

Research Update:

# Cincinnati Financial Corp. And Subsidiaries Ratings Affirmed; Outlook Stable

September 9, 2019

## Overview

- CFC and its subsidiaries have an excellent level of capital adequacy and strong competitive position built on a sound underwriting strategy.
- We are affirming our ratings on CFC and its core subsidiaries.
- The outlook is stable reflecting our expectation that capital adequacy will remain at the 'AAA' level with operating results consistent with similarly rated peers.

## Rating Action

On Sept. 9, 2019, S&P Global Ratings affirmed its 'BBB+' long-term issuer credit rating on Cincinnati Financial Corp. (CFC) and its 'A+' financial strength ratings on CFC's subsidiaries (collectively, Cincinnati Financial). The outlook is stable.

## Outlook

The stable outlook reflects our expectation that Cincinnati Financial will maintain capital adequacy at the excellent level and that it will continue to improve risk diversification, producing stable operating results consistent with similarly rated peers.

## Downside scenario

We may lower our ratings if, contrary to our expectations, capital adequacy deteriorates below the excellent level and we believe Cincinnati Financial will not be able to improve its capital position; or if earnings weaken to substantially less than our base-case assumptions resulting in deterioration in its competitive position.

## Upside scenario

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Although unlikely in the next two-years, we could raise our ratings if the group's business risk profile improves to the very strong level through product diversification in its life and reinsurance businesses and maintenance of excellent capital adequacy.

### Rationale

Our affirmations follow the implementation of our revised criteria, "Insurers Rating Methodology," published July 1, 2019.

Cincinnati Financial's capitalization is a major ratings strength and our expectation is for the group to operate with a meaningful buffer above the current 'AAA' level of capital adequacy over the next two years. While targeted growth has recently reduced the geographic concentration, the property/casualty business is still largely concentrated in the Midwest. This exposes the group to both catastrophe and noncatastrophe frequency of convective storm losses, which influence our view of its risk exposure.

Underwriting performance has been steady and profitable historically for Cincinnati Financial, driven by strong earnings in the commercial lines segment with a five-year (2014-2018) average combined ratio of 95%. The group's underwriting performance is enhanced by its low fixed-cost expense structure and competitive profit-driven agent commission structure. It heavily depends on a strong network of independent agents supported by local field representatives to aid in production, underwriting, claims, and loss control. This, combined with a strong risk-management culture and underwriting discipline, mitigate earnings volatility inherent to the group's risk exposure to natural catastrophes.

### Ratings Score Snapshot

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Intermediate
Financial Risk Profile	Very strong
Capital and earnings	Excellent
Risk exposure	Moderately high
Funding structure	Neutral
Anchor*	a+
Modifiers:	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0
Financial Strength Rating	A+

\*This is influenced by our view of the group's capital level and performance in line with 'A+' rated peers.

## Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Ratings List

### Ratings Affirmed

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**Cincinnati Financial Corp.**

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Issuer Credit Rating

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Local Currency      BBB+/Stable/--

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Senior Unsecured      BBB+

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**Cincinnati Casualty Co.**

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**Cincinnati Life Insurance Co.**

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**Cincinnati Insurance Co.**

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**Cincinnati Indemnity Co.**

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Issuer Credit Rating

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Local Currency      A+/Stable/--

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Financial Strength Rating

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Local Currency      A+/Stable/--

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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