UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2023.

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ____________________ to ____________________.

Commission file number 0-4604

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Ohio	31-0746871
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6200 S. Gilmore Road, Fairfield, Ohio	45014-5141
(Address of principal executive offices)	(Zip code)

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

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	CINF	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☑Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☑Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☑ Large accelerated filer ☐ Accelerated filer ☐ Nonaccelerated filer ☐ Smaller reporting company

☐ Emerging growth company

☐ If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

☐Yes ☑ No

As of July 21, 2023, there were 156,856,162 shares of common stock outstanding.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTER ENDED June 30, 2023

TABLE OF CONTENTS

Part I – Financial Information

Item 1. Financial Statements (unaudited)

Cincinnati Financial Corporation and Subsidiaries
Condensed Consolidated Balance Sheets

(Dollars in millions, except per share data)	June 30, 2023	December 31, 2022
Assets		
Investments		
Fixed maturities, at fair value (amortized cost: 2023—$13,708; 2022—$12,979)	**$ 12,870**	$ 12,132
Equity securities, at fair value (cost: 2023—$4,382; 2022—$4,294)	**10,502**	9,841
Other invested assets	**507**	452
Total investments	**23,879**	22,425
Cash and cash equivalents	**748**	1,264
Investment income receivable	**163**	160
Finance receivable	**98**	92
Premiums receivable	**2,749**	2,322
Reinsurance recoverable	**694**	665
Prepaid reinsurance premiums	**95**	51
Deferred policy acquisition costs	**1,109**	1,013
Land, building and equipment, net, for company use (accumulated depreciation: 2023—$329; 2022—$322)	**198**	202
Other assets	**708**	646
Separate accounts	**911**	892
Total assets	**$ 31,352**	$ 29,732
Liabilities		
Insurance reserves		
Loss and loss expense reserves	**$ 8,873**	$ 8,400
Life policy and investment contract reserves	**3,038**	3,015
Unearned premiums	**4,222**	3,689
Other liabilities	**1,253**	1,229
Deferred income tax	**1,158**	1,054
Note payable	**25**	50
Long-term debt and lease obligations	**842**	841
Separate accounts	**911**	892
Total liabilities	**20,322**	19,170
Commitments and contingent liabilities (Note 12)		
Shareholders' Equity		
Common stock, par value—$2 per share; (authorized: 2023 and 2022—500 million shares; issued: 2023 and 2022—198.3 million shares)	**397**	397
Paid-in capital	**1,410**	1,392
Retained earnings	**12,235**	11,711
Accumulated other comprehensive income	**(626)**	(614)
Treasury stock at cost (2023—41.5 million shares and 2022—41.2 million shares)	**(2,386)**	(2,324)
Total shareholders' equity	**11,030**	10,562
Total liabilities and shareholders' equity	**$ 31,352**	$ 29,732

Accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Cincinnati Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Income

(Dollars in millions, except per share data)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenues				
Earned premiums	**$ 1,943**	$ 1,773	**$ 3,861**	$ 3,466
Investment income, net of expenses	**220**	195	**430**	380
Investment gains and losses, net	**434**	(1,154)	**540**	(1,820)
Fee revenues	**6**	3	**10**	7
Other revenues	**2**	3	**5**	5
Total revenues	**2,605**	820	**4,846**	2,038
Benefits and Expenses				
Insurance losses and contract holders' benefits	**1,340**	1,322	**2,738**	2,354
Underwriting, acquisition and insurance expenses	**579**	533	**1,135**	1,053
Interest expense	**13**	13	**27**	26
Other operating expenses	**7**	5	**12**	9
Total benefits and expenses	**1,939**	1,873	**3,912**	3,442
Income (Loss) Before Income Taxes	**666**	(1,053)	**934**	(1,404)
Provision (Benefit) for Income Taxes				
Current	**51**	30	**67**	71
Deferred	**81**	(265)	**108**	(391)
Total provision (benefit) for income taxes	**132**	(235)	**175**	(320)
Net Income (Loss)	**$ 534**	$ (818)	**$ 759**	$ (1,084)
Per Common Share				
Net income (loss)—basic	**$ 3.40**	$ (5.12)	**$ 4.83**	$ (6.77)
Net income (loss)—diluted	**3.38**	(5.12)	**4.80**	(6.77)

Accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Cincinnati Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Net Income (Loss)	**$ 534**	$ (818)	**$ 759**	$ (1,084)
Other Comprehensive Income (Loss)				
Change in unrealized gains and losses on investments, net of tax (benefit) of $(32), $(127), $3 and $(284), respectively	**(122)**	(483)	**6**	(1,072)
Amortization of pension actuarial loss and prior service cost, net of tax (benefit) of $(1), $0, $(2) and $0, respectively	**—**	—	**(5)**	—
Change in life policy reserves, reinsurance recoverable and other, net of tax (benefit) of $6, $38, $(3) and $79, respectively	**23**	143	**(13)**	298
Other comprehensive income (loss)	**(99)**	(340)	**(12)**	(774)
Comprehensive Income (Loss)	**$ 435**	$ (1,158)	**$ 747**	$ (1,858)

Accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Cincinnati Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Common Stock				
Beginning of period	**$ 397**	$ 397	**$ 397**	$ 397
Share-based awards	**—**	—	**—**	—
End of period	**397**	397	**397**	397
Paid-In Capital				
Beginning of period	**1,398**	1,354	**1,392**	1,356
Share-based awards	**—**	2	**(6)**	(12)
Share-based compensation	**10**	9	**22**	20
Other	**2**	2	**2**	3
End of period	**1,410**	1,367	**1,410**	1,367
Retained Earnings				
Beginning of period	**11,818**	12,258	**11,711**	12,625
Cumulative effect of change in accounting for long-duration insurance contracts (Note 1)	**—**	—	**—**	10
Adjusted beginning of period	**11,818**	12,258	**11,711**	12,635
Net income (loss)	**534**	(818)	**759**	(1,084)
Dividends declared	**(117)**	(109)	**(235)**	(220)
End of period	**12,235**	11,331	**12,235**	11,331
Accumulated Other Comprehensive Income (Loss)				
Beginning of period	**(527)**	(138)	**(614)**	648
Cumulative effect of change in accounting for long-duration insurance contracts (Note 1)	**—**	—	**—**	(352)
Adjusted beginning of period	**(527)**	(138)	**(614)**	296
Other comprehensive loss	**(99)**	(340)	**(12)**	(774)
End of period	**(626)**	(478)	**(626)**	(478)
Treasury Stock				
Beginning of period	**(2,345)**	(1,959)	**(2,324)**	(1,921)
Share-based awards	**—**	3	**7**	12
Shares acquired - share repurchase authorization	**(42)**	(151)	**(67)**	(196)
Shares acquired - share-based compensation plans	**—**	(6)	**(3)**	(8)
Other	**1**	1	**1**	1
End of period	**(2,386)**	(2,112)	**(2,386)**	(2,112)
Total Shareholders' Equity	**$ 11,030**	$ 10,505	**$ 11,030**	$ 10,505
(In millions, except per common share)				
Common Stock - Shares Outstanding				
Beginning of period	**157.2**	160.3	**157.1**	160.3
Share-based awards	**—**	0.1	**0.3**	0.5
Shares acquired - share repurchase authorization	**(0.4)**	(1.2)	**(0.6)**	(1.6)
End of period	**156.8**	159.2	**156.8**	159.2
Dividends declared per common share	**$ 0.75**	$ 0.69	**$ 1.50**	$ 1.38

Accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

Cincinnati Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(Dollars in millions)	Six months ended June 30, 2023	2022
Cash Flows From Operating Activities		
Net income (loss)	**$ 759**	$ (1,084)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	**74**	78
Investment gains and losses, net	**(526)**	1,829
Interest credited to contract holders	**21**	23
Deferred income tax expense	**108**	(391)
Changes in:		
Premiums and reinsurance receivable	**(504)**	(427)
Deferred policy acquisition costs	**(96)**	(130)
Other assets	**(17)**	(29)
Loss and loss expense reserves	**473**	364
Life policy and investment contract reserves	**56**	38
Unearned premiums	**533**	596
Other liabilities	**(27)**	(31)
Current income tax receivable/payable	**(29)**	(81)
Net cash provided by operating activities	**825**	755
Cash Flows From Investing Activities		
Sale, call or maturity of fixed maturities	**581**	702
Sale of equity securities	**4**	178
Purchase of fixed maturities	**(1,313)**	(942)
Purchase of equity securities	**(97)**	(218)
Changes in finance receivables	**(6)**	11
Investment in building and equipment	**(8)**	(8)
Change in other invested assets, net	**(81)**	(47)
Net cash used in investing activities	**(920)**	(324)
Cash Flows From Financing Activities		
Payment of cash dividends to shareholders	**(223)**	(208)
Shares acquired - share repurchase authorization	**(66)**	(196)
Changes in note payable	**(25)**	(10)
Proceeds from stock options exercised	**6**	6
Contract holders' funds deposited	**45**	34
Contract holders' funds withdrawn	**(113)**	(62)
Other	**(45)**	(36)
Net cash used in financing activities	**(421)**	(472)
Net change in cash and cash equivalents	**(516)**	(41)
Cash and cash equivalents at beginning of year	**1,264**	1,139
Cash and cash equivalents at end of period	**$ 748**	$ 1,098
Supplemental Disclosures of Cash Flow Information:		
Interest paid	**$ 27**	$ 26
Income taxes paid	**79**	142
Noncash Activities		
Equipment acquired under finance lease obligations	**$ 4**	$ 6
Share-based compensation	**13**	24
Other assets and other liabilities	**65**	180

Accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 — Accounting Policies

The condensed consolidated financial statements include the accounts of Cincinnati Financial Corporation and its consolidated subsidiaries, each of which is wholly owned. These statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP). All intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Our actual results could differ from those estimates. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been condensed or omitted.

Our June 30, 2023, condensed consolidated financial statements are unaudited. We believe that we have made all adjustments, consisting only of normal recurring accruals, that are necessary for fair presentation. These condensed consolidated financial statements should be read in conjunction with our consolidated financial statements included in our 2022 Annual Report on Form 10-K. The results of operations for interim periods do not necessarily indicate results to be expected for the full year.

Adopted Accounting Updates

ASU 2018-12, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. ASU 2018-12 requires changes to the measurement and disclosure of long-duration insurance contracts. In November 2020, the FASB issued an ASU that delayed the effective date of ASU 2018-12 to interim and annual reporting periods beginning after December 15, 2022.

Related to the company's term and whole life products included in life policy and investment contract reserves, the new guidance requires that cash flow assumptions be reviewed at least annually to determine any necessary updates. Additionally, the discount rate assumption is required to be updated quarterly based on upper-medium grade fixed-income instrument yields (market value discount rates). The life policy and investment contract reserves balance is adjusted through insurance losses and contract holders' benefits for cash flow assumption updates and through accumulated other comprehensive income (AOCI) for discount rate updates.

These ASUs also amend the previous guidance related to life deferred policy acquisition costs by requiring amortization of those costs on a constant level basis for a group of contracts that approximates straight-line and the removal of shadow deferred policy acquisition costs for universal life and deferred annuity products. These ASUs also require entities to provide additional disclosures including disaggregated rollforwards of the life policy and investment contract reserves, separate account liabilities and life deferred policy acquisition costs.

We adopted these ASUs on a modified retrospective basis on January 1, 2023, resulting in an after-tax increase to shareholders' equity of $31 million.

Table of Contents

The following table illustrates the effect of adopting ASU 2018-12 in the condensed consolidated balance sheets:

(Dollars in millions)	**June 30, 2023**	December 31, 2022		
		As originally reported	As adjusted	Difference
Reinsurance recoverable	**$ 694**	$ 640	$ 665	$ 25
Prepaid reinsurance premiums	**95**	79	51	(28)
Deferred policy acquisition costs	**1,109**	1,014	1,013	(1)
Total assets	**31,352**	29,736	29,732	(4)
Life policy and investment contract reserves	**3,038**	3,059	3,015	(44)
Deferred income tax	**1,158**	1,045	1,054	9
Total liabilities	**20,322**	19,205	19,170	(35)
Retained earnings	**12,235**	11,702	11,711	9
Accumulated other comprehensive income	**(626)**	(636)	(614)	22
Total shareholders' equity	**11,030**	10,531	10,562	31
Total liabilities and shareholders' equity	**31,352**	29,736	29,732	(4)

The following table illustrates the effect of adopting ASU 2018-12 in the condensed consolidated statements of income and condensed consolidated statements of comprehensive income:

(Dollars in millions, except per share data)	Three months ended June 30,			
	2023	2022		
		As originally reported	As adjusted	Difference
Earned premiums	**$ 1,943**	$ 1,773	$ 1,773	$ —
Insurance losses and contract holders' benefits	**1,340**	1,309	1,322	13
Underwriting, acquisition and insurance expenses	**579**	534	533	(1)
Deferred income tax expense	**81**	(263)	(265)	(2)
Net Income (Loss)	**534**	(808)	(818)	(10)
Change in life policy reserves, reinsurance recoverable and other, net of tax	**23**	1	143	142
Other comprehensive income (loss)	**(99)**	(482)	(340)	142
Comprehensive Income (Loss)	**435**	(1,290)	(1,158)	132
Net income (loss) per share:				
Basic	**$ 3.40**	$ (5.06)	$ (5.12)	$ (0.06)
Diluted	**3.38**	(5.06)	(5.12)	(0.06)

(Dollars in millions, except per share data)	Six months ended June 30,			
	2023	2022		
		As originally reported	As adjusted	Difference
Earned premiums	**$ 3,861**	$ 3,463	$ 3,466	$ 3
Insurance losses and contract holders' benefits	**2,738**	2,348	2,354	6
Underwriting, acquisition and insurance expenses	**1,135**	1,053	1,053	—
Deferred income tax expense	**108**	(391)	(391)	—
Net Income (Loss)	**759**	(1,081)	(1,084)	(3)
Change in life policy reserves, reinsurance recoverable and other, net of tax	**(13)**	1	298	297
Other comprehensive income (loss)	**(12)**	(1,071)	(774)	297
Comprehensive Income (Loss)	**747**	(2,152)	(1,858)	294
Net income (loss) per share:				
Basic	**$ 4.83**	$ (6.76)	$ (6.77)	$ (0.01)
Diluted	**4.80**	(6.76)	(6.77)	(0.01)

The adoption of ASU 2018-12 did not have a material impact on the company's condensed consolidated cash flows.

NOTE 2 – Investments

The following table provides amortized cost, gross unrealized gains, gross unrealized losses and fair value for our fixed-maturity securities:

(Dollars in millions) **At June 30, 2023**	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed-maturity securities:				
Corporate	**$ 7,719**	**$ 39**	**$ 608**	**$ 7,150**
States, municipalities and political subdivisions	**4,951**	**23**	**262**	**4,712**
Government-sponsored enterprises	**582**	**—**	**8**	**574**
Commercial mortgage-backed	**227**	**—**	**17**	**210**
United States government	**209**	**—**	**5**	**204**
Foreign government	**20**	**—**	**—**	**20**
Total	**$ 13,708**	**$ 62**	**$ 900**	**$ 12,870**
At December 31, 2022				
Fixed-maturity securities:				
Corporate	$ 7,412	$ 37	$ 580	$ 6,869
States, municipalities and political subdivisions	4,901	24	303	4,622
Government-sponsored enterprises	186	—	3	183
Commercial mortgage-backed	250	—	16	234
United States government	196	—	5	191
Foreign government	34	—	1	33
Total	$ 12,979	$ 61	$ 908	$ 12,132

The net unrealized investment losses in our fixed-maturity portfolio at June 30, 2023, are primarily due to an increase in U.S. Treasury yields and a widening of corporate credit spreads. Our commercial mortgage-backed securities had an average rating of Aa2/AA- at June 30, 2023, and December 31, 2022.

The table below provides fair values and gross unrealized losses by investment category and by the duration of the securities' continuous unrealized loss positions:

(Dollars in millions)	Less than 12 months		12 months or more		Total	
At June 30, 2023	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed-maturity securities:						
Corporate	**$ 2,133**	**$ 94**	**$ 4,347**	**$ 514**	**$ 6,480**	**$ 608**
States, municipalities and political subdivisions	**1,042**	**11**	**1,897**	**251**	**2,939**	**262**
Government-sponsored enterprises	**502**	**6**	**32**	**2**	**534**	**8**
Commercial mortgage-backed	**1**	**—**	**208**	**17**	**209**	**17**
United States government	**144**	**2**	**60**	**3**	**204**	**5**
Foreign government	**15**	**—**	**—**	**—**	**15**	**—**
Total	**$ 3,837**	**$ 113**	**$ 6,544**	**$ 787**	**$ 10,381**	**$ 900**
At December 31, 2022						
Fixed-maturity securities:						
Corporate	$ 5,651	$ 412	$ 661	$ 168	$ 6,312	$ 580
States, municipalities and political subdivisions	2,600	274	77	29	2,677	303
Government-sponsored enterprises	123	3	3	—	126	3
Commercial mortgage-backed	215	13	14	3	229	16
United States government	146	3	41	2	187	5
Foreign government	25	1	4	—	29	1
Total	$ 8,760	$ 706	$ 800	$ 202	$ 9,560	$ 908

Contractual maturity dates for fixed-maturities securities were:

(Dollars in millions) At June 30, 2023	Amortized cost	Fair value	% of fair value
Maturity dates:			
Due in one year or less	$ 772	$ 766	6.0 %
Due after one year through five years	4,348	4,179	32.5
Due after five years through ten years	3,508	3,312	25.7
Due after ten years	5,080	4,613	35.8
Total	$ 13,708	$ 12,870	100.0 %

Actual maturities may differ from contractual maturities when there is a right to call or prepay obligations with or without call or prepayment penalties.

The following table provides investment income and investment gains and losses, net:

(Dollars in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Investment income:				
Interest	$ 147	$ 124	$ 287	$ 247
Dividends	70	72	136	137
Other	6	2	13	3
Total	223	198	436	387
Less investment expenses	3	3	6	7
Total	$ 220	$ 195	$ 430	$ 380
Investment gains and losses, net:				
Equity securities:				
Investment gains and losses on securities sold, net	$ —	$ 5	$ (4)	$ 37
Unrealized gains and losses on securities still held, net	459	(1,175)	568	(1,882)
Subtotal	459	(1,170)	564	(1,845)
Fixed-maturity securities:				
Gross realized gains	—	2	1	6
Gross realized losses	—	(2)	(1)	(3)
Write-down of impaired securities with intent to sell	(4)	—	(4)	—
Subtotal	(4)	—	(4)	3
Other	(21)	16	(20)	22
Total	$ 434	$ (1,154)	$ 540	$ (1,820)

The fair value of our equity portfolio was $10.502 billion and $9.841 billion at June 30, 2023, and December 31, 2022, respectively. Apple Inc. (Nasdaq:AAPL), an equity holding, was our largest single investment holding with a fair value of $892 million and $597 million, which was 8.8% and 6.3% of our publicly traded common equities portfolio and 3.8% and 2.7% of the total investment portfolio at June 30, 2023, and December 31, 2022, respectively.

The allowance for credit losses was $4 million and $1 million at June 30, 2023, and December 31, 2022, respectively. Changes in the allowance were $3 million for both the three and six months ended June 30, 2023 and less than $1 million for both the three and six months ended June 30, 2022.

There were 3,452 fixed-maturity securities with a total unrealized loss of $900 million, which were in an unrealized loss position at June 30, 2023. Of that total, 23 fixed-maturity securities had fair values below 70% of amortized cost. There were 3,272 fixed-maturity securities with a total unrealized loss of $908 million, which were in an unrealized loss position at December 31, 2022. Of that total, 49 fixed-maturity securities had fair values below 70% of amortized cost.

NOTE 3 – Fair Value Measurements

In accordance with accounting guidance for fair value measurements and disclosures, we categorized our financial instruments, based on the priority of the observable and market-based data for the valuation technique used, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices with readily available independent data in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3). When various inputs for measurement fall within different levels of the fair value hierarchy, the lowest observable input that has a significant impact on fair value measurement is used. Our valuation techniques have not changed from those used at December 31, 2022, and ultimately management determines fair value. See our 2022 Annual Report on Form 10-K, Item 8, Note 3, Fair Value Measurements, Page 137, for information on characteristics and valuation techniques used in determining fair value.

Fair Value Disclosures for Assets

The following tables illustrate the fair value hierarchy for those assets measured at fair value on a recurring basis at June 30, 2023, and December 31, 2022. We do not have any liabilities carried at fair value.

(Dollars in millions)				
At June 30, 2023	Level 1	Level 2	Level 3	Total
Fixed maturities, available for sale:				
Corporate	**$ —**	**$ 7,150**	**$ —**	**$ 7,150**
States, municipalities and political subdivisions	**—**	**4,712**	**—**	**4,712**
Government-sponsored enterprises	**—**	**574**	**—**	**574**
Commercial mortgage-backed	**—**	**210**	**—**	**210**
United States government	**204**	**—**	**—**	**204**
Foreign government	**—**	**20**	**—**	**20**
Subtotal	**204**	**12,666**	**—**	**12,870**
Common equities	**10,124**	**—**	**—**	**10,124**
Nonredeemable preferred equities	**—**	**378**	**—**	**378**
Separate accounts taxable fixed maturities	**—**	**837**	**—**	**837**
Top Hat savings plan mutual funds and common equity (included in Other assets)	**62**	**—**	**—**	**62**
Total	**$ 10,390**	**$ 13,881**	**$ —**	**$ 24,271**
At December 31, 2022				
Fixed maturities, available for sale:				
Corporate	$ —	$ 6,869	$ —	$ 6,869
States, municipalities and political subdivisions	—	4,622	—	4,622
Government-sponsored enterprises	—	183	—	183
Commercial mortgage-backed	—	234	—	234
United States government	191	—	—	191
Foreign government	—	33	—	33
Subtotal	191	11,941	—	12,132
Common equities	9,454	—	—	9,454
Nonredeemable preferred equities	—	387	—	387
Separate accounts taxable fixed maturities	—	815	—	815
Top Hat savings plan mutual funds and common equity (included in Other assets)	57	—	—	57
Total	$ 9,702	$ 13,143	$ —	$ 22,845

We also held Level 1 cash and cash equivalents of $748 million and $1.264 billion at June 30, 2023, and December 31, 2022, respectively.

Fair Value Disclosures for Assets and Liabilities Not Carried at Fair Value

The disclosures below are presented to provide information about the effects of current market conditions on financial instruments that are not reported at fair value in our condensed consolidated financial statements.

This table summarizes the book value and principal amounts of our long-term debt:

(Dollars in millions)			Book value		Principal amount	
Interest rate	Year of issue		**June 30, 2023**	December 31, 2022	**June 30, 2023**	December 31, 2022
6.900%	1998	Senior debentures, due 2028	**$ 27**	$ 27	**$ 28**	$ 28
6.920%	2005	Senior debentures, due 2028	**391**	391	**391**	391
6.125%	2004	Senior notes, due 2034	**371**	371	**374**	374
Total			**$ 789**	$ 789	**$ 793**	$ 793

The following table shows fair values of our note payable and long-term debt:

(Dollars in millions)				
At June 30, 2023	Level 1	Level 2	Level 3	Total
Note payable	**$ —**	**$ 25**	**$ —**	**$ 25**
6.900% senior debentures, due 2028	**—**	**29**	**—**	**29**
6.920% senior debentures, due 2028	**—**	**419**	**—**	**419**
6.125% senior notes, due 2034	**—**	**396**	**—**	**396**
Total	**$ —**	**$ 869**	**$ —**	**$ 869**
At December 31, 2022				
Note payable	$ —	$ 50	$ —	$ 50
6.900% senior debentures, due 2028	—	29	—	29
6.920% senior debentures, due 2028	—	418	—	418
6.125% senior notes, due 2034	—	388	—	388
Total	$ —	$ 885	$ —	$ 885

The following table shows the fair value of our life policy loans included in other invested assets and the fair values of our deferred annuities and structured settlements included in life policy and investment contract reserves:

(Dollars in millions)				
At June 30, 2023	Level 1	Level 2	Level 3	Total
Life policy loans	**$ —**	**$ —**	**$ 37**	**$ 37**
Deferred annuities	**—**	**—**	**599**	**599**
Structured settlements	**—**	**141**	**—**	**141**
Total	**$ —**	**$ 141**	**$ 599**	**$ 740**
At December 31, 2022				
Life policy loans	$ —	$ —	$ 37	$ 37
Deferred annuities	—	—	621	621
Structured settlements	—	143	—	143
Total	$ —	$ 143	$ 621	$ 764

Outstanding principal and interest for these life policy loans totaled $31 million at both June 30, 2023, and December 31, 2022.

Recorded reserves for the deferred annuities were $696 million and $734 million at June 30, 2023, and December 31, 2022, respectively. Recorded reserves for the structured settlements were $126 million and $129 million at June 30, 2023, and December 31, 2022, respectively.

NOTE 4 – Property Casualty Loss and Loss Expenses

This table summarizes activity for our consolidated property casualty loss and loss expense reserves:

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Gross loss and loss expense reserves, beginning of period	**$ 8,626**	$ 7,287	**$ 8,336**	$ 7,229
Less reinsurance recoverable	**424**	319	**405**	327
Net loss and loss expense reserves, beginning of period	**8,202**	6,968	**7,931**	6,902
Net incurred loss and loss expenses related to:				
Current accident year	**1,363**	1,299	**2,739**	2,296
Prior accident years	**(101)**	(59)	**(160)**	(100)
Total incurred	**1,262**	1,240	**2,579**	2,196
Net paid loss and loss expenses related to:				
Current accident year	**502**	368	**689**	537
Prior accident years	**579**	524	**1,438**	1,245
Total paid	**1,081**	892	**2,127**	1,782
Net loss and loss expense reserves, end of period	**8,383**	7,316	**8,383**	7,316
Plus reinsurance recoverable	**424**	287	**424**	287
Gross loss and loss expense reserves, end of period	**$ 8,807**	$ 7,603	**$ 8,807**	$ 7,603

We use actuarial methods, models and judgment to estimate, as of a financial statement date, the property casualty loss and loss expense reserves required to pay for and settle all outstanding insured claims, including incurred but not reported (IBNR) claims, as of that date. The actuarial estimate is subject to review and adjustment by an inter-departmental committee that includes actuarial, claims, underwriting, loss prevention and accounting management. This committee is familiar with relevant company and industry business, claims and underwriting trends, as well as general economic and legal trends that could affect future loss and loss expense payments. The amount we will actually have to pay for claims can be highly uncertain. This uncertainty, together with the size of our reserves, makes the loss and loss expense reserves our most significant estimate. The reserve for loss and loss expenses in the condensed consolidated balance sheets also included $66 million at both June 30, 2023, and 2022, for certain life and health loss and loss expense reserves.

We experienced $101 million of favorable development on prior accident years, including $59 million of favorable development in commercial lines, $15 million of favorable development in personal lines and $5 million of favorable development in excess and surplus lines for the three months ended June 30, 2023. Within commercial lines, we recognized favorable reserve development of $34 million for the commercial casualty line and $11 million for the workers' compensation line due to reduced uncertainty of prior accident year loss and loss adjustment expense for these lines.

We experienced $160 million of favorable development on prior accident years, including $91 million of favorable development in commercial lines, $46 million of favorable development in personal lines and $14 million of favorable development in excess and surplus lines for the six months ended June 30, 2023. Within commercial lines, we recognized favorable reserve development of $36 million for the commercial casualty line, $26 million for the workers' compensation line and $25 million for the commercial property due to reduced uncertainty of prior accident year loss and loss adjustment expense for these lines. Within personal lines, we recognized favorable reserve development of $35 million for the homeowner line and $12 million for the personal auto line.

We experienced $59 million of favorable development on prior accident years, including $29 million of favorable development in commercial lines, $14 million of favorable development in personal lines and $1 million of favorable development in excess and surplus lines for the three months ended June 30, 2022. Within commercial lines, we recognized favorable reserve development of $18 million for the workers' compensation line and $7 million for the commercial property line due to reduced uncertainty of prior accident year loss and loss adjustment expense for these lines. Within personal lines, we recognized favorable reserve development of $16 million for the homeowner line.

We experienced $100 million of favorable development on prior accident years, including $47 million of favorable development in commercial lines, $48 million of favorable development in personal lines and $6 million of favorable development in excess and surplus lines for the six months ended June 30, 2022. Within commercial lines, we recognized favorable reserve development of $27 million for the workers' compensation line and $12 million for the commercial property line due to reduced uncertainty of prior accident year loss and loss adjustment expense for these lines. Within personal lines, we recognized favorable reserve development of $46 million for the homeowner line.

NOTE 5 – Life Policy and Investment Contract Reserves

In the first quarter of 2023, we adopted ASU 2018-12 which resulted in changes to the life policy and investment contract reserves and the expansion of required disclosures. The below disclosures represent application of the updated guidance. See Note 1, Accounting Policies, for further discussion.

We establish the reserves for traditional life policies including term, whole life and other products based on certain cash flow assumptions including expected expenses, mortality, morbidity, withdrawal rates and timing of claim presentation. These assumptions are established based on our current expectations and are reviewed annually to determine any necessary updates. Assumptions are also updated on an interim basis if evidence suggests that they should be revised. We use both our own experience and industry experience, adjusted for historical trends, in arriving at our assumptions for expected mortality, morbidity and withdrawal rates. These reserves also include a discount rate assumption that is based on market value discount rates and is updated quarterly. Certain assumptions, including the mortality, lapse and long-term interest rate reversion targets, were updated in the second quarter of 2023 as part of our annual assumption unlocking. Changes in the inputs, judgments and assumptions during the period and the related measurement impact on the liability are reflected in the below tables.

We establish reserves for the company's deferred annuity, universal life and structured settlement policies equal to the cumulative account balances, which include premium deposits plus credited interest less charges and withdrawals. Some of our universal life policies contain no-lapse guarantee provisions. For these policies, we establish a reserve in addition to the account balance, based on expected no-lapse guarantee benefits and expected policy assessments.

The following table summarizes our life policy and investment contract reserves and provides a reconciliation of the balances described in the below tables to those in the condensed consolidated balance sheets:

(Dollars in millions)	**June 30, 2023**	December 31, 2022
Life policy reserves:		
Term	**$ 1,015**	$ 961
Whole life	**421**	408
Other	**95**	94
Subtotal	**1,531**	1,463
Investment contract reserves:		
Deferred annuities	**696**	734
Universal life	**578**	578
Structured settlements	**126**	129
Other	**107**	111
Subtotal	**1,507**	1,552
Total life policy and investment contract reserves	**$ 3,038**	$ 3,015

The table below shows the ASU 2018-12 adoption impacts to the life policy and investment contract reserves as of January 1, 2021 (transition date), pretax:

(Dollars in millions)

At January 1, 2021	Term	Whole life	Deferred annuity	Universal life	Other	Total
Balance, pre-adoption at December 31, 2020	$ 901	$ 363	$ 761	$ 567	$ 323	$ 2,915
Removal of shadow adjustments	—	—	—	—	13	13
Net premiums in excess of gross premiums	14	1	—	—	—	15
Remeasurement at market value discount rates	372	245	—	—	—	617
Balance, post-adoption at January 1, 2021	$ 1,287	$ 609	$ 761	$ 567	$ 336	$ 3,560

The table below shows the ASU 2018-12 adoption impacts to the life reinsurance recoverable asset as of January 1, 2021, pretax:

(Dollars in millions)

At January 1, 2021	Term	Whole life	Deferred annuity	Universal life	Other	Total
Balance, pre-adoption at December 31, 2020	$ 113	$ 26	$ —	$ —	$ 78	$ 217
Remeasurement at market value discount rates	29	18	—	—	—	47
Other adjustments	20	1	—	2	—	23
Balance, post-adoption at January 1, 2021	$ 162	$ 45	$ —	$ 2	$ 78	$ 287

Other above includes structured settlements, other life policy reserves and other investment contract reserves. The removal of shadow adjustments above represents an increase to the life policy and investment contract reserve balance as it is no longer required under ASU 2018-12 for liabilities amortized in accordance with deferred acquisition costs. Shadow adjustments were historically included to present the carrying amount of the liability as if unrealized holding gains and losses had been realized. The net premiums in excess of gross premiums adjustment represents an increase to the liability as the remeasured net premiums, calculated as the present value of future benefits and related expenses using updated cash flow assumptions as of the transition date less the carrying amount of the liability prior to transition, exceeded the present value of future gross premiums. For purposes of calculating the updated present value of future benefits and related expenses above, the discount rate assumption that was used prior to adoption of ASU 2018-12 was retained. The remeasurement at market value discount rates adjustment represents the increase to the liability as a result of updating the discount rate assumption for our term and whole life products from the rates used prior to adoption of ASU 2018-12 to market value discount rates that existed at the transition date. As the discount rate assumption decreased significantly from the date the contracts were initially made, this adjustment represents the largest impact on the liability as a result of the initial adoption of ASU 2018-12. The life reinsurance recoverable asset is included in the remeasurement as the assumptions used in estimating the life reinsurance recoverable are consistent with those used in estimating the related liabilities. Other adjustments includes a reclassification from prepaid reinsurance premiums to reinsurance recoverable.

The shadow removal and remeasurement at market value discount rates adjustments were recorded as an increase to the life policy and investment contract reserves liability and a decrease to opening AOCI as of the transition date. The net premiums in excess of gross premiums adjustment was recorded as an increase to the life policy and investment contract reserves liability and a decrease to the opening balance of retained earnings as of the transition date.

The balances and changes in the term and whole life policy reserves included in life policy and investment contract reserves is as follows:

(Dollars in millions)	Three months ended June 30,			
	2023		2022	
	Term	Whole life	Term	Whole life
Present value of expected net premiums:				
Balance, beginning of period	**$ 1,699**	**$ 217**	$ 1,686	$ 226
Beginning balance at original discount rate	**1,715**	**220**	1,542	207
Effect of changes in cash flow assumptions	**(5)**	**(6)**	149	(1)
Effect of actual variances from expected experience	**(9)**	**—**	(3)	—
Adjusted beginning of period balance	**1,701**	**214**	1,688	206
Issuances	**40**	**10**	45	8
Interest accrual	**17**	**2**	17	2
Net premiums collected	**(46)**	**(7)**	(46)	(7)
Ending balance at original discount rate	**1,712**	**219**	1,704	209
Effect of changes in discount rate assumptions	**(48)**	**(7)**	19	1
Balance, end of period	**1,664**	**212**	1,723	210
Present value of expected future policy benefits:				
Balance, beginning of period	**2,691**	**644**	2,745	736
Beginning balance at original discount rate	**2,712**	**614**	2,463	586
Effect of changes in cash flow assumptions	**5**	**(10)**	166	(3)
Effect of actual variances from expected experience	**(11)**	**—**	(1)	—
Adjusted beginning of period balance	**2,706**	**604**	2,628	583
Issuances	**40**	**11**	45	7
Interest accrual	**30**	**7**	28	8
Benefits paid	**(39)**	**(7)**	(38)	(8)
Ending balance at original discount rate	**2,737**	**615**	2,663	590
Effect of changes in discount rate assumptions	**(75)**	**18**	39	56
Balance, end of period	**2,662**	**633**	2,702	646
Net liability for future policy benefits:				
Present value of expected future policy benefits less expected net premiums	**998**	**421**	979	436
Impact of flooring at cohort level	**17**	**—**	20	2
Net life policy reserves	**1,015**	**421**	999	438
Less reinsurance recoverable at original discount rate	**(100)**	**(25)**	(104)	(25)
Less effect of discount rate assumption changes on reinsurance recoverable	**(8)**	**(5)**	(13)	(7)
Net life policy reserves, after reinsurance recoverable	**$ 907**	**$ 391**	$ 882	$ 406
Weighted-average duration of the net life policy reserves in years	**12**	**16**	12	17

(Dollars in millions)	Six months ended June 30,			
	2023		2022	
	Term	Whole life	Term	Whole life
Present value of expected net premiums:				
Balance, beginning of period	**$ 1,643**	**$ 208**	$ 1,801	$ 241
Beginning balance at original discount rate	**1,708**	**217**	1,503	201
Effect of changes in cash flow assumptions	**(5)**	**(6)**	145	(1)
Effect of actual variances from expected experience	**(12)**	**1**	8	—
Adjusted beginning of period balance	**1,691**	**212**	1,656	200
Issuances	**78**	**17**	104	19
Interest accrual	**35**	**4**	32	4
Net premiums collected	**(92)**	**(14)**	(88)	(14)
Ending balance at original discount rate	**1,712**	**219**	1,704	209
Effect of changes in discount rate assumptions	**(48)**	**(7)**	19	1
Balance, end of period	**1,664**	**212**	1,723	210
Present value of expected future policy benefits:				
Balance, beginning of period	**2,584**	**614**	2,993	826
Beginning balance at original discount rate	**2,692**	**607**	2,425	577
Effect of changes in cash flow assumptions	**5**	**(10)**	162	(3)
Effect of actual variances from expected experience	**(13)**	**1**	17	—
Adjusted beginning of period balance	**2,684**	**598**	2,604	574
Issuances	**78**	**17**	104	18
Interest accrual	**60**	**15**	55	15
Benefits paid	**(85)**	**(15)**	(100)	(17)
Ending balance at original discount rate	**2,737**	**615**	2,663	590
Effect of changes in discount rate assumptions	**(75)**	**18**	39	56
Balance, end of period	**2,662**	**633**	2,702	646
Net liability for future policy benefits:				
Present value of expected future policy benefits less expected net premiums	**998**	**421**	979	436
Impact of flooring at cohort level	**17**	**—**	20	2
Net life policy reserves	**1,015**	**421**	999	438
Less reinsurance recoverable at original discount rate	**(100)**	**(25)**	(104)	(25)
Less effect of discount rate assumption changes on reinsurance recoverable	**(8)**	**(5)**	(13)	(7)
Net life policy reserves, after reinsurance recoverable	**$ 907**	**$ 391**	$ 882	$ 406
Weighted-average duration of the net life policy reserves in years	**12**	**16**	12	17

The total impact of flooring at cohort level in the above tables includes the effect of discount rate assumption changes of $3 million and $10 million at June 30, 2023 and 2022, respectively.

The following table shows the amount of undiscounted and discounted expected future benefit payments and expected gross premiums for our term and whole life policies:

(Dollars in millions)	At June 30,			
	2023		2022	
	Undiscounted	Discounted	Undiscounted	Discounted
Term				
Expected future benefit payments	**$ 4,738**	**$ 2,662**	$ 4,589	$ 2,702
Expected future gross premiums	**4,345**	**2,583**	4,378	2,690
Whole life				
Expected future benefit payments	**$ 1,610**	**$ 633**	$ 1,517	$ 646
Expected future gross premiums	**641**	**390**	583	372

The following table shows the amount of revenue and interest recognized in the condensed consolidated statements of income related to our term and whole life policies:

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Gross premiums				
Term	**$ 73**	$ 71	**$ 146**	$ 140
Whole life	**13**	12	**25**	24
Total	**$ 86**	$ 83	**$ 171**	$ 164
Interest accretion				
Term	**$ 12**	$ 11	**$ 24**	$ 23
Whole life	**5**	6	**11**	11
Total	**$ 17**	$ 17	**$ 35**	$ 34

Adverse development that resulted in an immediate charge to income due to net premiums exceeding gross premiums was immaterial for the three and six months ended June 30, 2023, and 2022.

The following table shows the weighted-average interest rate for our term and whole life products:

	At June 30,	
	2023	2022
Term		
Interest accretion rate	**5.29 %**	5.16 %
Current discount rate	**5.11**	4.20
Whole life		
Interest accretion rate	**5.93 %**	5.98 %
Current discount rate	**5.22**	4.74

The discount rate assumption was developed by calculating forward rates from market yield curves of upper-medium grade fixed-income instruments.

The following table shows the balances and changes in policyholders' account balances included in investment contract reserves:

(Dollars in millions)	Three months ended June 30, 2023		2022		Six months ended June 30, 2023		2022	
	Deferred annuity	Universal life	Deferred annuity	Universal life	Deferred annuity	Universal life	Deferred annuity	Universal life
Balance, beginning of period	**$ 711**	**$ 458**	$ 756	$ 456	**$ 734**	**$ 457**	$ 763	$ 454
Premiums received	**15**	**9**	5	10	**25**	**20**	11	21
Policy charges	**—**	**(10)**	—	(9)	**—**	**(20)**	—	(19)
Surrenders and withdrawals	**(32)**	**(4)**	(8)	(2)	**(68)**	**(7)**	(20)	(5)
Benefit payments	**(3)**	**(2)**	(4)	(2)	**(6)**	**(4)**	(10)	(3)
Interest credited	**5**	**5**	6	4	**11**	**10**	11	9
Balance, end of period	**$ 696**	**$ 456**	$ 755	$ 457	**$ 696**	**$ 456**	$ 755	$ 457
Weighted average crediting rate	**3.41 %**	**4.29 %**	3.06 %	4.25 %	**3.41 %**	**4.29 %**	3.06 %	4.25 %
Net amount at risk	**$ —**	**$ 4,030**	$ —	$ 4,141	**$ —**	**$ 4,030**	$ —	$ 4,141
Cash surrender value	**691**	**423**	750	422	**691**	**423**	750	422

The net amount at risk above represents the guaranteed benefit amount in excess of the current account balances.

The following table shows the balance of account values by range of guaranteed minimum crediting rates, in basis points, and the related range of the difference between rates being credited to policyholders and the respective guaranteed minimums for our deferred annuity and universal life contracts:

(Dollars in millions) **At June 30, 2023**	At guaranteed minimum	1 to 50 basis points above	51-150 basis points above	Greater than 150 basis points	Total
Deferred annuity					
1.00-3.00%	**$ 5**	**$ 400**	**$ 17**	**$ 224**	**646**
3.01-4.00%	**50**	**—**	**—**	**—**	**50**
Total	**$ 55**	**$ 400**	**$ 17**	**$ 224**	**$ 696**
Universal life					
1.00-3.00%	**$ 61**	**$ —**	**$ 56**	**$ 3**	**$ 120**
3.01-4.00%	**53**	**—**	**—**	**—**	**53**
Greater than 4.00%	**283**	**—**	**—**	**—**	**283**
Total	**$ 397**	**$ —**	**$ 56**	**$ 3**	**$ 456**
At June 30, 2022					
Deferred annuity					
1.00-3.00%	$ 475	$ —	$ 173	$ 56	$ 704
3.01-4.00%	51	—	—	—	51
Total	$ 526	$ —	$ 173	$ 56	$ 755
Universal life					
1.00-3.00%	$ 60	$ 45	$ 7	$ 2	$ 114
3.01-4.00%	52	—	—	—	52
Greater than 4.00%	291	—	—	—	291
Total	$ 403	$ 45	$ 7	$ 2	$ 457

The following table shows the balances and changes in the other additional liability related to the no-lapse guarantees contained within our universal life contracts:

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Balance, beginning of period	**$ 125**	$ 127	**$ 121**	$ 133
Balance, beginning of period before shadow reserve adjustments	**127**	127	**123**	131
Effect of changes in cash flow assumptions	**(5)**	(2)	**(5)**	(2)
Effect of actual variances from expected experience	**—**	2	**(1)**	5
Adjusted beginning of period balance	**122**	127	**117**	134
Interest accrual	**1**	1	**2**	2
Excess death benefits	**(2)**	(4)	**(2)**	(12)
Attributed assessments	**3**	3	**6**	6
Effect of changes in interest rate assumptions	**—**	(4)	**1**	(7)
Balance, end of period before shadow reserve adjustments	**124**	123	**124**	123
Shadow reserve adjustments	**(2)**	(1)	**(2)**	(1)
Balance, end of period	**122**	122	**122**	122
Less reinsurance recoverable, end of period	**7**	6	**7**	6
Net other additional liability, after reinsurance recoverable	**$ 129**	$ 128	**$ 129**	$ 128
Weighted-average duration of the other additional liability in years	**32**	35	**32**	35

The following table shows balances and changes in separate account balances during the period:

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Balance, beginning of period	**$ 899**	$ 903	**$ 892**	$ 959
Interest credited before policy charges	**10**	10	**20**	20
Change in unrealized gains and losses impacting separate account liabilities	**—**	(53)	**—**	(105)
Benefit payments	**(1)**	—	**(3)**	(10)
Other	**3**	—	**2**	(4)
Balance, end of period	**$ 911**	$ 860	**$ 911**	$ 860
Cash surrender value	**$ 906**	$ 878	**$ 906**	$ 878

NOTE 6 – Deferred Policy Acquisition Costs

Expenses directly related to successfully acquired insurance policies – primarily commissions, premium taxes and underwriting costs – are deferred and amortized over the terms of the policies. We update our acquisition cost assumptions periodically to reflect actual experience. For property casualty, we evaluate the costs for recoverability. The adoption of ASU 2018-12 on January 1, 2023 resulted in a simplified amortization of life deferred acquisition costs and the removal of shadow deferred acquisition costs. See Note 1, Accounting Policies, for further discussion. The table below shows the deferred policy acquisition costs and asset reconciliation.

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Property casualty:				
Deferred policy acquisition costs asset, beginning of period	**$ 714**	$ 665	**$ 682**	$ 602
Capitalized deferred policy acquisition costs	**407**	375	**779**	739
Amortized deferred policy acquisition costs	**(350)**	(317)	**(690)**	(618)
Deferred policy acquisition costs asset, end of period	**$ 771**	$ 723	**$ 771**	$ 723
Life:				
Deferred policy acquisition costs asset, beginning of period	**$ 334**	$ 319	**$ 331**	$ 314
Capitalized deferred policy acquisition costs	**11**	10	**22**	22
Amortized deferred policy acquisition costs	**(7)**	(6)	**(15)**	(13)
Deferred policy acquisition costs asset, end of period	**$ 338**	$ 323	**$ 338**	$ 323
Consolidated:				
Deferred policy acquisition costs asset, beginning of period	**$ 1,048**	$ 984	**$ 1,013**	$ 916
Capitalized deferred policy acquisition costs	**418**	385	**801**	761
Amortized deferred policy acquisition costs	**(357)**	(323)	**(705)**	(631)
Deferred policy acquisition costs asset, end of period	**$ 1,109**	$ 1,046	**$ 1,109**	$ 1,046

The removal of shadow deferred policy acquisition costs as a result of the adoption of ASU 2018-12 resulted in a $33 million increase, across all products, from $263 million pre-adoption at December 31, 2020, to $296 million post-adoption at January 1, 2021.

The table below shows the life deferred policy acquisition costs asset by product:

(Dollars in millions)

Three months ended June 30, 2023	Term	Whole life	Deferred annuity	Universal life	Total
Balance, beginning of period	**$ 231**	**$ 44**	**$ 7**	**$ 52**	**$ 334**
Capitalized deferred policy acquisition costs	**7**	**2**	**1**	**1**	**11**
Amortized deferred policy acquisition costs	**(5)**	**(1)**	**—**	**(1)**	**(7)**
Balance, end of period	**$ 233**	**$ 45**	**$ 8**	**$ 52**	**$ 338**
Three months ended June 30, 2022					
Balance, beginning of period	$ 220	$ 39	$ 7	$ 53	$ 319
Capitalized deferred policy acquisition costs	8	1	—	1	$ 10
Amortized deferred policy acquisition costs	(6)	—	—	—	$ (6)
Balance, end of period	$ 222	$ 40	$ 7	$ 54	$ 323

(Dollars in millions)

Six months ended June 30, 2023	Term	Whole life	Deferred annuity	Universal life	Total
Balance, beginning of period	**$ 228**	**$ 43**	**$ 7**	**$ 53**	**$ 331**
Capitalized deferred policy acquisition costs	**16**	**4**	**1**	**1**	**22**
Amortized deferred policy acquisition costs	**(11)**	**(2)**	**—**	**(2)**	**(15)**
Balance, end of period	**$ 233**	**$ 45**	**$ 8**	**$ 52**	**$ 338**
Six months ended June 30, 2022					
Balance, beginning of period	$ 215	$ 38	$ 7	$ 54	$ 314
Capitalized deferred policy acquisition costs	18	3	—	1	$ 22
Amortized deferred policy acquisition costs	(11)	(1)	—	(1)	$ (13)
Balance, end of period	$ 222	$ 40	$ 7	$ 54	$ 323

No premium deficiencies were recorded in the condensed consolidated statements of income, as the sum of the anticipated loss and loss expenses, policyholder dividends and unamortized deferred acquisition expenses did not exceed the related unearned premiums and anticipated investment income.

NOTE 7 – Accumulated Other Comprehensive Income

The adoption of ASU 2018-12 on January 1, 2023 resulted in restatement of certain amounts below. See Note 1, Accounting Policies, for further discussion. Accumulated other comprehensive income (AOCI) includes changes in unrealized gains and losses on investments, changes in pension obligations and changes in life policy reserves, reinsurance recoverable and other as follows:

(Dollars in millions)	Three months ended June 30, 2023			2022		
	Before tax	Income tax	Net	Before tax	Income tax	Net
Investments:						
AOCI, beginning of period	**$ (684)**	**$ (147)**	**$ (537)**	$ 46	$ 8	$ 38
OCI before investment gains and losses, net, recognized in net income	**(158)**	**(34)**	**(124)**	(610)	(127)	(483)
Investment gains and losses, net, recognized in net income	**4**	**2**	**2**	—	—	—
OCI	**(154)**	**(32)**	**(122)**	(610)	(127)	(483)
AOCI, end of period	**$ (838)**	**$ (179)**	**$ (659)**	$ (564)	$ (119)	$ (445)
Pension obligations:						
AOCI, beginning of period	**$ 30**	**$ 8**	**$ 22**	$ 27	$ 7	$ 20
OCI excluding amortization recognized in net income	**—**	**—**	**—**	—	—	—
Amortization recognized in net income	**(1)**	**(1)**	**—**	—	—	—
OCI	**(1)**	**(1)**	**—**	—	—	—
AOCI, end of period	**$ 29**	**$ 7**	**$ 22**	$ 27	$ 7	$ 20
Life policy reserves, reinsurance recoverable and other:						
AOCI, beginning of period	**$ (16)**	**$ (4)**	**$ (12)**	$ (248)	$ (52)	$ (196)
OCI before investment gains and losses, net, recognized in net income	**29**	**6**	**23**	181	38	143
Investment gains and losses, net, recognized in net income	**—**	**—**	**—**	—	—	—
OCI	**29**	**6**	**23**	181	38	143
AOCI, end of period	**$ 13**	**$ 2**	**$ 11**	$ (67)	$ (14)	$ (53)
Summary of AOCI:						
AOCI, beginning of period	**$ (670)**	**$ (143)**	**$ (527)**	$ (175)	$ (37)	$ (138)
Investments OCI	**(154)**	**(32)**	**(122)**	(610)	(127)	(483)
Pension obligations OCI	**(1)**	**(1)**	**—**	—	—	—
Life policy reserves, reinsurance recoverable and other OCI	**29**	**6**	**23**	181	38	143
Total OCI	**(126)**	**(27)**	**(99)**	(429)	(89)	(340)
AOCI, end of period	**$ (796)**	**$ (170)**	**$ (626)**	$ (604)	$ (126)	$ (478)

(Dollars in millions)	Six months ended June 30, 2023			2022		
	Before tax	Income tax	Net	Before tax	Income tax	Net
Investments:						
AOCI, beginning of period	$ (847)	$ (182)	$ (665)	$ 792	$ 165	$ 627
OCI before investment gains and losses, net, recognized in net income	5	1	4	(1,353)	(284)	(1,069)
Investment gains and losses, net, recognized in net income	4	2	2	(3)	—	(3)
OCI	9	3	6	(1,356)	(284)	(1,072)
AOCI, end of period	$ (838)	$ (179)	$ (659)	$ (564)	$ (119)	$ (445)
Pension obligations:						
AOCI, beginning of period	$ 36	$ 9	$ 27	$ 27	$ 7	$ 20
OCI excluding amortization recognized in net income	(5)	(1)	(4)	—	—	—
Amortization recognized in net income	(2)	(1)	(1)	—	—	—
OCI	(7)	(2)	(5)	—	—	—
AOCI, end of period	$ 29	$ 7	$ 22	$ 27	$ 7	$ 20
Life policy reserves, reinsurance recoverable and other:						
AOCI, beginning of period	$ 29	$ 5	$ 24	$ 1	$ —	$ 1
Cumulative effect of change in accounting for long duration insurance contracts	—	—	—	(445)	(93)	(352)
Adjusted AOCI, beginning of period	29	5	24	(444)	(93)	(351)
OCI before investment gains and losses, net, recognized in net income	(16)	(3)	(13)	377	79	298
Investment gains and losses, net, recognized in net income	—	—	—	—	—	—
OCI	(16)	(3)	(13)	377	79	298
AOCI, end of period	$ 13	$ 2	$ 11	$ (67)	$ (14)	$ (53)
Summary of AOCI:						
AOCI, beginning of period	$ (782)	$ (168)	$ (614)	$ 820	$ 172	$ 648
Cumulative effect of change in accounting for long duration insurance contracts	—	—	—	(445)	(93)	(352)
Adjusted AOCI, beginning of period	(782)	(168)	(614)	375	79	296
Investments OCI	9	3	6	(1,356)	(284)	(1,072)
Pension obligations OCI	(7)	(2)	(5)	—	—	—
Life policy reserves, reinsurance recoverable and other OCI	(16)	(3)	(13)	377	79	298
Total OCI	(14)	(2)	(12)	(979)	(205)	(774)
AOCI, end of period	$ (796)	$ (170)	$ (626)	$ (604)	$ (126)	$ (478)

Investment gains and losses, net, and other investment gains and losses, net, are recorded in the investment gains and losses, net, line item in the condensed consolidated statements of income. Amortization on pension obligations is recorded in the insurance losses and contract holders' benefits and underwriting, acquisition and insurance expenses line items in the condensed consolidated statements of income.

NOTE 8 – Reinsurance

Primary components of our property casualty reinsurance assumed operations include involuntary and voluntary assumed as well as contracts from our reinsurance assumed operations, known as Cincinnati Re. Primary components of our ceded reinsurance include a property per risk treaty, property excess treaty, casualty per occurrence treaty, casualty excess treaty, property catastrophe treaty and retrocessions on our reinsurance assumed operations. Management's decisions about the appropriate level of risk retention are affected by various factors, including changes in our underwriting practices, capacity to retain risks and reinsurance market conditions.

The table below summarizes our consolidated property casualty insurance net written premiums, earned premiums and incurred loss and loss expenses:

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Direct written premiums	**$ 2,071**	$ 1,871	**$ 3,930**	$ 3,574
Assumed written premiums	**194**	193	**438**	456
Ceded written premiums	**(115)**	(100)	**(199)**	(167)
Net written premiums	**$ 2,150**	$ 1,964	**$ 4,169**	$ 3,863
Direct earned premiums	**$ 1,806**	$ 1,631	**$ 3,566**	$ 3,192
Assumed earned premiums	**134**	134	**293**	255
Ceded earned premiums	**(77)**	(68)	**(155)**	(132)
Earned premiums	**$ 1,863**	$ 1,697	**$ 3,704**	$ 3,315
Direct incurred loss and loss expenses	**$ 1,265**	$ 1,174	**$ 2,564**	$ 2,069
Assumed incurred loss and loss expenses	**58**	67	**134**	140
Ceded incurred loss and loss expenses	**(61)**	(1)	**(119)**	(13)
Incurred loss and loss expenses	**$ 1,262**	$ 1,240	**$ 2,579**	$ 2,196

Our life insurance company purchases reinsurance for protection of a portion of the risks that are written. Primary components of our life reinsurance program include individual mortality coverage, aggregate catastrophe and accidental death coverage in excess of certain deductibles.

The table below summarizes our consolidated life insurance earned premiums and contract holders' benefits incurred:

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Direct earned premiums	**$ 100**	$ 96	**$ 196**	$ 189
Ceded earned premiums	**(20)**	(20)	**(39)**	(38)
Earned premiums	**$ 80**	$ 76	**$ 157**	$ 151
Direct contract holders' benefits incurred	**100**	109	**197**	212
Ceded contract holders' benefits incurred	**(22)**	(27)	**(38)**	(54)
Contract holders' benefits incurred	**$ 78**	$ 82	**$ 159**	$ 158

The ceded benefits incurred can vary depending on the type of life insurance policy held and the year the policy was issued.

The allowance for uncollectible property casualty premiums was $14 million and $13 million at June 30, 2023, and December 31, 2022, respectively. The allowances for credit losses on other premiums receivable and reinsurance recoverable assets were immaterial at June 30, 2023, and December 31, 2022.

NOTE 9 – Income Taxes

The differences between the 21% statutory federal income tax rate and our effective income tax rate were as follows:

(Dollars in millions)	Three months ended June 30,				Six months ended June 30,			
	2023		2022		**2023**		2022	
Tax at statutory rate:	**$ 140**	**21.0 %**	$ (220)	21.0 %	**$ 196**	**21.0 %**	$ (294)	21.0 %
Increase (decrease) resulting from:								
Tax-exempt income from municipal bonds	**(5)**	**(0.8)**	(5)	0.5	**(10)**	**(1.1)**	(10)	0.7
Dividend received exclusion	**(6)**	**(0.9)**	(5)	0.5	**(11)**	**(1.2)**	(10)	0.7
Other	**3**	**0.5**	(5)	0.3	**—**	**—**	(6)	0.4
Provision (benefit) for income taxes	**$ 132**	**19.8 %**	$ (235)	22.3 %	**$ 175**	**18.7 %**	$ (320)	22.8 %

The provision (benefit) for federal income taxes is based upon filing a consolidated income tax return for the company and its domestic subsidiaries.

We continue to believe that after considering all positive and negative evidence of taxable income in the carryback and carryforward periods as permitted by law, it is more likely than not that all of the deferred tax assets on our U.S. domestic operations will be realized. As a result, we have no valuation allowance for our U.S. domestic operations at June 30, 2023, and December 31, 2022. As more fully discussed below, we do carry a valuation allowance on the deferred tax assets related to Cincinnati Global Underwriting Ltd.SM (Cincinnati Global).

Cincinnati Global

As a result of operations for the three and six months ended June 30, 2023, Cincinnati Global decreased its net deferred tax assets by $5 million and $10 million with an offsetting decrease of $5 million and $10 million to the valuation allowance. Cincinnati Global had a net deferred tax asset of $21 million and an offsetting valuation allowance of $21 million at June 30, 2023.

Deferred tax assets are reduced by a valuation allowance when management believes it is more likely than not that some, or all, of the deferred tax assets will not be realized. After considering all positive and negative evidence, we continue to believe it is appropriate to carry a valuation allowance at June 30, 2023.

Cincinnati Global had operating loss carryforwards in the United States of $6 million and $5 million and in the United Kingdom of $101 million and $109 million at June 30, 2023, and December 31, 2022, respectively. These Cincinnati Global losses can only be utilized within the Cincinnati Global group in both the United States and in the United Kingdom and cannot offset the income of our domestic operations in the United States.

NOTE 10 – Net Income (Loss) Per Common Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding. Diluted earnings per share are computed based on the weighted average number of common and dilutive potential common shares outstanding using the treasury stock method. The table shows calculations for basic and diluted earnings per share:

(In millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Numerator:				
Net income (loss)—basic and diluted	**$ 534**	$ (818)	**$ 759**	$ (1,084)
Denominator:				
Basic weighted-average common shares outstanding	**157.0**	159.6	**157.1**	160.0
Effect of share-based awards:				
Stock options	**0.6**	—	**0.8**	—
Nonvested shares	**0.4**	—	**0.4**	—
Diluted weighted-average shares	**158.0**	159.6	**158.3**	160.0
Earnings (loss) per share:				
Basic	**$ 3.40**	$ (5.12)	**$ 4.83**	$ (6.77)
Diluted	**$ 3.38**	$ (5.12)	**$ 4.80**	$ (6.77)
Number of anti-dilutive share-based awards	**1.5**	2.0	**1.5**	2.2

The above table shows the number of anti-dilutive share-based awards for the three and six months ended June 30, 2023 and 2022. In accordance with Accounting Standards Codification 260, *Earnings per Share*, the assumed exercise of share-based awards was excluded from the computation of diluted loss per share for the three and six months ended June 30, 2022, because their exercise would have anti-dilutive effects. See our 2022 Annual Report on Form 10-K, Item 8, Note 17, Share-Based Associate Compensation Plans, Page 170, for information about share-based awards.

NOTE 11 – Employee Retirement Benefits

The following summarizes the components of net periodic benefit for our qualified and supplemental pension plans:

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Service cost	**$ 2**	$ 3	**$ 3**	$ 5
Non-service (benefit) costs:				
Interest cost	**3**	2	**6**	5
Expected return on plan assets	**(5)**	(5)	**(10)**	(11)
Amortization of actuarial loss and prior service cost	**(1)**	—	**(2)**	—
Other	**—**	—	**(5)**	—
Total non-service benefit	**(3)**	(3)	**(11)**	(6)
Net periodic benefit	**$ (1)**	$ —	**$ (8)**	$ (1)

See our 2022 Annual Report on Form 10-K, Item 8, Note 13, Employee Retirement Benefits, Page 163, for information on our retirement benefits. The net periodic benefit is allocated in the same proportion primarily to the underwriting, acquisition and insurance expenses line item with the remainder allocated to the insurance losses and contract holders' benefits line item on the condensed consolidated statements of income for both 2023 and 2022.

We made matching contributions totaling $6 million to our 401(k) and Top Hat savings plans during both the second quarter of 2023 and 2022 and contributions of $14 million for both the first half of 2023 and 2022.

We made no contributions to our qualified pension plan during the first six months of 2023.

NOTE 12 – Commitments and Contingent Liabilities

The company, through its insurance subsidiaries, is involved in claims litigation arising in the ordinary course of conducting its business, both as a liability insurer defending or providing indemnity for third-party claims brought against insureds and as an insurer defending coverage claims brought against it. The company accounts for such activity through the establishment of unpaid loss and loss expense reserves. Subject to the uncertainties discussed in Note 4, Property Casualty Loss and Loss Expenses, and in the discussion in the balance of this Note, we believe that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses, costs of defense, and reinsurance recoveries, is immaterial to our consolidated financial position, results of operations and cash flows.

Beginning in April 2020, like many companies in the property casualty insurance industry, the company's property casualty subsidiaries, were named as defendants in lawsuits seeking insurance coverage under commercial property insurance policies issued by the company for alleged losses resulting from the shutdown or suspension of their businesses due to the COVID-19 pandemic. Although the allegations vary, the plaintiffs generally seek a declaration of insurance coverage, damages for breach of contract in unspecified amounts for claim denials, interest and attorney fees. Some of the lawsuits also allege that the insurance claims were denied in bad faith or otherwise in violation of state laws and seek extra-contractual or punitive damages.

The company denies the allegations in these lawsuits and intends to continue to vigorously defend the lawsuits. The company maintains that it has no coverage obligations with respect to these lawsuits for business income allegedly lost by the plaintiffs due to the COVID-19 pandemic based on the terms of the applicable insurance policies. Although the policy terms vary, in general, the claims at issue in these lawsuits were denied because the policyholder identified no direct physical loss or damage to property at the insured premises, and the governmental orders that led to the complete or partial shutdown of the business were not due to the existence of any direct physical loss or damage to property in the immediate vicinity of the insured premises and did not prohibit access to the insured premises, as required by the terms of the insurance policies. Depending on the individual policy, additional policy terms and conditions may also prohibit coverage, such as exclusions for pollutants, ordinance or law, loss of use, and acts or decisions. The company's standard commercial property insurance policies generally did not contain a specific virus exclusion.

In addition to the inherent difficulty in predicting litigation outcomes, the COVID-19 pandemic business income coverage lawsuits present a number of uncertainties and contingencies that are not yet known, including how many policyholders will ultimately file claims, the number of lawsuits that will be filed, the extent to which any class may be certified, and the size and scope of any such classes. The legal theories advanced by plaintiffs vary by case as do the state laws that govern the policy interpretation. These lawsuits are at various stages of litigation, including several that continue to be amended; many that have been dismissed; several that may be refiled; and others that have been dismissed by trial courts and appealed. Appellate decisions issued to date generally have been favorable for the insurance industry, and the company has received numerous favorable rulings on appeal with no adverse appellate rulings to date. Some cases remain to be decided and in some jurisdictions, cases have been stayed pending appellate decisions in their state or federal circuit. Accordingly, little discovery has occurred on pending cases. In addition, business income calculations depend upon a wide range of factors that are particular to the circumstances of each individual policyholder and, here, virtually none of the plaintiffs have submitted proofs of loss or otherwise quantified or factually supported any allegedly covered loss. Moreover, the company's experience shows that demands for damages often bear little relation to a reasonable estimate of potential loss. Accordingly, management cannot now reasonably estimate the possible loss or range of loss, if any. Nonetheless, given the number of claims and potential claims, the indeterminate amounts sought, and the inherent unpredictability of litigation, it is possible that adverse outcomes, if any, in the aggregate could have a material adverse effect on the company's consolidated financial position, results of operations and cash flows.

The company and its subsidiaries also are occasionally involved in other legal and regulatory proceedings, some of which assert claims for substantial amounts. These actions include, among others, putative class actions seeking certification of state or national classes. Such proceedings have alleged, for example, improper depreciation of labor costs in repair estimates. The company's insurance subsidiaries also are occasionally parties to individual actions in which extra-contractual damages, punitive damages or penalties are sought, such as claims alleging bad faith handling of insurance claims or writing unauthorized coverage or claims alleging discrimination by former or current associates.

On a quarterly basis, we review these outstanding matters. Under current accounting guidance, we establish accruals when it is probable that a loss has been incurred and we can reasonably estimate its potential exposure. The company accounts for such probable and estimable losses, if any, through the establishment of legal expense reserves. Based on our quarterly review, we believe that our accruals for probable and estimable losses are reasonable and that the amounts accrued do not have a material effect on our consolidated financial position, results of operations and cash flows. However, if any one or more of these matters results in a judgment against us or settlement for an amount that is significantly greater than the amount accrued, the resulting liability could have a material effect on the company's consolidated financial position, results of operations and cash flows. Based on our most recent review, our estimate for any other matters for which the risk of loss is not probable, but more than remote, is immaterial.

NOTE 13 – Segment Information

We operate primarily in two industries, property casualty insurance and life insurance. Our chief operating decision maker regularly reviews our reporting segments to make decisions about allocating resources and assessing performance. Our reporting segments are:

- Commercial lines insurance
- Personal lines insurance
- Excess and surplus lines insurance
- Life insurance
- Investments

We report as Other the noninvestment operations of the parent company and its noninsurer subsidiary, CFC Investment Company. We also report as Other the underwriting results of Cincinnati Re and Cincinnati Global. See our 2022 Annual Report on Form 10-K, Item 8, Note 18, Segment Information, Page 173, for a description of revenue, income or loss before income taxes and identifiable assets for each of the five segments.

Segment information is summarized in the following table:

(Dollars in millions)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenues:				
Commercial lines insurance				
Commercial casualty	$ 373	$ 350	$ 750	$ 686
Commercial property	312	280	611	554
Commercial auto	214	210	428	415
Workers' compensation	72	68	146	136
Other commercial	95	86	187	165
Commercial lines insurance premiums	1,066	994	2,122	1,956
Fee revenues	1	1	2	2
Total commercial lines insurance	1,067	995	2,124	1,958
Personal lines insurance				
Personal auto	173	155	339	307
Homeowner	251	202	484	397
Other personal	69	56	134	111
Personal lines insurance premiums	493	413	957	815
Fee revenues	1	1	2	2
Total personal lines insurance	494	414	959	817
Excess and surplus lines insurance	132	124	259	236
Fee revenues	1	—	1	1
Total excess and surplus lines insurance	133	124	260	237
Life insurance premiums	80	76	157	151
Fee revenues	3	1	5	2
Total life insurance	83	77	162	153
Investments				
Investment income, net of expenses	220	195	430	380
Investment gains and losses, net	434	(1,154)	540	(1,820)
Total investment revenue	654	(959)	970	(1,440)
Other				
Premiums	172	166	366	308
Other	2	3	5	5
Total other revenues	174	169	371	313
Total revenues	$ 2,605	$ 820	$ 4,846	$ 2,038
Income (loss) before income taxes:				
Insurance underwriting results				
Commercial lines insurance	$ 33	$ (62)	$ 31	$ 14
Personal lines insurance	(36)	(49)	(93)	16
Excess and surplus lines insurance	11	19	24	35
Life insurance	13	1	21	8
Investments	624	(987)	910	(1,495)
Other	21	25	41	18
Total income (loss) before income taxes	$ 666	$ (1,053)	$ 934	$ (1,404)

Identifiable assets:	June 30, 2023	December 31, 2022
Property casualty insurance	$ 5,354	$ 5,178
Life insurance	1,542	1,518
Investments	23,535	22,133
Other	921	903
Total	$ 31,352	$ 29,732

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion highlights significant factors influencing the condensed consolidated results of operations and financial position of Cincinnati Financial Corporation. It should be read in conjunction with the consolidated financial statements and related notes included in our 2022 Annual Report on Form 10-K. Unless otherwise noted, the industry data is prepared by A.M. Best Co., a leading insurance industry statistical, analytical and financial strength rating organization. Information from A.M. Best is presented on a statutory basis for insurance company regulation in the United States of America. When we provide our results on a comparable statutory basis, we label it as such; all other company data is presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

As discussed in Item 1, Note 1, Accounting Policies, Page 8, effective January 1, 2023, we adopted ASU 2018-12, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. We adjusted applicable financial statements. Related financial data shown in Management's Discussion and Analysis of Financial Condition and Results of Operations also have been adjusted.

We present per share data on a diluted basis unless otherwise noted, adjusting those amounts for all stock splits and dividends. Dollar amounts are rounded to millions; calculations of percent changes are based on dollar amounts rounded to the nearest million. Certain percentage changes are identified as not meaningful (nm).

SAFE HARBOR STATEMENT

This is our “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in our 2022 Annual Report on Form 10-K, Item 1A, Risk Factors, Page 32.

Factors that could cause or contribute to such differences include, but are not limited to:

- Effects of the COVID-19 pandemic that could affect results for reasons such as:
  - Securities market disruption or volatility and related effects such as decreased economic activity and continued supply chain disruptions that affect our investment portfolio and book value
  - An unusually high level of claims in our insurance or reinsurance operations that increase litigation-related expenses
  - An unusually high level of insurance losses, including risk of legislation or court decisions extending business interruption insurance in commercial property coverage forms to cover claims for pure economic loss related to the COVID-19 pandemic
  - Decreased premium revenue and cash flow from disruption to our distribution channel of independent agents, consumer self-isolation, travel limitations, business restrictions and decreased economic activity
  - Inability of our workforce, agencies or vendors to perform necessary business functions
- Ongoing developments concerning business interruption insurance claims and litigation related to the COVID-19 pandemic that affect our estimates of losses and loss adjustment expenses or our ability to reasonably estimate such losses, such as:
  - The continuing duration of the pandemic and governmental actions to limit the spread of the virus that may produce additional economic losses
  - The number of policyholders that will ultimately submit claims or file lawsuits
  - The lack of submitted proofs of loss for allegedly covered claims
  - Judicial rulings in similar litigation involving other companies in the insurance industry
  - Differences in state laws and developing case law
  - Litigation trends, including varying legal theories advanced by policyholders
  - Whether and to what degree any class of policyholders may be certified
  - The inherent unpredictability of litigation
- Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns (whether as a result of global climate change or otherwise), environmental events, war or political unrest, terrorism incidents, cyberattacks, civil unrest or other causes

- Increased frequency and/or severity of claims or development of claims that are unforeseen at the time of policy issuance, due to inflationary trends or other causes
- Inadequate estimates or assumptions, or reliance on third-party data used for critical accounting estimates
- Declines in overall stock market values negatively affecting our equity portfolio and book value
- Interest rate fluctuations or other factors that could significantly affect:
  - Our ability to generate growth in investment income
  - Values of our fixed-maturity investments, including accounts in which we hold bank-owned life insurance contract assets
  - Our traditional life policy reserves
- Domestic and global events, such as Russia's invasion of Ukraine and recent disruptions in the banking and financial services industry, resulting in capital market or credit market uncertainty, followed by prolonged periods of economic instability or recession, that lead to:
  - Significant or prolonged decline in the fair value of a particular security or group of securities and impairment of the asset(s)
  - Significant decline in investment income due to reduced or eliminated dividend payouts from a particular security or group of securities
  - Significant rise in losses from surety or director and officer policies written for financial institutions or other insured entities
- Our inability to manage Cincinnati Global or other subsidiaries to produce related business opportunities and growth prospects for our ongoing operations
- Recession, prolonged elevated inflation or other economic conditions resulting in lower demand for insurance products or increased payment delinquencies
- Ineffective information technology systems or discontinuing to develop and implement improvements in technology may impact our success and profitability
- Difficulties with technology or data security breaches, including cyberattacks, that could negatively affect our or our agents' ability to conduct business; disrupt our relationships with agents, policyholders and others; cause reputational damage, mitigation expenses and data loss and expose us to liability under federal and state laws
- Difficulties with our operations and technology that may negatively impact our ability to conduct business, including cloud-based data information storage, data security, cyberattacks, remote working capabilities, and/or outsourcing relationships and third-party operations and data security
- Disruption of the insurance market caused by technology innovations such as driverless cars that could decrease consumer demand for insurance products
- Delays, inadequate data developed internally or from third parties, or performance inadequacies from ongoing development and implementation of underwriting and pricing methods, including telematics and other usage-based insurance methods, or technology projects and enhancements expected to increase our pricing accuracy, underwriting profit and competitiveness
- Intense competition, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which we operate, could harm our ability to maintain or increase our business volumes and profitability
- Changing consumer insurance-buying habits and consolidation of independent insurance agencies could alter our competitive advantages
- Inability to obtain adequate ceded reinsurance on acceptable terms, amount of reinsurance coverage purchased, financial strength of reinsurers and the potential for nonpayment or delay in payment by reinsurers
- Inability to defer policy acquisition costs for any business segment if pricing and loss trends would lead management to conclude that segment could not achieve sustainable profitability
- Inability of our subsidiaries to pay dividends consistent with current or past levels
- Events or conditions that could weaken or harm our relationships with our independent agencies and hamper opportunities to add new agencies, resulting in limitations on our opportunities for growth, such as:
  - Downgrades of our financial strength ratings
  - Concerns that doing business with us is too difficult
  - Perceptions that our level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace

  - Inability or unwillingness to nimbly develop and introduce coverage product updates and innovations that our competitors offer and consumers expect to find in the marketplace
- Actions of insurance departments, state attorneys general or other regulatory agencies, including a change to a federal system of regulation from a state-based system, that:
  - Impose new obligations on us that increase our expenses or change the assumptions underlying our critical accounting estimates
  - Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations
  - Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business
  - Add assessments for guaranty funds, other insurance-related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes
  - Increase our provision for federal income taxes due to changes in tax law
  - Increase our other expenses
  - Limit our ability to set fair, adequate and reasonable rates
  - Place us at a disadvantage in the marketplace
  - Restrict our ability to execute our business model, including the way we compensate agents
- Adverse outcomes from litigation or administrative proceedings, including effects of social inflation and third-party litigation funding on the size of litigation awards
- Events or actions, including unauthorized intentional circumvention of controls, that reduce our future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002
- Unforeseen departure of certain executive officers or other key employees due to retirement, health or other causes that could interrupt progress toward important strategic goals or diminish the effectiveness of certain longstanding relationships with insurance agents and others
- Our inability, or the inability of our independent agents, to attract and retain personnel in a competitive labor market, impacting the customer experience and altering our competitive advantages
- Events, such as an epidemic, natural catastrophe or terrorism, that could hamper our ability to assemble our workforce at our headquarters location or work effectively in a remote environment

Further, our insurance businesses are subject to the effects of changing social, global, economic and regulatory environments. Public and regulatory initiatives have included efforts to adversely influence and restrict premium rates, restrict the ability to cancel policies, impose underwriting standards and expand overall regulation. We also are subject to public and regulatory initiatives that can affect the market value for our common stock, such as measures affecting corporate financial reporting and governance. The ultimate changes and eventual effects, if any, of these initiatives are uncertain.

Table of Contents

CORPORATE FINANCIAL HIGHLIGHTS

Net Income and Comprehensive Income Data

(Dollars in millions, except per share data)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Earned premiums	**$ 1,943**	$ 1,773	10	**$ 3,861**	$ 3,466	11
Investment income, net of expenses (pretax)	**220**	195	13	**430**	380	13
Investment gains and losses, net (pretax)	**434**	(1,154)	nm	**540**	(1,820)	nm
Total revenues	**2,605**	820	218	**4,846**	2,038	138
Net income (loss)	**534**	(818)	nm	**759**	(1,084)	nm
Comprehensive income (loss)	**435**	(1,158)	nm	**747**	(1,858)	nm
Net income (loss) per share—diluted	**3.38**	(5.12)	nm	**4.80**	(6.77)	nm
Cash dividends declared per share	**0.75**	0.69	9	**1.50**	1.38	9
Diluted weighted average shares outstanding	**158.0**	159.6	(1)	**158.3**	160.0	(1)

Total revenues increased $1.785 billion for the second quarter of 2023, compared with the second quarter of 2022, primarily due to net investment gains in addition to higher earned premiums and investment income. Premium and investment revenue trends are discussed further in the respective sections of Financial Results.

Investment gains and losses are recognized on the sales of investments, on certain changes in fair values of securities even though we continue to hold the securities or as otherwise required by GAAP. We have substantial discretion in the timing of investment sales, and that timing generally is independent of the insurance underwriting process. The change in fair value of securities is also generally independent of the insurance underwriting process.

Net income of $534 million for the second quarter of 2023, compared with a net loss in second-quarter 2022 of $818 million, was a change of $1.352 billion, including increases of $1.255 billion in after-tax net investment gains and losses, $21 million in after-tax investment income and $78 million in after-tax property casualty underwriting income. Catastrophe losses for the second quarter of 2023, mostly weather related, were $11 million higher after taxes and unfavorably affected both net income and property casualty underwriting income. Life insurance segment results increased by $12 million on a pretax basis.

For the first six months of 2023, net income increased $1.843 billion, compared with the first six months of 2022, including increases of $1.865 billion in after-tax investment gains and losses and $41 million in after-tax investment income that offset a decrease of $60 million in after-tax property casualty underwriting income. The property casualty underwriting income decrease included an unfavorable $174 million after-tax effect from higher catastrophe losses. Life insurance segment results increased by $13 million on a pretax basis.

The second-quarter 2023 increase in property casualty underwriting income included improved overall insured loss experience before catastrophe effects, as price increases have helped to offset elevated paid losses reflecting economic or other forms of inflation that are increasing our uncertainty regarding ultimate losses. Until longer-term paid loss cost trends become more clear, we intend to remain prudent in reserving for estimated ultimate losses. As a result, incurred loss ratios to earned premiums for the first six months of 2023 for several lines of business remained higher than in prior periods and are discussed in Financial Results by property casualty insurance segment.

Performance by segment is discussed below in Financial Results. As discussed in our 2022 Annual Report on Form 10-K, Item 7, Executive Summary, Page 48, there are several reasons why our performance during 2023 may be below our long-term targets.

The board of directors is committed to rewarding shareholders directly through cash dividends and through share repurchase authorizations. Through 2022, the company had increased the annual cash dividend rate for 62 consecutive years, a record we believe is matched by only seven other U.S. publicly traded companies. In January 2023, the board of directors increased the regular quarterly dividend to 75 cents per share, setting the stage for our 63rd consecutive year of increasing cash dividends. During the first six months of 2023, cash dividends declared by the company increased 9% compared with the same period of 2022. Our board regularly evaluates relevant factors in decisions related to dividends and share repurchases. The 2023 dividend increase reflected our strong operating performance and signaled management's and the board's positive outlook and confidence in our outstanding capital, liquidity and financial flexibility.

Balance Sheet Data and Performance Measures

(Dollars in millions, except share data)	At June 30, 2023	At December 31, 2022
Total investments	**$ 23,879**	$ 22,425
Total assets	**31,352**	29,732
Short-term debt	**25**	50
Long-term debt	**789**	789
Shareholders' equity	**11,030**	10,562
Book value per share	**70.33**	67.21
Debt-to-total-capital ratio	**6.9 %**	7.4 %

Total assets at June 30, 2023, increased 5% compared with year-end 2022, and included a 6% increase in total investments that reflected net purchases and higher fair values for many securities in our portfolio. Shareholders' equity increased 4% and book value per share increased 5% during the first six months of 2023. Our debt-to-total-capital ratio (capital is the sum of debt plus shareholders' equity) decreased compared with year-end 2022.

Our value creation ratio is our primary performance metric. That ratio was 7.2% for the first six months of 2023, and was more than the same period in 2022 primarily due to a higher amount in overall net gains from our investment portfolio. Book value per share increased $3.12 during the first six months of 2023 and contributed 5.0 percentage points to the value creation ratio, while dividends declared at $1.50 per share contributed 2.2 points. Value creation ratios by major components and in total, along with calculations from per-share amounts, are shown in the tables below.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Value creation ratio major components:				
Net income before investment gains	**1.8 %**	0.8 %	**3.2 %**	2.7 %
Change in fixed-maturity securities, realized and unrealized gains	**(1.2)**	(4.0)	**0.0**	(8.2)
Change in equity securities, investment gains	**3.4**	(7.7)	**4.2**	(11.2)
Other	**0.0**	(0.3)	**(0.2)**	(0.5)
Value creation ratio	**4.0 %**	(11.2)%	**7.2 %**	(17.2)%

(Dollars are per share)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Book value change per share				
Book value as originally reported December 31, 2022			**$ 67.01**	
Cumulative effect of change in accounting for long-duration insurance contracts, net of tax			**0.20**	
Book value as adjusted December 31, 2022			**$ 67.21**	
Value creation ratio:				
End of period book value*- as originally reported	**$ 70.33**	$ 66.30	**$ 70.33**	$ 66.30
Less beginning of period book value - as originally reported	**68.33**	75.43	**67.01**	81.72
Change in book value - as originally reported	**2.00**	(9.13)	**3.32**	(15.42)
Dividend declared to shareholders	**0.75**	0.69	**1.50**	1.38
Total value creation	**$ 2.75**	$ (8.44)	**$ 4.82**	$ (14.04)
Value creation ratio from change in book value**	**2.9 %**	(12.1)%	**5.0 %**	(18.9)%
Value creation ratio from dividends declared to shareholders***	**1.1**	0.9	**2.2**	1.7
Value creation ratio	**4.0 %**	(11.2)%	**7.2 %**	(17.2)%

* Book value per share is calculated by dividing end of period total shareholders' equity by end of period shares outstanding
** Change in book value divided by the beginning of period book value
*** Dividend declared to shareholders divided by beginning of period book value

DRIVERS OF LONG-TERM VALUE CREATION

Operating through The Cincinnati Insurance Company, Cincinnati Financial Corporation is one of the 25 largest property casualty insurers in the nation, based on 2022 net written premiums for approximately 2,000 U.S. stock and mutual insurer groups. We market our insurance products through a select group of independent insurance agencies as discussed in our 2022 Annual Report on Form 10-K, Item 1, Our Business and Our Strategy, Page 6. At June 30, 2023, we actively marketed through 2,035 agencies located in 46 states. We maintain a long-term perspective that guides us in addressing immediate challenges or opportunities while focusing on the major decisions that best position our company for success through all market cycles.

To measure our long-term progress in creating shareholder value, our value creation ratio is our primary financial performance target. As discussed in our 2022 Annual Report on Form 10-K, Item 7, Executive Summary, Page 48, management believes this measure is a meaningful indicator of our long-term progress in creating shareholder value and has three primary performance drivers:

- Premium growth – We believe our agency relationships and initiatives can lead to a property casualty written premium growth rate over any five-year period that exceeds the industry average. For the first six months of 2023, our consolidated property casualty net written premium year-over-year growth was 8%. As of March 2023, A.M. Best projected the industry's full-year 2023 written premium growth at approximately 8%. For the five-year period 2018 through 2022, our growth rate exceeded that of the industry. The industry's growth rate excludes its mortgage and financial guaranty lines of business.
- Combined ratio – We believe our underwriting philosophy and initiatives can generate a GAAP combined ratio over any five-year period that is consistently within the range of 95% to 100%. For the first six months of 2023, our GAAP combined ratio was 99.2%, including 13.2 percentage points of current accident year catastrophe losses partially offset by 4.3 percentage points of favorable loss reserve development on prior accident years. Our statutory combined ratio was 97.7% for the first six months of 2023. As of March 2023, A.M. Best projected the industry's full-year 2023 statutory combined ratio at approximately 102%, including approximately 6 percentage points of catastrophe losses and a favorable effect of approximately 1 percentage

point of loss reserve development on prior accident years. The industry's ratio again excludes its mortgage and financial guaranty lines of business.

- Investment contribution – We believe our investment philosophy and initiatives can drive investment income growth and lead to a total return on our equity investment portfolio over a five-year period that exceeds the five-year return of the Standard & Poor's 500 Index. For the first six months of 2023, pretax investment income was $430 million, up 13% compared with the same period in 2022. We believe our investment portfolio mix provides an appropriate balance of income stability and growth with capital appreciation potential.

Financial Strength

An important part of our long-term strategy is financial strength, which is described in our 2022 Annual Report on Form 10-K, Item 1, Our Business and Our Strategy, Financial Strength, Page 8. One aspect of our financial strength is prudent use of reinsurance ceded to help manage financial performance variability due to catastrophe loss experience. A description of how we use reinsurance ceded is included in our 2022 Annual Report on Form 10-K, Item 7, Liquidity and Capital Resources, 2023 Reinsurance Ceded Programs, Page 104. Another aspect of our financial strength is our investment portfolio, which remains well-diversified as discussed in this quarterly report in Item 3, Quantitative and Qualitative Disclosures About Market Risk. Our strong parent-company liquidity and financial strength increase our flexibility to maintain a cash dividend through all periods and to continue to invest in and expand our insurance operations.

At June 30, 2023, we held $4.569 billion of our cash and cash equivalents and invested assets at the parent-company level, of which $4.362 billion, or 95.5%, was invested in common stocks, and $77 million, or 1.7%, was cash or cash equivalents. Our debt-to-total-capital ratio was 6.9% at June 30, 2023. Another important indicator of financial strength is our ratio of property casualty net written premiums to statutory surplus, which was 1.1-to-1 for the 12 months ended June 30, 2023, matching year-end 2022.

Financial strength ratings assigned to us by independent rating firms also are important. In addition to rating our parent company's senior debt, four firms award insurer financial strength ratings to one or more of our insurance subsidiary companies based on their quantitative and qualitative analyses. These ratings primarily assess an insurer's ability to meet financial obligations to policyholders and do not necessarily address all of the matters that may be important to investors. Ratings are under continuous review and subject to change or withdrawal at any time by the rating agency. Each rating should be evaluated independently of any other rating; please see each rating agency's website for its most recent report on our ratings.

At July 26, 2023, our insurance subsidiaries continued to be highly rated.

Insurer Financial Strength Ratings

Rating agency	Standard market property casualty insurance subsidiaries			Life insurance subsidiary			Excess and surplus lines insurance subsidiary			Outlook
			Rating tier			Rating tier			Rating tier	
A.M. Best Co. *ambest.com*	A+	Superior	2 of 16	A+	Superior	2 of 16	A+	Superior	2 of 16	Stable
Fitch Ratings *fitchratings.com*	A+	Strong	5 of 21	A+	Strong	5 of 21	-	-	-	Stable
Moody's Investors Service *moodys.com*	A1	Good	5 of 21	-	-	-	-	-	-	Stable
S&P Global Ratings *spratings.com*	A+	Strong	5 of 21	A+	Strong	5 of 21	-	-	-	Stable

CONSOLIDATED PROPERTY CASUALTY INSURANCE HIGHLIGHTS

Consolidated property casualty insurance results include premiums and expenses for our standard market insurance segments (commercial lines and personal lines), our excess and surplus lines segment, Cincinnati Re® and our London-based global specialty underwriter Cincinnati Global Underwriting Ltd.SM (Cincinnati Global).

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Earned premiums	**$ 1,863**	$ 1,697	10	**$ 3,704**	$ 3,315	12
Fee revenues	**3**	2	50	**5**	5	0
Total revenues	**1,866**	1,699	10	**3,709**	3,320	12
Loss and loss expenses from:						
Current accident year before catastrophe losses	**1,127**	1,064	6	**2,250**	2,011	12
Current accident year catastrophe losses	**236**	235	0	**489**	285	72
Prior accident years before catastrophe losses	**(89)**	(34)	(162)	**(130)**	(54)	(141)
Prior accident years catastrophe losses	**(12)**	(25)	52	**(30)**	(46)	35
Loss and loss expenses	**1,262**	1,240	2	**2,579**	2,196	17
Underwriting expenses	**557**	511	9	**1,093**	1,011	8
Underwriting profit (loss)	**$ 47**	$ (52)	nm	**$ 37**	$ 113	(67)
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**60.5 %**	62.7 %	(2.2)	**60.8 %**	60.6 %	0.2
Current accident year catastrophe losses	**12.7**	13.8	(1.1)	**13.2**	8.6	4.6
Prior accident years before catastrophe losses	**(4.8)**	(2.0)	(2.8)	**(3.5)**	(1.6)	(1.9)
Prior accident years catastrophe losses	**(0.7)**	(1.4)	0.7	**(0.8)**	(1.4)	0.6
Loss and loss expenses	**67.7**	73.1	(5.4)	**69.7**	66.2	3.5
Underwriting expenses	**29.9**	30.1	(0.2)	**29.5**	30.5	(1.0)
Combined ratio	**97.6 %**	103.2 %	(5.6)	**99.2 %**	96.7 %	2.5
Combined ratio	**97.6 %**	103.2 %	(5.6)	**99.2 %**	96.7 %	2.5
Contribution from catastrophe losses and prior years reserve development	**7.2**	10.4	(3.2)	**8.9**	5.6	3.3
Combined ratio before catastrophe losses and prior years reserve development	**90.4 %**	92.8 %	(2.4)	**90.3 %**	91.1 %	(0.8)

Our consolidated property casualty insurance operations generated an underwriting profit of $47 million for the second quarter and $37 million for the first six months of 2023. Compared with a second-quarter 2022 underwriting loss of $52 million, the second-quarter 2023 improvement of $99 million included an unfavorable increase of $14 million in losses from catastrophes, mostly caused by severe weather. The second-quarter 2023 change in underwriting profitability also included higher current accident year loss and loss expenses before catastrophe losses that grew more slowly than earned premiums and higher amounts of favorable reserve development on prior accident years.The six-month underwriting profit decrease of $76 million, compared with the first six months of 2022, included an unfavorable increase of $220 million in losses from catastrophes. The six-month 2023 period also experienced higher current accident year loss and loss expenses before catastrophe losses and higher amounts of favorable reserve development on prior accident years.

Elevated inflation was a driver of higher losses and loss expenses in 2023 as costs have increased significantly to repair damaged autos or other property that we insure. We also experienced higher losses for liability coverages for some of our lines of business. Due to increased uncertainty regarding ultimate losses, we intend to remain prudent in reserving for estimated ultimate losses until longer-term loss cost trends become more clear. The higher loss experience is discussed in Financial Results by property casualty insurance segment. We believe future property casualty underwriting results will continue to benefit from price increases and our ongoing initiatives to improve pricing precision and loss experience related to claims and loss control practices.

For all property casualty lines of business in aggregate, net loss and loss expense reserves at June 30, 2023, were $452 million, or 6%, higher than at year-end 2022, including an increase of $358 million for the incurred but not reported (IBNR) portion.

We measure and analyze property casualty underwriting results primarily by the combined ratio and its component ratios. The GAAP-basis combined ratio is the percentage of incurred losses plus all expenses per each earned premium dollar – the lower the ratio, the better the performance. An underwriting profit results when the combined ratio is below 100%. A combined ratio above 100% indicates that an insurance company's losses and expenses exceeded premiums.

Our consolidated property casualty combined ratio for the second quarter of 2023 improved by 5.6 percentage points, compared with the same period of 2022, including a decrease of 0.4 points from higher catastrophe losses and loss expenses. For the first six months of 2023, compared with the 2022 six-month period, our combined ratio increased by 2.5 percentage points, including an increase of 5.2 points from catastrophe losses and loss expenses. Other combined ratio components that increased are discussed below and in further detail in Financial Results by property casualty insurance segment.
The combined ratio can be affected significantly by natural catastrophe losses and other large losses as discussed in detail below. The combined ratio can also be affected by updated estimates of loss and loss expense reserves established for claims that occurred in prior periods, referred to as prior accident years. Net favorable development on prior accident year reserves, including reserves for catastrophe losses, benefited the combined ratio by 4.3 percentage points in the first six months of 2023, compared with 3.0 percentage points in the same period of 2022. Net favorable development is discussed in further detail in Financial Results by property casualty insurance segment.

The ratio for current accident year loss and loss expenses before catastrophe losses increased slightly in the first six months of 2023. That 60.8% ratio was 0.2 percentage points higher, compared with the 60.6% accident year 2022 ratio measured as of June 30, 2022, including a decrease of 0.6 points in the ratio for large losses of $2 million or more per claim, discussed below. The ratio increase of 0.2 percentage points included an increase of 4.7 points for the IBNR portion and a decrease of 4.5 points for the case incurred portion.

The underwriting expense ratio decreased for the second quarter and first six months of 2023, compared with the same periods a year ago. The decrease for second-quarter 2023 was primarily due to premium growth outpacing growth in various expenses while the six-month 2023 decrease was primarily due to a decrease in profit-sharing commissions for agencies. The ratios also included ongoing expense management efforts and higher earned premiums.

Consolidated Property Casualty Insurance Premiums

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Agency renewal written premiums	**$ 1,643**	$ 1,482	11	**$ 3,178**	$ 2,879	10
Agency new business written premiums	**303**	286	6	**554**	530	5
Other written premiums	**204**	196	4	**437**	454	(4)
Net written premiums	**2,150**	1,964	9	**4,169**	3,863	8
Unearned premium change	**(287)**	(267)	(7)	**(465)**	(548)	15
Earned premiums	**$ 1,863**	$ 1,697	10	**$ 3,704**	$ 3,315	12

The trends in net written premiums and earned premiums summarized in the table above include the effects of price increases. Price change trends that heavily influence renewal written premium increases or decreases, along with other premium growth drivers for 2023, are discussed in more detail by segment below in Financial Results.

Consolidated property casualty net written premiums for the second quarter and six months ended June 30, 2023, grew $186 million and $306 million compared with the same periods of 2022. Our premium growth initiatives from prior years have provided an ongoing favorable effect on growth during the current year, particularly as newer agency relationships mature over time.

Consolidated property casualty agency new business written premiums increased by $17 million and $24 million for the second quarter and first six months of 2023, compared with the same periods of 2022. New agency appointments during 2023 and 2022 produced a $25 million increase in standard lines new business for the first six months of 2023 compared with the same period of 2022. As we appoint new agencies that choose to move accounts to us, we report these accounts as new business. While this business is new to us, in many cases it is not new to the agent. We believe these seasoned accounts tend to be priced more accurately than business that may be less familiar to our agent upon obtaining it from a competing agent.

Net written premiums for Cincinnati Re, included in other written premiums, decreased by $1 million and $25 million for the three and six months ended June 30, 2023, compared with the same periods of 2022, to $177 million and $407 million, respectively. Cincinnati Re assumes risks through reinsurance treaties and in some cases cedes part of the risk and related premiums to one or more unaffiliated reinsurance companies through transactions known as retrocessions.

Cincinnati Global is also included in other written premiums. Net written premiums increased for Cincinnati Global by $13 million and $26 million for the three and six months ended June 30, 2023, compared with the same periods of 2022, to $82 million and $146 million, respectively.

Other written premiums include premiums ceded to reinsurers as part of our reinsurance ceded program. An increase in ceded premiums reduced net written premiums by $5 million and $20 million for the second quarter and first six months of 2023, compared with the same periods of 2022.

Catastrophe losses and loss expenses typically have a material effect on property casualty results and can vary significantly from period to period. Losses from catastrophes contributed 12.0 and 12.4 percentage points to the combined ratio in the second quarter and first six months of 2023, compared with 12.4 and 7.2 percentage points in the same periods of 2022.

Effective June 1, 2023, we restructured our reinsurance program for Cincinnati Re that included property catastrophe excess of loss coverage. The restructured treaties are for a period of one year and provide $40 million of coverage for various combinations of occurrences for business written in North America on a direct basis and by Cincinnati Re. Cincinnati Global catastrophe losses are not applicable to the treaty. There is a per occurrence limit of $20 million for Cincinnati Re catastrophe losses in excess of $80 million per event. The remaining coverage is for business written by Cincinnati Re and on a direct basis which applies to catastrophe losses in excess of $600 million per event. Ceded premiums for these treaties are estimated to be approximately $8 million.

We did not renew our quota share reinsurance arrangement for our personal lines risks in California that we insure through excess and surplus lines policies. The expiring treaty first became effective in May 2022 and no similar treaty replaced it.

The following table shows consolidated property casualty insurance catastrophe losses and loss expenses incurred, net of reinsurance, as well as the effect of loss development on prior period catastrophe events. We individually list declared catastrophe events for which our incurred losses reached or exceeded $25 million.

Consolidated Property Casualty Insurance Catastrophe Losses and Loss Expenses Incurred

(Dollars in millions, net of reinsurance)		Three months ended June 30,					Six months ended June 30,				
Dates	Region	Comm. lines	Pers. lines	E&S lines	Other	Total	Comm. lines	Pers. lines	E&S lines	Other	Total
2023											
Mar. 1-4	Midwest, Northeast, South	**$ (2)**	**$ (5)**	**$ —**	**$ 2**	**$ (5)**	**$ 28**	**$ 29**	**$ 1**	**$ 2**	**$ 60**
Mar. 23-28	Midwest, Northeast, South	**9**	**—**	**—**	**—**	**9**	**22**	**27**	**—**	**—**	**49**
Mar. 30 - Apr. 1	Midwest, Northeast, South	**20**	**9**	**—**	**—**	**29**	**63**	**33**	**—**	**—**	**96**
Apr. 3-7	Midwest, Northeast, South	**10**	**30**	**—**	**—**	**40**	**10**	**30**	**—**	**—**	**40**
May 2-9	Midwest, South	**25**	**7**	**—**	**—**	**32**	**25**	**7**	**—**	**—**	**32**
All other 2023 catastrophes		**62**	**67**	**2**	**—**	**131**	**82**	**122**	**3**	**5**	**212**
Development on 2022 and prior catastrophes		**(5)**	**(11)**	**1**	**3**	**(12)**	**(1)**	**(36)**	**—**	**7**	**(30)**
Calendar year incurred total		**$ 119**	**$ 97**	**$ 3**	**$ 5**	**$ 224**	**$ 229**	**$ 212**	**$ 4**	**$ 14**	**$ 459**
2022											
Apr. 10-14	Midwest, West, South	$ 17	$ 10	$ 1	$ —	$ 28	$ 17	$ 10	$ 1	$ —	$ 28
Jun. 11-17	Midwest, Northeast, South	17	19	—	—	36	17	19	—	—	36
All other 2022 catastrophes		101	61	1	8	171	117	89	2	13	221
Development on 2021 and prior catastrophes		(10)	(12)	—	(3)	(25)	(13)	(33)	—	—	(46)
Calendar year incurred total		$ 125	$ 78	$ 2	$ 5	$ 210	$ 138	$ 85	$ 3	$ 13	$ 239

The following table includes data for losses incurred of $2 million or more per claim, net of reinsurance.

Consolidated Property Casualty Insurance Losses Incurred by Size

(Dollars in millions, net of reinsurance)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Current accident year losses greater than $5 million	**$ 43**	$ 38	13	**$ 79**	$ 61	30
Current accident year losses $2 million - $5 million	**35**	36	(3)	**50**	75	(33)
Large loss prior accident year reserve development	**19**	22	(14)	**28**	31	(10)
Total large losses incurred	**97**	96	1	**157**	167	(6)
Losses incurred but not reported	**96**	74	30	**324**	110	195
Other losses excluding catastrophe losses	**675**	705	(4)	**1,267**	1,356	(7)
Catastrophe losses	**217**	208	4	**444**	232	91
Total losses incurred	**$ 1,085**	$ 1,083	0	**$ 2,192**	$ 1,865	18
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year losses greater than $5 million	**2.4 %**	2.2 %	0.2	**2.2 %**	1.8 %	0.4
Current accident year losses $2 million - $5 million	**1.9**	2.2	(0.3)	**1.3**	2.3	(1.0)
Large loss prior accident year reserve development	**1.0**	1.3	(0.3)	**0.8**	0.9	(0.1)
Total large loss ratio	**5.3**	5.7	(0.4)	**4.3**	5.0	(0.7)
Losses incurred but not reported	**5.2**	4.4	0.8	**8.7**	3.3	5.4
Other losses excluding catastrophe losses	**36.1**	41.4	(5.3)	**34.2**	40.9	(6.7)
Catastrophe losses	**11.6**	12.3	(0.7)	**12.0**	7.0	5.0
Total loss ratio	**58.2 %**	63.8 %	(5.6)	**59.2 %**	56.2 %	3.0

We believe the inherent variability of aggregate loss experience for our portfolio of larger policies is greater than that of our portfolio of smaller policies, and we continue to monitor the variability in addition to general inflationary trends in loss costs. Our analysis continues to indicate no unexpected concentration of large losses and case reserve increases by risk category, geographic region, policy inception, agency or field marketing territory. The second-quarter 2023 property casualty total large losses incurred of $97 million, net of reinsurance, was higher than the $77 million quarterly average during full-year 2022 and the $96 million experienced for the second quarter of 2022. The ratio for these large losses was 0.4 percentage points lower compared with last year's second quarter. The second-quarter 2023 amount of total large losses incurred helped contribute to the decrease in the six-month 2023 total large loss ratio, compared with 2022, in addition to a first-quarter 2023 ratio that was 1.2 points lower than the first quarter of 2022. We believe results for the three- and six-month periods largely reflected normal fluctuations in loss patterns and normal variability in large case reserves for claims above $2 million. Losses by size are discussed in further detail in results of operations by property casualty insurance segment.

FINANCIAL RESULTS

Consolidated results reflect the operating results of each of our five segments along with the parent company, Cincinnati Re, Cincinnati Global and other activities reported as "Other." The five segments are:

- Commercial lines insurance
- Personal lines insurance
- Excess and surplus lines insurance
- Life insurance
- Investments

COMMERCIAL LINES INSURANCE RESULTS

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Earned premiums	**$ 1,066**	$ 994	7	**$ 2,122**	$ 1,956	8
Fee revenues	**1**	1	0	**2**	2	0
Total revenues	**1,067**	995	7	**2,124**	1,958	8
Loss and loss expenses from:						
Current accident year before catastrophe losses	**643**	644	0	**1,317**	1,232	7
Current accident year catastrophe losses	**124**	135	(8)	**230**	151	52
Prior accident years before catastrophe losses	**(54)**	(19)	(184)	**(90)**	(34)	(165)
Prior accident years catastrophe losses	**(5)**	(10)	50	**(1)**	(13)	92
Loss and loss expenses	**708**	750	(6)	**1,456**	1,336	9
Underwriting expenses	**326**	307	6	**637**	608	5
Underwriting profit (loss)	**$ 33**	$ (62)	nm	**$ 31**	$ 14	121
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**60.3 %**	64.8 %	(4.5)	**62.1 %**	63.0 %	(0.9)
Current accident year catastrophe losses	**11.6**	13.6	(2.0)	**10.8**	7.7	3.1
Prior accident years before catastrophe losses	**(5.0)**	(1.9)	(3.1)	**(4.2)**	(1.8)	(2.4)
Prior accident years catastrophe losses	**(0.5)**	(1.0)	0.5	**(0.1)**	(0.6)	0.5
Loss and loss expenses	**66.4**	75.5	(9.1)	**68.6**	68.3	0.3
Underwriting expenses	**30.5**	30.8	(0.3)	**30.0**	31.1	(1.1)
Combined ratio	**96.9 %**	106.3 %	(9.4)	**98.6 %**	99.4 %	(0.8)
Combined ratio	**96.9 %**	106.3 %	(9.4)	**98.6 %**	99.4 %	(0.8)
Contribution from catastrophe losses and prior years reserve development	**6.1**	10.7	(4.6)	**6.5**	5.3	1.2
Combined ratio before catastrophe losses and prior years reserve development	**90.8 %**	95.6 %	(4.8)	**92.1 %**	94.1 %	(2.0)

Overview

Performance highlights for the commercial lines segment include:

- Premiums – Earned premiums and net written premiums for the commercial lines segment grew during the second quarter and first six months of 2023, compared with the same periods a year ago, reflecting renewal written premium growth that continued to include higher average pricing. The table below analyzes the primary components of premiums. We continue to use predictive analytics tools to improve pricing precision and segmentation while leveraging our local relationships with agents through the efforts of our teams that work closely with them. We seek to maintain appropriate pricing discipline for both new and renewal business as our agents and underwriters assess account quality to make careful decisions on a policy-by-policy basis whether to write or renew a policy.

  Agency renewal written premiums increased by 5% for the second quarter and 6% for the first six months of 2023, compared with the same periods of 2022, including price increases. During the second quarter of 2023, our overall standard commercial lines policies averaged estimated renewal price increases at percentages near the low end of the high-single-digit range. We continue to segment commercial lines policies, emphasizing identification and retention of those we believe have relatively stronger pricing. Conversely, we have been seeking stricter renewal terms and conditions on policies we believe have relatively weaker pricing, thus retaining fewer of those policies. We measure average changes in commercial lines renewal pricing as the percentage rate of change in renewal premium for the new policy period compared with the premium for the expiring policy period, assuming no change in the level of insured exposures or policy coverage between those periods for the respective policies.

Our average overall commercial lines renewal pricing change includes the impact of flat pricing for certain coverages within package policies written for a three-year term that were in force but did not expire during the period being measured. Therefore, our reported change in average commercial lines renewal pricing reflects a blend of three-year policies that did not expire and other policies that did expire during the measurement period. For commercial lines policies that did expire and were then renewed during the second quarter of 2023, we estimate that our average percentage price increases were in the high-single-digit range for our commercial property, commercial auto and commercial casualty lines of business. The estimated average percentage price change for workers' compensation was a decrease in the low-single-digit range.

Our commercial lines segment's increase in agency renewal written premiums for the first six months of 2023 also included changes in the level of insured exposures. Part of the insured exposure increase reflects our response to inflation effects that increase the cost of building materials to repair damaged commercial structures. We use building valuation software to automate much of that underwriting process and may also manually adjust premiums to reflect property costs.

Renewal premiums for certain policies, primarily our commercial casualty and workers' compensation lines of business, include the results of policy audits that adjust initial premium amounts based on differences between estimated and actual sales or payroll related to a specific policy. Audits completed during the first six months of 2023 contributed $73 million to net written premiums, compared with $45 million for the same period of 2022.

New business written premiums for commercial lines decreased $16 million and $38 million during the second quarter and first six months of 2023, compared with the same periods of 2022, reflecting pricing and underwriting discipline in a highly competitive market. Trend analysis for year-over-year comparisons of individual quarters is more difficult to assess for commercial lines new business written premiums, due to inherent variability. That variability is often driven by larger policies with annual premiums greater than $100,000.

Other written premiums include premiums ceded to reinsurers as part of our reinsurance ceded program. For our commercial lines insurance segment, an increase in ceded premiums reduced net written premiums by $4 million and $11 million for the second quarter and first six months of 2023, compared with the same periods of 2022.

Commercial Lines Insurance Premiums

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Agency renewal written premiums	**$ 985**	$ 934	5	**$ 2,026**	$ 1,904	6
Agency new business written premiums	**149**	165	(10)	**283**	321	(12)
Other written premiums	**(28)**	(27)	(4)	**(62)**	(57)	(9)
Net written premiums	**1,106**	1,072	3	**2,247**	2,168	4
Unearned premium change	**(40)**	(78)	49	**(125)**	(212)	41
Earned premiums	**$ 1,066**	$ 994	7	**$ 2,122**	$ 1,956	8

- Combined ratio – The second-quarter 2023 commercial lines combined ratio improved by 9.4 percentage points, compared with the second quarter of 2022, including a decrease of 1.5 points in losses from catastrophes. The second-quarter combined ratio also decreased 4.5 points from current accident year loss and loss expenses before catastrophe losses, including a decrease of 1.5 points in the IBNR portion and a decrease of 3.0 points for the case incurred portion. For the first six months of 2023, the combined ratio improved by 0.8 percentage points, compared with the same period a year ago, despite an increase of 3.6 points in losses from catastrophes. The six-month 2023 combined ratio also included a decrease of 0.9 points from current accident year loss and loss expenses before catastrophe losses, including an increase of 4.8 points in the IBNR portion and a decrease of 5.7 points for the case incurred portion. Underwriting results also included a higher level of favorable reserve development on prior accident years and favorable effects from the underwriting expense ratio, as discussed below. The current accident year ratios were measured as of June 30 of the respective years and included an increase of 0.9 percentage points for second-quarter 2023 in the ratio for large losses of $2 million or more per claim and a decrease of 0.2 points for the six-month 2023 period, discussed below.

  When estimating the ultimate cost of total loss and loss expenses, we consider many factors, including trends for inflation, historical paid and reported losses, large loss activity and other data or information for the industry or our company. Elevated inflation was a driver of higher losses and loss expenses as costs have increased significantly to repair damaged business property or autos that we insure, in addition to higher losses for liability coverages for some of our lines of business. Due to increased uncertainty regarding ultimate losses, we intend to remain prudent in reserving for estimated ultimate losses until longer-term loss cost trends become more clear.

Commercial umbrella coverages, part of our commercial casualty line of business that help protect businesses against liability from occurrences such as accidents or injuries, contributed a decrease of approximately 1.9 percentage points to the commercial lines segment six-month 2023 ratio for loss and loss expenses increase of 0.3% shown in the table above. For the first six months of 2023, incurred losses and loss expenses for commercial umbrella coverages of $174 million decreased $24 million or 12%, compared with the same period of 2022, including a decrease of $3 million or 5% for the IBNR portion, while earned premiums of $254 million increased 5%. The estimated combined ratio for commercial umbrella for the first six months of 2023 was 97%, compared with an estimated 112% for the same period of 2022.

Commercial umbrella paid loss experience is inherently variable. The profile of coverage limits for policies in force at the end of 2022 included 43% with $1 million of coverage per policy, 91% with $5 million or less and 99% with $10 million or less of coverage. Our commercial umbrella insurance coverages have a strong record of profitability for us, including an estimated combined ratio averaging below 85% for the five years ending in 2022.

Catastrophe losses and loss expenses accounted for 11.1 and 10.7 percentage points of the combined ratio for the second quarter and first six months of 2023, compared with 12.6 and 7.1 percentage points for the same periods a year ago. Through 2022, the 10-year annual average for that catastrophe measure for the commercial lines segment was 5.5 percentage points, and the five-year annual average was 6.2 percentage points.

The net effect of reserve development on prior accident years during the second quarter and first six months of 2023 was favorable for commercial lines overall by $59 million and $91 million, compared with $29 million and $47 million for the same periods in 2022. For the first six months of 2023, our commercial casualty, workers' compensation and commercial property lines of business were the main contributors to the commercial lines net favorable reserve development on prior accident years. The net favorable reserve development recognized during the first six months of 2023 for our commercial lines insurance segment was mainly for accident years 2022 and 2020 and was primarily due to lower-than-anticipated loss emergence on known claims. Reserve estimates are inherently uncertain as described in our 2022 Annual Report on Form 10-K, Item 7, Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves, Page 53.

The commercial lines underwriting expense ratio decreased for the second quarter and first six months of 2023, compared with the same periods a year ago. The decrease for second-quarter 2023 was primarily due to premium growth outpacing growth in various expenses while the six-month 2023 decrease was mostly due to a decrease in profit-sharing commissions for agencies. The ratios also included ongoing expense management efforts and higher earned premiums.

Commercial Lines Insurance Losses Incurred by Size

(Dollars in millions, net of reinsurance)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Current accident year losses greater than $5 million	**$ 28**	$ 15	87	**$ 58**	$ 31	87
Current accident year losses $2 million - $5 million	**28**	29	(3)	**40**	66	(39)
Large loss prior accident year reserve development	**19**	22	(14)	**22**	29	(24)
Total large losses incurred	**75**	66	14	**120**	126	(5)
Losses incurred but not reported	**29**	61	(52)	**154**	99	56
Other losses excluding catastrophe losses	**384**	401	(4)	**719**	763	(6)
Catastrophe losses	**115**	124	(7)	**221**	135	64
Total losses incurred	**$ 603**	$ 652	(8)	**$ 1,214**	$ 1,123	8
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year losses greater than $5 million	**2.6 %**	1.4 %	1.2	**2.8 %**	1.6 %	1.2
Current accident year losses $2 million - $5 million	**2.7**	3.0	(0.3)	**1.9**	3.3	(1.4)
Large loss prior accident year reserve development	**1.8**	2.2	(0.4)	**1.0**	1.5	(0.5)
Total large loss ratio	**7.1**	6.6	0.5	**5.7**	6.4	(0.7)
Losses incurred but not reported	**2.7**	6.1	(3.4)	**7.2**	5.1	2.1
Other losses excluding catastrophe losses	**35.9**	40.4	(4.5)	**33.9**	39.0	(5.1)
Catastrophe losses	**10.8**	12.5	(1.7)	**10.4**	6.9	3.5
Total loss ratio	**56.5 %**	65.6 %	(9.1)	**57.2 %**	57.4 %	(0.2)

We continue to monitor new losses and case reserve increases greater than $2 million for trends in factors such as initial reserve levels, loss cost inflation and claim settlement expenses. Our analysis continues to indicate no unexpected concentration of these large losses and case reserve increases by risk category, geographic region, policy inception, agency or field marketing territory. The second-quarter 2023 commercial lines total large losses incurred of $75 million, net of reinsurance, was higher than the quarterly average of $56 million during full-year 2022 and the $66 million of total large losses incurred for the second quarter of 2022. The decrease in commercial lines large losses for the first six months of 2023 was primarily due to our commercial casualty line of business. The second-quarter 2023 ratio for commercial lines total large losses was 0.5 percentage points higher than last year's second-quarter ratio. The second-quarter 2023 amount of total large losses incurred unfavorably contributed to the decrease in the six-month 2023 total large loss ratio, compared with 2022, as it partially offset a first-quarter 2023 ratio that was 2.0 points lower than the first quarter of 2022. We believe results for the three- and six-month periods largely reflected normal fluctuations in loss patterns and normal variability in large case reserves for claims above $2 million.

PERSONAL LINES INSURANCE RESULTS

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Earned premiums	**$ 493**	$ 413	19	**$ 957**	$ 815	17
Fee revenues	**1**	1	0	**2**	2	0
Total revenues	**494**	414	19	**959**	817	17
Loss and loss expenses from:						
Current accident year before catastrophe losses	**291**	263	11	**568**	484	17
Current accident year catastrophe losses	**108**	90	20	**248**	118	110
Prior accident years before catastrophe losses	**(4)**	(2)	(100)	**(10)**	(15)	33
Prior accident years catastrophe losses	**(11)**	(12)	8	**(36)**	(33)	(9)
Loss and loss expenses	**384**	339	13	**770**	554	39
Underwriting expenses	**146**	124	18	**282**	247	14
Underwriting profit (loss)	**$ (36)**	$ (49)	27	**$ (93)**	$ 16	nm
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**58.9 %**	63.5 %	(4.6)	**59.4 %**	59.3 %	0.1
Current accident year catastrophe losses	**21.9**	21.9	0.0	**25.8**	14.5	11.3
Prior accident years before catastrophe losses	**(0.7)**	(0.5)	(0.2)	**(1.0)**	(1.8)	0.8
Prior accident years catastrophe losses	**(2.2)**	(2.8)	0.6	**(3.7)**	(4.0)	0.3
Loss and loss expenses	**77.9**	82.1	(4.2)	**80.5**	68.0	12.5
Underwriting expenses	**29.7**	30.0	(0.3)	**29.5**	30.2	(0.7)
Combined ratio	**107.6 %**	112.1 %	(4.5)	**110.0 %**	98.2 %	11.8
Combined ratio	**107.6 %**	112.1 %	(4.5)	**110.0 %**	98.2 %	11.8
Contribution from catastrophe losses and prior years reserve development	**19.0**	18.6	0.4	**21.1**	8.7	12.4
Combined ratio before catastrophe losses and prior years reserve development	**88.6 %**	93.5 %	(4.9)	**88.9 %**	89.5 %	(0.6)

Overview

Performance highlights for the personal lines segment include:

- Premiums – Personal lines earned premiums and net written premiums continued to grow during the second quarter and first six months of 2023, including increased new business and renewal written premiums that included higher average pricing. Cincinnati Private Client[SM] net written premiums included in the personal lines insurance segment results totaled approximately $349 million and $582 million for the second quarter and first six months of 2023, compared with $259 million and $435 million for the same periods of 2022. Cincinnati Private Client net written premiums for the respective periods included excess and surplus lines homeowner policies with premiums totaling $32 million in second-quarter 2023, $51 million in first-half 2023, $19 million in second-quarter 2022 and $34 million for the first six months of 2022. The table below analyzes the primary components of premiums.

  Agency renewal written premiums increased 24% and 20% for the second quarter and first six months of 2023, reflecting rate increases in selected states, a higher level of insured exposures and other factors such as higher policy retention rates and changes in policy deductibles or mix of business. Part of the insured exposure increase reflects our response to inflation effects that increase the cost of building materials to repair damaged homes.

  We estimate that premium rates for our personal auto line of business increased at average percentages in the high-single-digit range during the first six months of 2023. We plan to increase rates more aggressively in future quarters and we expect full-year 2023 written premiums will include an average rate increase of approximately 10% for our personal auto line of business. For our homeowner line of business, we estimate that premium rates for the first six months of 2023 increased at average percentages in the mid-single-digit range. For both our personal auto and homeowner lines of business, some individual policies experienced lower or higher rate changes based on each risk's specific characteristics and enhanced pricing precision enabled by predictive models.

Personal lines new business written premiums increased $18 million or 20% for the second quarter, compared with the same period of 2022 with all of the increase occurring in the middle market part of our personal lines insurance segment. For the first six months of 2023, compared with the same period of 2022, personal lines new business written premiums increased $45 million or 32%, including approximately $13 million from Cincinnati Private Client policies and $32 million from middle-market policies. We believe we maintained underwriting and pricing discipline across all personal lines markets as we expanded use of enhanced pricing precision tools.

Other written premiums include premiums ceded to reinsurers as part of our reinsurance ceded program. For our personal lines insurance segment, an increase in 2023 ceded premiums reduced net written premiums by $2 million and $11 million for the second quarter and first six months, compared with the same periods of 2022.

Personal Lines Insurance Premiums

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Agency renewal written premiums	**$ 541**	$ 438	24	**$ 929**	$ 771	20
Agency new business written premiums	**106**	88	20	**185**	140	32
Other written premiums	**(18)**	(16)	(13)	**(37)**	(27)	(37)
Net written premiums	**629**	510	23	**1,077**	884	22
Unearned premium change	**(136)**	(97)	(40)	**(120)**	(69)	(74)
Earned premiums	**$ 493**	$ 413	19	**$ 957**	$ 815	17

- Combined ratio – Our personal lines combined ratio for the second quarter of 2023 improved by 4.5 percentage points, compared with second-quarter 2022, despite an increase of 0.6 points in losses from catastrophes. The second-quarter 2023 combined ratio also included a decrease of 4.6 percentage points from current accident year loss and loss expenses before catastrophe losses, including an increase of 1.2 points in the IBNR portion and a decrease of 5.8 points for the case incurred portion. For the first six months of 2023, the combined ratio increased by 11.8 percentage points, compared with the same period a year ago, including an increase of 11.6 points in losses from catastrophes. The six-month 2023 combined ratio also included an increase of 0.1 points from current accident year loss and loss expenses before catastrophe losses, including an increase of 5.1 points in the IBNR portion and a decrease of 5.0 points for the case incurred portion. Those current accident year ratios were measured as of June 30 of the respective years and included decreases of 2.6 points and 1.4 points in the ratio for large losses of $2 million or more per claim, discussed below.

When estimating the ultimate cost of total loss and loss expenses, we consider many factors, including trends in inflation, historical paid and reported losses, large loss activity and other data or information for the industry or our company. Elevated inflation was a driver of higher losses and loss expenses as costs have increased significantly to repair damaged autos or homes that we insure. Due to increased uncertainty regarding ultimate losses, we intend to remain prudent in reserving for estimated ultimate losses until longer-term loss cost trends become more clear. For example, for the first six months of 2023, personal auto incurred loss and loss expenses before catastrophe losses increased $33 million or 15%, compared with the same period of 2022, in part due to paid losses increasing $29 million or 18% while earned premiums rose 10%.

Catastrophe losses and loss expenses accounted for 19.7 and 22.1 percentage points of the combined ratio for the second quarter and first six months of 2023, compared with 19.1 and 10.5 points for the same periods a year ago. The 10-year annual average catastrophe loss ratio for the personal lines segment through 2022 was 10.6 percentage points, and the five-year annual average was 12.0 percentage points.

In addition to the average rate increases discussed above, we continue to refine our pricing to better match premiums to the risk of loss on individual policies. Improved pricing precision and broad-based rate increases are expected to help position the combined ratio at a profitable level over the long term. In addition, greater geographic diversification is expected to reduce the volatility of homeowner loss ratios attributable to weather-related catastrophe losses over time.

The net effect of reserve development on prior accident years during the second quarter and first six months of 2023 was favorable for personal lines overall by $15 million and $46 million, compared with $14 million and $48 million of favorable development for the same periods of 2022. Our homeowner line of business was the primary contributor to the personal lines net favorable reserve development for the first six months of 2023. The net favorable reserve development was primarily due to lower-than-anticipated loss emergence on known claims. Reserve estimates are inherently uncertain as described in our 2022 Annual Report on Form 10-K, Item 7, Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves, Page 53.

The personal lines underwriting expense ratio decreased for the second quarter and first six months of 2023, compared with the same periods a year ago. The decrease for second-quarter 2023 was primarily due to premium growth outpacing growth in various expenses while the six-month 2023 decrease was mainly due to a decrease in profit-sharing commissions for agencies. The ratios also included ongoing expense management efforts and higher earned premiums.

Personal Lines Insurance Losses Incurred by Size

(Dollars in millions, net of reinsurance)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Current accident year losses greater than $5 million	**$ 15**	$ 23	(35)	**$ 21**	$ 30	(30)
Current accident year losses $2 million - $5 million	**7**	5	40	**10**	7	43
Large loss prior accident year reserve development	**1**	—	nm	**7**	2	250
Total large losses incurred	**23**	28	(18)	**38**	39	(3)
Losses incurred but not reported	**26**	12	117	**53**	(2)	nm
Other losses excluding catastrophe losses	**194**	187	4	**381**	363	5
Catastrophe losses	**93**	78	19	**206**	84	145
Total losses incurred	**$ 336**	$ 305	10	**$ 678**	$ 484	40
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year losses greater than $5 million	**3.0 %**	5.7 %	(2.7)	**2.2 %**	3.7 %	(1.5)
Current accident year losses $2 million - $5 million	**1.4**	1.3	0.1	**1.0**	0.9	0.1
Large loss prior accident year reserve development	**0.2**	—	0.2	**0.8**	0.2	0.6
Total large loss ratio	**4.6**	7.0	(2.4)	**4.0**	4.8	(0.8)
Losses incurred but not reported	**5.3**	3.1	2.2	**5.6**	(0.2)	5.8
Other losses excluding catastrophe losses	**39.4**	44.8	(5.4)	**39.7**	44.5	(4.8)
Catastrophe losses	**19.0**	18.8	0.2	**21.6**	10.2	11.4
Total loss ratio	**68.3 %**	73.7 %	(5.4)	**70.9 %**	59.3 %	11.6

We continue to monitor new losses and case reserve increases greater than $2 million for trends in factors such as initial reserve levels, loss cost inflation and claim settlement expenses. Our analysis continues to indicate no unexpected concentration of these large losses and case reserve increases by risk category, geographic region, policy inception, agency or field marketing territory. In the second quarter of 2023, the personal lines total large loss ratio, net of reinsurance, was 2.4 percentage points lower than last year's second quarter. The decrease in personal lines large losses for the first six months of 2023 occurred primarily for the umbrella coverage in our other personal line of business. The second-quarter 2023 amount of total large losses incurred helped contribute to the decrease in the six-month 2023 total large loss ratio, compared with 2022, offsetting a first-quarter 2023 ratio that was 0.6 points higher than the first quarter of 2022. We believe results for the three- and six-month periods largely reflected normal fluctuations in loss patterns and normal variability in large case reserves for claims above $2 million.

EXCESS AND SURPLUS LINES INSURANCE RESULTS

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Earned premiums	**$ 132**	$ 124	6	**$ 259**	$ 236	10
Fee revenues	**1**	—	nm	**1**	1	0
Total revenues	**133**	124	7	**260**	237	10
Loss and loss expenses from:						
Current accident year before catastrophe losses	**92**	73	26	**180**	143	26
Current accident year catastrophe losses	**2**	2	0	**4**	3	33
Prior accident years before catastrophe losses	**(6)**	(1)	(500)	**(14)**	(6)	(133)
Prior accident years catastrophe losses	**1**	—	nm	**—**	—	0
Loss and loss expenses	**89**	74	20	**170**	140	21
Underwriting expenses	**33**	31	6	**66**	62	6
Underwriting profit	**$ 11**	$ 19	(42)	**$ 24**	$ 35	(31)
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**69.7 %**	59.5 %	10.2	**69.5 %**	60.6 %	8.9
Current accident year catastrophe losses	**1.4**	1.2	0.2	**1.4**	1.3	0.1
Prior accident years before catastrophe losses	**(4.7)**	(0.4)	(4.3)	**(5.4)**	(2.4)	(3.0)
Prior accident years catastrophe losses	**0.0**	(0.1)	0.1	**(0.1)**	(0.2)	0.1
Loss and loss expenses	**66.4**	60.2	6.2	**65.4**	59.3	6.1
Underwriting expenses	**25.8**	24.9	0.9	**25.7**	26.2	(0.5)
Combined ratio	**92.2 %**	85.1 %	7.1	**91.1 %**	85.5 %	5.6
Combined ratio	**92.2 %**	85.1 %	7.1	**91.1 %**	85.5 %	5.6
Contribution from catastrophe losses and prior years reserve development	**(3.3)**	0.7	(4.0)	**(4.1)**	(1.3)	(2.8)
Combined ratio before catastrophe losses and prior years reserve development	**95.5 %**	84.4 %	11.1	**95.2 %**	86.8 %	8.4

Overview

Performance highlights for the excess and surplus lines segment include:

- Premiums – Excess and surplus lines earned premiums and net written premiums continued to grow during the second quarter and first six months of 2023, compared with the same periods a year ago, reflecting increases in agency new business and renewal written premiums. Renewal written premiums rose 6% for the second quarter and 9% for the six months ended June 30, 2023, compared with the same periods of 2022, largely due to higher renewal pricing. For both 2023 periods, excess and surplus lines policy renewals experienced estimated average price increases at percentages in the high-single-digit range. We measure average changes in excess and surplus lines renewal pricing as the percentage rate of change in renewal premium for the new policy period compared with the premium for the expiring policy period, assuming no change in the level of insured exposures or policy coverage between those periods for respective policies.

  New business written premiums produced by agencies increased by 45% for the second quarter and 25% for the first six months of 2023 compared with the same periods of 2022, as we continued to carefully underwrite each policy in a highly competitive market. Some of what we report as new business came from accounts that were not new to our agents. We believe our agents' seasoned accounts tend to be priced more accurately than business that may be less familiar to them.

Excess and Surplus Lines Insurance Premiums

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Agency renewal written premiums	**$ 117**	$ 110	6	**$ 223**	$ 204	9
Agency new business written premiums	**48**	33	45	**86**	69	25
Other written premiums	**(9)**	(8)	(13)	**(17)**	(14)	(21)
Net written premiums	**156**	135	16	**292**	259	13
Unearned premium change	**(24)**	(11)	(118)	**(33)**	(23)	(43)
Earned premiums	**$ 132**	$ 124	6	**$ 259**	$ 236	10

- Combined ratio – The excess and surplus lines combined ratio increased by 7.1 percentage points for the second quarter and 5.6 points for the first six months of 2023, compared with the same periods of 2022, primarily due to higher current accident year loss and loss expenses before catastrophe losses.

  The second-quarter 2023 ratio for current accident year loss and loss expenses before catastrophe losses was 10.2 percentage points higher, compared with the 59.5% accident year 2022 ratio measured as of June 30, 2022, including an increase of 20.4 points for the IBNR portion and a decrease of 10.2 points for the case incurred portion. The six-month 2023 ratio for current accident year loss and loss expenses before catastrophe losses was 8.9 percentage points higher, compared with the 60.6% accident year 2022 ratio measured as of June 30, 2022, including an increase of 17.0 points for the IBNR portion and a decrease of 8.1 points for the case incurred portion.

  Excess and surplus lines net reserve development on prior accident years, as a ratio to earned premiums, was a favorable 4.7% for the second quarter and 5.5% for the first six months of 2023, compared with 0.5% and 2.6% for the same periods of 2022. The $14 million of net favorable reserve development recognized during the first six months of 2023 was mostly for accident year 2022. The favorable reserve development was due primarily to lower-than-anticipated loss emergence on known claims. Reserve estimates are inherently uncertain as described in our 2022 Annual Report on Form 10-K, Item 7, Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves, Page 53.

  The excess and surplus lines underwriting expense ratio increased for the second quarter, mainly due to higher reinsurance commissions, and decreased for the first six months of 2023, compared with the same periods of 2022. Both 2023 periods benefited from ongoing expense management efforts and premium growth.

Excess and Surplus Lines Insurance Losses Incurred by Size

(Dollars in millions, net of reinsurance)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Current accident year losses greater than $5 million	**$ —**	$ —	nm	**$ —**	$ —	nm
Current accident year losses $2 million - $5 million	**—**	2	(100)	**—**	2	(100)
Large loss prior accident year reserve development	**(1)**	—	nm	**(1)**	—	nm
Total large losses incurred	**(1)**	2	nm	**(1)**	2	nm
Losses incurred but not reported	**20**	1	nm	**47**	13	262
Other losses excluding catastrophe losses	**45**	46	(2)	**73**	82	(11)
Catastrophe losses	**2**	2	0	**3**	3	0
Total losses incurred	**$ 66**	$ 51	29	**$ 122**	$ 100	22
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year losses greater than $5 million	**— %**	— %	0.0	**— %**	— %	0.0
Current accident year losses $2 million - $5 million	**—**	1.6	(1.6)	**—**	0.8	(0.8)
Large loss prior accident year reserve development	**(0.4)**	—	(0.4)	**(0.3)**	—	(0.3)
Total large loss ratio	**(0.4)**	1.6	(2.0)	**(0.3)**	0.8	(1.1)
Losses incurred but not reported	**15.2**	0.7	14.5	**18.0**	5.4	12.6
Other losses excluding catastrophe losses	**33.5**	38.1	(4.6)	**28.1**	34.9	(6.8)
Catastrophe losses	**1.3**	1.1	0.2	**1.2**	1.1	0.1
Total loss ratio	**49.6 %**	41.5 %	8.1	**47.0 %**	42.2 %	4.8

We continue to monitor new losses and case reserve increases greater than $2 million for trends in factors such as initial reserve levels, loss cost inflation and claim settlement expenses. Our analysis continues to indicate no unexpected concentration of these large losses and case reserve increases by risk category, geographic region, policy inception, agency or field marketing territory. In the second quarter of 2023, the excess and surplus lines total ratio for large losses, net of reinsurance, was 2.0 percentage points lower than last year's second quarter. The second-quarter 2023 amount of total large losses incurred helped contribute to the decrease in the six-month 2023 total large loss ratio, compared with 2022, in addition to a first-quarter 2023 ratio that was 0.3 points lower than the first quarter of 2022. We believe results for the three- and six-month periods largely reflected normal fluctuations in loss patterns and normal variability in large case reserves for claims above $2 million.

LIFE INSURANCE RESULTS

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Earned premiums	**$ 80**	$ 76	5	**$ 157**	$ 151	4
Fee revenues	**3**	1	200	**5**	2	150
Total revenues	**83**	77	8	**162**	153	6
Contract holders' benefits incurred	**78**	82	(5)	**159**	158	1
Investment interest credited to contract holders	**(30)**	(28)	(7)	**(60)**	(55)	(9)
Underwriting expenses incurred	**22**	22	0	**42**	42	0
Total benefits and expenses	**70**	76	(8)	**141**	145	(3)
Life insurance segment profit	**$ 13**	$ 1	nm	**$ 21**	$ 8	163

Overview

Performance highlights for the life insurance segment include:

- Revenues – Revenues increased for the six months ended June 30, 2023, compared with the same period a year ago, driven by higher earned premiums from term life insurance, our largest life insurance product line.

  Net in-force life insurance policy face amounts increased 1% to $81.620 billion at June 30, 2023, from $80.482 billion at year-end 2022.

  Fixed annuity deposits received for the three and six months ended June 30, 2023, were $15 million and $25 million, compared with $5 million and $13 million for the same periods of 2022. Fixed annuity deposits have a minimal impact to earned premiums because deposits received are initially recorded as liabilities. Profit is earned over time by way of interest rate spreads. We do not write variable or equity-indexed annuities.

Life Insurance Premiums

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Term life insurance	**$ 58**	$ 56	4	**$ 114**	$ 110	4
Whole life insurance	**13**	12	8	**25**	23	9
Universal life and other	**9**	8	13	**18**	18	0
Net earned premiums	**$ 80**	$ 76	5	**$ 157**	$ 151	4

- Profitability – Our life insurance segment typically reports a smaller profit compared with the life insurance subsidiary because profits from investment income spreads are included in our investments segment results. We include only investment income credited to contract holders (including interest assumed in life insurance policy reserve calculations) in our life insurance segment results. A profit of $21 million for our life insurance segment in the first six months of 2023, compared with a profit of $8 million for the same period of 2022, was primarily due to more favorable mortality experience and higher fee revenues.

  Life insurance segment benefits and expenses consist principally of contract holders' (policyholders') benefits incurred related to traditional life and interest-sensitive products and operating expenses incurred, net of deferred acquisition costs. Total benefits decreased in the first six months of 2023 due to more favorable mortality experience. Life policy and investment contract reserves increased with continued growth in net in-force life insurance policy face amounts and a decrease in market value discount rates. Mortality results decreased compared with the same period of 2022, in part due to pandemic-related death claims incurred in the first three months of last year.

  Underwriting expenses for the first six months of 2023 were consistent with the same period a year ago.

  We recognize that assets under management, capital appreciation and investment income are integral to evaluating the success of the life insurance segment because of the long duration of life products.

On a basis that includes investment income and investment gains or losses from life-insurance-related invested assets, the life insurance subsidiary reported net income of $21 million and $40 million for the three and six months ended June 30, 2023, compared with $11 million and $28 million for the three and six months ended June 30, 2022. The life insurance subsidiary portfolio had net after-tax investment losses of $2 million and $1 million for the three and six months ended June 30, 2023, compared with less than $1 million for the three and six months ended June 30, 2022.

INVESTMENTS RESULTS

Overview

The investments segment contributes investment income and investment gains and losses to results of operations. Investments traditionally are our primary source of pretax and after-tax profits.

Investment Income

Pretax investment income grew 13% for both the second quarter and first six months of 2023, compared with the same periods of 2022. Interest income increased by $23 million and $40 million for the three and six months ended June 30, 2023, as net purchases of fixed-maturity securities in recent quarters and rising bond yields are working to generally offset effects of the low interest rate environment of the past several years. Although dividend rates generally are increasing more slowly, our minor asset allocation adjustments in our equity portfolio and net purchases of equity securities in recent quarters partially offset the effect of a $5 million special dividend from one of our holdings in the second quarter of 2022, as dividend income decreased by $2 million and $1 million for the three and six months ended June 30, 2023.

Investments Results

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Total investment income, net of expenses	**$ 220**	$ 195	13	**$ 430**	$ 380	13
Investment interest credited to contract holders	**(30)**	(28)	(7)	**(60)**	(55)	(9)
Investment gains and losses, net	**434**	(1,154)	nm	**540**	(1,820)	nm
Investments profit (loss), pretax	**$ 624**	$ (987)	nm	**$ 910**	$ (1,495)	nm

We continue to consider the low interest rate environment that prevailed in recent years as well as the potential for a continuation of both elevated inflation and higher bond yields as we position our portfolio. As bonds in our generally laddered portfolio mature or are called over the near term, we will reinvest with a balanced approach, keeping in mind our long-term strategy and pursuing attractive risk-adjusted after-tax yields. The table below shows the average pretax yield-to-amortized cost associated with expected principal redemptions for our fixed-maturity portfolio. The expected principal redemptions are based on par amounts and include dated maturities, calls and prefunded municipal bonds that we expect will be called during each respective time period.

(Dollars in millions) At June 30, 2023	% Yield	Principal redemptions
Fixed-maturity pretax yield profile:		
Expected to mature during the remainder of 2023	4.24 %	$ 380
Expected to mature during 2024	4.82	1,140
Expected to mature during 2025	4.68	1,342
Average yield and total expected maturities from the remainder of 2023 through 2025	4.68	$ 2,862

The table below shows the average pretax yield-to-amortized cost for fixed-maturity securities acquired during the periods indicated. The average yield for total fixed-maturity securities acquired during the first six months of 2023 was higher than the 4.22% average yield-to-amortized cost of the fixed-maturity securities portfolio at the end of 2022. Our fixed-maturity portfolio's average yield of 4.30% for the first six months of 2023, from the investment income table below, was also higher than the 4.22% yield for the year-end 2022 fixed-maturities portfolio.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Average pretax yield-to-amortized cost on new fixed-maturities:				
Acquired taxable fixed-maturities	**6.10 %**	4.98 %	**6.33 %**	4.39 %
Acquired tax-exempt fixed-maturities	**4.21**	4.00	**4.21**	3.57
Average total fixed-maturities acquired	**5.88**	4.75	**6.04**	4.23

While our bond portfolio more than covers our insurance reserve liabilities, we believe our diversified common stock portfolio of mainly blue chip, dividend-paying companies represents one of our best investment opportunities for the long term. We discussed our portfolio strategies in our 2022 Annual Report on Form 10-K, Item 1, Investments Segment, Page 24, and Item 7, Investments Outlook, Page 90. We discuss risks related to our investment income and our fixed-maturity and equity investment portfolios in this quarterly report Item 3, Quantitative and Qualitative Disclosures About Market Risk.

The table below provides details about investment income. Average yields in this table are based on the average invested asset and cash amounts indicated in the table, using fixed-maturity securities valued at amortized cost and all other securities at fair value.

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Investment income:						
Interest	**$ 147**	$ 124	19	**$ 287**	$ 247	16
Dividends	**70**	72	(3)	**136**	137	(1)
Other	**6**	2	200	**13**	3	333
Less investment expenses	**3**	3	0	**6**	7	(14)
Investment income, pretax	**220**	195	13	**430**	380	13
Less income taxes	**35**	31	13	**69**	60	15
Total investment income, after-tax	**$ 185**	$ 164	13	**$ 361**	$ 320	13
Investment returns:						
Average invested assets plus cash and cash equivalents	**$ 25,114**	$ 23,918		**$ 25,001**	$ 24,255	
Average yield pretax	**3.50 %**	3.26 %		**3.44 %**	3.13 %	
Average yield after-tax	**2.95**	2.74		**2.89**	2.64	
Effective tax rate	**16.2**	15.9		**16.1**	15.8	
Fixed-maturity returns:						
Average amortized cost	**$ 13,535**	$ 12,414		**$ 13,344**	$ 12,364	
Average yield pretax	**4.34 %**	4.00 %		**4.30 %**	4.00 %	
Average yield after-tax	**3.59**	3.31		**3.55**	3.32	
Effective tax rate	**17.4**	17.1		**17.4**	17.0	

Total Investment Gains and Losses

Investment gains and losses are recognized on the sale of investments, for certain changes in fair values of securities even though we continue to hold the securities or as otherwise required by GAAP. The change in fair value for equity securities still held are included in investment gains and losses and also in net income. The change in unrealized gains or losses for fixed-maturity securities are included as a component of other comprehensive income (OCI). Accounting requirements for the allowance for credit losses for the fixed-maturity portfolio are disclosed in our 2022 Annual Report on Form 10-K, Item 8, Note 1, Summary of Significant Accounting Policies, Page 127.

The table below summarizes total investment gains and losses, before taxes.

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Investment gains and losses:				
Equity securities:				
Investment gains and losses on securities sold, net	**$ —**	$ 5	**$ (4)**	$ 37
Unrealized gains and losses on securities still held, net	**459**	(1,175)	**568**	(1,882)
Subtotal	**459**	(1,170)	**564**	(1,845)
Fixed maturities:				
Gross realized gains	**—**	2	**1**	6
Gross realized losses	**—**	(2)	**(1)**	(3)
Write-down of impaired securities with intent to sell	**(4)**	—	**(4)**	—
Subtotal	**(4)**	—	**(4)**	3
Other	**(21)**	16	**(20)**	22
Total investment gains and losses reported in net income	**434**	(1,154)	**540**	(1,820)
Change in unrealized investment gains and losses:				
Fixed maturities	**(154)**	(610)	**9**	(1,356)
Total	**$ 280**	$ (1,764)	**$ 549**	$ (3,176)

Of the 4,673 fixed-maturity securities in the portfolio, 23 securities were trading below 70% of amortized cost at June 30, 2023. Our asset impairment committee regularly monitors the portfolio, including a quarterly review of the entire portfolio for potential credit losses. We believe that if liquidity in the markets were to significantly deteriorate or economic conditions were to significantly weaken, we could experience declines in portfolio values and possibly increases in the allowance for credit losses or write-downs to fair value.

Fixed-maturity securities written down to fair value due to an intention to be sold were $4 million for the first six months of 2023, in addition to $3 million in changes in the allowance for credit losses. Fixed-maturity securities written down to fair value due to an intention to be sold and changes in the allowance for credit losses were each less than $1 million for the first six months of 2022.

(Dollars in millions)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	2022
Fixed maturities:				
Real estate	**$ 4**	$ —	**$ 4**	$ —
Total fixed maturities	**$ 4**	$ —	**$ 4**	$ —

OTHER

We report as Other the noninvestment operations of the parent company and a noninsurance subsidiary, CFC Investment Company. We also report as Other the underwriting results of Cincinnati Re and Cincinnati Global, including earned premiums, loss and loss expenses and underwriting expenses in the table below.

Total revenues for the first six months of 2023 for our Other operations increased, compared with the same period of 2022, primarily due to earned premiums from Cincinnati Re and Cincinnati Global, with increases of $40 million and $18 million, respectively. Cincinnati Re had $272 million of earned premiums for the first six months of 2023 and generated an underwriting profit of $63 million. Cincinnati Global had $94 million of earned premiums for the first six months of 2023 and generated an underwriting profit of $12 million. Total expenses for Other increased for the first six months of 2023, primarily due to loss and loss expenses and underwriting expenses in aggregate from Cincinnati Re and Cincinnati Global.

Other profit in the table below represents profit or losses before income taxes. For all periods shown, total other income was driven by underwriting profit from Cincinnati Re and Cincinnati Global.

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Interest and fees on loans and leases	**$ 1**	$ 2	(50)	**$ 3**	$ 3	0
Earned premiums	**172**	166	4	**366**	308	19
Other revenues	**1**	1	0	**2**	2	0
Total revenues	**174**	169	3	**371**	313	19
Interest expense	**13**	13	0	**27**	26	4
Loss and loss expenses	**81**	77	5	**183**	166	10
Underwriting expenses	**52**	49	6	**108**	94	15
Operating expenses	**7**	5	40	**12**	9	33
Total expenses	**153**	144	6	**330**	295	12
Total other income	**$ 21**	$ 25	(16)	**$ 41**	$ 18	128

TAXES

We had $132 million and $175 million of income tax expense for the three and six months ended June 30, 2023, compared with $235 million and $320 million of income tax benefit for the same periods of 2022. The effective tax rate for the three and six months ended June 30, 2023, was 19.8% and 18.7% compared with 22.3% and 22.8% for the same periods last year. The change in our effective tax rate between periods was primarily due to large changes in our net investment gains and losses included in income for the periods and changes in underwriting income.

Historically, we have pursued a strategy of investing some portion of cash flow in tax-advantaged fixed-maturity and equity securities to minimize our overall tax liability and maximize after-tax earnings. See Tax-Exempt Fixed Maturities in this quarterly report Item 3, Quantitative and Qualitative Disclosures About Market Risk for further discussion on municipal bond purchases in our fixed-maturity investment portfolio. For tax years after 2017, for our property casualty insurance subsidiaries, approximately 75% of interest from tax-advantaged, fixed-maturity investments and approximately 40% of dividends from qualified equities are exempt from federal tax after applying proration. For our noninsurance companies, the dividend received deduction exempts 50% of dividends from qualified equities. Our life insurance company does not own tax-advantaged, fixed-maturity investments or equities subject to the dividend received deduction. Details about our effective tax rate are in this quarterly report Item 1, Note 9, Income Taxes.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2023, shareholders' equity was $11.030 billion, compared with $10.562 billion at December 31, 2022. Total debt was $814 million at June 30, 2023, compared with $839 million at December 31, 2022. At June 30, 2023, cash and cash equivalents totaled $748 million, compared with $1.264 billion at December 31, 2022.

In addition to our historically positive operating cash flow to meet the needs of operations, we have the ability to slow investing activities or sell a portion of our high-quality, liquid investment portfolio if such need arises. We also have additional capacity to borrow on our revolving short-term line of credit, as described further below.

SOURCES OF LIQUIDITY

Subsidiary Dividends

Our lead insurance subsidiary declared dividends of $284 million to the parent company in the first half of 2023, compared with $504 million for the same period of 2022. For full-year 2022, our lead insurance subsidiary paid dividends totaling $729 million to the parent company. State of Ohio regulatory requirements restrict the dividends our insurance subsidiary can pay. For full-year 2023, total dividends that our insurance subsidiary can pay to our parent company without regulatory approval are approximately $651 million.

Investing Activities

Investment income is a source of liquidity for both the parent company and its insurance subsidiaries. We continue to focus on portfolio strategies to balance near-term income generation and long-term book value growth.

Parent company obligations can be funded with income on investments held at the parent-company level or through sales of securities in that portfolio, although our investment philosophy seeks to compound cash flows over the long term. These sources of capital can help minimize subsidiary dividends to the parent company, protecting insurance subsidiary capital.

For a discussion of our historic investment strategy, portfolio allocation and quality, see our 2022 Annual Report on Form 10-K, Item 1, Investments Segment, Page 24.

Insurance Underwriting

Our property casualty and life insurance underwriting operations provide liquidity because we generally receive premiums before paying losses under the policies purchased with those premiums. After satisfying our cash requirements, we use excess cash flows for investment, increasing future investment income.

Historically, cash receipts from property casualty and life insurance premiums, along with investment income, have been more than sufficient to pay claims, operating expenses and dividends to the parent company.

The table below shows a summary of the operating cash flow for property casualty insurance (direct method):

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Premiums collected	**$ 1,939**	$ 1,763	10	**$ 3,781**	$ 3,477	9
Loss and loss expenses paid	**(1,081)**	(892)	(21)	**(2,127)**	(1,782)	(19)
Commissions and other underwriting expenses paid	**(546)**	(489)	(12)	**(1,256)**	(1,200)	(5)
Cash flow from underwriting	**312**	382	(18)	**398**	495	(20)
Investment income received	**149**	138	8	**296**	266	11
Cash flow from operations	**$ 461**	$ 520	(11)	**$ 694**	$ 761	(9)

Collected premiums for property casualty insurance rose $304 million during the first six months of 2023, compared with the same period in 2022. Loss and loss expenses paid for the 2023 period increased $345 million. Commissions and other underwriting expenses paid increased $56 million.

We discuss our future obligations for claims payments and for underwriting expenses in our 2022 Annual Report on Form 10-K, Item 7, Obligations, Page 96.

Capital Resources

At June 30, 2023, our debt-to-total-capital ratio was 6.9%, considerably below our 35% covenant threshold, with $789 million in long-term debt and $25 million in borrowing on our revolving short-term line of credit. At June 30, 2023, $275 million was available for future cash management needs as part of the general provisions of the line of credit agreement, with another $300 million available as part of an accordion feature. Based on our capital requirements at June 30, 2023, we do not anticipate a material increase in debt levels exceeding the available line of credit amount during the year. As a result, we expect changes in our debt-to-total-capital ratio to continue to be largely a function of the contribution of unrealized investment gains or losses to shareholders' equity. We have an unsecured letter of credit agreement which provides a portion of the capital needed to support Cincinnati Global's obligations at Lloyd's. The amount of this unsecured letter of credit agreement was $94 million at June 30, 2023, with no amounts drawn.

On March 23, 2023, we amended our line of credit agreement to replace LIBOR with SOFR plus a credit spread adjustment.

We provide details of our three long-term notes in this quarterly report Item 1, Note 3, Fair Value Measurements. None of the notes are encumbered by rating triggers.

Four independent ratings firms award insurer financial strength ratings to our property casualty insurance companies and three firms rate our life insurance company. Those firms made no changes to our parent company debt ratings during the first half of 2023. Our debt ratings are discussed in our 2022 Annual Report on Form 10-K, Item 7, Liquidity and Capital Resources, Long-Term Debt, Page 95.

Off-Balance Sheet Arrangements

We do not use any special-purpose financing vehicles or have any undisclosed off-balance sheet arrangements (as that term is defined in applicable SEC rules) that are reasonably likely to have a current or future material effect on the company's financial condition, results of operation, liquidity, capital expenditures or capital resources. Similarly, the company holds no fair-value contracts for which a lack of marketplace quotations would necessitate the use of fair-value techniques.

USES OF LIQUIDITY

Our parent company and insurance subsidiary have contractual obligations and other commitments. In addition, one of our primary uses of cash is to enhance shareholder return.

Contractual Obligations

We estimated our future contractual obligations as of December 31, 2022, in our 2022 Annual Report on Form 10-K, Item 7, Contractual Obligations, Page 96. There have been no material changes to our estimates of future contractual obligations since our 2022 Annual Report on Form 10-K.

Other Commitments

In addition to our contractual obligations, we have other property casualty operational commitments.

- Commissions – Commissions paid were $834 million in the first half of 2023. Commission payments generally track with written premiums, except for annual profit-sharing commissions typically paid during the first quarter of the year.
- Other underwriting expenses – Many of our underwriting expenses are not contractual obligations, but reflect the ongoing expenses of our business. Noncommission underwriting expenses paid were $422 million in the first half of 2023.

There were no contributions to our qualified pension plan during the first half of 2023.

Investing Activities

After fulfilling operating requirements, we invest cash flows from underwriting, investment and other corporate activities in fixed-maturity and equity securities on an ongoing basis to help achieve our portfolio objectives. We discuss our investment strategy and certain portfolio attributes in this quarterly report Item 3, Quantitative and Qualitative Disclosures About Market Risk.

Uses of Capital

Uses of cash to enhance shareholder return include dividends to shareholders and shares acquired under our repurchase program. In January 2023, the board of directors declared regular quarterly cash dividends of 75 cents per share for an indicated annual rate of $3.00 per share. During the first six months of 2023, we used $223 million to pay cash dividends to shareholders.

PROPERTY CASUALTY INSURANCE LOSS AND LOSS EXPENSE RESERVES

For the business lines in the commercial and personal lines insurance segments, and in total for the excess and surplus lines insurance segment and other property casualty insurance operations, the following table details gross reserves among case, IBNR (incurred but not reported) and loss expense reserves, net of salvage and subrogation reserves. Reserving practices are discussed in our 2022 Annual Report on Form 10-K, Item 7, Property Casualty Loss and Loss Expense Obligations and Reserves, Page 97.

Total gross reserves at June 30, 2023, increased $471 million compared with December 31, 2022. Case loss reserves increased by $187 million, IBNR loss reserves increased by $207 million and loss expense reserves increased by $77 million. The total gross increase was primarily due to our commercial casualty, commercial property and homeowner lines of business and also Cincinnati Re and our excess and surplus lines insurance segment.

Property Casualty Gross Reserves

(Dollars in millions)	Loss reserves		Loss		
At June 30, 2023	Case reserves	IBNR reserves	expense reserves	Total gross reserves	Percent of total
Commercial lines insurance:					
Commercial casualty	**$ 1,132**	**$ 1,066**	**$ 753**	**$ 2,951**	**33.5 %**
Commercial property	**464**	**141**	**75**	**680**	**7.7**
Commercial auto	**432**	**303**	**138**	**873**	**9.9**
Workers' compensation	**460**	**526**	**88**	**1,074**	**12.2**
Other commercial	**104**	**24**	**128**	**256**	**2.9**
Subtotal	**2,592**	**2,060**	**1,182**	**5,834**	**66.2**
Personal lines insurance:					
Personal auto	**218**	**91**	**68**	**377**	**4.3**
Homeowner	**226**	**146**	**52**	**424**	**4.8**
Other personal	**96**	**110**	**6**	**212**	**2.4**
Subtotal	**540**	**347**	**126**	**1,013**	**11.5**
Excess and surplus lines	**322**	**303**	**217**	**842**	**9.6**
Cincinnati Re	**153**	**693**	**5**	**851**	**9.7**
Cincinnati Global	**156**	**108**	**3**	**267**	**3.0**
Total	**$ 3,763**	**$ 3,511**	**$ 1,533**	**$ 8,807**	**100.0 %**
At December 31, 2022					
Commercial lines insurance:					
Commercial casualty	$ 1,163	$ 938	$ 722	$ 2,823	33.9 %
Commercial property	301	256	71	628	7.5
Commercial auto	449	258	131	838	10.1
Workers' compensation	434	521	85	1,040	12.4
Other commercial	98	16	125	239	2.9
Subtotal	2,445	1,989	1,134	5,568	66.8
Personal lines insurance:					
Personal auto	222	64	64	350	4.2
Homeowner	189	138	49	376	4.5
Other personal	99	86	5	190	2.3
Subtotal	510	288	118	916	11.0
Excess and surplus lines	302	256	195	753	9.0
Cincinnati Re	156	639	6	801	9.6
Cincinnati Global	163	132	3	298	3.6
Total	$ 3,576	$ 3,304	$ 1,456	$ 8,336	100.0 %

LIFE POLICY AND INVESTMENT CONTRACT RESERVES

Gross life policy and investment contract reserves were $3.038 billion at June 30, 2023, compared with $3.015 billion at year-end 2022, reflecting continued growth in life insurance policies in force and a decrease in market value discount rates. We discussed our life insurance reserving practices in our 2022 Annual Report on Form 10-K, Item 7, Life Insurance Policyholder Obligations and Reserves, Page 103, and updated that disclosure in this quarterly report Item 1, Note 1, Accounting Policies.

OTHER MATTERS

SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are discussed in our 2022 Annual Report on Form 10-K, Item 8, Note 1, Summary of Significant Accounting Policies, Page 127, and updated in this quarterly report Item 1, Note 1, Accounting Policies.

In conjunction with those discussions, in the Management's Discussion and Analysis in the 2022 Annual Report on Form 10-K, management reviewed the estimates and assumptions used to develop reported amounts related to the most significant policies. Management discussed the development and selection of those accounting estimates with the audit committee of the board of directors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our greatest exposure to market risk is through our investment portfolio. Market risk is the potential for a decrease in securities' fair value resulting from broad yet uncontrollable forces such as: inflation, economic growth or recession, interest rates, world political conditions or other widespread unpredictable events. It is comprised of many individual risks that, when combined, create a macroeconomic impact.

Our view of potential risks and our sensitivity to such risks is discussed in our 2022 Annual Report on Form 10-K, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, Page 112.

The fair value of our investment portfolio was $23.372 billion at June 30, 2023, up $1,399 million from year-end 2022, including a $738 million increase in the fixed-maturity portfolio and a $661 million increase in the equity portfolio.

(Dollars in millions)	**At June 30, 2023**				At December 31, 2022			
	Cost or amortized cost	Percent of total	Fair value	Percent of total	Cost or amortized cost	Percent of total	Fair value	Percent of total
Taxable fixed maturities	**$ 9,696**	**53.6 %**	**$ 8,966**	**38.4 %**	$ 9,020	52.2 %	$ 8,299	37.8 %
Tax-exempt fixed maturities	**4,012**	**22.2**	**3,904**	**16.7**	3,959	22.9	3,833	17.4
Common equities	**3,939**	**21.8**	**10,124**	**43.3**	3,851	22.3	9,454	43.0
Nonredeemable preferred equities	**443**	**2.4**	**378**	**1.6**	443	2.6	387	1.8
Total	**$ 18,090**	**100.0 %**	**$ 23,372**	**100.0 %**	$ 17,273	100.0 %	$ 21,973	100.0 %

At June 30, 2023, substantially all of our consolidated investment portfolio, measured at fair value, is classified as Level 1 or Level 2. See Item 1, Note 3, Fair Value Measurements, for additional discussion of our valuation techniques.

In addition to our investment portfolio, the total investments amount reported in our condensed consolidated balance sheets includes Other invested assets. Other invested assets included $368 million of private equity investments, $65 million of real estate through direct property ownership and development projects in the United States, $43 million in Lloyd's deposits and $31 million of life policy loans at June 30, 2023.

FIXED-MATURITY SECURITIES INVESTMENTS

By maintaining a well-diversified fixed-maturity portfolio, we attempt to reduce overall risk. We invest new money in the bond market on a regular basis, targeting what we believe to be optimal risk-adjusted, after-tax yields. Risk, in this context, includes interest rate, call, reinvestment rate, credit and liquidity risk. We do not make a concerted effort to alter duration on a portfolio basis in response to anticipated movements in interest rates. By regularly investing in the bond market, we build a broad, diversified portfolio that we believe mitigates the impact of adverse economic factors.

In the first six months of 2023, the increase in fair value of our fixed-maturity portfolio reflected net purchases of securities and a small decrease in net unrealized losses, primarily due to a decrease in U.S. Treasury yields as well as a tightening of corporate credit spreads. At June 30, 2023, our fixed-maturity portfolio with an average rating of A2/A was valued at 93.9% of its amortized cost, compared with 93.5% at December 31, 2022.

At June 30, 2023, our investment-grade and noninvestment-grade fixed-maturity securities represented 81.0% and 3.9% of the portfolio, respectively. The remaining 15.1% represented fixed-maturity securities that were not rated by Moody's or S&P Global Ratings.

Attributes of the fixed-maturity portfolio include:

	At June 30, 2023	At December 31, 2022
Weighted average yield-to-amortized cost	**4.55 %**	4.22 %
Weighted average maturity	**7.7 yrs**	7.4 yrs
Effective duration	**4.6 yrs**	4.7 yrs

We discuss maturities of our fixed-maturity portfolio in our 2022 Annual Report on Form 10-K, Item 8, Note 2, Investments, Page 134, and in this quarterly report Item 2, Investments Results.

TAXABLE FIXED MATURITIES

Our taxable fixed-maturity portfolio, with a fair value of $8.966 billion at June 30, 2023, included:

(Dollars in millions)	At June 30, 2023	At December 31, 2022
Investment-grade corporate	**$ 6,652**	$ 6,369
States, municipalities and political subdivisions	**808**	789
Noninvestment-grade corporate	**498**	500
Government-sponsored enterprises	**574**	183
Commercial mortgage-backed	**210**	234
United States government	**204**	191
Foreign government	**20**	33
Total	**$ 8,966**	$ 8,299

Our strategy is to buy, and typically hold, fixed-maturity investments to maturity, but we monitor credit profiles and fair value movements when determining holding periods for individual securities. With the exception of United States agency issues that include government-sponsored enterprises, no individual issuer's securities accounted for more than 1.3% of the taxable fixed-maturity portfolio at June 30, 2023. Our investment-grade corporate bonds had an average rating of Baa1 by Moody's or BBB by S&P Global Ratings and represented 74.2% of the taxable fixed-maturity portfolio's fair value at June 30, 2023, compared with 76.7% at year-end 2022.

The heaviest concentration in our investment-grade corporate bond portfolio, based on fair value at June 30, 2023, was the financial sector. It represented 41.7% of our investment-grade corporate bond portfolio, compared with 42.7% at year-end 2022. The energy sector represented 11.4% and was 10.8% at year-end 2022. No other sector exceeded 10% of our investment-grade corporate bond portfolio.

As discussed in our 2022 Annual Report on Form 10-K, Item 1A, Risk Factors, Page 32, investments in the financial sector include various risks. See risk factors entitled “Financial disruption or a prolonged economic downturn could materially and adversely affect our investment performance” and “Our ability to achieve our performance objectives could be affected by changes in the financial, credit and capital markets or the general economy”.

Our taxable fixed-maturity portfolio at June 30, 2023, included $210 million of commercial mortgage-backed securities with an average rating of Aa2/AA-.

TAX-EXEMPT FIXED MATURITIES

At June 30, 2023, we had $3.904 billion of tax-exempt fixed-maturity securities with an average rating of Aa2/AA by Moody's and S&P Global Ratings. We traditionally have purchased municipal bonds focusing on general obligation and essential services issues, such as water, waste disposal or others. The portfolio is well diversified among approximately 1,700 municipal bond issuers. No single municipal issuer accounted for more than 0.6% of the tax-exempt fixed-maturity portfolio at June 30, 2023.

INTEREST RATE SENSITIVITY ANALYSIS

Because of our strong surplus, long-term investment horizon and ability to hold most fixed-maturity investments until maturity, we believe the company is adequately positioned if interest rates were to rise. Although the fair values of our existing holdings may suffer, a higher rate environment would provide the opportunity to invest cash flow in higher-yielding securities, while reducing the likelihood of untimely redemptions of currently callable securities. While higher interest rates would be expected to continue to increase the number of fixed-maturity holdings trading below 100% of amortized cost, we believe lower fixed-maturity security values due solely to interest rate changes would not signal a decline in credit quality. We continue to manage the portfolio with an eye toward both meeting current income needs and managing interest rate risk.

Our dynamic financial planning model uses analytical tools to assess market risks. As part of this model, the effective duration of the fixed-maturity portfolio is continually monitored by our investment department to evaluate the theoretical impact of interest rate movements.

The table below summarizes the effect of hypothetical changes in interest rates on the fair value of the fixed-maturity portfolio:

(Dollars in millions)	Effect from interest rate change in basis points				
	-200	-100	—	100	200
At June 30, 2023	**$ 14,056**	**$ 13,462**	**$ 12,870**	**$ 12,267**	**$ 11,660**
At December 31, 2022	$ 13,300	$ 12,714	$ 12,132	$ 11,548	$ 10,974

The effective duration of the fixed-maturity portfolio as of June 30, 2023, was 4.6 years, down from 4.7 years at year-end 2022. The above table is a theoretical presentation showing that an instantaneous, parallel shift in the yield curve of 100 basis points could produce an approximately 4.6% change in the fair value of the fixed-maturity portfolio. Generally speaking, the higher a bond is rated, the more directly correlated movements in its fair value are to changes in the general level of interest rates, exclusive of call features. The fair values of average- to lower-rated corporate bonds are additionally influenced by the expansion or contraction of credit spreads.

In our dynamic financial planning model, the selected interest rate change of 100 to 200 basis points represents our view of a shift in rates that is quite possible over a one-year period. The rates modeled should not be considered a prediction of future events as interest rates may be much more volatile in the future. The analysis is not intended to provide a precise forecast of the effect of changes in rates on our results or financial condition, nor does it take into account any actions that we might take to reduce exposure to such risks.

EQUITY INVESTMENTS

Our equity investments, with a fair value totaling $10.502 billion at June 30, 2023, included $10.124 billion of common stock securities of companies generally with strong indications of paying and growing their dividends. Other criteria we evaluate include increasing sales and earnings, proven management and a favorable outlook. We believe our equity investment style is an appropriate long-term strategy. While our long-term financial position would be affected by prolonged changes in the market valuation of our investments, we believe our strong surplus position and cash flow provide a cushion against short-term fluctuations in valuation. Continued payment of cash dividends by the issuers of our common equity holdings can provide a floor to their valuation.

The table below summarizes the effect of hypothetical changes in market prices on fair value of our equity portfolio.

(Dollars in millions)	Effect from market price change in percent						
	-30%	-20%	-10%	—	10%	20%	30%
At June 30, 2023	**$ 7,351**	**$ 8,402**	**$ 9,452**	**$ 10,502**	**$ 11,552**	**$ 12,602**	**$ 13,653**
At December 31, 2022	$ 6,889	$ 7,873	$ 8,857	$ 9,841	$ 10,825	$ 11,809	$ 12,793

At June 30, 2023, Apple Inc. (Nasdaq:AAPL) was our largest single common stock holding with a fair value of $892 million, or 8.8% of our publicly traded common stock portfolio and 3.8% of the total investment portfolio. Thirty-nine holdings among eight different sectors each had a fair value greater than $100 million.

Common Stock Portfolio Industry Sector Distribution

	Percent of common stock portfolio			
	At June 30, 2023		At December 31, 2022	
	Cincinnati Financial	S&P 500 Industry Weightings	Cincinnati Financial	S&P 500 Industry Weightings
Sector:				
Information technology	**31.9 %**	**28.3 %**	26.5 %	25.7 %
Industrials	**12.4**	**8.5**	11.9	8.7
Financial	**12.3**	**12.4**	13.6	11.7
Healthcare	**12.2**	**13.4**	15.0	15.8
Consumer staples	**8.1**	**6.7**	8.8	7.2
Consumer discretionary	**7.4**	**10.7**	7.7	9.8
Materials	**4.6**	**2.4**	5.0	2.7
Energy	**4.4**	**4.1**	5.0	5.2
Utilities	**2.8**	**2.6**	2.9	3.2
Real estate	**2.5**	**2.5**	2.3	2.7
Telecomm services	**1.4**	**8.4**	1.3	7.3
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %

UNREALIZED INVESTMENT GAINS AND LOSSES

At June 30, 2023, unrealized investment gains before taxes for the fixed-maturity portfolio totaled $62 million and unrealized investment losses amounted to $900 million before taxes.

The $838 million net unrealized loss position in our fixed-maturity portfolio at June 30, 2023, decreased in the first six months of 2023, primarily due to a decrease in U.S. Treasury yields as well as a tightening of corporate credit spreads. The net loss position for our current fixed-maturity holdings will naturally decline over time as individual securities approach maturity. In addition, changes in interest rates can cause rapid, significant changes in fair values of fixed-maturity securities and the net loss position, as discussed in Quantitative and Qualitative Disclosures About Market Risk.

For federal income tax purposes, taxes on gains from appreciated investments generally are not due until securities are sold. We believe that the appreciated value of equity securities, compared with the cost of securities that is generally used as a tax basis, is a useful measure to help evaluate how fair value can change over time. On this basis, the net unrealized investment gains at June 30, 2023, consisted of a net gain position in our equity portfolio of $6.120 billion. Events or factors such as economic growth or recession can affect the fair value and unrealized investment gains of our equity securities. The five largest holdings in our common stock portfolio were Apple, Microsoft (Nasdaq:MSFT), Broadcom Inc. (Nasdaq:AVGO), JPMorgan Chase & Co (NYSE:JPM) and UnitedHealth Group Inc. (NYSE:UNH), which had a combined fair value of $2.805 billion.

Unrealized Investment Losses

We expect the number of fixed-maturity securities trading below amortized cost to fluctuate as interest rates rise or fall and credit spreads expand or contract due to prevailing economic conditions. Further, amortized costs for some securities are revised through write-downs recognized in prior periods. At June 30, 2023, 3,452 of the 4,673 fixed-maturity securities we owned had fair values below amortized cost, compared with 3,272 of the 4,521 securities we owned at year-end 2022. The 3,452 holdings with fair values below amortized cost at June 30, 2023, represented 80.7% of the fair value of our fixed-maturity investment portfolio and $900 million in unrealized losses.

- 2,321 of the 3,452 holdings had fair value between 90% and 100% of amortized cost at June 30, 2023. These primarily consist of securities whose current valuation is largely the result of interest rate factors. The fair value of these 2,321 securities was $7.626 billion, and they accounted for $280 million in unrealized losses.
- 1,108 of the 3,452 fixed-maturity holdings had fair value between 70% and 90% of amortized cost at June 30, 2023. We believe the 1,108 fixed-maturity securities will continue to pay interest and ultimately pay

principal upon maturity. The issuers of these 1,108 securities have strong cash flow to service their debt and meet their contractual obligation to make principal payments. The fair value of these securities was $2.720 billion, and they accounted for $602 million in unrealized losses.

- 23 of the 3,452 fixed-maturity holdings had fair value below 70% of amortized cost at June 30, 2023. We believe these fixed-maturity securities will continue to pay interest and ultimately pay principal upon maturity. The fair value of these securities was $35 million, and they accounted for $18 million in unrealized losses.

The table below reviews fair values and unrealized losses by investment category and by the overall duration of the securities' continuous unrealized loss position.

(Dollars in millions)	Less than 12 months		12 months or more		Total	
At June 30, 2023	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed-maturity securities:						
Corporate	**$ 2,133**	**$ 94**	**$ 4,347**	**$ 514**	**$ 6,480**	**$ 608**
States, municipalities and political subdivisions	**1,042**	**11**	**1,897**	**251**	**2,939**	**262**
Government-sponsored enterprises	**502**	**6**	**32**	**2**	**534**	**8**
Commercial mortgage-backed	**1**	**—**	**208**	**17**	**209**	**17**
United States government	**144**	**2**	**60**	**3**	**204**	**5**
Foreign government	**15**	**—**	**—**	**—**	**15**	**—**
Total	**$ 3,837**	**$ 113**	**$ 6,544**	**$ 787**	**$ 10,381**	**$ 900**
At December 31, 2022						
Fixed-maturity securities:						
Corporate	$ 5,651	$ 412	$ 661	$ 168	$ 6,312	$ 580
States, municipalities and political subdivisions	2,600	274	77	29	2,677	303
Government-sponsored enterprises	123	3	3	—	126	3
Commercial mortgage-backed	215	13	14	3	229	16
United States government	146	3	41	2	187	5
Foreign government	25	1	4	—	29	1
Total	$ 8,760	$ 706	$ 800	$ 202	$ 9,560	$ 908

At June 30, 2023, applying our invested asset impairment policy, we determined that the total of $900 million, for securities in an unrealized loss position in the table above, was not the result of a credit loss.

During the first six months of 2023, one fixed-maturity security was written down to fair value, due to an intention to be sold, resulting in $4 million of noncash charges. Changes in allowance for credit losses were $3 million during the first six months of 2023. During the first six months of 2022, two fixed-maturity securities were written down to fair value, due to an intention to be sold, and changes in allowance for credit losses were each less than $1 million.

During the full year of 2022, we wrote down three securities and recorded $5 million in impairment charges. At December 31, 2022, 3,272 fixed-maturity securities with a total unrealized loss of $908 million were in an unrealized loss position. Of that total, 49 fixed-maturity securities had fair values below 70% of amortized cost.

The following table summarizes the investment portfolio by severity of decline:

(Dollars in millions) **At June 30, 2023**	Number of issues	Amortized cost	Fair value	Gross unrealized gain (loss)	Gross investment income
Taxable fixed maturities:					
Fair valued below 70% of amortized cost	15	$ 33	$ 22	$ (11)	$ 1
Fair valued at 70% to less than 100% of amortized cost	2,057	8,915	8,154	(761)	192
Fair valued at 100% and above of amortized cost	236	748	790	42	24
Investment income on securities sold in current year	—	—	—	—	6
Total	2,308	9,696	8,966	(730)	223
Tax-exempt fixed maturities:					
Fair valued below 70% of amortized cost	8	20	13	(7)	—
Fair valued at 70% to less than 100% of amortized cost	1,372	2,313	2,192	(121)	35
Fair valued at 100% and above of amortized cost	985	1,679	1,699	20	29
Investment income on securities sold in current year	—	—	—	—	1
Total	2,365	4,012	3,904	(108)	65
Fixed-maturities summary:					
Fair valued below 70% of amortized cost	**23**	**53**	**35**	**(18)**	**1**
Fair valued at 70% to less than 100% of amortized cost	**3,429**	**11,228**	**10,346**	**(882)**	**227**
Fair valued at 100% and above of amortized cost	**1,221**	**2,427**	**2,489**	**62**	**53**
Investment income on securities sold in current year	**—**	**—**	**—**	**—**	**7**
Total	**4,673**	**$ 13,708**	**$ 12,870**	**$ (838)**	**$ 288**
At December 31, 2022					
Fixed-maturities summary:					
Fair valued below 70% of amortized cost	49	$ 91	$ 61	$ (30)	$ 3
Fair valued at 70% to less than 100% of amortized cost	3,223	10,377	9,499	(878)	392
Fair valued at 100% and above of amortized cost	1,249	2,511	2,572	61	92
Investment income on securities sold in current year	—	—	—	—	23
Total	4,521	$ 12,979	$ 12,132	$ (847)	$ 510

See our 2022 Annual Report on Form 10-K, Item 7, Critical Accounting Estimates, Asset Impairment, Page 58.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures – The company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)).

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The company's management, with the participation of the company's chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of the company's disclosure controls and procedures as of June 30, 2023. Based upon that evaluation, the company's chief executive officer and chief financial officer concluded that the design and operation of the company's disclosure controls and procedures provided reasonable assurance that the disclosure controls and procedures are effective to ensure:

- that information required to be disclosed in the company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and
- that such information is accumulated and communicated to the company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting – During the three months ended June 30, 2023, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

Neither the company nor any of our subsidiaries are involved in any litigation believed to be material other than ordinary, routine litigation incidental to the nature of our business.

Item 1A. Risk Factors

Our risk factors have not changed materially since they were described in our 2022 Annual Report on Form 10-K filed February 23, 2023. Investors should not interpret the disclosure of a risk to imply that the risk has not already materialized.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not sell any of our shares that were not registered under the Securities Act during the first six months of 2023. Our repurchase program does not have an expiration date. On January 26, 2018, an additional 15 million shares were authorized, which expanded our current repurchase program. We have 6,726,785 shares available for purchase under our programs at June 30, 2023.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
April 1-30, 2023	—	—	—	7,124,911
May 1-31, 2023	398,126	$ 104.48	398,126	6,726,785
June 1-30, 2023	—	—	—	6,726,785
Totals	398,126	104.48	398,126	

Item 5. Other Information

Neither the company nor any of our officers or directors adopted or terminated a Rule 10b5-1 or non-Rule 10b5-1 trading arrangement as defined by Item 408(a) and Item 408(d) of Regulation S-K during the last fiscal quarter.

Item 6. Exhibits

Exhibit No.	Exhibit Description
3.1	Amended and Restated Articles of Incorporation of Cincinnati Financial Corporation (incorporated by reference to the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, Exhibit 3.1)
3.2	Amended and Restated Code of Regulations of Cincinnati Financial Corporation, as of May 6, 2023 (incorporated by reference to Exhibit 3.1 filed with the company's Current Report on Form 8-K dated May 9, 2023)
31A	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002 – Chief Executive Officer
31B	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002 – Chief Financial Officer
32	Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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
Date: July 27, 2023

/S/ Michael J. Sewell
Michael J. Sewell, CPA
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Accounting Officer)

EXHIBIT 31A

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Steven J. Johnston, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cincinnati Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

/S/ Steven J. Johnston

Steven J. Johnston, FCAS, MAAA, CFA, CERA

Chairman and Chief Executive Officer

EXHIBIT 31B

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Michael J. Sewell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cincinnati Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

/S/ Michael J. Sewell

Michael J. Sewell, CPA
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Accounting Officer)

EXHIBIT 32
CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with this report on Form 10-Q for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Steven J. Johnston, the chairman and chief executive officer, and Michael J. Sewell, the chief financial officer, of Cincinnati Financial Corporation each certifies that, to the best of his knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Cincinnati Financial Corporation.

Date: July 27, 2023

/S/ Steven J. Johnston
Steven J. Johnston, FCAS, MAAA, CFA, CERA
Chairman and Chief Executive Officer

/S/ Michael J. Sewell
Michael J. Sewell, CPA
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Accounting Officer)