

Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures

Cincinnati Financial Corporation prepares its public financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual and therefore is not reconciled to GAAP data.

Management uses certain non-GAAP and non-statutory financial measures to evaluate its primary business areas – property casualty insurance, life insurance and investments. Management uses these measures when analyzing both GAAP and non-GAAP measures may improve its understanding of trends in the underlying business and help avoid incorrect or misleading assumptions and conclusions about the success or failure of company strategies. Management adjustments to GAAP measures generally: apply to non-recurring events that are unrelated to business performance and distort short-term results; involve values that fluctuate based on events outside of management's control; or relate to accounting refinements that affect comparability between periods, creating a need to analyze data on the same basis.

- **Operating income:** Operating income is calculated by excluding net realized investment gains and losses (defined as realized investment gains and losses after applicable federal and state income taxes) from net income. Management evaluates operating income to measure the success of pricing, rate and underwriting strategies. While realized investment gains (or losses) are integral to the company's insurance operations over the long term, the determination to realize investment gains or losses in any period may be subject to management's discretion and is independent of the insurance underwriting process. Also, under applicable GAAP accounting requirements, gains and losses can be recognized from certain changes in market values of securities without actual realization. Management believes that the level of realized investment gains or losses for any particular period, while it may be material, may not fully indicate the performance of ongoing underlying business operations in that period. For these reasons, many investors and shareholders consider operating income to be one of the more meaningful measures for evaluating insurance company performance. Equity analysts who report on the insurance industry and the company generally focus on this metric in their analyses. The company presents operating income so that all investors have what management believes to be a useful supplement to GAAP information.
- **Statutory accounting rules:** For public reporting, insurance companies prepare financial statements in accordance with GAAP. However, insurers also must calculate certain data according to statutory accounting rules as defined in the NAIC's Accounting Practices and Procedures Manual, which may be, and has been, modified by various state insurance departments. Statutory data is publicly available, and various organizations use it to calculate aggregate industry data, study industry trends and compare insurance companies.
- **Written premium:** Under statutory accounting rules, property casualty written premium is the amount recorded for policies issued and recognized on an annualized basis at the effective date of the policy. Management analyzes trends in written premium to assess business efforts. Earned premium, used in both statutory and GAAP accounting, is calculated ratably over the policy term. The difference between written and earned premium is unearned premium.
- **Written premium adjustment – statutory basis only:** In 2002, the company refined its estimation process for matching property casualty written premiums to policy effective dates, which added \$117 million to 2002 written premiums. To better assess ongoing business trends, management may exclude this adjustment when analyzing trends in written premiums and statutory ratios that make use of written premiums.

Cincinnati Financial Corporation
Quarterly Net Income Reconciliation

(Dollars in millions except per share data)	Three months ended								Six months ended		Nine months ended		Twelve months ended	
	12/31/08	9/30/08	6/30/08	3/31/08	12/31/07	9/30/07	6/30/07	3/31/07	6/30/08	6/30/07	9/30/08	9/30/07	12/31/08	12/31/07
Net income (loss)	\$ 161	\$ 247	\$ 63	\$ (42)	\$ 187	\$ 124	\$ 351	\$ 194	\$ 21	\$ 545	\$ 268	\$ 669	\$ 429	\$ 855
Net realized investment gains and losses	69	173	(6)	(151)	8	10	187	41	(157)	228	16	238	85	245
Operating income	92	74	69	109	179	114	164	153	178	317	252	431	344	610
Less catastrophe losses	10	(41)	(74)	(28)	1	(9)	(7)	(2)	(101)	(9)	(142)	(18)	(132)	(17)
Operating income before catastrophe losses	\$ 82	\$ 115	\$ 143	\$ 137	\$ 178	\$ 123	\$ 171	\$ 155	\$ 279	\$ 326	\$ 394	\$ 449	\$ 476	\$ 627
Diluted per share data														
Net income (loss)	\$ 0.99	\$ 1.50	\$ 0.38	\$ (0.26)	\$ 1.11	\$ 0.72	\$ 2.02	\$ 1.11	\$ 0.13	\$ 3.13	\$ 1.64	\$ 3.86	\$ 2.62	\$ 4.97
Net realized investment gains and losses	0.42	1.05	(0.04)	(0.92)	0.04	0.06	1.08	0.23	(0.95)	1.31	0.10	1.37	0.52	1.43
Operating income	0.57	0.45	0.42	0.66	1.07	0.66	0.94	0.88	1.08	1.82	1.54	2.49	2.10	3.54
Less catastrophe losses	0.06	(0.25)	(0.45)	(0.17)	0.01	(0.05)	(0.04)	(0.01)	(0.62)	(0.05)	(0.87)	(0.10)	(0.81)	(0.10)
Operating income before catastrophe losses	\$ 0.51	\$ 0.70	\$ 0.87	\$ 0.83	\$ 1.06	\$ 0.71	\$ 0.98	\$ 0.89	\$ 1.70	\$ 1.87	\$ 2.41	\$ 2.59	\$ 2.91	\$ 3.64

Dollar amounts shown are rounded to millions; certain amounts may not add due to rounding. Ratios are calculated based on whole dollar amounts. The sum of quarterly amounts may not equal the full year as each is computed independently.

Consolidated Cincinnati Insurance Companies
Quarterly Property Casualty Data - All Lines

(Dollars in millions)	Three months ended								Six months ended		Nine months ended		Twelve months ended	
	12/31/08	9/30/08	6/30/08	3/31/08	12/31/07	9/30/07	6/30/07	3/31/07	6/30/08	6/30/07	9/30/08	9/30/07	12/31/08	12/31/07
Premiums														
Agency renewal written premiums	\$ 669	\$ 687	\$ 739	\$ 733	\$ 705	\$ 732	\$ 761	\$ 762	\$ 1,471	\$ 1,523	\$ 2,159	\$ 2,255	\$ 2,828	\$ 2,960
Agency new business written premiums	100	92	100	76	81	82	81	81	176	162	267	244	368	325
Ceded written premiums	(41)	(49)	(37)	(38)	(41)	(41)	(39)	(38)	(75)	(77)	(124)	(118)	(165)	(159)
Other written premiums	2	4	1	2	4	6	5	6	3	11	7	17	9	22
Written premium adjustment – statutory	(13)	(8)	(12)	3	(25)	(43)	2	35	(9)	37	(17)	(6)	(30)	(31)
Reported written premiums – statutory*	\$ 717	\$ 727	\$ 790	\$ 776	\$ 724	\$ 736	\$ 810	\$ 846	\$ 1,566	\$ 1,656	\$ 2,292	\$ 2,392	\$ 3,010	\$ 3,117
Unearned premium change	30	24	(29)	(25)	53	41	(23)	(61)	(54)	(85)	(29)	(44)	-	8
Earned premiums	\$ 747	\$ 751	\$ 761	\$ 751	\$ 777	\$ 777	\$ 787	\$ 785	\$ 1,512	\$ 1,571	\$ 2,263	\$ 2,348	\$ 3,010	\$ 3,125
Year over year change %														
Agency renewal written premiums	(5.1) %	(6.1) %	(3.0) %	(3.7) %	(3.5) %	1.6 %	3.3 %	1.9 %	(3.4) %	2.6 %	(4.3) %	2.3 %	(4.5) %	0.8 %
Agency new business written premiums	23.6	12.1	22.8	(6.3)	(8.3)	(15.9)	(13.3)	4.8	8.3	(5.2)	9.6	(9.1)	13.1	(8.9)
Ceded written premiums	0.3	20.3	(4.6)	(1.1)	7.3	12.6	29.3	17.5	(2.9)	23.2	5.1	19.4	3.8	16.0
Other written premiums	(50.6)	(39.1)	(74.6)	(71.8)	(9.5)	31.6	61.3	60.6	(73.1)	60.9	(61.6)	49.6	(59.3)	32.0
Written premium adjustment – statutory	(48.0)	(81.6)	(900.0)	(91.5)	(18.0)	521.4	(85.7)	7.3	(124.3)	(15.1)	161.5	(117.8)	(4.8)	(616.4)
Reported written premiums – statutory*	(1.0)	(1.3)	(2.5)	(8.3)	(4.1)	(5.6)	(0.5)	2.1	(5.4)	0.8	(4.2)	(1.3)	(3.4)	(1.9)
Statutory combined ratio														
Statutory combined ratio	100.2 %	102.8 %	101.5 %	97.2 %	87.9 %	98.7 %	87.7 %	87.7 %	99.4 %	87.7 %	100.5 %	91.3 %	100.4 %	90.3 %
Contribution from catastrophe losses	(2.1)	8.4	14.9	5.7	(0.2)	1.7	1.4	0.4	10.3	0.9	9.7	1.2	6.8	0.8
losses	102.3 %	94.4 %	86.6 %	91.5 %	88.1 %	97.0 %	86.3 %	87.3 %	89.1 %	86.8 %	90.8 %	90.1 %	93.6 %	89.5 %
Commission expense ratio	20.8 %	17.7 %	17.4 %	17.7 %	23.1 %	18.1 %	18.1 %	18.0 %	17.5 %	18.0 %	17.6 %	18.0 %	18.4 %	19.2 %
Other expense ratio	15.9	15.4	10.7	12.9	13.9	13.2	11.7	11.4	11.8	11.6	12.8	12.1	13.7	12.4
Statutory expense ratio	36.7 %	33.1 %	28.1 %	30.6 %	37.0 %	31.3 %	29.8 %	29.4 %	29.3 %	29.6 %	30.4 %	30.1 %	32.1 %	31.6 %
GAAP combined ratio														
GAAP combined ratio	98.9 %	101.2 %	103.5 %	98.6 %	85.6 %	97.3 %	88.6 %	89.6 %	101.1 %	89.1 %	101.1 %	91.8 %	100.6 %	90.3 %
Contribution from catastrophe losses	(2.1)	8.4	14.9	5.7	(0.2)	1.7	1.4	0.4	10.3	0.9	9.7	1.2	6.8	0.8
GAAP combined ratio excluding catastrophe losses	101.0 %	92.8 %	88.6 %	92.9 %	85.8 %	95.6 %	87.2 %	89.2 %	90.8 %	88.2 %	91.4 %	90.6 %	93.8 %	89.5 %

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*nm - Not meaningful

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**Consolidated Cincinnati Insurance Companies
Quarterly Property Casualty Data - Commercial Lines**

(Dollars in millions)	Three months ended								Six months ended		Nine months ended		Twelve months ended	
	12/31/08	9/30/08	6/30/08	3/31/08	12/31/07	9/30/07	6/30/07	3/31/07	6/30/08	6/30/07	9/30/08	9/30/07	12/31/08	12/31/07
Premiums														
Agency renewal written premiums	\$ 514	\$ 502	\$ 552	\$ 588	\$ 546	\$ 544	\$ 569	\$ 612	\$ 1,140	\$ 1,181	\$ 1,642	\$ 1,725	\$ 2,156	\$ 2,271
Agency new business written premiums	83	77	87	66	71	72	71	72	153	143	229	216	312	287
Ceded written premiums	(23)	(46)	(31)	(32)	(34)	(32)	(32)	(31)	(63)	(62)	(109)	(94)	(131)	(128)
Other written premiums	(9)	13	1	-	3	4	3	4	1	7	14	11	4	14
Written premium adjustment – statutory	(13)	(8)	(12)	3	(24)	(44)	2	36	(9)	37	(17)	(7)	(30)	(31)
Reported written premiums – statutory*	\$ 552	\$ 538	\$ 597	\$ 625	\$ 562	\$ 544	\$ 613	\$ 693	\$ 1,222	\$ 1,306	\$ 1,759	\$ 1,851	\$ 2,311	\$ 2,413
Unearned premium change	21	44	(11)	(51)	39	56	(7)	(89)	(61)	(96)	(16)	(41)	5	(2)
Earned premiums	\$ 573	\$ 582	\$ 586	\$ 574	\$ 601	\$ 600	\$ 606	\$ 604	\$ 1,161	\$ 1,210	\$ 1,743	\$ 1,810	\$ 2,316	\$ 2,411
Year over year change %														
Agency renewal written premiums	(5.9) %	(7.7) %	(2.9) %	(4.0) %	(3.4) %	3.5 %	7.4 %	3.9 %	(3.5) %	5.6 %	(4.8) %	4.9 %	(5.1) %	2.8 %
Agency new business written premiums	16.4	6.0	21.2	(8.3)	(10.5)	(18.3)	(16.9)	2.7	6.4	(8.1)	6.3	(11.8)	8.8	(11.5)
Ceded written premiums	(33.0)	43.6	(1.6)	2.8	11.6	9.5	24.1	10.9	0.6	17.3	15.1	14.5	2.4	13.7
Other written premiums	(391.7)	250.5	(73.4)	(99.4)	(27.0)	(3.6)	12.3	37.2	(89.2)	26.2	25.0	14.3	(66.5)	1.7
Written premium adjustment – statutory	(45.8)	(81.6)	(900.0)	(91.5)	(18.1)	530.2	(84.7)	5.8	(124.3)	(14.7)	161.7	(117.8)	(1.6)	(526.2)
Reported written premiums – statutory*	(1.9)	(1.2)	(2.7)	(9.8)	(4.6)	(6.4)	1.7	3.8	(6.5)	2.8	(4.9)	(0.1)	(4.2)	(1.2)
Statutory combined ratio														
Statutory combined ratio	99.0 %	97.3 %	97.5 %	93.3 %	89.7 %	97.2 %	84.4 %	86.5 %	95.5 %	85.4 %	95.9 %	89.2 %	96.6 %	89.2 %
Contribution from catastrophe losses	(1.5)	4.0	11.3	3.9	-	0.1	0.8	1.8	7.7	1.3	6.4	0.9	4.5	0.7
losses	100.5 %	93.3 %	86.2 %	89.4 %	89.7 %	97.1 %	83.6 %	84.7 %	87.8 %	84.1 %	89.5 %	88.3 %	92.1 %	88.5 %
Commission expense ratio	20.8 %	18.1 %	16.9 %	16.5 %	23.1 %	18.2 %	17.7 %	16.7 %	16.7 %	17.2 %	17.1 %	17.5 %	18.0 %	18.8 %
Other expense ratio	15.7	15.4	10.9	13.2	15.1	13.1	11.4	11.2	12.1	11.3	13.1	11.8	13.7	12.6
Statutory expense ratio	36.5 %	33.5 %	27.8 %	29.7 %	38.2 %	31.3 %	29.1 %	27.9 %	28.8 %	28.5 %	30.2 %	29.3 %	31.7 %	31.4 %
GAAP combined ratio														
GAAP combined ratio	98.1 %	94.9 %	99.9 %	95.0 %	87.3 %	95.4 %	85.2 %	88.9 %	97.4 %	87.0 %	96.6 %	89.8 %	97.0 %	89.2 %
Contribution from catastrophe losses	(1.5)	4.0	11.3	3.9	-	0.1	0.8	1.8	7.7	1.3	6.4	0.9	4.5	0.7
GAAP combined ratio excluding catastrophe losses	99.6 %	90.9 %	88.6 %	91.1 %	87.3 %	95.3 %	84.4 %	87.1 %	89.7 %	85.7 %	90.2 %	88.9 %	92.5 %	88.5 %

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*nm - Not meaningful

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**Consolidated Cincinnati Insurance Companies
Quarterly Property Casualty Data - Personal Lines**

(Dollars in millions)	12/31/08	9/30/08	6/30/08	Three months ended			Six months ended			Nine months ended		Twelve months ended		
				3/31/08	12/31/07	9/30/07	6/30/07	3/31/07	6/30/08	6/30/07	9/30/08	9/30/07	12/31/08	12/31/07
Premiums														
Agency renewal written premiums	\$ 156	\$ 185	\$ 186	\$ 146	\$ 159	\$ 188	\$ 192	\$ 150	\$ 332	\$ 343	\$ 517	\$ 531	\$ 672	\$ 690
Agency new business written premiums	11	11	10	8	10	10	10	9	19	18	30	28	42	38
Ceded written premiums	(8)	(13)	(6)	(6)	(7)	(8)	(7)	(8)	(12)	(15)	(26)	(23)	(33)	(30)
Other written premiums	-	1	1	2	1	2	2	2	2	4	4	6	4	7
Written premium adjustment – statutory	-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)
Reported written premiums – statutory*	\$ 158	\$ 184	\$ 191	\$ 150	\$ 162	\$ 192	\$ 197	\$ 153	\$ 341	\$ 350	\$ 525	\$ 542	\$ 685	\$ 704
Unearned premium change	13	(17)	(17)	27	14	(15)	(17)	28	10	11	(7)	(4)	4	10
Earned premiums	\$ 171	\$ 167	\$ 174	\$ 177	\$ 176	\$ 177	\$ 180	\$ 181	\$ 351	\$ 361	\$ 518	\$ 538	\$ 689	\$ 714
Year over year change %														
Agency renewal written premiums	(2.3) %	(1.6) %	(3.3) %	(2.8) %	(3.9) %	(3.4) %	(7.1) %	(5.6) %	(3.1) %	(6.5) %	(2.5) %	(5.4) %	(2.5) %	(5.1) %
Agency new business written premiums	17.9	11.8	7.7	(0.5)	12.1	7.0	26.5	25.4	3.9	26.0	6.7	18.6	9.5	16.9
Ceded written premiums	7.0	61.4	(17.3)	(17.2)	(9.1)	26.5	56.4	56.4	(17.3)	56.4	11.0	44.1	10.1	26.6
Other written premiums	(64.9)	(37.3)	(76.2)	(0.4)	117.4	276.1	265.9	187.1	(43.3)	227.0	(41.3)	242.4	(45.4)	211.2
Written premium adjustment – statutory	(100.0)	(100.0)	-	(100.0)	(17.0)	(92.9)	(100.0)	(100.9)	(100.0)	(98.4)	(100.0)	(102.0)	(100.0)	(5.1)
Reported written premiums – statutory*	(1.4)	(4.0)	(3.0)	(2.0)	(2.3)	(3.1)	(6.8)	(5.1)	(2.6)	(6.1)	(3.1)	(5.1)	(2.7)	(4.4)
Statutory combined ratio														
Statutory combined ratio	102.1 %	120.6 %	114.3 %	110.8 %	81.4 %	103.6 %	98.6 %	93.5 %	112.2 %	95.8 %	114.9 %	98.3 %	111.6 %	94.1 %
Contribution from catastrophe losses	(4.1)	23.8	27.0	11.6	(1.0)	7.0	3.5	(4.1)	19.3	(0.3)	20.7	2.1	14.5	1.3
losses	106.2 %	96.8 %	87.3 %	99.2 %	82.4 %	96.6 %	95.1 %	97.6 %	92.9 %	96.1 %	94.2 %	96.2 %	97.1 %	92.8 %
Commission expense ratio	21.2 %	16.4 %	18.6 %	22.3 %	22.8 %	17.6 %	19.3 %	23.8 %	20.2 %	21.2 %	18.9 %	20.6 %	19.5 %	19.9 %
Other expense ratio	15.0	14.0	10.3	11.8	10.0	13.5	12.6	12.4	11.0	12.6	12.0	12.2	12.7	12.9
Statutory expense ratio	36.2 %	30.4 %	28.9 %	34.1 %	32.8 %	31.1 %	31.9 %	36.2 %	31.2 %	33.8 %	30.9 %	32.8 %	32.2 %	32.8 %
GAAP combined ratio														
GAAP combined ratio	100.0 %	122.5 %	115.3 %	110.1 %	79.7 %	103.8 %	99.9 %	92.0 %	112.7 %	96.0 %	115.9 %	98.6 %	111.9 %	93.9 %
Contribution from catastrophe losses	(4.1)	23.8	27.0	11.6	(1.0)	7.0	3.5	(4.1)	19.3	(0.3)	20.7	2.1	14.5	1.3
GAAP combined ratio excluding catastrophe losses	104.1 %	98.7 %	88.3 %	98.5 %	80.7 %	96.8 %	96.4 %	96.1 %	93.4 %	96.3 %	95.2 %	96.5 %	97.4 %	92.6 %

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