



QUARTERLY STATEMENT

AS OF JUNE 30, 2010
OF THE CONDITION AND AFFAIRS OF THE

CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

NAIC Group Code 0244 (Current Period), 0244 (Prior Period) NAIC Company Code 13037 Employer's ID Number 65-1316588

Organized under the Laws of Delaware, State of Domicile or Port of Entry Delaware

Country of Domicile United States

Incorporated/Organized 08/13/2007 Commenced Business 11/02/2007

Statutory Home Office Brandywine Village, 1807 North Market St, Wilmington, DE 19802-4810
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 6200 South Gilmore Rd Fairfield, OH 45014-5141 513-870-2000
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O. Box 145496, Cincinnati, OH 45250-5496
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 6200 South Gilmore Rd Fairfield, OH 45014-5141 513-870-2000-4825
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.cinfin.com

Statutory Statement Contact Brandon McIntosh 513-870-2000-4825
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OFFICERS

Name	Title	Name	Title
<u>KENNETH WILLIAM STECHER</u>	<u>CHIEF EXECUTIVE OFFICER, PRESIDENT</u>	<u>STEVEN JUSTUS JOHNSTON</u>	<u>CHIEF FINANCIAL OFFICER, SECRETARY, TREASURER</u>

OTHER OFFICERS

<u>JOHN SCOTT KELLINGTON</u>	<u>SENIOR VICE PRESIDENT</u>	<u>DONALD JOSEPH DOYLE JR</u>	<u>SENIOR VICE PRESIDENT</u>
<u>SCOTT EDWARD HINTZE</u>	<u>SECRETARY</u>	<u>MARC JON SCHAMBOW</u>	<u>SECRETARY</u>
<u>MICHAEL THOMAS LUEBBE</u>	<u>ASSISTANT SECRETARY</u>	<u>DAWN SHANNON CHAPEL</u>	<u>ASSISTANT SECRETARY</u>
<u>MARTIN FRANCIS HOLLENBECK</u>	<u>SENIOR VICE PRESIDENT</u>		

DIRECTORS OR TRUSTEES

<u>WILLIAM FORREST BAHL</u>	<u>JAMES EUGENE BENOSKI</u>	<u>GREGORY THOMAS BIER</u>	<u>DONALD JOSEPH DOYLE JR</u>
<u>MARTIN FRANCIS HOLLENBECK</u>	<u>STEVEN JUSTUS JOHNSTON</u>	<u>THOMAS ANTHONY JOSEPH</u>	<u>WILLIAM RODNEY MCMULLEN</u>
	<u>CHARLES PHILIP STONEBURNER</u>		
	<u>II</u>	<u>JACOB FERDINAND SCHERER</u>	<u>JOHN JEFFERSON SCHIFF JR</u>
<u>MARTIN JOSEPH MULLEN</u>	<u>KENNETH WILLIAM STECHER</u>	<u>JOHN FREDERICK STEELE JR</u>	<u>TIMOTHY LEE TIMMEL</u>
<u>THOMAS REID SCHIFF</u>	<u>EARNEST ANTHONY WOODS</u>		
<u>LARRY RUSSEL WEBB</u>			

State of OHIO

ss

County of BUTLER

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

KENNETH W. STECHER
PRESIDENT, CHIEF EXECUTIVE OFFICER

STEVEN J. JOHNSTON
CHIEF FINANCIAL OFFICER, SECRETARY AND
TREASURER

DONALD J. DOYLE JR.
SENIOR VICE PRESIDENT

Subscribed and sworn to before me this
11 day of August, 2010

a. Is this an original filing? Yes [X] No []

b. If no,
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	196,912,592		196,912,592	189,420,325
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	21,399,524		21,399,524	
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$13,278,498), cash equivalents (\$) and short-term investments (\$)	13,278,498		13,278,498	20,083,166
6. Contract loans (including \$ premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Aggregate write-ins for invested assets				
11. Subtotals, cash and invested assets (Lines 1 to 10)	231,590,614		231,590,614	209,503,491
12. Title plants less \$ charged off (for Title insurers only)				
13. Investment income due and accrued	2,959,782		2,959,782	3,115,764
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	60,865		60,865	36,910
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
14.3 Accrued retrospective premiums				
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers				
15.2 Funds held by or deposited with reinsured companies				
15.3 Other amounts receivable under reinsurance contracts				
16. Amounts receivable relating to uninsured plans				
17.1 Current federal and foreign income tax recoverable and interest thereon	244,596		244,596	
17.2 Net deferred tax asset				(0)
18. Guaranty funds receivable or on deposit				
19. Electronic data processing equipment and software				
20. Furniture and equipment, including health care delivery assets (\$)				
21. Net adjustment in assets and liabilities due to foreign exchange rates				
22. Receivables from parent, subsidiaries and affiliates	4,695,304		4,695,304	3,566,660
23. Health care (\$) and other amounts receivable				
24. Aggregate write-ins for other than invested assets	81,813		81,813	
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	239,632,974		239,632,974	216,222,826
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
27. Total (Lines 25 and 26)	239,632,974		239,632,974	216,222,826
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page				
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)				
2401. Miscellaneous Receivables	81,813		81,813	
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	81,813		81,813	

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$15,232,638)	29,636,392	15,166,052
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	12,060,000	6,810,000
4. Commissions payable, contingent commissions and other similar charges	494,650	803,900
5. Other expenses (excluding taxes, licenses and fees)	223,039	448,253
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	9,375	
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		994,757
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$29,261,502 and including warranty reserves of \$)	26,747,239	21,853,017
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	637,528	348,652
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	1,313,951	1,896,294
20. Derivatives		
21. Payable for securities	3,000,000	
22. Liability for amounts held under uninsured plans		
23. Capital notes \$ and interest thereon \$		
24. Aggregate write-ins for liabilities	1,925	
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24)	74,124,099	48,320,925
26. Protected cell liabilities		
27. Total liabilities (Lines 25 and 26)	74,124,099	48,320,925
28. Aggregate write-ins for special surplus funds		
29. Common capital stock	5,250,000	5,250,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds		
32. Surplus notes		
33. Gross paid in and contributed surplus	194,750,000	194,750,000
34. Unassigned funds (surplus)	(34,491,125)	(32,098,100)
35. Less treasury stock, at cost:		
35.1 shares common (value included in Line 29 \$)		
35.2 shares preferred (value included in Line 30 \$)		
36. Surplus as regards policyholders (Lines 28 to 34, less 35)	165,508,875	167,901,900
37. Totals	239,632,974	216,222,826
DETAILS OF WRITE-INS		
2401. Accounts Payable - Other	1,925	
2402.		
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page		
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	1,925	
2801.		
2802.		
2803.		
2898. Summary of remaining write-ins for Line 28 from overflow page		
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)		
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page		
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above)		

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 30,053,737)	23,495,759	10,561,637	28,276,109
1.2 Assumed (written \$)			
1.3 Ceded (written \$ 1,283,231)	1,283,231	462,277	1,310,274
1.4 Net (written \$ 28,770,506)	22,212,528	10,099,360	26,965,835
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 1,862,358):			
2.1 Direct	16,409,698	5,694,317	13,638,649
2.2 Assumed			
2.3 Ceded	77,000	18,000	41,000
2.4 Net	16,332,698	5,676,317	13,597,649
3. Loss adjustment expenses incurred	5,881,824	2,714,013	6,556,697
4. Other underwriting expenses incurred	9,691,487	11,017,770	21,513,051
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	31,906,009	19,408,099	41,667,397
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(9,693,481)	(9,308,739)	(14,701,562)
INVESTMENT INCOME			
9. Net investment income earned	5,169,774	4,423,349	9,346,717
10. Net realized capital gains (losses) less capital gains tax of \$ 736,370	1,367,544	(2,447,113)	(2,394,823)
11. Net investment gain (loss) (Lines 9 + 10)	6,537,318	1,976,236	6,951,894
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)			
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(3,156,163)	(7,332,504)	(7,749,668)
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(3,156,163)	(7,332,504)	(7,749,668)
19. Federal and foreign income taxes incurred	(2,080,723)	(1,036,874)	(1,015,723)
20. Net income (Line 18 minus Line 19)(to Line 22)	(1,075,440)	(6,295,630)	(6,733,946)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	167,901,900	174,307,822	174,307,823
22. Net income (from Line 20)	(1,075,440)	(6,295,630)	(6,733,946)
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (461,155)	(856,430)	604,110	604,110
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	277,453	1,603,752	2,371,123
27. Change in nonadmitted assets	(738,607)	(602,000)	(2,594,162)
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in		(53,047)	(53,049)
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			
38. Change in surplus as regards policyholders (Lines 22 through 37)	(2,393,025)	(4,742,815)	(6,405,924)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	165,508,875	169,565,007	167,901,900
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)			
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)			

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	27,371,670	17,395,580	40,146,076
2. Net investment income	5,291,454	3,696,246	8,139,598
3. Miscellaneous income			
4. Total (Lines 1 to 3)	32,663,124	21,091,826	48,285,674
5. Benefit and loss related payments	2,494,182	808,256	2,838,468
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions	10,208,983	10,901,000	21,147,932
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$736,370 tax on capital gains (losses).....	(105,000)	796,028	(2,501,912)
10. Total (Lines 5 through 9)	12,598,165	12,505,284	21,484,487
11. Net cash from operations (Line 4 minus Line 10)	20,064,959	8,586,542	26,801,187
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	4,936,250	2,736,450	4,016,450
12.2 Stocks		10,245,337	10,245,337
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds	3,000,000		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	7,936,250	12,981,787	14,261,787
13. Cost of investments acquired (long-term only):			
13.1 Bonds	10,297,895	50,324,998	59,557,888
13.2 Stocks	22,717,109		
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications			
13.7 Total investments acquired (Lines 13.1 to 13.6)	33,015,004	50,324,998	59,557,888
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(25,078,754)	(37,343,211)	(45,296,101)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock		(53,047)	(53,047)
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied).....	(1,790,873)	(3,248,105)	(2,445,368)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(1,790,873)	(3,301,152)	(2,498,415)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(6,804,668)	(32,057,821)	(20,993,329)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	20,083,166	41,076,495	41,076,495
19.2 End of period (Line 18 plus Line 19.1)	13,278,498	9,018,674	20,083,166

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies. - No Change.

A. Accounting Practices

The financial statements of the Cincinnati Specialty Underwriters Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Delaware Department of Insurance. The Delaware Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Delaware for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Delaware Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Delaware.

B. No Change.

C. No Change.

2. Accounting Changes and Corrections of Errors. - No Change.

3. Business Combinations and Goodwill. - No Change.

4. Discontinued Operations. - No Change.

5. Investments. - No Change.

6. Joint Ventures, Partnerships. - No Change.

7. Investment Income. - No Change.

8. Derivative Instruments. - No Change.

9. Income Taxes

A. The components of the net deferred tax asset/(liability) are as follows:

(1)

Description	2010			2009		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	4,017,358	600,907	4,618,265	2,719,258	1,149,903	3,869,162
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	4,017,358	600,907	4,618,265	2,719,258	1,149,903	3,869,162
Gross deferred tax liabilities	(10,496)	-	(10,496)	-	-	-
Net deferred tax asset/(liability) before admissibility test	4,006,862	600,907	4,607,769	2,719,258	1,149,903	3,869,162
Admitted pursuant to Paragraph 10.a	-	-	-	-	-	-
Paragraph 10.b.i.	-	-	-	-	-	-
Paragraph 10.b.ii.	17,053,149	17,053,149	17,053,149	17,362,555	17,362,555	17,362,555
Admitted pursuant to paragraph 10.b. (lesser of i. or ii.)	-	-	-	-	-	-
Admitted pursuant to paragraph 10.c.	-	-	-	-	-	-
Additional admitted pursuant to paragraph 10.e.i.	-	-	-	-	-	-
Paragraph 10.e.ii.a.	-	-	-	-	-	-
Paragraph 10.e.ii.b.	25,579,723	25,579,723	25,579,723	26,043,833	26,043,833	26,043,833
Additional admitted pursuant to paragraph 10.e.ii. (lesser of a. or b.)	-	-	-	-	-	-
Additional admitted pursuant to paragraph 10.e.iii.	-	-	-	-	-	-
Admitted deferred tax asset	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Net Admitted DTA or (DTL)	-	-	-	-	-	-
Nonadmitted DTA	4,006,862	600,907	4,607,769	2,719,258	1,149,903	3,869,162

(2) The Company has elected to admit DTAs pursuant to paragraph 10.e.

(3) The Company recorded no change in admitted DTAs as the result of its election to employ the provisions of paragraph 10.e. as follows:

Description	Change During 2010		
	Ordinary	Capital	Total
Gross deferred tax assets	1,298,100	(548,996)	749,104
Statutory valuation allowance	-	-	-
Adjusted gross deferred tax assets	1,298,100	(548,996)	749,104
Gross deferred tax liabilities	(10,496)	-	(10,496)
Net deferred tax asset/(liability) before admissibility test	1,287,604	(548,996)	738,608
Admitted pursuant to Paragraph 10.a	-	-	-
Paragraph 10.b.i.	-	-	-
Paragraph 10.b.ii.	-	-	-
Admitted pursuant to paragraph 10.b. (lesser of i. or ii.)	-	-	-
Admitted pursuant to paragraph 10.c.	-	-	-
Additional admitted pursuant to paragraph 10.e.i.	-	-	-
Paragraph 10.e.ii.a.	-	-	-
Paragraph 10.e.ii.b.	-	-	-
Additional admitted pursuant to paragraph 10.e.ii. (lesser of a. or b.)	-	-	-
Additional admitted pursuant to paragraph 10.e.iii.	-	-	-
Admitted deferred tax asset	-	-	-
Deferred tax liability	-	-	-
Change in net admitted DTA or (DTL)	-	-	-
Change in nonadmitted DTA	1,287,604	(548,996)	738,608

(4) The following table provides the Company's assets, capital and surplus and RBC information with the DTA calculated under SSAP No. 10R paragraphs 10(a) to (c) and the additional DTA determined under SSAP No. 10R paragraph 10(e) as of December 31, 2009:

Description	With paragraph's	With paragraph's	Difference
	10.a. - c.	10.e.	
Admitted DTAs	-	-	-
Admitted assets	216,222,826	216,222,826	-
Statutory surplus	167,901,900	167,901,900	-
Total adjusted capital	167,901,900	167,901,900	-
Authorized control level used in 10.d.	7,844,734	7,844,734	-

B. Temporary differences for which a DTL has not been established:

0

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

C. Current Tax and Change in Deferred Tax

Current income taxes incurred consist of the following major components:

Description	2010	2009
Current income tax expense	(2,080,723)	(1,015,723)
Tax on capital gains/(losses)	736,370	(1,289,520)
Federal income taxes incurred	<u>(1,344,353)</u>	<u>(2,305,243)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

DTAs Resulting From Book/Tax Differences in	June 30, 2010	December 31, 2009	Change	Character
Unearned premium reserve	1,872,307	1,529,711	342,596	Ordinary
Unpaid loss reserve	2,027,300	1,068,487	958,813	Ordinary
Other deferred tax assets	117,751	121,060	(3,309)	Ordinary
Nonadmitted statutory assets	-	-	-	Ordinary
Unrealized (gain)/loss on investments	461,155	-	461,155	Capital
Investments	139,752	1,149,903	(1,010,151)	Capital
Gross DTAs	<u>4,618,265</u>	<u>3,869,162</u>	<u>749,103</u>	
Nonadmitted DTAs	<u>4,607,769</u>	<u>3,869,162</u>	<u>738,607</u>	

DTLs Resulting From Book/Tax Differences in	June 30, 2010	December 31, 2009	Change	Character
Unrealized (gain)/loss on investments	-	-	-	Capital
Contingent commission	-	-	-	Ordinary
Commission expense	-	-	-	Ordinary
Other, net	(10,496)	-	(10,496)	Ordinary
Gross DTLs	<u>(10,496)</u>	<u>-</u>	<u>(10,496)</u>	

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	June 30, 2010	December 31, 2009	Change
Total deferred tax assets	4,618,265	3,869,162	749,103
Total deferred tax liabilities	(10,496)	-	(10,496)
Net deferred tax asset/(liability)	4,607,769	3,869,162	738,607
Tax effect of unrealized (gains)/losses			(461,155)
Change in net deferred income tax (charge)/benefit			<u>277,453</u>

	December 31, 2009	December 31, 2008	Change
Total deferred tax assets	3,869,162	1,957,301	1,911,861
Total deferred tax liabilities	-	-	-
Net deferred tax asset/(liability)	3,869,162	1,957,301	1,911,861
Tax effect of unrealized (gains)/losses			325,290
Change in net deferred income tax (charge)/benefit			<u>2,237,151</u>

D. Reconciliation of Federal income Tax Rate to Actual Effective Rate

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

As of June 30, 2010			Effective Tax Rate
Description	Amount	Tax Effect	
Income before taxes	(2,419,794)	(846,928)	35.00%
Net tax exempt interest	(2,046,467)	(716,263)	29.60%
Net dividends received deduction	(134,243)	(46,985)	1.94%
DRD on Accrued	(44,056)	(15,420)	0.64%
Other permanent items, net	10,828	3,790	-0.16%
Total	<u>(4,633,732)</u>	<u>(1,621,806)</u>	<u>67.02%</u>
Federal income taxes incurred expense/(benefit)	(5,944,923)	(2,080,723)	85.99%
Tax on capital gains/(losses)	2,103,913	736,370	-30.43%
Change in net deferred income tax charge/(benefit)	(792,722)	(277,453)	11.46%
Total statutory income taxes incurred	<u>(4,633,732)</u>	<u>(1,621,806)</u>	<u>67.02%</u>

As of December 31, 2009			Effective Tax Rate
Description	Amount	Tax Effect	
Income before taxes	(9,039,189)	(3,163,716)	35.00%
Net tax exempt interest	(3,939,602)	(1,378,861)	15.25%
Net dividends received deduction	(14,994)	(5,248)	0.06%
Other permanent items, net	15,517	5,431	-0.06%
Total	<u>(12,978,268)</u>	<u>(4,542,394)</u>	<u>50.25%</u>
Federal income taxes incurred expense/(benefit)	(2,902,065)	(1,015,723)	11.24%
Tax on capital gains/(losses)	(3,684,343)	(1,289,520)	14.27%
Change in net deferred income tax charge/(benefit)	(6,391,861)	(2,237,151)	24.75%
Total statutory income taxes incurred	<u>(12,978,268)</u>	<u>(4,542,394)</u>	<u>50.25%</u>

E. At June 30, 2010, the Company had net operating loss carryforwards of: 0
 At June 30, 2010, the Company had capital loss carryforwards of: 0

The following is income tax expense for the current and prior years that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2010	1,344,353	(1,344,353)	-
2009	731,099	(731,099)	-

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

	Total	2,075,452	(2,075,452)	-
Deposits admitted under Internal Revenue Code Section 6603:		0		

F. The Company's federal income tax return is consolidated with the following entities:

Cincinnati Financial Corporation (Parent)
 The Cincinnati Insurance Company
 The Cincinnati Casualty Company
 The Cincinnati Indemnity Company
 The Cincinnati Life Insurance Company
 CFC Investment Company
 CSU Producer Resources, Inc.

The method of allocation between the companies is subject to written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with a current credit for net losses.

- 10. Parent, Subsidiaries, Affiliates. - No Change.
- 11. Debt. - No Change.
- 12. Retirement Plans. - No Change.
- 13. Capital and Surplus... - No Change.
- 14. Contingencies. - No Change.
- 15. Leases. - No Change.
- 16. Information About Financial Instruments... - No Change.
- 17. Sale, Transfer and Servicing of Financial Assets.... - No Change.
- 18. Gain or Loss from Uninsured A&H Plans.... - No Change.
- 19. Direct Premium Written/Produced by Managing General Agents... - No Change.
- 20. Other Items. - No Change.
- 21. Events Subsequent. - No Change.
- 22. Reinsurance. - No Change.
- 23. Retro Reserves – No Change
- 24. Reserves as of December 31, 2009 were \$21,976,052. As of June 30, 2010, \$1,404,549 has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$22,021,680 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on commercial casualty lines of insurance. Therefore, there has been \$1,450,177 unfavorable prior-year development since December 31, 2009 to June 30, 2010. The increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Because the Company does not write retrospectively rated policies, prior-year development does not effect premium adjustments.
- 25. Intercompany Pooling Arrangements. - No Change.
- 26. Structured Settlements. - No Change.
- 27. Health Care Receivables. - No Change.
- 28. Participating Policies. - No Change.
- 29. Premium Deficiency Reserves. - No Change.
- 30. High Deductibles. - No Change.
- 31. Discounting of Liabilities for Unpaid Losses. - No Change.
- 32. Asbestos/Environmental Reserves. - No Change.
- 33. Subscriber Savings Accounts. - No Change.
- 34. Multiple Peril Crop Insurance. - No Change.
- 35. Other – No Change.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] NA []
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 10/09/2007
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 10/09/2007
- 6.4 By what department or departments?
Delaware.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] NA [X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] NA [X]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 7.2 If yes, give full information:
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:
.....

9.2 Has the code of ethics for senior managers been amended?..... Yes No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes No

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).
.....

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes No

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:..... \$

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes No

11.2 If yes, give full and complete information relating thereto:
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$

13. Amount of real estate and mortgages held in short-term investments: \$

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes No

14.2 If yes, please complete the following:

	1		2	
	Prior Year-End Book/Adjusted Carrying Value		Current Quarter Book/Adjusted Carrying Value	
14.21 Bonds	\$		\$	
14.22 Preferred Stock	\$		\$	
14.23 Common Stock	\$		\$	
14.24 Short-Term Investments	\$		\$	
14.25 Mortgage Loans on Real Estate	\$		\$	
14.26 All Other	\$		\$	
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$		\$	
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above ..	\$		\$	

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No
If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes [X] No []

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
FIFTH THIRD BANK.....	FIFTH THIRD CENTER, CINCINNATI, OH 45263.....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes [] No [X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No []

17.2 If no, list exceptions:

.....

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

PART 2 PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [X] NA []
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [] No [X]
If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [] No [X]
3.2 If yes, give full and complete information thereto.
.....

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see annual statement instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes [] No [X]
4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
.....
.....
.....
TOTAL		

5. Operating Percentages:
 5.1 A&H loss percent %
 5.2 A&H cost containment percent %
 5.3 A&H expense percent excluding cost containment expenses %
 6.1 Do you act as a custodian for health savings accounts? Yes [] No [X]
 6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....
 6.3 Do you act as an administrator for health savings accounts? Yes [] No [X]
 6.4 If yes, please provide the balance of funds administered as of the reporting date. \$.....

Schedule F
NONE

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, etc.	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama	AL E	864,280	353,605	16,623	1,917	364,178	105,360
2. Alaska	AK E						
3. Arizona	AZ E	515,147	205,678			373,077	84,819
4. Arkansas	AR E	530,633	305,985	330,490		555,394	52,882
5. California	CA N					774,969	
6. Colorado	CO E	263,960		(350)		25,028	
7. Connecticut	CT E						
8. Delaware	DE L						
9. District of Columbia	DC E						
10. Florida	FL E	941,971		7,468		175,870	119,419
11. Georgia	GA E	1,962,595	1,401,017	77,109		1,627,372	859,225
12. Hawaii	HI E					422,425	
13. Idaho	ID E	222,972	71,993	1,700		79,469	6,618
14. Illinois	IL E	2,190,400	1,771,943	110,531	60,013	3,028,450	1,204,955
15. Indiana	IN E	2,954,000	2,346,725	175,659	10,880	2,960,772	999,707
16. Iowa	IA E	513,784	175,280	5,825		391,431	297,828
17. Kansas	KS E	262,968	143,305			179,694	10,934
18. Kentucky	KY E	1,101,424	725,766	6,500	3,390	693,343	67,412
19. Louisiana	LA E	619,969				1,000	
20. Maine	ME E					379,135	
21. Maryland	MD E		346,527	(166)	14,690	1,591,469	153,530
22. Massachusetts	MA E						
23. Michigan	MI E	1,373,670	902,954	2,041		2,388,146	245,630
24. Minnesota	MN E	762,422	588,713	70,602	200	1,077,852	97,736
25. Mississippi	MS E						
26. Missouri	MO E	1,221,325	642,304	20,587	2,000	1,036,800	133,633
27. Montana	MT E	192,512	161,419	30,059	1,415	97,280	51,472
28. Nebraska	NE E	324,730	116,235			218,820	7,697
29. Nevada	NV E					160,116	
30. New Hampshire	NH E	259,013	113,650	8,293		76,417	8,641
31. New Jersey	NJ E					253,437	
32. New Mexico	NM E	243,055	81,089			44,480	9,687
33. New York	NY E	384,851	216,157	883		294,321	11,848
34. North Carolina	NC E	1,020,427	795,800	83,809		1,016,659	342,932
35. North Dakota	ND E	68,284	42,766	5,280		36,442	5,008
36. Ohio	OH E	3,707,097	2,428,803	32,748	401,057	3,642,207	3,192,539
37. Oklahoma	OK E						
38. Oregon	OR E	361		(779)		14,430	
39. Pennsylvania	PA E	1,380,572	681,813	13,016		980,952	46,157
40. Rhode Island	RI N						
41. South Carolina	SC E	352,247	221,345	9,375		400,803	90,085
42. South Dakota	SD E	58,913	66,245			47,045	4,962
43. Tennessee	TN E	788,085	557,522	14,354		1,139,537	47,202
44. Texas	TX E	1,429,774	107,827	52,292		408,125	5,462
45. Utah	UT E	720,078	611,914	1,120	1,224	331,733	85,247
46. Vermont	VT E	172,266	144,218			68,991	21,396
47. Virginia	VA E	944,817	574,281	603,727	16,972	728,801	177,145
48. Washington	WA E	126,455	33,618	151,860		493,524	1,348
49. West Virginia	WV E	662,988	422,638	26,805	1,235	587,992	104,215
50. Wisconsin	WI E	904,634	552,849	4,896	250	635,988	247,696
51. Wyoming	WY E	11,058				421	
52. American Samoa	AS N						
53. Guam	GU N						
54. Puerto Rico	PR N						
55. U.S. Virgin Islands	VI N						
56. Northern Mariana Islands	MP N						
57. Canada	CN N						
58. Aggregate Other Alien	OT XXX						
59. Totals	(a) 1	30,053,737	17,911,984	1,862,358	515,243	29,804,392	8,900,424
DETAILS OF WRITE-INS							
5801.	XXX						
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX						
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX						

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART**

NONE

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	3,324,601	3,483,233	104.8	74.2
2. Allied lines	1,426,889	1,419,238	99.5	75.7
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril	(1,731)			28.9
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability - occurrence				
11.2 Medical professional liability - claims made				
12. Earthquake	16,518			
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability occurrence	11,153,010	5,928,064	53.2	54.9
17.2 Other liability - claims made	87,698	27,425	31.3	
17.3 Excess Workers' Compensation				
18.1 Products liability - occurrence	6,810,304	4,933,119	72.4	43.0
18.2 Products liability - claims made	677,815	618,619	91.3	(19.9)
19.1,19.2 Private passenger auto liability				
19.3,19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery	654			
28. Credit				
29. International				
30. Warranty				
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	23,495,759	16,409,698	69.8	53.9
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Sum. of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)				

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	2,187,815	3,895,262	2,193,557
2. Allied Lines	1,005,434	1,763,499	1,129,830
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril	(58,108)	58,027	356,416
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical professional liability - occurrence			
11.2 Medical professional liability - claims made			
12. Earthquake	7,600	8,852	17,482
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability occurrence	8,837,433	15,260,065	8,576,857
17.2 Other liability - claims made	8,708	72,777	47,805
17.3 Excess Workers' Compensation			
18.1 Products liability - occurrence	4,567,824	8,223,734	5,218,685
18.2 Products liability - claims made	253,193	763,854	371,352
19.1,19.2 Private passenger auto liability			
19.3,19.4 Commercial auto liability			
21. Auto physical damage			
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery	7,667	7,667	
28. Credit			
29. International			
30. Warranty			
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS	16,817,566	30,053,737	17,911,984
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page			
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)			

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2010 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2007 + Prior													
2. 2008	1,829	995	2,824	39	8	47	2,046	154	866	3,066	256	33	289
3. Subtotals 2008 + Prior	1,829	995	2,824	39	8	47	2,046	154	866	3,066	256	33	289
4. 2009.....	8,655	10,497	19,152	1,170	188	1,358	7,985	2,673	8,298	18,956	500	662	1,162
5. Subtotals 2009 + Prior	10,484	11,492	21,976	1,209	196	1,405	10,031	2,827	9,164	22,022	756	695	1,451
6. 2010	XXX	XXX	XXX	XXX	1,090	1,090	XXX	7,437	12,238	19,675	XXX	XXX	XXX
7. Totals	10,484	11,492	21,976	1,209	1,286	2,495	10,031	10,264	21,402	41,697	756	695	1,451
8. Prior Year-End's Surplus As Regards Policyholders	167,902										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. 7.2	2. 6.0	3. 6.6
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. 0.9

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory question.

RESPONSE

- | | |
|---|--------------|
| 1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement? |NO..... |
| 2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement? |NO..... |
| 3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? |NO..... |

Explanation:

- 1.
- 2.
- 3.

Bar Code:

1.	 1 3 0 3 7 2 0 1 0 4 9 0 0 0 0 0 2
2.	 1 3 0 3 7 2 0 1 0 4 5 5 0 0 0 0 2
3.	 1 3 0 3 7 2 0 1 0 3 6 5 0 0 0 0 2

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	189,420,325	146,616,982
2. Cost of bonds and stocks acquired	33,015,004	59,557,888
3. Accrual of discount	91,911	308,832
4. Unrealized valuation increase (decrease)	(1,317,585)	929,400
5. Total gain (loss) on disposals	2,103,914	(1,795,060)
6. Deduct consideration for bonds and stocks disposed of	4,936,250	14,261,787
7. Deduct amortization of premium	65,203	46,648
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		1,889,282
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	218,312,116	189,420,325
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	218,312,116	189,420,325

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	169,768,357	4,108,450		(8,824)	169,768,357	173,867,983		169,791,415
2. Class 2 (a).....	19,571,524	3,463,860		9,225	19,571,524	23,044,609		19,274,406
3. Class 3 (a).....								354,504
4. Class 4 (a).....								
5. Class 5 (a).....								
6. Class 6 (a).....								
7. Total Bonds	189,339,881	7,572,310		401	189,339,881	196,912,592		189,420,325
PREFERRED STOCK								
8. Class 1.....								
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	189,339,881	7,572,310		401	189,339,881	196,912,592		189,420,325

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....

S102

Schedule DA - Part 1

NONE

Schedule DA - Verification

NONE

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF JUNE 30, 2010 OF THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
313461-HZ-0	FREDDIE MAC		.06/14/2010	BNY CONVERGEX		3,000,000	3,000,000		1FE
0399999 - Total	Bonds - U.S. Government								
652478-BX-5	NEWS AMERICA HOLDINGS		.04/21/2010	SUSQUEHANNA		1,216,290	1,000,000	2,000	2FE
681919-AS-5	OMNICOM GROUP INC.		.04/22/2010	BANK OF AMERICA		1,108,450	1,000,000	1,967	1FE
887317-AC-9	TIME WARNER INC.		.04/29/2010	CAROLINA CAPITAL		1,107,240	1,000,000	27,580	2FE
78572M-AD-7	SABMILLER PLC	F	.04/23/2010	BNP PARIBAS		1,140,330	1,000,000	21,125	2FE
3899999 - Total	Bonds - Industrial, Misc.								
8399997 - Total	Bonds - Part 3								
8399999 - Total	Bonds								
8999999 - Total	Preferred Stocks								
847560-10-9	SPECTRA ENERGY CORP.		.04/27/2010	BLOOMBERG TRADEBOOK	40,000,000	923,612	XXX		L
88579Y-10-1	3M CO.		.04/26/2010	BLOOMBERG TRADEBOOK	10,000,000	872,379			L
9099999 - Total	Common Stocks - Industrial, Misc.								
9799997 - Total	Common Stocks - Part 3								
9799999 - Total	Common Stocks								
9899999 - Total	Preferred and Common Stocks								
9999999 - Totals						9,368,301	XXX	52,672	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E04

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

NONE

Schedule DB - Part B - Section 1

NONE

Sch. DB - Pt. B - Sn. 1 - Footnotes

NONE

Schedule DB - Part D

NONE

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Totals							

E10