

Cincinnati Financial - Growth at the Right Price

Internal ID: S&F-STR-148

Topic: Growth Strategy, Competitive Strategy, Pricing Strategy

Industry: Property & Casualty Insurance

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 28 July 2026, 23:59 ET

Decision scope: Personal-lines growth through independent agencies

Case convention: This is a hypothetical management decision exercise. The choice and planning assignment are not represented as actual company deliberations. Use the written public information available by the cutoff; the 28 July earnings webcast and later information are excluded.

The decision

At the end of July 2026, Cincinnati Financial Corporation (CINF) had a business problem that could be described in two ways. Personal-lines renewal premiums were growing after substantial rate increases, and the segment had returned to underwriting profitability in the first half of 2026. Yet new-business premiums had fallen sharply, and policy retention was in the upper-80% range. Management said this reflected pricing discipline in a highly competitive market. Was the company protecting the value of its book, or giving up too much opportunity with its independent agents?

The context was uneven. CINF's second-quarter consolidated property-casualty combined ratio rose above 100%, largely amid elevated catastrophe losses. The personal-lines result was better than a year earlier, but the comparison reflected much lower catastrophe losses after the 2025 California wildfires. Net written premium growth also reflected changes in ceded reinsurance premiums. The reported numbers did not isolate the profitability of the accounts CINF retained, declined or failed to win.

Assignment: Recommend how CINF should set its personal-lines priorities for the next planning cycle. Choose a retention-first posture that continues to emphasize adequately priced renewals and selective agency growth, or a more active, targeted new-business posture that tests pricing, quoting and agency emphasis in segments where expected returns justify growth. Explain what would cause you to widen, hold or narrow the chosen posture. Address catastrophe risk and the information needed to distinguish profitable opportunity from unprofitable volume.

The alternatives are classroom choices. There is no assumed fixed pool of agents, capital or spending, and the case does not imply that CINF has announced either path.

A company built around independent agencies

CINF offers business, home and auto insurance primarily through local independent insurance agencies. These agents represent other insurers and are not obligated to place business with CINF. The company says its local field structure supports underwriting, service and claims work close to agents and policyholders. At year-end 2025, personal-lines products were marketed through 2,674 of the company's 3,702 agency reporting locations, across 45 states.

Personal lines are more than a stand-alone premium category in CINF's description. The company says the products are important to agency relationships and to agents' relationships with clients. Its preferred accounts combine personal auto and homeowners coverage with other personal products; about 86% of homeowner policies at year-end 2025 also had a CINF personal-auto policy. CINF serves middle-market, mass-affluent and high-net-worth households. Its 2025 filing said the personal-lines market had softened, competition had increased-particularly in personal auto-and premium growth would be pressured into 2026. Management identified risk-specific pricing, agency appointments, and product and geographic diversification as ways to pursue profitable growth. These statements describe management's strategy and outlook; the filings do not establish the profitability of each tactic.

The 2025 personal-lines premium mix showed a shift toward renewals. Renewal written premiums rose 25% to \$3.128 billion; new-business written premiums fell 21% to \$476 million. Other written premiums, primarily ceded premiums, were negative \$174 million. Net written premiums were \$3.430 billion and earned premiums were \$3.199 billion. The personal-lines statutory combined ratio was 102.8% in 2025, compared with 95.5% in 2024 and 98.3% in 2023. Catastrophe losses contributed 21.0 points to the 2025 statutory ratio, against 13.9 points in 2024 and 15.1 in 2023. These statutory figures are not interchangeable with the quarterly segment ratios below.

What changed in the first half of 2026?

The June results showed higher renewal premiums and lower new business. Q2 personal-lines net written premiums were up 1% year over year; for the first six months, they were up 7%. But CINF reported that lower ceded premiums added about \$59 million to first-half personal-lines net written premiums compared with the prior-year period, which included \$64 million in ceded reinstatement premiums related to the January 2025 California wildfires. The written-premium comparison therefore combines customer and rate activity with reinsurance accounting and mix.

Exhibit 1. Personal-lines premiums and reported ratios

USD millions; premium amounts are company-reported. Ratios are percentages of earned premiums.

Measure	Q2 2026	Q2 2025	Change	Six months 2026	Six months 2025	Change
Agency renewal written premiums	\$943	\$866	+9%	\$1,669	\$1,500	+11%
Agency new-business written premiums	78	141	-45%	154	268	-43%
Other written premiums	(31)	(27)	-	(58)	(116)	-
Net written premiums	990	980	+1%	1,765	1,652	+7%

Measure	Q2 2026	Q2 2025	Change	Six months 2026	Six months 2025	Change
Earned premiums	880	804	+9%	1,753	1,502	+17%
Combined ratio	99.9%	102.0%	-2.1 pts	98.4%	124.9%	-26.5 pts
Current-accident-year combined ratio before catastrophe losses	79.8%	78.9%	+0.9 pts	80.2%	85.7%	-5.5 pts

Source: [CINF Q2 2026 Form 10-Q](#), Part I, Item 2, printed pp. 47-50; [Q2 results release](#), “Personal Lines Insurance Results,” PDF pp. 4-5. “Other written premiums” includes ceded premiums. Growth rates are the company's rounded comparisons.

CINF estimated that average personal-auto and homeowners renewal rate increases were in the high-single-digit range in the first half of 2026; policy-level changes varied with risk characteristics and predictive pricing. Management reported personal-lines retention in the upper-80% range and said the lower new-business premiums and retention reflected pricing discipline in a competitive market. It also said agents can be helped by early renewal quotes on accounts CINF believes are adequately priced. The public results do not say how many customers left due to price, which customers were underpriced, or how profitable lost and retained accounts were.

The combined ratios require care. In the first half, the current-accident-year personal-lines catastrophe loss ratio was 19.2%, versus 41.7% in the first half of 2025; prior-accident-year catastrophe amounts are reported separately. Favorable reserve development and catastrophe timing also affected reported ratios. The improved half-year ratio cannot be attributed to 2026 pricing alone. A combined ratio below 100% indicates underwriting profit before investment income under the reported measure, not a complete return on capital.

Catastrophes, capital and diversification

CINF's consolidated P&C combined ratio was 100.8% in Q2 2026, up from 94.9% a year earlier; for the first six months, it was 98.2% compared with 103.8%. The quarter's catastrophe contribution increased the combined ratio by 2.3 points year over year. CINF reported that Ohio's catastrophe losses were nearly four times the state's five-year second-quarter average. Management expected maturing product and geographic diversification to help mute losses in any one quarter. That expectation does not mean diverse lines or states will perform independently under stress.

CINF's 10-Q described property-catastrophe treaties and catastrophe bonds among its ceded-reinsurance protection. It also disclosed a June 2026 renewal for Cincinnati Re only: property-catastrophe excess-of-loss protection with territory-based retentions and a stated \$63 million total available limit, at an estimated \$14 million ceded premium for the one-year period. Those figures describe Cincinnati Re's program, not all catastrophe protection across the CINF group. The filing noted that the program had different triggers and exclusions.

Exhibit 2. Consolidated P&C results and selected agency measures

Measure	Q2 2026	Q2 2025	Six months 2026	Six months 2025
Consolidated P&C combined ratio	100.8%	94.9%	98.2%	103.8%
Agency renewal written premiums, P&C	\$2,254m	\$2,135m	\$4,299m	\$4,047m
Agency new-business written premiums, P&C	\$353m	\$404m	\$692m	\$787m
New agency appointments	-	-	220	-
New appointments marketing only personal lines	-	-	36	-

Source: CINF Q2 2026 results release, “Consolidated Property Casualty Insurance Results” and “Insurance Operations Highlights,” PDF pp. 1-2; CINF 10-Q, printed pp. 39-44. CINF said agencies appointed since the start of 2025 generated \$31 million, or 9%, of Q2 P&C new-business written premiums. Agency appointments and premium totals do not establish the eventual profitability or productivity of an agency.

The competitive signal is mixed

CINF's own filing described stronger competition and a softer personal-auto market in 2025. One competitor's Q2 disclosure points to a different mix of outcomes. Travelers reported second-quarter 2026 Personal Insurance net written premiums of \$4.308 billion, down 8% as reported and down 4% after excluding \$178 million of prior-year premiums associated with its Canadian business, which it sold in Q1. Its Personal Insurance combined ratio was 79.5%, improved by 8.9 points; the company attributed the change to lower catastrophe losses, improvement in its underlying ratio, and reserve development.

Travelers' result shows that premium and ratio outcomes varied among large P&C insurers, but does not establish a price target or directly comparable performance bar for CINF. The firms differ in scale, geographic and product mix, agency and direct channels, and recent portfolio changes. CINF's Q2 ratio also reflected a different catastrophe and reserve environment.

The planning choice

The first path is **retention-first**. CINF could preserve strict risk pricing, focus attention on adequately priced renewals, continue early quotes and agent service, and appoint agencies in places where management sees prospects for profitable growth. The company would accept slower new-business growth when offered risks did not meet its standards. This path gives priority to the quality and durability of the book, while recognizing that a falling retention rate can also indicate that the value proposition or price is losing ground with desirable clients.

The second path is **targeted acquisition**. CINF could make a more deliberate effort to win selected new personal-lines accounts by sharpening segment and geographic priorities, working with agents on quote timing and risk information, and testing pricing and coverage approaches for prospects that meet its underwriting requirements. This path treats lower new-business totals as a possible lost-growth problem while maintaining underwriting gates. It exposes CINF to adverse selection, acquisition costs and catastrophe concentration if the newly targeted book

performs differently than expected.

Neither path is costless, and the public data do not resolve which is better. Students should explain what evidence they would require before expanding a segment or changing risk criteria. They should specify a short list of indicators that can separate premium volume from economic performance—for example, quote-to-bind rates and risk-tier mix, renewal retention of adequately priced accounts, early loss emergence, acquisition expense, and catastrophe-adjusted expected results by state and product. Where the company lacks these disclosures, say so.

Discussion questions

1. Is the sharp drop in personal-lines new business better understood as successful selection, competitive weakness or an unresolved mix of both? Which evidence would change your answer?
2. Which customer and agency segments should CINF emphasize for retention or acquisition, and what would make an account attractive beyond its premium?
3. How should catastrophe exposure and reinsurance enter the growth decision without treating geographic or product diversification as automatically protective?
4. What conditions, measures and time horizon should trigger expansion, adjustment or retreat from your recommended posture?

Sources

1. Cincinnati Financial Corporation, 2025 Form 10-K, filed 23 February 2026, [SEC accession 0000020286-26-000008](#), Item 1, pp. 5-7; Item 7, personal-lines discussion and outlook, pp. 70-74.
2. Cincinnati Financial Corporation, Q2 2026 Form 10-Q, filed 27 July 2026, [SEC accession 0000020286-26-000045](#), Part I, Item 2, printed pp. 39-50.
3. Cincinnati Financial Corporation, “Reports Second-Quarter 2026 Results,” 27 July 2026, [official investor release](#), PDF pp. 1-5.
4. The Travelers Companies, Inc., “Reports Excellent Second Quarter and Year-to-Date Results,” 17 July 2026, [official investor release](#), “Personal Insurance Segment Financial Results.”