

## **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	
	12/31/09	9/30/09	6/30/09	3/31/09	12/31/08	9/30/08	6/30/08	3/31/08	6/30/09	6/30/08	9/30/09	9/30/08	12/31/09	12/31/08
Net income (loss)			\$ (19)	\$ 35	\$ 161	\$ 247	\$ 63	\$ (42)	\$ 17	\$ 21	\$ 268		\$ 429	
Net realized investment gains and losses			(14)	(2)	69	173	(6)	(151)	(15)	(157)	16		85	
Operating income (loss)			(5)	37	92	74	69	109	32	178	252		344	
Less catastrophe losses			(77)	(34)	10	(41)	(74)	(28)	(111)	(101)	(142)		(132)	
Operating income before catastrophe losses			\$ 72	\$ 71	\$ 82	\$ 115	\$ 143	\$ 137	\$ 143	\$ 279	\$ 394		\$ 476	
<b>Diluted per share data</b>														
Net income (loss)			\$ (0.12)	\$ 0.22	\$ 0.99	\$ 1.50	\$ 0.38	\$ (0.26)	\$ 0.10	\$ 0.13	\$ 1.64		\$ 2.62	
Net realized investment gains and losses			(0.09)	(0.01)	0.42	1.05	(0.04)	(0.92)	(0.10)	(0.95)	0.10		0.52	
Operating income (loss)			(0.03)	0.23	0.57	0.45	0.42	0.66	0.20	1.08	1.54		2.10	
Less catastrophe losses			(0.47)	(0.21)	0.06	(0.25)	(0.45)	(0.17)	(0.68)	(0.62)	(0.87)		(0.81)	
Operating income before catastrophe losses			\$ 0.44	\$ 0.44	\$ 0.51	\$ 0.70	\$ 0.87	\$ 0.83	\$ 0.88	\$ 1.70	\$ 2.41		\$ 2.91	

*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		
	12/31/09	9/30/09	6/30/09	3/31/09	12/31/08	9/30/08	6/30/08	3/31/08	6/30/09	6/30/08	9/30/09	9/30/08	12/31/09	12/31/08
<b>Premiums</b>														
Agency renewal written premiums			\$ 666	\$ 695	\$ 669	\$ 687	\$ 738	\$ 733	\$ 1,361	\$ 1,472	\$ 2,159		\$ 2,828	
Agency new business written premiums			107	97	100	92	100	76	204	175	267		368	
Ceded written premiums			(40)	(39)	(41)	(49)	(37)	(38)	(79)	(75)	(124)		(165)	
Other written premiums			2	2	2	4	1	2	5	3	7		9	
Written premium adjustment – statutory			(12)	23	(13)	(7)	(12)	3	11	(9)	(17)		(30)	
Reported written premiums – statutory*			\$ 723	\$ 778	\$ 717	\$ 727	\$ 790	\$ 776	\$ 1,501	\$ 1,566	\$ 2,292		\$ 3,010	
Unearned premium change			10	(46)	30	24	(29)	(25)	(36)	(54)	(29)		-	
Earned premiums			\$ 733	\$ 732	\$ 747	\$ 751	\$ 761	\$ 751	\$ 1,465	\$ 1,512	\$ 2,263		\$ 3,010	
<b>Year over year change %</b>														
Agency renewal written premiums			(9.8) %	(5.2) %	(5.1) %	(6.1) %	(3.0) %	(3.7) %	(7.5) %	(3.4) %	(4.3) %		(4.5) %	
Agency new business written premiums			6.9	28.9	23.6	12.1	22.8	(6.3)	16.4	8.3	9.6		13.1	
Ceded written premiums			7.1	4.6	0.3	20.3	(4.6)	(1.1)	5.8	(2.9)	5.1		3.8	
Other written premiums			81.6	32.5	(50.6)	(39.1)	(74.6)	(71.8)	53.5	(73.1)	(61.6)		(59.3)	
Written premium adjustment – statutory			(0.3)	661.2	(48.0)	(81.6)	(900.0)	(91.5)	(220.8)	(124.3)	161.5		(4.8)	
Reported written premiums – statutory*			(8.5)	0.3	(1.0)	(1.3)	(2.5)	(8.3)	(4.2)	(5.4)	(4.2)		(3.4)	
<b>Statutory combined ratio</b>														
Statutory combined ratio			116.6 %	105.1 %	100.2 %	102.8 %	101.5 %	97.2 %	110.8 %	99.4 %	100.5 %		100.4 %	
Contribution from catastrophe losses			16.1	7.2	(2.1)	8.4	14.9	5.7	11.6	10.3	9.7		6.8	
Statutory combined ratio excluding catastrophe losses			100.5 %	97.9 %	102.3 %	94.4 %	86.6 %	91.5 %	99.2 %	89.1 %	90.8 %		93.6 %	
Commission expense ratio			18.2 %	17.7 %	20.8 %	17.7 %	17.4 %	17.7 %	17.9 %	17.5 %	17.6 %		18.4 %	
Other expense ratio			13.8	13.2	15.9	15.4	10.7	12.9	13.5	11.8	12.8		13.7	
Statutory expense ratio			32.0 %	30.9 %	36.7 %	33.1 %	28.1 %	30.6 %	31.4 %	29.3 %	30.4 %		32.1 %	
<b>GAAP combined ratio</b>														
GAAP combined ratio			116.6 %	107.5 %	98.9 %	101.2 %	103.5 %	98.6 %	112.1 %	101.1 %	101.1 %		100.6 %	
Contribution from catastrophe losses			16.1	7.2	(2.1)	8.4	14.9	5.7	11.6	10.3	9.7		6.8	
GAAP combined ratio excluding catastrophe losses			100.5 %	100.3 %	101.0 %	92.8 %	88.6 %	92.9 %	100.5 %	90.8 %	91.4 %		93.8 %	

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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	
	12/31/09	9/30/09	6/30/09	3/31/09	12/31/08	9/30/08	6/30/08	3/31/08	6/30/09	6/30/08	9/30/09	9/30/08	12/31/09	12/31/08
<b>Premiums</b>														
Agency renewal written premiums			\$ 488	\$ 557	\$ 514	\$ 502	\$ 552	\$ 588	\$ 1,045	\$ 1,140	\$ 1,642		\$ 2,156	
Agency new business written premiums			79	76	83	77	87	66	155	153	229		312	
Ceded written premiums			(32)	(31)	(23)	(46)	(31)	(32)	(64)	(63)	(109)		(131)	
Other written premiums			1	1	(9)	13	1	-	3	1	14		4	
Written premium adjustment – statutory			(12)	23	(13)	(8)	(12)	3	11	(9)	(17)		(30)	
Reported written premiums – statutory*			\$ 524	\$ 626	\$ 552	\$ 538	\$ 597	\$ 625	\$ 1,149	\$ 1,222	\$ 1,759		\$ 2,311	
Unearned premium change			32	(69)	21	44	(11)	(51)	(37)	(61)	(16)		5	
Earned premiums			\$ 556	\$ 557	\$ 573	\$ 582	\$ 586	\$ 574	\$ 1,112	\$ 1,161	\$ 1,743		\$ 2,316	
<b>Year over year change %</b>														
Agency renewal written premiums			(11.6) %	(5.2) %	(5.9) %	(7.7) %	(2.9) %	(4.0) %	(8.3) %	(3.5) %	(4.8) %		(5.1) %	
Agency new business written premiums			(8.9) %	14.9 %	16.4 %	6.0 %	21.2 %	(8.3) %	1.4 %	6.4 %	6.3 %		8.8 %	
Ceded written premiums			3.2 %	0.2 %	(33.0) %	43.6 %	(1.6) %	2.8 %	1.7 %	0.6 %	15.1 %		2.4 %	
Other written premiums			49.2 %	nm	(391.7) %	250.5 %	(73.4) %	(99.4) %	227.4 %	(89.2) %	25.0 %		(66.5) %	
Written premium adjustment – statutory			4.2 %	666.7 %	(45.8) %	(81.6) %	(900.0) %	(91.5) %	(216.7) %	(124.3) %	161.7 %		(1.6) %	
Reported written premiums – statutory*			(12.2) %	0.1 %	(1.9) %	(1.2) %	(2.7) %	(9.8) %	(5.9) %	(6.5) %	(4.9) %		(4.2) %	
<b>Statutory combined ratio</b>														
Statutory combined ratio			112.0 %	99.0 %	99.0 %	97.3 %	97.5 %	93.3 %	105.4 %	95.5 %	95.9 %		96.6 %	
Contribution from catastrophe losses			10.2 %	2.5 %	(1.5) %	4.0 %	11.3 %	3.9 %	6.4 %	7.7 %	6.4 %		4.5 %	
Statutory combined ratio excluding catastrophe losses			101.8 %	96.5 %	100.5 %	93.3 %	86.2 %	89.4 %	99.0 %	87.8 %	89.5 %		92.1 %	
Commission expense ratio			18.1 %	16.4 %	20.8 %	18.1 %	16.9 %	16.5 %	17.2 %	16.7 %	17.1 %		18.0 %	
Other expense ratio			14.4 %	12.8 %	15.7 %	15.4 %	10.9 %	13.2 %	13.5 %	12.1 %	13.1 %		13.7 %	
Statutory expense ratio			32.5 %	29.2 %	36.5 %	33.5 %	27.8 %	29.7 %	30.7 %	28.8 %	30.2 %		31.7 %	
<b>GAAP combined ratio</b>														
GAAP combined ratio			110.9 %	102.2 %	98.1 %	94.9 %	99.9 %	95.0 %	106.6 %	97.4 %	96.6 %		97.0 %	
Contribution from catastrophe losses			10.2 %	2.5 %	(1.5) %	4.0 %	11.3 %	3.9 %	6.4 %	7.7 %	6.4 %		4.5 %	
GAAP combined ratio excluding catastrophe losses			100.7 %	99.7 %	99.6 %	90.9 %	88.6 %	91.1 %	100.2 %	89.7 %	90.2 %		92.5 %	

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

(Dollars in millions)	Three months ended								Six months ended		Nine months ended		Twelve months ended	
	12/31/09	9/30/09	6/30/09	3/31/09	12/31/08	9/30/08	6/30/08	3/31/08	6/30/09	6/30/08	9/30/09	9/30/08	12/31/09	12/31/08
<b>Premiums</b>														
Agency renewal written premiums			\$ 176	\$ 137	\$ 156	\$ 185	\$ 186	\$ 146	\$ 313	\$ 332	\$ 517		\$ 672	
Agency new business written premiums			19	14	11	11	10	8	34	19	30		42	
Ceded written premiums			(7)	(7)	(8)	(13)	(6)	(6)	(15)	(12)	(26)		(33)	
Other written premiums			1	1	-	1	1	2	2	2	4		4	
Written premium adjustment – statutory			-	-	-	-	-	-	-	-	-		-	
Reported written premiums – statutory*			\$ 190	\$ 145	\$ 158	\$ 184	\$ 191	\$ 150	\$ 334	\$ 341	\$ 525		\$ 685	
Unearned premium change			(18)	26	13	(17)	(17)	27	9	10	(7)		4	
Earned premiums			\$ 172	\$ 171	\$ 171	\$ 167	\$ 174	\$ 177	\$ 343	\$ 351	\$ 518		\$ 689	
<b>Year over year change %</b>														
Agency renewal written premiums			(5.3) %	(6.0) %	(2.3) %	(1.6) %	(3.3) %	(2.8) %	(5.6) %	(3.1) %	(2.5) %		(2.5) %	
Agency new business written premiums			84.7	67.2	17.9	11.8	7.7	(0.5)	76.8	3.9	6.7		9.5	
Ceded written premiums			20.2	23.1	7.0	61.4	(17.3)	(17.2)	21.6	(17.3)	11.0		10.1	
Other written premiums			122.6	(50.0)	(64.9)	(37.3)	(76.2)	(0.4)	(8.9)	(43.3)	(41.3)		(45.4)	
Written premium adjustment – statutory			0.0	0.0	(100.0)	(100.0)	0.0	(100.0)	0.0	(100.0)	(100.0)		(100.0)	
Reported written premiums – statutory*			(0.6)	(3.5)	(1.4)	(4.0)	(3.0)	(2.0)	(1.9)	(2.6)	(3.1)		(2.7)	
<b>Statutory combined ratio</b>														
Statutory combined ratio			130.5 %	123.9 %	102.1 %	120.6 %	114.3 %	110.8 %	126.8 %	112.2 %	114.9 %		111.6 %	
Contribution from catastrophe losses			35.4	22.6	(4.1)	23.8	27.0	11.6	29.0	19.3	20.7		14.5	
Statutory combined ratio excluding catastrophe losses			95.1 %	101.3 %	106.2 %	96.8 %	87.3 %	99.2 %	97.8 %	92.9 %	94.2 %		97.1 %	
Commission expense ratio			18.0 %	22.5 %	21.2 %	16.4 %	18.6 %	22.3 %	20.0 %	20.2 %	18.9 %		19.5 %	
Other expense ratio			11.7	12.9	15.0	14.0	10.3	11.8	12.2	11.0	12.0		12.7	
Statutory expense ratio			29.7 %	35.4 %	36.2 %	30.4 %	28.9 %	34.1 %	32.2 %	31.2 %	30.9 %		32.2 %	
<b>GAAP combined ratio</b>														
GAAP combined ratio			133.2 %	120.7 %	100.0 %	122.5 %	115.3 %	110.1 %	126.9 %	112.7 %	115.9 %		111.9 %	
Contribution from catastrophe losses			35.4	22.6	(4.1)	23.8	27.0	11.6	29.0	19.3	20.7		14.5	
GAAP combined ratio excluding catastrophe losses			97.8 %	98.1 %	104.1 %	98.7 %	88.3 %	98.5 %	97.9 %	93.4 %	95.2 %		97.4 %	

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