



SUSTAINABILITY DISCLOSURE USING SASB STANDARDS FOR THE INSURANCE INDUSTRY

for the year ending December 31, 2019



SOCIAL



ENVIRONMENTAL



GOVERNANCE

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Introduction

Cincinnati Financial Corporation offers primarily business, home and auto insurance through The Cincinnati Insurance Company and its two standard market property casualty companies. The same local independent insurance agencies that market those policies may offer products of our other subsidiaries, including life insurance, fixed annuities and surplus lines property and casualty insurance.

The following disclosure is aligned with the Sustainability Accounting Standards Board (SASB) [standards](#) for the insurance industry. For more information about SASB, please visit [sasb.org](#). For additional information about Cincinnati Financial or its subsidiaries, please visit [cinfin.com](#).

Transparent Information & Fair Advice for Customers

SASB Code FN-IN-270a.1

Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers

We discuss legal proceedings in our [2019 Annual Report on Form 10-K](#) on page 46. Neither the company nor any of our subsidiaries is involved in any material litigation other than ordinary, routine litigation incidental to the nature of the business of the company and its subsidiaries.

SASB Code FN-IN-270a.2

Complaints-to-claims ratio

The Cincinnati Insurance Companies has one of the lowest nationwide consumer complaint ratios. Ninety three percent of our policyholders are highly satisfied with the overall claims process based on more than 50,000 standard lines auto and property policyholders responding to electronic claim satisfaction survey between February 29, 2016, and December 31, 2019. The National Association of Insurance Commissioners (NAIC), comprised of insurance regulators from each state, provides state-specific data. Visit Consumer Information Resource for more information at [naic.org](#).

SASB Code FN-IN-270a.3

Customer retention rate

Our commercial lines policy retention rate has been near the high end of the mid-80% range for each of 2017, 2018 and 2019.

Our personal lines policy retention rate was approximately 90% in 2017. In 2018 and 2019, it was near the high end of the mid-80% range, declining as expected through underwriting and pricing action.

SASB Code FN-IN-270a.4

Description of approach to informing customers about products

We provide well-designed property casualty and life insurance products to bring policyholders convenience, discounts and a reduced risk of coverage gaps or disputes. For most agencies that represent us, we believe we offer insurance solutions for approximately 75% of the typical insurable risks of their clients. Products for various business lines within our reporting segments include insurance coverages for business property and liability, automobiles and homes.

We offer our broad array of insurance products through the independent agency distribution channel. We recognize that locally based independent agencies have relationships in their communities and local marketplace intelligence that can lead to profitable business and policyholder satisfaction and loyalty. Several of our strategic initiatives are intended not only to help us compete but also to enhance support of agencies that represent us, thereby contributing

to agency success. We seek to be a consistent and predictable property casualty carrier that agencies can rely on to serve their clients.

We rely on our force of over 1,800 field associates to provide service and be accountable to our agencies for decisions we make at the local level. These associates live in the communities our agents serve, so they are readily available when agencies or policyholders need them. While their work is often conducted at the premises of the agency or policyholder, they also work from offices in their homes. Headquarters associates support agencies and field associates with underwriting, accounting, technology assistance, training and other services. Company executives and headquarters associates regularly travel to visit agencies, strengthening the personal relationships we have with these organizations. Agents have opportunities for direct, personal conversations with our senior management team, and headquarters associates have opportunities to refresh their knowledge of marketplace conditions and field activities.

The field team is coordinated by field marketing representatives responsible for underwriting new commercial lines business. They are joined by field representatives specializing in claims, loss control, commercial lines key accounts, personal lines, excess and surplus lines, machinery and equipment, management liability and surety, premium audit and life insurance. The field team provides a variety of services, such as recommending specific actions to improve the safety of the policyholder's operations. We seek to develop long-term relationships by understanding the unique needs of each agency's clients, who are also our policyholders.

Technology enhances our service to agencies, allowing them to more easily access our systems and process business transactions. Policyholders can conveniently access pertinent policy information online, helping to reduce costs for agencies and the company. Technology also helps our associates collaborate and process business efficiently, providing more time for personal service to agencies and their clients.

We also provide and continue to develop enhanced, tailored services offered at the time a claim is reported for an insured loss event. Those services include assisting with car rental or towing, arranging temporary housing and coordinating emergency repairs to homes so additional damage is minimized.

Our claims philosophy reflects our belief that we prosper as a company by responding to claims person to person, paying covered claims promptly, preventing false claims from unfairly adding to overall premiums and building financial strength to meet future obligations.

Our nearly 1,000 locally based field claims associates work from their homes and are assigned to specific agencies. They respond personally to policyholders and claimants and are equipped to handle a claim from nearly anywhere. We believe we have a competitive advantage because of the person-to-person approach and the resulting high level of service that our field claims representatives deliver. Agencies have the option of submitting those claims to our Express Claims Center where professional headquarters associates will provide immediate customer service, processing the claims promptly and efficiently. We believe this same local approach to handling claims is a competitive advantage for our agents providing excess and surplus lines coverage in their communities. Handling of these claims includes guidance from headquarters-based excess and surplus lines claims managers.

Catastrophe response teams are comprised of our experienced field claims associates who have the authority they need to do their jobs. In times of widespread loss, our field claims representatives confidently and quickly resolve claims, often providing claims payments on the same day they inspect the loss. Technology helps to enable fast initial contact with policyholders and easy sharing of information and data among storm teams, headquarters

associates and local field claims representatives. When hurricanes or other weather events are predicted, we can identify through mapping technologies the expected number of our policyholders that may be impacted by the event and choose to have catastrophe response team members travel to strategic locations near the expected impact area. They are then in position to quickly get to the affected area and begin providing service to policyholders.

We staff a Special Investigations Unit (SIU) with former law enforcement and claims professionals whose qualifications make them well suited to gathering facts to uncover potential fraud. While we believe our job is to pay what is due under each policy contract, we also want to prevent false claims from unfairly increasing overall premiums. Our SIU also operates a computer forensics lab, using sophisticated software to recover data and mitigate the cost of computer-related claims for business interruption and loss of records.

We seek to attract and retain high-quality independent insurance agencies with knowledgeable, professional staffs. In turn, we make an exceptionally strong commitment to assist them in keeping their knowledge up to date and educating new people they bring on board as they grow. This includes offering classes, usually at no cost to agencies, except travel-related expenses they may incur, and other training support. We also offer noninsurance financial services. We believe that providing these services enhances agency relationships with the company and their clients, increasing loyalty while diversifying the agency's revenues.

Through the Cincinnati Customer Care Center, we provide a flexible solution for agents to provide efficient and exceptional service to their small business, personal lines and management liability accounts. While the concept of service centers isn't new, we believe our model is unique:

- Agents choose which accounts to move to the Customer Care Center while continuing to earn a commission.
- Policyholders call a local phone number and speak directly with their own account manager.
- Care Center account managers are experienced Cincinnati underwriters and licensed agents with the authority to answer questions, make changes and issue policies.

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

In early 2018, we implemented a digital wallet program for personal lines policyholders. Using Apple and Android devices, insureds can view statements and access their accounts. The digital wallet program supplements traditional online bill pay and pay-by-phone options.

We discuss our agent-centered strategy in our [2019 Annual Report on Form 10-K](#) in Item 1, Our Business and Our Strategy

Incorporation of Environmental, Social, and Governance Factors in Investment Management

SASB Code FN-IN-410a.1

Total invested assets by industry and asset class

The fair value of our total investments was \$19.7 billion at year-end 2019, as shown in the tables below. The cash we generate from insurance operations historically has been invested in two broad categories of investments: fixed-maturity investments, which includes taxable and

tax-exempt bonds and redeemable preferred stocks, and equity investments, which includes common and nonredeemable preferred stocks.

By maintaining a well-diversified fixed-maturity portfolio, we attempt to manage overall interest rate, reinvestment, credit and liquidity risk. We pursue a buy-and-hold strategy and do not attempt to make large-scale changes to the portfolio in anticipation of rate movements. By investing new money on a regular basis and analyzing risk-adjusted after-tax yields, we work to achieve a laddering effect to our portfolio that may mitigate some of the effects of adverse interest rate movements.

While our strategy typically is to buy and hold fixed-maturity investments to maturity, we monitor credit profiles and fair value movements when determining holding periods for individual securities.

At December 31, 2019, our investment-grade and noninvestment-grade fixed-maturity securities represented 85.2% and 2.4% of the portfolio, respectively. The remaining 12.4% represented fixed-maturity securities that were not rated by Moody's or S&P. Our nonrated securities include smaller municipal issues and private placement corporate securities.

We are most heavily exposed to the investment grade corporate bond asset classes. Within that asset class we have a weighting of 44.6% for the financial sector.

After covering both of our intermediate and long-range insurance obligations with fixed-maturity investment, we historically have used some available cash flow to invest in equity securities. Investment in equity securities has played an important role in achieving our portfolio objectives and has contributed to portfolio appreciation. We remain committed to our long-term equity focus, which we believe is key to our company's long-term growth and stability. We believe our strategy of primarily investing in a diversified selection of larger-capitalization, high-quality, dividend-increasing companies generally results in reduced volatility relative to the broader equity markets.

We discuss our investment segment in our [2019 Annual Report on Form 10-K](#) beginning on page 27. In addition, our portfolio is published quarterly and is available on our [Quarterly Results](#) page on our public website.

The table below shows our invested assets:

(Dollars in millions)	December 31, 2019
Total fixed maturities	\$ 11,698
Total equity securities	7,752
Derivatives	-
Mortgage loans	-
Real estate	8
Other invested assets	288
Total	\$ 19,746

The table below shows our fixed-maturity portfolio by type:

(Dollars in millions)	December 31, 2019
Governments (including all obligations guaranteed by governments)	\$ 132
U.S. States, Territories and Possessions (Direct and guaranteed)	176
U.S. Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	2,488
U.S. Special revenue and special assessment obligations of agencies and authorities of governments and their political subdivisions	2,146
Industrial and Miscellaneous, SVO Identified Funds, Bank Loans and Hybrid Securities	6,567
Noninsurance entities and other fixed-maturity securities	189
Total	\$ 11,698

The table below shows our equity portfolio distribution by industry sector:

(Dollars in millions)	December 31, 2019	
Information technology	\$	1,837
Financial		1,217
Healthcare		977
Industrials		961
Consumer discretionary		752
Energy		488
Consumer staples		481
Materials		388
Telecomm services		264
Utilities		194
Real estate		194
Total	\$	7,752

SASB Code FN-IN-410a.2

Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies

Our investment management process and strategy consider multiple relevant factors, including environmental, social, and governance, in addition to significant regulatory requirements that limit our investment instruments that increase credit and equity risk. Insurance regulation is designed to make sure that an insurer has the liquidity necessary to pay claims as they arise.

Our investment department operates under guidelines set forth in our investment policy statement along with oversight of the investment committee of our board of directors. These guidelines set parameters for risk tolerances governing, among other items, the allocation of the portfolio as well as security and sector concentrations. These parameters are part of an integrated corporate risk management program. When allocating cash to various assets classes, we consider market-based factors such as risk adjusted after-tax yields as well as internal measures based in part on insurance department regulations and rating agency guidance. The investment department factors all elements of risk in its analysis, including not only those that are readily visible but also longer-term risks that may be less apparent today.

We discuss our investment segment in our [2019 Annual Report on Form 10-K](#) beginning on page 27.

Policies Designed to Incentivize Responsible Behavior

SASB Code FN-IN-410b.1

Net premiums written related to energy efficiency and low carbon technology

Cincinnati Financial Corporation does not currently segment premium data for policies written related to energy efficiency or low carbon technology. Our premium data is segmented by line of business and by state, as required by insurance regulators. For more information on how we do segment our business, please see our [2019 Annual Report on Form 10-K](#). We discuss our segments beginning on page 17 and our financial results beginning on page 64.

SASB Code FN-IN-410b.2

Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors

Through its lead subsidiary, The Cincinnati Insurance Company and affiliated companies, Cincinnati Financial Corporation offers several products and services for policyholders that incentivize health and safety and environmentally responsible actions and behaviors.

Health & Safety

The Cincinnati Insurance Company can write workers' compensation and the accompanying employers liability coverage in 46 states. For those monopolistic states that do not allow private insurers to compete with the state workers' compensation fund, we may be able to offer separate employers liability or stop gap coverage.

Through our workers' compensation and loss control products and services, we strive to help business policyholders maintain healthy and safe work environments for their employees and prevent, prepare for and recover from covered employee injuries.

When they do occur, workers' compensation claims cost businesses time, money and productivity. Our use of predictive modeling, case management and a comprehensive pharmacy program help businesses by controlling expenses and allow injured employees to return to work as soon as medically appropriate.

- **Workers' Compensation Predictive Model:** Cincinnati Insurance's proprietary claim model helps identify injured employees who are at risk for chronic pain, complex medical conditions and potential return to work challenges. The model can identify and track the use of opioids, a common treatment for chronic pain. By using managed care resources, our dedicated workers' compensation professionals can work in cooperation with treating physicians toward modifying treatment and pharmacy regimens to encourage swift return to work and positive claim outcome. Currently, our claim model scores every claim reported to us through our dedicated Claim Reporting Center.
- **Nurse Case Management:** We use nurse case managers local to the communities of our policyholders and injured workers to support our claim handlers. Nurse case managers are involved in claims telephonically with in-person needs as warranted to support return to work and help injured workers navigate through their medical recovery. We use bilingual nurse case managers in many markets.
- **Pharmacy Bill Manager:** Our pharmacy benefit manager partnership provides vitally important clinical oversight to the prescription regimens of our workers' compensation claims. Claim handlers are equipped with key claim details, state-specific formulary notifications, and readily available clinical support to review medications presented to a claim. Our PBM dedicates ongoing attention to monitoring and intervening in initial and chronic opioid use and brand-to-generic conversions, resulting in consistent reductions in both categories. In 2019, 60.5% fewer opioid prescriptions were filled than in 2013.

Loss control services help our business policyholders enhance the employee health and safety of their employees by properly identifying and effectively communicating risk levels and potential impact on the organization and community. We provide high-quality, complimentary loss control services to policyholders in areas such as:

- **General safety:** Customized safety and risk management solutions can help prevent falls, keep employees safe at job sites and protect property from loss.
- **Auto safety:** Programs that reduce the risk of vehicular accidents by addressing distracted driving and driver training while supporting regulatory requirements for commercial vehicle operators.
- **Construction safety:** Reducing risk at construction job sites depends on proper controls and overall quality of construction management.
- **Thermography:** Electrical issues can threaten lives and property. Our loss control consultants use thermal imaging cameras to detect electrical problems before they create

Educational resources and tips on a variety of loss control and general safety topics are available through our corporate blog (blog.cinfin.com) and cinfin.com.

Environmental Responsibility

Environmental stewardship continues to influence our business opportunities, including product development and service delivery. For business policyholders, we offer a property green endorsement that provides:

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

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

Home and auto policyholders can also go paperless and receive policy information via a secure online portal or through our mobile app for Android and Apple devices. Converting policyholders to the paperless option eliminates the need to print and mail multi-page policy documents, avoiding postal mailing and related emissions. As of year-end 2019, nearly 15% of our personal lines policyholders had gone paperless, up 4% from year-end 2018, and we continue to actively promote this option.

Environmental Risk Exposure

SASB Code FN-IN-450a.1

Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes

A single large loss or an unexpected rise in claims severity or frequency due to a catastrophic event is a risk to the company's liquidity and financial strength. In an effort to control such losses, we limit marketing property casualty insurance in specific geographic areas and monitor our exposure in certain coastal regions. An example of this is the reduction in recent years of our homeowner policies in the southeastern U.S. coastal region. Loss exposures in that area had been identified as a major contributor to our catastrophe probable maximum loss estimates shown in the table below. Those estimates were subsequently reduced, in large part due to less exposure from southeastern U.S. homeowner policies. We also continually review aggregate exposures to huge disasters and purchase reinsurance protection to cover these exposures. For business other than Cincinnati Re and Cincinnati Global, we use the Risk Management Solutions (RMS) and Applied Insurance Research (AIR) models to evaluate exposures to a once-in-a-100-year and a once-in-a-250-year event to help determine appropriate reinsurance coverage programs. In conjunction with these activities, we also continue to evaluate information provided by our reinsurance broker. Examples include deterministic modeling of probable maximum loss contribution from growth in new geographic territories.

To help determine appropriate reinsurance coverage for hurricane, earthquake and tornado/hail exposures, for business other than Cincinnati Re and Cincinnati Global we use the RMS and AIR models to estimate the probable maximum loss from a single event or multiple events occurring in a one-year period. The models are proprietary in nature, and the vendors that provide them periodically update the models, sometimes resulting in significant changes to their estimate of probable maximum loss. As of the end of 2019, both models indicated that a hurricane event represents our largest amount of exposure to losses. The table below summarizes estimated probabilities and the corresponding probable maximum loss from a single hurricane event occurring in a one-year period, for business other than Cincinnati Re and Cincinnati Global, and indicates the effect of such losses on consolidated shareholders' equity at December 31, 2019. Net losses are net of reinsurance, estimated reinstatement premiums and income taxes, assuming a 21% federal tax rate, and assume our 2020 reinsurance programs apply.

(Dollars in millions)	RMS Model			AIR Model		
	Gross losses	Net losses	Percent of total equity	Gross losses	Net losses	Percent of total equity
Probability at December 31, 2019						
2.0% (1 in 50 year event)	\$ 363	\$ 125	1.3%	\$ 397	\$ 127	1.3%
1.0% (1 in 100 year event)	580	140	1.4	570	139	1.4
0.4% (1 in 250 year event)	973	355	3.6	883	270	2.7
0.2% (1 in 500 year event)	1,353	652	6.6	1,201	525	5.3

The modeled losses according to RMS in the table are based on its RiskLink version 18.1 catastrophe model and use a long-term storm catalog methodology. The modeled losses according to AIR in the table are based on its AIR Touchstone® version 6.0 catastrophe model and use a long-term methodology. The AIR and RMS storm catalogs include decades of documented weather events used in simulations for probable maximum loss projections.

We discuss our 2019 Reinsurance Ceded Program in our [2019 Annual Report on Form 10-K](#) beginning on page 109.

SASB Code FN-IN-450a.2

Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) nonmodeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)

The following table shows catastrophe losses incurred for the most recent calendar year, net of reinsurance, as well as the effect of loss development on prior period catastrophe reserves. We individually list declared catastrophe events for which our incurred losses reached or exceeded \$10 million.

Catastrophe Losses Incurred

(Dollars in millions, net of reinsurance)							
Dates	Events	Regions	Commercial lines	Personal lines	Excess and surplus lines	Other	Total
2019							
Jan. 29 - Feb. 1	Flood, ice, snow, wind	Midwest, Northeast	\$ 9	\$ 10	\$ —	\$ —	\$ 19
Feb. 23-26	Flood, freezing, hail, ice, snow, wind	Midwest, Northeast, South	10	9	—	—	19
Mar. 12-17	Flood, hail, ice, snow, wind	Midwest, Northeast, West, South	4	4	—	4	12
May 16-17	Flood, hail, wind	Midwest	8	5	—	—	13
May 26 - 28	Flood, hail, wind	Midwest, Northeast, West, South	71	29	—	—	100
Aug. 4-5	Flood, hail, wind	Midwest	4	8	—	—	12
Aug. 10-11	Flood, hail, wind	West	22	1	—	—	23
Aug. 28 - Sep. 6	Flood, hail, wind	South, International (Dorian)	3	1	—	11	15
Oct. 7-20	Typhoon	International (Hagibis)	—	—	—	12	12
Oct. 20-21	Flood, hail, wind	Midwest, South	4	23	—	—	27
All other 2019 catastrophes			41	47	1	10	99
Development on 2018 and prior catastrophes			(25)	2	—	(6)	(29)
Calendar year incurred total			\$ 151	\$ 139	\$ 1	\$ 31	\$ 322

We discuss our consolidated results, including catastrophe losses, in our [2019 Annual Report on Form 10-K](#) beginning on page 65.

SASB Code FN-IN-450a.3

Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy

We manage enterprise risk through formal risk management programs overseen by an executive officer of the company. Our ERM framework includes an enterprise risk management committee, which is responsible for overseeing risk activities and is comprised of senior executive-level risk owners from across the enterprise. The risk committee's activities are supported by a team of representatives from business areas that focus on identifying, evaluating and developing risk plans for emerging risks. A comprehensive report is provided quarterly to our chairman, our president and chief executive officer, our board of directors and our senior executive team, as appropriate, on the status of risk metrics relative to identified tolerances and limits, risk assessments and risk plans. Our use of operational audits, strategic plans and departmental business plans, as well as our culture of open communications and our fundamental respect for our [Code of Conduct](#), continue to help us manage risks on an ongoing basis.

Our risk management programs include a formalized risk appetite element and a risk identification and quantification process. The overall enterprise objective is to appropriately balance risk and reward to achieve an appropriate return on risk capital. Our capital model reflects consideration of these risk factors in evaluating capital adequacy and in determining an appropriate level of risk capital required for supporting our business plan. The company's key risks are discussed in our [2019 Annual Report on Form 10-K](#), Item 1A, Risk Factors, including risks related to natural catastrophes, investments and operations.

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

The extent of losses from a catastrophe is a function of both the total amount of insured and reinsured exposure in the area affected by the event and the severity of the event. Our ability to appropriately manage catastrophe risk depends partially on catastrophe models, which may be affected by inaccurate or incomplete data, the uncertainty of the frequency and severity of future events and the uncertain impact of climate change. Additionally, these models are recalibrated and changed over time, with more data availability and changing opinions regarding the effect of current or emerging loss patterns and conditions.

According to these models, probable maximum loss estimates from a single hurricane event that combine the effects of property casualty insurance written on a direct basis by The Cincinnati Insurance Companies, the Cincinnati Re reinsurance portfolio and risks insured by Cincinnati Global include the following amounts, net of amounts recoverable through reinsurance ceded, and also income taxes: \$300 million for a once-in-a-100-year event and \$429 million for a once-in-a-250-year event. Please see our [2019 Annual Report on Form 10-K](#), Item 7, Liquidity and Capital Resources, 2020 Reinsurance Programs, for a discussion of modeled losses considered in evaluating our risk mitigation strategy, which includes our ceded reinsurance program.

The geographic regions in which we market insurance and reinsurance are exposed to numerous natural catastrophes, such as:

- Hurricanes in the gulf, eastern, southeastern and northeastern coastal regions.
- Earthquakes in many regions, most particularly in the New Madrid fault zone, California, the Northwest and Southwest.
- Tornado, wind and hail in the Midwest, South, Southeast, Southwest and the mid-Atlantic.
- Wildfires.
- On a worldwide basis, in the event of a severe catastrophic event or terrorist attack we may be exposed to material losses through our Cincinnati Re and Cincinnati Global operations.

We incorporate environmental risk, specifically catastrophe risk, into our underwriting process through risk selection and analysis, policy construction, catastrophe modeling and pricing. Underwriting guidelines that outline hazards, limits and policy conditions exist for all catastrophe risks. Underwriters consider the modeled losses of a specific risk when determining deductibles. We have the ability to use deductibles for various weather-related losses in accordance with the laws of each state. This modeling and appropriate use of deductibles helps us properly manage our catastrophe exposures.

We discuss our enterprise risk management program and our risk factors in our [2019 Annual Report on Form 10-K](#) beginning on page 34.

Systemic Risk Management

SASB Code FN-IN-550a.1

Exposure to derivative instruments by category: (1) total potential exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives

Market Risk

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. We take an active approach to managing market and other investment risks, including the accountabilities and controls over these activities. Actively managing these market risks is integral to our operations.

During the five years ended December 31, 2019, we held no derivative instruments except for one during the first two months of 2019. On January 3, 2019, the company entered into a foreign exchange forward contract, which provided an economic hedge between the agreed upon purchase price for a pending acquisition in GBP and currency fluctuations between the U.S. dollar and GBP during January 3 through February 28, 2019. Foreign exchange rates during 2019 did not have a material impact to our consolidated financial statements.

We discuss market risk in our [2019 Annual Report on Form 10-K](#) beginning on page 117.

SASB Code FN-IN-550a.2

Total fair value of securities lending collateral assets

During the five years ended December 31, 2019, we did not have securities lending collateral assets.

SASB Code FN-IN-550a.3

Description of approach to managing capital-and-liquidity-related risks associated with systemic noninsurance activities

We have two noninsurance subsidiaries – CFC Investment Company and CSU Producer Resources. Both are related to our insurance operations and are not considered to be material sources of risk to the enterprise. For example, CFC-I, our subsidiary that offers commercial leasing and financing services, had \$77 million in receivables, representing less than 1% of consolidated assets at year-end 2019.

We manage enterprise risk through formal risk management programs that oversee risk activities. Our use of operational audits, strategic plans and departmental business plans, as well as our culture of open communications and our fundamental respect for our [Code of Conduct](#), continue to help us manage risks on an ongoing basis.

We discuss our enterprise risk management program in our [2019 Annual Report on Form 10-K](#) beginning on page 34.

Activity Metric

SASB Code FN-IN-000.A

Number of policies in force by segment: (1) property and casualty, (2) life, (3) assumed reinsurance

We prefer to write personal lines coverage as package accounts that include both auto and homeowner coverages as well as coverages that are part of our other personal business line. At the end of 2019, approximately 83% of our homeowner policies were accompanied by a personal auto policy in the same account. Please see our personal lines segment discussion on page 21 of our [2019 Annual Report on Form 10-K](#) for more information.

Personal Auto

	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
In-Force Policies	356,056	351,610	345,082	338,407	331,290	324,542	317,199	311,165
Change from prior year quarter	-1.7%	-2.9%	-4.4%	-5.7%	-7.0%	-7.7%	-8.1%	-8.1%
Change from prior quarter	-0.8%	-1.2%	-1.9%	-1.9%	-2.1%	-2.0%	-2.3%	-1.9%

Homeowners

	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
In-Force Policies	414,911	411,815	406,183	400,427	394,824	389,472	382,964	377,463
Change from prior year quarter	-1.2%	-1.9%	-3.0%	-3.9%	-4.8%	-5.4%	-5.7%	-5.7%
Change from prior quarter	-0.4%	-0.7%	-1.4%	-1.4%	-1.4%	-1.4%	-1.7%	-1.4%

Our commercial and specialty lines of business are not managed by policy, but rather by relationship. Coverages are often bundled together and offered on a multi-year basis. Therefore, the number of policies in force is not a meaningful metric for those lines of businesses. See our commercial lines segment discussion on page 18 of our [2019 Annual Report on Form 10-K](#) for more information about our multi-year commercial lines policies.