



# Specialty Property and Casualty Insurance

*Morgan Stanley - Investor Meeting*

*December 1, 2022*

# 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 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

Superior Underwriting  
Talent

**7.5%**

*Points of COR outperformance  
vs. peers over 10-year period  
ended 12/31/2021*

Specialty P&C  
Combined Ratio

**9 years**

*Consecutive years  
under 94%*



**Overall Specialty P&C combined ratio of 87.4% for the nine months ended September 30, 2022**

**Record underwriting profit and record P&C core net operating earnings for the nine months ended September 30, 2022**

# Top Tier Specialty Property & Casualty Insurer



# Our Corporate Values



# 2022 Employee Survey Highlights

## PROUD TO BE BEST IN CLASS



Be here. Be *great.*



"I understand how my **job contributes** to the organization's strategy and goals."



"The people in my work group are committed to **delivering high quality products and services.**"

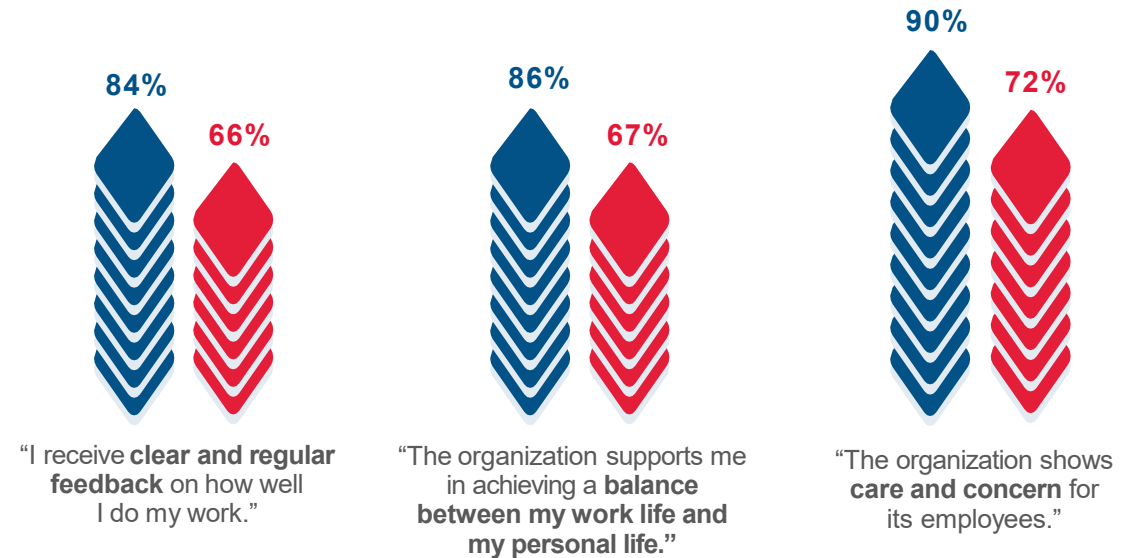


"I am **treated with respect** as an individual."



"I would recommend the organization as a **good place to work.**"

## HOW WE STACK UP



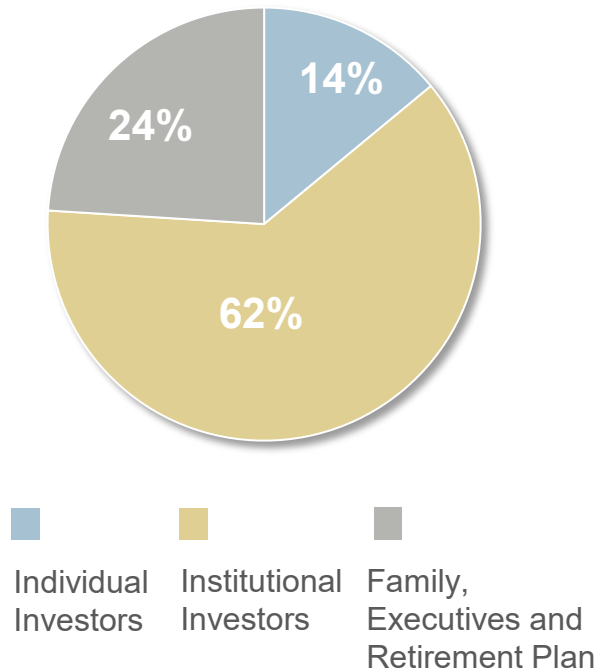
OUR COMPANY ■ HIGH PERFORMING COMPANIES\*

\* High Performing (Norm) – Average survey scores from 50 top performing organizations with over 320,000 employees (based on financial performance versus peers, and high employee engagement and enablement).

Source: Employee opinion survey and benchmark data is provided by our survey vendor, Korn Ferry.

# 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

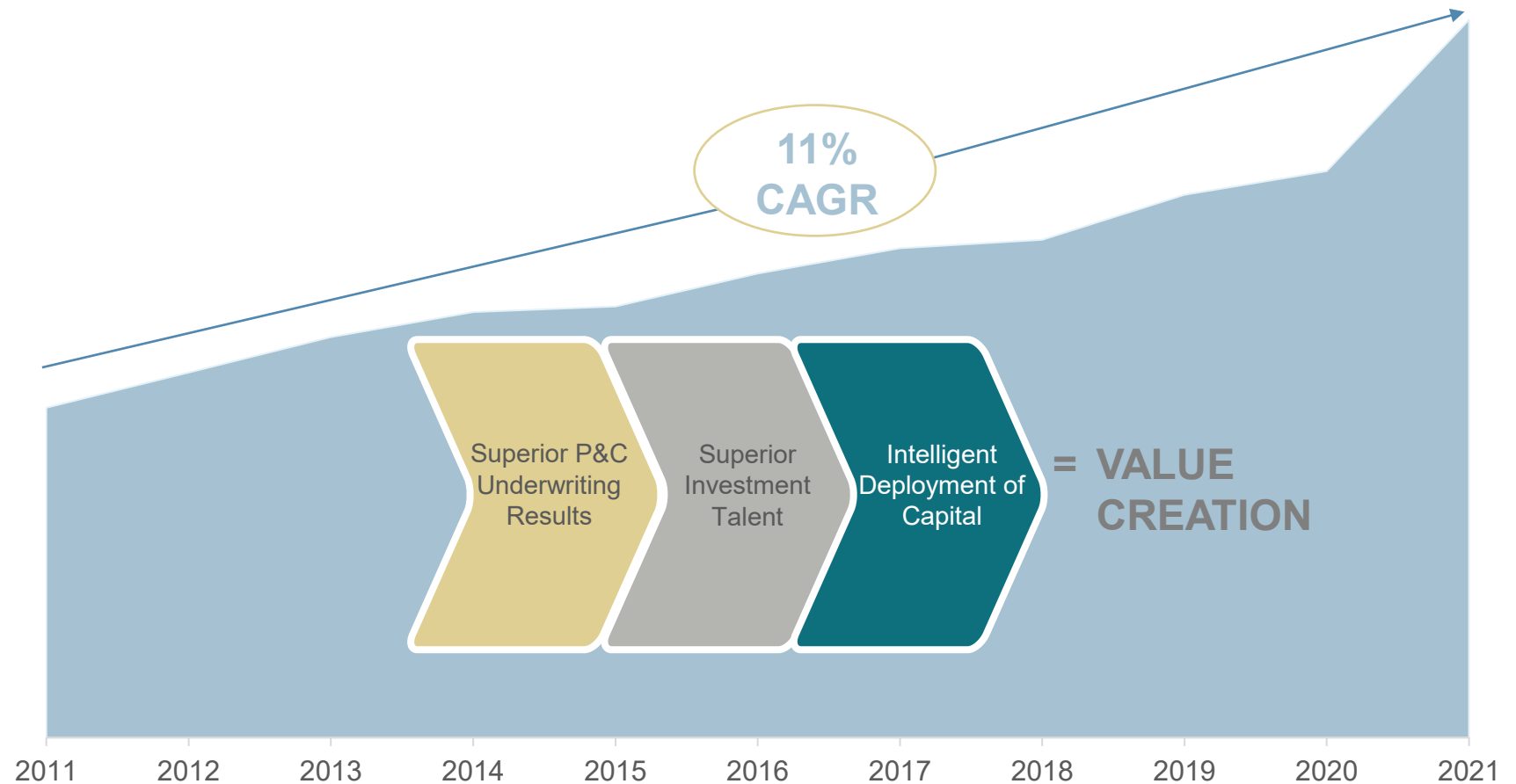


- A leader in providing risk sharing alternatives to the passenger transportation, moving & storage and trucking specialty transportation industries
- Through collaboration and specialized knowledge, we work with a variety of agency and group risk sharing programs in a wide range of industry segments 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

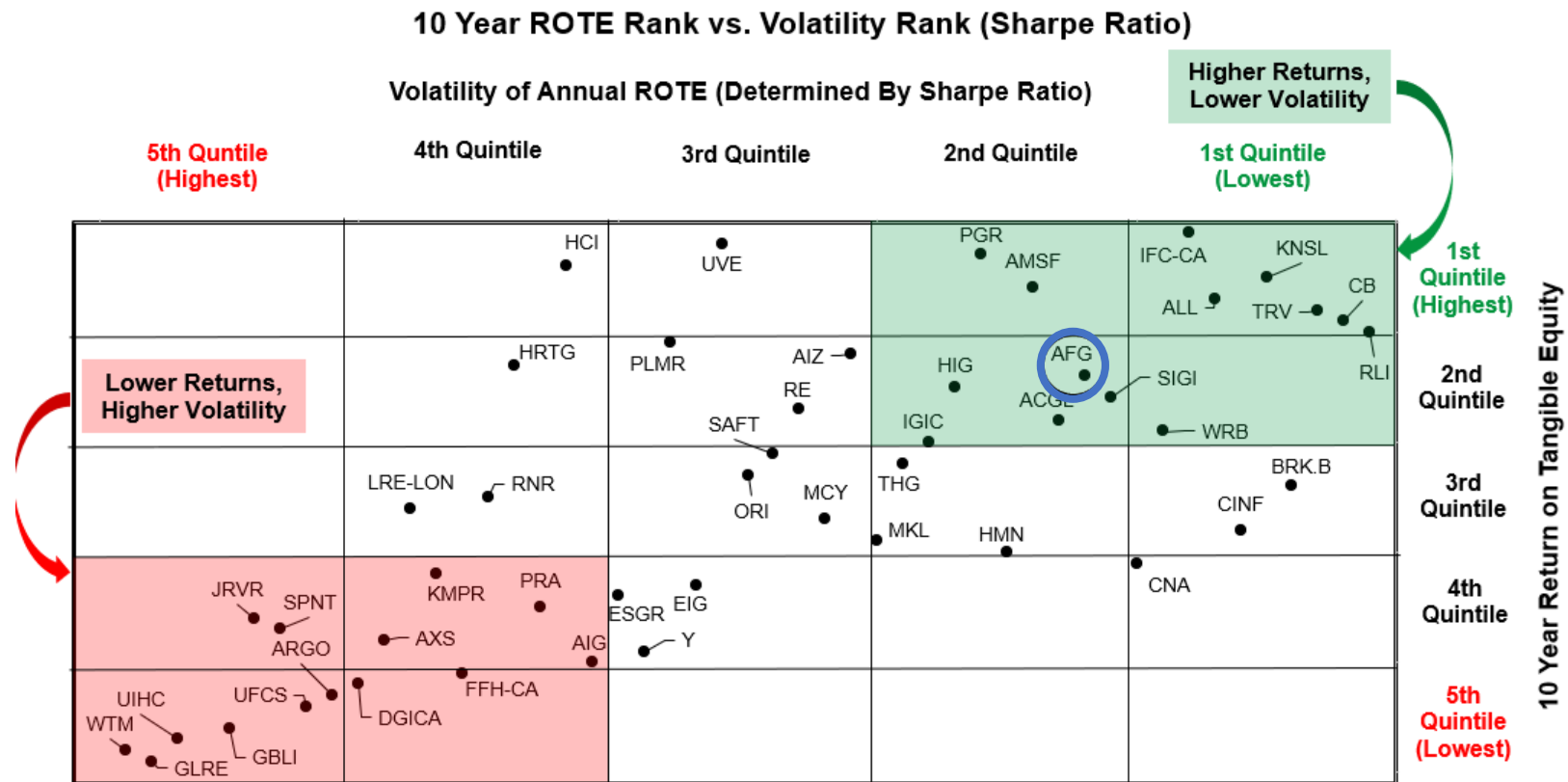


Adjusted Book Value excludes unrealized gains and losses related to fixed maturities.



# Higher Returns and Lower Volatility

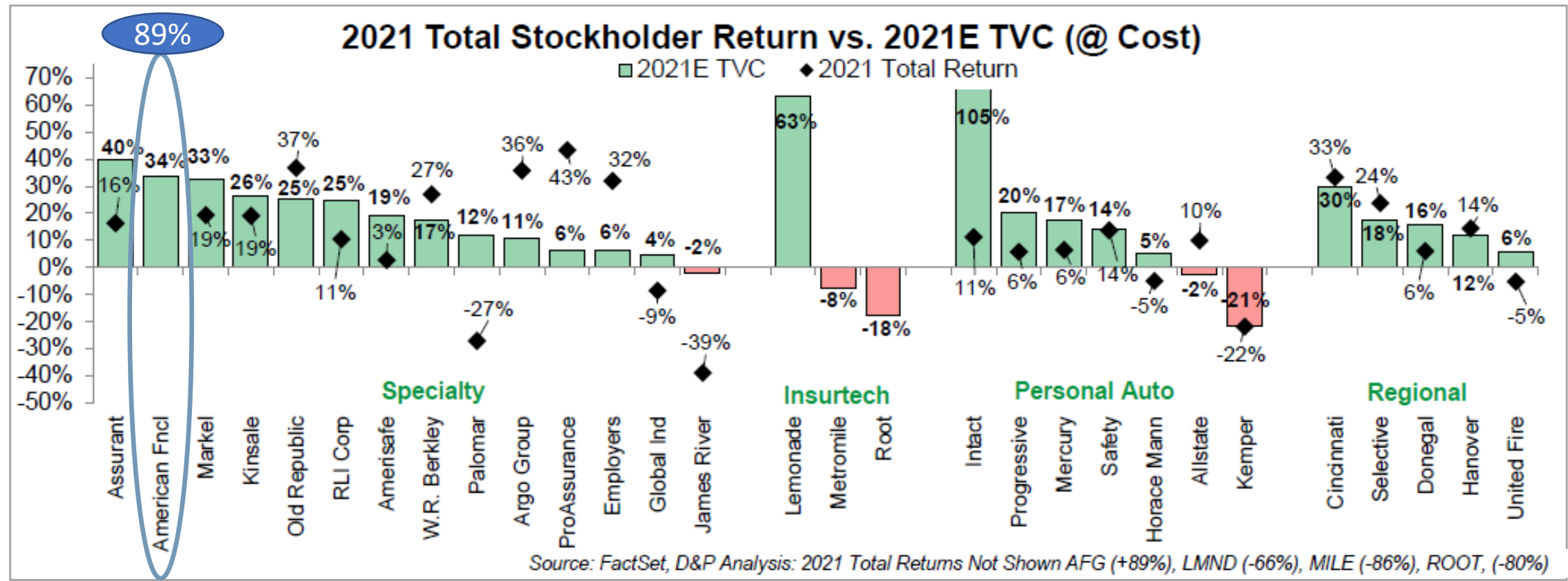
*For the 10 years ended 12/31/21, AFG ranks favorably among peers with higher returns and lower volatility*



Source: Dowling & Partners

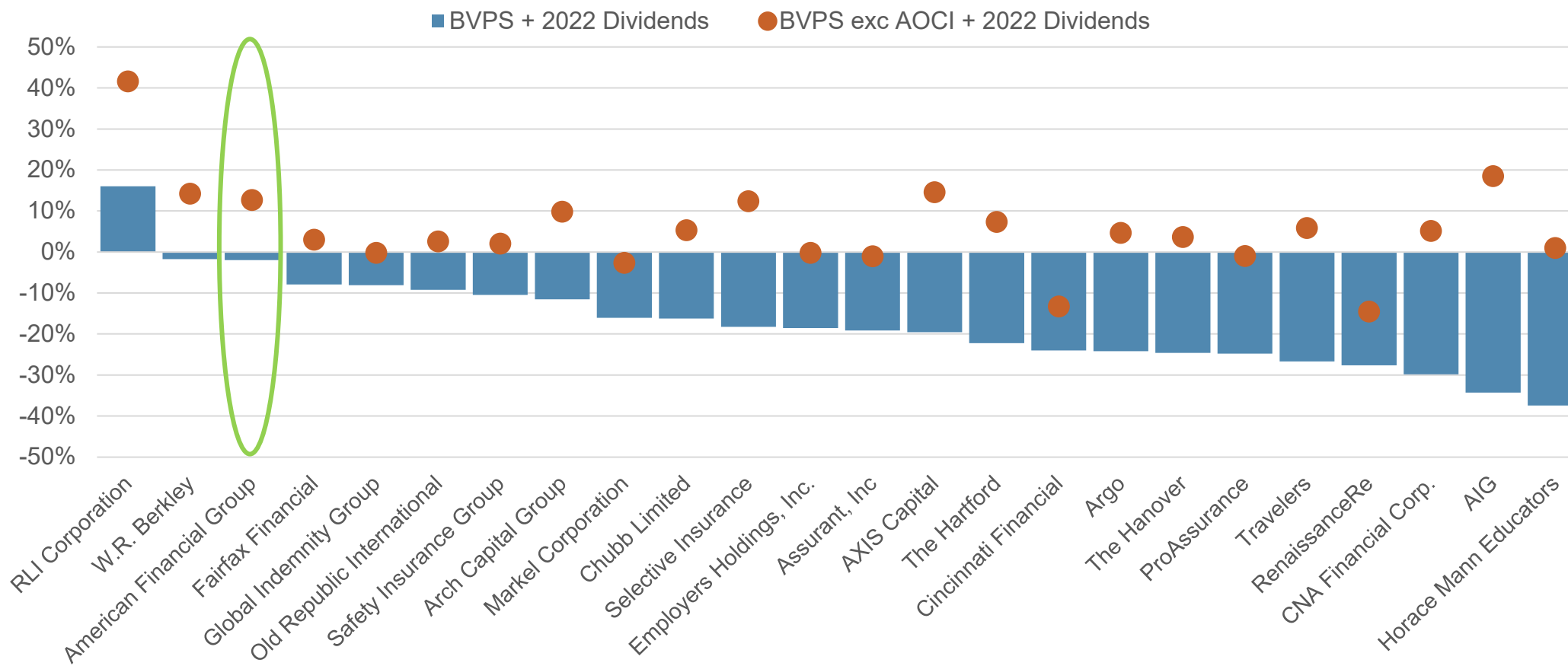
# Strong Track Record of Value Creation

AFG stands out among peers with 2021 total stockholder return of +89%



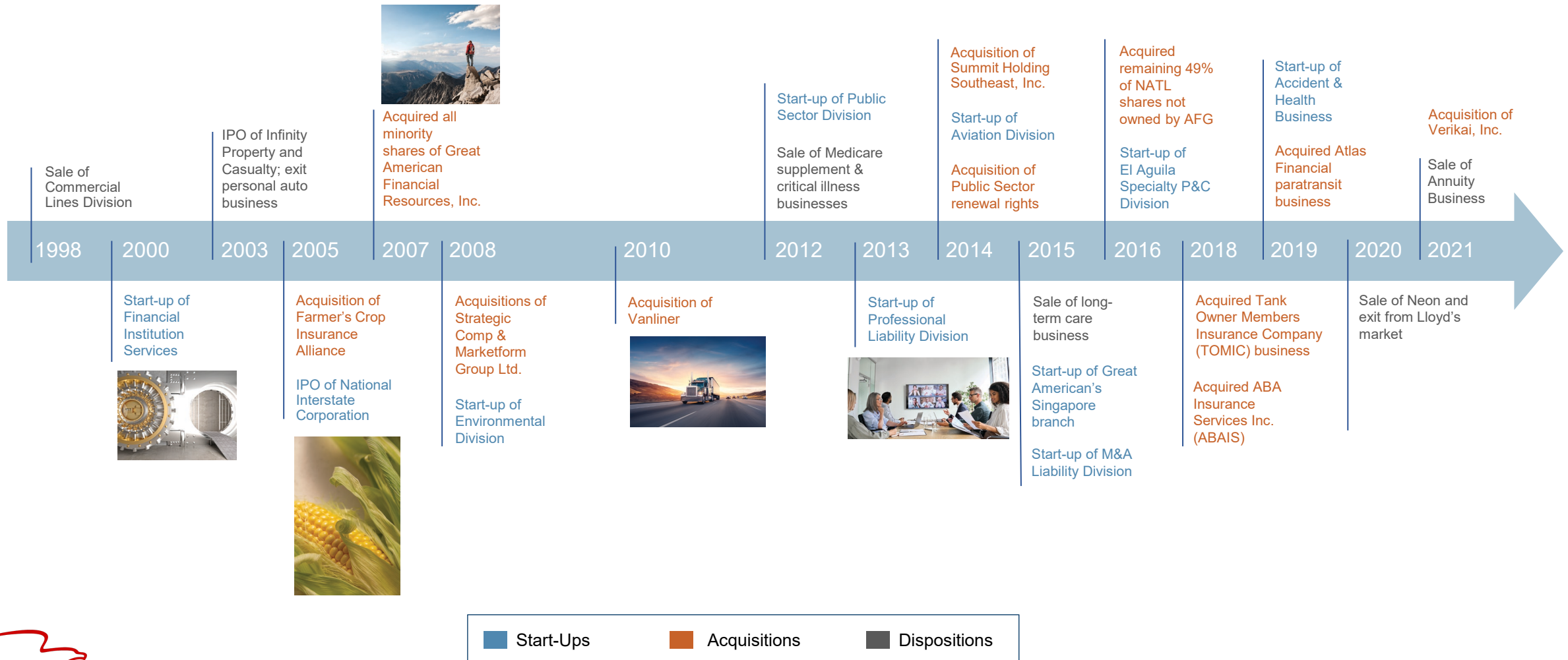
Dowling & Partners – IBNR #1, January 6, 2022. 2021 Estimated Total Value Creation (TVC) vs. YTD Total Stock Return (TSR)

# Total Value Creation: YTD through September 30, 2022



Source: Public company filings.

# 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+

Superior



## A+

Strong

**S&P Global**  
Ratings

## A1

**MOODY'S**

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

## The Numbers Tell Our Story

### 3,000

Property and casualty insurance companies in the United States

### 50

Companies on the Ward's 50 List for safety, consistency and performance

### 4

Rated "A" (Excellent) or better by AM Best for 110+ years

### 3

on both lists

### 1

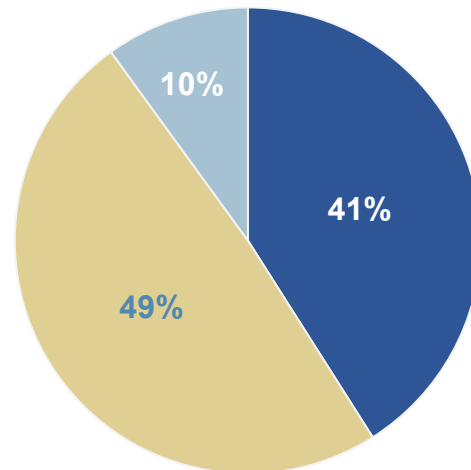
**Great American Insurance Company** is **1** of the **three**



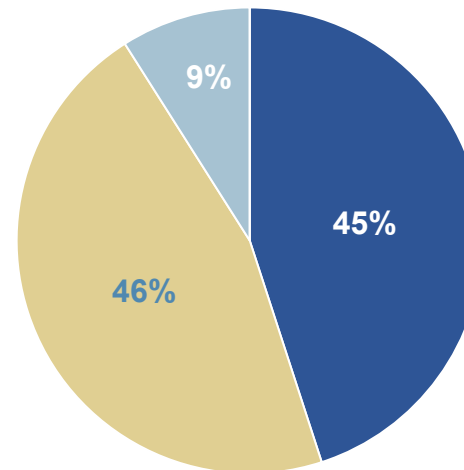
# Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

**Gross Written Premiums  
2021  
\$7.9 Billion**



**Gross Written Premiums  
LTM Ended September 30, 2022  
\$8.9 Billion**



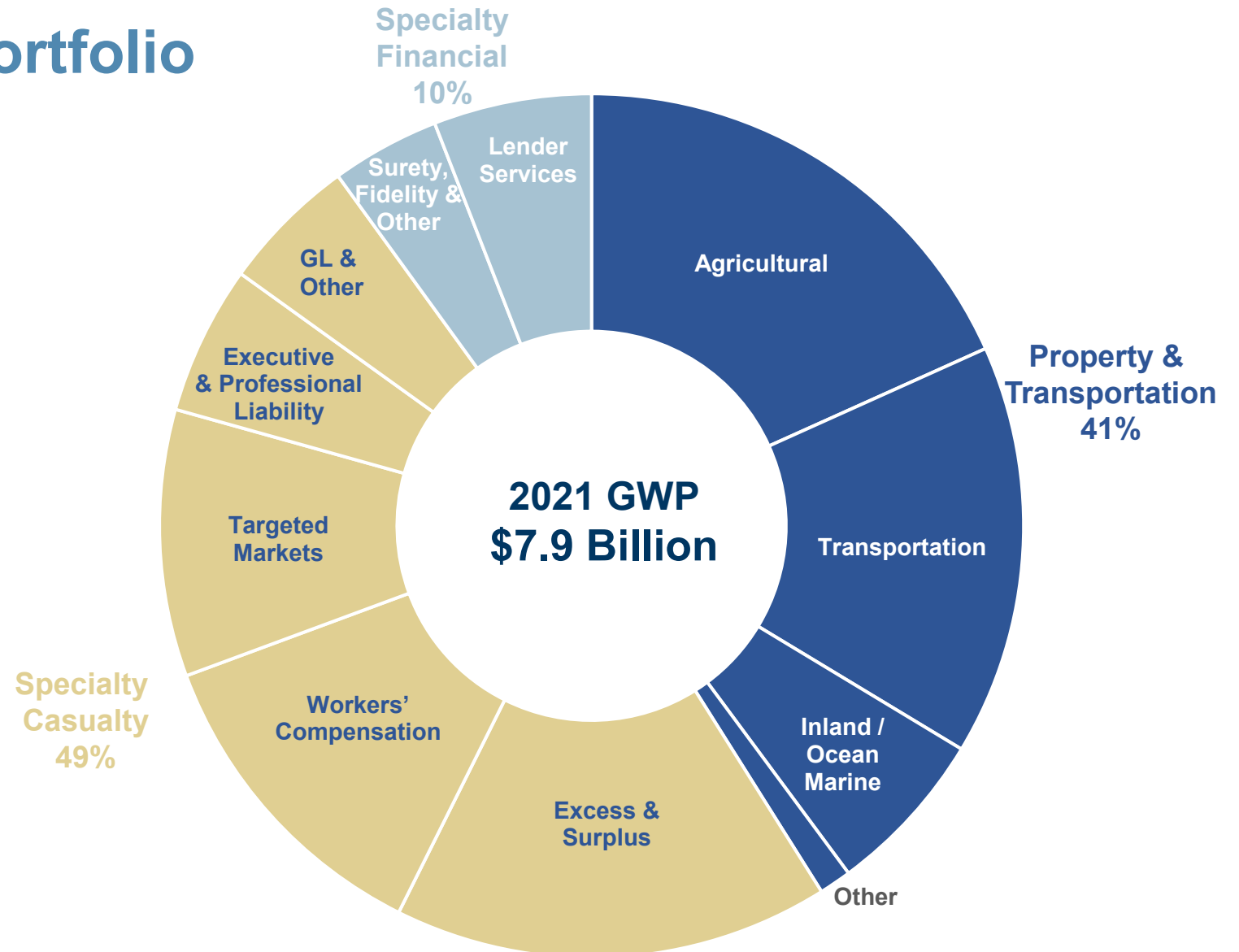
- Property & Transportation
- Specialty Casualty
- Specialty Financial

In 2021, approximately 50% of P&C Group GWP produced by businesses with “Top 10” market rankings including:  
ABAIS • Crop • Equine • Fidelity/Crime • Financial Institution Services • FL Workers Comp • Moving & Storage •  
Non-Profit/Social Services • Ocean Marine • Passenger Transportation • Public Entity • Trade Credit • Trucking

# Diversified Product Portfolio

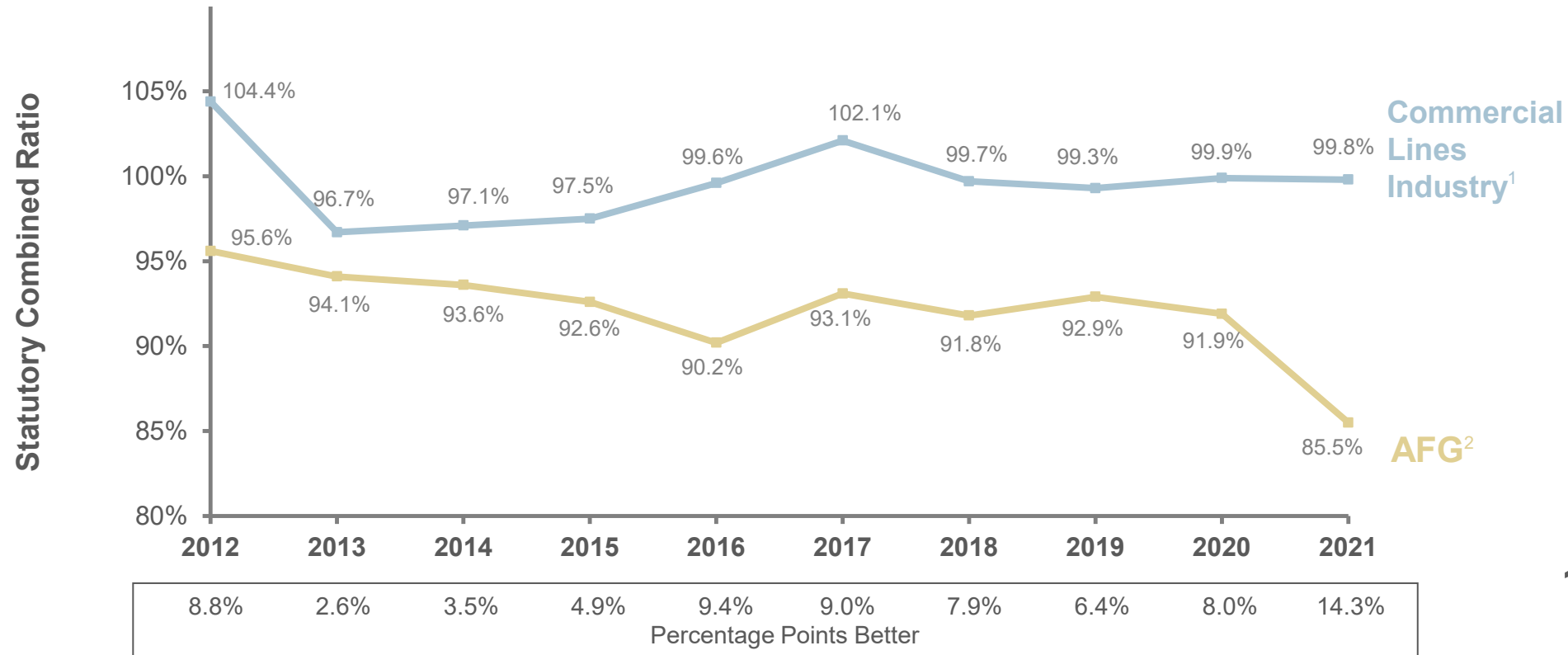
## Gross Written Premiums

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





# Superior Underwriting Talent

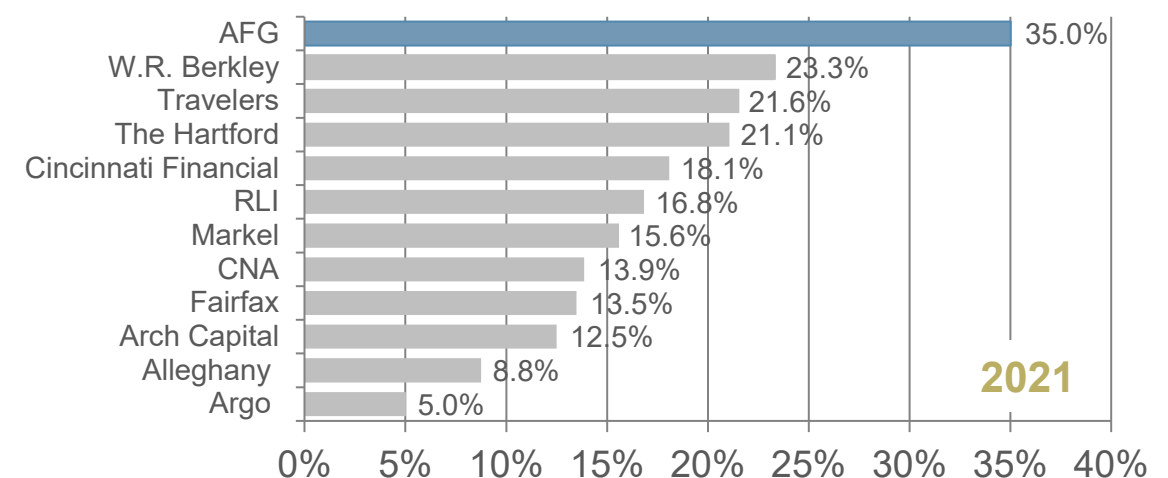
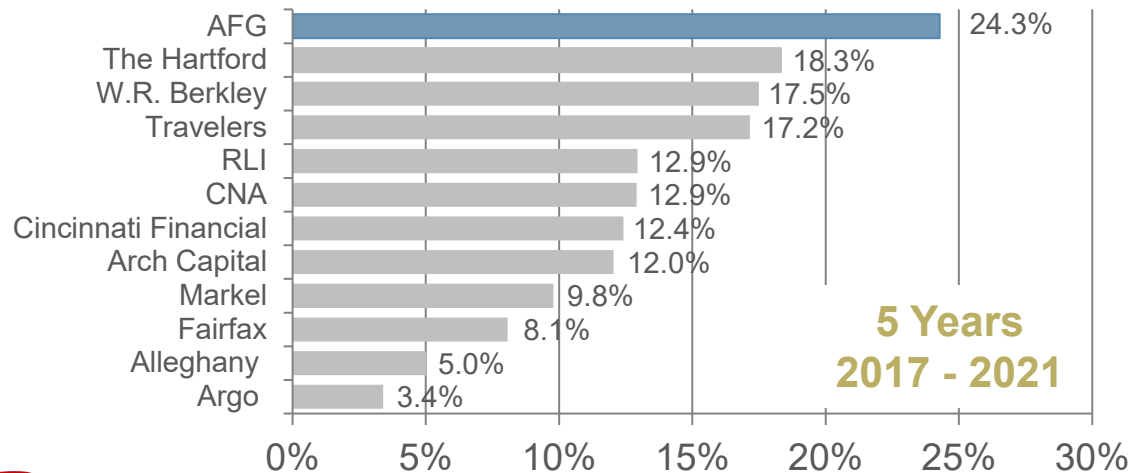
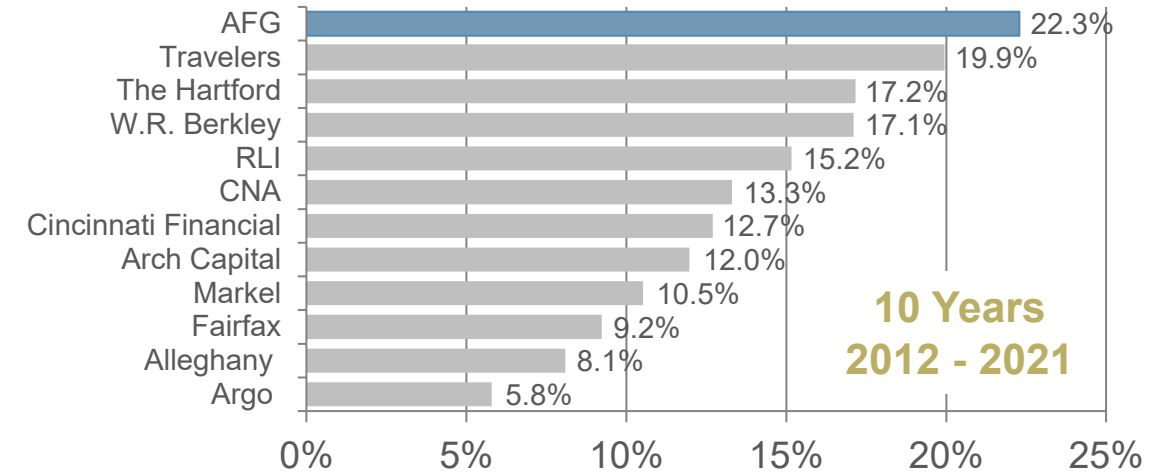
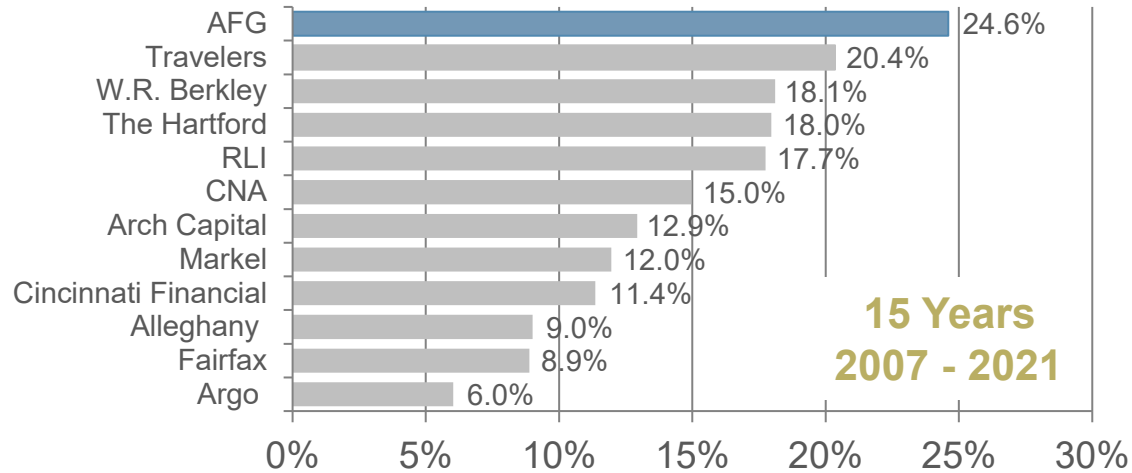


**7.5%**  
Points  
Better  
Over the  
10 Year  
Period  
Ended  
12/31/2021

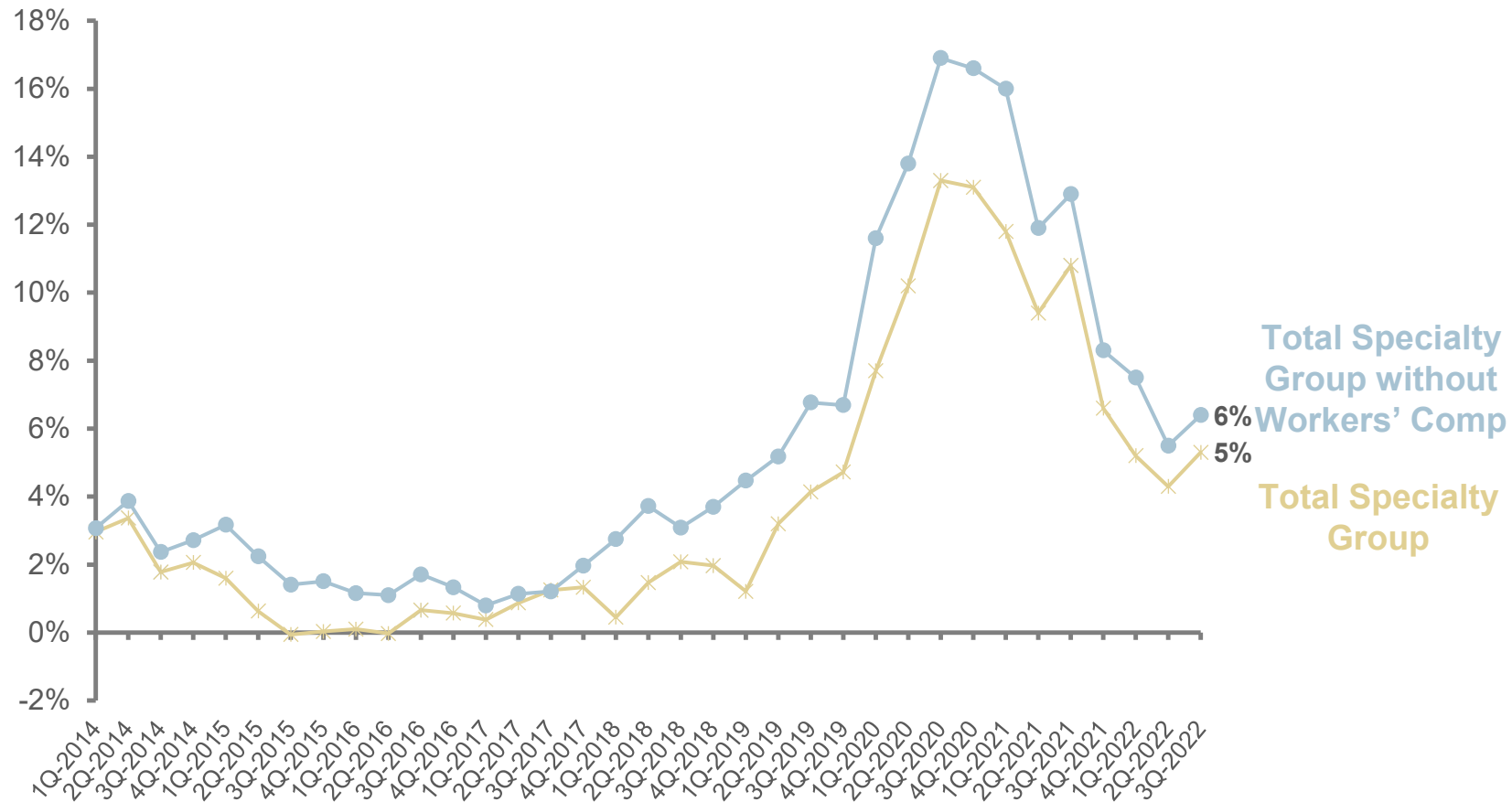
<sup>1</sup> Commercial Lines Industry based on data from A.M. Best's Market Segment Report – February 24, 2022.

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

# Pretax Property & Casualty Returns



# Specialty P&C Pricing Trends



We continue to achieve **renewal rate increases in excess** of prospective loss ratio trends in the vast majority of our businesses, with strong renewal pricing in our longer-tailed liability businesses outside of workers' compensation.

**Prospective Loss Ratio Trends:**  
**Total Specialty Group 3%**  
**Specialty Excl WC 5%**

# Loss Ratio Trend as an Indicator of Pricing Adequacy

In this example, a 1.8% loss ratio trend indicates that rate increases of 1.8% are needed in order to maintain the current level of profitability as measured by the combined ratio, assuming the expense ratio and other factors are held constant.

Assumptions: \$100M book of business with a 55% loss ratio and an 85% COR; 3.5% increase in insured values and a 6% loss cost trend.

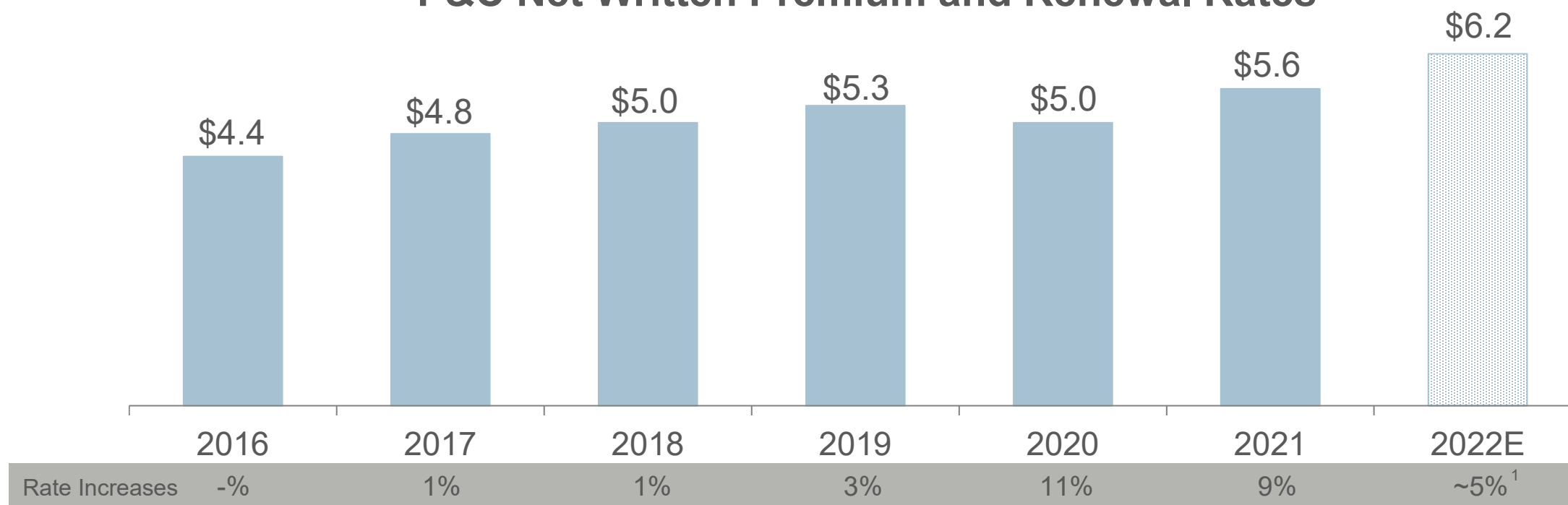
\$ in thousands	Current PY Results		Loss Cost & Exposure Trend			Proof of Needed Rate		
	(\$000)	COR	Change	(\$000)	COR	Change	(\$000)	COR
Premiums	\$ 100,000		3.5%	\$ 103,500		1.8%	\$ 105,363	
Loss & LAE	55,000	55%	6.0%	58,300	56%		58,300	55%
Underwriting Expenses	30,000	30%		31,050	30%		31,609	30%
U/W Profit	\$ 15,000	85%		\$ 14,150	86%		\$ 15,454	85%

Loss ratio trend =  $56\% / 55\% = +1.8\%$

# Specialty Property & Casualty Premium Growth

Dollars in billions

## P&C Net Written Premium and Renewal Rates

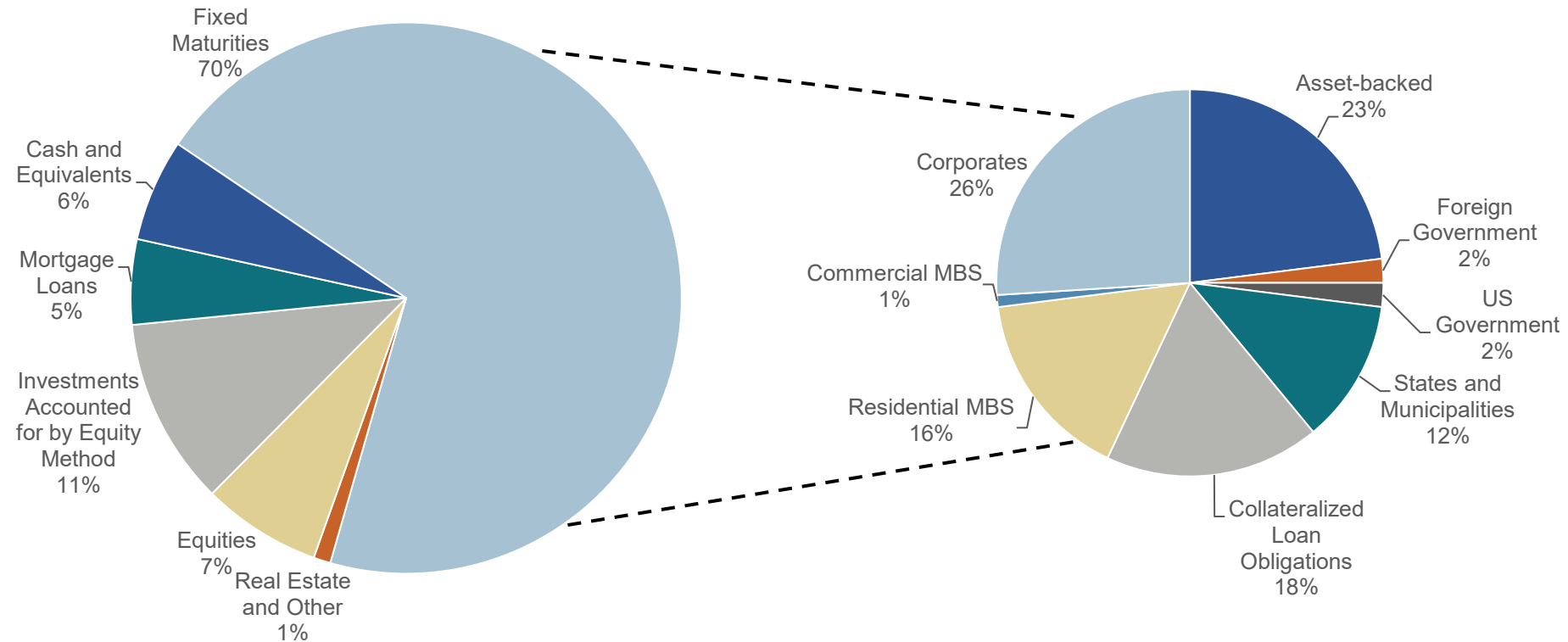


Overall Specialty P&C renewal rates increased approximately 5% in 3Q22. Excluding workers' compensation, renewal rates increased approximately 6%.

# AFG Investment Portfolio

As of September 30, 2022

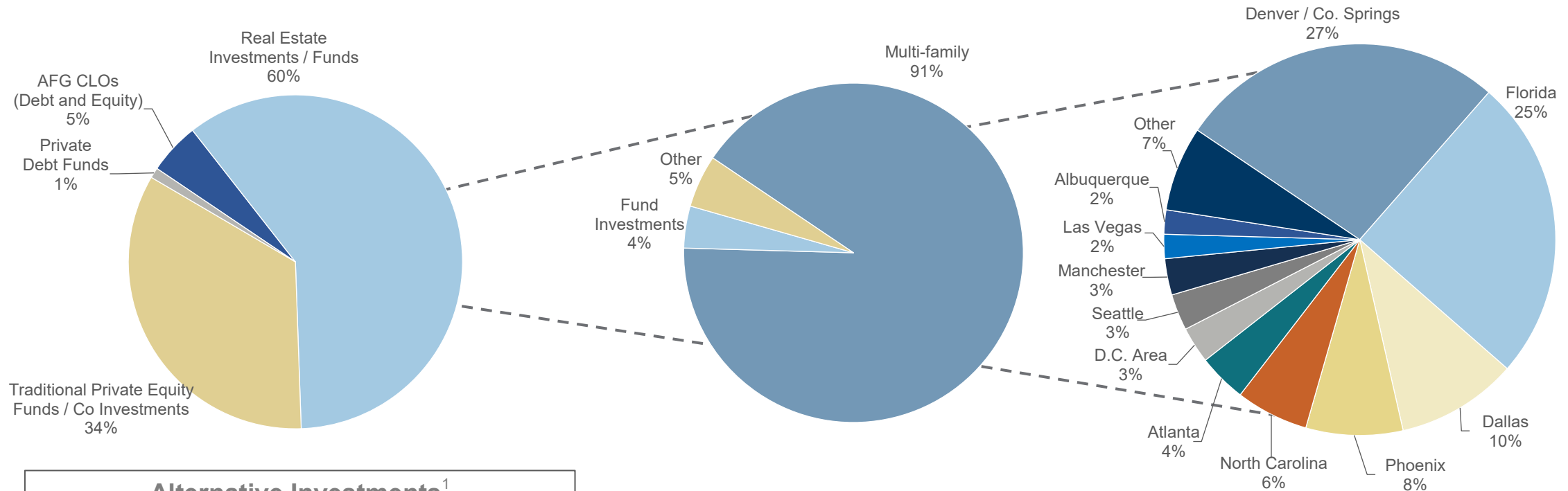
Fixed Maturities Portfolio – 91% investment grade  
P&C Fixed Maturities Portfolio – 97% NAIC 1 & 2



Carrying Value – \$14.3 Billion

# AFG Investment Portfolio – Alternative Investments

## As of September 30, 2022



**Alternative Investments<sup>1</sup>**  
**Total = \$2.0 Billion**  
**(14% of total investments)**

**7% annualized return in 3Q22; 16% YTD;**  
**estimated to be 12% for**  
**the full year 2022**

<sup>1</sup> Alternative investments consist of investments accounted for using the equity method, equity securities MTM through investment income and AFG managed CLOs.

# Investment Portfolio Characteristics

	P&C Portfolio 9/30/22
Approximate Average Duration – Fixed Maturities including cash & cash equiv	<b>2.7 years</b>
Annualized yield on available for sale fixed maturity securities before investment expenses  Quarter ended 09/30/2022:	<b>3.73%</b>

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.

## ***Positioning & Outlook***

Short Duration – Significant capacity for AFG to take advantage of recent increases in rates. Increased duration of P&C fixed maturity portfolio, including cash and cash equivalents, from approximately 2.0 years at 12/31/2021 to approximately 2.7 years at 9/30/2022.

- Insurance company fixed maturities duration (including cash) remains short relative to historical levels.
- Parent company cash and short duration fixed maturities of approximately \$760 million as of September 30, 2022.

Low Credit Risk – Significant capacity for AFG to take advantage of wider spreads offered by recent volatility in credit markets.

- Given recent rise in interest rates, AFG's current reinvestment rate in its P&C fixed maturity portfolio is around 6%.



# Strong Financial Position

Dollars in millions, except per share data

## Capital Management

- Above target levels for all rating agencies
- Excess capital approximately \$1.3 billion at September 30, 2022
- Third quarter regular dividends = \$48 million
- Declared special dividend of \$2.00 per share (\$170 million) on Nov 2, 2022; payable on Nov 22<sup>nd</sup>

## Long-Term Debt

- No debt maturities until 2030
- No borrowings under \$500 million credit line
- Repurchased approximately \$30 million of Senior Notes in early November 2022

## 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

	<u>Sept 30, 2022</u>	<u>Dec 31, 2021</u>
Principal amount of long-term debt	\$ 1,559	\$ 1,993
Adjusted shareholders' equity <sup>1</sup>	4,515	4,876
Total adjusted capital	\$ 6,074	\$ 6,869
Ratio of debt to total adjusted capital <sup>2</sup>		
Including subordinated debt	25.7%	29.0%
Excluding subordinated debt	14.6%	19.2%
Common shares outstanding	85.141	84.921
<u>Book value per share:</u>		
Book value per share	\$ 46.18	\$ 59.02
Adjusted <sup>1</sup>	53.03	57.42
Tangible, adjusted <sup>3</sup>	48.84	53.26
Parent company cash and investments	\$ 763	\$ 1,857

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

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

# Intelligent Use of Excess Capital

## 2022 Capital Management

- Three special dividends declared in 2022
  - \$2.00 per share special dividend paid in March 2022
  - \$8.00 per share special dividend paid in May 2022
  - \$2.00 per share to be paid in November 2022
- 12.5% increase in regular annual dividend, beginning in October 2022; 17<sup>th</sup> consecutive annual dividend increase
- Excess capital at September 30, 2022 approximately \$1.3 billion
- 7.6 million shares remaining in repurchase authorization as of September 30, 2022

## 2021 Capital Management

- Returned \$2.7 billion of capital to shareholders
- Five special dividends totaling \$26.00 per share paid in 2021
- Repurchased \$319 million of AFG common shares

## Capital Returned to Shareholders Five Years Ended 12/31/2021 (in millions)

Dividends Paid	\$ 3,983
Repurchases	<u>638</u>
Total	<u><u>\$ 4,621</u></u>



***\$4.6 Billion Returned to  
Shareholders***

# Balanced Approach to Capital Allocation

Dollars in millions

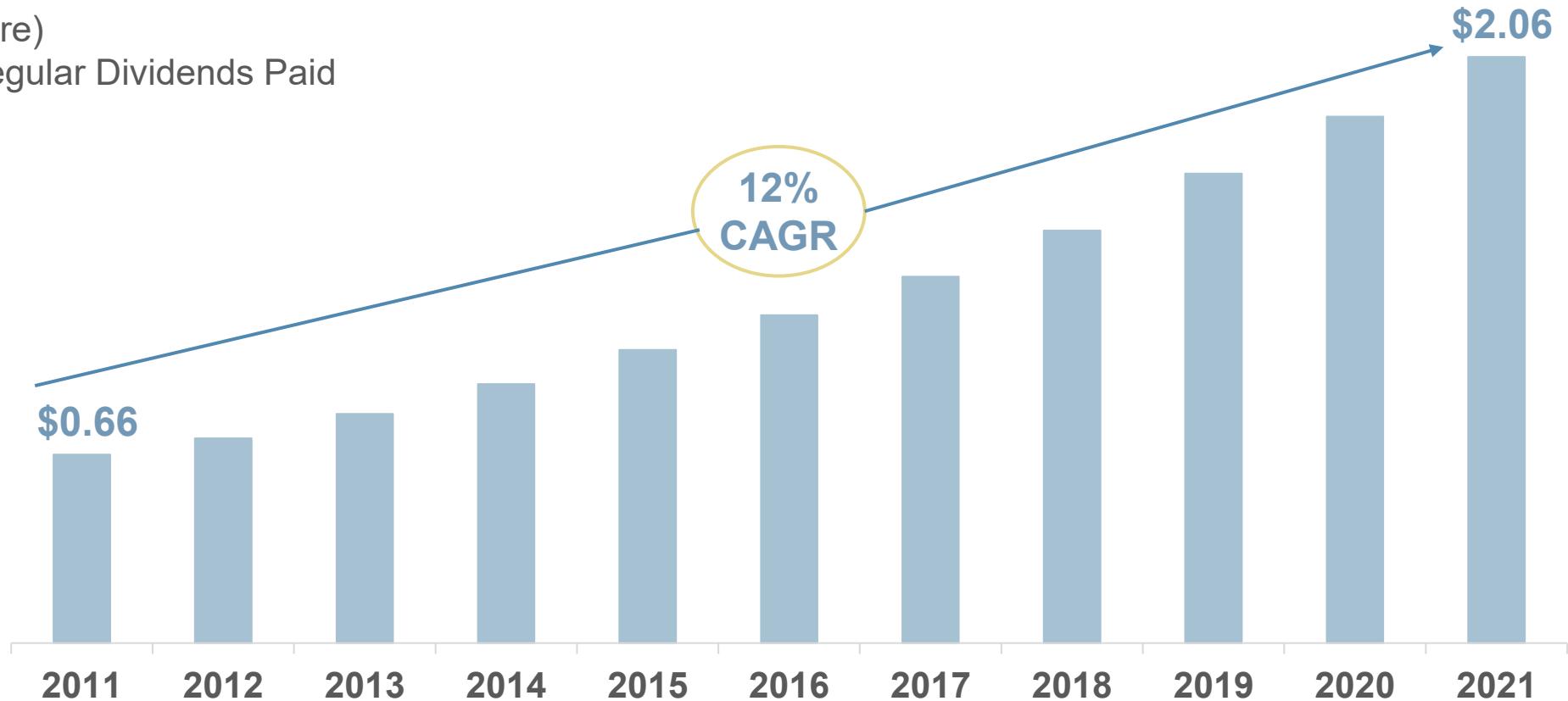


Between years 2009 – 2012, AFG repurchased **33.7 million** shares at a weighted average price of **approximately 90.5% of adjusted book value** (*book value per share excluding appropriated retained earnings and net unrealized gains (losses) related to fixed maturities*).

# Double-Digit Growth in Regular Dividends

(\$ per share)

Annual Regular Dividends Paid



*Including the \$12.00 in special dividends declared in 2022 through November 2<sup>nd</sup>,  
AFG has declared \$54.05 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



# 2022 Outlook

**AFG's 2022 core net operating earnings guidance: \$11.00 - \$11.75 per share, narrowed from our previous guidance of \$10.75 - \$11.75 per share.**

	Updated Guidance <sup>1</sup>		August Guidance		2021 Actual
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio	
<b>Specialty P&amp;C Group Overall</b>	<b>10% – 12%</b>	<b>86% – 87%</b>	9% – 13%	85% – 87%	86.4%
<b><u>Business Groups:</u></b>					
<b>Property &amp; Transportation</b>	<b>15% – 17%</b>	<b>90% – 92%</b>	13% – 17%	88% – 91%	87.1%
<b>Specialty Casualty</b>	<b>7% – 9%</b>	<b>80% – 82%</b>	6% – 10%	79% – 83%	84.3%
<i>Excluding Workers' Comp</i>	<i>8% – 10%</i>		<i>9% – 13%</i>		
<b>Specialty Financial</b>	<b>4% – 6%</b>	<b>83% – 85%</b>	<b>4% – 8%</b>	81% – 85%	85.1%

**P&C average renewal rates up approximately 5% when compared to 2021**

<sup>1</sup> Reflects an average crop year and an annualized return of approximately 12% on alternative investments.

# Appendix

# Financial Highlights – Third Quarter and First Nine Months 2022

Dollars in millions, except per share data

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
• Results of Operations:				
– Core net operating earnings	\$ 192	\$ 231	\$ 738	\$ 642
– Core net operating earnings per share	\$ 2.24	\$ 2.71	\$ 8.65	\$ 7.48
– Average number of diluted shares	85.4	85.2	85.3	85.8
	<b>Sept. 30, <u>2022</u></b>	<b>Dec. 31, <u>2021</u></b>		
• Book Value per Share:	\$ 46.18	\$ 59.02		
– Excluding unrealized gains (losses) related to fixed maturities	\$ 53.03	\$ 57.42		
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 48.84	\$ 53.26		
• 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 \$1.3 billion at September 30, 2022, including parent company cash and investments of approximately \$760 million				



# Financial Highlights – 2021

## Dollars in millions, except per share data

- 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>

- Book Value per Share:

- Excluding unrealized gains related to fixed maturities
- Tangible, excluding unrealized gains related to fixed maturities<sup>4</sup>

### Twelve Months Ended December 31,

<u>2021</u>	<u>2020</u> <sup>1</sup>
\$ 993	\$ 481
\$ 11.59	\$ 5.40
85.6	89.2
<u>2021</u>	<u>2020</u> <sup>1</sup>
18.6%	9.2%

<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
\$ 57.42	\$ 63.61
\$ 53.26	\$ 60.82

**18.6%**  
Core Operating  
Return on Equity

**34.4%**  
Growth in Adj  
BVPS + Dividends

<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> Equity excludes AOCI.

<sup>3</sup> Includes the impact of holding company and other operations not reported in AFG's operating segments.

<sup>4</sup> Tangible BVPS for 12/31/2021 update relates solely to a revision to the preliminary purchase price allocation of an acquired subsidiary.

# Specialty Property & Casualty Businesses

Dollars in millions

	Net Written Premium						2022E excl. Workers' Comp
	<u>2020</u>	<u>2021</u>	Nine Months Ended			<u>2022E<sup>1</sup></u>	
			<u>9/30/2021</u>	<u>9/30/2022</u>	<u>% Change</u>		
Specialty Property & Transportation	\$ 1,887	\$ 2,157	\$ 1,740	\$ 2,092	20%	15% – 17%	
Specialty Casualty	\$ 2,304	\$ 2,540	\$ 1,912	\$ 2,073	8%	7% – 9%	8% – 10%
Specialty Financial	\$ 604	\$ 658	\$ 485	\$ 512	6%	4% – 6%	
Other Specialty	<u>\$ 197</u>	<u>\$ 218</u>	<u>\$ 166</u>	<u>\$ 191</u>	15%	n/a	
<b>Total Specialty</b>	<b><u>\$ 4,992</u></b>	<b><u>\$ 5,573</u></b>	<b><u>\$ 4,303</u></b>	<b><u>\$ 4,868</u></b>	<b>13%</b>	<b>10% – 12%</b>	<b>11% – 13%</b>

<sup>1</sup> 2022E based on guidance issued November 3, 2022.

# Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2020</u>	<u>2021</u>	<u>YTD 9/30/2022</u>	<u>2022E<sup>1</sup></u>
Specialty Property & Transportation	90.4%	87.1%	92.2%	90% – 92%
Specialty Casualty	90.0%	84.3%	81.1%	80% – 82%
Specialty Financial	91.8%	85.1%	83.9%	83% – 85%
<b>Total Specialty</b>	<b>91.3%</b>	<b>86.4%</b>	<b>87.4%</b>	<b>86% – 87%</b>

<sup>1</sup> 2022E based on guidance issued November 3, 2022.

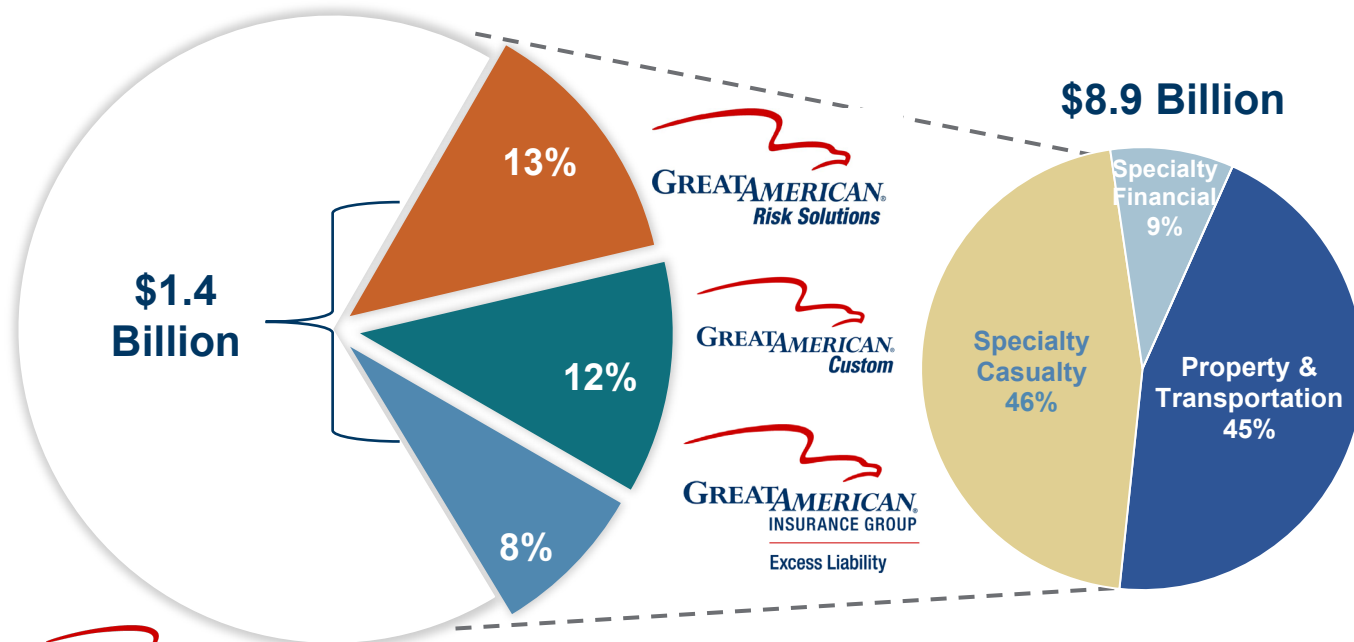
# Business Spotlight: E&S, Umbrella and Excess Liability Businesses

**Great American Risk Solutions** writes hard-to-place P&C products via wholesale brokers on an excess and surplus lines basis (non-filed rates and forms).

**Great American Custom** writes excess liability on large capacity towers for Fortune 1000 and Fortune 2000 risks through wholesale and large retail brokers; also writes primary risks and professional liability coverages.

**Excess Liability** writes lead and excess umbrella on middle-market risks, primarily through retail agents.

GROSS WRITTEN PREMIUMS – LTM ENDED SEPTEMBER 30, 2022

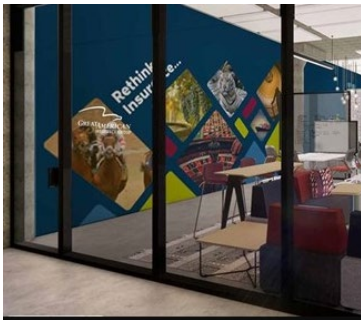


	Great American Risk Solutions	Great American Custom	Excess Liability
<b>Products</b>	<ul style="list-style-type: none"> <li>Product Liability</li> <li>Construction</li> <li>Healthcare</li> <li>Risk Management Underwriting</li> <li>Product Recall</li> <li>Binding Authority</li> <li>Property</li> <li>Programs</li> </ul>	<ul style="list-style-type: none"> <li>Excess Casualty</li> <li>Primary Casualty</li> <li>Miscellaneous E&amp;O</li> <li>Focus on Fortune 1000 and 2000 accounts</li> </ul>	<ul style="list-style-type: none"> <li>Lead Umbrella</li> <li>Excess Umbrella</li> <li>Excess Liability</li> <li>Focus on middle-market risks</li> </ul>

E&S, Umbrella and Excess Liability Businesses make up **33%** of Specialty Casualty Group GWP and **15%** of Total P&C Specialty GWP

# Innovation Capabilities and Technology

- 🔄 Improved Risk Selection
- 🔄 Instantaneous quote and bind capabilities
- 🔄 Enhanced digital experiences
- 🔄 Document extraction generating underwriting efficiencies



**38**  
Insurtech  
collaborations

