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CREDIT OPINION
17 August 2023

Update

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RATINGS

Cincinnati Financial Corp

Domicile	CINCINNATI, Ohio, United States
Long Term Rating	A3
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Cincinnati Financial Corp

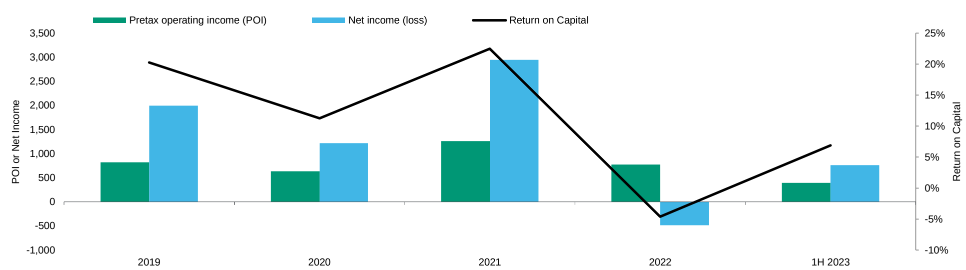
Update following rating affirmation

Summary

In August 2023, we affirmed the A3 senior unsecured debt rating of Cincinnati Financial Corporation (NASDAQ: CINF) and the A1 insurance financial strength (IFS) ratings of its insurance operating subsidiaries (collectively, Cincinnati Financial) reflecting the group's strong regional and increasingly national market presence, which benefits from long-term relationships with independent agents, and a focus on small and middle market commercial lines risks. The company maintains sound reserves and capital adequacy, low financial leverage, and substantial holding company liquidity. These strengths are tempered by exposure to catastrophes, including weather-related losses particularly in the Midwest, pricing and reserve risk associated with long tail casualty business, and investment volatility reflecting a sizeable common stock portfolio (Exhibit 1).

For the first half of 2023, Cincinnati Financial reported net income of $759 million compared to a net loss of almost $1.1 billion in the prior year period, largely driven by unrealized investment gains in its equity portfolio compared to losses in the prior year period. The company reported a combined ratio of 99.2% in the first half of 2023, slightly above the prior year period reflecting higher catastrophe losses. The company, like its insurance peers, faces higher claim costs, particularly in commercial and personal auto and property insurance. In 2022, Cincinnati Financial recorded a net loss of $486 million due to investment volatility and a combined ratio of 98.1%. We expect the company to continue reporting profitable operating results due to its pricing expertise, loss control and claims handling practices.

Exhibit 1
Equity portfolio adds volatility to net income; pretax operating results remain solid



Pretax operating income excludes realized/unrealized investment gains and losses
Source: Company reports, Moody's Investors Service

Credit strengths

» Long-standing regional, and increasingly national franchise based on strong service reputation

» Long-term relationships with independent agencies nationwide

» Modest financial and operating leverage

» Strong liquidity with excess capital at the holding company

Credit challenges

» Exposure to weather-related large losses given Midwest focus and growing California presence

» High concentration of contractor-related businesses, exposing the company to economic cycles tied to construction activity

» Sizable common equity portfolio, which creates volatility in net income

» Potential earnings volatility from the company's Lloyd's operation and its assumed reinsurance business (Cincinnati Re)

Outlook

The outlook on Cincinnati Financial's ratings is stable reflecting our expectation that the company will continue maintaining healthy capital and robust liquidity.

Factors that could lead to an upgrade

» Increased scale and expansion of Cincinnati Financial’s geographic footprint while maintaining strong capitalization and earnings

» Combined ratios (including catastrophes) at or below 95% across the cycle

» Earnings coverage at or above 8x

» Financial leverage at or below 15%

Factors that could lead to a downgrade

» Combined ratios consistently above 100%

» Earnings coverage less than 6x

» Financial leverage above 25%

» Decline in shareholders’ equity greater than 10% over a one-year period

Key indicators

Exhibit 2
Cincinnati Financial Corp

Cincinnati Financial Corp [1][2]	2022	2021	2020	2019	2018
As Reported (US Dollar Millions)					
Total Assets	29,736	31,387	27,542	25,408	21,935
Total Shareholders' Equity	10,531	13,105	10,789	9,864	7,833
Net Income (Loss) Attributable to Common Shareholders	(486)	2,946	1,216	1,997	287
Gross Premiums Written	7,623	6,736	6,083	5,723	5,193
Net Premiums Written	7,307	6,479	5,864	5,516	5,030
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	119.6%	107.7%	104.1%	96.9%	94.1%
Reinsurance Recoverable % Shareholders' Equity	6.1%	4.3%	4.8%	6.2%	6.2%
Goodwill & Intangibles % Shareholders' Equity	10.2%	7.4%	8.0%	8.5%	9.4%
Gross Underwriting Leverage	1.8x	1.3x	1.4x	1.4x	1.6x
Return on Capital (ROC)	-3.9%	22.7%	10.7%	20.3%	3.2%
Sharpe Ratio of ROC (5 yr.)	94.1%	148.0%	147.5%	141.2%	320.4%
Adv. (Fav.) Loss Dev. % Beg. Reserves	-2.3%	-6.7%	-2.3%	-4.6%	-3.3%
Adjusted Financial Leverage	8.6%	7.0%	8.7%	9.3%	10.0%
Total Leverage	8.6%	7.0%	8.7%	9.3%	10.0%
Earnings Coverage	-11.3x	64.1x	26.0x	41.9x	5.6x
Cash Flow Coverage	12.3x	17.5x	10.8x	10.8x	12.0x

[1] Information based on US GAAP financial statements as of the fiscal year ended 31 December. [2] Certain items may have been relabeled and/or reclassified for global consistency.
Source: Moody's Investors Service

The significant increase in interest rates during 2022 reduced the carrying value of fixed income securities, causing a material reduction in reported equity (through Accumulated Other Comprehensive Income (AOCI)). The decline in equity affects metrics and ratios that use equity in the denominator, including leverage, return on capital and high risk asset ratios.

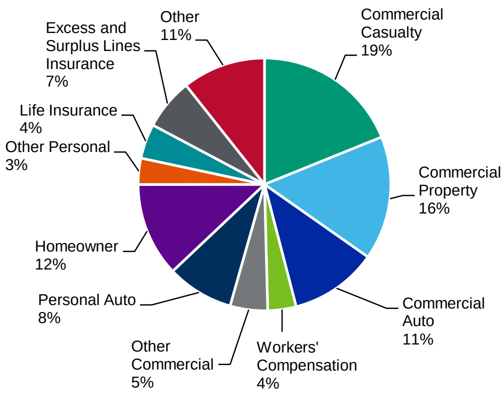
Profile

Cincinnati Financial is an Ohio-based, publicly traded holding company whose subsidiaries write a range of commercial and personal insurance products, and to a lesser extent, provide life insurance, excess and surplus (E&S) lines insurance and other (consisting of Cincinnati Re, Cincinnati Global Underwriting Ltd., and lease/financial services in the US) (Exhibit 3). Cincinnati Financial's strategy emphasizes commercial insurance products aimed at small to midsized businesses. The company continues to expand its high net worth business (Cincinnati Private Client[sm]), which adds diversification benefits and high margin products. Elevated inflation and catastrophe events have been pushing up the combined ratio of personal lines. High net worth business, which represents about half of personal lines net written premiums, could improve personal lines profitability but could add catastrophe risk.

In 2019, the company acquired a Lloyd's integrated operation (MSP/Beaufort Underwriting Agency) from Munich Re and rebranded it Cincinnati Global. Through Lloyd's Syndicate 318, Cincinnati Global underwrites mostly (83% of its NWP) US and international property risks. The remaining 17% includes credit and political risks, political violence, specie and contingency risks. The Lloyd's operation gives the company access to international insurance licenses, which gives it the ability to write business in various countries throughout the world. During 2022, the company expanded opportunities for its appointed US independent agencies to offer their clients insurance solutions in the Lloyd's market through Cincinnati Financial's CSU Producer Resources Inc., a subsidiary that provides insurance brokerage services to Cincinnati Financial's independent agencies so their clients can access Cincinnati Financial's E&S lines insurance products.

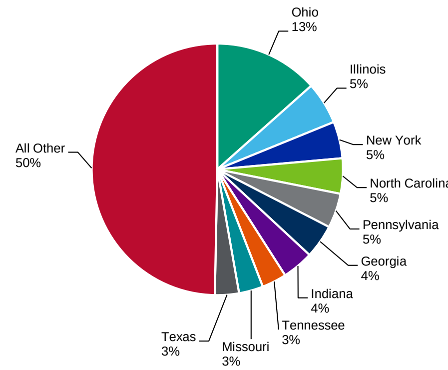
Cincinnati Financial operates in 46 states (Exhibit 4), primarily in the Midwest and Southeast, and distributes products through a growing network of 2,035 independent agencies (as of June 30, 2023), not including its Lloyd's brokers or coverholders that source business for its UK-based Cincinnati Global.

Exhibit 3
Net written premiums by business line, 2022



Note: Total net written premiums $7.65 billion. Other consists of Cincinnati Re ($585 million) and Cincinnati Global ($230 million).
Source: Company reports, Moody's Investors Service

Exhibit 4
Net premiums earned for P&C by geography, 2022



Note: Total P&C net premiums earned $6.9 billion (includes Cincinnati Re and Cincinnati Global)
Source: Company reports, Moody's Investors Service

Detailed credit considerations

We rate Cincinnati Financial Corporation's principal property casualty operating companies A1 for insurance financial strength, which is in line with the adjusted scorecard-indicated outcome shown below (Exhibit 9).

Insurance Financial Strength Rating

The key factors currently influencing our rating and outlook are as follows:

Market position, brand and distribution: High touch service with efficient agency processing and claims handling

Cincinnati Financial ranks among the top 30 US commercial lines P&C insurers, as measured by 2022 commercial lines direct premiums written, and is a strong regional insurer with significant business concentration in the Midwest but also an expanding national and international (through Cincinnati Re and Cincinnati Global) footprint. The company's strategy emphasizes long-term relationships with better-performing independent agents by aiming to provide a consistent and stable market for a substantial portion of an agency's typical risks, along with superior claims service and profit-sharing commissions. This strategy has enabled Cincinnati Financial to enhance its market position in its main street commercial lines book, providing a competitive advantage in its core Midwest franchise versus larger-scale nationwide commercial lines carriers.

Cincinnati Financial continues to target meaningful business growth through increased agency penetration and the appointment of new agents. The company's infrastructure supports its agency relationship model, based on significant investments in information technology. These include predictive modeling and data management to enhance risk selection, pricing and underwriting, claims handling, strategic and financial risk analysis, and streamlining agency processing along with enhancing the customer experience. The company's new small business platform, Cinergy^{sm}, which was rolled out to Cincinnati Financial agents in six states during 2022, gives agents the ability to efficiently quote, bind and issue policies more quickly. By year-end 2024, Cinergy^{sm} will be available for use by agents in nearly all of Cincinnati Financial's active states.

The company's personal lines premium growth has been significant, fueled by rate increases, state expansion, an accelerated pace of new agency appointments and increased focus on the US high net worth market. In 2022, high net worth products generated $919 million in annual NPW or about 50.2% of Cincinnati Financial's personal lines' NPW, compared to 42% of personal lines business in 2021. We expect the company will continue to shift its product mix toward more high net worth business with increasing pricing sophistication and segmentation.

We view Cincinnati Financial's other businesses, including assumed reinsurance (Cincinnati Re) and Lloyd's Syndicate 318 (part of Cincinnati Global operation), as having more earnings volatility. However, these operations' risk contributions remain modest at almost 11% of 2022 NPW, which is small relative to the group's core revenues, earnings and capital base. In addition, through The Cincinnati

Life Insurance Company, Cincinnati Financial offers term life and annuity products to create cross-serve opportunities for its agencies in order to meet the life insurance needs of their clients.

The company's underwriting expense ratio has averaged 31% over the last five years reflecting good non-commission cost control measures and higher earned premiums. A significant driver of the expense ratio (about two thirds of underwriting expenses) is commission expenses, including profit-sharing commissions relating to one-year and three-year profitability of an agency's business. Given the integral role independent agents play in Cincinnati Financial's strategy, we do not expect the level of agent commissions to shift materially over time.

Product focus and diversification: Multi-year commercial policies support long-term relationships

Cincinnati Financial's business mix carries generally short-to-medium tail exposures and focuses on small-to-mid-size accounts where prices tend to fluctuate less dramatically with the underwriting cycle (compared to large accounts). In general, Cincinnati Financial's business mix results in a moderate risk profile in terms of estimating ultimate claim costs.

The company writes packaged commercial lines policies, typically on a three-year policy term, which encourages long-term relationships and reduces annual administrative efforts for the company and its agents. Although this structure tends to lock in premium rates for certain lines of business included in the account, primarily property and general liability, for the duration of the policy, actual premiums are adjusted to cover changes in exposures. The company evaluates the profitability of the entire account, monitoring other lines of an account such as auto and workers' compensation. This could result in more measured renewal rate increases in a rising rate environment for troubled lines such as commercial auto. However, the multi-year nature of these policies also results in strong policy retention levels.

The company's commercial lines segment includes some concentration in contractor businesses related to construction, with 38% of its general liability premiums and 35% of its workers' compensation premiums from the construction industry. Since construction activity is sensitive to economic cycles, Cincinnati Financial's commercial lines premium trends could vary from commercial lines premium trends for the P&C insurance industry.

Cincinnati Financial's E&S carrier, The Cincinnati Specialty Underwriters Insurance Company (Cincinnati Specialty), follows the same footprint as the commercial lines segment, covering 42 states. Cincinnati Specialty is also an approved nonadmitted carrier in all 50 states and Washington, D.C. While still small, the company's E&S business has steadily expanded and is distributed through independent agents rather than the wholesale channel and includes a portion of the company's high net worth homeowners business on the West Coast and also in Florida and New York. We expect premium rates for property risks involving catastrophe exposures to continue being firm over the next year and could present new business opportunities.

Cincinnati Re assumes domestic casualty exposure and specialty and property global exposures such as property catastrophe and terrorism risks. By assuming risks through reinsurance, Cincinnati Financial gains diversification benefits while profitably deploying enterprise capital to catastrophe tail risk, or events that have a small probability of occurring.

We view the company's business model expansion into specialty and reinsurance lines with caution because they bring additional risk given the less seasoned business compared to the company's core commercial agency business.

Given the weighting towards eastern-central states, and the concentration in contractor business, the company's product risk and diversification is in line with A-rated peers rather than the Aa level indicated by the unadjusted scorecard metrics.

Asset quality: High quality fixed income portfolio; equities add volatility

Cincinnati Financial reported total investments of $24 billion as of June 30, 2023, including a well-diversified and high quality $13 billion fixed income portfolio consisting of about 81% in investment grade securities. The effective duration of the fixed income portfolio was 4.6 years, down from 4.7 years at year-end 2022. At June 30, 2023, the fixed income portfolio consisted of 55.6% in taxable corporate bonds, 36.6% in municipal bonds (6.3% taxable and 30.3% tax-exempt), and the balance in government-sponsored enterprises, commercial mortgage backed securities, and US and foreign government bonds, providing ample liquidity to support the company's reserves.

While rising interest rates lowered the market value of Cincinnati Financial's high quality fixed income portfolio, increased market values of the company's equity securities largely led to the rise in invested assets during the first half of 2023. Because of Cincinnati Financial's strong capital and surplus, long-term investment horizon, and ability to hold securities to maturity, the company is well positioned to manage investment market volatility.

The municipal bond portfolio (tax-exempt and taxable) is well-diversified and consists mainly of tax-exempt municipal securities that are spread among approximately 1,700 issuers. As of June 30, 2023, the municipal portfolio represented 45% of shareholders' equity, primarily in tax-exempt general obligation and essential services revenue bonds, with an average credit quality of Aa2. Although these securities are generally held to maturity, market value fluctuations related to varying demand for these instruments could contribute to a degree of capital volatility going forward.

As of year-end 2022, high risk assets represented 120% of shareholders' equity, which was higher than peers and consisted primarily of common stocks (fair value of $9.5 billion). The sizable equity position exposes Cincinnati Financial to investment volatility, but its allocation focuses on a diversified group of large-cap, high-quality, dividend-paying companies. Of the consolidated group's $9.5 billion of common stock securities, $4 billion, or 42% were held by the parent at the end of 2022.

Reinsurance recoverables are of good quality since the company buys reinsurance protection from a diversified panel of investment grade reinsurers. Retentions for property catastrophe reinsurance coverage increased for 2023 as the company modified its reinsurance program by increasing its risk sharing in the upper layers (losses between the $600 million and $1.1 billion layers) of a six-layer tower, with ceded premium increasing slightly to $49 million ($47 million in 2022). After reinsurance, Cincinnati Financial's exposure to a catastrophic event that causes $1.1 billion in covered losses in 2023 would be $542 million, compared with retention of $499 million in 2022.

The company's bond portfolio more than covers its insurance reserve liabilities, which is the basis for its long-term investment strategy of maintaining a large diversified common stock portfolio. However, given the company's sizable equity portfolio, Cincinnati Financial's asset quality is in line with A-rated insurers rather than the Aa level indicated by the unadjusted scorecard metrics.

Capital adequacy: Strong capital with ample reinsurance protection

Cincinnati Financial's gross underwriting leverage, a blunt measure, increased to 1.8x, which compares favorably to its A-rated peers.

The company's catastrophe exposure is manageable and low relative to some peers. Cincinnati Financial manages its catastrophe exposure through a combination of third-party catastrophe models, a proprietary catastrophe risk evaluation tool, and experienced underwriters. Using catastrophe models, the company estimated that the combined probable maximum loss from a single 1-in-250 year hurricane event would total $798 million, or 7.6% of shareholders' equity (as of December 31, 2022), net of reinsurance, taxes and reinstatement premiums, and including Cincinnati Re and Cincinnati Global. On a gross basis, modeled losses (excluding Cincinnati Re and Cincinnati Global) would be up to $1.3 billion, or about 12% of 2022 shareholders' equity.

Cincinnati Financial's 2023 reinsurance program includes a property catastrophe treaty with a limit of up to $1.1 billion for events such as wind and hail, hurricanes or earthquakes. Hurricane losses from the same occurrence can be aggregated into one limit over a 120-hour period and applied to the treaty. The treaty contains one reinstatement provision. Cincinnati Financial retains the first $200 million of any loss (versus $100 million in 2021's treaty), and a share of losses up to $1.1 billion (versus $900 million in 2021's treaty).The company has a separate reinsurance program for Cincinnati Re, which includes property catastrophe excess of loss coverage with a limit of $20 million in excess of $80 million per event.

Given the company's geographic exposure to high-frequency, low-severity events, capital adequacy is in line with Aa-rated insurers rather than the Aaa level indicated by the unadjusted scorecard metrics.

Profitability: Equity portfolio volatility offset by healthy combined ratios

Cincinnati Financial produces healthy operating and underwriting returns (Exhibit 5), and expects its five-year annual average GAAP combined ratio to stay within its target range of 95% to 100%. The company has improved its underwriting margins through rate increases, enhancements to predictive modeling capabilities, better loss controls, as well as more effective triaging of higher-risk claims. In the first half of 2023, Cincinnati Financial generated net income of $759 million compared to a net loss of $1.1 billion in the prior year period driven by unrealized gains on its equity portfolio. The company's combined ratio increased to 99.2% from 96.7% in the prior half year period driven by significantly higher catastrophe losses from winter storms and tornadoes.

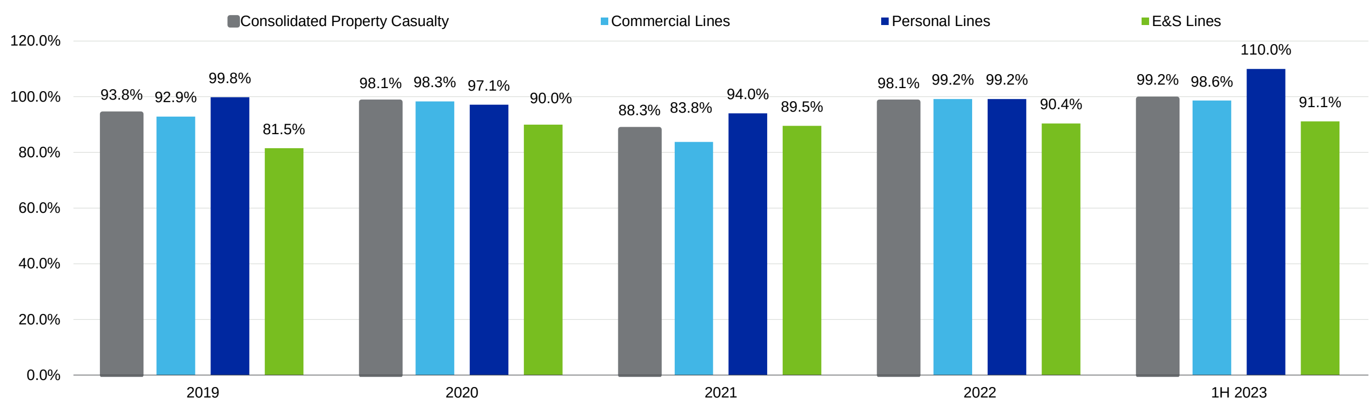
In the first half of 2023, pretax catastrophe losses totaled approximately $459 million, most of which the company absorbed as part of its per event retention under its reinsurance program. Commercial lines absorbed $229 million of the catastrophe losses while personal lines incurred $212 million in losses.

The company's five-year average return on capital was solid at 10.6% despite the one-year -3.9% return for 2022. The net loss in 2022 was largely driven by unrealized investment losses in the firm's equity portfolio. In 2022, the company reported higher combined ratios of 99.2% in commercial lines, 99.2% in personal and 90.4% in E&S. Cincinnati Financial continues to seek healthy rate increases in both its personal and commercial lines business to improve results given the negative impact of inflation on building materials and labor.

As the company's focus is on small and middle market commercial accounts, premium growth will be driven by economic and employment conditions in the US, resulting in an increase in insurable exposures supported by healthy rate increases and inflation. We expect Cincinnati Financial to continue to report healthy profitability given ongoing rate increases, healthy underwriting margins and higher net investment income over time due to rising interest rates.

Exhibit 5

Cincinnati P&C has solid commercial lines combined ratios, but personal lines remain elevated



Source: Company filings, Moody's Investors Service

Reserve adequacy: Long history of favorable reserve development

Cincinnati Financial has consistently experienced favorable reserve development over the course of market cycles, and the company's reserves are within a reasonable range. For 2022, Cincinnati Financial reported $159 million of favorable development on prior accident years, consisting of $76 million in commercial lines, $61 million in personal lines, $9 million in excess and surplus lines, and $13 million in Cincinnati Re and Cincinnati Global. On a current accident year basis, the company takes a conservative approach to reserves until longer-term loss cost trends become more clear. Through the first half of 2023, elevated inflation continued to be a driver of high losses and loss expenses. Cincinnati Financial increased the incurred but not reported component of the loss ratio by 4.7 points as it continued to recognize uncertainty regarding ultimate losses in several lines of business including commercial property and auto, liability coverages and homes. For the first half of 2023, Cincinnati Financial experienced $160 million of favorable development on prior accident years (versus $100 million in H1 2022), including $91 million of favorable development in commercial lines (versus $47 million in H1 2022), $46 million of favorable development in personal lines (versus $48 million in H1 2022), and $14 million of favorable development in E&S lines (versus $6 million in H1 2022). Within commercial lines, the favorable reserve development was due to reduced uncertainty of prior accident year loss and loss adjustment expense. Within E&S lines, the favorable development was due primarily to lower-than-anticipated loss emergence on known claims.

Consistent with broader industry trends, favorable reserve development will likely slow, particularly for long-tail commercial casualty business from older accident years. Nevertheless, we expect that management will maintain its historically conservative approach to setting loss reserves.

Financial flexibility: Conservative financial leverage, strong earnings coverage

Cincinnati Financial maintains conservative financial leverage with adjusted and total financial leverage of 8.6% as of December 31, 2022 (8.0% as of June 30, 2023) along with strong earnings and cash flow coverage metrics (Exhibits 2 and 6). In addition, the company maintains a large pool of liquid assets at the parent-company level, primarily common equities, which totaled $4.6 billion as of June 30, 2023, and exceeded total debt outstanding by a considerable margin.

Cincinnati Financial has an unsecured letter of credit agreement which provides a portion of the capital needed to support Cincinnati Global's obligations at Lloyd's. The amount of this unsecured letter of credit agreement was $94 million at June 30, 2023, with no amounts drawn.

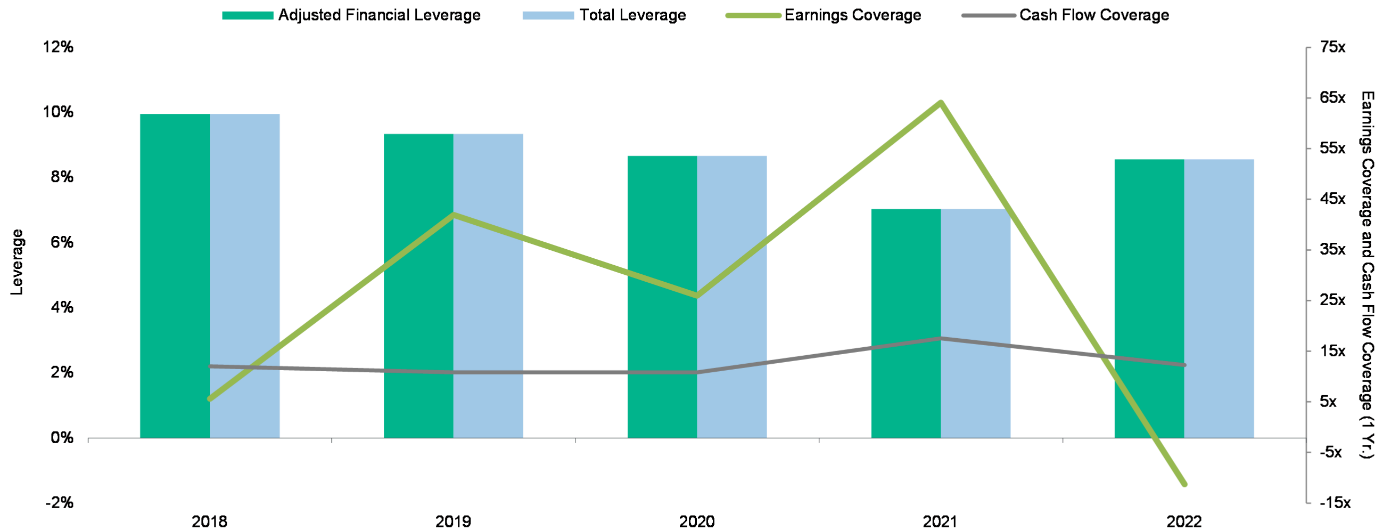
The cash flow coverage metric in 2022 was strong at 12.3x. Cincinnati Financial typically pays a sizable common stock dividend, which was approximately $423 million in 2022 ($223 million during H1 2023). The company is committed to paying cash dividends, having increased the dividend rate every year for the past 62 years, including during the financial crisis. We view the dividend, therefore, as akin to a fixed charge.

The company's earnings coverage decreased to -11.3x in 2022 from 64.1x in 2021 driven by the $486 million net loss applicable to common shareholders, down from net income of $2.9 billion in 2021. The decline in net income was driven by unrealized losses on the company's equity portfolio. Including dividends, the five-year average of earnings coverage would have been 4.2x compared to 25.3x without dividends.

Given that the company pays out a significant portion of its earnings as dividends, Cincinnati Financial's strong financial flexibility is more in line with Aa-rated insurers than the unadjusted Aaa-scorecard metric.

Exhibit 6

Conservative financial leverage and historically strong coverage metrics; recent volatility driven by mark-to-market of equity portfolio



Source: Company reports, Moody's Investors Service

Liquidity analysis

Cincinnati Financial maintains unusually strong holding company liquidity. For 2023, the company's US insurance subsidiaries are able to pay dividends of $651 million, or 66% of the company's adjusted outstanding debt, to the parent company without prior regulatory approval. Liquid assets (cash and marketable securities) held at the parent company level (largely comprising common equities) represented more than four times the group's outstanding debt as of December 31, 2022, and is an additional source of liquidity. The parent held $4.2 billion in cash and marketable securities at year-end 2022, of which $3.97 billion, or 94%, was invested in common stocks and $121 million, or 3%, was cash and cash equivalents.

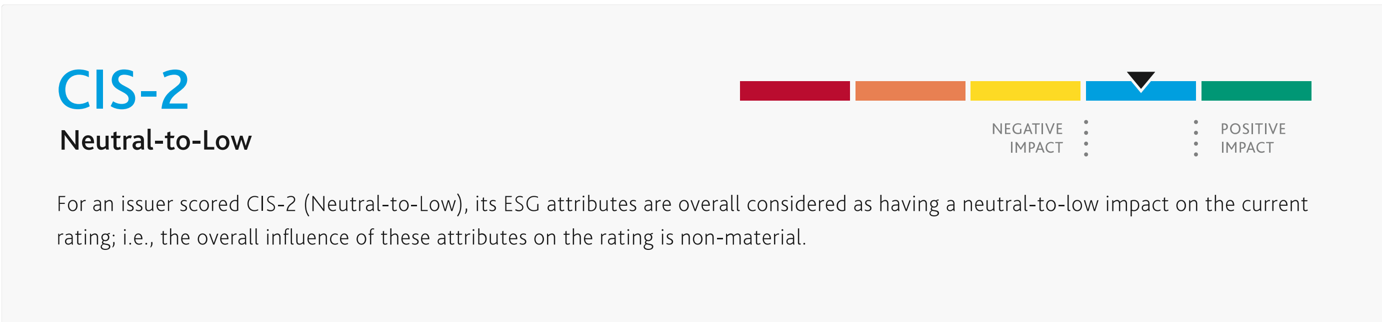
Cincinnati Financial has a $300 million unsecured revolving line of credit with an accordion feature for an additional $300 million. As of June 30, 2023, there was $25 million drawn on this revolver. The five-year agreement expires in February 2026. There is no net worth covenant, and the debt-to-total capital maximum is 35%.

Historically, the company's share repurchases have been moderate. The company repurchased $410 million of its shares in 2022 and $144 million in 2021. Cash dividends paid to shareholders were $423 million in 2022 compared to $395 million in 2021, representing the 62nd consecutive year of increased regular annual dividends.

ESG considerations

Cincinnati Financial's ESG Credit Impact Score is neutral-to-low CIS-2

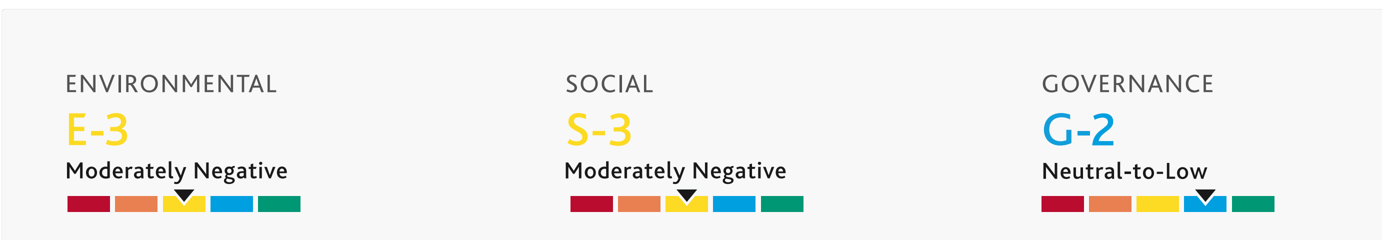
Exhibit 7
ESG Credit Impact Score



Source: Moody's Investors Service

Cincinnati Financial's CIS-2 reflects the limited credit impact of environmental and social risks on the rating to date. The insurer's strong risk management and capital adequacy help mitigate its exposure to physical climate risk, customer relations risk, and societal and demographic risks such as rising claim costs because of a changing legal environment.

Exhibit 8
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Cincinnati Financial faces moderate environmental risks, in particular physical climate risk related to the effects of natural catastrophes on its commercial and personal P&C insurance businesses. The company has a strong track record of managing environmental risk through geographic diversification, pricing and exposure management, and reinsurance. As the frequency and severity of natural catastrophes increase over time, Cincinnati Financial and its peers could find mitigating this risk more challenging.

Social

Cincinnati Financial has moderate social risk. Changes in societal attitudes and the legal environment can affect P&C claim costs and reserve development, particularly in US casualty lines. Customer relations risk arises from the sale of retail insurance products and other service offerings, exacerbated by the regulatory oversight of rate-setting and claims-handling processes. Rising digitization, and the interconnectedness of insurers, customers and other parties will increase data security risks.

Governance

Cincinnati Financial faces low governance risks, and its risk management, policies and procedures are in line with industry best practices. The company has a solid record of meeting business and profitability objectives, and managing enterprise risks, maintaining a conservative financial profile. Cincinnati Financial benefits from an experienced, diversified and independent board of directors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Cincinnati Financial's A3 senior debt rating is two notches below the A1 IFS rating of its lead operating subsidiaries, rather than our typical three-notch spread. The narrower notching reflects the substantial pool of liquid assets (largely common equities) held at the holding company.

Rating methodology and scorecard factors

Exhibit 9

Cincinnati Financial Corp

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								A	A
Market Position, Brand and Distribution (25%)								A	A
-Relative Market Share Ratio			X						
-Underwriting Expenses % Net Premiums Written				30.0%					
Product Focus and Diversification (10%)								Aa	A
-Product Risk		X							
-P&C Insurance Product Diversification		X							
-Geographic Diversification			X						
Financial Profile								Aa	Aa
Asset Quality (10%)								Aa	A
-High Risk Assets % Shareholders' Equity				119.6%					
-Reinsurance Recoverable % Shareholders' Equity	6.1%								
-Goodwill & Intangibles % Shareholders' Equity	10.2%								
Capital Adequacy (15%)								Aaa	Aa
-Gross Underwriting Leverage	1.8x								
Profitability (15%)								A	A
-Return on Capital (5 yr. avg.)		10.6%							
-Sharpe Ratio of ROC (5 yr.)					94.1%				
Reserve Adequacy (10%)								Aa	Aa
-Adv. (Fav.) Loss Dev. % Beg. Reserves (5 yr. wtd. avg.)		-3.8%							
Financial Flexibility (15%)								Aaa	Aa
-Adjusted Financial Leverage	8.6%								
-Total Leverage	8.6%								
-Earnings Coverage (5 yr. avg.)	25.3x								
-Cash Flow Coverage (5 yr. avg.)	12.7x								
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								Aa3	A1

[1] Information based on US GAAP financial statements as of fiscal year ended December 31, 2022. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.
Source: Moody's Investors Service

Ratings

Exhibit 10

Category	Moody's Rating
CINCINNATI FINANCIAL CORP	
Rating Outlook	Stable
Senior Unsecured	A3
CINCINNATI INSURANCE COMPANY (THE)	
Rating Outlook	Stable
Insurance Financial Strength	A1
CINCINNATI CASUALTY COMPANY (THE)	
Rating Outlook	Stable
Insurance Financial Strength	A1
CINCINNATI INDEMNITY COMPANY (THE)	
Rating Outlook	Stable
Insurance Financial Strength	A1

Source: Moody's Investors Service

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