



# Specialty Property and Casualty Insurance Fixed and Fixed-Indexed Annuities

KBW Insurance Conference  
September 9, 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

Approximately **50%** of Specialty P&C Group  
gross written premium produced by businesses  
with “top 10” market rankings

**#7** 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 Company **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 and registered investment advisor markets

\$56.7 Billion Investment Portfolio Managed In-House

# Building Long-Term Value for AFG Shareholders



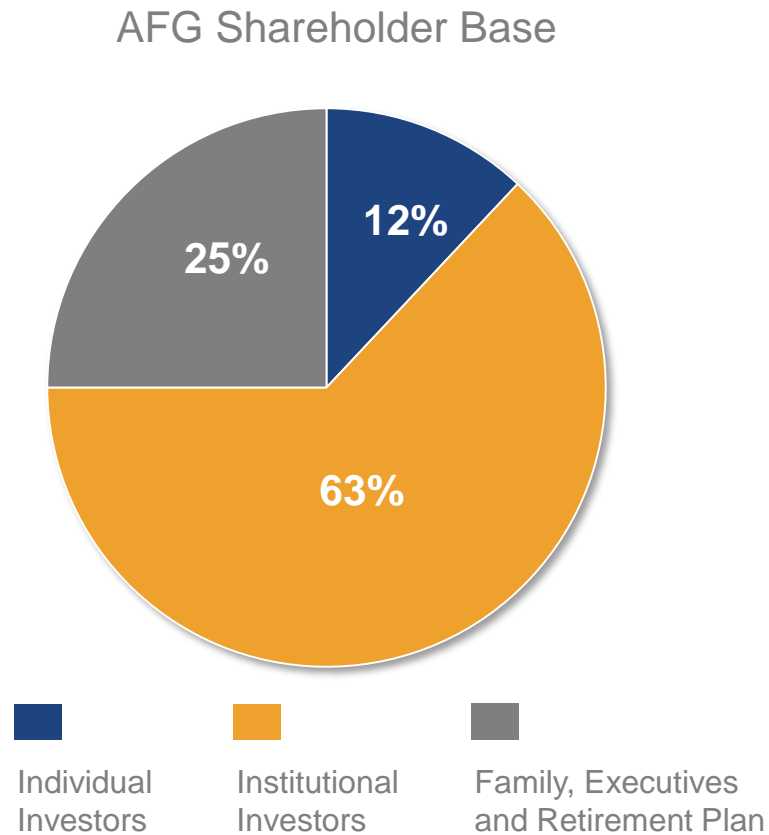
Culture • Entrepreneurial Business Model • Incentives



# 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



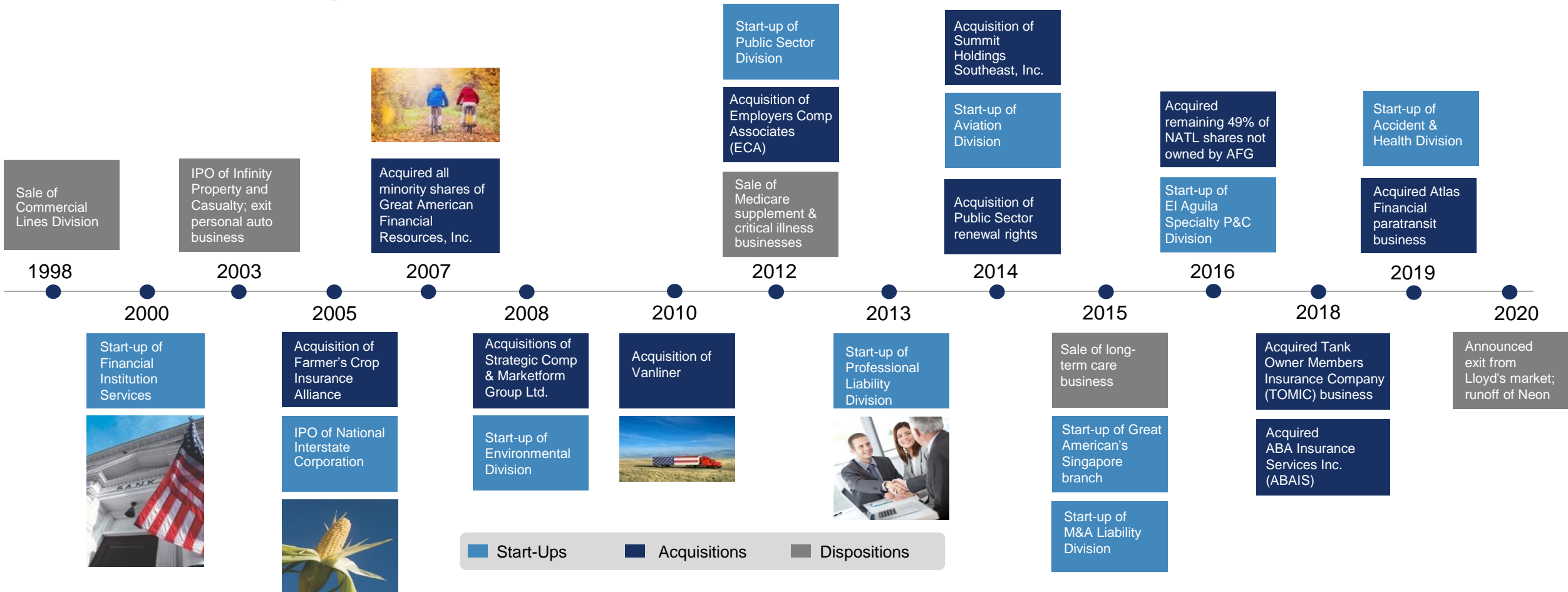
**Significant ownership by management creates strong alignment of interests with shareholders over the long term.**

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
- Two special dividends in 2019
  - \$1.50 per share paid in May 2019
  - \$1.80 per share paid in November 2019

## 2020 Capital Management

- Excess capital at June 30, 2020 approximately \$850 million
- Paid \$81 million in regular dividends YTD through June 30
- Repurchased \$137 million of AFG common shares at an average price per share of \$68.04 YTD through June 30
- In August, announced an 11% increase in regular annual dividend to \$2.00 per share, beginning in 4Q 2020
  - 15<sup>th</sup> consecutive annual dividend increase
- 2.8 million shares remaining in repurchase authorization as of August 1, 2020

## 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***

# Components of Excess Capital

Dollars in millions

## Components of AFG Excess Capital

Cash at Holding Companies	\$ 501
P&C Segment Excess Capital	35
Annuity Segment Excess Capital	31
Borrowing Capacity	<u>282</u>
	<u><b>\$ 849</b></u>

AFG had approximately  
**\$850 million** in  
Excess Capital at  
June 30, 2020

### Insurance Company Excess Capital

*Excess capital amounts shown above are based on the most stringent capital model of any rating agency*

#### P&C Segment: Most Stringent Benchmark = S&P

- Statutory Capital exceeds S&P capital requirement for an A+ rating by \$35 million

#### Annuity Segment: Most Stringent Benchmark = Moody's (NAIC)

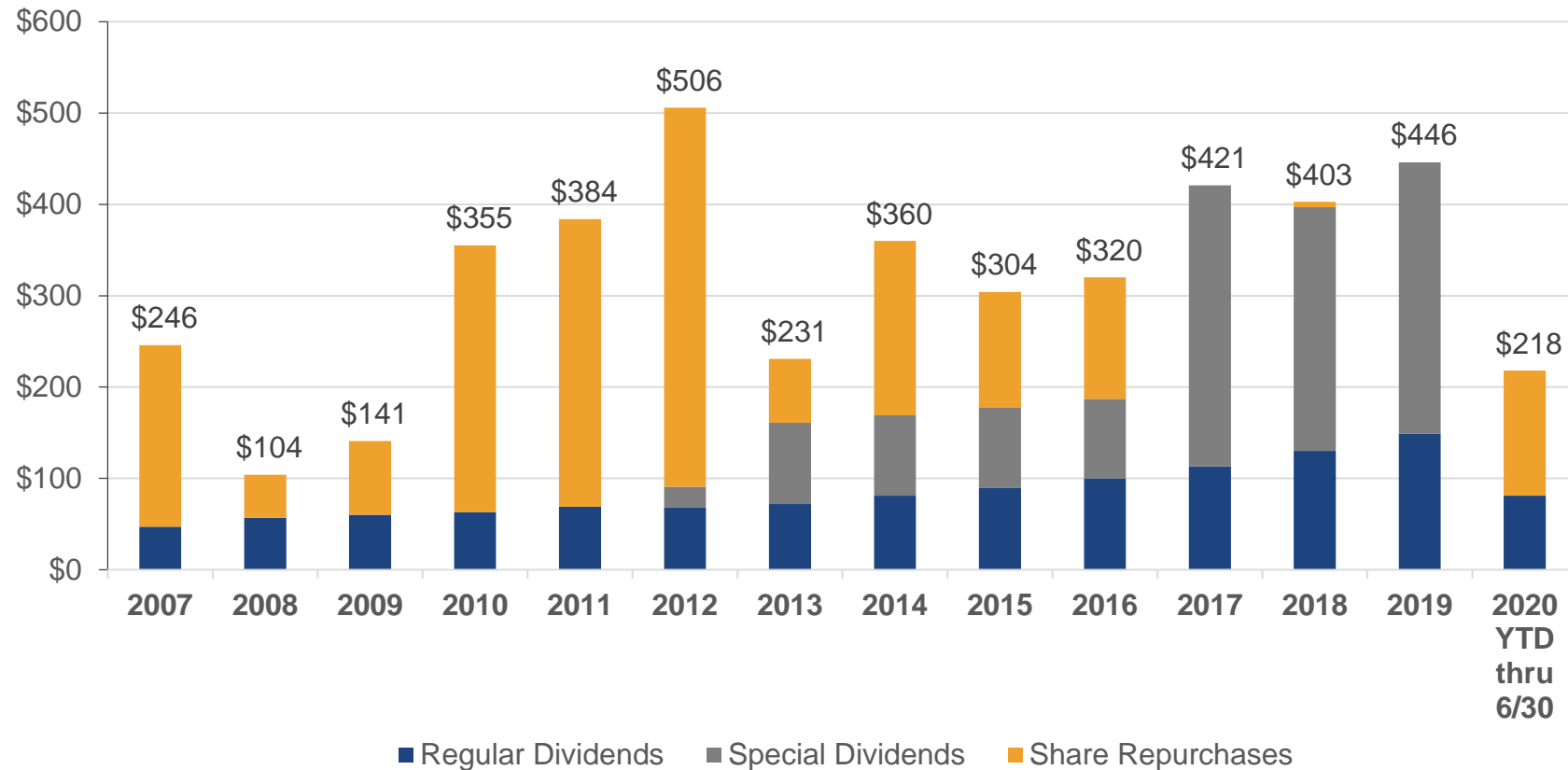
- Capital in Excess of Target 375% RBC = \$31 million
- Moody's has indicated that an NAIC RBC ratio below 325% is a factor that could lead to a downgrade, and indicated that a ratio of 375% or greater is a factor that could lead to an upgrade
- AFG's RBC Threshold takes into account favorable factors cited by Moody's, including: efficient expense structure, ability to lower cost of funds, and relatively simple product designs that provide surrender protection, among others

### Borrowing Capacity

AFG can borrow an additional \$282 million without exceeding its 22% debt leverage target and commitment to rating agencies

# Share Repurchases and Common Stock Dividends

Dollars in millions

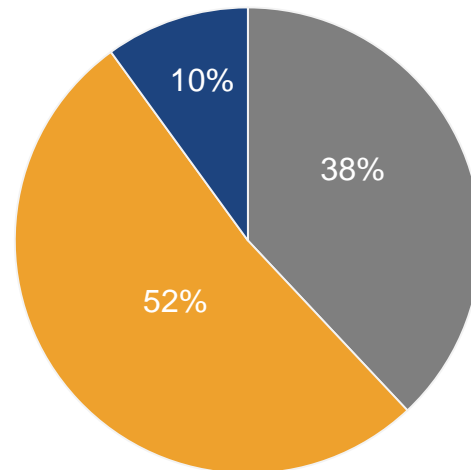


Between years  
2009 – 2012,  
AFG repurchased  
**33.7 million** shares  
at a weighted  
average price of  
**~ 90.5% of adjusted  
book value**  
(*book value per share  
excluding unrealized  
gains/losses related to  
fixed maturities*).

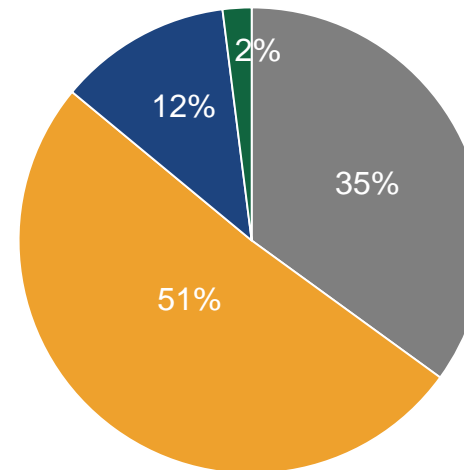
# Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

**Gross Written Premiums  
Full Year 2019  
\$7.3 Billion**



**Net Written Premiums  
Full Year 2019  
\$5.3 Billion**

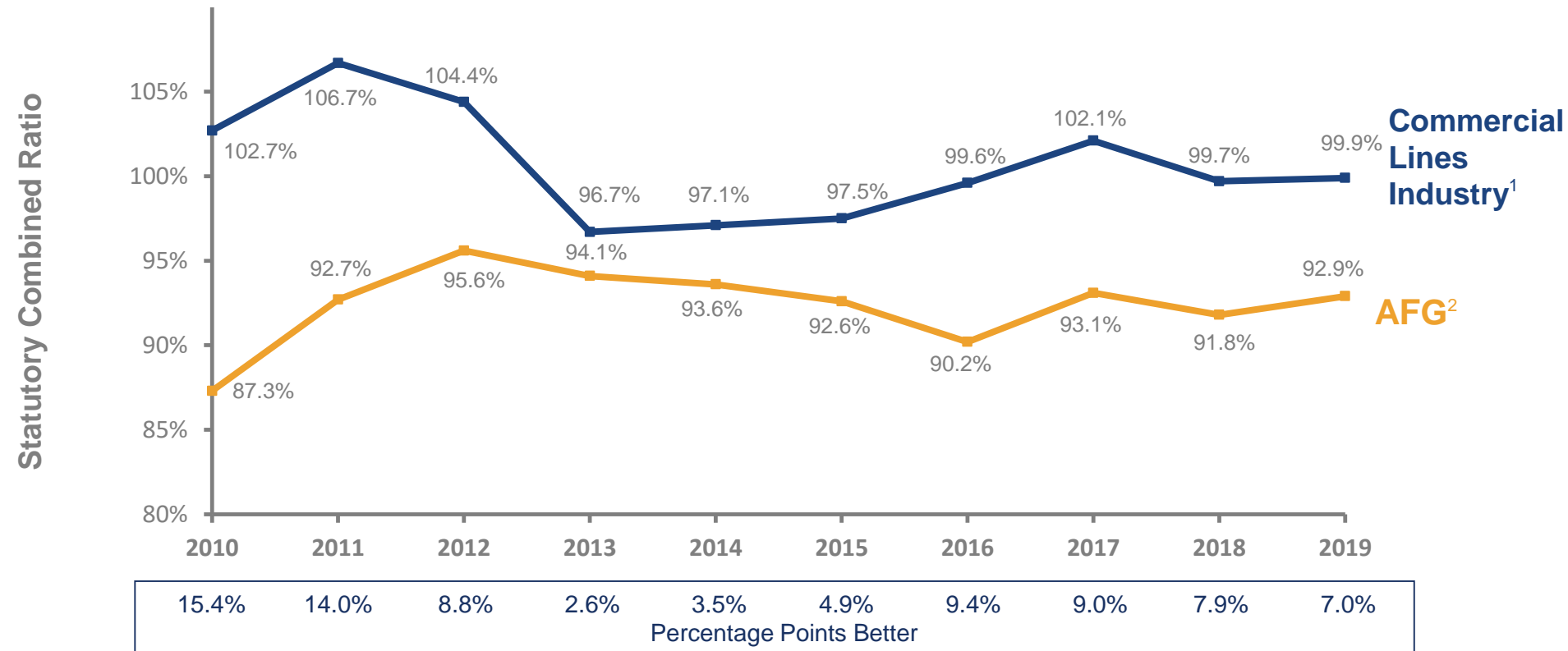


- Property & Transportation
- Specialty Casualty
- Specialty Financial
- Other Specialty<sup>1</sup>

Approximately 50% of P&C Group GWP produced by businesses with “Top 10” market rankings including:  
Crop • Equine • Fidelity/Crime • Financial Institution Services • FL Workers Comp •  
Non-Profit/Social Services • Passenger Transportation • Trade Credit • Trucking

<sup>1</sup> Includes an internal reinsurance facility.

# Superior Underwriting Talent



**8.3%**  
Points  
Better  
Over 10  
Years

<sup>1</sup> Commercial Lines Industry based on data from A.M. Best's U.S. Property/Casualty Review & Preview – March 2, 2020.

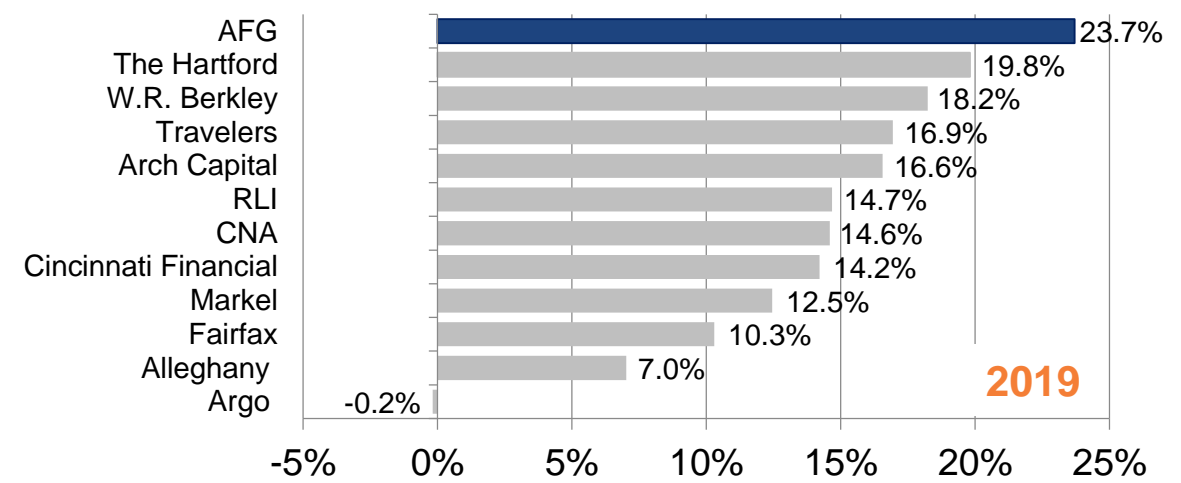
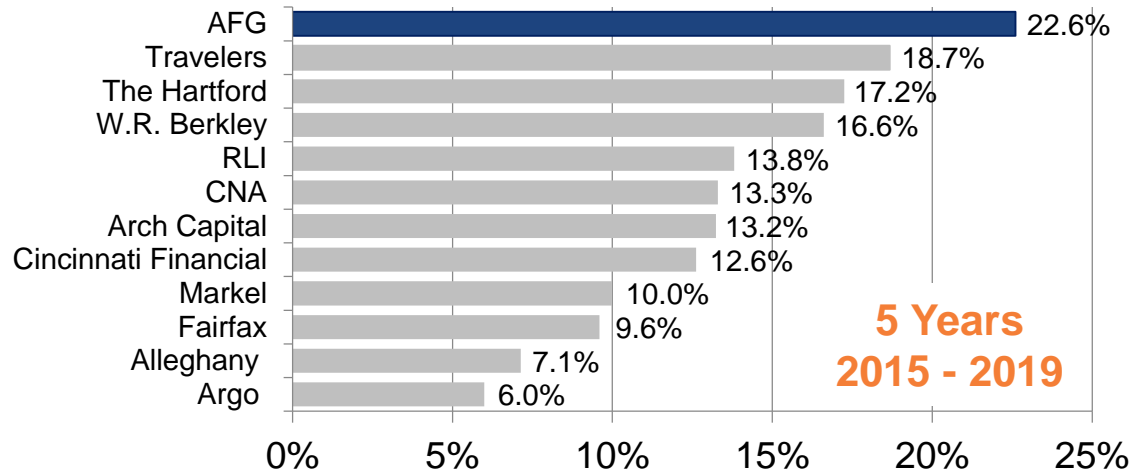
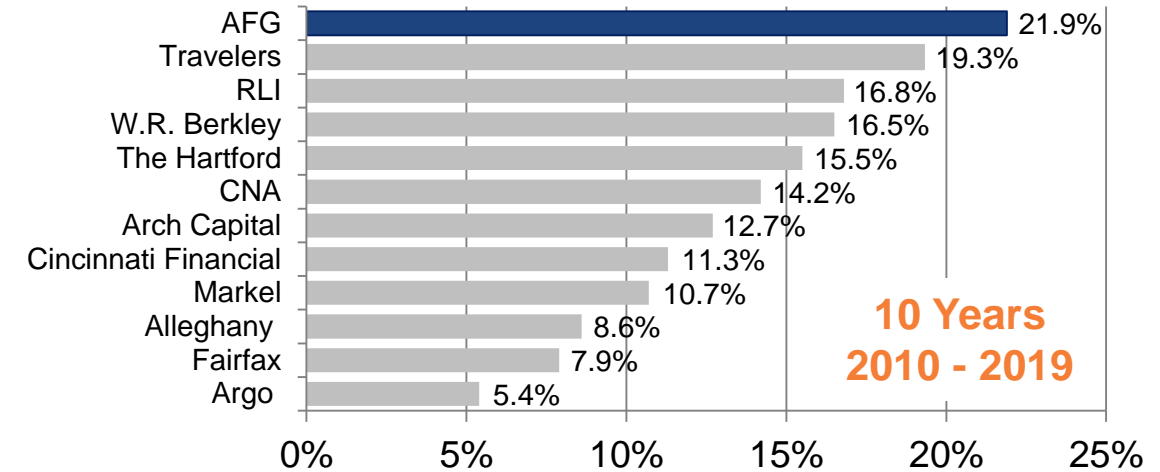
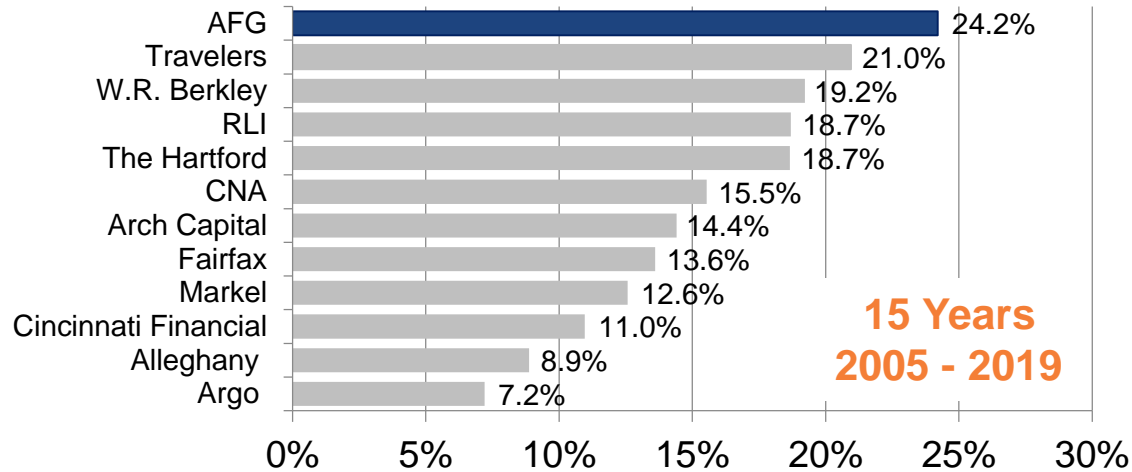
<sup>2</sup> American Financial Group Form 10K filings.

# 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

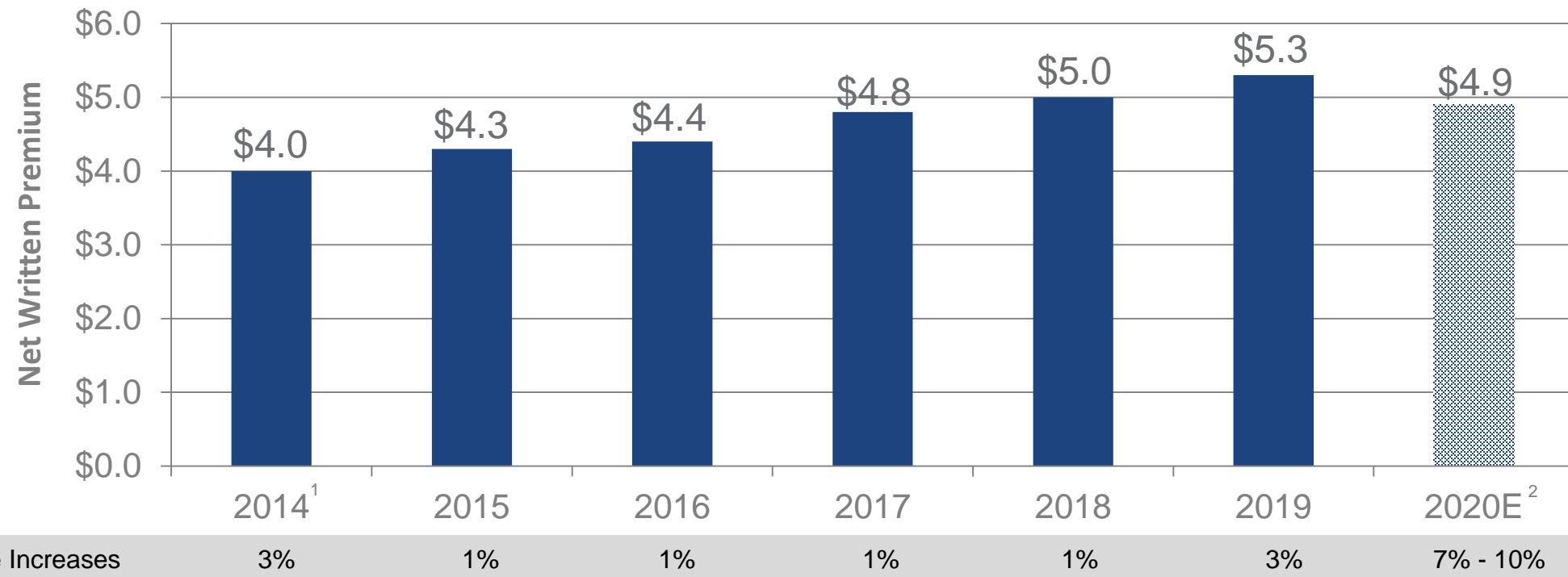


Source: Dowling & Partners

# Specialty Property & Casualty Premium Growth

Dollars in billions

P&C Net Written Premium and Renewal Rates



- Overall Specialty P&C renewal rates increased approximately 9% in 2Q20. Excluding workers' compensation, renewal rates increased 13%. **In July 2020, overall Specialty P&C renewal rates increased 14%. Excluding workers' compensation, renewal rates increased 18%.**

<sup>1</sup> Includes Summit premiums for nine months.

<sup>2</sup> Excluding impact of the run-off of Neon, the change in Net Written Premiums is expected to be in the range of (4%) to +2%.  
Excluding workers' compensation and the impact of the run-off of Neon, the change in Net Written Premiums is expected to be in the range of (2%) to +4%.

# 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"> <li>Fixed Annuities</li> <li>Indexed Annuities</li> </ul>	\$2.8B
Retail (Independent Producers)	#15 FIAs #14 in Total Fixed and FIAs	Over 4,500 Retail Agents – Independent Marketing Organizations (IMOs) – Independent Broker Dealers – Registered Investment Advisors		\$2.2B
All Channels	#11 FIAs #7 in 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

# What Differentiates our Annuity Business?



It Pays To Keep Things **Simple.**<sup>SM</sup>

*It's how we operate our annuity business and always have.*

*We are committed to simplifying our policyholders' paths to financial security by selling annuities that are easier to understand while operating our business in a consistent and conservative manner.*

Few of our products have upfront policyholder bonuses or pay higher agent commissions. More than 90% of our products are sold without a bonus.

Less than 5% of FIAs sales in 2Q20 included lifetime income riders. At June 30, 2020, only about 12% of AFG's annuity reserves contained these guarantees, which is about half the industry average.

This business model

... results in **lower deferred policy acquisition costs (DAC)**

... results in **lower sales inducement expenses**

... results in **better expense efficiency**

... which means **lower required investment spreads**

This has enabled AFG to achieve target rates of return in its annuity business without significant changes in renewal rates on our inforce business.

## Well Positioned to Navigate a Low Interest Rate Environment

In the first quarter of 2020, AFG began taking more proactive measures to adjust renewal rates, particularly on those products near the end or out of the surrender charge period.

- Once fully implemented over 12 months, we estimate **annualized savings of \$35 million to \$50 million**, depending on surrender activity, the equivalent to **reducing our overall cost of funds by 8 to 12 basis points**
- **Ability to lower crediting rates by 114 bps on \$32 billion of reserves** (excludes immediate annuities and reserves with lifetime guaranteed income riders)

Although we do not intend to reduce crediting rates on all inforce policies to GMIRs, this large margin gives us a great deal of flexibility in helping us manage returns on our inforce business.

# What Differentiates our Annuity Business?

## Flexibility to Manage Our Cost of Funds

AFG's cost of funds and other benefit expenses was **260 basis points** for the first half of 2020

- Included **10 basis points** for amortization of bonuses and accretion of withdrawal benefit reserves

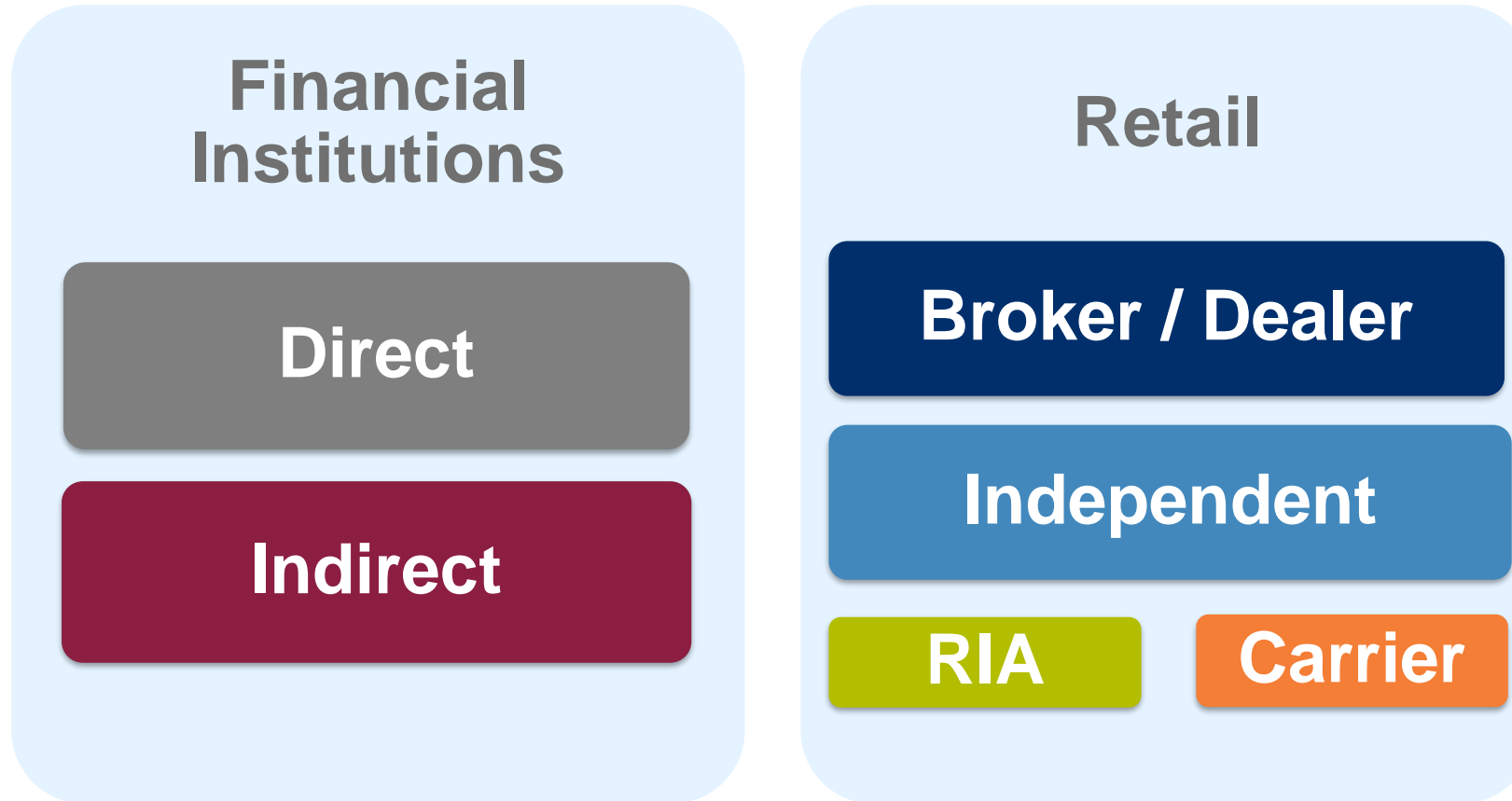
Amortization of bonuses and accretion of withdrawal benefit reserves are not consistently reported as a component of cost of funds by others in the industry, including some that sell significant amounts of products with bonuses and guaranteed benefits.

This makes it difficult to compare cost of funds between different companies.

We believe these costs could be as high as 50 to 100 basis points for some annuity competitors.

American Financial Group, Inc.			
Core Net Spread on Fixed Annuities			
(\$ in millions)			
	Six Months Ended		
	6/30/20	6/30/19	
Average fixed annuity investments (at amortized cost) (a)	\$ 40,322	\$ 37,449	
Average annuity benefits accumulated	40,370	37,640	
Annuity benefits accumulated in excess of investments (a)	\$ (48)	\$ (191)	
<u>As % of average annuity benefits accumulated (except as noted)</u>			
Net investment income (excluding alternative investments MTM) (as % of investments)	4.19%	4.39%	
Cost of funds	(2.50%)	(2.55%)	
Other annuity benefits, net of guaranteed withdrawal benefit fees	(0.10%)	(0.13%)	
<b>Core net interest spread on fixed annuities</b>	<b>1.59%</b>	<b>1.71%</b>	
Policy charges and other miscellaneous income	0.13%	0.10%	
Acquisition expenses (excluding alternative investments marked to market)	(0.58%)	(0.63%)	
Other expenses	(0.33%)	(0.37%)	
<b>Core net spread earned on fixed annuities (excluding alternative investments MTM)</b>	<b>0.81%</b>	<b>0.81%</b>	
Alternative investments marked to market, net of DAC	(0.27%)	0.29%	
<b>Core net spread earned on fixed annuities</b>	<b>0.54%</b>	<b>1.10%</b>	
Net spread earned on items previously reported as core operating	n/a	(0.06%)	
<b>Core net spread earned on fixed annuities - as reported</b>	<b>0.54%</b>	<b>1.04%</b>	

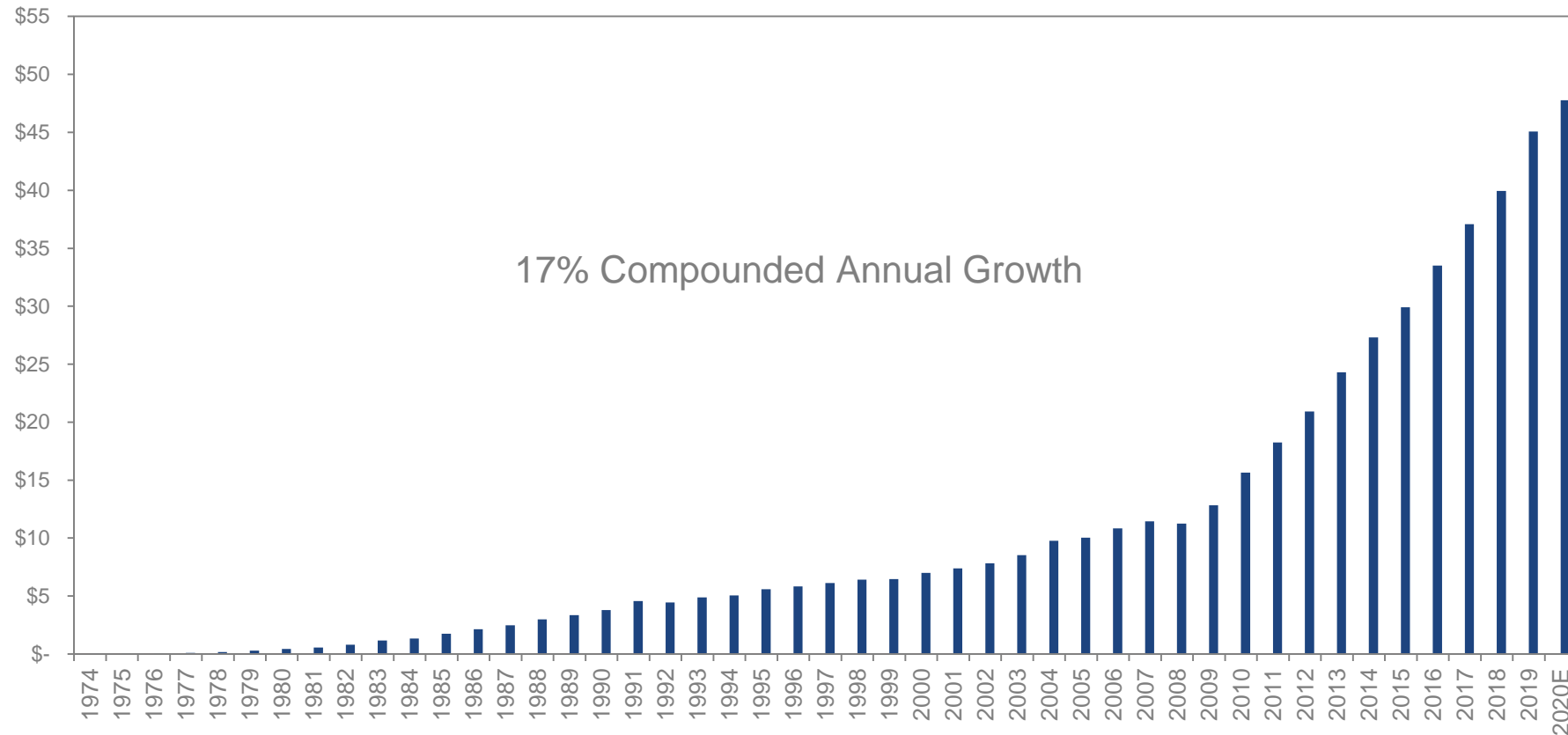
# Annuity Distribution Channels



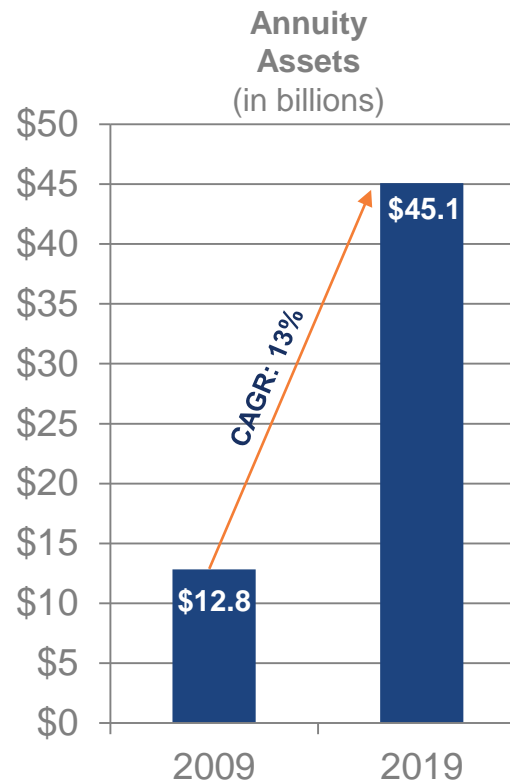
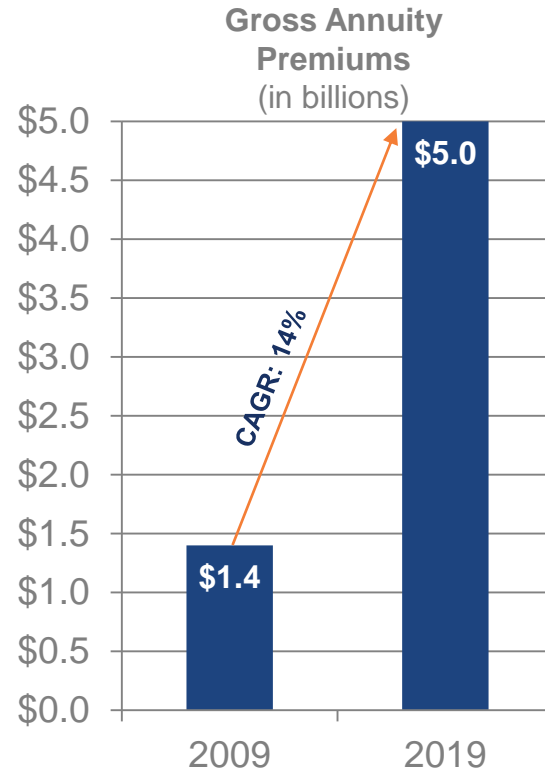
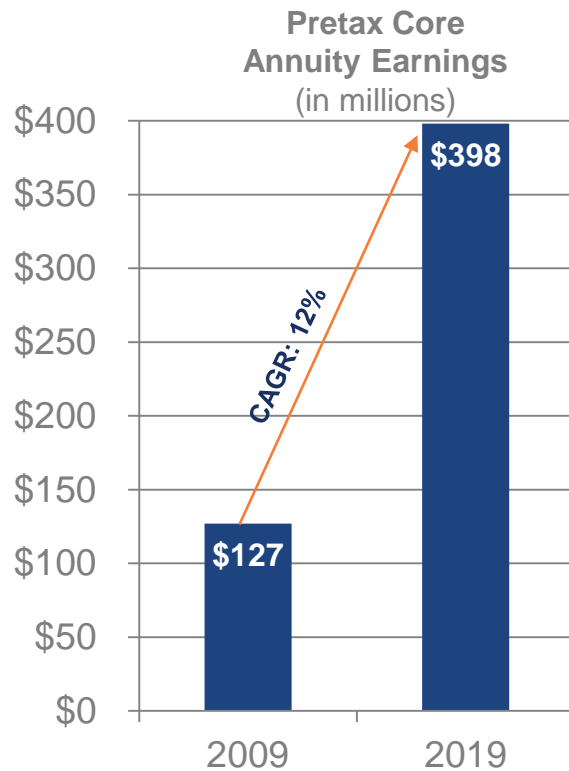


# Growth in Annuity Segment Assets (GAAP)

Dollars in billions



# Growth in Annuity Earnings, Premiums and Assets



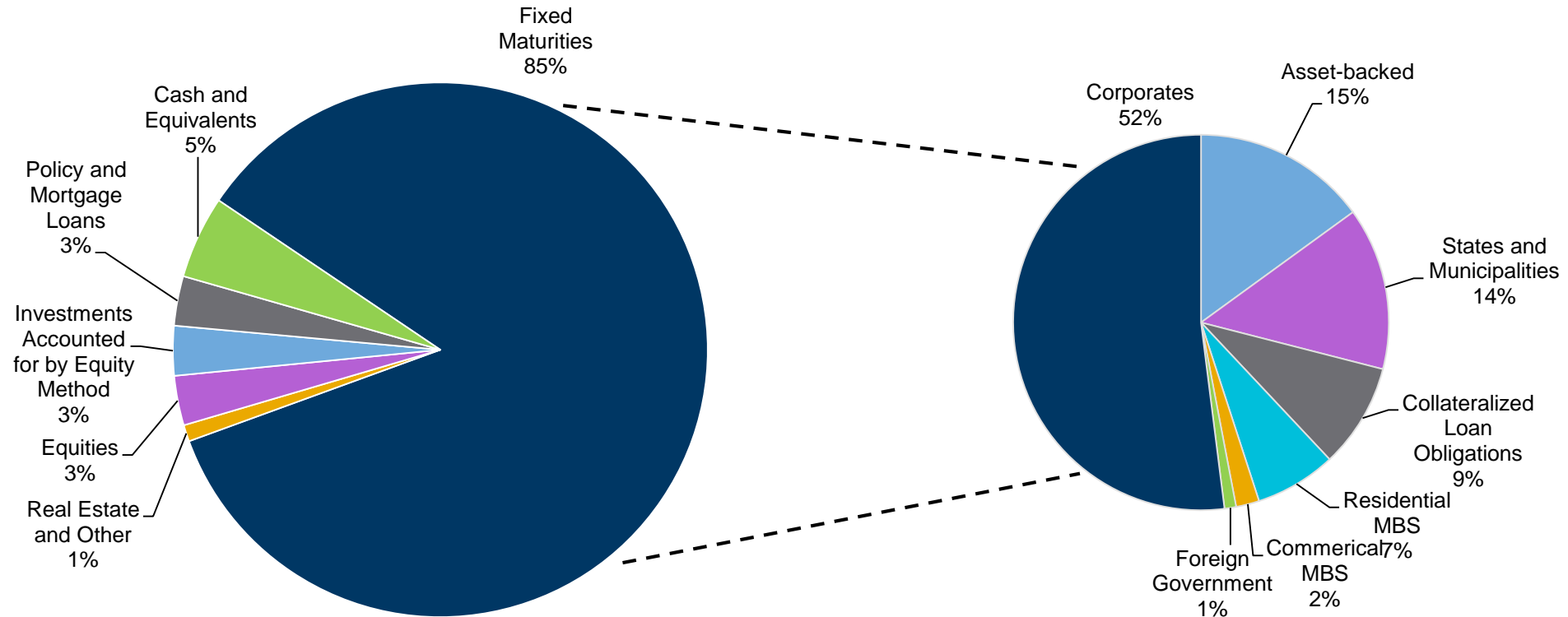
## ***Annuity Transformation***

- 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

# AFG Investment Portfolio

As of June 30, 2020

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



Carrying Value – \$56.7 Billion

# Investment Portfolio Information and Outperformance

	Property & Casualty	Annuity
Approximate Average Duration – Fixed Maturities as of June 30, 2020	3.0 years	4.0 years
Annualized yield on available for sale fixed maturities		
Quarter ended 6/30/2020:		
• Net of investment expenses <sup>(a)</sup>	3.46%	4.32%
• Tax equivalent, net of investment expenses <sup>(b)</sup>	3.61%	4.32%

<sup>(a)</sup> 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.

<sup>(b)</sup> Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

## Fixed Income Annualized Total Return 12 Years Ended 12/31/2019<sup>1</sup>

AFG 6.1%

Benchmark:  
Blended Insurance Industry<sup>2</sup> 5.4%

Outperformance 0.7%

≈ \$1.3 Billion Total Return Outperformance

<sup>1</sup> 2008-2019 time period captures the beginning of the global financial crisis.

<sup>2</sup> 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.

# Strong Financial Position

Dollars in millions, except per share data

	<u>Jun 30, 2020</u>	<u>Dec 31, 2019</u>
Principal Amount of Long-Term Debt	\$ 1,943	\$ 1,493
Adjusted shareholders' equity <sup>(a)</sup>	<u>5,055</u>	<u>5,390</u>
Total adjusted capital	<u>\$ 6,992</u>	<u>\$ 6,883</u>
Ratio of debt to total adjusted capital <sup>(b)</sup>		
Including subordinated debt	27.8%	21.7%
Excluding subordinated debt	18.9%	14.8%
Common shares outstanding	88.659	90.304
<u>Book value per share:</u>		
Book value per share	\$ 69.10	\$ 69.43
Adjusted <sup>(c)</sup>	56.95	59.70
Tangible, adjusted <sup>(d)</sup>	54.20	56.93
Parent Company Cash	\$ 496	\$ 166

## Capital Management

- Insurance company capital above target levels for all rating agencies
- Excess capital ~ \$850 million
- Share repurchases totaled \$137 million YTD through June 30, 2020 (avg. price per share \$68.04)
- Regular dividends YTD through June 30, 2020 = \$81 million

## Long-Term Debt at June 30, 2020

- In April, issued \$300 million 5.25% Sr. Notes due 2030
- In May, issued \$150 million 5.625% Sub Debs due 2060
- No debt maturities until 2026
- No borrowings under \$500 million credit line

## Financial Strength Ratings – U.S. Based Insurers

- A.M. Best: GAI, Mid-Continent and National Interstate = A+, Republic and Annuity = A
- S&P: = A+
- Moody's: GAI = A1, Republic = A3, Annuity = A2

(a) Excludes net unrealized gains (losses) related to fixed maturity securities.

(b) The ratio is calculated by dividing the principal amount of AFG's long-term debt by its total capital, which includes long-term debt, noncontrolling interests and shareholders' equity (excluding unrealized gains (losses) related to fixed maturity investments).

(c) Excludes unrealized gains related to fixed maturity investments.

(d) Excludes unrealized gains related to fixed maturity investments, goodwill and intangibles.

# 2020 Outlook – AFG

**AFG Core Operating Earnings Guidance \$6.60 - \$7.40 per share**  
(excluding the impact of alternative investments marked-to-market through core operating earnings)

	<u>NWP Growth</u>	<u>Combined Ratio</u>
<b>Specialty P&amp;C Group Overall</b>	<b>(11%) – (5%)</b>	<b>92% – 94%</b>
<i>Excluding Impact of Neon Runoff</i>	<i>(4%) – 2%</i>	
<i>Excluding Impact of Neon Runoff &amp; Workers' Comp</i>	<i>(2%) – 4%</i>	
<b><u>Business Groups:</u></b>		
<b>Property &amp; Transportation</b>	<b>(2%) – 4%</b>	<b>90% – 94%</b>
<b>Specialty Casualty</b>	<b>(20%) – (14%)</b>	<b>91% – 95%</b>
<i>Excluding Neon</i>	<i>(5%) – 1%</i>	
<i>Excluding Neon &amp; Workers' Comp</i>	<i>0% – 6%</i>	
<b>Specialty Financial</b>	<b>(8%) – (2%)</b>	<b>91% – 95%</b>

P&C average renewal rates up 7% to 10%, excluding workers' comp rates are expected to be up 10% to 13%

Pretax P&C Core Operating Earnings, excluding alternative investments, in the range of \$615 million to \$675 million

## Annuity Segment:

- Pretax Annuity Core Operating Earnings, excluding alternative investments, in the range of \$300 million to \$320 million
- Gross annuity premiums in the range of \$3.4 billion to \$3.9 billion



# Appendix

# Financial Highlights – Second Quarter and First Six Months 2020

Dollars in millions, except per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
• Results of Operations:				
– Core net operating earnings	\$ 95	\$ 192	\$ 266	\$ 376
– Core net operating earnings per share	\$ 1.05	\$ 2.12	\$ 2.94	\$ 4.14
– Average number of diluted shares <sup>1</sup>	90.0	91.0	90.0	90.8
• Book Value per Share:				
	<u>June 30,</u> <u>2020</u>	<u>Dec. 31,</u> <u>2019</u>		
– Excluding unrealized gains (losses) related to fixed maturities	\$ 56.95	\$ 59.70		
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 54.20	\$ 56.93		
• 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 \$850 million at June 30, 2020, including parent cash of approximately \$500 million				

<sup>1</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.

# Financial Highlights – 2019

Dollars in millions, except per share amounts

- Results of Operations:

- Core net operating earnings
- Core net operating earnings per share
- Average number of diluted shares

- Core Operating Return on Equity:<sup>1</sup>

AFG Consolidated<sup>2</sup>

- Specialty Property & Casualty
- Annuity, as reported

- Book Value per Share:

- Excluding unrealized gains (losses) related to fixed maturities
- Tangible, excluding unrealized gains (losses) related to fixed maturities

Twelve Months Ended  
December 31,

<u>2019</u>	<u>2018</u>
\$ 784	\$ 761
\$ 8.62	\$ 8.40
91.0	90.6

<u>2019</u>	<u>2018</u>
14.9%	15.6%
15.4%	16.8%
12.3%	12.2%

<u>Dec 31,</u> <u>2019</u>	<u>Dec 31,</u> <u>2018</u>
\$ 59.70	\$ 54.86
\$ 56.93	\$ 51.93

**17.8%**  
Growth in Adj  
BVPS + Dividends

<sup>1</sup> Equity excludes AOCI.

<sup>2</sup> 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 Premium				2020E excl. Neon	2020E excl. Neon & Workers' Comp
	2018	2019	YTD 6/30/2020	2020E <sup>1</sup>		
Specialty Property & Transportation	\$ 1,754	\$ 1,876	\$ 812	(2%) – 4%		
Specialty Casualty	\$ 2,509	\$ 2,701	\$ 1,097	(20%) – (14%)	(5%) – 1%	0% – 6%
Specialty Financial	\$ 602	\$ 617	\$ 288	(8%) – (2%)		
Other Specialty	\$ 158	\$ 148	\$ 91	n/a		
<b>Total Specialty</b>	<b>\$ 5,023</b>	<b>\$ 5,342</b>	<b>\$ 2,288</b>	<b>(11%) – (5%)</b>	<b>(4%) – 2%</b>	<b>(2%) – 4%</b>

<sup>1</sup> 2020E based on guidance issued August 5, 2020.

# Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2018</u>	<u>2019</u>	<u>YTD 6/30/2020</u>	<u>2020E<sup>1</sup></u>
Specialty Property & Transportation	93.1%	95.7%	92.3%	90% – 94%
Specialty Casualty	94.2%	93.3%	92.8%	91% – 95%
Specialty Financial	88.9%	85.0%	94.4%	91% – 95%
Other Specialty	103.7%	113.3%	115.8%	n/a
<b>Total Specialty</b>	<b>93.4%</b>	<b>93.7%</b>	<b>93.7%</b>	<b>92% – 94%</b>

<sup>1</sup> 2020E based on guidance issued August 5, 2020.

# Specialty Property & Casualty Update – September 2020

## Crop Insurance

- We continue to expect an average crop year. The August Derecho primarily impacted corn crops in Iowa.
- Overall corn and soybean yield projections are in line with trend yield.
- Commodity prices remain well within acceptable ranges from spring discovery prices.
- The percentage of corn and soybeans in good to excellent condition is 61% and 65%, respectively, based on average USDA data covering 90%+ of planted acreage.

## Catastrophe Loss Exposures

- Hurricane Laura: Major losses were averted.
- California Wildfires: Minimal claims activity to date; underwriting actions taken after the 2017 fires have limited our exposure.
- Derecho Event (non-Crop): Manageable losses anticipated, most are smaller losses in Iowa and Illinois.

## Workers' Comp

- **Summit:** NCCI filed a rate decrease with Florida OIR of 5.7% effective 1/1/2021. If approved, we expect a decrease of 6% based on mix of business.
- **Republic:** The WCIRB's Governing Committee approved a recommendation to increase the average pure premium rate by 2.6% in 2021. The WCIRB may amend the rate filing in September pending compelling or significant COVID-related data is collected.
- Presumption legislation, Senate Bill 1159, was passed by the CA legislature. The law will take effect immediately following the Governor's signature and will expire on January 1, 2023.

## P&C Renewal Pricing

- Overall Specialty P&C renewal pricing was up 14% in July; up 18% excluding workers' compensation.
- The most significant increases were in our excess liability and executive liability businesses.



# Annuity Segment

Dollars in millions, unless otherwise noted

	<u>2018</u>	<u>2019</u>	<u>YTD 6/30/20</u>	<u>2020E<sup>1</sup></u>
Gross Annuity Premiums	\$ 5,407	\$ 4,960	\$ 1,897	\$3.4 to \$3.9 billion
Average Fixed Annuity Investments	\$ 34,471	\$ 38,216	\$ 40,322	+ 5% to 7%
Average Fixed Annuity Reserves	\$ 34,706	\$ 38,460	\$ 40,370	+ 5% to 7%
<hr/>				
Pretax Annuity Core Earnings, excl. Alternative Investments	\$ 257	\$ 298	\$ 163	\$300 to \$320 million
Pretax Annuity Core Operating Earnings, as reported	\$ 361	\$ 398	\$ 109	n/a
<u>Net Spread Earned:</u>				
<b>Core Net Spread Earned, excl. Alternative Investments</b>	<b>0.90%</b>	<b>0.82%</b>	<b>0.81%</b>	<b>0.75% to 0.80%</b>
<b>Core Net Spread Earned on Fixed Annuities</b>	<b>1.20%</b>	<b>1.08%</b>	<b>0.54%</b>	<b>n/a</b>
Items Previously Reported as Core Operating	(0.13%)	(0.03%)	n/a	n/a
<b>Core Net Spread Earned, as reported<sup>2</sup></b>	<b><u>1.07%</u></b>	<b><u>1.05%</u></b>	<b><u>0.54%</u></b>	<b>n/a</b>

<sup>1</sup> This guidance reflects the impacts of (i) the continued negative impact of low short-term interest rates on the Annuity Segment's approximately \$4.9 billion net investment in cash and floating rate securities, (ii) the favorable impact of more aggressive renewal rate actions taken on annuity policies near or after the end of their surrender charge period, and (iii) the stock market and longer-term interest rates than remain relatively flat.

<sup>2</sup> Amounts for 2019 and 2020 are calculated using the new definition of core operating earnings. Amounts for 2018 are shown as originally reported.

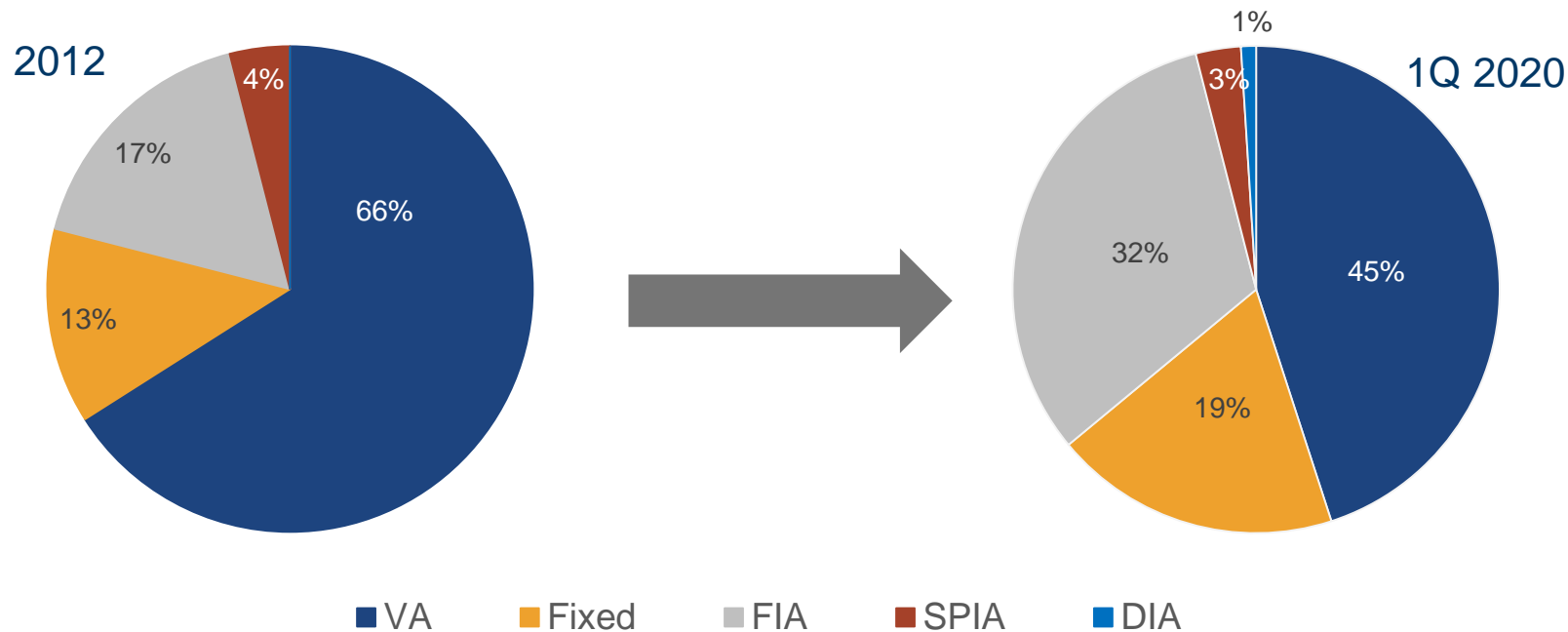
# Snapshot of Current AFG Annuity Segment Sales

## 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

# Annuity Industry: Market Share by Product Line

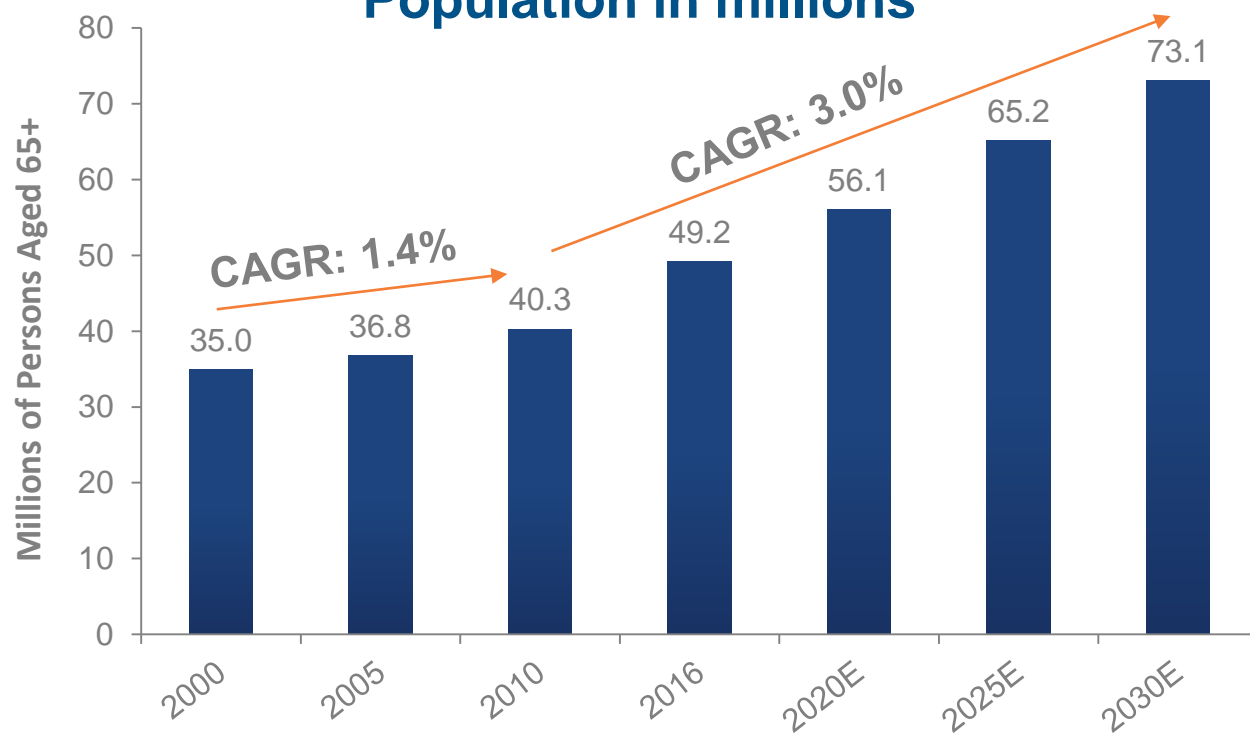
*Shift from Variable Annuities to Traditional Fixed and Indexed Annuities*



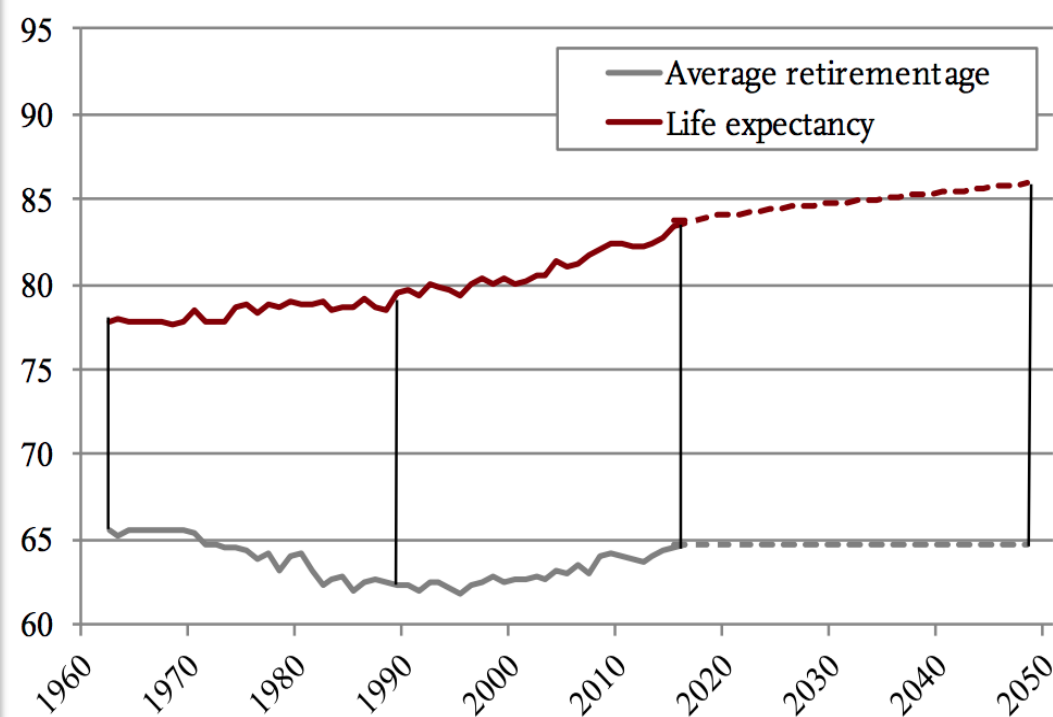
Market share for Bank, Independent B-D, Independent Agent, Full-Service BD, and Career Agent Channels only; Source: LIMRA

# Changing Demographics Create Opportunities for the Annuity Market

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



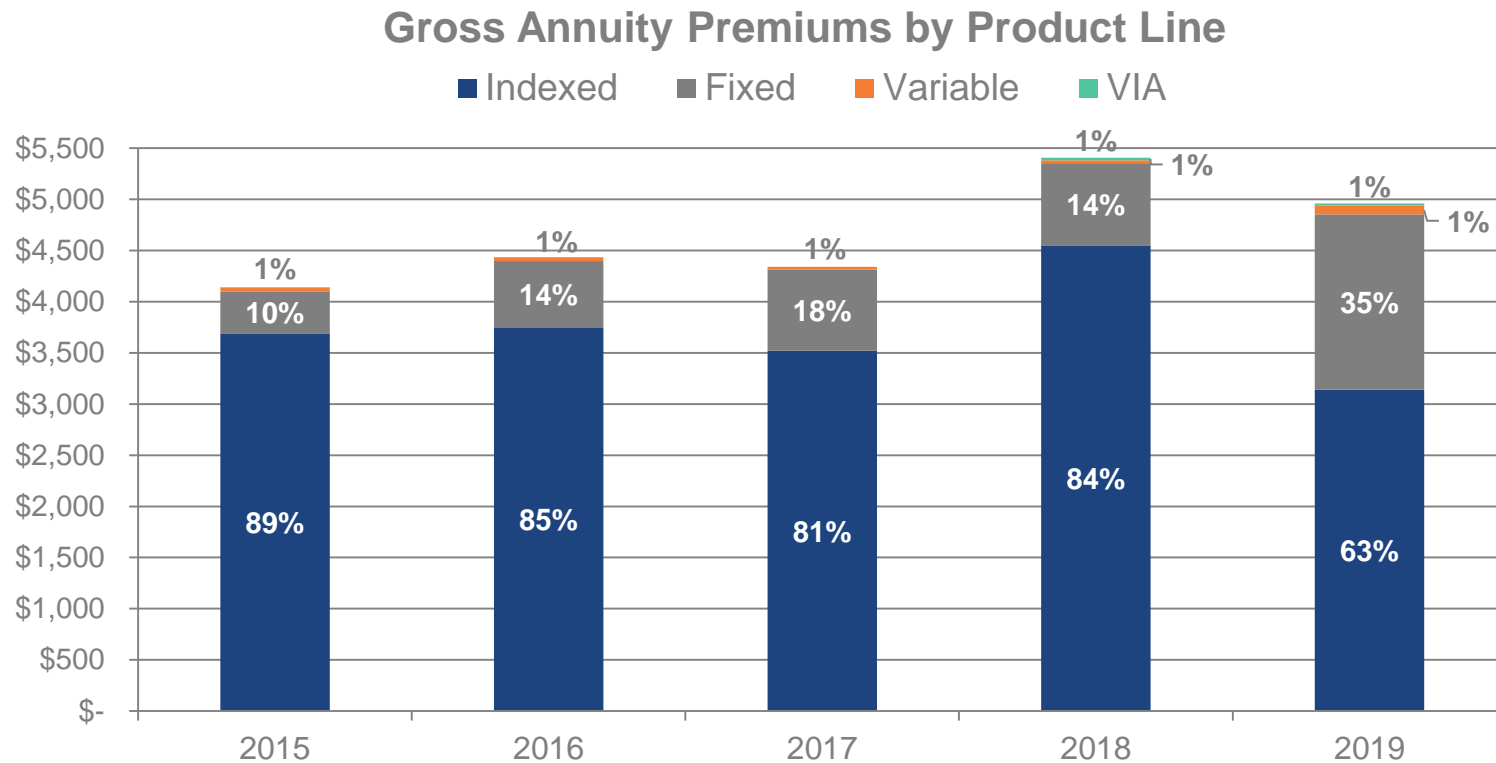
## Retiring At The Same Age, But Living Longer



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

# Annuity Product Snapshot

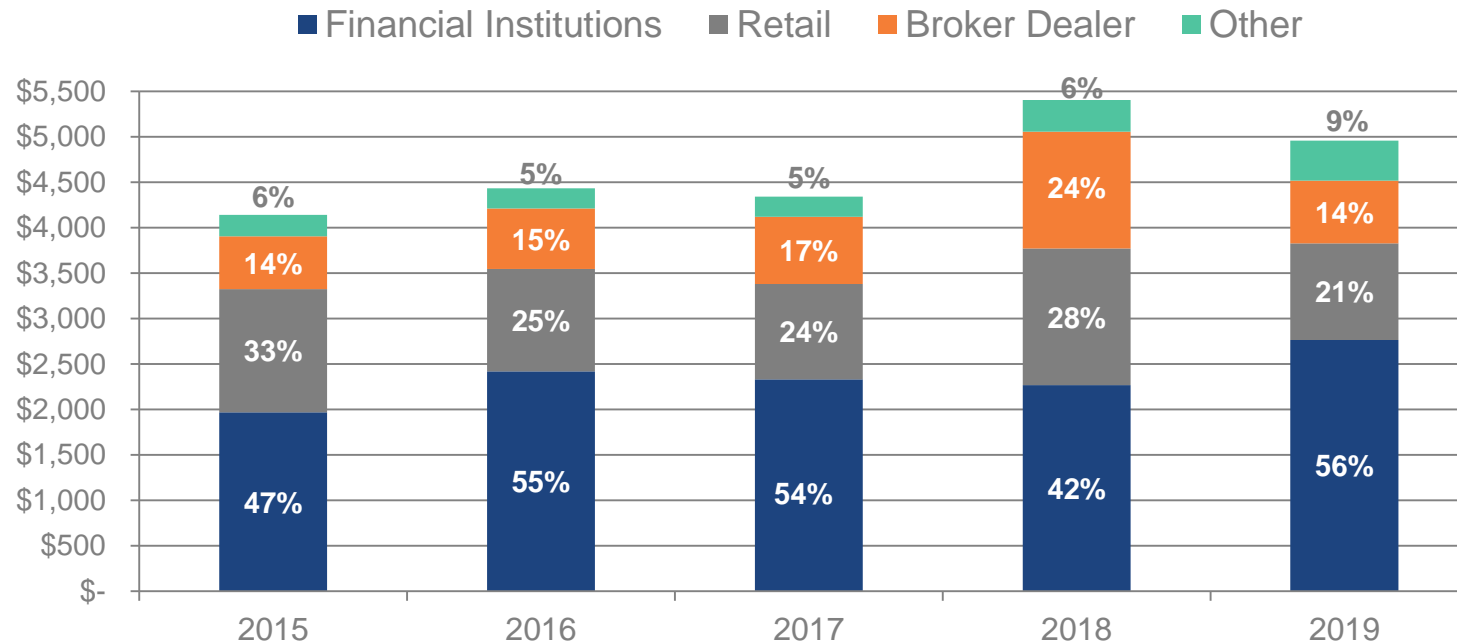
Dollars in millions



# Annuity Product Snapshot (continued)

Dollars in millions

Gross Annuity Premiums by Distribution Channel



# Annuity Product Snapshot (continued)

Dollars in millions

