UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Fiscal Year Ended December 31, 2022

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ____ to ____

Commission File No. 1-13653

AMERICAN FINANCIAL GROUP, INC.

Incorporated under the Laws of Ohio **IRS Employer I.D. No. 31-1544320**

301 East Fourth Street, Cincinnati, Ohio 45202

(513) 579-2121

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	AFG	New York Stock Exchange
5.875% Subordinated Debentures due March 30, 2059	AFGB	New York Stock Exchange
5.625% Subordinated Debentures due June 1, 2060	AFGD	New York Stock Exchange
5.125% Subordinated Debentures due December 15, 2059	AFGC	New York Stock Exchange
4.50% Subordinated Debentures due September 15, 2060	AFGE	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant’s most recently completed second fiscal quarter: $10.11 billion.

Indicate the number of shares outstanding of each of the Registrant’s classes of common stock, as of the latest practicable date: 85,200,125 shares (excluding 14.9 million shares owned by subsidiaries) as of February 1, 2023.

Documents Incorporated by Reference:

Proxy Statement for 2023 Annual Meeting of Stockholders (portions of which are incorporated by reference into Part III hereof).

AMERICAN FINANCIAL GROUP, INC.
INDEX TO ANNUAL REPORT ON FORM 10-K

FORWARD-LOOKING STATEMENTS

The disclosures in this Form 10-K contain certain forward-looking statements that are subject to numerous assumptions, risks or uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Some of the forward-looking statements can be identified by the use of words such as "anticipates", "believes", "expects", "projects", "estimates", "intends", "plans", "seeks", "could", "may", "should", "will" or the negative version of those words or other comparable terminology. Such forward-looking statements include statements relating to: expectations concerning market and other conditions and their effect on future premiums, revenues, earnings, investment activities, and the amount and timing of share repurchases; recoverability of asset values; expected losses and the adequacy of reserves for 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 the following and those discussed in Item 1A — Risk Factors.

- *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/or abroad;*
- *performance of securities markets;*
- *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;*
- *changes in insurance law or regulation, including changes in statutory accounting rules, including modifications to capital requirements;*
- *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 pandemics, civil unrest and other major losses;*
- *disruption caused by cyber-attacks or other technology breaches or failures by AFG or its business partners and service providers, which could negatively impact AFG's business and/or expose AFG to litigation;*
- *development of insurance loss reserves and establishment of other reserves, particularly with respect to amounts associated with asbestos and environmental claims;*
- *availability of reinsurance and ability of reinsurers to pay their obligations;*
- *competitive pressures;*
- *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 AFG's operating subsidiaries;*
- *the impact of the conditions in the international financial markets and the global economy relating to AFG's international operations; and*
- *effects on AFG's reputation, including as a result of environmental, social and governance matters.*

The forward-looking statements herein are made only as of the date of this report. The Company assumes no obligation to publicly update any forward-looking statements.

PART I

Item 1. Business

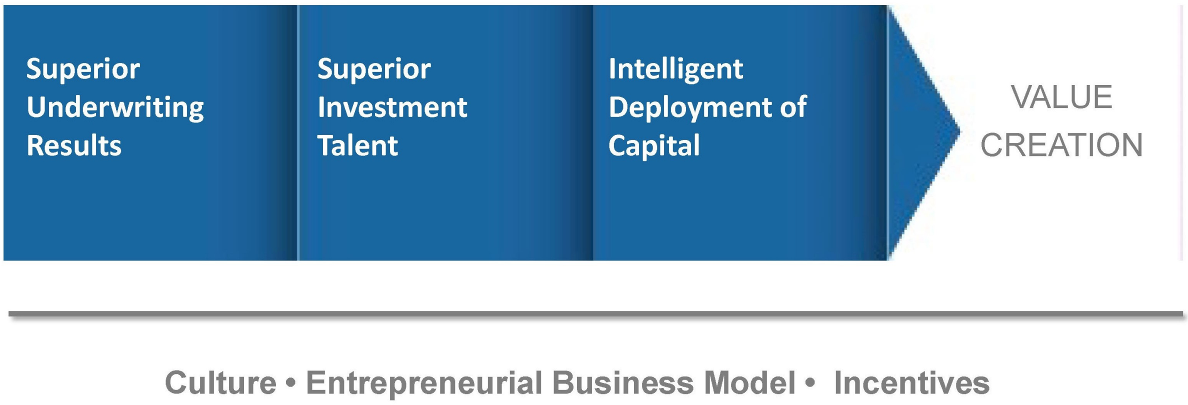
Introduction

American Financial Group, Inc. ("AFG" or the "Company") is an insurance holding company. Through the operations of Great American Insurance Group, AFG is engaged in property and casualty insurance, focusing on specialized commercial products for businesses. AFG's in-house team of investment professionals oversees the Company's investment portfolio. The members of the Great American Insurance Group have been in business for over 150 years. Management believes that over 50% of the 2022 gross written premiums in AFG's Specialty property and casualty group are produced by "top 10" ranked businesses.

On May 28, 2021, AFG completed the sale of its Annuity business to Massachusetts Mutual Life Insurance Company ("MassMutual") for $3.57 billion in cash. MassMutual acquired Great American Life Insurance Company ("GALIC") and its two insurance subsidiaries, Annuity Investors Life Insurance Company ("AILIC") and Manhattan National Life Insurance Company. In addition to AFG's annuity operations, these subsidiaries included AFG's run-off life and long-term care operations.

AFG's address is 301 East Fourth Street, Cincinnati, Ohio 45202; its phone number is (513) 579-2121. SEC filings, news releases, AFG's Code of Ethics applicable to directors, officers and employees, AFG's Corporate Social Responsibility Report and other information may be accessed free of charge through AFG's Internet site at: www.AFGinc.com. (Information on AFG's Internet site is not part of this Form 10-K.) See *Note D — "Segments of Operations"* to the financial statements for information on AFG's assets, revenues and earnings before income taxes by segment.

Building Long-Term Value for AFG Shareholders



AFG allows each of its businesses the autonomy to make decisions related to underwriting, claims and policy servicing. This entrepreneurial business model promotes agility, innovative product design, unique applications of pricing segmentation, as well as developing distribution strategies and building relationships in the markets served. Management believes that AFG's ability to grow book value per share at a double-digit annual rate over time is evidence that the Company's culture, business model and employee incentive plans create a compelling structure to build long-term value for AFG's shareholders.

As highlighted in the illustration below, over the past 20 plus years, AFG has sharpened its focus on the businesses that management knows best. This has been accomplished through organic growth, carefully selected acquisitions, start-ups and dispositions.

Timeline of Selected Start-ups, Acquisitions and Dispositions

2022
- Start-up of Medical Stop Loss Business

2021
- Acquisition of Verikai Inc.
- Sale of Annuity businesses

2020
- Sale of Neon and exit from the Lloyd's market

2019
- Start-up of Accident & Health Division
- Acquired Atlas Financial paratransit business

2018
- Acquired ABA Insurance Services Inc. (ABAIS)
- Acquired Tank Owner Members Insurance Company (TOMIC) business

2016
- Acquired remaining 49% of NATL shares not owned by AFG
- Start-up of El Aguila Specialty P&C Division

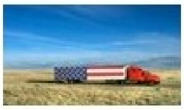
2015
- Sale of long-term care business
- Start-up of Great American's Singapore branch
- Start-up of M&A Liability Division

2014
- Acquisition of Summit Holdings Southeast, Inc.
- Start-up of Aviation Division
- Acquisition of Public Sector renewal rights

2013
- Start-up of Professional Liability Division

2012
- Start-up of Public Sector Division
- Sale of Medicare supplement & critical illness businesses

2010
- Acquisition of Vanliner



2008
- Start-up of Environmental Division
- Acquisitions of Strategic Comp & Marketform Group Ltd.

2007
- Acquired all minority shares of Great American Financial Resources, Inc.

2005

- IPO of National Interstate Corporation
- Acquisition of Farmer's Crop Insurance Alliance

2003
- IPO of Infinity Property and Casualty; exit personal auto business

2000

- Start-up of Financial Institution Services

1998
- Sale of Commercial Lines Division

Start-Ups | Acquisitions | Dispositions

Property and Casualty Insurance Segment

General

AFG's property and casualty insurance operations provide a wide range of commercial coverages through approximately 35 insurance businesses (at December 31, 2022) that make up the Great American Insurance Group. AFG's property and casualty insurance operations ultimately report to a single senior executive and operate under a business model that allows local decision-making for underwriting, claims and policy servicing in each of the niche operations. Each business is managed by experienced professionals in particular lines or customer groups and operates autonomously but with certain central controls and accountability. The decentralized approach allows each unit the autonomy necessary to respond to local and specialty market conditions while capitalizing on the efficiencies of centralized investment and administrative support functions. AFG's property and casualty insurance operations had approximately 6,900 employees as of December 31, 2022. These operations are conducted through the subsidiaries listed in the following table, which includes independent financial strength ratings and 2022 gross written premiums (in millions) for each major subsidiary. These ratings are generally based on concerns for policyholders and agents and are not directed toward the protection of investors. AFG believes that maintaining a rating in the "A" category by A.M. Best is important to compete successfully in most lines of business.

	Ratings		Gross Written Premiums
	AM Best	S&P	
Insurance Group			
Great American Insurance	A+	A+	$ 6,957
National Interstate	A+	not rated	1,034
Summit (Bridgefield Casualty and Bridgefield Employers)	A+	A+	549
Republic Indemnity	A+	A+	202
Mid-Continent Casualty	A+	A+	179
Other			136
			$ 9,057

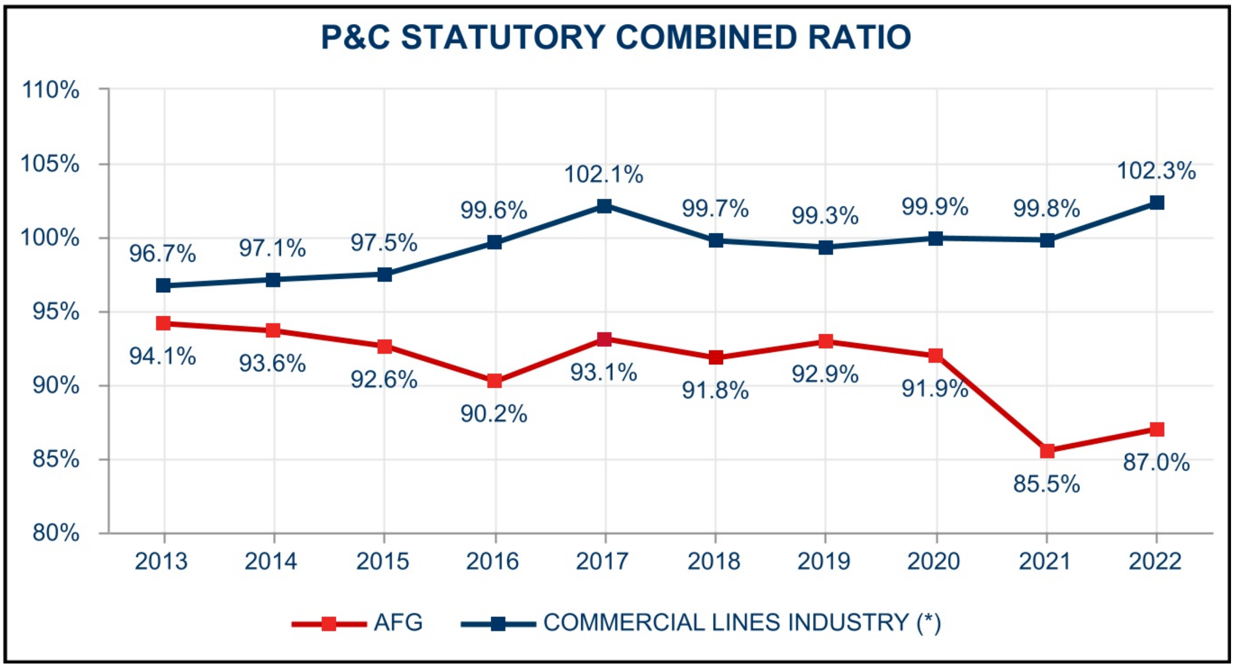
The primary objectives of AFG's property and casualty insurance operations are to achieve solid underwriting profitability and provide excellent service to its policyholders and agents. Underwriting profitability is measured by the combined ratio, which is a sum of the ratios of losses, loss adjustment expenses ("LAE"), underwriting expenses and policyholder dividends to premiums. A combined ratio under 100% indicates an underwriting profit. The combined ratio does not reflect investment income, other income, other expenses or federal income taxes.

While many costs included in underwriting are readily determined (commissions, administrative expenses and many of the losses on claims reported), the process of determining overall underwriting results is highly dependent upon the use of estimates in the case of losses incurred or expected but not yet reported or developed. Management uses actuarial procedures and projections to determine "point estimates" of ultimate losses. While the process is imprecise and develops amounts which are subject to change over time, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate.

Financial information is reported in accordance with U.S. generally accepted accounting principles ("GAAP") for shareholder and other investor-related purposes and reported on a statutory basis for U.S. insurance regulatory purposes. Unless indicated otherwise, the financial information presented in this Form 10-K for AFG's property and casualty insurance operations is presented based on GAAP. Statutory information is only prepared for AFG's U.S.-based subsidiaries, which represented approximately 98% of AFG's direct written premiums in 2022, and is provided for industry comparisons or where comparable GAAP information is not readily available.

Major differences for statutory accounting include charging policy acquisition costs to expense as incurred rather than spreading the costs over the periods covered by the policies; reporting investment grade bonds and redeemable preferred stocks at amortized cost rather than fair value; netting of reinsurance recoverables and prepaid reinsurance premiums against the corresponding liabilities rather than reporting such items separately; and charging to surplus certain GAAP assets, such as furniture and fixtures and agents' balances over 90 days old.

AFG's statutory combined ratio averaged 91.3% for the period 2013 to 2022 as compared to 99.4% for the property and casualty commercial lines industry over the same period. AFG believes that its specialty niche focus, product line diversification and underwriting discipline have contributed to the Company's ability to consistently outperform the industry's underwriting results. Management's philosophy is to refrain from writing business that is not expected to produce an underwriting profit even if it is necessary to limit premium growth to do so.



(*) The sources of the commercial lines industry ratios are ©2023 Conning, Inc., as published in Conning's Property-Casualty Forecast & Analysis by Line of Insurance 2022Q4 edition and ©2023 S&P Global Market Intelligence LLC for 2022 and ©2022 A.M. Best Company's Review & Preview Reports for preceding years.

Property and Casualty Results

Performance measures such as underwriting profit or loss and related combined ratios are often used by property and casualty insurers to help users of their financial statements better understand the company's performance. See *Note D — "Segments of Operations"* to the financial statements for the reconciliation of AFG's earnings before income taxes by significant business segment to the statement of earnings.

The following table shows the performance of AFG's property and casualty insurance operations (dollars in millions):

	2022	2021	2020
Gross written premiums	$ 9,057	$ 7,946	$ 7,087
Ceded reinsurance	(2,851)	(2,373)	(2,074)
Net written premiums	$ 6,206	$ 5,573	$ 5,013
Net earned premiums	$ 6,085	$ 5,404	$ 5,099
Loss and LAE	3,629	3,157	3,271
Underwriting expenses	1,680	1,514	1,604
Underwriting gain	$ 776	$ 733	$ 224
GAAP ratios:			
Loss and LAE ratio	59.7 %	58.5 %	64.1 %
Underwriting expense ratio	27.6 %	28.0 %	31.4 %
Combined ratio	87.3 %	86.5 %	95.5 %
Statutory ratios:			
Loss and LAE ratio	57.3 %	55.9 %	60.7 %
Underwriting expense ratio	29.7 %	29.6 %	31.2 %
Combined ratio	87.0 %	85.5 %	91.9 %
Industry statutory combined ratio (*)			
All lines	107.4 %	101.8 %	98.8 %
Commercial lines	102.3 %	99.8 %	99.9 %

(*) The sources of the industry ratios are ©2023 Conning, Inc., as published in Conning's Property-Casualty Forecast & Analysis by Line of Insurance 2022Q4 edition and ©2023 S&P Global Market Intelligence LLC for 2022 and ©2022 A.M. Best Company's Review & Preview Reports for preceding years.

As with other property and casualty insurers, AFG's operating results can be adversely affected by unpredictable catastrophe losses. Certain natural disasters (hurricanes, severe storms, earthquakes, tornadoes, floods, etc.) and other incidents of major loss (explosions, civil disorder, terrorist events, fires, etc.) are classified as catastrophes by industry associations. Losses from these incidents are usually tracked separately from other business of insurers because of their sizable effects on overall operations. Total net losses to AFG's insurance operations from current accident year catastrophes were $88 million in 2022, $86 million in 2021 and $128 million in 2020 and are included in the table above. AFG's property and casualty operations recorded current accident year COVID-19 related losses of $16 million in 2021 and $115 million in 2020.

AFG generally seeks to reduce its exposure to catastrophes through individual risk selection, including minimizing coastal and known fault-line exposures, and through the purchase of reinsurance. AFG's net exposure to a catastrophic earthquake or windstorm that industry models indicate should statistically occur once in every 500 years (a "500-year event") is expected to be approximately 2% of AFG's Shareholders' Equity.

Property and Casualty Insurance Products

AFG is focused on growth opportunities in what it believes to be more profitable specialty businesses where AFG personnel are experts in particular lines of business or customer groups. AFG believes it is an innovator in risk sharing and alternative risk transfer programs for policyholders and agents. For example, AFG provides: risk sharing alternatives in the passenger transportation, moving and storage and trucking industries, agency and group risk sharing programs, unique coverage options for workers' compensation accounts that include higher retentions and specialty loss prevention and innovative commission structures for distribution partners who produce profitable business. These programs and offerings help align the interests of customers and distribution partners with AFG's interests.

The following are examples of AFG's specialty businesses grouped by sub-segment:

Property and Transportation

Agricultural-related	Federally reinsured multi-peril crop (allied lines) insurance covering most perils as well as crop-hail, equine mortality and other coverages for full-time operating farms/ranches and agribusiness operations on a nationwide basis.
Commercial Automobile	Coverage for vehicles (such as buses and trucks) in a broad range of businesses including the moving and storage and transportation industries, alternative risk transfer programs, a specialized physical damage product for the trucking industry and other specialty transportation niches.
Property, Inland Marine and Ocean Marine	Coverage primarily for commercial properties, builders' risk, contractors' equipment, property, motor truck cargo, marine cargo, boat dealers, marina operators/dealers and excursion vessels.

Specialty Casualty

Excess and Surplus	Liability, umbrella and excess coverage for unique, volatile or hard to place risks, using rates and forms that generally do not have to be approved by state insurance regulators.
Executive and Professional Liability	Coverage for directors and officers of businesses and non-profit organizations, errors and omissions, cyber, and mergers and acquisitions.
General Liability	Coverage for contractor-related businesses, energy development and production risks, and environmental liability risks.
Targeted Programs	Coverage (primarily liability and property) for social service agencies, leisure, entertainment and non-profit organizations, customized solutions for other targeted markets and alternative risk programs using agency captives.
Umbrella and Excess Liability	Coverage in excess of primary layers.
Workers' Compensation	Coverage for prescribed benefits payable to employees who are injured on the job.

Specialty Financial

Fidelity and Surety	Fidelity and crime coverage for government, mercantile and financial institutions and surety coverage for various types of contractors and public and private corporations.
Lease and Loan Services	Coverage for insurance risk management programs for lending and leasing institutions, including equipment leasing and collateral and lender-placed mortgage property insurance.
Trade Credit	Export and domestic trade credit insurance products for global trade and related financing activities.

Management believes specialization is the key element to the underwriting success of these business units. These specialty businesses are opportunistic and premium volume will vary based on prevailing market conditions. AFG continually evaluates expansion in existing markets and opportunities in new specialty markets that meet its profitability objectives. Likewise, AFG will withdraw from markets that do not meet its profit objectives or business strategy.

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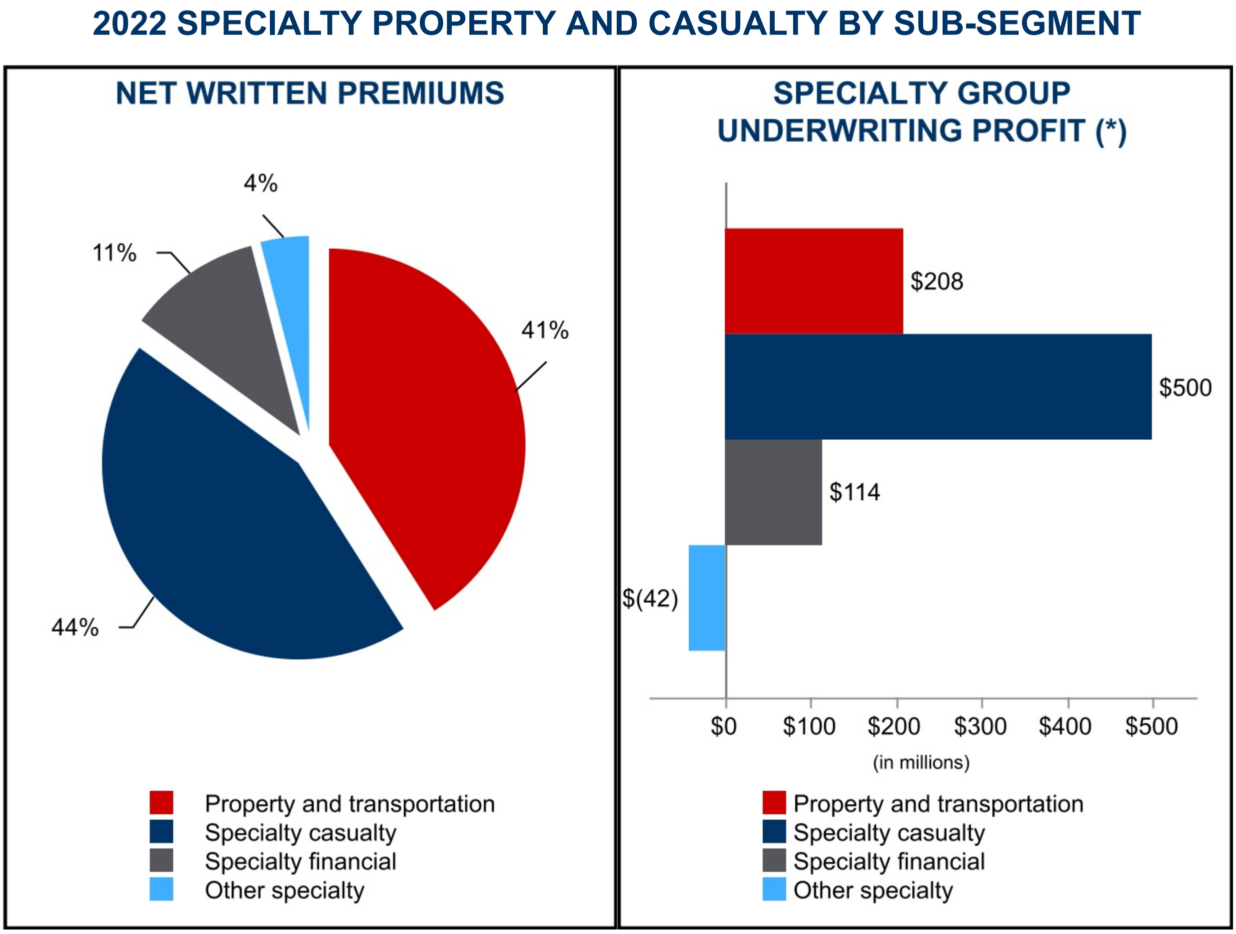


(*) Excludes underwriting profits and losses recorded outside of AFG's Specialty property and casualty group.

Premium Distribution

The following table shows the net written premiums by sub-segment for AFG's property and casualty insurance operations for 2022, 2021 and 2020 (excluding the Neon business sold in 2020) (in millions):

	2022	2021	2020
Property and transportation	$ 2,515	$ 2,157	$ 1,887
Specialty casualty	2,728	2,540	2,304
Specialty financial	711	658	604
Other specialty (*)	252	218	197
	$ 6,206	$ 5,573	$ 4,992

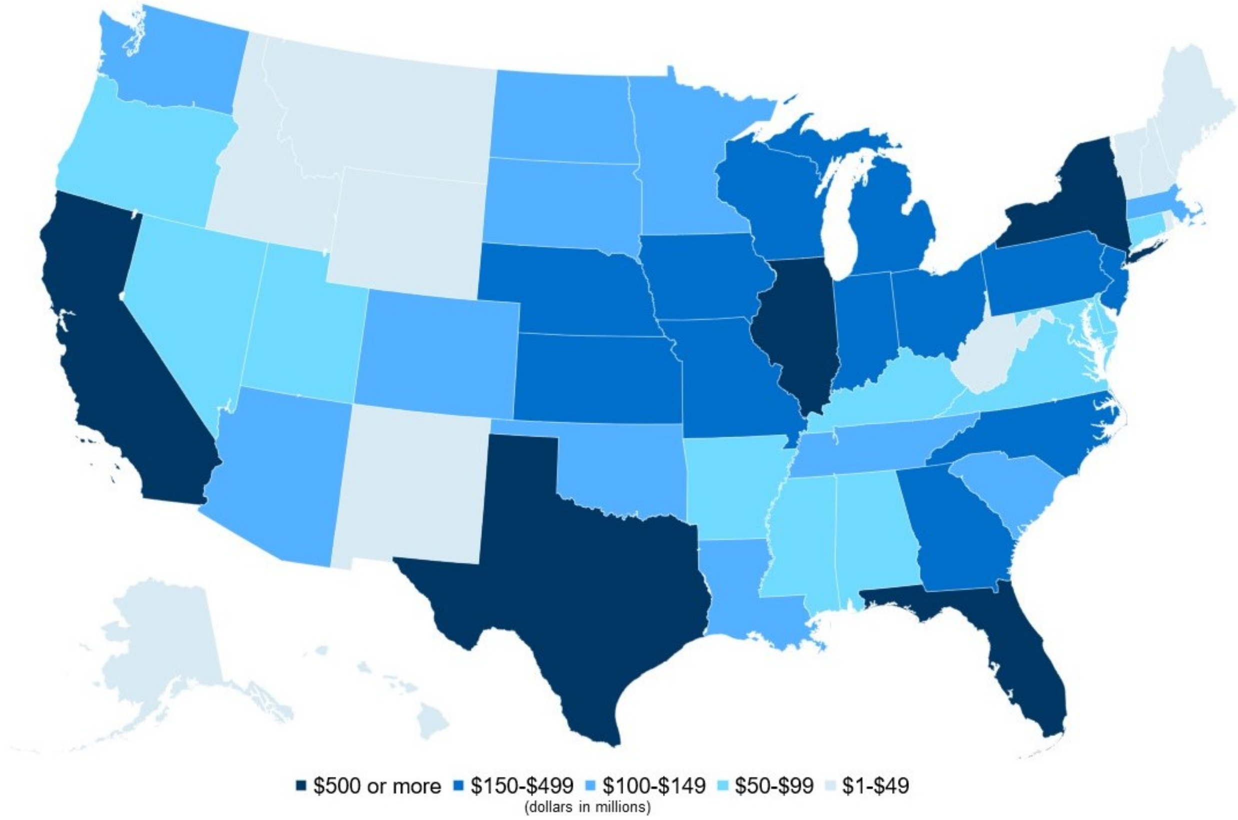
(*) Premiums assumed by AFG's internal reinsurance program from the operations that make up AFG's Specialty property and casualty insurance sub-segments.

In addition to the premiums in the table above, the Neon exited lines had $21 million of net written premiums in 2020.

The geographic distribution of statutory direct written premiums by AFG's U.S.-based insurers for 2022, 2021 and 2020 is shown below. Approximately 2% of AFG's direct written premiums in 2022 were derived from non U.S.-based insurers. In December 2019, AFG initiated actions to exit the Lloyd's of London insurance market, which included placing its Lloyd's subsidiaries, including its Lloyd's Managing Agency, Neon Underwriting Ltd., into run-off. In December 2020, AFG completed the sale of the legal entities comprising Neon to RiverStone Holdings Limited. Neon generated approximately 45% of the non U.S.-based direct written premiums in 2020.

	2022	2021	2020		2022	2021	2020
California	12.7 %	13.0 %	13.3 %	Iowa	2.7 %	2.4 %	1.9 %
Florida	8.2 %	8.7 %	9.7 %	Michigan	2.4 %	2.3 %	2.3 %
Texas	7.0 %	6.6 %	6.9 %	New Jersey	2.3 %	2.4 %	2.3 %
Illinois	6.2 %	6.2 %	5.5 %	Pennsylvania	2.2 %	2.5 %	2.6 %
New York	5.9 %	6.8 %	6.8 %	Ohio	2.2 %	2.2 %	2.2 %
Georgia	3.2 %	3.3 %	3.5 %	Nebraska	2.1 %	1.6 %	1.5 %
Missouri	2.9 %	2.5 %	2.4 %	North Carolina	2.0 %	2.0 %	2.1 %
Kansas	2.9 %	2.6 %	2.2 %	Other	32.4 %	32.3 %	32.7 %
Indiana	2.7 %	2.6 %	2.1 %		100.0 %	100.0 %	100.0 %

2022 STATUTORY DIRECT WRITTEN PREMIUMS



Reinsurance

Consistent with standard practice of most insurance companies, AFG reinsures a portion of its property and casualty business with other insurance companies and assumes a relatively small amount of business from other insurers. AFG uses reinsurance for two primary purposes: (i) to provide higher limits of coverage than it would otherwise be willing to provide (i.e. large line capacity) and (ii) to protect its business by reducing the impact of catastrophes. The availability and cost of reinsurance are subject to prevailing market conditions, which may affect the volume and profitability of business that is written. AFG is subject to credit risk with respect to its reinsurers, as the ceding of risk to reinsurers does not relieve AFG of its liability to its insureds until claims are fully settled.

Reinsurance is provided on either a facultative or treaty basis. Facultative reinsurance is generally provided on a risk-by-risk basis. Individual risks are ceded and assumed based on an offer and acceptance of risk by each party to the transaction. AFG purchases facultative reinsurance, both pro rata and excess of loss, depending on the risk and available reinsurance markets. Treaty reinsurance provides for risks meeting prescribed criteria to be automatically ceded and assumed according to contract provisions.

Catastrophe Reinsurance AFG has taken steps to limit its exposure to wind and earthquake losses through individual risk selection, including minimizing coastal and known fault-line exposures, and purchasing catastrophe reinsurance. In addition, AFG purchases catastrophe reinsurance for its workers' compensation businesses. Although the cost of catastrophe reinsurance varies depending on exposure and the level of worldwide loss activity, AFG continues to obtain reinsurance coverage in adequate amounts at acceptable rates.

In January 2023, AFG's property and casualty insurance subsidiaries renewed their catastrophe reinsurance coverages. For AFG's U.S.-based operations, the Company placed $75 million of coverage in excess of a $50 million per event primary retention in the traditional reinsurance markets.

In addition to traditional reinsurance, AFG has catastrophe coverage through a catastrophe bond structure with Riverfront Re Ltd., which provides coverage of up to 94% of $325 million for catastrophe losses in excess of $125 million through December 31, 2024.

The commercial marketplace requires large policy limits ($25 million or more) in several of AFG's lines of business, including certain property, environmental, aviation, executive and professional liability, umbrella and excess liability, and fidelity and surety coverages. Since these limits exceed management's desired exposure to an individual risk, AFG generally enters into reinsurance agreements to reduce its net exposure under such policies to an acceptable level. Reinsurance continues to be available for this large line capacity exposure with satisfactory pricing and terms.

In addition to the catastrophe and large line capacity reinsurance programs discussed above, AFG purchases reinsurance on a product-by-product basis. AFG regularly reviews the financial strength of its current and potential reinsurers. These reviews include consideration of credit ratings, available capital, claims paying history and expertise. This process periodically results in the transfer of risks to more financially secure reinsurers. Substantially all reinsurance is ceded to companies with investment grade S&P ratings or is secured by "funds withheld" or other collateral. Under "funds withheld" arrangements, AFG retains ceded premiums to fund ceded losses as they become due from the reinsurer. Recoverables from the following companies were individually between 5% and 13% of AFG's total property and casualty reinsurance recoverable (including prepaid reinsurance premiums and net of payables to reinsurers) at December 31, 2022: Everest Reinsurance Company, Hannover Rueck SE, Munich Reinsurance America, Inc., Swiss Reinsurance America Corporation and Transatlantic Reinsurance Company. No other reinsurers exceeded 5% of AFG's property and casualty reinsurance recoverable.

The following table presents (by type of coverage) the amount of each loss above the specified retention covered by treaty reinsurance programs in AFG's U.S.-based property and casualty insurance operations (in millions) as of January 1, 2023:

		Reinsurance Coverage			AFG
	Primary	Coverage	AFG Participation (a)		Maximum
	Retention	Amount	%	$	Loss (b)
U.S.-based operations:					
California Workers' Compensation	$ 2	$ 148	1 %	$ 1	$ 3
Summit Workers' Compensation	5	35	— %	—	5
Other Workers' Compensation	2	48	3 %	1	3
Commercial Umbrella	2	48	10 %	5	7
Property — General	10	40	21 %	8	18
Property — Catastrophe (c)	50	75	— %	—	50

(a) Includes the participation of AFG's internal reinsurance program.
(b) Maximum loss per event for claims up to reinsurance coverage limit.
(c) Although AFG's maximum potential loss per event is generally $50 million, there are certain unlikely scenarios where AFG's exposure could be as high as $82 million.

In addition to the coverage shown above, AFG reinsures its crop insurance business through the Federal Crop Insurance Corporation ("FCIC") based on the Standard Reinsurance Agreement ("SRA"). AFG can elect the desired retention of risk on a state-by-state, county, crop or plan basis according to the SRA. The SRA also includes an additional fixed percentage quota share cede. AFG typically reinsures 10% to 20% of gross written premiums with the FCIC. AFG also purchases quota share reinsurance in the private market. This quota share provides for a ceding commission to AFG and a profit-sharing provision. During both 2022 and 2021, AFG reinsured 50% of premiums not reinsured by the FCIC in the private market and purchased stop loss protection coverage for the remaining portion of the business. In 2023, AFG expects to continue to reinsure 50% of the premiums not reinsured by the FCIC in the private market.

The balance sheet caption "Recoverables from reinsurers" included approximately $210 million on paid losses and LAE and $3.77 billion on unpaid losses and LAE at December 31, 2022. These amounts are net of allowances of approximately $8 million for expected credit losses on reinsurance recoverables. The collectability of a reinsurance balance is based upon the financial condition of a reinsurer as well as individual claim considerations.

Reinsurance premiums ceded and assumed are presented in the following table (in millions):

	2022	2021	2020
Reinsurance ceded	$ 2,851	$ 2,373	$ 2,074
Reinsurance ceded, excluding crop	1,768	1,665	1,483
Reinsurance assumed — including involuntary pools and associations	283	246	225

Loss and Loss Adjustment Expense Reserves

The consolidated financial statements include the estimated liability for unpaid losses and LAE of AFG's insurance subsidiaries. This liability represents estimates of the ultimate net cost of all unpaid losses and LAE and is determined by using case-basis evaluations, actuarial projections and management's judgment. These estimates are subject to the effects of changes in claim amounts and frequency and are periodically reviewed and adjusted as additional information becomes known. In accordance with industry practices, such adjustments are reflected in current year operations. Generally, reserves for reinsurance assumed and involuntary pools and associations are reflected in AFG's results at the amounts reported by those entities. See *Note O — "Insurance — Property and Casualty Insurance Reserves"* to the financial statements for information on the development of AFG's liability for unpaid losses and loss adjustment expenses by accident year as well as a progression of the liability on a GAAP basis over the past three years.

A reconciliation of the liability for losses and LAE reported in the annual statements filed with the state insurance departments in accordance with statutory accounting principles ("SAP") to the liability reported in the accompanying consolidated financial statements in accordance with GAAP at December 31, 2022 follows (in millions):

Liability reported on a SAP basis, net of $110 million of retroactive reinsurance	$ 7,829
Reinsurance recoverables, net of allowance	3,767
Other, including reserves of foreign insurers	378
Liability reported on a GAAP basis	$ 11,974

Asbestos and Environmental-related ("A&E") Insurance Reserves AFG's property and casualty group, like many others in the industry, has A&E claims arising in most cases from general liability policies written more than thirty-five years ago. The establishment of reserves for such A&E claims presents unique and difficult challenges and is subject to uncertainties significantly greater than those presented by other types of claims. For a discussion of these uncertainties, see *Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — "Uncertainties — Asbestos and Environmental-related ("A&E") Insurance Reserves"* and *Note N — "Contingencies"* to the financial statements.

The following table (in millions) is a progression of the property and casualty group's A&E reserves.

	2022	2021	2020
Reserves at beginning of year	$ 408	$ 422	$ 383
Incurred losses and LAE	—	—	47
Paid losses and LAE	(23)	(14)	(8)
Reserves at end of year, net of reinsurance recoverable	385	408	422
Reinsurance recoverable, net of allowance	140	147	150
Gross reserves at end of year	$ 525	$ 555	$ 572

In addition to its ongoing internal monitoring of asbestos and environmental exposures, AFG has periodically conducted comprehensive external studies of its asbestos and environmental reserves relating to the run-off operations of its property and casualty insurance segment and its exposures related to former railroad and manufacturing operations and sites with the aid of specialty actuarial, engineering and consulting firms and outside counsel, with an in-depth internal review during the intervening years. AFG is continuing to evaluate the frequency of future external studies.

An in-depth internal review of AFG's A&E reserves was completed in the third quarter of 2022 by AFG's internal A&E claims specialists in consultation with specialty outside counsel and an outside consultant. The 2022 internal review identified no new trends and recent claims activity was generally consistent with AFG's expectations resulting from AFG's in-depth internal review in 2021 and most recent external study in 2020. As a result, and consistent with the internal review in 2021, the 2022 review resulted in no net change to AFG's property and casualty insurance segment's asbestos and environmental reserves. Over the past few years, the focus of AFG's asbestos claims litigation has shifted to smaller companies and companies with ancillary exposures. AFG's insureds with these exposures have been the driver of the property and casualty segment's asbestos reserve increases in recent years.

As a result of the comprehensive external study of AFG's A&E reserves completed in the third quarter of 2020, AFG's property and casualty insurance segment recorded a $47 million pretax special charge to increase its asbestos reserves by $26 million (net of reinsurance) and its environmental reserves by $21 million (net of reinsurance). The increase was primarily associated with updated estimates of site investigation and remedial costs with respect to existing sites and newly identified sites. AFG has updated its view of legal defense costs on open environmental claims as well as a number of claims and sites where the estimated investigation and remediation costs have increased. As in recent years, there were no new or emerging broad industry trends that were identified in this review.

Marketing
The property and casualty insurance group directs its sales efforts primarily through independent insurance agents and brokers, although small portions are written through employee agents. Independent agents and brokers generally receive a commission on the sale of each policy. Some agents and brokers are eligible for a bonus commission based on the overall profitability of policies or volume of business placed with AFG by the broker or agent in a particular year. The property and casualty insurance group writes insurance through several thousand agents and brokers.

Competition
AFG's property and casualty insurance businesses compete with other individual insurers, state funds and insurance groups of varying sizes, some of which are mutual insurance companies possessing competitive advantages in that all their profits inure to their policyholders. See *Item 1A — Risk Factors.* AFG also competes with self-insurance plans, captive programs and risk retention groups. Due to the specialty nature of these coverages, competition is based primarily on service to policyholders and agents, specific characteristics of products offered and reputation for claims handling. Financial strength ratings, price, commissions and profit-sharing terms are also important factors. Management believes that sophisticated data analysis for refinement of risk profiles, extensive specialized knowledge and loss prevention service have helped AFG compete successfully.

Human Capital Resources

AFG management values diversity and recognizes the benefits derived when people with different cultures, backgrounds and experiences work together to achieve business results. AFG's Diversity and Equal Employment Opportunity Policy reinforces AFG's commitment to attracting, developing and retaining a diverse workforce, which management believes fosters creativity and propels ongoing success. AFG's policy requires employment decisions to be made without regard to race, color, religion, creed, national origin, citizenship status, ancestry, age, physical or mental disability, gender, sex, marital status, pregnancy (or related condition), sexual orientation, gender identity, veteran status, genetic information or any other factors that are protected by applicable federal, state or local law. Commitment to this policy governs all decisions related to employment, including requests for an accommodation.

AFG's principal goal is for all employees to feel included, respected, safe and empowered to perform at their best. AFG helps employees succeed by cultivating specialized knowledge, professional education and leadership development in a service-oriented culture. AFG respects human rights, appreciates diversity and values the unique perspective each employee brings to the workplace.

When employees feel actively engaged with AFG's mission and strategy, they deliver higher levels of service to its customers and create stronger bottom-line results for its business. AFG strives to attract diverse and exceptional people who can grow within AFG by fostering a workplace culture that inspires and rewards people and by developing a workforce that can meet the Company's current and future goals.

AFG offers training programs that encourage people to build careers in insurance and develop professional skills that positively impact employees' careers as well as AFG's customers and business. These include tuition reimbursement programs, monetary incentives and extensive personal and professional learning opportunities. Professional development is one of many reasons why AFG believes average employee tenure exceeds industry averages.

AFG provides a competitive benefits package that includes an extensive wellness program and paid time away from work for employees to maintain a healthy work-life balance. AFG offers onsite fitness centers at many of its locations, financial incentives for taking care of one's health and health management programs to increase employees' engagement with their healthcare providers. AFG also provides six weeks of paid parental leave for employees to care for and bond with their newborn or newly adopted child.

Being a responsible employer and contributing to communities' economic sustainability includes making sure employees have the ability and access to achieve their financial goals. AFG maintains competitive and equitable pay by conducting regular market comparisons. AFG offers an employee stock purchase program, a retirement savings plan with matching employer contributions, and company-wide profit sharing programs. In addition, employees have access to professional investment and retirement planning advisors to help prepare for their financial future.

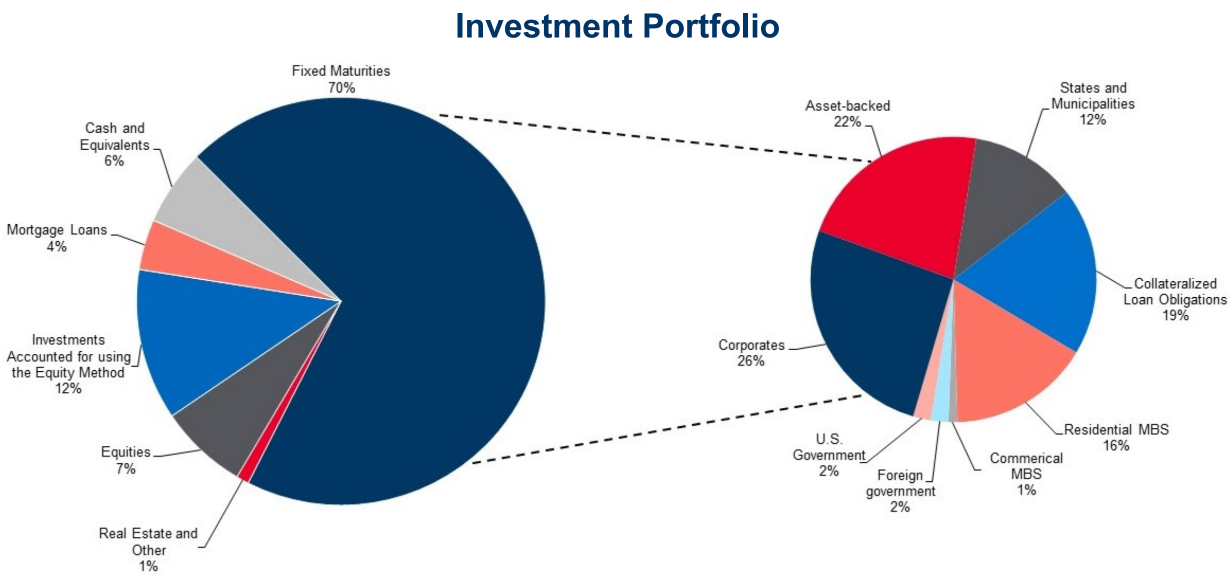
AFG prioritizes workplace safety and is dedicated to minimizing employees' risk of accident or injury. AFG's obligations and procedures are outlined in our Workplace Safety and Security Policy along with our Safety and Accident Reporting Policy. AFG is firmly committed to and maintains a policy of providing a work environment free from harassment of any kind, including sexual harassment. This includes intentional and unintentional harassment based on any legally protected classification under applicable federal, state, or local law.

See the Corporate Social Responsibility Report located on AFG's website for more information regarding human capital programs and initiatives. None of the information provided on the website is incorporated into, or deemed to be a part of, this Annual Report on Form 10-K or in any other report or document we file with the SEC.

Investment Portfolio

AFG's in-house team of investment professionals have followed a consistent strategy over many years and changing economic conditions. Management believes that AFG's investment expertise has been the driver of strong investment results and effective portfolio risk management over many years.

The following chart shows the allocation of AFG's $14.51 billion investment portfolio at December 31, 2022:



For additional information on AFG's investments, see *Note F — "Investments"* to the financial statements and *Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — "Investments."* AFG's earned yield (net investment income divided by average invested assets) on fixed maturities held by continuing operations was 3.5% for 2022, 3.0% for 2021 and 3.5% for 2020.

The table below compares the total return, which includes changes in fair value, on AFG's fixed maturities held by continuing operations to a comparable public index. While there is no directly comparable index to AFG's portfolio, shown below is a widely used benchmark in the financial services industry.

	2022	2021	2020
Total return on AFG's fixed maturities	(4.4 %)	1.9 %	4.0 %
Barclays Capital U.S. Universal Bond Index	(13.0 %)	(1.1 %)	7.6 %

The following table shows AFG's available for sale fixed maturity investments by Standard & Poor's Corporation or comparable rating as of December 31, 2022 (dollars in millions).

	Amortized Cost, net (*)	Fair Value Amount	%
S&P or comparable rating			
AAA, AA, A	$ 8,026	$ 7,549	75 %
BBB	1,880	1,740	17 %
Total investment grade	9,906	9,289	92 %
BB	228	219	2 %
B	62	60	1 %
CCC, CC, C	103	109	1 %
D	7	8	— %
Total non-investment grade	400	396	4 %
Not rated	419	410	4 %
Total	$ 10,725	$ 10,095	100 %

(*) Amortized cost, net of allowance for expected credit losses.

At December 31, 2022, 97% (based on statutory carrying value of $10.08 billion) of AFG's fixed maturity investments held by its insurance companies had a National Association of Insurance Commissioners ("NAIC") designation of 1 or 2 (the highest of the six designations) based not only on the probability of loss but also on the severity of loss.

Regulation

AFG's insurance company subsidiaries are subject to U.S. and international regulation in the jurisdictions where they do business. In general, the insurance laws of the various jurisdictions establish regulatory agencies with broad administrative powers governing, among other things, premium rates, solvency standards, licensing of insurers, agents and brokers, trade practices, forms of policies, maintenance of specified reserves and capital for the protection of policyholders, deposits of securities for the benefit of policyholders, investment activities and relationships between insurance subsidiaries and their parents and affiliates. Various transactions between insurance subsidiaries and their parents and affiliates must receive prior approval of the applicable insurance regulatory authorities and be disclosed.

U.S. Regulation

Holding Company Statutes AFG is subject to state statutes governing insurance holding company systems. Typically, those statutes require that AFG periodically file information with the appropriate state insurance commissioner, including information concerning capital structure, ownership, financial condition, dividend payments and other certain transactions with affiliates, and general business operations.

Risk Based Capital Requirements The NAIC and state insurance departments use a risk-based capital ("RBC") formula that is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business. The RBC formula develops risk adjusted target levels of adjusted statutory capital by applying certain factors to various asset, premium and reserve items. The insurance company's state of domicile imposes RBC requirements.

Statutory Accounting Principles Each U.S. insurance subsidiary is required to file detailed quarterly and annual reports, including financial statements, in accordance with prescribed statutory accounting rules, with regulatory officials in the jurisdictions in which they conduct business. The quarterly and annual financial reports filed with the state insurance departments utilize statutory accounting principles ("SAP") that are different from U.S. GAAP. In developing SAP, insurance regulators were primarily concerned with monitoring the solvency of insurance companies to assure an insurer's ability to pay all its current and future obligations to policyholders.

Cybersecurity Regulations Numerous states have enacted new insurance laws that require certain regulated entities to implement and maintain comprehensive information security programs to safeguard the personal information of insureds. For example, the New York State Department of Financial Services ("NYDFS") cybersecurity regulation requires banks, insurance companies and other financial services institutions regulated by the NYDFS to establish and maintain a cybersecurity program "designed to protect consumers and ensure the safety and soundness of New York State's financial services industry." The NAIC adopted an Insurance Data Security Model Law which, when adopted by the states, requires licensed insurance entities to comply with detailed information security requirements. To date, the Insurance Data Security Model Law has been adopted by a number of states, including Ohio, where several of AFG's insurance subsidiaries are domiciled.

Certain states are developing or have developed regulations related to privacy and data security. For example, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act, broadly regulates the collection, processing and disclosure of California residents' personal information, imposes limits on the "sale" and "sharing" of personal information and grants California residents certain rights to, among other things, access and delete data about them in certain circumstances.

Own Risk and Solvency Assessment AFG must submit an Own Risk and Solvency Assessment Summary Report ("ORSA") at least annually to its lead state insurance regulator. The ORSA, which is a component of an insurer's enterprise risk management framework, is a confidential internal assessment of the material and relevant risks associated with an insurer's current business plan and the sufficiency of capital resources to support those risks.

Dividends The laws of the domiciliary states of AFG's U.S. insurance subsidiaries govern the amount of dividends that may be paid to its shareholders in any twelve-month period, generally based on net earnings or statutory surplus. Under applicable restrictions, the maximum amount of dividends available to AFG in 2023 from its insurance subsidiaries without seeking prior regulatory approval is approximately $887 million.

Investment Regulation Investments must comply with applicable laws and regulations that prescribe the kind, quality and concentration of investments. In general, these laws and regulations permit investments in federal, state and municipal obligations, corporate bonds, preferred and common equity securities, mortgage loans, real estate and certain other investments, subject to specified limits and certain other qualifications.

Federal Regulation

Although the federal government and its regulatory agencies generally do not directly regulate the business of insurance, federal legislation and administrative rules adopted apply to AFG's business. For instance, privacy laws, such as the Gramm-Leach-Bliley Act and the Fair Credit Reporting Act, affect AFG's day-to-day operations. AFG is also subject to other federal laws, such as the Terrorism Risk Insurance Act ("TRIA"), the Nonadmitted and Reinsurance Reform Act ("NRRA"), the U.S. Foreign Corrupt Practices Act ("FCPA"), and the rules and regulations of the Office of Foreign Assets Control ("OFAC").

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"), contains insurance industry-specific provisions, including establishment of the Federal Insurance Office ("FIO") and streamlining the regulation and taxation of surplus lines insurance and reinsurance among the states. The FIO, part of the U.S. Department of the Treasury, has limited authority and no direct regulatory authority over the business of insurance. The FIO's principal mandates include monitoring the insurance industry, monitoring the extent to which traditionally underserved communities and consumers have access to affordable non-health insurance products, collecting insurance industry information and data and representing the U.S. with international insurance regulators.

International Regulation

AFG operates in limited foreign jurisdictions where its operations are subject to regulation and supervision of the various jurisdictions. These regulations, which vary depending on the jurisdiction, include, among others, solvency and market conduct regulations, including Solvency II; anti-corruption and anti-terrorist financing guidelines, laws and regulations; various privacy, insurance, tax, tariff, trade and sanctions laws and regulations, including the EU and UK General Data Protection Regulation ("GDPR"); and corporate, employment, intellectual property and investment laws and regulations. AFG has foreign insurance company subsidiaries domiciled in the United Kingdom, Ireland, Mexico, Bermuda, and the Cayman Islands and branch operations in Canada and Singapore, all of which are subject to regulation by the insurance regulator of such jurisdiction.

Item 1A. Risk Factors

In addition to the other information set forth in this report, particularly information under *"Forward-Looking Statements"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations,"* the following are the material factors affecting AFG's business. Any one of these factors could cause AFG's actual results to vary materially from recent results or from anticipated future results. Additional risks and uncertainties not currently known to AFG or that AFG currently deems to be immaterial also may materially adversely affect AFG's business, financial condition or results of operations.

RISKS RELATING TO AFG'S INSURANCE OPERATIONS, DISTRIBUTION AND PRODUCTS

AFG's results of operations could be adversely impacted by catastrophes, both natural and man-made, pandemics, severe weather conditions or climate change.

Catastrophes can be caused by unpredictable natural events such as hurricanes, windstorms, severe storms, tornadoes, floods, hailstorms, earthquakes, explosions and fire, and by other events, such as terrorist attacks and civil unrest, as well as pandemics and other similar outbreaks in many parts of the world, including the outbreak of COVID-19. These events may have a material adverse effect on AFG's workforce and business operations as well as the workforce and operations of AFG's customers and independent agents.

The extent of gross losses for AFG's insurance operations from a catastrophe event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event, potentially mitigated by any reinsurance coverage purchased by AFG's insurance subsidiaries. In addition, certain catastrophes could result in both property and non-property claims from the same event. A severe catastrophe or a series of catastrophes could result in losses exceeding AFG's reinsurance protection and may have a material adverse impact on its results of operations or financial condition.

Changing weather patterns and climate change have added to the unpredictability, frequency and severity of weather-related catastrophes and other losses, such as wildfires or flooding, incurred by the industry in recent years. These changing weather patterns, whether as a result of global climate change caused by human activities or otherwise, make it more difficult for AFG to predict and model catastrophic events, reducing AFG's ability to accurately price its exposure to such events and mitigate its risks. In addition, claims for catastrophic events, or an unusual frequency of smaller losses in a particular period, could expose AFG to large losses, cause substantial volatility in its results of operations and could have a material adverse effect on its ability to write new business if AFG is not able to adequately assess and reserve for the increased frequency and severity of catastrophes resulting from these environmental factors. Any increase in the frequency or severity of catastrophic events may result in losses exceeding AFG's reinsurance protection or may result in substantial volatility in or materially impact AFG's results of operations or financial condition.

Volatility in crop prices, as a result of weather conditions or other events, could adversely impact AFG's results of operations.

Weather conditions, including too much moisture (flooding or excessive rain) or not enough moisture (droughts), and the level of crop prices in the commodities market heavily impact AFG's crop insurance business. These factors are inherently unpredictable and could result in significant volatility in the results of the crop insurance business from one year to the next. AFG's crop results could also be negatively impacted by pests and plant disease. A large decline in the commodity prices of one or more of the major crops that AFG insures could have a material adverse effect on AFG's results of operations or financial condition.

AFG's results of operations and revenues may fluctuate as a result of many factors, including cyclical changes in the insurance industry.

The results of operations of companies in the property and casualty insurance industry historically have been subject to fluctuations and uncertainties from many factors including competitive pressures, rising loss costs and changes in the level of reinsurance capacity, among others. Such factors often cause cyclical changes in the insurance industry with effects that are not uniform among product lines. The demand for property and casualty insurance, both admitted and excess and surplus lines, can vary significantly, rising as the overall level of economic activity increases and falling as that activity decreases, causing AFG's revenues to fluctuate. As a result, AFG's premium levels and expense ratio could be materially adversely impacted. These factors could produce results that would have a negative impact on AFG's results of operations and financial condition.

AFG's success will depend on its ability to maintain and enhance effective operating procedures and manage risks on an enterprise-wide basis.

Operational risk and losses can result from, among other things, fraud, errors, failure to document transactions properly, failure to obtain proper internal authorization, failure to comply with regulatory requirements, information technology failures or external events. AFG continues to enhance its operating procedures and internal controls to effectively support its business and its regulatory and reporting requirements. The NAIC and state legislatures have increased their focus on risks within an insurer's holding company system that may pose enterprise risk to insurers. AFG must submit an Own Risk and Solvency Assessment Summary Report ("ORSA") at least annually to its lead state insurance regulator. The ORSA is a confidential internal assessment of the material and relevant risks associated with an insurer's current business plan and the sufficiency of capital resources to support those risks.

AFG operates within an enterprise risk management ("ERM") framework designed to assess and monitor risks. However, assurance that AFG can effectively identify, review and monitor all risks or that all its employees will operate within the ERM framework cannot be guaranteed. Assurances that AFG's ERM framework will result in the Company accurately identifying all risks and accurately limiting its exposures based on its assessments also cannot be guaranteed. Any ineffectiveness in AFG's control or procedures or failure to manage these risks may have an adverse effect on AFG's results of operations and financial condition.

AFG could face unanticipated losses from war, terrorism, political unrest and geopolitical uncertainty which could have a material adverse effect on AFG's financial condition and results of operations.

AFG has substantial exposure to unexpected losses resulting from war, acts of terrorism, political unrest and geopolitical instability in many regions of the world. Private sector catastrophe reinsurance is limited and generally unavailable for terrorism losses caused by attacks with nuclear, biological, chemical or radiological weapons. On December 20, 2019, the President of the United States signed the Terrorism Risk Insurance Program Reauthorization Act of 2019 ("TRIP"), extending the program through December 31, 2027. Although TRIP provides benefits in the event of certain acts of terrorism, those benefits are subject to a deductible and to other limitations. AFG cannot predict or eliminate its exposure to events of war, terrorism, political unrest or geopolitical uncertainty, and to the extent that losses from such events occur, AFG's financial condition and results of operations could be materially adversely affected.

AFG's international operations exposes it to investment, political and economic risks, including foreign currency and credit risk.

AFG's international operations expose AFG to additional risks including restrictions such as price controls, capital controls, currency exchange limits, ownership limits and other restrictive or anti-competitive governmental actions or requirements, which could have an adverse effect on AFG's business and reputation. AFG's business activities outside the United States may also be subject to political and economic risks, including foreign currency and credit risk.

AFG's business activities outside the United States subject AFG to additional domestic and foreign laws and regulations, including the Foreign Corrupt Practices Act, the UK Bribery Act and similar laws in other countries that prohibit the making of improper payments to foreign officials. Although AFG has policies and controls in place that are designed to ensure compliance with these laws, if those controls are ineffective and an employee or intermediary fails to comply with applicable laws and regulations, AFG could suffer civil and criminal penalties and AFG's business and reputation could be adversely affected. Some countries have laws and regulations that lack clarity and, even with local expertise and effective controls, it can be difficult to determine the exact requirements of, and potential liability for non-compliance under, the local laws. Failure to comply with local laws in a particular market may result in substantial liability and could have a significant and negative effect not only on AFG's business in that market but also on AFG's reputation generally.

RISKS RELATING TO THE INSURANCE INDUSTRY

Intense competition could adversely affect AFG's results of operations.

The property and casualty insurance segment operates in a highly competitive industry that is affected by many factors that can cause significant fluctuations in its results of operations. The lines of business in this segment compete with other individual insurers, state funds and insurance groups of varying sizes, some of which are mutual insurance companies possessing competitive advantages in that all their profits inure to their policyholders. The property and casualty insurance segment also competes with self-insurance plans, captive programs and risk retention groups. In addition, certain foreign insurers may be taxed at lower rates, which may result in a competitive advantage over AFG.

In recent years, various types of investors have increasingly sought to participate in the property and casualty insurance industry. Well-capitalized new entrants to the property and casualty insurance industry, or existing competitors that receive substantial infusions of capital or access to third-party capital, provide increasing competition, which may adversely impact

AFG's business and profitability. Further, technology companies or other third parties have created, and may in the future create, technology-enabled business models, processes, platforms or alternate distribution channels that may adversely impact AFG's competitive position in some parts of its business.

Competition is based on many factors, including service to policyholders and agents, product design, reputation for claims handling, price, commissions, ratings and financial strength. The property and casualty market has experienced periods characterized by increased competition, resulting in less restrictive underwriting standards and relatively low premium rates, followed by periods of relatively lower levels of competition, more selective underwriting standards and relatively high premium rates. During periods in which price competition is high, AFG may lose business to competitors offering competitive insurance products at lower prices. Some of AFG's competitors have more capital and greater resources than AFG and may offer a broader range of products and lower prices than AFG offers. If competition limits AFG's ability to write new or renewal business at adequate rates, its results of operations will be adversely affected.

AFG's revenues could be adversely affected if it is not able to attract and retain independent agents.

AFG's reliance on the independent agency market makes it vulnerable to a reduction in the amount of business written by agents. Many of AFG's competitors also rely significantly on the independent agency market. Some of AFG's competitors offer a wider variety of products or higher commissions. A reduction in the number of independent agencies marketing AFG's products, the failure of agencies to successfully market AFG's products, changes in the strategy or operations of agencies (including agency consolidation) or the choice of agencies to reduce their writings of AFG products could adversely affect AFG's revenues and profitability.

RISKS RELATING TO ESTIMATES, ASSUMPTIONS AND VALUATIONS

AFG's property and casualty reserves may be inadequate, which could have a material adverse effect on AFG's results of operations.

Liabilities for unpaid losses and loss adjustment expenses ("LAE") do not represent an exact calculation of liability but instead represent management estimates of what the ultimate settlement and administration of claims will cost, supported by actuarial expertise and projection techniques, at a given accounting date. The process of estimating unpaid losses and LAE reserves involves a high degree of judgment and is subject to a number of variables. These variables can be affected by both internal and external events, such as: changes in claims handling procedures, adverse changes in loss cost trends (including inflationary pressures on medical costs), economic conditions (including general inflation), legal trends and legislative changes, and varying judgments and viewpoints of the individuals involved in the estimation process, among others. The impact of many of these items on ultimate costs for unpaid losses and LAE is difficult to estimate. Unpaid losses and LAE reserve estimation difficulties also differ significantly by product line due to differences in claim complexity, the volume of claims, the potential severity of individual claims, the determination of an occurrence date for a claim and lags in the time between damage, loss or injury and when a claim is actually reported to the insurer. In addition, the historic development of AFG's liability for unpaid losses and LAE may not necessarily reflect future trends in the development of these amounts. To the extent that reserves are inadequate and are strengthened, AFG's profitability would be adversely affected because the amount of any such increase would be treated as a charge to earnings in the period in which the deficiency is recognized.

AFG uses analytical models to assist in its underwriting, reserving and reinsurance purchasing decision-making, and actual results may differ materially from the model outputs and related analyses.

AFG uses various modeling techniques and data analytics to analyze and estimate exposures, loss trends and other risks associated with its assets and liabilities. AFG uses the modeled outputs and related analyses to assist in decision-making in areas such as underwriting, claims, reserving, reinsurance and catastrophe risk. The modeled outputs and related analyses are subject to various assumptions, uncertainties, model errors and the inherent limitations of any statistical analysis, including the use of historical internal and industry data. In addition, the modeled outputs and related analyses may from time to time contain inaccuracies, perhaps in material respects, including as a result of inaccurate inputs or applications thereof. Consequently, actual results may differ materially from AFG's modeled results. If, based upon these models or other factors, AFG underestimates the frequency and/or severity of loss events or overestimates the risks it is exposed to, new business growth and retention of AFG's existing business may be adversely affected which could have an adverse effect on AFG's results of operations and financial condition.

Exposure to asbestos or environmental claims could materially adversely affect AFG's results of operations and financial condition.

AFG has asbestos and environmental ("A&E") exposures arising from its insurance operations and former railroad and manufacturing operations. Uncertainties surrounding the final resolution of these A&E liabilities continue, and it is difficult to estimate AFG's ultimate exposure to such liabilities and related litigation. Establishing A&E liabilities is subject to uncertainties that are significantly greater than those presented by other types of liabilities. Uncertainties include the long delays between exposure and manifestation of any bodily injury or property damage, difficulty in identifying the source of the asbestos or environmental contamination, long reporting delays, the risks inherent in complex litigation and difficulty in properly allocating liability for the asbestos or environmental damage. As a result, A&E liabilities are subject to revision as new information becomes available and as claims are made and develop. Claimants continue to assert new and novel theories of recovery, and from time to time, there is proposed state and federal legislation regarding A&E liability, which would also affect AFG's exposure. If AFG has not established adequate reserves to cover future claims, AFG's results of operations and financial condition could be materially adversely affected.

RISKS RELATING TO ECONOMIC, POLITICAL AND GLOBAL MARKET CONDITIONS

AFG's investment portfolio is subject to market risk, including changes in interest rates, which could have a material adverse effect on AFG's results of operations and financial condition.

Investment returns are an important part of AFG's profitability. AFG's investments are subject to market-wide risks and fluctuations, including in the fixed maturity and equity securities markets, which could impair its profitability, financial condition and cash flows.

AFG's investment portfolio is highly concentrated in fixed maturity investments that are sensitive to changes in interest rates. Changes in interest rates may materially adversely affect the performance of some of its investments, including by materially reducing the fair value of and net investment income from fixed maturities and increasing unrealized losses in AFG's investment portfolio. AFG's fixed maturity portfolio is also subject to credit risk as certain investments may default or become impaired due to deterioration in the financial condition of issuers of those investments. In addition to the risks applicable to the entire fixed maturity investment portfolio, changes in interest rates can expose AFG to prepayment risks on its mortgage-backed securities. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities are paid down more quickly, which may require AFG to reinvest the proceeds at lower interest rates.

General economic, financial market and political conditions and conditions in the markets in which AFG operates may materially adversely affect its investment portfolio, results of operations, financial condition and stock price.

General economic, financial market and political conditions and conditions in the markets in which AFG operates could have a material adverse effect on its results of operations and financial condition. Limited availability of credit, deteriorations of the global mortgage and real estate markets, declines in consumer confidence and consumer spending, increases in prices or in the rate of inflation, periods of high unemployment, persistently low or rapidly increasing interest rates, disruptive geopolitical events and other events outside of AFG's control, such as a major epidemic or a continuation or worsening of the COVID-19 pandemic or another pandemic, could contribute to increased volatility and diminished expectations for the economy and the financial markets, including the value of AFG's investment portfolio and the market for its stock.

AFG's alternative investments may be illiquid and volatile in terms of value and returns, which could negatively affect AFG's investment income and liquidity.

AFG has invested, and intends to continue to invest in, alternative investments, such as limited partnerships and subordinate tranches of collateralized loan obligations for which changes in value are reported in net earnings. These and other similar investments may have different, more significant risk characteristics than investments in fixed maturity securities, may be more volatile and may be illiquid due to restrictions on sales, transfers and redemption terms, all of which could negatively affect AFG's investment income and overall portfolio liquidity.

AFG has also invested, and intends to continue to invest in, limited partnerships and other entities that AFG does not control. AFG does not have management or operational control over the investees which may limit AFG's ability to take actions that could protect or increase the value of the investment. In addition, these investments may be illiquid due to contractual provisions, and AFG may be unable to obtain liquidity through distributions from these investments in a timely manner or on favorable terms.

Alternative or “other” investments may not meet regulatory admissibility requirements or may result in increased regulatory capital charges to the insurance subsidiaries that hold these investments, which could limit those subsidiaries’ ability to pay dividends and negatively impact AFG’s liquidity.

AFG’s access to capital may be limited or may not be available on favorable terms.

AFG’s future capital requirements depend on many factors, including rating agency and regulatory requirements, the performance of the investment portfolio, the ability to write new business successfully and the ability to establish premium rates and loss reserves at levels sufficient to cover losses. Financial markets in the U.S. and elsewhere can experience extreme volatility, which exerts downward pressure on stock prices and limits access to the equity and debt markets for certain issuers, including AFG. While AFG can borrow up to $500 million under its revolving credit facility, AFG’s access to funds through this facility is dependent on the ability of its banks to meet their funding commitments. There were no borrowings outstanding under AFG’s bank credit line or any other parent company short-term borrowing arrangements during 2022. If AFG cannot obtain adequate capital or sources of credit on favorable terms, or at all, its business, operating results and financial condition could be adversely affected.

The modification or elimination of the London Inter-Bank Offered Rate may adversely affect AFG’s results of operations.

The modification or elimination of the London Inter-Bank Offered Rate (“LIBOR”), a long-standing benchmark interest rate for floating-rate financial contracts, may adversely affect the interest rates on and fair value of AFG’s floating rate investments and any other assets or liabilities whose value is tied to LIBOR. In addition, the majority of the assets and liabilities of the collateralized loan obligations that AFG manages and consolidates are tied to LIBOR. Following a series of announcements, the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR for most U.S. Dollar-based tenors after June 30, 2023. It remains unclear if, how and in what form, LIBOR will continue to exist after June 30, 2023. Proposals for alternative reference rates for dollars and other currencies have been announced and contractual provisions relating to alternative rates following the cessation of LIBOR are actively being included in documentation. The Alternative Reference Rate Committee (“ARRC”), an ad hoc committee which included representatives from regulatory agencies and industry participants, has endorsed the use of the secured overnight financing rate (“SOFR”) as a replacement for LIBOR and has published recommendations on how to implement the change in reference rate. In addition, term SOFR for one, three, six and twelve month periods is now being published. In addition, the State of New York has also enacted legislation which would provide for an alternative rate to LIBOR for contracts which do not include provisions relating to LIBOR cessation. Even with these changed, adoption of replacement rates has not been uniform and questions around liquidity in these alternative reference rates and how to appropriately adjust these alternative reference rates to eliminate any economic value transfer at the time of transition persist. In certain cases, it is also difficult to amend existing contracts to include LIBOR replacement provisions and there are no assurances that a legislative solution will be enforceable. At this time, AFG cannot predict the overall effect of the modification or elimination of LIBOR or the establishment of alternative benchmark rates.

RISKS RELATED TO TECHNOLOGY, DATA SECURITY AND PRIVACY

AFG may experience difficulties with technology or data security, which could have an adverse effect on its business or reputation.

AFG uses computer systems and services to store, retrieve, evaluate and utilize company and customer data and information. Systems failures or outages could compromise AFG’s ability to perform business functions in a timely manner, which could harm its ability to conduct business and hurt its relationships with business partners and customers. In the event of a disaster such as a natural catastrophe, an industrial accident, a blackout, a malicious software attack, a terrorist attack or war, AFG’s systems may be inaccessible to employees, customers or business partners for an extended period of time. Even if AFG’s employees are able to report to work, they may be unable to perform their duties for an extended period of time if AFG’s data or systems are disabled or destroyed.

Businesses in the United States and in other countries have increasingly become the targets of “cyberattacks,” “ransomware,” “phishing,” “hacking” or similar illegal or unauthorized intrusions into computer systems and networks. Such events are often highly publicized, can result in significant disruptions to information technology systems and the theft of significant amounts of information as well as funds from online financial accounts, and can cause negative publicity and extensive damage to the reputation of the targeted business, in addition to leading to significant expenses associated with investigation, remediation and customer protection measures. Like others in the insurance industry, AFG experiences cyber-attacks and other attempts to gain unauthorized access to its systems on a regular basis and anticipates continuing to be subject to such attempts. AFG’s administrative and technical controls as well as other preventative actions used to reduce the risk of cyber incidents and protect AFG’s information may be insufficient to detect or prevent future unauthorized access, other physical and electronic break-ins, cyber-attacks or other security breaches to AFG's computer systems or those of third parties with whom AFG does business.

AFG has outsourced certain technology and business process functions to third parties over which it has no control and may continue to do so in the future. Outsourcing of certain technology and business process functions to third parties may expose AFG to increased risk related to data security or service disruptions. If AFG does not effectively develop, implement and monitor these relationships, third-party providers do not perform as anticipated, technological or other problems are incurred with a transition, or outsourcing relationships relevant to AFG's business process functions are terminated, AFG may not realize expected productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business.

The increased risks identified above could expose AFG to data loss, disruption of service, monetary and reputational damages, competitive disadvantage and significant increases in compliance costs and costs to improve the security and resiliency of AFG's computer systems. The compromise of personal, confidential or proprietary information could also subject AFG to legal liability or regulatory action under evolving cyber-security, data protection and privacy laws and regulations enacted by the U.S. federal and state governments, Canada, the European Union (the "EU") or other jurisdictions or by various regulatory organizations or exchanges. As a result, AFG's ability to conduct business and its results of operations might be materially and adversely affected.

Any failure to appropriately collect, administer and protect consumer information could adversely affect AFG's reputation, subject AFG to fines, claims and penalties, and have a material adverse effect on AFG's business, financial condition and results of operations.

AFG and certain of its third-party vendors collect and store sensitive data in the ordinary course of AFG's business, including personal identification information of its employees and that of its customers, vendors, investors and other third parties. In connection with AFG's property and casualty insurance operations, data may include medical information. Laws and regulations in this area are evolving at an international, national and state level and are generally becoming more rigorous, including through the adoption of more stringent subject matter-specific laws, such as the California Consumer Privacy Act of 2018 (as amended by the California Privacy Rights Act of 2020), the New York Department of Financial Services' Cybersecurity Regulation and Ohio's insurance data security law, which regulate the collection and use of data and security and data breach obligations. If any disruption or security breach results in a loss or damage to AFG's data, or inappropriate disclosure of AFG's confidential information or that of others, it could damage AFG's reputation, affect its relationships with customers and clients, lead to claims against AFG, result in regulatory action and harm AFG's business. In addition, AFG may be required to incur significant costs to mitigate the damage caused by any security breach or to protect against future damage.

RISKS RELATED TO FINANCIAL STRENGTH, CREDIT AND COUNTERPARTIES

A downgrade or potential downgrade in AFG's financial strength and/or credit ratings by one or more rating agencies could adversely affect its business, financial condition, results of operations and/or cash flows.

Financial strength ratings are an important factor in establishing the competitive position of insurance companies and may have an effect on an insurance company's sales. A downgrade out of the "A" category in AFG's insurers' claims-paying and financial strength ratings could significantly reduce AFG's business volumes in certain lines of business, adversely impact AFG's ability to access the capital markets and increase AFG's borrowing costs.

In addition to the financial strength ratings of AFG's principal insurance company subsidiaries, various rating agencies also publish credit ratings for AFG. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner, are part of AFG's overall financial profile and affect AFG's ability to access certain types of capital. A downgrade in AFG's credit ratings could have a material adverse effect on AFG's financial condition and results of operations and cash flows in a number of ways, including adversely limiting access to capital markets, potentially increasing the cost of debt or increasing borrowing costs under AFG's current revolving credit facility.

The inability to obtain reinsurance or to collect on ceded reinsurance could adversely affect AFG's results of operations.

AFG purchases reinsurance to limit the amount of risk it retains. Market conditions determine the availability and cost of the reinsurance protection AFG purchases, which affects the level of AFG's business and profitability, as well as the level and types of risk AFG retains. If AFG is unable to obtain sufficient reinsurance at a cost AFG deems acceptable, AFG may opt to reduce the volume of its underwriting. AFG is also subject to credit risk with respect to its reinsurers, as AFG will remain liable to its insureds regardless of whether a reinsurer is able to meet its obligations under agreements covering the reinsurance ceded. As of December 31, 2022, AFG has $3.98 billion of recoverables from reinsurers on its balance sheet. The collectability of recoverables from reinsurers is subject to uncertainty arising from a number of factors, including a reinsurers' financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract and changes in market conditions.

REGULATORY AND LEGAL RISKS

AFG may suffer losses from litigation, including from effects of emerging claim and coverage issues which could materially and adversely affect AFG's financial condition and business operations.

AFG is involved in routine legal proceedings incidental to its insurance operations and litigation related to asbestos and environmental claims from its historical operations. Litigation by nature is unpredictable, and the outcome of any case is uncertain and could result in liabilities that vary from the amounts AFG has currently recorded. Pervasive or significant changes in the judicial environment relating to matters such as trends in the size of jury awards, developments in the law relating to the liability of insurers or tort defendants, and rulings concerning the availability or amount of certain types of damages could cause AFG's ultimate liabilities to change from current expectations. In addition, as industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claim and coverage may emerge. These issues may adversely affect AFG's business, including by extending coverage beyond underwriting intent or by increasing the number, size or types of claims as a result of, among other things, plaintiffs targeting property and casualty insurers in purported class action litigation relating to claims-handling and other practices; increased claims due to third party funding of litigation; and social inflation trends like more frequent claims and judgements that are unfavorable for insurers. Changes in federal or state tort litigation laws or other applicable law could have a similar effect. It is not possible to predict changes in the judicial and legislative environment, including in connection with asbestos and environmental claims. AFG's business, financial condition, results of operations and liquidity could also be adversely affected if judicial or legislative developments cause AFG's ultimate liabilities to increase from current expectations.

AFG is subject to comprehensive regulation, and its ability to earn profits may be restricted by these regulations.

AFG is subject to comprehensive regulation by government agencies in the states and countries where its insurance company subsidiaries are domiciled and where these subsidiaries issue policies and handle claims. Most insurance regulations are designed to protect the interests of AFG's policyholders and third-party claimants as opposed to its investors.

The Dodd-Frank Act, enacted in June 2010, mandates changes to the regulation of the financial services industry. Legislative or regulatory requirements imposed by or promulgated in connection with the Dodd-Frank Act may impact AFG in many ways, including, but not limited to: placing AFG at a competitive disadvantage relative to its competition or other financial services entities; changing the competitive landscape of the financial services sector or the insurance industry; making it more expensive for AFG to conduct its business; and otherwise having a material adverse effect on the overall business climate as well as AFG's financial condition and results of operations.

Environmental, Social, and Governance standards ("ESG") and sustainability have become major topics that encompass a wide range of issues, including climate change and other environmental risks. AFG is subject to complex and changing laws, regulation and public policy debates relating to climate change which are difficult to predict and quantify and may have an adverse impact on its business. Changes in regulations relating to climate change may result in an increase in the cost of doing business or a decrease in premiums in certain lines of business.

As a participant in the federal crop insurance program, AFG could also be impacted by regulatory and legislative changes affecting that program. For example, the reinsurance levels that the federal government provides to authorized carriers could be reduced by future legislation. AFG will continue to monitor new and changing federal regulations and the potential impact, if any, on its insurance company subsidiaries.

Existing insurance-related laws and regulations may become more restrictive in the future or new restrictive laws may be enacted; it is not possible to predict the potential effects of these laws and regulations. The costs of compliance or the failure to comply with existing or future regulations could impose significant burdens on AFG.

As a holding company, AFG is dependent on the operations of its insurance company subsidiaries to meet its obligations and pay future dividends.

AFG is a holding company and a legal entity separate and distinct from its insurance company subsidiaries. As a holding company without significant operations of its own, AFG's principal sources of funds are dividends and other distributions from its insurance company subsidiaries. State insurance laws differ from state to state but, absent advance regulatory approval, restrict the maximum amount of dividends that may be paid by an insurer to its shareholders in any twelve-month period. AFG's rights to participate in any distribution of assets of its insurance company subsidiaries are subject to prior claims of policyholders and creditors (except to the extent that its rights, if any, as a creditor are recognized). Consequently, AFG's ability to pay its debts, expenses and dividends to its shareholders may be limited.

Statutory capital requirements set by the NAIC and the various state insurance regulatory bodies establish regulations that provide minimum capitalization requirements based on risk-based capital ("RBC") ratios for insurance companies. Statutory surplus and RBC ratios may change in a given year based on a number of factors, including statutory earnings/losses, reserve changes, excess capital held to support growth, equity market and interest rate changes, the value of investment securities and changes to the RBC formulas. Increases in the amount of capital or reserves that AFG's larger insurance subsidiaries are required to hold could reduce the amount of future dividends such subsidiaries are able to distribute to the holding company or require capital contributions. Any reduction in the RBC ratios of AFG's insurance subsidiaries could also adversely affect their financial strength ratings as determined by rating agencies.

AFG could be adversely impacted by changes to the U.S. Federal income tax laws.

Changes in domestic or foreign tax laws or interpretations of such laws could increase AFG's corporate taxes and reduce earnings. For example, on December 22, 2017, the U.S. enacted The Tax Cuts and Jobs Act of 2017 ("TCJA"), which significantly reformed the U.S. tax code. Amendments or clarifications of the TCJA from additional regulatory and administrative guidance, may occur. AFG cannot predict if, when or in what form regulations or guidance may be provided or whether such guidance will have a retroactive effect. On August 16, 2022, the U.S. government enacted the Inflation Reduction Act ("IRA") which, among other changes, created a new corporate alternative minimum tax ("AMT") based on adjusted financial statement income and imposes a 1% excise tax on corporate stock repurchases. The effective date of these provisions is January 1, 2023. Any AMT incurred, under this provision, would be treated as a timing difference and generate a deferred tax asset which would be carried forward to offset regular tax liability in the future. Any excise tax incurred on corporate stock repurchases will generally be recognized as part of the cost basis of the stock acquired and not reported as part of income tax expense. As additional guidance is provided, AFG will continue to evaluate the impact that the new law will have on AFG's financial results in 2023 and beyond. Any changes in federal income tax laws, including changes to the TCJA or IRA, could adversely affect the federal income taxation of AFG's ongoing operations and have a material adverse impact on its financial condition and results of operations.

New accounting rules or changes to existing accounting standards could adversely impact AFG's reported results of operations.

As a U.S.-based SEC registrant, AFG prepares its financial statements in accordance with GAAP, as promulgated by the Financial Accounting Standards Board, subject to the accounting-related rules and interpretations of the SEC. New accounting rules or changes in accounting standards, particularly those that specifically apply to insurance company operations, may impact AFG's reported financial results and could cause increased volatility in reported earnings, resulting in other adverse impacts on AFG's ratings and cost of capital, and decrease the understandability of AFG's financial results as well as the comparability of AFG's reported results with other insurers.

GENERAL RISK FACTORS

Certain shareholders exercise substantial control over AFG's affairs, which may impede a change of control transaction.

Carl H. Lindner III and S. Craig Lindner are each Co-Chief Executive Officers and Directors of AFG. Together, Carl H. Lindner III and S. Craig Lindner beneficially own 11.7% of AFG's outstanding Common Stock as of February 1, 2023. Other members of the Lindner family own, directly or through trusts, a significant number of additional shares of AFG Common Stock. As a result, the Lindner family has the ability to exercise significant influence over AFG's management and over matters requiring shareholder approval. Such influence could prevent an acquisition of AFG at a price which other shareholders may find attractive.

The price of AFG Common Stock may fluctuate significantly, which may make it difficult for holders to resell common stock when they want or at a price they find attractive.

The price of AFG Common Stock, which is listed on the NYSE, constantly changes. AFG's Common Stock price could materially fluctuate or decrease in response to a number of events or factors discussed in this section in addition to other events or factors including: quarterly variations in AFG's operating results; operating and stock price performance of comparable companies; and negative publicity relating to AFG or its competitors. In addition, broad market and industry fluctuations may materially and adversely affect the trading price or volume of AFG Common Stock, regardless of AFG's actual operating performances.

Item 2. Properties

AFG and its insurance subsidiaries lease the majority of their office and storage facilities in numerous cities throughout the United States and internationally, including the Company's headquarters in Cincinnati, Ohio. Subsidiaries of AFG own several other buildings in downtown Cincinnati. AFG and its affiliates occupy approximately half of the aggregate 645,000 square feet of commercial and office space in these buildings.

Property and casualty subsidiaries own and occupy approximately 90% of the 281,000 square feet of rentable office space on 17.5 acres of land in Richfield, Ohio and 100% of the 135,000 square feet of rentable office space on 1.3 acres of land in Lakeland, Florida.

Item 3. Legal Proceedings

AFG and its subsidiaries are involved in litigation from time to time, generally arising in the ordinary course of business. This litigation may include, but is not limited to, general commercial disputes, lawsuits brought by policyholders, employment matters, reinsurance collection matters and actions challenging certain business practices of insurance subsidiaries. Except for the following, management believes that none of the litigation meets the threshold for disclosure under this Item.

AFG's insurance company subsidiaries and its 100%-owned subsidiary, American Premier Underwriters, Inc (including its subsidiaries, "American Premier"), are parties to litigation and receive claims alleging injuries and damages from asbestos, environmental and other substances and workplace hazards and have established loss accruals for such potential liabilities. None of such litigation or claims is individually material to AFG; however, the ultimate loss for these claims may vary materially from amounts currently recorded as the conditions surrounding resolution of these claims continue to change.

American Premier is a party or named as a potentially responsible party in a number of proceedings and claims by regulatory agencies and private parties under various environmental protection laws, including the Comprehensive Environmental Response, Compensation and Liability Act, seeking to impose responsibility on American Premier for hazardous waste or discharge remediation costs at certain railroad sites formerly owned by its predecessor, Penn Central Transportation Company ("PCTC"), and at certain other sites where hazardous waste or discharge allegedly generated by PCTC's railroad operations and American Premier's former manufacturing operations is present. It is difficult to estimate American Premier's liability for remediation costs at these sites for a number of reasons, including the number and financial resources of other potentially responsible parties involved at a given site, the varying availability of evidence by which to allocate responsibility among such parties, the wide range of costs for possible remediation alternatives, changing technology and the period of time over which these matters develop. Nevertheless, American Premier believes that its accruals for potential environmental liabilities are adequate to cover the probable amount of such liabilities, based on American Premier's estimates of remediation costs and related expenses and its estimates of the portions of such costs that will be borne by other parties. Such estimates are based on information currently available to American Premier and are subject to future change as additional information becomes available.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

AFG Common Stock is listed and traded on the New York Stock Exchange under the symbol AFG. There were approximately 4,600 shareholders of record of AFG Common Stock at February 1, 2023.

Issuer Purchases of Equity Securities

AFG repurchased shares of its Common Stock during 2022 as follows:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (b)
First quarter	35,201	$ 131.05	35,201	7,655,721
Second quarter	—	—	—	7,655,721
Third quarter	45,500	123.02	45,500	7,610,221
Fourth quarter:				
October	8,667	$ 123.54	8,667	7,601,554
November	—	—	—	7,601,554
December	—	—	—	7,601,554
Total	89,368	$ 126.23 (a)	89,368	

(a) AFG declared special dividends totaling $12.00 per share of its Common Stock in 2022. Adjusted for the special dividends, the average price paid per share was $120.29 for 2022.

(b) Represents the remaining shares that may be repurchased until December 31, 2025 under the Plans authorized by AFG's Board of Directors in October 2020 and May 2021.

AFG acquired 57,195 shares of its Common Stock (at an average of $136.94 per share) in the first nine months of 2022, 64 shares (at $139.38 per share) in November 2022 and 161 shares (at an average of $140.20 per share) in December 2022 in connection with its stock incentive plans.

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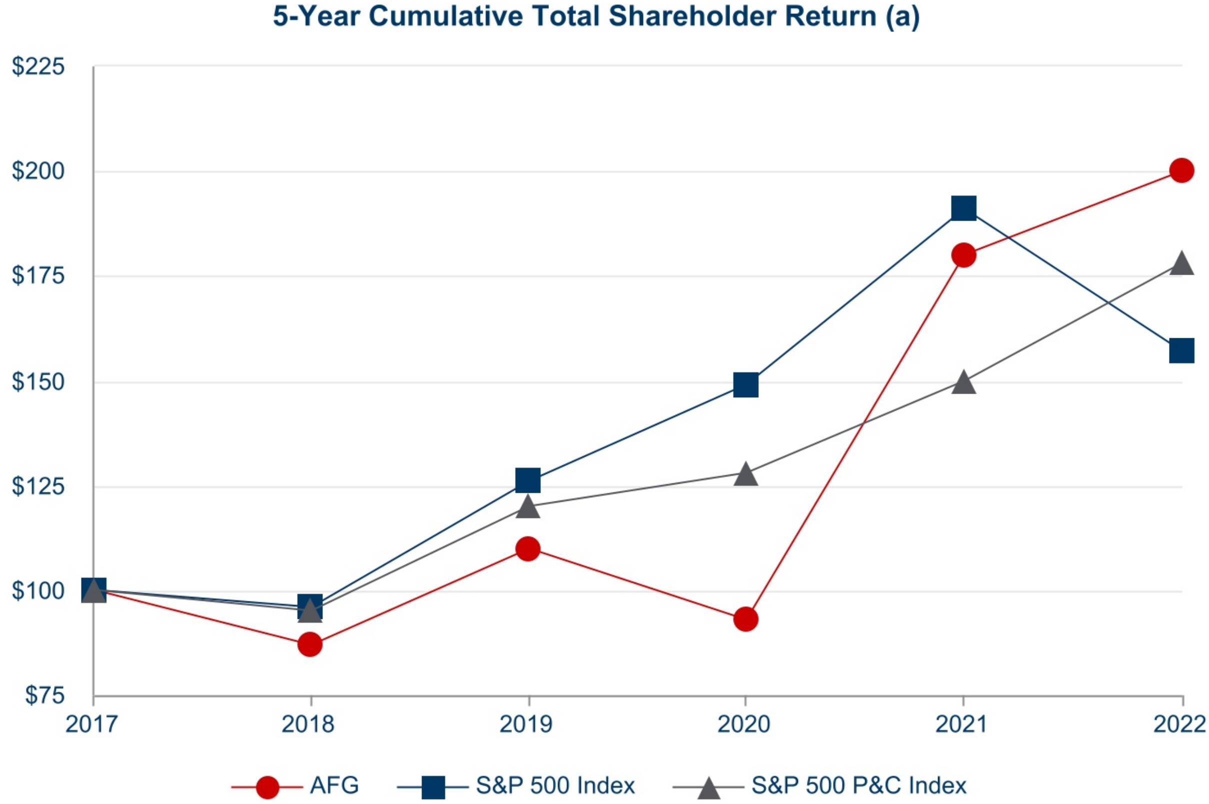
Stock Performance Graph

The following graph compares the performance of AFG Common Stock during the five year period from December 31, 2017 through December 31, 2022 with the performance of (i) the S&P 500 Composite Stock Index ("S&P 500 Index") and (ii) the S&P 500 Property & Casualty Insurance Index. The graph assumes that an initial investment of $100 was made on December 31, 2017 and all dividends were reinvested. The stock price performance presented below is not intended to be indicative of future price performance.



	As of December 31,					
	2017	2018	2019	2020	2021	2022
AFG	$ 100	$ 87	$ 110	$ 93	$ 180	$ 200
S&P 500 Index	100	96	126	149	191	157
S&P 500 P&C Index (b)	100	95	120	128	150	178

(a) Cumulative total shareholder return measures the performance of a company's stock (or an index) over time and is calculated as the change in the stock price plus cumulative dividends (assuming dividends are reinvested) over a specific period of time divided by the stock price at the beginning of the time period.

(b) The S&P 500 Property & Casualty Insurance Index included the following companies at December 31, 2022 (weighted by market capitalization): The Allstate Corporation, Arch Capital Group Ltd., Chubb Limited, Cincinnati Financial Corporation, Loews Corporation, The Progressive Corporation, The Travelers Companies, Inc. and W.R. Berkley Corporation.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

INDEX TO MD&A

OBJECTIVE

The objective of Management's Discussion and Analysis is to provide a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of AFG's financial condition, changes in financial condition and results of operations. The tables and narrative that follow are presented in a manner that is consistent with the information that AFG's management uses to make operational decisions and allocate capital resources. They are provided to demonstrate the nature of the transactions and events that could impact AFG's financial results. This discussion should be read in conjunction with the financial statements beginning on page F-1.

OVERVIEW

Financial Condition

AFG is organized as a holding company with almost all of its operations being conducted by subsidiaries. AFG, however, has continuing cash needs for administrative expenses, the payment of principal and interest on borrowings, shareholder dividends, and taxes. Therefore, certain analyses are most meaningfully presented on a parent only basis while others are best done on a total enterprise basis. In addition, because its businesses are financial in nature, AFG does not prepare its consolidated financial statements using a current-noncurrent format. Consequently, certain traditional ratios and financial analysis tests are not meaningful.

At December 31, 2022, AFG (parent) held approximately $879 million in cash and investments and had $500 million available under a bank line of credit, which expires in December 2025.

Results of Operations

Through the operations of its subsidiaries, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses. AFG's former annuity operations are reported as discontinued operations.

AFG reported net earnings from continuing operations attributable to shareholders of $276 million ($3.24 per share, diluted) for the fourth quarter of 2022 compared to $355 million ($4.18 per share, diluted) in the fourth quarter of 2021. The year-over-year decrease was due primarily to lower returns on AFG's alternative investment portfolio as compared to the very strong performance of this portfolio in the fourth quarter of 2021 and lower underwriting profit in the crop operations. These items were partially offset by higher investment income other than from alternative investments.

Full year 2022 net earnings from continuing operations attributable to shareholders were $898 million ($10.53 per share, diluted) compared to $1.08 billion ($12.62 per share, diluted) in 2021. Higher underwriting profit and higher investment income outside of alternative investments were more than offset by net realized losses on securities in 2022 compared to net realized gains on securities in 2021 and lower returns on AFG's alternative investment portfolio compared to the very strong performance of this portfolio in 2021.

Sale of the Annuity Business

In May 2021, AFG sold its annuity business, including Great American Life Insurance Company and its two insurance subsidiaries, Annuity Investors Life Insurance Company and Manhattan National Life Insurance Company to Massachusetts Mutual Life Insurance Company ("MassMutual"). Total proceeds from the sale were $3.57 billion and AFG realized an after-tax gain on the sale of $656 million in the first six months of 2021.

Outlook

AFG's financial condition, results of operations and cash flows are impacted by the economic, legal and regulatory environment. Inflation, supply chain disruption, labor shortages and other economic conditions may impact premium levels, loss cost trends and investment returns. Management believes that AFG's strong financial position and current liquidity and capital at its subsidiaries will give AFG the flexibility to continue to effectively address and respond to the ongoing uncertainties presented by the macro-economic environment, the conflict between Russia and Ukraine and the lingering effects of the COVID-19 pandemic. AFG's insurance subsidiaries continue to have capital at or in excess of the levels required by ratings agencies in order to maintain their current ratings, and the parent company does not have any near-term debt maturities.

Management expects continued premium growth and strong underwriting results in the ongoing favorable property and casualty insurance market. In addition, the deployment of cash in the rising interest rate environment during 2022 will continue to have a positive impact on investment income on fixed maturity investments in 2023.

CRITICAL ACCOUNTING POLICIES

Significant accounting policies are summarized in *Note A — "Accounting Policies"* to the financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that can have a significant effect on amounts reported in the financial statements. As more information becomes known, these estimates and assumptions change and, thus, impact amounts reported in the future. The areas where management believes the degree of judgment required to determine amounts recorded in the financial statements is most significant are as follows:

- the valuation of investments, including the determination of impairment allowances,
- the establishment of insurance reserves, especially asbestos and environmental-related reserves,
- the recoverability of reinsurance, and
- the establishment of asbestos and environmental liabilities of former railroad and manufacturing operations.

See *"Liquidity and Capital Resources — Uncertainties"* for a discussion of insurance reserves, recoverables from reinsurers and contingencies related to American Premier's former operations and *"Liquidity and Capital Resources — Investments"* for a discussion of the allowance for credit losses (impairments) on investments.

LIQUIDITY AND CAPITAL RESOURCES

Ratios

AFG's debt to total capital ratio on a consolidated basis is shown below (dollars in millions). Management intends to maintain the ratio of debt to capital at or below 30% and intends to maintain the capital of its significant insurance subsidiaries at or above levels currently indicated by rating agencies as appropriate for the current ratings.

	December 31,	
	2022	2021
Principal amount of long-term debt	$ 1,521	$ 1,993
Total capital	6,099	6,869
Ratio of debt to total capital:		
Including subordinated debt	24.9 %	29.0 %
Excluding subordinated debt	13.9 %	19.2 %

The ratio of debt to total capital is a non-GAAP measure that management believes is useful for investors, analysts and ratings agencies to evaluate AFG's financial strength and liquidity and to provide insight into how AFG finances its operations. In addition, maintaining a ratio of debt, excluding subordinated debt and debt secured by real estate (if any), to total capital of 35% or lower is a financial covenant in AFG's bank credit facility. 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).

The NAIC's model law for risk-based capital ("RBC") applies to property and casualty companies. RBC formulas determine the amount of capital that an insurance company needs so that it has an acceptable expectation of not becoming financially impaired. At December 31, 2022, the capital ratios of all AFG insurance companies exceeded the RBC requirements.

Condensed Consolidated Cash Flows

AFG's principal sources of cash include insurance premiums, income from its investment portfolio and proceeds from the maturities, redemptions and sales of investments. Insurance premiums in excess of acquisition expenses and operating costs are invested until they are needed to meet policyholder obligations or made available to the parent company through dividends to cover debt obligations and corporate expenses, and to provide returns to shareholders through share repurchases and dividends. Cash flows from operating, investing and financing activities as detailed in AFG's Consolidated Statement of Cash Flows are shown below (in millions):

	Year ended December 31,		
	2022	2021	2020
Net cash provided by operating activities	$ 1,153	$ 1,714	$ 2,183
Net cash used in investing activities	(1,051)	(436)	(1,564)
Net cash used in financing activities	(1,361)	(1,957)	(123)
Net change in cash and cash equivalents	$ (1,259)	$ (679)	$ 496

Net Cash Provided by Operating Activities AFG's property and casualty insurance operations typically produce positive net operating cash flows as premiums collected and investment income exceed policy acquisition costs, claims payments and operating expenses. AFG's net cash provided by operating activities is impacted by the level and timing of property and casualty premiums, claim and expense payments and recoveries from reinsurers. AFG's discontinued annuity operations, which were sold in May 2021, typically produced positive net operating cash flows as investment income exceeded acquisition costs and operating expenses. Interest credited on annuity policyholder funds is a non-cash increase in AFG's annuity benefits accumulated liability and annuity premiums, benefits and withdrawals are considered financing activities due to the deposit-type nature of annuities. Cash flows provided by operating activities also include the activity of AFG's managed investment entities (collateralized loan obligations ("CLO")) other than those activities included in investing or financing activities. The changes in the assets and liabilities of the managed investment entities included in operating activities reduced cash flows from operating activities by $183 million in 2022 and $144 million in 2021 and increased cash flows from operating activities by $25 million in 2020, resulting in a $39 million decrease in cash flows from operating activities in 2022 compared to 2021 and a $169 million decrease in cash flows from operating activities in 2021 compared to 2020. As discussed in *Note A — "Accounting Policies — Managed Investment Entities"* to the financial statements, AFG has no right to use the CLO assets and no obligation to pay the CLO liabilities and such assets and liabilities are shown separately in AFG's Balance Sheet. Excluding the impact of the managed investment entities, net cash provided by operating activities was $1.34 billion, $1.86 billion and $2.16 billion in 2022, 2021 and 2020, respectively, reflecting the absence of operating cash flows from the disposed annuity operations.

Net Cash Used in Investing Activities AFG's investing activities consist primarily of the investment of funds provided by its property and casualty businesses and, prior to the May 2021 sale, its discontinued annuity operations. Cash proceeds from the sale of the annuity operations in excess of cash and cash equivalents held in the annuity subsidiaries that were sold was a $1.51 billion source of cash provided by investing activities in 2021. Investing activities also include the purchase and disposal of managed investment entity investments, which are presented separately in AFG's Balance Sheet. Net investment activity in the managed investment entities was a $180 million use of cash in 2022 compared to a $43 million use of cash in 2021, resulting in a $137 million increase in net cash used in investing activities in 2022 compared to 2021. See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note H — "Managed Investment Entities"* to the financial statements. Excluding the impact of the sale of the annuity operations and the activity of the managed investment entities, net cash used in investing activities was $871 million in 2022 compared to $1.90 billion in 2021, a decrease of $1.03 billion as the opportunistic investment of cash on hand in the property and casualty operations during the rising interest rate environment in 2022 was more than offset by the absence of investing activities from the disposed annuity operations.

Net cash used in investing activities was $436 million in 2021 compared to $1.56 billion in 2020, a decrease of $1.13 billion. Excluding the impact of the May 2021 sale of the annuity business ($1.51 billion source of cash), net cash used in investing activities was $1.95 billion in 2021 compared to $1.56 billion in 2020, an increase of $383 million. As discussed below (under net cash used in financing activities), AFG's discontinued annuity operations had net cash flows from annuity policyholders of $477 million in 2021 through the May 31, 2021 effective date of the sale compared to $351 million in 2020. In addition to the investment of funds provided by the insurance operations, AFG Parent increased its net purchases of fixed maturities by $1.19 billion in 2021 compared to 2020 due primarily to proceeds received from the sale of the annuity business as well as dividends received from subsidiaries. Investing activities also include the December 2021 acquisition of Verikai for $120 million in cash and the purchase and disposal of managed investment entity investments, which are presented separately in AFG's Balance Sheet. See *Note C — "Acquisitions and Sale of Businesses*" and *Note H — "Managed Investment Entities"* to the financial statements. Net investment activity in the managed investment entities was a $43 million use of cash in 2021 compared to $281 million in 2020, accounting for a $238 million decrease in net cash used in investing activities in 2021 compared to 2020.

Net Cash Used In Financing Activities AFG's financing activities consist primarily of issuances and retirements of long-term debt, issuances and repurchases of common stock, dividend payments and, prior to the sale of the annuity business, transactions with annuity policyholders. Net cash used in financing activities was $1.36 billion in 2022 compared to $1.96 billion in 2021, a decrease in net cash used in financing activities of $596 million. Debt retirements were a $477 million use of cash in 2022 compared to no debt retirements in 2021. In 2022, AFG repurchased $11 million of its Common Stock compared to $319 million in 2021, resulting in a $308 million decrease in net cash used in financing activities in 2022 compared to 2021. AFG paid cash dividends totaling $1.21 billion in 2022 compared to $2.37 billion in 2021, resulting in a net $1.16 billion decrease in net cash used in financing activities in 2022 compared to 2021. Net annuity receipts exceeded annuity surrenders, benefits, withdrawals and transfers by $477 million in 2021 through the May 31, 2021 effective date of the sale, resulting in a $477 million decrease in net cash used by financing activities in 2022 compared to 2021. Financing activities also include issuances and retirements of managed investment entity liabilities, which are nonrecourse to AFG and presented separately in AFG's Balance Sheet. Issuances of managed investment entity liabilities exceeded retirements by $324 million in 2022 compared to $193 million in 2021, resulting in a $131 million increase in net cash provided by financing activities in 2022 compared to 2021. See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note H — "Managed Investment Entities"* to the financial statements.

Net cash used in financing activities was $1.96 billion in 2021 compared to $123 million in 2020, an increase of $1.83 billion. Net annuity receipts exceeded annuity surrenders, benefits, withdrawals and transfers by $477 million in 2021 through the May 31, 2021 effective date of the sale compared to $351 million in 2020, resulting in a $126 million increase in net cash provided by financing activities in 2021 compared to 2020. In 2020, GALIC transferred $554 million of cash as part of a reinsurance agreement to cede in force traditional fixed and indexed annuities. In 2020, AFG issued $300 million of 5.25% Senior Notes due in 2030, $150 million of 5.625% Subordinated Debentures due in 2060 and $200 million of 4.50% Subordinated Debentures due in 2060. The net proceeds of these offerings contributed $634 million to net cash provided by financing activities in 2020. The November 2020 redemption of AFG's 6% Subordinated Debentures due in 2055 was a $150 million use of cash in 2020. In addition to its regular quarterly cash dividends, AFG paid special cash dividends of $26.00 per share in 2021 and $2.00 per share 2020, which resulted in total cash dividends of $2.37 billion in 2021 compared to $334 million in 2020. Issuances of managed investment entity liabilities exceeded retirements by $193 million in 2021 compared to $221 million in 2020, resulting in a $28 million decrease in net cash provided by financing activities in 2021 compared to 2020.

Parent and Subsidiary Liquidity

Parent Holding Company Liquidity Management believes AFG has sufficient resources to meet its liquidity requirements. If funds generated from operations, including dividends, tax payments and borrowings from subsidiaries, are insufficient to meet fixed charges in any period, AFG would be required to utilize parent company cash and investments or to generate cash through borrowings, sales of other assets, or similar transactions.

AFG's capital and liquidity was significantly enhanced as a result of the 2021 sale of its annuity business to MassMutual for proceeds of $3.57 billion. By the end of the second quarter of 2022, AFG had deployed the proceeds from this sale primarily through special cash dividends, share repurchases, debt retirements and the purchase of Verikai. AFG's ongoing operations continue to generate significant excess capital for future returns of capital to shareholders in the form of regular and special cash dividends and through opportunistic share repurchases or to be deployed into its property and casualty businesses as management identifies the potential for profitable organic growth, and opportunities to expand through acquisitions and start-ups that meet target return thresholds.

During 2022, AFG repurchased 89,368 shares of its Common Stock for $11 million and paid special cash dividends totaling $1.02 billion ($2.00 per share in March, $8.00 per share in May and $2.00 per share in November). In addition, on February 1, 2023, AFG declared a special cash dividend of $4.00 per share (aggregate of approximately $340 million) payable on February 28, 2023.

AFG may, at any time and from time to time, seek to retire or purchase its outstanding debt through cash purchases or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as management may determine, and will depend on prevailing market conditions, AFG's liquidity requirements, contractual restrictions and other factors. During 2022, AFG repurchased $472 million principal amount of its senior notes for $477 million cash.

During 2021, AFG repurchased 2,777,684 shares of its Common Stock for $319 million and paid special cash dividends of $26.00 per share of AFG Common Stock ($14.00 per share in June, $2.00 per share in August, $4.00 per share in October, $4.00 per share in November and $2.00 per share in December) totaling $2.21 billion.

In December 2021, AFG acquired Verikai, Inc., a machine learning and artificial intelligence company that utilizes a predictive risk tool to assess insurance risk, for $120 million using cash on hand at the parent.

In 2020, AFG repurchased 4,531,394 shares of its Common Stock for $313 million and paid a special cash dividend of $2.00 per share of AFG Common Stock in December totaling $173 million.

In 2020, AFG issued $300 million of 5.25% Senior Notes due in April 2030, $150 million of 5.625% Subordinated Debentures due in June 2060 and $200 million of 4.50% Subordinated Debentures due in September 2060 to increase liquidity and provide flexibility at the parent holding company in its response to the uncertainties of the economic environment. The net proceeds from the offerings were used for general corporate purposes, which included repurchases of outstanding common shares and the November 2020 redemption of AFG's $150 million outstanding principal amount of 6% Subordinated Debentures due in November 2055 at par value.

All debentures and notes issued by AFG are rated investment grade by two nationally recognized rating agencies. Under a currently effective shelf registration statement, AFG can offer additional equity or debt securities. The shelf registration provides AFG with flexibility to access the capital markets from time to time as market and other conditions permit.

AFG can borrow up to $500 million under its revolving credit facility, which expires in December 2025. Amounts borrowed under this agreement bear interest at rates ranging from 1.00% to 1.875% (currently 1.375%) over LIBOR based on AFG's credit rating. The credit facility also includes provisions relating to the replacement of LIBOR with different floating rates in the event of the discontinuance of LIBOR. There were no borrowings under this agreement, or under any other parent company short-term borrowing arrangements, during 2022 or 2021.

Under a tax allocation agreement with AFG, all 80% (or more) owned U.S. subsidiaries generally pay taxes to (or recover taxes from) AFG based on each subsidiary's contribution to amounts due under AFG's consolidated tax return.

Subsidiary Liquidity The liquidity requirements of AFG's insurance subsidiaries relate primarily to the policyholder claims and underwriting expenses and payments of dividends and taxes to AFG. Historically, cash flows from premiums and investment income have generally provided more than sufficient funds to meet these requirements. Funds received in excess of cash requirements are generally invested in marketable securities. In addition, the insurance subsidiaries generally hold a significant amount of highly liquid, short duration investments.

For statutory accounting purposes, equity securities of non-affiliates are generally carried at fair value. At December 31, 2022, AFG's insurance companies owned publicly traded equity securities with a fair value of $1.01 billion. Decreases in market prices could adversely affect the insurance group's capital, potentially impacting the amount of dividends available or necessitating a capital contribution. Conversely, increases in market prices could have a favorable impact on the group's dividend-paying capability.

Property and casualty reserves for unpaid losses and loss adjustment expenses were $11.97 billion at December 31, 2022 and include case reserves and claims incurred but not reported ("IBNR"). The ultimate amount to be paid to settle reserves is an estimate, subject to significant uncertainty. Actual payments to settle claims cannot be determined until a settlement is reached with the claimant. Final claim settlements may vary significantly from estimated amounts. See "*Uncertainties — Property and Casualty Insurance Reserves"* below. The timing of future payments for the next twelve months and beyond could vary materially from historical payment patterns due to, among other things, changes in claim reporting and payment patterns and large unanticipated settlements.

AFG believes its insurance subsidiaries maintain sufficient liquidity to pay claims and underwriting expenses. In addition, these subsidiaries have sufficient capital to meet commitments in the event of unforeseen events such as reserve deficiencies, inadequate premium rates or reinsurer insolvencies. Even in the current uncertain economic environment, management believes that the capital levels in AFG's insurance subsidiaries are adequate to maintain its business and rating agency ratings. Nonetheless, changes in statutory accounting rules, significant declines in the fair value of the insurance subsidiaries' investment portfolios or significant ratings downgrades on these investments, could create a need for additional capital.

Condensed Parent Only Cash Flows

AFG's parent holding company only condensed cash flows from operating, investing and financing activities are shown below (in millions):

	Year ended December 31,		
	2022	2021	2020
Net cash provided by operating activities	$ 327	$ 833	$ 483
Net cash provided by (used in) investing activities	992	2,167	(294)
Net cash used in financing activities	(1,683)	(2,626)	(140)
Net change in cash and cash equivalents	$ (364)	$ 374	$ 49

Parent Net Cash Provided by Operating Activities Parent holding company cash flows from operating activities consist primarily of dividends and tax payments received from AFG's insurance subsidiaries, reduced by tax payments to the IRS and holding company interest and other expenses. Parent holding company net cash provided by operating activities was $327 million in 2022 compared to $833 million in 2021 and $483 million in 2020. The $506 million decrease in net cash provided by operating activities in 2022 as compared to 2021 and the $350 million increase in net cash provided by operating activities in 2021 as compared to 2020 were due primarily to higher cash dividends received from subsidiaries in 2021.

Parent Net Cash Provided by (Used in) Investing Activities Parent holding company investing activities consist of capital contributions to and returns of capital from subsidiaries and parent company investment activity. Parent holding company net cash provided by investing activities was $992 million in 2022 and $2.17 billion in 2021 compared to net cash used in investing activities of $294 million in 2020. The $992 million in net cash provided by investing activities in 2022 is substantially lower than the $2.17 billion in net cash provided by investing activities in 2021 due to proceeds of $3.57 billion related to the May 2021 sale of the annuity business partially offset by the $120 million purchase of Verikai in December 2021. The $2.17 billion in net cash provided by investing activities in 2021 is substantially higher than the $294 million in net cash used in investing activities in 2020 due to proceeds of $3.57 billion related to the May 2021 sale of the annuity business, partially offset by the net purchase of fixed maturity investments of $1.19 billion in 2021 and the $120 million purchase of Verikai in December 2021.

Parent Net Cash Used in Financing Activities Parent company financing activities consist primarily of the issuance and retirement of long-term debt, repurchases of AFG Common Stock, dividends to shareholders, and, to a lesser extent, proceeds from employee stock option exercises. Significant long-term debt and common stock transactions are discussed above under *"Parent Holding Company Liquidity."* Parent holding company net cash used in financing activities was $1.68 billion in 2022 compared to $2.63 billion in 2021 and $140 million in 2020. The $943 million decrease in net cash used in financing activities in 2022 as compared to 2021 reflects lower dividends paid to shareholders (due primarily to special dividends of $12.00 per share in 2022 compared to special dividends of $26.00 per share in 2021) partially offset by the impact of net retirements of long-term debt in 2022. The $2.49 billion increase in net cash used in financing activities in 2021 as compared to 2020 reflects higher dividends paid to shareholders (due primarily to special dividends of $26.00 per share in 2021 compared to special dividends of $2.00 per share in 2020) and the impact of net issuances of long-term debt in 2020.

Off-Balance Sheet Arrangements

See *Note P — "Additional Information — Financial Instruments — Unfunded Commitments"* to the financial statements.

Investments

AFG attempts to optimize investment income while building the value of its portfolio, placing emphasis upon total long-term performance.

AFG's investment portfolio at December 31, 2022, contained $10.10 billion in fixed maturity securities classified as available for sale and carried at fair value with unrealized gains and losses included in accumulated other comprehensive income and $32 million in fixed maturities classified as trading with holding gains and losses included in net investment income. In addition, AFG's investment portfolio includes $672 million in equity securities carried at fair value with holding gains and losses included in realized gains (losses) on securities and $338 million in equity securities carried at fair value with holding gains and losses included in net investment income.

Unrealized gains and losses on AFG's fixed maturity securities are included in shareholders' equity after adjustments for deferred income taxes.

Fixed income investment funds are generally invested in securities with intermediate-term maturities with an objective of optimizing total return while allowing flexibility to react to changes in market conditions. At December 31, 2022, the average life of AFG's fixed maturities was about 4.2 years.

Fair values for AFG's portfolio are determined by AFG's internal investment professionals using data from nationally recognized pricing services, non-binding broker quotes and other market information. Fair values of equity securities are generally based on published closing prices. For AFG's fixed maturity portfolio, approximately 87% was priced using pricing services at December 31, 2022 and 7% was priced using non-binding broker quotes. When prices obtained for the same security vary, AFG's internal investment professionals select the price they believe is most indicative of an exit price.

The pricing services use a variety of observable inputs to estimate fair value of fixed maturities that do not trade on a daily basis. Based upon information provided by the pricing services, these inputs include, but are not limited to, recent reported trades, benchmark yields, issuer spreads, bids or offers, reference data, and measures of volatility. Included in the pricing of mortgage-backed securities ("MBS") are estimates of the rate of future prepayments and defaults of principal over the remaining life of the underlying collateral. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on brokers' prices are classified as Level 3 in the GAAP hierarchy unless the price can be corroborated, for example, by comparison to similar securities priced using observable inputs.

Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by AFG's internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, AFG communicates directly with pricing services regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the services to value specific securities.

In general, the fair value of AFG's fixed maturity investments is inversely correlated to changes in interest rates. The following table demonstrates the sensitivity of such fair values to reasonably likely changes in interest rates by illustrating the estimated effect on AFG's fixed maturity portfolio that an immediate increase of 100 basis points in the interest rate yield curve would have had at December 31, 2022 (dollars in millions). Effects of increases or decreases from the 100 basis points illustrated would be approximately proportional.

Fair value of fixed maturity portfolio	$	10,127
Percentage impact on fair value of 100 bps increase in interest rates		(3.0 %)
Pretax impact on fair value of fixed maturity portfolio	$	(304)

Approximately 92% of the fixed maturities held by AFG at December 31, 2022, were rated "investment grade" (credit rating of AAA to BBB) by nationally recognized rating agencies, 4% were rated "non-investment grade" and 4% were not rated. Investment grade securities generally bear lower yields and lower degrees of risk than those that are unrated and non-investment grade. Management believes that the high-quality investment portfolio should generate a stable and predictable investment return.

Municipal bonds represented approximately 12% of AFG's fixed maturity portfolio at December 31, 2022. AFG's municipal bond portfolio is high quality, with over 99% of the securities rated investment grade at that date. The portfolio is well diversified across the states of issuance and individual issuers. At December 31, 2022, approximately 93% of the municipal bond portfolio was held in revenue bonds, with the remaining 7% held in general obligation bonds.

Summarized information for the unrealized gains and losses recorded in AFG's Balance Sheet at December 31, 2022, is shown in the following table (dollars in millions). Approximately $296 million of available for sale fixed maturity securities had no unrealized gains or losses at December 31, 2022.

	Securities With Unrealized Gains	Securities With Unrealized Losses
Available for Sale Fixed Maturities		
Fair value of securities	$ 915	$ 8,884
Amortized cost of securities, net of allowance for expected credit losses	$ 876	$ 9,553
Gross unrealized gain (loss)	$ 39	$ (669)
Fair value as % of amortized cost	104 %	93 %
Number of security positions	335	1,841
Number individually exceeding $2 million gain or loss	1	64
Concentration of gains (losses) by type or industry (exceeding 5% of unrealized):		
Mortgage-backed securities	$ 23	$ (183)
Banking	5	(18)
States and municipalities	3	(51)
Other asset-backed securities	1	(184)
Collateralized loan obligations	1	(67)
Asset managers	1	(47)
Percentage rated investment grade	82 %	95 %

The table below sets forth the scheduled maturities of AFG's available for sale fixed maturity securities at December 31, 2022, based on their fair values. Securities with sinking funds are reported at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

	Securities With Unrealized Gains	Securities With Unrealized Losses
Maturity		
One year or less	9 %	3 %
After one year through five years	22 %	26 %
After five years through ten years	22 %	8 %
After ten years	9 %	2 %
	62 %	39 %
Collateralized loan obligations and other asset-backed securities (average life of approximately 3.5 years)	20 %	44 %
Mortgage-backed securities (average life of approximately 6 years)	18 %	17 %
	100 %	100 %

The table below (dollars in millions) summarizes the unrealized gains and losses on fixed maturity securities by dollar amount:

	Aggregate Fair Value	Aggregate Unrealized Gain (Loss)	Fair Value as % of Cost
Fixed Maturities at December 31, 2022			
Securities with unrealized gains:			
Exceeding $500,000 (16 securities)	$ 122	$ 15	114 %
$500,000 or less (319 securities)	793	24	103 %
	$ 915	$ 39	104 %
Securities with unrealized losses:			
Exceeding $500,000 (355 securities)	$ 4,130	$ (497)	89 %
$500,000 or less (1,486 securities)	4,754	(172)	97 %
	$ 8,884	$ (669)	93 %

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The following table (dollars in millions) summarizes the unrealized losses for all securities with unrealized losses by issuer quality and the length of time those securities have been in an unrealized loss position:

	Aggregate Fair Value	Aggregate Unrealized Loss	Fair Value as % of Cost
Securities with Unrealized Losses at December 31, 2022			
Investment grade fixed maturities with losses for:			
Less than one year (1,244 securities)	$ 6,203	$ (405)	94 %
One year or longer (308 securities)	2,232	(227)	91 %
	$ 8,435	$ (632)	93 %
Non-investment grade fixed maturities with losses for:			
Less than one year (202 securities)	$ 337	$ (20)	94 %
One year or longer (87 securities)	112	(17)	87 %
	$ 449	$ (37)	92 %

To evaluate fixed maturities for expected credit losses (impairment), management considers the following:

a) whether the unrealized loss is credit-driven or a result of changes in market interest rates,
b) the extent to which fair value is less than cost basis,
c) cash flow projections received from independent sources,
d) historical operating, balance sheet and cash flow data contained in issuer SEC filings and news releases,
e) near-term prospects for improvement in the issuer and/or its industry,
f) third-party research and communications with industry specialists,
g) financial models and forecasts,
h) the continuity of interest payments, maintenance of investment grade ratings and hybrid nature of certain investments,
i) discussions with issuer management, and
j) ability and intent to hold the investment for a period of time sufficient to allow for anticipated recovery in fair value.

Based on its analysis of the factors listed above, management believes AFG will recover its cost basis (net of any allowance) in the fixed maturity securities with unrealized losses and that AFG has the ability to hold the securities until they recover in value and had no intent to sell them at December 31, 2022. Although AFG has the ability to continue holding its fixed maturity investments with unrealized losses, its intent to hold them may change due to deterioration in the issuers' creditworthiness, decisions to lessen exposure to a particular issuer or industry, asset/liability management decisions, market movements, changes in views about appropriate asset allocation or the desire to offset taxable realized gains. Should AFG's ability or intent change regarding a particular security, a charge for impairment would likely be required. While it is not possible to accurately predict if or when a specific security will become impaired, increases in the allowance for credit losses could be material to results of operations in future periods. Significant declines in the fair value of AFG's investment portfolio could have a significant adverse effect on AFG's liquidity. For information on AFG's realized gains (losses) on securities, see *"Results of Operations — Realized Gains (Losses) on Securities."*

Uncertainties

As more fully explained in the following paragraphs, management believes that the areas posing the greatest risk of material loss are the adequacy of its insurance reserves and contingencies arising out of its former railroad and manufacturing operations.

Property and Casualty Insurance Reserves Estimating the liability for unpaid losses and loss adjustment expenses ("LAE") is inherently judgmental and is influenced by factors that are subject to significant variation. Determining the liability is a complex process incorporating input from many areas of the Company including actuarial, underwriting, pricing, claims and operations management.

The estimates of liabilities for unpaid claims and for expenses of investigation and adjustment of unpaid claims are based upon: (i) the accumulation of case estimates for losses reported prior to the close of the accounting periods on direct business written ("case reserves"); (ii) estimates received from ceding reinsurers and insurance pools and associations; (iii) estimates of claims incurred but not reported (including possible development on known claims); (iv) estimates (based on experience) of expense for investigating and adjusting claims; and (v) the current state of law and coverage litigation.

The process used to determine the total reserve for liabilities involves estimating the ultimate incurred losses and LAE, adjusted for amounts already paid on the claims. The IBNR reserve is derived by estimating the ultimate unpaid reserve liability and subtracting case reserves for loss and LAE. See *Note O — "Insurance — Property and Casualty Insurance Reserves"* to the financial statements for a discussion of the factors considered and actuarial methods used in determining management's best estimate of the ultimate liability for unpaid losses and LAE.

The following table shows (in millions) the breakdown of AFG's property and casualty insurance reserves between case reserves, IBNR reserves and LAE reserves (estimated amounts required to adjust, record and settle claims, other than the claim payments themselves) at December 31, 2022 and gross written premiums for the year ended December 31, 2022.

	Gross Loss Reserves				
	Case	IBNR	LAE	Total Reserves	Gross Written Premiums
Statutory Line of Business					
Other liability — occurrence	$ 980	$ 2,787	$ 720	$ 4,487	$ 1,589
Workers' compensation	923	1,200	344	2,467	1,239
Other liability — claims made	235	620	386	1,241	829
Commercial auto/truck liability/medical	385	400	150	935	623
Special property (fire, allied lines, inland marine, earthquake)	463	253	32	748	2,391
Products liability — occurrence	102	253	158	513	219
Commercial multi-peril	158	146	84	388	407
Other lines	259	440	112	811	1,458
Total Statutory	3,505	6,099	1,986	11,590	8,755
Adjustments for GAAP:					
Foreign operations	149	183	42	374	305
Deferred gains on retroactive reinsurance	—	15	—	15	—
Loss reserve discounting	(5)	—	—	(5)	—
Other	—	—	—	—	(3)
Total Adjustments for GAAP	144	198	42	384	302
Total GAAP Reserves and Premiums	$ 3,649	$ 6,297	$ 2,028	$ 11,974	$ 9,057

While current factors and reasonably likely changes in variable factors are considered in estimating the liability for unpaid losses and LAE, there is no method or system that can eliminate the risk of actual ultimate results differing from such estimates.

Following is a discussion of certain critical variables affecting the estimation of loss reserves of the more significant long-tail lines of business (asbestos and environmental liabilities are separately discussed below). Many other variables may also impact ultimate claim costs.

An important assumption underlying reserve estimates is that the cost trends implicitly built into development patterns will continue into the future. However, future results could vary due to an unexpected change in the underlying cost trends. This unexpected change could arise from a variety of sources including a general increase in economic inflation, inflation from social programs, new medical technologies, or other factors such as those listed below in connection with AFG's largest lines of business. It is not possible to isolate and measure the potential impact of just one of these variables, and future cost trends could be partially impacted by several such variables. However, it is reasonable to address the sensitivity of the reserves to potential impact from changes in these variables by measuring the effect of a possible overall 1% change in future cost trends that may be caused by one or more variables. Utilizing the effect of a 1% change in overall cost trends enables changes greater than 1% to be estimated by extrapolation. Each additional 1% change in the cost trend would increase the effect on net earnings by an amount slightly (about 5%) greater than the effect of the previous 1%. For example, if a 1% change in cost trends in a line of business would change net earnings by $20 million, a 2% change would change net earnings by approximately $41 million.

The estimated cumulative adverse impact that a 1% change in cost trends in AFG's more significant long-tail lines of property and casualty business (exceeding 5% of total reserves) would have on net earnings is shown below (in millions).

Line of business	Effect of 1% Change in Cost Trends
Other liability — occurrence	$ 62
Workers' compensation	65
Other liability — claims made	22
Commercial auto/truck liability/medical	15

The judgments and uncertainties surrounding management's reserve estimation process and the potential for reasonably possible variability in management's most recent reserve estimates may also be viewed by looking at how recent historical estimates of reserves have developed. The following table shows (dollars in millions) what the impact on AFG's net earnings would be on the more significant lines of business if the December 31, 2022, reserves (net of reinsurance) developed at the same rate as the average development of the most recent five years.

	5-yr. Average Development (a)(b)	Net Reserves (b) December 31, 2022	Effect on Net Earnings (a)(b)
Other liability — occurrence	4.8 %	$ 2,005	$ 96
Workers' compensation	(5.9 %)	2,107	(124)
Other liability — claims made	(2.7 %)	890	(24)
Commercial auto/truck liability/medical	(0.5 %)	706	(4)

(a) Adverse (favorable), net of tax effect.
(b) Excludes asbestos and environmental liabilities.

The following discussion describes key assumptions and important variables that affect the estimate of the reserve for loss and LAE of the more significant lines of business and explains what caused them to change from assumptions used in the preceding period.

Other Liability — Occurrence

This long-tail line of business consists of coverages protecting the insured against legal liability resulting from negligence, carelessness, or a failure to act causing property damage or personal injury to others. Some of the important variables affecting estimation of loss reserves for other liability — occurrence include:

- Litigious climate
- Unpredictability of judicial decisions regarding coverage issues
- Magnitude of jury awards
- Outside counsel costs
- Timing of claims reporting

AFG recorded adverse prior year reserve development of $109 million in 2022, $39 million in 2021 and $99 million in 2020 related to its other liability — occurrence coverage due primarily to continued claim severity increases in excess and umbrella liability coverages.

While management applies the actuarial methods discussed in *Note O — "Insurance — Property and Casualty Insurance Reserves"* to the financial statements, more judgment is involved in arriving at the final reserve to be held. For recent accident years, more weight is given to the Bornhuetter-Ferguson method.

Workers' Compensation

This long-tail line of business provides coverage to employees who may be injured in the course of employment. Some of the important variables affecting estimation of loss reserves for workers' compensation include:

- Legislative actions and regulatory and legal interpretations
- Future medical cost inflation
- Economic conditions
- Frequency of reopening claims previously closed
- Advances in medical equipment and processes
- Pace and intensity of employee rehabilitation
- Changes in the use of pharmaceutical drugs
- Changes in mortality trends for permanently injured workers

Approximately 27% and 24% of AFG's workers' compensation reserves at December 31, 2022 relate to policies written in Florida and California, respectively.

AFG recorded favorable prior year reserve development of $189 million and $169 million in 2022 and 2021, respectively, related to its workers' compensation coverage due to lower than anticipated medical severity. AFG recorded favorable prior year reserve development of $178 million in 2020 due to lower than anticipated medical claim severity and improving claim closure rates, particularly in the southeastern United States and California.

Other Liability — Claims Made

This long-tail line of business consists mostly of directors' and officers' liability ("D&O"). Some of the important variables affecting estimation of loss reserves for other liability — claims made include:

- Litigious climate
- Economic conditions
- Variability of stock prices
- Magnitude of jury awards

The general state of the economy and the variability of the stock price of the insured can affect the frequency and severity of shareholder class action suits and other situations that trigger coverage under D&O policies. For example, from 2008 to 2010, economic conditions led to higher frequency of claims, particularly in the D&O policies for small account and not-for-profit organizations. Since then, claim frequency has decreased from its peak in 2010 and has stabilized to near pre-2008 levels.

AFG recorded favorable prior year reserve development of $24 million in 2022, $2 million in 2021 and $8 million in 2020 on its D&O business as claim frequency and severity were less than expected across several prior accident years.

Commercial Auto/Truck Liability/Medical

This line of business is a mix of coverage protecting the insured against legal liability for property damage or personal injury to others arising from the operation of commercial motor vehicles. The property damage liability exposure is usually short-tail with relatively prompt reporting and settlement of claims. The bodily injury and medical payments exposures are longer-tailed; although the claim reporting is relatively prompt, the final settlement can take longer to achieve. Some of the important variables affecting estimation of loss reserves for commercial auto/truck liability/medical are similar to other liability — occurrence and include:

- Magnitude of jury awards
- Unpredictability of judicial decisions regarding coverage issues
- Litigious climate and trends
- Change in frequency of severe accidents
- Health care costs and utilization of medical services by injured parties

AFG recorded adverse prior year reserve development of $32 million and $7 million in 2022 and 2021, respectively, for this line of business due to higher than anticipated severity. Favorable prior year reserve development of $16 million was recorded in 2020. Although severity trends were elevated at that time, they were generally lower than initially projected for prior years.

Recoverables from Reinsurers and Availability of Reinsurance AFG is subject to credit risk with respect to its reinsurers, as reinsurance contracts do not relieve AFG of its liability to policyholders. To mitigate this risk, substantially all reinsurance is ceded to companies rated "A" or better by S&P or is secured by "funds withheld" or other collateral.

The availability and cost of reinsurance are subject to prevailing market conditions, which are beyond AFG's control and which may affect AFG's level of business and profitability. Although the cost of certain reinsurance programs may increase, management believes that AFG will be able to maintain adequate reinsurance coverage at acceptable rates without a material adverse effect on AFG's results of operations. AFG's gross and net combined ratios are shown in the table below.

See *Item 1 — Business — "Property and Casualty Insurance Segment — Reinsurance"* for more information on AFG's reinsurance programs. For additional information on the effect of reinsurance on AFG's historical results of operations see *Note O — "Insurance — Reinsurance"* to the financial statements.

The following table illustrates the effect that purchasing property and casualty reinsurance has had on AFG's combined ratio over the last three years.

	2022	2021	2020
Before reinsurance (gross)	90.9 %	87.4 %	97.1 %
Effect of reinsurance	(3.6 %)	(0.9 %)	(1.6 %)
Actual (net of reinsurance)	87.3 %	86.5 %	95.5 %

Asbestos and Environmental-related ("A&E") Insurance Reserves Asbestos and environmental reserves of the property and casualty group consisted of the following (in millions):

	December 31,	
	2022	2021
Asbestos	$ 220	$ 232
Environmental	165	176
A&E reserves, net of reinsurance recoverable	385	408
Reinsurance recoverable, net of allowance	140	147
Gross A&E reserves	$ 525	$ 555

Asbestos reserves include claims asserting alleged injuries and damages from exposure to asbestos. Environmental reserves include claims relating to polluted sites.

Asbestos claims against manufacturers, distributors or installers of asbestos products were presented under the products liability section of their policies, which typically had aggregate limits that capped an insurer's liability. In addition, asbestos claims are being presented as "non-products" claims, such as those by installers of asbestos products and by property owners or operators who allegedly had asbestos on their property, under the premises or operations section of their policies. Unlike products exposures, these non-products exposures typically had no aggregate limits, creating greater exposure for insurers. Further, in an effort to seek additional insurance coverage, some insureds with installation activities who have substantially eroded their products coverage are presenting new asbestos claims as non-products operations claims or attempting to reclassify previously settled products claims as non-products claims to restore a portion of previously exhausted products aggregate limits.

Approximately 39% of AFG's net asbestos reserves relate to policies written directly by AFG subsidiaries. Claims from these policies generally are product-oriented claims with only a limited amount of non-products exposures and are dominated by small to mid-sized commercial entities that are mostly regional policyholders with few national target defendants. The remainder is assumed reinsurance business that includes exposures from 1954 to 1983. The asbestos and environmental assumed claims are ceded by various insurance companies under reinsurance treaties. A majority of the individual assumed claims have exposures of less than $100,000 to AFG. Asbestos losses assumed include some of the industry known manufacturers, distributors and installers. Pollution losses include industry known insured names and sites.

Establishing reserves for A&E claims relating to policies and participations in reinsurance treaties and former operations is subject to uncertainties that are significantly greater than those presented by other types of claims. For this group of claims, traditional actuarial techniques that rely on historical loss development trends cannot be used and a range of reasonably possible losses cannot be estimated. Case reserves and expense reserves are established by the claims department as specific policies are identified. In addition to the case reserves established for known claims, management establishes additional reserves for claims not yet known or reported and for possible development on known claims. These additional reserves are management's best estimate based on periodic comprehensive studies and internal reviews adjusted for payments and identifiable changes, supplemented by management's review of industry information about such claims, with due consideration to individual claim situations.

Management believes that estimating the ultimate liability for asbestos claims presents a unique and difficult challenge to the insurance industry due to, among other things, inconsistent court decisions, an increase in bankruptcy filings as a result of asbestos-related liabilities, novel theories of coverage, and judicial interpretations that often expand theories of recovery and broaden the scope of coverage. Environmental claims likewise present challenges in prediction, due to uncertainty regarding the interpretation of insurance policies, complexities regarding multi-party involvements at sites, evolving cleanup standards and protracted time periods required to assess the level of cleanup required at contaminated sites.

The following factors could impact AFG's A&E reserves and payments:
- There is interest at the state level to attempt to legislatively address asbestos liabilities and the manner in which asbestos claims are resolved. These developments are fluid and could result in piecemeal state-by-state solutions.
- The manner by which bankruptcy courts are addressing asbestos liabilities is in flux.
- AFG's insureds may make claims alleging significant non-products exposures.

While management believes that AFG's reserves for A&E claims are a reasonable estimate of ultimate liability for such claims, actual results may vary materially from the amounts currently recorded due to the difficulty in predicting the number of future claims, the impact of bankruptcy filings and unresolved issues such as whether coverage exists, whether policies are subject to aggregate limits on coverage, how claims are to be allocated among triggered policies and implicated years and whether claimants who exhibit no signs of illness will be successful in pursuing their claims. A 1% variation in loss cost trends, caused by any of the factors previously described, would change net earnings by approximately $32 million.

AFG tracks its A&E claims by policyholder. The following table shows, by type of claim, the number of policyholders that did not receive any payments in the calendar year separate from policyholders that did receive a payment. Policyholder counts represent policies written by AFG subsidiaries and do not include assumed reinsurance.

	2022	2021	2020
Number of policyholders with no indemnity payments:			
Asbestos	103	100	97
Environmental	129	131	116
	232	231	213
Number of policyholders with indemnity payments:			
Asbestos	45	45	48
Environmental	25	20	22
	70	65	70
Total	302	296	283

Amounts paid (net of reinsurance recoveries) for asbestos and environmental claims, including LAE, were as follows (in millions):

	2022	2021	2020
Asbestos	$ 12	$ 8	$ 8
Environmental	11	6	—
Total	$ 23	$ 14	$ 8

The survival ratio is a measure often used by industry analysts to compare A&E reserves' strength among companies. This ratio is typically calculated by dividing reserves for A&E exposures by the three-year average of paid losses, and therefore measures the number of years that it would take to pay off current reserves based on recent average payments. Because this ratio can be significantly impacted by a number of factors such as loss payout variability, caution should be exercised in attempting to determine reserve adequacy based simply on the survival ratio. At December 31, 2022, the property and casualty insurance segment's three-year survival ratios compare favorably with industry survival ratios published by A.M. Best (as of December 31, 2021, and adjusted for several large portfolio transfers) as detailed in the following table:

	Property and Casualty Insurance Reserves Three-Year Survival Ratio (Times Paid Losses)		
	Asbestos	Environmental	Total A&E
AFG (12/31/2022)	24.3	27.7	25.6
Industry (12/31/2021)	8.5	5.7	7.7

During the third quarter of 2022, AFG completed an in-depth internal review of its asbestos and environmental exposures relating to the run-off operations of its property and casualty insurance segment and its exposures related to former railroad and manufacturing operations and sites. In addition to its ongoing internal monitoring of asbestos and environmental exposures, AFG has periodically conducted comprehensive external studies of its asbestos and environmental reserves with the aid of specialty actuarial, engineering and consulting firms and outside counsel, with an in-depth internal review during the intervening years. AFG is continuing to evaluate the frequency of future external studies.

During the 2022 and 2021 internal reviews, no new trends were identified and recent claims activity was generally consistent with AFG's expectations resulting from AFG's most recent external study in 2020. As a result, both the 2022 and 2021 reviews resulted in no net change to AFG's property and casualty insurance segment's asbestos and environmental reserves.

A comprehensive external study of AFG's A&E reserves was completed in the third quarter of 2020. As a result of the 2020 external study, AFG's property and casualty insurance segment recorded a $47 million pretax special charge to increase its asbestos reserves by $26 million (net of reinsurance) and its environmental reserves by $21 million (net of reinsurance).

Over the past few years, the focus of AFG's asbestos claims litigation has shifted to smaller companies and companies with ancillary exposures. AFG's insureds with these exposures have been the driver of the property and casualty segment's asbestos reserve increases in recent years. AFG is seeing modestly increasing estimates for indemnity and defense compared to prior studies on certain specific open claims. The increase in property and casualty environmental reserves in 2020 was primarily associated with updated estimates of site investigation and remedial costs with respect to existing sites and its estimate of future, but as yet unreported, claims. AFG has updated its view of legal defense costs on open environmental claims as well as a number of claims and sites where the estimated investigation and remediation costs have increased.

Contingencies related to Subsidiaries' Former Operations The A&E study and reviews discussed above encompassed reserves for various environmental and occupational injury and disease claims and other contingencies arising out of the railroad operations disposed of by American Premier's predecessor and certain manufacturing operations disposed of by American Premier and its subsidiaries and by Great American Financial Resources, Inc. AFG recorded minor charges to increase liabilities for those operations as a result of the 2022 and 2021 internal reviews and a pretax special charge of $21 million as a result of the 2020 comprehensive external study. For a discussion of the charges recorded for those operations, see *"Results of Operations — Holding Company, Other and Unallocated."* Liabilities for claims and contingencies arising from these former railroad and manufacturing operations totaled $96 million at December 31, 2022. For a discussion of the uncertainties in determining the ultimate liability, see *Note N — "Contingencies"* to the financial statements.

MANAGED INVESTMENT ENTITIES

Accounting standards require AFG to consolidate its investments in collateralized loan obligation ("CLO") entities that it manages and owns an interest in (in the form of debt). See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note H — "Managed Investment Entities"* to the financial statements. The effect of consolidating these entities is shown in the tables below (in millions). The "Before CLO Consolidation" columns include AFG's investment and earnings in the CLOs on an unconsolidated basis.

CONDENSED CONSOLIDATING BALANCE SHEET

	Before CLO Consolidation	Managed Investment Entities	Consol. Entries		Consolidated As Reported
December 31, 2022					
Assets:					
Cash and investments	$ 14,627	$ —	$ (115)	(*)	$ 14,512
Assets of managed investment entities	—	5,447	—		5,447
Other assets	8,872	—	—	(*)	8,872
Total assets	$ 23,499	$ 5,447	$ (115)		$ 28,831
Liabilities:					
Unpaid losses and loss adjustment expenses and unearned premiums	$ 15,220	$ —	$ —		$ 15,220
Liabilities of managed investment entities	—	5,444	(112)	(*)	5,332
Long-term debt and other liabilities	4,227	—	—		4,227
Total liabilities	19,447	5,444	(112)		24,779
Shareholders' equity:					
Common Stock and Capital surplus	1,453	3	(3)		1,453
Retained earnings	3,142	—	—		3,142
Accumulated other comprehensive income (loss), net of tax	(543)	—	—		(543)
Total shareholders' equity	4,052	3	(3)		4,052
Total liabilities and shareholders' equity	$ 23,499	$ 5,447	$ (115)		$ 28,831
December 31, 2021					
Assets:					
Cash and investments	$ 15,821	$ —	$ (76)	(*)	$ 15,745
Assets of managed investment entities	—	5,296	—		5,296
Other assets	7,890	—	—	(*)	7,890
Total assets	$ 23,711	$ 5,296	$ (76)		$ 28,931
Liabilities:					
Unpaid losses and loss adjustment expenses and unearned premiums	$ 14,115	$ —	$ —		$ 14,115
Liabilities of managed investment entities	—	5,296	(76)	(*)	5,220
Long-term debt and other liabilities	4,584	—	—		4,584
Total liabilities	18,699	5,296	(76)		23,919
Shareholders' equity:					
Common Stock and Capital surplus	1,415	—	—		1,415
Retained earnings	3,478	—	—		3,478
Accumulated other comprehensive income (loss), net of tax	119	—	—		119
Total shareholders' equity	5,012	—	—		5,012
Total liabilities and shareholders' equity	$ 23,711	$ 5,296	$ (76)		$ 28,931

(*) Elimination of the fair value of AFG's investment in CLOs and related accrued interest.

CONDENSED CONSOLIDATING STATEMENT OF EARNINGS

	Before CLO Consolidation (a)	Managed Investment Entities	Consol. Entries		Consolidated As Reported
Three months ended December 31, 2022					
Revenues:					
Property and casualty insurance net earned premiums	$ 1,623	$ —	$ —		$ 1,623
Net investment income	168	—	—	(b)	168
Realized gains (losses) on securities	27	—	—		27
Income of managed investment entities:					
Investment income	—	93	—		93
Gain (loss) on change in fair value of assets/liabilities	—	(1)	(5)	(b)	(6)
Other income	29	—	(5)	(c)	24
Total revenues	1,847	92	(10)		1,929
Costs and Expenses:					
Insurance benefits and expenses	1,413	—	—		1,413
Expenses of managed investment entities	—	92	(10)	(b)(c)	82
Interest charges on borrowed money and other expenses	88	—	—		88
Total costs and expenses	1,501	92	(10)		1,583
Earnings before income taxes	346	—	—		346
Provision for income taxes	70	—	—		70
Net earnings	$ 276	$ —	$ —		$ 276
Three months ended December 31, 2021					
Revenues:					
Property and casualty insurance net earned premiums	$ 1,452	$ —	$ —		$ 1,452
Net investment income	212	—	(3)	(b)	209
Realized gains (losses) on securities	7	—	—		7
Income of managed investment entities:					
Investment income	—	46	—		46
Gain (loss) on change in fair value of assets/liabilities	—	2	(1)	(b)	1
Other income	47	—	(4)	(c)	43
Total revenues	1,718	48	(8)		1,758
Costs and Expenses:					
Insurance benefits and expenses	1,182	—	—		1,182
Expenses of managed investment entities	—	47	(7)	(b)(c)	40
Interest charges on borrowed money and other expenses	91	—	—		91
Total costs and expenses	1,273	47	(7)		1,313
Earnings before income taxes	445	1	(1)		445
Provision for income taxes	90	—	—		90
Net earnings	$ 355	$ 1	$ (1)		$ 355

(a) Includes income of less than $1 million in the fourth quarter of 2022 and $3 million in the fourth quarter of 2021, representing the change in fair value of AFG's CLO investments and $5 million and $4 million of income in the fourth quarter of 2022 and 2021, respectively, in CLO management fees earned.
(b) Elimination of the change in fair value of AFG's investments in the CLOs, including $5 million and $3 million in the fourth quarter of 2022 and 2021, respectively, in distributions recorded as interest expense by the CLOs.
(c) Elimination of management fees earned by AFG.

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CONDENSED CONSOLIDATING STATEMENT OF EARNINGS - CONTINUED

	Before CLO Consol. (a)	Managed Investment Entities	Consol. Entries		Consolidated As Reported
Year ended December 31, 2022					
Revenues:					
Property and casualty insurance net earned premiums	$ 6,085	$ —	$ —		$ 6,085
Net investment income	707	—	10	(b)	717
Realized gains (losses) on securities	(116)	—	—		(116)
Income of managed investment entities:					
Investment income	—	268	—		268
Gain (loss) on change in fair value of assets/liabilities	—	(2)	(29)	(b)	(31)
Other income	134	—	(17)	(c)	117
Total revenues	6,810	266	(36)		7,040
Costs and Expenses:					
Insurance benefits and expenses	5,347	—	—		5,347
Expenses of managed investment entities	—	265	(35)	(b)(c)	230
Interest charges on borrowed money and other expenses	340	—	—		340
Total costs and expenses	5,687	265	(35)		5,917
Earnings from continuing operations before income taxes	1,123	1	(1)		1,123
Provision for income taxes	225	—	—		225
Net earnings from continuing operations, including noncontrolling interests	898	1	(1)		898
Net earnings from discontinued operations	—	—	—		—
Less: Net earnings (loss) from continuing operations attributable to noncontrolling interests	—	—	—		—
Net earnings attributable to shareholders	$ 898	$ 1	$ (1)		$ 898
Year ended December 31, 2021					
Revenues:					
Property and casualty insurance net earned premiums	$ 5,404	$ —	$ —		$ 5,404
Net investment income	750	—	(20)	(b)	730
Realized gains (losses) on:					
Securities	110	—	—		110
Subsidiaries	4	—	—		4
Income of managed investment entities:					
Investment income	—	181	—		181
Gain (loss) on change in fair value of assets/liabilities	—	3	7	(b)	10
Other income	129	—	(16)	(c)	113
Total revenues	6,397	184	(29)		6,552
Costs and Expenses:					
Insurance benefits and expenses	4,704	—	—		4,704
Expenses of managed investment entities	—	183	(28)	(b)(c)	155
Interest charges on borrowed money and other expenses	358	—	—		358
Total costs and expenses	5,062	183	(28)		5,217
Earnings from continuing operations before income taxes	1,335	1	(1)		1,335
Provision for income taxes	254	—	—		254
Net earnings from continuing operations, including noncontrolling interests	1,081	1	(1)		1,081
Net earnings from discontinued operations	914	—	—		914
Less: Net earnings (loss) from continuing operations attributable to noncontrolling interests	—	—	—		—
Net earnings attributable to shareholders	$ 1,995	$ 1	$ (1)		$ 1,995

(a) Includes a loss of $10 million in 2022 and income of $20 million in 2021, representing the change in fair value of AFG's CLO investments and $17 million and $16 million of income in 2022 and 2021, respectively, in CLO management fees earned.
(b) Elimination of the change in fair value of AFG's investments in the CLOs, including $18 million and $12 million in 2022 and 2021, respectively, in distributions recorded as interest expense by the CLOs.
(c) Elimination of management fees earned by AFG.

CONDENSED CONSOLIDATING STATEMENT OF EARNINGS - CONTINUED

	Before CLO Consol. (a)	Managed Investment Entities	Consol. Entries		Consolidated As Reported
Year ended December 31, 2020					
Revenues:					
Property and casualty insurance net earned premiums	$ 5,099	$ —	$ —		$ 5,099
Net investment income	460	—	1	(b)	461
Realized gains (losses) on:					
Securities	(75)	—	—		(75)
Subsidiaries	23	—	—		23
Income of managed investment entities:					
Investment income	—	201	—		201
Gain (loss) on change in fair value of assets/liabilities	—	(11)	(9)	(b)	(20)
Other income	95	—	(15)	(c)	80
Total revenues	5,602	190	(23)		5,769
Costs and Expenses:					
Insurance benefits and expenses	4,896	—	—		4,896
Expenses of managed investment entities	—	190	(23)	(b)(c)	167
Interest charges on borrowed money and other expenses	367	—	—		367
Total costs and expenses	5,263	190	(23)		5,430
Earnings from continuing operations before income taxes	339	—	—		339
Provision for income taxes	25	—	—		25
Net earnings from continuing operations, including noncontrolling interests	314	—	—		314
Net earnings from discontinued operations	407	—	—		407
Less: Net earnings (loss) from continuing operations attributable to noncontrolling interests	(11)	—	—		(11)
Net earnings attributable to shareholders	$ 732	$ —	$ —		$ 732

(a) Includes a loss of $1 million representing the change in fair value of AFG's CLO investments and $15 million of income in CLO management fees earned.
(b) Elimination of the change in fair value of AFG's investments in the CLOs, including $8 million in distributions recorded as interest expense by the CLOs.
(c) Elimination of management fees earned by AFG.

RESULTS OF OPERATIONS

General

AFG's net earnings attributable to shareholders, determined in accordance with GAAP, include certain items that may not be indicative of its ongoing core operations. In addition to discontinued operations, core net operating earnings excludes realized gains (losses) on securities because such gains and losses are influenced significantly by financial markets, interest rates and the timing of sales. In addition, special charges related to coverage that AFG no longer writes, such as asbestos and environmental exposures, are excluded from core earnings.

In January 2021, AFG entered into a definitive agreement to sell its Annuity business to MassMutual. Beginning with the first quarter of 2021 and through the May 31, 2021 effective date of the sale, the results of its annuity segment and the run-off life and long-term care operations are reported as discontinued operations, which included adjusting prior period results to reflect these operations as discontinued.

AFG recorded $914 million in non-core net earnings from the discontinued annuity operations in 2021, which includes a $656 million after-tax gain on the sale, compared to $407 million in 2020. See *"Discontinued Annuity Operations"* below for details of the impact of the discontinued annuity operations on AFG's net earnings attributable to shareholders for 2021 and 2020.

In December 2019, AFG initiated actions to exit the Lloyd's of London insurance market, which included placing its Lloyd's subsidiaries including its Lloyd's Managing Agency, Neon Underwriting Ltd., into run-off. Neon and its predecessor, Marketform, had failed to achieve AFG's profitability objectives since AFG's purchase of Marketform in 2008. Consistent with the treatment of other items that are not indicative of AFG's ongoing operations (both favorable and unfavorable), beginning with the first quarter of 2020, AFG's core net operating earnings for its property and casualty insurance segment excludes the run-off operations of Neon ("Neon exited lines"). In December 2020, AFG sold GAI Holding Bermuda and its subsidiaries, comprising the legal entities that own Neon, to RiverStone Holdings Limited.

AFG recorded $111 million in non-core losses related to the runoff of the Neon business in 2020, which included a $23 million gain on the sale of the business. In conjunction with the sale, AFG recognized a tax benefit of $72 million, resulting in a net $39 million non-core after-tax loss from the Neon exited lines in 2020. In 2021, AFG recognized a non-core after-tax gain of $3 million related to contingent consideration received from the sale of Neon.

The following table (in millions, except per share amounts) identifies non-core items and reconciles net earnings attributable to shareholders to core net operating earnings, a non-GAAP financial measure. AFG believes core net operating earnings is a useful tool for investors and analysts in analyzing ongoing operating trends and for management to evaluate financial performance against historical results because it believes this provides a more comparable measure of its continuing business.

	Three months ended December 31,		Year ended December 31,		
	2022	2021	2022	2021	2020
Components of net earnings attributable to shareholders:					
Core operating earnings before income taxes	$ 318	$ 438	$ 1,248	$ 1,232	$ 609
Pretax non-core items:					
Realized gains (losses) on securities	27	7	(116)	110	(75)
Special A&E charges	—	—	—	—	(68)
Neon exited lines (*)	—	—	—	4	(122)
Gain (loss) on retirement of debt	1	—	(9)	—	(5)
Other	—	—	—	(11)	—
Earnings before income taxes	346	445	1,123	1,335	339
Provision for income taxes:					
Core operating earnings	63	87	255	239	128
Non-core items:					
Realized gains (losses) on securities	6	3	(24)	23	(16)
Special A&E charges	—	—	—	—	(14)
Neon exited lines (*)	—	—	—	1	(72)
Gain (loss) on retirement of debt	1	—	(2)	—	(1)
Other	—	—	(4)	(9)	—
Total provision for income taxes	70	90	225	254	25
Net earnings from continuing operations, including noncontrolling interests	276	355	898	1,081	314
Net earnings from discontinued operations	—	—	—	914	407
Less net earnings (loss) attributable to noncontrolling interests related to the Neon exited lines (*)	—	—	—	—	(11)
Net earnings attributable to shareholders	$ 276	$ 355	$ 898	$ 1,995	$ 732
Net earnings:					
Core net operating earnings	$ 255	$ 351	$ 993	$ 993	$ 481
Realized gains (losses) on securities	21	4	(92)	87	(59)
Special A&E charges	—	—	—	—	(54)
Neon exited lines (*)	—	—	—	3	(39)
Gain (loss) on retirement of debt	—	—	(7)	—	(4)
Other	—	—	4	(2)	—
Net earnings from continuing operations	276	355	898	1,081	325
Discontinued annuity operations	—	—	—	914	407
Net earnings attributable to shareholders	$ 276	$ 355	$ 898	$ 1,995	$ 732
Diluted per share amounts:					
Core net operating earnings	$ 2.99	$ 4.12	$ 11.63	$ 11.59	$ 5.40
Realized gains (losses) on securities	0.25	0.06	(1.06)	1.01	(0.67)
Special A&E charges	—	—	—	—	(0.61)
Neon exited lines (*)	—	—	—	0.04	(0.45)
Gain (loss) on retirement of debt	—	—	(0.09)	—	(0.04)
Other	—	—	0.05	(0.02)	—
Diluted per share amounts, continuing operations	3.24	4.18	10.53	12.62	3.63
Discontinued annuity operations	—	—	—	10.68	4.57
Net earnings attributable to shareholders	$ 3.24	$ 4.18	$ 10.53	$ 23.30	$ 8.20

(*) As discussed above, the Neon run-off operations are considered property and casualty insurance non-core earnings (losses). In 2021, AFG recognized a non-core after-tax gain of $3 million related to contingent consideration received on the sale of Neon.

AFG reported net earnings attributable to shareholders of $276 million in the fourth quarter of 2022 compared to $355 million in the fourth quarter of 2021 reflecting lower core net operating earnings partially offset by higher net realized gains on securities in the fourth quarter of 2022 compared to the fourth quarter of 2021. Core net operating earnings for the fourth quarter of 2022 decreased $96 million compared to the fourth quarter of 2021 reflecting lower returns on AFG's alternative investment portfolio as compared to the very strong performance of this portfolio in the fourth quarter of 2021 and lower underwriting profit in the crop operations. These items were partially offset by higher investment income outside of alternative investments compared to the fourth quarter of 2021.

Net earnings attributable to shareholders were $898 million for the full-year of 2022 compared to $2.00 billion in 2021 reflecting net earnings from the discontinued annuity operations in 2021 and net realized losses on securities in 2022 compared to net realized gains on securities in 2021. The discontinued annuity operations includes an after-tax gain on the sale of the annuity subsidiaries of $656 million in 2021. Core net operating earnings were comparable in 2022 and 2021 as higher underwriting profit and higher investment income outside of alternative investments were offset by lower returns on AFG's alternative investment portfolio compared to the very strong performance of this portfolio in 2021. Realized gains (losses) on securities in 2022 and 2021 resulted primarily from the change in fair value of equity securities that were still held at the balance sheet date.

Net earnings attributable to shareholders were $2.00 billion for the full-year of 2021 compared to $732 million in 2020 reflecting higher core net operating earnings, net realized gains on securities in 2021 compared to net realized losses in 2020, the impact of special A&E charges and non-core losses from the Neon exited lines in 2020 and higher net earnings from the discontinued annuity operations in 2021 (through the sale date) compared to 2020. The discontinued annuity operations includes an after-tax gain from the sale of the annuity subsidiaries of $656 million in 2021. Core net operating earnings increased $512 million in 2021 compared to 2020 reflecting higher underwriting profit, higher net investment income and income from the sale of real estate in the fourth quarter of 2021, partially offset by higher interest charges on borrowed money and higher holding company expenses.

RESULTS OF OPERATIONS — THREE MONTHS ENDED DECEMBER 31, 2022 AND 2021

Segmented Statement of Earnings

Subsequent to the sale of its annuity operations, AFG reports its operations as two segments: (i) Property and casualty insurance ("P&C") and (ii) Other, which includes holding company costs and income and expenses related to the managed investment entities ("MIEs").

AFG's net earnings, determined in accordance with GAAP, include certain items that may not be indicative of its ongoing core operations. The following tables for the three months ended December 31, 2022 and 2021 identify such items by segment and reconcile net earnings to core net operating earnings, a non-GAAP financial measure that AFG believes is a useful tool for investors and analysts in analyzing ongoing operating trends (in millions):

		Other				
	P&C	Consol. MIEs	Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
Three months ended December 31, 2022						
Revenues:						
Property and casualty insurance net earned premiums	$ 1,623	$ —	$ —	$ 1,623	$ —	$ 1,623
Net investment income	159	—	9	168	—	168
Realized gains (losses) on securities	—	—	—	—	27	27
Income of MIEs:						
Investment income	—	93	—	93	—	93
Gain (loss) on change in fair value of assets/liabilities	—	(6)	—	(6)	—	(6)
Other income	—	(5)	29	24	—	24
Total revenues	1,782	82	38	1,902	27	1,929
Costs and Expenses:						
Property and casualty insurance:						
Losses and loss adjustment expenses	986	—	—	986	—	986
Commissions and other underwriting expenses	419	—	8	427	—	427
Interest charges on borrowed money	—	—	20	20	—	20
Expenses of MIEs	—	82	—	82	—	82
Other expenses	14	—	55	69	(1)	68
Total costs and expenses	1,419	82	83	1,584	(1)	1,583
Earnings before income taxes	363	—	(45)	318	28	346
Provision for income taxes	73	—	(10)	63	7	70
Core Net Operating Earnings	290	—	(35)	255		
Non-core earnings (loss) (*):						
Realized gains (losses) on securities, net of tax	—	—	21	21	(21)	—
Net Earnings	$ 290	$ —	$ (14)	$ 276	$ —	$ 276

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	P&C	Other: Consol. MIEs	Other: Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
Three months ended December 31, 2021						
Revenues:						
Property and casualty insurance net earned premiums	$ 1,452	$ —	$ —	$ 1,452	$ —	$ 1,452
Net investment income	196	(3)	16	209	—	209
Realized gains (losses) on securities	—	—	—	—	7	7
Income of MIEs:						
Investment income	—	46	—	46	—	46
Gain (loss) on change in fair value of assets/liabilities	—	1	—	1	—	1
Other income	18	(4)	29	43	—	43
Total revenues	1,666	40	45	1,751	7	1,758
Costs and Expenses:						
Property and casualty insurance:						
Losses and loss adjustment expenses	822	—	—	822	—	822
Commissions and other underwriting expenses	351	—	9	360	—	360
Interest charges on borrowed money	—	—	23	23	—	23
Expenses of MIEs	—	40	—	40	—	40
Other expenses	8	—	60	68	—	68
Total costs and expenses	1,181	40	92	1,313	—	1,313
Earnings before income taxes	485	—	(47)	438	7	445
Provision for income taxes	102	—	(15)	87	3	90
Core Net Operating Earnings	383	—	(32)	351		
Non-core earnings (loss) (*):						
Realized gains (losses) on securities, net of tax	—	—	4	4	(4)	—
Net Earnings	$ 383	$ —	$ (28)	$ 355	$ —	$ 355

(*) See the reconciliation of core earnings to GAAP net earnings under "Results of Operations — General" for details on the tax impacts of these reconciling items.

Property and Casualty Insurance Segment — Results of Operations

Performance measures such as underwriting profit or loss and related combined ratios are often used by property and casualty insurers to help users of their financial statements better understand the company's performance. Underwriting profitability is measured by the combined ratio, which is a sum of the ratios of losses and loss adjustment expenses, and commissions and other underwriting expenses to premiums. A combined ratio under 100% indicates an underwriting profit. The combined ratio does not reflect net investment income, other income, other expenses or federal income taxes.

AFG's property and casualty insurance operations contributed $363 million in pretax earnings in the fourth quarter of 2022 compared to $485 million in the fourth quarter of 2021, a decrease of $122 million (25%). The decrease in pretax earnings reflects lower returns on AFG's alternative investment portfolio as compared to the very strong performance of this portfolio in the fourth quarter of 2021 and lower underwriting profit in the crop operations. These items were partially offset by higher investment income outside of alternative investments compared to the fourth quarter of 2021.

The following table details AFG's earnings before income taxes from its property and casualty insurance operations for the three months ended December 31, 2022 and 2021 (dollars in millions):

	Three months ended December 31, 2022	Three months ended December 31, 2021	% Change
Gross written premiums	$ 1,845	$ 1,737	6 %
Reinsurance premiums ceded	(507)	(467)	9 %
Net written premiums	1,338	1,270	5 %
Change in unearned premiums	285	182	57 %
Net earned premiums	1,623	1,452	12 %
Loss and loss adjustment expenses	986	822	20 %
Commissions and other underwriting expenses	419	351	19 %
Underwriting gain	218	279	(22 %)
Net investment income	159	196	(19 %)
Other income and expenses, net	(14)	10	(240 %)
Earnings before income taxes	$ 363	$ 485	(25 %)

Combined Ratios:	Three months ended December 31, 2022	Three months ended December 31, 2021	Change
Specialty lines			
Loss and LAE ratio	60.8 %	56.5 %	4.3 %
Underwriting expense ratio	25.8 %	24.2 %	1.6 %
Combined ratio	86.6 %	80.7 %	5.9 %
Aggregate — including exited lines			
Loss and LAE ratio	60.7 %	56.6 %	4.1 %
Underwriting expense ratio	25.8 %	24.2 %	1.6 %
Combined ratio	86.5 %	80.8 %	5.7 %

Starting in 1986, AFG's statutory combined ratio has been better than the U.S. industry average for 35 of the 37 years. Management believes that AFG's insurance operations have performed better than the industry as a result of its specialty niche focus, product line diversification, stringent underwriting discipline and alignment of compensation incentives.

AFG reports the underwriting performance of its Specialty property and casualty insurance business in the following sub-segments: (i) Property and transportation, (ii) Specialty casualty and (iii) Specialty financial.

To understand the overall profitability of particular lines, the timing of claims payments and the related impact of investment income must be considered. Certain "short-tail" lines of business (primarily property coverages) generally have quick loss payouts, which reduce the time funds are held, thereby limiting investment income earned thereon. In contrast, "long-tail" lines of business (primarily liability coverages and workers' compensation) generally have payouts that are either structured over many years or take many years to settle, thereby significantly increasing investment income earned on related premiums received.

Gross Written Premiums

Gross written premiums ("GWP") for AFG's property and casualty insurance segment were $1.85 billion for the fourth quarter of 2022 compared to $1.74 billion for the fourth quarter of 2021, an increase of $108 million (6%). Detail of AFG's property and casualty gross written premiums is shown below (dollars in millions):

	Three months ended December 31, 2022 GWP	2022 %	2021 GWP	2021 %	% Change
Property and transportation	$ 601	32 %	$ 558	32 %	8 %
Specialty casualty	1,007	55 %	968	56 %	4 %
Specialty financial	237	13 %	211	12 %	12 %
	$ 1,845	100 %	$ 1,737	100 %	6 %

Reinsurance Premiums Ceded

Reinsurance premiums ceded ("Ceded") for AFG's property and casualty insurance segment were 27% of gross written premiums for both the fourth quarter of 2022 and the fourth quarter of 2021. Detail of AFG's property and casualty reinsurance premiums ceded is shown below (dollars in millions):

	Three months ended December 31,				
	2022		2021		Change in
	Ceded	% of GWP	Ceded	% of GWP	% of GWP
Property and transportation	$ (178)	30 %	$ (141)	25 %	5 %
Specialty casualty	(352)	35 %	(340)	35 %	— %
Specialty financial	(38)	16 %	(38)	18 %	(2 %)
Other specialty	61		52		
	$ (507)	27 %	$ (467)	27 %	— %

Net Written Premiums

Net written premiums ("NWP") for AFG's property and casualty insurance segment were $1.34 billion for the fourth quarter of 2022 compared to $1.27 billion for the fourth quarter of 2021, an increase of $68 million (5%). Detail of AFG's property and casualty net written premiums is shown below (dollars in millions):

	Three months ended December 31,				
	2022		2021		
	NWP	%	NWP	%	% Change
Property and transportation	$ 423	32 %	$ 417	33 %	1 %
Specialty casualty	655	49 %	628	49 %	4 %
Specialty financial	199	15 %	173	14 %	15 %
Other specialty	61	4 %	52	4 %	17 %
	$ 1,338	100 %	$ 1,270	100 %	5 %

Net Earned Premiums

Net earned premiums ("NEP") for AFG's property and casualty insurance segment were $1.62 billion for the fourth quarter of 2022 compared to $1.45 billion for the fourth quarter of 2021, an increase of $171 million (12%). Detail of AFG's property and casualty net earned premiums is shown below (dollars in millions):

	Three months ended December 31,				
	2022		2021		
	NEP	%	NEP	%	% Change
Property and transportation	$ 682	42 %	$ 597	41 %	14 %
Specialty casualty	686	42 %	636	44 %	8 %
Specialty financial	193	12 %	165	11 %	17 %
Other specialty	62	4 %	54	4 %	15 %
	$ 1,623	100 %	$ 1,452	100 %	12 %

Gross written premiums for the fourth quarter of 2022 increased $108 million (6%) compared to the fourth quarter of 2021 reflecting new business opportunities, increased exposures and renewal rate increases. Overall average renewal rates increased approximately 5% in the fourth quarter of 2022. Excluding overall rate decreases in the workers' compensation businesses, renewal rates increased approximately 6%.

Property and transportation Gross written premiums increased $43 million (8%) in the fourth quarter of 2022 compared to the fourth quarter of 2021. This increase was due primarily to higher winter wheat commodity prices and new opportunities in the crop business. Average renewal rates increased 7% for this group in the fourth quarter of 2022. Reinsurance premiums ceded as a percentage of gross written premiums increased 5 percentage points for the fourth quarter of 2022 compared to the fourth quarter of 2021 reflecting growth in crop insurance products with higher cessions.

Specialty casualty Gross written premiums increased $39 million (4%) in the fourth quarter of 2022 compared to the fourth quarter of 2021. New accounts and strong account retention in the social services business, increased exposures from payroll growth and new business in the workers' compensation businesses, and additional opportunities in the excess and surplus operations contributed to the higher year-over-year premiums. This growth was partially offset by lower premiums in the mergers and acquisitions liability and executive liability businesses. Average renewal rates for this group increased approximately 4% in the fourth quarter of 2022. Excluding rate decreases in the workers' compensation business, renewal rates for this group increased approximately 6%. Reinsurance premiums ceded as a percentage of gross written premiums were comparable in the fourth quarter of 2022 and the fourth quarter of 2021.

Specialty financial Gross written premiums increased $26 million (12%) in the fourth quarter of 2022 compared to the fourth quarter of 2021 due primarily to the growth in the financial institutions and commercial equipment leasing businesses. Average renewal rates for this group increased approximately 4% in the fourth quarter of 2022. Reinsurance premiums ceded as a percentage of gross written premiums decreased 2 percentage points in the fourth quarter of 2022 compared to the fourth quarter of 2021 reflecting lower than previously estimated reinstatement premiums related to Hurricane Ian, partially offset by higher cessions in the innovative markets business.

Other specialty The amounts shown as reinsurance premiums ceded represent business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty property and casualty insurance sub-segments. Reinsurance premiums assumed increased $9 million (17%) in the fourth quarter of 2022 compared to the fourth quarter of 2021 reflecting an increase in premiums retained, primarily from businesses in the Specialty casualty sub-segment.

Combined Ratio

Performance measures such as the combined ratio are often used by property and casualty insurers to help users of their financial statements better understand the company's performance. The combined ratio is the sum of the loss and loss adjustment expenses ("LAE") and underwriting expense ratios. These ratios are calculated by dividing each of the respective expenses by net earned premiums. The table below (dollars in millions) details the components of the combined ratio for AFG's property and casualty insurance segment:

	Three months ended December 31,			Three months ended December 31,	
	2022	2021	Change	2022	2021
Property and transportation					
Loss and LAE ratio	71.8 %	66.0 %	5.8 %		
Underwriting expense ratio	18.2 %	14.5 %	3.7 %		
Combined ratio	90.0 %	80.5 %	9.5 %		
Underwriting profit				$ 68	$ 116
Specialty casualty					
Loss and LAE ratio	55.4 %	53.5 %	1.9 %		
Underwriting expense ratio	25.9 %	24.5 %	1.4 %		
Combined ratio	81.3 %	78.0 %	3.3 %		
Underwriting profit				$ 128	$ 140
Specialty financial					
Loss and LAE ratio	33.8 %	31.7 %	2.1 %		
Underwriting expense ratio	49.3 %	53.8 %	(4.5 %)		
Combined ratio	83.1 %	85.5 %	(2.4 %)		
Underwriting profit				$ 33	$ 24
Total Specialty					
Loss and LAE ratio	60.8 %	56.5 %	4.3 %		
Underwriting expense ratio	25.8 %	24.2 %	1.6 %		
Combined ratio	86.6 %	80.7 %	5.9 %		
Underwriting profit				$ 217	$ 281
Aggregate — including exited lines					
Loss and LAE ratio	60.7 %	56.6 %	4.1 %		
Underwriting expense ratio	25.8 %	24.2 %	1.6 %		
Combined ratio	86.5 %	80.8 %	5.7 %		
Underwriting profit				$ 218	$ 279

The Specialty property and casualty insurance operations generated an underwriting profit of $217 million for the fourth quarter of 2022 compared to $281 million in the fourth quarter of 2021, a decrease of $64 million (23%). Higher underwriting profit in the Specialty financial sub-segment was more than offset by lower underwriting profit in the Property and transportation and Specialty casualty sub-segments. Overall catastrophe losses were $11 million (0.9 points on the combined ratio), including a $13 million favorable impact from lower than previously estimated reinstatement premiums related to Hurricane Ian, in the fourth quarter of 2022 compared to catastrophe losses of $25 million (1.8 points) in the fourth quarter of 2021.

Property and transportation Underwriting profit for this group was $68 million for the fourth quarter of 2022 compared to $116 million in the fourth quarter of 2021, a decrease of $48 million (41%). The lower underwriting profit was primarily the result of average underwriting profitability in the crop operations when compared to the exceptionally strong crop results reported in the 2021 period. Catastrophe losses for this group were $7 million (1.0 points on the combined ratio), including a $1 million favorable impact from net reinstatement premiums, in the fourth quarter of 2022 compared to $15 million (2.5 points) in the fourth quarter of 2021.

Specialty casualty Underwriting profit for this group was $128 million for the fourth quarter of 2022 compared to $140 million in the fourth quarter of 2021, a decrease of $12 million (9%). Higher year-over-year underwriting profit in the excess and surplus and excess liability businesses were more than offset by lower underwriting profitability in the workers' compensation businesses. Catastrophe losses were $7 million (1.1 points on the combined ratio), including a $1 million favorable impact from net reinstatement premiums, in the fourth quarter of 2022 compared to catastrophe losses of $3 million (0.5 points) in the fourth quarter of 2021.

Specialty financial Underwriting profit for this group was $33 million for the fourth quarter of 2022 compared to $24 million in the fourth quarter of 2021, an increase of $9 million (38%). This increase reflects the favorable impact on underwriting profit from lower than previously estimated reinstatement premiums related to Hurricane Ian. Catastrophe losses were a favorable impact of $3 million (1.9 points on the combined ratio) including a $10 million favorable impact from the change in estimated reinstatement premiums in the fourth quarter of 2022 compared to $6 million (3.7 points) in the fourth quarter of 2021.

Other specialty This group reported an underwriting loss of $12 million for the fourth quarter of 2022 compared to an underwriting profit of $1 million in the fourth quarter of 2021, a change of $13 million (1,300%), reflecting higher losses in the business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty sub-segments (primarily losses from social inflation exposed operations in the Specialty casualty sub-segment) in the fourth quarter of 2022 compared to the fourth quarter of 2021.

Aggregate Aggregate underwriting results for AFG's property and casualty insurance segment include net favorable prior year reserve development of $1 million in the fourth quarter of 2022 and net adverse prior year reserve development of $2 million in the fourth quarter of 2021 related to business outside of the Specialty group that AFG no longer writes.

Losses and Loss Adjustment Expenses

AFG's overall loss and LAE ratio was 60.7% for the fourth quarter of 2022 compared to 56.6% for the fourth quarter of 2021, an increase of 4.1 percentage points. The components of AFG's property and casualty losses and LAE amounts and ratio are detailed below (dollars in millions):

	Three months ended December 31,				
	Amount		Ratio		Change in
	2022	2021	2022	2021	Ratio
Property and transportation					
Current year, excluding COVID-19 related and catastrophe losses	$ 494	$ 381	72.6 %	63.9 %	8.7 %
Prior accident years development	(13)	(2)	(1.8 %)	(0.4 %)	(1.4 %)
Current year COVID-19 related losses	—	—	— %	— %	— %
Current year catastrophe losses including the impact of net reinstatement premiums	8	15	1.0 %	2.5 %	(1.5 %)
Property and transportation losses and LAE and ratio	$ 489	$ 394	71.8 %	66.0 %	5.8 %
Specialty casualty					
Current year, excluding COVID-19 related and catastrophe losses	$ 423	$ 391	61.6 %	61.3 %	0.3 %
Prior accident years development	(50)	(55)	(7.3 %)	(8.5 %)	1.2 %
Current year COVID-19 related losses	—	1	— %	0.2 %	(0.2 %)
Current year catastrophe losses including the impact of net reinstatement premiums	8	3	1.1 %	0.5 %	0.6 %
Specialty casualty losses and LAE and ratio	$ 381	$ 340	55.4 %	53.5 %	1.9 %
Specialty financial					
Current year, excluding COVID-19 related and catastrophe losses	$ 67	$ 58	36.0 %	35.5 %	0.5 %
Prior accident years development	(8)	(13)	(4.1 %)	(8.2 %)	4.1 %
Current year COVID-19 related losses	—	1	— %	0.7 %	(0.7 %)
Current year catastrophe losses including the impact of net reinstatement premiums	7	6	1.9 %	3.7 %	(1.8 %)
Specialty financial losses and LAE and ratio	$ 66	$ 52	33.8 %	31.7 %	2.1 %
Total Specialty					
Current year, excluding COVID-19 related and catastrophe losses	$ 1,021	$ 866	63.5 %	59.5 %	4.0 %
Prior accident years development	(58)	(73)	(3.6 %)	(5.0 %)	1.4 %
Current year COVID-19 related losses	—	2	— %	0.2 %	(0.2 %)
Current year catastrophe losses including the impact of net reinstatement premiums	24	25	0.9 %	1.8 %	(0.9 %)
Total Specialty losses and LAE and ratio	$ 987	$ 820	60.8 %	56.5 %	4.3 %
Aggregate — including exited lines					
Current year, excluding COVID-19 related and catastrophe losses	$ 1,021	$ 866	63.5 %	59.5 %	4.0 %
Prior accident years development	(59)	(71)	(3.6 %)	(4.9 %)	1.3 %
Current year COVID-19 related losses	—	2	— %	0.2 %	(0.2 %)
Current year catastrophe losses including the impact of net reinstatement premiums	24	25	0.8 %	1.8 %	(1.0 %)
Aggregate losses and LAE and ratio	$ 986	$ 822	60.7 %	56.6 %	4.1 %

Current accident year losses and LAE, excluding COVID-19 related and catastrophe losses

The current accident year loss and LAE ratio, excluding COVID-19 related and catastrophe losses for AFG's Specialty property and casualty insurance operations was 63.5% for the fourth quarter of 2022 compared to 59.5% in the fourth quarter of 2021, an increase of 4.0 percentage points.

Property and transportation The 8.7 percentage points increase in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses is due primarily to lower profitability in the crop insurance business compared to the very strong results recorded in the 2021 quarter. Excluding crop, the loss and LAE ratio for the current year, excluding catastrophe losses was comparable to the fourth quarter of 2021.

Specialty casualty The 0.3 percentage points increase in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses reflects higher reported losses in the social services business, partially offset by improved results in the general liability business.

Specialty financial The 0.5 percentage points increase in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses reflects higher reported losses in lender-placed mortgage protection insurance in the financial institutions business.

Net prior year reserve development
AFG's Specialty property and casualty insurance operations recorded net favorable reserve development related to prior accident years of $58 million in the fourth quarter of 2022 compared to $73 million in the fourth quarter of 2021, a decrease of $15 million (21%).

Property and transportation Net favorable reserve development of $13 million in the fourth quarter of 2022 reflects lower than expected claim severity in the ocean marine, aviation and property and inland marine businesses and lower than anticipated claim frequency in the trucking business. Net favorable reserve development of $2 million in the fourth quarter of 2021 reflects lower than expected claim frequency in the aviation business and lower than anticipated claim severity in the ocean marine business, partially offset by higher than expected claim severity in the property and inland marine business.

Specialty casualty Net favorable reserve development of $50 million in the fourth quarter of 2022 reflects lower than anticipated claim frequency and severity in the workers' compensation and excess and surplus businesses and lower than expected claim frequency in the executive liability business. Net favorable reserve development of $55 million in the fourth quarter of 2021 reflects lower than anticipated claim severity in the workers' compensation businesses.

Specialty financial Net favorable reserve development of $8 million in the fourth quarter of 2022 reflects lower than anticipated claim frequency in the trade credit and financial institutions businesses. Net favorable reserve development of $13 million in the fourth quarter of 2021 reflects lower than anticipated claim frequency in the surety and trade credit businesses.

Other specialty In addition to the development discussed above, total Specialty prior year reserve development includes net adverse reserve development of $13 million in the fourth quarter of 2022 and net favorable reserve development of $3 million in the fourth quarter of 2021. The fourth quarter of 2022 reflects net adverse reserve development associated with AFG's internal reinsurance program (primarily from social inflation exposed casualty businesses) and, to a lesser extent, both periods reflect the amortization of deferred gains on the retroactive reinsurance transactions entered into in connection with the sale of businesses in 1998 and 2001.

Aggregate Aggregate net prior accident years reserve development for AFG's property and casualty insurance segment includes net favorable reserve development of $1 million in the fourth quarter of 2022 and net adverse reserve development of $2 million in the fourth quarter of 2021 related to business outside the Specialty group that AFG no longer writes.

Catastrophe losses
AFG generally seeks to reduce its exposure to catastrophes (whether resulting from climate change or otherwise) through individual risk selection, including minimizing coastal and known fault-line exposures, and the purchase of reinsurance. Based on data available at December 31, 2022 and considering the reinsurance coverage in place for 2023, AFG's exposure to a catastrophic earthquake or windstorm that industry models indicate should statistically occur once in every 100, 250 or 500 years as a percentage of AFG's Shareholders' Equity is shown below:

Industry Model	Approximate impact of modeled loss on AFG's Shareholders' Equity
100-year event	2%
250-year event	2%
500-year event	2%

Catastrophe losses of $24 million (before net reinstatement premiums) in the fourth quarter of 2022 resulted primarily from Winter Storm Elliott. Catastrophe losses of $25 million in the fourth quarter of 2021 resulted primarily from storms in multiple regions of the United States, Kentucky tornadoes and Colorado fires.

Commissions and Other Underwriting Expenses

AFG's property and casualty commissions and other underwriting expenses ("U/W Exp") were $419 million in the fourth quarter of 2022 compared to $351 million for the fourth quarter of 2021, an increase of $68 million (19%). AFG's underwriting expense ratio, calculated as commissions and other underwriting expenses divided by net premiums earned, was 25.8% for the fourth quarter of 2022 compared to 24.2% for the fourth quarter of 2021, an increase of 1.6 percentage points. Detail of AFG's property and casualty commissions and other underwriting expenses and underwriting expense ratios is shown below (dollars in millions):

	Three months ended December 31,				
	2022		2021		Change in
	U/W Exp	% of NEP	U/W Exp	% of NEP	% of NEP
Property and transportation	$ 125	18.2 %	$ 87	14.5 %	3.7 %
Specialty casualty	177	25.9 %	156	24.5 %	1.4 %
Specialty financial	94	49.3 %	89	53.8 %	(4.5 %)
Other specialty	23	34.8 %	19	36.3 %	(1.5 %)
	$ 419	25.8 %	$ 351	24.2 %	1.6 %

Property and transportation Commissions and other underwriting expenses as a percentage of net earned premiums increased 3.7 percentage points in the fourth quarter of 2022 compared to the fourth quarter of 2021 reflecting lower profitability-based ceding commissions received from reinsurers in the crop business.

Specialty casualty Commissions and other underwriting expenses as a percentage of net earned premiums increased 1.4 percentage points in the fourth quarter of 2022 compared to the fourth quarter of 2021 reflecting higher underwriting expenses in the workers' compensation business.

Specialty financial Commissions and other underwriting expenses as a percentage of net earned premiums decreased 4.5 percentage points in the fourth quarter of 2022 compared to the fourth quarter of 2021 reflecting the increase in net earned premiums in the fourth quarter of 2022 due to lower than previously estimated reinstatement premiums from Hurricane Ian and lower underwriting expenses in the international operations.

Property and Casualty Net Investment Income

Net investment income in AFG's property and casualty insurance operations was $159 million in the fourth quarter of 2022 compared to $196 million in the fourth quarter of 2021, a decrease of $37 million (19%). The average invested assets and overall yield earned on investments held by AFG's property and casualty insurance operations are provided below (dollars in millions):

	Three months ended December 31,			%
	2022	2021	Change	Change
Net investment income:				
Net investment income, excluding alternative investments	$ 131	$ 80	$ 51	64 %
Alternative investments	28	116	(88)	(76 %)
Total net investment income	$ 159	$ 196	$ (37)	(19 %)
Average invested assets (at amortized cost)	$ 14,304	$ 13,552	$ 752	6 %
Yield (net investment income as a % of average invested assets)	4.45 %	5.79 %	(1.34 %)	
Tax equivalent yield (*)	4.53 %	5.92 %	(1.39 %)	

(*) Adjusts the yield on equity securities and tax-exempt bonds to the fully taxable equivalent yield.

The decrease in the property and casualty insurance segment's net investment income for the fourth quarter of 2022 compared to the fourth quarter of 2021 reflects lower returns on AFG's alternative investment portfolio (partnerships and similar investments and AFG-managed CLOs) as compared to the very strong performance of this portfolio in the prior year period, partially offset by the impact of higher yields on fixed maturity investments and growth in the property and casualty insurance segment. The property and casualty insurance segment's overall yield on investments (net investment income as a percentage of average invested assets) was 4.45% for the fourth quarter of 2022 compared to 5.79% for the fourth quarter of 2021, a decrease of 1.34 percentage points as higher yields on fixed maturity investments were more than offset by lower returns on alternative investments. The annualized return earned on alternative investments was 5.3% in the fourth quarter of 2022 compared to 26.3% in the prior year period.

Property and Casualty Other Income and Expenses, Net

Other income and expenses, net for AFG's property and casualty insurance operations was a net expense of $14 million for the fourth quarter of 2022 compared to net income of $10 million for the fourth quarter of 2021, a change of $24 million (240%). The table below details the items included in other income and expenses, net for AFG's property and casualty insurance operations (in millions):

	Three months ended December 31,	
	2022	2021
Other income:		
Income related to the sale of real estate	$ —	$ 12
Other	—	6
Total other income	—	18
Other expenses:		
Amortization of intangibles	4	1
Interest expense on funds withheld	8	6
Other	2	1
Total other expenses	14	8
Other income and expenses, net	$ (14)	$ 10

Holding Company, Other and Unallocated — Results of Operations

AFG's net GAAP pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $44 million for the fourth quarter of 2022 compared to $47 million for the fourth quarter of 2021, a decrease of $3 million (6%). AFG's net core pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $45 million for the fourth quarter of 2022 compared to $47 million for the fourth quarter of 2021, a decrease of $2 million (4%).

The following table details AFG's GAAP and core loss before income taxes from operations outside of its property and casualty insurance segment for the three months ended December 31, 2022 and 2021 (dollars in millions):

	Three months ended December 31,		
	2022	2021	% Change
Revenues:			
Net investment income	$ 9	$ 16	(44 %)
Other income — P&C fees	22	22	— %
Other income	7	7	— %
Total revenues	38	45	(16 %)
Costs and Expenses:			
Property and casualty insurance — loss adjustment and underwriting expenses	8	9	(11 %)
Other expense — expenses associated with P&C fees	14	13	8 %
Other expenses (*)	41	47	(13 %)
Costs and expenses, excluding interest charges on borrowed money	63	69	(9 %)
Loss before income taxes, excluding realized gains and losses and interest charges on borrowed money	(25)	(24)	4 %
Interest charges on borrowed money	20	23	(13 %)
Core loss before income taxes, excluding realized gains and losses	(45)	(47)	(4 %)
Pretax non-core gain on retirement of debt	1	—	— %
GAAP loss before income taxes, excluding realized gains and losses	$ (44)	$ (47)	(6 %)

(*) Excludes a pretax non-core gain on retirement of debt of $1 million in the fourth quarter of 2022.

Holding Company and Other — Net Investment Income
AFG recorded net investment income on investments held outside of its property and casualty insurance segment of $9 million in the fourth quarter of 2022 compared to $16 million in the fourth quarter of 2021, a decrease of $7 million (44%), reflecting the impact of the stock market performance on a small portfolio of securities held by the parent company that are carried at fair value through net investment income. These securities increased in value by less than $1 million in the fourth quarter of 2022 compared to an increase in value of $7 million in the fourth quarter of 2021.

Holding Company and Other — P&C Fees and Related Expenses
Summit, a workers' compensation insurance subsidiary, collects fees from a small group of unaffiliated insurers for providing underwriting, policy administration and claims services. In addition, certain of AFG's property and casualty insurance businesses collect fees from customers for ancillary services such as workplace safety programs and premium financing. In the fourth quarter of 2022, AFG collected $22 million in fees for these services compared to $19 million in the fourth quarter of 2021. Management views this fee income, net of the $14 million in the fourth quarter of 2022 and $13 million in the fourth quarter of 2021 in expenses incurred to generate such fees, as a reduction in the cost of underwriting its property and casualty insurance policies. In addition, AFG's property and casualty insurance businesses collected less than $1 million and $3 million in fees from AFG's disposed annuity operations during the fourth quarter of 2022 and the fourth quarter of 2021, respectively, as compensation for certain services provided under a transition services agreement. The expenses related to providing such services are embedded in property and casualty underwriting expenses. Consistent with internal management reporting, these fees and the related expenses are netted and recorded as a reduction of commissions and other underwriting expenses in AFG's segmented results.

Holding Company and Other — Other Income
Other income in the table above includes $5 million in the fourth quarter of 2022 and $4 million in the fourth quarter of 2021, in management fees paid to AFG by the AFG-managed CLOs (AFG's consolidated managed investment entities). The management fees are eliminated in consolidation — see the other income line in the Consolidate MIEs column under *"Results of Operations — Segmented Statement of Earnings."* Excluding amounts eliminated in consolidation, AFG recorded other income outside of its property and casualty insurance segment of $2 million and $3 million in the fourth quarter of 2022 and the fourth quarter of 2021, respectively.

Holding Company and Other — Other Expenses
Excluding the non-core gain on retirement of debt discussed below, AFG's holding companies and other operations outside of its property and casualty insurance segment recorded other expenses of $41 million in the fourth quarter of 2022 compared to $47 million in the fourth quarter of 2021, a decrease of $6 million (13%). This decrease is due primarily to the impact of lower holding company expenses related to deferred compensation obligations to employees that are tied to stock market performance in the fourth quarter of 2022 compared to the fourth quarter of 2021.

Holding Company and Other — Interest Charges on Borrowed Money
AFG's holding companies and other operations outside of its property and casualty insurance segment recorded interest expense of $20 million in the fourth quarter of 2022 compared to $23 million in the fourth quarter of 2021, a decrease of $3 million (13%) reflecting the retirement of AFG's $425 million principal amount of 3.50% Senior Notes during the first six months of 2022.

Holding Company and Other — Gain on Retirement of Debt
During the fourth quarter of 2022, AFG retired $38 million principal amount of its senior notes, which resulted in a $1 million pretax gain.

Realized Gains (Losses) on Securities

AFG's realized gains (losses) on securities were net gains of $27 million in the fourth quarter of 2022 compared to $7 million in the fourth quarter of 2021, an increase of $20 million (286%). Realized gains (losses) on securities consisted of the following (in millions):

	Three months ended December 31,	
	2022	2021
Realized gains (losses) before impairment allowances:		
Disposals	$ (6)	$ 3
Change in the fair value of equity securities	26	6
Change in the fair value of derivatives	(1)	(2)
Other	10	—
	29	7
Change in allowance for impairments on securities	(2)	—
Realized gains (losses) on securities	$ 27	$ 7

The $26 million net realized gain from the change in the fair value of equity securities in the fourth quarter of 2022 includes gains of $7 million on investments in banks and financing companies, $7 million on investments in energy and natural gas companies and $7 million on investments in retail companies, partially offset by losses of $7 million on investments in media companies. The $6 million net realized gain from the change in the fair value of equity securities in the fourth quarter of 2021 includes gains of $12 million on investments in capital goods companies and $2 million on investments in energy and natural gas companies, partially offset by losses of $5 million on investments in healthcare companies, $3 million on investments in media companies and $2 million on investments in banks and financing companies.

Consolidated Income Taxes

AFG's consolidated provision for income taxes was $70 million for the fourth quarter of 2022 compared to $90 million in the fourth quarter of 2021, a decrease of $20 million (22%). The following is a reconciliation of income taxes at the statutory rate to the provision for income taxes as shown in the segmented statement of earnings (dollars in millions):

	Three months ended December 31,			
	2022		2021	
	Amount	% of EBT	Amount	% of EBT
Earnings before income taxes ("EBT")	$ 346		$ 445	
Income taxes at statutory rate	$ 73	21 %	$ 93	21 %
Effect of:				
Change in valuation allowance	(10)	(3 %)	(5)	(1 %)
Employee stock ownership plan dividend paid deduction	(1)	— %	(6)	(1 %)
Stock-based compensation	(1)	— %	(1)	— %
Tax exempt interest	(1)	— %	(2)	— %
Dividend received deduction	(1)	— %	(1)	— %
Nondeductible expenses	3	1 %	2	— %
Foreign operations	1	— %	—	— %
Other	7	1 %	10	1 %
Provision for income taxes	$ 70	20 %	$ 90	20 %

See *Note M — "Income Taxes"* to the financial statements for an analysis of items affecting AFG's effective tax rate.

RESULTS OF OPERATIONS — YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

Segmented Statement of Earnings

Subsequent to the sale of its annuity operations, AFG reports its continuing operations as two segments: (i) Property and casualty insurance ("P&C") and (ii) Other, which includes holding company costs and income and expenses related to the managed investment entities ("MIEs").

AFG's net earnings attributable to shareholders, determined in accordance with GAAP, include certain items that may not be indicative of its ongoing core operations. The following tables for the years ended December 31, 2022, 2021 and 2020 identify such items by segment and reconcile net earnings attributable to shareholders to core net operating earnings, a non-GAAP financial measure that AFG believes is a useful tool for investors and analysts in analyzing ongoing operating trends (in millions):

		Other				
	P&C	Consol. MIEs	Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
Year ended December 31, 2022						
Revenues:						
Property and casualty insurance net earned premiums	$ 6,085	$ —	$ —	$ 6,085	$ —	$ 6,085
Net investment income	683	10	24	717	—	717
Realized gains (losses) on securities	—	—	—	—	(116)	(116)
Income of MIEs:						
Investment income	—	268	—	268	—	268
Gain (loss) on change in fair value of assets/liabilities	—	(31)	—	(31)	—	(31)
Other income	12	(17)	122	117	—	117
Total revenues	6,780	230	146	7,156	(116)	7,040
Costs and Expenses:						
Property and casualty insurance:						
Losses and loss adjustment expenses	3,629	—	—	3,629	—	3,629
Commissions and other underwriting expenses	1,680	—	38	1,718	—	1,718
Interest charges on borrowed money	—	—	85	85	—	85
Expenses of MIEs	—	230	—	230	—	230
Other expenses	52	—	194	246	9	255
Total costs and expenses	5,361	230	317	5,908	9	5,917
Earnings from continuing operations before income taxes	1,419	—	(171)	1,248	(125)	1,123
Provision for income taxes	295	—	(40)	255	(30)	225
Core Net Operating Earnings	1,124	—	(131)	993		
Non-core earnings (loss) attributable to shareholders (a):						
Realized gains (losses) on securities, net of tax	—	—	(92)	(92)	92	—
Loss on retirement of debt, net of tax	—	—	(7)	(7)	7	—
Other, net of tax	—	—	4	4	(4)	—
Net Earnings Attributable to Shareholders	$ 1,124	$ —	$ (226)	$ 898	$ —	$ 898

	P&C	Other: Annuity	Other: Consol. MIEs	Other: Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
Year ended December 31, 2021							
Revenues:							
Property and casualty insurance net earned premiums	$ 5,404	$ —	$ —	$ —	$ 5,404	$ —	$ 5,404
Net investment income	663	51	(20)	36	730	—	730
Realized gains (losses) on:							
Securities	—	—	—	—	—	110	110
Subsidiaries	—	—	—	—	—	4	4
Income of MIEs:							
Investment income	—	—	181	—	181	—	181
Gain (loss) on change in fair value of assets/liabilities	—	—	10	—	10	—	10
Other income	27	—	(16)	102	113	—	113
Total revenues	6,094	51	155	138	6,438	114	6,552
Costs and Expenses:							
Property and casualty insurance:							
Losses and loss adjustment expenses	3,157	—	—	—	3,157	—	3,157
Commissions and other underwriting expenses	1,514	—	—	33	1,547	—	1,547
Interest charges on borrowed money	—	—	—	94	94	—	94
Expenses of MIEs	—	—	155	—	155	—	155
Other expenses	33	1	—	219	253	11	264
Total costs and expenses	4,704	1	155	346	5,206	11	5,217
Earnings from continuing operations before income taxes	1,390	50	—	(208)	1,232	103	1,335
Provision for income taxes	279	11	—	(51)	239	15	254
Core Net Operating Earnings	1,111	39	—	(157)	993		
Non-core earnings (loss) attributable to shareholders (a):							
Realized gains (losses) on securities, net of tax	—	—	—	87	87	(87)	—
Discontinued operations, net of tax	—	914	—	—	914	—	914
Neon exited lines (b)	3	—	—	—	3	(3)	—
Other, net of tax	—	—	—	(2)	(2)	2	—
Net Earnings Attributable to Shareholders	$ 1,114	$ 953	$ —	$ (72)	$ 1,995	$ —	$ 1,995

	P&C	Annuity	Other: Consol. MIEs	Other: Holding Co., other and unallocated	Total	Non-core reclass	Neon exited lines (b)	GAAP Total
Year ended December 31, 2020								
Revenues:								
Property and casualty insurance net earned premiums	$ 4,899	$ —	$ —	$ —	$ 4,899	$ —	$ 200	$ 5,099
Net investment income	404	49	1	12	466	—	(5)	461
Realized gains (losses) on:								
Securities	—	—	—	—	—	(75)	—	(75)
Subsidiaries	—	—	—	—	—	—	23	23
Income of MIEs:								
Investment income	—	—	201	—	201	—	—	201
Gain (loss) on change in fair value of assets/liabilities	—	—	(20)	—	(20)	—	—	(20)
Other income	8	1	(15)	86	80	—	—	80
Total revenues	5,311	50	167	98	5,626	(75)	218	5,769
Costs and Expenses:								
Property and casualty insurance:								
Losses and loss adjustment expenses	3,006	—	—	—	3,006	47	218	3,271
Commissions and other underwriting expenses	1,487	—	—	21	1,508	—	117	1,625
Interest charges on borrowed money	—	—	—	88	88	—	—	88
Expenses of MIEs	—	—	167	—	167	—	—	167
Other expenses	42	31	—	175	248	26	5	279
Total costs and expenses	4,535	31	167	284	5,017	73	340	5,430
Earnings from continuing operations before income taxes	776	19	—	(186)	609	(148)	(122)	339
Provision for income taxes	164	4	—	(40)	128	(31)	(72)	25
Net earnings from continuing operations, including noncontrolling interests	612	15	—	(146)	481	(117)	(50)	314
Less: Net earnings (loss) from continuing operations attributable to noncontrolling interests	—	—	—	—	—	—	(11)	(11)
Core Net Operating Earnings	612	15	—	(146)	481			
Non-core earnings (loss) attributable to shareholders (a):								
Realized gains (losses) on securities, net of tax	—	—	—	(59)	(59)	59	—	—
Discontinued operations, net of tax	—	413	—	(6)	407	—	—	407
Neon exited lines (b)	(39)	—	—	—	(39)	—	39	—
Special A&E charges, net of tax	(37)	—	—	(17)	(54)	54	—	—
Loss on retirement of debt, net of tax	—	—	—	(4)	(4)	4	—	—
Net Earnings Attributable to Shareholders	$ 536	$ 428	$ —	$ (232)	$ 732	$ —	$ —	$ 732

(a) See the reconciliation of core earnings to GAAP net earnings under *"Results of Operations — General"* for details on the tax and noncontrolling interest impacts of these reconciling items.
(b) As discussed under "*Results of Operations — General*," the Neon run-off operations are considered property and casualty insurance non-core earnings (losses).

Property and Casualty Insurance Segment — Results of Operations

AFG's property and casualty insurance operations contributed $1.42 billion in GAAP pretax earnings in 2022 compared to $1.39 billion in 2021, an increase of $25 million (2%). Property and casualty core pretax earnings were $1.42 billion in 2022 compared to $1.39 billion in 2021, an increase of $29 million (2%). The increase in GAAP and core pretax earnings reflects higher underwriting profit and higher investment income outside of alternative investments, partially offset by lower returns on AFG's alternative investment portfolio (partnerships and similar investments and AFG-managed CLOs) and higher other net expenses in 2022 compared to 2021.

AFG's property and casualty insurance operations contributed $1.39 billion in GAAP pretax earnings in 2021 compared to $607 million in 2020, an increase of $787 million (130%). Property and casualty core pretax earnings were $1.39 billion in 2021 compared to $776 million in 2020, an increase of $614 million (79%). The increase in GAAP pretax earnings reflects higher core pretax earnings and the impact of losses in the Neon exited lines in 2020. The increase in GAAP pretax earnings also reflects the impact of a pretax non-core special A&E charge of $47 million in 2020. The increase in core pretax earnings reflects higher core underwriting profit and significantly higher net investment income in 2021 compared to 2020 and income from the sale of real estate in the fourth quarter of 2021. Improved results from alternative investments were partially offset by lower other net investment income, due primarily to lower interest rates.

The following table details AFG's GAAP and core earnings before income taxes from its property and casualty insurance operations for the years ended December 31, 2022, 2021 and 2020 (dollars in millions):

	Year ended December 31,			% Change	
	2022	2021	2020	2022 - 2021	2021 - 2020
Gross written premiums	$ 9,057	$ 7,946	$ 6,995	14 %	14 %
Reinsurance premiums ceded	(2,851)	(2,373)	(2,003)	20 %	18 %
Net written premiums	6,206	5,573	4,992	11 %	12 %
Change in unearned premiums	(121)	(169)	(93)	(28 %)	82 %
Net earned premiums	6,085	5,404	4,899	13 %	10 %
Loss and loss adjustment expenses (a)	3,629	3,157	3,006	15 %	5 %
Commissions and other underwriting expenses	1,680	1,514	1,487	11 %	2 %
Core underwriting gain	776	733	406	6 %	81 %
Net investment income	683	663	404	3 %	64 %
Other income and expenses, net	(40)	(6)	(34)	567 %	(82 %)
Core earnings before income taxes	1,419	1,390	776	2 %	79 %
Pretax non-core special A&E charges	—	—	(47)	— %	(100 %)
Pretax non-core Neon exited lines (b)	—	4	(122)	(100 %)	(103 %)
GAAP earnings before income taxes and noncontrolling interests	$ 1,419	$ 1,394	$ 607	2 %	130 %

(a) Excludes a pretax non-core special A&E charge of $47 million in 2020.
(b) In December 2019, AFG initiated actions to exit the Lloyd's of London insurance market, which included placing its Lloyd's subsidiaries including its Lloyd's Managing Agency, Neon Underwriting Ltd. ("Neon"), into run-off. As discussed under *"Results of Operations — General,"* following the December 2019 decision to exit the Lloyd's of London insurance market, the results from the Neon exited lines are treated as non-core earnings (losses). Each line item in the table above has been adjusted to remove the impact from the Neon run-off operations in 2020. The following table details the impact of the Neon exited lines to each component of earnings (loss) before income taxes in the property and casualty insurance operations for the year ended December 31, 2020 (in millions):

	December 31, 2020		
	Excluding Neon exited lines	Neon exited lines	Total
Gross written premiums	$ 6,995	$ 92	$ 7,087
Reinsurance premiums ceded	(2,003)	(71)	(2,074)
Net written premiums	4,992	21	5,013
Change in unearned premiums	(93)	179	86
Net earned premiums	4,899	200	5,099
Loss and loss adjustment expenses	3,006	218	3,224
Commissions and other underwriting expenses	1,487	117	1,604
Underwriting gain (loss)	406	(135)	271
Net investment income	404	(5)	399
Gain on sale of subsidiaries	—	23	23
Other income and expenses, net	(34)	(5)	(39)
Earnings (loss) before income taxes and noncontrolling interests	776	(122)	654
Pretax non-core special A&E charges	(47)	—	(47)
GAAP earnings (loss) before income taxes and noncontrolling interests	$ 729	$ (122)	$ 607

Combined Ratios:	Year ended December 31, 2022	2021	2020	Change 2022 - 2021	2021 - 2020
Specialty lines					
Loss and LAE ratio	59.6 %	58.4 %	60.9 %	1.2 %	(2.5 %)
Underwriting expense ratio	27.6 %	28.0 %	30.4 %	(0.4 %)	(2.4 %)
Combined ratio	87.2 %	86.4 %	91.3 %	0.8 %	(4.9 %)
Aggregate — including exited lines					
Loss and LAE ratio	59.7 %	58.5 %	64.1 %	1.2 %	(5.6 %)
Underwriting expense ratio	27.6 %	28.0 %	31.4 %	(0.4 %)	(3.4 %)
Combined ratio	87.3 %	86.5 %	95.5 %	0.8 %	(9.0 %)

AFG reports the underwriting performance of its Specialty property and casualty insurance business in the following sub-segments: (i) Property and transportation, (ii) Specialty casualty and (iii) Specialty financial.

Gross Written Premiums

Gross written premiums ("GWP") for AFG's property and casualty insurance segment were $9.06 billion in 2022 compared to $7.95 billion in 2021, an increase of $1.11 billion (14%). GWP increased $859 million (12%) in 2021 compared to 2020. Detail of AFG's property and casualty gross written premiums is shown below (dollars in millions):

	Year ended December 31, 2022		2021		2020		% Change	
	GWP	%	GWP	%	GWP	%	2022 - 2021	2021 - 2020
Property and transportation	$ 4,060	45 %	$ 3,263	41 %	$ 2,813	40 %	24 %	16 %
Specialty casualty	4,115	45 %	3,890	49 %	3,444	49 %	6 %	13 %
Specialty financial	882	10 %	793	10 %	738	10 %	11 %	7 %
Total specialty	9,057	100 %	7,946	100 %	6,995	99 %	14 %	14 %
Neon exited lines	—	— %	—	— %	92	1 %	— %	(100 %)
Aggregate	$ 9,057	100 %	$ 7,946	100 %	$ 7,087	100 %	14 %	12 %

Reinsurance Premiums Ceded

Reinsurance premiums ceded ("Ceded") for AFG's property and casualty insurance segment were 31% of gross written premiums for the year ended December 31, 2022, 30% for the year ended December 31, 2021 and 29% for the year ended December 31, 2020, an increase of 1 percentage point for 2022 compared to 2021 and 1 percentage point for 2021 compared to 2020. Detail of AFG's property and casualty reinsurance premiums ceded is shown below (dollars in millions):

	Year ended December 31, 2022		2021		2020		Change in % of GWP	
	Ceded	% of GWP	Ceded	% of GWP	Ceded	% of GWP	2022 - 2021	2021 - 2020
Property and transportation	$ (1,545)	38 %	$ (1,106)	34 %	$ (926)	33 %	4 %	1 %
Specialty casualty	(1,387)	34 %	(1,350)	35 %	(1,140)	33 %	(1 %)	2 %
Specialty financial	(171)	19 %	(135)	17 %	(134)	18 %	2 %	(1 %)
Other specialty	252		218		197			
Total specialty	(2,851)	31 %	(2,373)	30 %	(2,003)	29 %	1 %	1 %
Neon exited lines	—	— %	—	— %	(71)	77 %	— %	(77 %)
Aggregate	$ (2,851)	31 %	$ (2,373)	30 %	$ (2,074)	29 %	1 %	1 %

Net Written Premiums

Net written premiums ("NWP") for AFG's property and casualty insurance segment were $6.21 billion in 2022 compared to $5.57 billion in 2021, an increase of $633 million (11%). NWP increased $560 million (11%) in 2021 compared to 2020. Detail of AFG's property and casualty net written premiums is shown below (dollars in millions):

	Year ended December 31,						% Change	
	2022		2021		2020		2022 - 2021	2021 - 2020
	NWP	%	NWP	%	NWP	%		
Property and transportation	$ 2,515	41 %	$ 2,157	39 %	$ 1,887	38 %	17 %	14 %
Specialty casualty	2,728	44 %	2,540	45 %	2,304	46 %	7 %	10 %
Specialty financial	711	11 %	658	12 %	604	12 %	8 %	9 %
Other specialty	252	4 %	218	4 %	197	4 %	16 %	11 %
Total specialty	6,206	100 %	5,573	100 %	4,992	100 %	11 %	12 %
Neon exited lines	—	— %	—	— %	21	— %	— %	(100 %)
Aggregate	$ 6,206	100 %	$ 5,573	100 %	$ 5,013	100 %	11 %	11 %

Net Earned Premiums

Net earned premiums ("NEP") for AFG's property and casualty insurance segment were $6.09 billion in 2022 compared to $5.40 billion in 2021, an increase of $681 million (13%). NEP increased $305 million (6%) in 2021 compared to 2020. Detail of AFG's property and casualty net earned premiums is shown below (dollars in millions):

	Year ended December 31,						% Change	
	2022		2021		2020		2022 - 2021	2021 - 2020
	NEP	%	NEP	%	NEP	%		
Property and transportation	$ 2,487	41 %	$ 2,144	40 %	$ 1,871	37 %	16 %	15 %
Specialty casualty	2,659	44 %	2,408	44 %	2,235	44 %	10 %	8 %
Specialty financial	698	11 %	642	12 %	613	12 %	9 %	5 %
Other specialty	241	4 %	210	4 %	180	3 %	15 %	17 %
Total specialty	6,085	100 %	5,404	100 %	4,899	96 %	13 %	10 %
Neon exited lines	—	— %	—	— %	200	4 %	— %	(100 %)
Aggregate	$ 6,085	100 %	$ 5,404	100 %	$ 5,099	100 %	13 %	6 %

The $1.11 billion (14%) increase in gross written premiums in 2022 compared to 2021 reflects growth in the crop insurance business. Excluding crop, gross and net written premiums increased 8% and 9%, respectively, compared to 2021 reflecting increased exposures, new business opportunities and renewal rate increases. Overall average renewal rates increased approximately 5% in 2022. Excluding the workers' compensation business, renewal pricing increased approximately 6%.

The $859 million (12%) increase in gross written premiums in 2021 compared to 2020 reflects an increase in each of the Specialty property and casualty sub-segments due primarily to an improving economy, new business opportunities, higher renewal rates and increased exposures. Overall average renewal rates increased approximately 9% in 2021. Excluding the workers' compensation business, renewal pricing increased nearly 12%.

Property and transportation Gross written premiums increased $797 million (24%) in 2022 compared to 2021 reflecting the impact of higher commodity futures prices on the crop insurance business. Excluding crop, gross and net written premiums grew 11% and 10%, respectively, reflecting new business opportunities, increased exposures and rate increases. Average renewal rates increased approximately 6% for this group in 2022. Reinsurance premiums ceded as a percentage of gross written premiums increased 4 percentage points in 2022 compared to 2021 reflecting growth in crop insurance products with higher cessions and higher cessions in the ocean marine business.

Gross written premiums increased $450 million (16%) in 2021 compared to 2020 due primarily to higher premiums in the crop insurance business as a result of higher commodity futures pricing and rate increases, higher premiums in the transportation businesses as a result of new accounts, combined with strong renewals and increased exposures in the alternative risk transfer business. Average renewal rates increased approximately 6% for this group in 2021. Reinsurance premiums ceded as a percentage of gross written premiums increased 1 percentage point in 2021 compared to 2020 reflecting growth in the crop insurance operations, which cede a larger percentage of premiums than the other businesses in the Property and transportation sub-segment and the impact of reinstatement premiums in 2021 related to winter storms in Texas and a large property loss.

Specialty casualty Gross written premiums increased $225 million (6%) in 2022 compared to 2021 due primarily to increased exposures in the excess and surplus businesses, rate increases and new business opportunities in the targeted markets businesses and increased exposures resulting from payroll growth and new business in the workers' compensation businesses. This premium growth was partially offset by lower year-over-year premiums in the mergers and acquisitions liability business. Average renewal rates increased approximately 5% for this group in 2022. Excluding overall rate decreases in the workers' compensation businesses, renewal rates for this group increased approximately 7% in 2022. Reinsurance premiums ceded as a percentage of gross written premiums decreased 1 percentage point in 2022 compared to 2021 reflecting lower cessions in the excess and surplus and excess liability businesses and lower gross written premiums in the mergers and acquisitions liability business, which cedes a larger percentage of premiums than the other businesses in the Specialty casualty sub-segment.

Gross written premiums increased $446 million (13%) in 2021 compared to 2020. Significant renewal rate increases and new business opportunities contributed to higher premiums in the excess and surplus businesses and renewal rate increases, strong account retention and new business opportunities contributed to premium growth in the targeted markets businesses. The mergers and acquisitions liability and executive liability businesses also contributed meaningfully to the year-over-year growth. Average renewal rates increased approximately 11% for this group in 2021. Excluding rate decreases in the workers' compensation business, renewal rates for this group increased approximately 17% in 2021. Reinsurance premiums ceded as a percentage of gross written premiums increased 2 percentage points in 2021 compared to 2020 reflecting growth in the excess and surplus, mergers and acquisitions liability and environmental businesses, which cede a larger percentage of premiums than the other businesses in the Specialty casualty sub-segment.

Specialty financial Gross written premiums increased $89 million (11%) in 2022 compared to 2021 due primarily to higher premiums in the financial institutions business related to lender-placed mortgage protection insurance, rate increases and new business opportunities in the fidelity and crime business and new business opportunities in the innovative markets and commercial equipment leasing businesses. Average renewal rates for this group increased approximately 5% in 2022. Reinsurance premiums ceded as a percentage of gross written premiums increased 2 percentage points in 2022 compared to 2021 reflecting the impact of reinstatement premiums related to Hurricane Ian and higher cessions in the innovative markets business.

Gross written premiums increased $55 million (7%) in 2021 compared to 2020 due primarily to renewal rate increases and new business opportunities within the lender services and fidelity businesses and the favorable impact of economic recovery in the surety business. Average renewal rates for this group increased approximately 7% in 2021. Reinsurance premiums ceded as a percentage of gross written premiums decreased 1 percentage point in 2021 compared to 2020 reflecting lower cessions in the financial institutions business due to reduced premiums from certain collateral protection insurance that is 100% reinsured.

Other specialty The amounts shown as reinsurance premiums ceded represent business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty property and casualty insurance sub-segments. Reinsurance premiums assumed increased $34 million (16%) in 2022 compared to 2021 reflecting an increase in premiums retained, primarily from businesses in the Specialty casualty sub-segment.

Reinsurance premiums assumed increased $21 million (11%) in 2021 compared to 2020 reflecting an increase in premiums retained, primarily from businesses in the Specialty casualty sub-segment.

Combined Ratio

The table below (dollars in millions) details the components of the combined ratio for AFG's property and casualty insurance segment for 2022, 2021 and 2020:

	Year ended December 31,			Change		Year ended December 31,		
	2022	2021	2020	2022 - 2021	2021 - 2020	2022	2021	2020
Property and transportation								
Loss and LAE ratio	69.8 %	65.1 %	64.6 %	4.7 %	0.5 %			
Underwriting expense ratio	21.9 %	22.0 %	25.8 %	(0.1 %)	(3.8 %)			
Combined ratio	91.7 %	87.1 %	90.4 %	4.6 %	(3.3 %)			
Underwriting profit						$ 208	$ 279	$ 181
Specialty casualty								
Loss and LAE ratio	54.7 %	58.1 %	62.5 %	(3.4 %)	(4.4 %)			
Underwriting expense ratio	26.5 %	26.2 %	27.5 %	0.3 %	(1.3 %)			
Combined ratio	81.2 %	84.3 %	90.0 %	(3.1 %)	(5.7 %)			
Underwriting profit						$ 500	$ 377	$ 223
Specialty financial								
Loss and LAE ratio	34.1 %	33.2 %	39.5 %	0.9 %	(6.3 %)			
Underwriting expense ratio	49.6 %	51.9 %	52.3 %	(2.3 %)	(0.4 %)			
Combined ratio	83.7 %	85.1 %	91.8 %	(1.4 %)	(6.7 %)			
Underwriting profit						$ 114	$ 96	$ 50
Total Specialty								
Loss and LAE ratio	59.6 %	58.4 %	60.9 %	1.2 %	(2.5 %)			
Underwriting expense ratio	27.6 %	28.0 %	30.4 %	(0.4 %)	(2.4 %)			
Combined ratio	87.2 %	86.4 %	91.3 %	0.8 %	(4.9 %)			
Underwriting profit						$ 780	$ 737	$ 426
Aggregate — including exited lines								
Loss and LAE ratio	59.7 %	58.5 %	64.1 %	1.2 %	(5.6 %)			
Underwriting expense ratio	27.6 %	28.0 %	31.4 %	(0.4 %)	(3.4 %)			
Combined ratio	87.3 %	86.5 %	95.5 %	0.8 %	(9.0 %)			
Underwriting profit						$ 776	$ 733	$ 224

The Specialty property and casualty insurance operations generated an underwriting profit of $780 million in 2022 compared to $737 million in 2021, an increase of $43 million (6%), reflecting higher underwriting profit in the Specialty casualty and Specialty financial sub-segments, partially offset by lower underwriting profit in the Property and transportation sub-segment. Underwriting results for the Specialty property and casualty insurance operations include $16 million in COVID-19 related losses (0.3 points on the combined ratio) in 2021. Overall catastrophe losses were $93 million (1.5 points on the combined ratio), including $5 million in net reinstatement premiums, for 2022 compared to catastrophe losses of $98 million (1.7 points), including $12 million in net reinstatement premiums, for 2021.

The Specialty property and casualty insurance operations generated an underwriting profit of $737 million in 2021 compared to $426 million in 2020, an increase of $311 million (73%), reflecting higher underwriting profit in each of the Specialty property and casualty sub-segments. Underwriting results for the Specialty property and casualty insurance operations include $16 million in COVID-19 related losses (0.3 points on the combined ratio) in 2021 compared to $95 million (1.9 points) in 2020. Overall catastrophe losses were $98 million (1.7 points on the combined ratio), including $12 million in net reinstatement premiums, for 2021 compared to catastrophe losses of $93 million (1.9 points), including $2 million in net reinstatement premiums, for 2020.

Property and transportation Underwriting profit for this group was $208 million in 2022 compared to $279 million in 2021, a decrease of $71 million (25%), reflecting lower year-over-year profitability in the crop operations compared to the very strong results in 2021 and lower underwriting profit in the transportation businesses, primarily the result of lower favorable prior year reserve development. Catastrophe losses were $45 million (1.9 points on the combined ratio), including $3 million in net reinstatement premiums, in 2022 compared to catastrophe losses of $58 million (2.7 points), including $9 million in net reinstatement premiums, in 2021.

Underwriting profit for this group was $279 million in 2021 compared to $181 million in 2020, an increase of $98 million (54%), reflecting higher underwriting profitability in the crop and ocean marine businesses. COVID-19 related losses for this group were $7 million (0.4 points on the combined ratio) in 2020. Catastrophe losses were $58 million (2.7 points on the combined ratio), including $9 million in net reinstatement premiums, in 2021 compared to catastrophe losses of $47 million (2.5 points) in 2020.

Specialty casualty Underwriting profit for this group was $500 million in 2022 compared to $377 million in 2021, an increase of $123 million (33%), reflecting higher year-over-year underwriting profit in the workers' compensation, excess and surplus, executive liability and mergers and acquisitions liability businesses. COVID-19 related losses were $9 million (0.4 points on the combined ratio) in 2021. Catastrophe losses were $11 million (0.5 points on the combined ratio) in 2022 compared to catastrophe losses of $10 million (0.4 points), including $1 million in net reinstatement premiums, in 2021.

Underwriting profit for this group was $377 million in 2021 compared to $223 million in 2020, an increase of $154 million (69%). This increase reflects higher underwriting profitability in the excess and surplus, excess liability, workers' compensation, targeted markets and general liability businesses in 2021 compared to 2020. See "*Neon exited lines*" below for information about AFG's exit from the Lloyd's of London insurance market in 2020. COVID-19 related losses were $9 million (0.4 points on the combined ratio) in 2021 compared to $60 million (2.7 points) in 2020, primarily in the workers' compensation and executive liability businesses. Catastrophe losses were $10 million (0.4 points on the combined ratio), including $1 million in net reinstatement premiums, in 2021 compared to catastrophe losses of $16 million (0.6 points), including $2 million in net reinstatement premiums, in 2020.

Specialty financial Underwriting profit for this group was $114 million in 2022 compared to $96 million in 2021, an increase of $18 million (19%) due primarily to higher year-over-year underwriting profit in the trade credit and financial institutions businesses. COVID-19 related losses were $7 million (1.1 points) in 2021. Catastrophe losses were $36 million (4.9 points on the combined ratio), including $3 million in net reinstatement premiums, in 2022 compared to catastrophe losses of $28 million (4.1 points), including $2 million in net reinstatement premiums, in 2021.

Underwriting profit for this group was $96 million in 2021 compared to $50 million in 2020, an increase of $46 million (92%) due primarily to higher year-over-year underwriting profitability in the surety, financial institutions, innovative markets and trade credit businesses. COVID-19 related losses were $7 million (1.1 points on the combined ratio) in 2021 compared to $26 million (4.3 points) in 2020, primarily related to trade credit insurance. Catastrophe losses were $28 million (4.1 points on the combined ratio), including $2 million in net reinstatement premiums, in 2021 compared to $26 million (4.3 points) in 2020.

Other specialty This group reported an underwriting loss of $42 million in 2022 compared to $15 million in 2021, an increase of $27 million (180%). This increase reflects higher losses in the business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty sub-segments (primarily losses from social inflation exposed operations in the Specialty casualty sub-segment) in 2022 compared to 2021.

This group reported an underwriting loss of $15 million in 2021 compared to $28 million in 2020, a decrease of $13 million (46%). This decrease reflects lower losses in the business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty sub-segments in 2021 compared to 2020.

Neon exited lines In December 2019, AFG initiated actions to exit the Lloyd's of London insurance market, which included placing its Lloyd's subsidiaries including its Lloyd's Managing Agency, Neon Underwriting Ltd., into run-off. In December 2020, AFG completed the sale of GAI Holding Bermuda and its subsidiaries, comprising the legal entities that own Neon. AFG recorded $135 million in non-core underwriting losses (including $19 million of net adverse prior year reserve development) related to this business in 2020. These losses were partially offset by a $53 million gain on the sale of Neon recorded in the fourth quarter of 2020.

Consistent with the treatment of other items that are not indicative of AFG's ongoing operations (both favorable and unfavorable), the $135 million underwriting loss at Neon and partially offsetting gain on sale in the fourth quarter of 2020 are treated as non-core.

Aggregate Aggregate underwriting results for AFG's property and casualty insurance segment include asbestos and environmental reserve charges of $47 million in 2020 and an underwriting loss of $135 million at Neon in 2020, due primarily to catastrophe losses, COVID-19 related charges and several large claims. See *"Asbestos and Environmental-related ("A&E") Insurance Reserves,"* under *"Uncertainties"* and *"Neon exited lines*" above. Aggregate underwriting results for AFG's property and casualty insurance segment also include adverse prior year reserve development of $4 million in both 2022 and 2021 and $20 million in 2020, related to business outside of the Specialty group that AFG no longer writes.

Losses and Loss Adjustment Expenses

AFG's overall loss and LAE ratio was 59.7%, 58.5% and 64.1% in 2022, 2021 and 2020, respectively. The components of AFG's property and casualty losses and LAE amounts and ratio are detailed below (dollars in millions):

	Year ended December 31,							
	Amount			Ratio			Change in Ratio	
	2022	2021	2020	2022	2021	2020	2022 - 2021	2021 - 2020
Property and transportation								
Current year, excluding COVID-19 related and catastrophe losses	$ 1,785	$ 1,448	$ 1,261	71.6 %	67.2 %	67.4 %	4.4 %	(0.2 %)
Prior accident years development	(92)	(103)	(107)	(3.7 %)	(4.8 %)	(5.7 %)	1.1 %	0.9 %
Current year COVID-19 related losses	—	—	7	— %	— %	0.4 %	— %	(0.4 %)
Current year catastrophe losses including the impact of net reinstatement premiums	42	49	47	1.9 %	2.7 %	2.5 %	(0.8 %)	0.2 %
Property and transportation losses and LAE and ratio	$ 1,735	$ 1,394	$ 1,208	69.8 %	65.1 %	64.6 %	4.7 %	0.5 %
Specialty casualty								
Current year, excluding COVID-19 related and catastrophe losses	$ 1,632	$ 1,521	$ 1,419	61.4 %	63.1 %	63.5 %	(1.7 %)	(0.4 %)
Prior accident years development	(190)	(140)	(97)	(7.2 %)	(5.8 %)	(4.3 %)	(1.4 %)	(1.5 %)
Current year COVID-19 related losses	—	9	60	— %	0.4 %	2.7 %	(0.4 %)	(2.3 %)
Current year catastrophe losses including the impact of net reinstatement premiums	11	9	14	0.5 %	0.4 %	0.6 %	0.1 %	(0.2 %)
Specialty casualty losses and LAE and ratio	$ 1,453	$ 1,399	$ 1,396	54.7 %	58.1 %	62.5 %	(3.4 %)	(4.4 %)
Specialty financial								
Current year, excluding COVID-19 related and catastrophe losses	$ 252	$ 231	$ 218	36.0 %	36.0 %	35.4 %	— %	0.6 %
Prior accident years development	(47)	(51)	(28)	(6.8 %)	(8.0 %)	(4.5 %)	1.2 %	(3.5 %)
Current year COVID-19 related losses	—	7	26	— %	1.1 %	4.3 %	(1.1 %)	(3.2 %)
Current year catastrophe losses including the impact of net reinstatement premiums	33	26	26	4.9 %	4.1 %	4.3 %	0.8 %	(0.2 %)
Specialty financial losses and LAE and ratio	$ 238	$ 213	$ 242	34.1 %	33.2 %	39.5 %	0.9 %	(6.3 %)
Total Specialty								
Current year, excluding COVID-19 related and catastrophe losses	$ 3,826	$ 3,334	$ 3,013	62.8 %	61.6 %	61.5 %	1.2 %	0.1 %
Prior accident years development	(289)	(283)	(213)	(4.7 %)	(5.2 %)	(4.4 %)	0.5 %	(0.8 %)
Current year COVID-19 related losses	—	16	95	— %	0.3 %	1.9 %	(0.3 %)	(1.6 %)
Current year catastrophe losses including the impact of net reinstatement premiums	88	86	91	1.5 %	1.7 %	1.9 %	(0.2 %)	(0.2 %)
Total Specialty losses and LAE and ratio	$ 3,625	$ 3,153	$ 2,986	59.6 %	58.4 %	60.9 %	1.2 %	(2.5 %)
Aggregate — including exited lines								
Current year, excluding COVID-19 related and catastrophe losses	$ 3,826	$ 3,334	$ 3,155	62.8 %	61.6 %	61.9 %	1.2 %	(0.3 %)
Prior accident years development	(285)	(279)	(127)	(4.7 %)	(5.2 %)	(2.5 %)	0.5 %	(2.7 %)
Current year COVID-19 related losses	—	16	115	— %	0.3 %	2.2 %	(0.3 %)	(1.9 %)
Current year catastrophe losses including the impact of net reinstatement premiums	88	86	128	1.6 %	1.8 %	2.5 %	(0.2 %)	(0.7 %)
Aggregate losses and LAE and ratio	$ 3,629	$ 3,157	$ 3,271	59.7 %	58.5 %	64.1 %	1.2 %	(5.6 %)

Current accident year losses and LAE, excluding COVID-19 related and catastrophe losses

The current accident year loss and LAE ratio, excluding COVID-19 related and catastrophe losses for AFG's Specialty property and casualty insurance operations was 62.8% in 2022, 61.6% in 2021 and 61.5% in 2020.

Property and transportation The 4.4 percentage points increase in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses in 2022 compared to 2021 is due primarily to lower profitability in the crop insurance business compared to the very strong results recorded in the 2021. Excluding crop, the loss and LAE ratio for the current year, excluding catastrophe losses was comparable to 2021.

The 0.2 percentage points decrease in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses in 2021 compared to 2020 reflects a decrease in the loss and LAE ratio in the crop insurance operations, partially offset by an increase in the loss and LAE ratio in the property and inland marine business.

Specialty casualty The 1.7 percentage points decrease in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses in 2022 compared to 2021 reflects favorable trends in workers' compensation and the impact of higher rates in the executive liability, excess and surplus and excess liability businesses.

The 0.4 percentage points decrease in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses in 2021 compared to 2020 reflects a decrease in the loss and LAE ratios of the excess and surplus businesses, partially offset by an increase in the loss and LAE ratios of the targeted markets businesses.

Specialty financial The loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses in 2022 is unchanged compared to the 2021 period.

The 0.6 percentage points increase in the loss and LAE ratio for the current year, excluding COVID-19 related and catastrophe losses in 2021 compared to 2020 reflects an increase in the loss and LAE ratio of the financial institutions and trade credit businesses, partially offset by a decrease in the loss and LAE ratio of the fidelity business.

Net prior year reserve development
AFG's Specialty property and casualty insurance operations recorded net favorable reserve development related to prior accident years of $289 million in 2022 compared to $283 million in 2021 and $213 million in 2020, increases of $6 million (2%) and $70 million (33%), respectively.

Property and transportation Net favorable reserve development of $92 million in 2022 reflects lower than anticipated losses in the crop business, lower than expected claim frequency in the trucking and ocean marine businesses and in the Singapore operations, lower than expected claim frequency and severity in the aviation business and lower than anticipated claim severity in the property and inland marine business.

Net favorable reserve development of $103 million in 2021 reflects lower than anticipated claim frequency and severity in the transportation businesses, lower than expected losses in the crop business, lower than expected claim severity in the ocean marine business and lower than expected claim frequency in the aviation business.

Net favorable reserve development of $107 million in 2020 reflects lower than expected claim frequency and severity in the aviation, transportation and agricultural businesses.

Specialty casualty Net favorable reserve development of $190 million in 2022 reflects lower than anticipated claim severity in the workers' compensation businesses and lower than expected claim frequency in the executive liability and excess and surplus businesses, partially offset by higher than anticipated claim severity in the general liability, umbrella and excess liability and certain targeted markets businesses.

Net favorable reserve development of $140 million in 2021 reflects lower than anticipated claim severity in the workers' compensation businesses, partially offset by higher than anticipated claim severity in the general liability and targeted markets businesses.

Net favorable reserve development of $97 million in 2020 reflects lower than anticipated claim severity in the workers' compensation businesses and lower than anticipated claim frequency in the executive liability business, partially offset by higher than expected claim frequency and severity in general liability contractor claims and the excess and surplus and excess liability businesses and higher than anticipated claim severity in the targeted markets businesses.

Specialty financial Net favorable reserve development of $47 million in 2022 reflects lower than anticipated claim frequency in the surety, trade credit and financial institutions businesses.

Net favorable reserve development of $51 million in 2021 reflects lower than anticipated claim frequency in the surety and trade credit businesses and lower than expected claim frequency and severity in the financial institutions business.

Net favorable reserve development of $28 million in 2020 reflects lower than anticipated claim frequency in the trade credit business and lower than anticipated claim frequency and severity in the financial institutions, fidelity and surety businesses.

Other specialty In addition to the development discussed above, total Specialty prior year reserve development includes net adverse reserve development of $40 million, $11 million and $19 million in 2022, 2021, and 2020, respectively. The net adverse reserve development reflects $44 million, $16 million and $24 million in 2022, 2021, and 2020, respectively, of net adverse development associated with AFG's internal reinsurance program, primarily related to social inflation exposed business assumed from the Specialty casualty sub-segment. This adverse reserve development is partially offset by the amortization of the deferred gains on the retroactive reinsurance transactions entered into in connection with the sale of businesses in 1998 and 2001.

Asbestos and environmental reserve charges As previously discussed under "*Uncertainties — Asbestos and Environmental-related ("A&E") Insurance Reserves*," AFG has established property and casualty reserves for claims related to environmental exposures and asbestos claims. While there were no charges recorded in the property and casualty insurance business in 2022 or 2021, a charge of $47 million was recorded in 2020 to increase reserves (net of reinsurance recoverable) for A&E exposures of AFG's property and casualty group (included in loss and loss adjustment expenses).

Neon exited lines AFG recorded net adverse prior year reserve development of $19 million in 2020 related to Neon's exited lines of business (included in loss and loss adjustment expenses). See *"Neon exited lines*" above for information about AFG's exit of the Lloyd's of London insurance market in 2020.

Aggregate Aggregate net prior accident years reserve development for AFG's property and casualty insurance segment includes the special A&E charges and reserve development related to the Neon exited lines mentioned above and net adverse reserve development of $4 million in both 2022 and 2021 and $20 million in 2020 related to business outside the Specialty group that AFG no longer writes.

Covid-19 related losses

During 2022, AFG's Specialty property and casualty insurance operations released $19 million of prior accident year COVID-19 reserves based on improved loss experience in the trade credit and workers' compensation businesses. In 2021, AFG's Specialty property and casualty insurance operations recorded $16 million in reserve charges related to COVID-19 primarily related to the workers' compensation and trade credit businesses, and recorded favorable development of approximately $19 million of accident year 2020 reserves primarily based on loss experience in the trade credit and executive liability businesses. Underwriting results for AFG's Specialty property and casualty insurance operations in 2020 include $95 million of reserve charges related to COVID-19. Approximately 70% of AFG's 2020 COVID-19 related losses were reported in the workers' compensation, executive liability and trade credit businesses, with the remainder spread across numerous other businesses. Given the uncertainties surrounding the ultimate number and scope of claims relating to the pandemic, approximately 50% of the $74 million in cumulative COVID-19 related losses are held as incurred but not reported reserves at December 31, 2022.

In addition, underwriting results for the Neon exited lines includes $20 million of COVID-19 related losses in 2020.

Catastrophe losses

AFG generally seeks to reduce its exposure to catastrophes through individual risk selection, including minimizing coastal and known fault-line exposures, and the purchase of reinsurance. AFG recorded net catastrophe losses of $88 million in 2022 primarily from winter storms in multiple regions of the United States in the first quarter, storms in multiple regions of the United States in the second quarter, Hurricane Ian in the third quarter and Winter Storm Elliott in the fourth quarter.

Catastrophe losses of $86 million in 2021 resulted primarily from winter storms in Texas in the first quarter; storms in multiple regions of the United States in the second, third and fourth quarters; Hurricane Ida in the third quarter and Kentucky tornadoes and Colorado fires in the fourth quarter.

Catastrophe losses of $128 million in 2020 resulted primarily from storms and tornadoes in multiple regions of the United States in the first quarter; storms and tornadoes in multiple regions of the United States and civil unrest in the second quarter; Hurricanes Hanna, Laura and Sally, Tropical Storm Isaias, storms and tornadoes in multiple regions of the United States and multiple wildfires in west coast states in the third quarter and Hurricanes Laura, Sally, Delta and Zeta and the Nashville explosion in the fourth quarter.

Commissions and Other Underwriting Expenses

AFG's property and casualty commissions and other underwriting expenses ("U/W Exp") were $1.68 billion in 2022 compared to $1.51 billion in 2021, an increase of $166 million (11%). AFG's underwriting expense ratio was 27.6% in 2022 compared to 28.0% in 2021, a decrease of 0.4 percentage points.

AFG's property and casualty U/W Exp were $1.51 billion in 2021 compared to $1.60 billion in 2020, a decrease of $90 million (6%). AFG's underwriting expense ratio was 28.0% in 2021 compared to 31.4% in 2020, a decrease of 3.4 percentage points.

Detail of AFG's property and casualty commissions and other underwriting expenses and underwriting expense ratios is shown below (dollars in millions):

	Year ended December 31,						Change in % of NEP	
	2022		2021		2020		2022 - 2021	2021 - 2020
	U/W Exp	% of NEP	U/W Exp	% of NEP	U/W Exp	% of NEP		
Property and transportation	$ 544	21.9 %	$ 471	22.0 %	$ 482	25.8 %	(0.1 %)	(3.8 %)
Specialty casualty	706	26.5 %	632	26.2 %	616	27.5 %	0.3 %	(1.3 %)
Specialty financial	346	49.6 %	333	51.9 %	321	52.3 %	(2.3 %)	(0.4 %)
Other specialty	84	34.7 %	78	37.2 %	68	38.5 %	(2.5 %)	(1.3 %)
Total Specialty	1,680	27.6 %	1,514	28.0 %	1,487	30.4 %	(0.4 %)	(2.4 %)
Neon exited lines	—		—		117			
Total Aggregate	$ 1,680	27.6 %	$ 1,514	28.0 %	$ 1,604	31.4 %	(0.4 %)	(3.4 %)

Property and transportation Commissions and other underwriting expenses as a percentage of net earned premiums were comparable in 2022 and 2021.

Commissions and other underwriting expenses as a percentage of net earned premiums decreased 3.8 percentage points in 2021 compared to 2020 reflecting higher profitability-based ceding commissions received from reinsurers in the crop business and the impact of higher premiums on the ratio in the property and inland marine business in 2021 compared to 2020.

Specialty casualty Commissions and other underwriting expenses as a percentage of net earned premiums increased 0.3 percentage points in 2022 compared to 2021 reflecting higher underwriting expenses in the workers' compensation business.

Commissions and other underwriting expenses as a percentage of net earned premiums decreased 1.3 percentage points in 2021 compared to 2020 reflecting higher ceding commissions received from reinsurers as a result of growth in the excess liability businesses.

Specialty financial Commissions and other underwriting expenses as a percentage of net earned premiums decreased 2.3 percentage points in 2022 compared to 2021 reflecting lower profit-based commissions to agents in 2022 compared to 2021, and lower underwriting expenses in the international operations.

Commissions and other underwriting expenses as a percentage of net earned premiums decreased 0.4 percentage points in 2021 compared to 2020 reflecting the impact of higher premiums on the ratio in 2021 compared to 2020.

Aggregate Aggregate commissions and other underwriting expenses for AFG's property and casualty insurance segment includes $117 million of underwriting expenses in the Neon run-off operations in 2020. See "*Neon exited lines*" above.

Property and Casualty Net Investment Income

Net investment income in AFG's property and casualty insurance operations was $683 million in 2022 compared to $663 million in 2021, an increase of $20 million (3%). Net investment income in AFG's property and casualty insurance operations was $663 million in 2021 compared to $404 million (excluding the Neon exited lines) in 2020, an increase of $259 million (64%). The average invested assets and overall yield earned on investments held by AFG's property and casualty insurance operations are provided below (dollars in millions):

	Year ended December 31,			2022 - 2021		2021 - 2020	
	2022	2021	2020	Change	% Change	Change	% Change
Net investment income:							
Net investment income, excluding alternative investments	$ 418	$ 323	$ 345	$ 95	29 %	$ (22)	(6 %)
Alternative investments	265	340	59	(75)	(22 %)	281	476 %
Total net investment income	$ 683	$ 663	$ 404	$ 20	3 %	$ 259	64 %
Average invested assets (at amortized cost)	$ 14,048	$ 12,944	$ 11,760	$ 1,104	9 %	$ 1,184	10 %
Yield (net investment income as a % of average invested assets)	4.86 %	5.12 %	3.44 %	(0.26 %)		1.68 %	
Tax equivalent yield (*)	4.96 %	5.25 %	3.56 %	(0.29 %)		1.69 %	

(*) Adjusts the yield on equity securities and tax-exempt bonds to the fully taxable equivalent yield.

The increase in the property and casualty insurance segment's net investment income in 2022 compared to 2021 reflects higher average investments and higher yields on fixed maturities, partially offset by lower returns on AFG's alternative investments (partnerships and similar investments and AFG-managed CLOs) as compared to the very strong performance of alternative investments in the prior year. The property and casualty insurance segment's overall yield on investments (net investment income as a percentage of average invested assets) was 4.86% in 2022 compared to 5.12% in 2021, a decrease of 0.26 percentage points as higher yields on fixed maturity investments were more than offset by lower returns on alternative investments. The annualized return earned on alternative investments was 13.2% in 2022 compared to 25.3% in 2021.

The increase in net investment income in 2021 compared to 2020 reflects significantly higher returns on alternative investments, partially offset by the effect of lower fixed maturity yields, lower short-term interest rates and lower dividend income. The property and casualty insurance segment's overall yield on investments was 5.12% in 2021 compared to 3.44% in 2020, an increase of 1.68 percentage points. The annualized return earned on alternative investments was 25.3% in 2021 compared to 6.6% in 2020.

In addition to the property and casualty segment's net investment income from ongoing operations discussed above, the Neon exited lines reported a $5 million loss in 2020 in net investment income, primarily from changes in the fair value of equity securities.

Property and Casualty Other Income and Expenses, Net

Other income and expenses, net for AFG's property and casualty insurance operations was a net expense of $40 million in 2022, $6 million in 2021 and $34 million in 2020, an increase of $34 million (567%) in 2022 compared to 2021 and a decrease of $28 million (82%) in 2021 compared to 2020. The table below details the items included in other income and expenses, net for AFG's property and casualty insurance operations (in millions):

	Year ended December 31,		
	2022	2021	2020
Other income:			
Income related to the sale of real estate	$ 1	$ 10	$ —
Other	11	17	8
Total other income	12	27	8
Other expenses:			
Amortization of intangibles	11	6	12
Interest expense on funds withheld	29	25	24
Other (*)	12	2	6
Total other expenses	52	33	42
Other income and expenses, net	$ (40)	$ (6)	$ (34)

(*) Includes $9 million of expenses in 2022 related to certain technology initiatives.

In addition to the property and casualty segment's other income and expenses, net from ongoing operations discussed above, the Neon exited lines incurred a net expense of $5 million in other income and expenses, net during 2020.

Holding Company, Other and Unallocated — Results of Operations

AFG's net GAAP pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $180 million in 2022 compared to $219 million in 2021, a decrease of $39 million (18%). AFG's net core pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $171 million in 2022 compared to $208 million in 2021, a decrease of $37 million (18%).

AFG's net GAAP pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $219 million in 2021 compared to $212 million in 2020, an increase of $7 million (3%). AFG's net core pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled $208 million in 2021 compared to $186 million in 2020, an increase of $22 million (12%).

The following table details AFG's GAAP and core loss from continuing operations before income taxes from operations outside of its property and casualty insurance segment in 2022, 2021 and 2020 (dollars in millions):

	Year ended December 31,			% Change	
	2022	2021	2020	2022 - 2021	2021 - 2020
Revenues:					
Net investment income	$ 24	$ 36	$ 12	(33 %)	200 %
Other income — P&C fees	89	80	67	11 %	19 %
Other income	33	22	19	50 %	16 %
Total revenues	146	138	98	6 %	41 %
Costs and Expenses:					
Property and casualty insurance — loss adjustment and underwriting expenses	38	33	21	15 %	57 %
Other expense — expenses associated with P&C fees	51	47	46	9 %	2 %
Other expenses (*)	143	172	129	(17 %)	33 %
Costs and expenses, excluding interest charges on borrowed money	232	252	196	(8 %)	29 %
Loss before income taxes, excluding realized gains and losses and interest charges on borrowed money	(86)	(114)	(98)	(25 %)	16 %
Interest charges on borrowed money	85	94	88	(10 %)	7 %
Core loss from continuing operations before income taxes, excluding realized gains and losses	(171)	(208)	(186)	(18 %)	12 %
Pretax non-core special A&E charges	—	—	(21)	— %	(100 %)
Pretax non-core loss on retirement of debt	(9)	—	(5)	— %	(100 %)
Pretax non-core loss on pension settlement	—	(11)	—	(100 %)	— %
GAAP loss from continuing operations before income taxes, excluding realized gains and losses	$ (180)	$ (219)	$ (212)	(18 %)	3 %

(*) Excludes pretax non-core losses on retirement of debt of $9 million in 2022 and $5 million in 2020, a pretax non-core loss of $11 million related to the settlement of pension liabilities of a small former manufacturing operation in 2021 and a pretax non-core special A&E charge of $21 million in 2020.

Holding Company and Other — Net Investment Income

AFG recorded net investment income on investments held outside of its property and casualty insurance segment of $24 million, $36 million and $12 million in 2022, 2021 and 2020, respectively. The $12 million (33%) decrease in 2022 compared to 2021 and the $24 million (200%) increase in 2021 compared to 2020 are due primarily to the impact of the stock market performance on a small portfolio of securities held by the parent company that are carried at fair value through net investment income, all of which were sold in 2022. These securities decreased in value by $7 million in 2022 compared to increasing in value by $14 million in 2021 and $5 million in 2020. Excluding the change in fair value of these equity securities, net investment income outside of AFG's property and casualty insurance segment increased $9 million in 2022 compared to 2021 and $15 million in 2021 compared to 2020 reflecting an increase in average investments, income from directly owned real estate investments acquired from the annuity subsidiaries in conjunction with the sale of the annuity business in May 2021 and, in 2022, the impact of higher interest rates.

Holding Company and Other — P&C Fees and Related Expenses

Summit, a workers' compensation insurance subsidiary, collects fees from a small group of unaffiliated insurers for providing underwriting, policy administration and claims services. In addition, certain of AFG's property and casualty insurance businesses collect fees from customers for ancillary services such as workplace safety programs and premium financing. In 2022, AFG collected $82 million in fees for these services compared to $73 million in 2021 and $67 million in 2020. Management views this fee income, net of the $51 million in 2022, $47 million in 2021 and $46 million in 2020, in expenses incurred to generate such fees, as a reduction in the cost of underwriting its property and casualty insurance policies. In addition, AFG's property and casualty insurance businesses collected $7 million in fees from AFG's disposed annuity operations in both 2022 and 2021 as compensation for certain services provided under a transition services agreement. The expenses related to providing such services are embedded in property and casualty underwriting expenses. Consistent with internal management reporting, all of these fees and the related expenses are netted and recorded as a reduction of commissions and other underwriting expenses in AFG's segmented results.

Holding Company and Other — Other Income

Other income in the table above includes $17 million in 2022, $16 million in 2021 and $15 million in 2020, in management fees paid to AFG by the AFG-managed CLOs (AFG's consolidated managed investment entities). The management fees are eliminated in consolidation — see the other income line in the Consolidated MIEs column under *"Results of Operations — Segmented Statement of Earnings."* Excluding amounts eliminated in consolidation, AFG recorded other income outside of its property and casualty insurance segment of $16 million in 2022, $6 million in 2021 and $4 million in 2020. The increase in 2022 compared to 2021 is due primarily to income from the sale of real estate in 2022.

Holding Company and Other — Other Expenses

Excluding the non-core loss on retirement of debt and the non-core loss on pension settlement discussed below, AFG's holding companies and other operations outside of its property and casualty insurance segment recorded other expenses of $143 million in 2022 compared to $172 million in 2021, a decrease of $29 million (17%). This decrease reflects lower holding company expenses related to deferred compensation obligations to employees that are tied to stock market performance, partially offset by higher charges to increase the liabilities related to the A&E exposures of AFG's former railroad and manufacturing operations.

Excluding the non-core special A&E charge, the non-core loss on retirement of debt and the non-core loss on pension settlement discussed below, AFG's holding companies and other operations outside of its property and casualty insurance segment recorded other expenses of $172 million in 2021 compared to $129 million in 2020, an increase of $43 million (33%). This increase reflects higher holding company expenses related to deferred compensation obligations to employees that are tied to stock market performance and higher expenses associated with certain incentive compensation plans that are tied to AFG's financial performance in 2021 compared to 2020.

Holding Company and Other — Interest Charges on Borrowed Money

AFG's holding companies and other operations outside of its property and casualty insurance segment recorded interest expense of $85 million in 2022, $94 million in 2021 and $88 million in 2020. The $9 million (10%) decrease in interest expense in 2022 compared to 2021 reflects lower average indebtedness and the $6 million (7%) increase in interest expense in 2021 compared to 2020 reflects higher average indebtedness. The following table details the principal amount of AFG's long-term debt balances as of December 31, 2022, December 31, 2021 and December 31, 2020 (dollars in millions):

	December 31,		
	2022	2021	2020
Direct obligations of AFG:			
4.50% Senior Notes due June 2047	$ 582	$ 590	$ 590
3.50% Senior Notes due August 2026	—	425	425
5.25% Senior Notes due April 2030	261	300	300
5.125% Subordinated Debentures due December 2059	200	200	200
4.50% Subordinated Debentures due September 2060	200	200	200
5.625% Subordinated Debentures due June 2060	150	150	150
5.875% Subordinated Debentures due March 2059	125	125	125
Other	3	3	3
Total principal amount of Holding Company Debt	$ 1,521	$ 1,993	$ 1,993
Weighted Average Interest Rate	4.9 %	4.6 %	4.6 %

The decrease in interest expense in 2022 compared to 2021 and the increase in interest expense in 2021 compared to 2020 reflect the following financial transactions completed by AFG between January 1, 2020 and December 31, 2022:

- Issued $300 million of 5.25% Senior Notes in April 2020
- Issued $150 million of 5.625% Subordinated Debentures in May 2020
- Issued $200 million of 4.50% Subordinated Debentures in September 2020
- Redeemed $150 million of 6% Subordinated Debentures in November 2020
- Redeemed $425 million of 3.50% Senior Notes in the first and second quarters of 2022
- Retired $8 million of 4.50% Senior Notes in the third and fourth quarters of 2022
- Retired $39 million of 5.25% Senior Notes in the third and fourth quarters of 2022

Holding Company and Other — Special A&E Charges

As a result of the in-depth internal reviews and comprehensive external study of A&E exposures discussed under *"Uncertainties — Asbestos and Environmental-related ("A&E") Insurance Reserves,"* AFG's holding companies and other operations outside of its property and casualty insurance segment recorded minor charges in 2022 and 2021, which are included in AFG's core operating earnings, compared to a pretax non-core special charge of $21 million in 2020 to increase liabilities related to the A&E exposures of AFG's former railroad and manufacturing operations. The charge is due to relatively small movements across several sites that reflect changes in the scope and costs of investigation and an increase in estimated ongoing operation and maintenance costs. AFG has also increased its reserve for asbestos and toxic substance exposures arising out of these operations. Total charges recorded to increase liabilities for A&E exposures of AFG's former railroad and manufacturing operations (included in other expenses) were $17 million in 2022, $9 million in 2021 and $28 million in 2020.

Holding Company and Other — Loss on Retirement of Debt

During 2022, AFG retired $472 million principal amount of its senior notes, which resulted in a $9 million pretax non-core loss. In November 2020, AFG redeemed its $150 million outstanding principal amount of 6% Subordinated Debentures due in 2055 and wrote off unamortized debt issuance costs of $5 million.

Holding Company and Other — Loss on Pension Settlement

In the second quarter of 2021, AFG settled pension liabilities related to a small former manufacturing operation resulting in a pretax non-core loss of $11 million.

Realized Gains (Losses) on Securities

AFG's realized gains (losses) on securities were net losses of $116 million in 2022 compared to net gains of $110 million in 2021, a change of $226 million (205%). AFG's consolidated realized gains (losses) on securities were net gains of $110 million in 2021 compared to net losses of $75 million in 2020, a change of $185 million (247%). Realized gains (losses) on securities consisted of the following (in millions):

	Year ended December 31,		
	2022	2021	2020
Realized gains (losses) before impairment allowances:			
Disposals	$ (15)	$ 5	$ 8
Change in the fair value of equity securities	(96)	110	(69)
Change in the fair value of derivatives	(12)	(6)	(1)
Other	10	—	—
	(113)	109	(62)
Change in allowance for impairments on securities	(3)	1	(13)
Realized gains (losses) on securities	$ (116)	$ 110	$ (75)

The $96 million net realized loss from the change in the fair value of equity securities in 2022 includes losses of $51 million on investments in banks and financing companies, $21 million on investments in media companies, $14 million on investments in healthcare companies, $7 million on investments in technology companies and $3 million on investments in retail companies, partially offset by gains of $17 million on investments in energy and natural gas companies.

The $110 million net realized gain from the change in the fair value of equity securities in 2021 includes gains of $29 million on investments in energy and natural gas companies, $18 million on investments in banks and financing companies, $17 million on investments in media companies, $14 million on investments in healthcare companies and $9 million on investments in capital goods companies.

The $69 million net realized loss from the change in the fair value of equity securities in 2020 includes losses of $24 million on investments in banks and financing companies, $31 million on investments in energy and natural gas companies, $14 million on real estate investment trusts, $11 million from investments in media companies and $5 million on investments in insurance companies.

Realized Gain on Subsidiaries

In 2021, AFG recognized a pretax gain on sale of subsidiary of $4 million related to contingent consideration received on the sale of Neon. See *"Results of Operations — General"* for the discussion of the December 2019 decision to exit the Lloyd's of London insurance market.

In 2020, AFG recorded a $23 million gain on the sale of GAI Holding Bermuda and its subsidiaries, comprising the legal entities that own Neon, to RiverStone Holdings Limited. See *Note C — "Acquisitions and Sale of Businesses"* to the financial statements.

Consolidated Income Taxes on Continuing Operations

AFG's consolidated provision for income taxes on continuing operations was $225 million in 2022 compared to $254 million in 2021, a decrease of $29 million (11%). AFG's consolidated provision for income taxes on continuing operations was $254 million in 2021 compared to $25 million in 2020, an increase of $229 million (916%). See *Note M — "Income Taxes"* to the financial statements for an analysis of items affecting AFG's effective tax rate.

Consolidated Noncontrolling Interests in Continuing Operations

AFG's consolidated net earnings (loss) from continuing operations attributable to noncontrolling interests was a net loss of $11 million in 2020 reflecting losses at Neon, which was sold in 2020. See *Note C — "Acquisitions and Sale of Businesses"* to the financial statements.

Real Estate Entities Acquired from the Annuity Operations

Beginning with the first quarter of 2021, the results of the disposed annuity businesses are reported as discontinued operations, in accordance with GAAP, which included adjusting prior period results to reflect these operations as discontinued. Prior to the completion of the sale, AFG's property and casualty insurance operations acquired certain real estate-related partnerships and AFG parent acquired certain directly owned real estate from those operations. GAAP pretax earnings from continuing operations includes the earnings from these entities through the May 31, 2021 effective date of the sale and certain other expenses that will be retained from the annuity operations.

The retained real estate entities contributed $51 million in GAAP pretax earnings through the May 31, 2021 effective date of the sale compared to $49 million in 2020, an increase of $2 million (4%). This increase reflects higher earnings from the real estate-related partnerships through the sale date compared to 2020.

Discontinued Annuity Operations

AFG's discontinued annuity operations, which were sold on May 31, 2021, contributed $324 million in GAAP pretax earnings (excluding the gain on the sale of the annuity operations) in 2021 compared to $509 million in 2020, a decrease of $185 million (36%), reflecting the following:

- lower net realized gains on securities through the date of the sale in May 2021 compared to 2020,
- significantly higher earnings from partnerships and similar investments,
- the negative impact from the run-off of higher yielding investments and lower short-term interest rates,
- the positive impact of strong stock market performance in 2021,
- the negative impact of lower than expected interest rates in both 2021 and 2020 on the accounting for fixed indexed annuities ("FIAs"),
- the negative impact of unlocking actuarial assumptions in the third quarter of 2020, and
- the negative impact of the amortization of the deferred loss related to the annuity block reinsurance transaction entered into in the fourth quarter of 2020 and other reinsurance impacts in 2021.

The following table details AFG's earnings before and after income taxes and the gain on the sale from its discontinued annuity operations for the years ended December 31, 2021 and 2020 (dollars in millions):

	Year ended December 31,		% Change
	2021 (*)	2020	2021 - 2020
Pretax annuity earnings historically reported as core operating earnings:			
Pretax annuity earnings before items below	$ 106	$ 325	(67 %)
Earnings on partnerships and similar investments	139	15	827 %
Total pretax annuity earnings historically reported as core operating earnings	245	340	(28 %)
Pretax amounts previously reported outside of annuity core earnings:			
Unlocking	—	(46)	(100 %)
Impact of reinsurance, derivatives related to FIAs and other impacts of changes in the stock market and interest rates on FIAs over or under option costs	(33)	(142)	(77 %)
Realized gains on securities	112	365	(69 %)
Run-off life and long-term care	—	(8)	(100 %)
Total pretax amounts previously reported outside of annuity core earnings	79	169	(53 %)
GAAP pretax earnings from discontinued annuity operations, excluding the gain on the sale of the discontinued annuity operations	324	509	(36 %)
Provision for income taxes	66	102	(35 %)
GAAP net earnings from discontinued annuity operations, excluding the sale of the discontinued annuity operations	258	407	(37 %)
Gain on sale of discontinued annuity operations, net of tax	656	—	— %
GAAP net earnings from discontinued annuity operations	$ 914	$ 407	125 %

(*) Results through the May 31, 2021 effective date of the sale.

RECENTLY ADOPTED ACCOUNTING STANDARDS

See *Note A — "Accounting Policies — Credit Losses on Financial Instruments"* to the financial statements for a discussion of accounting guidance adopted on January 1, 2020, which provides a new credit loss model for determining credit-related impairments for financial instruments measured at amortized cost (mortgage loans, premiums receivable and reinsurance recoverables) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures.

ACCOUNTING STANDARDS TO BE ADOPTED

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"), as amended in December 2022 by Accounting Standards Update No. 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 ("ASU 2022-06"). ASU 2020-04 provides guidance to alleviate the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform. The provisions apply only to those transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. Adoption of the provisions of ASU 2020-04 are optional and are effective from March 12, 2020 through December 31, 2024, as amended by ASU 2022-06. As of December 31, 2022, AFG has not adopted any expedients or exceptions under ASU 2020-04. Management does not believe that the reference rate reform or the adoption of this guidance will have a material impact on AFG's results of operations or financial condition.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the potential economic loss arising from adverse changes in the fair value of financial instruments. AFG's exposures to market risk relate primarily to its investment portfolio, which is exposed to interest rate risk and, to a lesser extent, equity price risk. To a much lesser extent, AFG's long-term debt is also exposed to interest rate risk.

Fixed Maturity Interest Rate Risk In general, the fair value of AFG's fixed maturity investments is inversely correlated to changes in interest rates. AFG's fixed maturity portfolio is comprised of primarily fixed-rate investments with intermediate-term maturities. This practice is designed to allow flexibility in reacting to fluctuations of interest rates. The portfolios of AFG's insurance operations are managed with an attempt to achieve an adequate risk-adjusted return while maintaining sufficient liquidity to meet policyholder obligations.

Consistent with the discussion in *Item 7 — Management's Discussion and Analysis — "Investments,"* the following table demonstrates the sensitivity of the fair value of AFG's fixed maturity portfolio to reasonably likely changes in interest rates by illustrating the estimated effect on AFG's fixed maturity portfolio that an immediate increase of 100 basis points in the interest rate yield curve would have at December 31 (based on the duration of the portfolio, dollars in millions). Effects of increases or decreases from the 100 basis points illustrated would be approximately proportional.

	2022	2021
Fair value of fixed maturity portfolio	$ 10,127	$ 10,385
Percentage impact on fair value of 100 bps increase in interest rates	(3.0 %)	(2.0 %)
Pretax impact on fair value of fixed maturity portfolio	$ (304)	$ (208)

Equity Price Risk AFG's equity securities are reported at fair value with holding gains and losses recognized in net earnings. At December 31, 2022 and 2021, the fair value of AFG's equity securities totaled $1.01 billion and $1.04 billion, respectively. These investments are exposed to price risk, which is the potential loss arising from decreases in fair value. Market prices of equity securities, in general, are subject to fluctuations, which could cause future values to differ significantly from the current reported values. General economic swings influence the performance of the underlying industries and companies within those industries. Industry and company-specific risks also have the potential to substantially affect the value of AFG's portfolio.

AFG utilizes a total return swap to offset changes in liabilities related to the equity price risk of certain deferred compensation arrangements. Gains or losses from changes in fair value of the total return swap are generally offset by changes in the carrying value of the related liabilities, both of which are included in other expenses.

Long-Term Debt The following table shows scheduled principal payments on fixed-rate long-term debt of AFG and its subsidiaries and related weighted average interest rates for each of the subsequent five years and for all years thereafter (dollars in millions):

	December 31, 2022			December 31, 2021	
	Scheduled Principal Payments	Rate		Scheduled Principal Payments	Rate
2023	$ —	— %	2022	$ —	— %
2024	—	— %	2023	—	— %
2025	—	— %	2024	—	— %
2026	—	— %	2025	—	— %
2027	—	— %	2026	425	3.5 %
Thereafter	1,521	4.9 %	Thereafter	1,568	4.9 %
Total	$ 1,521	4.9 %	Total	$ 1,993	4.6 %
Fair Value	$ 1,302		Fair Value	$ 2,261	

Item 8. Financial Statements and Supplementary Data

Item 9A. Controls and Procedures

AFG's management, with participation of its Co-Chief Executive Officers and its Chief Financial Officer, has evaluated AFG's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15) as of the end of the period covered by this report. Based on that evaluation, AFG's Co-CEOs and CFO concluded that the controls and procedures are effective. There have been no changes in AFG's internal control over financial reporting during the fourth fiscal quarter of 2022 that materially affected, or are reasonably likely to materially affect, AFG's internal control over financial reporting.

In the ordinary course of business, AFG and its subsidiaries routinely enhance their information systems by either upgrading current systems or implementing new systems. During the first quarter of 2022, AFG implemented a new general ledger, accounting and financial reporting system. The new general ledger system was implemented in order to provide a consistent system platform for AFG's subsidiaries, enhance overall efficiency and streamline management reporting and analysis. This change in systems was subject to thorough testing and review both before and after final implementation. This implementation has not materially affected, and management does not expect it to materially affect, AFG's internal controls.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AFG's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including AFG's Co-Chief Executive Officers and Chief Financial Officer, AFG conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2022, based on the criteria set forth in "Internal Control — Integrated Framework" issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

There are inherent limitations to the effectiveness of any system of internal controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective internal controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on AFG's evaluation, management concluded that internal control over financial reporting was effective as of December 31, 2022. The attestation report of AFG's independent registered public accounting firm on AFG's internal control over financial reporting as of December 31, 2022, is set forth on the next page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the shareholders and Board of Directors of American Financial Group, Inc. and subsidiaries

Opinion on Internal Control Over Financial Reporting

We have audited American Financial Group, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, American Financial Group, Inc. and subsidiaries (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet of the Company as of December 31, 2022 and 2021, the related consolidated statements of earnings, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) and our report dated February 24, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Cincinnati, Ohio
February 24, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of American Financial Group, Inc. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of American Financial Group, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of earnings, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Valuation of investments in fixed maturity securities
Description of the Matter	As of December 31, 2022, the fair value of the Company's fixed maturity securities totaled $10.13 billion, a portion of which are valued based on internally developed prices, using significant inputs not based on, or corroborated by, observable market information, or which are valued based on non-binding broker quotes. The fair values of these securities are determined by management applying the methodologies outlined in Note E to the consolidated financial statements. The credit spread applied by management for internally developed fixed maturity investment values and the lack of visibility into assumptions used in non-binding broker quotes are significant unobservable inputs, which create greater subjectivity when determining the fair values. Credit spread inputs are developed based on management's review of trade activity for comparable securities and credit spreads over the treasury yield of securities with a similar duration. Auditing the fair value of the fixed maturity securities that use unobservable inputs was complex and highly judgmental due to the judgment used by the Company in determining unobservable inputs and assumptions to estimate the securities' fair value. Significant unobservable inputs and assumptions include credit spreads over the treasury yield and non-binding broker quotes.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's valuation process for the fixed maturity securities priced using unobservable inputs. This included, among others, testing controls over investment pricing and the development and review of significant inputs and assumptions used in determining the fair values. To test the Company's investment fair values, our audit procedures included, among others, comparing the fair values for a sample of securities to pricing service values or internally developed cash flow models. With the assistance of our valuation specialists, we evaluated the valuation methodologies used by the Company and compared the Company's fair value estimate to an independently calculated range of fair value estimates for a sample of securities. We evaluated information that corroborated or contradicted the Company's fair value estimates, including observable spreads and transaction data for similar securities.
	Unpaid losses and loss adjustment expenses
Description of the Matter	As of December 31, 2022, the Company's unpaid losses and loss adjustment expenses reserve liabilities net of reinsurance recoverables, net of allowance, ("reserves") totaled $8.21 billion as disclosed in Note O to the consolidated financial statements. This liability represents management's best estimate of the ultimate net cost of all unpaid losses and loss adjustment expenses and is determined by using case-basis evaluations, actuarial projections, and management's judgment. Estimating the reserves is inherently judgmental and is influenced by factors that are subject to significant variation, particularly for lines of business that develop or are paid over a long period of time or that contain exposures with high potential severities, such as workers' compensation, other liability, and asbestos and environmental. Auditing management's best estimate of reserves was complex because it required the involvement of our actuarial specialists due to the highly judgmental nature of the assumptions used in the evaluation process. The significant judgment was primarily due to the sensitivity of management's best estimate to the selection and weighting of actuarial methods, loss development factors, expected loss ratios, and estimated inflation. These assumptions have a significant effect on the valuation of reserves.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the process for estimating reserves. This included, among others, the review and approval processes that management has in place for the methods and assumptions used in estimating the reserves. With the assistance of actuarial specialists, our audit procedures included, among others, an evaluation of the Company's selection and weighting of actuarial methods used, including consideration of methods used in prior periods and those used in the industry for the specific types of insurance. To evaluate the significant assumptions used by management, we compared the significant assumptions, including loss development factors, expected loss ratios, and inflation, to factors historically used and current industry benchmarks. We also performed a review of the development of prior years' reserve estimates. With the assistance of actuarial specialists, we established an independent range of reasonable reserve estimates, which we compared to management's best estimate.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1961.
Cincinnati, Ohio
February 24, 2023

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars in Millions)

	December 31, 2022	December 31, 2021
Assets:		
Cash and cash equivalents	$ 872	$ 2,131
Investments:		
Fixed maturities, available for sale at fair value (amortized cost — $10,736 and $10,193; allowance for expected credit losses of $11 and $9)	10,095	10,357
Fixed maturities, trading at fair value	32	28
Equity securities, at fair value	1,010	1,042
Investments accounted for using the equity method	1,700	1,517
Mortgage loans	676	520
Real estate and other investments	127	150
Total cash and investments	14,512	15,745
Recoverables from reinsurers	3,977	3,519
Prepaid reinsurance premiums	917	834
Agents' balances and premiums receivable	1,339	1,265
Deferred policy acquisition costs	288	267
Assets of managed investment entities	5,447	5,296
Other receivables	886	857
Other assets	1,219	902
Goodwill	246	246
Total assets	$ 28,831	$ 28,931
Liabilities and Equity:		
Unpaid losses and loss adjustment expenses	$ 11,974	$ 11,074
Unearned premiums	3,246	3,041
Payable to reinsurers	1,035	920
Liabilities of managed investment entities	5,332	5,220
Long-term debt	1,496	1,964
Other liabilities	1,696	1,700
Total liabilities	24,779	23,919
Shareholders' equity:		
Common Stock, no par value — 200,000,000 shares authorized — 85,204,006 and 84,920,965 shares outstanding	85	85
Capital surplus	1,368	1,330
Retained earnings	3,142	3,478
Accumulated other comprehensive income (loss), net of tax	(543)	119
Total shareholders' equity	4,052	5,012
Total liabilities and shareholders' equity	$ 28,831	$ 28,931

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(In Millions, Except Per Share Data)

	Year ended December 31, 2022	2021	2020
Revenues:			
Property and casualty insurance net earned premiums	$ 6,085	$ 5,404	$ 5,099
Net investment income	717	730	461
Realized gains (losses) on:			
Securities	(116)	110	(75)
Subsidiaries	—	4	23
Income of managed investment entities:			
Investment income	268	181	201
Gain (loss) on change in fair value of assets/liabilities	(31)	10	(20)
Other income	117	113	80
Total revenues	7,040	6,552	5,769
Costs and Expenses:			
Property and casualty insurance:			
Losses and loss adjustment expenses	3,629	3,157	3,271
Commissions and other underwriting expenses	1,718	1,547	1,625
Interest charges on borrowed money	85	94	88
Expenses of managed investment entities	230	155	167
Other expenses	255	264	279
Total costs and expenses	5,917	5,217	5,430
Earnings from continuing operations before income taxes	1,123	1,335	339
Provision for income taxes	225	254	25
Net earnings from continuing operations, including noncontrolling interests	898	1,081	314
Net earnings from discontinued operations	—	914	407
Net earnings, including noncontrolling interests	898	1,995	721
Less: Net earnings (loss) from continuing operations attributable to noncontrolling interests	—	—	(11)
Net Earnings Attributable to Shareholders	$ 898	$ 1,995	$ 732
Earnings Attributable to Shareholders per Basic Common Share from:			
Continuing operations	$ 10.55	$ 12.70	$ 3.66
Discontinued operations	—	10.74	4.59
Total basic earnings attributable to shareholders	$ 10.55	$ 23.44	$ 8.25
Earnings Attributable to Shareholders per Diluted Common Share:			
Continuing operations	$ 10.53	$ 12.62	$ 3.63
Discontinued operations	—	10.68	4.57
Total diluted earnings attributable to shareholders	$ 10.53	$ 23.30	$ 8.20
Average number of Common Shares:			
Basic	85.1	85.1	88.7
Diluted	85.3	85.6	89.2

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In Millions)

	Year ended December 31,		
	2022	2021	2020
Net earnings, including noncontrolling interests	$ 898	$ 1,995	$ 721
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on securities:			
Unrealized holding gains (losses) on securities arising during the period	(647)	(218)	700
Reclassification adjustment for realized (gains) losses included in net earnings	14	(17)	(307)
Reclassification adjustment for unrealized gains of subsidiaries sold	—	(884)	—
Total net unrealized gains (losses) on securities	(633)	(1,119)	393
Net unrealized gains (losses) on cash flow hedges:			
Unrealized holding gains (losses) on cash flow hedges arising during the period	(29)	(1)	56
Reclassification adjustment for investment income included in net earnings	—	(11)	(32)
Reclassification adjustment for unrealized gains on cash flow hedges of subsidiaries sold	—	(29)	—
Total net unrealized gains (losses) on cash flow hedges	(29)	(41)	24
Foreign currency translation adjustments	(2)	(2)	(1)
Pension and other postretirement plans adjustments (“OPRP”):			
Unrealized holding gains (losses) on pension and OPRP arising during the period	2	(1)	(1)
Reclassification adjustment for pension settlement loss included in net earnings	—	9	1
Total pension and OPRP adjustments	2	8	—
Other comprehensive income (loss), net of tax	(662)	(1,154)	416
Total comprehensive income, net of tax	236	841	1,137
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	—	(9)
Comprehensive income attributable to shareholders	$ 236	$ 841	$ 1,146

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Dollars in Millions)

	Common Shares	Shareholders' Equity: Common Stock and Capital Surplus	Shareholders' Equity: Retained Earnings	Shareholders' Equity: Accumulated Other Comp. Inc. (Loss)	Shareholders' Equity: Total	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at December 31, 2019	90,303,686	$ 1,397	$ 4,009	$ 863	$ 6,269	$ —	$ 6,269	$ —
Cumulative effect of accounting change	—	—	7	—	7	—	7	—
Net earnings (loss)	—	—	732	—	732	2	734	(13)
Other comprehensive income	—	—	—	414	414	—	414	2
Dividends ($3.85 per share)	—	—	(336)	—	(336)	—	(336)	—
Shares issued:								
Exercise of stock options	328,471	14	—	—	14	—	14	—
Restricted stock awards	227,867	—	—	—	—	—	—	—
Other benefit plans	143,270	10	—	—	10	—	10	—
Dividend reinvestment plan	18,690	2	—	—	2	—	2	—
Stock-based compensation expense	—	20	—	—	20	—	20	—
Shares acquired and retired	(4,531,394)	(70)	(243)	—	(313)	—	(313)	—
Shares exchanged — benefit plans	(101,663)	(2)	(9)	—	(11)	—	(11)	—
Forfeitures of restricted stock	(43,681)	—	—	—	—	—	—	—
Other	—	(4)	(11)	(4)	(19)	(2)	(21)	11
Balance at December 31, 2020	86,345,246	$ 1,367	$ 4,149	$ 1,273	$ 6,789	$ —	$ 6,789	$ —
Net earnings	—	—	1,995	—	1,995	—	1,995	
Other comprehensive loss	—	—	—	(1,154)	(1,154)	—	(1,154)	
Dividends ($28.06 per share)	—	—	(2,382)	—	(2,382)	—	(2,382)	
Shares issued:								
Exercise of stock options	1,208,964	59	—	—	59	—	59	
Restricted stock awards	207,020	—	—	—	—	—	—	
Other benefit plans	81,286	10	—	—	10	—	10	
Dividend reinvestment plan	69,095	8	—	—	8	—	8	
Stock-based compensation expense	—	16	—	—	16	—	16	
Shares acquired and retired	(2,777,684)	(44)	(275)	—	(319)	—	(319)	
Shares exchanged — benefit plans	(92,209)	(1)	(9)	—	(10)	—	(10)	
Forfeitures of restricted stock	(120,753)	—	—	—	—	—	—	
Balance at December 31, 2021	84,920,965	$ 1,415	$ 3,478	$ 119	$ 5,012	$ —	$ 5,012	
Net earnings	—	—	898	—	898	—	898	
Other comprehensive loss	—	—	—	(662)	(662)	—	(662)	
Dividends ($14.31 per share)	—	—	(1,217)	—	(1,217)	—	(1,217)	
Shares issued:								
Exercise of stock options	182,054	7	—	—	7	—	7	
Restricted stock awards	151,080	—	—	—	—	—	—	
Other benefit plans	78,460	10	—	—	10	—	10	
Dividend reinvestment plan	33,794	4	—	—	4	—	4	
Stock-based compensation expense	—	19	—	—	19	—	19	
Shares acquired and retired	(89,368)	(1)	(10)	—	(11)	—	(11)	
Shares exchanged — benefit plans	(57,420)	(1)	(7)	—	(8)	—	(8)	
Forfeitures of restricted stock	(15,559)	—	—	—	—	—	—	
Balance at December 31, 2022	85,204,006	$ 1,453	$ 3,142	$ (543)	$ 4,052	$ —	$ 4,052	

See notes to consolidated financial statements.

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Millions)

	Year ended December 31, 2022	2021	2020
Operating Activities:			
Net earnings, including noncontrolling interests	$ 898	$ 1,995	$ 721
Adjustments:			
Depreciation and amortization	100	187	299
Annuity benefits	—	377	1,192
Realized gains on investing activities	110	(1,131)	(313)
Net (purchases) sales of trading securities	(2)	(5)	20
Deferred annuity and life policy acquisition costs	—	(98)	(154)
Change in:			
Reinsurance and other receivables	(644)	(350)	(533)
Other assets	(138)	344	138
Insurance claims and reserves	1,105	912	812
Payable to reinsurers	115	113	13
Other liabilities	(69)	(70)	(71)
Managed investment entities' assets/liabilities	(183)	(144)	25
Other operating activities, net	(139)	(416)	34
Net cash provided by operating activities	1,153	1,714	2,183
Investing Activities:			
Purchases of:			
Fixed maturities	(4,387)	(7,978)	(10,335)
Equity securities	(239)	(193)	(404)
Mortgage loans	(273)	(218)	(372)
Equity index options and other investments	(141)	(391)	(897)
Real estate, property and equipment	(86)	(62)	(60)
Businesses	(10)	(123)	(3)
Proceeds from:			
Maturities and redemptions of fixed maturities	2,511	5,035	5,749
Repayments of mortgage loans	118	84	84
Sales of fixed maturities	1,294	745	3,729
Sales of equity securities	174	523	656
Sales and settlements of equity index options and other investments	141	584	988
Sales of real estate, property and equipment	31	46	5
Sales of businesses	—	3,581	3
Cash and cash equivalents of businesses acquired and sold	—	(2,058)	(425)
Managed investment entities:			
Purchases of investments	(1,515)	(2,155)	(1,502)
Proceeds from sales and redemptions of investments	1,335	2,112	1,221
Other investing activities, net	(4)	32	(1)
Net cash used in investing activities	(1,051)	(436)	(1,564)
Financing Activities:			
Additional long-term borrowings	—	—	634
Reductions of long-term debt	(477)	—	(150)
Issuances of Common Stock	16	66	22
Repurchases of Common Stock	(11)	(319)	(313)
Cash dividends paid on Common Stock	(1,213)	(2,374)	(334)
Annuity receipts	—	2,403	4,287
Ceded annuity receipts	—	(311)	(492)
Annuity surrenders, benefits and withdrawals	—	(1,931)	(3,711)
Ceded annuity surrenders, benefits and withdrawals	—	282	206
Net transfers from variable annuity assets	—	34	61
Cash transferred in annuity reinsurance	—	—	(554)
Issuances of managed investment entities' liabilities	1,206	2,883	429
Retirements of managed investment entities' liabilities	(882)	(2,690)	(208)
Net cash used in financing activities	(1,361)	(1,957)	(123)
Net Change in Cash and Cash Equivalents	(1,259)	(679)	496
Cash and cash equivalents at beginning of year	2,131	2,810	2,314
Cash and cash equivalents at end of year	$ 872	$ 2,131	$ 2,810

See notes to consolidated financial statements.

INDEX TO NOTES

A. Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of American Financial Group, Inc. and its subsidiaries ("AFG"). Certain reclassifications have been made to prior years to conform to the current year's presentation, including reclassifying the earnings of the Annuity subsidiaries sold in May 2021 to net earnings from discontinued operations. See *Note B — "Discontinued Operations."* All significant intercompany balances and transactions have been eliminated. The results of operations of companies since their formation or acquisition are included in the consolidated financial statements. Events or transactions occurring subsequent to December 31, 2022, and prior to the filing of this Form 10-K, have been evaluated for potential recognition or disclosure herein.

Unless otherwise stated, the information in the Notes to the Consolidated Financial Statements relates to AFG's continuing operations.

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Changes in circumstances could cause actual results to differ materially from those estimates.

Discontinued Operations Disposals of components of an entity that represent a strategic shift and that have a major effect on a reporting entity's operations and financial results are reported as discontinued operations.

Fair Value Measurements Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The standards establish a hierarchy of valuation techniques based on whether the assumptions that market participants would use in pricing the asset or liability ("inputs") are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect AFG's assumptions about the assumptions market participants would use in pricing the asset or liability. Other than the purchase price allocation for its acquisition in 2021 (*see Note C — "Acquisitions and Sale of Businesses")*, AFG did not have any material nonrecurring fair value measurements in 2022 or 2021.

Credit Losses on Financial Instruments On January 1, 2020, AFG adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which provides a new loss model for determining credit-related impairments for financial instruments measured at amortized cost (mortgage loans, premiums receivable and reinsurance recoverables) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses considers historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. Expected credit losses, and subsequent increases or decreases in such expected losses, are recorded immediately through net earnings as an allowance that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet at the amount expected to be collected. At the date of adoption, the impact of adjusting AFG's existing allowances for uncollectable mortgage loans, premiums receivable and reinsurance recoverables to the allowances calculated under the new guidance resulted in a reduction in the net allowance, which was recorded as the cumulative effect of an accounting change ($7 million increase in retained earnings at January 1, 2020).

The updated guidance also amended the other-than-temporary impairment model for available for sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. Subsequent increases or decreases in expected credit losses are recorded immediately in net earnings through realized gains (losses).

Investments Equity securities other than those accounted for under the equity method are reported at fair value with holding gains and losses generally recorded in realized gains (losses) on securities. However, AFG records holding gains and losses on limited partnerships and similar investments that do not qualify for equity method accounting (and are therefore carried at fair value), and certain other securities classified at purchase as "fair value through net investment income" in net investment income.

Fixed maturity securities classified as "available for sale" are reported at fair value with unrealized gains and losses included in accumulated other comprehensive income ("AOCI") in AFG's Balance Sheet. Fixed maturity securities classified as "trading" are reported at fair value with changes in unrealized holding gains or losses during the period included in net investment income. Mortgage loans (net of any allowance) are carried primarily at the aggregate unpaid balance.

Premiums and discounts on fixed maturity securities are amortized using the effective interest method. Mortgage-backed securities ("MBS") are amortized over a period based on estimated future principal payments, including prepayments. Prepayment assumptions are reviewed periodically and adjusted to reflect actual prepayments and changes in expectations.

Limited partnerships and similar investments are generally accounted for using the equity method of accounting. Under the equity method, AFG records its share of the earnings or losses of the investee based on when it is reported by the investee in its financial statements rather than in the period in which the investee declares a dividend. AFG's share of the earnings or losses from equity method investments is generally recorded on a quarter lag due to the timing of the receipt of the investee's financial statements. AFG's equity in the earnings (losses) of limited partnerships and similar investments is included in net investment income.

Realized gains or losses on the disposal of fixed maturity securities are determined on the specific identification basis. When a decline in the value of an available for sale fixed maturity is considered to be other-than-temporary at the balance sheet date, an allowance for credit losses (impairment), including any write-off of accrued interest, is charged to earnings (included in realized gains (losses) on securities). If management can assert that it does not intend to sell the security and it is not more likely than not that it will have to sell it before recovery of its amortized cost basis (net of allowance), then the impairment is separated into two components: (i) the allowance related to credit losses (recorded in earnings) and (ii) the amount related to all other factors (recorded in other comprehensive income). The credit-related portion is measured by comparing a security's amortized cost to the present value of its current expected cash flows discounted at its effective yield prior to the charge. If management intends to sell an impaired security, or it is more likely than not that it will be required to sell the security before recovery, an impairment is recorded in earnings to reduce the amortized cost (net of allowance) of that security to fair value. See *"Credit Losses on Financial Instruments"* above for a discussion of new guidance adopted on January 1, 2020.

Derivatives Derivatives included in AFG's Balance Sheet are recorded at fair value. Changes in fair value of derivatives are included in earnings unless the derivatives are designated and qualify as highly effective cash flow hedges. AFG's derivatives that do not qualify for hedge accounting under GAAP consist primarily of components of certain fixed maturity securities (primarily interest-only and principal-only MBS) and a total return swap related to its deferred compensation obligations to employees.

To qualify for hedge accounting, at the inception of a derivative contract, AFG formally documents the relationship between the terms of the hedge and the hedged items and its risk management objective. This documentation includes defining how hedge effectiveness is evaluated at the inception date and over the life of the derivative.

Changes in the fair value of derivatives that are designated and qualify as highly effective cash flow hedges are recorded in AOCI and are reclassified into earnings when the variability of the cash flows from the hedged items impacts earnings. When the change in the fair value of a qualifying cash flow hedge is included in earnings, it is included in the same line item in the statement of earnings as the cash flows from the hedged item. AFG uses interest rate swaps that are designated and qualify as highly effective cash flow hedges to mitigate interest rate risk related to certain floating-rate securities.

Goodwill Goodwill represents the excess of cost of subsidiaries over AFG's equity in their underlying net assets at the date of acquisition. Goodwill is not amortized, but is subject to an impairment test at least annually. An entity is not required to complete the quantitative annual goodwill impairment test on a reporting unit if the entity elects to perform a qualitative analysis and determines that it is more likely than not that the reporting unit's fair value exceeds its carrying amount.

Reinsurance Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. AFG reports as assets (i) the estimated reinsurance recoverable on paid and unpaid losses, including an estimate for losses incurred but not reported, and (ii) amounts paid or due to reinsurers applicable to the unexpired terms of policies in force. Payable to reinsurers includes ceded premiums due to reinsurers, as well as ceded premiums retained by AFG under contracts to fund ceded losses as they become due. AFG also assumes reinsurance from other companies. Earnings on reinsurance assumed is recognized based on information received from ceding companies.

Deferred Policy Acquisition Costs ("DPAC") Policy acquisition costs (principally commissions, premium taxes and certain underwriting and policy issuance costs) directly related to the successful acquisition or renewal of an insurance contract are deferred. DPAC is limited based upon recoverability without any consideration for anticipated investment income and is charged against income ratably over the terms of the related policies. A premium deficiency is recognized if the sum of expected claims costs, claims adjustment expenses and unamortized acquisition costs exceed the related unearned premiums. A premium deficiency is first recognized by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency. If the premium deficiency is greater than unamortized acquisition costs, a liability is accrued for the excess deficiency and reported with unpaid losses and loss adjustment expenses.

Managed Investment Entities A company is considered the primary beneficiary of, and therefore must consolidate, a variable interest entity ("VIE") based primarily on its ability to direct the activities of the VIE that most significantly impact that entity's economic performance and the obligation to absorb losses of, or receive benefits from, the entity that could potentially be significant to the VIE.

AFG manages, and has investments in, collateralized loan obligations ("CLOs") that are VIEs (see *Note H — "Managed Investment Entities"*). AFG has determined that it is the primary beneficiary of these CLOs because (i) its role as asset manager gives it the power to direct the activities that most significantly impact the economic performance of the CLOs and (ii) through its investment in the CLO debt tranches, it has exposure to CLO losses (limited to the amount AFG invested) and the right to receive CLO benefits that could potentially be significant to the CLOs.

Because AFG has no right to use the CLO assets and no obligation to pay the CLO liabilities, the assets and liabilities of the CLOs are shown separately in AFG's Balance Sheet. AFG has elected the fair value option for reporting on the CLO assets and liabilities to improve the transparency of financial reporting related to the CLOs. The net gain or loss from accounting for the CLO assets and liabilities at fair value is presented separately in AFG's Statement of Earnings.

The fair values of a CLO's assets may differ from the separately measured fair values of its liabilities even though the CLO liabilities only have recourse to the CLO assets. AFG has set the carrying value of the CLO liabilities equal to the fair value of the CLO assets (which have more observable fair values) as an alternative to reporting those liabilities at a separately measured fair value. CLO earnings attributable to AFG's shareholders are measured by the change in the fair value of AFG's investments in the CLOs and management fees earned.

At December 31, 2022, assets and liabilities of managed investment entities included $105 million in assets and $102 million in liabilities of temporary warehousing entities that were established to provide AFG the ability to form new CLOs when management believes market conditions are favorable. At closing, all warehoused assets will be transferred to the new CLOs and the liabilities will be repaid.

Unpaid Losses and Loss Adjustment Expenses The net liabilities stated for unpaid claims and for expenses of investigation and adjustment of unpaid claims represent management's best estimate and are based upon (i) the accumulation of case estimates for losses reported prior to the close of the accounting period on direct business written; (ii) estimates received from ceding reinsurers and insurance pools and associations; (iii) estimates of unreported losses (including possible development on known claims) based on past experience; (iv) estimates based on experience of expenses for investigating and adjusting claims; and (v) the current state of the law and coverage litigation. Establishing reserves for asbestos, environmental and other mass tort claims involves considerably more judgment than other types of claims due to, among other things, inconsistent court decisions, an increase in bankruptcy filings as a result of asbestos-related liabilities, novel theories of coverage, and judicial interpretations that often expand theories of recovery and broaden the scope of coverage.

Loss reserve liabilities are subject to the impact of changes in claim amounts and frequency and other factors. Changes in estimates of the liabilities for losses and loss adjustment expenses are reflected in the statement of earnings in the period in which determined. Despite the variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses are adequate and reasonable.

Debt Issuance Costs Debt issuance costs related to AFG's outstanding debt are presented in its Balance Sheet as a direct reduction in the carrying value of long-term debt and are amortized over the life of the related debt using the effective interest method as a component of interest expense. Debt issuance costs related to AFG's revolving credit facilities are included in other assets in AFG's Balance Sheet.

Leases Leases for terms of longer than one year are recognized as assets and liabilities for the rights and obligations created by those leases on the balance sheet based on the present value of contractual cash flows.

Premium Recognition Property and casualty premiums are earned generally over the terms of the policies on a pro rata basis. Unearned premiums represent that portion of premiums written, which is applicable to the unexpired terms of policies in force. On reinsurance assumed from other insurance companies or written through various underwriting organizations, unearned premiums are based on information received from such companies and organizations.

Income Taxes Deferred income taxes are calculated using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases and are measured using enacted tax rates. A valuation allowance is established to reduce total deferred tax assets to an amount that will more likely than not be realized. The effect of a change in tax rates on deferred tax assets and liabilities is recorded in net earnings in the period that includes the enactment date.

AFG recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained under examination by the appropriate taxing authority. Interest and penalties on AFG's reserve for uncertain tax positions are recognized as a component of tax expense.

Stock-Based Compensation All share-based grants are recognized as compensation expense on a straight-line basis over their vesting periods based on their calculated fair value at the date of grant.

AFG records excess tax benefits or deficiencies for share-based payments through income tax expense in the statement of earnings. In addition, AFG accounts for forfeitures of awards when they occur.

Benefit Plans AFG provides retirement benefits to qualified employees of participating companies through the AFG 401(k) Retirement and Savings Plan, a defined contribution plan. AFG makes all contributions to the retirement fund portion of the plan and matches a percentage of employee contributions to the savings fund. Company contributions are expensed in the year for which they are declared. AFG and many of its subsidiaries provide health care and life insurance benefits to eligible retirees. AFG also provides postemployment benefits to former or inactive employees (primarily those on disability) who were not deemed retired under other company plans. The projected future cost of providing these benefits is expensed over the period employees earn such benefits.

Earnings Per Share Although basic earnings per share only considers shares of common stock outstanding during the period, the calculation of diluted earnings per share includes the following adjustments to weighted average common shares related to stock-based compensation plans: 2022 – 0.2 million, 2021 – 0.5 million and 2020 – 0.5 million.

There were no anti-dilutive potential common shares related to stock compensation plans or adjustments to net earnings attributable to shareholders in the calculation of diluted earnings per share for the years ended December 31, 2022, 2021 or 2020.

Statement of Cash Flows For cash flow purposes, "investing activities" are defined as making and collecting loans and acquiring and disposing of debt or equity instruments, property and equipment and businesses. "Financing activities" include obtaining resources from owners and providing them with a return on their investments, borrowing money and repaying amounts borrowed. All other activities are considered "operating." Short-term investments having original maturities of three months or less when purchased are considered to be cash equivalents for purposes of the financial statements.

B. Discontinued Operations

Annuity Business Effective May 31, 2021, AFG completed the sale of its Annuity business to Massachusetts Mutual Life Insurance Company ("MassMutual"). MassMutual acquired Great American Life Insurance Company and its two insurance subsidiaries, Annuity Investors Life Insurance Company and Manhattan National Life Insurance Company. In addition to AFG's annuity operations, these subsidiaries included AFG's run-off life and long-term care operations. Proceeds from the sale were $3.57 billion and AFG realized a $656 million net gain on the sale in 2021.

Details of the assets and liabilities of the Annuity subsidiaries sold were as follows (in millions):

	May 31, 2021
Assets of businesses sold:	
Cash and cash equivalents	$ 2,060
Investments	38,323
Recoverables from reinsurers	6,748
Other assets	2,152
Total assets of discontinued annuity operations	49,283
Liabilities of businesses sold:	
Annuity benefits accumulated	43,690
Other liabilities	1,813
Total liabilities of discontinued annuity operations	45,503
Reclassify AOCI	(913)
Net investment in annuity businesses sold, excluding AOCI	$ 2,867

Details of the results of operations for the discontinued annuity operations were (in millions):

	Year Ended December 31,	
	2021 (*)	2020
Net investment income	$ 746	$ 1,670
Realized gains on securities	112	365
Other income	52	123
Total revenues	910	2,158
Annuity benefits	377	1,192
Annuity and supplemental insurance acquisition expenses	136	306
Other expenses	73	151
Total costs and expenses	586	1,649
Earnings before income taxes from discontinued operations	324	509
Provision for income taxes on discontinued operations	66	102
Net earnings from discontinued operations, net of tax	258	407
Gain on sale of discontinued operations, net of tax	656	—
Net earnings from discontinued operations	$ 914	$ 407

(*) Results through the May 31, 2021 effective date of the sale.

The impact of the sale of the annuity business is shown below (in millions):

	May 31, 2021
Cash proceeds	$ 3,571
Sale related expenses	(8)
Total net proceeds	3,563
Net investment in annuity businesses sold, excluding AOCI	2,867
Reclassify net deferred tax asset	(199)
Pretax gain on sale	895
Income tax expense:	
Reclassify net deferred tax asset	199
Tax liabilities triggered by the sale	41
Other	(1)
Total income tax expense	239
Net gain on sale	$ 656

Summarized cash flows for the discontinued annuity operations were (in millions):

	Year ended December 31,	
	2021 (*)	2020
Net cash provided by operating activities	$ 67	$ 898
Net cash used in investing activities	(1,689)	(285)
Net cash provided by (used in) financing activities	477	(203)

(*) Through the May 31, 2021 effective date of the sale.

C. Acquisitions and Sale of Businesses

Verikai In December 2021, AFG acquired Verikai, Inc., a machine learning and artificial intelligence company that utilizes a predictive risk tool to assess insurance risk, for $120 million using cash on hand at the parent. Verikai continues to operate as a stand-alone company to service its insurance clients. AFG expects to benefit from Verikai's predictive risk tool as it enters the medical stop loss insurance business, with a primary focus on small and underserved risks. AFG may pay up to $50 million in contingent consideration based on performance measures over a multiple year period.

Expenses related to the acquisition were approximately $1 million and were expensed as incurred. The purchase price was allocated to the acquired assets and liabilities of Verikai based on management's best estimate of fair value as of the acquisition date. The purchase price allocation is shown below (in millions).

		December 6, 2021
Purchase price:		
Cash	$	120
Fair value of contingent consideration		23
Total purchase price		143
Tangible assets acquired		16
Liabilities acquired		3
Net tangible assets acquired, at fair value		13
Excess purchase price over net tangible assets acquired	$	130
Allocation of excess purchase price:		
Intangible assets acquired (*)	$	76
Deferred tax on intangible assets acquired (*)		(16)
Goodwill		70
	$	130

(*) Included in Other assets in AFG's Balance Sheet.

In the purchase price allocation, $76 million of the purchase price was recognized as finite lived intangible assets related to acquired technology and customer relationships, which will be amortized over an average estimated life of approximately 10 years. The acquisition resulted in the recognition of $70 million in goodwill based on the excess of the purchase price over the fair value of the net assets acquired. The goodwill represents the fair value of acquired intangible assets that do not qualify for separate recognition, including the value of Verikai's future technology and opportunities and assembled workforce.

In the third quarter of 2022, AFG acquired an insurance agency business for $12 million, including $10 million in cash. Virtually all of the purchase price was recorded as an amortizing intangible asset representing the fair value of the agency's customer base at acquisition.

Annuity Operations See *Note B — "Discontinued Operations,"* for information on the sale of AFG's annuity operations.

Neon In December 2019, AFG initiated actions to exit the Lloyd's of London insurance market, which included placing Neon Underwriting Ltd. and its other Lloyd's subsidiaries in run-off. Neon and its predecessor, Marketform, failed to achieve AFG's profitability objectives since AFG's purchase of Marketform in 2008.

On June 30, 2020, AFG acquired 100% of the indirect noncontrolling interest in Neon from certain former and current Neon executives for cash based on the nominal fair value of the interest acquired as determined by a third-party valuation firm.

On December 31, 2020, AFG completed the sale of GAI Holding Bermuda and its subsidiaries, comprising the legal entities that own Neon, to RiverStone Holdings Limited for proceeds of $6 million. The sale completed AFG's exit from the Lloyd's of London insurance market.

On the sale date, the carrying value of the assets and liabilities disposed represented approximately 1% of both AFG's assets and liabilities and are detailed in the table below.

Under GAAP accounting guidance, only disposals of components of an entity that represent a strategic shift and that have a major effect on a reporting entity's operations and financial results are reported as discontinued operations. Because AFG's primary business continues to be commercial property and casualty insurance, as well as the immaterial expected impact on AFG's ongoing results of operations, the sale of Neon was not reported as a discontinued operation.

The gain on the sale of Neon, which was recorded in AFG's financial statements as of December 31, 2020, is shown below (in millions):

Sale proceeds, net of expenses	$	3
Assets of businesses sold:		
Cash and investments	$	453
Recoverables from reinsurers		224
Prepaid reinsurance premiums		8
Agents' balances and premiums receivable		42
Other assets		60
Total assets		787
Liabilities of businesses sold:		
Unpaid losses and loss adjustment expenses		640
Unearned premiums		49
Payable to reinsurers		19
Other liabilities		92
Total liabilities		800
Reclassify accumulated other comprehensive income		(7)
Net liabilities of businesses sold	$	(20)
Pretax gain on subsidiaries recorded in 2020	$	23

In the second quarter of 2021, AFG received an additional $10 million of cash proceeds and recognized a pretax gain of $4 million related to contingent consideration received on the sale of Neon.

Revenues, costs and expenses, and earnings before income taxes for the subsidiaries sold were (in millions):

	Year ended December 31, 2020	
Net earned premiums	$	200
Loss and loss adjustment expenses		218
Commissions and other underwriting expenses		117
Underwriting loss		(135)
Net investment loss		(5)
Other income and expenses, net		(5)
Loss before income taxes and noncontrolling interests	$	(145)

The impact of Neon exited lines on AFG's net earnings for the year ended December 31, 2020 is shown below (in millions):

Underwriting loss	$ (135)
Net investment income (loss)	(5)
Other income and expenses, net	(5)
Loss before income taxes and noncontrolling interests	(145)
Pretax gain on sale of subsidiaries	23
Total pretax loss from Neon exited lines	(122)
Tax benefit related to sale of subsidiaries	72
Less: Net loss attributable to noncontrolling interests	(11)
Net loss from Neon exited lines attributable to shareholders	$ (39)

As discussed in *Note M — "Income Taxes,"* the sale of Neon allowed AFG to recognize a $72 million tax benefit.

Paratransit Book of Business In 2019, National Interstate, a property and casualty insurance subsidiary of AFG, entered into an agreement with Atlas Financial Holdings, Inc. ("AFH") to become the exclusive underwriter of AFH's paratransit book of business. In November 2021, National Interstate acquired the renewal rights for fleets with seven or fewer vehicles from AFH for approximately $3 million and in November 2020, acquired the renewal rights for fleets with eight or more vehicles from AFH for approximately $3 million. The purchase price was recognized as an intangible renewal rights asset and is being amortized over the estimated life of the business acquired.

D. Segments of Operations

Subsequent to the sale of its annuity operations, see *Note B — Discontinued Operations,"* AFG manages its business as two segments: Property and casualty insurance and Other, which includes holding company assets and costs, and operations attributable to the noncontrolling interests of the managed investment entities.

AFG reports its property and casualty insurance business in the following Specialty sub-segments: (i) Property and transportation, which includes physical damage and liability coverage for buses and trucks and other specialty transportation niches, inland and ocean marine, agricultural-related products and other commercial property coverages, (ii) Specialty casualty, which includes primarily excess and surplus, executive and professional liability, general liability, umbrella and excess liability, specialty coverages in targeted markets, customized programs for small to mid-sized businesses and workers' compensation insurance, and (iii) Specialty financial, which includes risk management insurance programs for lending and leasing institutions (including equipment leasing and collateral and lender-placed mortgage property insurance), fidelity and surety products and trade credit insurance. Premiums and underwriting profit included under Other specialty represent business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty sub-segments and amortization of deferred gains on retroactive reinsurance transactions related to the sales of businesses in prior years. AFG's reportable segments and their components were determined based primarily upon similar economic characteristics, products and services.

As discussed in *Note C — "Acquisitions and Sale of Businesses,"* AFG initiated actions to exit the Lloyd's of London insurance market, which included placing its Lloyd's subsidiaries including its Lloyd's Managing Agency, Neon Underwriting Ltd., into run-off in December 2019. Beginning with the first quarter of 2020, the results for AFG's Specialty casualty sub-segment exclude the run-off operations of Neon ("Neon exited lines"). AFG completed the sale of Neon in December 2020.

Sales of property and casualty insurance outside of the United States represented 4% of AFG's revenues in both 2022 and 2021 and 5% in 2020.

The following tables (in millions) show AFG's assets, revenues and earnings before income taxes by segment and sub-segment.

	2022	2021
Assets		
Property and casualty insurance (*)	$ 22,225	$ 21,312
Other	6,606	7,619
Total assets	$ 28,831	$ 28,931

(*) Not allocable to sub-segments.

	2022	2021	2020
Revenues			
Property and casualty insurance:			
Premiums earned:			
Specialty			
Property and transportation	$ 2,487	$ 2,144	$ 1,871
Specialty casualty	2,659	2,408	2,235
Specialty financial	698	642	613
Other specialty	241	210	180
Other lines (a)	—	—	200
Total premiums earned	6,085	5,404	5,099
Net investment income (b)	683	663	399
Other income	12	27	8
Total property and casualty insurance	6,780	6,094	5,506
Other	376	293	266
Real estate-related entities (c)	—	51	49
Total revenues before realized gains (losses)	7,156	6,438	5,821
Realized gains (losses) on securities	(116)	110	(75)
Realized gains on subsidiaries	—	4	23
Total revenues	$ 7,040	$ 6,552	$ 5,769

(a) Represents premiums earned in the Neon exited lines during 2020.
(b) Includes a loss of $5 million in the Neon exited lines in 2020 (primarily from the change in fair value of equity securities).
(c) Represents investment income from the real estate and real estate-related entities acquired from AFG's discontinued annuity operations while they were held by the annuity operations. Subsequent to the sale of the annuity operations, income from these investments is included in the segment of the acquirer.

	2022	2021	2020
Earnings Before Income Taxes			
Property and casualty insurance:			
Underwriting:			
Specialty			
Property and transportation	$ 208	$ 279	$ 181
Specialty casualty	500	377	223
Specialty financial	114	96	50
Other specialty	(42)	(15)	(28)
Other lines (a)	(4)	(4)	(202)
Total underwriting	776	733	224
Investment and other income, net (b)	643	657	360
Total property and casualty insurance	1,419	1,390	584
Other (c)	(180)	(220)	(215)
Real estate-related entities (d)	—	51	22
Total earnings before realized gains (losses) and income taxes	1,239	1,221	391
Realized gains (losses) on securities	(116)	110	(75)
Realized gains on subsidiaries	—	4	23
Total earnings before income taxes	$ 1,123	$ 1,335	$ 339

(a) Includes an underwriting loss of $135 million in 2020 in the Neon exited lines. Also includes a special charge to increase asbestos and environmental (“A&E”) reserves of $47 million in 2020.

(b) Includes $10 million in 2020 in net expenses from the Neon exited lines, before noncontrolling interest.

(c) Includes holding company interest and expenses, including losses on retirement of debt of $9 million in 2022 and $5 million in 2020 and a $21 million special charge in 2020 to increase A&E reserves related to AFG’s former railroad and manufacturing operations.

(d) Represents investment income from the real estate and real estate-related entities acquired from AFG’s discontinued annuity operations while they were held by the annuity operations. Subsequent to the sale of the annuity operations, income from these investments is included in the segment of the acquirer.

E. Fair Value Measurements

Accounting standards for measuring fair value are based on inputs used in estimating fair value. The three levels of the hierarchy are as follows:

Level 1 — Quoted prices for identical assets or liabilities in active markets (markets in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis). AFG's Level 1 financial instruments consist primarily of publicly traded equity securities, highly liquid government bonds for which quoted market prices in active markets are available and short-term investments of managed investment entities.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (markets in which there are few transactions, the prices are not current, price quotations vary substantially over time or among market makers, or in which little information is released publicly); and valuations based on other significant inputs that are observable in active markets. AFG's Level 2 financial instruments include corporate and municipal fixed maturity securities, asset-backed securities ("ABS"), mortgage-backed securities ("MBS"), certain non-affiliated common stocks and investments of managed investment entities priced using observable inputs. Level 2 inputs include benchmark yields, reported trades, corroborated broker/dealer quotes, issuer spreads and benchmark securities. When non-binding broker quotes can be corroborated by comparison to similar securities priced using observable inputs, they are classified as Level 2.

Level 3 — Valuations derived from market valuation techniques generally consistent with those used to estimate the fair values of Level 2 financial instruments in which one or more significant inputs are unobservable or when the market for a security exhibits significantly less liquidity relative to markets supporting Level 2 fair value measurements. The unobservable inputs may include management's own assumptions about the assumptions market participants would use based on the best information available at the valuation date. Financial instruments whose fair value is estimated based on non-binding broker quotes or internally developed using significant inputs not based on, or corroborated by, observable market information are classified as Level 3.

The contingent consideration liability (included in other liabilities in AFG's Balance Sheet) relates primarily to AFG's acquisition of Verikai in December 2021 as discussed in *Note C — "Acquisitions and Sale of Businesses."* These liabilities are remeasured at fair value at each balance sheet date with changes in fair value recognized in net earnings. To estimate the fair value of the contingent consideration liability related to the Verikai acquisition ($23 million at December 31, 2022), AFG uses a weighted probability-based income approach which includes significant unobservable inputs and is classified as Level 3. There was no change to the estimated fair value of this liability during 2022.

As discussed in *Note A — "Accounting Policies — Managed Investment Entities,"* AFG has set the carrying value of its CLO liabilities equal to the fair value of the CLO assets (which have more observable fair values) as an alternative to reporting those liabilities at separately measured fair values. As a result, the CLO liabilities are categorized within the fair value hierarchy on the same basis (proportionally) as the related CLO assets. Since the portion of the CLO liabilities allocated to Level 3 is derived from the fair value of the CLO assets, these amounts are excluded from the progression of Level 3 financial instruments.

AFG's management is responsible for the valuation process and uses data from outside sources (including nationally recognized pricing services and broker/dealers) in establishing fair value. AFG's internal investment professionals are a group of approximately 20 investment professionals whose primary responsibility is to manage AFG's investment portfolio. These professionals monitor individual investments as well as overall industries and are active in the financial markets on a daily basis. The group is led by AFG's chief investment officer, who reports directly to one of AFG's Co-CEOs. Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by AFG's internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, the Company communicates directly with the pricing services regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the service to value specific securities.

Assets and liabilities measured and carried at fair value in the financial statements are summarized below (in millions):

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Assets:				
Available for sale ("AFS") fixed maturities:				
U.S. Government and government agencies	$ 219	$ —	$ —	$ 219
States, municipalities and political subdivisions	—	1,181	5	1,186
Foreign government	—	226	—	226
Residential MBS	—	1,589	9	1,598
Commercial MBS	—	85	—	85
Collateralized loan obligations	—	1,919	2	1,921
Other asset-backed securities	—	1,916	329	2,245
Corporate and other	8	2,288	319	2,615
Total AFS fixed maturities	227	9,204	664	10,095
Trading fixed maturities	—	32	—	32
Equity securities	556	27	427	1,010
Assets of managed investment entities ("MIE")	659	4,777	11	5,447
Total assets accounted for at fair value	$ 1,442	$ 14,040	$ 1,102	$ 16,584
Liabilities:				
Contingent consideration — acquisitions	$ —	$ —	$ 25	$ 25
Liabilities of managed investment entities	645	4,676	11	5,332
Other liabilities — derivatives	—	42	—	42
Total liabilities accounted for at fair value	$ 645	$ 4,718	$ 36	$ 5,399
December 31, 2021				
Assets:				
Available for sale fixed maturities:				
U.S. Government and government agencies	$ 215	$ 1	$ —	$ 216
States, municipalities and political subdivisions	—	1,791	41	1,832
Foreign government	—	246	—	246
Residential MBS	—	946	14	960
Commercial MBS	—	104	—	104
Collateralized loan obligations	—	1,643	—	1,643
Other asset-backed securities	—	2,398	278	2,676
Corporate and other	11	2,402	267	2,680
Total AFS fixed maturities	226	9,531	600	10,357
Trading fixed maturities	—	28	—	28
Equity securities	679	50	313	1,042
Assets of managed investment entities	390	4,893	13	5,296
Total assets accounted for at fair value	$ 1,295	$ 14,502	$ 926	$ 16,723
Liabilities:				
Contingent consideration — acquisitions	$ —	$ —	$ 23	$ 23
Liabilities of managed investment entities	384	4,823	13	5,220
Total liabilities accounted for at fair value	$ 384	$ 4,823	$ 36	$ 5,243

Approximately 7% of the total assets carried at fair value at December 31, 2022, were Level 3 assets. Approximately 12% ($126 million) of those Level 3 assets were priced using non-binding broker quotes, for which there is a lack of transparency as to the inputs used to determine fair value. Details as to the quantitative inputs are neither provided by the brokers nor otherwise reasonably obtainable by AFG. Approximately 4% ($47 million) of the Level 3 assets were priced by pricing services where either a single price was not corroborated, prices varied enough among the providers, or other market factors led management to determine these securities be classified as Level 3 assets. Approximately 23% ($255 million) of the Level 3 assets were equity investments in limited partnerships and similar investments that do not qualify for equity method accounting whose prices were determined based on financial information provided by the limited partnerships.

Internally developed fixed maturities are priced using a variety of inputs, including appropriate credit spreads over the treasury yield (of a similar duration), trade information and prices of comparable securities and other security specific features (such as optional early redemption). Internally developed Level 3 asset fair values represent approximately $674 million (61%) of the total fair value of Level 3 assets at December 31, 2022. Approximately 62% ($420 million) of these internally developed Level 3 assets are priced using a pricing model that uses a discounted cash flow approach to estimate the fair value of fixed maturity securities. The credit spread applied by management is the significant unobservable input of the pricing model. In instances where the security is currently callable at par value and the pricing model suggests a higher price, management caps the fair value at par value. Approximately 24% ($164 million) of the internally developed Level 3 assets are equity securities which are priced primarily using broker quotes and internal models with some inputs that are not market observable. Management believes that any justifiable changes in unobservable inputs used to determine internally developed fair values would not have resulted in a material change in AFG's financial position.

Changes in balances of Level 3 financial assets and liabilities carried at fair value during 2022, 2021 and 2020 are presented below (in millions). The transfers into and out of Level 3 were due to changes in the availability of market observable inputs. All transfers are reflected in the table at fair value as of the end of the reporting period.

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2021	Net earnings (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at December 31, 2022
AFS fixed maturities:								
U.S. government agency	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
State and municipal	41	—	(3)	—	(1)	4	(36)	5
Residential MBS	14	—	(1)	—	(1)	7	(10)	9
Commercial MBS	—	—	—	—	—	—	—	—
Collateralized loan obligations	—	—	—	—	—	2	—	2
Other asset-backed securities	278	1	(27)	94	(52)	35	—	329
Corporate and other	267	(1)	(22)	129	(39)	20	(35)	319
Total AFS fixed maturities	600	—	(53)	223	(93)	68	(81)	664
Equity securities	313	29	—	112	(24)	4	(7)	427
Assets of MIE	13	(5)	—	3	—	—	—	11
Total Level 3 assets	$ 926	$ 24	$ (53)	$ 338	$ (117)	$ 72	$ (88)	$ 1,102
Contingent consideration — acquisitions	$ (23)	$ —	$ —	$ (2)	$ —	$ —	$ —	$ (25)
Total Level 3 liabilities	$ (23)	$ —	$ —	$ (2)	$ —	$ —	$ —	$ (25)

	Balance at December 31, 2020	Total realized/unrealized gains (losses) included in		Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Sale of annuity business	Balance at December 31, 2021
		Net earnings (loss)	OCI						
AFS fixed maturities:									
U.S. government agency	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
State and municipal	39	—	—	—	(4)	8	(2)	—	41
Residential MBS	38	(4)	—	6	(3)	6	(29)	—	14
Commercial MBS	2	—	—	—	—	—	(2)	—	—
Collateralized loan obligations	16	1	—	—	(2)	—	(15)	—	—
Other asset-backed securities	305	1	—	154	(156)	14	(40)	—	278
Corporate and other	138	(1)	(5)	184	(45)	5	(9)	—	267
Total AFS fixed maturities	538	(3)	(5)	344	(210)	33	(97)	—	600
Equity securities	176	99	—	78	(28)	—	(12)	—	313
Assets of MIE	21	—	—	5	—	1	(14)	—	13
Assets of discontinued annuity operations	2,971	85	(22)	209	(327)	32	(229)	(2,719)	—
Total Level 3 assets	$ 3,706	$ 181	$ (27)	$ 636	$ (565)	$ 66	$ (352)	$ (2,719)	$ 926
Contingent consideration — acquisitions	$ —	$ —	$ —	$ (23)	$ —	$ —	$ —	$ —	$ (23)
Liabilities of discontinued annuity operations	(3,933)	(223)	—	(146)	159	—	—	4,143	—
Total Level 3 liabilities	$ (3,933)	$ (223)	$ —	$ (169)	$ 159	$ —	$ —	$ 4,143	$ (23)

	Balance at December 31, 2019	Total realized/unrealized gains (losses) included in		Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at December 31, 2020
		Net earnings (loss)	Other comprehensive income (loss)					
AFS fixed maturities:								
U.S. government agency	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
State and municipal	40	—	1	—	(2)	—	—	39
Residential MBS	45	(1)	(1)	—	(6)	9	(8)	38
Commercial MBS	6	—	—	—	—	1	(5)	2
Collateralized loan obligations	1	—	5	—	—	52	(42)	16
Other asset-backed securities	256	(7)	5	106	(89)	42	(8)	305
Corporate and other	223	1	—	68	(60)	4	(98)	138
Total AFS fixed maturities	571	(7)	10	174	(157)	108	(161)	538
Equity securities	161	(12)	—	37	(7)	9	(12)	176
Assets of MIE	17	(6)	—	2	—	8	—	21
Assets of discontinued annuity operations	3,092	(17)	59	568	(442)	495	(784)	2,971
Total Level 3 assets	$ 3,841	$ (42)	$ 69	$ 781	$ (606)	$ 620	$ (957)	$ 3,706
Liabilities of discontinued annuity operations	$ (3,730)	$ (283)	$ —	$ (242)	$ 322	$ —	$ —	$ (3,933)
Total Level 3 liabilities	$ (3,730)	$ (283)	$ —	$ (242)	$ 322	$ —	$ —	$ (3,933)

Fair Value of Financial Instruments The carrying value and fair value of financial instruments that are not carried at fair value in the financial statements at December 31 are summarized below (in millions):

	Carrying Value	Fair Value Total	Level 1	Level 2	Level 3
2022					
Financial assets:					
Cash and cash equivalents	$ 872	$ 872	$ 872	$ —	$ —
Mortgage loans	676	626	—	—	626
Total financial assets not accounted for at fair value	$ 1,548	$ 1,498	$ 872	$ —	$ 626
Long-term debt	$ 1,496	$ 1,302	$ —	$ 1,299	$ 3
Total financial liabilities not accounted for at fair value	$ 1,496	$ 1,302	$ —	$ 1,299	$ 3
2021					
Financial assets:					
Cash and cash equivalents	$ 2,131	$ 2,131	$ 2,131	$ —	$ —
Mortgage loans	520	533	—	—	533
Total financial assets not accounted for at fair value	$ 2,651	$ 2,664	$ 2,131	$ —	$ 533
Long-term debt	$ 1,964	$ 2,261	$ —	$ 2,258	$ 3
Total financial liabilities not accounted for at fair value	$ 1,964	$ 2,261	$ —	$ 2,258	$ 3

F. Investments

Available for sale fixed maturities at December 31 consisted of the following (in millions):

	Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized	Fair Value
December 31, 2022						
Fixed maturities:						
U.S. Government and government agencies	$ 233	$ —	$ —	$ (14)	$ (14)	$ 219
States municipalities and political subdivisions	1,234	—	3	(51)	(48)	1,186
Foreign government	240	—	—	(14)	(14)	226
Residential MBS	1,757	2	23	(180)	(157)	1,598
Commercial MBS	88	—	—	(3)	(3)	85
Collateralized loan obligations	1,988	1	1	(67)	(66)	1,921
Other asset-backed securities	2,435	7	1	(184)	(183)	2,245
Corporate and other	2,761	1	11	(156)	(145)	2,615
Total fixed maturities	$ 10,736	$ 11	$ 39	$ (669)	$ (630)	$ 10,095
December 31, 2021						
Fixed maturities:						
U.S. Government and government agencies	$ 216	$ —	$ 2	$ (2)	$ —	$ 216
States municipalities and political subdivisions	1,758	—	74	—	74	1,832
Foreign government	248	—	—	(2)	(2)	246
Residential MBS	915	—	48	(3)	45	960
Commercial MBS	102	—	2	—	2	104
Collateralized loan obligations	1,643	1	3	(2)	1	1,643
Other asset-backed securities	2,677	7	17	(11)	6	2,676
Corporate and other	2,634	1	55	(8)	47	2,680
Total fixed maturities	$ 10,193	$ 9	$ 201	$ (28)	$ 173	$ 10,357

Equity securities which are reported at fair value with holding gains and losses recognized in net earnings, consisted of the following at December 31 (in millions):

	2022			2021		
	Actual Cost	Fair Value	Fair Value over (under) Cost	Actual Cost	Fair Value	Fair Value over Cost
Common stocks	$ 556	$ 553	$ (3)	$ 491	$ 586	$ 95
Perpetual preferred stocks	436	457	21	403	456	53
Total equity securities carried at fair value	$ 992	$ 1,010	$ 18	$ 894	$ 1,042	$ 148

Investments accounted for using the equity method held by AFG's continuing operations, by category, carrying value and net investment income are as follows (in millions):

	Carrying Value		Net Investment Income		
	December 31, 2022	December 31, 2021	2022	2021	2020
Real estate-related investments (*)	$ 1,229	$ 1,130	$ 233	$ 226	$ 92
Private equity	438	352	32	100	18
Private debt	33	35	2	(5)	(11)
Total investments accounted for using the equity method	$ 1,700	$ 1,517	$ 267	$ 321	$ 99

(*) 92% and 88% of the carrying value relates to underlying investments in multi-family properties as of December 31, 2022 and December 31, 2021, respectively.

The earnings (losses) from these investments are generally reported on a quarter lag due to the timing required to obtain the necessary information from the funds. AFG regularly reviews and discusses fund performance with the fund managers to corroborate the reasonableness of the underlying reported asset values and to assess whether any events have occurred within the lag period that may materially affect the valuation of these investments.

With respect to partnerships and similar investments, AFG had unfunded commitments of $396 million and $366 million as of December 31, 2022 and December 31, 2021, respectively.

The following table shows gross unrealized losses (dollars in millions) on available for sale fixed maturities by investment category and length of time that individual securities have been in a continuous unrealized loss position at the following balance sheet dates.

	Less Than Twelve Months			Twelve Months or More		
	Unrealized Loss	Fair Value	Fair Value as % of Cost	Unrealized Loss	Fair Value	Fair Value as % of Cost
December 31, 2022						
Fixed maturities:						
U.S. Government and government agencies	$ (4)	$ 111	97 %	$ (10)	$ 107	91 %
States, municipalities and political subdivisions	(50)	967	95 %	(1)	15	94 %
Foreign government	(5)	90	95 %	(9)	134	94 %
Residential MBS	(115)	1,078	90 %	(65)	315	83 %
Commercial MBS	(2)	44	96 %	(1)	33	97 %
Collateralized loan obligations	(44)	1,224	97 %	(23)	587	96 %
Other asset-backed securities	(100)	1,361	93 %	(84)	740	90 %
Corporate and other	(105)	1,665	94 %	(51)	413	89 %
Total fixed maturities	$ (425)	$ 6,540	94 %	$ (244)	$ 2,344	91 %
December 31, 2021						
Fixed maturities:						
U.S. Government and government agencies	$ (1)	$ 92	99 %	$ (1)	$ 22	96 %
States, municipalities and political subdivisions	—	9	100 %	—	13	100 %
Foreign government	(2)	160	99 %	—	—	— %
Residential MBS	(3)	419	99 %	—	7	100 %
Commercial MBS	—	34	100 %	—	—	— %
Collateralized loan obligations	(1)	806	100 %	(1)	77	99 %
Other asset-backed securities	(8)	1,250	99 %	(3)	81	96 %
Corporate and other	(8)	500	98 %	—	26	100 %
Total fixed maturities	$ (23)	$ 3,270	99 %	$ (5)	$ 226	98 %

At December 31, 2022, the gross unrealized losses on fixed maturities of $669 million relate to approximately 1,850 securities. Investment grade securities (as determined by nationally recognized rating agencies) represented approximately 95% of the gross unrealized loss and 95% of the fair value of securities with unrealized losses.

To evaluate fixed maturities for expected credit losses (impairment), management considers whether the unrealized loss is credit-driven or a result of changes in market interest rates, the extent to which fair value is less than cost basis, historical operating, balance sheet and cash flow data from the issuer, third party research and communications with industry specialists and discussions with issuer management.

AFG analyzes its MBS for expected credit losses (impairment) each quarter based upon expected future cash flows. Management estimates expected future cash flows based upon its knowledge of the MBS market, cash flow projections (which reflect loan to collateral values, subordination, vintage and geographic concentration) received from independent sources, implied cash flows inherent in security ratings and analysis of historical payment data.

Management believes AFG will recover its cost basis (net of any allowance) in the securities with unrealized losses and that AFG has the ability to hold the securities until they recover in value and had no intent to sell them at December 31, 2022.

Credit losses on available for sale fixed maturities are measured based on the present value of expected future cash flows compared to amortized cost. Impairment losses are recognized through an allowance and recoveries of previously impaired amounts are recorded as an immediate reversal of all or a portion of the allowance. In addition, the allowance on available for sale fixed maturities cannot cause the amortized cost net of the allowance to be below fair value. Accordingly, future changes in the fair value of an impaired security (when the allowance was limited by the fair value) due to reasons other than issuer credit (e.g. changes in market interest rates) result in increases or decreases in the allowance, which are recorded through realized gains (losses) on securities. A progression of the allowance for expected credit losses on fixed maturity securities held by AFG's continuing operations is shown below (in millions):

	Structured securities (*)	Corporate and other	Total
Balance at January 1, 2020	$ —	$ —	$ —
Impact of adoption of new accounting policy	—	—	—
Provision for expected credit losses on securities with no previous allowance	11	5	16
Reductions to previously recognized expected credit losses	(1)	(2)	(3)
Reductions due to sales or redemptions	—	(1)	(1)
Balance at December 31, 2020	10	2	12
Provision for expected credit losses on securities with no previous allowance	—	1	1
Reductions to previously recognized expected credit losses	(2)	—	(2)
Reductions due to sales or redemptions	—	(2)	(2)
Balance at December 31, 2021	8	1	9
Provision for expected credit losses on securities with no previous allowance	4	1	5
Reductions to previously recognized expected credit losses	(2)	—	(2)
Reductions due to sales or redemptions	—	(1)	(1)
Balance at December 31, 2022	$ 10	$ 1	$ 11

(*) Includes mortgage-backed securities, collateralized loan obligations and other asset-backed securities.

In 2022, 2021 and 2020, AFG did not purchase any securities with expected credit losses.

The table below sets forth the scheduled maturities of AFG's available for sale fixed maturities as of December 31, 2022 (dollars in millions). Securities with sinking funds are reported at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

	Amortized	Fair Value	
	Cost, net (*)	Amount	%
Maturity			
One year or less	$ 430	$ 429	4 %
After one year through five years	2,732	2,585	26 %
After five years through ten years	988	933	9 %
After ten years	317	299	3 %
	4,467	4,246	42 %
Collateralized loan obligations and other ABS (average life of approximately 3.5 years)	4,415	4,166	41 %
MBS (average life of approximately 6 years)	1,843	1,683	17 %
Total	$ 10,725	$ 10,095	100 %

(*) Amortized cost, net of allowance for expected credit losses.

Certain risks are inherent in fixed maturity securities, including loss upon default, price volatility in reaction to changes in interest rates, and general market factors and risks associated with reinvestment of proceeds due to prepayments or redemptions in a period of declining interest rates.

There were no investments in individual issuers that exceeded 10% of shareholders' equity at December 31, 2022 or 2021.

Net Investment Income The following table shows (in millions) investment income earned and investment expenses incurred in AFG's continuing operations.

	2022	2021	2020
Investment income:			
Fixed maturities	$ 376	$ 290	$ 303
Equity securities:			
Dividends	39	30	35
Change in fair value (a) (b)	(2)	61	7
Equity in earnings of partnerships and similar investments	267	321	99
Other	53	40	23
Gross investment income	733	742	467
Investment expenses	(16)	(12)	(6)
Net investment income (b)	$ 717	$ 730	$ 461

(a) Although the change in the fair value of the majority of AFG's equity securities is recorded in realized gains (losses) on securities, AFG records holding gains and losses in net investment income on limited partnerships and similar investments that do not qualify for equity method accounting and certain other securities classified at purchase as "fair value through net investment income."

(b) Net investment income in 2020 includes losses of $5 million on investments held by the companies that comprise the Neon exited lines due primarily to the $7 million loss recorded in first quarter of 2020 on equity securities that were carried at fair value through net investment income.

Realized gains (losses) and changes in unrealized appreciation (depreciation) from continuing operations included in AOCI related to fixed maturity securities are summarized as follows (in millions):

	2022				2021			
	Realized gains (losses)				Realized gains (losses)			
	Before Impairments	Impairment Allowance	Total	Change in Unrealized	Before Impairments	Impairment Allowance	Total	Change in Unrealized
Fixed maturities	$ (27)	$ (3)	$ (30)	$ (803)	$ (1)	$ 1	$ —	$ (111)
Equity securities	(96)	—	(96)	—	110	—	110	—
Mortgage loans and other investments	10	—	10	—	—	—	—	—
Total pretax	(113)	(3)	(116)	(803)	109	1	110	(111)
Tax effects	23	1	24	170	(23)	—	(23)	23
Net of tax	$ (90)	$ (2)	$ (92)	$ (633)	$ 86	$ 1	$ 87	$ (88)

	2020			
	Realized gains (losses)			
	Before Impairments	Impairment Allowance	Total	Change in Unrealized
Fixed maturities	$ 6	$ (13)	$ (7)	$ 61
Equity securities	(70)	—	(70)	—
Mortgage loans and other investments	2	—	2	—
Total pretax	(62)	(13)	(75)	61
Tax effects	13	3	16	(13)
Net of tax	$ (49)	$ (10)	$ (59)	$ 48

All equity securities other than those accounted for under the equity method are carried at fair value through net earnings. AFG recorded net holding gains (losses) on equity securities from continuing operations during 2022, 2021 and 2020 on securities that were still owned at December 31 of each year presented as follows (in millions):

	2022	2021	2020
Included in realized gains (losses)	$ (95)	$ 65	$ (44)
Included in net investment income	5	54	12
	$ (90)	$ 119	$ (32)

Gross realized gains and losses (excluding changes in impairment allowance and mark-to-market of derivatives) on available for sale fixed maturity investment transactions from continuing operations consisted of the following (in millions):

	2022	2021	2020
Gross gains	$ 3	$ 7	$ 12
Gross losses	(18)	(1)	(5)

G. Derivatives

As discussed under "*Derivatives*" in *Note A — "Accounting Policies*," AFG uses derivatives to mitigate certain market risks related to its investment portfolio and deferred compensation obligations to employees.

The following table presents the classification of derivative assets and liabilities included in AFG's Balance Sheet at fair value (in millions):

		December 31, 2022		December 31, 2021	
	Balance Sheet Line	Asset	Liability	Asset	Liability
Derivatives designated and qualifying as cash flow hedges:					
Interest rate swaps	Other liabilities	$ —	$ 37	$ —	$ —
Derivatives not designated as hedging instruments:					
MBS with embedded derivatives	Fixed maturities	40	—	59	—
Total return swap	Other liabilities	—	5	—	—
		$ 40	$ 42	$ 59	$ —

AFG's interest rate swaps are designated and qualify as highly effective cash flow hedges to mitigate interest rate risk related to certain floating-rate securities included in AFG's portfolio of fixed maturity securities. The purpose of each of these swaps is to effectively convert a portion of AFG's floating-rate fixed maturity securities to fixed rates by offsetting the variability in cash flows attributable to changes in short-term reference rates (LIBOR or SOFR).

Under the terms of the swaps, AFG receives fixed-rate interest payments in exchange for variable interest payments based on short-term LIBOR or SOFR. The notional amounts of the interest rate swaps generally decline over each swap's respective life (the swaps expire between July 2024 and July 2028) in anticipation of the expected decline in AFG's portfolio of fixed maturity securities with floating interest rates based on short-term LIBOR or SOFR. The total outstanding notional amount of AFG's interest rate swaps was $1.25 billion at December 31, 2022, all of which were entered into in 2022. In 2022, less than $1 million (net) was reclassified from AOCI to net earnings. A collateral receivable supporting these swaps of $62 million at December 31, 2022 is included in other assets in AFG's Balance Sheet.

The MBS with embedded derivatives consist of primarily interest-only and principal-only MBS. AFG records the change in the fair value of these securities in earnings. These investments are part of AFG's overall investment strategy and represent a small component of AFG's overall investment portfolio.

AFG is exposed to fair value changes from certain equity and fixed maturity market-based exposures related to its deferred compensation obligations to certain employees. To mitigate this risk, AFG entered into a total return swap in 2022. A collateral receivable supporting this swap of $7 million at December 31, 2022 is included in other assets in AFG's Balance Sheet.

The following table summarizes the gains (losses) included in AFG's Statement of Earnings for changes in the fair value of derivatives for 2022, 2021 and 2020 (in millions):

		Non-designated hedges - gains (losses) included in net earnings			Qualifying cash flow hedges - gains (losses) reclassified from AOCI to net earnings		
	Statement of Earnings Line	2022	2021	2020	2022	2021	2020
Derivative instruments of continuing operations:							
Interest rate swaps	Net investment income	$ —	$ —	$ —	$ —	$ —	$ —
MBS with embedded derivatives	Realized gains (losses) on securities	(12)	(6)	(1)	—	—	—
Total return swap	Other expenses	(5)	—	—	—	—	—
Total earnings (losses) of continuing operations		$ (17)	$ (6)	$ (1)	$ —	$ —	$ —
Derivative instruments of discontinued operations (*):							
Interest rate swaps	Net earnings from discontinued operations	$ —	$ —	$ —	$ —	$ 14	$ 40
MBS with embedded derivatives	Net earnings from discontinued operations	—	(1)	(2)	—	—	—
Fixed-indexed and variable-indexed annuities (embedded derivative)	Net earnings from discontinued operations	—	(222)	(283)	—	—	—
Equity index call options	Net earnings from discontinued operations	—	237	223	—	—	—
Equity index put options	Net earnings from discontinued operations	—	5	3	—	—	—
Reinsurance contract (embedded derivative)	Net earnings from discontinued operations	—	1	(1)	—	—	—
Total earnings (losses) of discontinued operations		—	20	(60)	—	14	40
Earnings (losses) attributable to shareholders		$ (17)	$ 14	$ (61)	$ —	$ 14	$ 40

(*) Earnings (losses) for 2021 are through the May 31, 2021 effective date of the sale of the annuity business.

Based on forward interest rate curves at December 31, 2022, management estimates that it will reclassify approximately $20 million of pre-tax net losses on interest rate swaps in AOCI to expense within the next 12 months. The actual amount will vary based on interest rates at the reset dates, which occur every one to three months.

H. Managed Investment Entities

AFG is the investment manager and it has investments ranging from 7.4% to 100% of the most subordinate debt tranche of fifteen active collateralized loan obligation entities ("CLOs"), which are considered variable interest entities. AFG also owns portions of the senior debt tranches of certain of these CLOs. Upon formation between 2012 and 2022, these entities issued securities in various senior and subordinate classes and invested the proceeds primarily in secured bank loans, which serve as collateral for the debt securities issued by each CLO. None of the collateral was purchased from AFG. AFG's investments in the subordinate debt tranches of these entities receive residual income from the CLOs only after the CLOs pay expenses (including management fees to AFG) and interest on and returns of capital to senior levels of debt securities. There are no contractual requirements for AFG to provide additional funding for these entities. AFG has not provided and does not intend to provide any financial support to these entities.

AFG's maximum exposure to economic loss on the CLOs that it manages is limited to its investment in those CLOs, which had an aggregate fair value of $115 million (including $82 million invested in the most subordinate tranches and $3 million invested in a temporary warehousing entity) at December 31, 2022.

In 2022, AFG formed two new CLOs, which issued $754 million face amount of liabilities (including $48 million face amount purchased by AFG). In 2021, AFG formed one new CLO, which issued $408 million face amount of liabilities (including $14 million face amount purchased by AFG's continuing operations). In 2020, AFG formed one new CLO, which issued $303 million face amount of liabilities (including $16 million face amount purchased by AFG's continuing operations).

The following table shows a progression of the fair value of AFG's investment in CLO tranches held by continuing operations (in millions):

	2022	2021	2020
Balance at beginning of period	$ 76	$ 57	$ 48
Purchases	66	21	17
Sales	—	—	(1)
Distributions	(18)	(22)	(6)
Change in fair value	(11)	20	(1)
Change in accrued interest	(1)	—	—
Balance at end of period (*)	$ 112	$ 76	$ 57

(*) Excludes $3 million invested in temporary warehousing entities at December 31, 2022 that were established to provide AFG the ability to form a new CLO when management believes market conditions are favorable.

The revenues and expenses of the CLOs are separately identified in AFG's Statement of Earnings, after the elimination of management fees and earnings attributable to shareholders of AFG as measured by the change in the fair value of AFG's investments in the CLOs. Selected financial information related to the CLOs is shown below (in millions):

	Year ended December 31,		
	2022	2021	2020
Gains (losses) on change in fair value of assets/liabilities (*):			
Assets	$ (267)	$ 69	$ (69)
Liabilities	236	(59)	49
Management fees paid to AFG	17	16	15
CLO earnings (losses) attributable to AFG Shareholders:			
From continuing operations	$ (10)	$ 20	$ (1)
From discontinued annuity operations	—	20	(1)
Total	$ (10)	$ 40	$ (2)

(*) Included in revenues in AFG's Statement of Earnings.

The aggregate unpaid principal balance of the CLOs' fixed maturity investments exceeded the fair value of the investments by $339 million and $72 million at December 31, 2022 and 2021, respectively. The aggregate unpaid principal balance of the CLOs' debt exceeded its carrying value by $413 million and $187 million at those dates. The CLO assets include loans with an aggregate fair value of $4 million at December 31, 2022 and $9 million at December 31, 2021, for which the CLOs are not accruing interest because the loans are in default (aggregate unpaid principal balance of $17 million at December 31, 2022 and $18 million at December 31, 2021).

In addition to the CLOs that it manages, AFG had investments in CLOs that are managed by third parties (therefore not consolidated), which are included in available for sale fixed maturity securities and had a fair value of $1.92 billion at December 31, 2022 and $1.64 billion at December 31, 2021.

I. Goodwill and Other Intangibles

Changes in the carrying value of goodwill during 2020, 2021 and 2022 are presented in the following table (in millions):

Balance at January 1, 2020 and December 31, 2020	$ 176
Purchase of Verikai in 2021	70
Balance at December 31, 2021 and 2022	$ 246

Included in other assets in AFG's Balance Sheet is $108 million at December 31, 2022 and $106 million at December 31, 2021 of amortizable intangible assets related to acquisitions. These amounts are net of accumulated amortization of $24 million and $67 million, respectively. Amortization of intangibles was $11 million in 2022, $6 million in 2021 and

$12 million in 2020. Future amortization of intangibles (weighted average amortization period of 5 years is estimated to be $11 million per year in 2023, 2024, 2025 and 2026, $12 million in 2027 and $52 million thereafter.

J. Long-Term Debt

Long-term debt consisted of the following at December 31 (in millions):

	2022			2021		
	Principal	Discount and Issue Costs	Carrying Value	Principal	Discount and Issue Costs	Carrying Value
Direct Senior Obligations of AFG:						
4.50% Senior Notes due June 2047	$ 582	$ (1)	$ 581	$ 590	$ (2)	$ 588
3.50% Senior Notes due August 2026	—	—	—	425	(3)	422
5.25% Senior Notes due April 2030	261	(5)	256	300	(5)	295
Other	3	—	3	3	—	3
	846	(6)	840	1,318	(10)	1,308
Direct Subordinated Obligations of AFG:						
4.50% Subordinated Debentures due September 2060	200	(5)	195	200	(5)	195
5.125% Subordinated Debentures due December 2059	200	(6)	194	200	(6)	194
5.625% Subordinated Debentures due June 2060	150	(4)	146	150	(4)	146
5.875% Subordinated Debentures due March 2059	125	(4)	121	125	(4)	121
	675	(19)	656	675	(19)	656
	$ 1,521	$ (25)	$ 1,496	$ 1,993	$ (29)	$ 1,964

At December 31, 2022, scheduled principal payments on debt for the subsequent five years and thereafter are as follows: 2023 — none; 2024 — none; 2025 — none; 2026 — none; 2027 — none and thereafter — $1.52 billion.

During 2022, AFG repurchased $49 million principal amount of its 3.50% Senior Notes due in August 2026 for $51 million, $8 million principal amount of its 4.50% Senior Notes due in June 2047 for $6 million and $39 million principal amount of its 5.25% Senior Notes due in April 2030 for $38 million in open market transactions. In June 2022, AFG redeemed the remaining $376 million of outstanding 3.50% Senior Notes due August 2026 for $382 million (including a $6 million make-whole call premium).

In 2020, AFG issued $200 million in 4.50% Subordinated Debentures due in September 2060. The net proceeds of this offering were used, in part, to redeem AFG's $150 million in 6% Subordinated Debentures due in November 2055 at par value. AFG also issued $300 million in 5.25% Senior Notes due in April 2030 and $150 million in 5.625% Subordinated Debentures due in June 2060 in 2020. The net proceeds of these offerings were used for general corporate purposes, which included repurchases of outstanding common shares.

AFG can borrow up to $500 million under its revolving credit facility which expires in December 2025. Amounts borrowed under this agreement bear interest at rates ranging from 1.00% to 1.875% (currently 1.375%) over LIBOR based on AFG's credit rating. No amounts were borrowed under this facility at December 31, 2022 or December 31, 2021.

Cash interest payments on long-term debt were $89 million in 2022, $92 million in 2021 and $83 million in 2020.

K. Leases

AFG and its subsidiaries lease real estate that is primarily used for office space and, to a lesser extent, equipment under operating lease arrangements. Most of AFG's real estate leases include an option to extend or renew the lease term at AFG's option. The operating lease liability includes lease payments related to options to extend or renew the lease term if AFG is reasonably certain of exercising those options. Lease payments are discounted using the implicit discount rate in the lease. If the implicit discount rate for the lease cannot be readily determined, AFG uses an estimate of its incremental secured borrowing rate. AFG did not have any material contracts accounted for as finance or short-term leases at December 31, 2022 or December 31, 2021.

AFG's operating lease right-of-use asset and operating lease liability are included in other assets and other liabilities, respectively, in AFG's Balance Sheet at December 31 and are presented in the following table (in millions):

	2022	2021
Right-of-use asset	$ 103	$ 118
Lease liability	116	136

The following table details AFG's lease activity for the years ended December 31, 2022, 2021 and 2020 (in millions):

	2022	2021	2020
Operating lease expense included in other expenses	$ 36	$ 41	$ 47
Sublease income (*)	(2)	(2)	—
Total lease expense, net of sublease income	$ 34	$ 39	$ 47

(*) Sublease income consists of rent from third parties of office space and is included in other income in AFG's Consolidated Statement of Earnings.

Other operating lease information for the years ended December 31, 2022, 2021 and 2020 (in millions):

	2022	2021	2020
Cash paid for lease liabilities reported in operating cash flows	$ 38	$ 43	$ 50
Right-of-use assets obtained under new leases	11	10	25

The following table presents the undiscounted contractual maturities of AFG's operating lease liability at December 31, 2022 (in millions):

Operating lease payments:	
2023	$ 36
2024	29
2025	25
2026	20
2027	6
Thereafter	12
Total lease payments	128
Impact of discounting	(12)
Operating lease liability	$ 116
Weighted-average remaining lease term	4.5 years
Weighted-average discount rate	4.0 %

L. Shareholders' Equity

AFG is authorized to issue 12.5 million shares of Voting Preferred Stock and 12.5 million shares of Nonvoting Preferred Stock, each without par value.

Stock Incentive Plans Under AFG's stock incentive plans, employees of AFG and its subsidiaries are eligible to receive equity awards in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock units and stock awards. At December 31, 2022, there were 2.4 million shares of AFG Common Stock reserved for issuance under AFG's stock incentive plans.

The restricted Common Stock that AFG has granted generally vests over a four-year period. Data relating to grants of restricted stock is presented below:

	Shares	Average Grant Date Fair Value
Outstanding at January 1, 2022	651,846	$ 106.59
Granted	151,080	$ 133.94
Vested	(171,500)	$ 111.11
Forfeited	(15,559)	$ 109.33
Outstanding at December 31, 2022	615,867	$ 111.97

The total fair value of restricted stock that vested during 2022, 2021 and 2020 was $23 million, $28 million and $19 million, respectively.

AFG has not granted any stock options since 2015. Options granted in prior years have an exercise price equal to the market price of AFG Common Stock at the date of grant (adjusted for certain special dividends). Options generally became exercisable at the rate of 20% per year commencing one year after grant and expire ten years after the date of grant.

Data for stock options issued under AFG's stock incentive plans is presented below:

	Shares	Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2022	414,745	$ 46.04		
Exercised	(182,054)	$ 39.72		
Special dividend adjustment	10,913	n/a		
Forfeited/Cancelled	—	$ —		
Outstanding at December 31, 2022	243,604	$ 44.75	1.4 years	$ 23
Options exercisable at December 31, 2022	243,604	$ 44.75	1.4 years	$ 23

The total intrinsic value of options exercised during 2022, 2021 and 2020 was $18 million, $88 million and $17 million, respectively. During 2022, 2021 and 2020, AFG received $7 million, $58 million and $14 million, respectively, in cash from the exercise of stock options. The total tax benefit related to the exercises was $3 million, $14 million and $3 million during those years, respectively.

Total compensation expense related to stock incentive plans of AFG and its subsidiaries was $19 million for 2022, $16 million for 2021 and $20 million for 2020. AFG's provision for income tax includes tax benefits of $8 million in 2022, $19 million in 2021 and $9 million in 2020 related to AFG's stock incentive plans. At December 31, 2022, there was $30 million of unrecognized compensation expense related to restricted stock awards, which is expected to be recognized over a weighted average of 2.5 years. At December 31, 2022, there was no unrecognized compensation expense related to unvested stock options.

Accumulated Other Comprehensive Income, Net of Tax Comprehensive income is defined as all changes in shareholders' equity except those arising from transactions with shareholders. Comprehensive income includes net earnings and other comprehensive income (loss), which consists primarily of changes in net unrealized gains or losses on available for sale fixed maturity securities. The progression of the components of accumulated other comprehensive income (loss) follows (in millions):

		Other Comprehensive Income (Loss)						
	AOCI Beginning Balance	Pretax	Tax	Net of tax	Attributable to noncontrolling interests	Attributable to shareholders	Other	AOCI Ending Balance
Year ended December 31, 2022								
Net unrealized gains (losses) on securities:								
Unrealized holding losses on securities arising during the period		$ (821)	$ 174	$ (647)	$ —	$ (647)		
Reclassification adjustment for realized (gains) losses included in net earnings (*)		18	(4)	14	—	14		
Total net unrealized gains (losses) on securities	$ 136	(803)	170	(633)	—	(633)	$ —	$ (497)
Net unrealized gains (losses) on cash flow hedges:								
Unrealized holding losses on cash flow hedges arising during the period		(37)	8	(29)	—	(29)		
Reclassification adjustment for investment income included in net earnings		—	—	—	—	—		
Total net unrealized losses on cash flow hedges	—	(37)	8	(29)	—	(29)	—	(29)
Foreign currency translation adjustments	(18)	(1)	(1)	(2)	—	(2)	—	(20)
Pension and other postretirement plan adjustments	1	2	—	2	—	2	—	3
Total	$ 119	$ (839)	$ 177	$ (662)	$ —	$ (662)	$ —	$ (543)
Year ended December 31, 2021								
Net unrealized gains (losses) on securities:								
Unrealized holding losses on securities arising during the period		$ (275)	$ 57	$ (218)	$ —	$ (218)		
Reclassification adjustment for realized (gains) losses included in net earnings (*)		(22)	5	(17)	—	(17)		
Reclassification for unrealized gains of subsidiaries sold		(1,119)	235	(884)	—	(884)		
Total net unrealized gains (losses) on securities	$ 1,255	(1,416)	297	(1,119)	—	(1,119)	$ —	$ 136
Net unrealized gains (losses) on cash flow hedges:								
Unrealized holding losses on cash flow hedges arising during the period		(1)	—	(1)	—	(1)		
Reclassification adjustment for investment income included in net earnings from discontinued operations		(14)	3	(11)	—	(11)		
Reclassification for unrealized gains on cash flow hedges of subsidiaries sold		(37)	8	(29)	—	(29)		
Total net unrealized gains (losses) on cash flow hedges	41	(52)	11	(41)	—	(41)	—	—
Foreign currency translation adjustments	(16)	(2)	—	(2)	—	(2)	—	(18)
Pension and OPRP adjustments:								
Unrealized holding losses on pension and OPRP arising during the period		(1)	—	(1)	—	(1)		
Reclassification adjustment for pension settlement loss included in other expense in net earnings		11	(2)	9	—	9		
Total pension and OPRP adjustments	(7)	10	(2)	8	—	8	—	1
Total	$ 1,273	$ (1,460)	$ 306	$ (1,154)	$ —	$ (1,154)	$ —	$ 119

	AOCI Beginning Balance	Other Comprehensive Income (Loss) Pretax	Tax	Net of tax	Attributable to noncontrolling interests	Attributable to shareholders	Other	AOCI Ending Balance
Year ended December 31, 2020								
Net unrealized gains on securities:								
Unrealized holding gains on securities arising during the period		$ 887	$ (187)	$ 700	$ —	$ 700		
Reclassification adjustment for realized (gains) losses included in net earnings (*)		(389)	82	(307)	—	(307)		
Total net unrealized gains on securities	$ 862	498	(105)	393	—	393	$ —	$ 1,255
Net unrealized gains on cash flow hedges:								
Unrealized holding gains on cash flow hedges arising during the period		70	(14)	56	—	56		
Reclassification adjustment for investment income included in net earnings from discontinued operations		(40)	8	(32)	—	(32)		
Total net unrealized gains on cash flow hedges	17	30	(6)	24	—	24	—	41
Foreign currency translation adjustments	(9)	(1)	—	(1)	(2)	(3)	(4)	(16)
Pension and other postretirement plans adjustments	(7)	—	—	—	—	—	—	(7)
Total	$ 863	$ 527	$ (111)	$ 416	$ (2)	$ 414	$ (4)	$ 1,273

(*) The reclassification adjustment out of net unrealized gains (losses) on securities affected the following lines in AFG's Statement of Earnings:

OCI component	Affected line in the statement of earnings
Pretax	Realized gains (losses) on securities
Tax	Provision for income taxes

M. Income Taxes

The following is a reconciliation of income taxes on continuing operations at the statutory rate of 21% to the provision for income taxes as shown in AFG's Statement of Earnings (dollars in millions):

	2022 Amount	2022 % of EBT	2021 Amount	2021 % of EBT	2020 Amount	2020 % of EBT
Earnings from continuing operations before income taxes ("EBT")	$ 1,123		$ 1,335		$ 339	
Income taxes at statutory rate	$ 236	21 %	$ 280	21 %	$ 71	21 %
Effect of:						
Change in valuation allowance	(9)	(1 %)	(4)	— %	(117)	(35 %)
Employee stock ownership plan dividend paid deduction	(8)	(1 %)	(16)	(1 %)	(2)	(1 %)
Tax exempt interest	(6)	(1 %)	(8)	(1 %)	(10)	(3 %)
Stock-based compensation	(5)	— %	(13)	(1 %)	(4)	(1 %)
Adjustment to prior year taxes	(3)	— %	(1)	— %	1	— %
Dividend received deduction	(2)	— %	(2)	— %	(2)	(1 %)
Tax benefit related to sale of Neon	—	— %	—	— %	(72)	(21 %)
Nondeductible expenses	8	1 %	8	1 %	4	1 %
Foreign operations	7	1 %	—	— %	149	44 %
Other	7	— %	10	— %	7	3 %
Provision for income taxes as shown in the statement of earnings	$ 225	20 %	$ 254	19 %	$ 25	7 %

On December 31, 2020, AFG completed the sale of the legal entities that own Neon Underwriting Limited ("Neon"), a United Kingdom-based Lloyd's insurer (see *Note C — "Acquisitions and Sale of Businesses"*), which resulted in a taxable loss for U.S. tax purposes. AFG recorded a $72 million tax benefit associated with this loss in 2020. Approximately

$65 million of the $72 million tax benefit reduced current taxes payable while the remaining tax benefit will be received from the carry-back of the tax-basis capital loss to offset capital gains in prior tax years.

Due to uncertainty concerning the realization of the deferred tax benefits associated with losses incurred at Neon (and its predecessor), AFG maintained a full valuation allowance against the deferred tax assets related to the Lloyd's insurance business. The effect of foreign operations and change in valuation allowance in 2020 in the table above reflect the transfer of the deferred tax assets related to Neon, to the buyer at closing, and the corresponding reduction in the valuation allowance.

Excluding the impact of the $72 million tax benefit on the sale and other impacts of Neon in 2020, AFG's effective tax rate for the year ended December 31, 2020, was 28%.

In August 2022, the United States federal government enacted the Inflation Reduction Act ("IRA") which, among other things, created a new corporate alternative minimum tax ("AMT") based on the earnings that a company reports in its financial statements and imposes a 1% excise tax on corporate stock repurchases. The effective date of the IRA is January 1, 2023, and the August 2022 enactment did not have an immediate impact on AFG's financial statements. Due to the lack of specific guidance at this time, AFG cannot determine whether it will be subject to the new AMT. Any AMT incurred would be available to offset AFG's taxes payable under the standard calculation in future periods. Accordingly, the AMT is a timing difference and would result in the recording of an offsetting deferred tax asset with no impact on overall income tax expense. The excise tax on stock repurchases would be recorded as part of the cost of the repurchases directly in shareholders' equity.

Since almost all of AFG's earnings are taxable based on U.S. tax rates, the Global Intangible Low-taxed Income ("GILTI") provision is not expected to be material to AFG's results of operations and will be recorded in the period that any tax arises.

AFG's 2013 — 2022 tax years remain subject to examination by the IRS.

Total earnings before income taxes include earnings subject to tax in foreign jurisdictions of $64 million in 2022 and $33 million in 2021 and losses subject to tax in foreign jurisdictions of $131 million in 2020. The losses in 2020 are primarily related to Neon.

The total income tax provision of continuing operations consists of (in millions):

	2022	2021	2020
Current taxes:			
Federal	$ 192	$ 162	$ 46
State	10	7	4
Foreign	1	1	3
Deferred taxes:			
Federal	22	84	(28)
Provision for income taxes	$ 225	$ 254	$ 25

For income tax purposes, AFG and its subsidiaries had the following carryforwards available at December 31, 2022 (in millions):

	Expiring	Amount
Operating Loss – U.S.	2023 - 2041	$ 12
Operating Loss – United Kingdom	indefinite	36 (*)

(*) £30 million

Deferred income tax assets and liabilities reflect temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes. The significant components of deferred tax assets and liabilities included in AFG's Balance Sheet at December 31 were as follows (in millions):

	2022	2021
Deferred tax assets:		
Federal net operating loss carryforwards	$ 2	$ 12
Foreign underwriting losses	10	9
Insurance claims and reserves	255	249
Employee benefits	108	112
Other, net	24	26
Total deferred tax assets before valuation allowance	399	408
Valuation allowance against deferred tax assets	(16)	(25)
Total deferred tax assets	383	383
Deferred tax liabilities:		
Investment securities	(52)	(200)
Deferred policy acquisition costs	(66)	(61)
Insurance claims and reserves transition liability	(12)	(17)
Real estate, property and equipment	(23)	(29)
Total deferred tax liabilities	(153)	(307)
Net deferred tax asset	$ 230	$ 76

AFG's net deferred tax asset at December 31, 2022 and 2021 is included in other assets in AFG's Balance Sheet. The increase in AFG's net deferred tax asset at December 31, 2022 compared to December 31, 2021 reflects net unrealized losses on fixed maturities at December 31, 2022 compared to net unrealized gains at December 31, 2021 and the decrease in fair value of equity securities.

The likelihood of realizing deferred tax assets is reviewed periodically. In assessing the need for a valuation allowance, management considered taxable income in prior carryback years, future taxable income and tax planning strategies that include holding debt securities with unrealized losses until recovery. Such tax planning strategies are viewed by management as prudent and feasible and will be implemented if necessary to realize the deferred tax asset. Any adjustments required to the valuation allowance are made in the period during which developments requiring an adjustment become known.

AFG's $43 million of net operating loss carryforwards ("NOL") subject to the separate return limitation year ("SRLY") tax rules expired unutilized at December 31, 2022. Since AFG maintains a full valuation allowance against its SRLY NOLs, the expiration of these loss carryforwards was offset by corresponding reduction in the valuation allowance and had no overall impact on AFG's income tax expense or results of operations.

At both December 31, 2022 and December 31, 2021, there are unrecognized tax benefits and related interest and penalties of less than $1 million that, if recognized, would impact the effective tax rate. AFG's provision for income taxes in both 2022 and 2021 included interest expense of less than $1 million related to unrecognized tax benefits. There is no interest expense related to unrecognized tax benefits included in AFG's provision for income taxes in 2020. There were liabilities of less than $1 million for interest related to unrecognized tax benefits at both December 31, 2022 and December 31, 2021. There were no penalties related to unrecognized tax benefits included in AFG's provision for income taxes in 2022, 2021 or 2020. There is no liability for penalties related to unrecognized tax benefits at December 31, 2022 or December 31, 2021.

Cash payments for income taxes, net of refunds, were $242 million, $212 million and $179 million for 2022, 2021 and 2020, respectively.

N. Contingencies

Establishing property and casualty insurance reserves for claims related to environmental exposures, asbestos and other mass tort claims is subject to uncertainties that are significantly greater than those presented by other types of claims. For this group of claims, traditional actuarial techniques that rely on historical loss development trends cannot be used and a range of reasonably possible losses cannot be estimated. Accruals (included in other liabilities) have been recorded for various environmental and occupational injury and disease claims and other contingencies arising out of the railroad operations disposed of by American Premier's predecessor, Penn Central Transportation Company ("PCTC") and its subsidiaries, prior to its bankruptcy reorganization in 1978 and certain manufacturing operations disposed of by American Premier and Great American Financial Resources, Inc. ("GAFRI").

AFG completed in-depth internal reviews of its asbestos and environmental ("A&E") reserves in the third quarters of 2022 and 2021. These reviews did not identify any new trends compared to the most recent external study and resulted in immaterial adjustments to AFG's A&E reserves. AFG completed a comprehensive external study of its A&E exposures in the third quarter of 2020 with the aid of specialty actuarial, engineering and consulting firms and outside counsel. The study resulted in special A&E charges of $47 million for the property and casualty group and $21 million for the former railroad and manufacturing operations.

The property and casualty group's liability for A&E reserves was $525 million at December 31, 2022; related recoverables from reinsurers (net of allowances for doubtful accounts) at that date were $140 million.

At December 31, 2022, American Premier and its subsidiaries had liabilities for environmental and personal injury claims and other contingencies aggregating $89 million. The environmental claims consist of a number of proceedings and claims seeking to impose responsibility for hazardous waste remediation costs related to certain sites formerly owned or operated by the railroad and manufacturing operations. Remediation costs are difficult to estimate for a number of reasons, including the number and financial resources of other potentially responsible parties, the range of costs for remediation alternatives, changing technology and the time period over which these matters develop. The personal injury claims and other contingencies include pending and expected claims, primarily by former employees of PCTC, for injury or disease allegedly caused by exposure to excessive noise, asbestos or other substances in the workplace and other labor disputes.

At December 31, 2022, GAFRI had a liability of $7 million for environmental costs and certain other matters associated with the sales of its former manufacturing operations.

While management believes AFG has recorded adequate reserves for the items discussed above, the outcome is uncertain and could result in liabilities that may vary from amounts AFG has currently recorded. Such amounts could have a material effect on AFG's future results of operations and financial condition.

In addition, AFG and its subsidiaries are involved in litigation from time to time, generally arising in the ordinary course of business. This litigation may include, but is not limited to, general commercial disputes, lawsuits brought by policyholders, employment matters, reinsurance collection matters and actions challenging certain business practices of insurance subsidiaries. None of these matters are expected to have a material adverse impact on AFG's results of operations or financial condition.

O. Insurance

Cash and securities owned by U.S.-based insurance subsidiaries, having a carrying value of approximately $1.12 billion at December 31, 2022, were on deposit as required by regulatory authorities.

Property and Casualty Insurance Reserves Estimating the liability for unpaid losses and loss adjustment expenses ("LAE") is inherently judgmental and is influenced by factors that are subject to significant variation. Determining the liability is a complex process incorporating input from many areas of the Company including actuarial, underwriting, pricing, claims and operations management.

The process used to determine the total reserve for liabilities involves estimating the ultimate incurred losses and LAE, adjusted for amounts already paid on the claims. The IBNR reserve is derived by first estimating the ultimate unpaid reserve liability and subtracting case reserves for loss and LAE.

In determining management's best estimate of the ultimate liability, management (with the assistance of Company actuaries) considers items such as the effect of inflation on medical, hospitalization, material, repair and replacement costs, the nature and maturity of lines of insurance, general economic trends and the legal environment. In addition, historical trends adjusted for changes in underwriting standards, policy provisions, product mix and other factors are analyzed using actuarial reserve development techniques. Weighing all of the factors, the management team determines a single or "point" estimate that it records as its best estimate of the ultimate liability. Ranges of loss reserves are not developed by Company actuaries. This reserve analysis and review is completed each quarter and for almost every business within AFG's property and casualty insurance sub-segments.

Each quarterly review includes in-depth analysis of several hundred subdivisions of the business, employing multiple actuarial techniques. For each subdivision, actuaries use informed, professional judgment to adjust these techniques as necessary to respond to specific conditions in the data or within the business.

Some of the standard actuarial methods employed for the quarterly reserve analysis may include (but may not be limited to):
- Case Incurred Development Method
- Paid Development Method
- Bornhuetter-Ferguson Method
- Incremental Paid LAE to Paid Loss Methods

Each method has particular strengths and weaknesses and no single estimation method is most accurate in all situations. When applied to a particular group of claims, the relative strengths and weaknesses of each method can change over time based on the facts and circumstances. Ultimately, the estimation methods chosen are those which the actuary believes produce the most reliable indication for the particular liabilities under review.

The period of time from the event triggering a claim through the settlement of the liability is referred to as the "tail". Generally, the same actuarial methods are considered for both short-tail and long-tail lines of business because most of them work properly for both. The methods are designed to incorporate the effects of the differing length of time to settle particular claims. For nearly all lines of business, the actuaries rely heavily on the Bornhuetter-Ferguson method for more recent accident periods. As accident years mature and the underlying claim data becomes more credible, more weight is given to the Case Incurred and Paid Development methods. This transition occurs relatively quickly for short-tailed lines, and over a number of years for long-tail lines. Liability claims for long-tail lines are more susceptible to litigation and can be significantly affected by changing contract interpretation and the legal environment. Therefore, the estimation of loss reserves for these classes is more complex and subject to a higher degree of variability.

The level of detail in which data is analyzed varies among the different lines of business. Data is generally analyzed by major product or by coverage within product, using countrywide data; however, in some situations, data may be reviewed by state or region. Appropriate segmentation of the data is determined based on data credibility, homogeneity of development patterns, mix of business, and other actuarial considerations.

Supplementary statistical information is also reviewed to determine which methods are most appropriate to use or if adjustments are needed to particular methods. Such information includes:
- Open and closed claim counts
- Average case reserves and average incurred on open claims
- Closure rates and statistics related to closed and open claim percentages
- Average closed claim severity
- Ultimate claim severity
- Reported loss ratios
- Projected ultimate loss ratios
- Loss payment patterns

Within each business, results of individual methods are reviewed, supplementary statistical information is analyzed, and data from underwriting, operating and claim management are considered in deriving management's best estimate of the ultimate liability. This estimate may be the result of one method, a weighted average of several methods, or a judgmental selection as the management team determines is appropriate.

The liability for losses and LAE for a very limited number of claims with long-term scheduled payments under certain workers' compensation policies has been discounted at 3.5% at both December 31, 2022 and December 31, 2021, which represents an approximation of long-term investment yields. Because of the limited amount of claims involved, the net impact of discounting did not materially impact AFG's total liability for unpaid losses and loss adjustment expenses (net reductions from discounting of $9 million and $8 million at December 31, 2022 and 2021, respectively).

The following table provides an analysis of changes in the liability for losses and loss adjustment expenses over the past three years (in millions):

	2022	2021	2020
Balance at beginning of period	$ 11,074	$ 10,392	$ 10,232
Less reinsurance recoverables, net of allowance	3,419	3,117	3,024
Net liability at beginning of period	7,655	7,275	7,208
Provision for losses and LAE occurring in the current year	3,914	3,436	3,398
Net increase (decrease) in the provision for claims of prior years:			
Special A&E charges	—	—	47
Neon exited lines	—	—	19
Other	(285)	(279)	(193)
Total losses and LAE incurred	3,629	3,157	3,271
Payments for losses and LAE of:			
Current year	(1,212)	(1,024)	(990)
Prior years	(1,870)	(1,753)	(1,766)
Total payments	(3,082)	(2,777)	(2,756)
Reserves of businesses disposed (*)	—	—	(449)
Foreign currency translation and other	5	—	1
Net liability at end of period	8,207	7,655	7,275
Add back reinsurance recoverables, net of allowance	3,767	3,419	3,117
Gross unpaid losses and LAE included in the balance sheet	$ 11,974	$ 11,074	$ 10,392

(*) Reflects the December 31, 2020 sale of Neon (see *Note C — "Acquisitions and Sale of Businesses"*).

The 2021 and 2020 provision for losses and LAE occurring in the current year includes $16 million and $115 million (including $20 million recorded by the Neon exited lines), respectively, of COVID-19 related losses. In addition, the net decrease in the provision for losses and LAE includes favorable development of $19 million in both 2022 and 2021 related to COVID-19 related losses.

The net decrease in the provision for claims of prior years in 2022 reflects (i) lower than anticipated losses in the crop business, lower than expected claim frequency in the trucking and ocean marine businesses and in the Singapore operations, lower than expected claim frequency and severity in the aviation business and lower than anticipated claim severity in the property and inland marine business (within the Property and transportation sub-segment), (ii) lower than anticipated claim severity in the workers' compensation businesses and lower than expected claim frequency in the executive liability and excess and surplus businesses (within the Specialty casualty sub-segment) and (iii) lower than anticipated claim frequency in the surety, trade credit and financial institutions businesses (within the Specialty financial sub-segment). This favorable development was partially offset by (i) higher than anticipated claim severity in the general liability, umbrella and excess liability and certain targeted markets businesses (within the Specialty casualty sub-segment) and (ii) net adverse development associated with AFG's internal reinsurance program (within Other specialty), primarily related to social inflation exposed business assumed from the Specialty casualty sub-segment.

The net decrease in the provision for claims of prior years in 2021 reflects (i) lower than anticipated claim frequency and severity in the transportation businesses, lower than expected losses in the crop business, lower than expected claim severity in the ocean marine business and lower than expected claim frequency in the aviation business (within the Property and transportation sub-segment), (ii) lower than anticipated claim severity in the workers' compensation businesses (within the Specialty casualty sub-segment) and (iii) lower than anticipated claim frequency in the surety and trade credit businesses and lower than expected claim frequency and severity in the financial institutions business (within the Specialty financial sub-segment). This favorable development was partially offset by higher than anticipated claim severity in the general liability and targeted markets businesses (within the Specialty casualty sub-segment) and (ii) net adverse development associated with AFG's internal reinsurance program (within Other specialty).

The net decrease in the provision for claims of prior years in 2020 reflects (i) lower than expected claim frequency and severity in the aviation, transportation and agricultural businesses (within the Property and transportation sub-segment), (ii) lower than anticipated claim severity in the workers' compensation businesses and lower than anticipated claim frequency in the executive liability business (within the Specialty casualty sub-segment) and (iii) lower than anticipated claim frequency in the trade credit business and lower than anticipated claim frequency and severity in the financial institutions, fidelity and surety businesses (within the Specialty financial sub-segment). This favorable development was partially offset by (i) the $47 million special charge to increase asbestos and environmental reserves and adverse reserve development of $19 million on Neon's exited lines of business, (ii) higher than expected claim frequency and severity in general liability contractor claims and the excess and surplus and excess liability businesses and higher than anticipated claim severity in the targeted markets businesses (within the Specialty casualty sub-segment), (iii) net adverse development associated with AFG's internal reinsurance program (within Other specialty) and (iv) net adverse reserve development related to business outside the Specialty group that AFG no longer writes.

A reconciliation of incurred and paid claims development information to the aggregate carrying amount of the liability for unpaid losses and LAE, with separate disclosure of reinsurance recoverables on unpaid claims is shown below (in millions):

	2022
Unpaid losses and allocated LAE, net of reinsurance:	
Specialty	
Property and transportation	$ 1,481
Specialty casualty	4,688
Specialty financial	277
Other specialty	525
Total Specialty (excluding foreign reserves)	6,971
Other reserves	
Foreign operations	380
A&E reserves	385
Unallocated LAE	418
Other	53
Total other reserves	1,236
Total reserves, net of reinsurance	8,207
Add back reinsurance recoverables, net of allowance	3,767
Gross unpaid losses and LAE included in the balance sheet	$ 11,974

The following claims development tables and associated disclosures related to short-duration insurance contracts are prepared by sub-segment within the property and casualty insurance business for the most recent 10 accident years. AFG determines its claim counts at the claimant or policy feature level depending on the particular facts and circumstances of the underlying claim. While the methodology is generally consistent within each sub-segment, there are minor differences between and within the sub-segments. The methods used to summarize claim counts have not changed significantly over the time periods reported in the tables below.

Property and transportation

(Dollars in Millions)

	Incurred Claims and Allocated LAE, Net of Reinsurance										As of December 31, 2022	
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)											
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2013	$ 882	$ 870	$ 872	$ 878	$ 878	$ 877	$ 873	$ 871	$ 870	$ 870	$ 4	139,031
2014		844	828	817	820	815	808	804	802	800	5	133,262
2015			818	784	779	777	777	772	768	769	7	135,048
2016				746	716	714	706	694	688	689	9	121,361
2017					889	847	843	823	816	820	15	140,902
2018						932	902	886	876	882	24	130,600
2019							1,111	1,058	1,051	1,055	35	154,011
2020								1,043	974	957	71	121,649
2021									1,119	1,023	129	122,024
2022										1,393	436	122,637
									Total	$ 9,258		

	Cumulative Paid Claims and Allocated LAE, Net of Reinsurance										
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)										
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	% (a)
2013	$ 438	$ 702	$ 760	$ 804	$ 831	$ 847	$ 858	$ 860	$ 861	$ 864	99.3 %
2014		329	632	693	744	770	783	789	791	792	99.0 %
2015			359	582	667	707	736	744	750	755	98.2 %
2016				294	521	577	618	640	656	665	96.5 %
2017					379	640	696	735	755	783	95.5 %
2018						396	676	738	781	824	93.4 %
2019							527	823	904	959	90.9 %
2020								461	726	804	84.0 %
2021									449	767	75.0 %
2022										587	42.1 %
									Total	$ 7,800	
Unpaid losses and LAE — years 2013 through 2022										1,458	
Unpaid losses and LAE — 11th year and prior (excluding unallocated LAE)										23	
Unpaid losses and LAE, net of reinsurance (excluding unallocated LAE)										$ 1,481	

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance
(Supplementary Information and Unaudited)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual	45.6 %	31.2 %	7.9 %	5.3 %	3.4 %	2.0 %	1.0 %	0.4 %	0.1 %	0.3 %
Cumulative	45.6 %	76.8 %	84.7 %	90.0 %	93.4 %	95.4 %	96.4 %	96.8 %	96.9 %	97.2 %

(a) Represents the cumulative percentage paid of incurred claims and allocated LAE (net of reinsurance, as estimated at December 31, 2022).

Specialty casualty

(Dollars in Millions)

	Incurred Claims and Allocated LAE, Net of Reinsurance										As of December 31, 2022	
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)											
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2013	$ 968	$ 949	$ 945	$ 940	$ 945	$ 926	$ 916	$ 905	$ 898	$ 895	$ 28	55,221
2014		1,035	1,008	1,008	1,006	982	967	952	950	955	36	57,158
2015			1,081	1,043	1,041	1,042	1,024	1,021	1,015	1,007	49	58,251
2016				1,131	1,122	1,116	1,101	1,090	1,069	1,046	83	56,549
2017					1,211	1,221	1,204	1,189	1,162	1,139	139	57,232
2018						1,277	1,307	1,302	1,262	1,269	226	59,219
2019							1,308	1,311	1,322	1,280	300	59,029
2020								1,352	1,329	1,258	440	53,383
2021									1,384	1,389	696	54,555
2022										1,475	954	48,805
									Total	$ 11,713		

	Cumulative Paid Claims and Allocated LAE, Net of Reinsurance										
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)										
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	% (a)
2013	$ 182	$ 396	$ 554	$ 666	$ 729	$ 766	$ 797	$ 820	$ 835	$ 845	94.4 %
2014		190	412	574	680	755	801	829	862	881	92.3 %
2015			178	411	577	702	792	844	888	913	90.7 %
2016				186	418	584	713	806	870	906	86.6 %
2017					200	422	612	755	833	902	79.2 %
2018						210	475	649	794	901	71.0 %
2019							212	455	651	795	62.1 %
2020								188	446	613	48.7 %
2021									191	438	31.5 %
2022										198	13.4 %
									Total	$ 7,392	
							Unpaid losses and LAE — years 2013 through 2022			4,321	
							Unpaid losses and LAE — 11th year and prior (excluding unallocated LAE)			367	
							Unpaid losses and LAE, net of reinsurance (excluding unallocated LAE)			$ 4,688	

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance
(Supplementary Information and Unaudited)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual	16.8 %	21.1 %	15.7 %	11.9 %	8.0 %	5.3 %	3.6 %	2.8 %	1.8 %	1.1 %
Cumulative	16.8 %	37.9 %	53.6 %	65.5 %	73.5 %	78.8 %	82.4 %	85.2 %	87.0 %	88.1 %

(a) Represents the cumulative percentage paid of incurred claims and allocated LAE (net of reinsurance, as estimated at December 31, 2022).

Specialty financial

(Dollars in Millions)

	Incurred Claims and Allocated LAE, Net of Reinsurance										As of December 31, 2022	
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)										Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
2013	$ 140	$ 145	$ 137	$ 131	$ 127	$ 126	$ 122	$ 122	$ 120	$ 118	$ 1	28,477
2014		146	157	156	153	147	142	137	136	135	1	29,470
2015			156	160	158	153	145	138	136	135	1	37,627
2016				179	184	187	182	174	170	173	2	45,177
2017					212	215	212	208	203	202	4	48,831
2018						212	217	219	207	201	7	46,764
2019							194	198	191	186	15	41,898
2020								231	215	202	23	29,638
2021									223	201	49	26,983
2022										243	124	19,415
									Total	$ 1,796		

	Cumulative Paid Claims and Allocated LAE, Net of Reinsurance										
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)										
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	% (a)
2013	$ 70	$ 100	$ 107	$ 113	$ 117	$ 117	$ 118	$ 118	$ 118	$ 117	99.2 %
2014		62	109	125	128	137	139	141	140	141	104.4 %
2015			72	110	129	133	132	134	134	134	99.3 %
2016				88	141	158	161	163	164	171	98.8 %
2017					120	169	186	194	193	192	95.0 %
2018						112	163	187	188	192	95.5 %
2019							99	146	164	168	90.3 %
2020								100	144	159	78.7 %
2021									98	136	67.7 %
2022										108	44.4 %
									Total	$ 1,518	
Unpaid losses and LAE — years 2013 through 2022										278	
Unpaid losses and LAE — 11th year and prior (excluding unallocated LAE)										(1)	
Unpaid losses and LAE, net of reinsurance (excluding unallocated LAE)										$ 277	

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance
(Supplementary Information and Unaudited)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual	52.1 %	26.1 %	9.9 %	2.7 %	2.0 %	0.6 %	1.6 %	(0.2 %)	0.4 %	(0.8 %)
Cumulative	52.1 %	78.2 %	88.1 %	90.8 %	92.8 %	93.4 %	95.0 %	94.8 %	95.2 %	94.4 %

(a) Represents the cumulative percentage paid of incurred claims and allocated LAE (net of reinsurance, as estimated at December 31, 2022).

Other specialty

(Dollars in Millions)

Accident Year	Incurred Claims and Allocated LAE, Net of Reinsurance — For the Years Ended (2013–2021 is Supplementary Information and Unaudited) 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	As of December 31, 2022 — Total IBNR Plus Expected Development on Reported Claims	As of December 31, 2022 — Cumulative Number of Reported Claims (a)
2013	$ 46	$ 47	$ 46	$ 47	$ 50	$ 53	$ 58	$ 58	$ 60	$ 63	$ 1	—
2014		58	57	59	59	60	61	64	66	68	3	—
2015			59	60	63	66	76	82	84	87	5	—
2016				61	61	65	71	76	77	78	10	—
2017					63	65	70	81	88	95	7	—
2018						86	90	92	94	100	26	—
2019							108	107	108	111	32	—
2020								122	117	129	62	—
2021									135	141	95	—
2022										159	122	—
									Total	$ 1,031		

Accident Year	Cumulative Paid Claims and Allocated LAE, Net of Reinsurance — For the Years Ended (2013–2021 is Supplementary Information and Unaudited) 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	% (b)
2013	$ 7	$ 16	$ 22	$ 34	$ 37	$ 44	$ 51	$ 53	$ 57	$ 60	95.2 %
2014		13	21	30	36	43	50	53	54	56	82.4 %
2015			10	26	31	50	62	69	75	76	87.4 %
2016				9	19	31	47	53	60	64	82.1 %
2017					10	19	30	52	63	76	80.0 %
2018						12	23	32	44	60	60.0 %
2019							9	24	49	61	55.0 %
2020								9	21	44	34.1 %
2021									8	27	19.1 %
2022										11	6.9 %
									Total	$ 535	
Unpaid losses and LAE — years 2013 through 2022										496	
Unpaid losses and LAE — 11th year and prior (excluding unallocated LAE)										29	
Unpaid losses and LAE, net of reinsurance (excluding unallocated LAE)										$ 525	

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance
(Supplementary Information and Unaudited)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual	10.3 %	12.7 %	13.1 %	16.6 %	10.7 %	10.4 %	6.9 %	1.9 %	4.6 %	4.8 %
Cumulative	10.3 %	23.0 %	36.1 %	52.7 %	63.4 %	73.8 %	80.7 %	82.6 %	87.2 %	92.0 %

(a) The amounts shown in Other specialty represent business assumed by AFG's internal reinsurance program from the operations that make up AFG's other Specialty property and casualty insurance sub-segments. Accordingly, the liability for incurred claims and allocated LAE represents additional reserves held on claims counted in the tables provided for the other sub-segments (above).

(b) Represents the cumulative percentage paid of incurred claims and allocated LAE (net of reinsurance, as estimated at December 31, 2022).

Total Specialty Group

(Dollars in Millions)

	Incurred Claims and Allocated LAE, Net of Reinsurance										As of December 31, 2022	
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)											
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2013	$ 2,036	$ 2,011	$ 2,000	$ 1,996	$ 2,000	$ 1,982	$ 1,969	$ 1,956	$ 1,948	$ 1,946	$ 34	222,729
2014		2,083	2,050	2,040	2,038	2,004	1,978	1,957	1,954	1,958	45	219,890
2015			2,114	2,047	2,041	2,038	2,022	2,013	2,003	1,998	62	230,926
2016				2,117	2,083	2,082	2,060	2,034	2,004	1,986	104	223,087
2017					2,375	2,348	2,329	2,301	2,269	2,256	165	246,965
2018						2,507	2,516	2,499	2,439	2,452	283	236,583
2019							2,721	2,674	2,672	2,632	382	254,938
2020								2,748	2,635	2,546	596	204,670
2021									2,861	2,754	969	203,562
2022										3,270	1,636	190,857
									Total	$ 23,798		

	Cumulative Paid Claims and Allocated LAE, Net of Reinsurance										
	For the Years Ended (2013–2021 is Supplementary Information and Unaudited)										
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	% (a)
2013	$ 697	$ 1,214	$ 1,443	$ 1,617	$ 1,714	$ 1,774	$ 1,824	$ 1,851	$ 1,871	$ 1,886	96.9 %
2014		594	1,174	1,422	1,588	1,705	1,773	1,812	1,847	1,870	95.5 %
2015			619	1,129	1,404	1,592	1,722	1,791	1,847	1,878	94.0 %
2016				577	1,099	1,350	1,539	1,662	1,750	1,806	90.9 %
2017					709	1,250	1,524	1,736	1,844	1,953	86.6 %
2018						730	1,337	1,606	1,807	1,977	80.6 %
2019							847	1,448	1,768	1,983	75.3 %
2020								758	1,337	1,620	63.6 %
2021									746	1,368	49.7 %
2022										904	27.6 %
									Total	$ 17,245	
Unpaid losses and LAE — years 2013 through 2022										6,553	
Unpaid losses and LAE — 11th year and prior (excluding unallocated LAE)										418	
Unpaid losses and LAE, net of reinsurance (excluding unallocated LAE)										$ 6,971	

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance
(Supplementary Information and Unaudited)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual	30.4 %	25.0 %	12.2 %	8.9 %	5.9 %	3.9 %	2.5 %	1.6 %	1.1 %	0.8 %
Cumulative	30.4 %	55.4 %	67.6 %	76.5 %	82.4 %	86.3 %	88.8 %	90.4 %	91.5 %	92.3 %

(a) Represents the cumulative percentage paid of incurred claims and allocated LAE (net of reinsurance, as estimated at December 31, 2022).

Deferred Policy Acquisition Costs Included in property and casualty insurance commissions and other underwriting expenses in AFG's Statement of Earnings is amortization of deferred policy acquisition costs of $641 million, $580 million, and $615 million in 2022, 2021 and 2020, respectively.

Statutory Information AFG's U.S.-based insurance subsidiaries are required to file financial statements with state insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities (statutory basis). Net earnings and capital and surplus on a statutory basis for the insurance subsidiaries were as follows (in millions):

	Net Earnings			Capital and Surplus	
	2022	2021	2020	2022	2021
Property and casualty companies	$ 912	$ 1,007	$ 481	$ 4,356	$ 4,221

The National Association of Insurance Commissioners' ("NAIC") model law for risk-based capital ("RBC") applies to property and casualty insurance companies. RBC formulas determine the amount of capital that an insurance company needs so that it has an acceptable expectation of not becoming financially impaired. Companies below specific trigger points or ratios are subject to regulatory action. At December 31, 2022 and 2021, the capital ratios of all AFG insurance companies substantially exceeded the RBC requirements. AFG's insurance companies did not use any prescribed or permitted statutory accounting practices that differed from the NAIC statutory accounting practices at December 31, 2022 or 2021.

Payments of dividends by AFG's insurance companies are subject to various state laws that limit the amount of dividends that can be paid. Under applicable restrictions, the maximum amount of dividends available to AFG in 2023 from its insurance subsidiaries without seeking regulatory approval is $887 million. Additional amounts of dividends require regulatory approval.

Holding Company Dividends AFG declared and paid common stock dividends to shareholders totaling $1.22 billion, $2.38 billion and $336 million in 2022, 2021 and 2020, respectively. Currently, there are no regulatory restrictions on AFG's retained earnings or net earnings that materially impact its ability to pay dividends. Based on shareholders' equity at December 31, 2022, AFG could pay dividends of approximately $1 billion without violating its most restrictive debt covenant. However, the payment of future dividends will be at the discretion of AFG's Board of Directors and will be dependent on many factors including AFG's financial condition and results of operations, the capital requirements of its insurance subsidiaries, and rating agency commitments.

Reinsurance In the normal course of business, AFG cedes reinsurance to other companies to diversify risk and limit maximum loss arising from large claims. However, AFG remains liable to its insureds regardless of whether a reinsurer is able to meet its obligations. The following table shows (in millions) (i) amounts deducted from property and casualty written and earned premiums in connection with reinsurance ceded, (ii) written and earned premiums included in income for reinsurance assumed and (iii) reinsurance recoveries, which represent ceded losses and loss adjustment expenses.

	2022	2021	2020
Direct premiums written	$ 8,774	$ 7,700	$ 6,862
Reinsurance assumed	283	246	225
Reinsurance ceded	(2,851)	(2,373)	(2,074)
Net written premiums	$ 6,206	$ 5,573	$ 5,013
Direct premiums earned	$ 8,582	$ 7,462	$ 6,846
Reinsurance assumed	274	249	237
Reinsurance ceded	(2,771)	(2,307)	(1,984)
Net earned premiums	$ 6,085	$ 5,404	$ 5,099
Reinsurance recoveries	$ 2,065	$ 1,478	$ 1,522

AFG maintains supplemental fully collateralized reinsurance coverage up to 94% of $325 million for catastrophe losses in excess of $125 million of traditional catastrophe reinsurance through a catastrophe bond. AFG's cost for this coverage is approximately $16 million per year. Recoveries from the catastrophe bond apply before calculating losses recoverable from this catastrophe excess of loss reinsurance.

Recoverables from Reinsurers and Premiums Receivable See *Note A — "Accounting Policies — Credit Losses on Financial Instruments,"* for a discussion of guidance effective January 1, 2020, which impacted the accounting for expected credit losses of recoverables from reinsurers and premiums receivable. AFG reviews the allowance quarterly and makes adjustments as necessary to reflect changes in expected credit losses. Progressions of the allowance for expected credit losses are shown below (in millions):

	Recoverables from Reinsurers			Premiums Receivable		
	2022	2021	2020	2022	2021	2020
Balance at January 1	$ 8	$ 6	$ 18	$ 8	$ 10	$ 13
Impact of adoption of new accounting policy	—	—	(11)	—	—	(3)
Provision for expected credit losses	—	2	—	—	(2)	1
Write-offs charged against the allowance	—	—	—	—	—	(1)
Businesses disposed	—	—	(1)	—	—	—
Balance at December 31	$ 8	$ 8	$ 6	$ 8	$ 8	$ 10

P. Additional Information

Financial Instruments — Unfunded Commitments On occasion, AFG and its subsidiaries have entered into financial instrument transactions that may present off-balance-sheet risks of both a credit and market risk nature. These transactions include commitments to fund loans, loan guarantees and commitments to purchase and sell securities or loans. At December 31, 2022, AFG and its subsidiaries had commitments to fund credit facilities and contribute capital to limited partnerships and limited liability corporations of approximately $479 million.

Benefit Plans AFG expensed approximately $41 million in 2022, $61 million in 2021 and $41 million in 2020 for its retirement and employee savings plans.

PART III

The information required by the following Items will be included in AFG's definitive Proxy Statement for the 2023 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year and is incorporated herein by reference.

ITEM 10 Directors, Executive Officers of the Registrant and Corporate Governance

ITEM 11 Executive Compensation

ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

ITEM 13 Certain Relationships and Related Transactions, and Director Independence

ITEM 14 Principal Accountant Fees and Services

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report:

1. Financial Statements are included in Part II, Item 8.

2. Financial Statement Schedules:

Schedules filed herewith for 2022, 2021, and 2020:

All other schedules for which provisions are made in the applicable regulation of the Securities and Exchange Commission have been omitted as they are not applicable, not required, or the information required thereby is set forth in the Financial Statements or the notes thereto.

3. Exhibits — See Exhibit Index on the next page.

INDEX TO EXHIBITS

AMERICAN FINANCIAL GROUP, INC.

Number	Exhibit Description	
2	Stock Purchase Agreement, dated as of January 27, 2021, by and among Massachusetts Mutual Life Insurance Company, Great American Financial Resources, Inc. and American Financial Group, Inc., filed as Exhibit 2.1 to the Form 8-K filed on January 28, 2021.	(*)
3(a)	Amended and Restated Articles of Incorporation, filed as Exhibit 3.A to AFG's Form 10-K for 2019.	(*)
3(b)	Amended and Restated Code of Regulations, filed as Exhibit 3.1 to the Form 8-K filed on April 1, 2020.	(*)
4	Instruments defining the rights of security holders.	Registrant has no outstanding debt issues exceeding 10% of the assets of Registrant and consolidated subsidiaries.
	Material Contracts:	
10(a)	Amended and Restated Non-Employee Directors Compensation Plan, filed as Exhibit 10 to the Form S-8 Registration Statement (File No. 333-184913) filed by AFG on November 13, 2012.	(*)
10(b)	Deferred Compensation Plan Amended and Restated as of January 1, 2022 filed as Exhibit 10 to the Form S-8 Registration Statement (File No. 333-268292) filed by AFG on November 10, 2022.	(*)
10(c)	Annual Senior Executive Bonus Plan, filed as Exhibit 10(d) to AFG's 10-K for 2017.	(*)
10(d)	Amended and Restated Nonqualified Auxiliary RASP, filed as Exhibit 10(f) to AFG's Form 10-K for 2008.	(*)
10(e)	2015 Stock Incentive Plan filed as Exhibit 10(g) to AFG's Form 10-K for 2015.	(*)
10(f)	Senior Executive Long Term Incentive Compensation Plan, filed as Appendix A to AFG's Proxy Statement filed on April 1, 2016.	(*)
10(g)	Credit Agreement dated December 14, 2020, among American Financial Group, Inc., Bank of America, N.A., as Administrative Agent, and several lenders, filed as Exhibit 10.1 to AFG's Form 8-K filed on December 15, 2020.	(*)
21	Subsidiaries of the Registrant.	
23	Consent of independent registered public accounting firm.	
31(a)	Certification of Co-Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.	
31(b)	Certification of Co-Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.	
31(c)	Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.	
32	Certification of Co-Chief Executive Officers and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

(*) Incorporated herein by reference.

AMERICAN FINANCIAL GROUP, INC. — PARENT ONLY
SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(In Millions)

Condensed Balance Sheet

	December 31, 2022	December 31, 2021
Assets:		
Cash and cash equivalents	$ 225	$ 589
Investment in securities	591	1,281
Investment in subsidiaries (*)	4,825	5,334
Real estate and other investments	63	2
Other assets	132	103
Total assets	$ 5,836	$ 7,309
Liabilities and Equity:		
Long-term debt	$ 1,496	$ 1,964
Other liabilities	288	333
Shareholders’ equity	4,052	5,012
Total liabilities and equity	$ 5,836	$ 7,309

Condensed Statement of Earnings

	Year ended December 31, 2022	2021	2020
Revenues:			
Dividends from subsidiaries	$ 879	$ 835	$ 543
Equity in undistributed earnings of subsidiaries	405	1,721	474
Investment and other income	28	29	32
Total revenues	1,312	2,585	1,049
Costs and Expenses:			
Interest charges on intercompany borrowings	7	7	8
Interest charges on other borrowings	85	94	88
Other expenses	97	129	94
Total costs and expenses	189	230	190
Earnings before income taxes	1,123	2,355	859
Provision for income taxes	225	360	127
Net Earnings Attributable to Shareholders	$ 898	$ 1,995	$ 732

Condensed Statement of Comprehensive Income

	Year ended December 31, 2022	2021	2020
Net earnings attributable to shareholders	$ 898	$ 1,995	$ 732
Other comprehensive income (loss), net of tax	(662)	(1,154)	414
Total comprehensive income (loss), net of tax	$ 236	$ 841	$ 1,146

(*) Investment in subsidiaries includes intercompany receivables and payables.

AMERICAN FINANCIAL GROUP, INC. — PARENT ONLY
SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT — CONTINUED
(In Millions)

Condensed Statement of Cash Flows

	Year ended December 31,		
	2022	2021	2020
Operating Activities:			
Net earnings attributable to shareholders	$ 898	$ 1,995	$ 732
Adjustments:			
Equity in net earnings of subsidiaries	(1,030)	(2,144)	(780)
Dividends from subsidiaries	539	830	543
Other operating activities, net	(80)	152	(12)
Net cash provided by operating activities	327	833	483
Investing Activities:			
Capital contributions to subsidiaries	(26)	(107)	(297)
Returns of capital from subsidiaries	29	3	—
Purchases of:			
Investments, property and equipment	(223)	(1,478)	(2)
Businesses	—	(120)	—
Proceeds from:			
Maturities and redemptions of investments	556	277	2
Sales of investments, property and equipment	656	11	—
Sales of businesses	—	3,581	3
Net cash provided by (used in) investing activities	992	2,167	(294)
Financing Activities:			
Additional long-term borrowings	—	—	634
Reductions of long-term debt	(477)	—	(150)
Issuances of Common Stock	18	67	23
Repurchases of Common Stock	(11)	(319)	(313)
Cash dividends paid on Common Stock	(1,213)	(2,374)	(334)
Net cash used in financing activities	(1,683)	(2,626)	(140)
Net Change in Cash and Cash Equivalents	(364)	374	49
Cash and cash equivalents at beginning of year	589	215	166
Cash and cash equivalents at end of year	$ 225	$ 589	$ 215

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE III — SUPPLEMENTARY INSURANCE INFORMATION
THREE YEARS ENDED DECEMBER 31, 2022
(IN MILLIONS)

Segment	Deferred policy acquisition costs	Reserves for claims and unpaid losses and LAE	Unearned premiums	Net earned premiums	Net investment income	Claims, losses and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses	Net written premiums
2022									
Property and casualty insurance	$ 288	$ 11,974	$ 3,246	$ 6,085	$ 683	$ 3,629	$ 641	$ 1,091	$ 6,206
Other	—	—	—	—	34	—	—	556	—
Total	$ 288	$ 11,974	$ 3,246	$ 6,085	$ 717	$ 3,629	$ 641	$ 1,647	$ 6,206
2021									
Property and casualty insurance	$ 267	$ 11,074	$ 3,041	$ 5,404	$ 663	$ 3,157	$ 580	$ 967	$ 5,573
Other	—	—	—	—	67	—	—	513	—
Total	$ 267	$ 11,074	$ 3,041	$ 5,404	$ 730	$ 3,157	$ 580	$ 1,480	$ 5,573
2020									
Property and casualty insurance	$ 244	$ 10,392	$ 2,803	$ 5,099	$ 399	$ 3,271	$ 615	$ 1,036	$ 5,013
Other	—	—	—	—	62	—	—	508	—
Total	$ 244	$ 10,392	$ 2,803	$ 5,099	$ 461	$ 3,271	$ 615	$ 1,544	$ 5,013

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

American Financial Group, Inc.

February 24, 2023	By:	/s/ Brian S. Hertzman Brian S. Hertzman Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Capacity	Date
/s/ Carl H. Lindner III Carl H. Lindner III	Co-Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2023
/s/ S. Craig Lindner S. Craig Lindner	Co-Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2023
/s/ Brian S. Hertzman Brian S. Hertzman	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 24, 2023
/s/ John B. Berding John B. Berding	Director	February 24, 2023
/s/ James E. Evans James E. Evans	Director	February 24, 2023
/s/ Terry S. Jacobs Terry S. Jacobs	Director*	February 24, 2023
/s/ Gregory G. Joseph Gregory G. Joseph	Lead Independent Director*	February 24, 2023
/s/ Mary Beth Martin Mary Beth Martin	Director	February 24, 2023
/s/ Amy Y. Murray Amy Y. Murray	Director*	February 24, 2023
/s/ Evans N. Nwankwo Evans N. Nwankwo	Director	February 24, 2023
/s/ William W. Verity William W. Verity	Director	February 24, 2023
/s/ John I. Von Lehman John I. Von Lehman	Director*	February 24, 2023

* Member of the Audit Committee

Exhibit 21

AMERICAN FINANCIAL GROUP, INC.
SUBSIDIARIES OF THE REGISTRANT

The following is a list of subsidiaries of AFG at December 31, 2022. All corporations are subsidiaries of AFG and, if indented, subsidiaries of the company under which they are listed. The names of certain subsidiaries are omitted, as such subsidiaries in the aggregate would not constitute a significant subsidiary.

Name of Company	Incorporated	Percentage of Ownership
AFG Real Estate Holding Company, LLC	Ohio	100
American Money Management Corporation	Ohio	100
American Real Estate Capital Company, LLC	Ohio	100
APU Holding Company	Ohio	100
American Premier Underwriters, Inc.	Pennsylvania	100
GAI Insurance Company, Ltd.	Bermuda	100
Great American Financial Resources, Inc.	Delaware	100
Great American Holding, Inc.	Ohio	100
ABA Insurance Services, Inc.	Ohio	100
Great American Contemporary Insurance Company	Ohio	100
Bridgefield Employers Insurance Company	Florida	100
Bridgefield Casualty Insurance Company	Florida	100
Republic Indemnity Company of America	California	100
Republic Indemnity Company of California	California	100
Great American Holding (Europe) Limited	United Kingdom	100
Great American Europe Limited	United Kingdom	100
Great American International Insurance (EU) Designated Activity Company	Ireland	100
Great American International Insurance (UK) Limited	United Kingdom	100
Mid-Continent Casualty Company	Ohio	100
Mid-Continent Assurance Company	Ohio	100
Mid-Continent Excess and Surplus Insurance Company	Ohio	100
Oklahoma Surety Company	Ohio	100
National Interstate Corporation	Ohio	100
Hudson Indemnity, Ltd.	Cayman Islands	100
National Interstate Insurance Company	Ohio	100
National Interstate Insurance Company of Hawaii, Inc.	Ohio	100
Triumphe Casualty Company	Ohio	100
Vanliner Insurance Company	Ohio	100
Summit Consulting, LLC	Florida	100
Great American Insurance Company	Ohio	100
American Empire Insurance Company	Ohio	100
American Empire Surplus Lines Insurance Company	Ohio	100
El Aguila, Compañia de Seguros, S.A. de C.V.	Mexico	100
GAI Warranty Company	Ohio	100
GAI Warranty Company of Florida	Florida	100
Great American Alliance Insurance Company	Ohio	100
Great American Assurance Company	Ohio	100
Great American Casualty Insurance Company	Ohio	100
Great American E&S Insurance Company	Ohio	100
Great American Fidelity Insurance Company	Ohio	100
Great American Insurance Company of New York	New York	100
Great American Protection Insurance Company	Ohio	100
Great American Security Insurance Company	Ohio	100
Great American Spirit Insurance Company	Ohio	100
Great American Underwriters Insurance Company	Ohio	100
Professional Risk Brokers, Inc.	Illinois	100
Verikai, Inc.	Delaware	100

Exhibit 23

AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements and related Prospectuses of American Financial Group, Inc.:

Form	Registration Number	Description
S-8	33-58827	Employee Stock Purchase Plan
S-3	333-102567	Dividend Reinvestment Plan
S-8	333-117062	Non-employee Directors Compensation Plan
S-8	333-184913	Non-employee Directors Compensation Plan
S-8	333-14935	Retirement and Savings Plan
S-8	333-91945	Deferred Compensation Plan
S-8	333-268292	Deferred Compensation Plan
S-8	333-125304	2005 Stock Incentive Plan
S-8	333-170343	2005 Stock Incentive Plan
S-8	333-184914	2005 Stock Incentive Plan
S-8	333-206291	2015 Stock Incentive Plan
S-3	333-253582	Shelf Registration

of our reports dated February 24, 2023, with respect to the consolidated financial statements and schedules of American Financial Group, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of American Financial Group, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of American Financial Group, Inc. and subsidiaries for the year ended December 31, 2022.

/s/ Ernst & Young LLP
Cincinnati, Ohio
February 24, 2023

Exhibit 31(a)

AMERICAN FINANCIAL GROUP, INC.
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, Carl H. Lindner III, certify that:

1. I have reviewed this annual report on Form 10-K of American Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 24, 2023

By: /s/ Carl H. Lindner III
Carl H. Lindner III
Co-Chief Executive Officer

AMERICAN FINANCIAL GROUP, INC.
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, S. Craig Lindner, certify that:

1. I have reviewed this annual report on Form 10-K of American Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

February 24, 2023

By: /s/ S. Craig Lindner
S. Craig Lindner
Co-Chief Executive Officer

Exhibit 31(c)

AMERICAN FINANCIAL GROUP, INC.
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS

I, Brian S. Hertzman, certify that:

1. I have reviewed this annual report on Form 10-K of American Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 24, 2023

By: /s/ Brian S. Hertzman
Brian S. Hertzman
Senior Vice President and Chief Financial Officer

Exhibit 32

AMERICAN FINANCIAL GROUP, INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing with the Securities and Exchange Commission of the Annual Report of American Financial Group, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2022 (the “Report”), the undersigned officers of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 24, 2023	By: /s/ Carl H. Lindner III
Date	Carl H. Lindner III Co-Chief Executive Officer
February 24, 2023	By: /s/ S. Craig Lindner
Date	S. Craig Lindner Co-Chief Executive Officer
February 24, 2023	By: /s/ Brian S. Hertzman
Date	Brian S. Hertzman Senior Vice President and Chief Financial Officer

A signed original of this written statement will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.