

# Best's Rating Report

## THE CINCINNATI SPECIALTY UNDERWRITERS INSURANCE COMPANY

Wilmington, Delaware



**A**

**Ultimate Parent:**  
**Cincinnati Financial Corporation**  
**THE CINCINNATI SPECIALTY**  
**UNDERWRITERS INSURANCE**  
**COMPANY**

Exec/Admin: 6200 S. Gilmore Road  
 Fairfield, OH 45014-5141

Mailing: P.O. Box 145496, Cincinnati, OH 45250-5496

Web: www.cinfin.com

Tel: 513-870-2000

AMB#: 013843

Ultimate Parent#: 058704

Fax: 513-603-5500

NAIC: 13037

FEIN#: 65-1316588

### BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the company's Financial Strength, it is assigned a Best's Financial Strength Rating of A (Excellent). The company's Financial Size Category is Class VIII.

### RATING RATIONALE

**Rating Rationale:** The rating reflects the company's excellent level of risk-adjusted capital and the explicit and implicit support garnered from being part of Cincinnati Financial Corporation (CINF). Beginning the first quarter of 2008, Cincinnati Specialty began to market excess and surplus lines coverages through CINF's wholly owned insurance brokerage, CSU Producer Resources, Inc., to the existing agency plant of its immediate parent, The Cincinnati Insurance Company (CIC). CSU is serving policyholders through CIC's field representatives who provide marketing, claims, loss control and other services. Somewhat offsetting these positive rating factors are the exe-

cution risks associated with this new initiative, as management has not offered excess and surplus lines coverages in the past, which are elevated by the increased competitive pressures within that market currently. Despite these concerns, the outlook reflects the company's excellent risk-adjusted capitalization and the infrastructure support provided by being part of CINF. A.M. Best will continue to evaluate CSU's results against expectations, and any significant deviations or lack of operational or financial support from its parent would result in pressure on the assigned rating.

**Best's Financial Strength Rating: A**

**Outlook: Stable**

### KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2007	...	129	210,181	195,946	...
2008	13,724	-3,153	193,301	174,308	190.6
2009	39,596	-5,355	216,223	167,902	129.1

(\*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

### BUSINESS REVIEW

The Cincinnati Specialty Underwriters Insurance Company (CSU) was incorporated in August 2007 and is a wholly owned subsidiary of The Cincinnati Insurance Company (CIC). CIC is a wholly owned subsidiary of Cincinnati Financial Corporation (CINF). CSU was initially capitalized on October 1, 2007, by a cash contribution of \$20 million from CIC. CIC made additional cash and common stock contributions of over \$200 million subsequent to the initial capitalization date in 2007. CSU offers an array of non-admitted products through an affiliate CSU Producer Resources Inc (CSUPR). CSUPR is a wholly owned subsidiary of CINF and was

# Best's Rating Report

created solely to provide non-admitted products to CIC agents written through CSU. CIC and its wholly-owned subsidiaries, The Cincinnati Casualty Company and The Cincinnati Indemnity Company, actively market admitted products in 37 states through a network of over 1,180 independent agencies.

Since it began operations in 2008, CSU management has worked to expand product and licensing capacity throughout the states CIC operates. At year-end 2008, all state licenses have been retained and management continues to expand product capabilities. Currently, the majority of premiums are generated in IN, OH, IL and GA.

## 2009 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	% of Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Oth Liab Occur	19,259	18,729	47.3	59.0	12,307
Prod Liab Occur	12,379	12,160	30.7	17.8	5,767
Fire	5,903	4,954	12.5	24.3	248
Allied Lines	2,695	2,395	6.0	33.4	275
Prod Liab CM	1,182	1,157	2.9	6.8	106
All Other	211	202	0.5	999.9	3,273
Totals	41,628	39,596	100.0	50.4	21,976

## HISTORY

The Cincinnati Specialty Underwriters Insurance Company was incorporated on August 13, 2007, under the laws of Delaware and commenced business on January 1, 2008. Initial capitalization of \$200,000,000 as of December 31, 2007 consists of paid-in capital stock of \$5,250,000 consisting of 3,500 common shares outstanding at \$1,500 par value each and \$194,750,000 of paid-in surplus. Total assets transferred totaled \$212,400,000, which included a deferred tax liability of \$12,400,000. There are 10,000 common shares authorized. All shares are Class A shares. There is no preferred stock.

## MANAGEMENT

The company is under the direction President and Chief Executive Officer Kenneth W. Stecher, who has over 40 years of experience with Cincinnati Financial Corporation's insurance operations and currently serves as a Director, President and Chief Executive Officer of Cincinnati Financial Corporation and The Cincinnati Insurance Companies.

**Officers:** Chairman, John J. Schiff, Jr.; President and Chief Executive Officer, Kenneth W. Stecher; Senior Vice President, Secretary, Treasurer and Chief Financial Officer, Steven J. Johnston; Senior Vice President and Chief Investment Officer, Martin F. Hollenbeck (Investments); Senior Vice President, Donald J. Doyle, Jr. (Excess & Surplus Lines).

**Directors:** William F. Bahl, James E. Benoski, Gregory T. Bier, Donald J. Doyle, Jr., Martin F. Hollenbeck, Steven J. Johnston, Thomas A. Joseph, W. Rodney McMullen, Martin J. Mullen, Jacob F. Scherer, Jr., John J. Schiff, Jr., Thomas R. Schiff, Kenneth W. Stecher, John F. Steele, Jr., Charles P. Stoneburner II, Timothy L. Timmel, Larry R. Webb, E. Anthony Woods.

## TERRITORY

The company is licensed in Delaware. It also operates on a surplus lines or non-admitted basis in the District of Columbia, AL, AK, AZ, AR, CO, CT, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

## Balance Sheet Admitted Assets (\$000)

	12/31/2009	%
Bonds	\$189,420	87.6
Cash & short-term invest	<u>20,083</u>	<u>9.3</u>
Total invested assets	\$209,503	96.9
Premium balances	37	0.0
Accrued interest	3,116	1.4
All other assets	<u>3,567</u>	<u>1.6</u>
Total assets	\$216,223	100.0

## Liabilities & Surplus (\$000)

Loss & LAE reserves	\$ 21,976	10.2
Unearned premiums	21,853	10.1
All other liabilities	<u>4,492</u>	<u>2.1</u>
Total liabilities	\$ 48,321	22.3
Capital & assigned surplus	200,000	92.5
Unassigned surplus	<u>-32,098</u>	<u>-14.8</u>
Total policyholders' surplus	\$167,902	77.7
Total liabilities & surplus	\$216,223	100.0

# Best's Rating Report

## Why is this Best's® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

### Secure Best's Ratings

A++ and A+	.....	Superior
A and A-	.....	Excellent
B++ and B+	.....	Good

### Vulnerable Best's Ratings

B and B-	.....	Fair
C++ and C+	.....	Marginal
C and C-	.....	Weak
D	.....	Poor
E	.....	Under Regulatory Supervision
F	.....	In Liquidation
S	.....	Rating Suspended

For the latest **Best's Financial Strength Ratings** and *AMB Credit Reports* visit the A.M. Best web site at [www.ambest.com](http://www.ambest.com). You may also obtain *AMB Credit Reports* by calling our Customer Service department at +1-908-439-2200, ext. 5742. To expedite your request, please provide the company's identification number (AMB #).