

The Cincinnati Insurance Companies

# ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

2018



*Everything Insurance Should Be®*



## **A MESSAGE FROM OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER**

We fully accept our responsibility to be a steady, fair and responsible employer, insurance carrier and corporate citizen. This means it's our job to create long-term value for those who invest their time, efforts, funds or trust in our organization.

### **OUR DUTIES AS AN EMPLOYER**

We owe it to our associates who devote their time and energy to our company to treat them with respect and to help them enjoy fulfilling careers that lead to long-term financial security for them and their families. To this end, we offer tuition reimbursement and career mentorship programs as well as company-sponsored opportunities to grow their insurance knowledge and their own financial acumen.

### **OUR DUTIES AS AN INSURANCE CARRIER**

Policyholders put their trust in us. And, after a loss impacts their family or business, we must be ready to answer the call with compassion and empathy. We follow the Golden Rule, treating people as we would want to be treated and paying all that is due under our policy contract. We also must act with integrity and high ethical standards, managing our capital and resources to ensure we are able to fulfill our responsibilities far into the future.

### **OUR DUTIES A CORPORATE CITIZEN**

We're a better corporate neighbor for our community by implementing sound environmental practices, by creating jobs that contribute tax revenue and by offering competitive compensation that allows our associates to give back to the community through the charitable organizations that ignite their passion. We will continue to recycle, reduce the usage of and reuse resources appropriately and increase awareness of environmental issues among our associates.

You'll find details on our efforts and progress in fulfilling these duties in the pages of this report. We believe in open and honest discussion of these important topics and welcome your interest in our company.

Best regards,

A handwritten signature in black ink that reads "Steve". The signature is stylized with a large, flowing 'S' and a cursive 't'.

Steven J. Johnston, FCAS, MAAA, CFA, CERA  
President and Chief Executive Officer

# OUR COMMITMENT TO OUR ENVIRONMENT

## WHAT WE BELIEVE

We promote environmental stewardship by recycling and reusing resources appropriately, recognizing that reduced usage contributes to a healthy natural environment and cost-efficient operations. We work to keep our community and company healthy by:

- increasing our awareness of environmental issues affecting our company, our industry and community
- creating a culture that encourages recycling, reducing and reusing in our daily decisions
- developing and implementing recycling, reducing and reusing programs offered to our associates, shareholders, agents and policyholders

## OUR ENVIRONMENTAL FOCUS

Our company has been working since 2009 to implement and track strategies to reduce our impact on the environment at our corporate headquarters. We employ a management approach that focuses on five major areas of environmental stewardship:

1. Sustainable Site
2. Energy and Atmosphere
3. Materials and Resources
4. Indoor Environmental Quality
5. Water Efficiency



SUSTAINABLE  
SITE



ENERGY AND  
ATMOSPHERE



MATERIALS AND  
RESOURCES



INDOOR  
ENVIRONMENTAL  
QUALITY



WATER  
EFFICIENCY

## SUSTAINABLE SITE

When we expand or update our Headquarters campus, we have used environmentally responsible features for energy consumption and recycling of materials. Our campus consists of 102 acres, which includes 42 acres of green space. We follow a holistic grounds management program that addresses the impacts of our hardscape, as well as sustainable landscaping initiatives to maintain our campus.

Using native plants and adapted species and conserving the natural habitat around our facility contributes to the quality of our environment and the beauty of our campus. A carpooling program for associates helps ease traffic congestion and pollution near our Fairfield, Ohio, headquarters. We reimburse the associate who drives \$1 per passenger each way and provide preferred parking to those who carpool.

### LEED® and ENERGY STAR® Certifications

Our 1.2 million square-foot Headquarters office building and 48,000 square-foot business continuity center are both LEED certified. The LEED (Leadership in Energy & Environmental Design) rating system is the recognized authority for measuring “green” buildings.

In 2015, the U.S. Green Building Council awarded LEED Silver certification for our Headquarters under the Existing Buildings: Operations & Maintenance rating system. The areas evaluated for the certification included water efficiency; energy and atmosphere; alternate commuting transportation; materials and resources; indoor environmental quality; and innovation in operations.

Our 48,000 square-foot business continuity center has been LEED Gold certified since 2010 when we completed a total renovation of a former grocery store.

Our Headquarters also earned its 2018 ENERGY STAR certification for superior energy performance driven by efforts to save energy, reduce pollution and increase efficiency. To receive this certification, commercial buildings must perform in the top 25 percent of similar buildings nationwide, based on key metrics such as energy performance, occupancy, hours of operation and more.





## ENERGY AND ATMOSPHERE

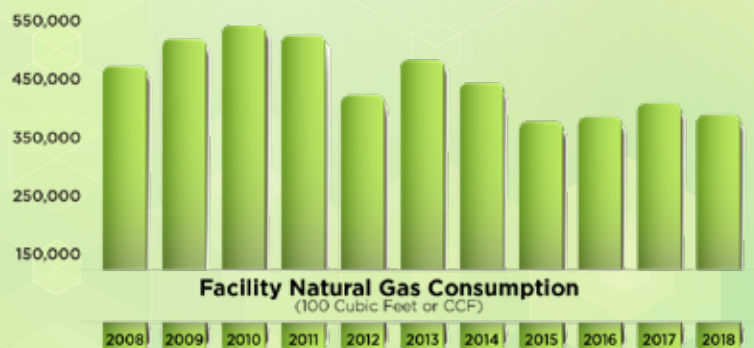
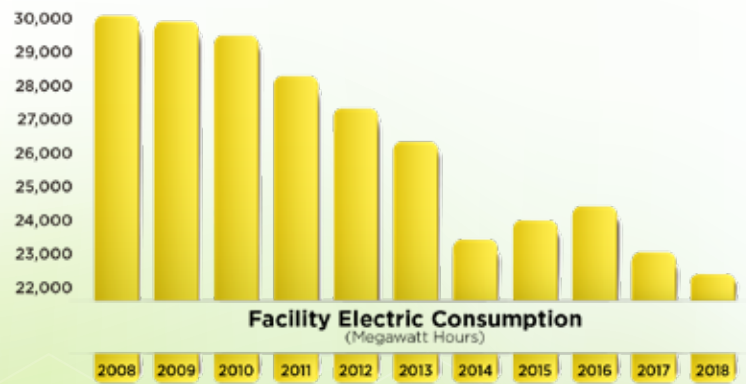
Being able to manage our energy consumption with greater precision and efficiency has helped us achieve a 25.5 percent reduction in annual electricity usage compared with 2008.

Some of the projects undertaken over the past 10 years include:

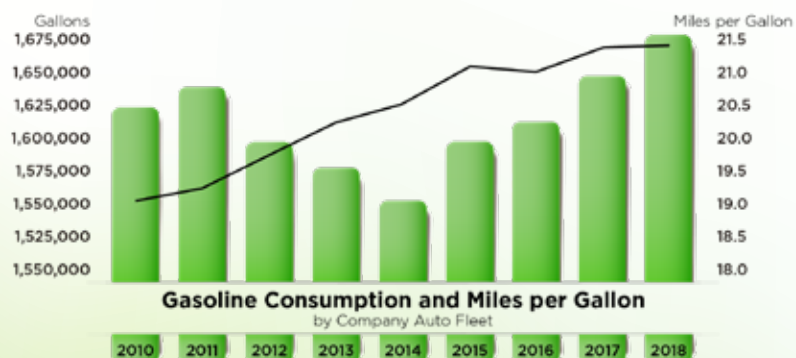
- installing occupancy sensors in many of our conference rooms to automatically adjust temperatures when the rooms are unoccupied
- programming building thermostats to reduce overall power consumption as well as chiller and boiler loads from 7 p.m. to 6 a.m.
- automating the shut-off of building lights during nonbusiness hours
- increasing the use of virtual servers in our data center
- upgrading office lighting to higher-efficiency LED bulbs as part of ongoing renovation projects and when replacing older, burnt-out light bulbs in areas not yet renovated
- adding energy-efficient window film in all exterior stairwells (approximately 17,000 square feet) to eliminate 79 percent of the solar gain in these areas
- replacing a 29-year-old chiller with a modern, high-efficiency model
- removing six old and inefficient air conditioning units from our data center and installing two larger capacity, high-efficiency units that are tied into our existing chilled water cooling system

Overall energy consumption since 2008, as indicated by the graphs above, shows an improving trend at our headquarters facility. While weather patterns influence consumption for purposes of facility heating and cooling, we believe a significant portion of the improvement is due to our environmental stewardship efforts.

Our electricity supplier, Duke Energy, offers an incentive rebate program, which we use to help fund future energy-related projects. We also have been a participant in demand response programs since 2013 and have successfully transferred our electrical load from the power grid to company generators during the required testing period. Such transfers, upon request by our electric supplier, can provide stability to the power grid and reduce the need for expansion of utility generation facilities.



In addition to reducing energy consumption, we improved 2018 fuel efficiency (miles per gallon) of our company automobile fleet by approximately 14 percent since 2010, reducing emissions as more fuel-efficient vehicles are added to the fleet and less efficient vehicles are retired from service. We added a gas-electric hybrid option to our fleet vehicle program in 2016 and currently offer the Ford Fusion Hybrid SE as our base model. Drivers selecting the Fusion Hybrid receive a credit to help offset the price difference between the traditional and hybrid models.



In terms of environmental disclosure, we continue to participate in the CDP climate change information request program (formerly the Carbon Disclosure Project). Responding companies are assessed across four consecutive levels: Disclosure, Awareness, Management and Leadership. Our 2018 score, which based on 2017 data, was “C”, which indicates successful completion of the Disclosure and Awareness levels.

During 2017, emissions from the fossil fuels used to heat our facilities and power vehicles in our company automobile fleet, in combination, were 4 percent lower than in 2010. Emissions during 2017 resulting from the generation of electricity used in our facilities declined 28 percent compared with 2010, which was the first year we tracked emissions from fossil fuels.

## MATERIALS AND RESOURCES

Recycling of paper, cardboard, cans and bottles continue to reflect our associates' efforts to find ways of incorporating environmental awareness into our daily operations. During 2018, we recycled: 546 tons of paper; 38 tons of cardboard; and 12 tons of aluminum cans and plastic bottles.

We are expanding recycling options in 2019 by integrating recycling bins into the design of community coffee stations that are located on each floor of our headquarters office buildings. We believe that making it more convenient to recycle will encourage even more associate participation.

Associates also organized an annual community shred day in conjunction with ARMA International, a nonprofit professional association for records managers and administrators. The 2018 event collected 6,200 pounds of paper for recycling.

In addition to these associate-led efforts, our corporate activity in the area of electronics recycling in 2018 included:

- recycling 16.5 tons of electronic equipment and one ton of printer toner
- donating 600 working computer monitors to organizations that provide help to local schools and communities

We focus on being environmentally responsible in our document printing operations and were recognized for achievement in waste reduction by ITU AbsorbTech, a supplier of reusable absorbent towels, after eliminating 548 pounds of industrial wiping towels in 2018. Also, as an eight-year member of the Forest Stewardship Council, we use paper that comes from mills with certified sustainability programs, including reforestation and chain of custody requirements. In addition, where practical and not cost-prohibitive, paper purchases are made with 10 to 30 percent post-consumer waste included.





Our initiatives to reduce the amount of paper we use are wide-ranging and have included eliminating old printers, fax machines and copiers in favor of centrally located multi-function devices capable of printing, copying, scanning and faxing documents. Our corporate paper usage has declined 11.5 percent since 2016.

### Go Paperless

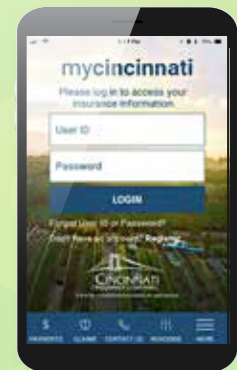
Beginning in 2017 and continuing in 2018, we intensified our efforts to encourage personal lines policyholders to go paperless and receive policy information via a secure online portal or through our mobile app for Android™ and Apple® devices. Converting policyholders to the paperless option eliminates the need to print and mail multi-page policy documents, avoiding postal mailing and related emissions.



Active promotion of paperless options for policyholders along with an improved and streamlined sign-up process at [cinfm.com/gopaperless](http://cinfm.com/gopaperless) is translating into a steady increase in the number of paperless accounts in our personal lines business. As of year-end 2018, nearly 11 percent of our personal lines policyholders had gone paperless.

### Mobile App and Digital Wallet

We also relaunched a new and improved mobile app for personal lines policyholders in April 2018. The MyCincinnatiSM app is available for Android and Apple devices and recent upgrades include fingerprint and facial recognition for easier sign in and the ability to make payments and obtain automobile ID cards without logging in.



Along with the mobile app, we introduced a digital wallet program in early 2018. Using Android and Apple devices, personal lines policyholders can view a statement summary and access their accounts. The digital wallet program supplements online payment, pay-by-phone and electronic funds transfer options. In 2018, about 72.8 percent of our personal lines accounts that are billed directly by Cincinnati Insurance were paid through our online and pay-by-phone options or by electronic funds transfer.

As a public company, we publish an annual report to shareholders, which includes our Form 10-K and a letter to shareholders, and our annual shareholder meeting notice and proxy statement. We have steadily decreased the number of copies that are printed and mailed as more shareholders choose to receive these materials electronically. Shareholders who opt for e-delivery enjoy quick access to information as well as reducing the amount of paper received and the environmental impact associated with U.S. postal mailings.



## INDOOR ENVIRONMENTAL QUALITY

We recognize that a quality indoor office environment increases productivity by keeping associates healthy and comfortable. While we are reviewing additional ways to assess the quality of our headquarters building environment, we have already improved the air quality by using a certified green janitorial service and prohibiting tobacco use on our campus.

In 2017, we began a multi-year, floor-by-floor renovation of the oldest of the three office buildings that comprise our headquarters. Built in 1985, floors that are renovated receive new LED lighting, carpeting and office furniture. Benefits of the renovation for indoor environmental quality include:

- air diffusers
- LEED-qualified office furniture
- increased natural lighting

## WATER EFFICIENCY

On an annual basis, the consumption of water that is evaporated through our condenser system cooling towers is 6 to 7 percent higher than the amount of water we use in our building's lavatories, kitchens and break areas.

We monitor the efficiency of our cooling tower operation very closely, including the quantity of blowdown, which is the amount of calcium and other dissolved solids that remain in the recirculating water. As the amount of blowdown becomes larger, scale can form in the system and the efficiency of cooling tower operations begins to slow down. Tight control of the blowdown helps us conserve water used by the chillers, air conditioners and other equipment. In addition, ongoing building renovation projects often include installation of more efficient lavatory and break room fixtures.

## DOING GREEN BUSINESS

A nationwide focus on environmental stewardship has influenced our business opportunities, including product development and service delivery.

Our Executive Capstone™ homeowner insurance policy automatically provides some coverage for the reasonable costs to repair or replace covered, damaged property with green alternatives. A Green Upgrade coverage endorsement is also available and offers broader benefits, such as coverage for green upgrade expenses after a covered loss.

We began offering a commercial property green endorsement in 2013. Our green endorsement provides policyholders with:

- additional coverage, at no additional charge, to cover the increased cost of repairing a building insured at replacement cost values with a current green certification
- coverage, at an additional premium charge, to repair a building not currently green certified using green materials and building techniques to help it qualify for green certification in the future

## A CLEANER TOMORROW

Working together, we'll expand our environmental stewardship program creating new initiatives to preserve the our resources and reduce waste. We'll update our report on a yearly basis to track the progress we've made and to share our ideas for a cleaner tomorrow.



## OUR COMMITMENT TO OUR ASSOCIATES AND COMMUNITIES

### What we believe

For nearly 70 years, the efforts and ideas of our associates have driven success for The Cincinnati Insurance Companies. Nearly 5,000 associates work for our company, processing business and serving our independent agents, policyholders, claimants and shareholders.

We are committed to attracting, developing and retaining individuals who have diverse backgrounds and education. Succession planning and talent recruitment continue to be a high priority as we develop the next generation of insurance leaders.

### Attracting the best talent

Our goal is to hire job candidates with promise, matching their strengths to positions within the company and providing resources to help them meet professional and personal goals. We use multiple channels to ensure we recruit a diverse workforce rich with ideas and knowledge:

- We work closely with recruiting departments and diversity and inclusion resources at local and regional colleges and universities.
- We offer a robust college internship program that attracts college students from all over the country and provides real-world work experience.
- We supplement in-house talent with experienced professionals from a variety of disciplines, including insurance.

Our recruiting style follows our business motto that *Action Speak Louder in Person*®. We encourage face-to-face interaction between job seekers and our associates at career fairs, information sessions, speaker panels or networking events. Doing so helps those interested in a future with Cincinnati Insurance learn firsthand what it's like to work for our company and in our industry.





## Developing our workforce

Grounded by a culture of life-long learning, we encourage associates to take advantage of training and learning opportunities to help develop specific expertise and skills. Our full-service Learning & Development department provides associates with educational opportunities via classroom events, web conferences, online classes and library resources.

Specific career tracks give associates a path forward to learn the skills they need to grow in their current position and pursue other company roles. A guidance and mentoring program is available for associates who are looking for direction in their professional careers. The program includes a personality assessment, customized development curriculum and a mentor to provide support and encouragement.

There are 34 insurance study programs and professional development courses where we cover the costs for testing and study materials upfront, which means no out-of-pocket expenses for associates. We also pay bonuses for passing exams and successful completion of many certification and designation programs.

Many associates choose to increase their insurance knowledge through The Institutes® – the leading provider of professional education for the risk management and property casualty insurance industry.

The Institutes offers more than 25 designations and the Certified Property Casualty Underwriter is the most extensive. Upon completion of this program, associates will have passed eight in-depth exams on topics including insurance law, accounting, risk management and ethics. We are proud to have 338 associates who have achieved their CPCU designation and another 139 who have completed at least two parts of the eight-part exam series. In addition to paying the testing fee and cost of study materials, associates receive a \$90 award for each CPCU part they pass and a \$935 award for attaining the designation. We also pay for new CPCU holders and their spouses to go to a CPCU Annual Conference.

Our wide array of education and training programs are supplemented by opportunities to participate in our Toastmasters International® clubs, which help build presentation and public speaking skills, and information technology user groups that meet regularly to share information on the latest technology and business trends.



## Retaining and engaging associates

In addition to competitive wages, we offer a variety of core benefits, such as health insurance, retirement savings, short-term and long-term disability and life insurance, as well as many special programs that appeal to associates while aligning with our corporate values.

**Health:** Our health insurance includes access to Health Savings Accounts and Flexible Spending Accounts. Associates enrolled in our health plan can participate in a free biometric screening – either onsite at our headquarters or with their personal physician. The screening helps associates learn about their health and identify risk factors while earning a company contribution into their Health Savings Account.

We also offer onsite prostate-specific antigen and mammography testing throughout the year to make it convenient for associates to have these important screenings. Headquarters associates can receive free face-to-face health and wellness counseling from a registered dietician and health coach located onsite at our headquarters.

**Retirement:** We offer all regular, full- and part-time associates the opportunity to participate in the CFC Savings Plan, our 401(k) plan managed by Fidelity® Investments.

Most associates who qualify for the CFC Savings Plan also qualify for the company matching contribution, which means that the amount an associate contributes is matched dollar for dollar, up to 6 percent, by the company. Our 401(k) offers a wide range of investing options as well as opportunities to meet one-on-one with financial planning professionals.

**Cash bonus:** All full-time associates are eligible for an annual cash bonus based on our ability as a company to work together to create value for shareholders. The bonus depends on multiple factors, including our company's financial performance, how we are performing compared to peer companies and individual associate merit ratings. Company performance information is published on our intranet and discussed in quarterly town hall meetings for all associates.

**Company Stock Ownership:** Associates have unique opportunities to own and purchase shares of Cincinnati Financial stock and build long-term wealth through the Holiday Stock Plan, Equity Compensation and the Stock Loan program.

**Holiday Stock Plan:** Each year all regular, full-time associates – salaried and hourly – are awarded one share of stock for each full calendar year of service, up to 10 shares through our Holiday Stock Plan. Associates may choose to hold or sell these shares.



**Equity Compensation:** Our board of directors historically has granted annual stock-based compensation to full-time, salaried associates in the form of stock options and restricted stock units. Stock options begin to vest after one year of continuous employment with our company. Restricted stock units vest three years from the date of the award assuming continuous employment with the company. When restricted stock units vest, they are converted to shares of Cincinnati Financial stock and deposited in the associate's shareholder account. The associate is only responsible for paying related tax – the shares themselves are given at no cost to the associate.



**Stock Loan:** All nonofficer associates – whether full-time, part-time, salaried or hourly – can participate in our interest-free stock loan program. In this program, an associate can borrow up to \$3,000 interest-free to purchase shares of Cincinnati Financial stock. The loan is repaid through payroll deductions over a period of up to three years.



We have many other programs that help associates enjoy their time in the office as well as their time away from work, such as:

- Daily lunch stipend for our company's dining room, which can be applied toward the cost of soups, sandwiches, salad, hot entrees, snacks and beverages.
- On-site fitness classes at lunch and after work
- Lunchtime learning sessions on various wellness topics
- Access to free and discounted tickets for local Cincinnati sporting and arts events
- Four free tickets twice a year to the Cincinnati Zoo
- Use of a company condominium in Fort Walton Beach, Florida
- Annual company picnic and day at Kings Island Amusement Park and discounts on season passes
- Dry cleaning pickup and delivery at the headquarters office
- Discounted pricing from companies who provide computers, software, car purchase and rental, airport parking, cell phone service and weight loss programs



## Supporting our communities

Located in the northwest suburbs of Cincinnati, Ohio, we are the largest employer in the city of Fairfield and the second-largest in Butler County. Approximately 66 percent, or 3,300, of our associates are based at our headquarters campus and support more than 1,700 field associates who live and work in our agents' local communities. We pay nearly \$5 million in annual local payroll taxes to the city of Fairfield, contributing to a vibrant community with high-quality resources for those who live and work in the area. In addition, we participate in a variety of annual charitable campaigns while associates give their time to numerous nonprofit organizations in the communities where we live and work.

**United Way:** Since 1994, our company has proudly partnered with United Way, the nation's leading community solutions provider. We consistently rank among the top 25 campaign donors to the United Way of Greater Cincinnati. Associates participate in a variety of activities over a two-week period, including a carnival day, bake sale, car wash and Make a Difference Day and contribute through pledges and the purchase of raffle tickets.

**ArtsWave:** Greater Cincinnati's local arts agency and the nation's first and largest community campaign for the arts supports more than 100 arts and community organizations. Since 1976, our associates have supported ArtsWave by participating in various art-related contests, including a competition that includes artwork from the children of associates.

**Insuring the Children:** In 1998, associates from our company helped form Insuring the Children, the united effort of the Southern Ohio and Northern Kentucky insurance industry to raise awareness of child abuse and neglect. ITC supports social agencies that provide prevention programs, emergency care and other assistance to abused and neglected children in Ohio, Indiana and Kentucky. Each year, volunteers from our company organize a Fall Fundraiser that includes a book sale and raffle. We also donate 25 percent of the proceeds from our paper recycling program to ITC each month.



**Crayons to Computers:** In the 2018 Corporate Crayon Challenge, Cincinnati Insurance and four other local companies competed to collect 50,000 24-count boxes of Crayola® crayons to support Crayons to Computers – a nonprofit organization that provides school supplies to 600 schools in the Cincinnati area. Our associates participated wholeheartedly in this friendly competition, donating 15,776 boxes of crayons in 2018, up 35 percent from 11,699 boxes of crayons we collected in 2017. We also contribute old and unused company office supplies to the organization throughout the year.



**Hoxworth Blood Center:** For more than 20 years, we have hosted regular blood drives for associates at our headquarters. Hoxworth Blood Center, University of Cincinnati Medical Center, is the only blood center for the greater Cincinnati area, serving a 17-county area in Ohio, Kentucky and Indiana.



**Volunteer Council:** An associate-led Volunteer Council organizes support for various initiatives, including the Corporate Crayon Challenge, an annual holiday food drive and Ride Cincinnati, an event that benefits cancer research at the University of Cincinnati. The Volunteer Council also recognizes associates who graciously give their time and resources in their local communities by publishing quarterly profiles of associates and the organizations they volunteer with including:

- The Joe Nuxhall Miracle League
- Pink Ribbon Girls
- LuvForMutts Animal Rescue
- 4-H
- Interfaith Hospitality Network of Greater Cincinnati
- Shelterhouse
- Stray Animal Adoption Program (SAAP)

In 2018, the Volunteer Council awarded a \$5,000 grant to a local nonprofit of their choice. After considering many local organizations, they selected Clovernook Center for the Blind. Clovernook promotes self-sufficiency for the blind and visually impaired and offers a variety of enrichment services, including vision care, independent living, employment training and recreation and youth programs.



From left: Amy Gray, Jill Garland, Marcie Caudill, Chris Faust (President & CEO, Clovernook) and Gina Spradling.

## Measuring engagement

Engaged associates are high performers who are focused, productive, enthusiastic, committed to service and passionate about working toward an organization's goals. Through two-way communication, training, goal setting and measurement, we've worked to encourage engagement within our company.

In 2015, we conducted our first Touchpoint survey to measure the effectiveness of our efforts and to make plans for future initiatives by giving associates the opportunity to provide feedback. After three years of annual surveys, we decided in 2018 to survey every other year to allow us more time to consider and respond to associate suggestions in significant ways.

We also ask associates to complete our annual Manager Survey, which helps us evaluate a manager's performance and is used as a basis for future training and opportunities to improve.





# OUR COMMITMENT TO GOVERNANCE AND ETHICAL OPERATIONS

## What we believe

Our company’s mission is to grow profitably and enhance the ability of local independent insurance agents to deliver quality financial protection to the people and businesses they serve. As we work to fulfill our mission, our business model is grounded by our determination to operate ethically and treat people the way we would want to be treated.



Our Business Model

## Governing with integrity

The board of directors of the Cincinnati Financial Corporation includes 14 directors, 10 of whom are independent. Each director brings extensive management and leadership experience gained through service as executives and, in several cases, chief executive officers of diverse businesses. In addition, each director has civic and community involvement that mirrors our company’s values emphasizing personal service, relationships and local decision making. All of our directors are elected annually at the Annual Shareholder Meeting.

Our primary governance policies and practices are included in our Corporate Governance Guidelines, Code of Ethics for Senior Financial Officers and Code of Conduct for all associates. These documents are available on [cinfin.com/investors](http://cinfin.com/investors) and are reviewed annually by nominating committee of the board.

## Operating with purpose

Our company fosters integrity, responsibility and active engagement, well beyond any requirements, guidelines or rules. We refer to the core set of values we have practiced over the years as “The Cincinnati Ethic.” These values are the foundation for the specific principles and practical guidelines detailed in our Code of Conduct and Code of Ethics for Senior Financial Managers.

### The Cincinnati Ethic

***We put people first.*** Insurance serves people, and when it serves well, profits follow. Relationships, not transactions, are our building blocks.

***We live the Golden Rule every day.*** It guides us as we interact with each other, with agents, policyholders and claimants, investors, peer companies and suppliers. We respect and serve others. It is our privilege to listen and respond genuinely to ideas and concerns, to recognize and honor each other’s talents, efforts, motives, interests and potential. Within and across departments and assignments, we team with others who complement our strengths and offset our shortcomings, expecting no less of us in return.

***We invest in ourselves and one another.*** We welcome lifelong learning that leads to excellence in personal and professional performance. Our true leaders are those at all levels of our organization who model this excellence, passing on their knowledge, skills and good judgment to others. We allow mistakes, and we learn from them. We anticipate the need for change, setting the stage so our personal and company capabilities can evolve within a stable environment.

***We make the effort to do the little things that make a big difference.*** This means the extra step we take to assure quality or to respond fully and promptly, the attention we pay to daily opportunities for thrift, the moment it takes to make a thoughtful comment of encouragement or instruction – these add up to the Cincinnati difference.

***We believe long-term financial stability is an attainable goal.*** We fully accept our responsibility to be a steady, fair and responsible employer, insurance carrier and corporate citizen. This means it’s our job to create long-term value for those who invest their time, efforts, funds or trust in our organization. Further, we believe we owe our stakeholders open and honest discussion of our financial condition and decisions.

***We know the risks we accept and work to manage them effectively.*** Every new relationship with an associate, agent, policyholder, claimant, investor, security issuer or supplier is a source of both risk and reward. It’s up to each of us to study both sides of that equation, applying our work ethic, technical skills and best judgment to turn risk into reward. We recognize that healthy competition contributes to this process.

***We think it’s important to be where our customers are.*** The local people who represent us within their communities are the source of the responsiveness that differentiates us. Their daily actions achieve selectivity, flexibility and customization, branding us as the company for agents and policyholders who embrace value propositions and reject commoditized approaches. Their specific knowledge, flexibility and local decision-making can never be replaced by any survey, focus group, committee report, objective study or conventional wisdom. Our headquarters operation supports our field operation, not vice versa.

***We pay claims.*** The Cincinnati Insurance Companies are in the business of helping people recover financially after losses, working to preserve their dignity in the process. We believe that we will prosper as a company by responding to claims person to person, paying what is due under each policy, preventing false claims from unfairly adding to overall premiums and building financial strength to meet future obligations.

## Managing enterprise risk

We manage enterprise risk through formal risk management programs overseen by our chief risk officer, an executive officer of the company. Our framework includes an enterprise risk management committee, comprised of senior executive-level risk owners from across the company. Supporting the committee is a team of representatives focused on identifying, evaluating and developing risk plans for emerging risks. Our risk management programs include a formalized risk appetite element and a risk identification and quantification process.

A comprehensive ERM report is provided quarterly to our chairman, our president and chief executive officer, our board of directors and our senior executive team on the status of risk metrics relative to identified tolerances and limits, risk assessments and risk plans. Our use of operational audits, strategic plans and departmental business plans, as well as our culture of open communications and our fundamental respect for our Code of Conduct, continue to help us manage risks on an ongoing basis.



We continue to study emerging risks, including climate-change risk and its potential financial effects on our results of operation and on those we insure. These effects include deterioration in the credit quality of our municipal or corporate bond portfolios and increased losses without sufficient corresponding increases in premiums. As with any risk, we seek to identify the extent of the risk exposure and possible actions to mitigate potential negative effects of risk at an enterprise level.

### Solid foundation for future success

Our business model is built on a foundation of ethical behavior and financial strength. We are proud that four independent insurance financial strength ratings agencies (A.M. Best, S&P Global Ratings, Fitch Ratings and Moody's Investors Service) acknowledge our ability to meet financial obligations to policyholders.

### Cincinnati Financial Corporation and Insurance Subsidiary Ratings\*

December 31, 2018

	Parent company senior debt rating	Financial strength ratings						Outlook
		Standard market property casualty insurance subsidiaries		Life insurance subsidiary		Excess and surplus lines insurance subsidiary		
A.M. Best Company <i>ambest.com</i>	a-	A+	Superior	A	Excellent	A+	Superior	Stable/ Positive/Stable
Fitch Ratings <i>fitchratings.com</i>	A-	A+	Strong	A+	Strong	-	-	Stable
Moody's Investors Service <i>moodys.com</i>	A3	A1	Good	-	-	-	-	Positive
S&P Global Ratings <i>spratings.com</i>	BBB+	A+	Strong	A+	Strong	-	-	Stable

\*Best's ratings are under continuous review and subject to change and/or affirmation. To confirm the current rating, please visit [ambest.com](http://ambest.com).

For the latest ratings, please refer to the Financial Strength Ratings at [cinfin.com](http://cinfin.com) or at the web addresses listed above.

With financial strength, stability and ethical behavior, our future is bright as we continue to serve agents, help people recover financially after losses and build value for shareholders. We look forward to reporting our progress to you next year.

## MAILING ADDRESS

P.O. Box 145496  
Cincinnati, Ohio 45250-5496

## STREET ADDRESS

6200 South Gilmore Road  
Fairfield, Ohio 45014-5141

Phone: 888-242-8811 or 513-870-2000  
Email: [cfc\\_corporate@cinfin.com](mailto:cfc_corporate@cinfin.com)  
Web: [cinfin.com](http://cinfin.com)

