

# Specialty Property and Casualty Insurance

**BMO Capital Markets  
AFG Home Office Visit**

*June 6, 2024*



# Forward Looking Statements

Certain statements made during this presentation, as well as included in this document, are not historical facts and may be considered “forward-looking statements” and are based on estimates, assumptions and projections which management believes are reasonable but by their nature subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements.

The reasons which could cause actual results and/or financial condition to differ materially from those suggested by such forward-looking statements include but are not limited to those discussed or identified from time-to-time in AFG’s filings with the Securities and Exchange Commission, including the annual report on Form 10-K and the quarterly reports on Form 10-Q. We do not promise to update such forward-looking statements to reflect actual results or changes in assumptions or other factors that could affect these statements.

Core net operating earnings is a non-GAAP financial measure which sets aside items that are generally not considered to be part of ongoing operations, such as net realized gains and losses, as well as other significant items that are not able to be estimated with reasonable precision, or that may not be indicative of ongoing operations. AFG believes that this non-GAAP measure is a useful tool for investors and analysts in analyzing ongoing operating trends of AFG.

# A History Dating Back More Than 150 Years

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

Approximately **55%** of Specialty P&C Group gross written premium is produced by businesses with “top 10” market rankings

Superior Underwriting Talent

**7.5%**

*Points of COR outperformance vs. peers over 10-year period ended 12/31/2023*

Specialty P&C Combined Ratio

**11 years**

*Consecutive years under 94%*



Overall Specialty P&C combined ratio of 90.3% for the twelve months ended December 31, 2023

Record premium production for the twelve months ended December 31, 2023

# Top Tier Specialty Property & Casualty Insurer



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



## Our Core Values

for all the *great* you do®

Specialization  
Entrepreneurial Spirit  
Accountability



OUR  
FOUNDATION

Integrity  
Discipline  
Respect for Others



OUR  
EXPECTATIONS

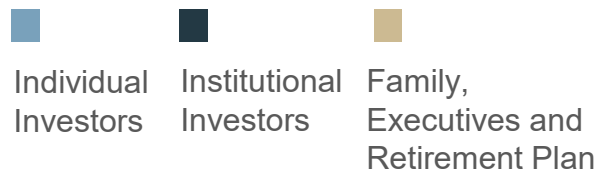
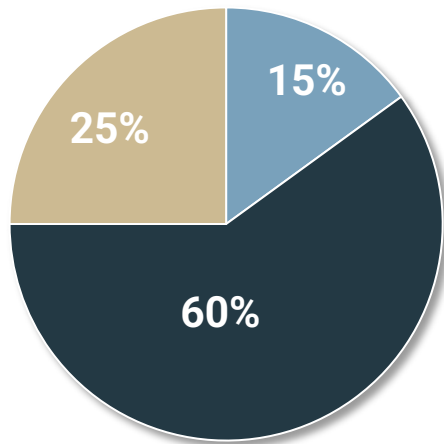
Customer Focus  
Clear & Open  
Communication  
Family & Community



OUR  
PRIORITIES

# Strategic Alignment of Interests for Optimal Results

## Significant Ownership by Management



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

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

## Profit Sharing for Employees

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

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

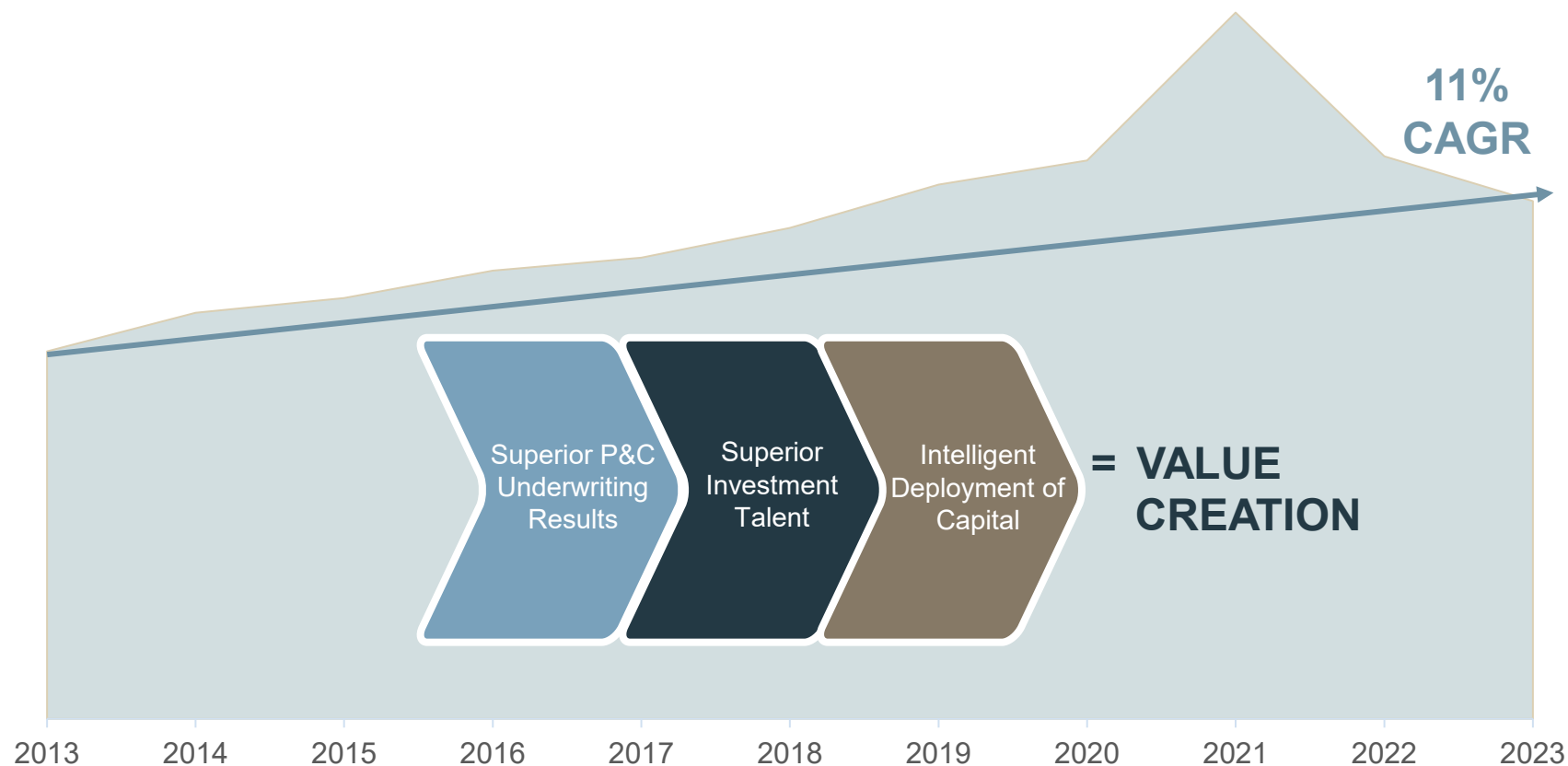


- A leader in providing risk sharing alternatives to the passenger transportation, moving & storage and trucking specialty transportation industries
- Through collaboration and specialized knowledge, we work with a variety of agency and group risk sharing programs in a wide range of industry segments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

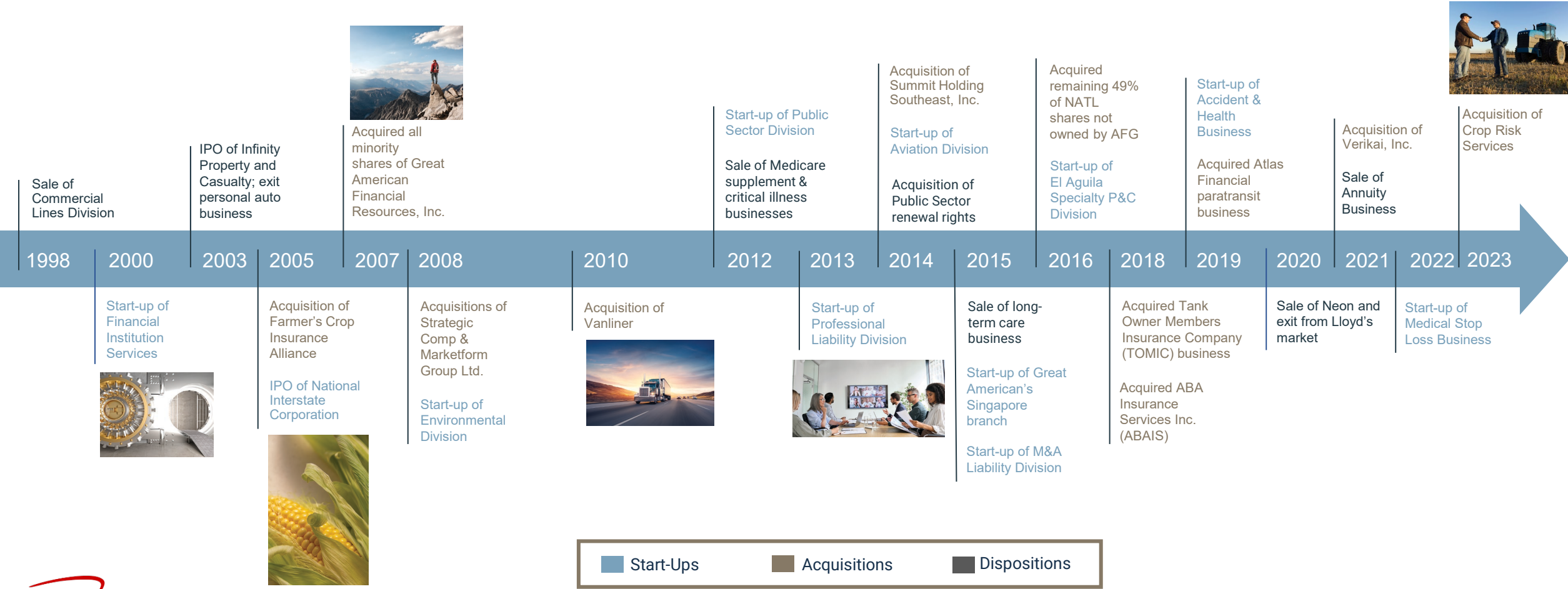
# Building Long-Term Value for AFG Shareholders

## 10 YEAR VIEW OF TOTAL VALUE CREATION

Growth in BVPS  
Excluding AOCI +  
Dividends



# Focusing on What We Know Best





# Specialty P&C Insurance Operations

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

## PROPERTY & TRANSPORTATION

Agribusiness (farm & ranch)  
Commercial Automobile  
Commercial Property  
Crop  
Equine Mortality  
Inland and Ocean Marine

## SPECIALTY CASUALTY

Cyber Risk  
Excess and Surplus  
Executive & Professional Liability  
General Liability  
M&A Liability  
Medical Stop Loss  
Public Entities  
Targeted Programs  
Umbrella and Excess Liability  
Workers' Compensation

## SPECIALTY FINANCIAL

Fidelity / Crime  
Financial Institution Services  
Lease and Loan Services  
Surety  
Trade Credit



# Great American Insurance Company's Ratings

**A+**

Superior

**A+**

Strong

**A1**



**S&P Global**  
Ratings

**MOODY'S**

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

## The Numbers Tell Our Story

**3,000**

Property and casualty insurance companies in the United States

**50**

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

**4**

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

**3**

on both lists

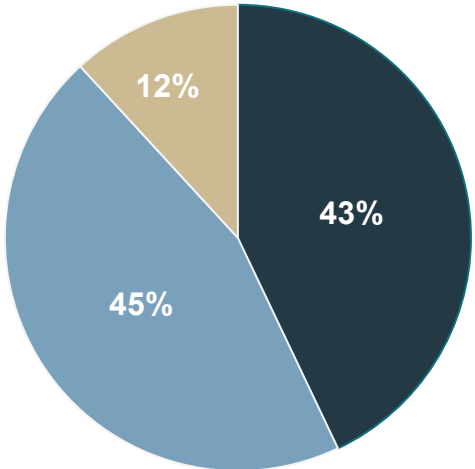
**1**

Great American Insurance Company is 1 of the three

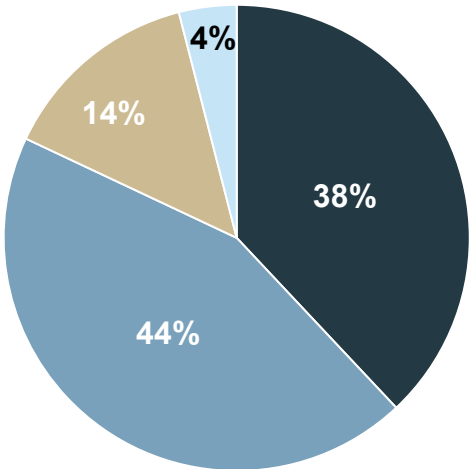
# Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

**Gross Written Premiums  
2023  
\$9.7 Billion**



**Net Written Premiums  
2023  
\$6.7 Billion**



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

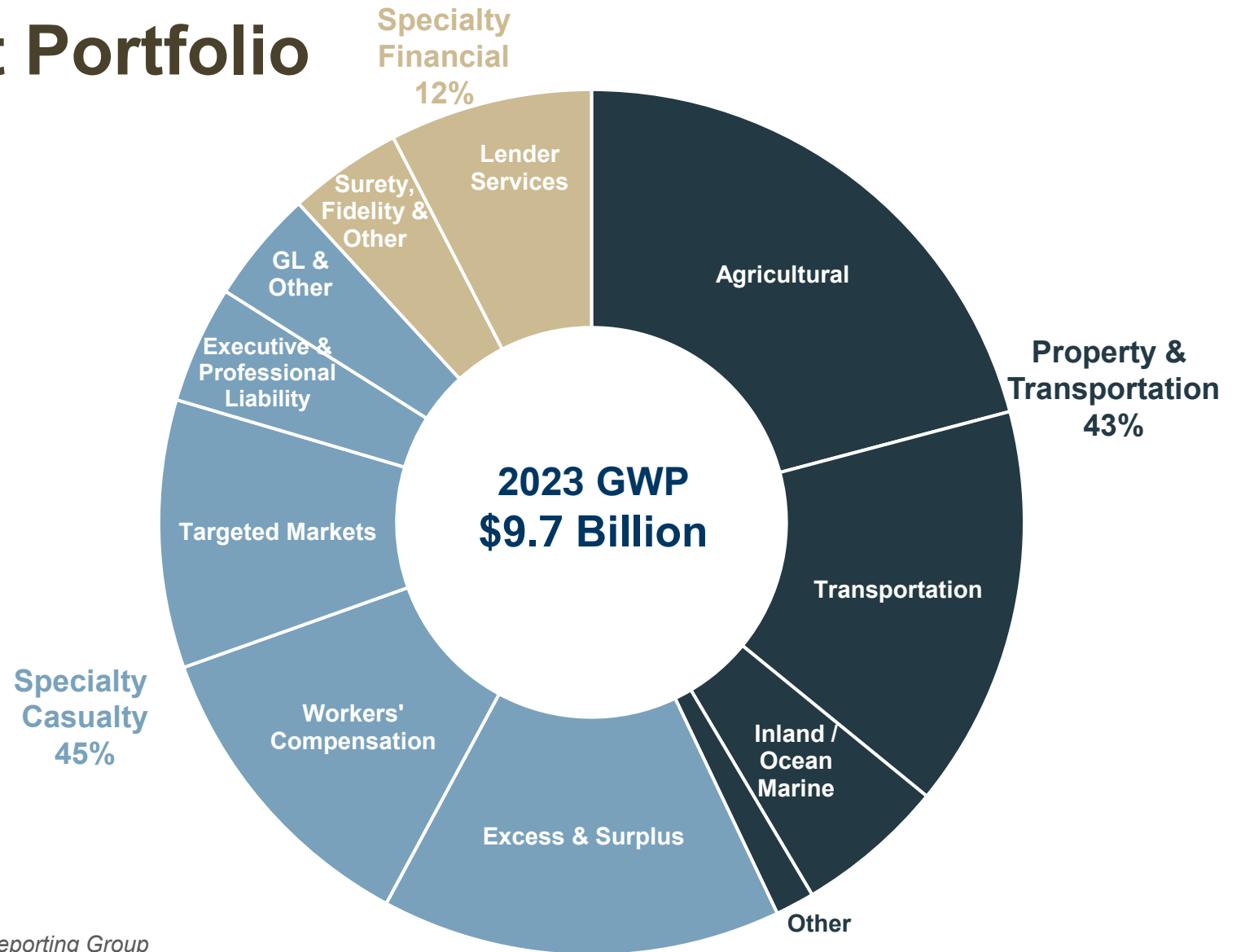
In 2023, approximately 55% of P&C Group GWP produced by businesses with “Top 10” market rankings including: ABAIS • Crop • Equine • Fidelity/Crime • Financial Institution Services • FL Workers Comp • Moving & Storage • Non-Profit/Social Services • Ocean Marine • Passenger Transportation • Public Entity • Trade Credit • Trucking



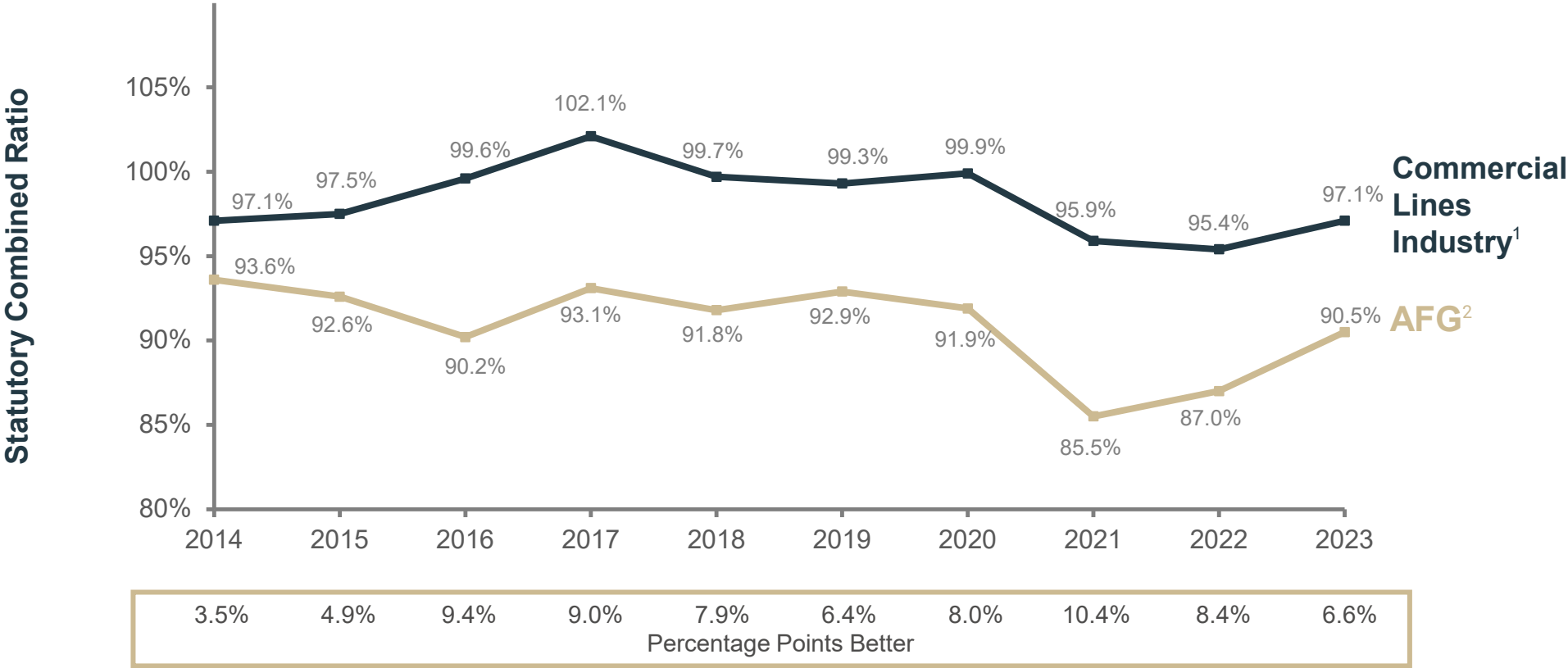
<sup>1</sup> Includes an internal reinsurance facility.

# Diversified Product Portfolio

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



# Superior Underwriting Talent



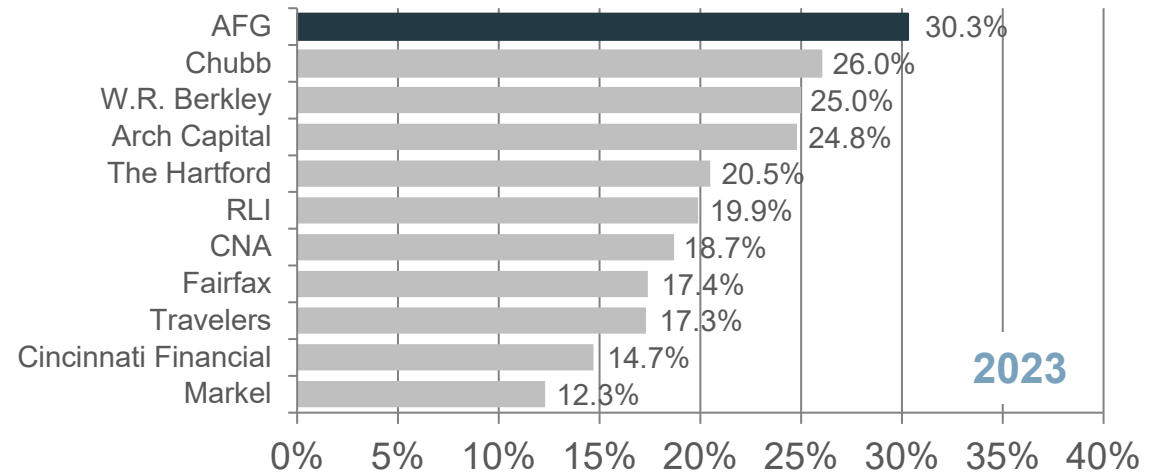
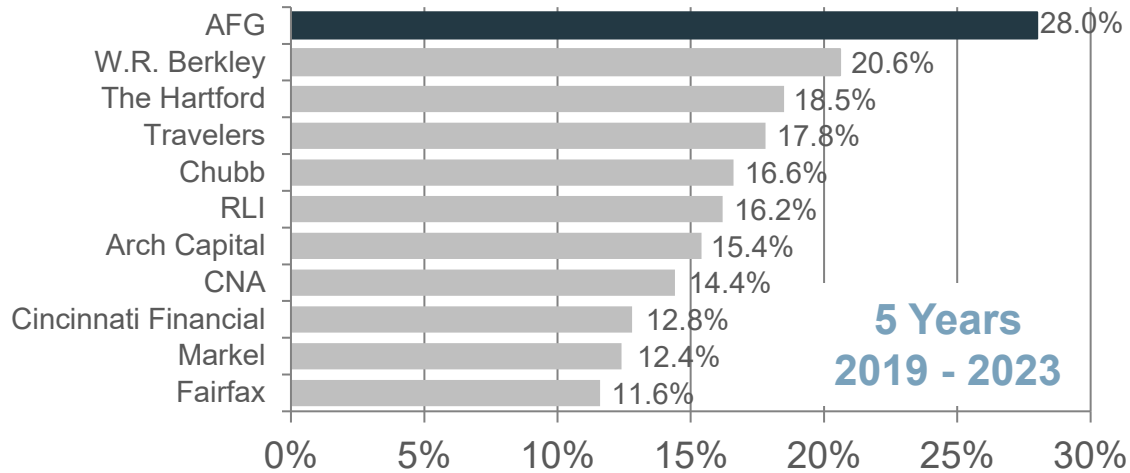
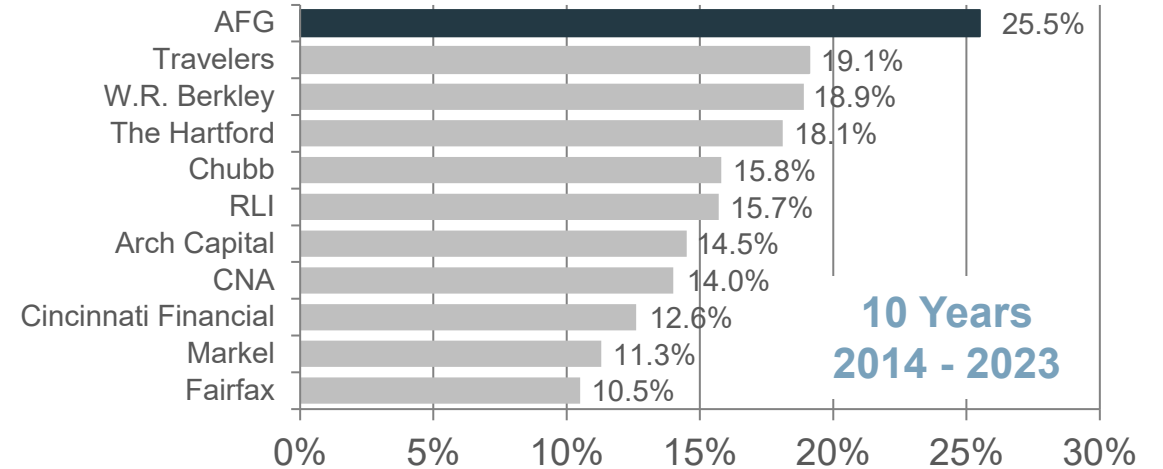
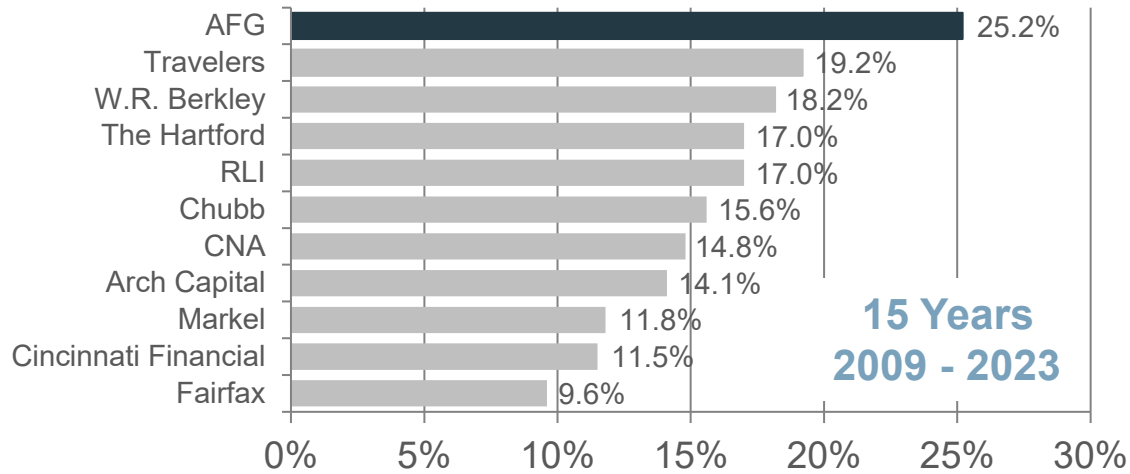
**7.5%**  
**Points Better**  
**Over the**  
**10-Year**  
**Period**  
**Ended**  
**12/31/2023**

<sup>1</sup> Commercial Lines Industry based on data from AM Best's Market Segment Report – March 6, 2024.

<sup>2</sup> 2014-2023 American Financial Group Form 10-K filings.

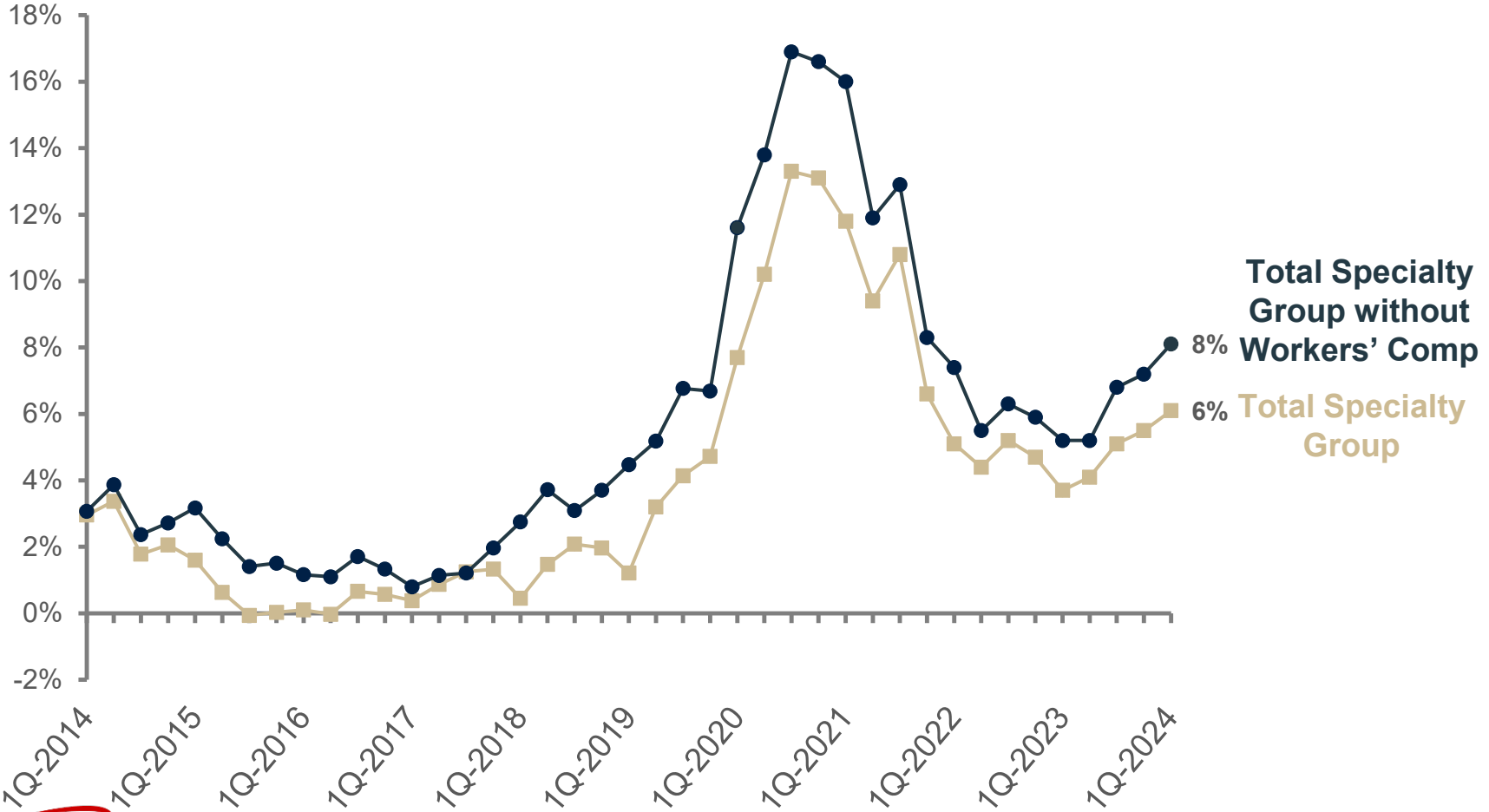


# Pretax Property & Casualty Returns



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

# Specialty P&C Pricing Trends



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

# Specialty Property & Casualty Premium Growth

Dollars in billions

## P&C Net Written Premium

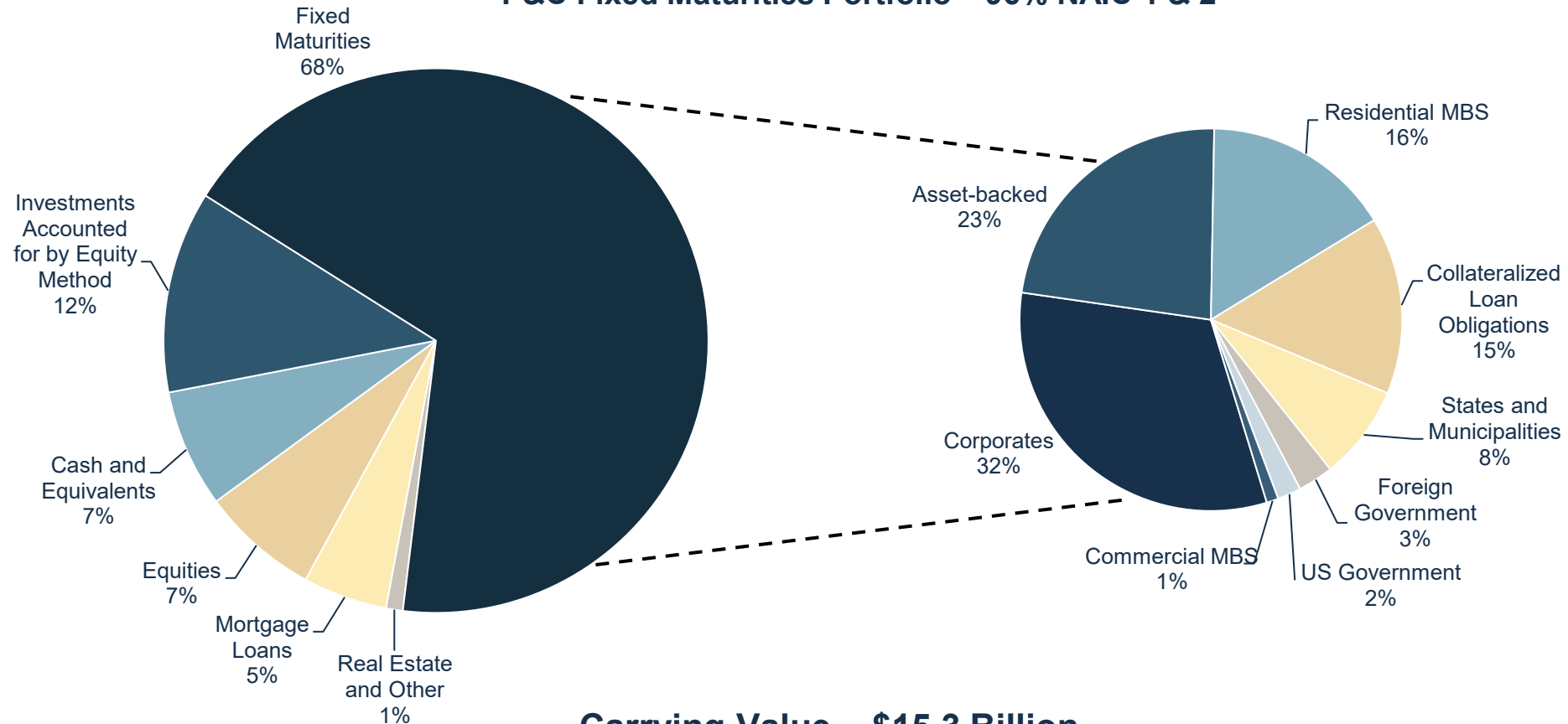




# AFG Investment Portfolio

As of March 31, 2024

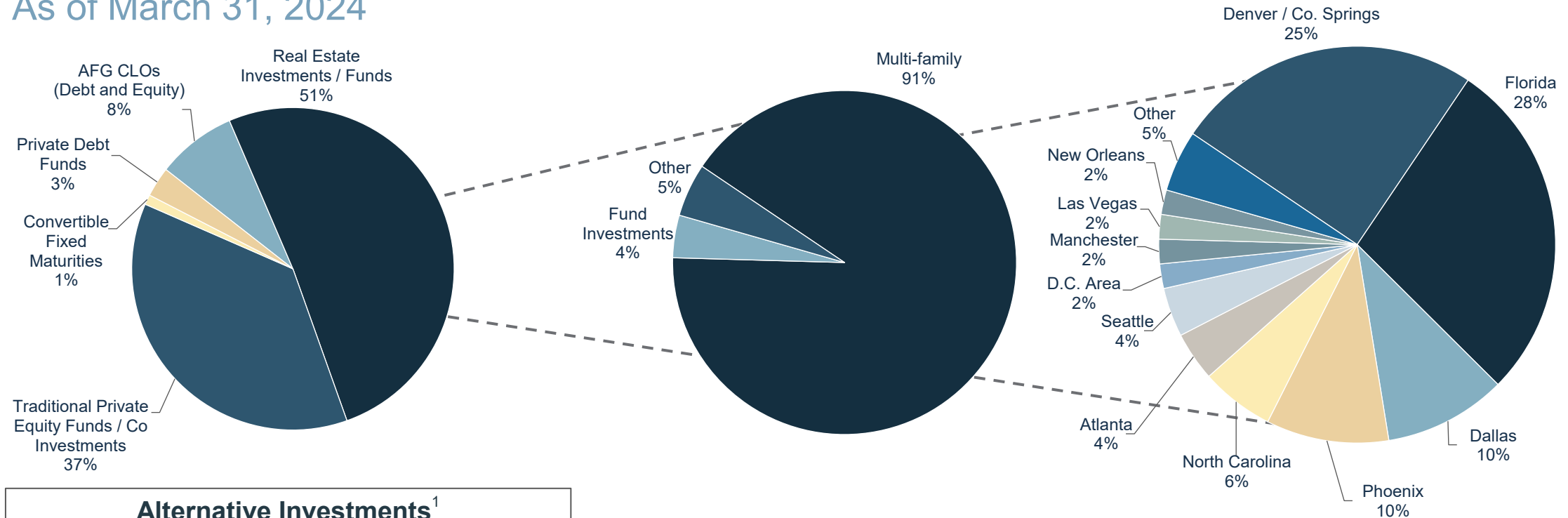
**Fixed Maturities Portfolio – 94% investment grade**  
**P&C Fixed Maturities Portfolio – 96% NAIC 1 & 2**



**Carrying Value – \$15.3 Billion**

# AFG Investment Portfolio – Alternative Investments

As of March 31, 2024



**Alternative Investments<sup>1</sup>**  
**Total = \$2.6 Billion**  
**(17% of total investments)**

**9% annualized return in 1Q24;**  
**estimated to be approximately 6% for**  
**the full year 2024**

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

# Investment Portfolio Characteristics

	P&C Portfolio 3/31/24
Approximate Duration – Fixed Maturities including cash & cash equivalents	2.9 years
Annualized yield on fixed maturity securities before investment expenses  Quarter ended 3/31/2024:	4.93%

Annualized yield is calculated by dividing investment income for the quarter by the average cost over the quarter. Average cost is the average of the beginning and ending quarter asset balances.

## *Positioning & Outlook*

Short Duration – Increased duration of P&C fixed maturity portfolio in the higher interest rate environment, including cash and cash equivalents, from approximately 2.0 years at 12/31/2021 to approximately 2.9 years at 3/31/2024.

- Insurance company fixed maturities duration (including cash) remains short relative to liability duration.

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

- AFG’s current reinvestment rate in its P&C fixed maturity portfolio is approximately 6%.

# A History of Investment Outperformance

16-Year Investment Outperformance  
Relative to Industry 1.33% per year

Outperformance equivalent to  
~300 bps of incremental annualized  
economic after-tax return on capital  
over 16 years

16-year cumulative outperformance  
equates to  
\$1.8 billion pre-tax



## Property & Casualty Insurance Peers

### Total Investment Portfolio Annualized Total Returns Ended 2023

	3 Years	5 Years	16 Years
#1 The Cincinnati Insurance Cos. (2x risk assets of AFG)	3.34%	6.26%	5.51%
#2 AFG P&C Group	3.39%	4.15%	5.12%
#3 Markel	1.48%	4.63%	4.92%
#4 American National	0.62%	4.11%	4.65%
#5 Old Republic Insurance	1.98%	4.19%	4.31%
#6 The Hanover Insurance Group	-1.03%	2.54%	4.14%
#7 CNA	-1.74%	2.82%	4.12%
#8 Travelers	-0.55%	2.47%	4.05%
#9 RLI	0.02%	3.25%	3.87%
#10 W. R. Berkley Corp.	1.49%	2.79%	3.81%
#11 Argo	0.46%	2.61%	3.81%
#12 Chubb	0.53%	3.20%	3.72%
#13 Assurant	-0.88%	2.86%	3.69%
#14 HCC Property & Casualty	0.44%	2.38%	3.67%
#15 Baldwin & Lyons Group/Protective	-0.05%	1.91%	3.51%
#16 The Hartford	0.49%	3.26%	3.46%
#17 Arch Capital	0.01%	2.50%	3.17%
#18 Alleghany	-1.21%	1.92%	3.15%
#19 AXAXL	-0.39%	2.52%	3.00%
P&C Industry (exc. Berkshire and State Farm)	0.58%	3.26%	3.79%

AFG relative to P&C Industry 2.81% 0.89% 1.33%

Source: S&P Market Intelligence & Blackrock

# Strong Financial Position

Dollars in millions, except per share data

## Capital Management

- Above target levels for all rating agencies
- First quarter regular dividends = \$60 million
- Paid special dividend of \$2.50 per share (\$209 million) in February 2024

## Long-Term Debt

- No debt maturities until 2030
- No borrowings under \$450 million credit line

## Financial Strength Ratings - U.S. Based P&C Insurers (where rated)

- A.M. Best: All companies = A+
- Standard & Poor's: All companies = A+
- Moody's: All companies = A1

	<u>Mar 31, 2024</u>	<u>Dec 31, 2023</u>
Principal amount of long-term debt	\$ 1,498	\$ 1,498
Shareholders' equity, excluding AOCI	4,555	4,577
Total capital, excluding AOCI	\$ 6,053	\$ 6,075
<b>Ratio of debt to total capital, excluding AOCI<sup>1</sup></b>		
Including subordinated debt	24.7%	24.7%
Excluding subordinated debt	13.6%	13.5%
Common shares outstanding (millions)	83.857	83.636
<b><u>Book value per share:</u></b>		
Book value per share	\$ 50.57	\$ 50.91
Book value per share, excluding AOCI	54.32	54.72
Tangible, excluding AOCI <sup>2</sup>	48.20	48.52

1 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 AOCI.

2 Excludes goodwill and intangibles.

# Intelligent Use of Excess Capital

## 2024 Capital Management

- \$2.50 per share special dividend paid in February 2024
- 5.7 million shares remaining in repurchase authorization as of March 31, 2024

## 2023 Capital Management

- Returned \$900 million of capital to shareholders
- 12.7% increase in regular annual dividend, beginning in October 2023; 18<sup>th</sup> consecutive annual dividend increase
- Two special dividends totaling \$5.50 per share in 2023
- Repurchased \$213 million of AFG common shares

## Capital Returned to Shareholders Five Years Ended 12/31/2023 (in millions)

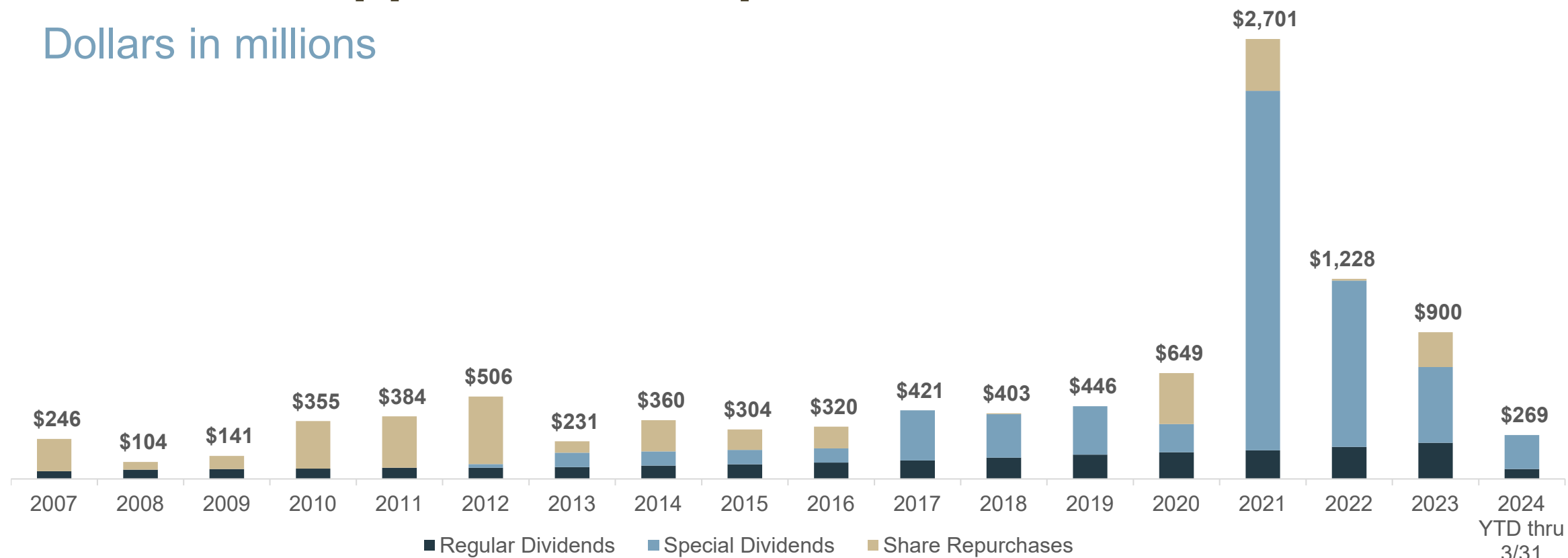
Dividends Paid	\$ 5,068
Repurchases	<u>856</u>
Total	<u>\$ 5,924</u>



***\$5.9 Billion Returned to Shareholders***

# Balanced Approach to Capital Allocation

Dollars in millions

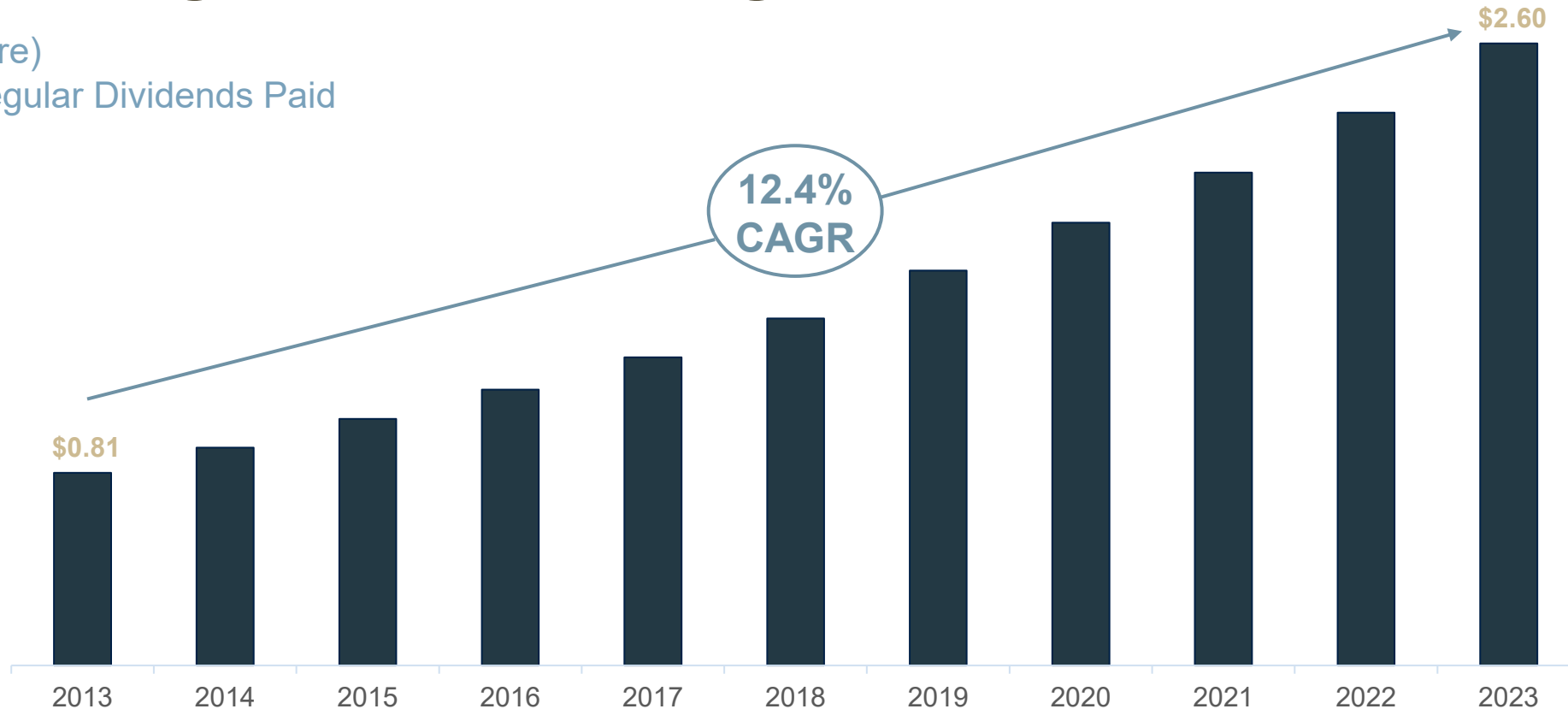


Between years 2009 – 2012, AFG repurchased 33.7 million shares at a weighted average price of approximately 90.5% of adjusted book value (book value per share excluding appropriated retained earnings and net unrealized gains (losses) related to fixed maturities).

# Double-Digit Growth in Regular Dividends

(\$ per share)

Annual Regular Dividends Paid



*Including the \$2.50 per share special dividend paid in February 2024, AFG has paid \$62.05 per share in special dividends since 2012.*



# Protecting What Matters

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

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

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

for the *greater* good



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



# Appendix

# Financial Highlights – First Quarter 2024

Dollars in millions, except per share data

	Three Months Ended March 31,	
	<u>2024</u>	<u>2023</u>
• Results of Operations:		
– Core net operating earnings	\$ 231	\$ 247
– Core net operating earnings per share	\$ 2.76	\$ 2.89
– Average number of diluted shares	83.8	85.4
• Annualized Core Operating Return on Equity, excluding AOCI :	<u>2024</u>	<u>2023</u>
– AFG Consolidated	20.2%	22.0%
• <u>Book Value per Share:</u>	<u>Mar. 31,</u> <u>2024</u>	<u>Dec. 31,</u> <u>2023</u>
– Book value per share	\$ 50.57	\$ 50.91
– Book value per share, excluding AOCI	54.32	54.72
– Tangible, excluding AOCI <sup>1</sup>	48.20	48.52

**20.2%**  
Annualized First  
Quarter Core  
Operating Return  
on Equity

<sup>1</sup> Excludes goodwill and intangibles.

# Financial Highlights – 2023

Dollars in millions, except per share data

- Results of Operations:
  - Core net operating earnings
  - Core net operating earnings per share
  - Average number of diluted shares
- Core Operating Return on Equity, excluding AOCI :
  - AFG Consolidated
- Book Value per Share:
  - Book value per share
  - Book value per share, excluding AOCI
  - Tangible, excluding AOCI<sup>1</sup>

Twelve Months Ended December 31,	
<u>2023</u>	<u>2022</u>
\$ 895	\$ 993
\$ 10.56	\$ 11.63
84.8	85.3
<u>2023</u>	<u>2022</u>
19.8%	21.2%
<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
\$ 50.91	\$ 47.56
54.72	53.93
48.52	49.78

**19.8%**  
Core Operating  
Return on Equity

**16.5%**  
Growth in  
BVPS x-AOCI +  
Dividends

<sup>1</sup> Excludes goodwill and intangibles.

# Specialty Property & Casualty Businesses

Dollars in millions

	Net Written Premium			
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>% Change</u>
Specialty Property & Transportation	\$ 2,157	\$ 2,515	\$ 2,551	1%
Specialty Casualty	\$ 2,540	\$ 2,728	\$ 2,944	8%
Specialty Financial	\$ 658	\$ 711	\$ 935	32%
Other Specialty	\$ 218	\$ 252	\$ 262	4%
<b>Total Specialty</b>	<u><u>\$ 5,573</u></u>	<u><u>\$ 6,206</u></u>	<u><u>\$ 6,692</u></u>	<b>8%</b>

# Specialty Property & Casualty Businesses

	GAAP Combined Ratio		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Specialty Property & Transportation	87.1%	91.7%	92.8%
Specialty Casualty	84.3%	81.2%	87.0%
Specialty Financial	85.1%	83.7%	87.3%
<b>Total Specialty</b>	<b>86.4%</b>	<b>87.2%</b>	<b>90.3%</b>

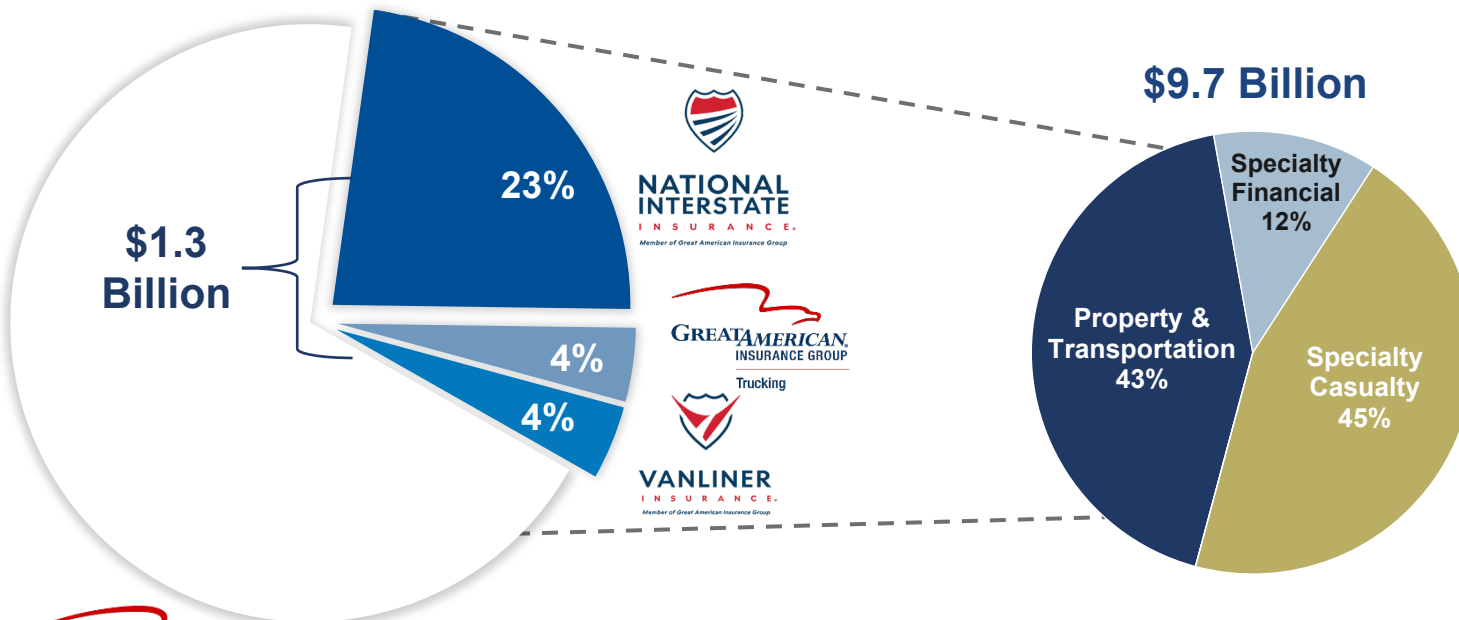
# Business Spotlight: Specialty Transportation Businesses

**National Interstate** offers risk financing solutions tailored to meet the needs of a wide variety of transportation classes. Our offerings include traditional insurance and innovative alternative risk transfer (ART) programs, including group captive programs catering to niche wheels markets.

**Great American Trucking** is a leading provider of insurance products for the trucking industry and specializes in service to Owner-Operators.

**Vanliner** is a premier provider of insurance products and services tailored to meet the unique needs of the moving and storage and last mile delivery industries, including captive programs.

## GROSS WRITTEN PREMIUMS – FOR THE YEAR ENDED DECEMBER 31, 2023



Specialty Transportation Businesses make up **31%** of Property and Transportation GWP and **13%** of Total P&C Specialty GWP



- Diversity within this book has helped us deliver **attractive margins** and **strong returns** over the last several years.
  - NATL Commercial Auto Liability Stat CY COR outperformed peer group and industry by approximately 8 points over the last five years.
- **12 years of rate increases** at National Interstate, resulting in a cumulative commercial auto rate increase of 146% from 2012-2023. (comparable industry increase of 93%, per CIAB).
- **“Top 10” market rankings include:**
  - #1: Passenger Transportation, Truck ART, Non-Emergency Medical Transport, Moving & Storage
  - Top Five: Owners/Operators, Private Ambulance, Crane/Heavy Haul, Tow, Waste
- **Leader in ART**
  - National Interstate – 70% of business; 97%+ renewal retention

