

BEST'S RATING REPORT



THE CINCINNATI INSURANCE COMPANIES

Domicile: 6200 South Gilmore Road, Fairfield, Ohio, United States 45014-5141

Admin Office: P.O. Box 145496, Cincinnati, Ohio, United States 45250-5496

AMB #: 004294

NAIC #: N/A

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 31, 2018

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

Rating Rationale:

Balance Sheet Strength: Strongest

- The Cincinnati Insurance Companies maintain the strongest risk adjusted capital position; 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 policy holders' 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 very low level of intangible assets.

Operating Performance: Adequate

- Operating results have been comparable to commercial casualty composite.
- The group's underwriting performance remained favorable despite unprecedented catastrophe related losses in recent years.
- Higher than average total investment returns including unrealized capital gains have been bolstered by high common stock leverage.

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 group's rating outlook reflects A.M. Best's expectation that the group's strong balance sheet strength will continue to be supported by strong and stable operating performance, favorable reserve development, diverse business profile and well defined Enterprise Risk Management program.

Rating Drivers

Positive movement in the issuer credit rating could result from the group maintaining its improvement in underwriting performance on its primary lines of business while controlling any negative implications of its secondary business initiatives, poorer performing personal lines and catastrophe losses; which should allow the group to maintain a strong capital position.

Negative issuer credit rating action on the group's ratings could be driven by negative operating or capital impacts from catastrophe losses similar to those experienced in 2011, a stock market correction similar to 2009 or its new initiatives which include increasing its personal lines focus as well as higher risk business written on an assumed basis.

Financial Statements:

Balance Sheet:

Consolidated Balance Sheet

Admitted Assets	Year End - December 31			
	2016 (\$000)	2015 (\$000)	2016 (%)	2015 (%)
Bonds	6,531,235	6,158,944	52.1	53.1
Preferred Stock	184,402	190,400	1.5	1.6
Common Stock	3,272,990	2,892,427	26.1	24.9
Cash and Short-term Invest	456,699	376,307	3.6	3.2
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	68,128	35,126	0.5	0.3
Investments in Affiliates	200,328	208,355	1.6	1.8
Real Estate, Offices	8,987	9,233	0.1	0.1
Total Invested Assets	10,722,769	9,870,792	85.6	85.1
Premium Balances	1,540,669	1,495,706	12.3	12.9
Accrued Interest	86,417	83,594	0.7	0.7
All Other Assets	175,508	145,414	1.4	1.3
Total Assets	12,525,363	11,595,506	100.0	100.0
Liabilities & Surplus	Year End - December 31			
	2016 (\$000)	2015 (\$000)	2016 (%)	2015 (%)
Loss and LAE Reserves	4,741,925	4,381,904	37.9	37.8
Unearned Premiums	2,260,965	2,161,896	18.1	18.6
Derivatives	...	...	...	...
Conditional Reserve Funds	2	209	...	...
All Other Liabilities	836,509	639,065	6.7	5.5
Total Liabilities	7,839,401	7,183,074	62.6	61.9
Surplus notes	...	...	...	...
Capital and Assigned Surplus	366,997	366,997	2.9	3.2
Unassigned Surplus	4,318,965	4,045,435	34.5	34.9
Total Policyholders' Surplus	4,685,962	4,412,431	37.4	38.1
Total Liabilities and Surplus	12,525,363	11,595,506	100.0	100.0

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

Company History:

Date Incorporated: 08/02/1950

Date Commenced: N/A

Domicile: United States: Ohio

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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