

Cincinnati has no cute mascot, no clever slogan, no celebrity pitchmen to get our name in front of consumers.

Instead, our actions speak for us, creating satisfied agents and policyholders who spread the word about our responsive claims service.

Our organizational structure and methods grow out of our approach to claims, which centers on the independent agency system. We sell policies exclusively through the 1,066 agencies that are our customers. We believe our company can prosper over the long term only when each of these appointed agencies succeeds.

Outstanding claims service to their clients builds our agents' good reputations and increases our chances to write their best accounts. Superior service sells insurance.

Accordingly, we dedicate almost a fourth of our 4,048 associates to claims functions at our Cincinnati headquarters and across 32 states. That includes a field force of approximately 732 field claims representatives and managers. Their job is delivering on the promises our

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Field Authority Drives the Claims Response Process

Cincinnati's person-to-person approach shapes every stage of our claims response, heightening accountability and creating satisfied agency clients.

Notification. Policyholders report claims to the same local agency that sold their policy. The agency has authority to quickly pay most covered claims up to \$2,500. The agency sends a notice of loss electronically to our automated system, which forwards it to the agency's assigned field claims representative who verifies appropriate coverage is in force.

Contact. Within 24 hours of receiving the notice, a local field claims representative typically makes contact with the policyholder or claimant and inspects the damage. The field claims representative often recommends or takes steps to increase safety or reduce the policyholder's risk of further damage or disruption.

Fact-finding. The field claims representative works with the policyholder or claimant to document the facts of the case, including coverage liability, damage and valuation. Policyholders select their own repair shops and vendors, and the field claims representative verifies that estimates are reasonable. The field claims representative has authority to settle the claim on the spot and is fully equipped to issue a settlement check during the first visit with a policyholder or claimant.





Wrap-up. The field claims representative sends estimates, photos, statements and other documentation electronically to our system, where it is immediately available for review by managers who assist with losses over \$35,000. This claims data flows to financial and reporting systems. The field claims representative may submit a risk review to the underwriting department, request loss control services or refer new business prospects to the agency. Headquarters managers may send satisfaction surveys.

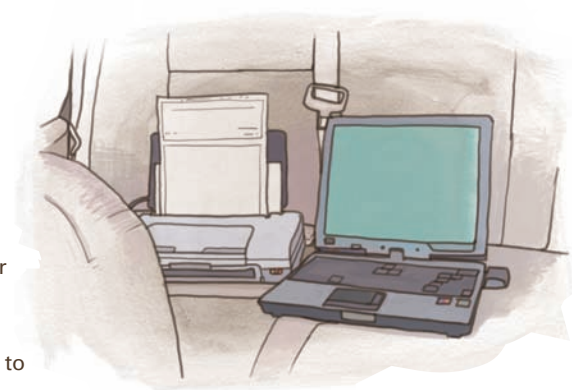
“The claims setting is our best opportunity to show policyholders that their local agents and Cincinnati act with their best interests in mind.”

—Jim Benoski, vice chairman, president, chief operating officer and chief insurance officer

Help Always at Hand

In 2006, Cincinnati’s field claims representatives cut the last cord to their offices with new tablet personal computers. Outfitted with wireless cards, the tablets allow representatives to carry their offices with them.

This mobility allows associates to handle multiple claims, complete documentation, print checks and even add to the electronic file that other authorized reviewers can access. Our agile and responsive claims operation is at the core of policyholder satisfaction. See the Consumer Information Source at www.naic.org for Cincinnati’s low complaint ratios.



Loss Control

While we’re in the business of helping people recover financially after a loss, we find it’s better to prevent losses from ever happening. Loss control introduces safety measures for businesses that protect lives and reduce disruption to families and workplaces.

Our agents appreciate local loss control representatives at their service for sales presentations, renewal meetings and sound advice. Agents and policyholders alike can turn to loss control for help in reducing workers’ compensation losses, fire losses and other losses stemming from safety issues.

Loss control helps keep claims low, which can reduce costs for our company, the agency and the policyholder.

agents made, generating the best advertising money can buy.

We approach claims differently than the typical insurance company. First, Cincinnati field claims representatives are assigned to specific agencies, not to types of claims. When agents sell our policies, they likely already know who will respond to future claims. Their Cincinnati field claims representatives don't work from regional offices; they work from their homes right in the community. They respond to emergencies day or night and have the local knowledge to quickly assess and resolve claims.

Second, most of our field claims representatives are true multi-line professionals, authorized to address most claims whether on property or casualty, personal lines or commercial lines policies. This difference leverages their local knowledge. It means agents and policyholders can expect the consistency and comfort of a known relationship. The same high standards apply to claims involving a fender bender in the family car, an injury at the office or a fire at a

Superior Service Sells Insurance

We hear it over and over from agents, policyholders and claimants: Prompt and personal field claims service exceeded expectations, not only settling a claim, but winning a customer, selling an insurance policy or securing a renewal.

You don't know what your insurance premium dollar is worth until you file a claim. It's worth everything when you can repair your hail-damaged roof and get your family back in your home, when you can quickly regain the use of your company's delivery van after an accident, or when a valued customer injured on your property receives prompt payment of medical bills.

Service sets us apart, attracting our agents' value-oriented clients. It is the reason commercial policyholders ask agents to place their personal policies with us and generations of families and businesses



“Whenever our service exceeds expectations, we’re going to sell a policy – to a neighbor, friend, the insured by way of renewal, or through the agency by way of satisfaction and reputation.”

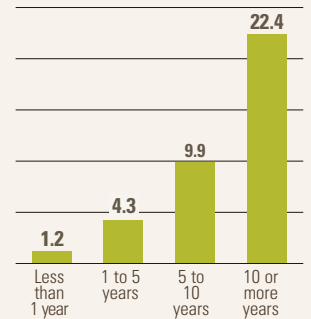
—Bud Stoneburner, CPCU, vice president and manager of field claims

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Growing relationships

We select and reward professional independent agents who share our long-term focus – agents who do business person to person; offer broad, value-added services; maintain sound balance sheets; and manage their agencies professionally. As agents learn about Cincinnati, they develop an appreciation for our approach and reward us with a steadily increasing share of their business. We rank No. 1 or No. 2, based on premium volume, in 75 percent of the reporting agency locations that we have served for more than five years. There is tremendous potential in the 239 reporting agency locations that have marketed our products for less than five years, even as we continue to grow with the 1,050 more established reporting locations.

Cincinnati Market Share Within Reporting Agency Location
Based on 2005 Direct Written Premiums (Percent)



stay with us. Satisfied policyholders are the reason our policy retention rate is high in both personal lines and commercial lines.

Our field claims representatives watch for ways to assist the Cincinnati underwriting and sales teams by helping to review renewal business or submitting risk reports. They go along when agents present coverage proposals, giving potential policyholders a chance to shake hands with the person who might someday look them in the eye and say, "I'm here to help you. Let's get started."



Storm Teams

The field claims representatives who respond to weather catastrophes are volunteers on temporary assignment from their home territories. Our own experienced associates know our policy coverages and service standards, seamlessly providing prompt, accurate claims service.

Storm teams mobilize on short notice whenever large numbers of losses occur in a concentrated



area – sometimes deploying to a staging area even before the bad weather hits.

In addition to the help our storm team quickly provides "on the ground," headquarters and other field claims associates may assist in prioritizing claims through our electronic system, initiating contact, advising

emergency measures and allowing smooth transitions as storm teams rotate after two weeks.

manufacturing plant. Even when complex or unusual claims require specialists for support, the agency's assigned field claims representative remains the contact person.

Third, Cincinnati field claims representatives are trained to look for coverage, paying what is due under the policy. Our business is paying covered claims. This approach supports the long-term relationships with agents and policyholders that lead to sustainable growth and profitability.

Our field claims representatives take action both to pay covered claims and to reduce risk for the policyholder and our company. Based on first-hand observations made during the claim process, they may bring in our loss control services to consult on safety measures or write a risk report, providing information that supports proper underwriting and pricing at the next renewal. They may refer claimants or policyholders who need an evaluation of their insurance needs to an agent. This experience makes them the best candidates when we

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People Come First

We make all of our technology investments with people in mind. Our business is helping people recover financially after insured losses, working to preserve their dignity in the process.

In the field, tools such as tablet PCs, digital cameras and mobile printers allow field claims representatives to quickly document and process the claim. They can write estimates and print checks on the spot using software that streamlines property claim estimates. What better way to exceed policyholder expectations than to inspect the loss and present the check in the same meeting?

At headquarters, claims supervisors have immediate access to information through the claims management system, allowing them to manage large loss files and litigation, as well as review reserves set aside to pay each claim. The system enables efficient file management, accurate financial reporting and check authentication to prevent fraud, keeping costs down both for the company and for policyholders.

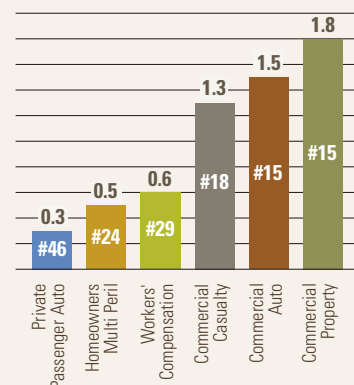


Product growth

Cincinnati is a regional carrier, serving local markets and working with our agents account by account. This approach has made us the 23rd largest insurance carrier based on net premiums written. In selected product lines, it has made us an even more significant player. We rank nationally as one of the top 20 carriers for commercial property, commercial auto and commercial casualty insurance. We achieve those ranks even though our market share in those product lines is less than 3 percent, showing the potential that remains as we continue to meet agents' needs.

Cincinnati's Highest Volume Lines

National Market Share and Rank Based on 2005 Direct Written Premiums (Percent)





“We compete by excelling at agency relationships, claims service and total return investing.”

—Jack Schiff, Jr., CPCU, chairman and chief executive officer

Managing Risk

Field claims representatives do more than work with policyholders to resolve claims. They directly observe and often prepare risks reports on the quality of the risks we insure. Their assessments help determine appropriate support or actions by other business areas that manage our policyholder and agency relationships. Information they provide also contributes to our understanding of the diversity of our book of business and concentrations of risk within that book.

Whether evaluating our exposure to risk from a single policy or from overall business operations, our approach recognizes the correlation and interdependence of risks across our entire company. At the department level, various associates have primary responsibility for addressing specific risk types and communicating risks that may affect other departments; at the enterprise level, a senior officer, leads a cross-departmental team that is building a formal framework to identify, aggregate, measure and manage risks across our organization.

Special Investigations Unit

Cincinnati has its own staff of more than two dozen specialists who investigate potential fraud. These claims professionals and former police officers cooperate with law enforcement agencies who investigate and prosecute criminal activity such as arson, theft or false injury claims.



Through its computer forensic lab, SIU uses sophisticated software and data recovery techniques to help restore a policyholder’s valuable business records and save time lost to business interruption. Their proprietary techniques often reclaim irreplaceable information, even from equipment that seems hopelessly charred, such as the computer shown at left.

need to recruit for headquarters claims management positions.

The capstone of our claims philosophy is our commitment to maintain the financial strength that backs our policies. Our ability to meet policyholder obligations is evidenced by strong ratings, including an A++ from A.M. Best Co., its highest rating awarded to less than 2 percent of insurers.

The fiscal integrity of our claims operations contributes to the company's overall financial strength as well. In paying covered claims quickly and efficiently, we help claimants recover while minimizing administrative expenses. In working to identify and deter fraud, we keep such costs from inflating policyholders' premiums. In recovering costs through subrogation and salvage activities, we further protect the interests of policyholders and the company. We seek to set reserves that are sufficient and fair, proven over time to represent our future obligations to policyholders for their past losses.

Reserves Help Us Honor Obligations

After evaluating a reported claim, a field claims representative quickly estimates the potential loss amount – establishing a case reserve. Routed through our automated claims system, headquarters claims representatives at various levels review and approve initial case reserve amounts greater than \$35,000 and revisit case reserves at 90-day intervals.

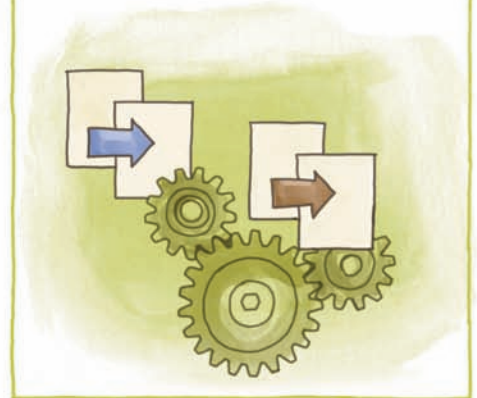
Some losses are not known to the policyholder nor reported as claims to the company for months, or even years, after they occur. For example, you may not be aware that your roof was damaged in a storm until the following spring. We take seriously our obligation to pay those claims in our usual prompt and personal fashion, whenever they are reported to us.

Our actuarial staff estimates quarterly the total cost of claims that statistically could have occurred, with particularly detailed reviews occurring at the ends of the third and fourth quarters. These analyses form the bases for the monthly reserves we carry. Taken as an expense, the actuarial estimate encompasses both case reserves for already reported claims and reserves for paying not yet reported claims. Shareholders benefit as we set aside loss reserves in an amount adequate to maximize future predictability, regardless of the timing of claims payments.

Our reserving practices have distinguished our company. In each of the past 15 years, our actuaries' detailed review has shown our prudence in establishing estimates of amounts needed for future claims due to past losses. Our sound practices have led to savings from favorable development on prior period reserves in each of those years.

Information Flow

- Workflow
- Reports to agencies
- Diaries
- Financial data
- External reporting



Field Claims Representative



File Management Support

- Paperless files
- Anywhere communication
- Digital file documentation
- Catastrophe response
- Privacy and security safeguards



Human Expertise

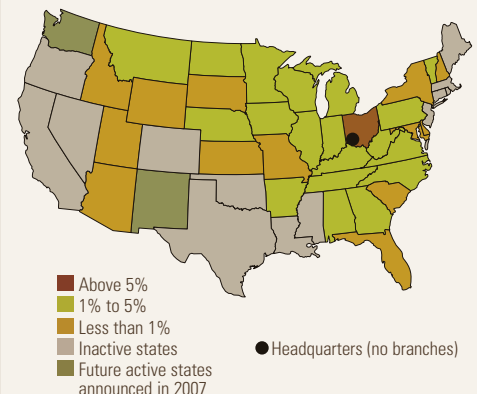
- Senior management support
- Coverage experts
- Local field team
- Help Desk support
- Service consultants



Room to grow

Meeting the needs of our independent insurance agencies allows us to grow more rapidly than the overall industry. Substantial potential remains in our 32 active states. In 26 states, our market share is less than 1 percent. To tap this potential, we have accelerated efforts to appoint new agencies. In 2005 and 2006, we added 112 agency relationships. We anticipate 50 new agency appointments in 2007, and potentially our first appointments in New Mexico and eastern Washington. We plan to enter those states as we usually do – focusing on commercial lines and later evaluating personal lines options.

Cincinnati Market Share by State
Based on 2005 Direct Written Premiums (Percent)



Education, Experience, Ethics

Our field claims representative training is tailored to the needs and strengths of each student. Rigorous classroom work combines with personal mentorship to lay a foundation of knowledge, commitment and integrity.

The process takes at least three years for trainees who have no prior claims experience. They study general insurance subjects, investigative techniques, interpersonal skills and company culture. Online courses supplement group sessions, and trainees have a mentor for six months

or more. After getting some field experience, the trainees return to headquarters for advanced classes.

Experienced field claims representatives new to Cincinnati might start in a territory with a mentor, then take the intermediate classroom training series. Through it all, we work to build the professional skills of the individual, conducting training the way we conduct our business, without cookie cutters. Rather, we invest in the person, and it pays off.