



# **Review of Second Quarter 2021**

## **August 4, 2021**



# Forward Looking Statements

Certain statements made during this call, 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 discontinued operations, net realized gains and losses, and certain nonrecurring items. AFG believes that this non-GAAP measure is a useful tool for investors and analysts in analyzing ongoing operating trends of AFG.

# Consolidated Results

Dollars in millions, except per share data

	Three Months Ended June 30,	
	2021	2020 <sup>1</sup>
P&C Insurance Segment	\$ 288	\$ 116
Real estate entities and other acquired from Annuity operations	22	1
Interest & other corporate expenses	(58)	(43)
Pretax Core Operating Earnings	252	74
Related income taxes	47	14
Core Net Operating Earnings	<u>\$ 205</u>	<u>\$ 60</u>
Average number of diluted shares <sup>2</sup>	85.6	90.0
Core Net Operating Earnings per Share	\$ 2.39	\$ 0.67
Annualized Core Operating Return on Equity	14.7%	4.8%

<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.

# Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended June 30, 2021	
		(Per Share)
Core Net Operating Earnings	\$ 205	\$ 2.39
<u>Non-core Items</u>		
After-tax net realized gains on securities <sup>1</sup>	34	0.40
Other	1	0.02
Net Earnings from continuing operations	<u>\$ 240</u>	<u>\$ 2.81</u>
Discontinued annuity operations	<u>762</u>	<u>8.89</u>
Net Earnings Attributable to Shareholders	<u><u>\$1,002</u></u>	<u><u>\$ 11.70</u></u>

# 2021 Expectations

**AFG's 2021 core net operating earnings guidance \$8.40 to \$9.20 per share, an increase from previous guidance of \$7.00 to \$8.00 per share**

- 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.

# Property & Casualty Results

Dollars in millions

	Three Months Ended June 30,		
	2021	2020	Change <sup>1</sup>
Specialty Gross Written Premiums	\$ 1,937	\$ 1,539	26%
Specialty Net Written Premiums	\$ 1,369	\$ 1,123	22%
P&C Insurance Operating Earnings	\$ 288	\$ 116	148%
Specialty P&C Underwriting Profit	\$ 153	\$ 54	183%
Specialty P&C Combined Ratio	87.9%	95.2%	(7.3%)
Adverse (Favorable) Impact of:			
Catastrophe Losses	0.9%	2.3%	(1.4%)
COVID-19 Losses <sup>2</sup>	0.2%	7.6%	(7.4%)
Prior Year Development	(5.4%)	(7.6%)	2.2%



<sup>1</sup> Calculated as a percentage change for dollars and an arithmetic difference for percentages.

<sup>2</sup> Approximately 66% of AFG's cumulative \$96 million in COVID-19 related losses were held as IBNR reserves at June 30, 2021.

# Specialty P&C Group

Dollars in millions

	Net Written Premiums Three Months Ended June 30,			Combined Ratio Three Months Ended June 30,	
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2021</u>	<u>2020</u>
<b>Property &amp; Transportation</b>	<b>\$ 564</b>	<b>\$ 426</b>	<b>32%</b>	<b>86.6%</b>	<b>91.7%</b>
<b>Specialty Casualty</b>	<b>\$ 592</b>	<b>\$ 511</b>	<b>16%</b>	<b>87.9%</b>	<b>94.9%</b>
Specialty Casualty Excluding Workers' Compensation	\$ 368	\$ 295	25%		
<b>Specialty Financial</b>	<b>\$ 159</b>	<b>\$ 139</b>	<b>14%</b>	<b>86.4%</b>	<b>100.4%</b>

## 2021 Outlook – Specialty P&C

	Updated Guidance		May 2021 Guidance		2020 Actual
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio	
<b>Specialty P&amp;C Group Overall</b>	<b>10% – 13%</b>	<b>88% – 90%</b>	7% – 10%	89% – 91%	91.3%
<b><u>Business Groups:</u></b>					
Property & Transportation	15% – 19%	87% – 90%	13% – 17%	88% – 92%	90.4%
Specialty Casualty	5% – 9%	87% – 90%	2% – 5%	87% – 91%	90.0%
Excluding Workers' Comp	10% – 14%		5% – 9%		
Specialty Financial	10% – 14%	84% – 87%	7% – 11%	86% – 90%	91.8%

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

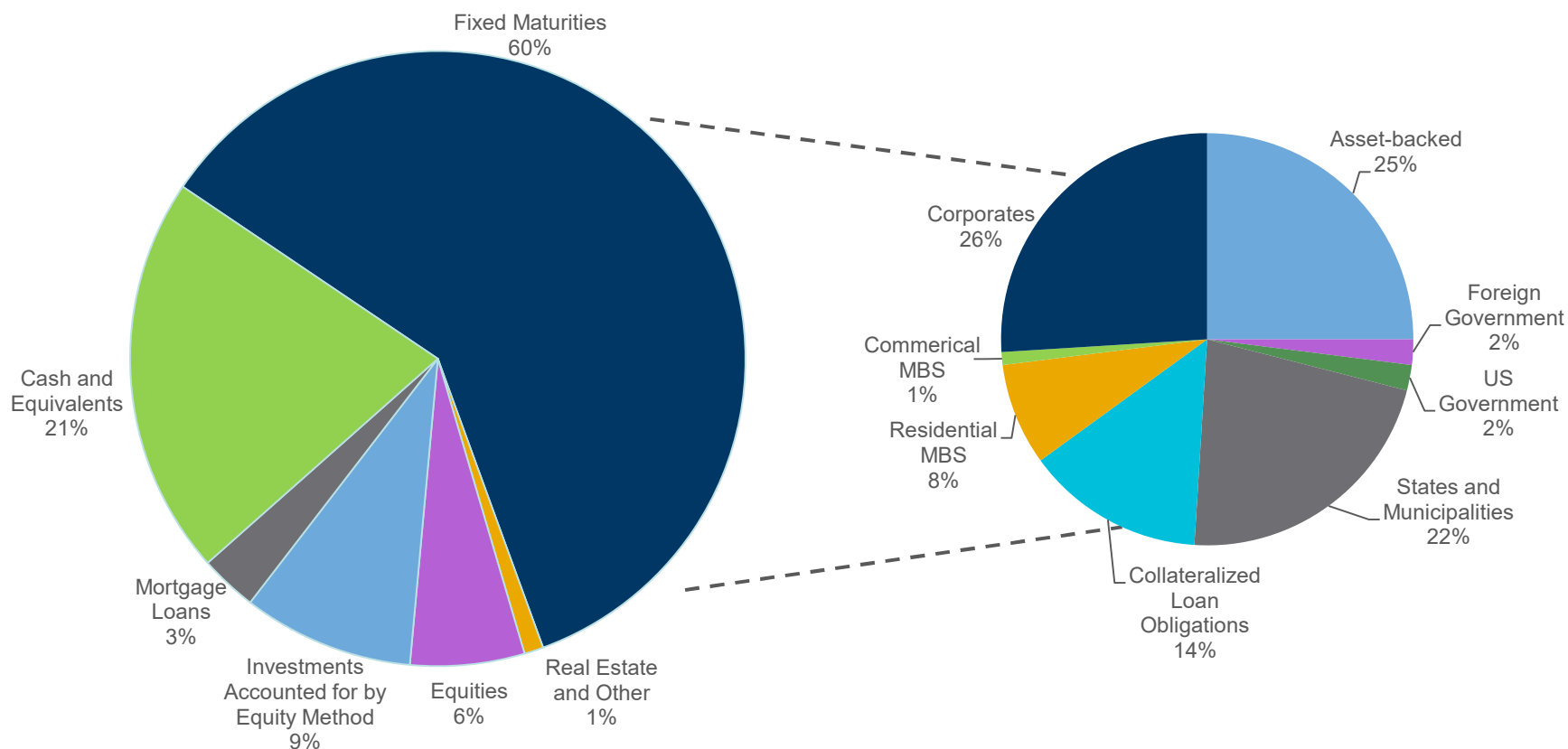


# Investments

- Total carrying value of AFG's investment portfolio at June 30, 2021 = \$16.1 billion
- Second quarter after-tax net realized gains on securities of \$34 million
  - includes \$29 million in after-tax net realized gains to adjust equity securities the company continued to own at June 30, 2021 to fair value through earnings
- Pretax unrealized gains on fixed maturities were \$260 million at June 30, 2021
- Second quarter 2021 annualized return of 21.1% on AFG's \$1.6 billion of alternative investments

# Investment Portfolio – June 30, 2021

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



Carrying Value – \$16.1 Billion

# 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



∴ MassMutual



## 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

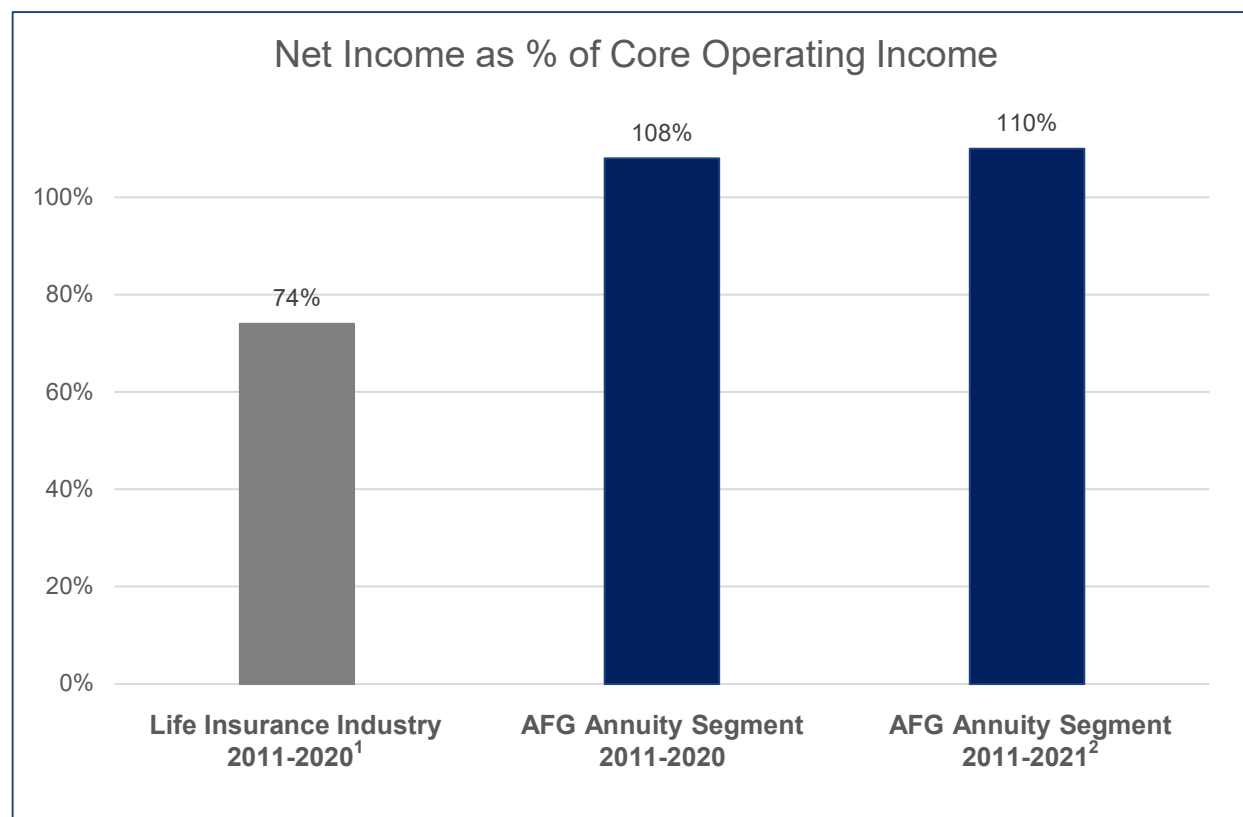
Dollars in millions

<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.

# Strong Financial Position

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 and investments	\$ 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

## 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.



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