



Specialty Property and Casualty Insurance Fixed and Fixed-Indexed Annuities

Dowling & Partners - Investor Meeting

November 22, 2019



Forward Looking Statements

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

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

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



A history dating back

145+ years

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

Top 10 Fixed Annuity provider

#2 in sales of FIAs through financial institutions

Specialists in providing insurance products that **help**
businesses manage their **unique financial risks** and
exposures and **individuals save** for their **financial futures**.



Great American Insurance Group **1** of only **5** companies
rated **“A” (Excellent)** or better by A.M. Best for
100+ years



We provide financial solutions that fulfill today's needs and tomorrow's dreams; a trusted partner in delivering long-term value to our customers, employees and investors.

Specialty P&C Insurance

Property & Transportation



- Agricultural-Related
- Aviation
- Commercial Automobile (buses, trucks)
- Inland and Ocean Marine

Specialty Casualty



- Accident & Health
- Excess and Surplus
- Executive and Professional Liability
- General Liability
- M&A Liability
- Targeted Programs
- Umbrella and Excess Liability
- Workers' Compensation

Specialty Financial



- Fidelity / Crime
- Financial Institution Services
- Lease and Loan Services
- Surety

Annuity



- Fixed, Fixed-Indexed and Variable Indexed Annuities
- Sold in retail, financial institutions, broker-dealer, registered investment advisor and education markets

\$54.2 Billion Investment Portfolio Managed In-House

Building Long-Term Value for AFG Shareholders

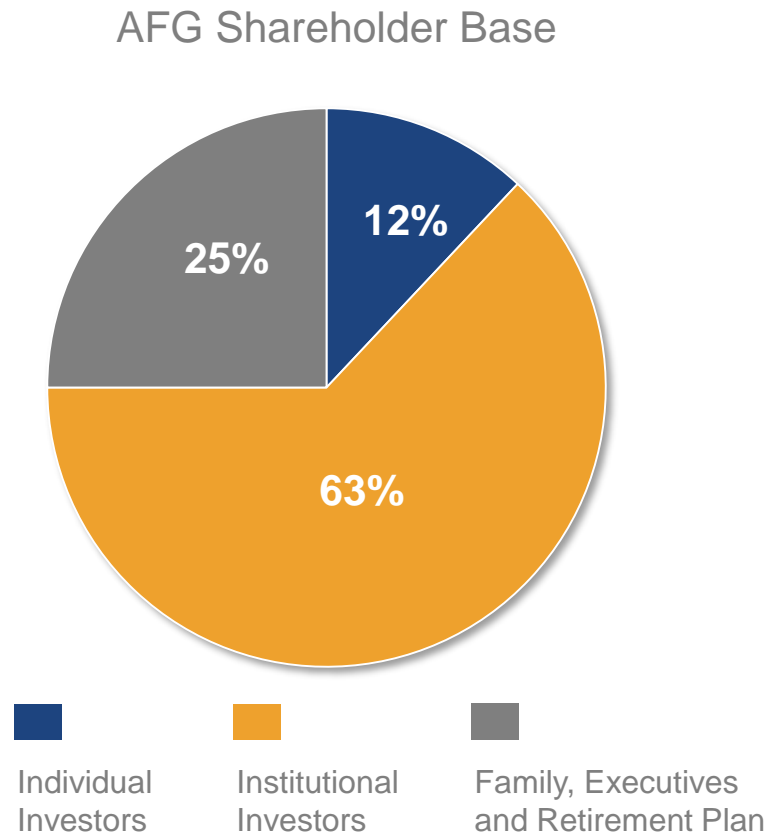


Culture • Entrepreneurial Business Model • Incentives

Our Corporate Values

		
Our Foundation	Our Priorities	Our Expectations
Specialization	Customer Focus	Integrity
Entrepreneurial Spirit	Clear & Open Communications	Self-Discipline
Accountability	Work / Family Balance	Respect for Others
8,500 employees in 120 locations worldwide		

Significant Insider Ownership



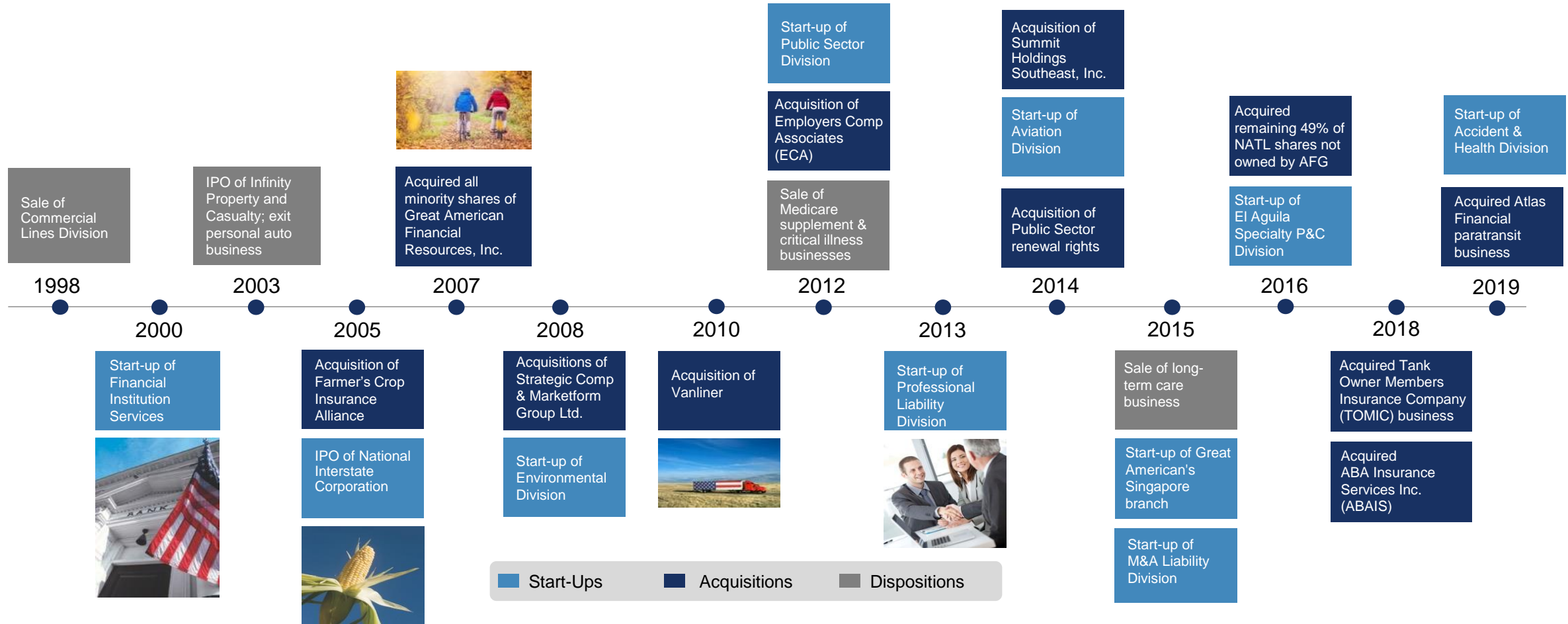
Significant ownership by management creates strong alignment of interests with shareholders over the long term.

The Lindner Family formed AFG in 1959 and continue to be significant shareholders.

Ownership Details

- Co-CEOs / family = 21%
- Executives and Retirement Plan = 4%

Focusing on What We Know Best



Intelligent Use of Excess Capital

2018 Capital Management

- Returned \$403 million of capital to shareholders
- 14% increase in ordinary annual dividend
- Two special dividends in 2018
 - \$1.50 per share paid in May 2018
 - \$1.50 per share paid in November 2018
- \$6 million in share repurchases (\$93.38 per share average)

2019 Capital Management

- 12.5% increase in regular annual dividend
 - 14th consecutive annual dividend increase
- Two special dividends in 2019
 - \$1.50 per share paid in May 2019
 - \$1.80 per share to be paid in November 2019
- Excess capital at 9/30/2019 – \$865 million
- 5.0 million shares remaining in repurchase authorization as of 9/30/2019

Capital Returned to Shareholders Five Years Ended 12/31/2018 (in millions)

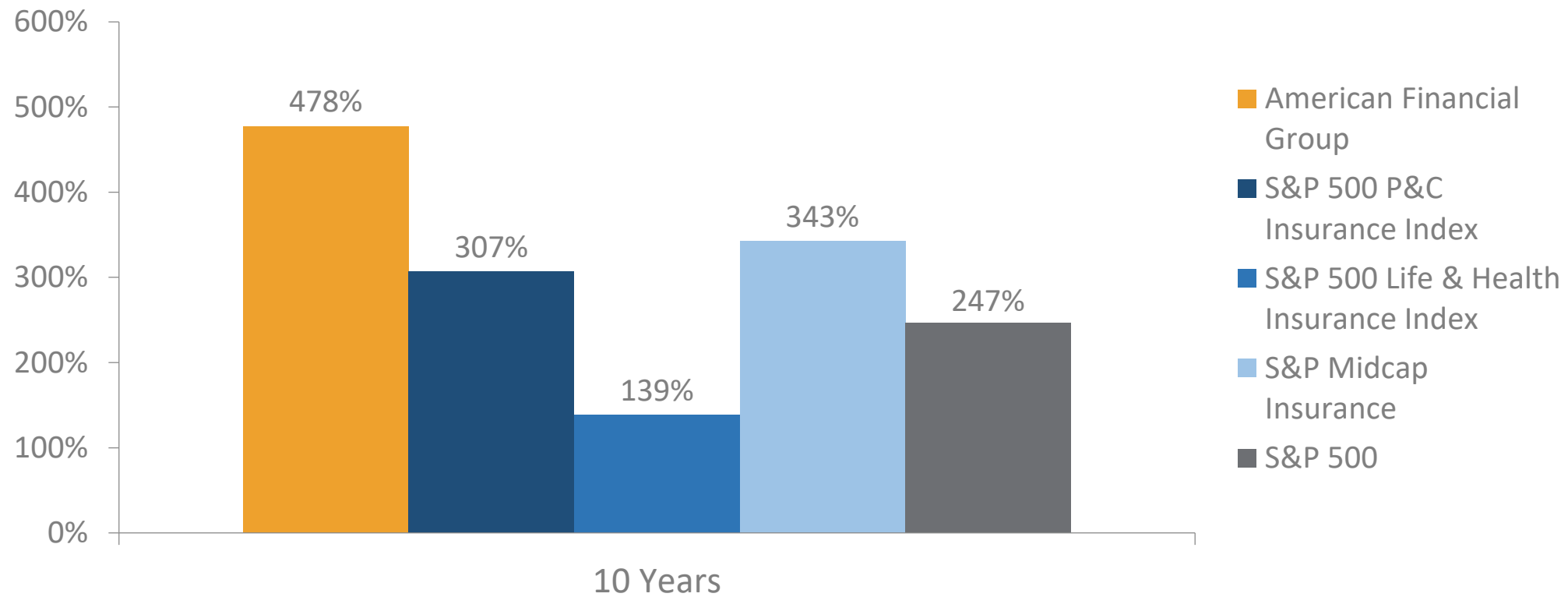
Dividends Paid	\$ 1,352
Repurchases	<u>456</u>
Total	<u><u>\$ 1,808</u></u>



***\$1.8 Billion Returned to
Shareholders***

AFG Shareholder Return vs. Indices

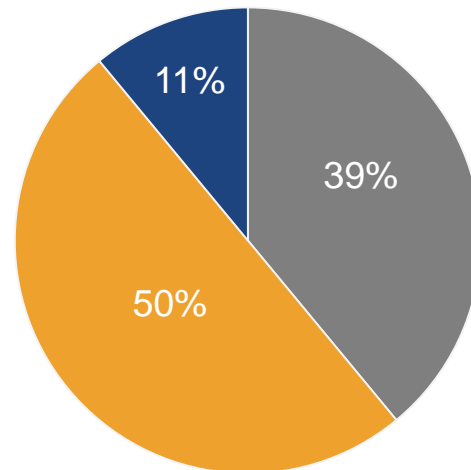
As of September 30, 2019



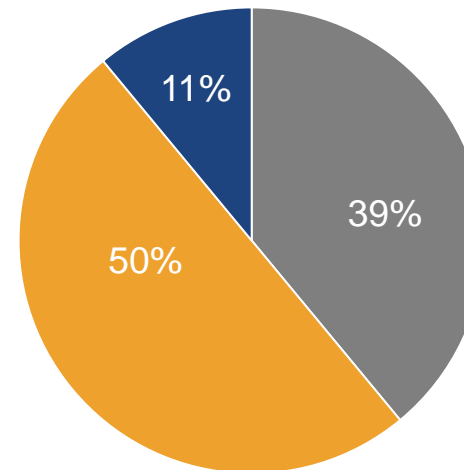
Specialty Property & Casualty Premium

Low correlation • Lower relative coastal exposure

**Gross Written Premiums
Full Year 2018
\$6.8 Billion**



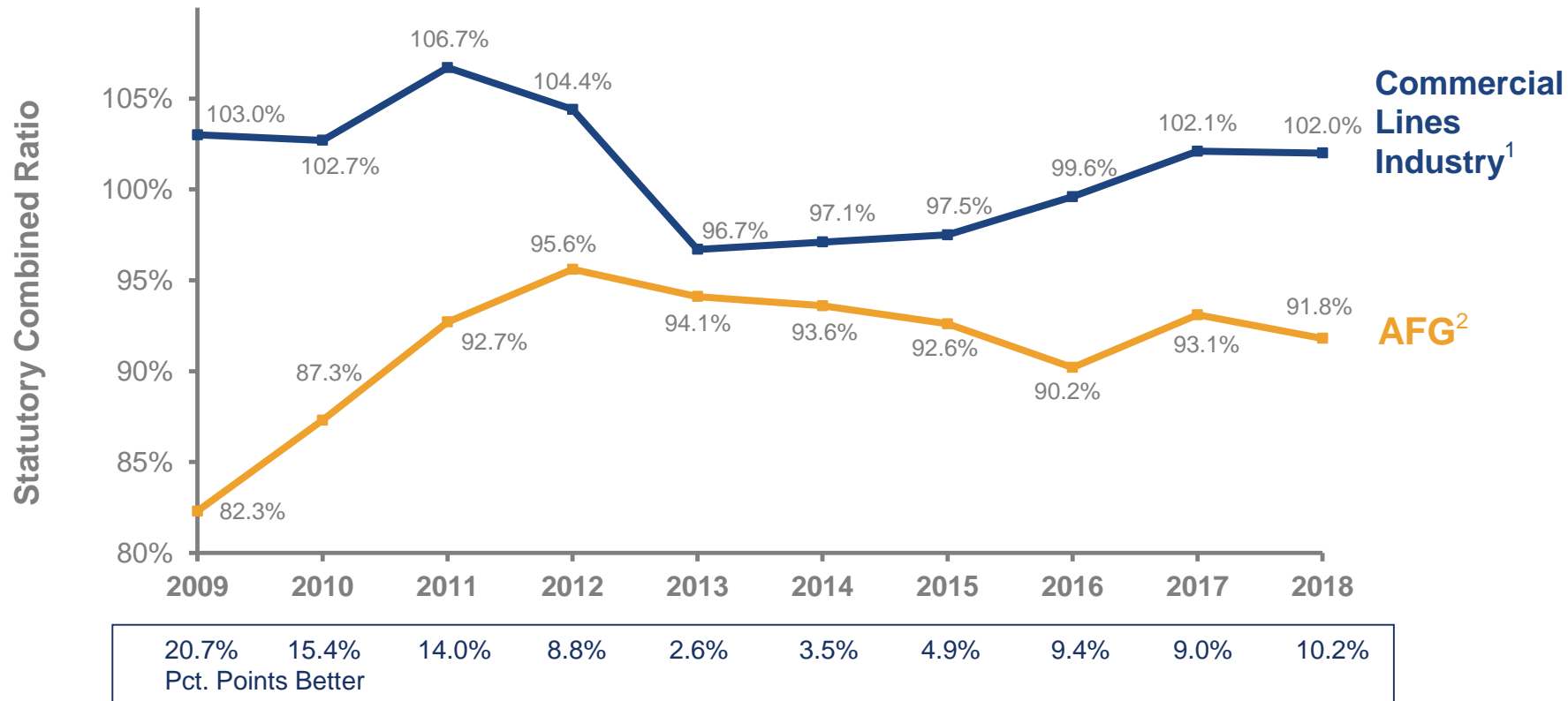
**Gross Written Premiums
LTM Ended September 30, 2019
\$7.2 Billion**



- Property & Transportation
- Specialty Casualty
- Specialty Financial

Approximately 55% of P&C Group GWP produced by businesses with “Top 10” market rankings including:
Crop • Equine • Executive Liability • Fidelity/Crime • Financial Institution Services • FL Workers Comp •
Non-Profit/Social Services • Passenger Transportation • Surety • Trade Credit • Trucking

Superior Underwriting Talent



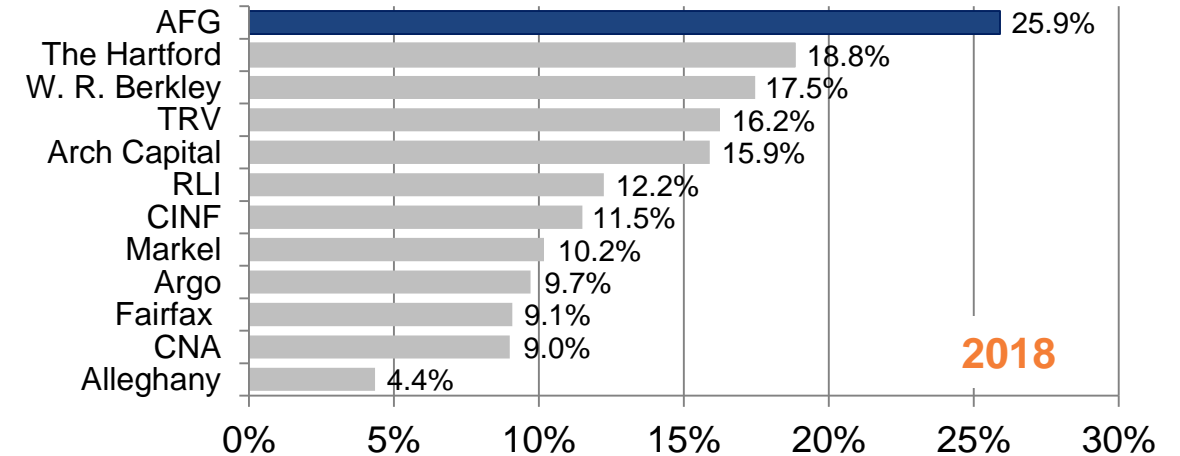
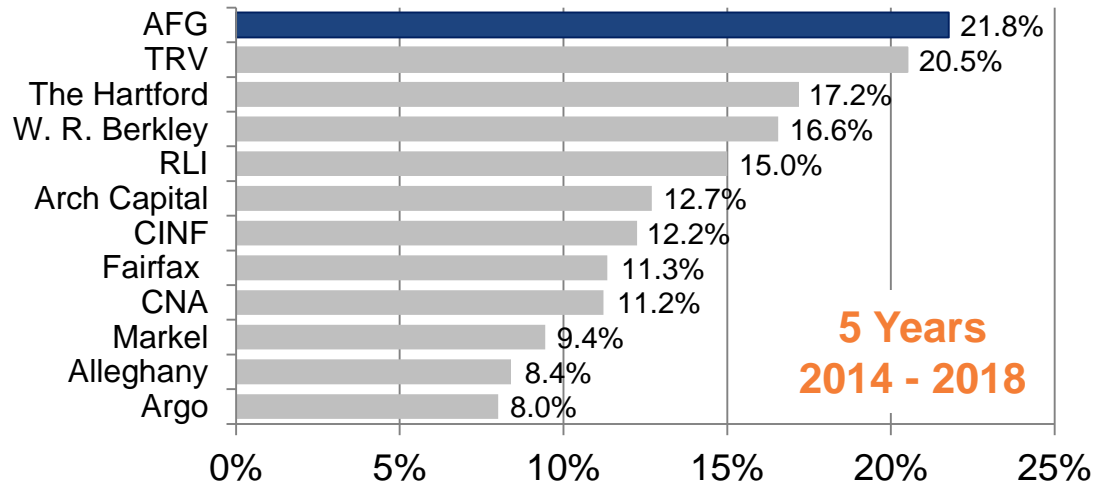
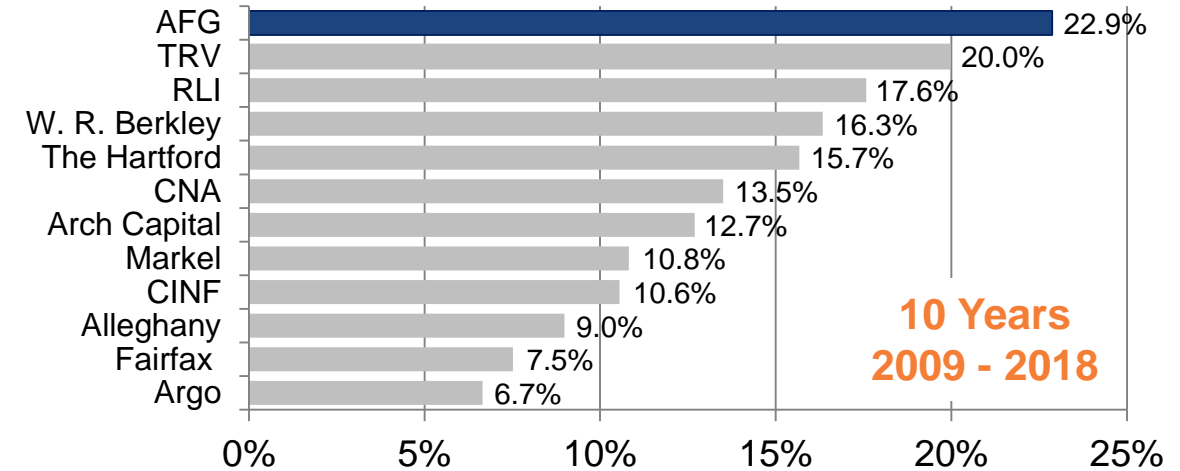
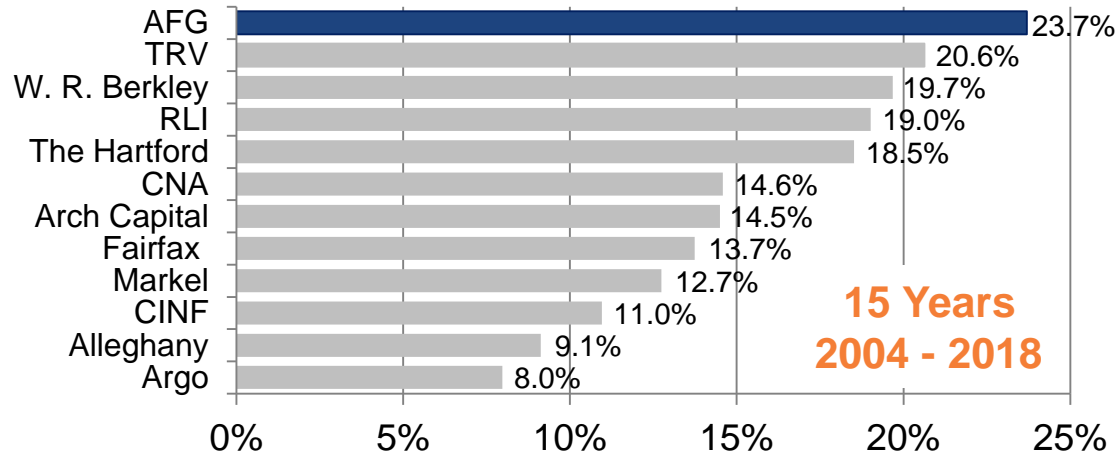
¹ Commercial Lines Industry based on data from A.M. Best's U.S. Property/Casualty Review & Preview – February 26, 2019.

² American Financial Group Form 10K filings.

Strong Alignment Creates Superior Underwriting Results

- Unique incentive programs for P&C Group based on underwriting profitability
- Annual awards
 - based on AY COR targets derived from ROE requirements
 - paid over 2-3 years
 - no rewards for volume unless COR targets are met
 - claw back feature
- Long Term Incentive Compensation (LTIC) Plan
 - five year measurement period based on AY COR targets derived from ROE requirements
 - paid out over the following 4-5 years
- Business executives are held accountable for COR performance, not investment performance
- Attract, retain and reward key operating executives & officers

Pretax Property & Casualty Returns

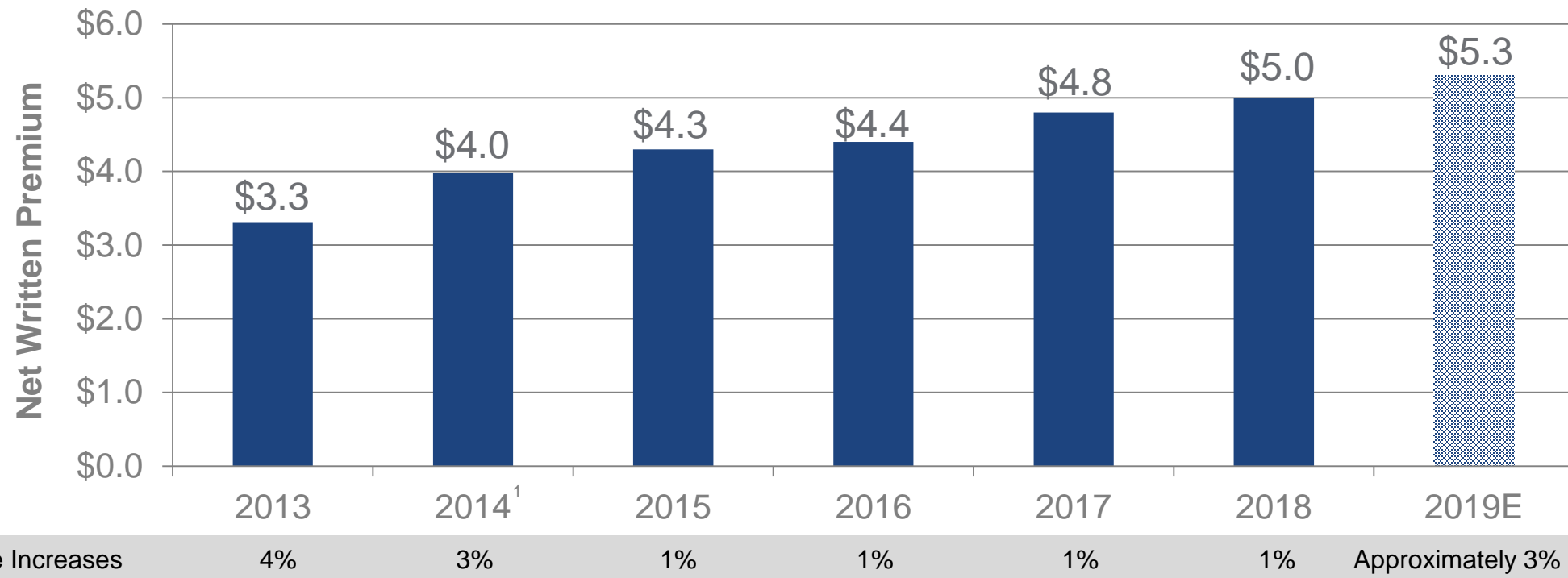


Source: Dowling & Partners

Specialty Property & Casualty Premium Growth

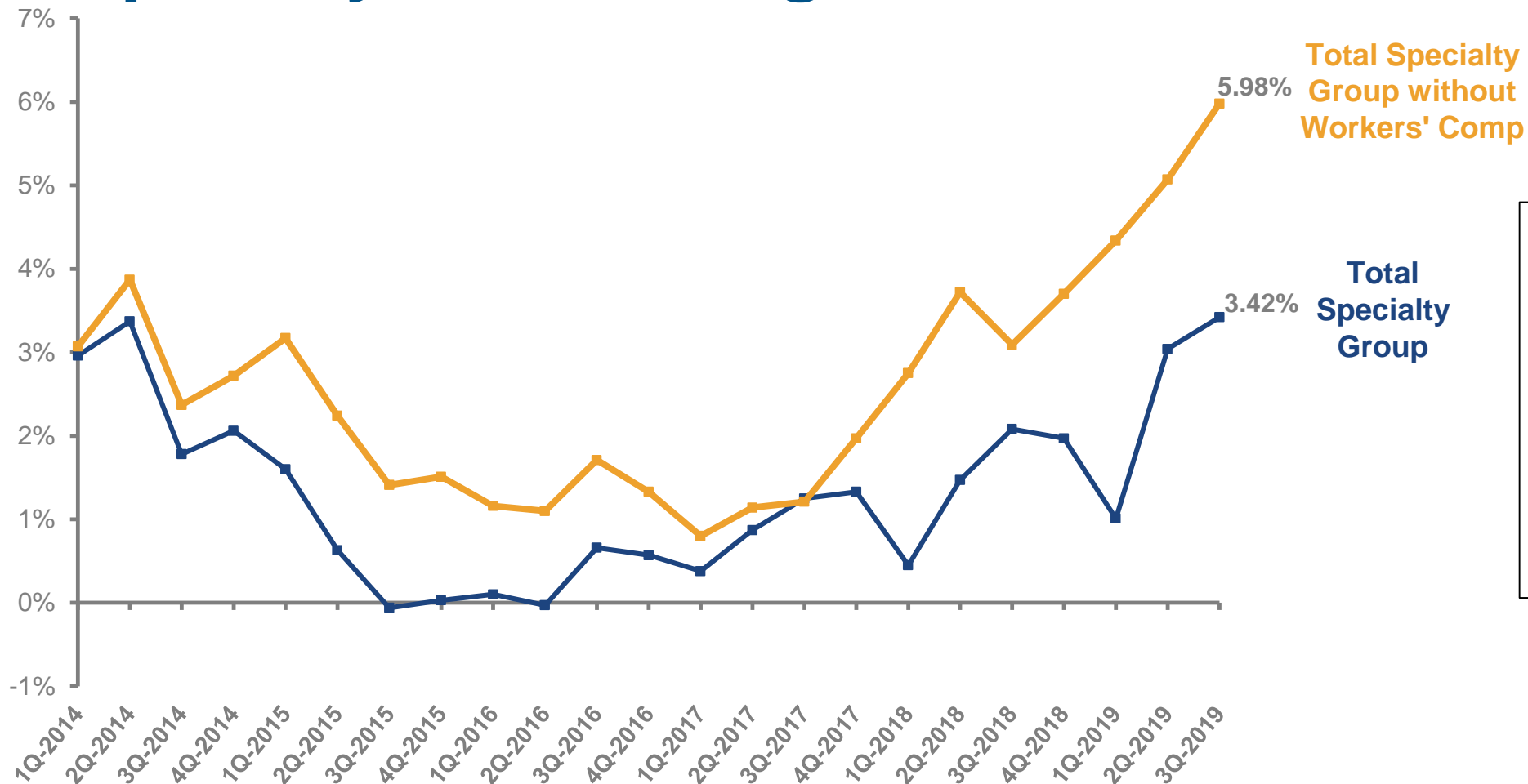
Dollars in billions

P&C Net Written Premium and Renewal Rates



- Overall Specialty P&C renewal rates increased 3% in 3Q19. Excluding workers' compensation, renewal rates increased 6%. In October 2019, overall Specialty P&C renewal rates increased 5%; excluding workers' compensation, renewal rates increased 8%.

Specialty P&C Pricing Trends

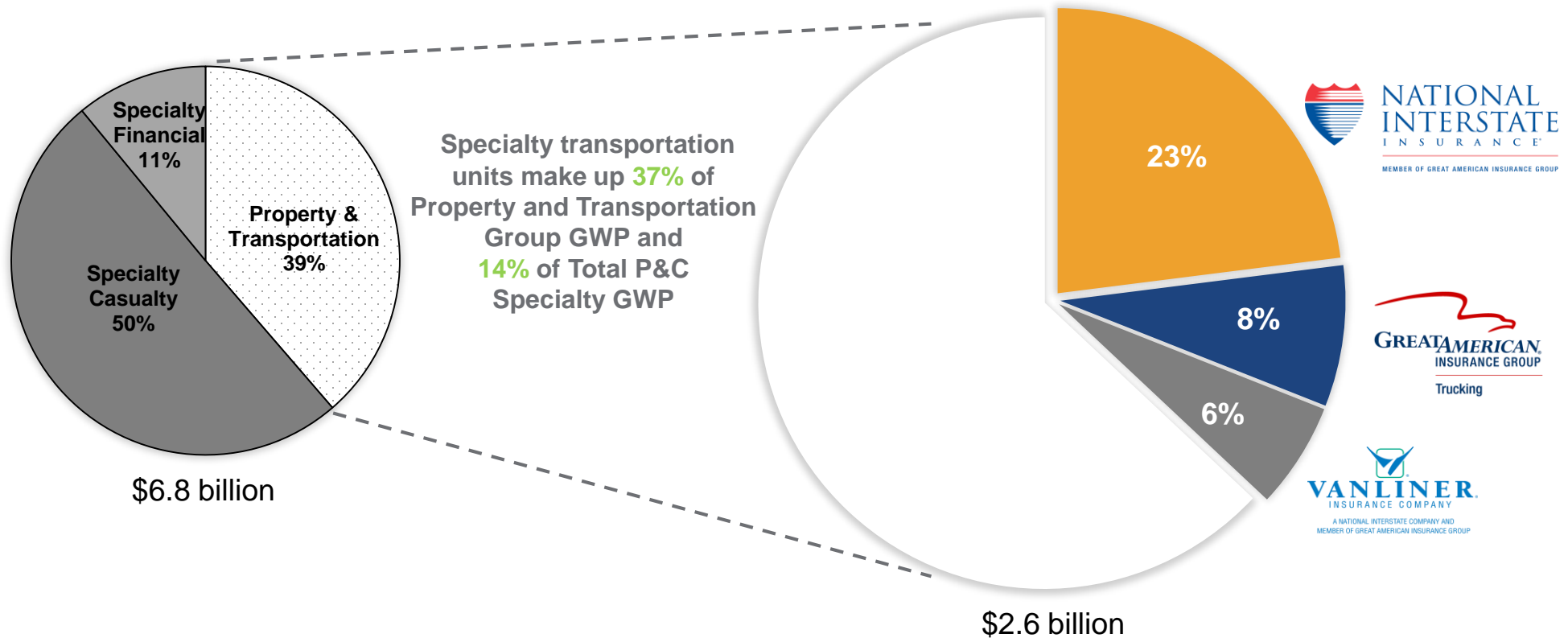


*Renewal pricing in our Specialty P&C group overall is the **highest** we have achieved in **5+ years***

P&C Growth Opportunities

A View of our Transportation Business

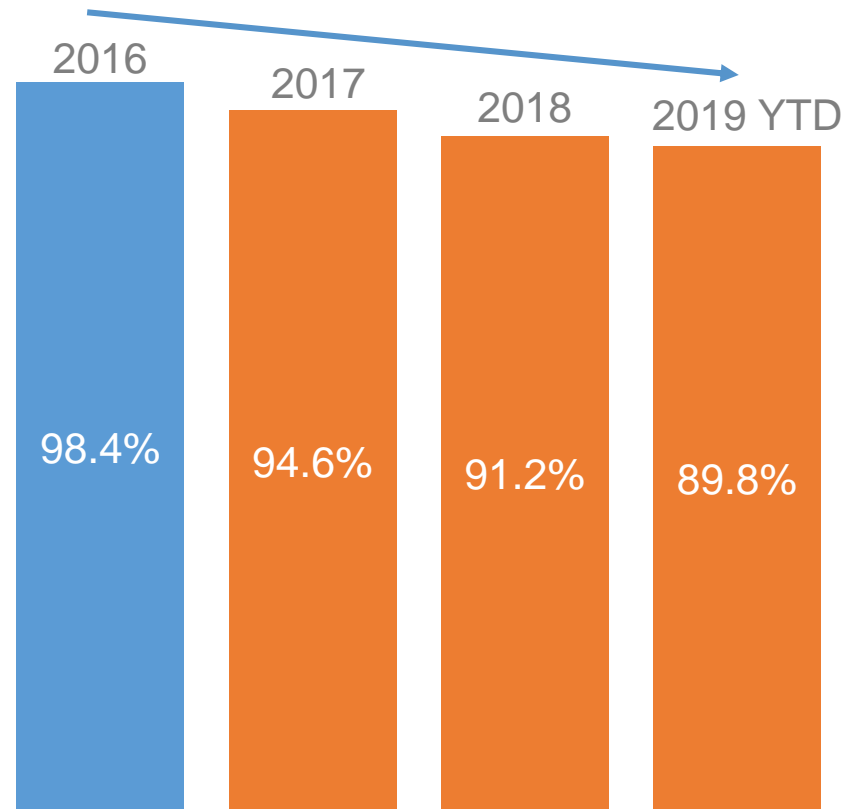
GROSS WRITTEN PREMIUMS - 2018



Earning Appropriate Returns and Combined Ratios

NATIONAL INTERSTATE CALENDAR YEAR COMBINED RATIOS

- In 2016, AFG invested \$315mm to acquire remaining shares it did not own of National Interstate
- In order to achieve a double digit rate of return, AFG targeted a combined ratio = 95%



AFG achieved profitability throughout a challenging commercial auto environment



**NATIONAL
INTERSTATE**
INSURANCE

MEMBER OF GREAT AMERICAN INSURANCE GROUP

Atlas Paratransit Transaction



- National Interstate began writing paratransit business in 2003
- **Long history of strong underwriting results**
- **Averaged over 15% year-over-year growth since 2014**
- 2018 gross written premiums ~\$20 million
- Focus has been on fleets with 10 vehicles or more; averaged 34 vehicles per customer in 2018
- **Opportunity to act on market disruption to profitably grow overall Paratransit Commercial Auto Insurance footprint**

- Atlas specializes in **small fleet paratransit** business with an average fleet size of 5 vehicles
- Strong agency distribution network; solid infrastructure necessary to sell and issue small fleet policies
- Opportunistic growth given aging U.S. population
- Great strategic fit allowing National Interstate to expand its existing footprint in additional niches
- **Majority of \$120 million of paratransit business eligible for quotation**
- AFG has also been granted a **five-year warrant to acquire 19.9% of AFH's common stock** at an exercise price of \$0.69 per share

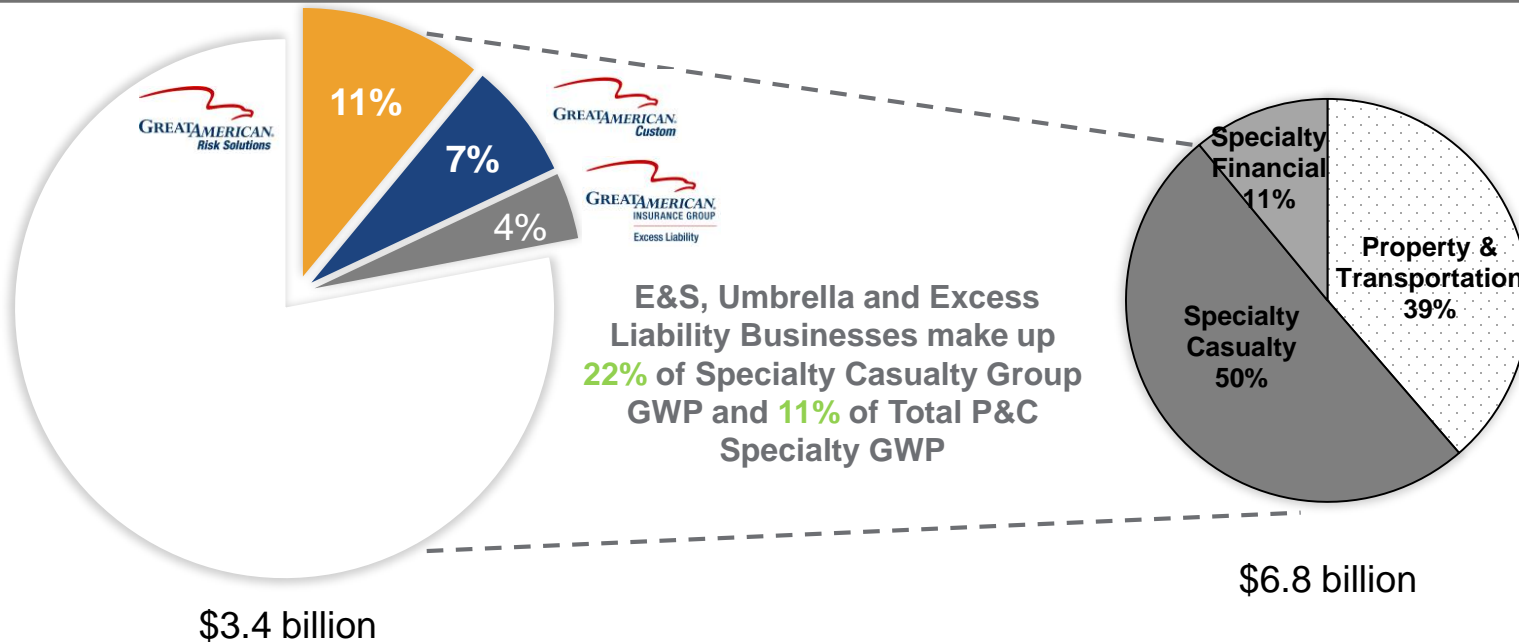
A View of our E&S, Umbrella and Excess Liability Businesses

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

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

Excess Liability writes umbrella and excess liability on large capacity towers for large commercial risks through retail and wholesale brokers.

2018 GROSS WRITTEN PREMIUMS



- Year-to-date 2019 gross and net written premiums for these three divisions increased **11%** and **16%**, respectively
- Achieved **double digit rate increases** in our excess liability and umbrella businesses in the third quarter of 2019
- Great American E&S lines ranked **#19** in 2018 (Source: S&P Global)

Accident & Health Start-Up



35th Specialty P&C Business

- *Products:* Accident Medical, Accident Medical & Sickness, Accidental Death & Dismemberment, and Short Term Disability.
- *Targeted Segments/Classes:* Corporations, associations, educational institutions, amateur sports, non-profits, non-government organizations (NGOs).
- *Segments to Avoid:* Manufacturing, construction, healthcare. Some product types to avoid are Medical Stop Loss and Long-Term Disability.
- *Market Conditions:* Favorable for a provider with a differentiated strategy as current carriers have very similar models and common legacy issues. There is increased regulatory oversight.



5-year Premium Expectations =
\$60mm

Annuity Segment Overview

A View of our Annuity Segment



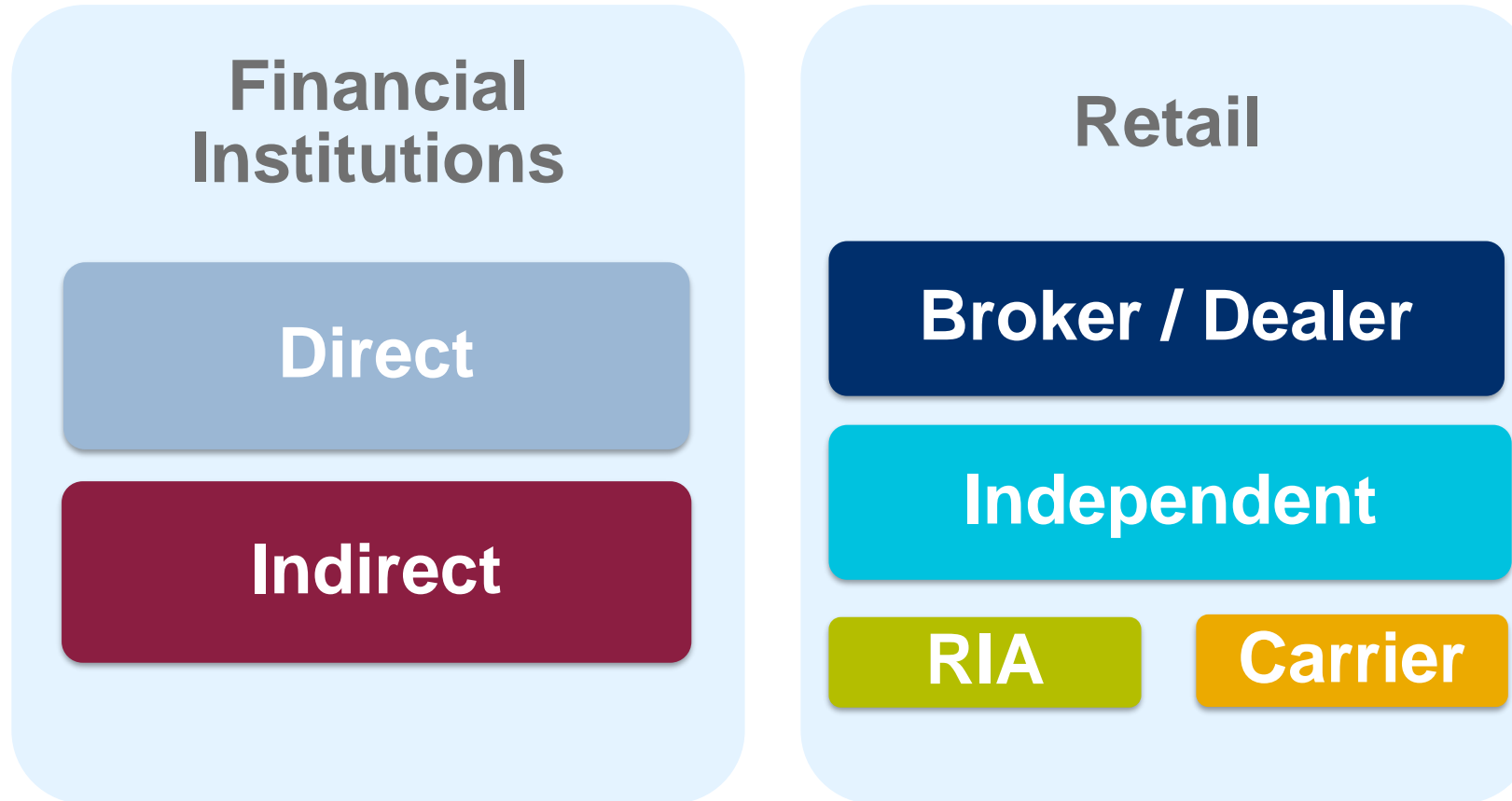
Channel	Market Rank	Distribution	Product Focus	2018 Premiums
Financial Institutions	#2 FIAs #4 in Total Fixed and FIAs	~35 Financial Institutions; ~ 4,000 agents – Direct through Financial Institutions – Independent Agents and Brokers	<ul style="list-style-type: none"> Fixed Annuities Fixed-Indexed Annuities 	\$2.3B
Retail (Independent Producers)	#11 FIAs #13 in Total Fixed and FIAs	Over 6,000 Retail Agents – Independent Marketing Organizations (IMOs) – Independent Broker Dealers – Registered Investment Advisors		\$3.1B
All Channels	#9 FIAs Top Ten Total Fixed and FIAs			\$5.4B

- Focus on fixed and fixed-indexed annuities makes use of core competency in fixed income investing
- Simple, easy to understand products
- Lower up-front commissions and bonuses, shorter surrender charge periods
- Not a significant issuer of variable annuities.

An Industry Leader

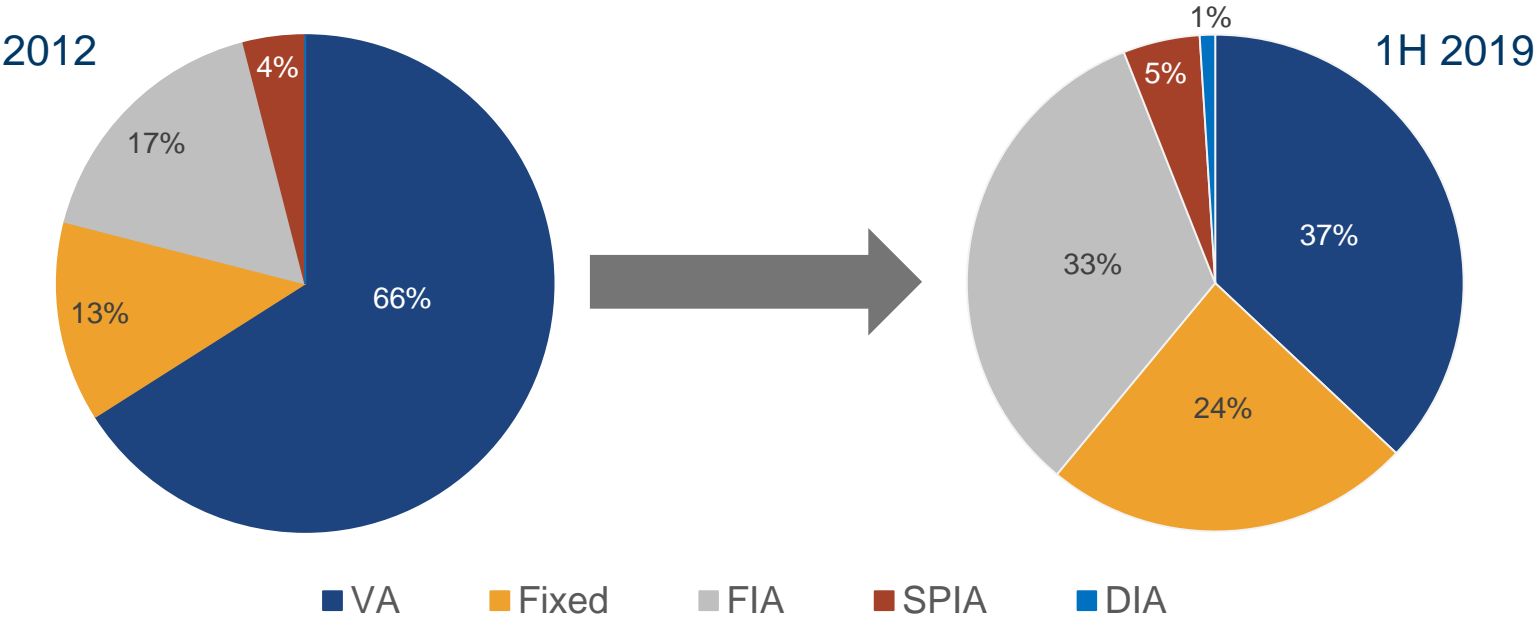
- Focus on fixed and fixed-indexed annuities
- Strong financial strength ratings and ALIRT score
- Long history in the industry and long-term agent relationships
- Consistent crediting rate strategy
- Reputation for simple, consumer-centric products
- Low cost structure

Annuity Distribution Channels



Annuity Industry: Market Share by Product Line

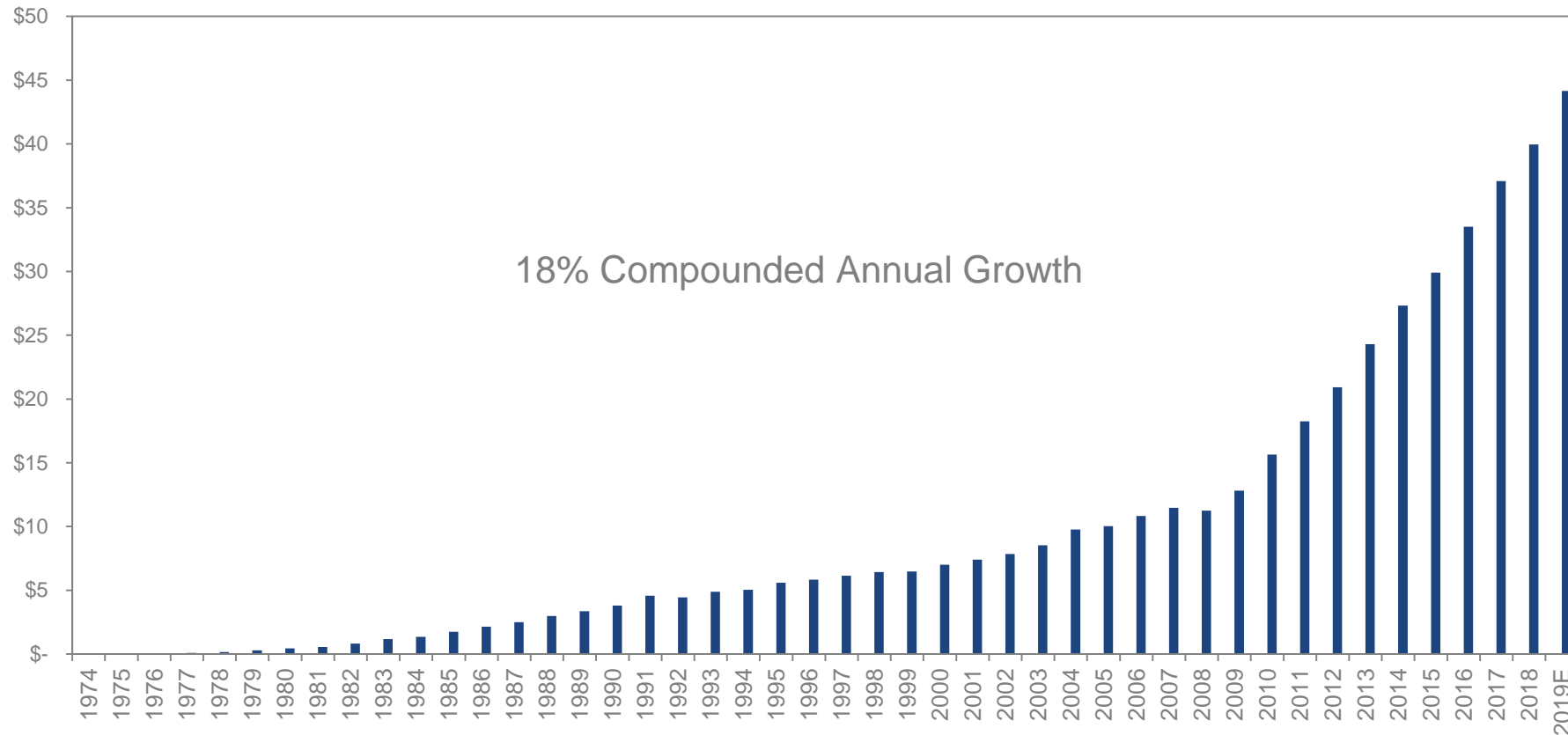
Shift from Variable Annuities to Traditional Fixed and Fixed-Indexed Annuities
*Fixed-indexed annuity market share **increased by more than 90%***



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

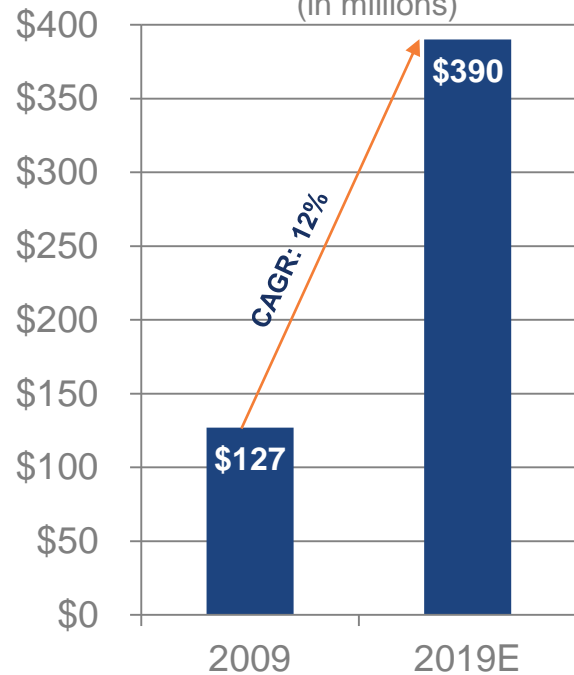
Growth in Annuity Segment Assets (GAAP)

Dollars in billions

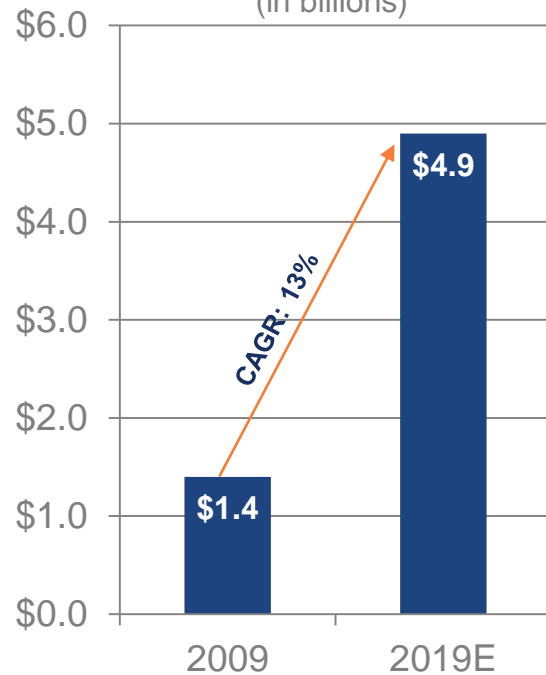


Growth in Annuity Earnings, Premiums and Assets

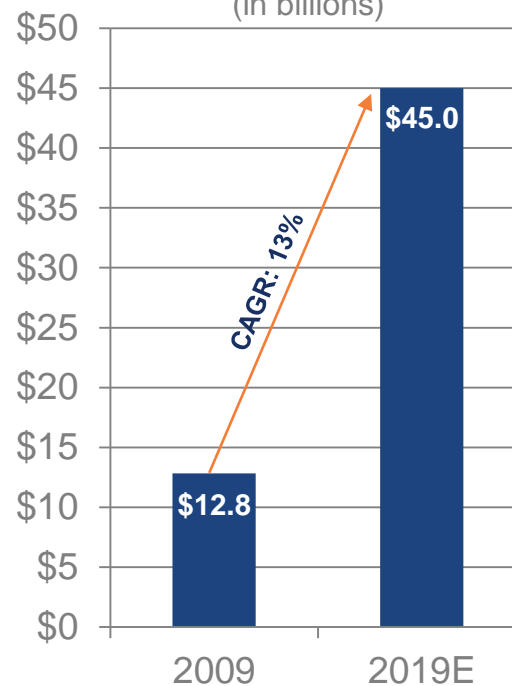
Pretax Annuity Earnings,
as reported¹
(in millions)



Annuity
Premiums
(in billions)



Annuity
Assets
(in billions)



Annuity Transformation

- Focus on core competency of fixed and fixed-indexed annuities; focus where we have critical mass and competitive advantage
- Significantly improved ROEs
 - appropriate pricing
 - expense discipline
- Ratings
 - no downgrades during recession
 - upgrades by S&P and Moody's since recession

¹ After the impact of fair value accounting for FIAs and unlocking.

Protection From Changes in Interest Rates

As of September 30, 2019

Protection From Rising Interest Rates

- 86% of inforce annuities have some surrender penalty
 - 56% of annuity reserves have a surrender charge of 5% or higher
 - 7% of these annuity reserves are two-tier in nature, with an average surrender charge of 13%
- Other product features that should encourage persistency or discourage lapses
 - 16% with 3%+ GMIR
 - 32% with an MVA or Longevity Rider
 - over 40% of new sales electing some form of trail or multi-year commission when available
- Asset duration shorter than liability duration by 1.30 (4.60 vs. 5.90)
- Unrealized gain in bond portfolio of \$1.9 billion pre-tax, pre-DAC (105% of book value)

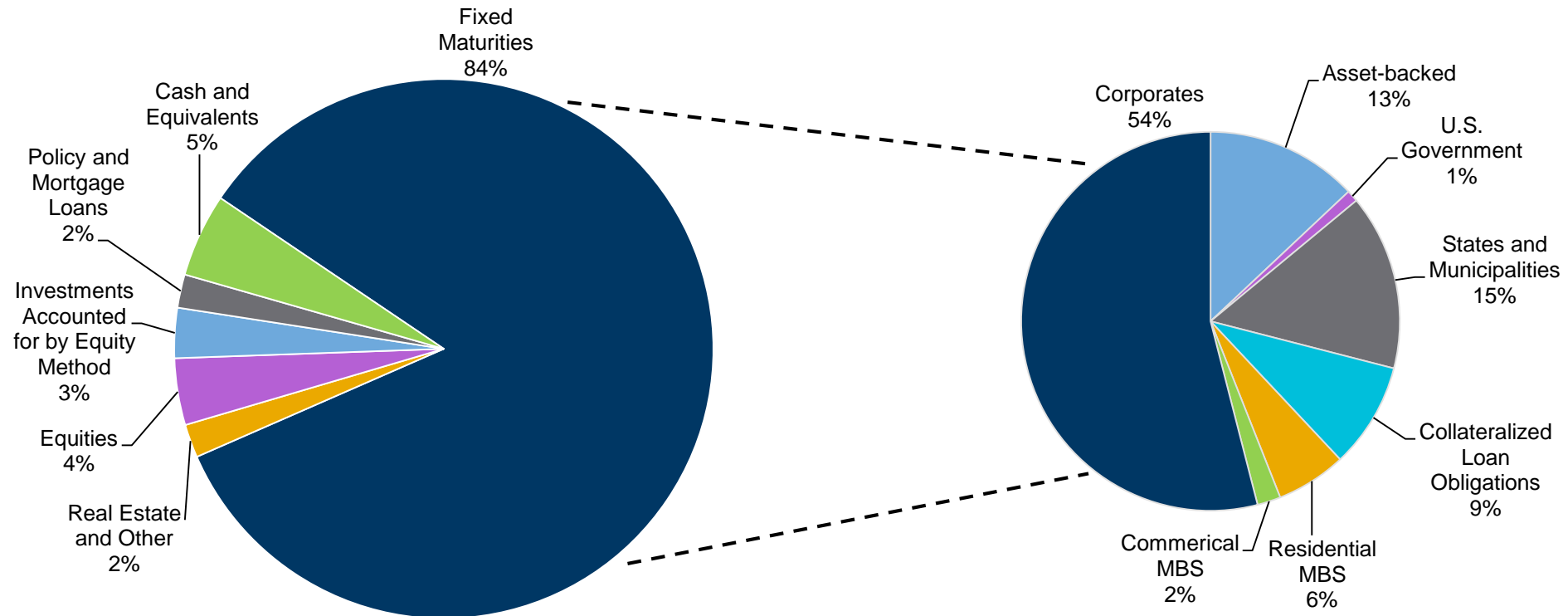
Protection From Falling Interest Rate Environment

- Ability to lower crediting rates by 120 bps on \$30 billion of reserves (excludes immediate annuities and FIAs with riders)
- Produces extra \$360 million of pretax income
- Low upfront costs to recover (lower commissions than competitors, low or no bonuses)

AFG Investment Portfolio

As of September 30, 2019

Fixed Maturities Portfolio – 91% investment grade; 98% NAIC 1 & 2



Carrying Value – \$54.2 Billion

Investment Portfolio Information and Outperformance

	Property & Casualty	Annuity
Approximate Average Duration – Fixed Maturities as of September 30, 2019	3.5 years	4.5 years
Annualized yield on available for sale fixed maturities		
Quarter ended 9/30/19:		
• Net of investment expenses ^(a)	3.79%	4.47%
• Tax equivalent, net of investment expenses ^(b)	4.00%	4.47%

^(a) 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.

^(b) Adjusts the yield on tax-exempt bonds to the fully taxable equivalent yield.

Fixed Income Annualized Total Return 11 Years Ended 12/31/18¹

AFG **5.9%**

Benchmark:
Blended Insurance Industry² 4.9%

Outperformance 1.0%

≈ \$2 Billion Total Return Outperformance

¹ 2008-2018 time period captures the beginning of the global financial crisis.

² Source: SNL. Blended Insurance Industry returns reflect actual Life & Annuity and Property & Casualty industry returns weighted by AFG's Annuity and P&C Groups' relative assets.

2019 Outlook – AFG

AFG Core Earnings Guidance \$8.50 – \$8.70 per share

	<u>NWP Growth</u>	<u>Combined Ratio</u>
Specialty P&C Group Overall	4% – 7%	93% – 94%
<u>Business Groups:</u>		
Property & Transportation	5% – 8%	93% – 96%
Specialty Casualty	4% – 7%	92% – 95%
Specialty Financial	0% – 3%	86% – 89%

P&C investment income between 4% and 7% higher than 2018

P&C average renewal rates up approximately 3%

Annuity Segment:

- Pretax Annuity Core Operating Earnings \$380 million to \$400 million
- Annuity premiums down 9% to 10% from the \$5.4 billion reported in 2018

Appendix

Financial Highlights – Third Quarter 2019

Dollars in millions, except per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
• Results of Operations:				
– Core net operating earnings	\$ 205	\$ 198	\$ 581	\$ 602
– Core net operating earnings per share	\$ 2.25	\$ 2.19	\$ 6.39	\$ 6.65
– Average number of diluted shares	91.1	90.7	90.9	90.6
• Book Value per Share:				
– Excluding unrealized gains (losses) related to fixed maturities	Sept. 30, <u>2019</u>	Dec. 31, <u>2018</u>		
	\$ 59.65	\$ 54.86		
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 56.84	\$ 51.93		
• Capital Adequacy, Financial Condition and Liquidity:				
– Maintained capital at levels that support operations; in excess of amounts required for rating levels				
– Excess capital of approximately \$865 million at September 30, 2019, including parent cash of approximately \$270 million.				

18.2%

**Annualized Growth
in Adj BVPS +
Dividends**

Financial Highlights – 2018

Dollars in millions, except per share amounts

	Twelve Months Ended December 31,	
	<u>2018</u>	<u>2017</u>
• Results of Operations:		
– Core net operating earnings	\$ 761	\$ 588
– Core net operating earnings per share	\$ 8.40	\$ 6.55
– Average number of diluted shares	90.6	89.8
• Book Value per Share:		
– Excluding unrealized gains (losses) related to fixed maturities	\$ 54.86	\$ 53.51
– Tangible, excluding unrealized gains (losses) related to fixed maturities	\$ 51.93	\$ 50.95
• Core Operating Return on Equity ¹ :		
AFG Consolidated ²	15.6%	12.7%
– Specialty Property & Casualty	16.8%	13.5%
– Annuity, as reported	12.2%	11.2%

¹ Equity excludes AOCI.

² Includes the impact of holding company and other operations not reported in AFG's operating segments.

Specialty Property & Casualty Businesses

Dollars in millions

	Net Written Premiums			
	<u>2017</u>	<u>2018</u>	<u>YTD 9/30/19</u>	<u>2019E¹</u>
Specialty Property & Transportation	\$ 1,765	\$ 1,754	\$ 1,427	5% – 8%
Specialty Casualty	\$ 2,280	\$ 2,509	\$ 2,032	4% – 7%
Specialty Financial	\$ 596	\$ 602	\$ 461	0% – 3%
Other Specialty	<u>\$ 110</u>	<u>\$ 158</u>	<u>\$ 109</u>	n/a
Total Specialty	<u>\$ 4,751</u>	<u>\$ 5,023</u>	<u>\$ 4,029</u>	4% – 7%

¹ 2019E based on guidance issued October 30, 2019.

Specialty Property & Casualty Businesses

	GAAP Combined Ratio			
	<u>2017</u>	<u>2018</u>	<u>YTD 9/30/19</u>	<u>2019E¹</u>
Specialty Property & Transportation	91.0%	93.1%	93.8%	93% – 96%
Specialty Casualty	95.2%	94.2%	94.5%	92% – 95%
Specialty Financial	89.4%	88.9%	86.8%	86% – 89%
Other Specialty	102.7%	103.7%	110.2%	n/a
Total Specialty	93.1%	93.4%	93.8%	93% – 94%

¹ 2019E based on guidance issued October 30, 2019.

Annuity Segment

Dollars in millions, unless otherwise noted

	<u>2017</u>	<u>2018</u>	<u>YTD 9/30/19</u>	<u>2019E¹</u>
Annuity Premiums	\$ 4,341	\$ 5,407	\$ 3,821	(9%) to (10%)
Average Fixed Annuity Investments	\$ 31,250	\$ 34,471	\$ 37,849	+ 10% to 11%
Average Fixed Annuity Reserves	\$ 31,526	\$ 34,706	\$ 38,075	+ 10% to 11%
<hr/>				
Pretax Annuity Core Operating Earnings, as reported	\$ 380	\$ 361	\$ 294	\$380 to \$400 million
<u>Net Spread Earned:</u>				
Core Net Spread Earned – New Method	1.25%	1.20%	1.08%	n/a
Items Previously Reported as Operating	<u>(0.02%)</u>	<u>(0.13%)</u>	<u>(0.04%)</u>	n/a
Core Net Spread Earned, as reported ²	<u>1.23%</u>	<u>1.07%</u>	<u>1.04%</u>	1.00% to 1.06%

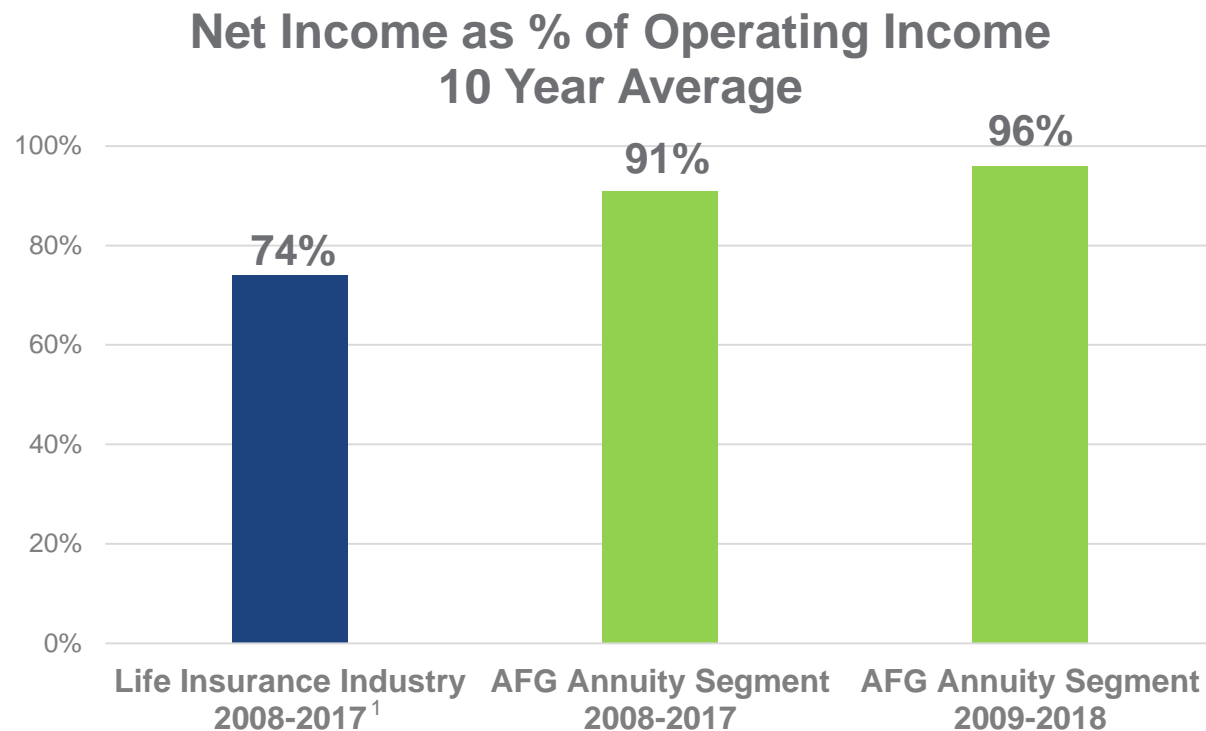
¹ This updated guidance reflects: (i) an assumed annualized return of 8% in the fourth quarter on investments required to be marked to market through operating earnings, in contrast to the 10.5% earned on an annualized basis in the first nine months of 2019 and (ii) the impact of lower interest rates – in particular, the impact of lower short term rates, which will have a negative impact on the Annuity Segment's approximately \$3 billion net investment in floating rate securities. Fluctuations in these items could lead to significant positive or negative impacts on the Annuity Segment's results.

² Amounts for 2019 are calculated using the new definition of core operating earnings. Amounts for 2017 and 2018 are shown as originally reported.

Third Quarter 2019 Annuity Unlocking

- Conducted AFG's unlocking review in Q3 2019 due to the significant decrease in short-term and long-term interest rates throughout 2019
 - historically conducted unlocking reviews in the fourth quarter of each year
 - will conduct this review in the third quarter of each year going forward
- 10 year UST assumptions:
 - last year: 3.0% grading up to 4.5% over 7 years
 - this year: 1.65% grading up to 3.5% over 10 years
- Resulted in a net after-tax unlocking charge of \$1 million (\$0.01 per share)
 - negative impact related to lower expected future investment income due to lower interest rates
 - negative impact related to higher assumed persistency on certain blocks of business
 - these items were largely offset by positive impact related to lower expected costs for FIA renewal options, including anticipated renewal rate actions
- Included in Annuity Non-Core Earnings (Loss)

Annuity Segment – Net Earnings vs. After-tax Operating Earnings



¹ JP Morgan "Life Insurance Earnings Quality" – May 2018.

AFG's Annuity Segment Net Earnings have nearly equaled Annuity Operating Earnings from 2009 through 2018.

These results are in contrast to the industry, where Net Earnings have been significantly lower than Operating Earnings.

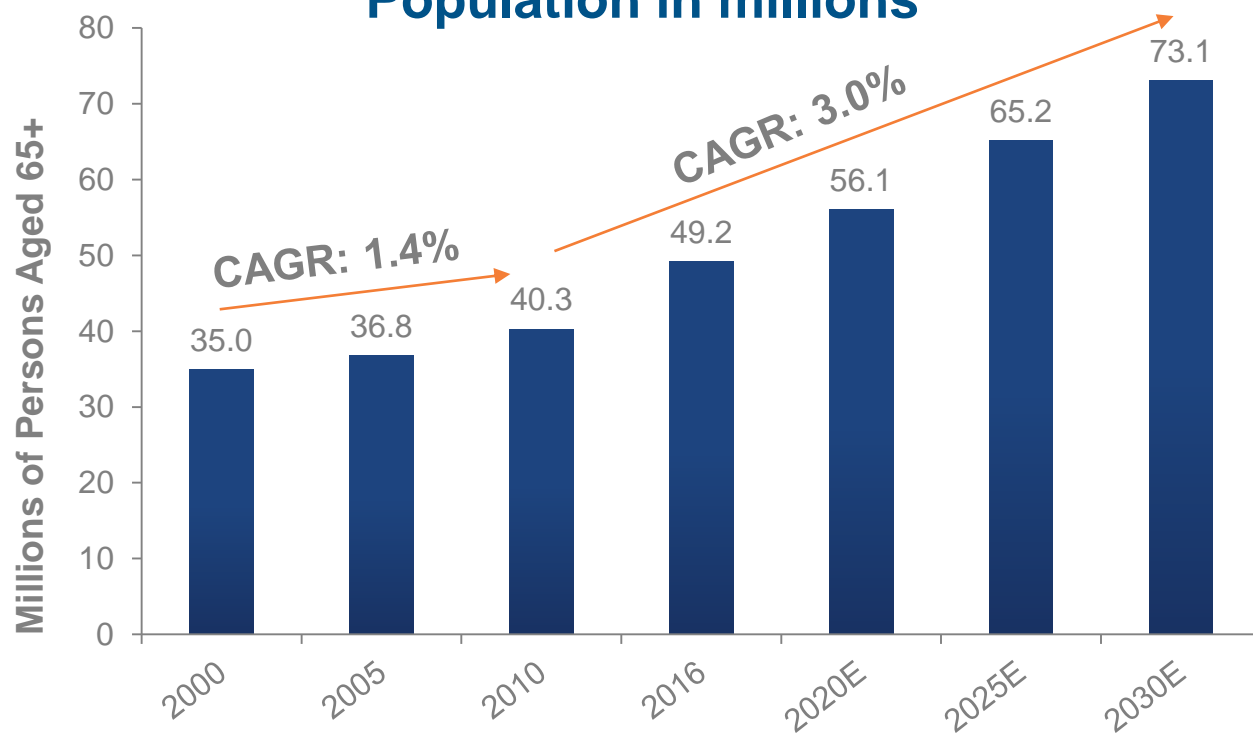
Snapshot of Current AFG Annuity Segment Sales

As of September 30, 2019

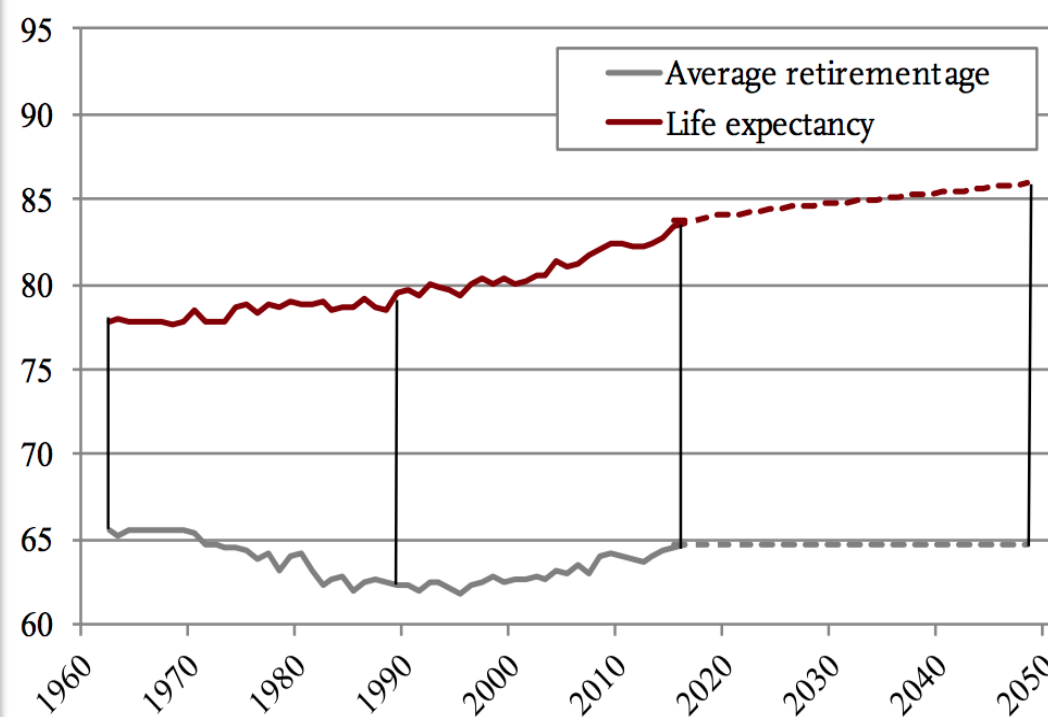
- Target market = middle and mass affluent baby boomers (not high wealth clients)
- Average single premium policy size ~\$110,000
- Approximately 70% of 2018 sales were FIA
- About 50% of YTD sales were qualified / IRA
- Only 4% of sales have living benefit riders
- 40% of sales have some form of "non-heaped" commissions
- Each product is priced to its own risk-adjusted return target, 12% in aggregate

Changing Demographics Create Opportunities for the Annuity Market

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



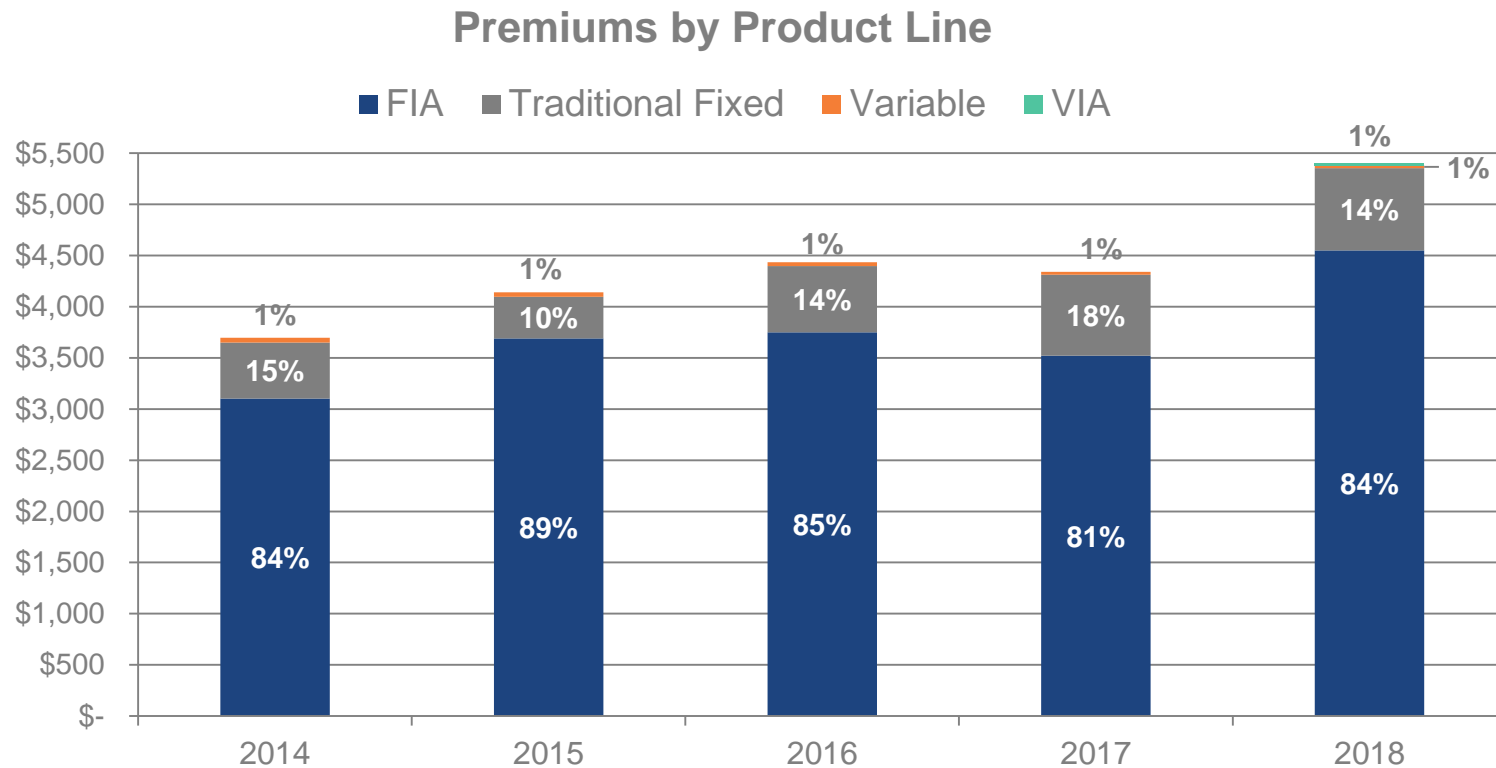
Retiring At The Same Age, But Living Longer



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

Annuity Product Snapshot

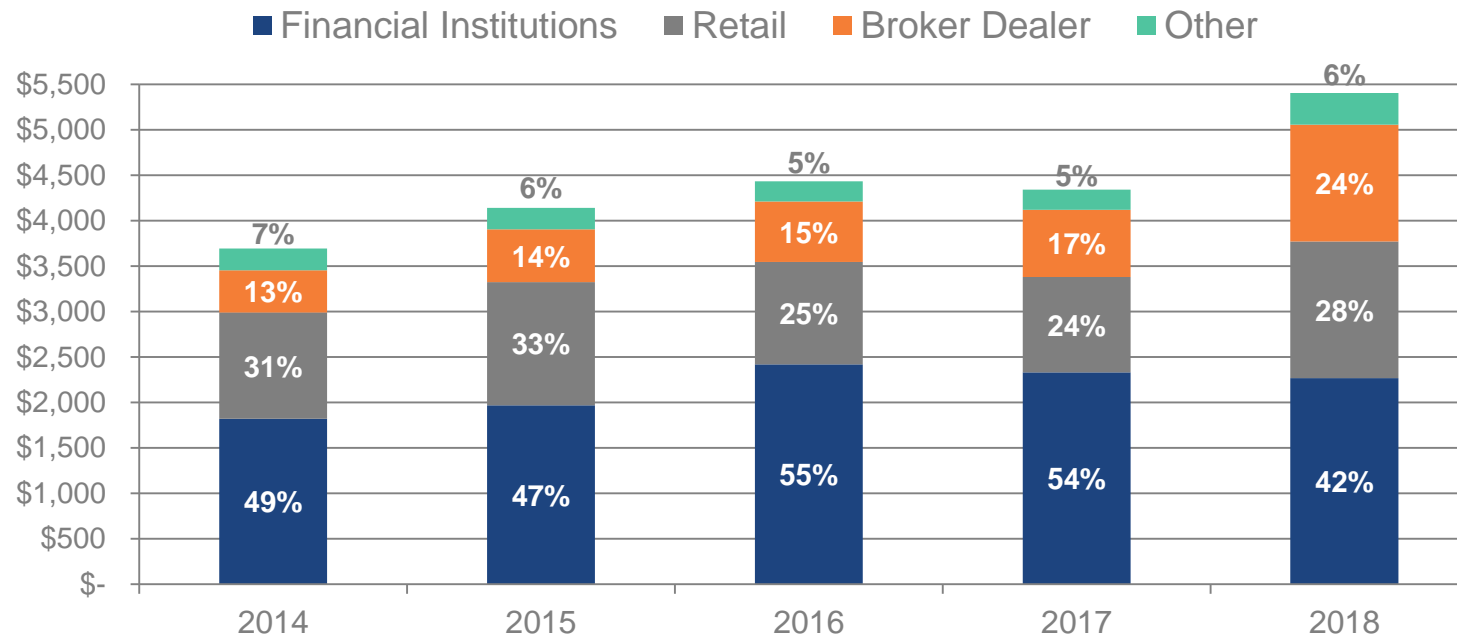
Dollars in millions



Annuity Product Snapshot (continued)

Dollars in millions

Premiums by Distribution Channel



Annuity Product Snapshot (continued)

Dollars in millions

Premiums by Tax Qualification Type

