



# Specialty Property and Casualty Insurance

*BMO Insurance Summit*

*November 30, 2023*

# 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, 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 150 Years

We are specialists in providing P&C insurance products that help businesses manage their unique financial risks and exposures.

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

Superior Underwriting  
Talent

**7.4%**

*Points of COR outperformance  
vs. peers over 10-year period  
ended 12/31/2022*

Specialty P&C  
Combined Ratio

**10 years**

*Consecutive years  
under 94%*



Overall Specialty P&C combined ratio of 87.2% for the twelve months ended December 31, 2022

Record underwriting profit, record P&C core operating earnings and record core net operating earnings per share for the twelve months ended December 31, 2022

# Top Tier Specialty Property & Casualty Insurer



*Our values form the foundation of our business, shape our priorities, and set our expectations for how we conduct our business, service our customers and interact with each other.*



## Our Core Values

for all the *great* you do®

Specialization  
Entrepreneurial Spirit  
Accountability



OUR  
FOUNDATION

Integrity  
Discipline  
Respect for Others



OUR  
EXPECTATIONS

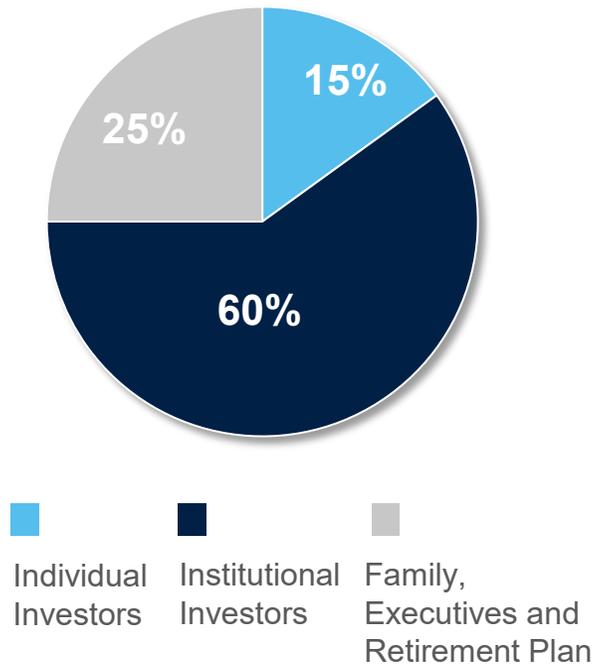
Customer Focus  
Clear & Open  
Communication  
Family & Community



OUR  
PRIORITIES

# Strategic Alignment of Interests for Optimal Results

## Significant Ownership by Management



## Unique, Incentive-Based Programs for P&C Business Leaders

- Annual awards
  - based on AY COR targets derived from ROE thresholds
  - paid over 2-3 years; claw back feature
- Long Term Incentive Comp (LTIC) Plan
  - 5-year measurement period based on AY COR targets derived from ROE thresholds
  - paid out over the following 4-5 years
- Attract, retain and reward key operating executives & officers

## Profit Sharing for Employees

- Our Profit-Sharing Plan is a key component of AFG's Total Rewards Program, rewarding eligible employees for their contributions toward overall performance

## Innovator in Risk Sharing and Alternative Risk Transfer Programs For Policyholders and Agents

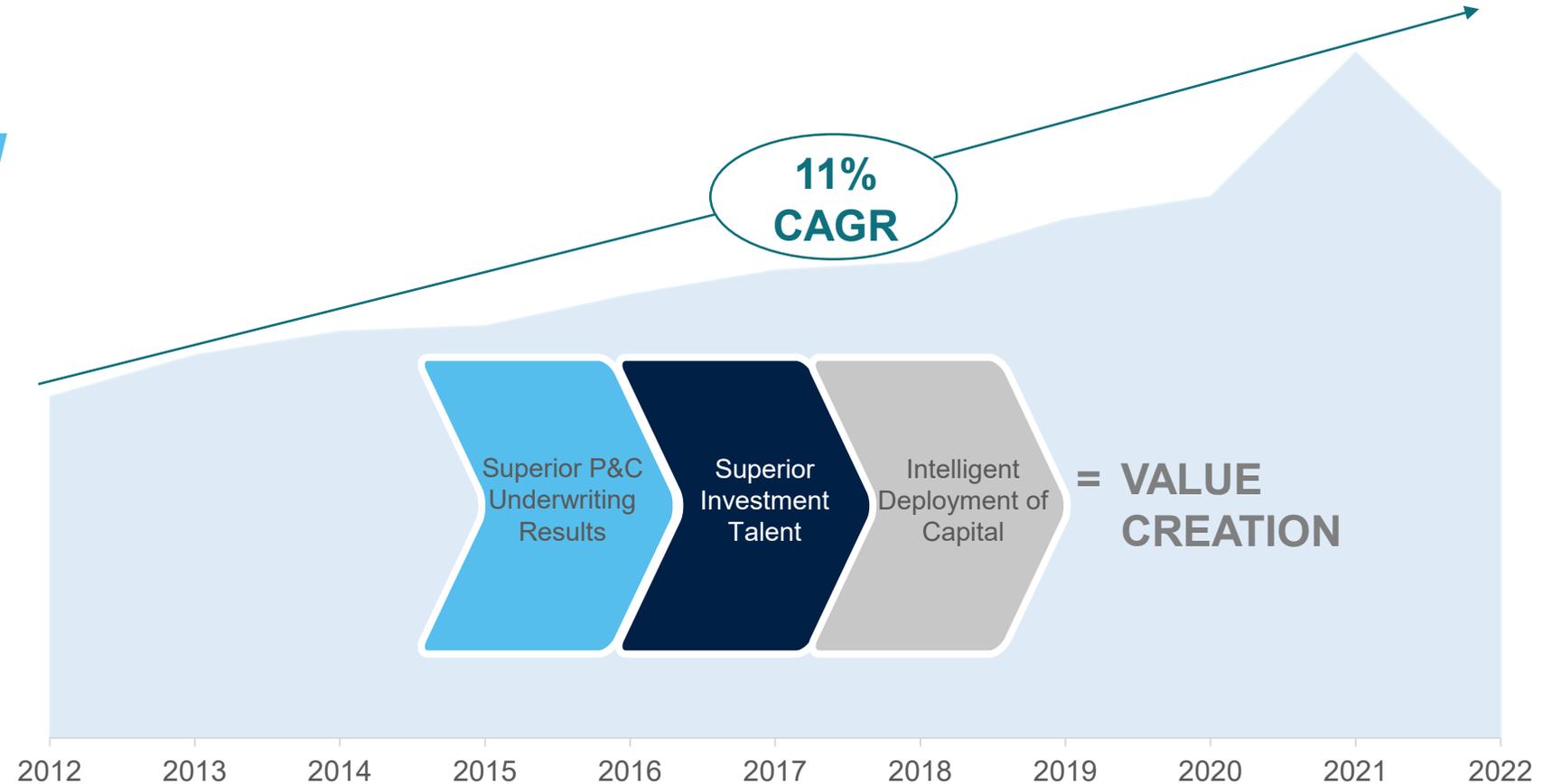


- A leader in providing risk sharing alternatives to the passenger transportation, moving & storage and trucking specialty transportation industries
- Through collaboration and specialized knowledge, we work with a variety of agency and group risk sharing programs in a wide range of industry segments in our Targeted Markets operations
- Our Strategic Comp business offers unique coverage options for workers' comp accounts that include higher retentions and specialty loss prevention – giving businesses more control over their costs, risks, and outcomes
- Innovative commission structures for distribution partners reward production of profitable business

# Building Long-Term Value for AFG Shareholders

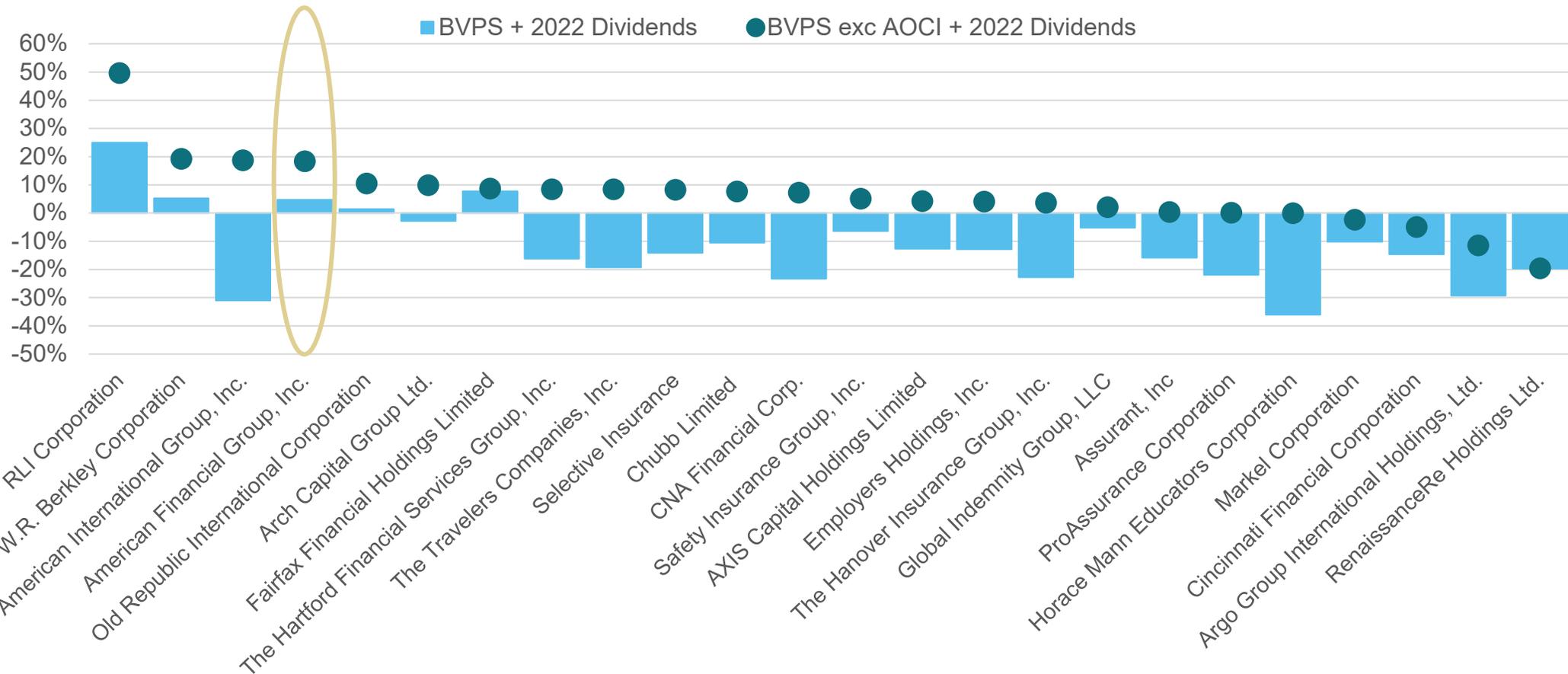
**10 YEAR VIEW  
OF  
TOTAL VALUE  
CREATION**

**Growth in Adjusted  
BVPS + Dividends**



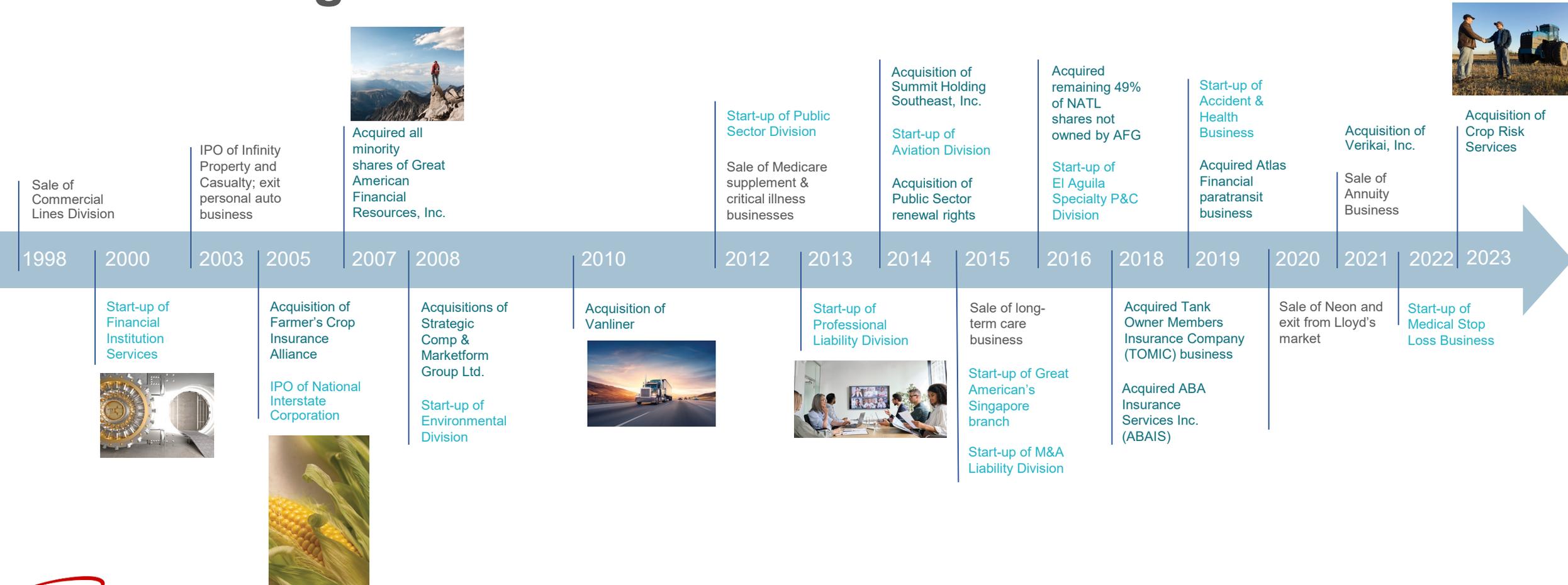
Adjusted Book Value excludes unrealized gains and losses related to fixed maturities.

# Total Value Creation: Twelve Months Ended December 31, 2022



Source: Public company filings.

# Focusing on What We Know Best



# Specialty P&C Insurance Operations

*We are specialists in providing property and casualty insurance solutions that fulfill today's needs and tomorrow's dreams. We are a trusted partner in delivering long-term value to our customers, employees and investors.*

## PROPERTY & TRANSPORTATION

Agribusiness (farm & ranch)

Commercial Automobile

Commercial Property

Crop

Equine Mortality

Inland and Ocean Marine

## SPECIALTY CASUALTY

Cyber Risk

Excess and Surplus

Executive & Professional Liability

General Liability

M&A Liability

Medical Stop Loss

Public Entities

Targeted Programs

Umbrella and Excess Liability

Workers' Compensation

## SPECIALTY FINANCIAL

Fidelity / Crime

Financial Institution Services

Lease and Loan Services

Surety

Trade Credit



# Great American Insurance Company's Ratings

# A+

Superior

# A+

Strong

# A1

## The Numbers Tell Our Story

# 3,000

Property and casualty insurance companies in the United States

# 50

Companies on the Ward's 50 List for safety, consistency and performance

# 4

Rated "A" (Excellent) or better by AM Best for 115 or more years

# 3

on both lists

# 1

Great American Insurance Company is 1 of the three



**S&P Global**  
Ratings

**MOODY'S**

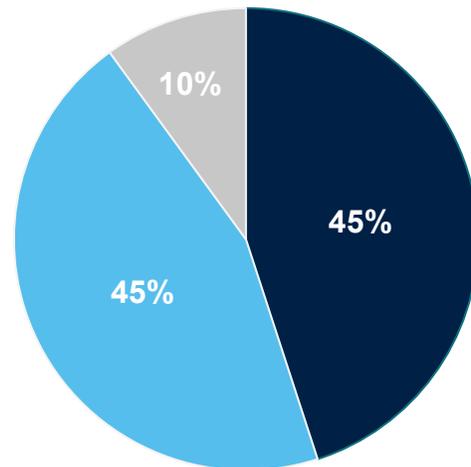
- Diversified product offerings in niche markets
- Consistent, solid underwriting results
- Strong market positions
- Strong capitalization
- Low catastrophe risk profile



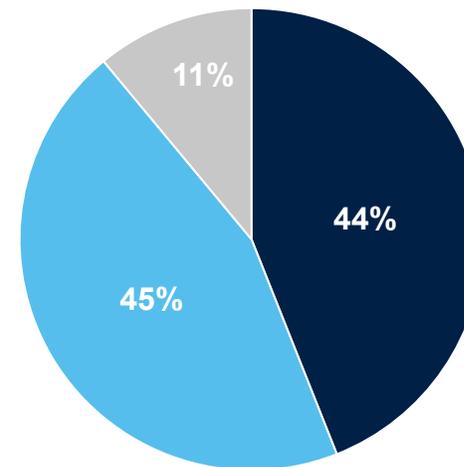
# Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

**Gross Written Premiums  
2022  
\$9.1 Billion**



**Gross Written Premiums  
LTM Ended September 30, 2023  
\$9.5 Billion**

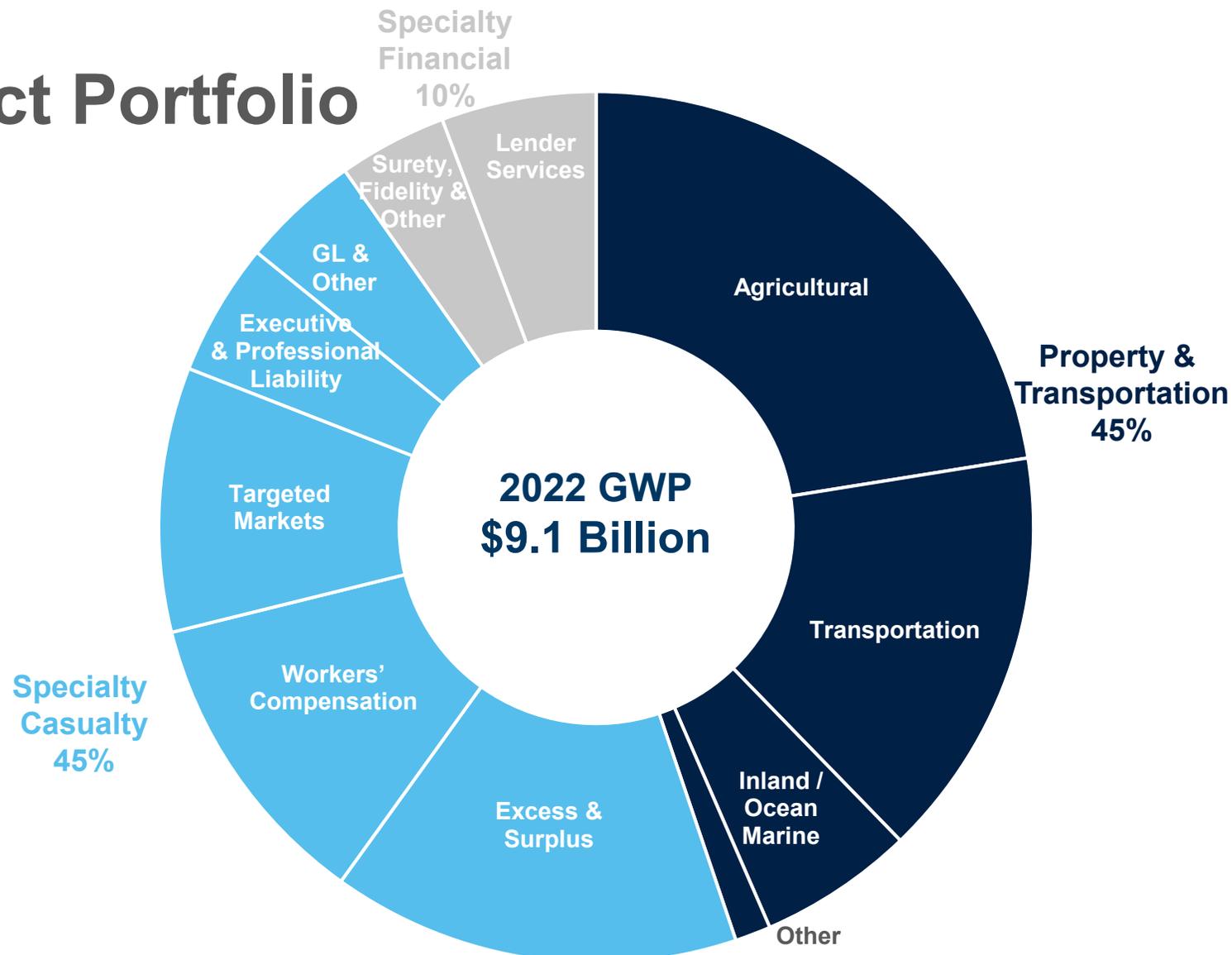


- Property & Transportation
- Specialty Casualty
- Specialty Financial

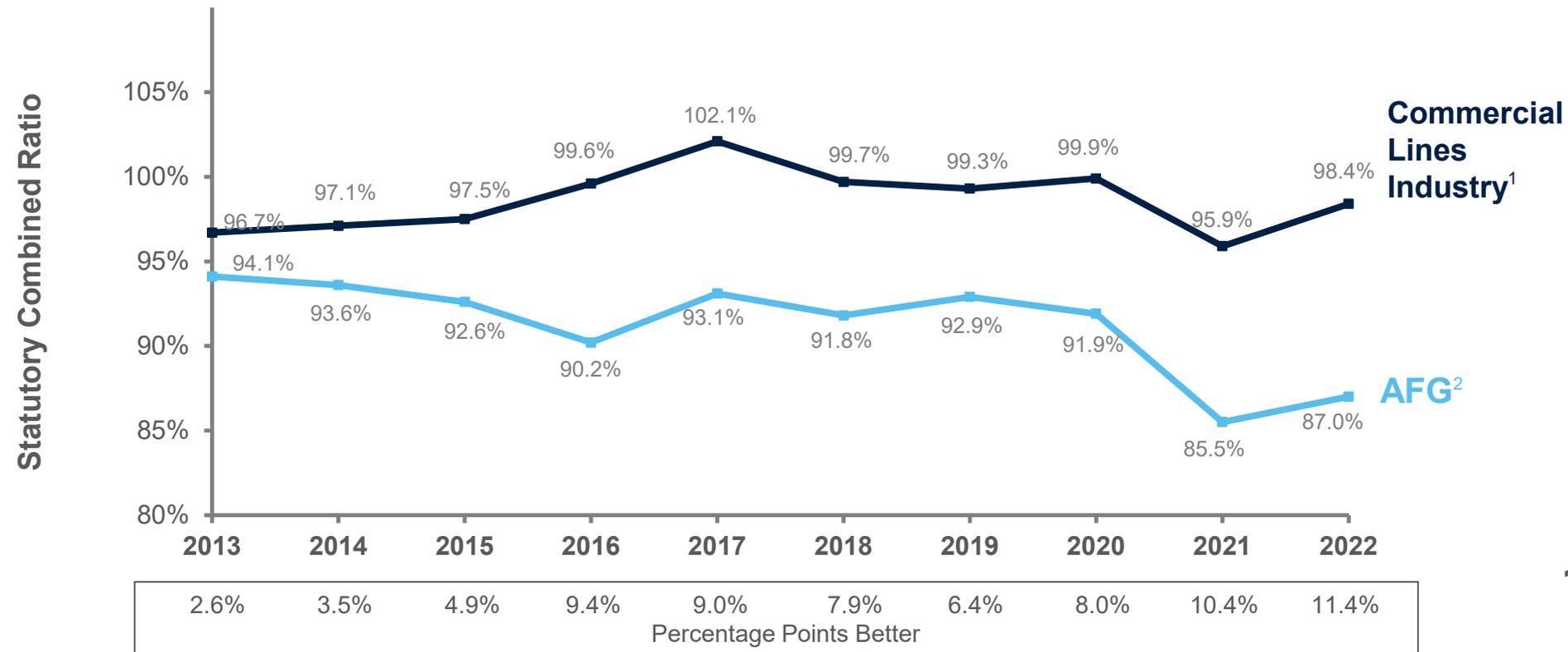
In 2022, over 50% of P&C Group GWP produced by businesses with “Top 10” market rankings including: ABAIS • Crop • Equine • Fidelity/Crime • Financial Institution Services • FL Workers Comp • Moving & Storage • Non-Profit/Social Services • Ocean Marine • Passenger Transportation • Public Entity • Trade Credit • Trucking

# Diversified Product Portfolio

*Our Property & Casualty insurance operations provide a wide variety of specialty commercial coverages to niche industries*



# Superior Underwriting Talent

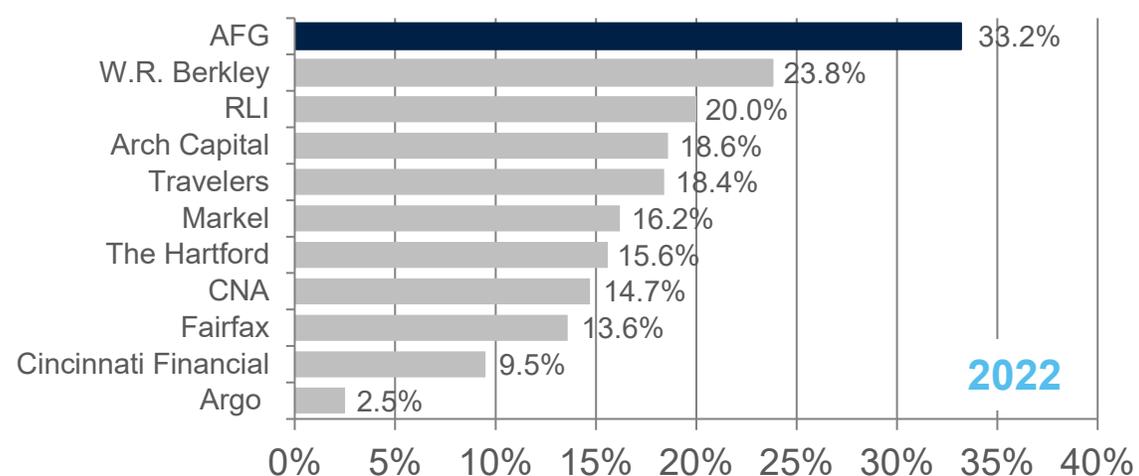
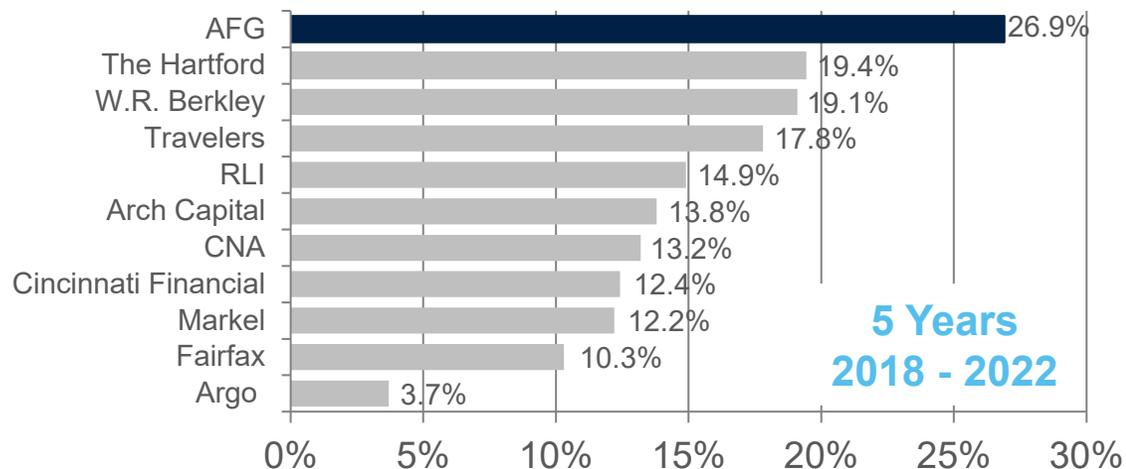
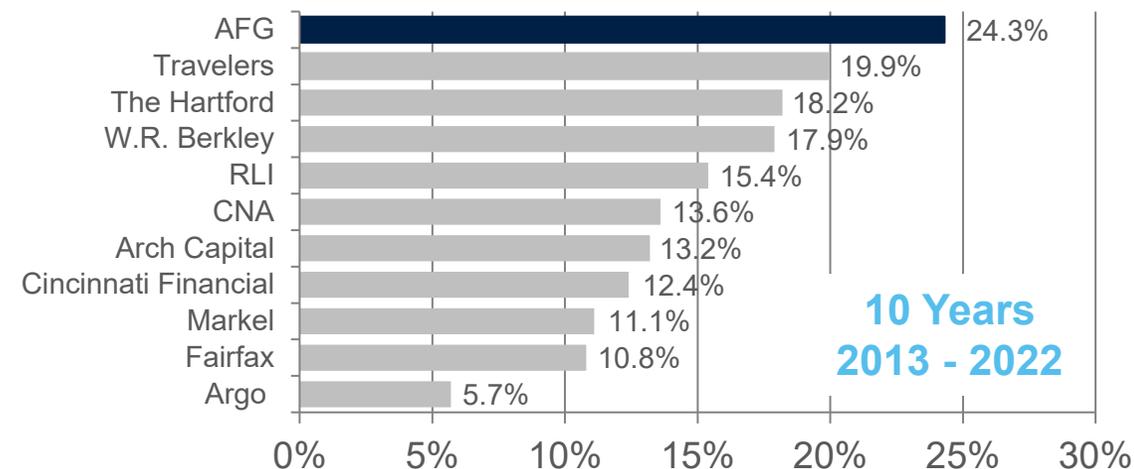
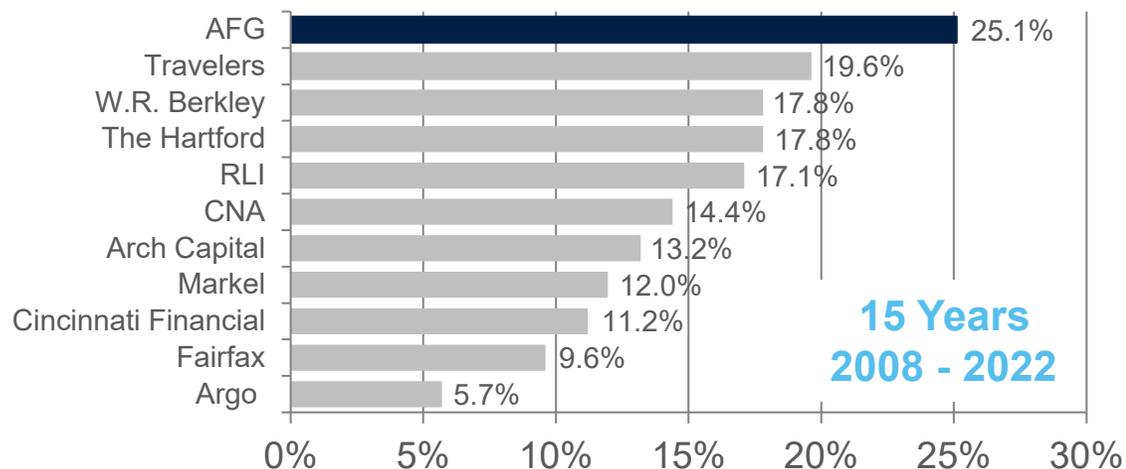


**7.4%**  
Points  
Better  
Over the  
10-Year  
Period  
Ended  
12/31/2022

<sup>1</sup> Commercial Lines Industry based on data from AM Best's Market Segment Report – March 7, 2023.

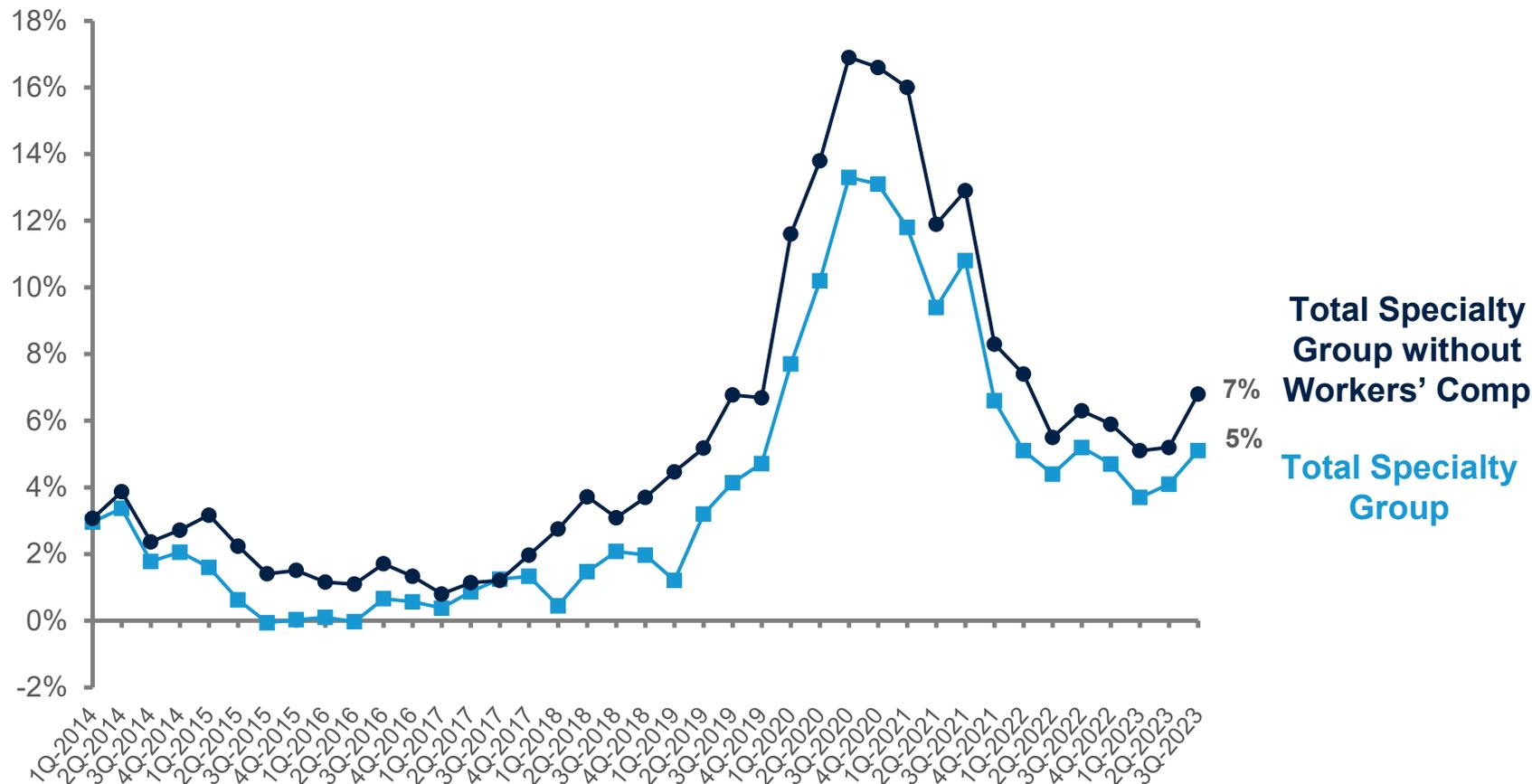
<sup>2</sup> American Financial Group Form 10K filings.

# Pretax Property & Casualty Returns



Source: Dowling & Partners. Pretax P&C Returns based on P&C Statutory Surplus.  
Arch, Argo and Fairfax calculations based on average common shareholders' equity.

# Specialty P&C Pricing Trends



The impact of cumulative rate increases over time has generally enabled us to stay ahead of prospective loss ratio trends and helps us to feel confident in the adequacy of our reserves.

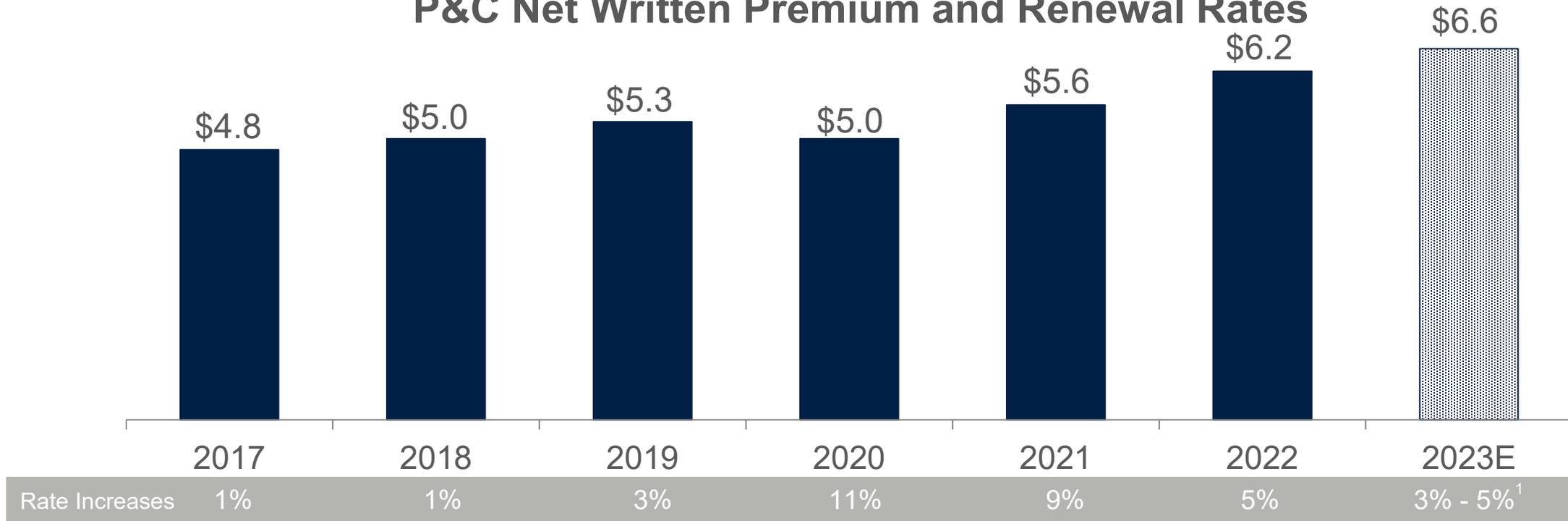
**Prospective Loss Ratio Trends:**  
**Total Specialty Group 3%**  
**Specialty Excl WC 5%**

For 2023, we expect renewal rates to increase between 3% and 5% in our Specialty P&C operations overall. Excluding workers' compensation, we expect renewal rate increases to be in the range of 5% to 7%.

# Specialty Property & Casualty Premium Growth

Dollars in billions

## P&C Net Written Premium and Renewal Rates



Overall Specialty P&C renewal rates increased approximately 5% in 3Q23. Excluding workers' compensation, renewal rates increased approximately 7%.

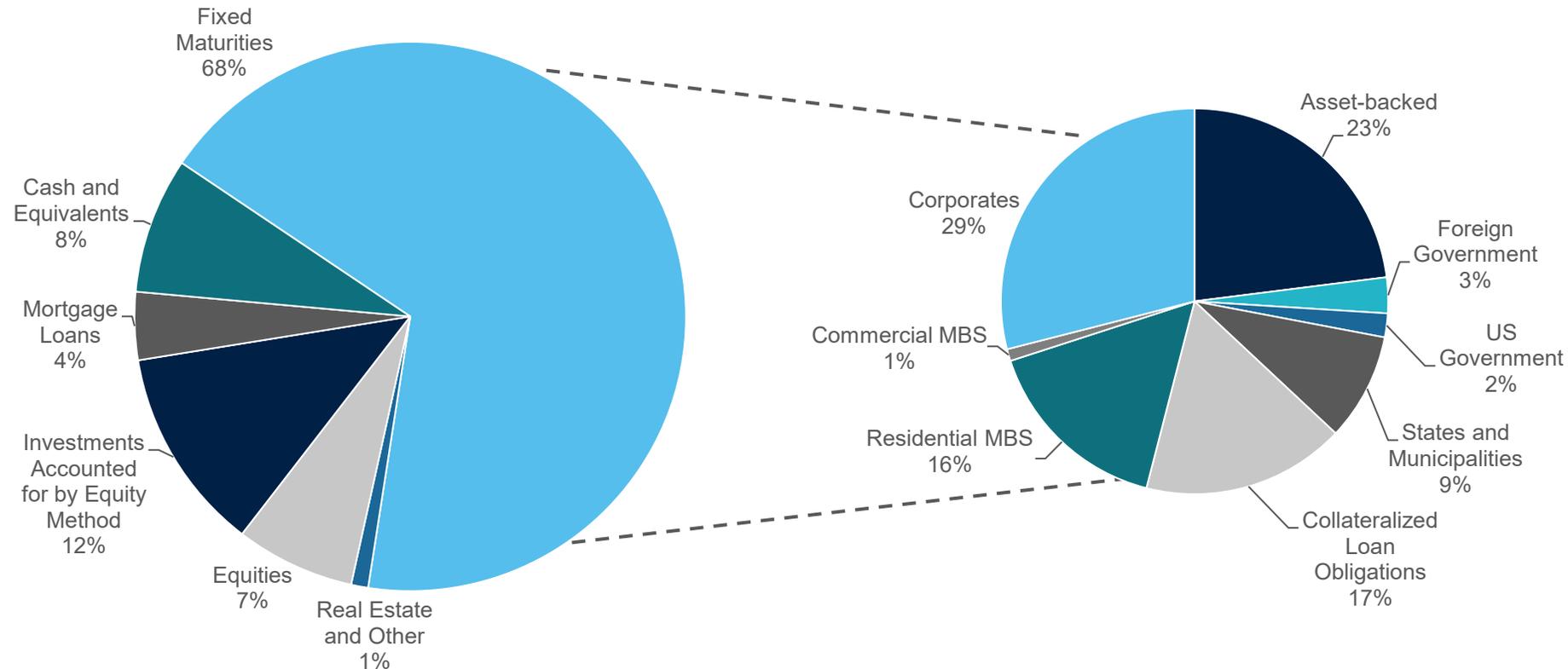


<sup>1</sup> Excluding the impact of workers' compensation, overall Specialty P&C renewal rates are expected to increase in the range of 5% to 7%.

# AFG Investment Portfolio

As of September 30, 2023

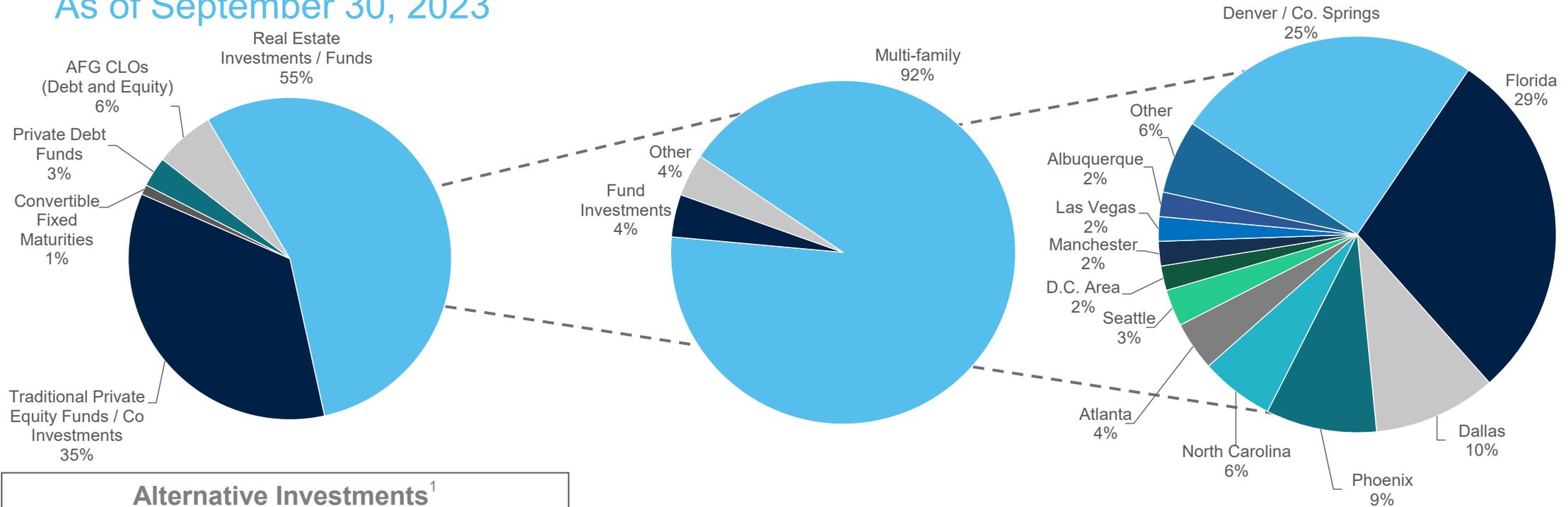
**Fixed Maturities Portfolio – 93% investment grade**  
**P&C Fixed Maturities Portfolio – 96% NAIC 1 & 2**



**Carrying Value – \$14.8 Billion**

# AFG Investment Portfolio – Alternative Investments

As of September 30, 2023



**Alternative Investments<sup>1</sup>**  
**Total = \$2.4 Billion**  
**(16% of total investments)**

**4.2% annualized return in 3Q23,**  
**estimated to be approximately 9% for**  
**the full year 2023**

<sup>1</sup> Alternative investments consist of investments accounted for using the equity method, equity securities MTM through investment income and AFG managed CLOs.

# Investment Portfolio Characteristics

	P&C Portfolio 9/30/23
Approximate Duration – Fixed Maturities including cash & cash equivalents	2.8 years
Annualized yield on fixed maturity securities before investment expenses	
Quarter ended 9/30/2023:	4.68%

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.

## *Positioning & Outlook*

Short Duration – Increased duration of P&C fixed maturity portfolio in the higher interest rate environment, including cash and cash equivalents, from approximately 2.0 years at 12/31/2021 to approximately 2.8 years at 9/30/2023.

- Insurance company fixed maturities duration (including cash) remains short relative to liability duration.
- Parent company cash and investments of approximately \$364 million as of September 30, 2023.

Low Credit Risk – Significant capacity for AFG to take advantage of wider spreads offered in times of market disruption.

- AFG’s current reinvestment rate in its P&C fixed maturity portfolio is approximately 6.0%.

# Strong Financial Position

As of September 30, 2023

<b>Capital Management</b>	
▪	Above target levels for all rating agencies
▪	Excess capital approximately \$660 million at September 30, 2023
▪	Third quarter regular dividends = \$52 million
▪	Repurchased approximately 755,000 shares for \$86 million during the third quarter
▪	Declared \$1.50 per share special dividend, payable November 22, 2023
<b>Long-Term Debt</b>	
▪	No debt maturities until 2030
▪	No borrowings under \$450 million credit line
<b>Financial Strength Ratings - U.S. Based P&amp;C Insurers (where rated)</b>	
▪	A.M. Best: All companies = A+
▪	Standard & Poor's: All companies = A+
▪	Moody's: All companies = A1

	<u>Sept 30, 2023</u>	<u>Dec 31, 2022</u>
Principal amount of long-term debt	\$ 1,498	\$ 1,521
Adjusted shareholders' equity <sup>1</sup>	4,536	4,578
Total adjusted capital	\$ 6,034	\$ 6,099
<b>Ratio of debt to total adjusted capital<sup>2</sup></b>		
Including subordinated debt	24.8%	24.9%
Excluding subordinated debt	13.6%	13.9%
Common shares outstanding (millions)	84.136	85.204
<b><u>Book value per share:</u></b>		
Book value per share	\$ 47.31	\$ 47.56
Adjusted <sup>1</sup>	53.90	53.73
Tangible, adjusted <sup>3</sup>	47.71	49.58
Parent company cash and investments	\$ 364	\$ 876

<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.

# Intelligent Use of Excess Capital

## 2023 Capital Management

- \$4.00 per share special dividend paid in February 2023
- \$1.50 per share special dividend paid in November 2023
- Excess capital at September 30, 2023 approximately \$660 million
- \$86 million in share repurchases in 3Q23
- 6.3 million shares remaining in repurchase authorization as of September 30, 2023

## 2022 Capital Management

- Returned \$1.23 billion of capital to shareholders
- 12.5% increase in regular annual dividend, beginning in October 2022; 17th consecutive annual dividend increase
- Three special dividends totaling \$12.00 per share paid in 2022
- Repurchased \$11 million of AFG common shares

## Capital Returned to Shareholders Five Years Ended 12/31/2022 (in millions)

Dividends Paid	\$ 4,778
Repurchases	<u>649</u>
Total	<u><u>\$ 5,427</u></u>



***\$5.4 Billion Returned to Shareholders***

# Balanced Approach to Capital Allocation

Dollars in millions

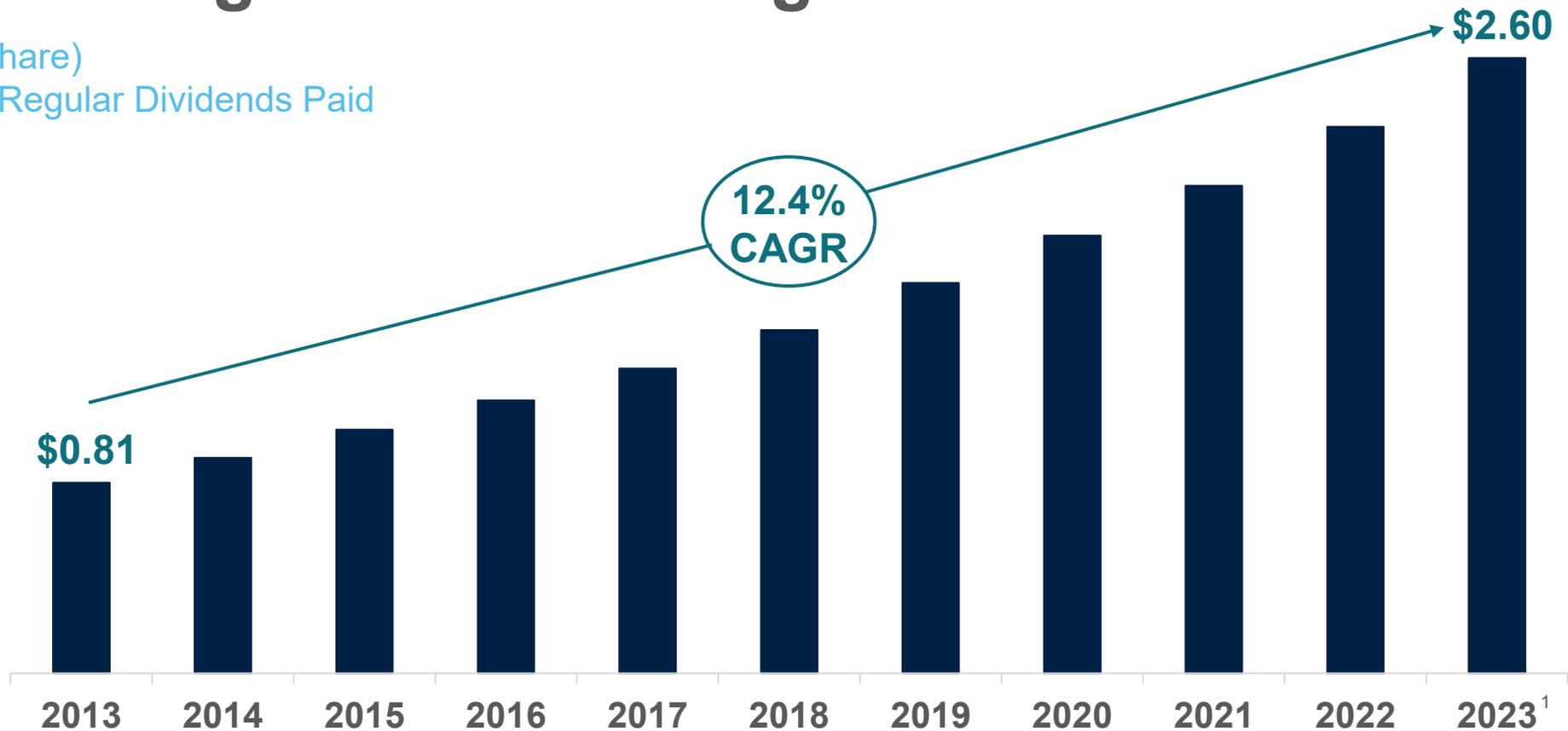


Between years 2009 – 2012, AFG repurchased **33.7 million** shares at a weighted average price of **approximately 90.5% of adjusted book value** (*book value per share excluding appropriated retained earnings and net unrealized gains (losses) related to fixed maturities*).

# Double-Digit Growth in Regular Dividends

(\$ per share)

Annual Regular Dividends Paid



*Including the \$5.50 in special dividends declared in 2023 through November 1<sup>st</sup>,  
AFG has declared \$59.55 per share in special dividends since 2012.*

<sup>1</sup> Regular quarterly cash dividends paid through October 2023.

# Protecting What Matters

We sustain AFG’s business success by effectively managing risk—financial, social, environmental—to help create stability for our customers and deliver value to our shareholders.

We focus our corporate responsibility and sustainability strategies in four primary areas where AFG can achieve the most direct and substantial results:

- Operating our business with integrity and managing financial risk
- Giving back to our communities and promoting social opportunity
- Creating a welcoming, rewarding and safe place to work and build a career *Be here. Be great.*
- Managing environmental risk and operating sustainably

for the *greater* good



Learn more about our corporate responsibility efforts and our Sustainability Accounting Standards Board Report at: [AFGinc.com/About-Us/Corporate-Social-Responsibility](https://www.afginc.com/About-Us/Corporate-Social-Responsibility).



# 2023 Outlook

AFG's 2023 core net operating earnings guidance of \$10.15 - \$11.15 per share, producing a core return on equity at the midpoint of approximately 20%<sup>1</sup>

	Updated Guidance <sup>1</sup>		August Guidance		2022 Actual
	NWP Growth	Combined Ratio	NWP Growth	Combined Ratio	
Specialty P&C Group Overall	6% – 8%	90% – 92%	5% – 8%	89% – 91%	87.2%
<b>Business Groups:</b>					
Property & Transportation	0% – 2%	92% – 95%	0% – 2%	90% – 93%	91.7%
Specialty Casualty	5% – 9%	85% – 88%	5% – 9%	85% – 88%	81.2%
<i>Excluding Workers' Comp</i>	5% – 8%		5% – 9%		
Specialty Financial	28% – 32%	88% – 91%	23% – 27%	89% – 93%	83.7%

P&C average renewal rates up 3% to 5% when compared to 2022



<sup>1</sup> Continues to reflect an assumed return on alternative investments of 9% (this compares to 13.2% earned in 2022.), This guidance now assumes a below average crop year.

# Appendix

# Financial Highlights – Third Quarter and First Nine Months of 2023

Dollars in millions, except per share data

	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
• Results of Operations:				
- Core net operating earnings	\$ 208	\$ 192	\$ 657	\$ 738
- Core net operating earnings per share	\$ 2.45	\$ 2.24	\$ 7.72	\$ 8.65
- Average number of diluted shares	84.7	85.4	85.1	85.3
	<b>Sept. 30,</b>	<b>Dec. 31,</b>		
	<b><u>2023</u></b>	<b><u>2022</u></b>		
• Book Value per Share:				
- Excluding unrealized gains related to fixed maturities	\$ 53.90	\$ 53.73		
- Tangible, excluding unrealized gains related to fixed maturities	\$ 47.71	\$ 49.58		
• 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 \$660 million at September 30, 2023, including parent company cash and investments of approximately \$364 million				

**18.3%**  
Annualized Third  
Quarter Core  
Operating Return  
on Equity

# Financial Highlights – 2022

Dollars in millions, except per share data

- 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
- Book Value per Share:
  - Excluding unrealized gains related to fixed maturities
  - Tangible, excluding unrealized gains related to fixed maturities

Twelve Months Ended December 31,	
<u>2022</u>	<u>2021</u>
\$ 993	\$ 993
\$ 11.63	\$ 11.59
85.3	85.6
<u>2022</u>	<u>2021</u>
21.2%	18.6%
<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
\$ 53.73	\$ 57.42
\$ 49.58	\$ 53.26

**21.2%**  
Core Operating  
Return on Equity

**18.5%**  
Growth in Adj  
BVPS + Dividends

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

# Specialty Property & Casualty Businesses

Dollars in millions

	Net Written Premium						
	<u>2021</u>	<u>2022</u>	Nine Months Ended			<u>2023E<sup>1</sup></u>	<u>2023E excl. Workers' Comp</u>
			<u>9/30/2022</u>	<u>9/30/2023</u>	<u>% Change</u>		
Specialty Property & Transportation	\$ 2,157	\$ 2,515	\$ 2,092	\$ 2,125	2%	0% – 2%	
Specialty Casualty	\$ 2,540	\$ 2,728	\$ 2,073	\$ 2,244	8%	5% – 9%	5% – 8%
Specialty Financial	\$ 658	\$ 711	\$ 512	\$ 685	34%	28% – 32%	
Other Specialty	\$ 218	\$ 252	\$ 191	\$ 193	1%	n/a	
<b>Total Specialty</b>	<b>\$ 5,573</b>	<b>\$ 6,206</b>	<b>\$ 4,868</b>	<b>\$ 5,247</b>	<b>8%</b>	<b>6% – 8%</b>	<b>6% – 8%</b>

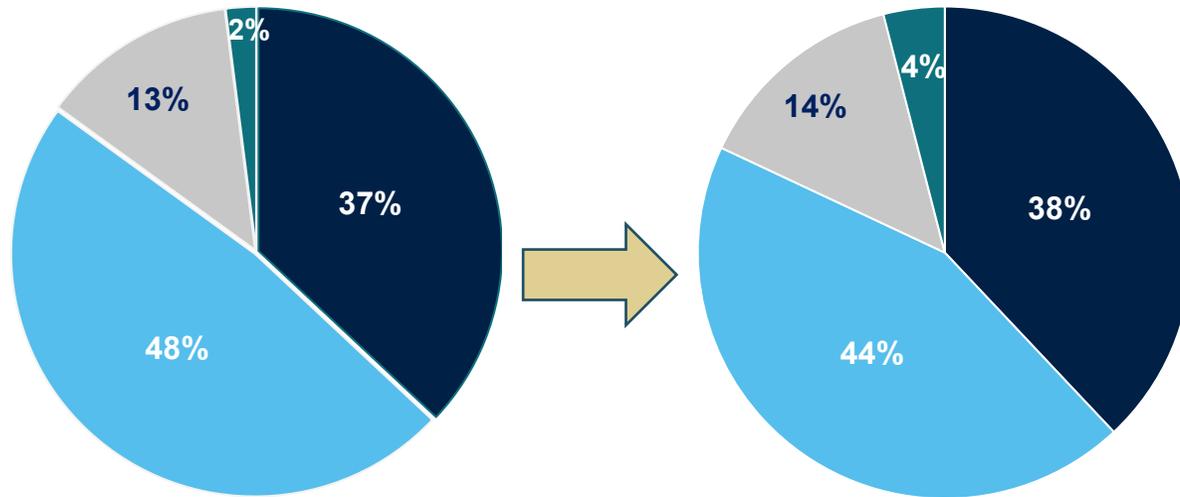
<sup>1</sup> 2023E based on guidance issued November 2, 2023.

# Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2021</u>	<u>2022</u>	<u>YTD 9/30/2023</u>	<u>2023E<sup>1</sup></u>
Specialty Property & Transportation	87.1%	91.7%	93.6%	92% – 95%
Specialty Casualty	84.3%	81.2%	87.8%	85% – 88%
Specialty Financial	85.1%	83.7%	89.6%	88% – 91%
<b>Total Specialty</b>	<b>86.4%</b>	<b>87.2%</b>	<b>91.3%</b>	<b>90% – 92%</b>

<sup>1</sup> 2023E based on guidance issued November 2, 2023.

## A Premier Specialty Insurer...a look back



2017 NWP \$4.8 Billion

2023E NWP \$6.6 Billion

■ Property & Transportation ■ Specialty Casualty ■ Specialty Financial ■ Other Specialty

**2017 Core Operating ROE 12.7%**  
 33 Specialty P&C Businesses  
 Market leading annuity business

**2022 Core Operating ROE 21.2%**  
 36 Specialty P&C Businesses  
 Exclusively Specialty P&C focus



2018 through YTD 2023

**38% GROWTH**

in NWP (2018 - 2023E)

### Business Transformation

#### Acquisitions

- ABAIS
- Atlas Financial (Paratransit)
- Verikai
- Crop Risk Services

#### Start-Ups

- Accident & Health
- Medical Stop Loss

#### Strategic Divestitures

- Neon / exit Lloyd's market
- Annuity Group

**\$6.3 Billion**

**Dividends and Share Repurchases**

(incl \$1.50/share special dividend declared 11/1/23)

**8.8 points COR**

**outperformance vs. industry**

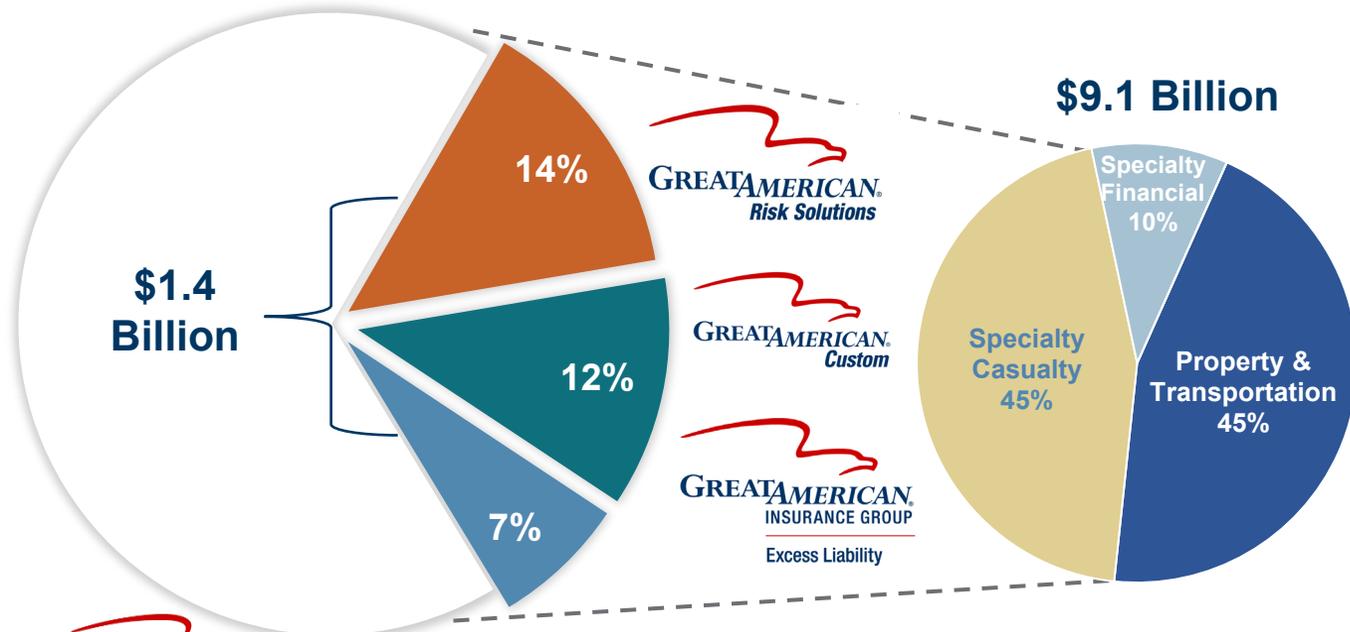
# Business Spotlight: E&S, Umbrella and Excess Liability Businesses

**Great American Risk Solutions** writes hard-to-place P&C products via wholesale brokers on an excess and surplus lines basis (non-filed rates and forms).

**Great American Custom** writes excess liability on large capacity towers for Fortune 1000 and Fortune 2000 risks through wholesale and large retail brokers; also writes primary risks and professional liability coverages.

**Excess Liability** writes lead and excess umbrella on middle-market risks, primarily through retail agents.

## GROSS WRITTEN PREMIUMS – FULL YEAR 2022



	Great American Risk Solutions	Great American Custom	Excess Liability
<b>Products</b>	<ul style="list-style-type: none"> <li>Product Liability</li> <li>Construction</li> <li>Healthcare</li> <li>Risk Management Underwriting</li> <li>Product Recall</li> <li>Binding Authority</li> <li>Property Programs</li> </ul>	<ul style="list-style-type: none"> <li>Excess Casualty</li> <li>Primary Casualty</li> <li>Miscellaneous E&amp;O</li> <li>Focus on Fortune 1000 and 2000 accounts</li> </ul>	<ul style="list-style-type: none"> <li>Lead Umbrella</li> <li>Excess Umbrella</li> <li>Excess Liability</li> <li>Focus on middle-market risks</li> </ul>

