

# **American Financial Group, Inc.**

## **Audit Committee Charter**

**Approved effective March 11, 2004**

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### **Purpose**

The purpose of the Audit Committee is to assist the Company in maintaining (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the performance of the Company's internal audit function and independent auditors, and (5) the full and fair disclosure of the financial aspects of the Company's operations. The Audit Committee shall provide for free and open communication between it and the Company's independent auditors, its internal auditors and its financial management. The Company's independent auditors are ultimately accountable, and shall report directly, to the Audit Committee.

### **Composition**

The Board of Directors shall designate annually three or more directors to serve as the Audit Committee, with one member appointed as Chair of the Audit Committee. Members of the Audit Committee shall meet the independence requirements and other qualifications prescribed by the New York Stock Exchange and Section 10A of the Securities Exchange Act, as amended by the Sarbanes-Oxley Act of 2002. At least one member must (i) be a financial expert as defined under the United States Securities and Exchange Commission rules promulgated pursuant to § 407 of the Sarbanes-Oxley Act of 2002 and (ii) have, pursuant to New York Stock Exchange requirements, accounting or financial management expertise as determined by the Board of Directors. Director's fees are the only compensation that an Audit Committee member may receive from the Company.

### **Authority**

In carrying out its responsibilities, the Audit Committee may conduct whatever inquiries relating to the Company's financial affairs, records, accounts, reports or activities as the Audit Committee in its discretion deems desirable or as the Board of Directors may from time to time request.

The Audit Committee will be provided free and open access to the Company's independent auditors and the Company's internal auditing, financial management and legal counsel staffs, and any other personnel required by the Audit Committee, in order for the Audit Committee to review or investigate any matters which the Audit Committee in its discretion considers appropriate for inquiry. The Audit Committee may also employ, at the Company's expense, any outside experts, legal counsel, accountants or other personnel deemed by the Audit Committee in its collective judgment to be reasonably necessary, and in the best interest of the Company and its shareholders, to enable the Audit Committee to ably perform its duties and satisfy its responsibilities.

## **Responsibilities**

The Audit Committee has the following responsibilities:

1. **Select Independent Auditors and Review Scope of Audit.**
  - a. Select the Company's independent auditors to conduct the annual audit of the Company's consolidated financial statements and establish the auditor's compensation. The Audit Committee shall have the authority and responsibility to compensate, evaluate and, where appropriate, replace the independent auditors. The Company's independent auditors shall report directly to the Audit Committee.
  - b. Pre-approve, all audit and non-audit services and their accompanying fees to be performed by the Company's independent auditors. The Audit Committee may delegate an Audit Committee member to perform this function between meetings with a reporting obligation to the full Audit Committee. The Company's independent auditors shall not perform any services prohibited by §201 of the Sarbanes-Oxley Act.
  - c. Provide appropriate information for inclusion in the Company's periodic reports filed with the SEC relating to all approvals of non-audit services to be performed by the Company's independent auditors.
  - d. At least annually, obtain, review and discuss with the independent auditors a report by the independent auditors describing:
    - i. the auditor's internal quality control procedures;
    - ii. any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditor, and any steps taken to deal with any such issues; and
    - iii. all relationships between the independent auditors and the Company and its affiliates. The Audit Committee shall actively engage in a dialogue with the independent auditors concerning any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and recommend that the Board of Directors take action, if appropriate, in response to the independent auditors' report to satisfy itself of the independent auditors' independence. The Audit Committee shall also determine whether the provision of non-audit services by the independent auditors is consistent with maintaining their independence.
  - e. At least annually, review a report from the auditing firm describing any major risk areas, critical accounting policies and practices, alternative treatments with financial information within GAAP discussed with management, ramifications of the use

of alternative disclosures, treatments preferred by the auditing firm in each instance, annual management letters from accountants and other communications.

2. Financial Statements and Audit Results.

a. After completion of each annual audit:

i. review the Company's annual financial statements, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and accounting policies with the Company's financial management and independent auditors to understand the findings and opinions as to the adequacy of disclosure and content of the financial statements;

ii. recommend whether the audited financial statements should be included in the annual Form 10-K; and

iii. meet with the independent auditors to review the results of their examination, including their opinion and any related comments. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (or amendments thereto) relating to the conduct of the audit.

b. Resolve any differences between the auditors and management concerning financial reporting.

c. Review with the independent auditors any difficulties or problems in connection with completing the audit and management's response to such difficulties or problems.

d. Review the quarterly financial statements, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", with financial management and the independent auditors prior to filing to understand the findings and opinions as to the adequacy of the disclosure and content of the financial statements.

3. Internal Accounting Controls.

a. Review the adequacy and implementation of the internal audit function, including a review of the scope and results of its program.

b. Inquire of management and the independent auditors about significant risks or exposures and assess the steps management has taken to monitor and control such risks to the Company.

4. Reports.

Regularly report to the Board of Directors with respect to its activities. Provide the Audit Committee report that is required by federal securities laws to be included in the Company's proxy statement for its annual shareholders' meeting.

5. Hiring Employees of Auditors.

Establish and maintain clear hiring policies for employees or former employees of the independent auditors.

6. Employee Complaint Procedure.

Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

7. Meetings.

- a. Meet separately, on a periodic basis, with
  - i. the independent auditors;
  - ii. financial management of the Company; and
  - iii. with internal auditors,

to review the scope and timing of the proposed audit for the current year, the procedures to be utilized, the locations to be visited by the independent auditors and internal auditors, and any other matters related to the audit.

- b. Meet with management to discuss, in general, the types of information to be disclosed and the types of presentations to be made in earnings press releases, and types of financial information and earnings guidance provided to analysts and rating agencies.

8. Annual Performance Evaluation.

- a. Review on an annual basis the performance of the Audit Committee.

9. Other Authorizations.

The Audit Committee in its discretion may carry out the following functions which are not required by law or rules of the New York Stock Exchange:

- a. Discuss with the Company's independent auditors any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement as they occur.
- b. Review reports of the Public Company Accounting Oversight Board of its examinations of the auditor.
- c. Review analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effect of alternative GAAP methods on the financial statements;
- d. Determine through discussion with the independent auditors whether restrictions were placed by management on the scope of their examination or its implementation and that there was a free exchange of information.
- e. Review with the independent auditors and the Company's financial and internal audit management, the adequacy and effectiveness of the Company's internal financial, accounting and disclosure controls and elicit any recommendations they may have for improvement.
- f. Review on a continuing basis the Company's compliance with the Foreign Corrupt Practices Act of 1977.
- g. Review the process utilized by management in presenting certifications as to financial statements to the SEC.
- h. Review policies and procedures with respect to executive officers' expense accounts, including their use of corporate assets and request from the independent public accountant and review a report as to all loans or extensions of credit by the Company to its officers.
- i. Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- j. Annually review the adequacy of the Audit Committee Charter.

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SAS No. 61 requires an independent auditor to communicate to the Audit Committee matters of significance related to the conduct of the audit such as the selection of and changes in accounting policies, the methods used to account for unusual transactions, the effect of accounting policies in controversial or emerging areas, the process used by management in formulating accounting estimates and the basis for the auditor's conclusions regarding the reasonableness of those estimates, adjustments arising from the audit, and disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements.