

American Financial Group, Inc. Announces Completion of the Sale of its Medicare Supplement and Critical Illness Businesses

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CINCINNATI--(BUSINESS WIRE)--Aug. 31, 2012-- American Financial Group, Inc. (NYSE/NASDAQ: AFG) announced today the completion of the sale of its Medicare Supplement and Critical Illness businesses (headquartered in Austin, Texas and doing business as Great American Supplemental Benefits Group) to Cigna Corporation (NYSE: CI) for approximately \$305 million in cash. AFG will realize an after-tax gain of approximately \$120 - \$130 million on the sale, subject to post-closing adjustments. AFG's remaining supplemental insurance operations consist solely of its run-off long-term care business, which has a book value of approximately \$170 million, and which will continue to be based in Austin, Texas. AFG's Austin-based life and annuity operations will transition to its home office in Cincinnati, Ohio before the end of the year.

As discussed in AFG's SEC filings, adverse changes in reinvestment rates or modifications to actuarial assumptions in our annuity and run-off long-term care businesses could result in material charges to earnings. Even though AFG has been able to maintain excellent annuity spreads and adequate yields in its long-term care business through the first half of 2012, a further continuation of the recent low interest rate environment is likely to lead to loss recognition in the long-term care business and, to a lesser extent, "unlocking" of the Company's interest rate assumptions for annuities to reflect lower future reinvestment rates.

Furthermore, although AFG's long-term care new claims experience through the first half of 2012 was reasonably consistent with current assumptions, 2012 experience may not be indicative of future trends. The Company continues to analyze its projected long-term care claims and persistency experience with the assistance of an external actuarial consulting firm, including a comparison to their large, uniform database of industry experience. The Company expects to complete its analysis of the actuarial assumptions used to amortize deferred acquisition costs and establish reserves in our long-term care business prior to the end of 2012.

About American Financial Group, Inc.

American Financial Group is an insurance holding company based in Cincinnati, Ohio with assets in excess of \$35 billion. Through the operations of Great American Insurance Group, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed and indexed annuities. Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company.

Forward-Looking Statements

This press release contains certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements in this press release not dealing with historical results are forward-looking and are based on estimates, assumptions and projections. Examples of such forward-looking statements include statements relating to: the Company's expectations concerning market and other conditions and their effect on future premiums, revenues, earnings and investment activities; recoverability of asset values; expected losses and the adequacy of reserves for long-term care, asbestos, environmental pollution and mass tort claims; rate changes; and improved loss experience.

Actual results and/or financial condition could differ materially from those contained in or implied by such forward-looking statements for a variety of reasons including but not limited to: changes in financial, political and economic conditions, including changes in interest and inflation rates, currency fluctuations and extended economic recessions or expansions in the U.S. and abroad; performance of securities markets; AFG's ability to estimate accurately the likelihood, magnitude and timing of any losses in connection with investments in the non-agency residential mortgage market; new legislation or declines in credit quality or credit ratings that could have a material impact on the valuation of securities in AFG's investment portfolio; the availability of capital; regulatory actions (including changes in statutory accounting rules); changes in the legal environment affecting AFG or its customers; tax law and accounting changes; levels of natural catastrophes and severe weather, terrorist activities (including any nuclear, biological, chemical or radiological events), incidents of war or losses resulting from civil unrest and other major losses; development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims; changes in persistency of in-force policies; availability of reinsurance and ability of reinsurers to pay their obligations; the unpredictability of possible future litigation if certain settlements of current litigation do not become

effective; trends in persistency, mortality and morbidity; competitive pressures, including those in the annuity bank distribution channels, the ability to obtain adequate rates and policy terms; changes in AFG's credit ratings or the financial strength ratings assigned by major ratings agencies to our operating subsidiaries; and other factors identified in our filings with the Securities and Exchange Commission. The forward-looking statements herein are made only as of the date of this press release.

The Company assumes no obligation to publicly update any forward-looking statements.

Source: American Financial Group, Inc.

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