



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Commission file number 0-4604

CINCINNATI FINANCIAL CORPORATION

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(Exact name of registrant as specified in its charter)

Ohio

31-0746871

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(State or other jurisdiction of  
incorporation or organization)

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(I.R.S. Employer  
Identification No.)

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6200 S. Gilmore Road, Fairfield, Ohio

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45014-5141

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(Address of principal executive offices)

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(Zip code)

Registrant's telephone number, including area code: (513) 870-2000

**Item 9. Regulation FD Disclosure.** On September 25, 2003, Cincinnati Financial Corporation held an investor headquarters visit. Presentations used at the visit are furnished as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3 hereto and are incorporated herein by reference. This report should not be deemed an admission as to the materiality of any information contained in the news release.

The information furnished in this report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CINCINNATI FINANCIAL CORPORATION

/S/ Kenneth W. Stecher

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Kenneth W. Stecher  
Chief Financial Officer, Senior Vice  
President, Secretary and Treasurer  
(Principal Accounting Officer)  
September 29, 2003

**Exhibits:**

Exhibit 99.1 Investor Headquarters Visit Part I  
Exhibit 99.2 Investor Headquarters Visit Parts II and III  
Exhibit 99.3 Investor Headquarters Visit Breakout Sessions

# BY DESIGN

Cincinnati Financial Corporation



2003 Investor Headquarters Visit  
September 24-25, 2003



## Nasdaq:CINF

- Today's presentations contain forward-looking statements that involve risks and uncertainties. Please refer to our various filings with the Securities and Exchange Commission for factors that could cause results to materially differ from those discussed.
- Reconciliations of non-GAAP and non-statutory data are available at *[www.cinfin.com](http://www.cinfin.com)*



## Structured for Strength and Stability

- 19<sup>th</sup> largest publicly traded insurer based on revenues
- 30<sup>th</sup> largest property casualty insurer by premium volume
- Market capitalization of \$6.6 billion (9/23/03)
- Well capitalized and highly rated
- Strong growth and underwriting profit in 2002 and first half of 2003

# BY DESIGN

Outperform in 2003 and Beyond



John J. Schiff, Jr., CPCU  
Chairman & Chief Executive Officer





## Your Day with Us

- Insurance Operations
- Inside Cincinnati – In-Depth Look at Our Business
- Scott Insurance Agency and Cincinnati Field Team
- Financial Strength and Stability



## Scott Insurance Agency

- Walker Sydnor, CPCU, president, and Patty Pollard, ACSR, CPIW, AU, manager – personal lines, of Scott Insurance Agency, Lynchburg, Virginia
- Cincinnati field team
  - Ron Klimkowski, AIC
  - Dan Gray
  - Chris Rittenhouse
  - Linda Hutchinson, APA, CIC
  - Pat Draney, AIC
  - Kristine Roach



## Special Guests

- William F. Bahl, CFA, director
- W. Rodney McMullen, director
- Frank J. Schultheis, director
- Robert B. Morgan, former president and chief executive officer
- George J. Berry, Jr., Nasdaq representative
- Officers from a variety of departments



## Outperform in 2003 and Beyond

- Generate steady growth and above-average profitability by leveraging regional franchise and proven agency-centered business strategy
- Obtain strong investment income growth and capital appreciation through equity-focused investment strategy
- Maintain financial strength

	Senior Debentures	Property Casualty	Life
A.M. Best	Aa	A + +	A +
Fitch	A +	AA	AA
Moody's	A2	Aa3	--
S&P	A +	AA-	AA-

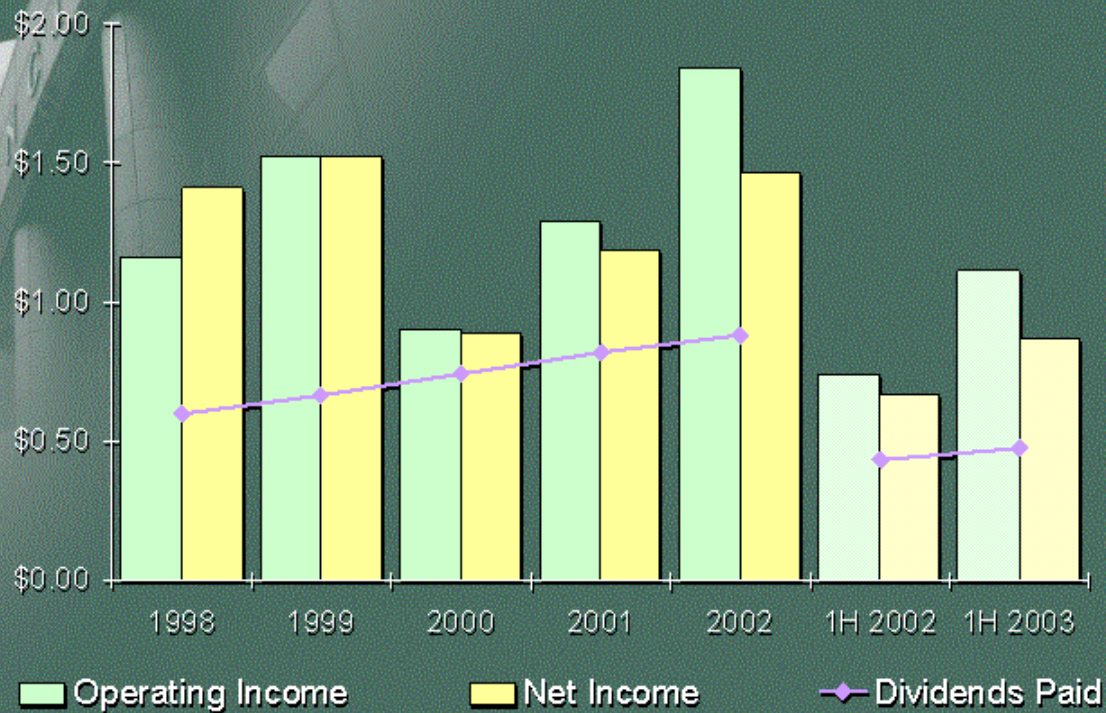


## Enhancing Return to Shareholders

- Philosophy leads to long-term shareholder value
- 11.3% 10-year compound growth in paid dividends
- 12.4% increase in indicated annualized payout in February 2003
  - 43<sup>rd</sup> consecutive increase
  - 100-share investment in 1950 now 194,667 shares without cash dividend reinvestment

# Focus on Shareholder Value

*Per diluted share*



See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for non-GAAP and non-statutory reconciliation information.



# BY DESIGN

Outperform in 2003 and Beyond



Insurance Operations



# BY DESIGN

Leverage Regional Franchise and Proven  
Agency-centered Business Strategy



J.F. Scherer  
Senior Vice President  
Sales & Marketing



## Agency Centered

“A company sponsored and principally owned by local agents, presently operating under the American Agency System and committed to operating under the same system for many years to come.”

—1950 Prospectus



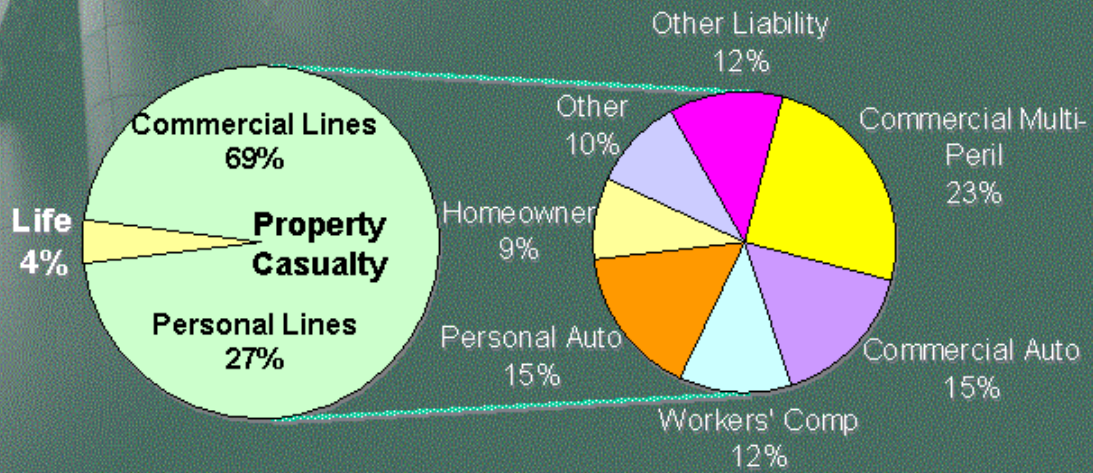
## At Home on Main Street

- Regional carrier
  - Main Street property casualty business
  - 950 local independent insurance agencies in 31 states
  - Market for about 75% of agency's typical risks
  - Approximately 90% of property casualty policies less than \$10,000 premium
- Agents in Main Street markets place value on claims service, market stability, access to executives
  - Cincinnati was No. 1 or No. 2 carrier in 71% of agency locations in 2002



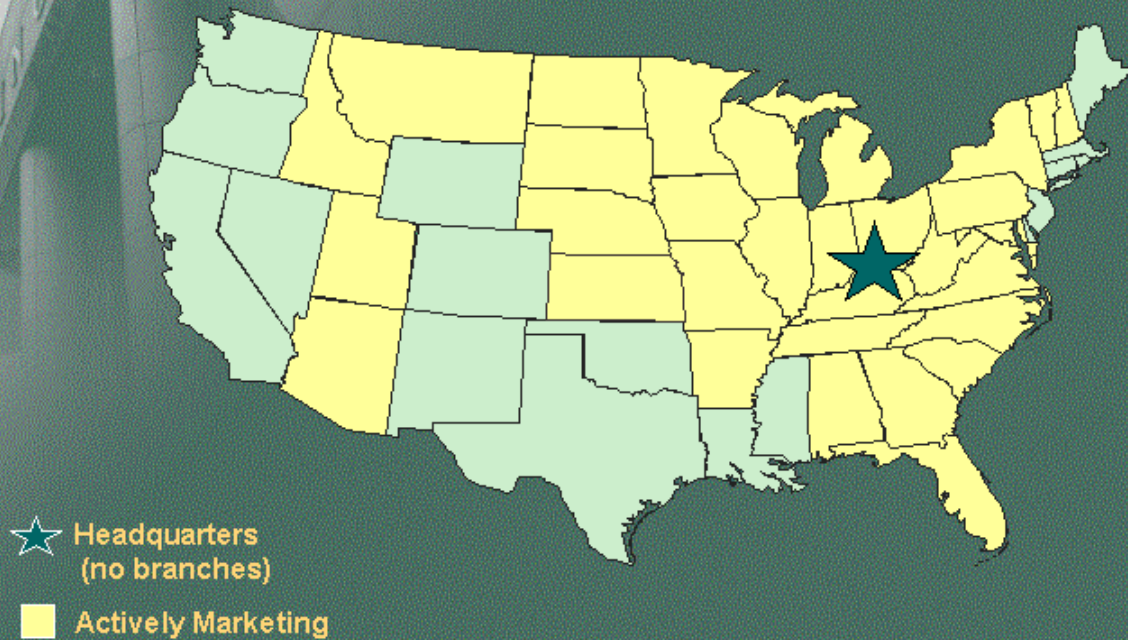
# Market for 75% of Agency's Typical Risks

\$2.5 Billion in 2002 Net Earned Premium



Percent of 2002  
consolidated  
net earned premiums

## Serving Select Group 950 Independent Agencies in 31 States





# Our Chosen Partners –

## The Independent Agent

<i>Dollars in millions</i>	Industry		Cincinnati		Industry Aggregate Revenue		Cincinnati Aggregate Premium	
Agency Size (Revenue)	#	% Total	#	% Total	\$	% Total	\$	% Total
\$10.0+	200	1	15	2	4,000	12	102	4
\$2.5-\$10.0	2,500	6	163	17	12,500	38	755	31
\$1.25-\$2.5	3,500	9	205	21	6,125	18	636	26
\$0.5-\$1.25	8,000	20	365	38	6,000	18	706	29
\$0.15-\$0.5	15,000	38	205	21	3,750	11	245	10
Under 150k	10,000	26	7	1	1,000	3	5	-
	39,200	100	952	100	33,375	100	2,449	100

Source: Reagan & Associates, Best Practices Study



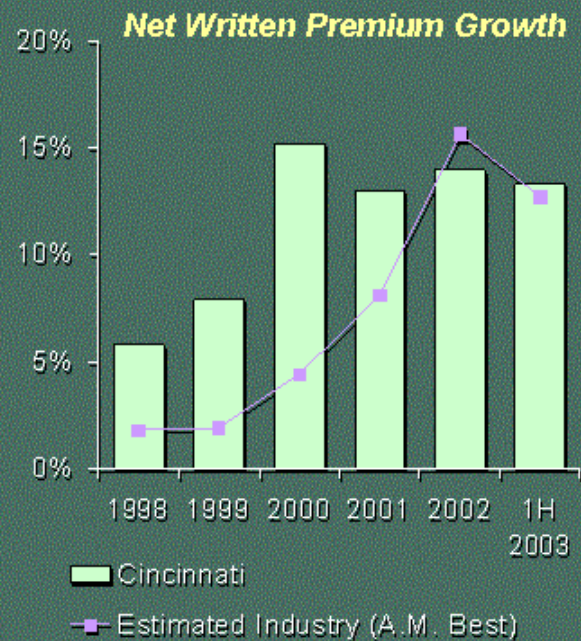
## Agent and Consumer Satisfaction

- Independent consumer surveys
  - Cincinnati among top insurers for auto and homeowners claims service
- Agents' top choice for commercial auto
  - Pricing, accessibility and claims payment methods "unsurpassable" (*Crittenden's Property Casualty Ratings*, June 2, 2003)
- Online Consumer Information Source
  - Shows Cincinnati's exceptionally low complaint ratios ([www.naic.org](http://www.naic.org))



## Opportunities for Continued Steady Property Casualty Premium Growth

- Room to grow in marketplace
- Continue to subdivide territories to improve service
- Increase penetration of each agency's business
- Selectively appoint new agencies



See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for non-GAAP and non-statutory reconciliation information.



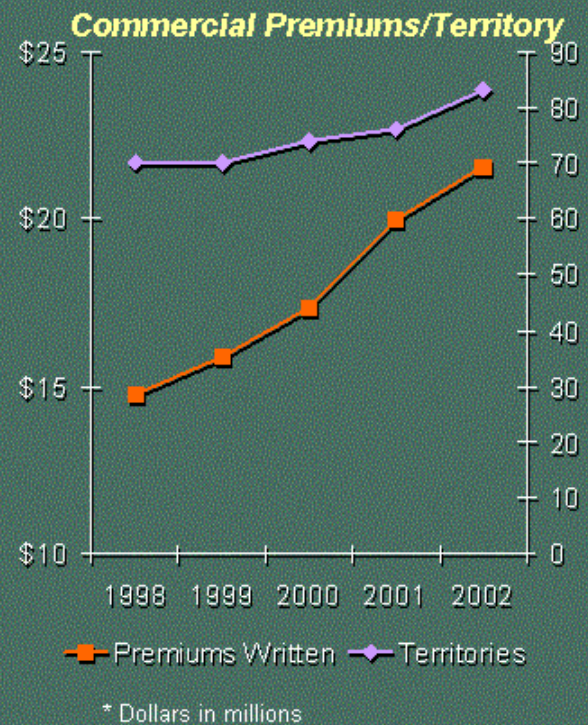
## Potential in the Marketplace

<b>2002 Statutory Direct Written Premiums</b> (dollars in millions)	<b>Cincinnati</b>	<b>Total P/C Industry</b>	<b>Cincinnati Market Penetration</b>
Ohio	\$651	\$16,882	3.9%
Illinois	280	19,058	1.5
Indiana	221	8,802	2.5
Pennsylvania	156	16,807	0.9
Michigan	157	14,840	1.1
Georgia	161	10,764	1.5
All Active States	\$2,894	\$247,359	1.2



## Improving Service Subdividing Territories; Adding Local Staff

- 83 territories at year-end 2002 from 70 at year-end 1998
- Four new territories planned for 2003
- 1,059 local marketing, claims and other staff from 860 five years ago





## 2003 New Territories

North Carolina	First Quarter
Northern Virginia	Second Quarter
Tiffin, Ohio	Third Quarter
Greater Atlanta	Fourth Quarter

## On the Drawing Board

Milwaukee	Chicago
St. Louis	Upstate New York



## Successful Agencies

<b>Agency Direct Written Premiums</b> (Dollars in millions)	<b>2001</b>	<b>2002</b>
Agency Relationships	960	952
Cincinnati	\$2,135	\$2,449
Total Agency P/C	\$11,585	\$13,263
Cincinnati Agency Penetration	18.4%	18.0%



# Potential in OUR OWN Marketplace

<b>2002 Statutory Direct Written Premiums</b> (dollars in millions)		<b>Cincinnati</b>	<b>Total Agency P/C</b>	<b>Cincinnati Penetration</b>
Agencies appointed 1992 and prior	671	\$1,954	\$7,818	25.0%
Agencies appointed 1993 to present*	281	495	5,445	9.1

\* In 2002, agencies appointed before 1993 represented 70.5% of our agency relationships; 58.9% of total agency p/c premiums; and 79.8% of Cincinnati's total direct written premium.



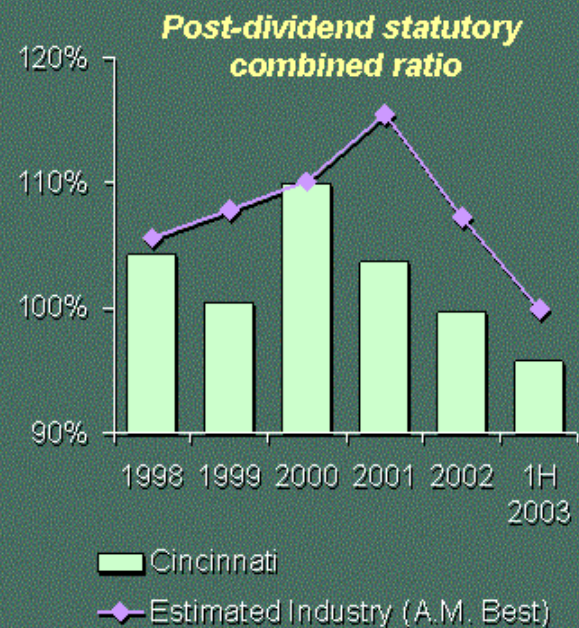
## Selectively Appoint New Agencies

- Tap growth opportunities within existing states
  - Familiar turf
- Penetrate all centers of influence
- Perform extensive due diligence
- Establish targets for appointment
  - 2003: 35 to 40 agencies
  - 2004 and beyond: 150+ agencies



## Further Improvement Balancing Growth with Profitability

- Leverage local knowledge/underwriting
- Show strategy in action
  - Personal lines
  - Commercial lines
  - Claims
  - Life insurance



See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for non-GAAP and non-statutory reconciliation information.





## **As True Today as It Was Yesterday... and Will Be Tomorrow**

“Agents made these results possible. It is in the spirit of partnership that the future progress of The Cincinnati Insurance Companies rests.”

—Harry M. Turner

First President of The Cincinnati  
Insurance Companies  
June 1963

# BY DESIGN

Leverage Regional Franchise and Proven  
Agency-centered Business Strategy



J.F. Scherer  
Senior Vice President  
Sales & Marketing



# BY DESIGN

The Opportunity in Personal Lines



Larry Plum, CPCU  
President  
The Cincinnati Casualty Company

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## Personal Lines at Cincinnati

- \$364 million in net earned premiums in the first half of 2003
  - 28% of property casualty premiums
  - 11.4% growth in first half 2003
  - 25 of 31 states; 663 of 950 agencies
- Six states account for 73% of premium
  - Alabama, Georgia, Illinois, Indiana, Michigan, Ohio

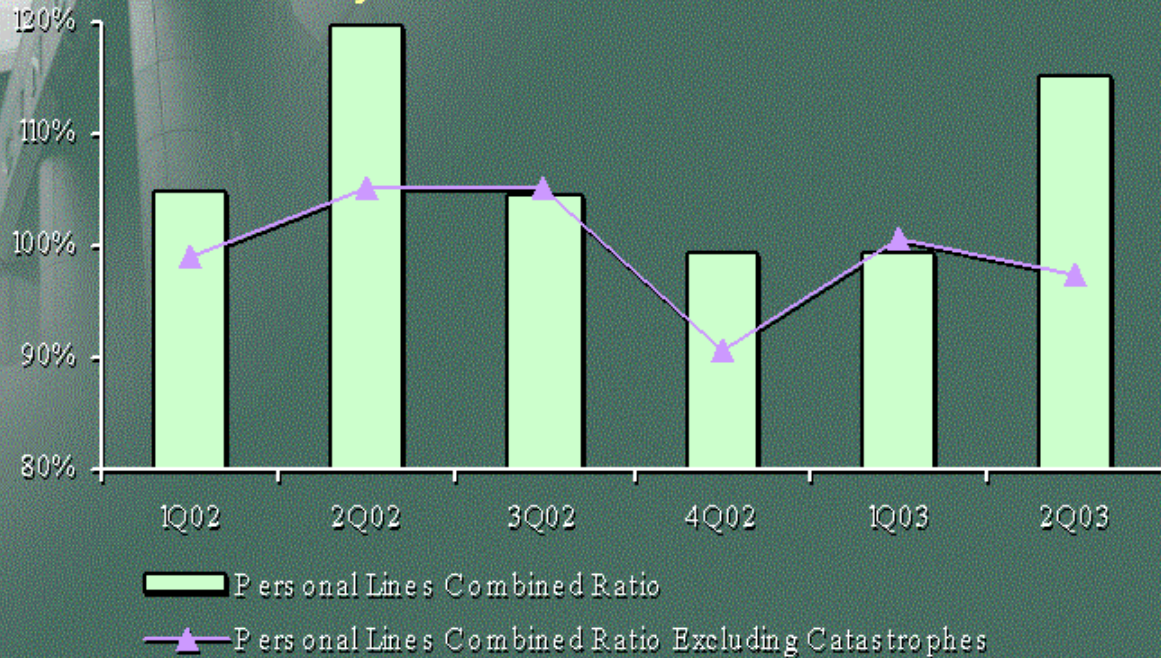


## The Opportunity in Personal Lines

- Personal lines enhances the value of the Cincinnati agency contract
  - Our products add value to what the agents can offer
  - Helps agents strengthen ties with decision-makers in their communities
  - Allows agents the chance to grow their agency volume and commission income

# Profitability Improvement Opportunities

*Post-dividend statutory combined ratio*

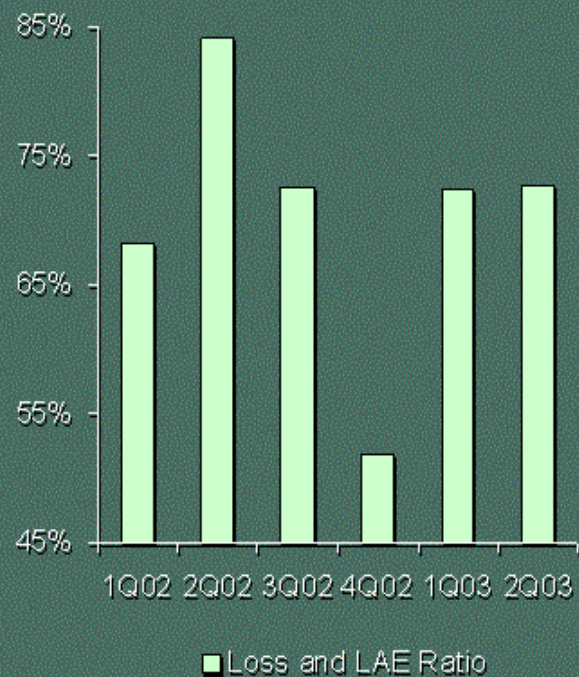


Based on pro forma data. See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for reconciliation information.



## Sustain Success in Personal Auto

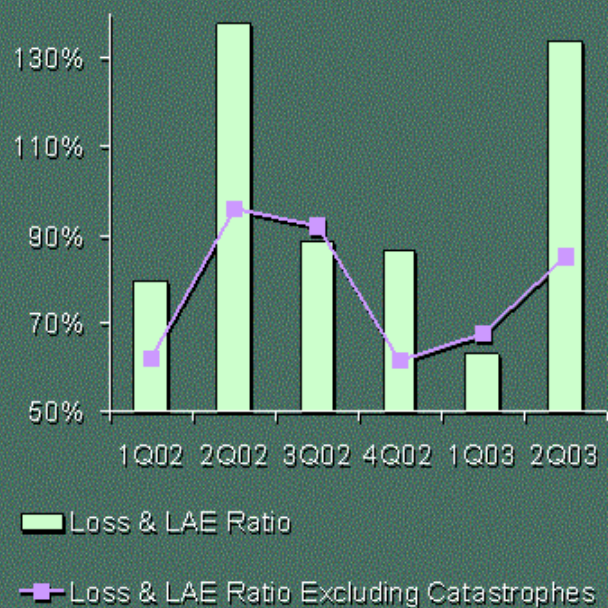
- Targeting quarterly loss and loss expense ratio below 70% during 2004
- Benefits seen from re-underwriting program
  - Strengthening standards
  - Confirming premium volume commitments
  - Looking at renewals closer





## Focus on Homeowner

- Targeting quarterly loss and loss expense ratio in 72% to 74% range in approximately 24 months
- Improve profitability through:
  - Rate changes
  - Insurance-to-value
  - Changes in policy terms and conditions – water damage, others
  - Re-underwriting programs



Based on pro forma data. See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for reconciliation information.

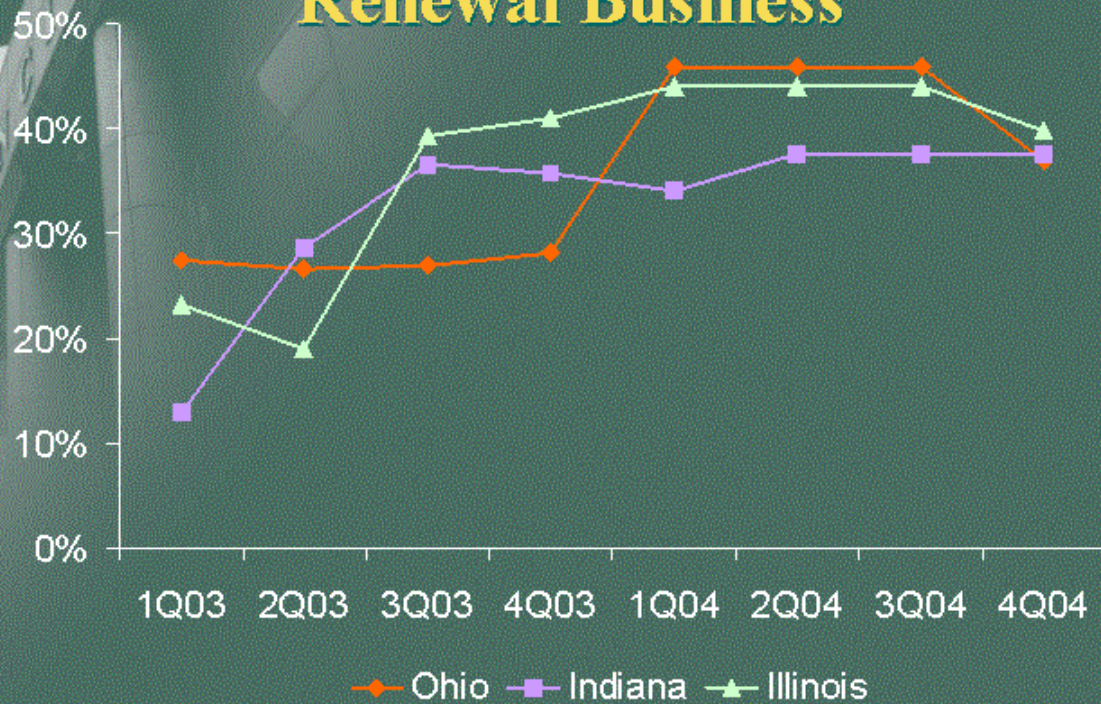


# Homeowner Rate Changes

	2001		2002		2003	
	Month	%	Month	%	Month	%
<b>Ohio</b>	January	0.3	March	5.9	January	7.8
	November	10.2	--	--	Sept	1.6
<b>Indiana</b>	March	(0.7)	Feb	11.6	May	21.0
<b>Illinois</b>	Nov	4.7	July	17.4	July	17.2



## Homeowner Rate Impact on Renewal Business







## Personal Lines Focus

- One-year homeowner policies
- Recruiting and training
- Shortening filing times
- Understanding our market
- Technology



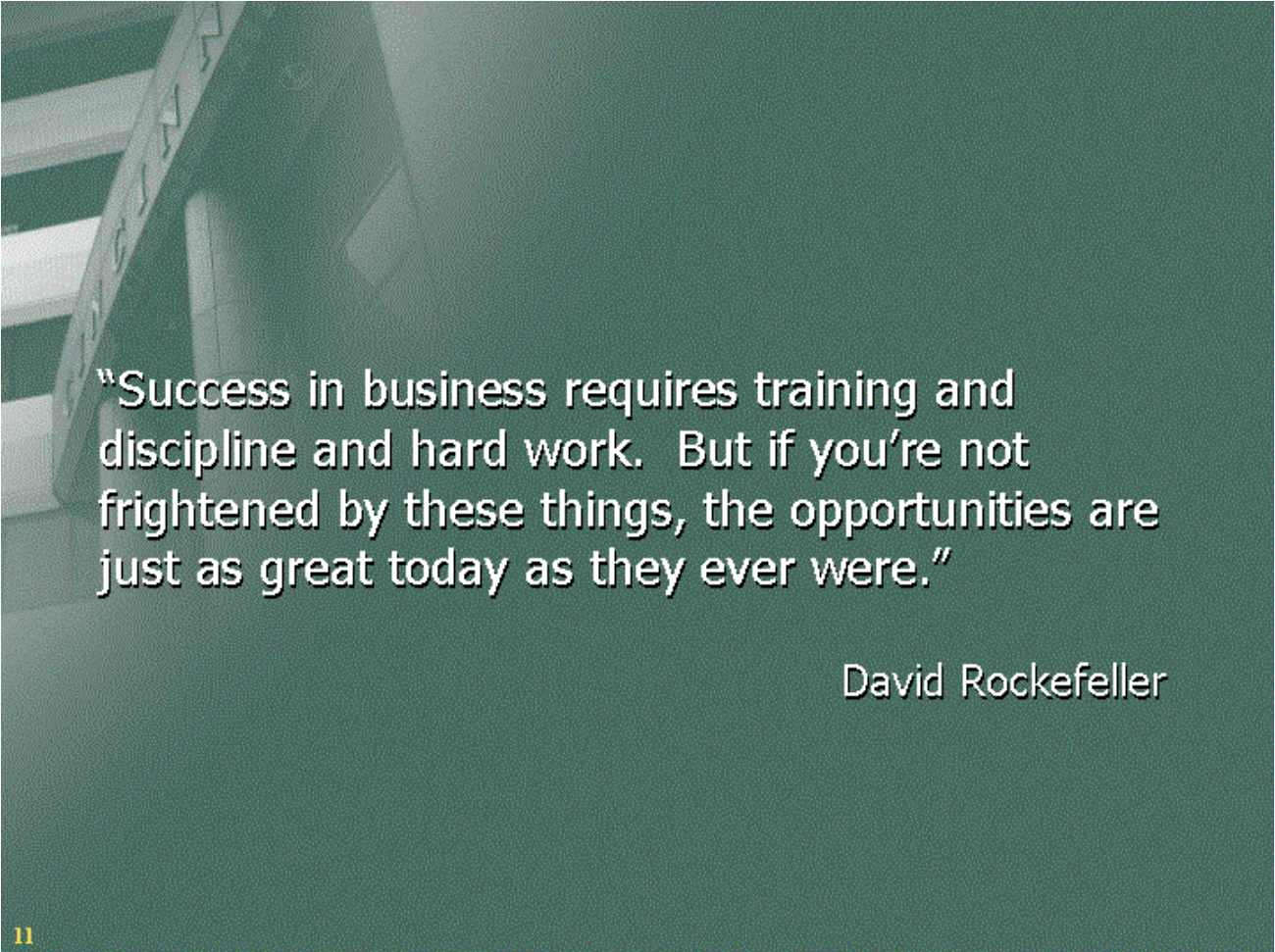


## **Diamond**

### **Personal Lines Processing System**

- Integrated processing system for six lines of business
  - Offers agents choice and control
  - Increases flexibility
    - Agency bill vs. direct bill
    - Print in headquarters or agent's office
- State-by-state rollout
  - Kansas – up and running
  - Indiana, Michigan and Ohio – 2004
  - Remainder of states to follow





"Success in business requires training and discipline and hard work. But if you're not frightened by these things, the opportunities are just as great today as they ever were."

David Rockefeller

# BY DESIGN

Profitability, Growth, Service



Tom Joseph, CPCU  
Senior Vice President  
Commercial Lines





## Commercial Lines

- Where are we?
- How did we get here?
- How will we succeed in the future?





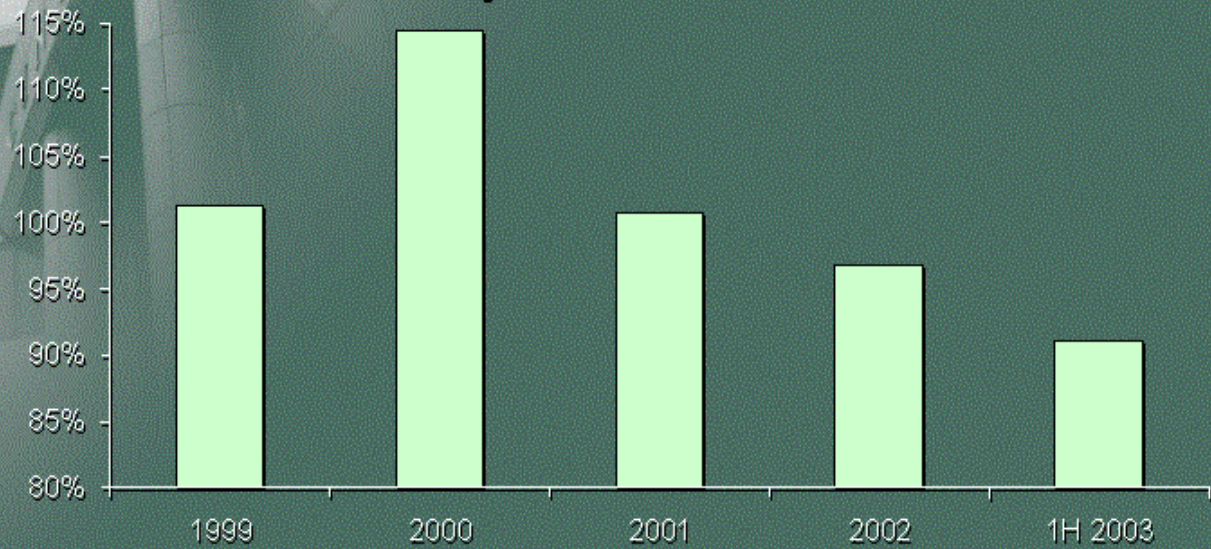
## The Cincinnati Difference

- Frontline agency underwriting
- Representatives living in the communities we serve, making underwriting decisions on the spot
- Personal relationships between underwriters, field marketing representatives, agents and policyholders are our top priority
- Strong emphasis on and commitment to underwriting education for associates and agents



# Where Are We?

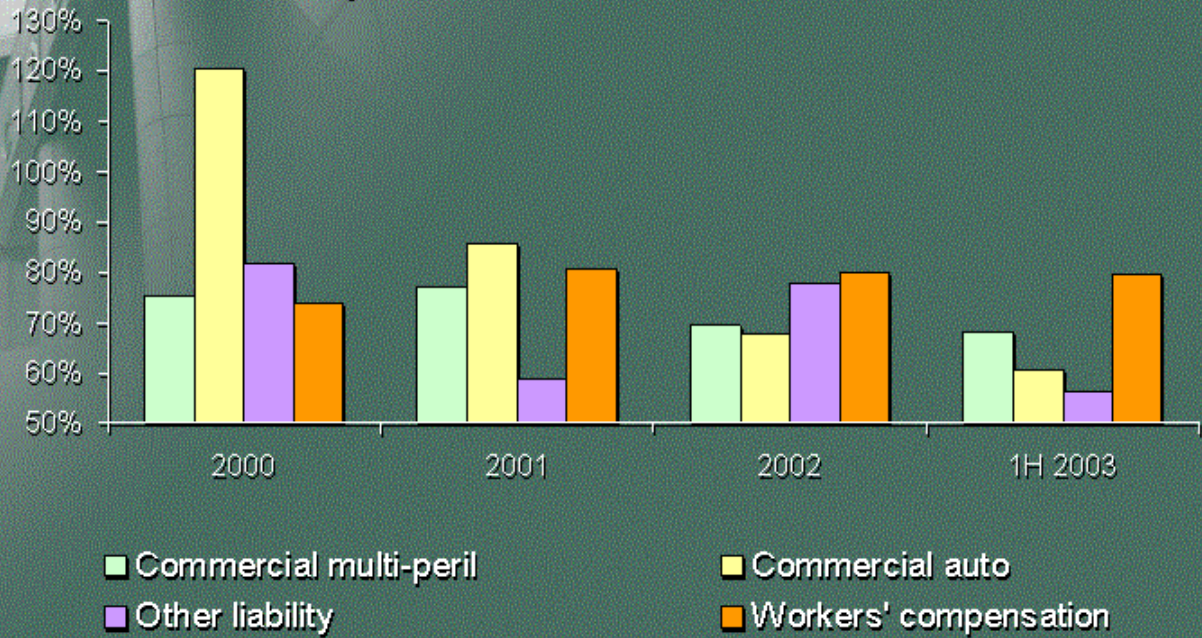
## ***Commercial Lines Statutory Combined Ratio***



See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for non-GAAP and non-statutory reconciliation information.

# Where Are We?

***Loss and Loss Expense Ratio for Selected Lines***





## How Did We Get Here?

- Net earned premium growth
  - 2002: 19.1%
  - 1H 2003: 13.2%
- Re-underwriting campaign
  - Risk selection guide
  - Senior officer approval of higher limits
  - Stricter pre-inspection standards
  - Pre-renewal lists
  - Agency reviews
  - Field claims risk reports



## How Did We Get Here?

- Product management group
  - Rate increases (base rates and package factors)
  - Product monitoring
  - File auditing
- Joint underwriting task forces
  - Special programs
  - Contractors'



## How Will We Succeed in the Future?

- Resist trying to be all things to all customers
- Focus on what has made us historically profitable
  - Strong underwriting
  - Focus on relationships
- Balance growth and profitability



## How Will We Succeed in the Future?

- Respond appropriately to the changing marketplace
  - Underwriters reacting carefully
  - Protect good, profitable business
  - Seek renewal increases where appropriate and when available
  - Write business at a rate that maintains profitability



## How Will We Succeed in the Future?

- Proceed with technology and automation initiatives
  - Make it even easier for agents to place good business with Cincinnati
- Monitor competitor pricing and products
  - Make changes where it makes sense for us
- Round out existing accounts with additional coverages
  - Protects policyholders from further risk
  - Increases profitability of each piece of business
- Promote underwriter visits to agencies
  - Personal relationships helps grow our business



## Focus on Top-Notch Service

- Contribute to growth by providing outstanding customer service
  - Appropriate staffing
    - Five underwriting classes annually
    - Rating classes doubled
- Technology and automation initiatives
  - WinCPP – currently being deployed
  - Imaging and automated workflow – project launched
  - e-CLAS – future processing system





## Above and Beyond Profitable Niche Commercial Markets

- Machinery & Equipment Specialties
  - Loss and loss expense ratio typically below 30%
  - Premium volume has doubled over the last five years with the introduction of Equipment Breakdown Coverage
- Bond & Executive Risk
  - Specializes in surety and fidelity coverage
  - Consistently profitable



## High-Quality Reinsurers

- Property catastrophe – retain first \$25 million
  - reinsured for 57% of next \$20 million,  
95% of losses \$45 million to \$400 million
- Property working – retain first \$2 million
  - reinsured for 60% of next \$3 million,  
100% of losses \$5 million to \$25 million
- Casualty working – retain first \$2 million
  - reinsured for 40% of next \$2 million,  
100% of losses \$4 million to \$25 million
- Facultative reinsurance



# BY DESIGN

Profitability, Growth, Service



Tom Joseph, CPCU  
Senior Vice President  
Commercial Lines

# BY DESIGN

## Claims Operations

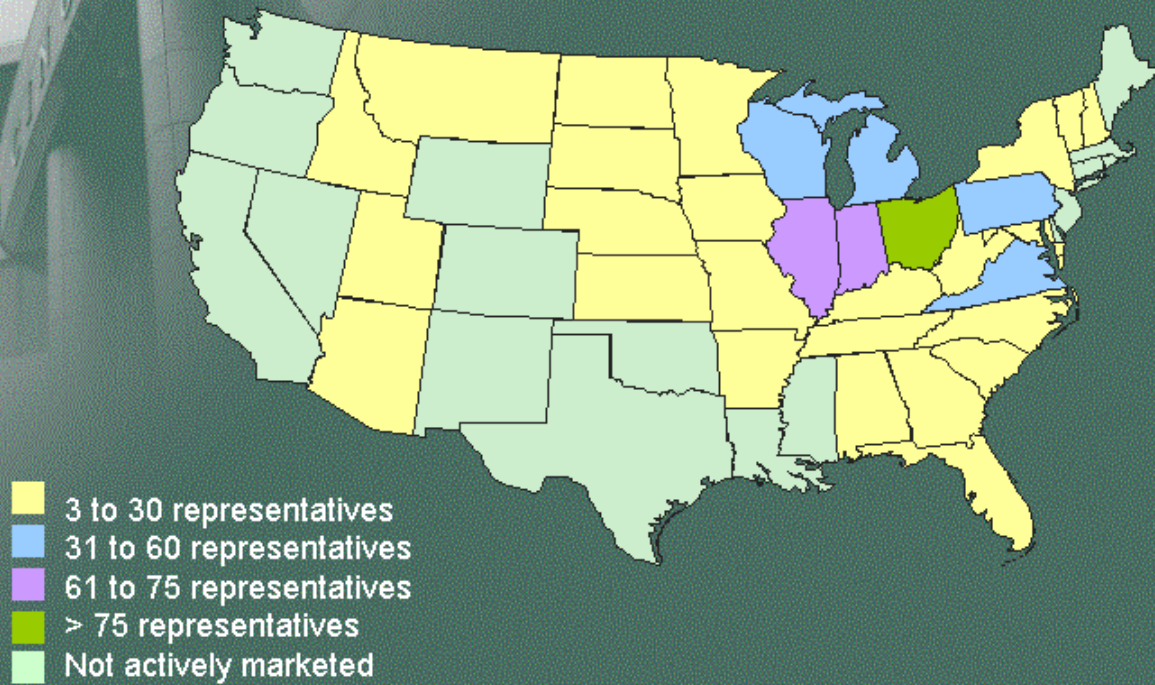


James E. Benoski  
Chief Insurance Officer &  
Senior Vice President  
Headquarters Claims

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## Local Authority, Personal Touch, Prompt Service



## Experience Counts

	Industry Experience	Cincinnati Experience
Field Claims Representatives	13	9
Field Claims Managers	21	18
Headquarters Supervisors	21	18
Headquarters Managers	33	29

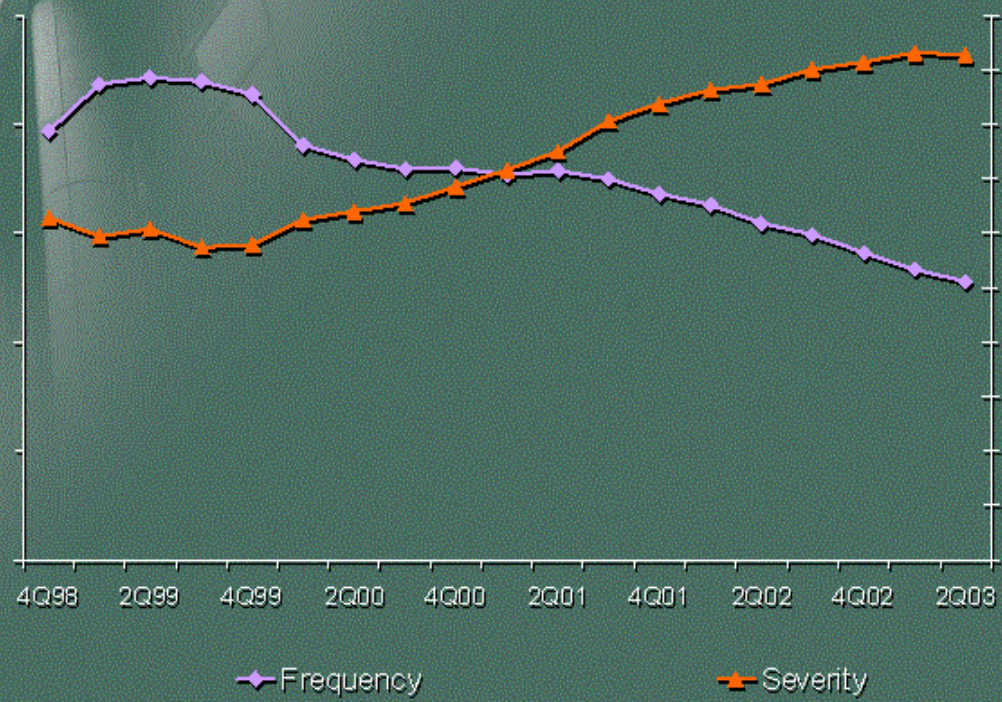


## Loss Issues

- Industry-wide severity and frequency concerns
- Asbestos and environmental
  - Survival ratio at 12.3 years on gross basis
  - Represents less than 1.1% of outstanding claims
- Mold
  - 228 pending claims with reserves of approximately \$1.5 million
- Uninsured/underinsured motorists
  - IBNR at \$17.5 million after net \$8.3 million in losses in 2003



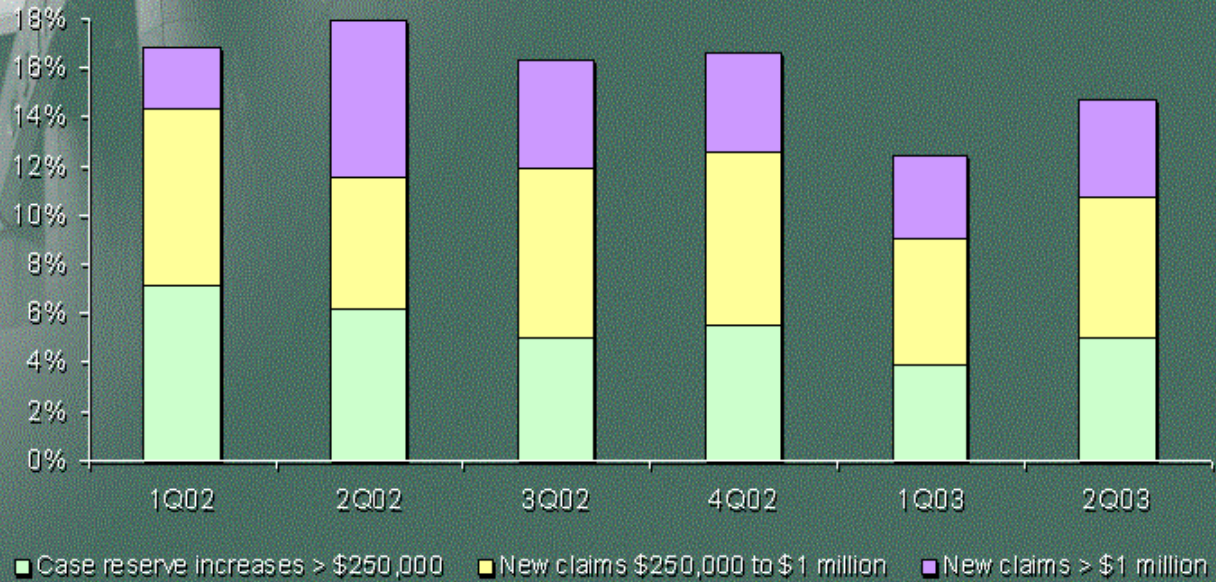
# Frequency and Severity





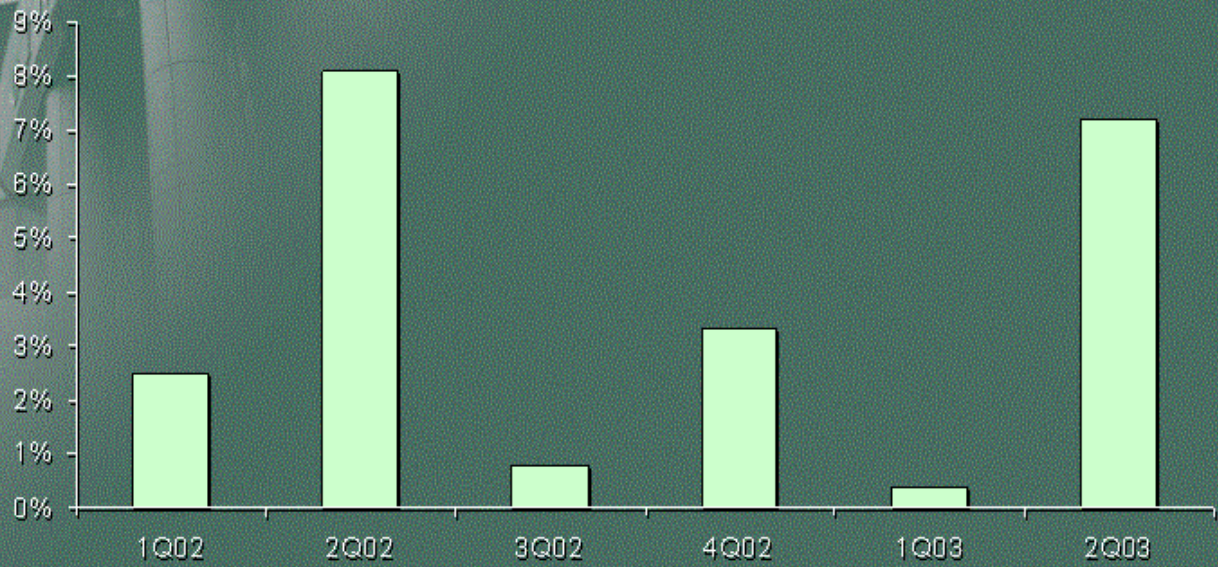
# Large Losses

*Loss Ratio*



# Catastrophes

## *Loss Ratio*





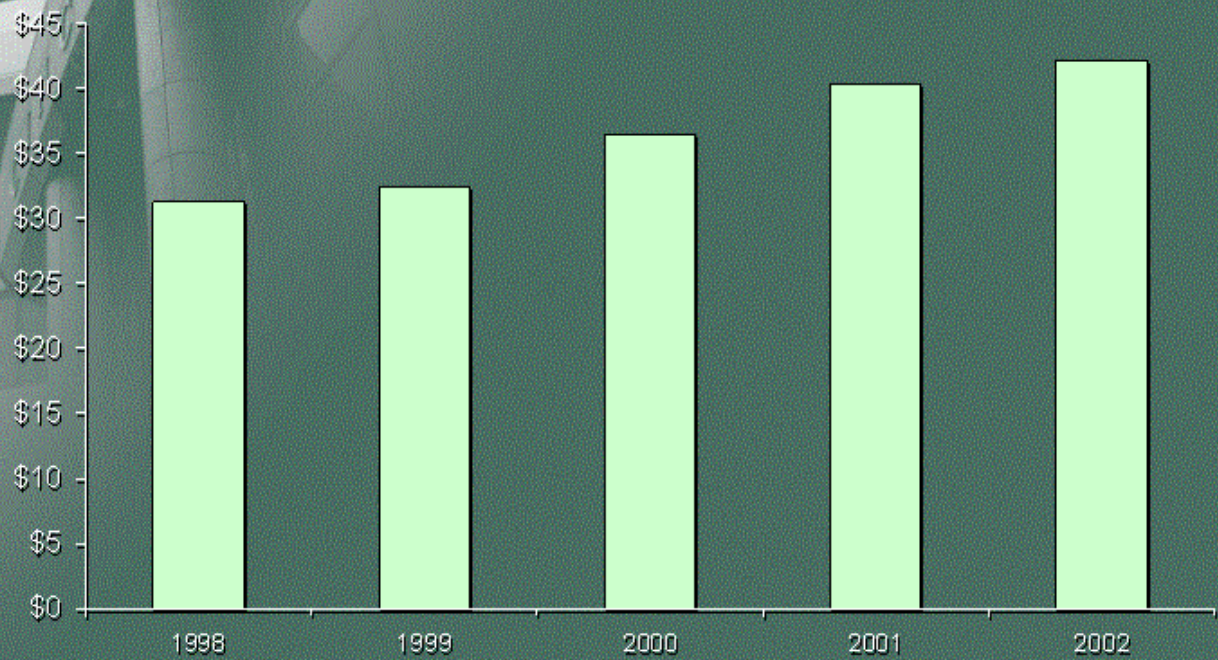


## Initiatives

- Subrogation and salvage
- Auto glass program
- Auto physical damage audit
- Managed care for workers' compensation
- Annuities
- Automation

# Subrogation and Salvage Recoveries

*In millions*





## Auto Glass Program

	Current	Future
Discount*	45%	58%
Agent participation	30%	95%
Repair**	20%	30%
Yearly average invoices	6,000	20,000
Yearly average savings	\$660,000	\$2.4 million

\* Recently renegotiated discounts

\*\* Repairs save more than \$300; insured's deductible is waived



## Auto Estimate Repricing

	Through June 2003
Original estimates	\$25.9 million
Post audit	\$24.1 million
Savings	\$1.8 million
Vendor fees	\$285,454
Net savings	\$1.5 million
Average net savings per estimate	\$194
Overall saved	7%

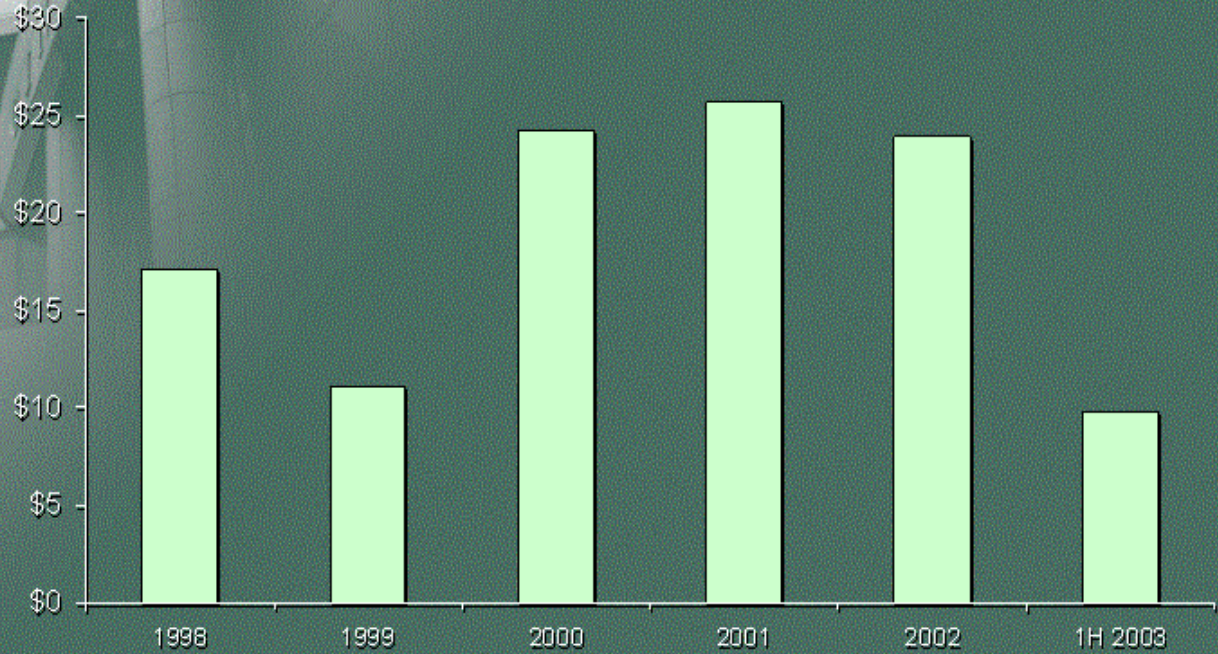


## Workers' Compensation Medical Bill Audit

	(Dollars in millions)				Increase from Prior Year
	Gross Charges	Gross Savings	Fees	Net Savings	
2002	\$89.5	\$21.8	\$2.9	\$18.9	14.3%
2001	81.4	19.1	2.6	16.5	22.9%
2000	65.7	15.6	2.1	13.5	16.9%

# Structured Settlements of Property Casualty Claims Annuity Premium Volume

*In millions*







## Automation Claims Management System

- Electronic claims processing system
- Rollout to begin in October 2003
- Enhances efficiency and effectiveness of field claims
  - Single point of entry
  - Reduces time associates spend on paperwork
  - Lays groundwork for move to paperless processing
  - Reduces opportunity for fraud
- Tangible and intangible benefits for policyholders, agents and company

# BY DESIGN

## Claims Operations



James E. Benoski  
Chief Insurance Officer &  
Senior Vice President  
Headquarters Claims

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# BY DESIGN

Life Insurance – Helping to Attract and Retain High-quality Agents



David H. Popplewell, FALU, LLIF  
President and COO  
The Cincinnati Life Insurance Company

## Why Sell Life?

- Diversify revenue stream for property casualty agencies
- Expand product portfolio to meet needs of agency clients
  - Enhance client relationships
  - Improve overall persistency
- Add stable business that reduces impact of property casualty cycles
- Increase Cincinnati revenues and income





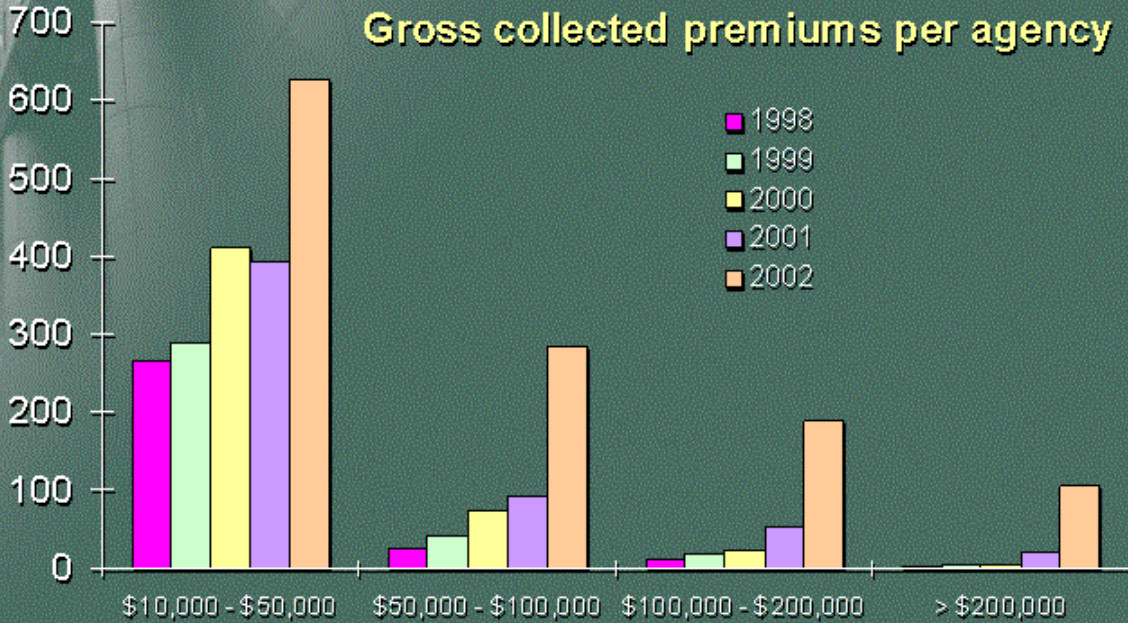
## Agency Relationships

- Our property casualty agencies produce 75% of life written premiums
- 300 independent life agencies produce 25% of life written premiums

# Steadily Rising Agency Penetration

Number of agencies

Gross collected premiums per agency



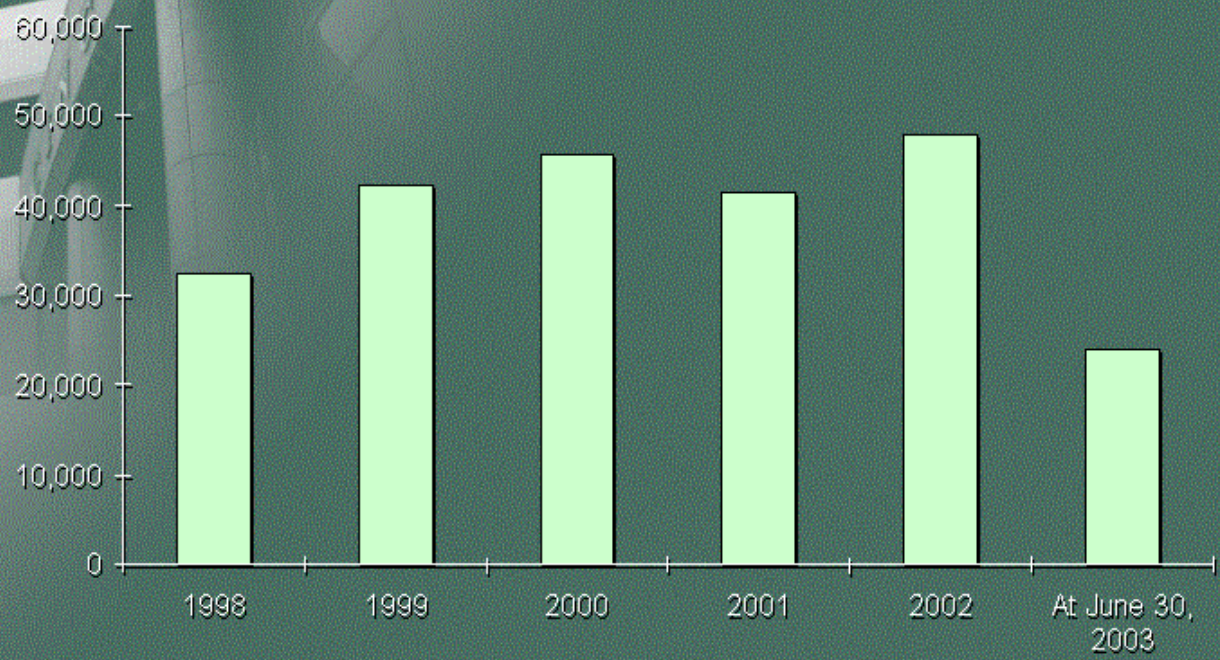




## Cincinnati's LifeHorizons Product Portfolio

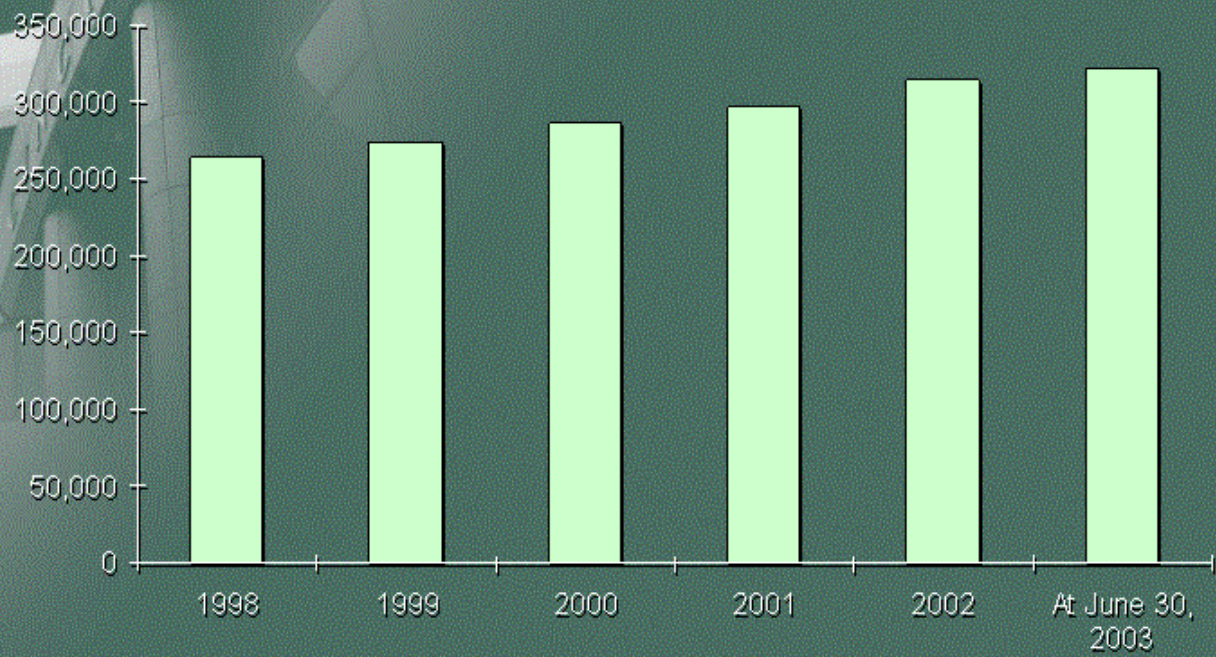
- Term
- Whole Life
- Universal Life
- Worksite Life
- Disability Income
- Long-term Care
- Annuity

## Applications Submitted (All Lines)

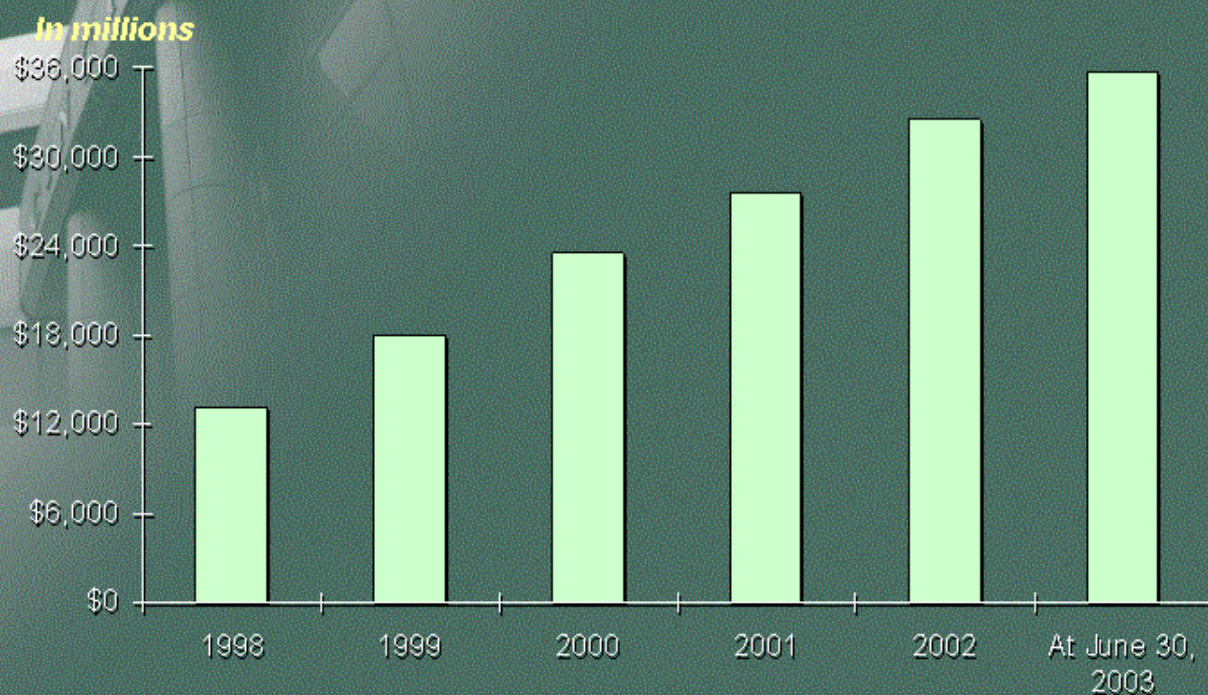




## Total In-force Policy Count



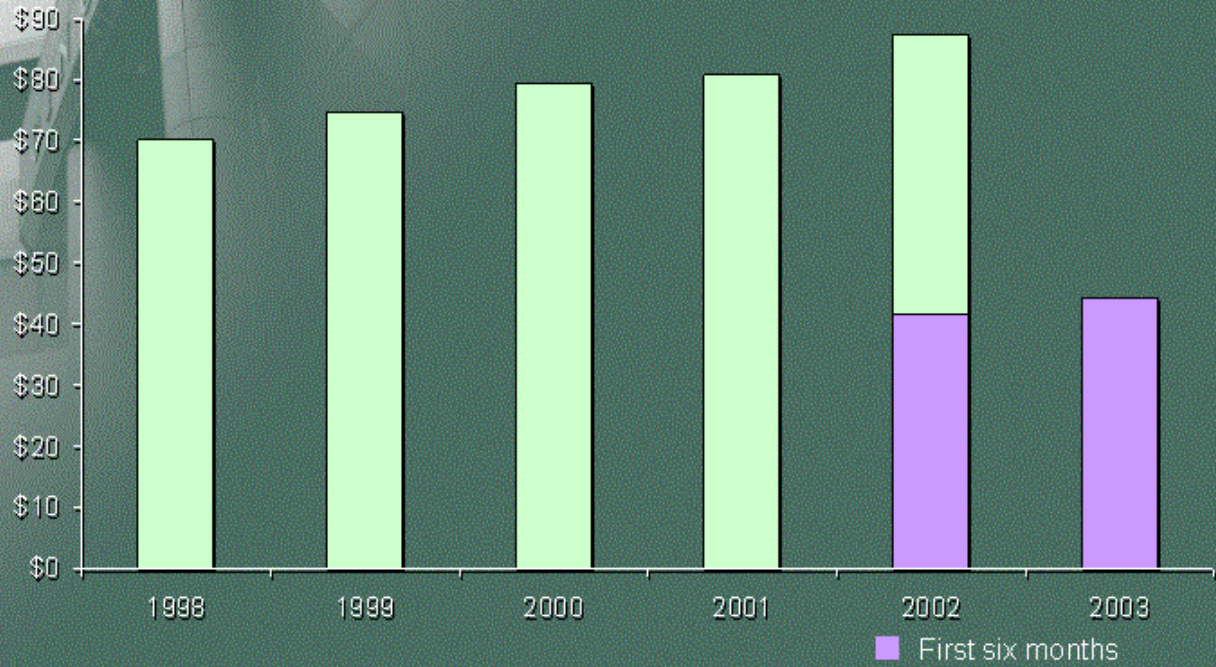
# Life Policy Face Amounts In Force





# Net Earned Premium (GAAP)

*In millions*



## Expenses as a Percent of Premium

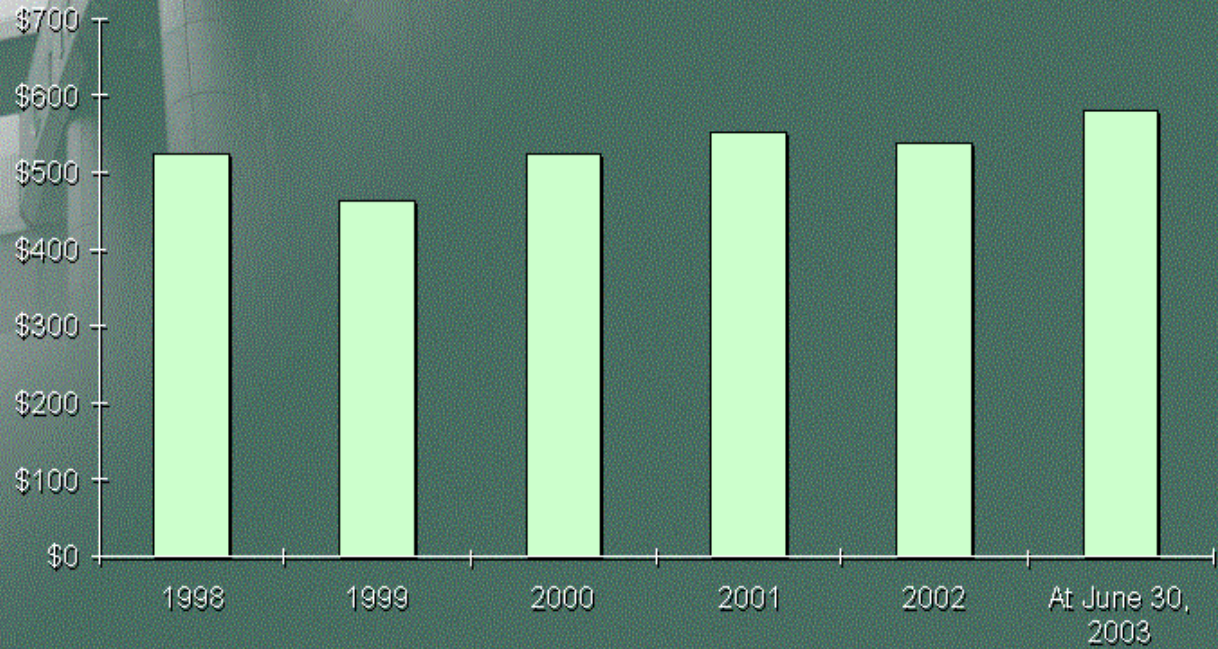
(Dollars in millions)	1999	2000	2001	2002	1H 2003
Adjusted Gross Written Premiums	\$117.8	\$137.3	\$122.0	\$210.4	\$95.3
Insurance Expense	\$18.5	\$20.3	\$25.1	\$26.5	\$12.3
Adjusted Expense Ratio	15.7%	14.8%	20.6%	12.6%	12.9%

10 See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for non-GAAP and non-statutory reconciliation information.



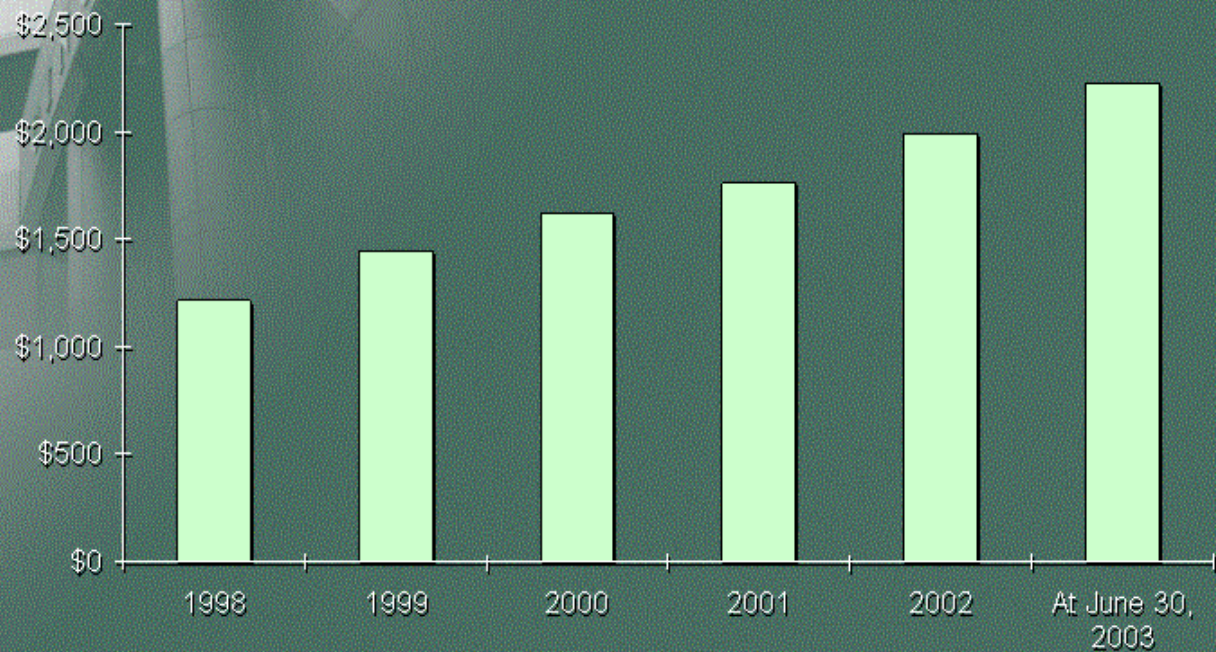
## Capital & Surplus (GAAP)

*In millions*



## Cincinnati Life Assets (GAAP, Including Separate Accounts)

*In millions*





## Agency Support

- Agent education and training
- Special financial assistance and incentives
- Life agent development
- Lead generation
- Life sales system
- One-on-one headquarters service
- On-site sales assistance

# BY DESIGN

Life Insurance – Helping to Attract and Retain High-quality Agents



David H. Popplewell, FALU, LLIF  
President and COO  
The Cincinnati Life Insurance Company



# BY DESIGN

## The 10 O'clock Meeting



Jody Wainscott  
Vice President  
Research & Development

## **Communication ... Communication ... Communication**

- Ensuring the flow of agent- and market-focused information
- Attended by CEO and officers with responsibility for sales, production and operations, including support functions like claims, rate and product filings, research and development
- Share information about agents, competition, trends, loss activity, service



# BY DESIGN

The Agent and Field Team Relationship



Scott Insurance Agency  
Lynchburg, Virginia

## Scott Insurance Agency

- Virginia's oldest and largest employee-owned provider of insurance, benefits services and financial management
- Seven locations in three states: Virginia, North Carolina and Tennessee
- Captive insurance operations in Bermuda and Grand Cayman
- Corporate offices in Lynchburg, Virginia
- Founded in 1864
- \$165 million in annual premium
- Represents approximately 32 different property casualty insurance carriers





## Walker P. Sydnor, Jr., CPCU

- President of Scott Insurance Agency
- Native of Lynchburg, Virginia
- Joined Scott in 1976
- Prior experience with INA and St. Paul
- Education: Hampden-Sydney College
- Director of Centra Health (hospital system);  
Trustee of Lynchburg College and Virginia  
Foundation of Independent Colleges



## **Patty Pollard, ACSR, CPIW, AU**

- Account executive and personal lines and small commercial supervisor with Scott Insurance Agency
- Native of Boones Mill, Virginia
- Joined Scott in 1984
- Prior experience with Allstate
- Education: Central Virginia Community College and multiple professional accreditations
- Pursuing CPCU designation; board member of Churches for Urban Ministries; member of local church's missions team





## **Ron Klimkowski, AIC**

- Regional director, Sales & Marketing
- Works out of home in Roanoke, Virginia
- Joined The Cincinnati Insurance Companies in 1996
- Prior experience with State Farm claims department
- Education: Ohio University
- Pursuing CIC designation





## Dan Gray

- Machinery and equipment specialist
- Works out of home in Christianburg, Virginia
- Joined The Cincinnati Insurance Companies in 1980
- Prior experience with Continental Insurance
- Education: New River Community College and Virginia Western Community College
- Member of the National Board of Boiler and Pressure Vessel Inspectors Commission and the Virginia Boiler and Pressure Vessel Inspectors Association; certified by the State of Virginia to inspect boilers and pressure vessels





## Chris Rittenhouse

- Bond agent for Virginia
- Works out of home in Moseley, Virginia
- Joined The Cincinnati Insurance Companies in 1995
- Prior experience with USF&G
- Education: American International College
- Member of the Surety Association of Virginia





## **Linda Hutchinson, APA, CIC**

- Field audit specialist
- Works out of home in Forest, Virginia
- Joined The Cincinnati Insurance Companies in 1995
- Prior experience with Chubb Insurance, Allstate Insurance and agencies in New Jersey and Virginia
- Education: Liberty University





## Pat Draney, AIC

- Senior claims representative
- Works out of home in Forest, Virginia
- Joined The Cincinnati Insurance Companies in 1991
- Education: Radford University





## Kristine Roach

- Workers' compensation claims specialist
- Works out of home in Chester, Virginia
- Joined The Cincinnati Insurance Companies in 2000
- Prior experience with AIG claims
- Education: Virginia Commonwealth University



# BY DESIGN

The Agent and Field Team Relationship



Scott Insurance Agency  
Lynchburg, Virginia

# BY DESIGN

Equity-focused Investment Strategy



Ken Miller  
Vice President  
Investments





## Portfolio Goals: Growth and Income

### Growth

- Long-term investment horizon
- Increases surplus
- Enhances book value and financial strength
- Primarily achieved with common and convertible securities

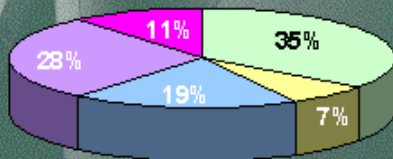
### Income

- Achieved with interest and dividends
- Bond quality rising; municipals, agency paper
- Large, long-term positions in proven, dividend-paying companies
- Reinvest coupon payments
- Compounding

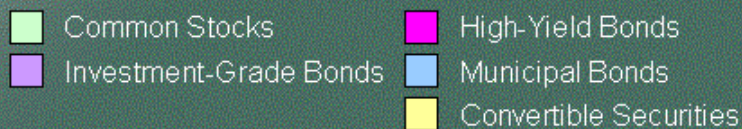
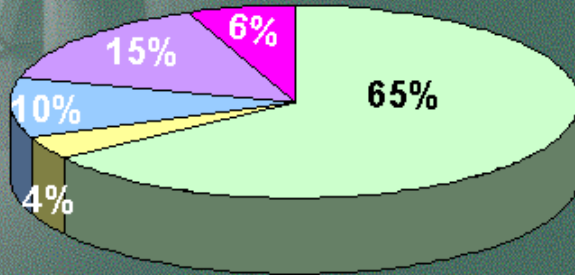
# Investment Portfolio – Equity-focused

At June 30, 2003

**Book Value: \$5.841 billion**



**Market Value: \$11.822 billion**



- \$5.981 billion in unrealized appreciation
- \$315 million in net new invested assets in first half of 2003
- Focus on equity-linked securities and high-quality fixed income with intermediate maturities





## Investment Philosophy: Common Stocks

- Focus on equities
  - With the ability and commitment to grow earnings and dividends
- Buy companies that have
  - Strong and proven management teams
  - Clean balance sheets
  - Understandable product
  - Favorable outlook
- Purchase at reasonable levels (value)
- Invest long term



# Top 13 Common Stock Holdings

## At June 30, 2003

*Dollars in millions*

Holdings	Shares Held	Cost	Market Value	Unrealized Gains
Fifth Third	72,780,560	\$283	\$4,179	\$3,896
ALLTEL	13,175,164	119	635	516
National City	12,307,644	255	403	148
ExxonMobil	8,962,066	133	322	189
Wyeth	6,250,000	115	285	170
P&G	2,600,000	77	232	155
PNC	4,705,100	62	230	167
Merck	3,082,800	137	187	50
First Merit	7,431,500	95	169	74
Alliance Capital	3,059,200	49	112	63
Sky Financial Group	4,566,018	88	99	11
Piedmont Natural Gas	2,500,000	50	97	47
US Bancorp	3,935,000	64	96	33



# Top 13 Common Stock Holdings

## At June 30, 2003

*Dollars in millions*

Holdings	Dividend Increases	Dividend Increases	Annual Income	P/E	Current Yield
Fifth Third	\$8.7	11.5%	\$84.4	19.9	2.02%
ALLTEL	-	0.0%	\$18.4	15.1	2.90%
National City	-	0.0%	\$15.0	10.4	3.73%
ExxonMobil Corp	0.7	8.7%	\$9.0	17.1	2.78%
Wyeth	-	0.0%	\$5.8	21.6	2.02%
P&G	-	0.0%	\$4.3	22.4	1.84%
PNC	-	0.0%	\$9.0	12.7	3.93%
Merck	-	0.0%	\$4.4	18.4	2.38%
First Merit	-	0.0%	\$7.4	13.4	4.39%
Alliance Capital	0.7	13.0%	\$6.4	18.4	5.70%
Sky Financial Group	-	0.0%	\$3.7	13.0	3.68%
Piedmont Natural Gas	0.2	3.8%	\$4.2	19.0	4.28%
US Bancorp	0.1	5.1%	\$3.2	12.7	3.35%



## Industry Focus = Advantage

- In-depth industry insight, ability to assess strategy
- Focus on local companies, relationships with management
- Banking
  - Fifth Third, National City, PNC, First Merit, Sky Financial, US Bancorp
- Pharmaceuticals
  - Wyeth, Merck
- Energy/utility
  - ExxonMobil, Piedmont Natural Gas

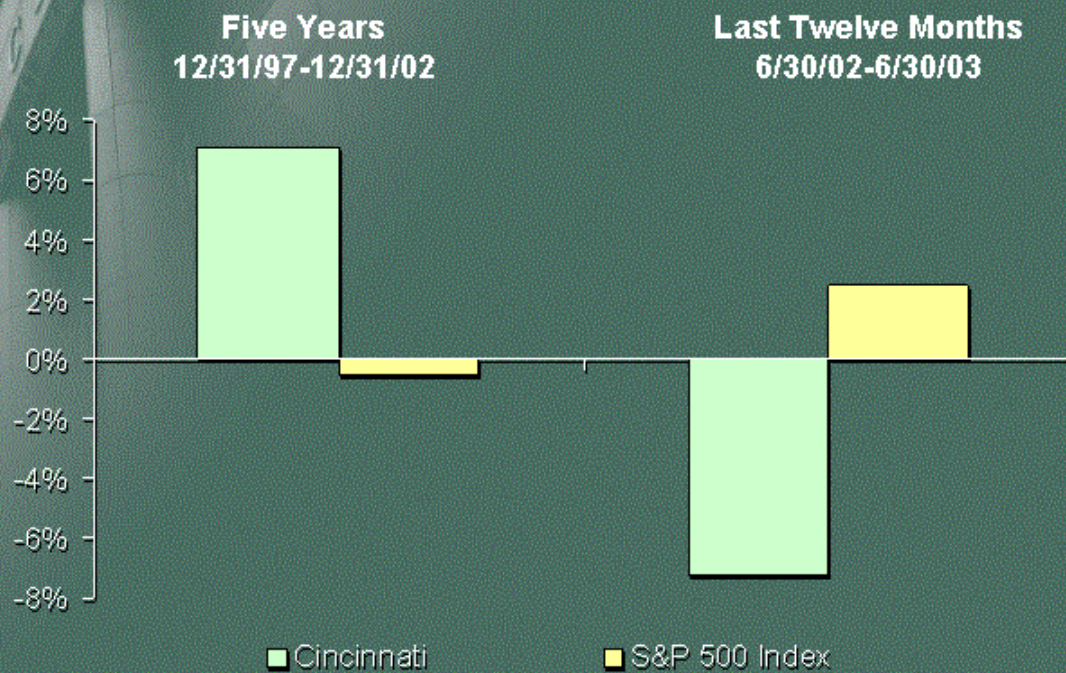


## **Fifth Third (Nasdaq:FITB)**

- 17.7% compound growth in earnings per share over the past 10 years
- Delivered a 10-year compound annual dividend growth rate of 19%
- Outperformed the Standard & Poor's 500 21-fold over a 20-year period
- Has grown one share of stock to nearly 77 shares due to 10 stock splits since 1980
- Meets investment criteria
- \$1.00 per share price change = 29 cents on CINF book value per share

# Equity Portfolio versus S&P 500 Index

*Rate of total return*





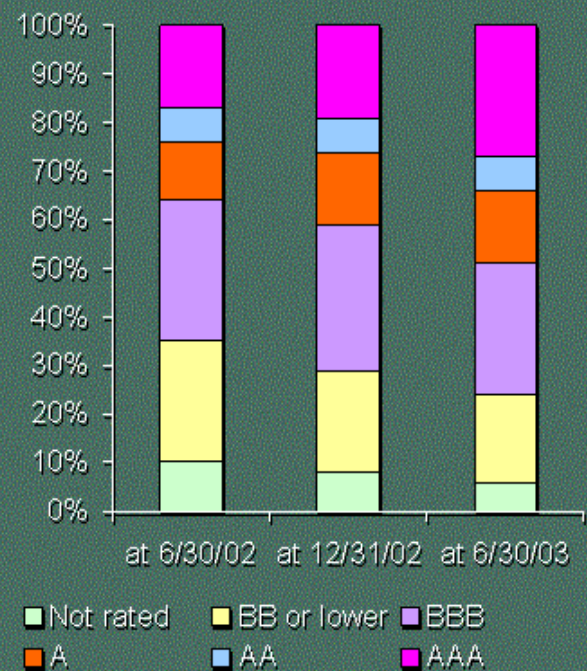


## Investment Philosophy: Bonds

- Focus on cash-flow yield
- Compounding interest on cash flows
- Diversity of holdings
- Taxable bonds
  - Investment-grade (agency/corporate)
  - High-yield
- Tax-exempt
  - Municipal bonds

## Refined Focus: Portfolio Quality

- Cautious approach to high-yield
- Purchasing agency paper
- Increased focus on municipal bonds
  - Predominantly insured paper







## **Refined Focus: Intermediate Durations/Maturities**

- 4.79 average duration compared with 4.54 average duration a year ago
- 6.82% average coupon versus 7.55% a year ago
- 10.29 years average maturity compared with 10.35 years a year ago

At June 30, 2003





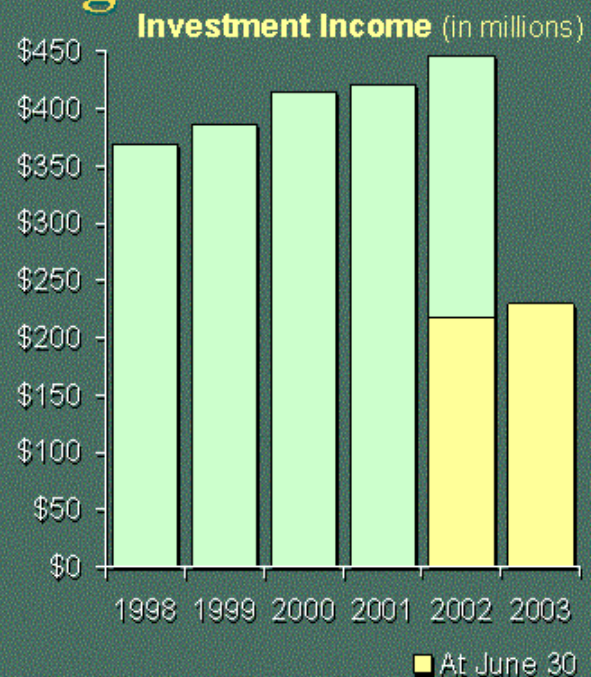
## **Investment Philosophy: Convertible Securities**

- Hybrid security with fixed income and equity characteristics
- Equity-like returns with bond-like risks
  - Stable income stream
  - Potential for capital appreciation associated with underlying common stock
  - Downside protection
- Favorable risk-based capital treatment



## Focus on Compounding of Cash Flows Over the Long-term

- Investment income provides primary source of profits
  - 2002 dividend increases from 28 of 46 stocks = \$12 million in investment income
  - First-half 2003 dividend increases from 14 of 47 = \$11 million in annualized investment income
- Surplus contributes to financial strength
- Drives book value growth



Based on pro forma data. See [www.cinfin.com](http://www.cinfin.com), Investors, Operations for reconciliation information.

## Unique Investment Style

- Don't chase trends
- Holding company structure
- Compounding of cash flows and increasing dividends
- Patient and true to our principles
- Balance sheet strength and stability
- Income from dividends and capital gains drops to bottom line



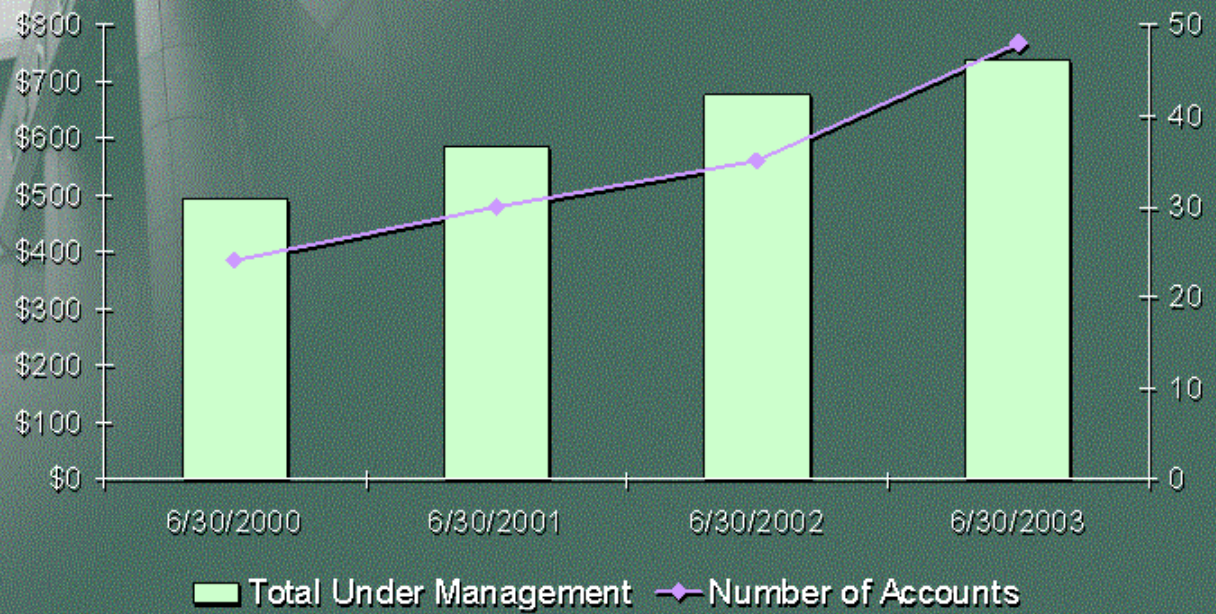


## CinFin Capital Management

- Provides investment management services to clients with minimum accounts of \$500,000
- Customizes portfolios based on each investor's needs and appetite for risk
- Bases service fees on assets under management
- Builds strong relationships with clients and invests for the long term

# CinFin's Growth

*In millions*





# BY DESIGN

Cincinnati Financial Corporation



# BY DESIGN

Maintain Financial Strength,  
Generate Long-term Shareholder Value



Ken Stecher  
Chief Financial Officer



## Financial Strength

- Only 1.9% of property casualty insurers rated A++ by A.M. Best
- Only 9.5% of life insurers rated A+ or above by A.M. Best

	Senior Debentures	Property Casualty	Life
A.M. Best	Aa	A++	A+
Fitch	A+	AA	AA
Moody's	A2	Aa3	--
S&P	A+	AA-	AA-



## Balance Sheet and Risk Management

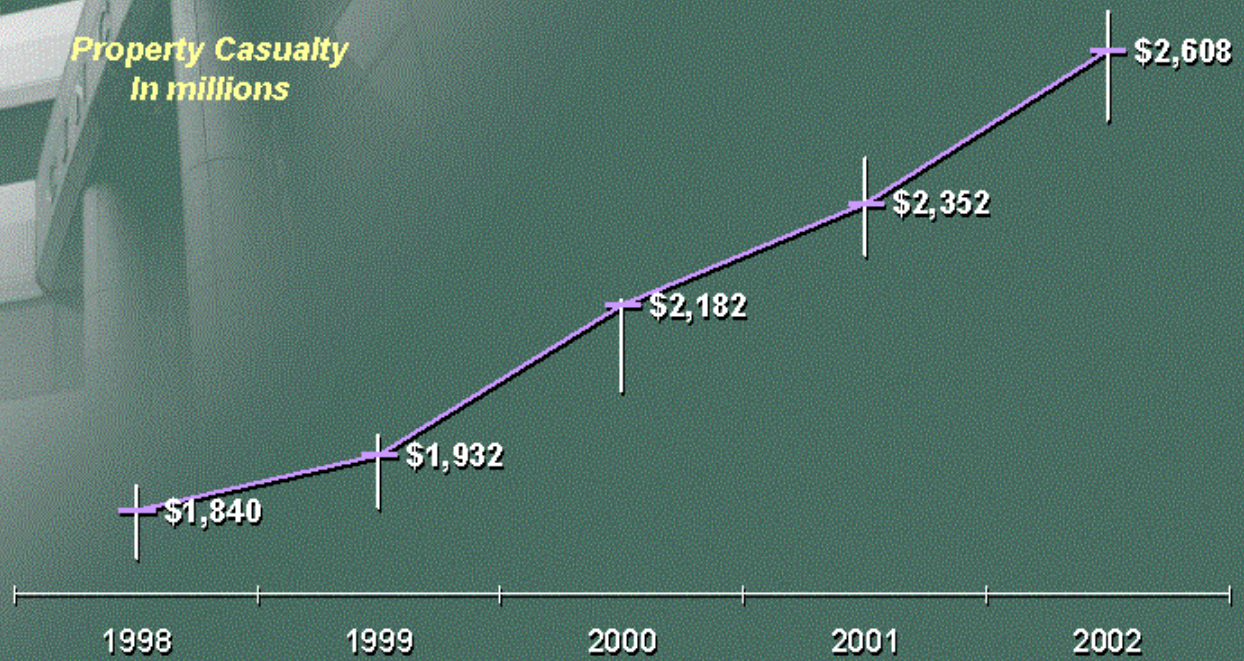
- High-quality investment portfolio
  - Surplus ratio of 1.12-to-1 vs. industry average 1.30-to-1 (12/31/02)
- Loss reserve adequacy
- Low-risk reinsurance recoverables
- Strong cash flow and liquidity
  - Modest indebtedness of \$603 million or 10.8% of shareholders' equity
  - Unchanged from prior year
- Effective oversight



# Total Reserve Balance

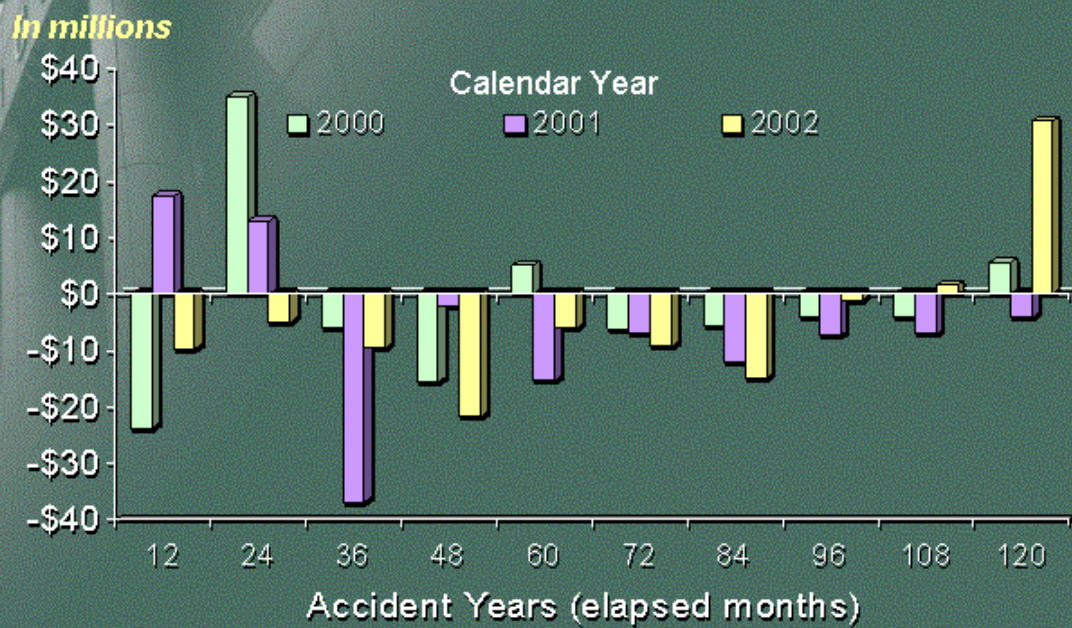
## Objective: Modestly Redundant Reserves

*Property Casualty  
In millions*



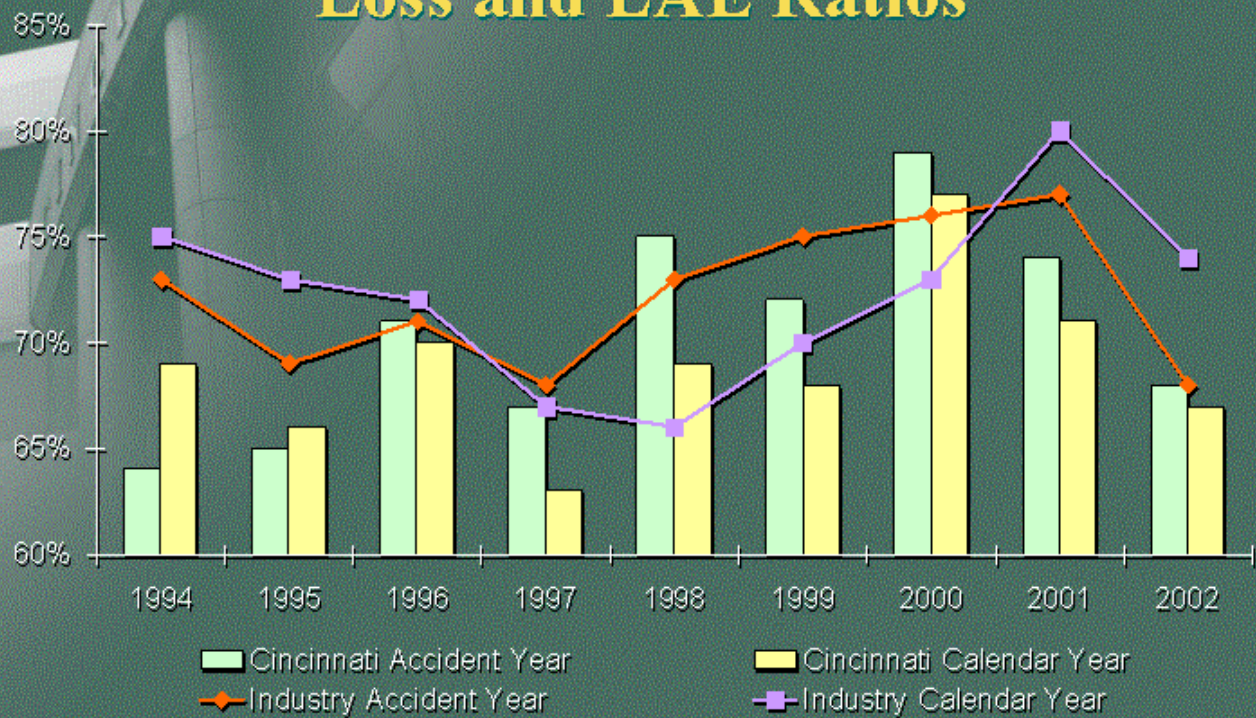


# Annual Changes in Accident-year Loss Reserves (GAAP)





## Accident-year vs. Calendar-year Loss and LAE Ratios



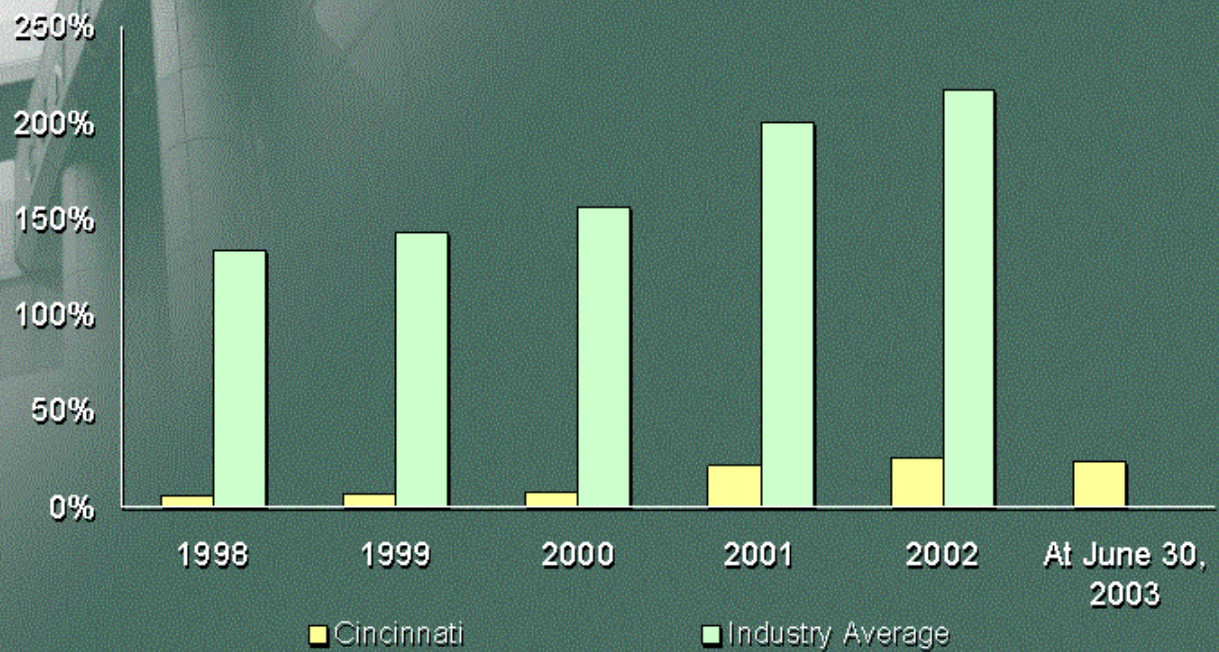
Source: JP Morgan "U.S. P&C Loss Reserves," Sept. 5, 2003

## Highly Rated Reinsurers

- Reinsurers highly rated by A.M. Best
  - American Re           A+    (Superior)
  - Employers Re        A     (Excellent)
  - Swiss Re             A++ (Superior)
- Life reinsurance pool includes Employers Re, ING and Swiss Re
  - Rated A (excellent) and above
  - Account for more than 90% of life reinsurance recoverables



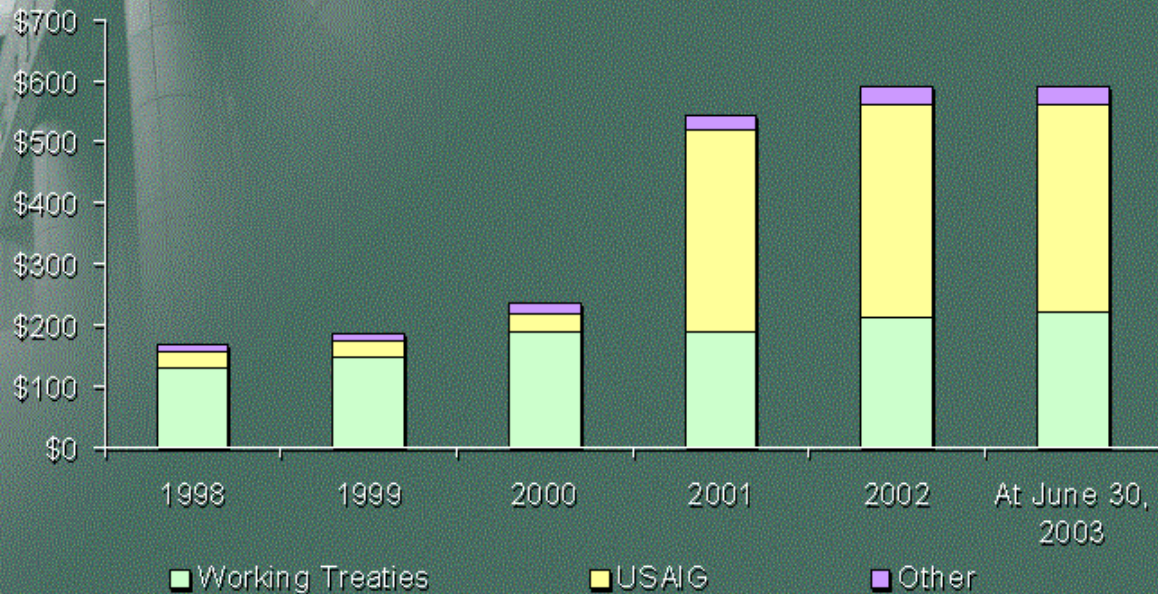
## Statutory Property Casualty Reinsurance Recoverables to Policyholder Surplus



Data from Annual Statement Schedule F

# Statutory Property Casualty Reinsurance Recoverables

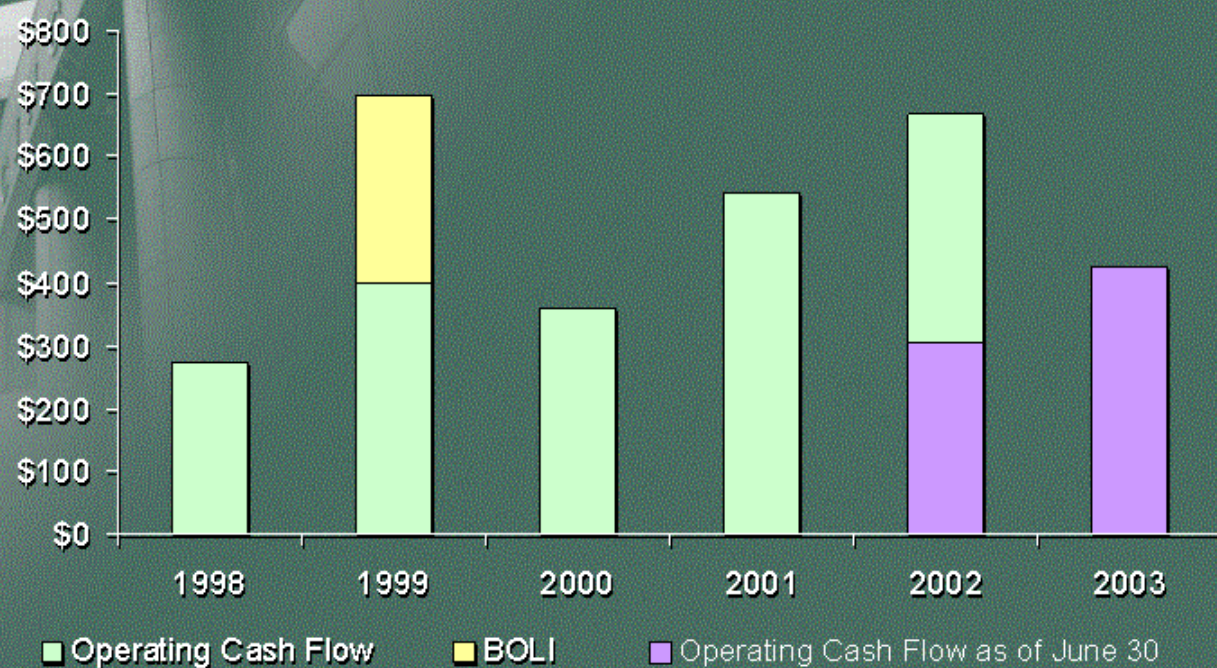
*In millions*





## Strong Cash Flow and Liquidity

*In millions*



# Effective Oversight

- Corporate governance
  - Doing the right things ... honesty, accountability, ethics
  - Deliberate process to assure compliance
  - Independent agents / independent directors
- Internal controls
  - Well-defined workflows
  - Experienced management oversight

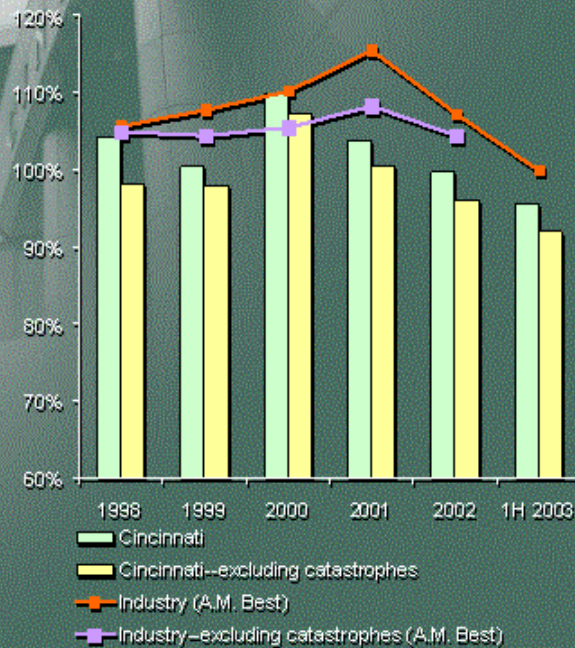


## **Outperform in 2003 and Beyond**

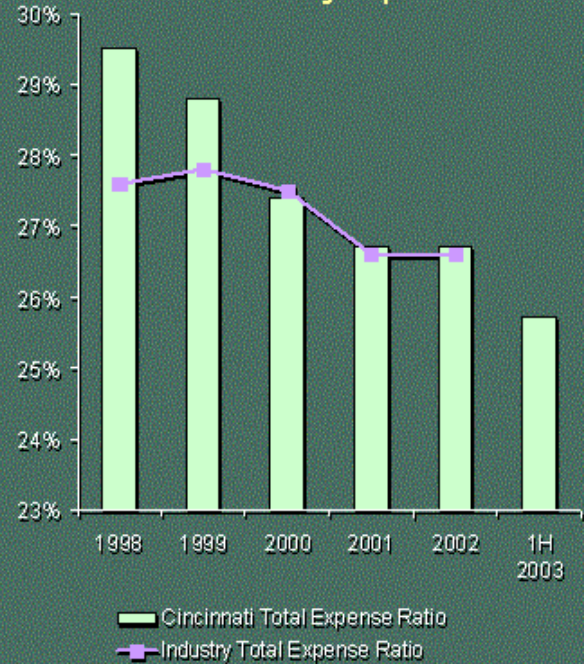
- Generate steady growth and above-average profitability by leveraging regional franchise and proven agency-centered business strategy
- Obtain strong investment income growth and capital appreciation through equity-focused investment strategy
- Maintain financial strength

# Leveraging Low-cost Structure to Achieve Performance Targets

*Statutory combined ratio*



*Post-dividend statutory expense ratio*

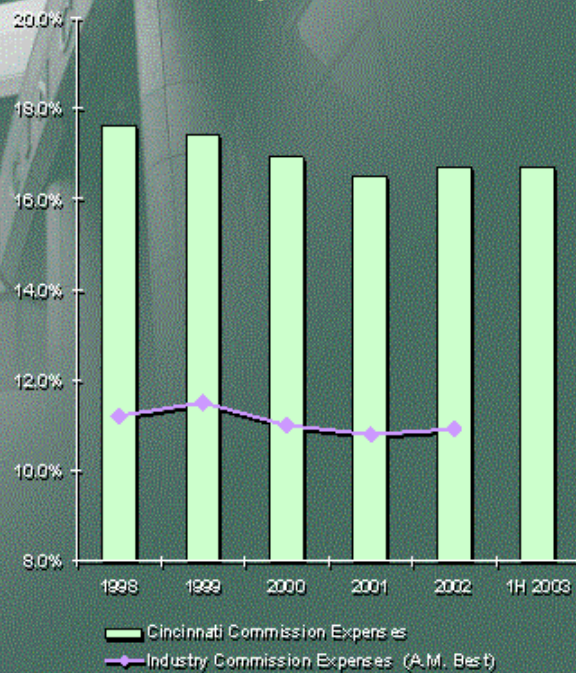


**13** Based on pro forma data. See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for reconciliation information.

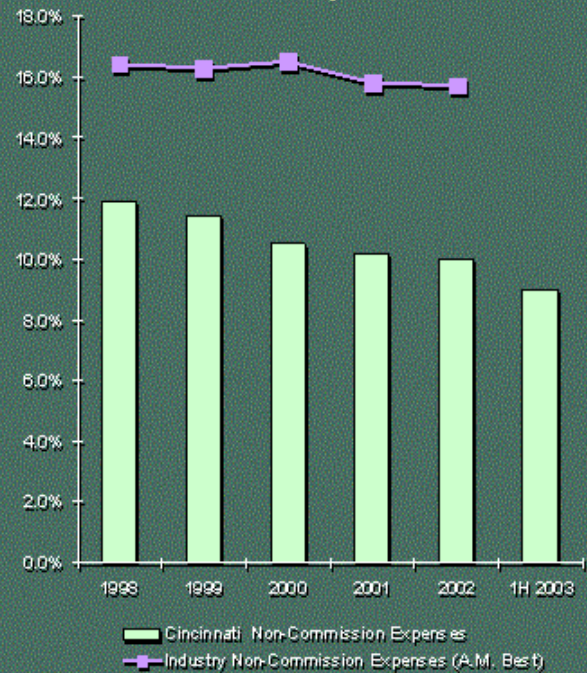


# Low-cost Structure Rewards Agents

**Post-dividend statutory  
commission expense ratio**



**Post-dividend statutory  
non-commission expense ratio**



Based on pro forma data. See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for reconciliation information.

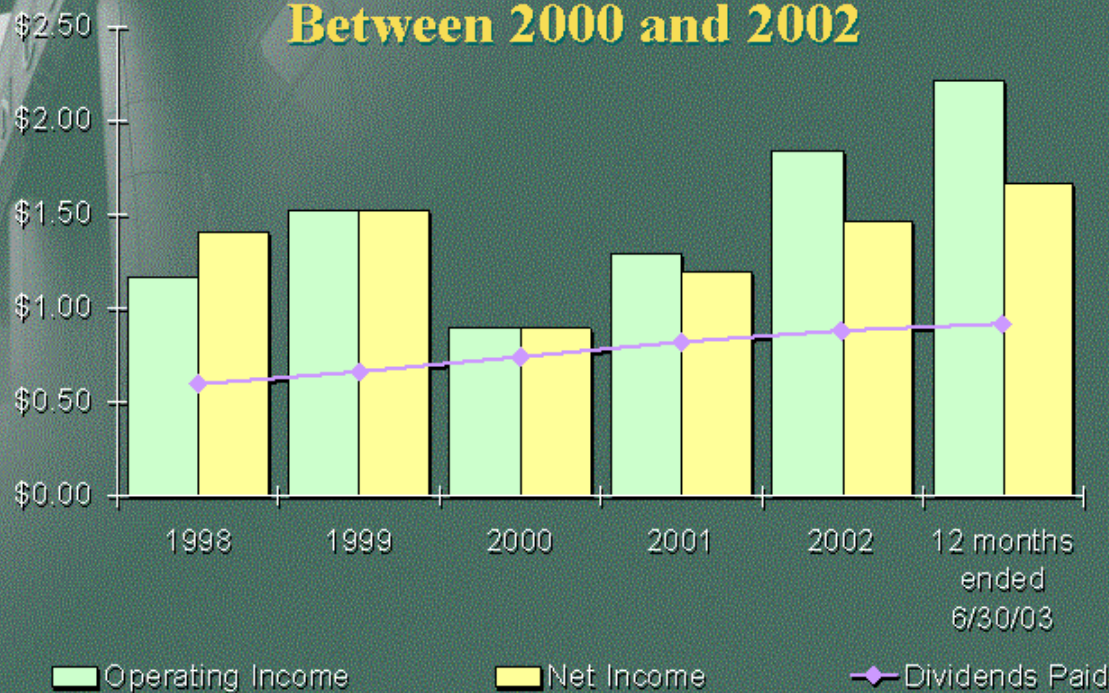
## A Look Ahead – Our View

- Outperform in 2003
  - 10% to 15% written premium growth
  - 96.8% GAAP combined ratio
  - 3.5% to 4.5% investment income growth
- And beyond
  - Sustain steady growth
  - Further improve combined ratio
  - Accelerate investment income growth
  - Bring results to bottom line
  - Equity portfolio performance ahead of S&P 500 – resumption of book value growth



## Focus on Shareholder Value – Operating Income Doubled Between 2000 and 2002

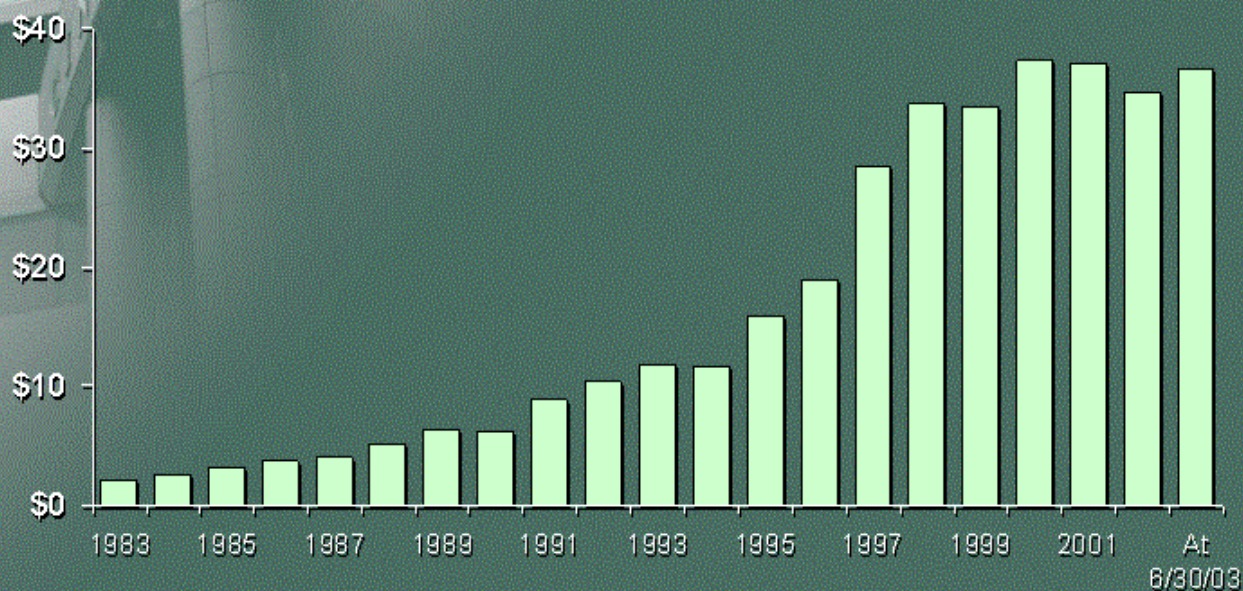
*Per diluted share*



See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for non-GAAP and non-statutory reconciliation information.

## Focus on Shareholder Value – Positioned to Resume Book Value Growth

*Book value - dollars per outstanding share*



Adjusted for splits



## Complement Performance with Information

- Management accessibility
- Primary objectives of investor relations activities
  - Comprehensive
  - Transparent
- Outreach and education
  - Headquarters visit
  - Established formal investor relations function
  - Expanding materials, enhancing Web site
  - Conferences and travel

# BY DESIGN

Questions





# BY DESIGN

Outperform in 2003 and Beyond



John J. Schiff, Jr., CPCU  
Chairman & Chief Executive Officer

## **Outperform in 2003 and Beyond**

- Generate steady growth and above-average profitability by leveraging regional franchise and proven agency-centered business strategy
- Obtain strong investment income growth and capital appreciation through equity-focused investment strategy
- Maintain financial strength

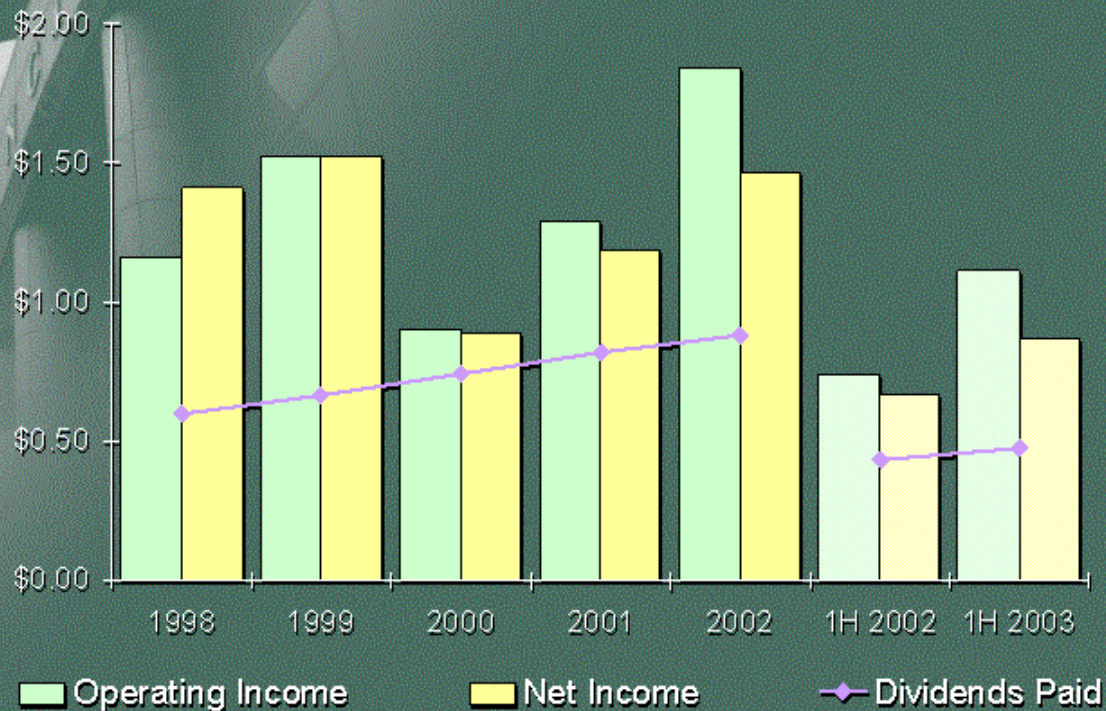


## Enhancing Return to Shareholders

- Philosophy leads to long-term shareholder value
- 11.3% 10-year compound growth in paid dividends
- 12.4% increase in indicated annualized payout in February 2003
  - 43<sup>rd</sup> consecutive increase
  - 100-share investment in 1950 now 194,667 shares without cash dividend reinvestment

# Focus on Shareholder Value

*Per diluted share*



See the Operations section of the Investors page of [www.cinfin.com](http://www.cinfin.com) for non-GAAP and non-statutory reconciliation information.



# BY DESIGN

Cincinnati Financial Corporation



# INSIDE CINCINNATI

Choice and Control  
Diamond Personal Lines Processing System



Moderator:  
Larry Plum, CPCU  
Senior Vice President  
Personal Lines





## Presenters

- Don Doyle, CPCU, AIM  
Vice President
- Steve Leibel, CPCU, AIM  
Assistant Vice President



## **Diamond Advantages**

- Meet agency needs
- Reduce paper
- Reduce human-intensive processing
- Improve agency interface
- Improve underwriting report integration
- Eliminate manual rating
- Increase billing options



## Cincinnati Considerations

- Agency underwriting
- Local agency in the forefront of transactions
- Flexibility
- Immediate service
- Agency control of policies
- Support operations

# INSIDE CINCINNATI

## Contractors' Task Force



Moderator:

Chris Kendall, CPCU, AIT, AIM,  
ARe, ARM, ARP  
Vice President  
Commercial Lines



## Presenters

- Rick Ferris, Commercial Product Management
- Marty Mullen, CPCU, Headquarters Claims
- Marc Phillips, CPCU, AIM, Commercial Product Management
- J.B. Shockey, CPCU, CLU, CIC, Sales & Marketing



## Early Issue Identification

- Significant portion of our agents' market
- Increasing claims activity
  - Risk transfer, synthetic stucco, construction defects, mold
- Deteriorating profitability
- Accelerating new business growth
- Very restrictive market conditions



## **Task Force Activated**

- Initiated October 25, 2001
- Multi-departmental
- Identify and define issues
- Determine practical solutions
- Maintain a market for our customers
- Grow proportionately and profitably
- Report submitted January 29, 2002





## Marketplace Realities

- Market (residential contractors) firming significantly
  - 25% to 200% renewal increases
  - some carriers exiting the market
  - mandating large deductibles
  - reduced availability of limits
  - years of soft market underpricing
- Action necessary to keep up with loss trends and to avoid being selected against



## **Implementing Task Force Recommendations**

- Write one-year policies until new form filings effective
- Institute synthetic stucco and mold exclusions
- Redesign contractor's application
- Require \$1 million limits for subcontractors
- Avoid writing large residential builders
- Require property damage deductibles
- Reduce commission to 15% on new business
- Emphasize agency underwriting and leverage



## Follow-up Activities

- Increase rates
- Re-priced both primary and umbrella policies
- Added restrictions in difficult states
- Heightened underwriter awareness through additional training
- Introduced Risk Management Guide for insureds
- Developed Contractors' Liability Workshop for agents



## Positive Results for Cincinnati

- Still early for many conclusions
- Increased awareness of contractor issues
- Significant account premium increases
- Maintained proportion to other classes
- Favorably moderating growth
- Loss ratio trend appears favorable
- Maintained an open market for our agents

# INSIDE CINCINNATI

Cross-serving Opportunities:  
Leveraging Agency and Client Relationships



Moderator:  
Ken Miller, CLU, ChFC  
CFC Vice President  
Investments





## **Spreading the Word to Agents**

**Mike Terrell, CPCU, RPLU, CIC**

**Assistant Vice President**

- Travel team promotes lesser-known lines
- Cross serving protects Cincinnati accounts by helping agencies keep number of carriers and volume commitments low
- Increases account retention by increasing service and loyalty
- Seminars and visits showcase highly profitable lines and/or centers of influence





## **Dentist's Package Program**

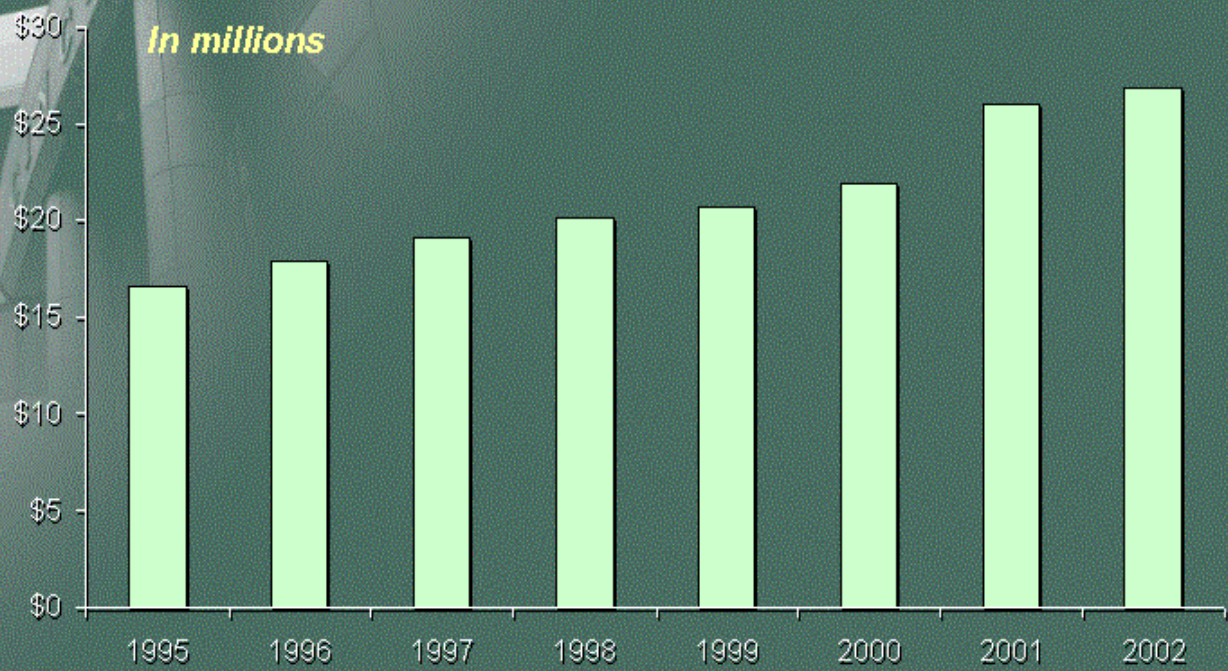
**Mike Terrell, CPCU, RPLU, CIC**  
**Assistant Vice President**

- Cincinnati insures 12,000 dentists—  
17.8% market share within 31 active states
- Marketplace instability creates opportunities
- Local agent service is a Cincinnati advantage
- Cincinnati supports agents with product advertising, risk management presentations, dentist association tradeshow participation



# Dentist's Package Program

## Direct Written Premiums





# **Directors & Officers Liability**

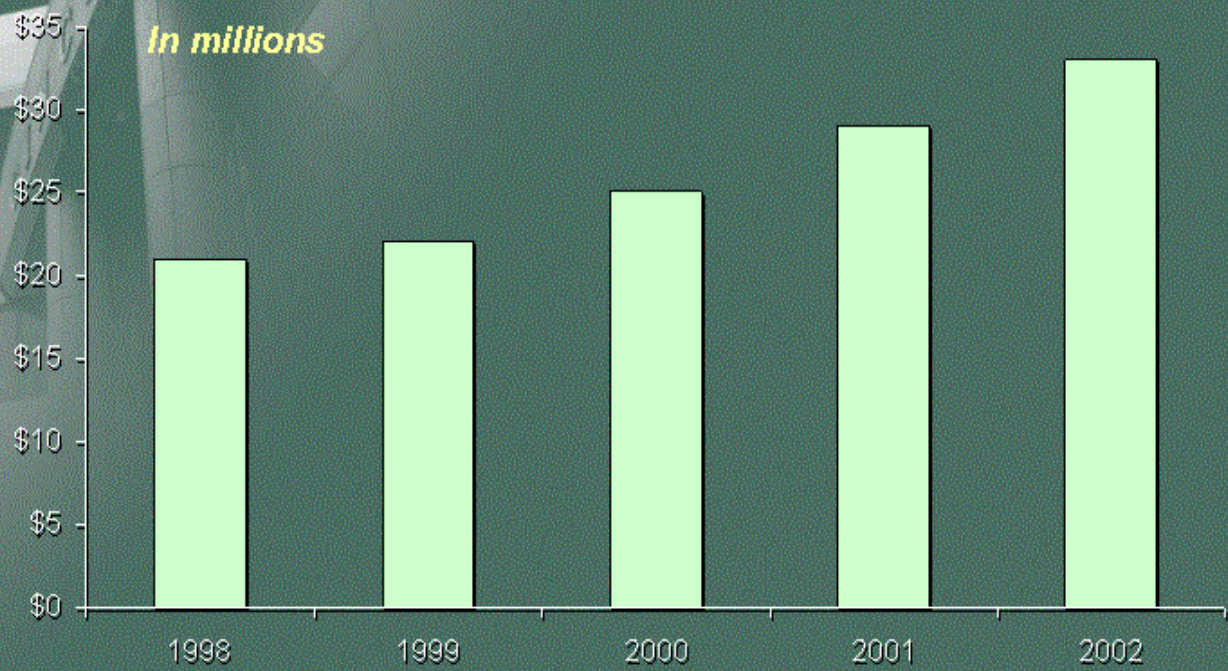
**Tom Kelly  
Vice President**

- Travel team educates agents and increases opportunities for new business
- Market instability creates opportunities
- Cincinnati has programs for nonprofit, privately held or publicly traded companies and financial institutions



# Directors & Officers Policies

## Direct Written Premiums



# Commercial Lines Opportunities

**Mark Wietmarschen**

**Vice President**

- **Commercial Inland Marine**
  - Growth opportunities: larger monoline risks, rounding accounts
  - Our strength and our focus: selected classes of business
  - Growth and profitability: doubled premium to \$80 million in four years
- **Special Accounts Marketing Program**
  - Experienced underwriters handling high-profile, large-premium accounts
  - Build agency relationship by writing key accounts
  - Unique account management





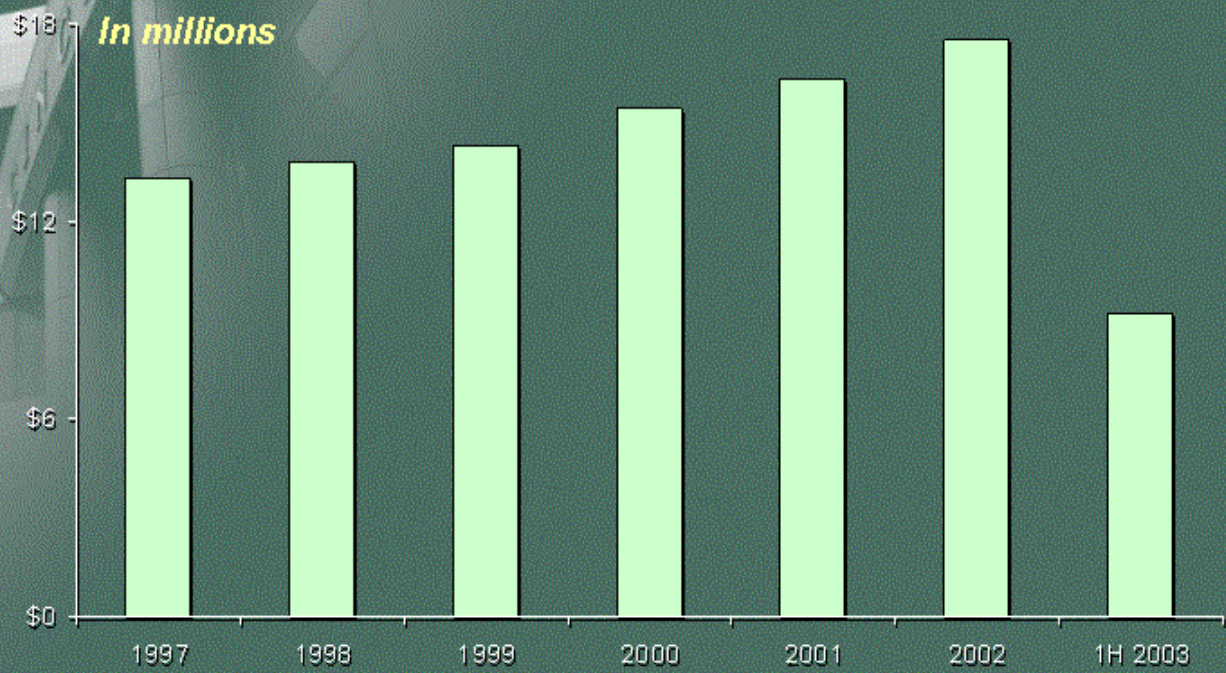
# **Life Worksite Marketing**

**Eric Taylor, ChFC, CLU, LLIF**  
**Assistant Vice President**

- Growing market for voluntary products
- Opportunity to bring professional service of agents to underserved groups
- Efficient distribution benefits everyone
  - Provides sales leads to agents
  - Helps employers control benefit costs
  - Gives employees broader coverage than group insurance

## Worksite Marketing Gross Collected Premiums

*In millions*







# Leasing/Financing

**Dave Fieler**

**Assistant Secretary**

- Additional services strengthen client relationships and retention
  - Leasing and financing for vehicles and equipment
  - Commercial mortgage loans
- Clients are agencies as well as commercial insureds and agency employees (vehicles)





# **CinFin Capital Management**

**Jo Ann Quinif**

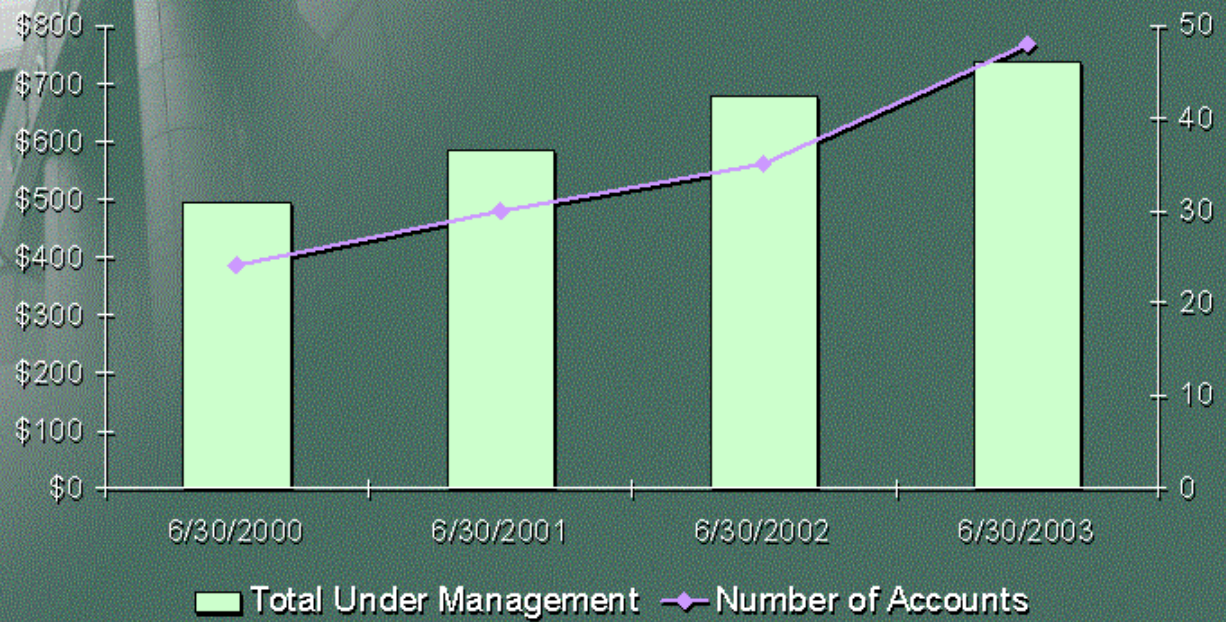
**Marketing Representative**

- Leverages investment expertise and policyholders' respect and trust for agents
- Recognizes that agencies are evolving into financial service organizations
  - Offering separate account management for agents/agencies and clients
  - Adding CinFin to the agencies' broker-dealer platforms



# CinFin's Growth

*In millions*



# INSIDE CINCINNATI

Enhancing Field Claims  
Efficiency and Effectiveness



Moderator:  
Dean Dicke  
Senior Vice President  
Field Claims



## From the Big Picture to a Big Change

- What we do and why we are improving it  
Dean Dicke, Senior Vice President
- Conceptual overview of Claims Management System  
Gary Givler, Assistant Vice President
- System demonstration: functionality for claims representatives  
John Crow, Associate Manager

## A Virtual Claim File

- Will enable collaboration between locations
- Will provide document management
- Will deliver real-time claims transaction data







## **CMS Will Provide Easier Claim File Management**

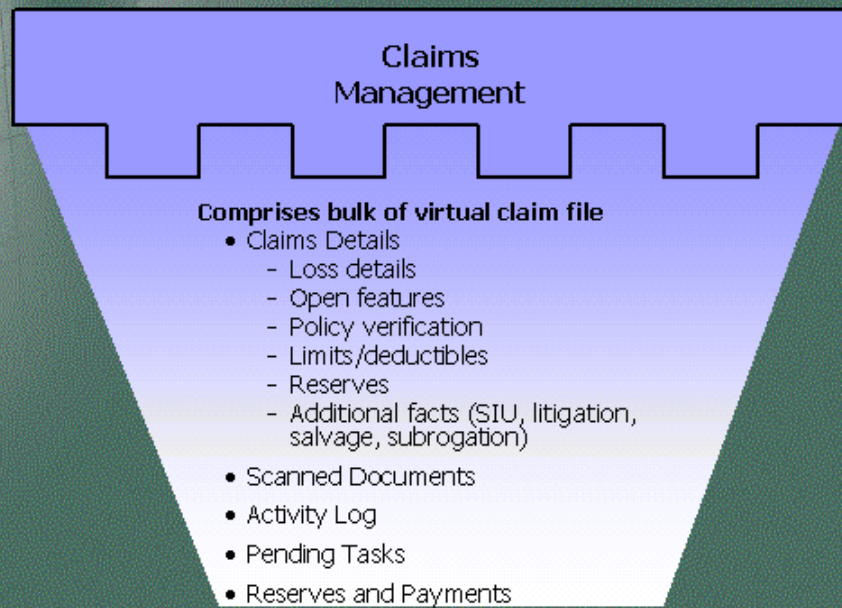
- Role-based security
  - Limits access to claims files
- Built-in business rules
  - Facilitate new claim assignments
  - Meet need for accounting controls
- Automated file history
  - Provides a record of changes made by all file handlers
  - Reduces data entry

# Four Major Building Blocks

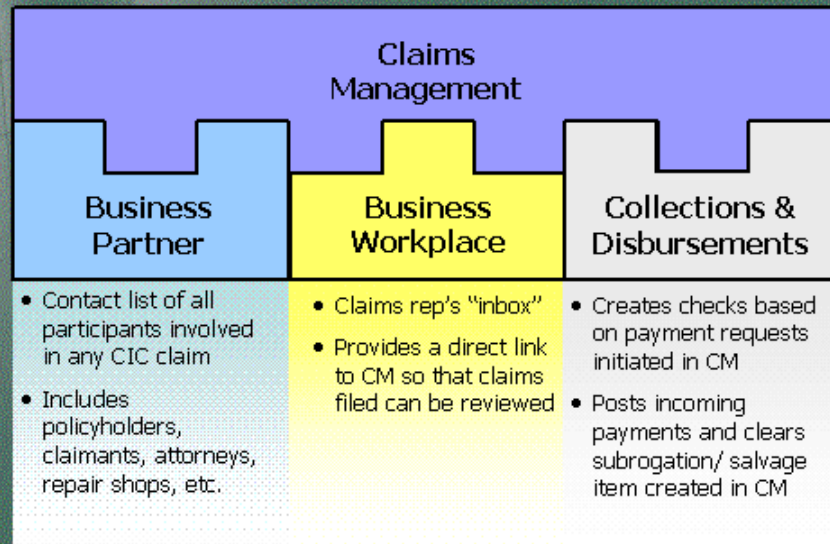




# The Cornerstone

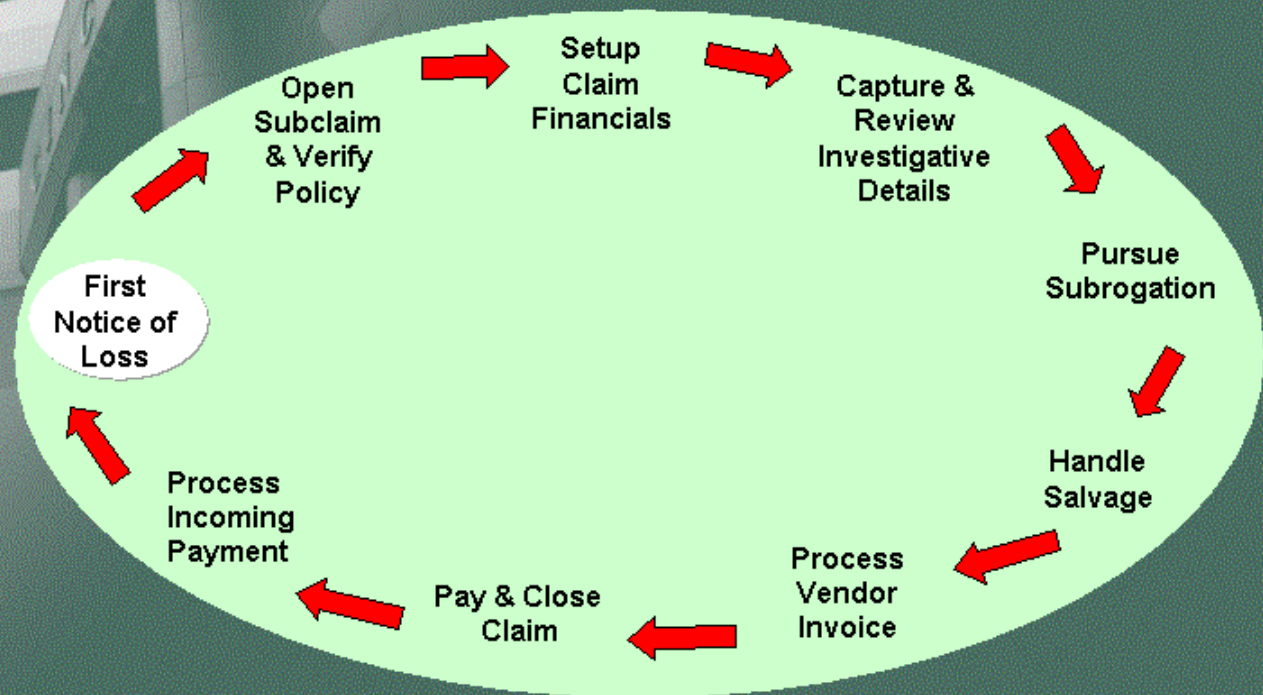


# Three More Blocks Complete the System

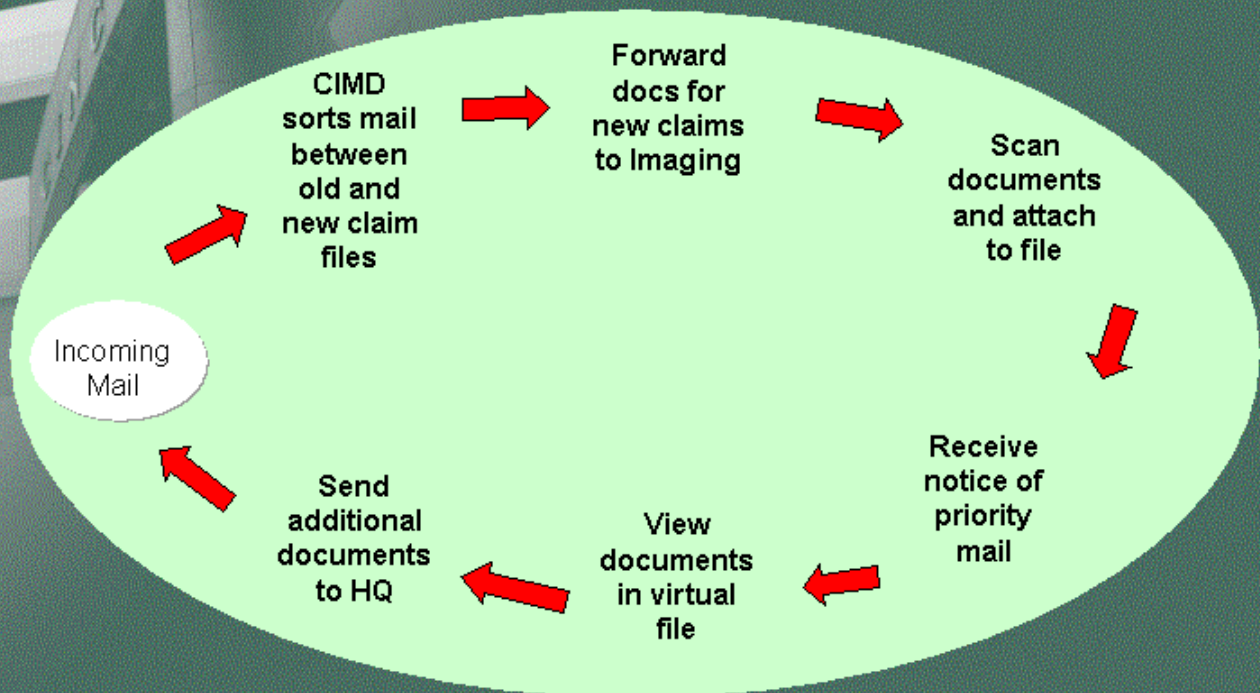




## Assists in the Key Steps of Managing a Claim



# Virtual File Helps Manage File Attachments



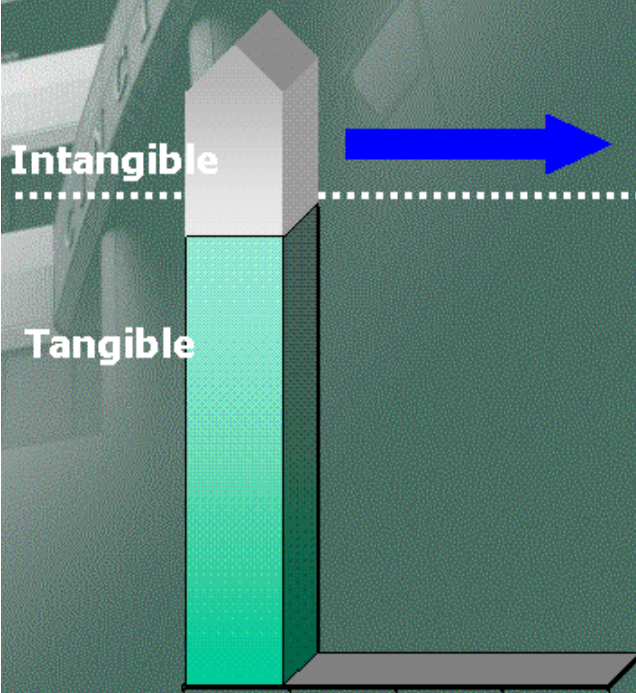


## Key Tangible Benefits

- Single point of entry
- Will reduce time associates spend on paperwork
- Will lay groundwork for move to paperless processing, including check writing
- Will reduce opportunity for fraud
- Will permit growth without adding associates



## Key Intangible Benefits:



- Access to just-in-time data
- Integrity of data
- Increased customer service/satisfaction
- Improved external visibility
- Improved operational data
- Complex claim handling



# Benefits Flow to Operational Areas

<b>Corporate</b>	A scaleable claims handling process to keep up with corporate growth
<b>Accounting</b>	"Real-time" access to claim loss and reserve data provides more transparency to management
<b>Loss Control</b>	Enhanced fraud reporting capabilities
<b>IT</b>	The foundation of a claims system upon which to build and integrate with other in-house systems leveraging previous purchases
<b>Underwriting</b>	Data analysis capabilities contribute to more informed underwriting decisions
<b>Document Management</b>	Reduced reliance on paper documents saves money and time
<b>Auditing</b>	Electronic audit trail eases the auditing burden
<b>Agencies</b>	Single claim file accessible by many means agents get the information they need when they need it

# The Virtual Claim File Has Four Parts

## 1. Table of Contents

- ✓ Includes all open subclaims
- ✓ Can review file at claim or subclaim level

## 2. Work Area

- ✓ Detailed information about the claim or subclaim
- ✓ Tabs organize the file by categories

The screenshot displays a software interface for managing claims. The title bar reads "Change Claim 78 / ZCAS Small Potatoes Inc. (Reopened): Log". The interface is divided into four main sections, each labeled with a large number:

- 1. Table of Contents:** Located on the left, it shows a tree view of the claim structure, including "Claim 78 Overview", "05CAP5014798 Commercial N...", "PH: Small Potatoes Inc./Colum...", "Loss Incident", "Payment and Reserves", "CPA: S. PD-Occur", "530 Smith", "Henry Smith/Cincin...", "530 Smith", "Henry Smith/Cincin...", and "Cmt: Donna Koffy/Fairfi...".
- 2. Work Area:** The central pane, currently showing the "Log" tab. It contains a table of events:
 

Event	User	Date	Claim	Header	Sub
Policy Snapshot Changed	KJERBY	06-06-2003	Claim Header	8	02
Subclaim Reopened	LSCHMIT	06-11-2003	530 Smith	8	03
Subclaim Closed	KJERBY	06-06-2003	530 Smith	8	02
Subclaim Closed	KJERBY	06-06-2003	530 Smith	8	02
Claim Created	KJERBY	06-06-2003	Claim	8	01
- 3. The Players:** Located at the bottom left, it shows a list of participants:
 

Role	Participants
Agent	Boach, Inc./Columbus OH 43220-...
Claim	Henry Smith/Cincinnati OH 45229...
Claim	Donna Koffy/Cincinnati OH 45214...
PH	Small Potatoes Inc./Columbus Oh...
- 4. To Do:** Located at the bottom right, it shows a list of pending tasks:
 

Task	In Process	Pty	Due Text	Due Date	Activity/CH Act.	Completed	Created by	Changed
200056			File status update request	06-06-2003			Claims Processing Tester	06-06-2003
200056			File status update request	06-06-2003			Claims Processing Tester	06-11-2003



# The Directory Tree Guides Users Through the Claim File

## Table of Contents (Claim)

### Chapter 1 (Subclaim)

The Content (File Details)

The Content (File Details)

The Content (File Details)

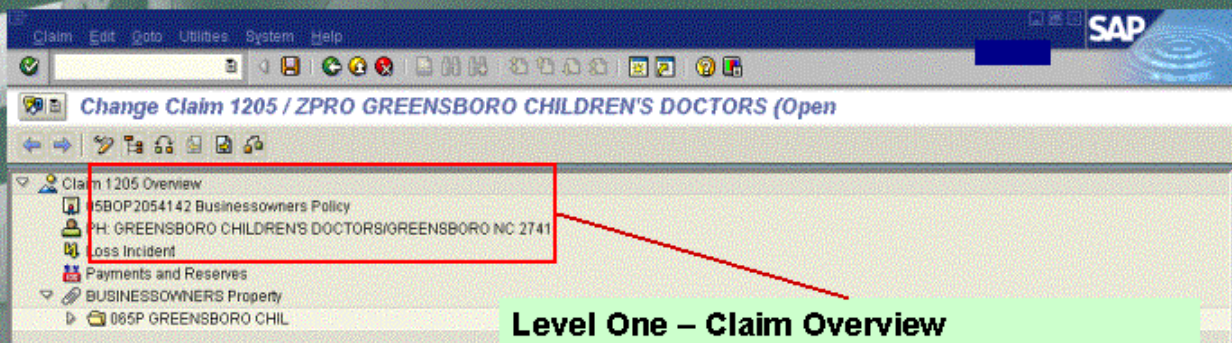
### Chapter 2 (Subclaim)

The Content (File Details)

The Content (File Details)

The Content (File Details)

# The Claim Is at the Highest Level

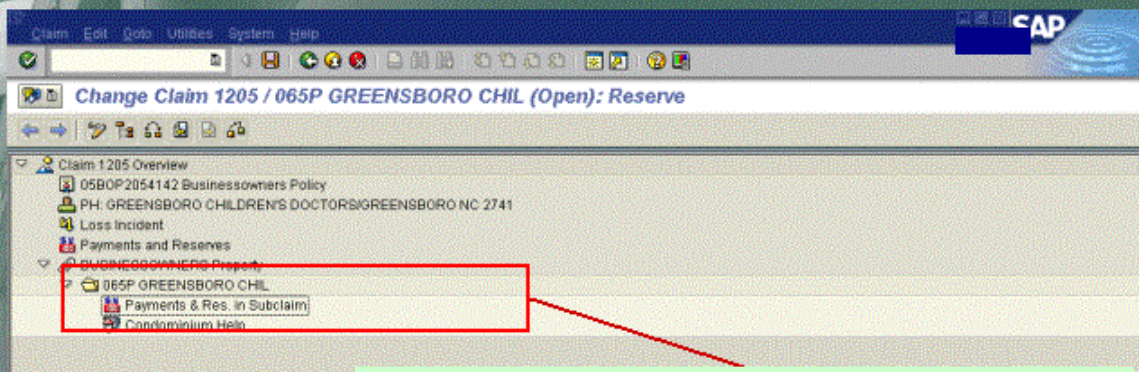


## Level One – Claim Overview

- Provides information relating to the loss, the policy and the policyholder
- Tasks completed at the claim level include:
  - View policy and policyholder details
  - Set limits and deductibles



# Subclaims Appear Under Each Claim



## Level Two – Subclaim

- A new subclaim is opened for each claimant and coverage
- Each subclaim has separate reserves and claim items
- Tasks completed at the subclaim level include:
  - Setting reserves
  - Making payments

# Business Workplace Organizes Claims and Keeps Track of Open Items

Personal Organizer/  
Incoming Mail

Diary/  
To Do List

The screenshot shows the SAP Business Workplace interface. On the left, a navigation pane lists various folders and documents. The main area displays a 'My Tasks' table with columns for Title, Status, Creation Date, and others. A red box highlights the 'My Tasks' section in the navigation pane and the corresponding table. A red arrow points from the 'Diary/To Do List' text to the 'My Tasks' table. Below the table, a detailed view of a task is shown, including its description and objects and attachments.

Ex	Title	Status	Creation D.	Creation	Att.	Co.
1	Process Task: RECEIVED LOSS FROM AGENT for claim 455	Open	07/11/2003	15:18:39	5	
2	Process Task: File status update required for claim 473	Open	07/07/2003	17:46:36	5	
3	Process Task: File status update required for claim 440	Open	07/09/2003	13:37:50	5	
4	Process Task: File status update required for claim 437	Open	07/09/2003	12:53:52	5	
5	Process Task: File status update required for claim 432	Open	07/03/2003	11:07:07	5	
6	Process Task: File status update required for claim 416	Open	07/02/2003	16:50:33	5	
7	Process Task: File status update required for claim 405	Open	07/02/2003	14:30:33	5	
8	Process Task: File status update required for claim 398	Open	07/02/2003	10:38:28	5	
9	Process Task: File status update required for claim 392	Open	07/02/2003	09:46:37	5	
10	Process Task: File status update required for claim 389	Open	07/02/2003	09:09:54	5	
11	Process Task: File status update required for claim 374	Open	07/01/2003	14:56:42	5	
12	Process Task: File status update required for claim 370	Open	07/01/2003	14:41:48	5	
13	Process Task: File status update required for claim 366	Open	07/01/2003	13:52:03	5	
14	Process Task: File status update required for claim 363	Open	07/01/2003	11:51:56	5	

**Process Task: RECEIVED LOSS FROM AGENT for claim 455**

**Description**  
Policy Number: 05CAP5014798  
Policy Holder: Small Potatoes Inc.

**Objects and attachments**  
• FS-CM Task: 00000000000000455X 0002



## How Collaboration Is Achieved in CMS

Field Claims Representative	HQ Examiner	Regional Manager	CFC Management
1. Receives new claim file	3. Views claim files	5. Able to view claim files	7. Able to view claim files
2. Establishes initial reserves < \$35,000; initiates approval process for larger claims	4. Notified reserve > \$35,000 entered; may decline or forward for approval	6. Approves reserves \$35,000 - \$99,999	8. Approves reserves \$100,000 or greater



# INSIDE CINCINNATI

From Drawing Board to Policyholder  
Rate and Policy Changes



Moderator:  
Jim Benoski  
Chief Insurance Officer



# **The Cincinnati Product Portfolio**

**Jody L. Wainscott**

**Vice President – Research & Development**

Competitive, up to date and state of the art

- Gear portfolio to our target market
- Give agents what they need to attract quality new business and retain profitable renewals
- Gather intelligence from agents, publications, other company filings
- Consider all in the context of our agency relationships



# **Property Casualty Filings**

**Gregory D. Schmidt, CPCU, ARP, CSF, ARC**  
**Vice President – Staff Underwriting**

- Statutory changes, R&D, rate changes, ISO
- Coordinate the filing process—submissions, bulletins, forms and manuals
- Generate rate changes from annual review of business lines, forecasting and IBNR data
- Foster healthy relationships with state Departments of Insurance
- Innovate to improve the process for the future



# Compliance

Mark A. Welsh

**Vice President – Staff Underwriting**

Regulatory compliance is a moving target

- Evolving products, underwriting and claims practices
- Review and communicate new laws and regulations in all states and initiate changes
- Perform internal audits and respond to state data calls, surveys, exams
- Integrate the highest standards into Cincinnati processes and culture

# INSIDE CINCINNATI

Cincinnati's Education & Training Center  
Observe a Class



Moderator:

Mark R. DesJardins, CPCU, AIM, AIC, ARP

Vice President

Education & Training

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# INSIDE CINCINNATI

Advanced Commercial Property  
Agent Workshop



Instructor:  
Michael J. Gagnon  
Vice President  
Headquarters Claims

## Agent Education Is Strategic

- High level of support sets Cincinnati apart
- More than 3,500 agents and customer service representatives have enrolled in Cincinnati's headquarters and field seminars, roundtables and workshops in 2003
- Agents increase their knowledge of our products, marketing focus, processes
- We hear their thoughts on our market position and relationship



## Advanced Commercial Property

- A new class on our commercial and inland marine forms:
  - Key benefits and advantages
  - Pricing and claims issues
- Insurance to Value topic focuses on benefits to policyholders, agents and the company
- Agents receive continuing education credits
- High demand for this course will be met with additional dates in 2003 and 2004

# INSIDE CINCINNATI

## Underwriting Training Class



Instructors: Commercial Underwriting  
Superintendents

Jennifer Baker, CPCU, AIM, ARM, CPIW

Lynn Dassel, CPCU, AIM, CPIW

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## Entry-level Professional Position

- Cincinnati's program:
  - Classroom instruction, five weeks
  - Practice desk, four weeks
  - Mentoring, three months
  - Territory assignment with mentor support
- Instructors are hands-on Cincinnati underwriters
- Field marketing and other areas select candidates with solid underwriting foundation
- Today's lesson: general liability insurance

# INSIDE CINCINNATI

## Ohio UM/UIM Legal and Legislative Update



Moderator:  
Tim Timmel  
Senior Vice President  
Operations



## Presenters

- Teresa Cracas, Associate Counsel
- Gary Kline, CPCU, Vice President
- Scott Gilliam, Assistant Vice President
- Lisa Love, Senior Counsel





## Our Operational Philosophy

- Conservative
- Strategically consistent solutions
- Agency centered
- Stable





## **That Philosophy Continues to Serve Us Today**

- Challenges posed by the UM/UIM crisis in Ohio presented opportunity to put principles into practice
- Provides a case study of a challenge faced and weathered





## **Ohio Uninsured and Underinsured Motorist Insurance**

- Scott-Pontzer vs. Liberty Mutual Fire Insurance Company (1999)
- Linko vs. Insurance Company of North America (2000)



## Example

- Man is injured in an accident caused by an uninsured motorist
- He is not working and is not in a car owned or leased by his employer
- Man and his wife are both employed
- They purchased personal auto insurance but specifically rejected UM/UIM coverage



## Example

- Policies potentially triggered:
  - Personal auto policy
  - Man's employer's policy
  - Wife's employer's policy
  - Any resident relatives' (children's or parents') employers' policies
- Amount of UM/UIM premium paid for UM/UIM coverage for this accident: \$0.00



## Commercial Auto – 2000

	Company	Ohio Direct Premiums Written (In millions)	Market Share (In %)
1	Cincinnati	\$67	8.8
2	Westfield	54	7.0
3	CNA	46	6.0
4	Liberty Mutual	36	4.7
5	Progressive	34	4.4
6	Travelers/Citigroup	33	4.3
7	Nationwide	30	3.9
8	Auto-Owners	27	3.5
9	Zurich/Farmers	25	3.3
10	State Farm	23	3.1
	<b>Total</b>	<b>\$768</b>	



## Private Passenger Auto – 2000

	Company	Ohio Direct Premiums Written (In millions)	Market Share (In %)
1	State Farm	\$795	18.3
2	Nationwide	528	12.2
3	Progressive	522	12.0
4	Allstate Insurance	353	8.1
5	Grange Mutual Casualty	244	5.6
6	Westfield	161	3.7
7	<b>Cincinnati</b>	<b>156</b>	<b>3.6</b>
8	Zurich/Farmers	113	2.6
9	Motorists Insurance	104	2.4
10	Erie Insurance	103	2.4
	<b>Total</b>	<b>\$4,338</b>	



## All Auto Lines – 2000

	Company	Ohio Direct Premiums Written (In millions)	Market Share (In %)
1	State Farm	\$818	16.0
2	Nationwide	558	10.9
3	Progressive	556	10.9
4	Allstate	358	7.0
5	Grange Mutual Casualty	266	5.2
6	<b>Cincinnati</b>	<b>224</b>	<b>4.4</b>
7	Westfield	215	4.2
8	Zurich/Farmers	138	2.7
9	Motorists Insurance	123	2.4
10	Erie Insurance	116	2.3
	<b>Total</b>	<b>\$5,106</b>	





## **Cincinnati Faced a Significant Challenge**

- How do we respond while staying true to our founding principles?
- Our choices show our philosophy in action.



## Expired Policies

- Goal: Stay true to philosophy of protecting shareholders.
- Took conservative action of establishing reserves
  - Posted December 2000 - \$110 million
  - Incurred (paid plus reserves) through June 30, 2003 of approximately \$150 million including \$40 million incurred prior to establishing reserve
  - IBNR at June 30, 2003 - \$18 million
- Allowed Cincinnati to address the issue and focus on the future.



## Current Policies

- Goal: Stop the bleeding
- Amended selection/rejection form
- Obtained new forms from all affected policyholders
- Increased scrutiny on signed forms
- Excellent agent cooperation





## New Business and Renewals

- Goal: Provide a stable market for our agents and their clients
  - Carriers left market or significantly restricted writings
- Cost to industry estimated at \$1.5 billion





## **New Business and Renewals**

### **Cincinnati's Response**

- Stayed open for automobile business
- Did not restrict classes of business written
- Promptly amended commercial UM/UIM forms
- Continue to obtain Linko-compliant rejection forms
- Increased rates, but maintained affordability
- Moved to one-year commercial auto policies
- Worked with industry trade groups to change the Ohio UM/UIM statute





## New Business and Renewals

- Cincinnati's stable, reasonable response:
  - Increased agent confidence in Cincinnati Insurance as a market
  - Brought good accounts to Cincinnati from carriers who reacted with more drastic measures
  - Demonstrated willingness to work on long-term solutions instead of quick fixes



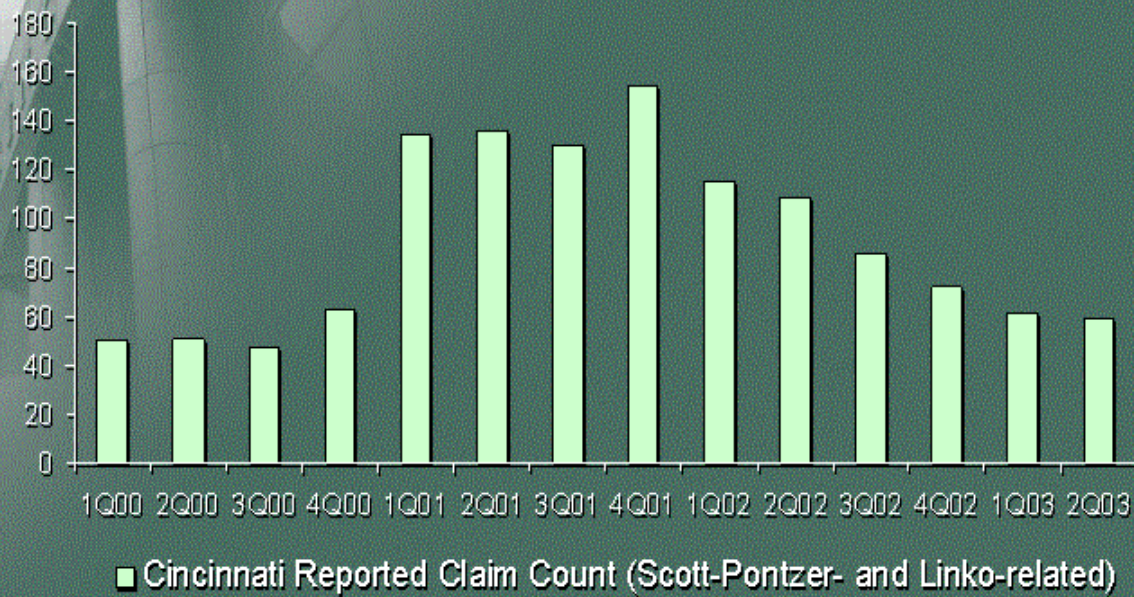


**The Future**

**Optimistic**



## UM/UTM Claims Submitted





## **Window Closing for Scott-Pontzer and Linko Claims**

- Statutory - S.B. 97 – Effective 10/31/2001
- Change in the Ohio Supreme Court





## Ohio UM/UIM

### Now a Controlled Challenge

- UM/UIM challenge illustrated our philosophy in action
- Typifies how relationships and long-term view guide our choices in adverse situations
  - Continued to provide a stable, predictable market for our agents
  - Refused to abandon our policyholders
  - Developed a creative solution
  - Acted quickly





## **Ohio UM/UIM**

### **Now a Controlled Challenge**

- Can count on Cincinnati to find creative solutions to similar challenges
- Proves the soundness of our founding principles



# INSIDE CINCINNATI

## Technology Progress in Commercial Lines




Moderator:  
Craig Forrester, CLU  
Senior Vice President  
Information Technology

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## What Agents Want

- Faster delivery
- Accurate policies
- Easier processing
- Immediate responses





# **CinciLink**

**Pam Cooper, CPCU, AIM**  
**Commercial Technical Support**

- Cincinnati's agents-only Web site
- Single point of access for information and business application systems from Cincinnati
- Speeds and improves information delivery to agents
- Brings Cincinnati to agents 24 hours a day





# **WinCPP**

## **Debby Smith**

### **Commercial Technical Support**

- Web-based commercial package and commercial auto quotes
- Real-time quotes
- Improved accuracy
- Faster policy turnaround
- Supports long-range paperless workflow





# **e-CLAS**

## **Bill Thomas, AIM**

### **Commercial Lines Administration**

- Future commercial lines automated production system
- Web-based access through CinciLink
- Will streamline policy issue processes
- Will enhance service to our customers
- Operational efficiencies
- “Buy vs. build”
- Customer involvement
- Deployment strategy





## **Commercial Lines Electronic Policy Files**

- Will streamline current processing steps
- Will support online access to policy information
- Will build on Cincinnati Life's success



# INSIDE CINCINNATI

Web-based Tools Agents Use Today  
CinciLink Agency Web Site



Moderator:  
Joan Shevchik, CPCU, CLU  
Senior Vice President  
Corporate Communications

# **CinciLink Security**

**Mike Dockery**

**Assistant Secretary – Information Security**

- Staff—Certified Information Security Professional and Certified Information System Auditors
- Involved in selection, design, implementation, monitoring of secure Web site
- Active in security organizations



# **CinciLink Development**

**Scott McDonald**

**Senior Group Manager – IT e-Business**

- Design and update pages and Web applications
- Develop tools so agents can order supplies or marketing materials, access forms library, download software updates
- Help business users create Web-based solutions with faster, more flexible access to content
- In-house talent participates in major technology projects



# **Content Management**

**Mike Donges**

## **Manager – Web Content Management**

- Coordinate processes to assure content is strategic, timely, accurate, complete
- Agent-driven information and tools
- Web liaisons represent departments in development, review and maintenance processes
- Traffic reports tell us what agents use, how to direct resources



# **CinciLink Strategy**

**Phil Kramer, CIC**

**Assistant Secretary – Sales & Marketing**

- Platform for Web-based content and applications
- Sponsored by Sales & Marketing
- Deployed in 2002 to all agencies
- Expanding with new information and tools

# CinciLink Home Page

Our agents-only Web site provides access to departments, directories, applications, software downloads





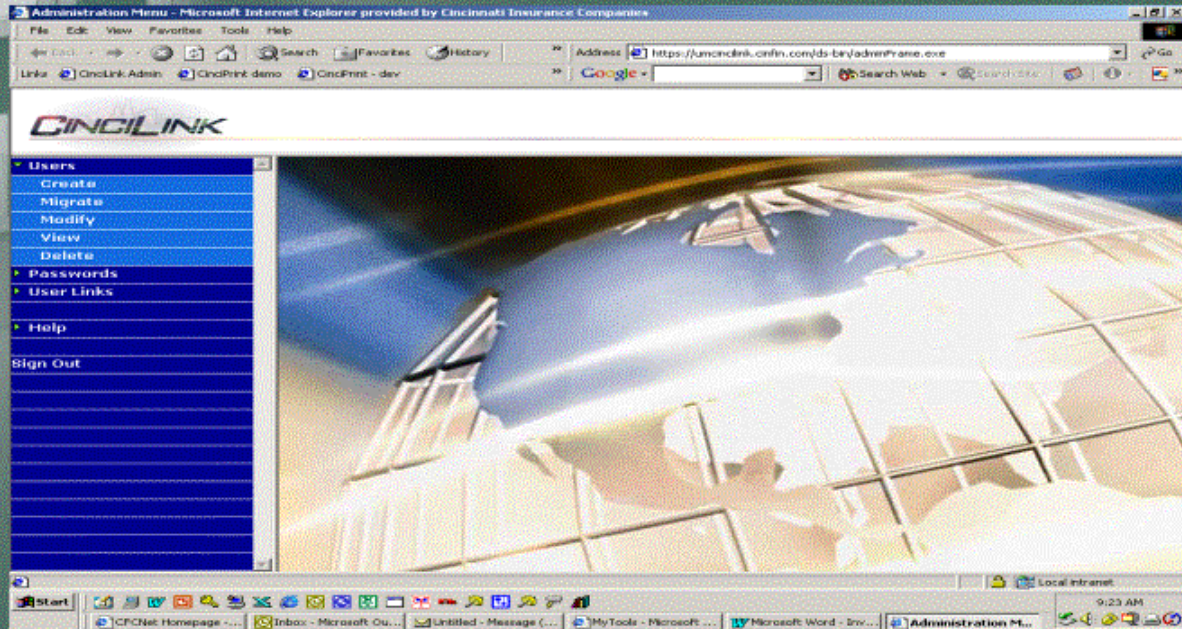
# My Tools Links to Key Applications

## Basic vs. Delegated Roles



# Site Security Administrator Home Page

Each agency chooses which staff members in main and branch offices use CinciLink tools





# Claims Online Report Engine

Agents have access to their policyholders' loss histories through previous business day

https://cogr.cinfin.com/cogr/ui/html/cogrAppl - Microsoft Internet Explorer provided by Cincinnati Insurance Companies

File Edit View Favorites Tools Help

Back Forward Stop Search (Favorites) History Address https://cogr.cinfin.com/cogr/ui/html/cogrAppl Go

Links CincLink Admin CincPrint demo CincPrint - dev Google Search Web Search Site

## CLAIMS ONLINE REPORT ENGINE (CORE)

[ Help ]

### Policyholder Criteria

Agency Code:

Policy Number:  \* (example: 0123456)

Report Option:  All Policy Years For This Agency Number

\*Field is required

Search Reset

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CINCLINK

Please select your desired Report Option.

Start CincNet ... Inbox ... Microsoft ... MyTools ... https://... Local intranet 4:55 PM

# CinciForms Online Forms Library

## Indexed by form, state and version and printable

CinciForms - Microsoft Internet Explorer provided by Cincinnati Insurance Companies

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites History Address <https://cincinlink.cinfin.com/CinciForms/4/sp/page-control> Go

Links CinciLink Admin CinciPrint demo CinciPrint - dev Google Search Web Search Web

Help

**CINCI FORMS**

Forms Production Index Bulletins

Instructions  
Please enter the following information to search. A partial form number or a partial title is required to search. Click the Search button.

Form Number:  (example: fm101)  
Edition Date:  (mm/yy)  
Title:   
State:  ALL  
Department:  ALL  
Line of Business:  ALL

Search Reset

Copyright 2003, The Cincinnati Insurance Company

Done

Start CFCNet ... Inbox - ... Microsoft ... MyTools ... CinciFor... Local intranet 4:55 PM



# CinciPrint

## Agencies complete forms online


CinciPrint - An e-Business Solution - Microsoft Internet Explorer provided by Cincinnati Insurance Companies

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites History Address <https://applications.crfm.com/cnciprint/Home.asp> Go

Links CinciLink Admin CinciPrint demo CinciPrint - dev Google Search Web Search Web

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### Company and State Information

---


Welcome to CinciPrint -- An Internet Policy Production System

**Company:** Cincinnati Insurance Company

**State(s):** AL - Alabama  
AR - Arkansas  
AZ - Arizona  
FL - Florida


**Form:**  [Search](#)

[Exit](#)

 **WHAT'S NEW**  
[New Procedure for Ordering Policy Numbers](#)  
[Commercial Applications & Questionnaires](#)  
[PLD Applications & Supplemental Forms](#)

**Copyright 2003, The Cincinnati Insurance Company** [CinciPrint User Manual](#)

Done

Start  Local intranet 4:57 PM

# **Keeping It Personal**

**Donna Fleek**

**Senior Field Analyst – IT Support Services**

- Field analysts make agency calls and meet CinciLink customers face to face
- Give hands-on assistance with agency set up, training and problem solving
- Bring practical, agency perspective to development teams



# INSIDE CINCINNATI

## Imaging and Workflow A Move Toward Paperless



Moderator:  
Harold Eggers, FALU, FLMI, CLU, HIAA  
Vice President  
Life Policy Issue

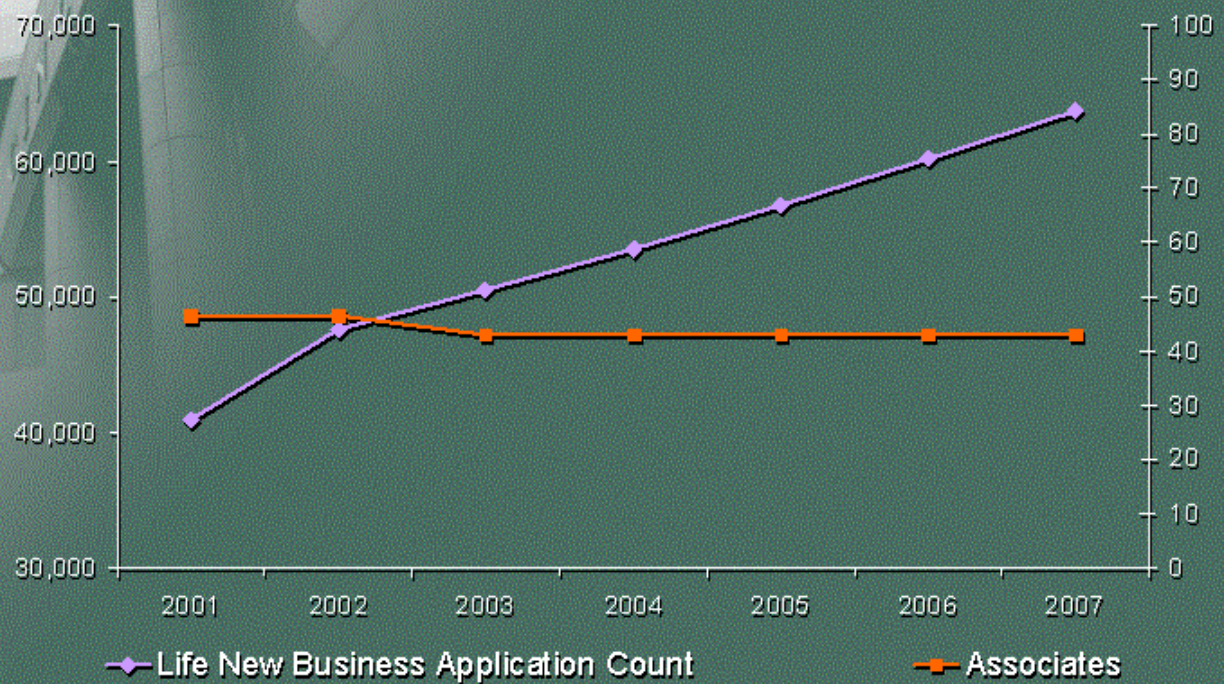
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## Presenters

- Denise Fugate, FLMI, HIAA, ACS  
Project Manager and Independent Consultant
- Dawn Alcorn, Vice President  
Administrative Services
- Robyn Muhlberg, Secretary  
IT Life/PeopleSoft/Reporting



## Increasing Life Productivity Operating Projections







## **The Initial Project**

### **The Cincinnati Life Insurance Company**

- Convert all in-force life client records to electronic images
- Improve the underwriting process through automation with workflow technologies



## Results and Benefits

- Converted 320,000 in-force client records
- Scanned 9.6 million pages in last 18 months
- Currently scanning 10,000 pages monthly
- Reduced file retrieval time from four hours to four seconds
- Improved underwriting productivity by 25%
- Improved claims processing productivity by 20%
- Improved customer service – transaction processing time reduced by 20%





## **Benefits Extend to All Agents, Policyholders and CFC**

- Agents receive file status two days earlier
- Data uploaded from third-party vendors
- Improved service:
  - Policyholders – better call handling
  - Agents – reduced time to issue policies
- In-house technical experts
  - Reduce expense of deploying enterprise-wide
- Lower operational costs improving profitability





## Enterprise Strategy

### Scalable Technology

- Ready to address larger, more complex business needs for a greater impact on the bottom line
  - Technical knowledge
  - Operational experience
  - Hardware
    - Scanning equipment
    - Servers
  - Software
    - Imaging
    - Workflow





## Enterprise Strategy

### Next Steps

- Cincinnati Life
  - Will extend benefits to agencies through system and software integration, online applications
- Claims
  - Online claims system (CMS) will employ imaging technology
- Commercial lines
  - Will duplicate the success of Cincinnati Life with a higher-volume, higher-premium line of business