
# INVESTOR HANDOUT

SEPTEMBER 2020

## NASDAQ: CINF

This presentation contains forward-looking statements that involve risks and uncertainties. Please refer to our various filings with the U.S. Securities and Exchange Commission for factors that could cause results to materially differ from those discussed.

The forward-looking information in this presentation has been publicly disclosed, most recently on July 27, 2020, and should be considered to be effective only as of that date.

Its inclusion in this document is not intended to be an update or reaffirmation of the forward-looking information as of any later date.

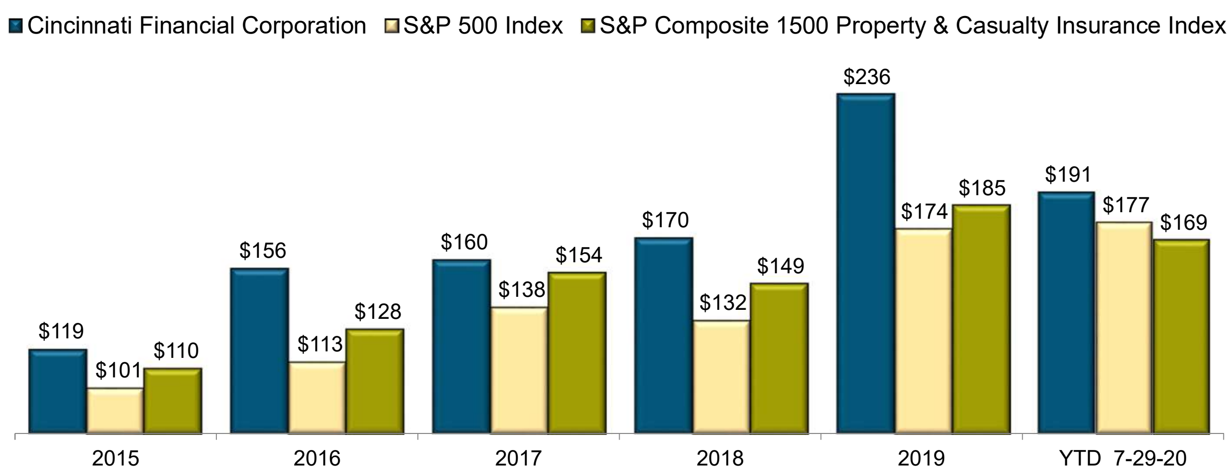
Reconciliations of non-GAAP measures are in our most recent quarterly earnings news release, which is available at *cinfin.com/investors*.

## STRATEGY OVERVIEW

- Competitive advantages:
  - Relationships leading to agents' best accounts
  - Financial strength for stability and confidence
  - Local decision making and claims excellence

- Other distinguishing factors:
  - 59 years of shareholder dividend increases
  - Common stocks are approximately 37% of investment portfolio
  - 31 years of favorable reserve development

## CUMULATIVE TOTAL RETURN*




* $100 invested on December 31, 2014, in CINF stock or indexes shown, including reinvestment of dividends.
Periods shown represent each respective fiscal year ending December 31.

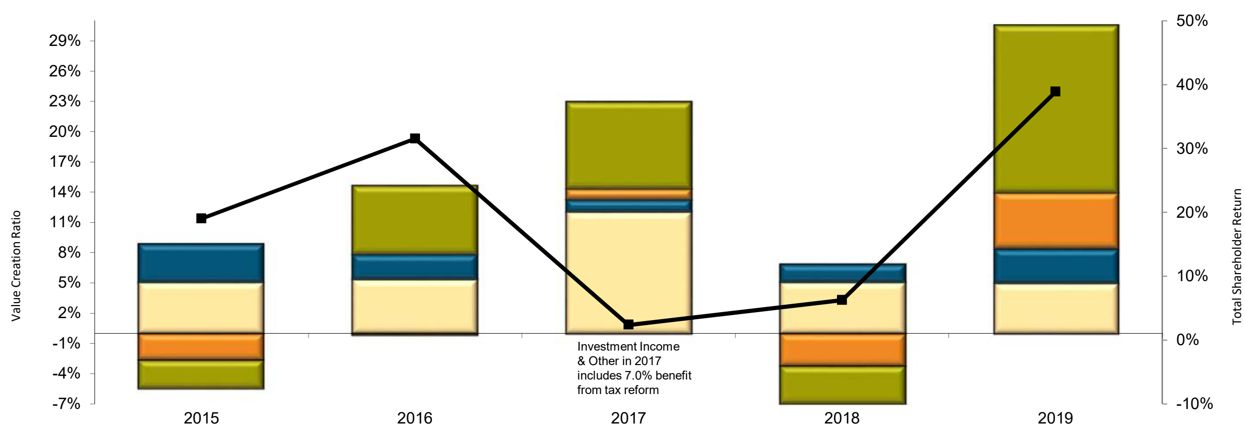
# LONG-TERM VALUE CREATION

- Targeting average Value Creation Ratio of 10% to 13% over the next five-year period
  - Value creation ratio (VCR) = annual rate of growth in book value plus the percentage of dividends to beginning book value
  - VCR for 2015 through 2019 averaged 14.2%
- Three performance drivers:
  - Premium growth above industry average
  - Combined ratio consistently within the range of 95% to 100%
  - Investment contribution
    - Investment income growth
    - Compound annual total return for equity portfolio over five-year period exceeding return for S&P 500 Index

# INCREASE VALUE FOR SHAREHOLDERS

*MEASURED BY VALUE CREATION RATIO*

**Target for the next five-year period: Annual VCR averaging 10% to 13%**




**Actual VCR: 3.4% 14.5% 22.9% (0.1)% 30.5%**

VCR - Investment Income & Other | VCR - P&C Underwriting | VCR - Bond Portfolio Gains | VCR - Equity Portfolio Gains | Total Shareholder Return (TSR)

## RESPONSES TO COVID-19 PANDEMIC

- Quick transition to work-from-home, including excellent IT infrastructure
  - Field associates working in the communities ready to serve agencies and their clients
- Relief for policyholders
  - 15% Stay-at-Home credit applied to April and May premiums for personal lines auto policyholders, resulting in $16 million of 2Q20 underwriting expense
  - Paused cancellations due to nonpayment of premium and waived late fees for personal and commercial policyholders
  - Waived vacancy clauses for buildings temporarily closed due to pandemic
  - Provided additional risk management advice to businesses considering adapting their operations to manufacture personal protective equipment
  - Provided credits, when requested, on commercial policies for vehicles not being used
  - Waived restrictions on policyholders performing delivery services in efforts to protect the wellbeing of their communities

## PANDEMIC FINANCIAL EFFECTS

- Premiums: Slowed growth, but 2Q20 net written premiums still grew 6%
  - Growth for net written premiums slowed from 10% growth for 1Q20 and full-year 2019
  - Submissions for new business were down 1st half of 2Q20, then up 2nd half, versus year-ago periods
- Loss and expenses: $65 million during 2Q20 that were pandemic-related
  - $24 million for business interruption claims (Cincinnati Re or Cincinnati Global), $19 million legal expenses
- Loss experience will be influenced by many factors the next few quarters
  - Fewer vehicle miles driven could reduce losses for some period of time
  - Reduced sales and payrolls for businesses could reduce liability and workers' compensation losses
  - Legal expenses and other factors could have unfavorable effects on loss or expense trends
- Business interruption insurance
  - While we will evaluate each claim based on the specific facts and circumstances involved, our commercial property policies do not provide coverage for business interruption claims unless there is direct physical damage or loss to property
  - Example of communication from regulators to businesses, insurance agents and consumers:

    Ohio Department of Insurance: Business Interruption coverage is typically triggered under a commercial insurance policy when a covered risk/peril causes physical damage to the insured premises resulting in the need to shut down business operations. For example, if a fire damages a business and the business cannot operate during repairs, business interruption coverage could be available subject to the terms and limits in the policy. https://insurance.ohio.gov/wps/portal/gov/odi/about-us/divisions/communications/resources/insurance-coronavirus-covid-19

## PERFORMANCE TARGETS & TRENDS

- Negative 3.0% VCR for 1H20 was below target:
  10% to 13% annual average over the next five-year period
  - Negative 5.1% contribution from non-operating items, primarily due to a reduction of overall net gains from equity investment portfolio
- Related performance drivers at YTD 6-30-20 compared with long-term targets:
  - 8% growth in P&C net written premiums, vs. 4% full-year 2020 projection for industry
  - 100.8% combined ratio, exceeds 95% to 100% long-term target range
  - 4% investment income growth exceeded 3.3% five-year CAGR as of year-end 2019
- Ranked #1 or #2 in ~two-thirds of agencies appointed 5+ years
- Improving through strategic profitability & growth initiatives

## STRATEGIES FOR LONG-TERM SUCCESS

- Financial strength for consistent support to agencies
  - Diversified fixed-maturity portfolio, laddered maturity structure
    - No corporate exposure exceeded 0.7% of total bond portfolio at 6-30-20, no municipal exposure exceeded 0.2%
  - 36.8% of investment portfolio in common stocks to grow book value
    - No single security exceeded 7.3% of publicly traded common stock portfolio
  - Portfolio composition helps mitigate anticipated effects of inflation and a rise in interest rates
  - Low reliance on debt, with 8.9% debt-to-total-capital at 6-30-20
    - Nonconvertible, noncallable debentures due in 2028 and 2034
  - Capacity for growth with premiums-to-surplus at 1.1-to-1
- Operating structure reflects agency-centered model
  - Field focus – staffed for local decision making, agency support
  - Superior claims service and broad insurance product offerings
- Profit improvement and premium growth initiatives

## MANAGE INSURANCE PROFITABILITY

- Ongoing underwriting expertise enhancement
  - Predictive modeling tools and analytics to improve property casualty pricing precision and segmentation on an individual policy basis
  - Data management for better underwriting and more granular pricing decisions
  - Staff specialization and augmentation aimed at lowering loss ratios
- Improving efficiencies and ease of use with technology
  - Streamlines processing for agencies and the company
  - Helps optimize personalized service
- Investing for the future
  - To improve profitability with rate adequacy and risk selection/loss control initiatives
  - To diversify risk by expanding operations into new geographies and product areas
  - Strategic investments with modest short-term effects on expense ratios
    - 35% increase in field staff since the end of 2014, supporting healthy premium growth

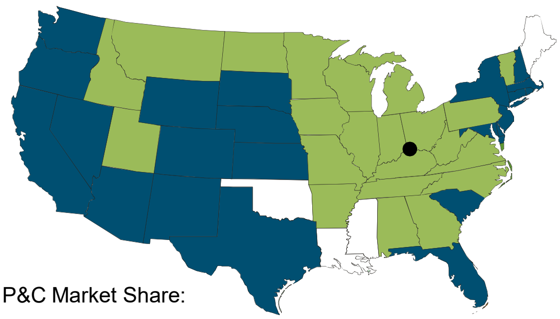
## DRIVE PREMIUM GROWTH

- New agency appointments bring potential for growth over time
  - 187 appointed in 2019, including 70 for personal lines only, writing an estimated $11 billion in aggregate of annual property casualty premiums from all carriers they represent
  - 72 appointed YTD 6-30-20 marketing most or all lines, 23 personal lines only
- Expanding marketing and service capabilities
  - Enhanced marketing, products and services for high net worth (HNW) clients of our agencies
    - $144 million in second-quarter 2020 HNW net written premiums, up 24% from 2019;
  - Increased opportunities for agencies to cross-serve their clients to meet insurance needs
  - Expansion of reinsurance assumed through Cincinnati Re® to further deploy capital, diversify risk
  - Cincinnati Global Underwriting Ltd.℠ acquisition expected to produce profitable premium growth over time
- 8% growth in YTD 6-30-20 P&C net written premiums
  - Commercial lines up 6%, personal lines up 4%, E&S up 18%, Cincinnati Re up 20%
    - Cincinnati Global contributed 1 percentage point to overall growth percentage
  - Higher average renewal pricing: commercial lines, personal lines and E&S up mid-single-digit percentage rate
  - Term life insurance earned premiums up 7%

# SELECT GROUP OF AGENCIES IN 45 STATES

1,831 agency relationships with 2,530 locations

*(as of June 30, 2020)*



P&C Market Share:

- 1% and higher
- Less than 1%
- Inactive states
- Headquarters

Our Commercial Top Five = 38%
Ohio, Pennsylvania, Illinois, Indiana, North Carolina

Our Personal Top Five = 46%
Ohio, Georgia, Michigan, North Carolina, Indiana

Market Share Top Five
Ohio: 4.4%
Montana: 2.6%
Indiana: 2.3%
Kentucky: 2.2%
Vermont: 2.2%

Based on 2019 data excluding A&H, Flood and Crop

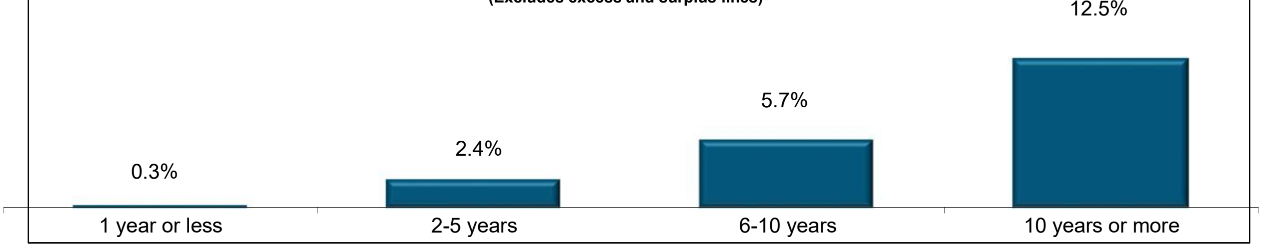
# PREMIUM GROWTH POTENTIAL

*STEADILY INCREASE OUR SHARE WITHIN APPOINTED AGENCIES*

► Cincinnati's share of $79 billion total* premiums (including approximately $4 billion E&S) produced by currently appointed agencies is approximately 7%.

**Market share per agency reporting location by year appointed**

**Based on 2019 standard market P&C agency written premiums (Excludes excess and surplus lines)**




► New appointments also drive premium growth opportunity
- Agency relationship net count increased by 55% since the end of 2009
- Agencies appointed during 2015-19 produce $36 billion total* of standard lines business

* Estimated annual property casualty premiums written with all carriers represented by agencies appointed by Cincinnati Insurance

## ACQUISITION OF CINCINNATI GLOBAL UNDERWRITING

*EXPANDS MARKET REACH, DEPLOYS MORE CAPITAL, FURTHER DIVERSIFIES EARNINGS*

- Accretive to earnings in 2019 following acquisition on February 28, 2019
  - Combined ratio in the low-80% range with $140 million of net written premiums
- $140 million in 2019* net written premiums ($170 million gross), with mix of:
  - 63% property (direct & facultative) focused on global medium-to-large commercial risks
  - 31% property (binder) focused on North American commercial property & homeowner
  - 6% aviation, mostly smaller airlines and some general aviation, generally no U.S. risks
- Supports agency-centered strategy as we believe it should provide insurance solutions for accounts requiring specialization through Lloyd's

* March through December 2019, representing annualized amounts of $168 million net and $204 million gross

## SECOND-QUARTER 2020 HIGHLIGHTS

- EPS $5.63 per share vs. $2.59 per share in 2Q19
  - Non-GAAP operating income decreased 49%, or $69 million, including $79 million from higher catastrophe losses related to weather or civil unrest
  - $544 million ($3.41 per share) increase in EPS from the change in unrealized gains and losses of equity securities still held
- Investment income rose 4%
  - Dividend income was up 6%, interest income was up 3%
- Property casualty net written premiums grew 6%
  - Higher average renewal pricing: commercial lines, personal lines and E&S up mid-single-digit percentage rate
- Combined ratio of 103.1%, 6.6 points worse than 2Q19
  - 2Q20 increase included 6.5 points from higher catastrophe losses and 4.6 points from pandemic-related losses or expenses

## CINCINNATI FINANCIAL AT A GLANCE

- Top 25 U.S. P&C insurer
- A.M. Best rating: A+ Superior
- $5.6 billion 2019 premiums:

| | | |
|---|---|---|
| 59% Commercial | 25% Personal | 5% Excess & Surplus |
| 5% Life | 3% Cincinnati Re | 3% Cincinnati Global |

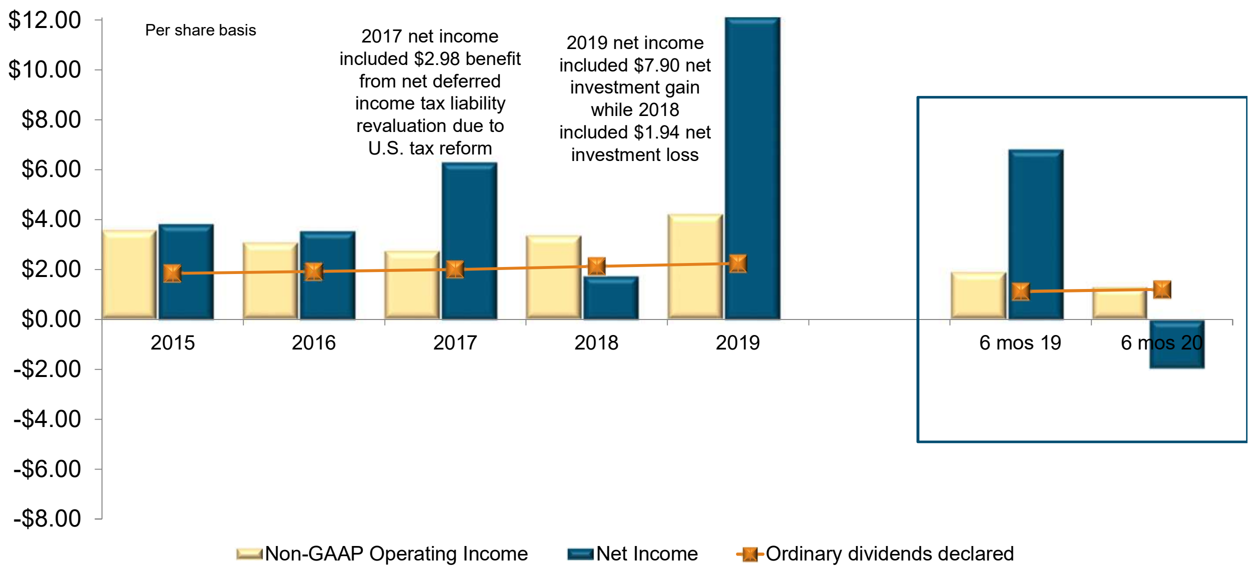
- Agency-centered business model is time-tested
  - Agency relationships strengthened over time by in-person approach
  - Local decision-making operating structure is difficult to replicate
  - Centralized organization versus branch office structure contributes to low expense ratio
- 59 consecutive years of shareholder dividend increases
  - Only seven U.S. public companies can match this record
  - 7.1% increase from 2019 ordinary cash dividend declared
  - Yield is attractive, 3.0% in early-September 2020

CINCINNATI
FINANCIAL CORPORATION


# Appendix

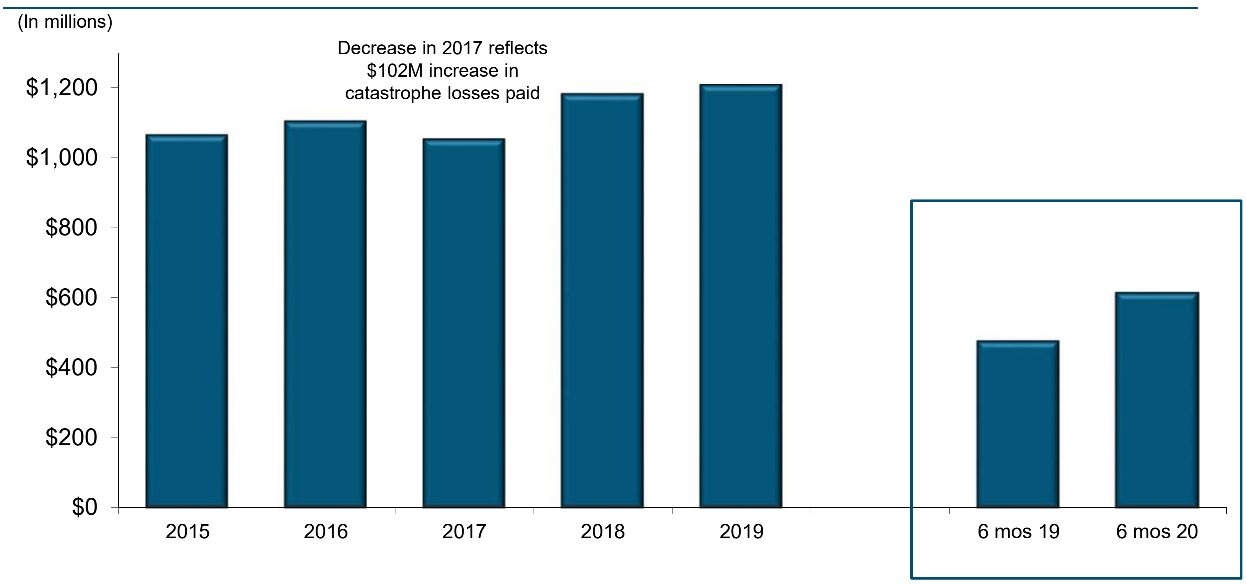
Income, Dividend & Cash Flow Trends
Reserve Adequacy & Prior Accident Year Development
Pricing Precision, Premium Growth Trends & Business Mix
Investment Portfolio Management & Performance
Reinsurance Ceded Program & Financial Strength Ratings
Valuation Comparison to Peers

# INCOME AND SHAREHOLDER DIVIDENDS



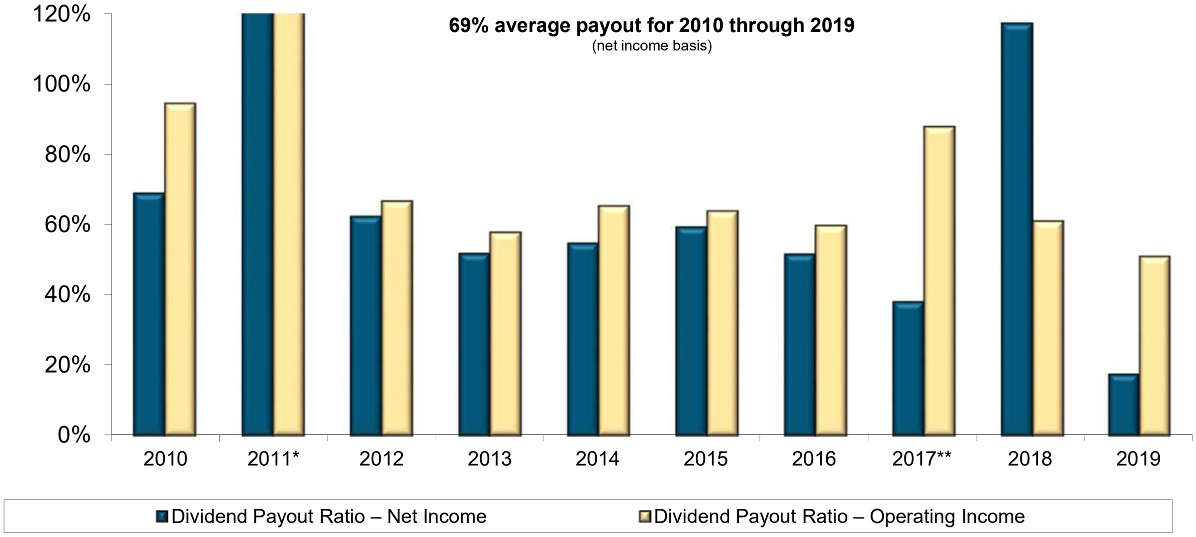

# STRONG OPERATING CASH FLOW

*CONTRIBUTED TO $256M OF YTD 6-30-20 NET PURCHASES IN INVESTMENT PORTFOLIO*



# CASH DIVIDEND PAYOUT RATIO

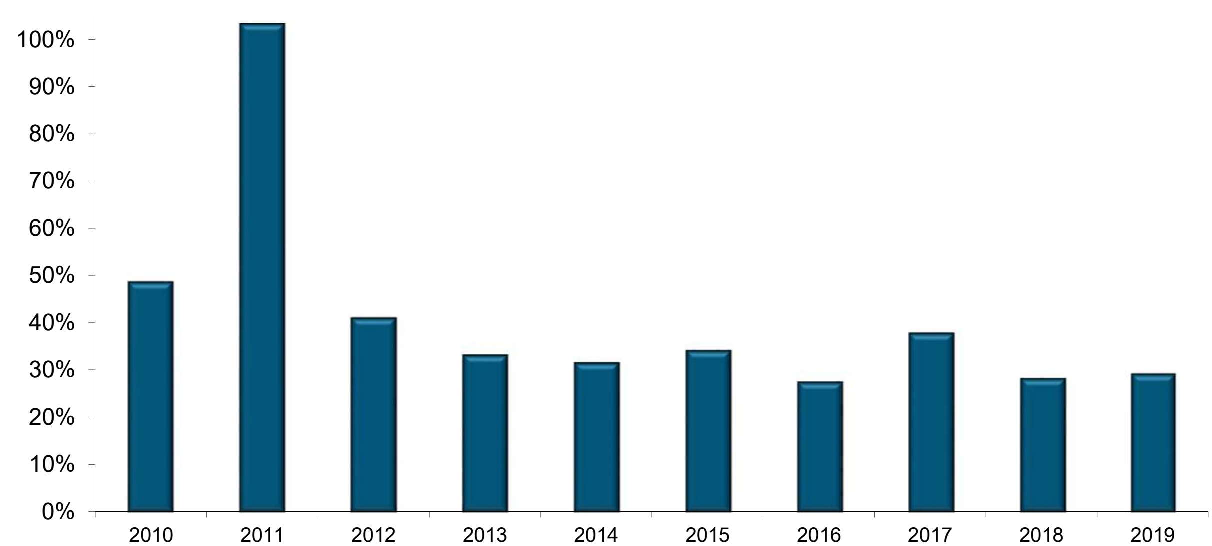
*STRONG CAPITAL, CASH FLOW SUPPORT PAYOUT LEVELS*




* 2011 payout ratios (159% net income basis, 211% operating income basis) not fully shown on graph due to record-high catastrophe losses

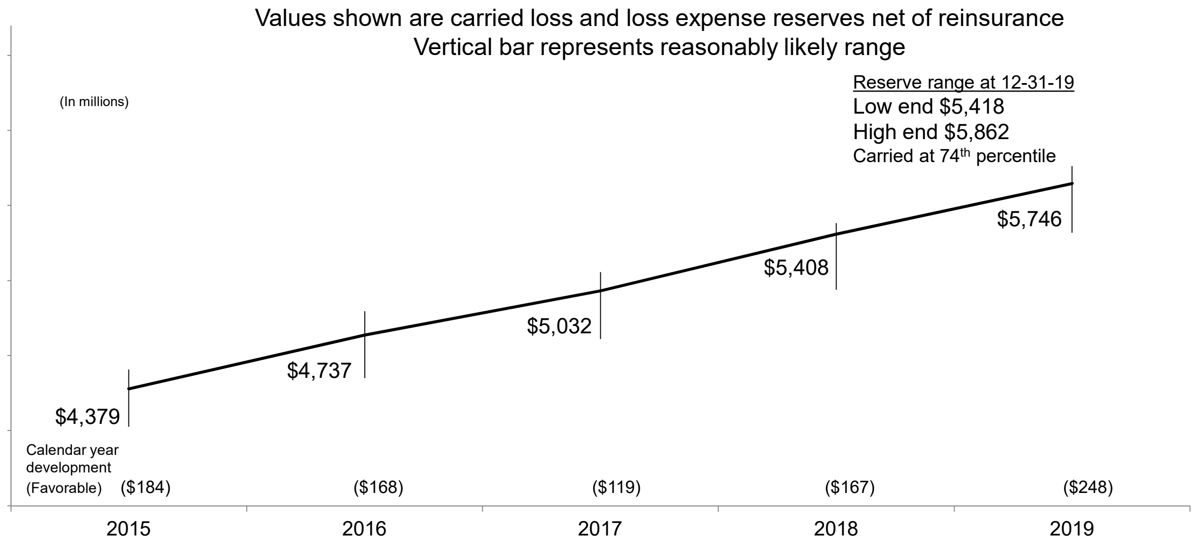
** 2017 net income included $495 million benefit from net deferred income tax liability revaluation due to U.S. tax reform

# DIVIDEND AS A PERCENTAGE OF NET CASH FLOW FROM OPERATIONS



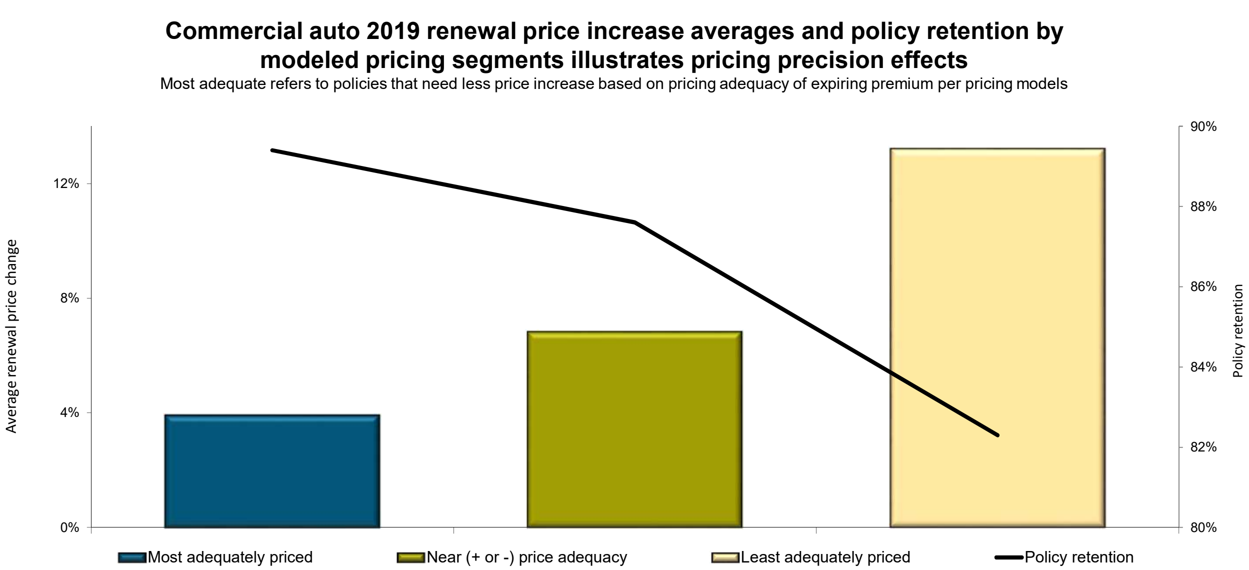
# PROPERTY CASUALTY RESERVES

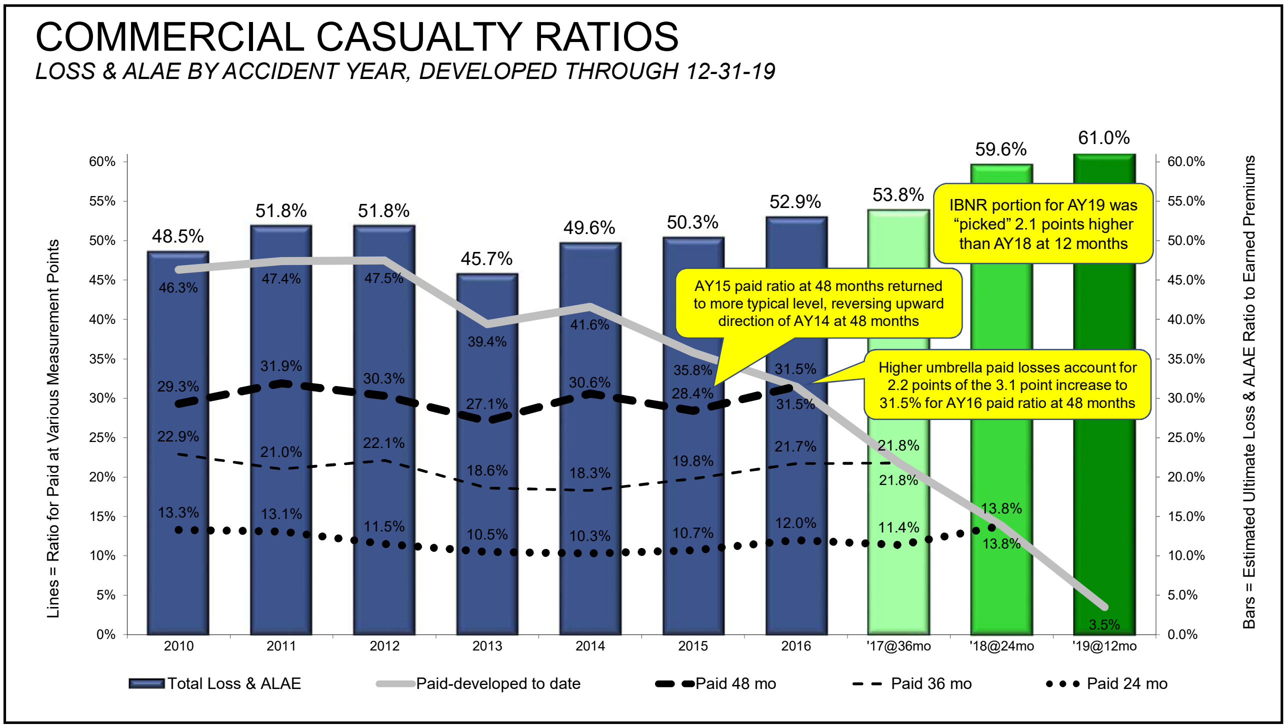
*FAVORABLE DEVELOPMENT FOR 31 CONSECUTIVE YEARS*

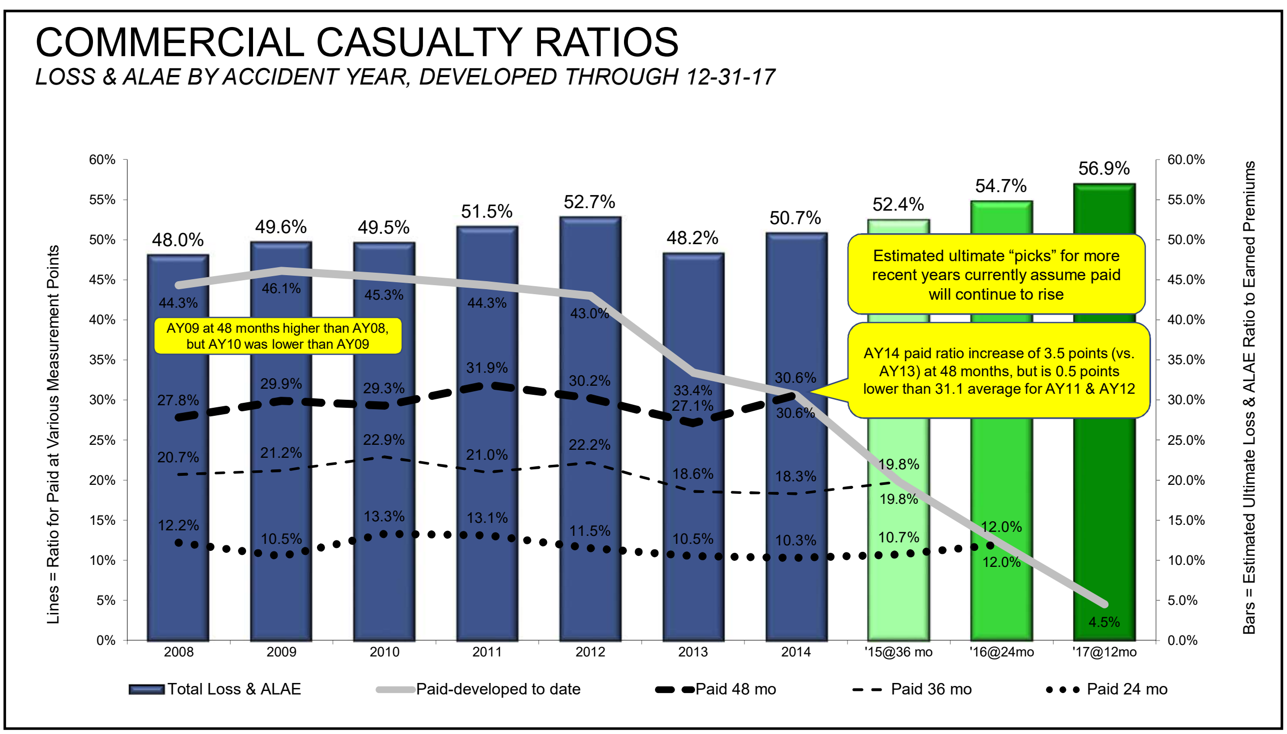



# GREATER PRICING PRECISION

IMPROVING PROFIT MARGINS

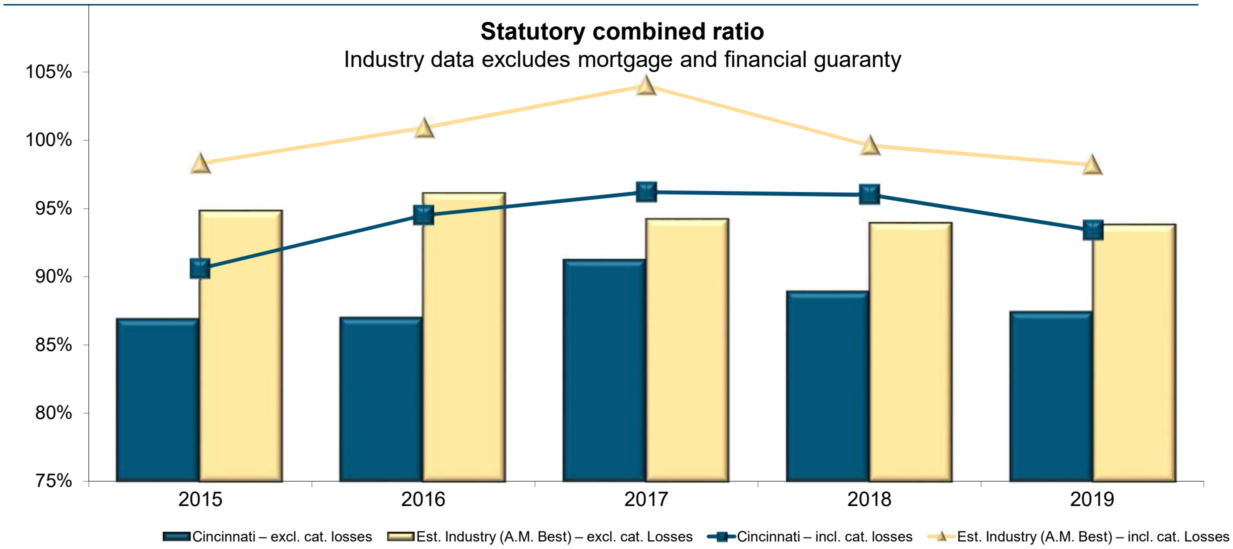



COMMERCIAL CASUALTY RATIOS
LOSS & ALAE BY ACCIDENT YEAR, DEVELOPED THROUGH 12-31-19
Lines = Ratio for Paid at Various Measurement Points
Bars = Estimated Ultimate Loss & ALAE Ratio to Earned Premiums
48.5% 51.8% 51.8% 45.7% 49.6% 50.3% 52.9% 53.8% 59.6% 61.0%
2010 2011 2012 2013 2014 2015 2016 '17@36mo '18@24mo '19@12mo
IBNR portion for AY19 was "picked" 2.1 points higher than AY18 at 12 months
AY15 paid ratio at 48 months returned to more typical level, reversing upward direction of AY14 at 48 months
Higher umbrella paid losses account for 2.2 points of the 3.1 point increase to 31.5% for AY16 paid ratio at 48 months
Total Loss & ALAE
Paid-developed to date
Paid 48 mo
Paid 36 mo
Paid 24 mo


COMMERCIAL CASUALTY RATIOS
LOSS & ALAE BY ACCIDENT YEAR, DEVELOPED THROUGH 12-31-17
Lines = Ratio for Paid at Various Measurement Points
Bars = Estimated Ultimate Loss & ALAE Ratio to Earned Premiums
48.0% 49.6% 49.5% 51.5% 52.7% 48.2% 50.7% 52.4% 54.7% 56.9%
2008 2009 2010 2011 2012 2013 2014 '15@36 mo '16@24mo '17@12mo
AY09 at 48 months higher than AY08, but AY10 was lower than AY09
Estimated ultimate "picks" for more recent years currently assume paid will continue to rise
AY14 paid ratio increase of 3.5 points (vs. AY13) at 48 months, but is 0.5 points lower than 31.1 average for AY11 & AY12
Total Loss & ALAE
Paid-developed to date
Paid 48 mo
Paid 36 mo
Paid 24 mo

# OUTPERFORMING THE INDUSTRY

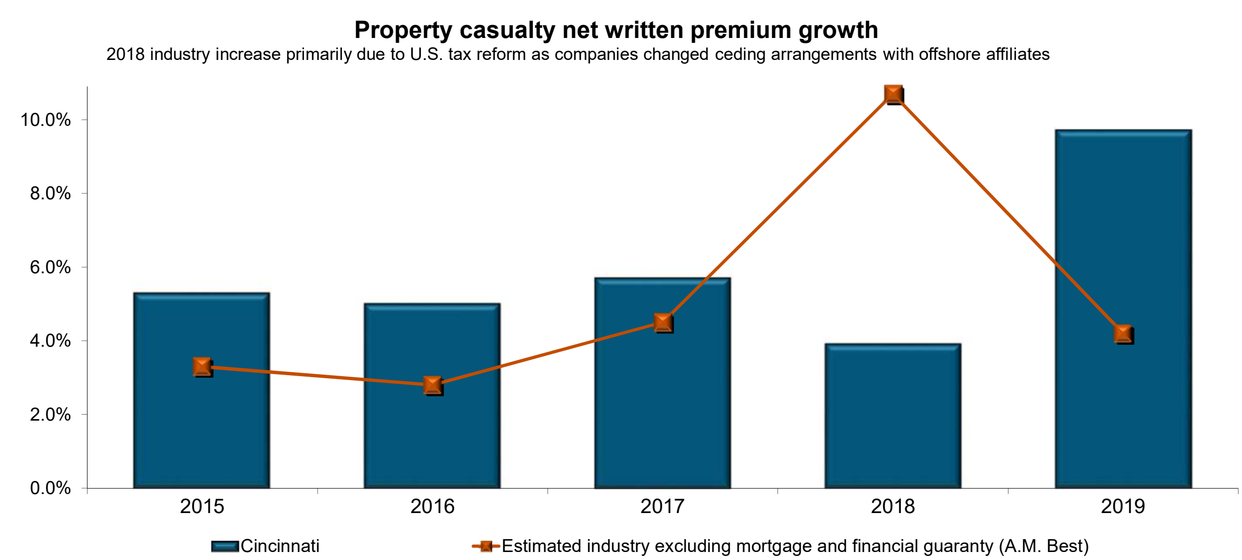
*FIVE-YEAR AVERAGE COMBINED RATIO 5.9 POINTS BETTER*




Cincinnati's historical catastrophe loss annual averages as of 12-31-19: 5-year = 6.4%, 10-year = 6.8%

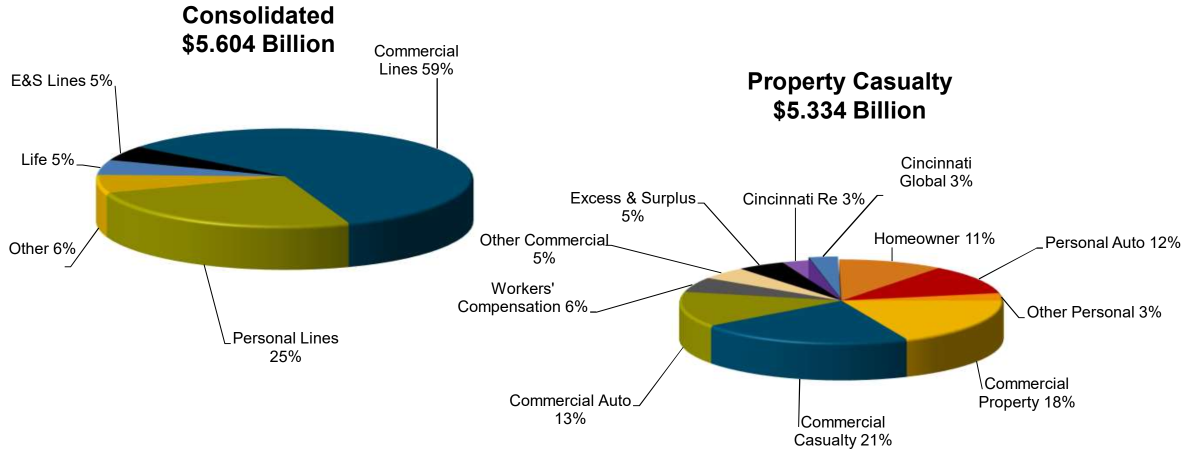
# PREMIUM GROWTH VS. INDUSTRY

*5.9% 5-YEAR CAGR EXCEEDED INDUSTRY'S 5.0%*



# MARKET FOR 75% OF AGENCY'S TYPICAL RISKS

*2019 NET EARNED PREMIUMS*



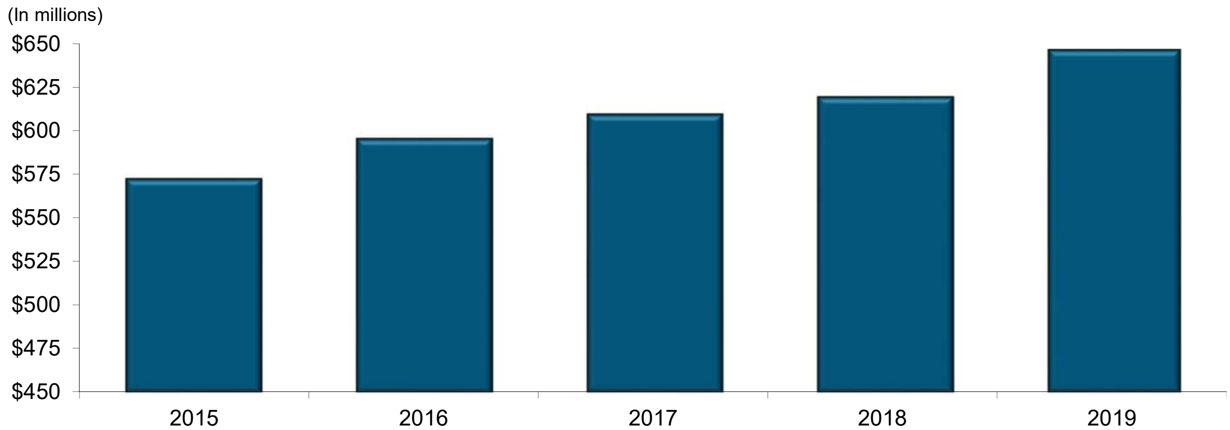

Approximately 20% of commercial premiums = policies with average annual premiums <$10,000 & 25% >$100,000; 83% HO accounts include auto

# ADDITIONAL AGENCY STATISTICS

- 30% of 2,458 year-end 2019 reporting locations include:
  - 13% private equity, 10% national brokers, 7% banks
  - Percentages have approximately doubled in five years
- 2019 premium contribution (standard lines market)
  - 14% private equity-owned agencies 8% bank owned
  - 9% national brokers 69% privately owned or regional/cluster agencies
- 4.0% for largest contributor, among the largest are:
  - Acrisure, A.J. Gallagher, Assured Partners, BB&T, BroadStreet Partners, HUB, Marsh & McLennan, PayneWest, Prime Risk Partners, USI
- 80 locations acquired during 2019, including:
  - 38 by a private equity firm, 21 by a regional or national broker, 1 by a bank, 17 by another Cincinnati agency, 3 by a non-Cincinnati agency

# INVESTMENT INCOME

*4% GROWTH IN 1H20: DIVIDENDS UP 10%, INTEREST UP 2% (PRETAX)*




| Pretax bond yield: | 4.70% | 4.60% | 4.42% | 4.25% | 4.10% |
|---|---|---|---|---|---|

(Bonds at amortized cost)

Pretax book yield for bonds acquired in 2019: 4.14%

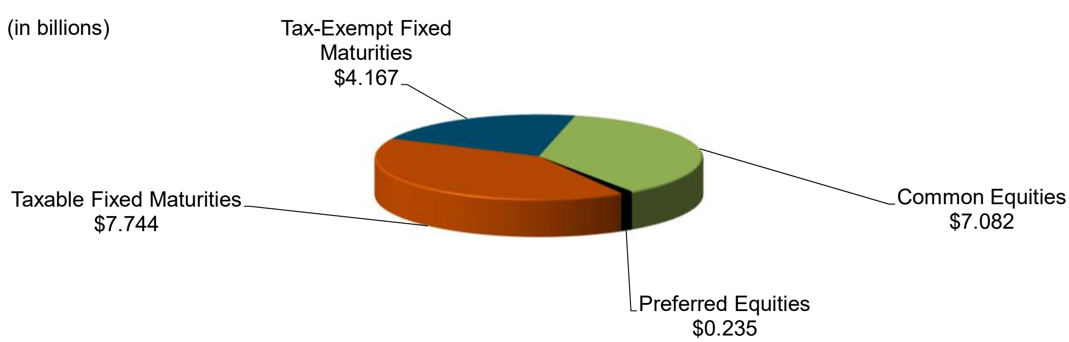
Pretax book yield as of 12-31-19 for bonds maturing in 2020=4.28%, 2021=4.28%, 2022=4.15%

Portion of bond portfolio maturing: 3.9% in 2020, 6.4% in 2021, 7.1% in 2022, 14.7% in 2023-24

# INVESTMENT PORTFOLIO

*INVEST FOR INCOME AND APPRECIATION*

**$19.2 billion fair value at June 30, 2020**




**Investment leverage: 210% at June 30, 2020**
**Bond portfolio fair value exceeds insurance reserves liability by 27%**

# DIVERSIFIED EQUITY PORTFOLIO*

*BALANCES INCOME STABILITY & CAPITAL APPRECIATION POTENTIAL*

**June 30, 2020**

| Sector | **CFC** | S&P 500 Weightings |
|---|---|---|
| Information technology | **28.1%** | 27.5% |
| Healthcare | **13.3** | 14.6 |
| Financial | **13.1** | 10.1 |
| Industrials | **11.5** | 8.0 |
| Consumer discretionary | **8.9** | 10.8 |
| Consumer staples | **6.4** | 7.0 |
| Materials | **5.0** | 2.5 |
| Energy | **4.6** | 2.8 |
| Telecomm services | **3.7** | 10.8 |
| Real estate | **2.8** | 2.8 |
| Utilities | **2.6** | 3.1 |

**Portfolio Highlights at 6-30-20**

- Apple is largest holding
  - 7.3% of publicly traded common stock portfolio
  - 2.7% of total investment portfolio
  - Next four largest holdings, totaling 17.0% of publicly traded common stock portfolio:
    Microsoft, BlackRock Accenture and JPMorgan Chase
- 10% increase in 1H20 dividend income
- Appreciated value from cost totaled $3.6 billion (pretax)
- Annual portfolio returns: (2019 & 2018)
  31.9% & (3.3)% [S&P 500: 31.5% & (4.4)%]

* Publicly traded common stock core portfolio, approximately 50 holdings (excludes energy MLP's, one private equity)

# BOND PORTFOLIO RISK PROFILE

*$11.911 BILLION AT JUNE 30, 2020*

- Credit risk – A2/A average rating
  - 83.0% are rated investment grade, 3.8% are noninvestment grade, 13.2% are unrated
- Interest rate risk
  - 4.7 years effective duration, 7.6 years weighted average maturity
  - Generally laddered maturity structure
    - 17% of year-end 2019 portfolio matures by the end of 2022, 32% by 2024, 66% by 2029
  - With 36.8% of the investment portfolio invested in common stocks at 6-30-20, we estimated shareholders' equity would decline 4.8% if interest rates were to rise by 100 basis points
- Bond portfolio is well-diversified
  - Largest issuer (corporate bond) = 0.7% of total bond portfolio
  - Municipal bond portfolio, well-diversified with approximately 1,600 issuers
    - $4.167 billion with an average rating of Aa2/AA by Moody's and S&P Global

# SOLID REINSURANCE CEDED PROGRAM

*BALANCES COSTS WITH SHAREHOLDERS' EQUITY PROTECTION*

**Major Treaties**
(Estimated 2020 ceded premiums)

**Property catastrophe**
($44 million)
- Treaty has one reinstatement provision
- $60 million of additional earthquake coverage is included
- Up to $50 million of additional coverage is provided by an aggregate excess of loss catastrophe treaty (Excludes Cincinnati Global)
  - Retain first $150 million of each loss; $11 million estimated ceded premiums
  - Cincinnati Re has separate, similar coverage up to $30 million

**Property per risk & $50 million property excess treaties**
($34 million)

**Casualty per occurrence**
($12 million)

**Casualty excess treaties**
($3 million for two treaties combined)

**Coverage & Retention Summary**
(As of January 1, 2020)

For a single event:
- Retain 100% of first $100 million in losses
- Retention varies between $100-$800 million
- Max exposure for $800M event = $249 million
  - PML – combined including Cincinnati Re & Cincinnati Global
    1-in-100 year event = 3.0%  1-in-250 year = 4.3%
    (% of shareholders' equity at 12-31-19)

For a single loss:
- Retain 100% of first $10 million in losses
- Retain 0% of losses $10-100 million
- Facultative reinsurance for >$100 million

For a single loss:
- Retain 100% of first $10 million in losses
- Retain 0% of losses $10-25 million
- Facultative reinsurance for >$25 million

Workers' comp, extra-contractual & clash coverage:
- $25 million excess of $25 million (first excess treaty)
- $20 million excess of $50 million (second treaty)

Primary reinsurers are Swiss Re, Munich Re, Hannover Re, Partner Re and Lloyd's of London

# FINANCIAL STRENGTH RATINGS COMPARISON

| | A.M. Best | Fitch | Moody's | S&P |
|---|---|---|---|---|
| **Cincinnati** | **A+** | **A+** | **A1** | **A+** |
| Auto Owners | A++ | - | - | - |
| Travelers | A++ | AA | Aa2 | AA |
| Acuity | A+ | - | - | A+ |
| Allied | A+ | - | A1 | A+ |
| Fireman's Fund | A+ | - | - | AA |
| Harleysville | A+ | - | A1 | A+ |
| Hartford | A+ | - | A1 | A+ |
| Central Mutual | A | - | - | - |
| CNA | A | A+ | A2 | A+ |
| EMC | A | - | - | - |
| Frankenmuth | A | - | - | - |
| General Casualty | A | A+ | - | A+ |
| Hanover | A | A | A2 | A |
| Liberty Mutual | A | A- | A2 | A |
| Safeco | A | A- | A2 | A |
| Selective | A | A+ | A2 | A |
| United Fire Group | A | - | - | - |
| West Bend | A | - | - | - |
| Westfield | A | - | - | - |
| Zurich | A | - | A2 | A |
| State Auto | A- | - | - | - |

Source: S&P Global Market Intelligence as of July 10, 2020. Ratings are under continuous review and subject to change and/or affirmation.

# VALUATION COMPARISON TO PEERS