

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended September 30, 2024

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:**

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 1, 2024, there were 83,931,257 shares of the Registrant's Common Stock outstanding, excluding 14.9 million shares owned by subsidiaries.

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**AMERICAN FINANCIAL GROUP, INC. 10-Q**

**PART I**  
**ITEM 1. — FINANCIAL STATEMENTS**  
**AMERICAN FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
**(Dollars in Millions)**

	September 30, 2024	December 31, 2023
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,322	\$ 1,225
Investments:		
Fixed maturities, available for sale at fair value (amortized cost — \$ 10,586 and \$ 10,752 ; allowance for expected credit losses of \$ 25 and \$ 12 )	10,435	10,377
Fixed maturities, trading at fair value	78	57
Equity securities, at fair value	1,081	1,018
Investments accounted for using the equity method	1,911	1,814
Mortgage loans	765	643
Real estate and other investments	149	129
Total cash and investments	15,741	15,263
Recoverables from reinsurers	5,217	4,477
Prepaid reinsurance premiums	1,346	961
Agents' balances and premiums receivable	1,995	1,471
Deferred policy acquisition costs	340	309
Assets of managed investment entities	4,332	4,484
Other receivables	1,989	1,171
Other assets	1,326	1,346
Goodwill	305	305
Total assets	\$ 32,591	\$ 29,787
<b>Liabilities and Equity:</b>		
Unpaid losses and loss adjustment expenses	\$ 14,206	\$ 13,087
Unearned premiums	4,320	3,451
Payable to reinsurers	1,620	1,186
Liabilities of managed investment entities	4,168	4,307
Long-term debt	1,475	1,475
Other liabilities	2,094	2,023
Total liabilities	27,883	25,529
Shareholders' equity:		
Common Stock, no par value		
— 200,000,000 shares authorized		
— 83,923,446 and 83,635,807 shares outstanding	84	84
Capital surplus	1,400	1,372
Retained earnings	3,360	3,121
Accumulated other comprehensive income (loss), net of tax	( 136 )	( 319 )
Total shareholders' equity	4,708	4,258
Total liabilities and shareholders' equity	\$ 32,591	\$ 29,787

**AMERICAN FINANCIAL GROUP, INC. 10-Q**

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Property and casualty insurance net earned premiums	\$ 2,055	\$ 1,855	\$ 5,186	\$ 4,799
Net investment income	200	168	586	583
Realized gains (losses) on:				
Securities	( 2 )	( 19 )	10	( 67 )
Subsidiary	—	( 4 )	—	( 4 )
Income of managed investment entities:				
Investment income	99	105	296	321
Gain (loss) on change in fair value of assets/liabilities	( 9 )	16	5	12
Other income	26	43	92	100
Total revenues	2,369	2,164	6,175	5,744
<b>Costs and Expenses:</b>				
Property and casualty insurance:				
Losses and loss adjustment expenses	1,430	1,239	3,279	2,964
Commissions and other underwriting expenses	518	497	1,527	1,455
Interest charges on borrowed money	19	19	57	57
Expenses of managed investment entities	85	105	267	303
Other expenses	88	85	241	227
Total costs and expenses	2,140	1,945	5,371	5,006
Earnings before income taxes	229	219	804	738
Provision for income taxes	48	42	172	149
<b>Net Earnings</b>	<b>\$ 181</b>	<b>\$ 177</b>	<b>\$ 632</b>	<b>\$ 589</b>
<b>Earnings per Common Share:</b>				
Total basic earnings	\$ 2.16	\$ 2.10	\$ 7.54	\$ 6.93
Total diluted earnings	\$ 2.16	\$ 2.09	\$ 7.54	\$ 6.93
Average number of Common Shares:				
Basic	83.9	84.6	83.8	85.0
Diluted	83.9	84.7	83.9	85.1

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net earnings	\$ 181	\$ 177	\$ 632	\$ 589
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on securities arising during the period	178	( 64 )	170	( 55 )
Reclassification adjustment for realized (gains) losses included in net earnings	12	7	17	31
Total net unrealized gains (losses) on securities	190	( 57 )	187	( 24 )
Net unrealized gains (losses) on cash flow hedges:				
Unrealized holding gains (losses) on cash flow hedges arising during the period	8	( 7 )	( 6 )	( 20 )
Reclassification adjustment for investment income included in net earnings	5	6	16	15
Total net unrealized gains (losses) on cash flow hedges	13	( 1 )	10	( 5 )
Foreign currency translation adjustments	( 8 )	( 1 )	( 14 )	2
Other comprehensive income (loss), net of tax	195	( 59 )	183	( 27 )
Comprehensive income	\$ 376	\$ 118	\$ 815	\$ 562

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

	Common Shares	Shareholders' Equity			
		Common Stock and Capital Surplus	Retained Earnings	Accumulated Other Comp. Income (Loss)	Total
<b>Balance at June 30, 2024</b>	83,897,267	\$ 1,476	\$ 3,239	\$ ( 331 )	\$ 4,384
Net earnings	—	—	181	—	181
Other comprehensive income	—	—	—	195	195
Dividends (\$ 0.71 per share)	—	—	( 59 )	—	( 59 )
Shares issued:					
Exercise of stock options	14,497	1	—	—	1
Restricted stock awards	—	—	—	—	—
Other benefit plans	20,913	2	—	—	2
Dividend reinvestment plan	1,842	1	—	—	1
Stock-based compensation expense	—	4	—	—	4
Shares acquired and retired	—	—	—	—	—
Shares exchanged — benefit plans	( 5,471 )	—	( 1 )	—	( 1 )
Forfeitures of restricted stock	( 5,602 )	—	—	—	—
<b>Balance at September 30, 2024</b>	83,923,446	\$ 1,484	\$ 3,360	\$ ( 136 )	\$ 4,708
<b>Balance at June 30, 2023</b>	84,858,528	\$ 1,462	\$ 3,042	\$ ( 511 )	\$ 3,993
Net earnings	—	—	177	—	177
Other comprehensive loss	—	—	—	( 59 )	( 59 )
Dividends (\$ 0.63 per share)	—	—	( 52 )	—	( 52 )
Shares issued:					
Exercise of stock options	6,230	—	—	—	—
Restricted stock awards	—	—	—	—	—
Other benefit plans	25,212	3	—	—	3
Dividend reinvestment plan	1,696	—	—	—	—
Stock-based compensation expense	—	5	—	—	5
Shares acquired and retired	( 755,111 )	( 14 )	( 72 )	—	( 86 )
Shares exchanged — benefit plans	( 193 )	—	—	—	—
Forfeitures of restricted stock	( 652 )	—	—	—	—
<b>Balance at September 30, 2023</b>	84,135,710	\$ 1,456	\$ 3,095	\$ ( 570 )	\$ 3,981

AMERICAN FINANCIAL GROUP, INC. 10-Q

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

	Common Shares	Shareholders' Equity			
		Common Stock and Capital Surplus	Retained Earnings	Accumulated Other Comp. Income (Loss)	Total
<b>Balance at December 31, 2023</b>	83,635,807	\$ 1,456	\$ 3,121	\$ ( 319 )	\$ 4,258
Net earnings	—	—	632	—	632
Other comprehensive income	—	—	—	183	183
Dividends (\$ 4.63 per share)	—	—	( 387 )	—	( 387 )
Shares issued:					
Exercise of stock options	110,631	5	—	—	5
Restricted stock awards	157,681	—	—	—	—
Other benefit plans	72,074	9	—	—	9
Dividend reinvestment plan	11,910	2	—	—	2
Stock-based compensation expense	—	13	—	—	13
Shares acquired and retired	—	—	—	—	—
Shares exchanged — benefit plans	( 53,362 )	( 1 )	( 6 )	—	( 7 )
Forfeitures of restricted stock	( 11,295 )	—	—	—	—
<b>Balance at September 30, 2024</b>	83,923,446	\$ 1,484	\$ 3,360	\$ ( 136 )	\$ 4,708
<b>Balance at December 31, 2022</b>	85,204,006	\$ 1,453	\$ 3,142	\$ ( 543 )	\$ 4,052
Net earnings	—	—	589	—	589
Other comprehensive loss	—	—	—	( 27 )	( 27 )
Dividends (\$ 5.89 per share)	—	—	( 500 )	—	( 500 )
Shares issued:					
Exercise of stock options	83,631	3	—	—	3
Restricted stock awards	165,513	—	—	—	—
Other benefit plans	71,499	9	—	—	9
Dividend reinvestment plan	14,159	2	—	—	2
Stock-based compensation expense	—	14	—	—	14
Shares acquired and retired	( 1,329,831 )	( 24 )	( 129 )	—	( 153 )
Shares exchanged — benefit plans	( 56,629 )	( 1 )	( 7 )	—	( 8 )
Forfeitures of restricted stock	( 16,638 )	—	—	—	—
<b>Balance at September 30, 2023</b>	84,135,710	\$ 1,456	\$ 3,095	\$ ( 570 )	\$ 3,981

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

	Nine months ended September 30,	
	2024	2023
<b>Operating Activities:</b>		
Net earnings	\$ 632	\$ 589
Adjustments:		
Depreciation and amortization	60	60
Realized (gains) losses on investing activities	( 10 )	69
Net purchases of trading securities	( 25 )	( 3 )
Change in:		
Reinsurance and other receivables	( 2,470 )	( 1,799 )
Other assets	( 1 )	( 63 )
Insurance claims and reserves	1,988	1,668
Payable to reinsurers	434	363
Other liabilities	( 18 )	357
Managed investment entities' assets/liabilities	( 67 )	26
Other operating activities, net	( 45 )	( 53 )
Net cash provided by operating activities	478	1,214
<b>Investing Activities:</b>		
Purchases of:		
Fixed maturities	( 1,349 )	( 1,463 )
Equity securities	( 141 )	( 101 )
Mortgage loans	( 141 )	—
Other investments	( 143 )	( 109 )
Real estate, property and equipment	( 100 )	( 40 )
Businesses	—	( 234 )
Proceeds from:		
Maturities and redemptions of fixed maturities	1,451	1,047
Repayments of mortgage loans	17	33
Sales of fixed maturities	116	551
Sales of equity securities	158	95
Sales of other investments	25	49
Sales of real estate, property and equipment	25	2
Cash and cash equivalents of businesses acquired	—	26
Managed investment entities:		
Purchases of investments	( 1,383 )	( 1,223 )
Proceeds from sales and redemptions of investments	1,587	1,832
Other investing activities, net	( 6 )	( 6 )
Net cash provided by investing activities	116	459
<b>Financing Activities:</b>		
Reductions of long-term debt	—	( 21 )
Issuances of Common Stock	13	11
Repurchases of Common Stock	—	( 153 )
Cash dividends paid on Common Stock	( 385 )	( 498 )
Issuances of managed investment entities' liabilities	1,773	621
Retirements of managed investment entities' liabilities	( 1,898 )	( 1,284 )
Net cash used in financing activities	( 497 )	( 1,324 )
<b>Net Change in Cash and Cash Equivalents</b>	<b>97</b>	<b>349</b>
Cash and cash equivalents at beginning of period	1,225	872
Cash and cash equivalents at end of period	\$ 1,322	\$ 1,221





**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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<b>A. Accounting Policies</b>	<b>H. Goodwill and Other Intangibles</b>
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## **A. Accounting Policies**

**Basis of Presentation** The accompanying consolidated financial statements for American Financial Group, Inc. and its subsidiaries ("AFG") are unaudited; however, management believes that all adjustments (consisting only of normal recurring accruals unless otherwise disclosed herein) necessary for fair presentation have been made. The results of operations for interim periods are not necessarily indicative of results to be expected for the year. The financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary to be in conformity with U.S. generally accepted accounting principles ("GAAP").

Certain reclassifications have been made to prior periods to conform to the current year's presentation. 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 September 30, 2024, and prior to the filing of this Form 10-Q, have been evaluated for potential recognition or disclosure herein.

The preparation of the financial statements 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.

**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. AFG did not have any material nonrecurring fair value measurements in the first nine months of 2024.

**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.

Realized gains or losses on the disposal of fixed maturity securities are determined on the specific identification basis. Premiums and discounts on fixed maturity securities are amortized using the effective interest method. Structured securities subject to prepayment risk 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.

**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

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.

**Credit Losses on Fixed Maturity Investments** 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. The allowance is limited 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). 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.

**Credit Losses on Financial Instruments Measured at Amortized Cost** Credit-related impairments for financial instruments measured at amortized cost (mortgage loans, premiums receivable and reinsurance recoverables) reflect estimated 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.

**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 (convertible fixed maturities and interest-only and principal-only mortgage-backed securities) 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.

**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

**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 G — “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 September 30, 2024, assets and liabilities of managed investment entities included \$ 35 million in assets and \$ 25 million in liabilities of a temporary warehousing entity that was established to provide AFG the ability to form a new CLO. At closing, all warehoused assets will be transferred to the new CLO and the liabilities will be repaid.

**Unpaid Losses and Loss Adjustment Expenses** The 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.

**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

**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.

At September 30, 2024 AFG has a \$ 235 million lease liability included in other liabilities and a lease right-of-use asset of \$ 214 million included in other assets compared to \$ 198 million and \$ 176 million, respectively, at December 31, 2023.

**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: third quarter of 2024 and 2023 — none and 0.1 million; first nine months of both 2024 and 2023 — 0.1 million.

There were no anti-dilutive potential common shares for the third quarter or the first nine months of 2024 or 2023.

**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. Acquisition of Business**

**Crop Risk Services** On July 3, 2023, AFG completed the acquisition of Crop Risk Services ("CRS") from American International Group ("AIG"). CRS is a primary crop insurance general agent based in Decatur, Illinois, that generated crop year 2022 gross written premiums of approximately \$ 1.2 billion and was the seventh largest provider of multi-peril crop insurance in the United States based on 2022 premiums. At closing, AFG paid AIG \$ 234 million (based on \$ 24 million in net tangible assets) using cash on hand.

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Expenses related to the acquisition were \$ 3 million and were expensed as incurred. The purchase price was allocated to the acquired assets and liabilities of CRS based on management's best estimate of fair value as of the acquisition date. The purchase price allocation is shown below (in millions).

	July 3, 2023
Cash paid at purchase	\$ 234
<b>Tangible assets acquired:</b>	
Cash and cash equivalents	\$ 26
Agents' balances and premiums receivable	164
Other assets	3
<b>Total tangible assets acquired</b>	<b>\$ 193</b>
<b>Liabilities acquired:</b>	
Other liabilities	\$ 169
<b>Total liabilities acquired</b>	<b>169</b>
Net tangible assets acquired, at fair value	24
<b>Excess purchase price over net tangible assets acquired</b>	<b>\$ 210</b>
<b>Allocation of excess purchase price:</b>	
Intangible assets acquired (*)	\$ 124
Deferred tax asset (*)	1
Goodwill	85
	<b>\$ 210</b>

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

In the purchase price allocation, \$ 124 million of the purchase price was recognized as finite lived intangible assets primarily related to existing agency relationships, which will be amortized over an average estimated life of approximately 14 years. The acquisition resulted in the recognition of \$ 85 million in GAAP basis goodwill based on the excess of the purchase price over the fair value of the net assets acquired. The acquisition resulted in \$ 79 million of tax basis goodwill which is deductible for tax purposes.

## C. Segments of Operations

AFG manages its business as two segments: Property and casualty insurance and Other, which includes holding company costs.

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 a deferred gain on a retroactive reinsurance transaction related to the sale of a business. AFG's reportable segments and their components were determined based primarily upon similar economic characteristics, products and services.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Revenues</b>				
Property and casualty insurance:				
Premiums earned:				
Specialty				
Property and transportation	\$ 981	\$ 828	\$ 2,037	\$ 1,837
Specialty casualty	744	734	2,213	2,149
Specialty financial	269	232	753	623
Other specialty	61	61	183	190
Total premiums earned	2,055	1,855	5,186	4,799
Net investment income	195	170	589	568
Other income	2	5	6	13
Total property and casualty insurance	2,252	2,030	5,781	5,380
Other	119	157	384	435
Total revenues before realized gains (losses)	2,371	2,187	6,165	5,815
Realized gains (losses) on securities	( 2 )	( 19 )	10	( 67 )
Realized loss on subsidiary	—	( 4 )	—	( 4 )
Total revenues	\$ 2,369	\$ 2,164	\$ 6,175	\$ 5,744
<b>Earnings Before Income Taxes</b>				
Property and casualty insurance:				
Underwriting:				
Specialty				
Property and transportation	\$ 34	\$ 42	\$ 129	\$ 117
Specialty casualty	76	78	258	261
Specialty financial	22	29	80	65
Other specialty	( 15 )	( 6 )	( 45 )	( 22 )
Other lines	( 2 )	( 1 )	( 4 )	( 1 )
Total underwriting	115	142	418	420
Investment and other income, net	176	156	532	527
Total property and casualty insurance	291	298	950	947
Other (*)	( 60 )	( 56 )	( 156 )	( 138 )
Total earnings (loss) before realized gains (losses) and income taxes	231	242	794	809
Realized gains (losses) on securities	( 2 )	( 19 )	10	( 67 )
Realized loss on subsidiary	—	( 4 )	—	( 4 )
Total earnings before income taxes	\$ 229	\$ 219	\$ 804	\$ 738

(\*) Includes holding company interest and expenses, which includes a gain of \$ 1 million on retirement of debt in the first nine months of 2023 and special charges of \$ 14 million and \$ 15 million in the third quarter of 2024 and 2023, respectively, to increase asbestos and environmental liabilities related to AFG's former railroad and manufacturing operations.

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## **D. 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 consist primarily of fixed maturity securities 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.

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, AFG 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.



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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
<b>September 30, 2024</b>				
<b>Assets:</b>				
Available for sale ("AFS") fixed maturities:				
U.S. government and government agencies	\$ 180	\$ —	\$ —	\$ 180
States, municipalities and political subdivisions	—	865	2	867
Foreign government	—	241	—	241
Residential MBS	—	1,809	2	1,811
Commercial MBS	—	51	—	51
Collateralized loan obligations	—	1,298	—	1,298
Other asset-backed securities	—	2,062	363	2,425
Corporate and other	12	3,102	448	3,562
Total AFS fixed maturities	192	9,428	815	10,435
Trading fixed maturities	—	53	25	78
Equity securities	421	40	620	1,081
Assets of managed investment entities ("MIE")	371	3,950	11	4,332
Other assets — derivatives	—	3	—	3
Total assets accounted for at fair value	\$ 984	\$ 13,474	\$ 1,471	\$ 15,929
<b>Liabilities:</b>				
Contingent consideration — acquisitions	\$ —	\$ —	\$ 3	\$ 3
Liabilities of managed investment entities	356	3,801	11	4,168
Other liabilities — derivatives	—	10	—	10
Total liabilities accounted for at fair value	\$ 356	\$ 3,811	\$ 14	\$ 4,181
<b>December 31, 2023</b>				
<b>Assets:</b>				
Available for sale fixed maturities:				
U.S. government and government agencies	\$ 235	\$ 1	\$ —	\$ 236
States, municipalities and political subdivisions	—	982	2	984
Foreign government	—	230	—	230
Residential MBS	—	1,656	2	1,658
Commercial MBS	—	74	—	74
Collateralized loan obligations	—	1,686	1	1,687
Other asset-backed securities	—	2,011	351	2,362
Corporate and other	9	2,757	380	3,146
Total AFS fixed maturities	244	9,397	736	10,377
Trading fixed maturities	—	57	—	57
Equity securities	500	33	485	1,018
Assets of managed investment entities	335	4,140	9	4,484
Other assets — derivatives	—	6	—	6
Total assets accounted for at fair value	\$ 1,079	\$ 13,633	\$ 1,230	\$ 15,942
<b>Liabilities:</b>				
Contingent consideration — acquisitions	\$ —	\$ —	\$ 2	\$ 2
Liabilities of managed investment entities	322	3,976	9	4,307
Other liabilities — derivatives	—	22	—	22
Total liabilities accounted for at fair value	\$ 322	\$ 3,998	\$ 11	\$ 4,331

Approximately 9 % of the total assets carried at fair value at September 30, 2024, were Level 3 assets. Approximately 30 % (\$ 438 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. Approximately 7 % (\$ 112 million) of 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 1 % (\$ 9 million) of the Level 3



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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.

Internally developed prices for fixed maturities are estimated 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 62 % (\$ 912 million) of the total fair value of Level 3 assets at September 30, 2024. Approximately 70 % (\$ 642 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 19 % (\$ 177 million) of the internally developed Level 3 assets are equity securities which are priced primarily using 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.

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Changes in balances of Level 3 financial assets and liabilities carried at fair value during the third quarter and first nine months of 2024 and 2023 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 June 30, 2024	Net earnings (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2024
AFS fixed maturities:								
U.S. government agency	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State and municipal	2	—	—	—	—	—	—	2
Residential MBS	2	—	—	—	—	—	—	2
Commercial MBS	—	—	—	—	—	—	—	—
Collateralized loan obligations	1	( 1)	—	—	—	—	—	—
Other asset-backed securities	340	—	7	16	( 5)	5	—	363
Corporate and other	411	6	7	26	( 5)	3	—	448
Total AFS fixed maturities	756	5	14	42	( 10)	8	—	815
Trading fixed maturities	12	1	—	12	—	—	—	25
Equity securities	602	18	—	43	( 43)	—	—	620
Assets of MIE	12	( 1)	—	—	—	—	—	11
Total Level 3 assets	\$ 1,382	\$ 23	\$ 14	\$ 97	\$ ( 53)	\$ 8	\$ —	\$ 1,471
Contingent consideration — acquisitions								
Total Level 3 liabilities	\$ ( 2)	\$ ( 1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ ( 3)
Total Level 3 liabilities								
	Total realized/unrealized gains (losses) included in							
	Balance at June 30, 2023	Net earnings (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2023
AFS fixed maturities:								
U.S. government agency	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State and municipal	5	—	—	—	( 1)	—	( 2)	2
Residential MBS	5	—	—	—	—	—	—	5
Commercial MBS	—	—	—	—	—	—	—	—
Collateralized loan obligations	1	( 1)	1	—	—	—	—	1
Other asset-backed securities	321	—	( 4)	28	( 3)	—	( 12)	330
Corporate and other	369	( 14)	—	11	( 12)	5	( 7)	352
Total AFS fixed maturities	701	( 15)	( 3)	39	( 16)	5	( 21)	690
Equity securities	448	4	—	23	( 4)	—	( 17)	454
Assets of MIE	11	( 1)	—	—	—	—	—	10
Total Level 3 assets	\$ 1,160	\$ ( 12)	\$ ( 3)	\$ 62	\$ ( 20)	\$ 5	\$ ( 38)	\$ 1,154
Contingent consideration — acquisitions								
Total Level 3 liabilities	\$ ( 25)	\$ 23	\$ —	\$ —	\$ —	\$ —	\$ —	\$ ( 2)
Total Level 3 liabilities								

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	Total realized/unrealized gains (losses) included in							
	Balance at December 31, 2023	Net earnings (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2024
<b>AFS fixed maturities:</b>								
U.S. government agency	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State and municipal	2	—	—	—	—	—	—	2
Residential MBS	2	—	—	—	—	—	—	2
Commercial MBS	—	—	—	—	—	—	—	—
Collateralized loan obligations	1	(1)	—	—	—	—	—	—
Other asset-backed securities	351	(1)	11	40	(17)	5	(26)	363
Corporate and other	380	5	8	74	(17)	3	(5)	448
Total AFS fixed maturities	736	3	19	114	(34)	8	(31)	815
Trading fixed maturities	—	1	—	24	—	—	—	25
Equity securities	485	53	—	133	(51)	—	—	620
Assets of MIE	9	(3)	—	5	—	—	—	11
Total Level 3 assets	\$ 1,230	\$ 54	\$ 19	\$ 276	\$ (85)	\$ 8	\$ (31)	\$ 1,471
Contingent consideration — acquisitions	\$ (2)	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3)
Total Level 3 liabilities	\$ (2)	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3)
	Total realized/unrealized gains (losses) included in							
	Balance at December 31, 2022	Net earnings (loss)	Other comprehensive income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2023
<b>AFS fixed maturities:</b>								
U.S. government agency	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State and municipal	5	—	—	—	(1)	—	(2)	2
Residential MBS	9	—	—	—	(3)	4	(5)	5
Commercial MBS	—	—	—	—	—	—	—	—
Collateralized loan obligations	2	(1)	1	—	—	—	(1)	1
Other asset-backed securities	329	(2)	—	38	(34)	31	(32)	330
Corporate and other	319	(13)	10	67	(25)	7	(13)	352
Total AFS fixed maturities	664	(16)	11	105	(63)	42	(53)	690
Equity securities	427	11	—	84	(29)	—	(39)	454
Assets of MIE	11	(3)	—	2	—	—	—	10
Total Level 3 assets	\$ 1,102	\$ (8)	\$ 11	\$ 191	\$ (92)	\$ 42	\$ (92)	\$ 1,154
Contingent consideration — acquisitions	\$ (25)	\$ 23	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2)
Total Level 3 liabilities	\$ (25)	\$ 23	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2)

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**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 are summarized below (in millions):

		Fair Value			
	Carrying Value	Total	Level 1	Level 2	Level 3
<b><u>September 30, 2024</u></b>					
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 1,322	\$ 1,322	\$ 1,322	\$ —	\$ —
Mortgage loans	765	726	—	—	726
Total financial assets not accounted for at fair value	<u>\$ 2,087</u>	<u>\$ 2,048</u>	<u>\$ 1,322</u>	<u>\$ —</u>	<u>\$ 726</u>
Long-term debt	\$ 1,475	\$ 1,390	\$ —	\$ 1,387	\$ 3
Total financial liabilities not accounted for at fair value	<u>\$ 1,475</u>	<u>\$ 1,390</u>	<u>\$ —</u>	<u>\$ 1,387</u>	<u>\$ 3</u>
<b><u>December 31, 2023</u></b>					
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 1,225	\$ 1,225	\$ 1,225	\$ —	\$ —
Mortgage loans	643	596	—	—	596
Total financial assets not accounted for at fair value	<u>\$ 1,868</u>	<u>\$ 1,821</u>	<u>\$ 1,225</u>	<u>\$ —</u>	<u>\$ 596</u>
Long-term debt	\$ 1,475	\$ 1,345	\$ —	\$ 1,342	\$ 3
Total financial liabilities not accounted for at fair value	<u>\$ 1,475</u>	<u>\$ 1,345</u>	<u>\$ —</u>	<u>\$ 1,342</u>	<u>\$ 3</u>

## E. Investments

Available for sale fixed maturities at September 30, 2024 and December 31, 2023, consisted of the following (in millions):

	Amortized	Allowance for	Gross Unrealized		Net	Fair
	Cost	Expected Credit			Unrealized	Value
		Losses	Gains	Losses		
<b>September 30, 2024</b>						
Fixed maturities:						
U.S. government and government agencies	\$ 182	\$ —	\$ 1	\$ (3)	\$ (2)	\$ 180
States, municipalities and political subdivisions	895	—	6	(34)	(28)	867
Foreign government	240	—	3	(2)	1	241
Residential MBS	1,893	1	36	(117)	(81)	1,811
Commercial MBS	51	—	—	—	—	51
Collateralized loan obligations	1,301	3	11	(11)	—	1,298
Other asset-backed securities	2,465	6	28	(62)	(34)	2,425
Corporate and other	3,559	15	88	(70)	18	3,562
Total fixed maturities	<u>\$ 10,586</u>	<u>\$ 25</u>	<u>\$ 173</u>	<u>\$ (299)</u>	<u>\$ (126)</u>	<u>\$ 10,435</u>
<b>December 31, 2023</b>						
Fixed maturities:						
U.S. government and government agencies	\$ 243	\$ —	\$ 1	\$ (8)	\$ (7)	\$ 236
States, municipalities and political subdivisions	1,014	—	8	(38)	(30)	984
Foreign government	236	—	1	(7)	(6)	230
Residential MBS	1,788	1	26	(155)	(129)	1,658
Commercial MBS	75	—	—	(1)	(1)	74
Collateralized loan obligations	1,709	3	9	(28)	(19)	1,687
Other asset-backed securities	2,477	5	10	(120)	(110)	2,362
Corporate and other	3,210	3	52	(113)	(61)	3,146
Total fixed maturities	<u>\$ 10,752</u>	<u>\$ 12</u>	<u>\$ 107</u>	<u>\$ (470)</u>	<u>\$ (363)</u>	<u>\$ 10,377</u>



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Equity securities which are reported at fair value with holding gains and losses recognized in net earnings, consisted of the following at September 30, 2024 and December 31, 2023 (in millions):

	September 30, 2024			December 31, 2023		
	Actual Cost	Fair Value	Fair Value Over Cost	Actual Cost	Fair Value	Fair Value Over Cost
Common stocks	\$ 572	\$ 653	\$ 81	\$ 512	\$ 586	\$ 74
Perpetual preferred stocks	388	428	40	422	432	10
Total equity securities carried at fair value	<u>\$ 960</u>	<u>\$ 1,081</u>	<u>\$ 121</u>	<u>\$ 934</u>	<u>\$ 1,018</u>	<u>\$ 84</u>

The following table summarizes investments accounted for using the equity method, by strategy (in millions):

	Net Investment Income					
	Carrying Value		Three months ended September 30,		Nine months ended September 30,	
	September 30,					
	2024	December 31, 2023	2024	2023	2024	2023
Real estate-related investments (*)	\$ 1,349	\$ 1,320	\$ 10	\$ 11	\$ 15	\$ 86
Private equity	524	457	( 5 )	5	26	12
Private debt	38	37	1	1	4	4
Total investments accounted for using the equity method	<u>\$ 1,911</u>	<u>\$ 1,814</u>	<u>\$ 6</u>	<u>\$ 17</u>	<u>\$ 45</u>	<u>\$ 102</u>

(\*) 90 % and 92 % of the carrying value relates to underlying investments in multi-family properties as of September 30, 2024 and December 31, 2023, 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 \$ 448 million and \$ 418 million as of September 30, 2024 and December 31, 2023, respectively.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

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
<b>September 30, 2024</b>						
Fixed maturities:						
U.S. government and government agencies	\$ —	\$ 2	100 %	\$ (3)	\$ 113	97 %
States, municipalities and political subdivisions	(1)	48	98 %	(33)	492	94 %
Foreign government	—	—	— %	(2)	130	98 %
Residential MBS	(1)	76	99 %	(116)	972	89 %
Commercial MBS	—	—	— %	—	21	100 %
Collateralized loan obligations	—	106	100 %	(11)	291	96 %
Other asset-backed securities	(1)	91	99 %	(61)	1,370	96 %
Corporate and other	(2)	85	98 %	(68)	1,246	95 %
Total fixed maturities	<u>\$ (5)</u>	<u>\$ 408</u>	99 %	<u>\$ (294)</u>	<u>\$ 4,635</u>	94 %

**December 31, 2023**

Fixed maturities:

U.S. government and government agencies	\$ —	\$ 11	100 %	\$ (8)	\$ 191	96 %
States, municipalities and political subdivisions	(1)	76	99 %	(37)	526	93 %
Foreign government	—	—	— %	(7)	207	97 %
Residential MBS	(1)	42	98 %	(154)	1,089	88 %
Commercial MBS	—	—	— %	(1)	61	98 %
Collateralized loan obligations	—	25	100 %	(28)	807	97 %
Other asset-backed securities	(1)	151	99 %	(119)	1,663	93 %
Corporate and other	(4)	123	97 %	(109)	1,455	93 %
Total fixed maturities	<u>\$ (7)</u>	<u>\$ 428</u>	98 %	<u>\$ (463)</u>	<u>\$ 5,999</u>	93 %

At September 30, 2024, the gross unrealized losses on fixed maturities of \$ 299 million relate to approximately 1,150 securities. Investment grade securities (as determined by nationally recognized rating agencies) represented approximately 92 % 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 September 30, 2024.

**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

A progression of the allowance for expected credit losses on available for sale fixed maturity securities is shown below (in millions):

	Structured Securities (*)	Corporate and Other	Total
Balance at June 30, 2024	\$ 10	\$ —	\$ 10
Provision for expected credit losses on securities with no previous allowance	—	15	15
Additions to previously recognized expected credit losses	—	—	—
Reductions due to sales or redemptions	—	—	—
Balance at September 30, 2024	<u>\$ 10</u>	<u>\$ 15</u>	<u>\$ 25</u>
Balance at June 30, 2023	\$ 11	\$ 5	\$ 16
Provision for expected credit losses on securities with no previous allowance	—	3	3
Additions to previously recognized expected credit losses	1	—	1
Reductions due to sales or redemptions	—	—	—
Balance at September 30, 2023	<u>\$ 12</u>	<u>\$ 8</u>	<u>\$ 20</u>
Balance at December 31, 2023	\$ 9	\$ 3	\$ 12
Provision for expected credit losses on securities with no previous allowance	1	15	16
Additions to previously recognized expected credit losses	1	—	1
Reductions due to sales or redemptions	( 1 )	( 3 )	( 4 )
Balance at September 30, 2024	<u>\$ 10</u>	<u>\$ 15</u>	<u>\$ 25</u>
Balance at December 31, 2022	\$ 10	\$ 1	\$ 11
Provision for expected credit losses on securities with no previous allowance	1	8	9
Additions (reductions) to previously recognized expected credit losses	1	( 1 )	—
Reductions due to sales or redemptions	—	—	—
Balance at September 30, 2023	<u>\$ 12</u>	<u>\$ 8</u>	<u>\$ 20</u>

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

In the first nine months of 2024 and 2023, 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 September 30, 2024 (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 Cost, net (*)	Fair Value	
Maturity		Amount	%
One year or less	\$ 458	\$ 449	4 %
After one year through five years	2,866	2,845	27 %
After five years through ten years	1,278	1,304	12 %
After ten years	259	252	3 %
	4,861	4,850	46 %
Collateralized loan obligations and other ABS (average life of approximately 3 years)	3,757	3,723	36 %
MBS (average life of approximately 6 years)	1,943	1,862	18 %
Total	<u>\$ 10,561</u>	<u>\$ 10,435</u>	<u>100 %</u>

(\*) 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 September 30, 2024 or December 31, 2023.

**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

**Net Investment Income** The following table shows (in millions) investment income earned and investment expenses incurred.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Investment income:				
Fixed maturities:				
Interest and amortization	\$ 136	\$ 126	\$ 406	\$ 369
Change in fair value (a)	7	( 11 )	7	( 1 )
Equity securities:				
Dividends	6	8	20	26
Change in fair value (b)	20	7	45	36
Equity in earnings of partnerships and similar investments	6	17	45	102
Other	31	24	80	64
Gross investment income	206	171	603	596
Investment expenses	( 6 )	( 3 )	( 17 )	( 13 )
Net investment income	\$ 200	\$ 168	\$ 586	\$ 583

- (a) The change in the fair value of fixed maturities classified as trading and derivatives embedded in convertible fixed maturities related to limited partnerships and similar investments.
- (b) AFG records holding gains and losses on limited partnerships and similar investments that do not qualify for equity method accounting and related equity investments in net investment income.

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

	Three months ended September 30, 2024				Three months ended September 30, 2023			
	Realized gains (losses)				Realized gains (losses)			
	Before Impairments	Impairment Allowance	Total	Change in Unrealized	Before Impairments	Impairment Allowance	Total	Change in Unrealized
Fixed maturities	\$ 3	\$ ( 15 )	\$ ( 12 )	\$ 241	\$ ( 7 )	\$ ( 4 )	\$ ( 11 )	\$ ( 72 )
Equity securities	10	—	10	—	( 8 )	—	( 8 )	—
Mortgage loans and other investments	—	—	—	—	—	—	—	—
Total pretax	13	( 15 )	( 2 )	241	( 15 )	( 4 )	( 19 )	( 72 )
Tax effects	( 3 )	3	—	( 51 )	3	1	4	15
Net of tax	\$ 10	\$ ( 12 )	\$ ( 2 )	\$ 190	\$ ( 12 )	\$ ( 3 )	\$ ( 15 )	\$ ( 57 )

  

	Nine months ended September 30, 2024				Nine months ended September 30, 2023			
	Realized gains (losses)				Realized gains (losses)			
	Before Impairments	Impairment Allowance	Total	Change in Unrealized	Before Impairments	Impairment Allowance	Total	Change in Unrealized
Fixed maturities	\$ ( 2 )	\$ ( 17 )	\$ ( 19 )	\$ 237	\$ ( 35 )	\$ ( 9 )	\$ ( 44 )	\$ ( 29 )
Equity securities	29	—	29	—	( 23 )	—	( 23 )	—
Mortgage loans and other investments	—	—	—	—	—	—	—	—
Total pretax	27	( 17 )	10	237	( 58 )	( 9 )	( 67 )	( 29 )
Tax effects	( 6 )	3	( 3 )	( 50 )	12	2	14	5
Net of tax	\$ 21	\$ ( 14 )	\$ 7	\$ 187	\$ ( 46 )	\$ ( 7 )	\$ ( 53 )	\$ ( 24 )

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

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 during the third quarter and first nine months of 2024 and 2023 on securities that were still owned at September 30, 2024 and September 30, 2023 as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Included in realized gains (losses)	\$ 10	\$ ( 8 )	\$ 25	\$ ( 31 )
Included in net investment income	20	7	45	36
	<u>\$ 30</u>	<u>\$ ( 1 )</u>	<u>\$ 70</u>	<u>\$ 5</u>

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

	Nine months ended September 30,	
	2024	2023
Gross gains	\$ 1	\$ 2
Gross losses	( 5 )	( 33 )

## F. 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):

		September 30, 2024		December 31, 2023	
	Balance Sheet Line	Asset	Liability	Asset	Liability
Derivatives designated and qualifying as cash flow hedges:					
Interest rate swaps	Other assets/Other liabilities	\$ 1	\$ 10	\$ 1	\$ 22
Derivatives not designated as hedging instruments:					
Fixed maturities with embedded derivatives	Fixed maturities	68	—	81	—
Total return swap	Other assets/Other liabilities	2	—	5	—
		\$ 71	\$ 10	\$ 87	\$ 22

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 the applicable Secured Overnight Financing Rate (“SOFR”).

Under the terms of the swaps, AFG receives fixed-rate interest payments in exchange for variable interest payments based on SOFR. The notional amounts of the interest rate swaps generally decline over each swap's respective life (the swaps expire between October 2024 and July 2028) in anticipation of the expected decline in AFG's portfolio of fixed maturity securities with floating interest rates based on SOFR. The total outstanding notional amount of AFG's interest rate swaps was \$ 1.10 billion at September 30, 2024 compared to \$ 1.30 billion at December 31, 2023, reflecting scheduled amortization and the expiration of three swaps with a total notional amount at expiration of \$ 31 million during the third quarter of 2024. Amounts reclassified from AOCI to net earnings were losses of \$ 6 million and \$ 7 million in the third quarter of 2024 and 2023, respectively, and losses of \$ 20 million and \$ 19 million in the first nine months of 2024 and 2023, respectively. Based on forward interest rate curves at September 30, 2024, management estimates that it will reclassify approximately \$ 10 million of pre-tax net losses on interest rate swaps in AOCI to net investment income over the next twelve months. The actual amount will vary based on changes in SOFR. A collateral receivable supporting these swaps of \$ 29 million and \$ 48 million at September 30, 2024 and December 31, 2023, respectively, is included in other assets in AFG's Balance Sheet.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

The fixed maturities with embedded derivatives consist of convertible fixed maturity securities and interest-only and principal-only MBS. AFG records the change in the fair value of these securities in net 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 liability to return collateral related to the swap of \$ 1 million and \$ 5 million is included in other liabilities on AFG's Balance Sheet at September 30, 2024 and December 31, 2023, respectively.

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

		Three months ended September		Nine months ended September	
		30,		30,	
	Statement of Earnings Line	2024	2023	2024	2023
Qualifying cash flow hedges:					
Interest rate swaps	Net investment income	\$ (6)	\$ (7)	\$ (20)	\$ (19)
Non-designated hedges:					
Fixed maturities with embedded derivatives	Realized gains (losses) on securities	3	(1)	2	(4)
Fixed maturities with embedded derivatives	Net investment income	6	(11)	7	(1)
Total return swap	Other expenses	5	(6)	11	3
Earnings (losses) on non-designated hedges		14	(18)	20	(2)
Total earnings (losses) on derivatives		\$ 8	\$ (25)	\$ —	\$ (21)

## G. Managed Investment Entities

AFG is the investment manager and it has investments ranging from 13.3 % to 100 % of the most subordinate debt tranche of fourteen 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 2024, 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 \$ 164 million (including \$ 142 million invested in the most subordinate tranches and \$ 10 million invested in a temporary warehousing entity) at September 30, 2024.

In the first nine months of 2024, AFG formed two new CLOs, which issued an aggregate \$ 813 million face amount of liabilities (including \$ 73 million face amount purchased by AFG). In March 2023, AFG formed one new CLO, which issued \$ 407 million face amount of liabilities (including \$ 16 million face amount purchased by AFG).

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 158	\$ 117	\$ 137	\$ 112
Purchases	—	—	62	11
Sales	—	—	( 40 )	—
Distributions	( 8 )	( 9 )	( 28 )	( 21 )
Change in fair value	3	12	21	18
Change in accrued interest	—	—	1	—
Balance at end of period (*)	\$ 153	\$ 120	\$ 153	\$ 120

(\*) Excludes \$ 10 million and \$ 23 million invested in temporary warehousing entities at September 30, 2024 and 2023, respectively, that were established to provide AFG the ability to form new CLOs.

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 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):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Gains (losses) on change in fair value of assets/liabilities (*):				
Assets	\$ ( 7 )	\$ 50	\$ ( 10 )	\$ 116
Liabilities	( 2 )	( 34 )	15	( 104 )
Management fees paid to AFG	3	4	9	12
CLO earnings attributable to AFG	2	12	25	18

(\*) 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 \$ 114 million and \$ 109 million at September 30, 2024 and December 31, 2023, respectively. The aggregate unpaid principal balance of the CLOs' debt exceeded its carrying value by \$ 274 million and \$ 253 million at those dates, respectively. The CLO assets include loans with an aggregate fair value of \$ 9 million at September 30, 2024 and \$ 7 million at December 31, 2023, for which the CLOs are not accruing interest because the loans are in default (aggregate unpaid principal balance of \$ 17 million at September 30, 2024 and \$ 13 million at December 31, 2023).

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 \$ 1.30 billion at September 30, 2024 and \$ 1.69 billion at December 31, 2023.

## H. Goodwill and Other Intangibles

There were no changes in the goodwill balance of \$ 305 million during the first nine months of 2024.

Included in other assets in AFG's Balance Sheet is \$ 199 million at September 30, 2024 and \$ 213 million at December 31, 2023 in amortizable intangible assets related to acquisitions. These amounts are net of accumulated amortization of \$ 53 million and \$ 39 million, respectively. Amortization of intangibles was \$ 5 million in both the third quarters of 2024 and 2023 and \$ 14 million and \$ 11 million in the first nine months of 2024 and 2023, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

## I. Long-Term Debt

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

	September 30, 2024			December 31, 2023		
	Principal	Discount and Issue Costs	Carrying Value	Principal	Discount and Issue Costs	Carrying Value
<b>Direct Senior Obligations of AFG:</b>						
4.50 % Senior Notes due June 2047	\$ 567	\$ ( 1 )	\$ 566	\$ 567	\$ ( 1 )	\$ 566
5.25 % Senior Notes due April 2030	253	( 4 )	249	253	( 4 )	249
Other	3	—	3	3	—	3
	<u>823</u>	<u>( 5 )</u>	<u>818</u>	<u>823</u>	<u>( 5 )</u>	<u>818</u>
<b>Direct Subordinated Obligations of AFG:</b>						
4.50 % Subordinated Debentures due September 2060	200	( 5 )	195	200	( 5 )	195
5.125 % Subordinated Debentures due December 2059	200	( 5 )	195	200	( 5 )	195
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
	<u>675</u>	<u>( 18 )</u>	<u>657</u>	<u>675</u>	<u>( 18 )</u>	<u>657</u>
	<u>\$ 1,498</u>	<u>\$ ( 23 )</u>	<u>\$ 1,475</u>	<u>\$ 1,498</u>	<u>\$ ( 23 )</u>	<u>\$ 1,475</u>

Scheduled principal payments on debt for the balance of 2024, the subsequent five years and thereafter are as follows: 2024 — none ; 2025 — none ; 2026 — none ; 2027 — none ; 2028 — none ; 2029 — none and thereafter — \$ 1.50 billion.

In the first six months of 2023, AFG repurchased \$ 15 million principal amount of its 4.50 % Senior Notes due in June 2047 for \$ 13 million and \$ 8 million principal amount of its 5.25 % Senior Notes due in April 2030 for \$ 8 million in open market transactions.

AFG can borrow up to \$ 450 million under its revolving credit facility, which expires in June 2028. Amounts borrowed under this agreement bear interest, based on AFG's credit rating, at rates ranging from 1.00 % to 1.75 % (currently 1.25 %) over a SOFR-based floating rate. No amounts were borrowed under this facility at September 30, 2024 or December 31, 2023.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

## J. 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.

**Accumulated Other Comprehensive Income (Loss), Net of Tax ("AOCI")** 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	AOCI Ending Balance
Quarter ended September 30, 2024					
Net unrealized gains (losses) on securities:					
Unrealized holding gains (losses) on securities arising during the period		\$ 226	\$ ( 48 )	\$ 178	
Reclassification adjustment for realized (gains) losses included in net earnings (*)		15	( 3 )	12	
Total net unrealized gains (losses) on securities	\$ ( 290 )	241	( 51 )	190	\$ ( 100 )
Net unrealized gains (losses) on cash flow hedges:					
Unrealized holding gains (losses) on cash flow hedges arising during the period		11	( 3 )	8	
Reclassification adjustment for investment income included in net earnings (*)		6	( 1 )	5	
Total net unrealized gains (losses) on cash flow hedges	( 20 )	17	( 4 )	13	( 7 )
Foreign currency translation adjustments	( 23 )	( 9 )	1	( 8 )	( 31 )
Pension and other postretirement plan adjustments	2	—	—	—	2
Total	\$ ( 331 )	\$ 249	\$ ( 54 )	\$ 195	\$ ( 136 )
Quarter ended September 30, 2023					
Net unrealized gains (losses) on securities:					
Unrealized holding gains (losses) on securities arising during the period		\$ ( 81 )	\$ 17	\$ ( 64 )	
Reclassification adjustment for realized (gains) losses included in net earnings (*)		9	( 2 )	7	
Total net unrealized gains (losses) on securities	\$ ( 464 )	( 72 )	15	( 57 )	\$ ( 521 )
Net unrealized gains (losses) on cash flow hedges:					
Unrealized holding gains (losses) on cash flow hedges arising during the period		( 9 )	2	( 7 )	
Reclassification adjustment for investment income included in net earnings (*)		8	( 2 )	6	
Total net unrealized gains (losses) on cash flow hedges	( 33 )	( 1 )	—	( 1 )	( 34 )
Foreign currency translation adjustments	( 17 )	—	( 1 )	( 1 )	( 18 )
Pension and other postretirement plan adjustments	3	—	—	—	3
Total	\$ ( 511 )	\$ ( 73 )	\$ 14	\$ ( 59 )	\$ ( 570 )



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

	AOCI Beginning Balance	Other Comprehensive Income (Loss)			AOCI Ending Balance
		Pretax	Tax	Net of tax	
<b><u>Nine months ended September 30, 2024</u></b>					
Net unrealized gains (losses) on securities:					
Unrealized holding gains (losses) on securities arising during the period		\$ 216	\$ ( 46 )	\$ 170	
Reclassification adjustment for realized (gains) losses included in net earnings (*)		21	( 4 )	17	
Total net unrealized gains (losses) on securities	\$ ( 287 )	237	( 50 )	187	\$ ( 100 )
Net unrealized gains (losses) on cash flow hedges:					
Unrealized holding gains (losses) on cash flow hedges arising during the period		( 7 )	1	( 6 )	
Reclassification adjustment for investment income included in net earnings (*)		20	( 4 )	16	
Total net unrealized gains (losses) on cash flow hedges	( 17 )	13	( 3 )	10	( 7 )
Foreign currency translation adjustments	( 17 )	( 14 )	—	( 14 )	( 31 )
Pension and other postretirement plan adjustments	2	—	—	—	2
Total	<u>\$ ( 319 )</u>	<u>\$ 236</u>	<u>\$ ( 53 )</u>	<u>\$ 183</u>	<u>\$ ( 136 )</u>
<b><u>Nine months ended September 30, 2023</u></b>					
Net unrealized gains (losses) on securities:					
Unrealized holding gains (losses) on securities arising during the period		\$ ( 69 )	\$ 14	\$ ( 55 )	
Reclassification adjustment for realized (gains) losses included in net earnings (*)		40	( 9 )	31	
Total net unrealized gains (losses) on securities	\$ ( 497 )	( 29 )	5	( 24 )	\$ ( 521 )
Net unrealized gains (losses) on cash flow hedges:					
Unrealized holding gains (losses) on cash flow hedges arising during the period		( 25 )	5	( 20 )	
Reclassification adjustment for investment income included in net earnings (*)		19	( 4 )	15	
Total net unrealized gains (losses) on cash flow hedges	( 29 )	( 6 )	1	( 5 )	( 34 )
Foreign currency translation adjustments	( 20 )	2	—	2	( 18 )
Pension and other postretirement plan adjustments	3	—	—	—	3
Total	<u>\$ ( 543 )</u>	<u>\$ ( 33 )</u>	<u>\$ 6</u>	<u>\$ ( 27 )</u>	<u>\$ ( 570 )</u>

(\*) The reclassification adjustments affected the following lines in AFG's Statement of Earnings:

OCI component	Affected line in the statement of earnings
Pretax - Net unrealized gains (losses) on securities	Realized gains (losses) on securities
Pretax - Net unrealized gains (losses) on cash flow hedges	Net investment income
Tax	Provision for income taxes

**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. In the first nine months of 2024, AFG issued 157,681 shares of restricted Common Stock (fair value of \$ 126.24 per share) under the stock incentive plans.

Total compensation expense related to stock incentive plans of AFG and its subsidiaries was \$ 4 million and \$ 5 million in the third quarter of 2024 and 2023, respectively, and \$ 13 million and \$ 14 million in the first nine months of 2024 and 2023, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

## K. Income Taxes

The following is a reconciliation of income taxes at the statutory rate of 21 % to the provision for income taxes as shown in AFG's Statement of Earnings (dollars in millions):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Amount	% of EBT	Amount	% of EBT	Amount	% of EBT	Amount	% of EBT
Earnings before income taxes ("EBT")	\$ 229		\$ 219		\$ 804		\$ 738	
Income taxes at statutory rate	\$ 48	21 %	\$ 46	21 %	\$ 169	21 %	\$ 155	21 %
Effect of:								
Employee stock ownership plan dividend paid deduction	( 1 )	— %	—	— %	( 3 )	( 1 %)	( 3 )	— %
Tax exempt interest	( 1 )	— %	( 2 )	( 1 %)	( 3 )	( 1 %)	( 4 )	( 1 %)
Stock-based compensation	—	— %	—	— %	( 2 )	— %	( 2 )	— %
Change in valuation allowance	( 2 )	( 1 %)	( 2 )	( 1 %)	( 2 )	— %	( 2 )	— %
Dividends received deduction	—	— %	—	— %	( 1 )	— %	( 1 )	— %
Nondeductible expenses	2	1 %	3	1 %	6	1 %	8	1 %
Adjustment related to sale of subsidiary	—	— %	—	— %	4	1 %	—	— %
Adjustment to prior year taxes	1	— %	( 5 )	( 2 %)	1	— %	( 5 )	( 1 %)
Foreign operations	1	— %	2	1 %	1	— %	6	1 %
Other	—	— %	—	— %	2	— %	( 3 )	( 1 %)
Provision for income taxes as shown in the statement of earnings	\$ 48	21 %	\$ 42	19 %	\$ 172	21 %	\$ 149	20 %

In the second quarter of 2024, AFG recorded \$ 4 million in net tax expense related to a pending IRS settlement regarding the sale of a subsidiary in a prior year.

On January 1, 2023, the two major tax provisions in the Inflation Reduction Act ("IRA") became effective. The IRA created a new corporate alternative minimum tax ("CAMT") based on the earnings that a company reports in its financial statements and imposes a 1% excise tax on corporate stock repurchases. Any CAMT incurred would be available to offset taxes payable under the standard calculation in future periods. Accordingly, the CAMT is a timing difference and would result in the recording of an offsetting deferred tax asset with no impact on overall income tax expense. Based on recently issued proposed regulations, while AFG meets the financial statement income thresholds to be subject to CAMT, management does not believe AFG will incur a CAMT liability for 2024. The excise tax on stock repurchases in excess of any issuances is recorded as part of the cost of the repurchases directly in shareholders' equity.

The Organisation for Economic Co-operation and Development, an intergovernmental organization with 38 member countries, has proposed a global minimum corporate tax rate of 15% ("Pillar Two"). Due to AFG's limited international operations and the tax rate AFG is subject to in those jurisdictions, management does not believe Pillar Two will have a material impact on AFG's results of operations.

## L. Contingencies

There have been no significant changes to the matters discussed and referred to in *Note N — "Contingencies"* of AFG's 2023 Form 10-K, which covers property and casualty insurance reserves for claims related to environmental exposures, asbestos and other mass tort claims and environmental and occupational injury and disease claims of subsidiaries' former railroad and manufacturing operations.

**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

## M. Insurance

**Property and Casualty Insurance Reserves** The following table provides an analysis of changes in the liability for losses and loss adjustment expenses during the first nine months of 2024 and 2023 (in millions):

	Nine months ended September 30,	
	2024	2023
Balance at beginning of year	\$ 13,087	\$ 11,974
Less reinsurance recoverables, net of allowance	4,288	3,767
Net liability at beginning of year	8,799	8,207
Provision for losses and LAE occurring in the current period	3,379	3,132
Net decrease in the provision for claims of prior years	( 100 )	( 168 )
Total losses and LAE incurred	3,279	2,964
Payments for losses and LAE of:		
Current year	( 828 )	( 743 )
Prior years	( 2,027 )	( 1,745 )
Total payments	( 2,855 )	( 2,488 )
Foreign currency translation and other	( 2 )	1
Net liability at end of period	9,221	8,684
Add back reinsurance recoverables, net of allowance	4,985	4,207
Gross unpaid losses and LAE included in the balance sheet at end of period	\$ 14,206	\$ 12,891

The net decrease in the provision for claims of prior years during the first nine months of 2024 reflects (i) lower than anticipated losses in the crop business, lower than expected claim severity in the property and inland marine and aviation businesses and lower than anticipated claim severity and frequency in the ocean 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 and severity in the executive liability business (within the Specialty casualty sub-segment) and (iii) lower than anticipated claim frequency and severity in the fidelity and financial institutions businesses and lower than expected claim frequency in the trade credit business (within the Specialty financial sub-segment). This favorable development was partially offset by (i) higher than anticipated claim severity in the umbrella and excess liability businesses, public sector and general liability businesses and higher than expected claim frequency and severity in the social services business (within the Specialty casualty sub-segment), (ii) higher than anticipated claim severity in the innovative markets and surety businesses (within the Specialty financial sub-segment) and (iii) net adverse development associated with AFG's internal reinsurance program (within Other specialty).

The net decrease in the provision for claims of prior years during the first nine months of 2023 reflects (i) lower than anticipated losses in the crop business, lower than expected claim frequency and severity across the transportation businesses and lower than anticipated claim frequency 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, lower than expected claim frequency in the executive liability and environmental businesses and favorable reserve development related to COVID-19 losses across several businesses (within the Specialty casualty sub-segment) and (iii) lower than anticipated claim frequency in the trade credit and financial institutions businesses and lower than expected claim frequency and severity in the surety business (within the Specialty financial sub-segment). This favorable development was partially offset by higher than anticipated claim severity in the public sector and excess liability businesses (within the Specialty casualty sub-segment).

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

**Recoverables from Reinsurers and Premiums Receivable** Progressions of the 2024 and 2023 allowance for expected credit losses on recoverables from reinsurers and premiums receivable are shown below (in millions):

	Recoverables from Reinsurers		Premiums Receivable	
	2024	2023	2024	2023
Balance at June 30	\$ 10	\$ 9	\$ 18	\$ 9
Increase in allowance from acquisition of CRS	—	—	—	4
Provision (credit) for expected credit losses	—	2	1	—
Write-offs charged against the allowance	—	—	—	—
Balance at September 30	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 19</u>	<u>\$ 13</u>
Balance at December 31	\$ 10	\$ 8	\$ 15	\$ 8
Increase in allowance from acquisition of CRS	—	—	—	4
Provision (credit) for expected credit losses	—	3	5	1
Write-offs charged against the allowance	—	—	( 1 )	—
Balance at September 30	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 19</u>	<u>\$ 13</u>

## ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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### FORWARD-LOOKING STATEMENTS

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 and special dividends; 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 the risks and uncertainties AFG describes in the “Risk Factors” section of its most recent Annual Report on Form 10-K, as updated by its other reports filed with the Securities and Exchange Commission.

- 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.

## 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 2.

## 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.

### 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 reported net earnings of \$181 million (\$2.16 per share, diluted) for the third quarter of 2024 compared to \$177 million (\$2.09 per share, diluted) for the third quarter of 2023. Higher net investment income and lower net realized losses on securities were partially offset by lower underwriting profit.

AFG reported net earnings of \$632 million (\$7.54 per share, diluted) for the first nine months of 2024 compared to \$589 million (\$6.93 per share, diluted) for the first nine months of 2023. The year over year increase was due primarily to the impact of higher yields on fixed maturity investments coupled with net realized gains on securities in the first nine months of 2024 compared to net realized losses on securities in the first nine months of 2023. These items were partially offset by lower returns on AFG's alternative investment portfolio and, to a lesser extent, lower underwriting profit.

### Outlook

AFG's financial condition, results of operations and cash flows are impacted by the economic, legal and regulatory environment. Economic inflation, social 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 and the conflicts in Ukraine and the Middle East. 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 generally favorable property and casualty insurance market. In addition, management anticipates the deployment of cash during the elevated interest rate environment (since early 2022) will continue to have a positive impact on investment income on fixed maturity investments into 2025.

## 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

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

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.

For a discussion of these policies, see *Management's Discussion and Analysis — “Critical Accounting Policies”* in AFG's 2023 Form 10-K.

## LIQUIDITY AND CAPITAL RESOURCES

### Ratios

AFG's debt to total capital ratio on a consolidated basis is shown below (dollars in millions):

	September 30, 2024	December 31, 2023	2022
Principal amount of long-term debt	\$ 1,498	\$ 1,498	\$ 1,521
Total capital	6,342	6,075	6,116
Ratio of debt to total capital:			
Including subordinated debt	23.6 %	24.7 %	24.9 %
Excluding subordinated debt	13.0 %	13.5 %	13.8 %

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. 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 accumulated other comprehensive income (loss), net of tax). 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.

### 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):

	Nine months ended September 30, 2024	2023
Net cash provided by operating activities	\$ 478	\$ 1,214
Net cash provided by investing activities	116	459
Net cash used in financing activities	(497)	(1,324)
Net change in cash and cash equivalents	\$ 97	\$ 349

**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. 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 \$67 million during the first nine months of 2024 and increased cash flows from operating activities by \$26 million in the first nine months of 2023, accounting for a \$93 million decrease in cash flows from operating activities in the 2024 period compared to the 2023 period. 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

**AMERICAN FINANCIAL GROUP, INC. 10-Q****Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued**

liabilities are shown separately in AFG's Balance Sheet. Excluding the impact of the managed investment entities, net cash provided by operating activities was \$545 million and \$1.19 billion in the first nine months of 2024 and 2023, respectively.

**Net Cash Provided by Investing Activities** AFG's investing activities consist primarily of the investment of funds provided by its property and casualty businesses. 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 \$204 million source of cash in the first nine months of 2024 compared to \$609 million in the first nine months of 2023, accounting for a \$405 million decrease in net cash provided by investing activities in the first nine months of 2024 compared to the same 2023 period. See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note G — "Managed Investment Entities"* to the financial statements. Investing activities for the first nine months of 2023 included the July 2023 acquisition of Crop Risk Services ("CRS") for \$234 million in cash. Excluding the acquisition of CRS and the activity of the managed investment entities, investing activities were an \$88 million use of cash in the first nine months of 2024 compared to an \$84 million source of cash in the first nine months of 2023.

**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 and dividend payments. Net cash used in financing activities was \$497 million for the first nine months of 2024 compared to \$1.32 billion in the first nine months of 2023, a decrease of \$827 million. AFG paid cash dividends totaling \$385 million in the first nine months of 2024 compared to \$498 million in the first nine months of 2023, a decrease in cash used by financing activities of \$113 million. There were no debt retirements in the first nine months of 2024 compared to \$21 million in debt retirements during the first nine months of 2023. During the first nine months of 2024, AFG did not repurchase any of its Common Stock compared to repurchases of \$153 million in the comparable 2023 period. 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. Retirements of managed investment entity liabilities exceeded issuances by \$125 million in the first nine months of 2024 compared to \$663 million in the first nine months of 2023, accounting for a \$538 million decrease in net cash used in financing activities in the 2024 period compared to the 2023 period. See *Note A — "Accounting Policies — Managed Investment Entities"* and *Note G — "Managed Investment Entities"* to the financial statements.

**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 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 of established businesses or start-ups that meet target return thresholds.

AFG paid a special cash dividend totaling \$209 million (\$2.50 per share) on February 28, 2024. On November 5, 2024, AFG declared a special cash dividend of \$4.00 per share, payable on November 26, 2024. The aggregate amount of this special dividend will be approximately \$335 million.

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 2023, AFG repurchased 1,872,544 shares of its Common Stock for \$213 million, paid special cash dividends totaling \$466 million (\$4.00 per share in February and \$1.50 per share in November) and repurchased \$23 million principal amount of its senior notes for \$21 million cash.

At September 30, 2024, AFG (parent) held approximately \$382 million in cash and investments. Management believes that AFG's cash balances are held at stable banking institutions, although the amounts of many of these deposits are in excess of federally insured balances. AFG can borrow up to \$450 million under its revolving credit facility, which expires in June 2028. Amounts borrowed under this agreement bear interest at rates ranging from 1.00% to 1.75% (based on AFG's



**AMERICAN FINANCIAL GROUP, INC. 10-Q****Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued**

credit rating, currently 1.25%) over a SOFR-based floating rate. There were no borrowings under AFG's credit facilities, or under any other parent company short-term borrowing arrangements, during 2023 or the first nine months of 2024.

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.

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. 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.

**Investments**

AFG's investment portfolio at September 30, 2024, contained \$10.44 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 (loss) and \$78 million in fixed maturities classified as trading with holding gains and losses included in net investment income. In addition, AFG's investment portfolio includes \$510 million in equity securities carried at fair value with holding gains and losses included in realized gains (losses) on securities and \$571 million in equity securities carried at fair value with holding gains and losses included in net investment income.

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 determined by published closing prices when available. For equity investments in limited partnerships and similar investments that do not qualify for equity method accounting, fair value is determined based on financial information provided by the limited partnerships. For AFG's fixed maturity portfolio, approximately 89% was priced using pricing services at September 30, 2024 and 4% 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.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

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 September 30, 2024 (dollars in millions). Effects of increases or decreases from the 100 basis points illustrated would be approximately proportional.

Fair value of fixed maturity portfolio	\$	10,513
Percentage impact on fair value of 100 bps increase in interest rates		(3.0 %)
Pretax impact on fair value of fixed maturity portfolio	\$	(315)

Approximately 94% of the fixed maturities held by AFG at September 30, 2024, were rated "investment grade" (credit rating of AAA to BBB) by nationally recognized rating agencies, 3% were rated "non-investment grade" and 3% 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.

AFG has less than \$100 million of direct exposure to office commercial real estate through property ownership, mortgages or equity method investments. AFG's fixed maturity portfolio includes securities (the majority of which are AAA-rated) with a carrying value of approximately \$500 million that have minimal exposure to office commercial real estate.

Summarized information for the unrealized gains and losses recorded in AFG's Balance Sheet at September 30, 2024, is shown in the following table (dollars in millions). Approximately \$415 million of available for sale fixed maturity securities had no unrealized gains or losses at September 30, 2024.

	Securities With Unrealized Gains	Securities With Unrealized Losses
<u>Available for Sale Fixed Maturities</u>		
Fair value of securities	\$ 4,977	\$ 5,043
Amortized cost of securities, net of allowance for expected credit losses	\$ 4,804	\$ 5,342
Gross unrealized gain (loss)	\$ 173	\$ (299)
Fair value as % of amortized cost	104 %	94 %
Number of security positions	925	1,151
Number individually exceeding \$2 million gain or loss	2	27
Concentration of gains (losses) by type or industry (exceeding 5% of unrealized):		
Mortgage-backed securities	\$ 36	\$ (117)
Other asset-backed securities	28	(62)
Banking	18	(17)
Collateralized loan obligations	11	(11)
Asset managers	11	(15)
Utilities	9	—
States and municipalities	6	(34)
Percentage rated investment grade	96 %	95 %

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## Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

The table below sets forth the scheduled maturities of AFG's available for sale fixed maturity securities at September 30, 2024, 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
<b>Maturity</b>		
One year or less	1 %	8 %
After one year through five years	26 %	26 %
After five years through ten years	20 %	6 %
After ten years	3 %	2 %
	50 %	42 %
Collateralized loan obligations and other asset-backed securities (average life of approximately 3 years)	35 %	37 %
Mortgage-backed securities (average life of approximately 6 years)	15 %	21 %
	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
<b>Fixed Maturities at September 30, 2024</b>			
<b>Securities with unrealized gains:</b>			
Exceeding \$500,000 (83 securities)	\$ 1,152	\$ 72	107 %
\$500,000 or less (842 securities)	3,825	101	103 %
	<u>\$ 4,977</u>	<u>\$ 173</u>	104 %
<b>Securities with unrealized losses:</b>			
Exceeding \$500,000 (152 securities)	\$ 1,860	\$ (209)	90 %
\$500,000 or less (999 securities)	3,183	(90)	97 %
	<u>\$ 5,043</u>	<u>\$ (299)</u>	94 %

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
<b>Securities with Unrealized Losses at September 30, 2024</b>			
<b>Investment grade fixed maturities with losses for:</b>			
Less than one year (70 securities)	\$ 352	\$ (1)	100 %
One year or longer (902 securities)	4,421	(272)	94 %
	<u>\$ 4,773</u>	<u>\$ (273)</u>	95 %
<b>Non-investment grade fixed maturities with losses for:</b>			
Less than one year (34 securities)	\$ 56	\$ (4)	93 %
One year or longer (145 securities)	214	(22)	91 %
	<u>\$ 270</u>	<u>\$ (26)</u>	91 %

When a decline in the value of a specific investment is considered to be other-than-temporary, an allowance for credit losses (impairment) is charged to earnings (accounted for as a realized loss). The determination of whether unrealized losses are other-than-temporary requires judgment based on subjective as well as objective factors as detailed in AFG's 2023 Form 10-K under *Management's Discussion and Analysis — "Investments."*

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**Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued**

Based on its analysis, 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 September 30, 2024. 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**

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. See *Management's Discussion and Analysis — "Uncertainties — Asbestos and Environmental-related ("A&E") Insurance Reserves"* in AFG's 2023 Form 10-K.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

## 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 G — "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
<b>September 30, 2024</b>				
<b>Assets:</b>				
Cash and investments	\$ 15,904	\$ —	\$ (163) (*)	\$ 15,741
Assets of managed investment entities	—	4,332	—	4,332
Other assets	12,519	—	(1) (*)	12,518
Total assets	<u>\$ 28,423</u>	<u>\$ 4,332</u>	<u>\$ (164)</u>	<u>\$ 32,591</u>
<b>Liabilities:</b>				
Unpaid losses and loss adjustment expenses and unearned premiums	\$ 18,526	\$ —	\$ —	\$ 18,526
Liabilities of managed investment entities	—	4,322	(154) (*)	4,168
Long-term debt and other liabilities	5,189	—	—	5,189
Total liabilities	23,715	4,322	(154)	27,883
<b>Shareholders' equity:</b>				
Common Stock and Capital surplus	1,484	10	(10)	1,484
Retained earnings	3,360	—	—	3,360
Accumulated other comprehensive income (loss), net of tax	(136)	—	—	(136)
Total shareholders' equity	4,708	10	(10)	4,708
Total liabilities and shareholders' equity	<u>\$ 28,423</u>	<u>\$ 4,332</u>	<u>\$ (164)</u>	<u>\$ 32,591</u>
<b>December 31, 2023</b>				
<b>Assets:</b>				
Cash and investments	\$ 15,438	\$ —	\$ (175) (*)	\$ 15,263
Assets of managed investment entities	—	4,484	—	4,484
Other assets	10,042	—	(2) (*)	10,040
Total assets	<u>\$ 25,480</u>	<u>\$ 4,484</u>	<u>\$ (177)</u>	<u>\$ 29,787</u>
<b>Liabilities:</b>				
Unpaid losses and loss adjustment expenses and unearned premiums	\$ 16,538	\$ —	\$ —	\$ 16,538
Liabilities of managed investment entities	—	4,446	(139) (*)	4,307
Long-term debt and other liabilities	4,684	—	—	4,684
Total liabilities	21,222	4,446	(139)	25,529
<b>Shareholders' equity:</b>				
Common Stock and Capital surplus	1,456	38	(38)	1,456
Retained earnings	3,121	—	—	3,121
Accumulated other comprehensive income (loss), net of tax	(319)	—	—	(319)
Total shareholders' equity	4,258	38	(38)	4,258
Total liabilities and shareholders' equity	<u>\$ 25,480</u>	<u>\$ 4,484</u>	<u>\$ (177)</u>	<u>\$ 29,787</u>

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

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## Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

### CONDENSED CONSOLIDATING STATEMENT OF EARNINGS

	Before CLO Consol. (a)	Managed Investment Entities	Consol. Entries	Consolidated As Reported
<b>Three months ended September 30, 2024</b>				
Revenues:				
Property and casualty insurance net earned premiums	\$ 2,055	\$ —	\$ —	\$ 2,055
Net investment income	202	—	(2) (b)	200
Realized gains (losses) on securities	(2)	—	—	(2)
Income of managed investment entities:				
Investment income	—	99	—	99
Gain (loss) on change in fair value of assets/liabilities	—	(4)	(5) (b)	(9)
Other income	29	—	(3) (c)	26
Total revenues	2,284	95	(10)	2,369
Costs and Expenses:				
Insurance benefits and expenses	1,948	—	—	1,948
Expenses of managed investment entities	—	95	(10) (b)(c)	85
Interest charges on borrowed money and other expenses	107	—	—	107
Total costs and expenses	2,055	95	(10)	2,140
Earnings before income taxes	229	—	—	229
Provision for income taxes	48	—	—	48
Net earnings	\$ 181	\$ —	\$ —	\$ 181
<b>Three months ended September 30, 2023</b>				
Revenues:				
Property and casualty insurance net earned premiums	\$ 1,855	\$ —	\$ —	\$ 1,855
Net investment income	180	—	(12) (b)	168
Realized gains (losses) on:				
Securities	(19)	—	—	(19)
Subsidiary	(4)	—	—	(4)
Income of managed investment entities:				
Investment income	—	105	—	105
Gain (loss) on change in fair value of assets/liabilities	—	11	5 (b)	16
Other income	47	—	(4) (c)	43
Total revenues	2,059	116	(11)	2,164
Costs and Expenses:				
Insurance benefits and expenses	1,736	—	—	1,736
Expenses of managed investment entities	—	116	(11) (b)(c)	105
Interest charges on borrowed money and other expenses	104	—	—	104
Total costs and expenses	1,840	116	(11)	1,945
Earnings before income taxes	219	—	—	219
Provision for income taxes	42	—	—	42
Net earnings	\$ 177	\$ —	\$ —	\$ 177

- (a) Includes income of \$2 million in the third quarter of 2024 and \$12 million in the third quarter of 2023, representing the change in fair value of AFG's CLO investments and \$3 million and \$4 million in the third quarter of 2024 and 2023, respectively, in CLO management fees earned.
- (b) Elimination of the change in fair value of AFG's investments in the CLOs, including \$7 million in both the third quarter of 2024 and 2023, in distributions recorded as interest expense by the CLOs.
- (c) Elimination of management fees earned by AFG.

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## Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

### CONDENSED CONSOLIDATING STATEMENT OF EARNINGS

	Before CLO Consol. (a)	Managed Investment Entities	Consol. Entries	Consolidated As Reported
<b>Nine months ended September 30, 2024</b>				
Revenues:				
Property and casualty insurance net earned premiums	\$ 5,186	\$ —	\$ —	\$ 5,186
Net investment income	611	—	(25) (b)	586
Realized gains (losses) on securities	10	—	—	10
Income of managed investment entities:				
Investment income	—	296	—	296
Gain (loss) on change in fair value of assets/liabilities	—	9	(4) (b)	5
Other income	101	—	(9) (c)	92
Total revenues	5,908	305	(38)	6,175
Costs and Expenses:				
Insurance benefits and expenses	4,806	—	—	4,806
Expenses of managed investment entities	—	301	(34) (b)(c)	267
Interest charges on borrowed money and other expenses	298	—	—	298
Total costs and expenses	5,104	301	(34)	5,371
Earnings before income taxes	804	4	(4)	804
Provision for income taxes	172	—	—	172
Net earnings	\$ 632	\$ 4	\$ (4)	\$ 632
<b>Nine months ended September 30, 2023</b>				
Revenues:				
Property and casualty insurance net earned premiums	\$ 4,799	\$ —	\$ —	\$ 4,799
Net investment income	601	—	(18) (b)	583
Realized gains (losses) on:				
Securities	(67)	—	—	(67)
Subsidiary	(4)	—	—	(4)
Income of managed investment entities:				
Investment income	—	321	—	321
Gain (loss) on change in fair value of assets/liabilities	—	12	— (b)	12
Other income	112	—	(12) (c)	100
Total revenues	5,441	333	(30)	5,744
Costs and Expenses:				
Insurance benefits and expenses	4,419	—	—	4,419
Expenses of managed investment entities	—	333	(30) (b)(c)	303
Interest charges on borrowed money and other expenses	284	—	—	284
Total costs and expenses	4,703	333	(30)	5,006
Earnings before income taxes	738	—	—	738
Provision for income taxes	149	—	—	149
Net earnings	\$ 589	\$ —	\$ —	\$ 589

- (a) Includes income of \$25 million in the first nine months of 2024 and \$18 million in the first nine months of 2023, representing the change in fair value of AFG's CLO investments and \$9 million and \$12 million of income in the first nine months of 2024 and 2023, respectively, in CLO management fees earned.
- (b) Elimination of the change in fair value of AFG's investments in the CLOs, including \$25 million and \$18 million in the first nine months of 2024 and 2023, respectively, in distributions recorded as interest expense by the CLOs.
- (c) Elimination of management fees earned by AFG.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

## RESULTS OF OPERATIONS

### General

AFG's net earnings, determined in accordance with GAAP, include certain items that may not be indicative of its ongoing core 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.

The following table (in millions, except per share amounts) identifies non-core items and reconciles net earnings 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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Components of net earnings:</b>				
Core operating earnings before income taxes	\$ 245	\$ 257	\$ 808	\$ 823
<b>Pretax non-core items:</b>				
Realized gains (losses) on securities	(2)	(19)	10	(67)
Realized loss on subsidiary	—	(4)	—	(4)
Special A&E charges	(14)	(15)	(14)	(15)
Gain on retirement of debt	—	—	—	1
Earnings before income taxes	229	219	804	738
<b>Provision for income taxes:</b>				
Core operating earnings	51	49	168	166
<b>Non-core items:</b>				
Realized gains (losses) on securities	—	(4)	3	(14)
Realized loss on subsidiary	—	—	4	—
Special A&E charges	(3)	(3)	(3)	(3)
Gain on retirement of debt	—	—	—	—
Total provision for income taxes	48	42	172	149
<b>Net earnings</b>	<b>\$ 181</b>	<b>\$ 177</b>	<b>\$ 632</b>	<b>\$ 589</b>
<b>Net earnings:</b>				
Core net operating earnings	\$ 194	\$ 208	\$ 640	\$ 657
Realized gains (losses) on securities	(2)	(15)	7	(53)
Realized loss on subsidiary	—	(4)	(4)	(4)
Special A&E charges	(11)	(12)	(11)	(12)
Gain on retirement of debt	—	—	—	1
<b>Net earnings</b>	<b>\$ 181</b>	<b>\$ 177</b>	<b>\$ 632</b>	<b>\$ 589</b>
<b>Diluted per share amounts:</b>				
Core net operating earnings	\$ 2.31	\$ 2.45	\$ 7.63	\$ 7.72
Realized gains (losses) on securities	(0.02)	(0.17)	0.09	(0.61)
Realized loss on subsidiary	—	(0.04)	(0.05)	(0.04)
Special A&E charges	(0.13)	(0.15)	(0.13)	(0.15)
Gain on retirement of debt	—	—	—	0.01
<b>Net earnings</b>	<b>\$ 2.16</b>	<b>\$ 2.09</b>	<b>\$ 7.54</b>	<b>\$ 6.93</b>

Net earnings were \$181 million in the third quarter of 2024 compared to \$177 million in the third quarter of 2023 reflecting lower net realized losses on securities in the third quarter of 2024 compared to the third quarter of 2023, partially offset by lower core net operating earnings. Core net operating earnings for the third quarter of 2024 decreased \$14 million compared to the third quarter of 2023 as higher net investment income was more than offset by lower underwriting profit.





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**Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued**

Net realized gains (losses) on securities in the third quarter of 2024 and 2023 include after-tax gains of \$8 million and after-tax losses of \$6 million, respectively, resulting from the change in fair value of equity securities that were still held at the balance sheet date.

Net earnings were \$632 million in the first nine months of 2024 compared to \$589 million in the first nine months of 2023 reflecting net realized gains on securities in the first nine months of 2024 compared to net realized losses on securities in the first nine months of 2023, partially offset by lower core net operating earnings. Core net operating earnings for the first nine months of 2024 decreased \$17 million compared to the first nine months of 2023. Higher investment income outside of alternative investments was more than offset by lower returns on AFG's alternative investment portfolio, lower underwriting profit, lower other income and higher other expenses. Net realized gains (losses) on securities in the first nine months of 2024 and 2023 include after-tax gains of \$20 million and after-tax losses of \$25 million, respectively, resulting from the change in fair value of equity securities that were still held at the balance sheet date.

## RESULTS OF OPERATIONS — THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

### Segmented Statement of Earnings

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 September 30, 2024 and 2023 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
<b>Three months ended September 30, 2024</b>						
<b>Revenues:</b>						
Property and casualty insurance net earned premiums	\$ 2,055	\$ —	\$ —	\$ 2,055	\$ —	\$ 2,055
Net investment income	195	(2)	7	200	—	200
Realized gains (losses) on securities	—	—	—	—	(2)	(2)
Income of MIEs:						
Investment income	—	99	—	99	—	99
Gain (loss) on change in fair value of assets/liabilities	—	(9)	—	(9)	—	(9)
Other income	2	(3)	27	26	—	26
Total revenues	2,252	85	34	2,371	(2)	2,369
<b>Costs and Expenses:</b>						
Property and casualty insurance:						
Losses and loss adjustment expenses	1,430	—	—	1,430	—	1,430
Commissions and other underwriting expenses	510	—	8	518	—	518
Interest charges on borrowed money	—	—	19	19	—	19
Expenses of MIEs	—	85	—	85	—	85
Other expenses	21	—	53	74	14	88
Total costs and expenses	1,961	85	80	2,126	14	2,140
Earnings before income taxes	291	—	(46)	245	(16)	229
Provision for income taxes	61	—	(10)	51	(3)	48
<b>Core Net Operating Earnings</b>	230	—	(36)	194		
Non-core earnings (loss) (*):						
Realized gains (losses) on securities, net of tax	—	—	(2)	(2)	2	—
Special A&E charge, net of tax	—	—	(11)	(11)	11	—
<b>Net Earnings</b>	<u>\$ 230</u>	<u>\$ —</u>	<u>\$ (49)</u>	<u>\$ 181</u>	<u>\$ —</u>	<u>\$ 181</u>

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

		Other				
	P&C	Consol. MIEs	Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
<b>Three months ended September 30, 2023</b>						
<b>Revenues:</b>						
Property and casualty insurance net earned premiums	\$ 1,855	\$ —	\$ —	\$ 1,855	\$ —	\$ 1,855
Net investment income	170	(12)	10	168	—	168
Realized gains (losses) on:						
Securities	—	—	—	—	(19)	(19)
Subsidiary	—	—	—	—	(4)	(4)
Income of MIEs:						
Investment income	—	105	—	105	—	105
Gain (loss) on change in fair value of assets/liabilities	—	16	—	16	—	16
Other income	5	(4)	42	43	—	43
Total revenues	2,030	105	52	2,187	(23)	2,164
<b>Costs and Expenses:</b>						
Property and casualty insurance:						
Losses and loss adjustment expenses	1,239	—	—	1,239	—	1,239
Commissions and other underwriting expenses	474	—	23	497	—	497
Interest charges on borrowed money	—	—	19	19	—	19
Expenses of MIEs	—	105	—	105	—	105
Other expenses	19	—	51	70	15	85
Total costs and expenses	1,732	105	93	1,930	15	1,945
Earnings before income taxes	298	—	(41)	257	(38)	219
Provision for income taxes	57	—	(8)	49	(7)	42
<b>Core Net Operating Earnings</b>	241	—	(33)	208		
Non-core earnings (loss) (*):						
Realized gains (losses) on securities, net of tax	—	—	(15)	(15)	15	—
Realized loss on subsidiary	(4)	—	—	(4)	4	—
Special A&E charge, net of tax	—	—	(12)	(12)	12	—
<b>Net Earnings</b>	<u>\$ 237</u>	<u>\$ —</u>	<u>\$ (60)</u>	<u>\$ 177</u>	<u>\$ —</u>	<u>\$ 177</u>

(\*) 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 \$291 million in GAAP pretax earnings in the third quarter of 2024 compared to \$294 million in the third quarter of 2023, a decrease of \$3 million (1%). Property and casualty core pretax earnings were \$291 million in the third quarter of 2024 compared to \$298 million in the third quarter of 2023, a decrease of \$7 million (2%). The decrease in GAAP and core pretax earnings reflects lower underwriting profit, partially offset by higher net investment income in the third quarter of 2024 compared to the third quarter of 2023.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

The following table details AFG's GAAP and core earnings before income taxes from its property and casualty insurance operations for the three months ended September 30, 2024 and 2023 (dollars in millions):

	Three months ended September 30,		% Change
	2024	2023	
Gross written premiums	\$ 3,748	\$ 3,140	19 %
Reinsurance premiums ceded	(1,395)	(1,079)	29 %
Net written premiums	2,353	2,061	14 %
Change in unearned premiums	(298)	(206)	45 %
Net earned premiums	2,055	1,855	11 %
Loss and loss adjustment expenses	1,430	1,239	15 %
Commissions and other underwriting expenses	510	474	8 %
<b>Underwriting gain</b>	<b>115</b>	<b>142</b>	<b>(19 %)</b>
Net investment income	195	170	15 %
Other income and expenses, net	(19)	(14)	36 %
<b>Core earnings before income taxes</b>	<b>291</b>	<b>298</b>	<b>(2 %)</b>
Realized loss on subsidiary	—	(4)	(100 %)
<b>GAAP earnings before income taxes</b>	<b>\$ 291</b>	<b>\$ 294</b>	<b>(1 %)</b>

	Three months ended September 30,		
	2024	2023	Change
Combined Ratios:			
Specialty lines			
Loss and LAE ratio	69.5 %	66.7 %	2.8 %
Underwriting expense ratio	24.8 %	25.5 %	(0.7 %)
Combined ratio	94.3 %	92.2 %	2.1 %
Aggregate — including exited lines			
Loss and LAE ratio	69.6 %	66.8 %	2.8 %
Underwriting expense ratio	24.8 %	25.5 %	(0.7 %)
Combined ratio	94.4 %	92.3 %	2.1 %

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.

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Gross Written Premiums

Gross written premiums ("GWP") for AFG's property and casualty insurance segment were \$3.75 billion for the third quarter of 2024 compared to \$3.14 billion for the third quarter of 2023, an increase of \$608 million (19%). Detail of AFG's property and casualty gross written premiums is shown below (dollars in millions):

	Three months ended September 30,					
	2024		2023		% Change	
	GWP	%	GWP	%		
Property and transportation	\$ 2,107	56 %	\$ 1,592	51 %	32 %	
Specialty casualty	1,297	35 %	1,226	39 %	6 %	
Specialty financial	344	9 %	322	10 %	7 %	
	<u>\$ 3,748</u>	<u>100 %</u>	<u>\$ 3,140</u>	<u>100 %</u>	19 %	

#### Reinsurance Premiums Ceded

Reinsurance premiums ceded ("Ceded") for AFG's property and casualty insurance segment were 37% of gross written premiums for the third quarter of 2024 compared to 34% of gross written premiums for the third quarter of 2023, an increase of 3 percentage points. Detail of AFG's property and casualty reinsurance premiums ceded is shown below (dollars in millions):

	Three months ended September 30,					
	2024		2023		Change in % of GWP	
	Ceded	% of GWP	Ceded	% of GWP		
Property and transportation	\$ (967)	46 %	\$ (687)	43 %	3 %	
Specialty casualty	(434)	33 %	(397)	32 %	1 %	
Specialty financial	(60)	17 %	(61)	19 %	(2 %)	
Other specialty	66		66			
	<u>\$ (1,395)</u>	<u>37 %</u>	<u>\$ (1,079)</u>	<u>34 %</u>	3 %	

#### Net Written Premiums

Net written premiums ("NWP") for AFG's property and casualty insurance segment were \$2.35 billion for the third quarter of 2024 compared to \$2.06 billion for the third quarter of 2023, an increase of \$292 million (14%). Detail of AFG's property and casualty net written premiums is shown below (dollars in millions):

	Three months ended September 30,					
	2024		2023		% Change	
	NWP	%	NWP	%		
Property and transportation	\$ 1,140	48 %	\$ 905	44 %	26 %	
Specialty casualty	863	37 %	829	40 %	4 %	
Specialty financial	284	12 %	261	13 %	9 %	
Other specialty	66	3 %	66	3 %	— %	
	<u>\$ 2,353</u>	<u>100 %</u>	<u>\$ 2,061</u>	<u>100 %</u>	14 %	

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Net Earned Premiums

Net earned premiums ("NEP") for AFG's property and casualty insurance segment were \$2.06 billion for the third quarter of 2024 compared to \$1.86 billion for the third quarter of 2023, an increase of \$200 million (11%). Detail of AFG's property and casualty net earned premiums is shown below (dollars in millions):

	Three months ended September 30,					
	2024		2023			
	NEP	%	NEP	%	% Change	
Property and transportation	\$ 981	48 %	\$ 828	45 %	18 %	
Specialty casualty	744	36 %	734	40 %	1 %	
Specialty financial	269	13 %	232	12 %	16 %	
Other specialty	61	3 %	61	3 %	— %	
	<u>\$ 2,055</u>	<u>100 %</u>	<u>\$ 1,855</u>	<u>100 %</u>	<u>11 %</u>	

Gross written premiums for the third quarter of 2024 increased \$608 million (19%) compared to the third quarter of 2023, driven primarily by additional premiums from the CRS acquisition. Gross and net written premiums excluding crop insurance each grew 7% year over year reflecting new business opportunities, increased exposures and a good renewal rate environment. Overall average renewal rates increased approximately 7% in the third quarter of 2024. Excluding the workers' compensation businesses, renewal rates increased approximately 8%.

**Property and transportation** Gross written premiums increased \$515 million (32%) in the third quarter of 2024 compared to the third quarter of 2023. The primary drivers of this growth included additional premiums from the CRS acquisition and, to a lesser extent, later reporting of crop acreage, which shifted the timing of reporting of some crop premium from the second quarter to the third quarter of 2024. Excluding crop premiums, gross and net written premiums each grew by 11% year over year in this group, which is attributable primarily to new business opportunities, a favorable rate environment and increased exposures in the commercial auto, property and inland marine and ocean marine businesses. Average renewal rates increased approximately 7% for this group in the third quarter of 2024. Reinsurance premiums ceded as a percentage of gross written premiums increased 3 percentage points in the third quarter of 2024 compared to the third quarter of 2023 reflecting the impact of higher premiums in the crop business, which cedes a larger percentage of premiums than some of the other businesses in the Property and transportation sub-segment.

**Specialty casualty** Gross written premiums increased \$71 million (6%) in the third quarter of 2024 compared to the third quarter of 2023. Year-over-year premium growth resulted primarily from new business opportunities and favorable renewal pricing in several of the targeted markets businesses and the excess liability business. The mergers and acquisition business also benefited from an increase in mergers and acquisition activity. This growth was tempered by slightly lower workers' compensation premiums. Average renewal rates increased approximately 8% for this group in the third quarter of 2024. Excluding the workers' compensation businesses, renewal rates for this group increased approximately 10%. Reinsurance premiums ceded as a percentage of gross written premiums increased 1 percentage point in the third quarter of 2024 compared to the third quarter of 2023 reflecting higher cessions in the excess and surplus, mergers and acquisitions and public sector businesses, partially offset by lower cessions in the social services business.

**Specialty financial** Gross written premiums increased \$22 million (7%) in the third quarter of 2024 compared to the third quarter of 2023 due primarily to growth in the financial institutions business. Average renewal rates increased approximately 6% for this group in the third quarter of 2024. Reinsurance premiums ceded as a percentage of gross written premiums decreased 2 percentage points in the third quarter of 2024 compared to the third quarter of 2023. The impact of lower gross written premiums in the innovative markets business, which cedes a larger percentage of premiums than some of the other businesses in the Specialty financial sub-segment was partially offset by the impact of higher cessions in the financial institutions and fidelity businesses.

**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 in the third quarter of 2024 were comparable to the third quarter of 2023.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Combined Ratio

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

	Three months ended September 30,			Three months ended September 30,	
	2024	2023	Change	2024	2023
Property and transportation					
Loss and LAE ratio	79.3 %	76.8 %	2.5 %		
Underwriting expense ratio	17.2 %	18.0 %	(0.8 %)		
Combined ratio	96.5 %	94.8 %	1.7 %		
Underwriting profit				\$ 34	\$ 42
Specialty casualty					
Loss and LAE ratio	63.6 %	63.1 %	0.5 %		
Underwriting expense ratio	26.4 %	26.3 %	0.1 %		
Combined ratio	90.0 %	89.4 %	0.6 %		
Underwriting profit				\$ 76	\$ 78
Specialty financial					
Loss and LAE ratio	46.1 %	39.8 %	6.3 %		
Underwriting expense ratio	45.8 %	47.8 %	(2.0 %)		
Combined ratio	91.9 %	87.6 %	4.3 %		
Underwriting profit				\$ 22	\$ 29
Total Specialty					
Loss and LAE ratio	69.5 %	66.7 %	2.8 %		
Underwriting expense ratio	24.8 %	25.5 %	(0.7 %)		
Combined ratio	94.3 %	92.2 %	2.1 %		
Underwriting profit				\$ 117	\$ 143
Aggregate — including exited lines					
Loss and LAE ratio	69.6 %	66.8 %	2.8 %		
Underwriting expense ratio	24.8 %	25.5 %	(0.7 %)		
Combined ratio	94.4 %	92.3 %	2.1 %		
Underwriting profit				\$ 115	\$ 142

The Specialty property and casualty insurance operations generated an underwriting profit of \$117 million in the third quarter of 2024 compared to \$143 million in the third quarter of 2023, a decrease of \$26 million (18%), reflecting lower underwriting profits in each of the Specialty property and casualty insurance sub-segments and higher losses in the business assumed by AFG's internal reinsurance program. Overall catastrophe losses were \$90 million (4.4 points on the combined ratio) in the third quarter of 2024 compared to catastrophe losses of \$56 million (3.0 points) in the third quarter of 2023.

**Property and transportation** Underwriting profit for this group was \$34 million for the third quarter of 2024 compared to \$42 million for the third quarter of 2023, a decrease of \$8 million (19%). Higher year-over-year underwriting profit in the agricultural businesses was more than offset by higher catastrophe losses. Catastrophe losses were \$34 million (3.6 points on the combined ratio) in the third quarter of 2024 compared to \$14 million (1.7 points) in the third quarter of 2023.

**Specialty casualty** Underwriting profit for this group was \$76 million for the third quarter of 2024 compared to \$78 million for the third quarter of 2023, a decrease of \$2 million (3%). Higher year-over-year underwriting profitability in the targeted markets businesses was more than offset by lower year-over-year underwriting profit in the excess and surplus businesses and, to a lesser extent, the workers' compensation and executive liability businesses. Catastrophe losses were \$16 million (2.3 points on the combined ratio) in the third quarter of 2024 compared to catastrophe losses of \$17 million (2.3 points) in the third quarter of 2023.



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Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

**Specialty financial** Underwriting profit for this group was \$22 million for the third quarter of 2024 compared to \$29 million in the third quarter of 2023, a decrease of \$7 million (24%). Improved results in the lender services business were more than offset by lower year-over-year profitability in the surety and fidelity businesses. Catastrophe losses were \$39 million (14.4 points on the combined ratio) compared to \$22 million (9.3 points) in the third quarter of 2023.

**Other specialty** This group reported an underwriting loss of \$15 million in the third quarter of 2024 compared to \$6 million in the third quarter of 2023, an increase of \$9 million (150%), 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 in the third quarter of 2024 compared to the third quarter of 2023. Catastrophe losses were \$1 million in the third quarter of 2024 compared to \$3 million in the third quarter of 2023.

**Aggregate** Aggregate underwriting results for AFG's property and casualty insurance segment includes adverse prior year reserve development of \$2 million in the third quarter of 2024 and \$1 million in the third quarter of 2023 related to business outside of the Specialty group that AFG no longer writes.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Losses and Loss Adjustment Expenses

AFG's overall loss and LAE ratio was 69.6% for the third quarter of 2024 compared to 66.8% for the third quarter of 2023, an increase of 2.8 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 September 30,				Change in Ratio		
	Amount		Ratio				
	2024	2023	2024	2023			
Property and transportation							
Current year, excluding catastrophe losses	\$	758	\$	636	77.2 %	76.8 %	0.4 %
Prior accident years development		(15)		(14)	(1.5 %)	(1.7 %)	0.2 %
Current year catastrophe losses including the impact of net reinstatement premiums		34		14	3.6 %	1.7 %	1.9 %
Property and transportation losses and LAE and ratio	\$	777	\$	636	79.3 %	76.8 %	2.5 %
Specialty casualty							
Current year, excluding catastrophe losses	\$	461	\$	468	61.9 %	63.7 %	(1.8 %)
Prior accident years development		(4)		(22)	(0.6 %)	(2.9 %)	2.3 %
Current year catastrophe losses including the impact of net reinstatement premiums		16		17	2.3 %	2.3 %	— %
Specialty casualty losses and LAE and ratio	\$	473	\$	463	63.6 %	63.1 %	0.5 %
Specialty financial							
Current year, excluding catastrophe losses	\$	94	\$	81	35.1 %	34.7 %	0.4 %
Prior accident years development		(9)		(10)	(3.4 %)	(4.2 %)	0.8 %
Current year catastrophe losses including the impact of net reinstatement premiums		39		22	14.4 %	9.3 %	5.1 %
Specialty financial losses and LAE and ratio	\$	124	\$	93	46.1 %	39.8 %	6.3 %
Total Specialty							
Current year, excluding catastrophe losses	\$	1,355	\$	1,226	65.9 %	66.0 %	(0.1 %)
Prior accident years development		(17)		(44)	(0.8 %)	(2.3 %)	1.5 %
Current year catastrophe losses including the impact of net reinstatement premiums		90		56	4.4 %	3.0 %	1.4 %
Total Specialty losses and LAE and ratio	\$	1,428	\$	1,238	69.5 %	66.7 %	2.8 %
Aggregate — including exited lines							
Current year, excluding catastrophe losses	\$	1,355	\$	1,226	65.9 %	66.0 %	(0.1 %)
Prior accident years development		(15)		(43)	(0.7 %)	(2.3 %)	1.6 %
Current year catastrophe losses including the impact of net reinstatement premiums		90		56	4.4 %	3.1 %	1.3 %
Aggregate losses and LAE and ratio	\$	1,430	\$	1,239	69.6 %	66.8 %	2.8 %

#### Current accident year losses and LAE, excluding catastrophe losses

The current accident year loss and LAE ratio, excluding catastrophe losses, for AFG's Specialty property and casualty insurance operations was 65.9% for the third quarter of 2024 compared to 66.0% for the third quarter of 2023, a decrease of 0.1 percentage points.

**Property and transportation** The 0.4 percentage points increase in the loss and LAE ratio for the current year, excluding catastrophe losses, reflects growth in the crop business, which has a higher loss and LAE ratio than some of the other businesses in the Property and transportation sub-segment, higher reported losses in the commercial auto businesses and the impact of unusually low losses in the ocean marine business in the third quarter of 2023.

**Specialty casualty** The 1.8 percentage points decrease in the loss and LAE ratio for the current year, excluding catastrophe losses, reflects improved results in the workers' compensation businesses and an isolated larger property

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loss related to the program business in the third quarter of 2023, partially offset by higher losses in the excess and surplus businesses.

**Specialty financial** The 0.4 percentage points increase in the loss and LAE ratio for the current year, excluding catastrophe losses, reflects lower growth in the fidelity and surety businesses and higher reported losses in the fidelity business, partially offset by growth in the financial institutions business, which has a lower loss and LAE ratio than some of the other businesses in the Specialty financial sub-segment.

**Net prior year reserve development**

AFG's Specialty property and casualty insurance operations recorded net favorable reserve development related to prior accident years of \$17 million in the third quarter of 2024 compared to \$44 million in the third quarter of 2023, a decrease of \$27 million (61%).

**Property and transportation** Net favorable reserve development of \$15 million in the third quarter of 2024 reflects lower than anticipated claim severity in the ocean marine business and, to a lesser extent, lower than expected claim severity in the agribusiness, crop, property and inland marine and aviation businesses. Net favorable reserve development of \$14 million in the third quarter of 2023 reflects lower than expected claim frequency in the property and inland marine business and lower than anticipated claim frequency and severity across the transportation businesses.

**Specialty casualty** Net favorable reserve development of \$4 million in the third quarter of 2024 reflects lower than anticipated claim severity in the workers' compensation businesses, partially offset by higher than anticipated claim severity in the excess liability business. Net favorable reserve development of \$22 million in the third quarter of 2023 reflects lower than anticipated claim severity in the workers' compensation businesses and lower than expected claim frequency in the executive liability and environmental businesses, partially offset by higher than anticipated claim severity in certain targeted markets businesses.

**Specialty financial** Net favorable reserve development of \$9 million in the third quarter of 2024 reflects lower than anticipated claim severity in the fidelity business and lower than expected claim frequency in the financial institutions business. Net favorable reserve development of \$10 million in the third quarter of 2023 reflects lower than anticipated claim frequency and severity in the fidelity and surety businesses and lower than expected claim frequency in the trade credit business.

**Other specialty** In addition to the development discussed above, total Specialty prior year reserve development includes net adverse reserve development of \$11 million in the third quarter of 2024 and \$2 million in the third quarter of 2023 associated with AFG's internal reinsurance program and the amortization of the deferred gain on the retroactive reinsurance transaction entered into in connection with the sale of a business in 1998. The net adverse reserve development in 2024 is primarily related to social inflation exposed business assumed from the Specialty casualty sub-segment.

**Asbestos and environmental reserves** During the third quarter of 2024, 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. AFG annually conducts a comprehensive review of its asbestos and environmental reserves. In connection with its annual reviews, AFG engages with outside counsel and, as appropriate, engineering and consulting firms and specialty actuarial firms.

During the 2024 internal review, no new trends were identified and recent claims activity was generally consistent with AFG's expectations resulting from its in-depth internal reviews in the prior three years, and the most recent external study in 2020. As a result, and consistent with the internal review in the third quarter of 2023, the 2024 review resulted in no net change to AFG's property and casualty insurance segment's asbestos and environmental reserves. See *Management's Discussion and Analysis — "Uncertainties — Asbestos and Environmental-related ("A&E") Insurance Reserves "* and *Management's Discussion and Analysis — "Results of Operations — Holding Company, Other and Unallocated"* in AFG's 2023 Form 10-K.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

At September 30, 2024, the property and casualty insurance segment's insurance reserves include A&E reserves of \$362 million, net of reinsurance recoverables. At September 30, 2024, the property and casualty insurance segment's three-year survival ratios compare favorably with industry survival ratios published by S&P Global Market Intelligence (as of December 31, 2023, and adjusted for several large industry 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 (9/30/2024)	18.6	25.1	21.1
Industry (12/31/2023)	8.3	7.1	8.0

In addition, the 2024 and 2023 internal reviews encompassed reserves for asbestos and environmental exposures of AFG's former railroad and manufacturing operations. For a discussion of the \$14 million and \$15 million pretax non-core special charge increases in AFG's liabilities for those operations recorded in the third quarter of 2024 and the third quarter of 2023, respectively, see "*Special A&E Charges*" under "*Results of Operations — Holding Company, Other and Unallocated*," for the quarters ended September 30, 2024 and 2023.

**Aggregate** Aggregate net prior accident years reserve development for AFG's property and casualty insurance segment includes net adverse reserve development of \$2 million in the third quarter of 2024 and \$1 million in the third quarter of 2023 related to business outside of 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, 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	4%

AFG maintains comprehensive property catastrophe reinsurance coverage for its property and casualty insurance operations, including a \$70 million per occurrence net retention, for losses up to \$153 million in the vast majority of circumstances. In certain unlikely events, AFG's ultimate loss under this coverage could be as high as \$73 million for a single occurrence. AFG further maintains supplemental fully collateralized reinsurance coverage up to 94% of \$324 million for catastrophe losses in excess of \$153 million of traditional catastrophe reinsurance through a catastrophe bond.

Catastrophe losses of \$90 million in the third quarter of 2024 resulted primarily from Hurricane Helene. Catastrophe losses of \$56 million in the third quarter of 2023 resulted primarily from a higher frequency of lower severity convective storms in multiple regions of the United States.

#### **Commissions and Other Underwriting Expenses**

AFG's property and casualty commissions and other underwriting expenses ("U/W Exp") were \$510 million in the third quarter of 2024 compared to \$474 million for the third quarter of 2023, an increase of \$36 million (8%). AFG's underwriting expense ratio, calculated as commissions and other underwriting expenses divided by net premiums earned, was 24.8% for the third quarter of 2024 compared to 25.5% for the third quarter of 2023, a decrease of 0.7 percentage points. Detail

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

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

	Three months ended September 30,				Change in
	2024		2023		
	U/W Exp	% of NEP	U/W Exp	% of NEP	
Property and transportation	\$ 170	17.2 %	\$ 150	18.0 %	(0.8 %)
Specialty casualty	195	26.4 %	193	26.3 %	0.1 %
Specialty financial	123	45.8 %	110	47.8 %	(2.0 %)
Other specialty	22	34.9 %	21	33.6 %	1.3 %
	\$ 510	24.8 %	\$ 474	25.5 %	(0.7 %)

**Property and transportation** Commissions and other underwriting expenses as a percentage of net earned premiums decreased 0.8 percentage points in the third quarter of 2024 compared to the third quarter of 2023. The decrease reflects the impact of higher earned premiums on the ratio, including in the crop business that has a lower commissions and other underwriting expense ratio compared to some of the other businesses in the Property and transportation sub-segment and lower average commission rates in the transportation businesses.

**Specialty casualty** Commissions and other underwriting expenses as a percentage of net earned premiums increased 0.1 percentage points in the third quarter of 2024 compared to the third quarter of 2023 reflecting the impact of lower earned premiums in the workers' compensation businesses on the ratio, partially offset by lower overall commission rates due to a change in the mix of business.

**Specialty financial** Commissions and other underwriting expenses as a percentage of net earned premiums decreased 2.0 percentage points in the third quarter of 2024 compared to the third quarter of 2023 due primarily to the impact of higher earned premiums in the financial institutions business on the ratio and lower average commission rates in certain businesses.

### Property and Casualty Net Investment Income

Net investment income in AFG's property and casualty insurance operations was \$195 million in the third quarter of 2024 compared to \$170 million in the third quarter of 2023, an increase of \$25 million (15%). 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 September 30,			
	2024	2023	Change	% Change
Net investment income:				
Net investment income, excluding alternative investments	\$ 159	\$ 145	\$ 14	10 %
Alternative investments	36	25	11	44 %
Total net investment income	<u>\$ 195</u>	<u>\$ 170</u>	<u>\$ 25</u>	<u>15 %</u>
Average invested assets (at amortized cost)	<u>\$ 15,447</u>	<u>\$ 14,899</u>	<u>\$ 548</u>	<u>4 %</u>
Yield (net investment income as a % of average invested assets)	<u>5.05 %</u>	<u>4.56 %</u>	<u>0.49 %</u>	
Tax equivalent yield (*)	<u>5.10 %</u>	<u>4.63 %</u>	<u>0.47 %</u>	

(\*) 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 for the third quarter of 2024 compared to the third quarter of 2023 reflects the impact of higher balances of invested assets, higher returns on fixed maturity investments and higher returns on AFG's alternative investments portfolio (partnerships and similar investments and AFG-managed CLOs). The property and casualty insurance segment's overall yield on investments (net investment income as a percentage of average invested assets) was 5.05% for the third quarter of 2024 compared to 4.56% for the third quarter of 2023, an increase of 0.49 percentage points reflecting higher returns on both alternative investments and fixed maturity investments. The annualized return earned on alternative investments was 5.4% in the third quarter of 2024 compared to 4.2% in the prior year period.

**AMERICAN FINANCIAL GROUP, INC. 10-Q****Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued****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 \$19 million for the third quarter of 2024 compared to \$14 million for the third quarter of 2023, an increase of \$5 million (36%). 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 September 30,	
	2024	2023
<b>Other income</b>	<b>\$ 2</b>	<b>\$ 5</b>
<b>Other expenses:</b>		
Amortization of intangibles	5	5
Interest expense on funds withheld	13	9
Other	3	5
Total other expenses	21	19
<b>Other income and expenses, net</b>	<b>\$ (19)</b>	<b>\$ (14)</b>

The decrease in other income in the third quarter of 2024 compared to the third quarter of 2023 is due to death benefits received on a company-owned life insurance policy in the third quarter of 2023. The \$4 million (44%) increase in interest expense on funds withheld for the third quarter of 2024 compared to the third quarter of 2023 reflects the impact of higher interest rates paid on funds withheld.

**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 \$60 million in the third quarter of 2024 compared to \$56 million in the third quarter of 2023, an increase of \$4 million (7%). AFG's net core pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled \$46 million in the third quarter of 2024 compared to \$41 million in the third quarter of 2023, an increase of \$5 million (12%).

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

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 September 30, 2024 and 2023 (dollars in millions):

	Three months ended September 30,		
	2024	2023	% Change
<b>Revenues:</b>			
Net investment income	\$ 7	\$ 10	(30 %)
Other income — P&C fees	23	37	(38 %)
Other income	4	5	(20 %)
Total revenues	34	52	(35 %)
<b>Costs and Expenses:</b>			
Property and casualty insurance — loss adjustment and underwriting expenses	8	23	(65 %)
Other expense — expenses associated with P&C fees	15	14	7 %
Other expenses (*)	38	37	3 %
Costs and expenses, excluding interest charges on borrowed money	61	74	(18 %)
Loss before income taxes, excluding realized gains and losses and interest charges on borrowed money	(27)	(22)	23 %
Interest charges on borrowed money	19	19	— %
<b>Core loss before income taxes, excluding realized gains and losses</b>	(46)	(41)	12 %
Pretax non-core special A&E charge	(14)	(15)	(7 %)
<b>GAAP loss before income taxes, excluding realized gains and losses</b>	\$ (60)	\$ (56)	7 %

(\*) Excludes a pretax non-core special A&E charge of \$14 million and \$15 million in the third quarter of 2024 and the third quarter of 2023, respectively.

#### Holding Company and Other — Net Investment Income

AFG recorded net investment income on investments held outside of its property and casualty insurance segment of \$7 million in the third quarter of 2024 compared to \$10 million in the third quarter of 2023, a decrease of \$3 million (30%) reflecting the impact of lower average investment balances, partially offset by higher interest rates on cash and fixed maturity investments.

#### 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 third quarter of 2024, AFG collected \$23 million in fees for these services compared to \$22 million in the third quarter of 2023. Management views this fee income, net of the \$15 million in the third quarter of 2024 and \$14 million in the third quarter of 2023 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 earned \$15 million in fees as compensation for providing services related to the administration of crop insurance business generated by CRS for its former owner prior to the acquisition date during the third quarter of 2023. 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 \$3 million in the third quarter of 2024 and \$4 million in the third quarter of 2023 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 \$1 million in both the third quarter of 2024 and the third quarter of 2023.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Holding Company and Other — Other Expenses

Excluding the non-core special A&E charges recorded in the third quarter of 2024 and 2023 discussed below, AFG's holding companies and other operations outside of its property and casualty insurance segment recorded other expenses of \$38 million in the third quarter of 2024 compared to \$37 million in the third quarter of 2023, an increase of \$1 million (3%).

#### Holding Company and Other — Special A&E Charges

During the third quarters of 2024 and 2023, AFG performed in-depth internal reviews of A&E exposures as discussed under “*Asbestos and environmental reserves*” under “*Results of Operations — Property and Casualty Insurance Segment — Net prior year reserve development.*” As a result of the 2024 and 2023 reviews, AFG's holding companies and other operations outside of its property and casualty insurance operations recorded pretax special non-core A&E charges of \$14 million in the third quarter of 2024 and \$15 million in the third quarter of 2023 to increase liabilities related to the A&E exposures of AFG's former railroad and manufacturing operations. The charges in both periods reflect changes in the scope and costs of investigation and an increase in estimated remediation costs at a limited number of sites.

#### 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 \$19 million in both the third quarter of 2024 and the third quarter of 2023.

#### Realized Gains (Losses) on Securities

AFG's realized gains (losses) on securities were net losses of \$2 million in the third quarter of 2024 compared to \$19 million in the third quarter of 2023, a decrease of \$17 million (89%). Realized gains (losses) on securities consisted of the following (in millions):

	Three months ended September 30,	
	2024	2023
Realized gains (losses) before impairment allowances:		
Disposals	\$ —	\$ (6)
Change in the fair value of equity securities	10	(8)
Change in the fair value of derivatives	3	(1)
	<u>13</u>	<u>(15)</u>
Change in allowance for impairments on securities	(15)	(4)
Realized gains (losses) on securities	<u>\$ (2)</u>	<u>\$ (19)</u>

The \$10 million net realized gain from the change in the fair value of equity securities in the third quarter of 2024 includes gains of \$6 million on investments in banks and financing companies and \$3 million on investments in media companies. The \$8 million net realized loss from the change in the fair value of equity securities in the third quarter of 2023 includes losses of \$10 million on investments in media companies and \$2 million on investments in banks and financing companies, partially offset by gains of \$4 million on investments in energy companies.

The \$15 million change in allowance for impairments on securities in the third quarter of 2024 relates primarily to an allowance taken on corporate bonds from a single issuer in the financial sector.

#### Realized Loss on Subsidiaries

During the third quarter of 2023, AFG recorded a realized loss on subsidiary of \$4 million, consisting of a \$26 million goodwill impairment charge, partially offset by a \$22 million reduction in the fair value of a contingent consideration liability, both related to AFG's investment in Verikai. See *Note E — “Fair Value Measurements”* and *Note I — “Goodwill and Other Intangibles”* in AFG's 2023 Form 10-K.

#### Consolidated Income Taxes

AFG's consolidated provision for income taxes was \$48 million for the third quarter of 2024 compared to \$42 million for the third quarter of 2023, an increase of \$6 million (14%). See *Note K — “Income Taxes”* to the financial statements for an analysis of items affecting AFG's effective tax rate.



# AMERICAN FINANCIAL GROUP, INC. 10-Q

## Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

### RESULTS OF OPERATIONS — NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

#### Segmented Statement of Earnings

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 nine months ended September 30, 2024 and 2023 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
<b>Nine months ended September 30, 2024</b>						
<b>Revenues:</b>						
Property and casualty insurance net earned premiums	\$ 5,186	\$ —	\$ —	\$ 5,186	\$ —	\$ 5,186
Net investment income	589	(25)	22	586	—	586
Realized gains (losses) on securities	—	—	—	—	10	10
Income of MIEs:						
Investment income	—	296	—	296	—	296
Gain (loss) on change in fair value of assets/liabilities	—	5	—	5	—	5
Other income	6	(9)	95	92	—	92
Total revenues	5,781	267	117	6,165	10	6,175
<b>Costs and Expenses:</b>						
Property and casualty insurance:						
Losses and loss adjustment expenses	3,274	—	5	3,279	—	3,279
Commissions and other underwriting expenses	1,494	—	33	1,527	—	1,527
Interest charges on borrowed money	—	—	57	57	—	57
Expenses of MIEs	—	267	—	267	—	267
Other expenses	63	—	164	227	14	241
Total costs and expenses	4,831	267	259	5,357	14	5,371
Earnings before income taxes	950	—	(142)	808	(4)	804
Provision for income taxes	198	—	(30)	168	4	172
<b>Core Net Operating Earnings</b>	752	—	(112)	640		
Non-core earnings (loss) (*):						
Realized gains (losses) on securities, net of tax	—	—	7	7	(7)	—
Realized loss on subsidiary	(4)	—	—	(4)	4	—
Special A&E charge, net of tax	—	—	(11)	(11)	11	—
<b>Net Earnings</b>	<b>\$ 748</b>	<b>\$ —</b>	<b>\$ (116)</b>	<b>\$ 632</b>	<b>\$ —</b>	<b>\$ 632</b>

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

		Other				
	P&C	Consol. MIEs	Holding Co., other and unallocated	Total	Non-core reclass	GAAP Total
<b>Nine months ended September 30, 2023</b>						
<b>Revenues:</b>						
Property and casualty insurance net earned premiums	\$ 4,799	\$ —	\$ —	\$ 4,799	\$ —	\$ 4,799
Net investment income	568	(18)	33	583	—	583
Realized gains (losses) on:						
Securities	—	—	—	—	(67)	(67)
Subsidiary	—	—	—	—	(4)	(4)
Income of MIEs:						
Investment income	—	321	—	321	—	321
Gain (loss) on change in fair value of assets/liabilities	—	12	—	12	—	12
Other income	13	(12)	99	100	—	100
Total revenues	5,380	303	132	5,815	(71)	5,744
<b>Costs and Expenses:</b>						
Property and casualty insurance:						
Losses and loss adjustment expenses	2,964	—	—	2,964	—	2,964
Commissions and other underwriting expenses	1,415	—	40	1,455	—	1,455
Interest charges on borrowed money	—	—	57	57	—	57
Expenses of MIEs	—	303	—	303	—	303
Other expenses	54	—	159	213	14	227
Total costs and expenses	4,433	303	256	4,992	14	5,006
Earnings before income taxes	947	—	(124)	823	(85)	738
Provision for income taxes	191	—	(25)	166	(17)	149
<b>Core Net Operating Earnings</b>	756	—	(99)	657		
<b>Non-core earnings (loss) (*):</b>						
Realized gains (losses) on securities, net of tax	—	—	(53)	(53)	53	—
Realized loss on subsidiary	(4)	—	—	(4)	4	—
Special A&E charge, net of tax	—	—	(12)	(12)	12	—
Gain on retirement of debt, net of tax	—	—	1	1	(1)	—
<b>Net Earnings</b>	<u>\$ 752</u>	<u>\$ —</u>	<u>\$ (163)</u>	<u>\$ 589</u>	<u>\$ —</u>	<u>\$ 589</u>

(\*) 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

AFG's property and casualty insurance operations contributed \$950 million in GAAP pretax earnings in the first nine months of 2024 compared to \$943 million in the first nine months of 2023, an increase of \$7 million. Property and casualty core pretax earnings were \$950 million in the first nine months of 2024 compared to \$947 million in the first nine months of 2023, an increase of \$3 million. The increase in GAAP pretax earnings reflects higher core pretax net earnings in the first nine months of 2024 compared to the first nine months of 2023. The increase in core pretax net earnings reflects higher investment income outside of alternative investments in the first nine months of 2024 compared to the first nine months of 2023, partially offset by lower underwriting profit, lower investment income from AFG's alternative investment portfolio (partnerships and similar investments and AFG-managed CLOs), lower other income and higher other expenses.

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

The following table details AFG's GAAP and core earnings before income taxes from its property and casualty insurance operations for the nine months ended September 30, 2024 and 2023 (dollars in millions):

	Nine months ended September 30,		% Change
	2024	2023	
Gross written premiums	\$ 8,490	\$ 7,664	11 %
Reinsurance premiums ceded	(2,811)	(2,417)	16 %
Net written premiums	5,679	5,247	8 %
Change in unearned premiums	(493)	(448)	10 %
Net earned premiums	5,186	4,799	8 %
Loss and loss adjustment expenses	3,274	2,964	10 %
Commissions and other underwriting expenses	1,494	1,415	6 %
<b>Underwriting gain</b>	418	420	— %
Net investment income	589	568	4 %
Other income and expenses, net	(57)	(41)	39 %
<b>Core earnings before income taxes</b>	950	947	— %
Realized loss on subsidiary	—	(4)	(100 %)
<b>GAAP earnings before income taxes</b>	<u>\$ 950</u>	<u>\$ 943</u>	1 %

	Nine months ended September 30,		
	2024	2023	Change
Combined Ratios:			
Specialty lines			
Loss and LAE ratio	63.1 %	61.8 %	1.3 %
Underwriting expense ratio	28.8 %	29.5 %	(0.7 %)
Combined ratio	91.9 %	91.3 %	0.6 %
Aggregate — including exited lines			
Loss and LAE ratio	63.1 %	61.8 %	1.3 %
Underwriting expense ratio	28.8 %	29.5 %	(0.7 %)
Combined ratio	91.9 %	91.3 %	0.6 %

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 \$8.49 billion for the first nine months of 2024 compared to \$7.66 billion for the first nine months of 2023, an increase of \$826 million (11%). Detail of AFG's property and casualty gross written premiums is shown below (dollars in millions):

	Nine months ended September 30,				
	2024		2023		
	GWP	%	GWP	%	% Change
Property and transportation	\$ 4,150	49 %	\$ 3,523	46 %	18 %
Specialty casualty	3,417	40 %	3,299	43 %	4 %
Specialty financial	923	11 %	842	11 %	10 %
	\$ 8,490	100 %	\$ 7,664	100 %	11 %

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Reinsurance Premiums Ceded

Reinsurance premiums ceded ("Ceded") for AFG's property and casualty insurance segment were 33% of gross written premiums in the first nine months of 2024 compared to 32% of gross written premiums for the first nine months of 2023, an increase of 1 percentage point. Detail of AFG's property and casualty reinsurance premiums ceded is shown below (dollars in millions):

	Nine months ended September 30,					
	2024		2023		Change in	
	Ceded	% of GWP	Ceded	% of GWP		
Property and transportation	\$ (1,738)	42 %	\$ (1,398)	40 %		2 %
Specialty casualty	(1,099)	32 %	(1,055)	32 %		— %
Specialty financial	(157)	17 %	(157)	19 %		(2 %)
Other specialty	183		193			
	<u>\$ (2,811)</u>	<u>33 %</u>	<u>\$ (2,417)</u>	<u>32 %</u>		<u>1 %</u>

#### Net Written Premiums

Net written premiums ("NWP") for AFG's property and casualty insurance segment were \$5.68 billion for the first nine months of 2024 compared to \$5.25 billion for the first nine months of 2023, an increase of \$432 million (8%). Detail of AFG's property and casualty net written premiums is shown below (dollars in millions):

	Nine months ended September 30,					
	2024		2023		% Change	
	NWP	%	NWP	%		
Property and transportation	\$ 2,412	42 %	\$ 2,125	40 %		14 %
Specialty casualty	2,318	41 %	2,244	43 %		3 %
Specialty financial	766	14 %	685	13 %		12 %
Other specialty	183	3 %	193	4 %		(5 %)
	<u>\$ 5,679</u>	<u>100 %</u>	<u>\$ 5,247</u>	<u>100 %</u>		<u>8 %</u>

#### Net Earned Premiums

Net earned premiums ("NEP") for AFG's property and casualty insurance segment were \$5.19 billion for the first nine months of 2024 compared to \$4.80 billion for the first nine months of 2023, an increase of \$387 million (8%). Detail of AFG's property and casualty net earned premiums is shown below (dollars in millions):

	Nine months ended September 30,					
	2024		2023		% Change	
	NEP	%	NEP	%		
Property and transportation	\$ 2,037	39 %	\$ 1,837	38 %		11 %
Specialty casualty	2,213	43 %	2,149	45 %		3 %
Specialty financial	753	14 %	623	13 %		21 %
Other specialty	183	4 %	190	4 %		(4 %)
	<u>\$ 5,186</u>	<u>100 %</u>	<u>\$ 4,799</u>	<u>100 %</u>		<u>8 %</u>

Gross written premiums for the first nine months of 2024 increased \$826 million (11%) compared to the first nine months of 2023. Year-over-year gross written premium growth was reported within each of the Specialty property and casualty sub-segments as a result of additional crop premiums from the CRS acquisition in the Property and transportation sub-segment and new business opportunities, increased exposures and a good renewal rate environment. Overall average renewal rates increased approximately 7% in the first nine months of 2024. Excluding the workers' compensation businesses, renewal pricing increased approximately 8%.

**Property and transportation** Gross written premiums increased \$627 million (18%) in the first nine months of 2024 compared to the first nine months of 2023. Year-over-year premium growth resulted from additional crop premium associated with the CRS acquisition as well as new business opportunities, a favorable rate environment and increased exposures in the commercial auto businesses and, to a lesser extent, in the property and inland marine and ocean marine businesses. Excluding crop premium, gross and net written premiums in this group grew by 7% and 6%, respectively. Average renewal rates increased approximately 8% for this group in the first nine months of 2024. Reinsurance premiums ceded as a percentage of gross written premiums increased 2 percentage points in the first nine months of 2024

compared to the first nine months of 2023 reflecting the impact of higher premiums in the crop business and growth in alternative risk transfer products in the transportation businesses, both of which cede a higher percentage of premiums than some of the other businesses in the Property and transportation sub-segment.

**Specialty casualty** Gross written premiums increased \$118 million (4%) in the first nine months of 2024 compared to the first nine months of 2023. The higher year-over-year premiums resulted primarily from growth in the excess and surplus, excess liability and certain targeted markets businesses as a result of rate increases, new business opportunities and strong policy retention. The mergers and acquisition business also benefited from an increase in mergers and acquisition activity. Average renewal rates increased approximately 6% for this group in the first nine months of 2024. Excluding overall rate decreases in the workers' compensation businesses, renewal rates for this group increased approximately 9%. Reinsurance premiums ceded as a percentage of gross written premiums were comparable in the first nine months of 2024 to the first nine months of 2023 reflecting lower cessions in the social services business, offset by the impact of higher premiums in the excess and surplus businesses, which cede a larger percentage of premiums than some of the other businesses in the Specialty casualty sub-segment and higher cessions in the public sector business.

**Specialty financial** Gross written premiums increased \$81 million (10%) in the first nine months of 2024 compared to the first nine months of 2023. Year-over-year growth in the financial institutions business was partially offset by a decision to pause writing of new intellectual property-related coverage in the innovative markets business. Average renewal rates increased approximately 7% for this group in the first nine months of 2024. Reinsurance premiums ceded as a percentage of gross written premiums decreased 2 percentage points in the first nine months of 2024 compared to the first nine months of 2023 reflecting lower gross written premiums in the innovative markets business, which cedes a larger percentage of premiums than some of the other businesses in the Specialty financial sub-segment.

**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 decreased \$10 million (5%) in the first nine months of 2024 compared to the first nine months of 2023, reflecting a decrease in premiums retained, primarily from businesses in the Specialty casualty sub-segment.

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Combined Ratio

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

	Nine months ended September 30,			Nine months ended September 30,	
	2024	2023	Change	2024	2023
Property and transportation					
Loss and LAE ratio	70.1 %	69.2 %	0.9 %		
Underwriting expense ratio	23.5 %	24.4 %	(0.9 %)		
Combined ratio	93.6 %	93.6 %	— %		
Underwriting profit				\$ 129	\$ 117
Specialty casualty					
Loss and LAE ratio	61.4 %	60.5 %	0.9 %		
Underwriting expense ratio	27.0 %	27.3 %	(0.3 %)		
Combined ratio	88.4 %	87.8 %	0.6 %		
Underwriting profit				\$ 258	\$ 261
Specialty financial					
Loss and LAE ratio	42.9 %	39.0 %	3.9 %		
Underwriting expense ratio	46.5 %	50.6 %	(4.1 %)		
Combined ratio	89.4 %	89.6 %	(0.2 %)		
Underwriting profit				\$ 80	\$ 65
Total Specialty					
Loss and LAE ratio	63.1 %	61.8 %	1.3 %		
Underwriting expense ratio	28.8 %	29.5 %	(0.7 %)		
Combined ratio	91.9 %	91.3 %	0.6 %		
Underwriting profit				\$ 422	\$ 421
Aggregate — including exited lines					
Loss and LAE ratio	63.1 %	61.8 %	1.3 %		
Underwriting expense ratio	28.8 %	29.5 %	(0.7 %)		
Combined ratio	91.9 %	91.3 %	0.6 %		
Underwriting profit				\$ 418	\$ 420

The Specialty property and casualty insurance operations generated an underwriting profit of \$422 million for the first nine months of 2024 compared to \$421 million for the first nine months of 2023, an increase of \$1 million. Higher underwriting profits in the Property and transportation and Specialty financial sub-segments were partially offset by lower underwriting profit in the Specialty casualty sub-segment and higher losses in the business assumed by AFG's internal reinsurance program. Overall catastrophe losses were \$161 million (3.1 points on the combined ratio), including \$1 million in net reinstatement premiums in the first nine months of 2024 compared to catastrophe losses of \$140 million (2.9 points), including \$2 million in net reinstatement premiums in the first nine months of 2023.

**Property and transportation** Underwriting profit for this group was \$129 million for the first nine months of 2024 compared to \$117 million for the first nine months of 2023, an increase of \$12 million (10%). Higher year-over-year underwriting profits in the property and inland marine and crop businesses were partially offset by lower underwriting profitability in the transportation businesses. Catastrophe losses were \$55 million (2.7 points on the combined ratio) in the first nine months of 2024 compared to \$48 million (2.7 points) in the first nine months of 2023.

**Specialty casualty** Underwriting profit for this group was \$258 million for the first nine months of 2024 compared to \$261 million for the first nine months of 2023, a decrease of \$3 million (1%). Higher year-over-year underwriting profits in the workers' compensation and the targeted markets businesses were more than offset by lower levels of favorable prior year reserve development in the executive liability business and social inflation driven adverse development in the umbrella and excess business. Catastrophe losses were \$37 million (1.8 points on the combined ratio), including \$1 million in net reinstatement premiums in the first nine months of 2024 compared to catastrophe losses of \$28 million (1.2 points), including \$2 million in net reinstatement premiums in the first nine months of 2023.

**Specialty financial** Underwriting profit for this group was \$80 million for the first nine months of 2024 compared to \$65 million for the first nine months of 2023, an increase of \$15 million (23%). This year over year increase reflects higher underwriting profit in the financial institutions business, partially offset by lower profitability in the innovative markets business. Catastrophe losses were \$64 million (8.4 points on the combined ratio) in the first nine months of 2024 compared to \$45 million (7.2 points) in the first nine months of 2023.

**Other specialty** This group reported an underwriting loss of \$45 million in the first nine months of 2024 compared to \$22 million in the first nine months of 2023, an increase of \$23 million (105%), 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 in the first nine months of 2024 compared to the first nine months of 2023. Catastrophe losses were \$5 million in the first nine months of 2024 compared to \$19 million in the first nine months of 2023.

**Aggregate** Aggregate underwriting results for AFG's property and casualty insurance segment includes adverse prior year reserve development of \$4 million in the first nine months of 2024 and \$1 million in the first nine months of 2023 related to business outside of the Specialty group that AFG no longer writes.

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Losses and Loss Adjustment Expenses

AFG's overall loss and LAE ratio was 63.1% for the first nine months of 2024 compared to 61.8% for the first nine months of 2023, an increase of 1.3 percentage points. The components of AFG's property and casualty losses and LAE amounts and ratio are detailed below (dollars in millions):

	Nine months ended September 30,				Change in Ratio
	Amount		Ratio		
	2024	2023	2024	2023	
Property and transportation					
Current year, excluding catastrophe losses	\$ 1,465	\$ 1,295	71.8 %	70.4 %	1.4 %
Prior accident years development	(91)	(72)	(4.4 %)	(3.9 %)	(0.5 %)
Current year catastrophe losses including the impact of net reinstatement premiums	55	48	2.7 %	2.7 %	— %
Property and transportation losses and LAE and ratio	<u>\$ 1,429</u>	<u>\$ 1,271</u>	<u>70.1 %</u>	<u>69.2 %</u>	0.9 %
Specialty casualty					
Current year, excluding catastrophe losses	\$ 1,368	\$ 1,348	61.7 %	62.7 %	(1.0 %)
Prior accident years development	(46)	(73)	(2.1 %)	(3.4 %)	1.3 %
Current year catastrophe losses including the impact of net reinstatement premiums	36	26	1.8 %	1.2 %	0.6 %
Specialty casualty losses and LAE and ratio	<u>\$ 1,358</u>	<u>\$ 1,301</u>	<u>61.4 %</u>	<u>60.5 %</u>	0.9 %
Specialty financial					
Current year, excluding catastrophe losses	\$ 262	\$ 222	34.9 %	35.6 %	(0.7 %)
Prior accident years development	(3)	(24)	(0.4 %)	(3.8 %)	3.4 %
Current year catastrophe losses including the impact of net reinstatement premiums	64	45	8.4 %	7.2 %	1.2 %
Specialty financial losses and LAE and ratio	<u>\$ 323</u>	<u>\$ 243</u>	<u>42.9 %</u>	<u>39.0 %</u>	3.9 %
Total Specialty					
Current year, excluding catastrophe losses	\$ 3,214	\$ 2,994	62.0 %	62.4 %	(0.4 %)
Prior accident years development	(104)	(169)	(2.0 %)	(3.5 %)	1.5 %
Current year catastrophe losses including the impact of net reinstatement premiums	160	138	3.1 %	2.9 %	0.2 %
Total Specialty losses and LAE and ratio	<u>\$ 3,270</u>	<u>\$ 2,963</u>	<u>63.1 %</u>	<u>61.8 %</u>	1.3 %
Aggregate — including exited lines					
Current year, excluding catastrophe losses	\$ 3,214	\$ 2,994	62.0 %	62.4 %	(0.4 %)
Prior accident years development	(100)	(168)	(1.9 %)	(3.5 %)	1.6 %
Current year catastrophe losses including the impact of net reinstatement premiums	160	138	3.0 %	2.9 %	0.1 %
Aggregate losses and LAE and ratio	<u>\$ 3,274</u>	<u>\$ 2,964</u>	<u>63.1 %</u>	<u>61.8 %</u>	1.3 %

#### Current accident year losses and LAE, excluding catastrophe losses

The current accident year loss and LAE ratio, excluding catastrophe losses, for AFG's Specialty property and casualty insurance operations was 62.0% for the first nine months of 2024 compared to 62.4% for the first nine months of 2023, a decrease of 0.4 percentage points.

**Property and transportation** The 1.4 percentage points increase in the loss and LAE ratio for the current year, excluding catastrophe losses, reflects growth in the crop business, which has a higher loss and LAE ratio than some of the other businesses in the Property and transportation sub-segment, higher reported losses in the commercial auto businesses and the impact of unusually low losses in the ocean marine business in the 2023 period.



**Specialty casualty** The 1.0 percentage points decrease in the loss and LAE ratio for the current year, excluding catastrophe losses, reflects improved results in the targeted markets and workers' compensation businesses, partially offset by higher losses in the excess and surplus businesses.

**Specialty financial** The 0.7 percentage points decrease in the loss and LAE ratio for the current year, excluding catastrophe losses, reflects growth in the financial institutions business, which has a lower loss and LAE ratio than some of the other businesses in the Specialty financial sub-segment, partially offset by lower growth in the fidelity and surety businesses and higher reported losses in 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 \$104 million in the first nine months of 2024 compared to \$169 million in the first nine months of 2023, a decrease of \$65 million (38%).

**Property and transportation** Net favorable reserve development of \$91 million in the first nine months of 2024 reflects lower than anticipated losses in the crop business, lower than expected claim severity in the property and inland marine and aviation businesses and lower than anticipated claim severity and frequency in the ocean marine business. Net favorable reserve development of \$72 million in the first nine months of 2023 reflects lower than anticipated losses in the crop business, lower than expected claim frequency and severity across the transportation businesses and lower than anticipated claim frequency in the property and inland marine business.

**Specialty casualty** Net favorable reserve development of \$46 million in the first nine months of 2024 reflects lower than anticipated claim severity in the workers' compensation businesses and lower than expected claim frequency and severity in the executive liability business, partially offset by higher than anticipated claim severity in the umbrella and excess liability businesses, public sector and general liability businesses and higher than expected claim frequency and severity in the social services business. Net favorable reserve development of \$73 million in the first nine months of 2023 reflects lower than anticipated claim severity in the workers' compensation businesses, lower than expected claim frequency in the executive liability and environmental businesses and favorable reserve development related to COVID-19 losses across several businesses, partially offset by higher than anticipated claim severity in the public sector and excess liability businesses.

**Specialty financial** Net favorable reserve development of \$3 million in the first nine months of 2024 reflects lower than anticipated claim frequency and severity in the fidelity and financial institutions businesses and lower than expected claim frequency in the trade credit business, partially offset by higher than anticipated claim severity in the innovative markets and surety businesses. Net favorable reserve development of \$24 million in the first nine months of 2023 reflects lower than anticipated claim frequency in the trade credit and financial institutions businesses and lower than expected claim frequency and severity in the surety business.

**Other specialty** In addition to the development discussed above, total Specialty prior year reserve development includes net adverse reserve development of \$36 million in the first nine months of 2024 and net favorable reserve development of less than \$1 million in the first nine months of 2023 associated with AFG's internal reinsurance program and the amortization of the deferred gain on the retroactive reinsurance transaction entered into in connection with the sale of a business in 1998. The net adverse reserve development in 2024 is primarily related to social inflation exposed business assumed from the Specialty casualty sub-segment.

**Aggregate** Aggregate net prior accident years reserve development for AFG's property and casualty insurance segment includes net adverse reserve development of \$4 million in the first nine months of 2024 and \$1 million in the first nine months of 2023 related to business outside the Specialty group that AFG no longer writes.

*Catastrophe losses*

Catastrophe losses of \$160 million in the first nine months of 2024 (before \$1 million in net reinstatement premiums) resulted primarily from Hurricane Helene and storms in multiple regions of the United States. Catastrophe losses of \$138 million in the first nine months of 2023 (before \$2 million in net reinstatement premiums) resulted primarily from storms in multiple regions of the United States.

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

#### Commissions and Other Underwriting Expenses

AFG's property and casualty commissions and other underwriting expenses ("U/W Exp") were \$1.49 billion in the first nine months of 2024 compared to \$1.42 billion for the first nine months of 2023, an increase of \$79 million (6%). AFG's underwriting expense ratio was 28.8% for the first nine months of 2024 compared to 29.5% for the first nine months of 2023, a decrease of 0.7 percentage points. Detail of AFG's property and casualty commissions and other underwriting expenses and underwriting expense ratios is shown below (dollars in millions):

	Nine months ended September 30,				Change in
	2024		2023		
	U/W Exp	% of NEP	U/W Exp	% of NEP	
Property and transportation	\$ 479	23.5 %	\$ 449	24.4 %	(0.9 %)
Specialty casualty	597	27.0 %	587	27.3 %	(0.3 %)
Specialty financial	350	46.5 %	315	50.6 %	(4.1 %)
Other specialty	68	36.5 %	64	33.0 %	3.5 %
	\$ 1,494	28.8 %	\$ 1,415	29.5 %	(0.7 %)

**Property and transportation** Commissions and other underwriting expenses as a percentage of net earned premiums decreased 0.9 percentage points in the first nine months of 2024 compared to the first nine months of 2023 reflecting the impact of higher earned premiums on the ratio, including in the crop business that has a lower commissions and other underwriting expense ratio compared to some of the other businesses in the Property and transportation sub-segment and lower average commission rates in the transportation businesses.

**Specialty casualty** Commissions and other underwriting expenses as a percentage of net earned premiums decreased 0.3 percentage points in the first nine months of 2024 compared to the first nine months of 2023 reflecting lower overall commission rates due to a change in the mix of business, partially offset by the impact of lower earned premiums in the workers' compensation businesses on the ratio.

**Specialty financial** Commissions and other underwriting expenses as a percentage of net earned premiums decreased 4.1 percentage points in the first nine months of 2024 compared to the first nine months of 2023 due primarily to the impact of higher earned premiums in the financial institutions business on the ratio and lower average commission rates in certain businesses.

#### Property and Casualty Net Investment Income

Net investment income in AFG's property and casualty insurance operations was \$589 million in the first nine months of 2024 compared to \$568 million in the first nine months of 2023, an increase of \$21 million (4%). 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):

	Nine months ended September 30,		Change	% Change
	2024	2023		
Net investment income:				
Net investment income, excluding alternative investments	\$ 464	\$ 410	\$ 54	13 %
Alternative investments	125	158	(33)	(21 %)
Total net investment income	<u>\$ 589</u>	<u>\$ 568</u>	<u>\$ 21</u>	<u>4 %</u>
Average invested assets (at amortized cost)	<u>\$ 15,389</u>	<u>\$ 14,624</u>	<u>\$ 765</u>	<u>5 %</u>
Yield (net investment income as a % of average invested assets)	<u>5.10 %</u>	<u>5.18 %</u>	<u>(0.08 %)</u>	
Tax equivalent yield (*)	<u>5.16 %</u>	<u>5.25 %</u>	<u>(0.09 %)</u>	

(\*) 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 for the first nine months of 2024 compared to the first nine months of 2023 reflects the impact of higher balances of invested assets and higher returns on fixed maturity investments, partially offset by lower returns on AFG's alternative investments portfolio (partnerships and similar investments and AFG-managed CLOs). The property and casualty insurance segment's overall yield on

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

investments (net investment income as a percentage of average invested assets) was 5.10% for the first nine months of 2024 compared to 5.18% for the first nine months of 2023, a decrease of 0.08 percentage points reflecting lower returns on alternative investments, partially offset by higher returns on fixed maturity investments. The annualized return earned on alternative investments (partnerships and similar investments and AFG-managed CLOs) was 6.5% in the first nine months of 2024 compared to 9.2% 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 \$57 million for the first nine months of 2024 compared to \$41 million for the first nine months of 2023, an increase of \$16 million (39%). The table below details the items included in other income and expenses, net for AFG's property and casualty insurance operations (in millions):

	Nine months ended September 30,	
	2024	2023
<b>Other income</b>	<b>\$ 6</b>	<b>\$ 13</b>
<b>Other expenses:</b>		
Amortization of intangibles	14	11
Interest expense on funds withheld	38	29
Acquisition expenses related to CRS	—	3
Other	11	11
<b>Total other expenses</b>	<b>63</b>	<b>54</b>
<b>Other income and expenses, net</b>	<b>\$ (57)</b>	<b>\$ (41)</b>

The decrease in other income in the first nine months of 2024 compared to the first nine months of 2023 is due primarily to death benefits received on a company-owned life insurance policy in the first quarter and third quarter of 2023. The higher amortization of intangibles in the first nine months of 2024 compared to the first nine months of 2023 reflects the acquisition of CRS in July 2023. The \$9 million (31%) increase in interest expense on funds withheld in the first nine months of 2024 compared to the first nine months of 2023 reflects the impact of higher interest rates paid on funds withheld.

#### 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 \$156 million in the first nine months of 2024 compared to \$138 million in the first nine months of 2023, an increase of \$18 million (13%). AFG's net core pretax loss outside of its property and casualty insurance segment (excluding realized gains and losses) totaled \$142 million in the first nine months of 2024 compared to \$124 million in the first nine months of 2023, an increase of \$18 million (15%).

## AMERICAN FINANCIAL GROUP, INC. 10-Q

### Management's Discussion and Analysis of Financial Condition and Results of Operations — Continued

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 nine months ended September 30, 2024 and 2023 (dollars in millions):

	Nine months ended September 30,		
	2024	2023	% Change
<b>Revenues:</b>			
Net investment income	\$ 22	\$ 33	(33 %)
Other income — P&C fees	83	83	— %
Other income	12	16	(25 %)
Total revenues	117	132	(11 %)
<b>Costs and Expenses:</b>			
Property and casualty insurance — loss adjustment and underwriting expenses	38	40	(5 %)
Other expense — expenses associated with P&C fees	45	43	5 %
Other expenses (*)	119	116	3 %
Costs and expenses, excluding interest charges on borrowed money	202	199	2 %
Loss before income taxes, excluding realized gains and losses and interest charges on borrowed money	(85)	(67)	27 %
Interest charges on borrowed money	57	57	— %
<b>Core loss before income taxes, excluding realized gains and losses</b>	(142)	(124)	15 %
Pretax non-core special A&E charge	(14)	(15)	(7 %)
Pretax non-core gain on retirement of debt	—	1	(100 %)
<b>GAAP loss before income taxes, excluding realized gains and losses</b>	\$ (156)	\$ (138)	13 %

(\*) Excludes a pretax non-core special A&E charge of \$14 million in the first nine months of 2024 and a pretax non-core special A&E charge of \$15 million and a pretax non-core gain on retirement of debt of \$1 million in the first nine months of 2023.

#### Holding Company and Other — Net Investment Income

AFG recorded net investment income on investments held outside of its property and casualty insurance segment of \$22 million in the first nine months of 2024 compared to \$33 million in the first nine months of 2023, a decrease of \$11 million (33%) reflecting the impact of lower average investment balances.

#### 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 first nine months of 2024, AFG collected \$72 million in fees for these services compared to \$68 million in the first nine months of 2023. Management views this fee income, net of the \$45 million in the first nine months of 2024 and \$43 million in the first nine months of 2023 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 earned \$11 million and \$15 million during the first nine months of 2024 and 2023, respectively, in fees as compensation for providing services related to the administration of crop insurance business generated by CRS for its former owner prior to the acquisition date. 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 \$9 million and \$12 million in the first nine months of 2024 and the first nine months of 2023, respectively, 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 \$3 million in the first nine months of 2024 compared to \$4 million in the first nine months of 2023, a decrease of \$1 million (25%).

### Holding Company and Other — Other Expenses

Excluding the non-core special A&E charges and 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 \$119 million in the first nine months of 2024 compared to \$116 million in the first nine months of 2023, an increase of \$3 million (3%). Other expenses for the 2024 period includes a \$4 million charge to increase liabilities related to AFG's former railroad and manufacturing operations.

### 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 \$57 million in both the first nine months of 2024 and the first nine months of 2023.

### Holding Company and Other — Special A&E Charges

See "Holding Company and Other — Special A&E Charges" under "Results of Operations — Holding Company, Other and Unallocated" for the quarters ended September 30, 2024 and 2023 for a discussion of the \$14 million and \$15 million pretax non-core special A&E charges recorded in the third quarter of 2024 and the third quarter of 2023, respectively.

### Holding Company and Other — Gain on Retirement of Debt

During the first nine months of 2023, AFG repurchased \$23 million principal amount of its senior notes, which resulted in a \$2 million pretax non-core gain and recorded a \$1 million pretax non-core loss related to the write-off of debt issue costs associated with its previous revolving credit facility, which was replaced in June 2023.

### Realized Gains (Losses) on Securities

AFG's realized gains (losses) on securities were net gains of \$10 million in the first nine months of 2024 compared to net losses of \$67 million in the first nine months of 2023, a change of \$77 million (115%). Realized gains (losses) on securities consisted of the following (in millions):

	Nine months ended September 30,	
	2024	2023
Realized gains (losses) before impairment allowances:		
Disposals	\$ (4)	\$ (31)
Change in the fair value of equity securities	29	(23)
Change in the fair value of derivatives	2	(4)
	27	(58)
Change in allowance for impairments on securities	(17)	(9)
Realized gains (losses) on securities	\$ 10	\$ (67)

The \$31 million net realized loss from disposals in the first nine months of 2023 includes losses of \$15 million from the sale of investments in banks and \$5 million from the sale of municipal bonds.

The \$29 million net realized gain from the change in the fair value of equity securities in the first nine months of 2024 includes gains of \$19 million on investments in banks and financing companies, \$5 million on investments in natural gas companies and \$5 million on investments in healthcare companies. The \$23 million net realized loss from the change in the fair value of equity securities in the first nine months of 2023 includes losses of \$13 million on investments in media companies, \$8 million on investments in banks and financing companies, \$8 million on investments in healthcare companies and \$3 million on investments in energy companies, partially offset by gains of \$3 million on investments in capital goods companies and \$3 million on investments in natural gas companies.

The \$17 million change in allowance for impairments on securities in the first nine months of 2024 relates primarily to an allowance taken on corporate bonds from a single issuer in the financial sector.

### Realized Loss on Subsidiaries

In the second quarter of 2024, AFG recorded \$4 million in net tax expense related to a pending IRS settlement regarding the sale of a subsidiary in a prior year.

During the third quarter of 2023, AFG recorded a realized loss on subsidiary of \$4 million, consisting of a \$26 million goodwill impairment charge, partially offset by a \$22 million reduction in the fair value contingent consideration liability, both related to AFG's investment in Verikai.

## Consolidated Income Taxes

AFG's consolidated provision for income taxes was \$172 million for the first nine months of 2024 compared to \$149 million for the first nine months of 2023, an increase of \$23 million (15%). See Note K — "Income Taxes" to the financial statements for an analysis of items affecting AFG's effective tax rate.

## ACCOUNTING STANDARDS TO BE ADOPTED

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-07 ("ASU 2023-07"), *Improvements to Reportable Segment Disclosures*. ASU 2023-07 will require enhanced disclosures about significant segment expenses and a description of the composition of other segment expenses by business segment. ASU 2023-07 also requires disclosure of the title and position of the chief operating decision maker ("CODM") and an explanation of how the CODM uses the reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and is to be applied on a retrospective basis. As of September 30, 2024, AFG has not adopted ASU 2023-07. Management is evaluating the impact of the standard to the segment reporting disclosures. Since ASU 2023-07 only requires additional disclosure, the adoption of this guidance will not have an impact on AFG's results of operations or financial condition.

In December 2023, the FASB issued ASU No. 2023-09 ("ASU 2023-09"), *Improvements to Income Tax Disclosures*. ASU 2023-09 is intended to improve income tax disclosures by requiring (i) consistent categories and greater disaggregation of information in the rate reconciliation presented in both dollar and percentage terms; (ii) the disaggregation of income taxes paid (net of refunds received), income (loss) before income taxes and income taxes by jurisdiction (federal, state and foreign taxes); and (iii) further disaggregation of income taxes paid by any individual jurisdiction equal to or exceeding five percent of total income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and is required to be applied prospectively with the option of retrospective application. As of September 30, 2024, AFG has not adopted ASU 2023-09. Management is evaluating the impact of the standard to the income tax disclosures. Since ASU 2023-09 only requires additional disclosure, the adoption of this guidance will not have an impact on AFG's results of operations or financial condition.

## ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

As of September 30, 2024, there were no material changes to the information provided in *Item 7A — Quantitative and Qualitative Disclosures about Market Risk* of AFG's 2023 Form 10-K.

Consistent with the discussion in *Item 2 — 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 September 30, 2024 (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.

Fair value of fixed maturity portfolio	\$	10,513
Percentage impact on fair value of 100 bps increase in interest rates		(3.0 %)
Pretax impact on fair value of fixed maturity portfolio	\$	(315)

## ITEM 4. 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 third fiscal quarter of 2024 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. There have been no changes in AFG's business processes and procedures during the third fiscal quarter of 2024 that have materially affected, or are reasonably likely to materially affect, AFG's internal control over financial reporting.

### PART II OTHER INFORMATION

## ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

**Issuer Purchases of Equity Securities** AFG did not repurchase any shares of its Common Stock during the first nine months of 2024. As of September 30, 2024, there are 5,729,010 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 47,870 shares of its Common Stock (at an average of \$126.38 per share) in the first quarter of 2024, 21 shares (at \$129.03 per share) in the second quarter of 2024, 4,184 shares (at an average of \$123.59 per share) in July 2024, 319 shares (at \$131.82 per share) in August 2024 and 968 shares (at an average of \$133.63 per share) in September 2024 in connection with its stock incentive plans.

## ITEM 5. Other Information

During the three months ended September 30, 2024, none of the Company's directors or officers adopted, terminated or modified a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

## ITEM 6. Exhibits

<u>Number</u>	<u>Exhibit Description</u>
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).

### Signature

Pursuant to the requirements 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.

November 8, 2024

By: /s/ Brian S. Hertzman  
Brian S. Hertzman  
Senior Vice President and Chief Financial Officer



**AMERICAN FINANCIAL GROUP, INC. 10-Q  
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS**

I, Carl H. Lindner III, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

November 8, 2024

By: /s/ Carl H. Lindner III

Carl H. Lindner III

Co-Chief Executive Officer

**AMERICAN FINANCIAL GROUP, INC. 10-Q  
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS**

I, S. Craig Lindner, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

November 8, 2024

By: /s/ S. Craig Lindner

S. Craig Lindner

Co-Chief Executive Officer

**AMERICAN FINANCIAL GROUP, INC. 10-Q  
SARBANES-OXLEY SECTION 302(a) CERTIFICATIONS**

I, Brian S. Hertzman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

November 8, 2024

By: /s/ Brian S. Hertzman

Brian S. Hertzman

Senior Vice President and Chief Financial Officer

**AMERICAN FINANCIAL GROUP, INC. 10-Q**  
**CERTIFICATION OF CHIEF EXECUTIVE OFFICERS 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 Quarterly Report of American Financial Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 (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.

November 8, 2024

Date

By: /s/ S. Craig Lindner

S. Craig Lindner

Co-Chief Executive Officer

November 8, 2024

Date

By: /s/ Carl H. Lindner III

Carl H. Lindner III

Co-Chief Executive Officer

November 8, 2024

Date

By: /s/ Brian S. Hertzman

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.**