



# Review of Third Quarter 2022

November 3, 2022

# 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.

# 2022 Third Quarter Consolidated Results

Dollars in millions, except per share data

	Three Months Ended September 30,	
	<u>2022</u>	<u>2021</u>
P&C Insurance Segment	\$ 289	\$ 329
Interest & other corporate expenses	<u>(45)</u>	<u>(45)</u>
Pretax Core Operating Earnings	244	284
Related income taxes	<u>52</u>	<u>53</u>
Core Net Operating Earnings	<u>\$ 192</u>	<u>\$ 231</u>
Average number of diluted shares	85.4	85.2
Core Net Operating Earnings per Share	\$ 2.24	\$ 2.71
Annualized Core Operating Return on Equity	17.1%	17.6%

# 2022 Third Quarter Consolidated Results (continued)

Dollars in millions, except per share data

	Three Months Ended September 30, 2022	
		(Per Share)
Core Net Operating Earnings	\$ 192	\$ 2.24
<u>Non-core Items</u>		
After-tax net realized losses on securities <sup>1</sup>	(28)	(0.32)
Other	1	0.01
Net Earnings	<u>\$ 165</u>	<u>\$ 1.93</u>

<sup>1</sup> Included in this amount is \$21 million (\$0.24 per share) in after-tax net losses to adjust equity securities that the Company continued to own at September 30, 2022, to fair value.

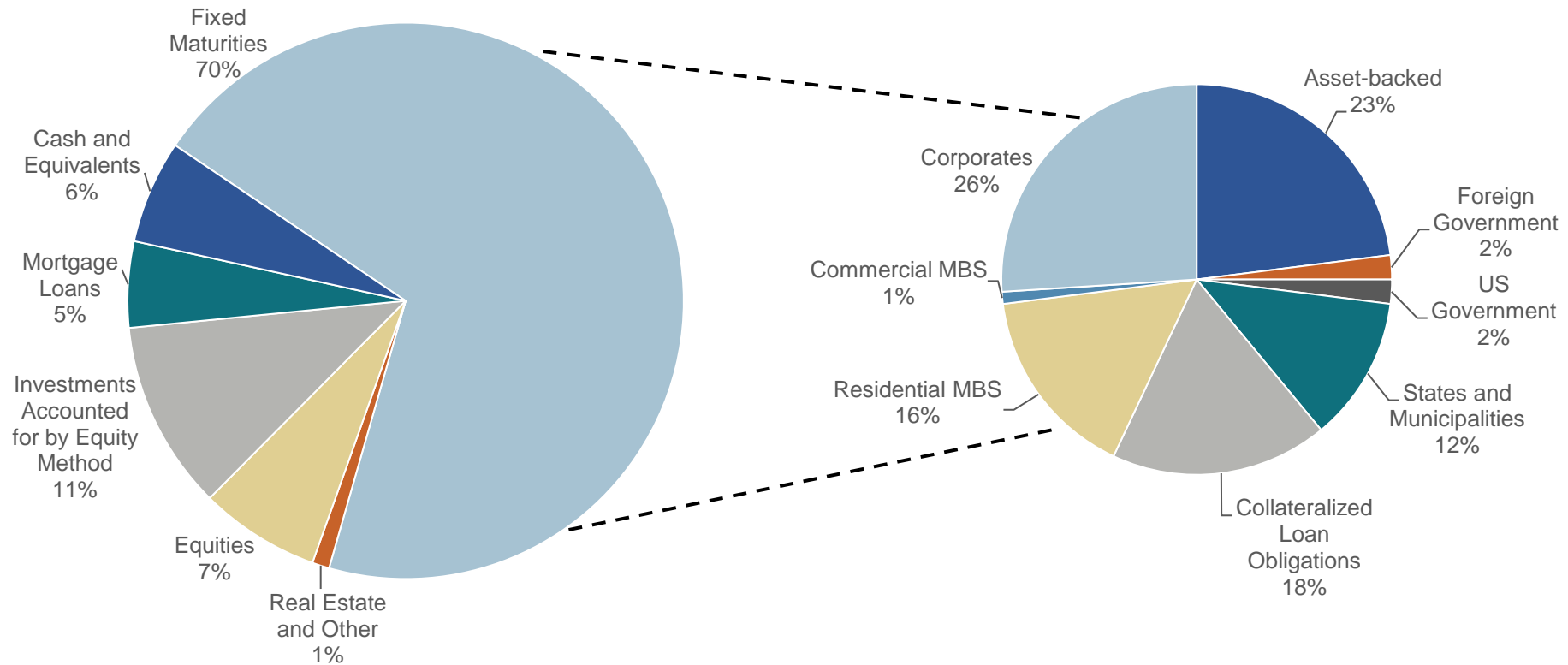
# Investments

- Total carrying value of AFG's investment portfolio at September 30, 2022 = \$14.3 billion
- Third quarter after-tax net realized losses on securities of \$28 million
  - includes \$21 million in after-tax net realized losses to adjust equity securities that the company continued to own at September 30, 2022 to fair value through earnings
- Pretax unrealized losses on fixed maturities were \$701 million at September 30, 2022
- Third quarter 2022 annualized return of 7.1% on AFG's \$2.0 billion of alternative investments

# 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

# 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 per share (\$170 million) on Nov 2, 2022; payable on Nov 22

### Long-Term Debt

- No debt maturities until 2030
- 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

	<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.

# Property & Casualty Results

## Dollars in millions

	Three Months Ended September 30,		
	2022	2021	Change <sup>1</sup>
Specialty Gross Written Premiums	\$ 3,153	\$ 2,656	19%
Specialty Net Written Premiums	\$ 1,984	\$ 1,729	15%
P&C Insurance Operating Earnings	\$ 289	\$ 329	(12%)
Specialty P&C Underwriting Profit	\$ 158	\$ 169	(7%)
Specialty P&C Combined Ratio	91.1%	89.0%	2.1%
Adverse (Favorable) Impact of:			
Catastrophe Losses	2.5%	2.1%	0.4%
COVID-19 Losses <sup>2</sup>	0.0%	0.1%	(0.1%)
Prior Year Development	(3.1%)	(5.4%)	2.3%

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

<sup>2</sup> Approximately 53% of AFG's cumulative \$79 million in COVID-19 related losses were held as IBNR reserves at September 30, 2022.



# Specialty P&C Group

Dollars in millions

	Net Written Premiums Three Months Ended September 30,			Combined Ratio Three Months Ended September 30,	
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2022</u>	<u>2021</u>
<b>Property &amp; Transportation</b>	<b>\$ 959</b>	<b>\$ 773</b>	<b>24%</b>	<b>95.4%</b>	<b>93.5%</b>
<b>Specialty Casualty</b>	<b>\$ 777</b>	<b>\$ 732</b>	<b>6%</b>	<b>82.6%</b>	<b>82.0%</b>
Specialty Casualty Excluding Workers' Compensation	\$ 528	\$ 497	6%		
<b>Specialty Financial</b>	<b>\$ 176</b>	<b>\$ 165</b>	<b>7%</b>	<b>91.3%</b>	<b>84.2%</b>

# 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>					
Property & Transportation	15% – 17%	90% – 92%	13% – 17%	88% – 91%	87.1%
Specialty Casualty	7% – 9%	80% – 82%	6% – 10%	79% – 83%	84.3%
<i>Excluding Workers' Comp</i>	<i>8% – 10%</i>		<i>9% – 13%</i>		
Specialty Financial	4% – 6%	83% – 85%	4% – 8%	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.



# Review of Third Quarter 2022

November 3, 2022