

# BEST'S RATING REPORT



## THE CINCINNATI INSURANCE COMPANIES

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FEIN #: N/A

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Cincinnati Insurance Company	A+
Cincinnati Specialty Undrs Ins	A+
Cincinnati Casualty Company	A+
Cincinnati Indemnity Company	A+



# The Cincinnati Insurance Companies

**Disclosure Information:** Refer to rating unit members for each company's Rating Disclosure Form

**Associated Ultimate Parent:** [058704 - Cincinnati Financial Corporation](#)

**A.M. Best Rating Unit:** 004294 - The Cincinnati Insurance Companies

## Best's Credit Ratings for Group Members:

Rating Effective Date: January 30, 2019

AMB#	Company	Rating Unit	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
			Rating	Outlook	Action	Rating	Outlook	Action
004294	<a href="#">The Cincinnati Insurance Cos</a>	<i>Rating Unit</i>						
000258	<a href="#">Cincinnati Insurance Company</a>		A+	Stable	Affirmed	aa-	Positive	Affirmed
013843	<a href="#">Cincinnati Specialty Undrs Ins</a>		A+	Stable	Affirmed	aa-	Positive	Affirmed
004289	<a href="#">Cincinnati Casualty Company</a>		A+	Stable	Affirmed	aa-	Positive	Affirmed
010650	<a href="#">Cincinnati Indemnity Company</a>		A+	Stable	Affirmed	aa-	Positive	Affirmed

## Rating Rationale:

### Balance Sheet Strength: Strongest

- The Cincinnati Insurance Companies maintain the strongest level of risk-adjusted capital position as measured by Best's Capital Adequacy Ratio (BCAR), which benefits from a consistently strong reserve position, favorable liquidity measures and adequate reinsurance protection.
- Reserves have historically developed favorably on both a calendar and accident year basis.
- Liquidity measures are favorable and are enhanced by positive cash flows.
- Common stock leverage is higher than similarly rated peers representing about three-quarters of the group's policyholders' surplus; the risk of which is offset by the group's sizable capital base, which includes high-quality fixed income securities available to support the group's insurance risks.
- The group benefits from the favorable financial flexibility of its parent, Cincinnati Financial Corp. (CFC), which retains a very conservative debt to total capital position, strong interest coverage and more than \$2 billion in cash and marketable securities.

### Operating Performance: Adequate

- Most operating profitability metrics have improved over the most recent five-year period.
- The group's underwriting performance remained favorable despite elevated catastrophe related losses in recent years.
- High common stock leverage has produced above average total investment returns, although unrealized losses negatively impacted results in 2015 and 2018.

### Business Profile: Favorable

- The group has a solid market position with a ranking among the 25 largest property/casualty insurance groups in the country.
- The group's business is well diversified by product line, offering commercial, personal, life and a modest amount of assumed reinsurance. Geographic diversification is improving as the group continues to grow in states outside of its core Midwest region.
- The group has extremely strong agency relations supported by a field focus and strong claims service. CIC strives to be among the top two carriers in terms of business volume in most of its agency base.

## Enterprise Risk Management: Appropriate

- The group has a comprehensive risk management framework, which has been developed over the past several years and has benefitted from stresses relating to the most recent stock market crash and catastrophe events of recent years.
- Management team is experienced and knowledgeable.
- Risk management capabilities generally meet or exceed its risk profile.

## Outlook

The positive outlook on the Long-Term ICR reflects a trend of improved operating performance and AM Best's expectation that the group's strongest level of balance sheet strength will continue to be supported by favorable reserve development, a diverse business profile and a well-defined enterprise risk management program. The outlook on the FSR remains stable.

## Rating Drivers

Positive rating action could occur if operating profitability metrics improve and compare favorably to peers.

Negative rating action could also occur if capital is impacted by a stock market correction similar to 2009.

Negative rating action could be driven by negative operating or capital impacts from catastrophe losses similar to those experienced in 2011.

## Financial Statements:

### Balance Sheet:

#### Consolidated Balance Sheet

Admitted Assets	Year End - December 31			
	2017 (\$000)	2016 (\$000)	2017 (%)	2016 (%)
Bonds	6,939,195	6,531,235	51.9	52.1
Preferred Stock	174,556	184,402	1.3	1.5
Common Stock	3,742,137	3,272,990	28.0	26.1
Cash and Short-term Invest	407,080	456,699	3.0	3.6
Real Estate, Investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	119,103	68,128	0.9	0.5
Investments in Affiliates	195,138	200,328	1.5	1.6
Real Estate, Offices	8,746	8,987	0.1	0.1
<b>Total Invested Assets</b>	<b>11,585,956</b>	<b>10,722,769</b>	<b>86.6</b>	<b>85.6</b>
Premium Balances	1,586,554	1,540,669	11.9	12.3
Accrued Interest	87,834	86,417	0.7	0.7
All Other Assets	113,408	175,508	0.8	1.4
<b>Total Assets</b>	<b>13,373,751</b>	<b>12,525,363</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities &amp; Surplus</b>	<b>Year End - December 31</b>			
	<b>2017 (\$000)</b>	<b>2016 (\$000)</b>	<b>2017 (%)</b>	<b>2016 (%)</b>
Loss and LAE Reserves	5,038,064	4,741,925	37.7	37.9
Unearned Premiums	2,379,585	2,260,965	17.8	18.1
Derivatives	...	...	...	...
Conditional Reserve Funds	333	2	...	...
All Other Liabilities	862,204	836,509	6.4	6.7
<b>Total Liabilities</b>	<b>8,280,186</b>	<b>7,839,401</b>	<b>61.9</b>	<b>62.6</b>
Surplus notes	...	...	...	...
Capital and Assigned Surplus	366,997	366,997	2.7	2.9
Unassigned Surplus	4,726,569	4,318,965	35.3	34.5
<b>Total Policyholders' Surplus</b>	<b>5,093,566</b>	<b>4,685,962</b>	<b>38.1</b>	<b>37.4</b>
<b>Total Liabilities and Surplus</b>	<b>13,373,751</b>	<b>12,525,363</b>	<b>100.0</b>	<b>100.0</b>

Source: Bestlink - Best's Statement File - P/C, US

## Company History:

**Date Incorporated:** 08/02/1950

**Date Commenced:** N/A

**Domicile:** United States: Ohio

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