	\$ 604	\$ 320	10% – 14%	
Other Specialty	<u>\$ 148</u>	<u>\$ 197</u>	<u>\$ 107</u>	n/a	
<b>Total Specialty</b>	<b><u>\$ 5,342</u></b>	<b><u>\$ 4,992</u></b>	<b><u>\$ 2,574</u></b>	<b>10% – 13%</b>	12% – 16%

<sup>1</sup> 2021E based on guidance issued August 4, 2021.



# Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2019</u>	<u>2020</u>	<u>YTD 6/30/2021</u>	<u>2021E<sup>1</sup></u>
Specialty Property & Transportation	95.7%	90.4%	86.1%	87% – 90%
Specialty Casualty	93.3%	90.0%	89.0%	87% – 90%
Specialty Financial	85.0%	91.8%	85.4%	84% – 87%
Other Specialty	113.3%	116.1%	103.9%	n/a
<b>Total Specialty</b>	<b>93.7%</b>	<b>91.3%</b>	<b>88.2%</b>	<b>88% – 90%</b>

<sup>1</sup> 2021E based on guidance issued August 4, 2021.

