BEST'S RATING REPORT

CINCINNATI FINANCIAL CORPORATION

Domiciliary Address: 6200 South Gilmore Road, Fairfield, Ohio 45014-5141 United States
Mailing Address: P.O. Box 145496, Cincinnati, Ohio 45250-5496 United States

AMB #: 058704 **NAIC #:** N/A **FEIN #:** 31-0746871

Phone: +1-513-870-2000 **Fax:** **Website:** www.cinfin.com

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

Best's Credit Rating Effective Date

February 02, 2022

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Information

Best's Credit Rating Methodology

Guide to Best's Credit Ratings

Market Segment Outlooks

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See list of companies for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Cincinnati Financial Corporation

AMB #: 058704 | **FEIN #:** 31-0746871
Ultimate Parent: AMB # 058704 - Cincinnati Financial Corporation

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A+	**aa**
Superior	**Superior**
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Strongest**
Operating Performance	**Strong**
Business Profile	**Favorable**
Enterprise Risk Management	**Appropriate**

Rating Unit - Members

Rating Unit: Cincinnati Financial Corp | AMB #: 058704

AMB #	Rating Unit Members	AMB #	Rating Unit Members
004289	Cincinnati Casualty Company	006568	Cincinnati Life Insurance Co
010650	Cincinnati Indemnity Company	013843	Cincinnati Specialty Undrs Ins
000258	Cincinnati Insurance Company		

Best's Credit Rating - for the Holding Company

Issuer Credit Rating (ICR)

a	Outlook: **Stable**
Excellent	Action: **Affirmed**

Rating Rationale - for the Rating Unit Members

The Issuer Credit Ratings and Financial Strength Ratings of the member operating companies of the rating unit are determined in accordance with Best's building block rating methodology as applied to the consolidated group's financial statements, and the supporting analytics and results are described in the following sections of this report.

Balance Sheet Strength: Strongest

- The Company has the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) on both a stressed and non-stressed basis; historically conservative operating strategy with strict underwriting guidelines, which has led to favorable reserve development over a prolonged period of time; and a comprehensive enterprise risk management function, which includes modeling the Company's capital needs based on its material risks.
- The Company benefits from good financial flexibility stemming from its ability to issue new equity (NASDAQ:CINF) and raise debt in the capital market. The Company maintains modest financial leverage of 6.7% as of the end of the third quarter of 2021 and very strong coverage well above the AM Best benchmark.
- The Company's property and casualty reserves have developed favorably for 32 consecutive years.
- The Company's liquidity has historically been strong and remained strong through the end of the third quarter of 2021. At the end of the third quarter of 2021, the Company's liquid assets were 160% of its gross reserves (excluding UPR).
- Common stock leverage is higher than similarly rated peers representing more than three-quarters of the Company's GAAP equity; the risk is offset by the Company's sizable capital base, which includes high-quality fixed-income securities available to support the organization's insurance risks.

Operating Performance: Strong

- The operating ratio has exceeded the industry in each of the most recent five and ten years (including through the third quarter of 2021).
- The Company has recorded underwriting profits in each year since 2012 and through the third quarter of 2021.
- The Company's non-life combined ratio has outperformed the industry since 2012 driven by a lower loss and LAE ratio, which has outperformed the industry during this time by an average of six points.
- Over the most recent five-year period, the Company has recorded an average ROE of 12%, which is slightly higher than its peer composite average ROE of 9%.
- Although there remains uncertainty around potential litigation and losses stemming from COVID-19-related business interruption claims, which could negatively impact future earnings, courts across the country have favored management claims that the virus does not cause physical damage, and therefore, the virus-related business interruption claims are not covered.

Business Profile: Favorable

- The Company has a solid market position with a ranking among the top 25 largest property and casualty insurance groups in the country based on 2020 direct written premiums.
- The Company has extremely strong agency relationships supported by a field focus and strong claims service. It strives to be among the top two carriers in terms of business volume in most of its agency base.
- The Company's business is well diversified by product line, offering commercial, personal, life and a modest amount of assumed reinsurance.
- Geographic diversification has been steadily improving since 2011 with over 20% of the Company's direct written premiums being written outside of the Company's core Midwest and Southeast regions.

Enterprise Risk Management: Appropriate

- The Company has a comprehensive risk management framework that has been developed over the past several years and has benefited from stresses relating to the most recent stock market crash and catastrophe events of recent years.
- The Company conducts stress tests to ensure the ability to cover losses associated with a 1-in-250-year or 1-in-500-year event without suffering significant reductions in cash or dividend payments.
- The Company's management team is very experienced and knowledgeable and has been able to capitalize on this knowledge to benefit the Company, its shareholders, and customers.
- The risk management capabilities of the Company are sufficient to meet or exceed its risk profile.

Outlook

- The stable outlooks reflect AM Best's expectations that the organization's strongest level of balance sheet strength will continue to be supported by the strongest level of risk-adjusted capitalization, as measured by BCAR; favorable reserve development; a strong level of operating performance; a diverse business profile; and a well-defined enterprise risk management program.

Rating Drivers

- The ratings of the insurance company members of Cincinnati Financial Corp. could be negatively impacted by a variety of factors including the group's new initiatives that include increasing its personal lines focus as well as higher-risk business written on an assumed basis, negative operating or capital impacts from catastrophe losses similar to those experienced in 2011, adverse development of prior years' loss reserves, and/or an increase in underwriting leverage.
- Negative rating action could also occur if capital is impacted by a stock market correction similar to 2009.

Rating Rationale - for the Holding Company

The rating of the holding company is determined by reference to the Issuer Credit Rating (ICR) of the operating insurance company members. It reflects consideration of holding company sources and uses of cash, the competing demands placed upon holding company resources and normal subordination of holding company creditors to claims of the policyholders of the operating insurance companies. In general, therefore, the holding company's Issuer Credit Rating is notched from those assigned to the operating companies of the rating unit.

Credit Analysis

Balance Sheet Strength

Cincinnati Financial Corporation (the Company) is a publicly-traded holding company with four wholly owned subsidiaries providing mainly property/casualty insurance with a small life/health operation. The Company has the strongest risk adjusted Capital as measured by AM Best BCAR on both a stressed and non-stressed basis, historically conservative operating strategy with strict underwriting guidelines which has led to favorable reserve development over a prolonged period of time, and a comprehensive ERM function, which includes modeling the Company's capital needs based on their material risks.

Capitalization

The Company's GAAP equity has grown at an average annual rate of approximately 11% from year-end 2016 to year-end 2020 despite having paid $1.8 billion in shareholder dividends during that time. Through the end of the third quarter 2021, GAAP equity had grown by $1.1 billion (10% increase) due in part to $1.5 billion income.

Total net written premiums (NPW) increased 6.3% in 2020 compared with 2019 which is just slightly above the Company's 5 year CAGR of 6.1%. The P&C NPW increased 5.8% in 2020 when compared with 2019 which was slightly above the P&C 5 year CAGR. Despite the growth in premiums, underwriting leverage measures remained mostly in line with composite peers. Contributing to NPW growth were price increases in almost all lines. This growth has continued through the end of the third quarter 2021, where the Company's net written premiums grew about 10.2% with the P&C segment growing NPW by 10.6%.

The Company's liquidity has historically been strong and remained strong through the end of the third quarter of 2021. The Company's liquid assets at the end of the third quarter 2021 were 160% of the Company's gross insurance reserves (i.e. life and non-life, excluding UPR). Both the quick and current ratios are over 100 and have been over 100 in each of the most recent five years (2016 - 2020) with the third quarter 2021 exceeding the five year averages. The Company is well positioned to fulfill current obligations.

The Company benefits from good financial flexibility stemming from its ability to issue new equity (NASDAQ:CINF) and raise debt in the capital market. The company maintains modest financial leverage of 6.7% as of the end of the third quarter 2021 and very strong coverage well above the AM Best guidelines for its ratings.

Asset Liability Management - Investments

The Company maintains an equity allocation within its investment portfolio which is significantly higher than the majority of its commercial casualty peers with common stock leverage of approximately 83% at the end of the third quarter 2021. The Company's equity strategy is to maintain a long-term, low turnover position in a selection of dividend-paying common stocks in companies that have demonstrated earnings growth, proven management, and a favorable long-term business outlook. Despite the spread of risk in the Company's equity holdings and the dividend stream afforded by these investments, the level of common stock equity exposes the Company to potential fluctuations in the stock market.

Balance Sheet Strength (Continued...)

Offsetting its equity exposure, the Company maintains a large, highly rated and diversified fixed income portfolio with a laddered maturity structure that more than covers its insurance liabilities. The Company's fixed income portfolio consists of investment grade corporate, tax-exempt municipal and agency bonds with a smaller allocation to high-yield corporate, commercial mortgage backed and taxable municipal bonds.

Reserve Adequacy

Management implements a very conservative reserving approach, typically reserving at the mid-to-high range of the actuarial estimates (carried at the 79th percentile as of year-end 2020). This has historically resulted in favorable loss development. The Company's property and casualty reserves have developed favorably for 32 consecutive years. In 2020, the Company had overall reserve releases of $131 million on prior accident years. Favorable development was recorded for commercial casualty, workers' compensation, commercial property, personal auto and homeowners partially offset by unfavorable development for commercial auto.

During the first nine months of 2021, the Company recognized favorable prior year reserve development of $331 million up from $91 million recognized during the same period in 2020. Commercial casualty, commercial property, workers' compensation, commercial auto, and personal auto drove the favorable development.

Holding Company Assessment

Cincinnati Financial Corporation has consistently maintained a low financial leverage ratio, and favorable interest coverage. Furthermore, the Company maintains $3.8 billion of cash and invested assets at the holding company level; most of which is represented by a portfolio of diversified equities. This is well in excess of the $848 million in debt outstanding as of the end of the third quarter 2021.

Corporate Overview

Cincinnati Financial Corporation (NASDAQ:CINF) (CFC) is a publicly traded holding company with four wholly owned subsidiaries: The Cincinnati Insurance Company, CSU Producer Resources Inc., CFC Investment Company and Cincinnati Global Underwriting Ltd.

The Cincinnati Insurance Company owns 100% of four additional insurance subsidiaries. The property/casualty group includes The Cincinnati Casualty Company and The Cincinnati Indemnity Company, which writes a broad array of business, homeowner and auto policies. The Cincinnati Insurance Company also conducts the business of the group's reinsurance assumed operations known as Cincinnati Re. The Cincinnati Life insurance Company (CLIC) provides life insurance policies and fixed annuities. The Cincinnati Specialty Underwriters Insurance Company (CSU) offers excess and surplus lines insurance products.

Cincinnati Global Underwriting Ltd. owns 100% of Cincinnati Global Underwriting Agency Ltd., a London based global specialty underwriter for Lloyd's Syndicate 318, and Cincinnati Global Dedicated No. 2 Ltd, a Lloyd's corporate member and vehicle through which capital is provided by Cincinnati Financial Corporation and third-party names at Lloyd's.

The two non-insurance subsidiaries of CFC are CSU Producer Resources, which offers insurance brokerage services to the company's independent agencies so their clients have access to excess and surplus lines insurance products; and CFC Investment Company, which offers commercial leasing and financing services to the company's agencies, clients and other customers.

Operating Performance

The Company has had positive operating income in each of the most recent ten years driven by underwriting gains in nine of the past ten years and positive net investment income. 2011 was the last year the Company had underwriting losses and those losses were more than offset by the Company's net investment income. In most years, the group benefits from its higher than average common stock leverage and the dividends received from the equity portion of its investment portfolio. However, in years with significant unrealized losses, including 2015 and 2018, shareholder's equity has been negatively impacted.

The Company benefits from favorable performance on its commercial lines business which is very diversified, targets small to medium insureds and is distributed through a select number of premier independent agencies. Favorable underwriting performance in recent years can be attributed to several new and ongoing initiatives that have improved growth, profitability and diversification. Management continues to improve the risk evaluation and risk selection process including conducting more thorough and frequent loss control

Operating Performance (Continued...)

inspections. The impact of these initiatives can be seen in the group's lower than average loss and LAE ratio when compared to peers. The group's expense ratio is in-line with peers even though the group pays higher than average commissions.

Over the most recent five year period (2016 - 2020), investment income has steadily grown at an annual compound rate of around 3% on a pre-tax basis, underpinned by the Company's strategy to invest in dividend-paying stocks to offset low interest rates. For the five years from 2016 to 2020, the Company recorded an average ROE of close to 12% which is in line with most peers. However, on a statutory basis, the five-year average total ROE recorded by the Company's consolidated P&C operations is 16.6% versus their composite peers 8.5%. Historically, operating performance has been characterized by a good level of underwriting profits enhanced by sound investment results. The Company's operating ratio has been relatively stable over a prolonged period of time measuring between 82% and 87% over the most recent five year period.

The Company has reported an underwriting profit in each year since 2012, with its property and casualty combined ratio ranging between 91.15% (2015) and 98.07% (2020). Under statutory accounting rules, the Company's property and casualty combined ratio is in-line with the composite average both on a five-year and ten-year basis.

For the first nine months of 2021, net income increased $1.309 billion, compared with the same period of 2020, including increases of $857 million in after-tax investment gains, $429 million in after-tax property and casualty underwriting income and $25 million in after-tax investment income. The property casualty underwriting income increase included a favorable $145 million after-tax effect from lower catastrophe losses.

Business Profile

The Company writes business through a network of independent agents. Through its network of independent agents, the Company underwrites a diversified portfolio of commercial and personal lines, as well as a small portion of life and non-admitted insurance products. Additionally, business underwritten through the Lloyd's and Cincinnati Re platforms is primarily sourced via brokers. In 2020, NWP grew by 6.3% to $6.2 billion from the prior year, with commercial lines accounting for about 57% of the overall portfolio. This growth trend continued through the third quarter 2021, with NWP growing 11% compared to the first three quarters of 2020. Within the property and casualty operations, NWP growth has been consistent in recent years, resulting in a compounded annual growth rate (CAGR) of 6.1% for the five years from 2016 to 2020.

The Company is continuing to expand its geographic footprint which includes targeting growth with new agencies and new states. The Company currently maintains relationships with more than 1,900 agencies from more than 2,600 reporting locations and strives to be either the first or the second largest carrier in terms of business volume across its agency base. Through the first nine months of 2021, the Company had appointed 122 new agencies that offer most or all of its property and casualty insurance products. Prior to making agency appointments in new states, the group completes a comprehensive analysis to determine if current conditions are conducive to the group's business and risk management strategies, culture and profitability targets. Appointed agencies are supported by field underwriters with an average of twenty-one years of underwriting experience. These representatives operate out of their homes, increasing their accessibility to agents, developing greater familiarity with the agents' accounts and eliminating the need for branch offices. The Company places great value on maintaining a strong local market presence and believes it is a critical success factor from both an underwriting and claims perspective. In 2020, nearly 24% of the direct premium written came from outside the Midwest and Southeast regions, versus less than 10% recorded in 2010. However, through the end of the third quarter 2021, the portfolio is still somewhat concentrated in the top five states (Ohio, Illinois, Georgia, North Carolina and New York), which accounted for about 34% of the total property and casualty DPW in the U.S. through the third quarter of 2021.

It is expected that the Company's geographic and product diversification will continue to improve as the Company appoints new agents and introduces new products.

Enterprise Risk Management

The Company uses a conservative approach towards risk management and maintains a comprehensive enterprise risk management (ERM) program that is supported at the board level. The Company maintains a superior financial strength and operates within predetermined risk tolerance guidelines.

The Company utilizes a conservative approach towards risk management, which is supported at the board level and reflects the organization's strategy of maintaining superior financial strength while operating within predetermined risk tolerance guidelines. The Risk Management Committee meets frequently to discuss key risks, risk sources, as well as emerging risks while management utilizes a multi-factored approach to identify and assess risks on the horizon, and to quantify those that could potentially impact the organization. Once key risk exposures have been identified, management reviews all risks to determine the potential impact on earnings, and/or shareholders' equity given changes in risk exposures. In addition, all defined risk exposures are reviewed frequently by internal audit.

Enterprise Risk Management (Continued...)

Reinsurance Summary

The Company has a high-quality reinsurance program that provides broad coverage. The Company has property per risk and casualty per occurrence coverage placed with high-quality reinsurers.

The property per risk treaty is utilized to provide capacity up to $100 million, with facultative reinsurance above $100 million and is adequate for the majority of the risks written by the Company. The Company retains the first $10 million of each loss with losses between $10 and $100 million 100% reinsured. The casualty per occurrence treaty provides capacity up to $25 million excess of $10 million retention with each loss between $10 and $25 million 100% reinsured. Like the property treaty, the Company has facultative reinsurance above $25 million.

The Company also has casualty excess of loss treaties which cover Workers' Compensation, extra contractual obligations and clash coverage, which would apply when a single occurrence involves multiple policyholders or multiple coverages for one insured. These treaties have a $45 million limit excess of $25 million.

The property catastrophe excess of loss treaty was purchased to protect against catastrophic events such as wind and hail, hurricanes or earthquakes. The treaty has a limit up to $700 million excess of $100 million. Losses from the same occurrence can be aggregated into one limit up to a 120-hour period and applied to the treaty towards recovery. The treaty contains one reinstatement provision on each layer with amount covered varying by layer.

Financial Statements

	12/31/2020		12/31/2019
Balance Sheet	**USD (000)**	**%**	**USD (000)**
Cash and Short Term Investments	900,000	3.3	767,000
Bonds	12,338,000	44.8	11,698,000
Equity Securities	8,856,000	32.2	7,752,000
Other Invested Assets	348,000	1.3	296,000
Total Cash and Invested Assets	22,442,000	81.5	20,513,000
Reinsurers' Share of Reserves	582,000	2.1	664,000
Debtors / Amounts Receivable	1,879,000	6.8	1,777,000
Other Assets	2,639,000	9.6	2,454,000
Total Assets	27,542,000	100.0	25,408,000
Gross Technical Reserves:			
Unearned Premiums	2,960,000	10.8	2,788,000
Non-Life Reserves	6,746,000	24.5	6,147,000
Life Reserves	2,915,000	10.6	2,835,000
Total Gross Technical Reserves	12,621,000	45.8	11,770,000
Debt / Borrowings	839,000	3.0	827,000
Other Liabilities	3,293,000	12.0	2,947,000
Total Liabilities	16,753,000	60.8	15,544,000
Capital Stock	397,000	1.4	397,000
Paid-in Capital	1,328,000	4.8	1,306,000
Retained Earnings	10,085,000	36.6	9,257,000
Treasury Stock	-1,790,000	-6.5	-1,544,000
Other Capital and Surplus	769,000	2.8	448,000
Total Capital and Surplus	10,789,000	39.2	9,864,000
Total Liabilities, Mezzanine Items and Surplus	27,542,000	100.0	25,408,000

Source: BestLink® - Best's Financial Suite

Last Update
February 23, 2022

Identifiers
AMB #: 058704
FEIN #: 31-0746871

Contact Information

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Financial Data Presented

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Cincinnati Financial Corporation

Operations

Domiciled: Ohio, United States

Business Type: Multi-Line
Publicly Traded Corp: Cincinnati Financial Corporation
Stock Exchange: NASDAQ: CINF

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: 058704 - Cincinnati Financial Corporation

Refer to the Best's Credit Report for AMB# 058704 - Cincinnati Financial Corporation for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

		Best's Credit Ratings	
AMB#	Rating Unit Members	Financial Strength Rating	Long-Term Issuer Credit Rating
004289	Cincinnati Casualty Company	A+	aa
010650	Cincinnati Indemnity Company	A+	aa
000258	Cincinnati Insurance Company	A+	aa
006568	Cincinnati Life Insurance Co	A+	aa
013843	Cincinnati Specialty Undrs Ins	A+	aa

Best's Credit Rating History

AM Best has assigned ratings on this company since 2002. In our opinion, the company has an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to Rating History in BestLink:

Best's Credit Rating History (Continued...)

	Best's Long-Term Issuer Credit Ratings		
Effective Date	**Rating**	**Outlook**	**Action**
Current - Feb 2, 2022	**a**	**Stable**	**Affirmed**
Jan 27, 2021	a	Stable	Affirmed
Jan 30, 2020	a	Stable	Upgraded
Jan 30, 2019	a-	Positive	Affirmed
Jan 31, 2018	a-	Positive	Affirmed

Best's Issue Credit Ratings

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for Cincinnati Financial Corp (AMB#58704).

Management

Officers

Chairman of the Board, President and CEO: Steven J. Johnston
SVP and Chief Investment Officer: Martin F. Hollenbeck
SVP, Secretary and General Counsel: Lisa A. Love
SVP, Treasurer and CFO: Michael J. Sewell

Directors

Thomas J. Aaron
William F. Bahl
Nancy C. Benacci
Linda W. Clement-Holmes
Dirk J. Debbink
Steven J. Johnston (Chairman)
Kenneth C. Lichtendahl
Jill P. Meyer
David P. Osborn
Gretchen W. Schar
Charles O. Schiff
Douglas S. Skidmore
John F. Steele, Jr.
Larry R. Webb

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