



Specialty Property and Casualty Insurance Fixed and Indexed Annuities

Credit Suisse Financial Services Forum

February 27, 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

Over **55%** of Specialty P&C Group
gross written premium produced by businesses
with “top 10” market rankings

Top 10 Fixed Annuity provider

#2 in sales of FIAs through financial institutions

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



Great American Insurance Group **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, registered investment advisor and education markets

\$55.3 Billion Investment Portfolio Managed In-House

Building Long-Term Value for AFG Shareholders

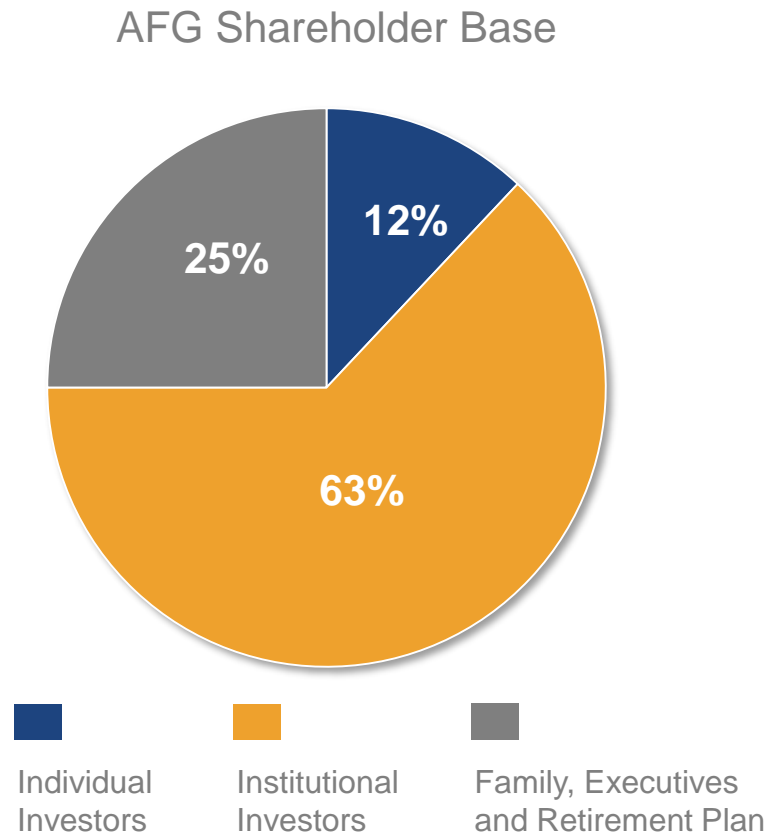


Culture • Entrepreneurial Business Model • Incentives

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
8,500 employees in 120 locations worldwide		

Significant Insider Ownership



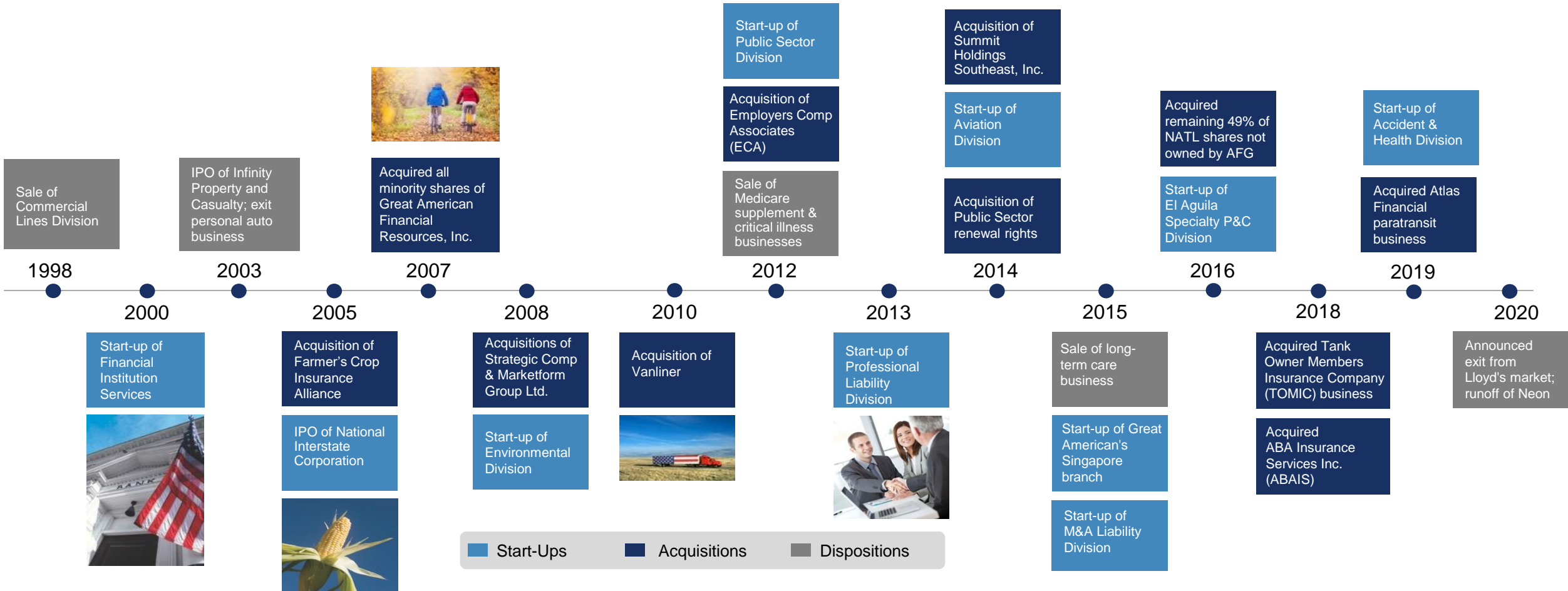
Significant ownership by management creates strong alignment of interests with shareholders over the long term.

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
 - 14th consecutive annual dividend increase
- Two special dividends in 2019
 - \$1.50 per share paid in May 2019
 - \$1.80 per share paid in November 2019
- Excess capital at 12/31/2019 – \$1.1 billion
- 5.0 million shares remaining in repurchase authorization as of 12/31/2019

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

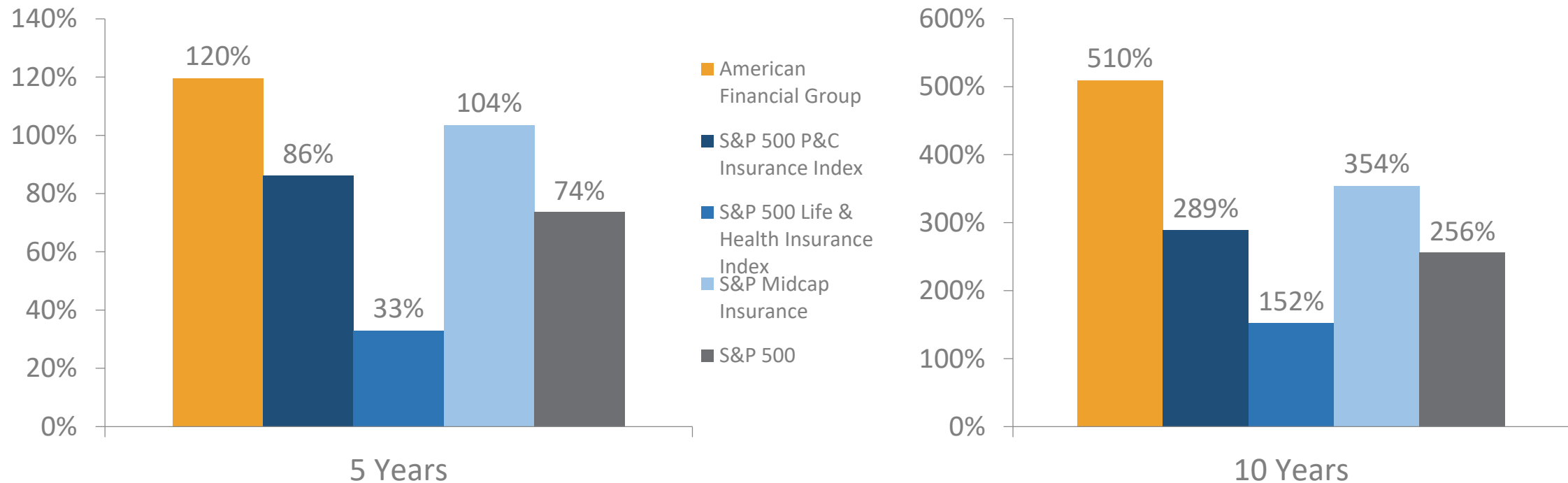
Dividends Paid	\$ 1,629
Repurchases	<u>265</u>
Total	<u><u>\$ 1,894</u></u>



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

AFG Shareholder Return vs. Indices

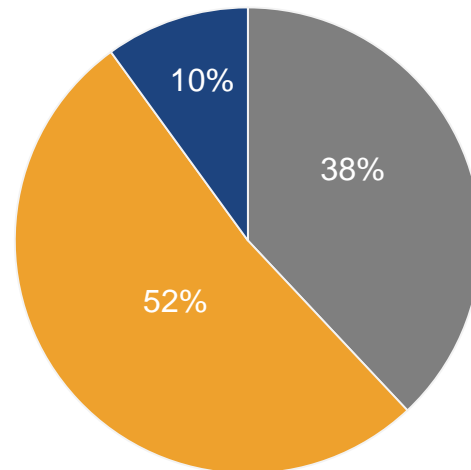
As of December 31, 2019



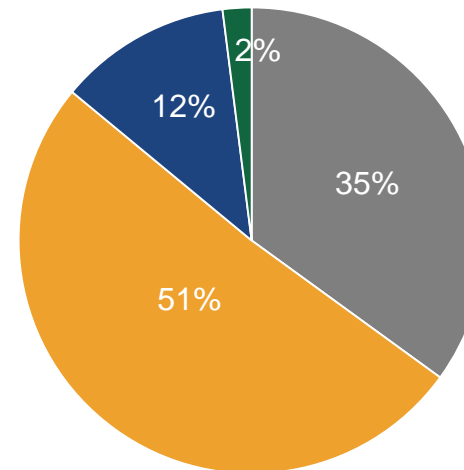
Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

Gross Written Premiums
Full Year 2019
\$7.3 Billion



Net Written Premiums
Full Year 2019
\$5.3 Billion

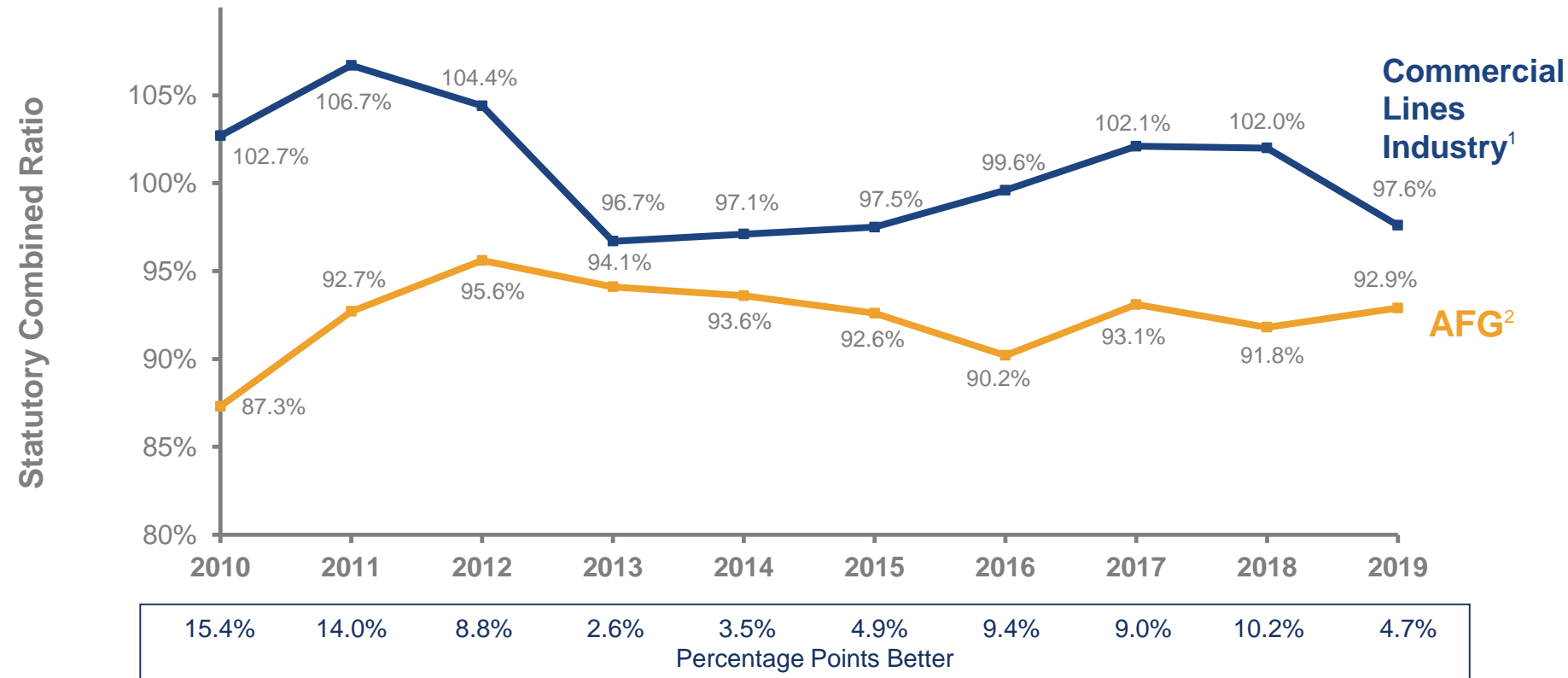


- Property & Transportation
- Specialty Casualty
- Specialty Financial
- Other Specialty¹

Over 55% of P&C Group GWP produced by businesses with “Top 10” market rankings including:
Crop • Equine • Executive Liability • Fidelity/Crime • Financial Institution Services • FL Workers Comp •
Non-Profit/Social Services • Passenger Transportation • Surety • Trade Credit • Trucking

¹ Includes an internal reinsurance facility

Superior Underwriting Talent

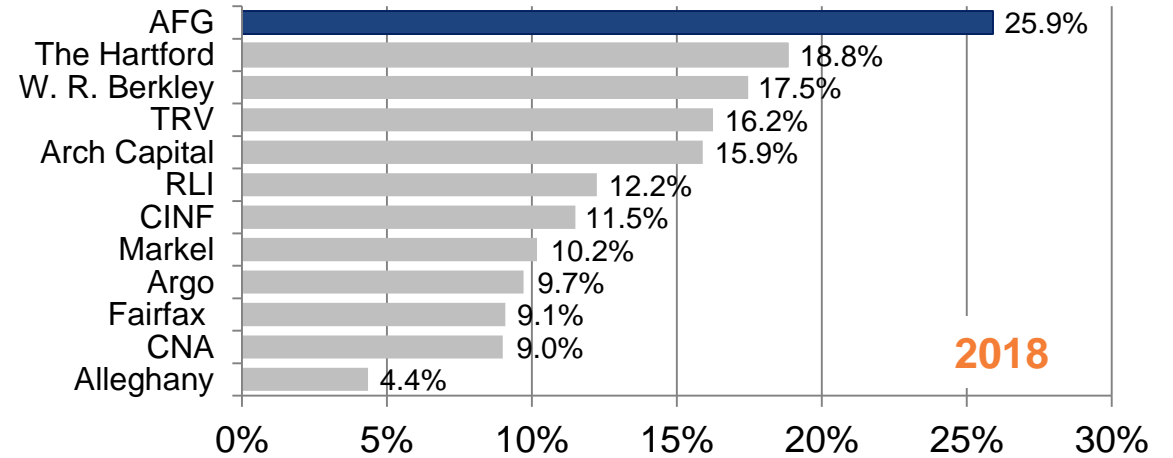
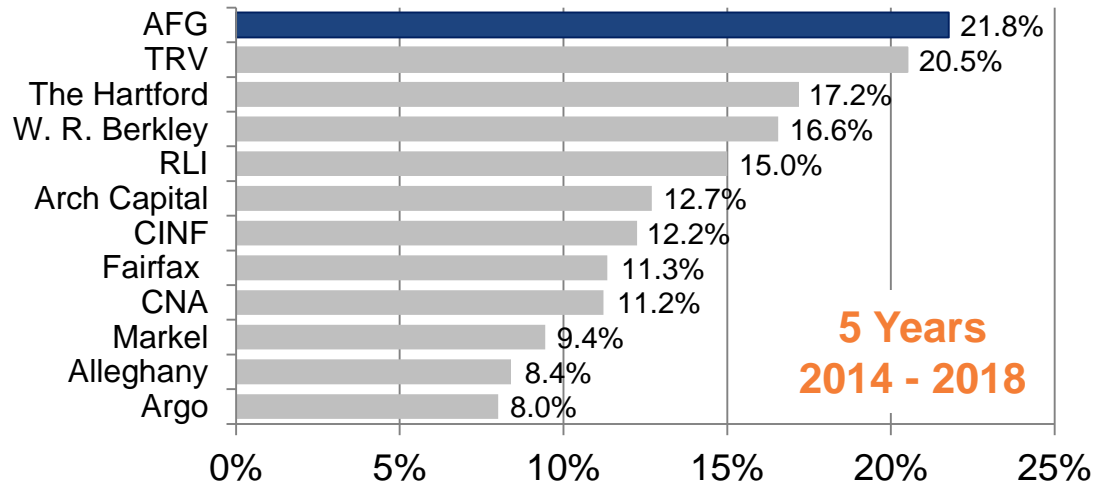
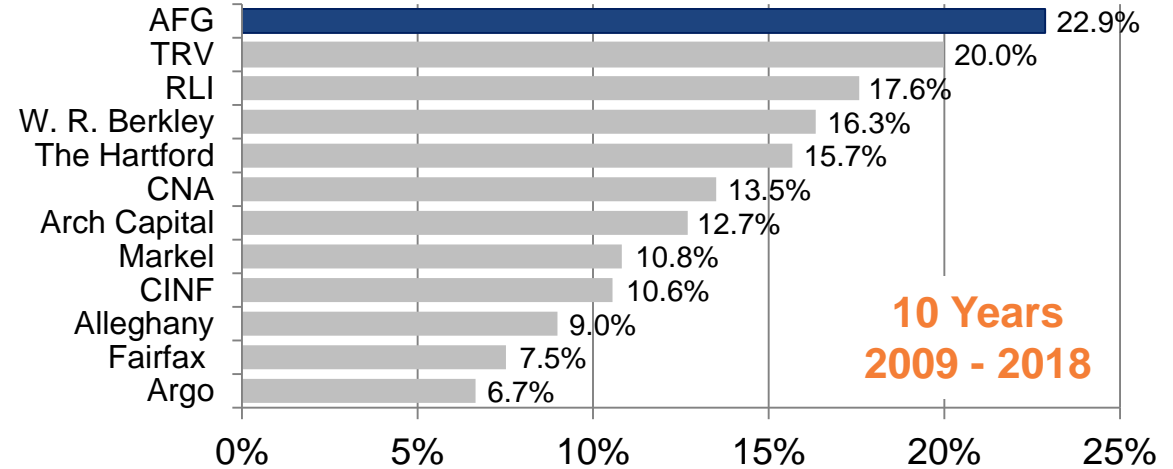
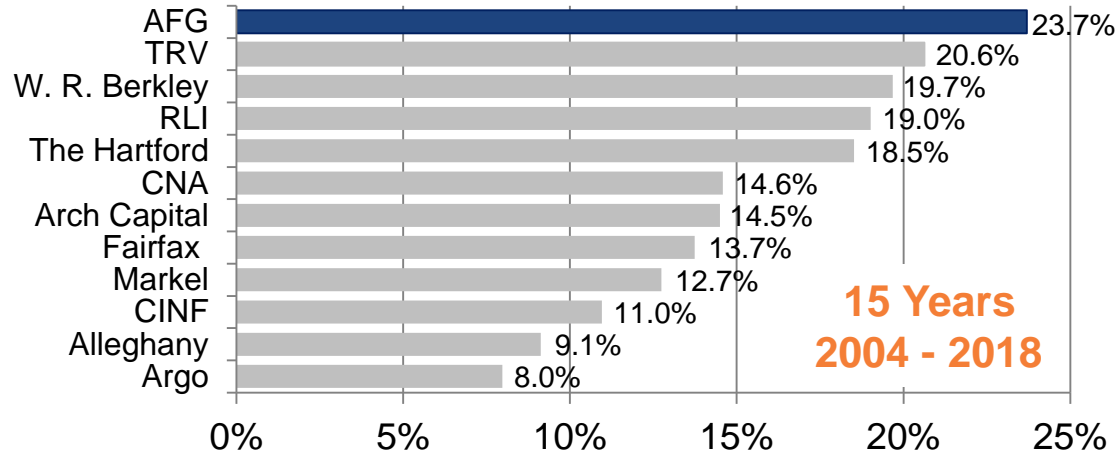


8.2%
Points
Better
Over 10
Years

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

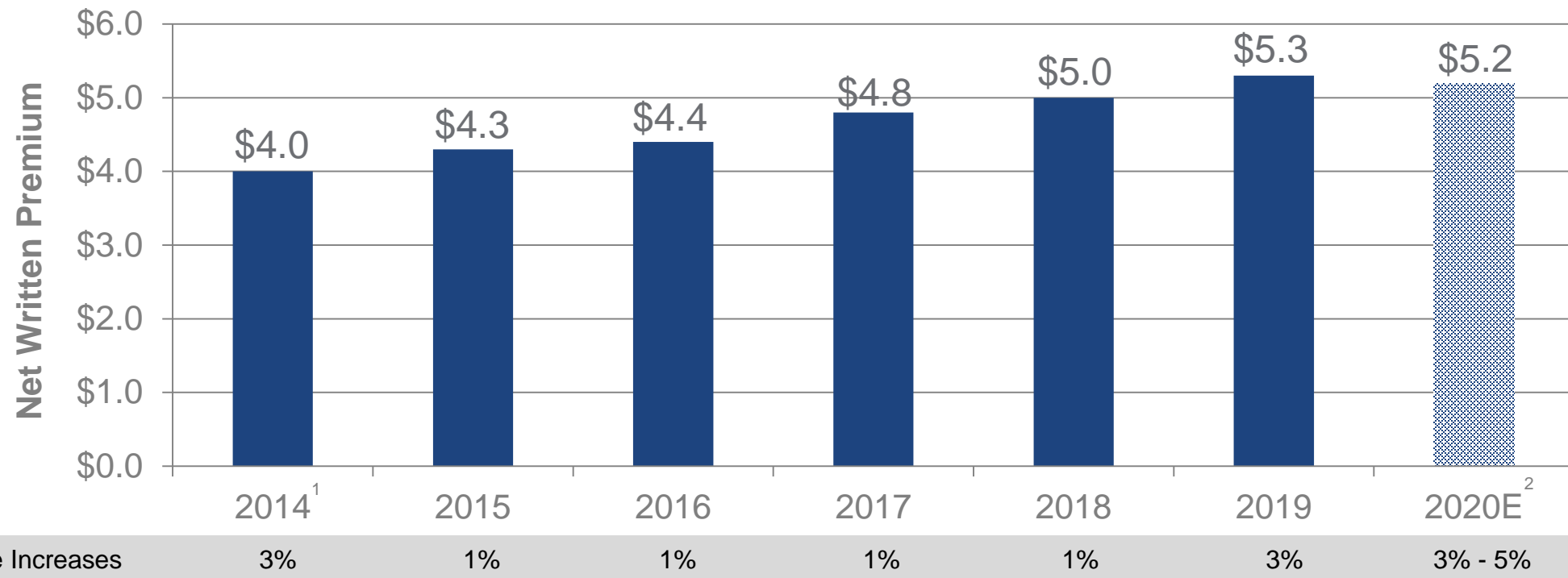


Source: Dowling & Partners

Specialty Property & Casualty Premium Growth

Dollars in billions

P&C Net Written Premium and Renewal Rates



- Overall Specialty P&C renewal rates increased 5% in 4Q19. Excluding workers' compensation, renewal rates increased 7%. In January 2020, overall Specialty P&C renewal rates increased 5%. Excluding workers' compensation, renewal rates increased 10%.

¹ Includes Summit premiums for nine months.

² Excluding the impact of the run off of Neon, growth in Net Written Premiums is expected to be in the range of 3% to 7% in 2020.

A View of our Annuity Segment



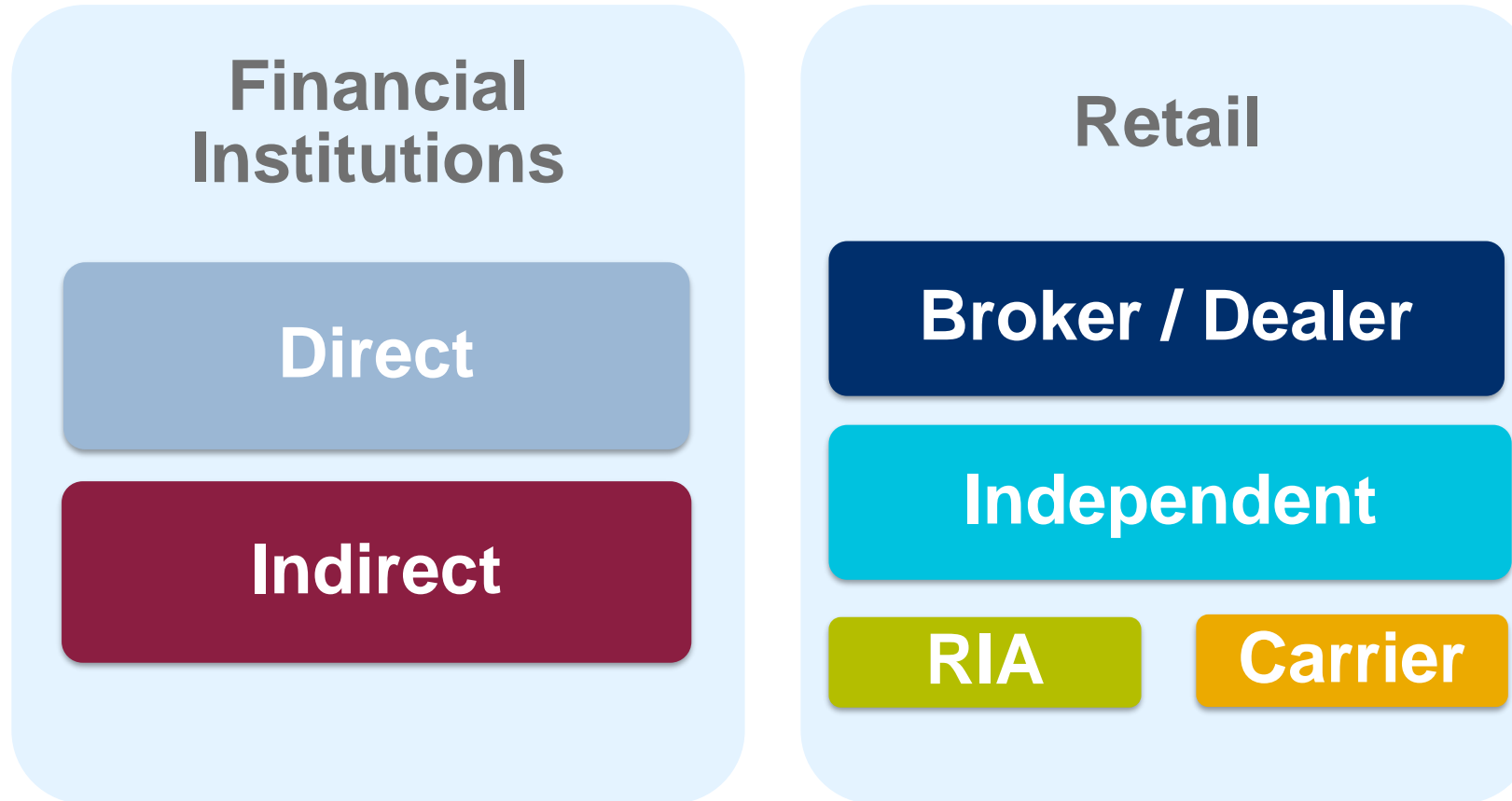
Channel	Market Rank	Distribution	Product Focus	2019 Premiums
Financial Institutions	#2 FIAs #3 in Total Fixed and FIAs	~35 Financial Institutions; ~ 4,800 agents – Direct through Financial Institutions – Independent Agents and Brokers	<ul style="list-style-type: none"> Fixed Annuities Indexed Annuities 	\$2.8B
Retail (Independent Producers)	#12 FIAs #13 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 Top Ten 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

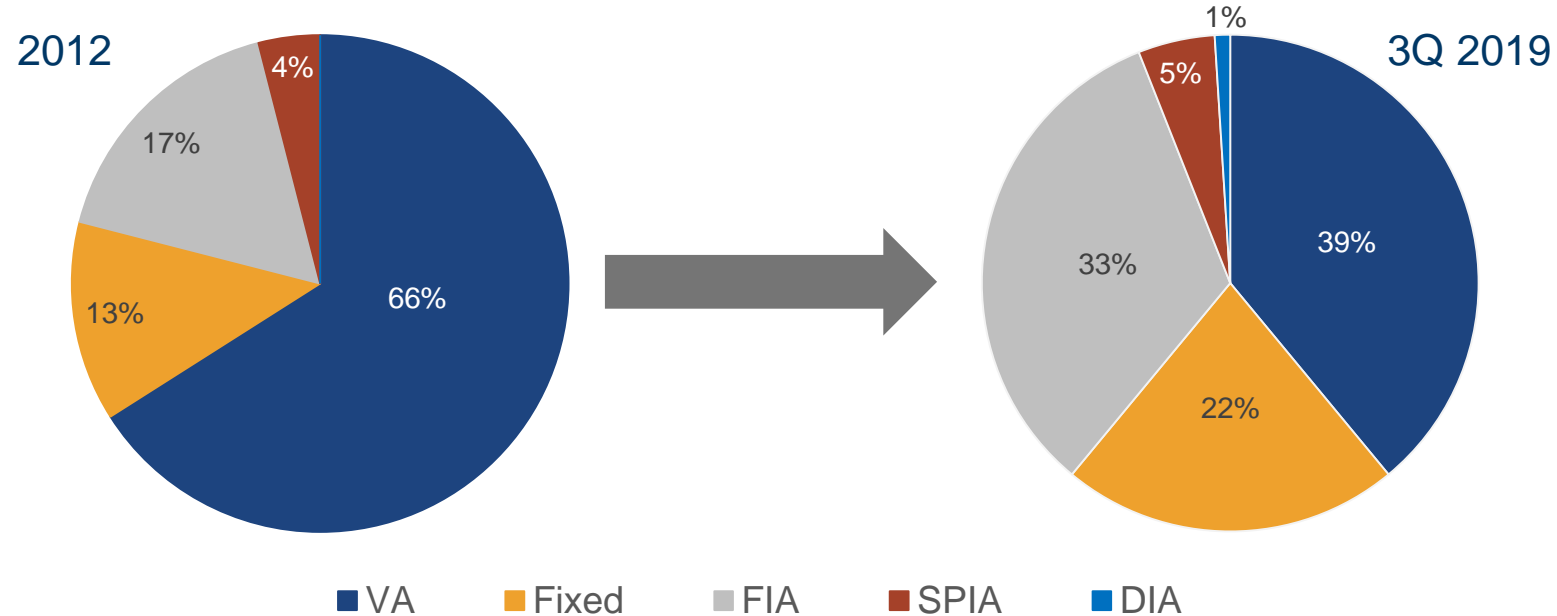
- Focus on fixed and indexed annuities
- Strong financial strength ratings and ALIRT score
- Long history in the industry and long-term agent relationships
- Consistent crediting rate strategy
- Reputation for simple, consumer-centric products
- Low cost structure

Annuity Distribution Channels



Annuity Industry: Market Share by Product Line

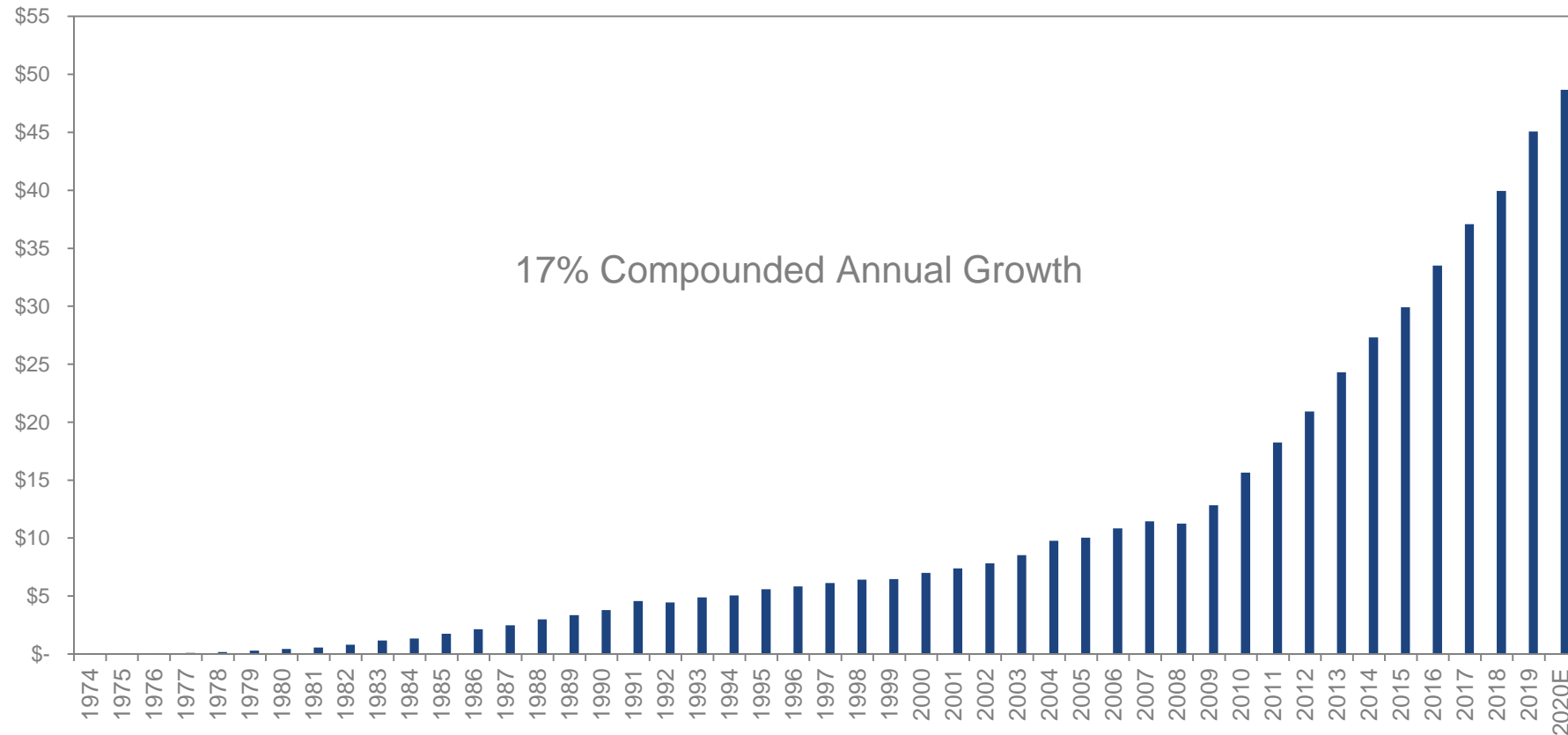
Shift from Variable Annuities to Traditional Fixed and Indexed Annuities



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

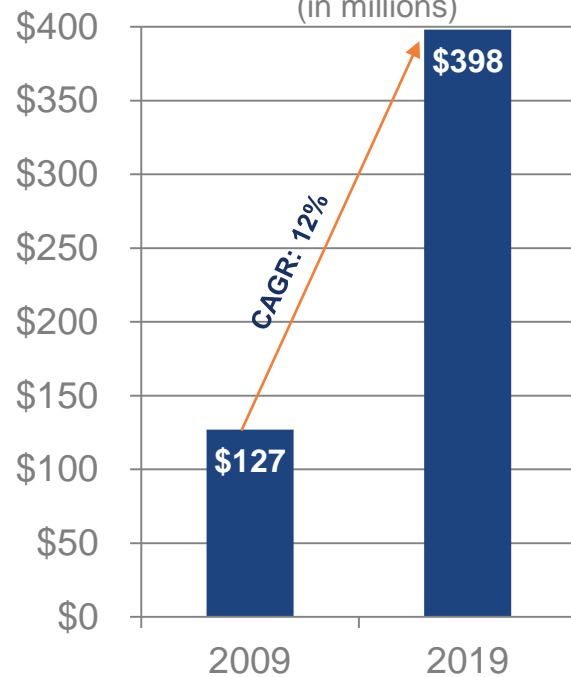
Growth in Annuity Segment Assets (GAAP)

Dollars in billions

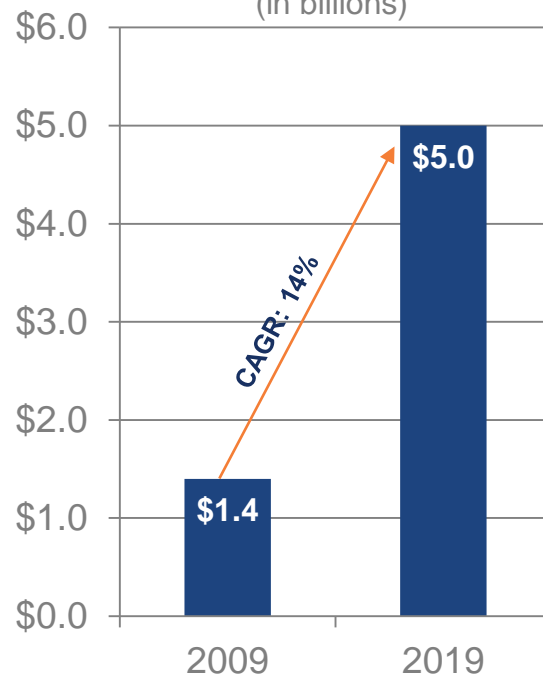


Growth in Annuity Earnings, Premiums and Assets

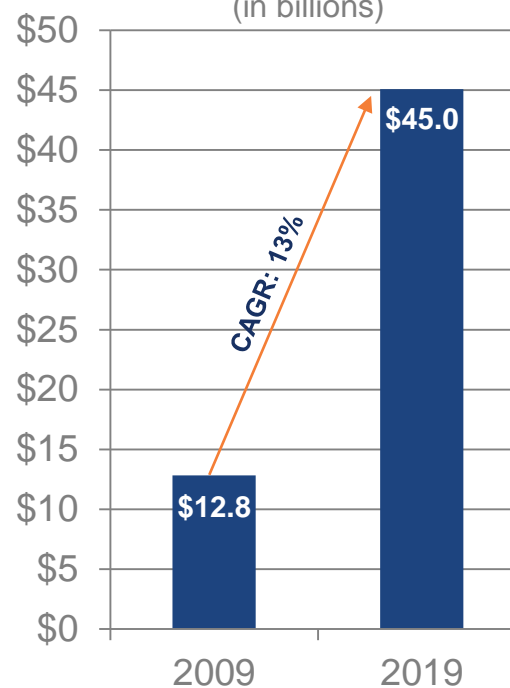
Pretax Core Annuity
Earnings, as reported
(in millions)



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 and Moody's since recession

Annuity Segment – Net Earnings Compared to After-tax Core Operating Earnings

Dollars in millions

	10 Years 2010 - 2019
After-tax Core Operating Earnings	\$ 2,143
Net Earnings	\$ 2,248
<i>Net Earnings as a Percentage of Core Operating Earnings</i>	<i>105%</i>

AFG's Annuity Segment Generates Excess Capital for AFG

- Paid **\$1.1 billion** in dividends to AFG over the last 10 years
- These dividends represented nearly **50%** of the Annuity Segment's GAAP net earnings

Protection From Changes in Interest Rates

As of December 31, 2019

Protection From Rising Interest Rates

- 86% of inforce annuities have some surrender penalty
 - 55% of annuity reserves have a surrender charge of 5% or higher
 - 7% of these annuity reserves are two-tier in nature, with an average surrender charge of 14%
- Other product features that should encourage persistency or discourage lapses
 - 16% with 3%+ GMIR
 - 33% with an MVA or Longevity Rider
 - Approximately 67% of 2019 premium included an MVA
 - Approximately 40% of new sales electing some form of trail or multi-year commission when available
- Asset duration shorter than liability duration by 1.09 (4.60 vs. 5.69)
- Unrealized gain in bond portfolio of \$1.8 billion pre-tax, pre-DAC (105% of book value)

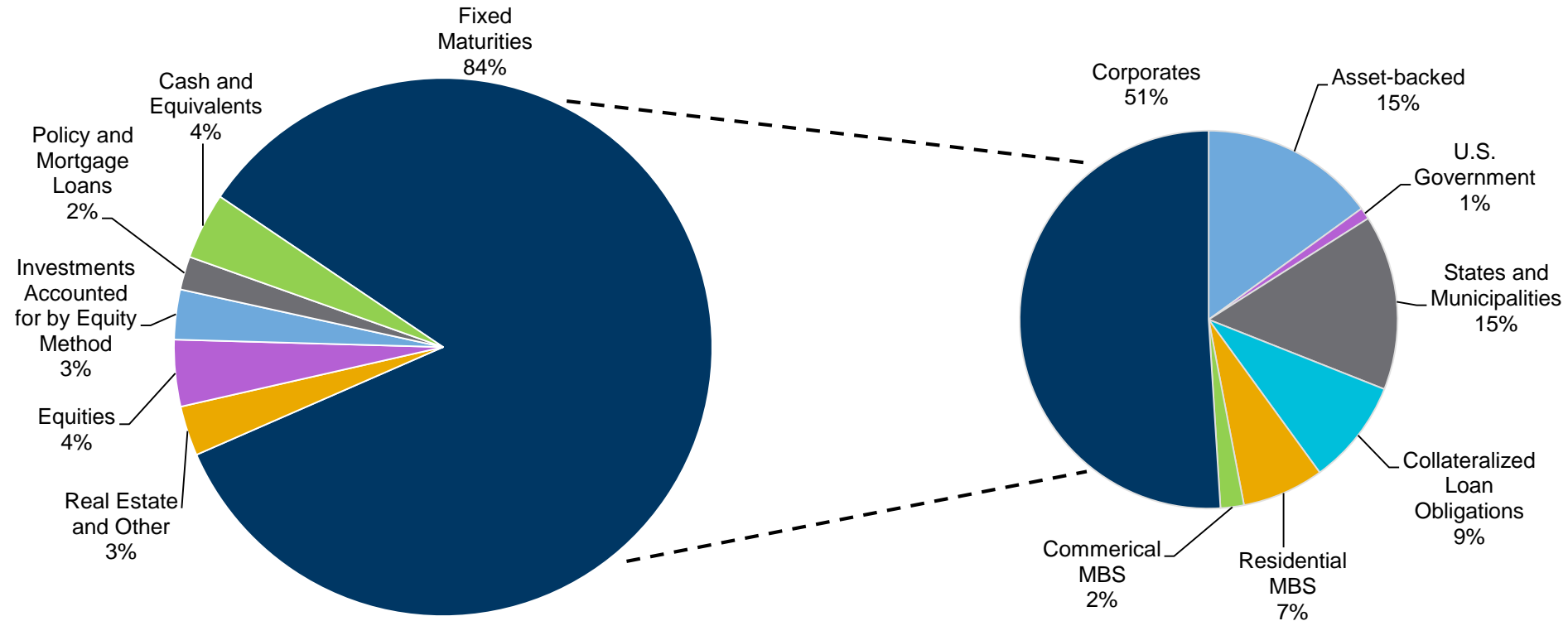
Protection From Falling Interest Rate Environment

- Ability to lower crediting rates by 119 bps on \$31 billion of reserves (excludes immediate annuities and FIAs with riders)
- Produces extra \$368 million of pretax income
- Low upfront costs to recover (lower commissions than competitors, low or no bonuses)

AFG Investment Portfolio

As of December 31, 2019

Fixed Maturities Portfolio – 91% investment grade; 98% NAIC 1 & 2



Carrying Value – \$55.3 Billion

Investment Portfolio Information and Outperformance

	Property & Casualty	Annuity
Approximate Average Duration – Fixed Maturities as of December 31, 2019	3.0 years	4.5 years
Annualized yield on available for sale fixed maturities		
Quarter ended 12/31/19:		
• Net of investment expenses ^(a)	3.90%	4.55%
• Tax equivalent, net of investment expenses ^(b)	4.05%	4.55%

^(a) 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.

^(b) Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

Fixed Income Annualized Total Return 11 Years Ended 12/31/18¹

AFG **5.9%**

Benchmark:
Blended Insurance Industry² 4.9%

Outperformance 1.0%

≈ \$2 Billion Total Return Outperformance

¹ 2008-2018 time period captures the beginning of the global financial crisis.

² 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.

2020 Outlook – AFG

AFG Core Earnings Guidance \$8.75 - \$9.25 per share

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	(5%) – (1%)	92% – 94%
<i>Excluding Impact of Neon Runoff</i>	<i>3% – 7%</i>	
<u>Business Groups:</u>		
Property & Transportation	6% – 10%	92% – 96%
Specialty Casualty	(14%) – (10%)	90% – 94%
<i>Specialty Casualty Excluding Neon</i>	<i>1% – 5%</i>	
Specialty Financial	4% – 8%	86% – 90%

P&C average renewal rates up 3% to 5%

P&C investment income flat to + 4% higher than 2019¹

Annuity Segment:

- Pretax Annuity Core Operating Earnings in the range of \$395 million to \$425 million
- Annuity premiums in the range of \$4.5 billion to \$5.2 billion

¹ This guidance reflects an assumed annualized return of 10% on investments required to be marked to market through operating earnings, approximating the return earned in 2019.

Appendix

Financial Highlights – Fourth Quarter and Full Year 2019

Dollars in millions, except per share amounts

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
• Results of Operations:				
– Core net operating earnings	\$ 203	\$ 159	\$ 784	\$ 761
– Core net operating earnings per share	\$ 2.22	\$ 1.75	\$ 8.62	\$ 8.40
– Average number of diluted shares	91.3	90.7	91.0	90.6
• Book Value per Share:				
– Excluding unrealized gains (losses) related to fixed maturities	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>		
	\$ 59.70	\$ 54.86		
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 56.93	\$ 51.93		
• 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 \$1.1 billion as of December 31, 2019, including parent cash of approximately \$165 million				

17.8%

**Growth in Adj
BVPS + Dividends**

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
• Book Value per Share:	<u>2019</u>	<u>2018</u>
– Excluding unrealized gains (losses) related to fixed maturities	\$ 59.70	\$ 54.86
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 56.93	\$ 51.93
• Core Operating Return on Equity ¹ :	<u>2019</u>	<u>2018</u>
AFG Consolidated ²	14.9%	15.6%
– Specialty Property & Casualty	15.4%	16.8%
– Annuity, as reported	12.3%	12.2%

¹ Equity excludes AOCI.

² 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 Premiums			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020E¹</u>
Specialty Property & Transportation	\$ 1,765	\$ 1,754	\$ 1,876	6% – 10%
Specialty Casualty <i>Excluding Neon</i>	\$ 2,280	\$ 2,509	\$ 2,701	(14%) – (10%) 1% – 5%
Specialty Financial	\$ 596	\$ 602	\$ 617	4% – 8%
Other Specialty	\$ 110	\$ 158	\$ 148	n/a
Total Specialty	<u><u>\$ 4,751</u></u>	<u><u>\$ 5,023</u></u>	<u><u>\$ 5,342</u></u>	(5%) – (1%)²

¹ 2020E based on guidance issued February 4, 2020.

² Excluding the impact of the run-off of Neon, growth in Net Written Premiums is expected to be in the range of 3% to 7%.

Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020E¹</u>
Specialty Property & Transportation	91.0%	93.1%	95.7%	92% – 96%
Specialty Casualty	95.2%	94.2%	93.3%	90% – 94%
Specialty Financial	89.4%	88.9%	85.0%	86% – 90%
Other Specialty	102.7%	103.7%	113.3%	n/a
Total Specialty	93.1%	93.4%	93.7%	92% – 94%

¹ 2020E based on guidance issued February 4, 2020.

Annuity Segment

Dollars in millions, unless otherwise noted

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020E¹</u>
Annuity Premiums	\$ 4,341	\$ 5,407	\$ 4,960	\$4.5 to \$5.2 billion
Average Fixed Annuity Investments	\$ 31,250	\$ 34,471	\$ 38,216	+ 7% to 9%
Average Fixed Annuity Reserves	\$ 31,526	\$ 34,706	\$ 38,460	+ 7% to 9%
<hr/>				
Pretax Annuity Core Operating Earnings, as reported	\$ 380	\$ 361	\$ 398	\$395 to \$425 million
<u>Net Spread Earned:</u>				
Core Net Spread Earned – New Method	1.25%	1.20%	1.08%	n/a
Items Previously Reported as Operating	<u>(0.02%)</u>	<u>(0.13%)</u>	<u>(0.03%)</u>	n/a
Core Net Spread Earned, as reported ²	<u>1.23%</u>	<u>1.07%</u>	<u>1.05%</u>	0.96% to 1.04%

¹ This guidance reflects: (i) an assumed annualized return of 10% on investments required to be marked to market through operating earnings, approximating the return earned in 2019 and (ii) the impact of lower interest rates – in particular, the impact of lower short term rates, which will have a negative impact on the Annuity Segment's approximately \$4 billion net investment in cash and floating rate securities. Fluctuations in these items could lead to positive or negative impacts on the Annuity Segment's results.

² Amounts for 2019 are calculated using the new definition of core operating earnings. Amounts for 2017 and 2018 are shown as originally reported.

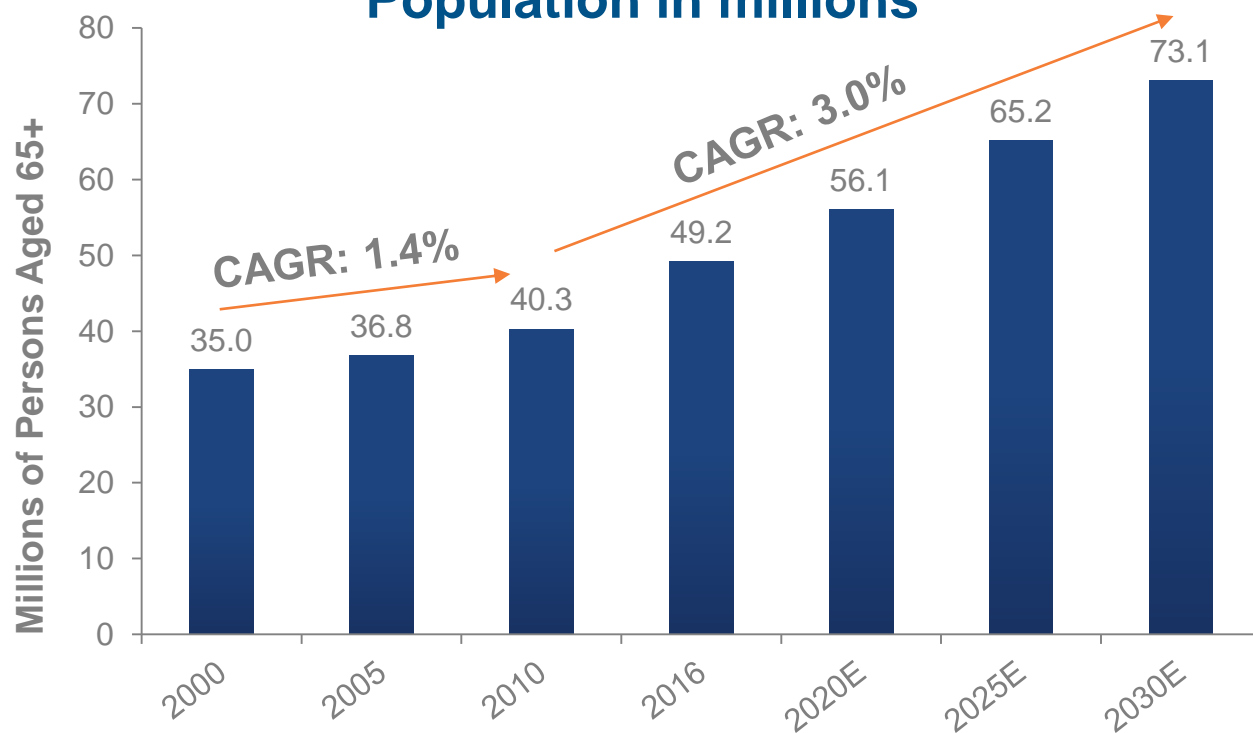
Snapshot of Current AFG Annuity Segment Sales

As of December 31, 2019

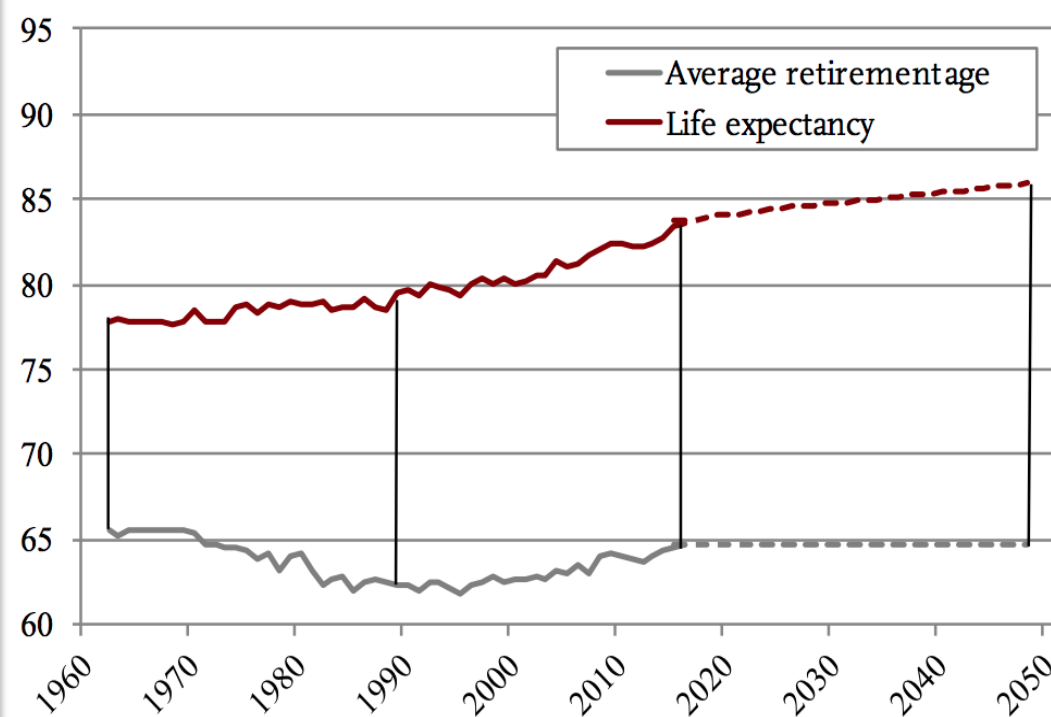
- Target market = middle and mass affluent baby boomers (not high wealth clients)
- Average single premium policy size ~\$110,000
- Approximately 63% of 2019 sales were FIAs
- About 48% of 2019 sales were qualified / IRA
- Only 5% of sales have living benefit riders
- Approximately 40% of sales have some form of "non-heaped" commissions
- Each product is priced to its own risk-adjusted return target, 12% in aggregate

Changing Demographics Create Opportunities for the Annuity Market

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



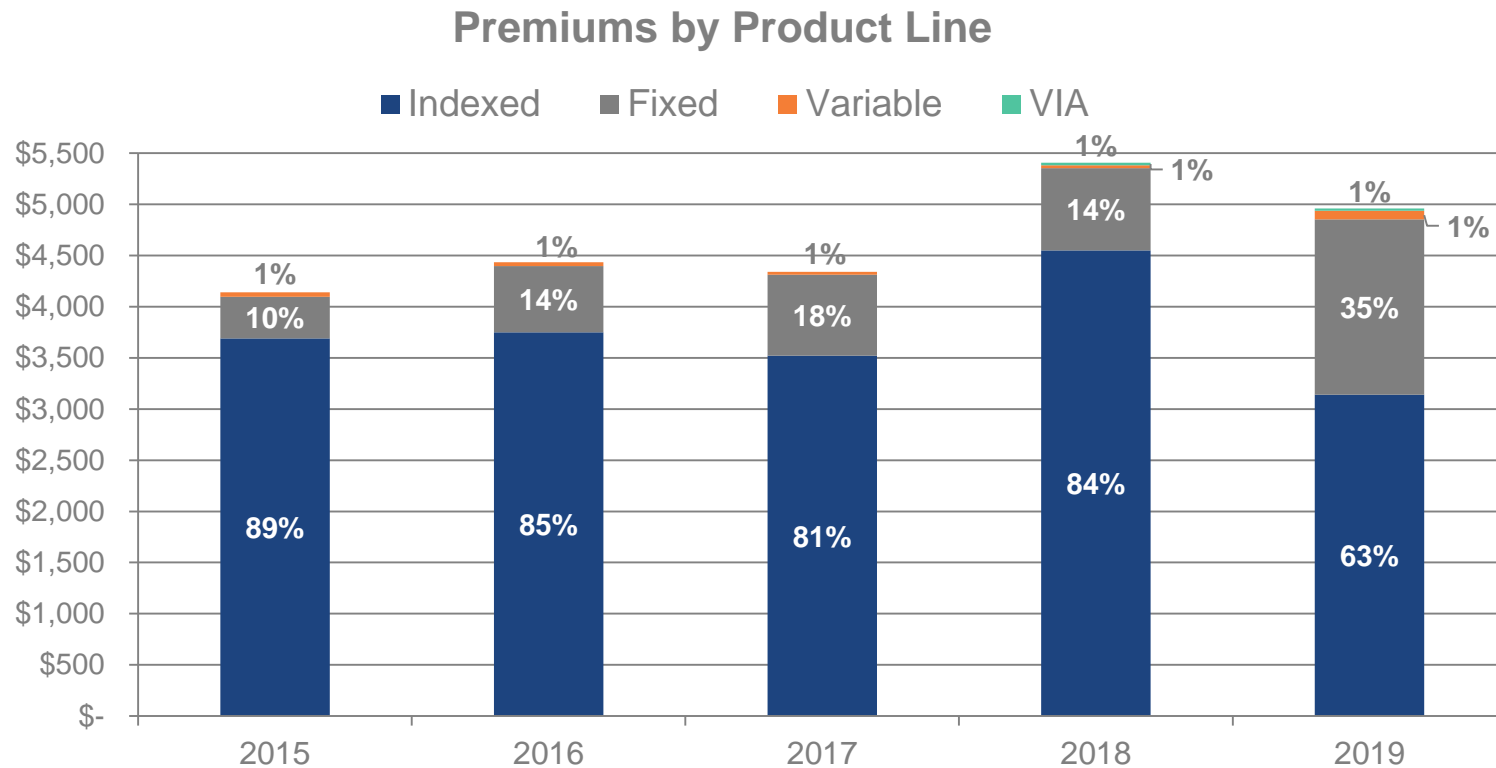
Retiring At The Same Age, But Living Longer



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

Annuity Product Snapshot

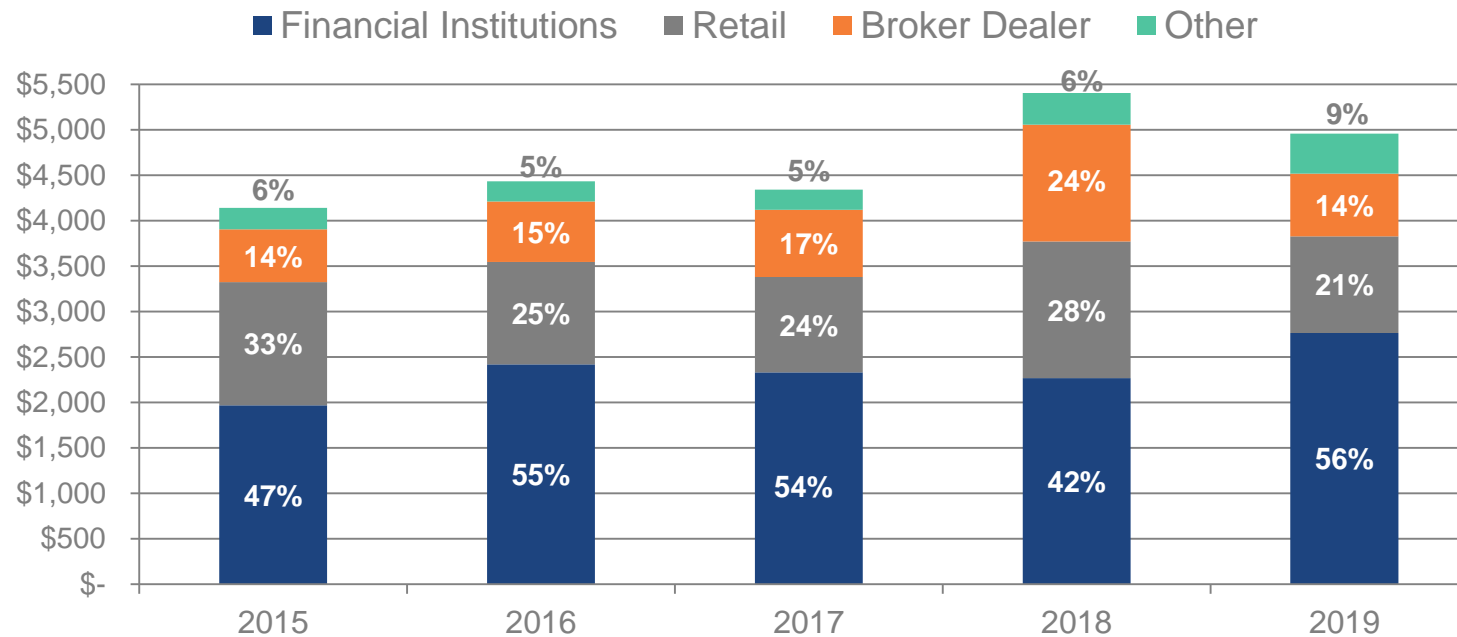
Dollars in millions



Annuity Product Snapshot (continued)

Dollars in millions

Premiums by Distribution Channel



Annuity Product Snapshot (continued)

Dollars in millions

