

AMERICAN FINANCIAL GROUP INC  
Form DEF 14A  
April 07, 2017

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

## SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Section 240.14a-12

## AMERICAN FINANCIAL GROUP, INC.

(Name of Registrant as Specified In Its Charter) (Name of Person(s) Filing Proxy Statement if other than the Registrant)

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- x No fee required.
  - o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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TABLE OF CONTENTS

**2017**

**American Financial Group, Inc.  
Annual Meeting of Shareholders**

**Meeting Notice  
Proxy Statement**

---

TABLE OF CONTENTS

## Notice of 2017 Annual Meeting of Shareholders

Cincinnati, Ohio  
April 7, 2017

Dear Shareholder:

We invite you to attend our annual meeting of shareholders on Tuesday, May 23, 2017, in Cincinnati, Ohio for the following purposes:

1. To elect 11 directors;
2. To ratify our independent registered public accounting firm;
3. To approve on an advisory basis our named executive officer compensation; and
4. To conduct an advisory vote on the frequency of holding future advisory votes on named executive officer compensation.

Shareholders will also transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

This year we are again providing access to our proxy materials over the Internet under the U.S. Securities and Exchange Commission notice and access rules. As a result, we are mailing to most of our shareholders a notice instead of a paper copy of this proxy statement and our 2016 Annual Report. The notice contains instructions on how to access those documents over the Internet. The notice also instructs you on how to submit your proxy over the Internet. We believe that continuing to employ this distribution process allows us to provide our shareholders with the information they need in a more timely manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials. If you received a notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the notice.

We want your shares to be represented at the meeting and urge you to vote using our Internet or telephone voting systems or by promptly returning a properly completed proxy card.

Karl J. Grafe  
Vice President and Secretary

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TABLE OF CONTENTS

# ANNUAL MEETING OF SHAREHOLDERS

AMERICAN FINANCIAL GROUP, INC.  
Great American Insurance Group Tower  
301 East Fourth Street  
Cincinnati, Ohio 45202

In connection with the annual meeting, we will report on our operations and you will have an opportunity to meet your Company's directors and senior executives.

This booklet includes the formal notice of the annual meeting and the proxy statement. The proxy statement tells you more about the agenda and procedures for the annual meeting. It also describes how your Board of Directors operates and provides information about the director candidates.

The approximate availability date of the proxy statement and the proxy card is April 7, 2017. **Your vote is important.** Whether or not you plan to attend the annual meeting, the Board of Directors urges you to vote via the Internet, by telephone or by returning a proxy card. **If you vote via the Internet or by telephone, do not return your proxy card.** You may revoke your proxy at any time before the vote is taken at the annual meeting provided that you comply with the procedures set forth in the proxy statement which accompanies this notice of annual meeting of shareholders. If you attend the annual meeting, you may either vote by proxy or vote in person.

Without instructions from the beneficial owner, a broker, bank or other nominee is not permitted to vote on the election of directors, the advisory resolution to approve named executive officer compensation or the advisory vote on the frequency of holding future advisory votes on named executive officer compensation. Therefore, if your shares are held in the name of your broker, bank or other nominee, unless you vote your shares, your shares will not be voted regarding these proposals.

**We encourage you to read the proxy statement and vote your shares as soon as possible.**

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## TABLE OF CONTENTS

### AMERICAN FINANCIAL GROUP, INC.

#### **2017 Proxy Statement Summary**

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information you should consider. You should read the entire proxy statement carefully before voting.

## **General Information**

**Meeting:** Annual Meeting of Shareholders

**Date:** May 23, 2017

**Time:** 11:00 a.m. Eastern Time

**Location:** Great American Insurance Group Tower, 18<sup>th</sup> Floor, 301 East Fourth Street, Cincinnati, Ohio

**Record Date:** March 27, 2017

**Common Shares Outstanding:** 87,587,664 shares (excluding 14,940,627 held by our subsidiaries which are not entitled to vote)

**Stock Symbol:** AFG

**Exchange:** NYSE

**State of Incorporation:** Ohio

**Corporate Website:** [www.AFGinc.com](http://www.AFGinc.com)

## **Corporate Governance**

**Director Term:** One year

**Director Election Standard:** Majority vote

**Board Meetings in 2016:** 11

**Board Committees (Meetings in 2016):**

Audit (7), Compensation (3), Governance (4)

General Information

**Corporate Governance Materials:** [www.AFGinc.com](http://www.AFGinc.com) Company

## Items to be Voted On

**1. Election of 11 Directors**

*Director Nominees:*

Carl H. Lindner III  
S. Craig Lindner  
Kenneth C. Ambrecht (Independent)  
John B. Berding  
Joseph E. (Jeff) Consolino  
Virginia Gina C. Drosos (Independent)  
James E. Evans  
Terry S. Jacobs (Independent)  
Gregory G. Joseph (Independent)  
William W. Verity (Independent)  
John I. Von Lehman (Independent)

- 2. Ratification of Independent Registered Public Accounting Firm**  
**3. Advisory Vote to Approve Compensation of Named Executive Officers ( Say-on-Pay )**  
**4. Advisory Vote on Frequency of Say-on-Pay Vote ( Say-on-Frequency )**

## Company Communications

**Company Secretary:** By mail to:

Karl J. Grafe  
Vice President, Assistant General  
Counsel & Secretary  
American Financial Group, Inc.  
Great American Insurance Group Tower  
301 East Fourth Street, 27<sup>th</sup> Floor  
Cincinnati, Ohio 45202

**Board:** By mail to the Company Secretary at the above address or:

Gregory G. Joseph  
Chairman of the Audit Committee  
American Financial Group, Inc.  
Great American Insurance Group Tower

301 East Fourth Street  
Cincinnati, Ohio 45202

i

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TABLE OF CONTENTS

**Proxy Statement**

**Table of Contents**

<u>Information about the Annual Meeting and Voting</u>	<u>1</u>
<b>Proposals</b>	
<u>Proposal No. 1 Election of 11 Directors</u>	<u>4</u>
<u>Proposal No. 2 Ratification of Independent Registered Public Accounting Firm</u>	<u>10</u>
<u>Proposal No. 3 Advisory Vote on Compensation of our Named Executive Officers</u>	<u>10</u>
<u>Proposal No. 4 Advisory Vote on Frequency of Say-on-Pay Vote</u>	<u>11</u>
<b>Company Information</b>	
<u>Management</u>	<u>12</u>
<u>Board of Directors and Committees</u>	<u>12</u>
<u>Committees of the Board</u>	<u>12</u>
<u>Audit Committee Report</u>	<u>14</u>
<u>Director Compensation and Stock Ownership Guidelines</u>	<u>15</u>
<u>Corporate Governance</u>	<u>16</u>
<u>Security Ownership of Certain Beneficial Owners and Management</u>	<u>20</u>
<b><u>Compensation Discussion and Analysis</u></b>	<u>22</u>
<b>Executive Compensation</b>	
<u>Summary Compensation Table</u>	<u>37</u>
<u>Potential Payments upon Termination or Change in Control</u>	<u>38</u>
<u>Grants of Plan-Based Awards</u>	<u>39</u>
<u>Outstanding Equity Awards at Fiscal Year-End</u>	<u>40</u>
<u>Option Exercises and Stock Vested</u>	<u>41</u>
<u>Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans</u>	<u>41</u>
<u>Compensation Committee Report</u>	<u>42</u>
<u>Equity Compensation Plan Information</u>	<u>42</u>
<b>Other Matters</b>	
<u>Electronic Access to Proxy Materials and Annual Report</u>	<u>43</u>
<u>Copies of Annual Report on Form 10-K</u>	<u>43</u>
<u>Submitting Shareholder Proposals for the 2018 Annual Meeting of Shareholders</u>	<u>43</u>

## TABLE OF CONTENTS

### **Information about the Annual Meeting and Voting**

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on Tuesday, May 23, 2017. The Proxy Statement and Annual Report to Shareholders and Form 10-K (the Proxy Materials ) are available at [www.AFGinc.com](http://www.AFGinc.com).

## **Why did I receive these proxy materials?**

You received these proxy materials because you are a shareholder of the Company. The Board is providing these proxy materials to you in connection with our annual meeting to be held on May 23, 2017. As a shareholder of the Company, you are entitled to vote on the important proposals described in this proxy statement. Since it is not practical for all shareholders to attend the annual meeting and vote in person, the Board is seeking your proxy to vote on these matters.

## **What is a proxy?**

A proxy is your legal designation of another person ( proxy ) to vote the common shares you own at the annual meeting in the manner that you direct. By completing and returning the proxy card(s), which identifies the individuals authorized to act as your proxy, you are giving each of those individuals the authority to vote your common shares as you have instructed. By voting via proxy, each shareholder is able to cast his or her vote without having to attend the annual meeting in person.

## **Why did I receive more than one proxy card?**

You will receive multiple proxy cards if you hold your common shares in different ways (*e.g.*, trusts, custodial accounts, joint tenancy) or in multiple accounts. If your common shares are held by a broker or bank (*i.e.*, in street name ), you will receive your proxy card and other voting information from your broker, bank, trust, or other nominee. It is important that you complete, sign, date, and return each proxy card you receive, or vote using the telephone, or by using the Internet (as described in the instructions included with your proxy card(s) or in the notice).

## **Why didn't I receive paper copies of the proxy materials?**

As permitted by the Securities and Exchange Commission, we are making this proxy statement and our annual report available to our shareholders electronically via the Internet. We believe this delivery method expedites your receipt of materials, while also lowering costs and reducing the environmental impact of our annual meeting. The notice of electronic availability contains instructions on how to access this proxy statement and our annual report and how to vote online.

If you received a notice by mail, you will not receive a printed copy of the proxy materials unless you request one in accordance with the instructions provided in the notice. The notice has been mailed to shareholders on or about April 7, 2017, and provides instructions on how you may access the proxy materials on the Internet.

## **What is the record date and what does it mean?**

The Board established March 27, 2017 as the record date for the annual meeting of shareholders to be held on May 23, 2017. Shareholders who own common shares of the Company at the close of business on the record date are entitled to notice of and to vote at the annual meeting.

## **What is the difference between a registered shareholder and a street name shareholder ?**

These terms describe how your common shares are held. If your common shares are registered directly in your name with American Stock Transfer & Trust Company, our transfer agent, you are a registered shareholder. If your common shares are held in the name of a broker, bank or other nominee as a custodian, you are a street name shareholder.

## **How many common shares are entitled to vote at the annual meeting?**

As of the record date, there were 87,587,664 common shares outstanding and eligible to vote. This number does not include 14,940,627 common shares held by subsidiaries of AFG which, under Ohio law, are not entitled to vote and are not considered to be outstanding for purposes of the meeting.

## **How many votes must be present to hold the annual meeting?**

A majority of the Company's outstanding common shares as of the record date must be present in order for us to hold the annual meeting. This is called a quorum. Broker non-votes and abstentions are counted as present for purposes of determining whether a quorum exists. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power for the particular item and has not received instructions from the beneficial owner.

Proposal 2 (Ratification of Independent Registered Public Accounting Firm) is the

2017 Proxy Statement | General Information

pg. 1

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## TABLE OF CONTENTS

only routine matter on this year's ballot that may be voted on by brokers, banks or other nominees without instructions from beneficial owners.

### **What vote is required to approve each proposal?**

Shareholders are entitled to one vote per common share on all matters submitted for consideration at the annual meeting. The affirmative vote of a majority of the common shares represented in person or by proxy at the annual meeting is required for the election of directors, approval of the advisory resolution to approve named executive officers' compensation and the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2017.

Abstentions and broker non-votes will not count as a vote for or against any of these proposals.

The advisory vote on the frequency of say-on-pay votes (every one year, every two years or every three years) is a plurality vote, and we will consider shareholders to have expressed a non-binding preference for the frequency option that receives the most favorable votes. Abstentions will have the same effect as not expressing a preference.

### **What if a nominee for director fails to receive more votes in favor of election than votes against election?**

Nominees for director in uncontested elections must receive more votes in favor of election than votes against election. If a nominee fails to receive more votes in favor than votes against election, our Regulations require the nominee to promptly tender his or her resignation to the Board. Our Corporate Governance Committee will then make a recommendation to the full Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. Our Board of Directors will then decide whether to accept or reject the resignation, taking into account the Corporate Governance Committee's recommendation. The determination of our Board of Directors and the rationale behind the decision will be publicly disclosed (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) within 90 days from the date of the certification of the election results of our meeting. If the incumbent director's resignation is not accepted by our Board of Directors, the director will continue to serve until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by our Board of Directors, then our Board of Directors may fill any resulting vacancy or decrease the size of the Board of Directors.

### **Where will I be able to find voting results of the annual meeting?**

We will announce preliminary voting results at the annual meeting. We will also publish final voting results in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission (SEC) within four business days after the annual meeting.

### **How do I vote my common shares?**

(1) *Via Internet:* Go to [www.proxyvote.com](http://www.proxyvote.com) to vote via the Internet. You will need to follow the instructions on your notice or proxy card and the website. If you vote via the Internet, you may incur telephone and Internet access charges.

How many votes must be present to hold the annual meeting?

(2) *By Telephone*: Call the toll-free telephone number on the proxy card or the website to vote by telephone. You will need to follow the instructions and the voice prompts.

(3) *By Mail*: Request, complete and return a paper proxy card, following the instructions on your notice.

(4) *In Person*: Attend the annual meeting, or send a personal representative with an appropriate proxy, to vote by ballot.

If you vote via the Internet or by telephone, your electronic vote authorizes the named proxies in the same manner as if you signed, dated and returned your proxy card. If you vote via the Internet or by telephone, do not return your proxy card.

If your shares are held in street name (that is, in the name of a bank, broker or other holder of record), you will receive instructions from the holder of record that you must follow in order for your shares to be voted, or you may request the record holder to issue you a proxy covering your shares.

## **Can I change my vote after I have mailed in my proxy card(s) or submitted my vote using the Internet or telephone?**

Yes, whether you vote by mail, via the Internet or by telephone, you may revoke your proxy at any time before it is voted by submitting a new proxy with a later date, voting via the Internet or by telephone at a later time, delivering a written notice of revocation to the Company's Secretary, at the address set forth above under 2017 Proxy Statement Summary Company Communications or by voting in person at the meeting.

## **What if I hold shares through the Company's 401(k) Retirement and Savings Plan?**

If you are a participant in the Company's 401(k) Retirement and Savings Plan (RASP) with a balance in the AFG Common Stock Fund, the accompanying proxy card

2017 Proxy Statement | General Information

pg. 2

---

## TABLE OF CONTENTS

shows the number of common shares attributed to your RASP account balance, calculated as of the record date. In order for your RASP shares to be voted in your discretion, you must vote at least two business days prior to the day of the meeting (by the end of the day on May 19, 2017) either by Internet, telephone, or returned properly signed proxy card. If you choose not to vote or if you return an invalid or unvoted proxy card, the Administrative Plan Committee, consisting of three current or former senior officers of the Company, will vote your RASP shares in the Committee's sole discretion. Plan participants' votes will be processed by the plan trustee and will not be disclosed to the Company.

## **How will my proxy be voted?**

If you complete, sign, date, and return your proxy card(s) or vote by telephone or by using the Internet, your proxy will be voted in accordance with your instructions. If you sign and date your proxy card(s) but do not indicate how you want to vote, your common shares will be voted for each of the proposals as the Board recommends.

## **What if my common shares are held in street name through a broker, bank or other nominee?**

If your common shares are held in street name through a broker, bank or other nominee, you must instruct the broker, bank or other nominee how you would like to vote your shares by using the written instruction form and envelope provided by such entity. If you do not provide instructions, under the rules of the New York Stock Exchange ( NYSE ), your broker, bank or other nominee may, but is not required to, vote your common shares with respect to certain routine matters. However, on other matters, when the broker, bank or other nominee has not received voting instructions from its customers, the shares cannot be voted on the matter and a broker non-vote occurs. Proposal 2 (Ratification of Independent Registered Public Accounting Firm) is the only routine matter on this year's ballot to be voted on by the shareholders. **Proposals 1, 3 and 4 are not considered routine matters under the NYSE rules. This means that brokers, banks or other nominees may not vote your common shares on such proposals if you have not given specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker, bank or other nominee so that your votes can be counted.** If you hold your common shares in the name of your broker, bank or other nominee and wish to vote in person at the annual meeting, you must request from such entity a document called a legal proxy. You must bring this legal proxy to the annual meeting in order to vote in person.

## **What are the Board's recommendations on how I should vote my common shares?**

The Board recommends that you vote your common shares as follows:

FOR the election of the 11 nominees proposed for the Board of Directors;

FOR the ratification of the Company's independent registered public accounting firm;

FOR the approval, on an advisory basis, of compensation of our named executive officers as disclosed in this proxy statement; and

FOR the approval, on an advisory basis, of holding future advisory votes on named executive officer compensation EVERY ONE YEAR.

## **Do I have an opportunity to cumulate my votes for director nominees?**

Cumulative voting allows a shareholder to multiply the number of shares owned on the record date by the number of directors to be elected and to cast the total for one nominee or distribute the votes among the nominees as the shareholder desires. Shareholders of the Company have cumulative voting rights in the election of directors if certain conditions are met. In order for cumulative voting to apply, notice of cumulative voting must be given in writing to the Company's Corporate Secretary not less than 48 hours before the time fixed for the holding of the meeting. As of the date of this proxy statement, the Company has not received a notice from any shareholder requesting cumulative voting. If proper notice of cumulative voting is received by the Company, the 11 nominees who receive the greatest number of votes will be elected, subject to the tender of resignation and related procedures set forth above with respect to incumbent directors who fail to receive more votes in favor than votes withheld. The authority solicited by this proxy statement includes discretionary authority to cumulate votes in the election of directors. If cumulative voting is in effect with respect to the election of directors, the named proxies reserve the right to cumulate the votes represented by the proxies they receive and distribute such votes in accordance with their sole discretion, except that shareholders votes will not be cast for a nominee as to whom such shareholder instructs that such votes be cast AGAINST or ABSTAIN.

## **Who may attend the annual meeting?**

All shareholders are eligible to attend the annual meeting. However, only those shareholders of record at the close of business on March 27, 2017 are entitled to vote at the annual meeting.

2017 Proxy Statement | General Information

pg. 3

---

TABLE OF CONTENTS

**Proposals**

**Proposal No. 1 Election of 11 Directors**

The Board of Directors oversees the management of the Company on your behalf. The Board reviews AFG's long-term strategic plans and exercises direct decision-making authority in key areas such as choosing the Co-Chief Executive Officers, setting the scope of their authority to manage the Company's business day-to-day, and evaluating senior management performance.

Upon the recommendation of the Corporate Governance Committee, the Board of Directors has nominated 11 individuals to hold office until the next annual meeting of shareholders and until their successors are elected and qualified. If any of the nominees should become unable to

serve as a director, the proxies will be voted for any substitute nominee designated by the Board of Directors but, in any event, no proxy may be voted for more than 11 nominees. Each nominee brings a strong and unique background and set of qualifications to the Board, giving the Board as a whole competence and experience in a wide variety of areas central to the Company's businesses, including corporate governance and board service, executive management and entrepreneurial experience and insurance, finance, legal and accounting expertise.

The nominees for election to the Board of Directors are as follows:

**Carl H. Lindner III**

**Age:** 63

**Director Since:** 1991

Mr. Lindner has been Co-Chief Executive Officer since January 2005, and since 1996, he has served as Co-President of the Company. Until 2010, for over ten years, Mr. Lindner served as President, and since 2010, Mr. Lindner has served as Chairman of Great American Insurance Company, a subsidiary of the Company, and has been principally responsible for the Company's property and casualty insurance operations. The Board believes that Mr. Lindner's familiarity with the Company as a whole, as well as his experience and expertise in its core property and casualty insurance businesses, makes his service on the Board of Directors extremely beneficial to the Company.

**S. Craig Lindner**

**Age:** 62

**Director Since:** 1985

Mr. Lindner has been Co-Chief Executive Officer since January 2005, and since 1996, he has served as Co-President of the Company. For more than ten years, Mr. Lindner has been President of Great American Financial Resources, Inc., a subsidiary of the Company, and has been principally responsible for the Company's annuity operations. Until 2011, for over ten years, Mr. Lindner served as President of American Money Management Corporation (AMMC), a subsidiary that provides investment services for the Company and certain of its affiliated companies, and Mr. Lindner continues to be primarily responsible for the Company's investments. Mr. Lindner and Carl H. Lindner III are brothers. The Board believes that Mr. Lindner's familiarity with the Company as a whole, as well as his experience and expertise in its core annuity operations and the Company's investment portfolio, makes his service on the Board of



Directors extremely beneficial to the Company.

2017 Proxy Statement | Proposal

pg. 4

---

TABLE OF CONTENTS

<p><b>Kenneth C. Ambrecht</b></p> <p><b>Age:</b> 71</p> <p><b>Director Since:</b> 2005</p> <p><b>Board Committees:</b>                  Compensation                  Corporate Governance</p>	<p>Mr. Ambrecht has extensive corporate finance experience having worked in the U.S. capital markets for over 30 years. In December 2005, Mr. Ambrecht organized KCA Associates LLC, through which he serves as a consultant to several companies, advising them with respect to financial transactions. From July 2004 to December 2005, he served as a Managing Director with the investment banking firm First Albany Capital. For more than five years prior, Mr. Ambrecht was a Managing Director with Royal Bank Canada Capital Markets. Prior to that post, Mr. Ambrecht worked with the investment bank Lehman Brothers as Managing Director of its capital markets division. In September 2009, he joined the Board of Directors of Spectrum Brands, Inc., a global consumer products company. For more than five years, Mr. Ambrecht has been a member of the Board of Directors of Fortescue Metals Group Limited, an Australian mining company. Until February 2010, he served on the Board of Directors of Dominion Petroleum Ltd., a Bermuda domiciled company dedicated to exploration of oil and gas reserves in east and central Africa and until 2007 he was a member of the Board of Directors of Great American Financial Resources, Inc. The Board believes that Mr. Ambrecht's knowledge and experience in the areas of corporate finance, capital markets, capital structures and investment portfolio management benefit the Company in light of its businesses.</p>
<p><b>John B. Berding</b></p> <p><b>Age:</b> 54</p> <p><b>Director Since:</b> 2012</p>	<p>Mr. Berding was elected President of AMMC in January 2011. Prior to his election as President, he held a number of investment-related executive positions with AMMC and other AFG subsidiaries, most recently serving as Executive Vice President of AMMC since 2009. Mr. Berding has nearly 30 years of experience as an investment professional, and he has spent his entire career with the Company and its affiliates. The Board values Mr. Berding's knowledge of financial markets and investment management as well as his specific knowledge of the Company's investment portfolio and strategy and has determined that his ability to contribute his experience on a constant basis as a member of the Board are invaluable to the Company.</p>

2017 Proxy Statement | Proposal

pg. 5

---

TABLE OF CONTENTS

<p><b>Joseph E. (Jeff) Consolino</b></p> <p><b>Age:</b> 50 <b>Director Since:</b> 2012</p>	<p>Mr. Consolino's service as Executive Vice President and Chief Financial Officer of the Company began in February 2013. From February 2013 until its acquisition by the Company in November 2016, he served as Chairman of the Board of the Company's majority-owned subsidiary, National Interstate Corporation. In December 2015, Mr. Consolino was appointed to serve as Chairman of the Board of Neon Capital Limited (formerly Marketform Group, Ltd.), a subsidiary of the Company which operates a syndicate at Lloyd's of London. Prior to joining the Company, Mr. Consolino served as President and Chief Financial Officer of Validus Holdings, Ltd., a Bermuda-based property and casualty (re)insurance company. Mr. Consolino also served as Chief Executive Officer, President and founding Director of P-CRE Ltd., a Bermuda-based underwriter of top-layer property catastrophe (re)insurance during his time as an executive officer of Validus through December 2015, when P-CRE Ltd. ceased operations and returned all capital to its shareholders. Prior to joining Validus in March 2006, Mr. Consolino served as a managing director in Merrill Lynch's investment banking division. While at Merrill Lynch, Mr. Consolino specialized in insurance company advisory and financing transactions. Until 2015, Mr. Consolino served on the boards of directors of Validus and P-CRE Ltd., and he currently serves as a director of AmWINS Group, Inc., a wholesale insurance broker based in Charlotte, North Carolina. We believe that Mr. Consolino's experience serving as president and chief financial officer for both a property and casualty insurance company group and a publicly-traded holding company and his 24 years of experience in insurance-related financial matters give him unique qualifications to serve as a member of the Board.</p>
<p><b>Virginia Gina C. Drosos</b></p> <p><b>Age:</b> 54 <b>Director Since:</b> 2013</p> <p><b>Board Committees:</b> Audit Corporate Governance</p>	<p>Ms. Drosos was elected Chief Executive Officer of Assurex Health, a personalized medicine company specializing in pharmacogenomics for neuropsychiatric and other disorders, in July 2014 in addition to her position as President held since September 2013. Ms. Drosos was previously employed by the Procter &amp; Gamble Company, a leading multinational manufacturer of consumer packaged goods, most recently serving as Group President, Global Beauty Care, until her retirement in September 2012. Ms. Drosos joined Procter &amp; Gamble in 1987 and held positions of increasing responsibility, including as Group President of Global Female Beauty, Beauty and Grooming from 2010 until August 2011. As a global business unit Group President, Ms. Drosos had responsibility for Procter &amp; Gamble's Global Beauty Care business unit operations, profit and loss, strategy and long term business development. Ms. Drosos is also a director of Signet Jewelers Limited, a specialty retail jeweler, since July 2012. As a former executive at one of the world's leading consumer packaged goods organizations, Ms. Drosos brings valuable skills and insights to the Company. She possesses a broad background in strategic, business and financial planning and operations, deepened by her global</p>

perspective developed through leading global businesses and numerous expansions into new geographies during her long tenure with a multinational company.

2017 Proxy Statement | Proposal

pg. 6

---

TABLE OF CONTENTS

<p><b>James E. Evans</b></p> <p><b>Age:</b> 71</p> <p><b>Director Since:</b> 1985</p>	<p>Mr. Evans serves as an executive consultant to the Company. From 1994 through 2013, Mr. Evans served as Senior Vice President of the Company, and he also served as General Counsel until March 2012 when he was elected Executive Counsel. Prior to that, he served as Vice President and General Counsel of American Financial Corporation, the predecessor to AFG, beginning in 1976. Mr. Evans also previously served on the Boards of Directors of The Penn Central Corporation, Citicasters, Inc. and other companies affiliated with the Company. He began his career in the private practice of law with Keating Muething &amp; Klekamp PLL in 1971. The Board believes that Mr. Evans many years of experience with complex legal and business issues involving the Company specifically, as well as his legal and business expertise generally, render his Board service invaluable to the Company.</p>
<p><b>Terry S. Jacobs</b></p> <p><b>Age:</b> 74</p> <p><b>Director Since:</b> 2003</p> <p><b>Board Committees:</b>                  Compensation (Chair)                  Audit</p>	<p>Mr. Jacobs has served as Chairman and CEO of The JFP Group, LLC, a real estate development company, since September 2005. From its founding in 1996 until September 2005, Mr. Jacobs was Chairman of the Board and CEO of Regent Communications, Inc., a public holding company in the radio broadcasting business. From September 2010 through September 2015, he served as non-executive Chairman of the Board of Adelante Media Group, LLC, a private company which owns and operates radio and television stations and specializes in Spanish language programming. Mr. Jacobs is a Fellow of the Casualty Actuarial Society, a professional organization focused on applying actuarial science to property, casualty and similar risk exposures and is a Member of the American Academy of Actuaries. In 2009, receivers were appointed to administer two commercial real estate development projects, since sold, that were owned or managed by JFP Group, LLC or its affiliates. Mr. Jacobs principal executive officer experience qualifies him for membership on the Company s Board and as an audit committee financial expert under SEC guidelines. In his career, Mr. Jacobs has significant chief executive officer experience and has held board positions for 10 public companies, six private companies and nine charitable organizations. Mr. Jacobs has developed significant experience in understanding and critically assessing risks in the property and casualty insurance industry, which the Board believes is valuable to the Company.</p>

2017 Proxy Statement | Proposal

pg. 7

---

TABLE OF CONTENTS

**Gregory G. Joseph**  
**Age:** 54  
**Director Since:** 2008  
**Board Committees:**  
 Audit (Chair)

For more than five years, Mr. Joseph has been Executive Vice President, an attorney, and a principal of various automotive retailers managed by Joseph Automotive Group, a Cincinnati, Ohio-based organization. From February 2003 until May 2008, he served on the board of directors of Infinity Property & Casualty Corporation, an insurance company primarily offering personal automobile insurance, the last two years as the lead director. Since 2005, Mr. Joseph has served on the Board of Trustees of Xavier University, a private university located in Cincinnati, Ohio. Mr. Joseph's service as a lead director of a publicly traded provider of insurance products provided him with significant knowledge of and experience in the business operations of a publicly-traded insurance holding company, which is beneficial to the Company in light of the many issues applicable to the insurance industry. Additionally, Mr. Joseph's extensive background and experience at public and private businesses enable him to provide to the Board insights and advice on the broad variety of situations and issues that the Board faces.

**William W. Verity**  
**Age:** 58  
**Director Since:** 2002  
**Board Committees:**  
 Corporate  
 Governance (Chair)  
 Compensation

Mr. Verity has been President of Verity Investment Partners, an investment management company, since January 1, 2002, and prior to that, he was a partner of Pathway Guidance L.L.C., an executive consulting firm, from October 2000. Previously, Mr. Verity was Chairman and Chief Executive Officer of ENCOR Holdings, Inc., a developer and manufacturer of plastic molded components and worked as an associate in corporate finance at Alex. Brown & Sons, an investment bank, from 1985 to 1987. From 1994 to 2002, he served on the Board of Directors of Chiquita Brands International, Inc. (Chiquita), a leading international food products marketer and distributor. Mr. Verity's position as the principal executive officer of a privately held company, his over ten years of experience with complex asset management issues as a result of his position with Verity and Verity, LLC, and his service on the Board of Chiquita, qualify him for membership on the Company's Board and Corporate Governance and Compensation Committees. In addition, Mr. Verity's executive consulting experience provides him insight into high-level corporate governance, executive compensation matters and business management matters, all of which the Company and the Board deal with on a regular basis.

2017 Proxy Statement | Proposal

pg. 8

---

TABLE OF CONTENTS

**John I. Von Lehman**

**Age:** 64

**Director Since:** 2008

**Board Committees:**

Audit

Corporate

Governance

Mr. Von Lehman began his career as a certified public accountant for Haskins & Sells, a predecessor of Deloitte, LLP. For more than five years until his retirement in 2007, Mr. Von Lehman served as Executive Vice President, Chief Financial Officer, Secretary and a director of The Midland Company, an Ohio-based provider of specialty insurance products ( Midland ). He serves on the Board of Directors and as Chairman of the Audit Committee of Ohio National Mutual Funds and is involved with several Cincinnati-based charitable organizations. Mr. Von Lehman's 18 years of service as CFO and director of another publicly traded provider of insurance products qualifies him for membership on the Company's Board. Specifically, Mr. Von Lehman's position at Midland provided him with significant knowledge of and experience in property and casualty insurance operations, investment portfolio oversight, capital management and allocation and public company financial statement preparation. In his capacity as a certified public accountant and Chief Financial Officer of Midland, Mr. Von Lehman developed significant experience in preparing, auditing, analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that compare to those of the Company and which qualify him as an audit committee financial expert under SEC guidelines. The depth in his understanding of internal control over financial reporting and risk assessment skills that evolved in his experience with Midland constitute attributes that the Board believes benefit the Company in light of its businesses.

**The Board of Directors recommends that shareholders vote FOR the election of these 11 nominees as directors.**

2017 Proxy Statement | Proposal

pg. 9

---

TABLE OF CONTENTS**Proposal No. 2 Ratification of Independent Registered Public Accounting Firm**

The Company's Audit Committee Charter requires that the Audit Committee appoint annually an independent registered public accounting firm to serve as auditors. In February 2017, the Audit Committee appointed Ernst & Young LLP to serve as the Company's independent registered public accounting firm for 2017.

Although the Audit Committee has the sole authority to appoint auditors, shareholders are being asked to ratify this appointment. If the shareholders do not ratify the appointment, the Audit Committee will take that fact into consideration but may, nevertheless, continue to retain Ernst & Young. However, the Audit Committee in its discretion may engage a different independent registered public accounting firm at any time during the year if the

Audit Committee determines that such a change would be in the best interests of the Company whether or not the shareholders ratify the appointment.

Representatives of Ernst & Young are expected to be at the meeting and will be given the opportunity to make a statement if they so desire. They will also be available to respond to appropriate questions from shareholders.

**The Board of Directors recommends that shareholders vote FOR the ratification of the Audit Committee's appointment of Ernst & Young as our independent registered public accounting firm for 2017.**

**Audit Fees and Non-Audit Fees**

The following table presents fees for professional services performed by Ernst & Young for the years ended December 31, 2016 and December 31, 2015.

	2016	2015
Audit fees <sup>(1)</sup>	\$ 8,145,000	\$8,487,000
Audit related fees		15,000
Tax fees <sup>(2)</sup>	965,000	431,000
All other fees <sup>(3)</sup>	637,000	355,000
Total	\$ 9,747,000	\$9,288,000

These aggregate fees were for audits of the financial statements (including services incurred to render an opinion under Section 404 of the Sarbanes-Oxley Act of 2002), subsidiary insurance company audits, reviews of SEC (1) filings, and quarterly reviews. For 2015, includes \$328,000 in fees incurred in connection with the Company's sale of substantially all of its run-off long-term care insurance business in December, 2015 which were reimbursed by the buyer.

(2) These fees relate primarily to tax compliance engagements for preparation and review of foreign tax returns and certain collateralized loan obligations, in addition to other tax advisory services.

(3) These fees relate primarily to agreed-upon procedure engagements for certain collateralized loan obligation structures managed by AFG.



## Proposal No. 3 Advisory Vote on Compensation of our Named Executive Officers

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that we provide our shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC (commonly referred to as Say-on-Pay ). Our practice, which was approved by our shareholders at the 2011 annual meeting, is to conduct this non-binding vote on an annual basis. In Proposal No. 4 below, we are requesting that our shareholders vote on an advisory basis to continue the practice of conducting the Say-on-Pay vote annually.

As described in detail below under the heading Compensation Discussion and Analysis beginning on page 22 of this proxy statement, we seek to closely align the interests of our named executive officers with the interests of our shareholders. We structure our programs to

discourage excessive risk-taking through a balanced use of compensation vehicles and metrics with an overall goal of delivering sustained long-term shareholder value while aligning our executives' interests with those of our shareholders. Further, our programs require that a substantial portion of each named executive officer's compensation be contingent on delivering performance results that benefit our shareholders. Our compensation programs are designed to reward our named executive officers for the achievement of short-term and long-term strategic and operational goals and the achievement of increased total shareholder return. Shareholders should note that, because the advisory vote on executive compensation occurs well after the beginning of the compensation year and because the different elements of our executive compensation programs are designed to operate in an integrated manner and to complement one

2017 Proxy Statement | Proposal

pg. 10

---

## TABLE OF CONTENTS

another, in many cases it may not be appropriate or feasible to change our executive compensation programs in consideration of any one year's advisory vote on executive compensation by the time of the following year's annual meeting of shareholders.

The vote on this matter is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the SEC. The vote is advisory, which means that the vote is not binding on the Company, our Board of Directors or the Compensation Committee. The Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

Accordingly, we ask our shareholders to approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.

**The Board of Directors recommends that shareholders vote FOR the approval of the compensation of our named executive officers as disclosed in this proxy statement.**

## **Proposal No. 4 Advisory Vote on the Frequency of Future Advisory Votes on Compensation of our Named Executive Officers**

The Dodd-Frank Wall Street Reform and Consumer Protection Act also requires that shareholders be given the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek advisory votes on the compensation of our named executive officers. This proposal is commonly known as a "say-on-frequency" vote. In voting on this Proposal No. 4, shareholders are provided with four choices: shareholders may indicate their preference as to whether the future say-on-pay advisory vote should occur every one year, every two years, every three years or abstain.

Companies are required to hold the "say-on-frequency" vote at least every six years. Our shareholders first voted on the proposal at our 2011 annual meeting of shareholders. At that time, our Board of Directors recommended that shareholders vote for annual advisory votes on executive compensation. Over 92% of the shares voted for annual advisory votes on the non-binding proposal at the 2011 annual meeting.

As in 2011, our Board of Directors continues to recommend that an advisory vote on executive compensation occur each year. The Board of Directors has determined that an annual advisory vote on executive compensation promotes transparency and allows our shareholders to provide timely, direct input on the Company's executive compensation philosophy, policies

and practices as disclosed in the proxy statement each year. In addition, since the advisory vote on named executive officer compensation became required, it has become customary for most companies, including peers of the Company, to hold the vote annually.

The Board of Directors recommends that shareholders vote FOR the approval of the compensation of our named e

This vote is advisory and not binding on the Company or our Board of Directors in any way. The Board and the Compensation Committee will carefully review the voting results. Notwithstanding the Board's recommendation and the outcome of the shareholder vote, the Board may in the future decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with shareholders and the adoption of material changes to compensation programs.

Shareholders may cast a vote on the preferred voting frequency by selecting the option of every one year, every two years or every three years (or abstain) when voting in response to this proposal and, therefore, shareholders will not be voting to approve or disapprove the recommendation of the Board of Directors.

**The Board of Directors unanimously recommends that you vote FOR the option of EVERY ONE YEAR as the preferred frequency for future advisory votes on named executive officer compensation.**

2017 Proxy Statement | Proposal

pg. 11

---

## TABLE OF CONTENTS

### Company Information

## Management

The directors, nominees for director and executive officers of the Company are as follows. Ages and positions are provided as of March 31, 2017.

**Michelle A. Gillis** was elected Senior Vice President of the Company in March 2013 and serves in such role in addition to serving as Chief Administrative Officer with responsibilities for Human Resources, Corporate Communications, Real Estate and various shared service areas. Since joining the Company in 2004, Ms. Gillis has held various senior human resource management positions with Great American Insurance Company and AFG. Previously, Ms. Gillis spent several years in senior human resources roles in the financial services sector. Ms. Gillis holds an active accreditation as Senior Professional in Human Resources (SPHR) from the Human Resources Certification Institute.

**Vito C. Peraino** was elected Senior Vice President and General Counsel of the Company in March 2012. He previously served as Senior Vice President of Great American Insurance Company since 2002 and Assistant General Counsel of Great American Insurance Company since 2004. Through September 2014, he also served on the Board of Directors of the Company's subsidiary, National Interstate Corporation. Since joining Great American Insurance Company in 1999, Mr. Peraino has held various executive claims management positions. Previously, Mr. Peraino spent several years in private practice and has represented various insurance industry entities as an attorney since 1981.

Information regarding all nominees for director and directors is set forth beginning on page 4 under Proposals Proposal No. 1 Elect 11 Directors.

## Board of Directors and Committees

There are 11 members on the Board of Directors. The Board met 11 times during 2016. No director of the Company attended fewer than 75% of the Board meetings and the committee meetings to which he or she was appointed and served during 2016. The members of the Board are expected to be present at the annual meeting. All of the Directors attended last year's annual meeting.

## Committees of the Board

The committees of the Board consist of the Audit Committee, Compensation Committee and Governance Committee. Each committee is governed by a charter that defines its role and responsibilities and are available on the Company's website at [www.AFGinc.com](http://www.AFGinc.com) under Company Board Committees. A printed copy of these charters may be obtained by shareholders upon written request addressed to the Company's Secretary, at the address set forth under 2017 Proxy Statement Summary Company Communications.

The **Compensation Committee** acts on behalf of the Board of Directors and, by extension, the shareholders to monitor adherence to the Company's compensation philosophy. The Committee ensures that the total compensation paid to the named executive officers is fair, reasonable and competitive. The Compensation Committee also acts as the oversight committee with respect to the Company's stock incentive plans, bonus plans covering senior executive

The Board of Directors unanimously recommends that you vote FOR the option of EVERY ONE YEAR ~~as~~ the pre

officers and deferred compensation plans.

2017 Proxy Statement | Company Information

pg. 12

---

## TABLE OF CONTENTS

In overseeing those plans, the Committee may delegate certain ministerial duties to the Company's officers including, for example, the maintenance of records of the awards. In addition, the 2015 Stock Incentive Plan permits the Committee to delegate to the Co-CEOs the ability to select participants and determine award levels, within parameters approved by the Committee, except with respect to awards to themselves or to any other senior executive officers, including the named executive officers. Additional information regarding the processes and procedures for establishing and overseeing executive compensation is provided in the Compensation Discussion and Analysis.

The **Corporate Governance Committee** is responsible for, among other things, establishing criteria for selecting new directors, identifying individuals qualified to be Board members, as needed, and recommending to the Board director nominees for the next annual meeting of shareholders. The Corporate Governance Committee also facilitates participation by directors in continuing education programs, including accredited director education programs and structured internal programs presented by management.

Our Corporate Governance Guidelines identify some of the criteria used to evaluate prospective nominees for director. Our Corporate Governance Guidelines are available on the Company's website at [www.AFGinc.com](http://www.AFGinc.com).

Nominees for director will be recommended by the Corporate Governance Committee in accordance with the principles in its charter and the Corporate Governance Guidelines. When considering an individual candidate's suitability for membership on the Board, the Corporate Governance Committee will evaluate each individual on a case-by-case basis. Although the Committee does not prescribe minimum qualifications or standards for directors, candidates for Board membership should have the highest personal and professional integrity, demonstrated exceptional ability and judgment, and availability and willingness to take the time necessary to properly discharge the duties of a director. Additionally, we consider it desirable for director candidates to have management experience, especially with public companies, and that a portion of such candidates have experience in the insurance and financial services industries. The Board seeks candidates with diverse experiences, qualifications, backgrounds and skills that the Board believes enable each candidate to make a significant contribution to the Board. The Board will also consider diverse Board candidates, including women and minorities, and individuals from both corporate positions and non-traditional environments such as government, academia, and nonprofit organizations.

The Corporate Governance Committee does not have a policy with regard to the consideration of director candidates recommended by shareholders because Ohio law and the Company's Regulations afford shareholders certain rights related to such matters. The Regulations provide that only candidates nominated by or at the direction of the Board of Directors and candidates nominated at the meeting by a shareholder who has complied with the procedures set forth in the Regulations will be eligible for election at a meeting of shareholders. The Regulations require a shareholder wishing to nominate a director candidate to give the Secretary of the Company at least 90 and not more than 120 days prior written notice setting forth or accompanied by: (1) certain biographical, stock ownership and investment intent disclosures about the proposed nominee; (2) certain biographical, stock ownership and hedging or similar activity disclosures about the shareholder giving the notice and specified persons associated with such shareholder; (3) verification of the accuracy or completeness of any nomination information at the Company's request; (4) a statement that a nomination that is inaccurate or incomplete in any manner shall be disregarded; (5) a representation that the shareholder was a record holder of the Company's voting stock and intended to appear, in person or by proxy, at the meeting to make the nomination; and (6) the consent of each such nominee to serve as director if elected.

The Committee will make its determinations on whether to nominate an individual in the context of the Board as a whole based on the Board's then-current needs, the merits of each such candidate and the qualifications of other available candidates. The Committee has no obligation to respond to shareholders who propose candidates that it has determined not to nominate for election to the Board, but the Committee may do so in its sole discretion. All director candidates are evaluated similarly, whether nominated by the Board or by a shareholder.

The Corporate Governance Committee did not seek, nor did it receive the recommendation of, any of the director candidates named in this proxy statement from any shareholder, independent director, executive officer or third-party search firm in connection with its own approval of such candidates. The Company has not paid any fee to a third party to assist it in identifying or evaluating nominees.

The **Audit Committee** oversees the Company's accounting and financial reporting processes, audits of the financial statements, and internal controls over financial reporting. The Committee is governed by a charter. A copy of the charter is available on the Company's website at [www.AFGinc.com](http://www.AFGinc.com) under "Company Board Committees."

2017 Proxy Statement | Company Information

pg. 13

---

## TABLE OF CONTENTS

As more fully described in its charter, the primary responsibilities of the Audit Committee are to:

appoint the Company's independent registered public accounting firm and oversee the relationship; including monitoring the auditor's independence, establishing the auditor's compensation and reviewing the scope of the auditor's work, including pre-approval of audit and non-audit services;

review and discuss with our management and independent registered public accounting firm, the Company's interim and audited annual financial statements, and recommend to the board whether the audited annual financial statements should be included in the Company's annual report on Form 10-K;

review management's report on its assessment of the effectiveness of internal control over financial reporting and the independent public accounting firm's report on the effectiveness of internal control over financial reporting;

review the adequacy and implementation of the Company's internal audit function, including a review of the scope and results of its program;

review and approve or ratify all transactions with related persons that are required to be disclosed in the proxy statement; and

discuss with management the Company's guidelines and policies related to enterprise risk assessment and risk management.

## **Audit Committee Report**

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited consolidated financial statements and the related schedules in the Annual Report with Company management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Committee is comprised solely of independent directors as defined by the NYSE listing standards and Rule 10A-3 of the Securities Exchange Act of 1934.

The members of the Committee are Gregory G. Joseph (Chairman), Terry S. Jacobs, Virginia Gina C. Drosos and John I. Von Lehman. Each of the members of the Audit Committee is independent as defined by the NYSE

listing standards. The Board has determined that two of the Audit Committee's members, Mr. Jacobs, and Mr. Von Lehman, are each considered to be an audit committee financial expert as defined under SEC Regulation S-K Item 407(d).

The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Company, the Company's internal audit function and the Company's independent auditor. The Audit Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. These meetings include, whenever appropriate, executive sessions in which the Audit Committee meets separately with the independent auditors, internal auditors and management personnel.

In addition, the Audit Committee reviews key initiatives and programs aimed at maintaining the effectiveness of the Company's internal control over financial reporting. Together with senior members of the Company's management team, the Audit Committee reviews the plans of the internal auditors, the results of internal audit examinations and evaluations by management and the Company's independent auditors of the Company's internal control over financial reporting and the quality of the Company's financial reporting. As part of this process, the Audit Committee monitors



the scope and adequacy of the Company's internal auditing program, including reviewing internal audit department staffing levels and steps taken to maintain the effectiveness of internal procedures and controls.

The Audit Committee recognizes the importance of maintaining the independence of the Company's independent auditor, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Company's independent auditor and determines whether to re-engage the current independent auditor. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' capabilities and the auditors' technical expertise. In addition, the Committee has discussed with the independent auditor the firm's independence from Company management and the Company, including the matters in the letter from the firm required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence, and considered the compatibility of non-audit services with the independent auditor's independence.

The Committee reviewed and discussed together with management and the independent auditor the Company's audited consolidated financial statements for the year ended December 31, 2016, and the results of

2017 Proxy Statement | Company Information

pg. 14

---

## TABLE OF CONTENTS

management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent auditor's audit of internal control over financial reporting.

The Committee also reviewed with the independent auditor, which is responsible for expressing an opinion on the conformity of the audited consolidated financial statements and related schedules with US generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee by the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), including PCAOB Auditing Standard No. 16, Communications With Audit Committees, the rules of the Securities and Exchange Commission, and other applicable regulations.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements and related schedules and management's assessment of the effectiveness of the Company's internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2016, filed by the Company with the Securities and Exchange Commission.

Members of the Audit Committee:

Gregory G. Joseph, Chairman  
Virginia C. Drosos  
Terry S. Jacobs  
John I. Von Lehman

The following table identifies membership and the Chairman of each of the current committees of the Board, as well as the number of times each committee met during 2016.

## **Director Compensation and Stock Ownership Guidelines**

The Corporate Governance Committee reviews the structure and philosophy of our director compensation program annually during the second quarter. In May 2016, upon recommendation of management, the Company engaged Pearl Meyer & Partners, LLC ( Pearl Meyer ) to review the compensation paid to our non-employee directors. Pearl Meyer referred to the same compensation peer group companies utilized by the Compensation Committee in assessing compensation for named executive officers in performing its review to evaluate the competitiveness of non-employee director compensation.

Following Pearl Meyer's review, effective July 1, 2016, the Board, upon the recommendation of the Corporate Governance Committee, approved changes to the compensation paid to non-employee directors. In order to align the director compensation elements with its peers, the Board determined to eliminate meeting fees as an element of non-employee director compensation and

increased the annual retainer paid to all Board members from \$50,000 to \$90,000. Prior to the elimination of meeting fees, non-employee directors were paid \$1,750 and \$1,250 per Board meeting and Board committee meeting attended, respectively. The Board retained a per-day offsite meeting fee, reasoning that offsite meetings generally require out of town travel and the entirety of the director's time for each day of meetings.

The Board also revised the share ownership target for non-employee directors. Following such revision, all non-employee directors have the objective to own, within five years after the later of receiving his or her first annual restricted stock award or the implementation of any increase in the share ownership target, at least five (down from six) times the annual Board retainer. Due to the increase in the annual Board retainer, the share ownership target for non-employee directors increased from \$300,000 to \$450,000 in shares. Following a deadline for share ownership compliance, each non-employee director must endeavor to meet or exceed the share ownership target.

2017 Proxy Statement | Company Information

pg. 15

---

TABLE OF CONTENTS

After giving effect to modifications, effective July 1, 2016, non-employee director compensation is as follows:

Compensation Element	Non-Employee Director Compensation (\$) <sup>(1)</sup>
Board Member Annual Retainer	90,000
Audit Committee Chair Annual Retainer	35,000
Compensation and Corporate Governance Committee Chair Annual Retainer	15,000
Audit Committee Non-Chair Member Annual Retainer	15,000
Compensation and Corporate Governance Committee Non-Chair Member Annual Retainer	10,000
Attendance Fee per Day for Offsite Meetings	2,000
Annual Restricted Stock Award	130,000

Non-employee directors who become directors during the year receive a pro rata portion of these annual retainers.

(1) The Company reimburses non-employee directors for travel and lodging expenses incurred in connection with meeting attendance. Committee chairs do not receive member retainers in addition to retainers for Chair.

The following table sets forth information concerning director compensation paid, or in the case of restricted stock awards earned, during 2016.

Name	Fees Earned or Paid in Cash (\$)	Stock Award (\$) <sup>(1)</sup>	All Other Compensation (\$)	Total (\$)
Kenneth C. Ambrecht	125,250	129,651		254,901
Virginia Gina C. Drosos	120,750	129,651		250,401
James E. Evans <sup>(2)</sup>	95,250	129,651	354,886	579,787
Terry S. Jacobs	135,250	129,651		264,901
Gregory G. Joseph	138,500	129,651		268,151
William W. Verity	130,250	129,651		259,901
John I. Von Lehman	118,750	129,651		248,401

Calculated as the compensation cost for financial statement reporting purposes with respect to the annual stock (1) grant under the Non-Employee Director Compensation Plan. See Security Ownership of Certain Beneficial Owners and Management on page 20 for detail on beneficial ownership of AFG common shares by directors.

All Other Compensation consists of amounts paid to Mr. Evans under a consulting arrangement, as amended, entered into between the Company and Mr. Evans in connection with his transition, effective January 1, 2014, from executive officer and employee of the Company to executive consultant. The consulting arrangement terminates (2) December 31, 2017. Under the arrangement, Mr. Evans receives a consulting fee of \$350,000 annually, parking and related expenses and compensation for his continued service as a director in accordance with the Company's compensation policies for non-employee directors.

## Corporate Governance

### Director Independence

In accordance with NYSE rules, the Board affirmatively determines the independence of each director and nominee for election as a director in accordance with guidelines it has adopted, which guidelines comply with the listing standards set forth by the NYSE. For a director to be considered independent, the Board must determine affirmatively that a director does not have any material relationship with the Company directly or as a partner, shareholder or officer

of an organization that has a relationship with the Company. A material relationship can include, but is not limited to, commercial, industrial, banking, consulting, legal, accounting, charitable and family relationships. Based on these standards, the Board determined for 2016 that each of the following non-employee directors, namely Ms. Drosos and

Messrs. Ambrecht, Jacobs, Joseph, Verity and Von Lehman, is independent and has no material relationship with the Company, except as a director and shareholder of the Company.

In reaching its independence determinations for 2016, the Committee considered the Company's ownership at December 31, 2015, of approximately 5.1% of the outstanding equity of Assurex Health, Inc., for which Virginia Gina C. Drosos, a director of the Company, serves as Chief Executive Officer and President. The Board of Directors determined that the ownership was immaterial, and Assurex Health was sold in August 2016 which terminated any ownership by the Company. The Board also considered that the Company has purchased vehicles from, and had vehicles serviced by, automobile dealerships affiliated with a company of which Mr. Joseph is an executive and part owner. The small amounts involved in these transactions, which were approved by

2017 Proxy Statement | Company Information

pg. 16

---

## TABLE OF CONTENTS

the Audit Committee as transactions with a related party despite not requiring disclosure pursuant to SEC Regulation S-K Item 404, were deemed by AFG's Board of Directors not to be material.

## **Leadership Structure**

The Board does not currently have a Chairman. Additionally, the Board does not have a formal policy as to whether the same person may serve as both the principal executive officer of the Company and Chairman. At the present time, the Board does not believe that such a policy is necessary because of its determination that the current Board membership, together with the Company's management, possesses the requisite leadership and industry skills, expertise and experiences to effectively oversee the business and affairs of the Company. Moreover, the Board prefers to retain the flexibility to select the appropriate leadership structure for the Company based upon the existence of various conditions, including, but not limited to, business, financial or other market conditions, affecting the Company at any given time.

The Company has two principal executive officers, Carl H. Lindner III and S. Craig Lindner. Each has been designated as a Co-Chief Executive Officer and Co-President of the Company, and each also serves on the Board of Directors.

The Board recognizes that having two principal executive officers is not customary for public companies, including the Company's peers, but the Board has determined for the reasons set forth below, that the executive leadership structure is both appropriate for the Company and optimal for achieving corporate objectives. The Company does not have a separate, non-principal executive officer president or chief operating officer, and the Company also does not have numerous additional senior officer designations seen at other public companies. The Board has noted that these positions are not needed at the Company because the Co-CEOs have assumed responsibility for each such role.

Carl H. Lindner III also serves as Chairman of Great American Insurance Company and is primarily responsible for AFG's property and casualty insurance operations and investor relations. S. Craig Lindner also serves as President of Great American Financial Resources, Inc. and is primarily responsible for AFG's annuity operations and investment portfolio.

Each Co-CEO functions within a clearly defined role with respect to the day-to-day operations of the Company, and both Co-CEOs work closely with one another and are significantly involved in all aspects of Company management. The Co-CEOs work together with regard to overall corporate strategy and planning, as well as in assessing and managing enterprise risks. Because of their

close working relationship, either Co-CEO could assume the additional responsibilities of the other for some period of time in the event such a need arose.

The Board of Directors believes that the Company's leadership structure aids in succession planning and provides the Company with significant executive depth and leadership experience. The Board has determined that the Company's leadership structure is currently the most appropriate for the Company. To the extent it deems necessary, the Board will review the leadership structure of the Company from time to time.

## **Risk Oversight**

The Company believes a role of management, including the named executive officers, is to identify and manage risks confronting the Company. The Board of Directors plays an integral part in the Company's risk oversight, particularly

in reviewing the processes used by management to identify and report risk, and also in monitoring corporate actions so as to minimize inappropriate levels of risk.

The Company's current Enterprise Risk Management (ERM) process was initially formalized in 2009. The process is overseen by a risk officer with the input of senior leaders representing significant areas from throughout the organization including operational, financial, accounting and information technology.

The risk officer annually, following interviews with the Co-CEOs and senior management, reviews the top organizational risks and determines whether to add any new significant risks or to prioritize any identified risks. The risk officer, through regular meetings with senior leaders of the Company, monitors these risks, as well as any other significant risks that may arise during the year, and provides an ERM report to the Audit Committee on a quarterly basis.

The Company's leadership structure and overall corporate governance framework is designed to aid the Board in its oversight of management responsibility for risk. The Audit Committee serves a key risk oversight function in carrying out its review of the Company's financial reporting and internal reporting processes, as required by the Sarbanes-Oxley Act of 2002. Inherently, part of this review involves an evaluation of whether our financial reporting and internal reporting systems are adequately reporting the Company's exposure to certain risks. In connection with this evaluation, the Audit Committee has, from time to time, considered whether any changes to these processes are necessary or desirable. While it has concluded that no such changes are warranted at this time, the Audit Committee will continue to monitor the Company's financial reporting and internal reporting processes. In addition, pursuant to its charter, the Audit Committee is responsible for discussing with management

2017 Proxy Statement | Company Information

pg. 17

---

## TABLE OF CONTENTS

the guidelines and policies related to enterprise risk assessment and risk management.

As more fully described under “Compensation Discussion and Analysis” in this proxy statement, the Compensation Committee takes an active role in overseeing risks relating to AFG’s executive compensation programs, plans and practices. Specifically, the Compensation Committee reviews the risk profile of the components of the executive compensation program, including the performance objectives and target levels used in connection with incentive awards, and considers the risks an executive officer might be incentivized to take with respect to such components with special attention given to establishing a mix among these components that does not encourage excessive risk taking.

The Corporate Governance Committee contributes to the Company’s risk oversight process by reviewing the Company’s Corporate Governance Guidelines and Board committee charters at least annually to ensure that they continue to comply with any applicable laws, regulations, and stock exchange or other listing standards, as each are subject to change from time to time. The Corporate Governance Committee also oversees the director nomination process, the overall Board reporting structure and the operations of the individual committees.

## **Code of Ethics, Code of Conduct and Corporate Governance Principles**

The Company has adopted a Code of Ethics applicable to all employees. The Company has also adopted Corporate Governance Guidelines. The Code and Guidelines are available on the Company’s website at [www.AFGinc.com](http://www.AFGinc.com), under “Company”. A printed copy of the Code and Guidelines may be obtained by shareholders upon written request to the Corporate Secretary at the address set forth under “2017 Proxy Statement Summary Company Communications”. We intend to satisfy any disclosure requirements regarding any amendments to, or waivers from, provisions of the Code by posting such information on our website as promptly as practicable, as may be required by applicable SEC and NYSE rules.

## **Director Education**

The Corporate Governance Committee facilitates participation by directors in continuing education programs, including accredited director education programs paid by the Company and structured internal programs presented by management.

## **Executive Sessions**

NYSE rules require independent directors to meet regularly in executive sessions. Four of these sessions were held during 2016. The independent director presiding over each session rotates.

## **Communications with Directors**

The Board of Directors has adopted procedures for shareholders to send written communications to the Board as a group. Communications must be clearly addressed either to the Board of Directors, a committee of the Board or any or all of the independent directors, and sent to either of the persons listed under “2017 Proxy Statement Summary Company Communications”, who will forward any communications except for spam, junk mail, mass mailings, resumes, job inquiries, surveys, business solicitations or advertisements, or patently offensive, hostile,



threatening or otherwise unsuitable or inappropriate material.

## **Compensation Committee Interlocks and Insider Participation**

No member of AFG's Compensation Committee was at any time during 2016 or at any other time an officer or employee of the Company, and none had any relationship with the Company requiring disclosure as a related-person transaction. None of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity that has, or had during any time during 2016, an executive officer who served as a member of our board of directors or our Compensation Committee.

## **Review, Approval or Ratification of Transactions with Related Persons**

Stock exchange rules require the Company to conduct an appropriate review of all related party transactions (including those required to be disclosed by the Company pursuant to SEC Regulation S-K Item 404) for potential conflict of interest situations on an ongoing basis and that all such transactions must be reviewed and evaluated by the Audit Committee or another committee comprised of independent directors. The Audit Committee reviews and evaluates all transactions with related parties. In addition, our Audit Committee Charter provides that the Audit Committee review and approve all related party transactions involving directors, executive officers and significant shareholders of the Company that require disclosure pursuant to SEC Regulation S-K Item 404. In considering any transaction, the Committee may consider all relevant factors, including as applicable: the Company's business rationale for entering into the transaction; the alternatives to entering into a related person transaction; whether the transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally; the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and the overall fairness of the transaction to the Company.

While the Company adheres to this policy for potential related person transactions, the policy is not in written

2017 Proxy Statement | Company Information

pg. 18

---

## TABLE OF CONTENTS

form except as a part of listing agreements with the NYSE. However, approval of such related person transactions is evidenced by Audit Committee resolutions in accordance with our practice of reviewing and approving transactions in this manner.

Other than as follows, there were no such transactions in 2016 requiring disclosure under applicable rules. Subsidiaries of the Company employed a son of one of the Co-CEOs and a son-in-law of the other Co-CEO in executive positions during 2016, with such persons receiving salary and bonus of approximately \$400,000 and \$425,000 during 2016. Each individual also participates in employee benefit plans, including equity incentive plans, and is eligible to receive perquisites commensurate with his position and tenure with the Company.

A brother-in-law of S. Craig Lindner is a Senior Vice President with Raymond James Financial, Inc. During 2016, Raymond James received approximately \$64,000 in commissions for equity transactions made by the Company and its subsidiaries, and the Company traded approximately \$230 million par amount of debt securities through Raymond James.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires AFG's executive officers, directors and persons

who own more than ten percent of AFG's common shares to file reports of ownership with the SEC and to furnish AFG with copies of these reports. Like many companies, AFG assists its directors and officers by monitoring transactions and completing and filing Section 16 reports on their behalf. Based on the Company's involvement in the preparation and review of these reports, the Company believes that all filing requirements were met in 2016.

## **Pre-Approval of Services Provided by the Independent Registered Public Accounting Firm**

The Audit Committee has adopted policies that require its pre-approval for any audit and non-audit services to be provided to AFG by Ernst & Young LLP. The Audit Committee delegated authority to the Committee Chairman to pre-approve certain non-audit services which arise between meetings of the Audit Committee. Pursuant to these procedures and delegation of authority, the Audit Committee was informed of and pre-approved all of the audit and other services described above. No services were provided with respect to the de minimis waiver process provided by rules of the SEC.

2017 Proxy Statement | Company Information

pg. 19

---

TABLE OF CONTENTS**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth certain information regarding beneficial ownership of common shares by each of the Company's directors, board nominees and the named executive officers and by all directors and named executive officers of the Company as a group. The table also includes those who are known by the Company to own beneficially more than 5% of the issued and outstanding common shares. Except as otherwise provided below, information in the table is as of March 15, 2017 and, to the Company's knowledge all common shares are beneficially owned, and investment and voting power is held solely by the persons named as owners. The addresses of Carl H. Lindner III, S. Craig Lindner and Edyth B. Lindner are 301 East Fourth Street, Cincinnati, Ohio, 45202.

Common Share Ownership	Beneficial Ownership Amount <sup>(1)</sup>	Percent of Class (* means less than 1%)	
Carl H. Lindner III <sup>(2)</sup>	7,686,052	8.8	%
S. Craig Lindner <sup>(3)</sup>	5,798,083	6.6	%
Kenneth C. Ambrecht	32,716	*	
John B. Berding <sup>(4)</sup>	217,631	*	
Joseph E. (Jeff) Consolino	170,347	*	
Virginia Gina C. Drosos	8,505	*	
James E. Evans	171,075	*	
Terry S. Jacobs	2,000	*	
Gregory G. Joseph <sup>(5)</sup>	99,599	*	
William W. Verity	5,549	*	
John I. Von Lehman	8,063	*	
Michelle A. Gillis	66,319	*	
Vito C. Peraino <sup>(6)</sup>	140,081	*	
<b>All Directors, Nominees and Named Executive Officers as a group (13 persons)<sup>(7)</sup></b>	12,071,388	13.7	%
<b>Security Ownership of 5% Beneficial Owners</b>			
Edyth B. Lindner <sup>(8)</sup>	5,915,325	6.8	%
BlackRock, Inc. <sup>(9)</sup>	5,481,046	6.3	%
The Vanguard Group <sup>(10)</sup>	6,086,257	7.0	%

Includes the following numbers of shares that may be acquired within 60 days of March 15, 2017 through the exercise of options held by such person: Carl H. Lindner III 240,000; S. Craig Lindner 240,000; John B. Berding 161,500; Joseph E. (Jeff) Consolino 45,000; James E. Evans 28,623; Michelle A. Gillis 43,750 and Vito (1)C. Peraino 50,400. Shares held in the Company's 401(k) Retirement and Savings Plan (RASP) are provided as of February 28, 2017. For each of Mr. Berding and Mr. Evans, shares owned excludes shares held in the RASP, for which each serves on the Administrative Plan Committee, other than those shares allocated to his personal RASP account.

Includes 3,693,187 shares held in his trust over which he holds voting and dispositive power; 37,835 shares held by a trust over which his spouse has voting and dispositive power; 1,248,500 shares held in a limited liability (2)company over which shares he holds dispositive power; 2,324,600 shares owned by a limited liability company and 10,032 shares held in a trust over which he shares voting and dispositive power with S. Craig Lindner; and 131,898 shares held in a charitable foundation over which he shares voting and dispositive power with his spouse.

(3)

Includes 2,569,800 shares held in his trust over which he has voting and dispositive power; 31,560 shares held in the RASP; 113,096 shares held by a trust over which his spouse has voting and dispositive power; 2,324,600 shares owned by a limited liability company and 10,032 shares held in a trust over which he shares voting and dispositive power with Carl H. Lindner III; 331,104 shares held by a charitable foundation over which he shares voting and dispositive power with Edyth B. Lindner; and 177,891 shares held by a charitable foundation over which he shares voting and dispositive power with his spouse.

(4) Common shares include 1,295 shares held in the RASP and 233 shares held by a family trust.

(5) Includes 63,428 shares held by companies in which he is a shareholder and for which he serves as an executive officer or director and 3,000 shares held by a family partnership in which he holds a 25% interest.

(6) Includes 19,558 shares held by spouse.

2017 Proxy Statement | Company Information

pg. 20

---

TABLE OF CONTENTS

- (7) Shares held by all directors, nominees and executive officers as a group is calculated by counting shares over which Carl H. Lindner III and S. Craig Lindner share voting and dispositive power only once.
- (8) Includes 5,584,221 shares held in her trust over which she has voting and dispositive power. Also includes 331,104 shares held in a charitable foundation over which she shares voting and dispositive power with S. Craig Lindner.
- (9) Based solely on information contained in a Schedule 13G amendment filed with the SEC on January 19, 2017 by BlackRock, Inc. reporting sole voting power of 5,216,823 shares and sole dispositive power of 5,481,046 shares. Based solely on information contained in a Schedule 13G amendment filed with the SEC on February 9, 2017 by
- (10) The Vanguard Group reporting sole voting power of 42,654 shares, shared voting power of 7,291 shares, sole dispositive power of 6,040,135 shares and shared dispositive power of 46,122 shares.

2017 Proxy Statement | Company Information

pg. 21

---

TABLE OF CONTENTS

**Compensation Discussion and Analysis**

**Named Executive Officers**

In this section, we describe the material components of our executive compensation program for our named executive officers whose compensation is displayed in the 2016 Summary Compensation Table and the other compensation tables contained in this proxy statement. We also provide an overview of our executive compensation philosophy and we explain how and why the Compensation Committee arrives at specific compensation policies and decisions.

Our 2016 named executive officers are our Co-Chief Executive Officers ( Co-CEOs ), principal financial officer and the three other most highly compensated executive officers employed at the end of 2016. These persons include:

Carl H. Lindner III  
Co-Chief Executive Officer and Co-President (Co-Principal Executive Officer)  
S. Craig Lindner  
Co-Chief Executive Officer and Co-President (Co-Principal Executive Officer)  
Joseph E. (Jeff) Consolino  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)  
John B. Berding  
President of American Money Management  
Michelle A. Gillis  
Senior Vice President and Chief Administrative Officer  
Vito C. Peraino  
Senior Vice President and General Counsel

**Compensation and Corporate Policy Updates For 2016**

**Double-Trigger Vesting:** The Company implemented a double-trigger-vesting provision upon a change in control effective for all award grants beginning with 2016 awards.

**Discontinue Stock Options:** Beginning with the 2016 customary broad-based annual grant of equity awards to employees, including executive officers, the Compensation Committee discontinued awarding stock options and began awarding solely restricted shares that cliff-vest after four years.

**No New Awards under Senior Executive Equity Bonus Plan:** The Company ceased granting new equity awards under the Senior Executive Equity Bonus Plan. The plan will terminate following payment, if any, for the three-year performance period ending December 31, 2017 related to the final awards under the plan made in 2015.

**Cash-Based Senior Executive Long Term Incentive Compensation Plan:** The Company adopted, and the shareholders approved, the Senior Executive Long Term Incentive Compensation Plan which is designed to approximate award amounts and criteria under the Senior Executive Equity Bonus Plan with awards payable in cash as opposed to common stock.

**Limit on Co-CEO Perquisites:** The Compensation Committee adopted a policy limiting Company perquisites to the Co-CEOs, excluding aircraft, retirement plan and health savings account company match, to \$500,000.

**Simplification of Performance Metrics:** The Compensation Committee decreased the number of performance metrics under the performance component of the Annual Senior Executive Bonus Plan from the historical six to eight metrics to two key metrics which drive annual shareholder value property and casualty insurance earnings and annuity earnings.

2017 Proxy Statement | Compensation Discussion and Analysis



TABLE OF CONTENTS

## Overview of Compensation Program

The Compensation Committee of the Board of Directors has responsibility for reviewing and approving the compensation paid to the Company's Co-CEOs and reviewing the compensation of the other Company senior executive officers and overseeing the executive compensation policies of the Company. The Compensation Committee also acts as the oversight committee with respect to the Company's cash and equity incentive plans. The Compensation Committee ensures that the total compensation paid to the named executive officers is fair, reasonable and competitive.

AFG's philosophy regarding executive compensation programs focuses on the balance of attracting, motivating, retaining and rewarding executives with a compensation package competitive among its peers and maximizing shareholder value by designing and implementing programs that tie compensation earned to the short-term and long-term performance of the Company. In linking pay to performance, the Compensation Committee compares the Company to a group of publicly-held insurance holding companies (collectively, the Compensation Peer Group).

Guided by principles that reinforce the Company's pay-for-performance philosophy for the past several years, named executive officer compensation has included base salary; annual performance-based cash bonuses; long-term incentives such as stock options and restricted stock; stock or cash awards based on long-term performance; and other compensation, including certain perquisites. A significant portion of each named executive officer's compensation is dependent upon the Company achieving business and financial goals.

At our 2015 and 2016 annual meetings, AFG held advisory votes on the compensation of its named executive officers, commonly referred to as a Say-on-Pay vote. Our shareholders approved the compensation of our named executive officers, with 84% and 83%, respectively, of votes cast in favor of our 2015 and 2016 Say-on-Pay resolution.

The Compensation Committee during 2016 considered the vote on our Say-on-Pay resolution. The Compensation Committee evaluated the Company's 2015 performance and determined that the Co-CEOs and other named executive officers were rewarded, largely in the form of bonuses and awards based on Company performance, consistent with the Company's pay-for-performance philosophy.

Also, during 2015, the Company engaged Pearl Meyer & Partners, LLC ( Pearl Meyer ) to provide an assessment of AFG's executive compensation programs and practices. Pearl Meyer conducted a competitive pay analysis and provided pay survey data, reviewed the design of incentive

plans and evaluated Compensation Committee processes and procedures, among other things. The Compensation Committee considered the information and advice provided to the Company by Pearl Meyer in connection with its review and approval of compensation paid to the Co-CEOs and its oversight of the executive compensation policies of AFG.

In evaluating the Say-on-Pay vote results and as part of the Compensation Committee's annual discussions, the Compensation Committee also took note that the Company has Co-CEOs serving as principal executive officers. The Company does not have a separate, non-principal executive officer president or chief operating officer, and the Company also does not have numerous additional senior officer designations seen at other public companies because the Co-CEOs have assumed responsibility for each such role. The Co-CEOs work together with regard to overall corporate strategy and planning, as well as in assessing and managing enterprise risks. Key factors affecting the Compensation Committee's judgment with respect to the Co-CEOs include the nature and scope of their responsibilities and their effectiveness in leading initiatives to effectively manage capital and increase shareholder



value, productivity, profitability and growth.

With respect to the Co-CEOs, as in prior years, the Compensation Committee determined that the quantifiable measurements for each Co-CEO should be identical because the Compensation Committee believes that the Co-CEOs are ultimately jointly responsible for the achievement of the Company's objectives. The Compensation Committee views the roles of the Co-CEOs as collaborative, as opposed to competitive, and thus does not seek to distinguish the performance of one from the other. Rather, the Compensation Committee scrutinized the Co-CEOs' collective role in AFG's achievement of operating targets, the development of management personnel, the performance of the investment portfolio and the development and implementation of strategic transactions and initiatives to enhance shareholder value.

As a result of having Co-CEOs, the Compensation Committee believes that the evaluation by certain institutional investors and proxy advisory firms of the Company's pay for performance alignment is distorted by combining the compensation of the two Co-CEOs and representing that the combined compensation reflects CEO compensation. The Company's leadership structure is discussed in more detail above under Company Information Corporate Governance Leadership Structure beginning on page 17.

The Compensation Committee has determined that evaluation of named executive officer compensation should not be skewed by, in its view, unfairly penalizing the Company due to the leadership structure that the Company has determined is in the best interests of shareholders.

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 23

---

## TABLE OF CONTENTS

As a result, when evaluating annual overall compensation to named executive officers, consistent with the approach of certain institutional investors and proxy advisory firms, the Compensation Committee considers the compensation of the highest-paid Co-CEO as CEO compensation and includes the other Co-CEO in its analysis as one of the three highest-paid, non-Chief Financial Officer officers.

## **Establishing Compensation Levels**

As in prior years, compensation levels for the Co-CEOs were based primarily upon the Compensation Committee's assessment of their leadership performance and potential to enhance long-term shareholder value. The Compensation Committee relies upon a combination of judgment and guidelines in determining the amount and mix of compensation elements for the Co-CEOs. The compensation levels for the other named executive officers are similarly determined by the Co-CEOs, and reviewed by the Compensation Committee, again based primarily upon the assessment of each named executive officer's leadership performance and potential to enhance long-term shareholder value.

The Compensation Committee and the Co-CEOs analyze peer groups, including the Compensation Peer Group, and industry pay rates at least annually in reviewing the appropriateness and competitiveness of the Company's compensation programs. In analyzing market pay levels among the Compensation Peer Group, the Compensation Committee factors into its analysis the variance in size (both in terms of revenues and market capitalization) among the companies.

The Compensation Committee utilizes the peer and industry review as a point of reference for measurement and not as a determinative factor. Although the Company seeks to offer a level of total compensation to named executive officers that is competitive with the compensation paid by companies in the Compensation Peer Group, the Company does not target or benchmark a particular percentile with respect to our executives' total pay packages or any individual components of pay. Rather, the compensation levels and performance of the companies in the Compensation Peer Group constitute one of the many factors considered by the Compensation Committee and described in this Compensation Discussion and Analysis.

The Compensation Peer Group is annually reviewed and periodically updated by the Compensation Committee. The Compensation Peer Group is designed to consist of companies against which the Compensation Committee believes AFG competes for talent and for shareholder investment and in the marketplace for business.

During 2016, the Compensation Committee evaluated the companies included in the Compensation Peer Group utilized for 2015 compensation. Specifically, the

Compensation Committee noted that neither the number of, nor the composition of, the Compensation Peer Group had changed significantly in recent years. The Compensation Committee also noted that, without modifications, as a result of business combinations, the number of companies included in the Compensation Peer Group would decrease and, prior to such decrease, the size of the Compensation Peer Group was small when compared to peer companies. After discussing the Compensation Peer Group with Pearl Meyer and management, the Compensation Committee modified and increased the number of companies in the Compensation Peer Group to be more consistent with Company peers.

The companies comprising the Compensation Peer Group during 2016 were as follows:

1. Alleghany Corporation
2. Arch Capital Group Ltd.
3. Assurant Inc.

4. Chubb Limited
5. Cincinnati Financial Corporation
6. CNA Financial Corp.
7. Endurance Specialty Holdings Ltd.
8. The Hartford Financial Services Group, Inc.
9. Lincoln National Corporation
10. Markel Corporation
11. RLI Corp.
12. Voya Financial, Inc.
13. W. R. Berkley Corporation
14. XL Group plc

Based upon all these factors, the Compensation Committee believes it is in AFG shareholders' best long-term interest for the Compensation Committee to ensure that the overall level of compensation, especially the aggregate total of salary, bonus and equity-based awards, is competitive with companies in the Compensation Peer Group. The Compensation Committee continues to believe that the quality, skills and dedication of executive leaders are critical factors that drive the long-term value of the Company. Therefore, the Compensation Committee and the Co-CEOs continue to try to maintain an executive compensation program that will attract, motivate, retain and reward the highest level of executive leadership possible and align the interests of AFG's executives with those of AFG's shareholders.

The Compensation Committee's decisions concerning the specific 2016 compensation elements for the Co-CEOs were made within this framework. The Compensation Committee also considered each Co-CEO's performance and prior-year salary, bonus and other compensation. In all cases, specific decisions involving 2016 compensation were ultimately based upon the Compensation Committee's judgment about the Co-CEOs' performance, potential future contributions and about whether each particular payment or award would provide an appropriate

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 24

---

## TABLE OF CONTENTS

incentive and reward for performance that sustains and enhances long-term shareholder value without subjecting the Company to inappropriate or unreasonable risk.

Based on its review, the Compensation Committee found the named executive officers' total compensation in the aggregate to be reasonable and consistent with the objectives of the Company's compensation programs and generally aligned performance versus peers.

## **Change in Control**

The Compensation Committee recognizes that no named executive officer is a party to an employment or other agreement providing for severance or change in control payments.

Awards under the Senior Executive Equity Bonus Plan (final awards, payable in shares of Company stock to the extent earned, to be paid in 2018 for the 2015–2017 performance period), the Senior Executive Long Term Incentive Compensation Plan (first awards, payable in cash to the extent earned, to be paid in 2019 for the 2016–2018 performance period) and the Company's shareholder-approved equity incentive plans in effect through 2015 contain provisions for an acceleration of vesting, applicable to all participants, of awards upon a change in control.

Awards under the Company's 2015 Stock Incentive Plan (first awards granted in 2016) do not provide for automatic acceleration of awards for any participant, including the named executive officers. Awards under this plan include a double trigger, which means that, if the awards are assumed by the surviving entity in the change of control, vesting of the awards will not accelerate unless the participant also has a qualifying termination of employment (by the Company without cause or by the participant for good reason). In contrast, if the surviving entity does not assume the equity awards upon the change in control, unvested awards will become vested upon the occurrence of the change in control.

## **Tally Sheets**

The Compensation Committee reviews a comprehensive tally sheet compiled internally to review all elements of the named executive officers' compensation. The tally sheet includes all of the information that is reflected in the Summary Compensation Table as well as amounts and descriptions of perquisites not required to be specifically identified by SEC regulations, generally because the amount of such items is not deemed material under applicable SEC regulations. The review by the Compensation Committee analyzes how changes in any element of compensation would impact other elements. Such analysis has become an important component in the Compensation Committee's review of named executive officer compensation as various components, including

perquisites, are deemed by the Compensation Committee to be important elements of an executive's overall compensation. This also allows the Compensation Committee to make compensation decisions and evaluate management recommendations based upon a complete analysis of a named executive's total compensation.

With regard to perquisites paid to the Co-CEOs, the Compensation Committee noted the annual limitations described under Perquisites and Other Personal Benefits on page 36.

## **Wealth Accumulation**

As part of its analysis and approval of long-term equity incentive compensation available to the named executive officers, the Compensation Committee reviewed information relative to equity wealth accumulation of the named

executive officers based on previous awards. The purpose of this analysis was to determine whether prior and proposed awards are likely to be effective for retention and as performance incentives to the named executive officers. The Compensation Committee was mindful of the substantial ownership of the Company's common shares by executive officers, particularly the Co-CEOs, and the effect of such ownership in aligning their interests with those of all of the Company's shareholders.

## **Internal Pay Equity**

The Compensation Committee does not apply fixed ratios when conducting an analysis of the relative difference between the Co-CEOs' compensation and the compensation of the Company's other senior executives. However, the Compensation Committee believes that the Company's internal pay equity structure is appropriate based upon the contributions to the success of the Company and as a means of motivation to other executives and employees.

## **Share Ownership Requirements**

The named executive officers and other senior executives of the Company and its subsidiaries (approximately 40 persons) are subject to the Company's share ownership requirements. Pursuant to the requirements, each Co-CEO must own five times his base salary in Company common shares while other executives must own one times his or her base salary in Company common shares.

## **Hedging and Pledging Policy**

The Company prohibits transactions involving hedging of Company shares by directors and executive officers. The Company's pledging policy discourages any pledging of the Company's common stock, including holding common stock in a margin account. In addition, directors and the Company's executive officers are required to obtain

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 25

---

## TABLE OF CONTENTS

pre-approval from the Chair of the Corporate Governance Committee before pledging shares of common stock. Such approval will be granted only if the individual can clearly demonstrate the financial capacity to repay the loan without resorting to the pledged securities and/or after a determination that the number of shares that the individual proposes to pledge is unlikely to affect the market for the common stock when viewed in relation to the market value or trading volume. No named executive officer or director has pledged any Company shares.

## **Outside Consultants**

The Compensation Committee has the authority to retain and from time to time has considered the use of outside consultants to assist in evaluating the Company's executive compensation programs and practices.

As discussed above, in 2015, at the recommendation of the Company's management, the Company engaged Pearl Meyer to review and analyze aspects of the Company's compensation program. The Chairman of the Compensation Committee participated in the process with Pearl Meyer, and the final Pearl Meyer report was presented to the Compensation Committee and discussed at meetings of the Compensation Committee.

## **Tax Deductibility of Pay**

Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of \$1 million paid to certain named executive officers. An exception to the limitations is provided for performance-based compensation. Certain compensation that the Company pays to the named executive officers qualifies as performance-based compensation for purposes of Section 162(m) and is, therefore, eligible to be fully deducted by the Company for federal income tax purposes. Examples of compensation paid to named executive officers not qualifying as performance based compensation and thus subject to the deduction limits of Section 162(m) include non-performance-based

discretionary awards paid under the Senior Executive Annual Bonus Plan for certain named executive officers, which is qualitative in nature, and awards of restricted shares that have vesting based only on continued service.

The Company views preserving tax deductibility as an important objective, but not the sole objective, in establishing executive compensation. Although the Company has compensation plans that are intended to permit the award of deductible compensation under Section 162(m) of the Internal Revenue Code, the Compensation Committee does not necessarily limit executive compensation to the amount deductible under that provision. Rather, it considers the available alternatives and acts with the intention of preserving the deductibility of compensation to the extent reasonably practicable and consistent with its other compensation objectives, including the attraction and retention of key executives.

While certain awards may be intended to qualify for the performance-based compensation exception under Section 162(m), the determination of whether compensation actually qualifies for the exception is complex and is based on the facts and circumstances of each case. Consequently, the Company cannot guarantee that compensation that is intended to qualify for the performance-based compensation exception under Section 162(m) will in fact so qualify.

## **Section 409A**

Section 409A of the Internal Revenue Code requires that nonqualified deferred compensation be deferred and paid under plans or arrangements that satisfy the requirements of the law with respect to the timing of deferral elections,

timing of payments and certain other matters. In general, it is AFG's intention to design and administer its compensation and benefits plans and arrangements for all of its employees so that they are either exempt from, or satisfy the requirements of, Section 409A.

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 26

---

TABLE OF CONTENTS

## 2016 Compensation Components

The Compensation Committee continues to monitor and evaluate on an ongoing basis the mix of direct cash and equity compensation awarded to the named executive officers, and the extent to which such compensation aligns the interests of the named executive officers with those of AFG's shareholders. In connection with this practice, the Compensation Committee annually considers and discusses the structure of the Company's executive compensation program and the relative weighting of various compensation elements.

For the fiscal year ended December 31, 2016, the principal components of compensation for named executive officers were:

- base salary;
- annual performance-based cash bonuses;
- long-term incentive compensation;
- retirement and deferred compensation benefits; and
- perquisites and other personal benefits.

Each of these components plays a different strategic role in the Company's compensation program:

Compensation Element

Strategic Role in Compensation

**Base salary** is determined based on position, scope of responsibilities, experience, tenure, qualifications and competitive data.

Provides a fixed level of compensation for services rendered during the year.

Attracts and retains executive talent.

**Annual cash incentive awards** are variable awards payable in large part based on Company performance and results established by the Compensation Committee.

Provides focus on annual performance goals that are linked to Company success and shareholder value.

Motivates and rewards named executive officers to achieve strong annual business results that will contribute to the Company's long-term success without creating an incentive to take excessive risk.

**Long-term incentive awards** granted annually, including stock options and restricted stock awards.

Ensures that the named executive officers have a significant continuing interest in the long-term financial success of the Company.



Aligns the interests of the named executive officers with Company shareholders.

Encourages decisions and rewards performance that contributes to the long-term Company success.

Encourages executive retention.

Discourages excessive risk taking.

Encourages focus on growth in book value and return on equity growth, primary drivers of shareholder value.

**Long-term equity awards** granted through 2015 under the Senior Executive Equity Bonus Plan and **long-term cash awards** granted through the Senior Executive Long Term Incentive Compensation Plan beginning in 2016.

Encourages retention through overlapping three-year performance periods after initial one year and two year ramping awards.

Long-term focus discourages excessive risk taking.

Provides qualified retirement benefits through Company matching of a percentage of contributions in a defined contribution plan.

**Retirement benefits** which provide competitive retirement benefits that are generally comparable to those provided to all employees.

Provides non-qualified contributions where tax law limits amounts.

Attracts executive talent.

Ensures that executives who spend all or most of their careers with AFG will have the opportunity to accrue a reasonable retirement benefit.



TABLE OF CONTENTS

Compensation Element	Strategic Role in Compensation
	Permits named executive officers to defer receipt of all or any part of their base salary and/or annual cash bonus.
<b>Deferred compensation</b> elections, which are voluntary and permit deferral of base salary or bonus into our common shares and/or cash at an interest rate determined annually.	Provides a retention feature through reasonable return potential.
	Provides an attractive tax planning opportunity designed to attract and retain executives.
<b>Perquisites</b> including health care; life, disability, auto and home insurance; security services; aircraft usage; entertainment; and administrative services.	Provides competitive compensation elements designed to attract and retain executive talent.
	Personal use of Company aircraft enhances security and personal safety as well as enhancing productivity.

## Compensation Risk Analysis

The Compensation Committee has reviewed the risk profile of the components of AFG’s executive compensation programs, including the performance objectives and target and maximum levels used in connection with incentive awards. The Company analyzes and structures its overall compensation program to discourage excessive risk-taking through a balanced use of compensation vehicles and metrics with an overall goal of delivering sustained long-term shareholder value while aligning executives’ interests with those of shareholders. Further, our program makes a substantial portion of each named executive officer’s compensation contingent on delivering performance results that benefit our shareholders. The Compensation Committee believes that AFG’s executive compensation programs incentivize the appropriate level of risk-taking behavior by its named executive officers needed to grow the business, while encouraging prudent decision-making that focuses on both short-term and long-term results.

## Compensation Committee Discussions with Co-CEOs

Our Co-CEOs determine the compensation for the named executive officers other than themselves. The Compensation Committee annually reviews the components of compensation for the named executive officers other than the Co-CEOs, the levels of compensation determined by the Co-CEOs and the performance of the other named executive officers with the Co-CEOs. The Compensation Committee makes recommendations to the Board and the Co-CEOs with respect to general non-Co-CEO compensation, incentive-compensation plans and equity-based plans.

Our Co-CEOs discuss with the Compensation Committee their evaluation of the Company's performance, their performance, their current and future compensation levels, and the reported compensation of named executive officers at the Compensation Peer Group companies prior to the time that the Compensation Committee takes any action with respect to setting the compensation of the Co-CEOs. The Co-CEOs also make recommendations to the

Compensation Committee with respect to annual and long-term incentive compensation arrangements applicable to them. Specifically, the Co-CEOs recommend that AFG's business plan be considered in connection with 2016 compensation objectives and targets. The Compensation Committee considers this input in connection with its review and approval of corporate goals and objectives relevant to Co-CEO compensation, deliberation of Co-CEO performance in light of those goals and objectives, and determination of Co-CEO compensation levels based on this evaluation.

The Co-CEOs believe that Mr. Consolino and Mr. Berding each plays a collaborative role with the Co-CEOs in the achievement of AFG's business plan and budgeted targets. In recognition of these roles, the compensation components for Mr. Consolino and Mr. Berding are identical to those of the Co-CEOs, and each also participates in all compensation plans in which the Co-CEOs participate.

## **Base Salary**

The Company pays salaries that are designed to attract and retain superior leaders. After reviewing compiled data and materials as discussed above, the Compensation Committee determines annual base salaries for the Co-CEOs that are appropriate, in its subjective judgment, based on each Co-CEO's responsibilities and performance and input from the Co-CEOs themselves. The Co-CEOs set salaries for the other named executive officers, which are reviewed by the Compensation Committee. The Co-CEOs believe that such salaries are appropriate in light of the levels of responsibility of such officers and their individual contributions to the Company's success. The base salaries for the Co-CEOs for 2016 remained the same as in 2010-2015.

## **Senior Executive Annual Bonus Plan**

Annual performance-based cash bonuses are awarded under the Company's Senior Executive Annual Bonus Plan and are designed to reward the current year performance of AFG. The Company believes that the overall performance of AFG is substantially related to the

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 28

---

## TABLE OF CONTENTS

performance of its executives. If earned, cash bonuses are generally paid in the first quarter for the prior year's performance.

In connection with the Company's engagement of Pearl Meyer during 2015, the Compensation Committee analyzed and discussed the annual performance-based components of cash compensation.

For over 10 years, one-half of the annual cash maximum bonus amounts that could be earned by each named executive officer has been based on Operating EPS (which is discussed in more detail below). For 2015 and recent years, the remaining one-half of the annual cash maximum bonus for the Co-CEOs, Mr. Consolino and Mr. Berding, was based on company performance components, and for Ms. Gillis and Mr. Peraino, one-half of the annual bonus was based on the Co-CEOs' subjective determinations of their performance. The Compensation Committee's consideration of total compensation reflected an equal weighting of the Operating EPS and company performance components or subjective determinations.

For 2015 and recent years, the company performance components under the Senior Executive Annual Bonus Plan were generally comprised of six to eight performance goals. Most of the applicable performance goals were identical to each participant, and except with respect to the Co-CEOs, the Co-CEOs determined the weight assigned to certain performance goals based on each executive's areas of responsibility. If a performance goal was satisfied, each executive would receive the amount assigned to the performance goal. This component of the annual cash bonus program did not provide for partial payments in the event that a goal was not satisfied nor did it provide for additional amounts to be paid in the event of significant outperformance. Because performance goals were either satisfied or not, the Compensation Committee did not annually determine a target amount for the company performance components but generally weighted the potential bonus amounts under the company performance components equally with potential bonus amounts for Operating EPS achievement.

During 2016, the Compensation Committee considered the report by Pearl Meyer and discussed the composition of the performance metrics under the Senior Executive Annual Bonus Plan. Specifically, the Compensation Committee evaluated the number of company performance components as well as the effect of each component on shareholder value. Following this review and analysis, the Compensation Committee determined to restructure the composition of the annual performance-based cash awards to named executive officers.

The Compensation Committee continues to believe that Operating EPS is the most significant shareholder value metric, and as such, the achievement of annual Operating EPS goals for 2016 continued to comprise the largest portion of the annual cash bonus targets for named executive officers. The Compensation Committee replaced the other performance metrics and award methodology under the Senior Executive Annual Bonus Plan discussed below.

For 2016, the Senior Executive Annual Bonus Plan consisted of four components—Operating EPS, Specialty Property and Casualty Earnings (Specialty P&C Earnings), Annuity Earnings and Discretionary. The Compensation Committee determined that the Operating EPS, Specialty P&C Earnings and Annuity Earnings, taken together, are primary drivers of annual shareholder value and that, as a result, these metrics should be weighted heavily in determining bonus amounts.

In determining performance levels and target bonuses for the Co-CEOs, the Compensation Committee utilized the components as follows. For each, as discussed above, the Operating EPS component would continue to comprise the largest portion of the annual bonus target. The Specialty P&C Earnings component comprised a larger portion than the Annuity Earnings component of the target bonus amounts not attributable to the Operating EPS component. The Compensation Committee determined that weighing the two segment earnings components differently, at a 60% to 40% proportion to one another, was appropriate and approximated the Company's segment business mix. Performance

levels and target bonuses for Mr. Consolino and Mr. Berding were determined similarly and in similar proportion, except with respect to the addition of a separate amount allocated to a Discretionary component.

The Discretionary component applied to all named executive officers except for the Co-CEOs. Awards under the Discretionary component were based on the Co-CEOs' subjective performance determinations of Mr. Consolino, Mr. Berding, Ms. Gillis and Mr. Peraino. In the case of Ms. Gillis, the Co-CEOs considered the recommendation of Mr. Consolino. For Ms. Gillis and Mr. Peraino, as in 2015, 50% of the annual bonus was based on the Discretionary component. A portion of Mr. Consolino's and Mr. Berding's annual cash bonus amount (\$100,000 each for 2016) was based on the Discretionary component.

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 29

---

TABLE OF CONTENTS

The Co-CEOs believe that Mr. Consolino and Mr. Berding each plays a collaborative role with the Co-CEOs in the achievement of AFG's business plan and budgeted targets. In allocating a discretionary bonus amount determinable by the Co-CEOs, the Compensation Committee recognized that the Co-CEOs work daily with Mr. Consolino and Mr. Berding, putting the Co-CEOs in a unique position to evaluate the subjective achievements of each.

Under the new structure, achievement of target levels for each of the Specialty P&C Earnings and Annuity Earnings components collectively equated to payment of bonuses approximately equivalent to maximum bonus (excluding the bonus attributable to Operating EPS) that would have been payable for the achievement of all performance goals under the plan as in effect for 2015.

Unlike the non-Operating EPS performance metrics that applied through 2015, where the metric was either satisfied (with a corresponding bonus amount paid) or not satisfied (with no bonus amount paid), the Compensation Committee delineated four levels of achievement under the Specialty P&C Earnings and Annuity Earnings components. For results below a defined threshold, no bonus would be earned for the relevant component. Thresholds were also established for a minimum bonus, target bonus and maximum bonus for each component.

The Compensation Committee considered that payment of the maximum bonus would reflect significant outperformance by the applicable operating segment and merited a corresponding increased bonus for the Co-CEOs, Mr. Consolino and Mr. Berding.

Company results to be applied to each of the Operating EPS component, Specialty P&C Earnings component and the Annuity Earnings component are derived from the Company's results reported consistent with past practice. The Senior Executive Annual Bonus Plan includes provisions for adjustments to performance thresholds in the event of a modification of the methodology of Company reporting for any measure. Any modification would result in an adjustment, as determined by the Compensation Committee, in a manner that provides for an identical bonus payment for the affected component based on identical (as adjusted to give effect to the modification to the calculation of the component) results.

The targets, thresholds and maximums for 2016 were established by the Compensation Committee after reviewing the Company's 2016 business plan prepared by management, approved by the Co-CEOs and reviewed with the Board of Directors.

For illustrative purposes, below is a comparison of total bonus targets and maximums for the named executive officers under the Senior Executive Annual Bonus Plan for 2015 and 2016. Because the Compensation Committee's consideration of total compensation reflected an equal

weighting of the Operating EPS and company performance components or subjective determinations, targets for 2015 reflect a target equal to the Operating EPS target for purposes of the company performance components. For 2016, target amounts assume payment in full of the Discretionary component for Messrs. Consolino and Berding.

Name	2015 Target (\$)	2015 Maximum (\$)
Carl H. Lindner III	1,500,000	2,625,000
S. Craig Lindner	1,500,000	2,625,000
Joseph E. (Jeff) Consolino	1,100,000	1,650,000
John B. Berding	1,100,000	1,650,000

Michelle A. Gillis	225,000	281,250
Vito C. Peraino	600,000	750,000

Name	2016	2016
	Target	Maximum
	(\$)	(\$)
Carl H. Lindner III	2,062,500	2,821,875
S. Craig Lindner	2,062,500	2,821,875
Joseph E. (Jeff) Consolino	1,375,000	1,758,750
John B. Berding	1,375,000	1,758,750
Michelle A. Gillis	250,000	312,500
Vito C. Peraino	600,000	750,000

### Senior Executive Annual Bonus Plan Operating EPS Component

For 2016, for all named executive officers, the largest portion of the annual cash bonus was payable based on the Company's 2016 Operating EPS calculated consistent with prior years. The Operating EPS goals for all named executive officers were identical.

Operating EPS differs from AFG's reported net earnings per share (determined in accordance with generally accepted accounting principles) by excluding realized gains and losses in the investment portfolio and certain other items that may not be indicative of AFG's ongoing core operations. Further, any special charge taken as a result of an internal review of asbestos and environmental reserves is to be considered a non-core item.

Operating EPS bonuses are awarded based on ranges where named executive officers can receive between \$0 and the maximum bonus. Prior to 2016, a participant would receive 100% of the target bonus allocated to the Operating EPS component for achievement of target Operating EPS, and an increase or decrease of 8%, respectively, from the Operating EPS target resulted in the payment of the maximum bonus or no bonus. Beginning in 2016, after discussions with Pearl Meyer, the Compensation Committee widened the ranges for bonus calculations under the Operating EPS component to approximately 10% so that Operating EPS would have to exceed target by approximately 10% to receive the

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 30

---



TABLE OF CONTENTS

maximum bonus, but some percentage of the target bonus would be paid for Operating EPS that fell short of target by almost 10%. The Compensation Committee noted that, while named executive officers would be entitled to a portion of the bonus amount attributable to the Operating EPS component for results that, on a percentage basis, varied from target by a greater amount than in prior years, the Compensation Committee determined that significant outperformance (over 11% for 2016 vs. outperformance of 6.6% for 2015) would be required for the named executive officers to receive the maximum bonus for this component. The Committee also noted that the target bonus amounts for Operating EPS for all participants except Ms. Gillis, who received an increase in target bonus, were unchanged from 2015. Finally, the 2016 target of \$5.55 per share represented an increase of approximately 5% over the Operating EPS target for 2015.

The Compensation Committee determined that achieving the 2016 Operating EPS target would require substantial efforts on behalf of the entire organization, including the named executive officers and other Company senior management, and gave consideration to factors which might impact ongoing earnings, including, but not limited to, competition, market influences, governmental regulation and the Board of Directors' desire to devote resources to other internal corporate objectives, such as acquisitions or start-ups.

For 2016, the following Operating EPS ranges determined the percentage of the corresponding bonus amount, if any, for the Operating EPS component:

Operating EPS	Percentage of Bonus Target to be paid for Operating EPS Component
Less than \$5.00	0
\$5.55	100%
\$6.10 or more	Maximum

For each named executive officer, 100% of the bonus target for the Operating EPS component was to be paid if Operating EPS were \$5.55 per share. If Operating EPS was at least \$5.00 but less than \$5.55 or above \$5.55 but less than \$6.10, the Operating EPS component of the bonus was to be determined by straight-line interpolation. If Operating EPS was \$6.10 or more, the maximum amount was to be paid. For the Co-CEOs, the maximum was 175% of the target bonus; for Mr. Consolino and Mr. Berding, the maximum amount was 150% of the

target bonus; and for Ms. Gillis and Mr. Peraino, the maximum amount was 125% of the target bonus. Each named executive officer's Operating EPS bonus target is set forth below:

Name	Operating EPS Component Target Bonus
Carl H. Lindner III	\$ 750,000
S. Craig Lindner	\$ 750,000
Joseph E. (Jeff) Consolino	\$ 550,000
John B. Berding	\$ 550,000
Michelle A. Gillis	\$ 125,000
Vito C. Peraino	\$ 300,000

For 2016, AFG reported Operating EPS of \$6.03. As a result, the Compensation Committee authorized the payment of bonuses for 2016 as follows under the Operating EPS component: \$1,240,909 (165% of bonus target) to each Co-CEO; \$790,000 (144% of bonus target) to each of Mr. Consolino and Mr. Berding; \$365,455 and \$152,273, respectively, (122% of bonus target) to Ms. Gillis and Mr. Peraino.

## **Senior Executive Annual Bonus Plan Specialty P&C Earnings Component**

For the Co-CEOs, Mr. Consolino and Mr. Berding, approximately one-third of the target annual cash bonus was payable based on the Company's Specialty P&C Earnings for 2016.

Specialty P&C Earnings is defined as core operating earnings before income taxes from the Specialty Property and Casualty Insurance operations as reported in the Company's quarterly earnings releases, which excludes certain items that may not be indicative of its ongoing core operations such as realized gains and losses and special charges resulting from the recurring periodic review of the Company's asbestos and environmental exposures. Consistent with the Company's reporting, the calculation of earnings excludes certain items that may not be indicative of the Company's core operations such as realized gains and losses and special charges resulting from the Company's routine review of asbestos and environmental exposures.

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 31

---

TABLE OF CONTENTS

For 2016, the following Specialty P&C Earnings ranges determined the percentage of the corresponding bonus amount, if any, for the Specialty P&C Earnings component:

Specialty P&C Earnings (in millions)	Percentage of Bonus Target to be paid for Specialty P&C Earnings Component
Less than \$528	0
\$528	85%
\$574	Target of 100%
More than \$620	115%

As with the Operating EPS component, bonuses awarded based on Specialty P&C Earnings above \$528 million but less than \$574 million or above \$574 million but less than \$620 million would be determined by straight-line interpolation. The target bonuses for the Co-CEOs, Mr. Consolino and Mr. Berding under the Specialty E&S Earnings Component were as follows:

Name	Specialty P&C Earnings Component Target Bonus
Carl H. Lindner III	\$ 787,500
S. Craig Lindner	\$ 787,500
Joseph E. (Jeff) Consolino	\$ 435,000
John B. Berding	\$ 435,000

For 2016, AFG reported Specialty P&C Earnings of \$630 million. As a result, the Compensation Committee authorized the payment of the maximum bonus, representing 115% of the target bonus, for 2016 under the Specialty P&C Earnings component. Each Co-CEO received \$905,625 and each of Mr. Consolino and Mr. Berding received \$500,250.

## Senior Executive Annual Bonus Plan Annuity Earnings Component

For the Co-CEOs, Mr. Consolino and Mr. Berding, approximately one-fourth of the annual cash target bonus was payable based on the Company's Annuity Earnings for 2016.

Annuity Earnings is defined as core operating earnings before income taxes from the Annuity segment as reported in the Company's quarterly earnings releases, which excludes certain items that may not be indicative of its ongoing core operations such as realized gains and losses, adjusted to exclude the impact of fair value accounting for fixed-indexed annuities. As with Specialty P&C Earnings, the determination of Annuity Earnings is consistent with the Company's reporting and excludes certain items that may not be indicative of the Company's core operations such as realized gains and losses and adjustments resulting from the impact of fair value accounting for derivatives related to fixed-indexed annuities.

For 2016, the following Annuity Earnings ranges determined the percentage of the corresponding bonus amount, if any, for the Annuity Earnings component:

Annuity Earnings (in millions)	Percentage of Bonus Target to be paid for Annuity Earnings Component
Less than \$331	0
\$331	85%
\$360	Target of 100%
More than \$389	115%

As with the Operating EPS component and Specialty P&C Earning component, bonuses awarded based on Annuity Earnings above \$331 million but less than \$360 million or above \$360 million but less than \$389 million would be determined by straight-line interpolation.

The target bonuses for the Co-CEOs, Mr. Consolino and Mr. Berding under the Annuity Earnings Component were as follows:

Name	Annuity Earnings Component Target Bonus
Carl H. Lindner III	\$ 525,000
S. Craig Lindner	\$ 525,000
Joseph E. (Jeff) Consolino	\$ 290,000
John B. Berding	\$ 290,000

For 2016, AFG reported Annuity Earnings of \$395 million. As a result, the Compensation Committee authorized the payment of the maximum bonus, representing 115% of the target bonus, for 2016 under the Annuity Earnings component. Each Co-CEO received \$603,750 and each of Mr. Consolino and Mr. Berding received \$333,500.

## Senior Executive Annual Bonus Plan Discretionary Component

For Ms. Gillis and Mr. Peraino, 50% of the annual cash target bonus under the Senior Executive Annual Bonus Plan was determined by the Co-CEOs based on the Co-CEOs' subjective rating of the named executive officers relative to overall performance for 2016. Each of Ms. Gillis and Mr. Peraino were eligible to receive a bonus ranging from 0% to 125% of the target amount allocated to the Discretionary component. The target bonuses were as follows:

Name	Discretionary Component Target Bonus
Michelle A. Gillis	\$ 125,000
Vito C. Peraino	\$ 300,000

The determination for Ms. Gillis and Mr. Peraino includes a consideration of all factors deemed relevant, including, but not limited to: operational, qualitative measurements relating



TABLE OF CONTENTS

to the development and implementation of strategic initiatives and annual objectives; responses to unexpected developments; the development of management personnel; the impact of any extraordinary transactions involving or affecting the Company and its subsidiaries; and, for Ms. Gillis, the recommendation of Mr. Consolino. The Co-CEOs considered these factors, together with the respective roles of the named executive officers with respect to the consistent improvement in the Company's operating performance over the past several years, and determined that the named executive officers receive the following: \$156,250 (125% of target) to Ms. Gillis; and \$375,000 (125% of target) to Mr. Peraino.

The Discretionary portion of the annual bonus for Mr. Consolino and Mr. Berding (\$100,000 apiece in total, representing less than 8% of the cumulative target bonus for the other three bonus components and less than 6% of their maximum bonus amounts) was determined by the Co-CEOs, and each of Mr. Consolino and Mr. Berding was awarded a bonus of \$100,000.

## Senior Executive Annual Bonus Plan Total Bonus Amounts

The total bonus amounts payable to each named executive officer for 2016 under the Senior Executive Annual Bonus Plan, including all of the above components, were:

Name	Total 2016 Bonus	Total 2016 Bonus as Percentage of Total Target
Carl H. Lindner III	\$ 2,750,284	133 %
S. Craig Lindner	\$ 2,750,284	133 %
Joseph E. (Jeff) Consolino	\$ 1,723,750	125 %
John B. Berding	\$ 1,723,750	125 %
Michelle A. Gillis	\$ 308,523	123 %
Vito C. Peraino	\$ 740,455	123 %

## Long-Term Equity Incentive Compensation Broad-Based Equity Award

The Compensation Committee believes long-term equity incentive compensation encourages management to focus on long-term Company performance and provides an opportunity for executive officers and certain designated key employees to increase their stake in the Company through equity awards that vest over time. The Compensation Committee believes that equity awards represent an important part of AFG's performance-based compensation system. The Compensation Committee further believes that AFG shareholders' interests are well served by aligning AFG's senior executives' interests with those of its shareholders through the grant of equity awards.

Equity awards are generally granted at a regularly-scheduled Compensation Committee meeting in February shortly after AFG issues a press release

announcing results of the recently ended fiscal year. The Committee has determined to grant annual equity awards at such time because the investment market has had the opportunity to assess the Company's prior year results and current year's guidance and because Company results for the current quarter and year-to-date are not yet known.

Prior to the 2016 annual grants, the Compensation Committee granted stock options and restricted shares to executive officers and certain designated key employees. Beginning with the February 2016 customary broad-based annual grant of equity awards to employees, including executive officers, the Compensation Committee discontinued granting stock options and began awarding only restricted shares that cliff-vest after four years, partly in order to control share usage and reduce the potential dilution to shareholders from stock-based incentive compensation.

In determining the value of overall annual grants to all employees, the Compensation Committee takes into consideration the dilutive effect to shareholders of the additional shares which may be issued pursuant to stock-based awards as well as the expense to AFG as stock-based awards vest. The Compensation Committee believes that several features present in stock-based awards give recipients substantial incentive to maximize AFG's long-term success. Specifically, the Compensation Committee believes that, because stock options (granted through 2015) vest at the rate of 20% per year and restricted stock awards cliff vest in four years, these awards promote executive retention due to the potential for forfeiture of options and restricted stock that have not fully vested upon departure from AFG.

Equity award levels for participants are determined based on award amounts from previous years, market and peer company data, expense to AFG, the relative benefits to participants of such expense and the overall compensation level of such participants. Equity grants vary among participants based on their positions within the Company, and AFG believes that the consideration of these factors results in reasonable grant levels to its named executive officers and other employees. Restricted shares granted in 2016 to the named executive officers are set forth in the Grants of Plan-Based Awards Table on page 39 of this proxy statement.

## **Long-Term Equity Incentive Compensation      Senior Executive Equity Bonus Plan**

Under the Senior Executive Equity Bonus Plan ( "Equity Bonus Plan" ), the Company may grant bonus awards payable in Company common shares to the Co-CEOs and other senior executive officers of the Company and its subsidiaries, including the named executive officers, based upon the achievement of the performance goals determined annually by the Compensation Committee.

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 33

---

TABLE OF CONTENTS

As discussed in more detail below under Senior Executive Long Term Incentive Compensation Plan, the Compensation Committee discontinued making awards under the Equity Bonus Plan following grants made in 2015. In February 2016, the Board adopted, and at the Company's 2016 annual shareholders meeting, the shareholders approved, the Senior Executive Long Term Incentive Compensation Plan which was established to replace the Equity Bonus Plan.

The Equity Bonus Plan was designed to reward long-term Company performance through an award of equity securities which would further align the interests of participants with those of shareholders. Awards under the Equity Bonus Plan reward multi-year Company performance through rolling three-year performance periods. In order to retain a performance equity compensation component for new participants in the two years preceding the end of a new participant's initial three-year performance period, the Committee has, to date, approved performance goals based on one-year and two-year performance in addition to three-year performance. After the initial grants to each new participant, annual grants have been based on three-year performance.

Prior to awards paid in 2015, the Compensation Committee utilized one criterion – book value per share growth over a specified period versus the book value per share growth over the same period of the group of companies set forth below (the plan companies) as the basis for awards.

The book value per share comparisons, for the Company and each plan company, were adjusted to negate the effects of accounting changes, accumulated other comprehensive income and the impact of dividends and other capital distributions made on common shares. The awards provided for such adjustments because the Committee determined that failing to adjust for accounting changes could result in artificially inflating or decreasing book value per share and failing to adjust for other comprehensive income and the impact of distributions could influence Company decisions, like, for example, the timing and amount of dividends to be paid, in a manner not consistent with a goal of continuing to increase shareholder value.

The group of companies utilized for purposes of determining satisfaction of the book value per share criterion is designed to approximate the Company's business mix of property and casualty insurance and annuities.

Beginning with awards granted in 2014 (first paid in 2017 for the three-year period 2014 – 2016), the Compensation Committee modified awards by providing that one-half of the senior executive's bonus amount would be based on

book value per share growth as compared to plan companies. The remaining one-half of the bonus amount would be based on annual return on equity growth, defined as the percentage equal to the Company's core operating earnings divided by the Company's shareholders' equity (excluding appropriated retained earnings and accumulated other comprehensive income). The applicable percentage in determining bonus amounts, if any, would be the average return on equity for each of the three years in the performance period.

The participants under the Equity Bonus Plan for awards payable for the 2014 – 2016 performance period were the Co-CEOs, Mr. Berding and Mr. Consolino. The Compensation Committee set a target and a maximum for each award. The target amount for each Co-CEO was \$2,500,000, and the target amount for each of Mr. Berding and Mr. Consolino was \$750,000, with one-half of each target amount (\$1,250,000 and \$375,000, respectively) allocated to each of the two performance criteria. The maximum award was 200% of the target amount.

With regard to the book value per share component, for the 2014 – 2016 performance period, as in prior periods, if the Company's growth in book value per share placed it in the fourth (lowest) quartile of the plan companies, no bonus for the book value per share growth metric would be payable to any participant. If the Company's growth in book value per share exceeded all plan companies, each participant would receive the maximum amount payable for the metric



(200% of the target amount). If the Company's growth in book value per share exceeded the fourth (lowest) quartile of the plan companies but did not exceed that of all plan companies, each participant would be entitled to a bonus amount for the metric calculated by applying straight-line interpolation rounded to the nearest whole dollar amount for growth in book value per share between 0% (for being in the fourth (lowest) quartile of plan companies) and 200% (for growth in book value per share exceeding that of all other plan companies) of the target amount. Plan companies acquired during the three-year performance period are excluded when calculating awards under the plan. In order for a participant to receive the target amount, the Company's growth in book value per share must be in the top 37.5% of the plan companies.

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 34

---

TABLE OF CONTENTS

The plan companies under the Equity Bonus Plan for awards paid with respect to book value per share growth for the three-year period ended December 31, 2016 were:

1. Alleghany Corp.
2. American Equity Investment Life Holding Co.
3. American National Insurance Co.
4. Arch Capital Group Ltd.
5. Argo Group International Holdings, Ltd.
6. Baldwin & Lyons Inc.
7. Chubb Limited
8. Cincinnati Financial Corp.
9. CNA Financial Corporation
10. CNO Financial Group, Inc.
11. Hanover Insurance Group, Inc.
12. The Hartford Financial Services Group, Inc.
13. Horace Mann Educators Corp.
14. Lincoln National Corp.
15. Markel Corporation
16. Metlife, Inc.
17. National Western Life Group, Inc.
18. Protective Life Corp.
19. RLI Corp.
20. Symetra Financial Corporation
21. Travelers Companies, Inc.
22. W.R. Berkley Corporation
23. XL Group plc

The Company's growth in book value per share for the period from January 1, 2014 through December 31, 2016 placed it ninth in comparison to the plan companies (entitling each participant to 51.5% of the target bonus for this component). As a result, each Co-CEO was entitled to a bonus in dollars of \$1,287,879 for 2016, and each of Mr. Consolino and Mr. Berding was entitled to a bonus in dollars of \$386,364 for 2016.

The remaining one-half of the bonus amount was based on annual return on equity growth as discussed above. With regard to the 2014–2016 performance period, if the return on equity percentage equaled or exceeded 12%, the participant would receive the maximum bonus amount attributed to this metric. If the return on equity percentage equals or is less than 9%, the participant would receive no bonus amount attributed to this metric. For a return on equity greater than 9% but less than 12%, the bonus amount will be calculated by applying straight-line interpolation rounded to the nearest whole dollar amount. Each participant's target bonus of 50% of the maximum bonus for the return on equity component would be earned if the Company's return on equity equaled 10.5% for the three-year period.

The Company's annual average return on equity for 2014–2016 was 11.5% (entitling each participant to 166.67% of the target bonus for this component). As a

result, each Co-CEO was entitled to a bonus in dollars of \$2,083,333 for 2016, and each of Mr. Consolino and Mr. Berding was entitled to a bonus in dollars of \$625,000 for 2016.

After combining the two components, each Co-CEO received a bonus of \$3,371,212 for 2016, payable (after taxes withheld) through the issuance of 18,394 Company common shares. Additionally, each of Mr. Consolino and Mr. Berding received a bonus of \$1,011,364 for 2016, payable (after taxes withheld) through the issuance of 5,519 Company common shares. Each participant's bonus amount represented 134.9% of his target and 67.4% of his maximum bonus under the plan.

## **Long-Term Incentive Compensation    Senior Executive Long Term Incentive Compensation Plan**

In February 2016, the Board adopted, and at the Company's 2016 annual shareholders meeting, the shareholders approved, the Senior Executive Long Term Incentive Compensation Plan. The Senior Executive Long Term Incentive Compensation Plan was established to replace the Equity Bonus Plan, and the Compensation Committee intends that awards under the Senior Executive Long Term Incentive Compensation Plan approximate award amount and criteria as provided in the Equity Bonus Plan.

Unlike the Equity Bonus Plan, which pays awards in Company shares, awards under the Senior Executive Long Term Incentive Compensation Plan will be payable in cash which will reduce the potential dilution to shareholders that may result from stock-based incentive compensation. Other than with respect to the method of payment of awards, the Senior Executive Long Term Incentive Compensation Plan is substantially identical to the Equity Bonus Plan. The current participants under the Senior Long Term Incentive Compensation Plan are the same as under the Equity Bonus Plan, namely the Co-CEOs, Mr. Consolino and Mr. Berding, and the performance criteria for the first awards granted in 2016 (for the 2016–2018 three-year performance period) remained relative book value per share growth and core return on equity with one-half of target allocated to each metric. Cash awards to the extent earned will be paid in early 2019.

## **Recovery of Prior Awards**

AFG does not have a policy with respect to adjustment or recovery of awards or payments if relevant company performance measures upon which previous awards were based are restated or otherwise adjusted in a manner that would reduce the size of such award or payment. Under those circumstances, we expect that the Compensation Committee and the Board would evaluate whether

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 35

---

## TABLE OF CONTENTS

compensation adjustments were appropriate based upon the facts and circumstances surrounding the applicable restatement or adjustment. Nevertheless, the Company is subject to the provisions of Section 304 of the Sarbanes-Oxley Act, with its recoupment requirements. In addition, each of the Senior Executive Equity Bonus Plan and the Senior Executive Annual Bonus Plan contain specific provisions regarding recovery of awards in the event of restatement of materially inaccurate financial results.

## **Retirement and Other Related Benefits**

The Company provides retirement benefits to named executive officers through a combination of qualified (under the Internal Revenue Code) and nonqualified plans. AFG provides retirement benefits to qualified employees through the 401(k) Retirement and Savings Plan ( RASP ), a defined contribution plan. AFG makes discretionary contributions to the retirement fund portion of the plan and matches a percentage of employee contributions to the savings fund. The amount of such contributions and matching payments are based on a percentage of the employee's salary up to certain thresholds. AFG also makes available to certain employees benefits in its Nonqualified Auxiliary RASP ( Auxiliary RASP ). The purpose of the Auxiliary RASP is to enable employees whose contributions in the retirement contribution portion of the 401(k) RASP are limited by IRS regulations to have an additional benefit to the 401(k) RASP.

The Company also maintains a Deferred Compensation Plan pursuant to which certain employees of AFG and its subsidiaries (currently those paid \$110,000 or more annually) may defer up to 80% of their annual salary and/or bonus. For 2016, participants could elect to have the value of deferrals earn a fixed rate of interest, set annually by the Board of Directors (1.625% in 2016); fluctuate based on the market value of Company common shares, as adjusted to reflect stock splits, distributions, dividends; or earn interest as determined by one or more publicly traded mutual funds. A deferral term of either a fixed number of years or upon termination of employment must be elected at the time of deferral. Under the plan, no federal or state income taxes are paid on deferred compensation. Rather, such taxes will be due upon receipt at the end of the deferral period. The Nonqualified Deferred Compensation Table on page 41 of this proxy statement discloses 2016 compensation earned by the named executive officers in connection with the Deferred Compensation Plan.

## **Perquisites and Other Personal Benefits**

Perquisites, such as insurance coverage, security services, certain entertainment expenses, administrative staff attending to occasional personal matters, and the personal use of corporate aircraft, are made available to AFG's executive officers. These benefits and the estimated costs to the Company of such benefits are included in the All Other Compensation table below on page 38.

During 2016, as in prior years, the Company operated corporate aircraft used for the business travel of senior management of the Company and its subsidiaries. The Board has encouraged the use of corporate aircraft for the travel needs of the Company's Co-CEOs, including personal travel, in order to minimize and more efficiently utilize their travel time, protect the confidentiality of their travel and the Company's business, and enhance their personal security. Notwithstanding, the Compensation Committee and the Co-CEOs jointly acknowledge that such aircraft use is a personal benefit, and as such, the Compensation Committee considers the cost to the Company of such use to be an element of the total compensation paid to these individuals.

For each Co-CEO, the Compensation Committee limits personal use of corporate aircraft (120 occupied flight hours). Other perquisites, excluding aircraft, retirement plan and health savings account company match are limited to \$500,000 for each Co-CEO. If exceeded, reimbursement is made based on the cost to the Company of providing the benefits. For taxable benefits, the dollar amounts are included as taxable income to the named executive officers, and

the Company does not provide tax gross-up payments for any perquisites. See footnote one to the All Other Compensation table below on page 38 for a discussion of the tax treatment of aircraft benefits.

The Compensation Committee believes these perquisites to be reasonable, particularly as a part of total executive compensation, comparable with plan companies and consistent with the Company's overall executive compensation programs.

2017 Proxy Statement | Compensation Discussion and Analysis

pg. 36

---

TABLE OF CONTENTS**Executive Compensation****Summary Compensation Table**

The following table summarizes the aggregate compensation paid to or earned by the named executive officers for each of the last three years. Such compensation includes amounts paid by AFG and its subsidiaries and certain affiliates for the years indicated. Amounts shown relate to the year indicated, regardless of when paid. AFG has no employment agreements with the named executive officers.

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	All Other Compensation (\$) <sup>(5)</sup>	Total (\$)
<b>Carl H. Lindner III</b>	2016	1,150,000		4,871,340		2,750,284	964,760	9,736,384
<i>Co-Chief Executive Officer and Co-President (Co-Principal Executive Officer)</i>	2015	1,150,000		2,851,671	764,500	1,912,500	963,350	7,642,021
	2014	1,150,000		3,383,360	732,500	1,413,750	960,979	7,640,589
<b>S. Craig Lindner</b>	2016	1,150,000		4,871,340		2,750,284	981,221	9,752,845
<i>Co-Chief Executive Officer and Co-President (Co-Principal Executive Officer)</i>	2015	1,150,000		2,851,671	764,500	1,912,500	1,017,182	7,695,853
	2014	1,150,000		3,383,360	732,500	1,413,750	904,331	7,583,941
<b>Joseph E. (Jeff) Consolino</b>	2016	868,269		1,761,428		1,723,750	116,275	4,469,722
<i>Executive Vice President and Chief Financial Officer (Principal Financial Officer)</i>	2015	843,269		1,005,546	382,250	1,132,000	166,999	3,530,064
	2014	817,307		1,007,469	366,250	986,922	79,148	3,257,096
<b>John B. Berding</b>	2016	875,000		1,911,441		1,723,750	99,201	4,609,392
<i>President of American Money Management</i>	2015	850,000	25,000	1,080,695	458,700	1,359,000	106,324	3,879,719
	2014	800,000		1,082,535	439,500	1,018,350	79,973	3,420,358
<b>Michelle A. Gillis</b>	2016	332,315		300,026		330,173	55,287	1,017,801
<i>Senior Vice President and Chief Administrative Officer</i>	2015	318,274		150,297	152,900	286,025	42,871	950,367
	2014	293,284		150,695	146,500	282,530	36,043	909,052
<b>Vito C. Peraino</b>	2016	565,962		600,051		740,455	86,001	1,992,469
<i>Senior Vice President and General Counsel</i>	2015	550,962		300,594	305,800	792,225	69,642	2,019,223
	2014	535,960		300,825	293,000	721,538	60,897	1,912,220

(1) Amounts shown are not reduced to reflect the named executive officers' elections, if any, to defer receipt of salary into the Deferred Compensation Plan

(2) Amount represents the dollar amount which will be expensed for financial statement reporting purposes over the vesting period of the award for compensation expense incurred by the Company in connection with discretionary restricted stock awards made by the Compensation Committee under the Company's equity incentive plan applicable to all employees. With respect to the Co-CEOs, Mr. Consolino and Mr. Berding, also includes awards

under the Senior Executive Equity Bonus Plan paid in the form of Company common shares (as further described in the Compensation Discussion and Analysis section beginning on page 22 of this proxy statement) in each fiscal year. Amounts were determined in accordance with FASB ASC 718 (Compensation – Stock Compensation), rather than as an amount paid to or realized.

(3) Amount represents the grant date fair value which will be expensed for financial statement reporting purposes over the vesting period of the options in accordance with ASC 718, rather than an amount paid to or realized by the named executive officer. There can be no assurance that the amounts recognized in accordance with ASC 718 will ever be realized.

(4) These payments were made pursuant to the Annual Senior Executive Bonus Plan, a performance-based annual cash bonus plan and, therefore, do not appear in the bonus column. The Annual Senior Executive Bonus Plan is further described in the Compensation Discussion and Analysis section beginning on page 22 of this proxy statement. For Ms. Gillis (for all years) and Mr. Peraino (for 2014 and 2015), amounts in addition to those earned each year under the Annual Senior Executive Bonus Plan include distributions in such year under subsidiary long-term plans which terminated in 2011 and 2012 (prior to either Ms. Gillis or Mr. Peraino becoming an executive officer of the Company) for which payouts are made over multiple years following plan termination.

2017 Proxy Statement | Executive Compensation

pg. 37

---

TABLE OF CONTENTS

See All Other Compensation chart below for amounts, which include perquisites, Company or subsidiary contributions or allocations under the defined contribution retirement plans and employee savings plan in which (5) the named executive officers participate (and related accruals for their benefit under the Company's benefit equalization plan which generally makes up certain reductions caused by Internal Revenue Code limitations in the Company's contributions to certain of the Company's retirement plans) and Company paid group life insurance.

**All Other Compensation (\$) 2016**

Item	C.H. Lindner III <sup>(1)(2)</sup>	S.C. Lindner <sup>(1)(2)</sup>	J. E. Consolino <sup>(3)</sup>	J.B. Berding	M.A. Gillis	V.C. Peraino
Insurance (Auto/Home Executive Insurance Program)	389,232	447,376	21,785	25,188	7,384	10,176
Aircraft Usage	416,195	423,696	22,489			
Annual RASP Contribution <sup>(4)</sup>	19,875	19,875	19,875	19,875	19,875	19,875
Annual Auxiliary RASP Contribution	36,750	36,750	36,750	36,750	16,585	36,750
Other <sup>(5)</sup>	102,708	111,576	15,376	17,388	11,443	19,200
<b>Total<sup>(2)</sup></b>	<b>964,760</b>	<b>981,221</b>	<b>116,275</b>	<b>99,201</b>	<b>55,287</b>	<b>86,001</b>

Personal use of corporate aircraft is limited to 120 occupied flight hours for each Co-CEO. The Board of Directors has encouraged the Company's Co-CEOs to use corporate aircraft for all travel whenever practicable for productivity, security and confidentiality reasons. On certain occasions, an executive's spouse, other family members or guests may fly on the corporate aircraft. The value of the use of corporate aircraft is calculated based on the aggregate incremental cost to the Company, including fuel costs, trip-related maintenance, universal (1) weather-monitoring costs, on-board catering, landing/ramp fees and other miscellaneous variable costs. Fixed costs which do not change based on usage, such as pilot salaries, the amortized costs of the company aircraft, and the cost of maintenance not related to trips, are excluded. Amounts for personal use of company aircraft are included in the table. The amounts reported utilize a different valuation methodology than used for income tax purposes, where the value of the personal use of corporate aircraft has been calculated using the Standard Industry Fare Level (SIFL) formula found in the tax regulations.

All perquisites excluding aircraft, retirement plan and health savings account company match are limited to \$500,000 for Mr. C.H. Lindner III and Mr. S.C. Lindner. For Mr. S.C. Lindner, such perquisites totaled \$558,052 (2) for 2016, and he reimbursed the Company for the excess. Amounts shown for all items except Total do not give effect to the repayment, but the Total for Mr. S.C. Lindner has been reduced from \$1,039,273 to \$981,221 to reflect the \$58,052 repayment amount.

(3) Aircraft usage for Mr. Consolino relates solely to travel related to attending meetings of Boards of Directors, other than the Company, on which he served during 2016.

(4) Includes a Company match of 100% on the first 3% of contributions, an additional 50% match on the next 3% of contributions and a discretionary Company contribution.

(5) Includes group life insurance; car, parking and related expenses; health savings account company match; meals and entertainment and administrative and secretarial services.

**Potential Payments upon Termination or Change in Control**

As described in the Compensation Discussion and Analysis section, the named executive officers do not have employment, severance or change in control agreements with the Company. Except for the acceleration of vesting of awards under the Senior Executive Equity Bonus Plan (final award grant in 2015), the Senior Executive Long Term Incentive Compensation Plan (beginning with awards granted in 2016) and the Company's shareholder-approved equity incentive plans upon a change in control, which acceleration applies to all holders of awards under such plans, no amounts become payable to the named executive officers under severance or change in control arrangements. In



addition, rights to acceleration under the Company's 2015 Stock Incentive Plan had been modified through the addition of a double trigger.

2017 Proxy Statement | Executive Compensation

pg. 38

---

TABLE OF CONTENTS**Grants of Plan-Based Awards**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All other Stock Awards: Number of Shares of Stock or Units (#) <sup>(1)</sup>	Closing Market Price on the Date of Grant (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold	Target	Maximum			
Carl H. Lindner III	2/23/2016				22,400	66.79	1,500,128
	2/23/2016 <sup>(2)</sup>	0	2,062,500	2,821,875			
	2/23/2016 <sup>(3)</sup>		2,500,000	5,000,000			
S. Craig Lindner	2/23/2016				22,400	66.79	1,500,128
	2/23/2016 <sup>(2)</sup>	0	2,062,500	2,821,875			
	2/23/2016 <sup>(3)</sup>		2,500,000	5,000,000			
Joseph E. (Jeff) Consolino	2/23/2016				11,200	66.79	750,064
	2/23/2016 <sup>(2)</sup>	0	1,375,000	1,758,750			
	2/23/2016 <sup>(3)</sup>		750,000	1,500,000			
John B. Berding	2/23/2016				13,440	66.79	900,077
	2/23/2016 <sup>(2)</sup>	0	1,375,000	1,758,750			
	2/23/2016 <sup>(3)</sup>		750,000	1,500,000			
Michelle A. Gillis	2/23/2016				4,480	66.79	300,026
	2/23/2016	0	250,000	312,500			
Vito C. Peraino	2/23/2016				8,960	66.79	600,051
	2/23/2016	0	600,000	750,000			

These restricted shares were granted pursuant to the Company's stock incentive plan and generally cliff-vest four (1) years after the grant date. Holders of restricted shares generally have full voting and dividend rights on all restricted shares during the vesting period.

These represent awards under the Senior Executive Annual Bonus Plan. These amounts, to the extent earned and (2) paid in 2017, are shown in the Summary Compensation Table in the column titled "Non-Equity Incentive Plan Compensation" because these awards were recognized in 2016 for financial statement reporting purposes.

These represent awards under the Senior Executive Long Term Incentive Compensation Plan. Grants in 2016 cover a three-year performance period 2016–2018. One-half of award payment based on the Company's growth in book (3) value per share over the three years compared to plan companies, and one-half of award payment based on meeting or exceeding average annual core return on equity goals over the three-year period. Payments of awards, if any, will be made in early 2019.

2017 Proxy Statement | Executive Compensation

TABLE OF CONTENTS**Outstanding Equity Awards at Fiscal Year-End**

Name	Grant Date	Option Awards <sup>(1)</sup>			Option Expiration Date	Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Other Rights That Have Not Vested (\$) <sup>(3)</sup>
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercised Options (#)	Option Exercise Price (\$)		Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$)	
Carl H. Lindner	02/11/2010	50,000		24.83	02/11/2020			
	02/16/2011	50,000		34.34	02/16/2021			
	02/23/2012	40,000	10,000	38.11	02/23/2022			
	02/21/2013	30,000	20,000	44.01	02/21/2023	17,000	1,498,040	
	02/24/2014	20,000	30,000	56.44	02/24/2024	13,320	1,173,758	
	02/23/2015	10,000	40,000	63.15	02/23/2025	11,880	1,046,866	
	02/23/2016					22,400	1,973,888	
	03/07/2014							2,500,000
	03/10/2015							2,500,000
	S. Craig Lindner	02/11/2010	50,000		24.83	02/11/2020		
02/16/2011		50,000		34.34	02/16/2021			
02/23/2012		40,000	10,000	38.11	02/23/2022			
02/21/2013		30,000	20,000	44.01	02/21/2023	17,000	1,498,040	
02/24/2014		20,000	30,000	56.44	02/24/2024	13,320	1,173,758	
02/23/2015		10,000	40,000	63.15	02/23/2025	11,880	1,046,866	
02/23/2016						22,400	1,973,888	
03/07/2014								2,500,000
03/10/2015								2,500,000
Joseph E. (Jeff) Consolino		02/21/2013	15,000	10,000	44.01	02/21/2023	8,500	749,020
	02/24/2014	10,000	15,000	56.44	02/24/2024	6,660	586,879	
	02/23/2015	5,000	20,000	63.15	02/23/2025	5,940	523,433	
	02/23/2016					11,200	986,944	
	03/07/2014							750,000
	03/10/2015							750,000
	02/12/2009	25,000		19.10	02/12/2019			
	02/11/2010	25,000		24.83	02/11/2020			
	02/16/2011	27,500		34.34	02/16/2021			
	02/23/2012	24,000	6,000	38.11	02/23/2022			

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	02/21/2013	18,000	12,000	44.01	02/21/2023	10,200	898,824	
	02/24/2014	12,000	18,000	56.44	02/24/2024	7,990	704,079	
	02/23/2015	6,000	24,000	63.15	02/23/2025	7,130	628,296	
	02/23/2016					13,440	1,184,333	
	03/07/2014							750,000
	03/10/2015							750,000
	02/22/2007	3,250		36.57	02/22/2017			
	02/21/2008	3,750		27.20	02/21/2018			
	02/12/2009	4,000		19.10	02/12/2019			
	02/11/2010	4,500		24.83	02/11/2020			
	02/16/2011	6,000		34.34	02/16/2021			
Michelle A. Gillis	02/23/2012	4,800	1,200	38.11	02/23/2022			
	03/12/2012	2,400	600	37.60	03/12/2022			
	02/21/2013	5,400	3,600	44.01	02/21/2023	3,060	269,647	
	02/24/2014	4,000	6,000	56.44	02/24/2024	2,670	235,280	
	02/23/2015	2,000	8,000	63.15	02/23/2025	2,380	209,726	
	02/23/2016					4,480	394,778	
	02/12/2009	3,709		19.10	02/12/2019			
	02/11/2010	11,000		24.83	02/11/2020			
	02/16/2011	12,000		34.34	02/16/2021			
	02/23/2012	9,600	2,400	38.11	02/23/2022			
Vito C. Peraino	03/12/2012	2,400	600	37.60	03/12/2022			
	02/21/2013	12,000	8,000	44.01	02/21/2023	6,800	599,216	
	02/24/2014	8,000	12,000	56.44	02/24/2024	5,330	469,680	
	02/23/2015	4,000	16,000	63.15	02/23/2025	4,760	419,451	
	02/23/2016					8,960	789,555	

- (1) Represents employee stock options that become exercisable for 20% of the shares initially granted on the first anniversary of the date of grant, with an additional 20% becoming exercisable on each subsequent anniversary. They are generally exercisable for ten years. The options become fully exercisable in the event of death or disability or upon a change in control of the Company.

2017 Proxy Statement | Executive Compensation

pg. 40

TABLE OF CONTENTS

- (2) Represents restricted shares which generally vest four years following the award grant date. Represents the target amount for grants made under the Senior Executive Equity Bonus Plan. Awards are denominated in dollars but are paid in Company common shares. The Senior Executive Equity Bonus Plan will terminate following payment, if any, for the three-year performance period ending December 31, 2017 related to the final awards under the plan made in 2015.
- (3)

**Option Exercises and Stock Vested**

The table below shows the number of Company common shares acquired during 2016 upon the exercise of options and restricted share awards which vested in 2016.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
Carl H. Lindner III			17,000	1,135,430
S. Craig Lindner	37,500	2,172,582	17,000	1,135,430
Joseph E. (Jeff) Consolino			37,818	2,539,857
John B. Berding	46,324	2,306,670	10,200	681,258
Michelle A. Gillis				
Vito C. Peraino	51,041	2,521,327	5,080	342,933

(1) The dollar value realized reflects the difference between the closing price of the Company common shares on the date of exercise and the stock option exercise price.

(2) The dollar value realized reflects the market value of the vested shares based on the closing price of the Company common shares on the vesting date or, if not a business day, the next succeeding business day.

**Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans**

The Company provides retirement benefits to named executive officers through a combination of qualified (under the Internal Revenue Code) and nonqualified plans. AFG makes available to certain employees, including its named executive officers, benefits in its Nonqualified Auxiliary RASP ( Auxiliary RASP ). The purpose of the Auxiliary RASP is to enable employees whose contributions are limited by IRS regulations in the retirement contribution portion of the AFG Retirement and Savings Plan ( RASP ) to have an additional benefit to the RASP.

The Company also maintains a Deferred Compensation Plan pursuant to which certain key employees of AFG and its subsidiaries may defer up to 80% of their annual salary and/or bonus. The deferral term of either a fixed number of years or upon termination of employment must be elected at the time of deferral. Under the plan, no federal, state or local income taxes are paid on deferred compensation. Rather, such taxes will be due upon receipt at the end of the deferral period.

The table below discloses information on the nonqualified deferred compensation of the named executives in 2016, including the Auxiliary RASP and the Deferred Compensation Plan.

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Name	Executive contributions in last FY(\$)	Registrant contributions in last FY(\$) <sup>(1)</sup>	Aggregate earnings in last FY(\$) <sup>(2)</sup>	Aggregate withdrawals/distributions(\$)	Aggregate balances at last FYE(\$)
Carl H. Lindner III		36,750	230,323		3,132,503
S. Craig Lindner		36,750	511,547		3,415,894
Joseph E. (Jeff) Consolino		36,750	34,640		99,937
John B. Berding		36,750	182,676		1,456,958
Michelle A. Gillis		16,585	15,508		64,072
Vito C. Peraino	97,298	36,750	76,324		844,836

(1) Represents Company contributions credited to participants Auxiliary RASP accounts which are included in the supplemental All Other Compensation table to the Summary Compensation Table on page 37.

(2) Earnings are calculated by reference to actual earnings or losses of mutual funds and securities, including

(2) Company common shares, held by the plans.

2017 Proxy Statement | Executive Compensation

pg. 41

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TABLE OF CONTENTS**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on these reviews and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement on Schedule 14A.

Terry S. Jacobs (*Chairman*)

Members of the Compensation Committee: William W. Verity

Kenneth C. Ambrecht

**Equity Compensation Plan Information**

The following reflects certain information about common shares authorized for issuance (at December 31, 2016) under compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	4,505,101	\$ 43.02	5,867,234 <sup>(1)</sup>
Equity compensation plans not approved by security holders	—	—	320,412 <sup>(2)</sup>
Total	4,505,101	\$ 43.02	6,187,646

Includes 3.2 million shares issuable under the Company's equity incentive plans, 1.0 million shares issuable under AFG's Employee Stock Purchase Plan (as amended effective January 1, 2017), 1.6 million shares issuable under the Senior Executive Equity Bonus Plan and 64,135 shares issuable under AFG's Non-Employee Directors Compensation Plan at December 31, 2016.

<sup>(1)</sup> Represents shares issuable under AFG's Deferred Compensation Plan. For a description of this plan, see Compensation Discussion and Analysis - Retirement and Other Related Benefits on page 36.  
<sup>(2)</sup> 2017 Proxy Statement | Executive Compensation

## TABLE OF CONTENTS

### **Other Matters**

## **Electronic Access to Proxy Materials and Annual Report**

As we did last year, we are delivering a notice in lieu of a paper copy of the proxy statement and related materials and the Company's Annual Report to Shareholders and Form 10-K. If you received a notice by mail, you will not receive a paper copy of the Proxy Materials unless you request one. Instead, the notice will instruct you as to how you may access the Proxy Materials and cast your vote. If you received a notice by mail and would like to receive a paper copy of our Proxy Materials, please follow the instructions included in the notice.

Shareholders also can elect to receive an email message that will provide a link to the Proxy Materials on the Internet. By opting to access your Proxy Materials via email, you will save the Company the cost of producing and mailing documents to you, reduce the amount of mail you receive and help preserve environmental resources. Shareholders who have enrolled previously in the electronic access service will receive their Proxy Materials via email this year. If you received a notice by mail and would like to receive your Proxy Materials via email, please follow the instructions included in the notice.

## **Copies of Annual Report on Form 10-K**

The Company makes available on its website all of its filings that are made electronically with the Securities and Exchange Commission (SEC), including Forms 10-K, 10-Q and 8-K. To access these filings, go to the Company's website ([www.AFGinc.com](http://www.AFGinc.com)), click on Investor Relations on the home page and select

Financial Information & SEC Filings from the menu. Copies of the Company's Annual Report on Form 10-K for the year ended December 31, 2016, including financial statements and schedules, as filed with the SEC, are also available without charge to shareholders upon written request addressed to:

**Investor Relations**  
**American Financial Group, Inc.**  
**Great American Insurance Group Tower**  
**301 East Fourth Street**  
**Cincinnati, Ohio 45202**

## **Submitting Shareholder Proposals for the 2018 Annual Meeting of Shareholders**

Under the rules and regulations of the SEC, any proposal which a shareholder of the Company intends to present at the annual meeting of shareholders to be held in 2018 and which such shareholder desires to have included in the Company's proxy materials for such meeting must be received by the Secretary of the Company not less than 120 calendar days before the one-year anniversary date of this year's proxy statement, or December 9, 2017. Our Regulations, as they may be amended from time to time, may contain additional requirements for matters to be properly presented at annual meetings of shareholders.

The proxy card used by AFG for the annual meeting typically grants authority to management to vote in its discretion on any matters that come before the meeting for which adequate notice has not been received. In order for a notice to be deemed adequate for the 2018 annual meeting, it must be received by February 22, 2018.





TABLE OF CONTENTS

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TABLE OF CONTENTS

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TABLE OF CONTENTS

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