

CINCINNATI FINANCIAL CORP  
Form DEF 14A  
March 16, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  S

Filed by a Party other than the Registrant  £

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**CINCINNATI FINANCIAL CORPORATION**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies: \_\_\_\_\_

2) Aggregate number of securities to which transaction applies: \_\_\_\_\_

3) Per unit price of other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \_\_\_\_\_

4) Proposed maximum aggregate value of transaction: \_\_\_\_\_

5) Total fee paid: \_\_\_\_\_

£ Fee paid previously with preliminary materials.

£ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid: \_\_\_\_\_

2) Form, Schedule or Registration Statement No.: \_\_\_\_\_

3) Filing Party: \_\_\_\_\_

4) Date Filed: \_\_\_\_\_

**Cincinnati Financial Corporation  
2012 Shareholder Meeting Notice  
and Proxy Statement**

March 16, 2012

To the Shareholders of Cincinnati Financial Corporation:

You are cordially invited to attend the Annual Meeting of Shareholders of Cincinnati Financial Corporation, which will take place at 9:30 a.m. on Saturday, April 28, 2012, at the Cincinnati Art Museum, located in Eden Park, Cincinnati, Ohio. The business to be conducted at the meeting includes:

1. Electing 10 directors for one-year terms;
2. Ratifying the selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2012;
3. Voting on a nonbinding proposal to approve compensation for the company's named executive officers;
4. Adopting the Cincinnati Financial Corporation 2012 Stock Compensation Plan;
5. Transacting such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 1, 2012, are entitled to vote at the meeting.

Whether or not you plan to attend the meeting, please cast your vote as promptly as possible. We encourage convenient online voting, which saves your company significant postage and processing costs. If you prefer, you may

submit your vote by telephone or by mail.

Your Internet or telephone vote must be received by 11:59 p.m. EDT on April 27, 2012, to be counted in the final tabulation. If you choose to vote by mail, please be sure to return your proxy card in time to be received and counted before the Annual Meeting. Thank you for your interest and participation in the affairs of the company.

/S/ Lisa A. Love  
Lisa A. Love  
Senior Vice President, General Counsel and Corporate Secretary

This proxy statement, the Annual Report on Form 10-K, Letter from the Chairman and the Chief Executive Officer and voting instructions were first made available to Cincinnati Financial Corporation shareholders on March 16, 2012.

Page 2

Table of Contents

|   |    |
|---|----|
| Frequently Asked Questions  | 4  |
| Security Ownership of Principal Shareholders and Management   | 6  |
| Section 16(A) Beneficial Ownership Reporting Compliance   | 7  |
| Information About the Board of Directors  | 8  |
| Proposal 1 – Election of Directors  | 8  |
| Nominees and Continuing Directors of Your Company   | 8  |
| Governance of Your Company  | 17 |
| Certain Relationships and Transactions  | 19 |
| Audit-Related Matters   | 21 |
| Proposal 2 – Management’s Proposal to Ratify Appointment of the Independent Registered Public Accounting Firm | 21 |
| Report of the Audit Committee   | 21 |
| Fees Billed by the Independent Registered Public Accounting Firm  | 22 |
| Services Provided by the Independent Registered Public Accounting Firm  | 22 |
| Compensation of Named Executive Officers and Directors  | 24 |
| Proposal 3 – Advisory Vote on Compensation of Our Named Executive Officers                                    | 24 |
| Proposal 4 – To Adopt The Cincinnati Financial Corporation 2012 Stock Compensation Plan                       | 26 |
| Report of the Compensation Committee  | 31 |
| Compensation Committee Interlocks and Insider Participation   | 31 |
| Compensation Discussion and Analysis  | 32 |
| Conclusion  | 62 |
| Shareholder Proposals for Next Year   | 62 |
| Cost of Solicitation  | 62 |
| Other Business  | 62 |
| Appendix A  | 63 |

## Frequently Asked Questions

*Who is soliciting my vote?* – The board of directors of Cincinnati Financial Corporation is soliciting your vote for the 2012 Annual Meeting of Shareholders.

*Who is entitled to vote?* – Shareholders of record at the close of business on March 1, 2012, may vote.

*How many votes do I have?* – You have one vote for each share of common stock you owned on March 1, 2012.

*How many votes can be cast by all shareholders?* – 162,326,568 outstanding shares of common stock can be voted as of the close of business on March 1, 2012.

*How many shares must be represented to hold the meeting?* – A majority of the outstanding shares, or 81,163,285 shares, must be represented to hold the meeting.

*How many votes are needed to elect directors and to approve the proposals?* – The nominees for director receiving the 10 highest vote totals are elected as directors. Selection of our independent registered public accounting firm is ratified if votes cast in favor of this proposal exceed votes cast against it. Compensation paid to our named executive officers is approved and the Cincinnati Financial Corporation 2012 Stock Compensation Plan is adopted if the majority of the shares present and entitled to vote are cast in favor of the proposals.

*How do I vote?* – You may vote by proxy, whether or not you attend the meeting, in one of three ways:

- Internet ([www.proxyvote.com](http://www.proxyvote.com))
- Telephone (800-690-6903)
- Mail: Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717

Even if you plan to attend the annual meeting, we ask that you vote by Internet, telephone or mail. Attending the meeting does not constitute a revocation of a previously submitted vote.

Instructions for voting via the Internet or by telephone, along with the required Control Number (the Control Number is unique to each account), are provided to you by mail or by email in late March or early April. If you receive information from us by mail, the information includes a Notice or proxy card that can be returned in the postage-paid envelope included in the same envelope.

The deadline for online and telephone voting is 11:59 p.m., EDT, April 27, 2012. If you choose to vote by mail, be sure to return your proxy card in time to be received and counted before the Annual Meeting.

*Where do I locate my Control Number so I can vote?* – If you receive our information in the mail, the Control Number is on the card that also gives your name and the number of shares you hold. If you receive our information in emails, the Control Number is in the text of the email.

*What if I cannot locate my Control Number?* – If you hold shares directly in your name, you may obtain your Control Number by calling 866-638-6443. If your shares are registered in the name of a bank, broker or other nominee, that firm can supply the Control Number.

*Can I obtain another proxy card so I can vote by mail?* – If you hold shares directly in your name, you may obtain another proxy card by calling 800-579-1639. If your shares are registered in the name of a bank, broker or other nominee, that firm can supply another proxy card.

*What if I vote “withhold” or “abstain?”* – “Withhold” or “abstain” votes have no effect on the votes required to elect directors to ratify the independent registered public accounting firm. Abstain votes have the same effect as votes “against” the non-binding proposal to approve compensation paid to our named executive officers or to adopt the Cincinnati Financial Corporation 2012 Stock Compensation Plan.

*Can my shares be voted if I don’t return my proxy and don’t attend the annual meeting?* – If your shares are registered in your name, the answer is no. If your shares are registered in the name of a bank, broker or other nominee and you do not direct your nominee as to how to vote your shares, applicable rules provide that the nominee generally may vote your shares on any of the routine matters scheduled to come before the meeting. The proposal to ratify the selection of the independent registered public accounting firm is believed to be the only routine matter scheduled to come before this year’s annual meeting. If a bank, broker or other nominee indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, these shares (called broker nonvotes) are counted as present in determining whether we have a quorum but have no effect on the votes required to elect directors, to ratify the independent registered public accounting firm or to approve or reject the other proposals.

*Can I change my vote or revoke my proxy?* – Yes. Just cast a new vote by Internet or telephone or send in a new signed proxy card with a later date. If you hold shares directly in your name, you may send a written notice of revocation to the corporate secretary of the company. If you hold shares directly in your name and attend the annual meeting, you also may choose to vote in person. At the meeting, you can request a ballot and direct that your previously submitted proxy not be used. Otherwise, your attendance itself does not constitute a revocation of your previously submitted proxy.

*How are the votes counted?* – Votes cast by proxy are tabulated prior to the meeting by the holders of the proxies. Inspectors of election appointed at the meeting count the votes and announce the preliminary results at the meeting. The proxy agent reserves the right not to vote any proxies that are altered in a manner not intended by the instructions contained in the proxy. The company publicly discloses the final voting results in a Form 8-K filing after the vote count is certified, usually within a week of the meeting.

*Could other matters be decided at the meeting?* – We do not know of any matters to be considered at the annual meeting other than the election of directors and the proposals described in this proxy statement. For any other matters that do properly come before the meeting, your shares will be voted at the discretion of the proxy holder.

*Who can attend the meeting?* – The meeting is open to all interested parties.

*Can I listen to the meeting if I cannot attend in person?* – You can listen to a live webcast of the meeting over the Internet. Instructions are available on the Investors page of [www.cinfin.com](http://www.cinfin.com) approximately two weeks before the



meeting. An audio replay is available on the website within two hours after the close of the meeting.

*Why did my materials arrive in different envelopes?* – Our paper mailings are timed to meet regulatory standards that help us keep mailing and paper costs low. Most shareholders who have not elected to receive information using electronic delivery receive three mailings:

In late March: you receive a card notifying you that you can cast your vote after reviewing your company's year-end 2011 financial materials and proxy statement online. You also can request paper materials.

In early April: if you haven't yet voted, you receive a second notification that your company's information is available. This notice also serves as your paper proxy card.

A few days later: you receive this proxy statement along with management's annual letter on performance, issues, events and trends.

If you are enrolled in electronic delivery, you will receive an email notifying you of the availability of the information on the Internet and providing online voting instructions.

*How can I obtain a 2011 Annual Report?* – You can obtain our 2011 Annual Report on Form 10-K as filed with the Securities and Exchange Commission (SEC) at no cost in several different ways. You may view, search or print the document online from [www.cinfin.com/investors](http://www.cinfin.com/investors). You may ask that a copy be mailed to you by contacting the corporate secretary of Cincinnati Financial Corporation. Or, you may request it directly from Shareholder Services. Please see the Investor Contacts page of [www.cinfin.com/investors](http://www.cinfin.com/investors) for details. These contacts are also listed at the end of this proxy statement.

## Security Ownership of Principal Shareholders and Management

Under Section 13(d) of the Securities Exchange Act of 1934 (Exchange Act), a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment authority over such security. A beneficial owner under this definition need not enjoy the economic benefit of such securities. The following are the only shareholders known to the company who are deemed to be beneficial owners of at least 5 percent of our common stock as of March 1, 2012. John J. Schiff, Jr. and Thomas R. Schiff, directors of the company, are brothers.

| Title of Class | Name and Address of Beneficial Owner   | Amount and Nature of Beneficial Ownership | Footnote Reference | Percent of Class |
|----------------|--|---|--------------------|------------------|
| Common stock   | State Street Corporation<br>State Street Financial Center<br>One Lincoln Street<br>Boston, MA 02111        | 14,575,293                                | (1)                | 8.98             |
| Common stock   | First Eagle Investment Management, LLC<br>1345 Avenue of the Americas<br>New York, NY 10105                | 12,743,855                                | (2)                | 7.85             |
| Common stock   | John J. Schiff, Jr., CPCU<br>Cincinnati Financial Corporation<br>6200 South Gilmore<br>Fairfield, OH 45014 | 11,903,107                                | (3)(4)(5)(6)(7)    | 7.33             |
| Common stock   | BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY 10022   | 11,074,399                                | (8)                | 6.82             |
| Common stock   | Thomas R. Schiff<br>Cincinnati Financial Corporation<br>6200 South Gilmore<br>Fairfield, OH 45014          | 9,736,757                                 | (3)(4)(7)(13)      | 6.00             |
| Common stock   | The Vanguard Group, Inc.<br>100 Vanguard Blvd<br>Malvern, PA 19355   | 8,189,182                                 | (9)                | 5.05             |

The outstanding common shares beneficially owned by each other director and our named executive officers and total outstanding shares for all directors and executive officers as a group as of March 1, 2012, are shown below:

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Footnote Reference | Percent of Class |
|--------------------------|---|--------------------|------------------|
|--------------------------|---|--------------------|------------------|

Edgar Filing: CINCINNATI FINANCIAL CORP - Form DEF 14A

Other Directors and Named Executive Officers

|  |            |                                      |       |
|--|------------|--------------------------------------|-------|
| William F. Bahl, CFA, CIC  | 219,669    | (10)                                 | 0.14  |
| Gregory T. Bier  | 15,269     |                                      | 0.01  |
| Linda W. Clement-Holmes  | 2,915      |                                      | <0.01 |
| Steven J. Johnston   | 57,136     | (5)(6)                               | 0.04  |
| Thomas A. Joseph   | 138,892    | (5)(7)                               | 0.09  |
| Kenneth C. Lichtendahl   | 27,417     |                                      | 0.02  |
| W. Rodney McMullen   | 35,604     |                                      | 0.02  |
| Gretchen W. Price  | 18,959     |                                      | 0.01  |
| Jacob F. Scherer, Jr.  | 203,631    | (5)(7)                               | 0.13  |
| Michael J. Sewell  | 16,500     |                                      | 0.01  |
| Douglas S. Skidmore  | 28,930     | (11)                                 | 0.02  |
| Kenneth W. Stecher   | 230,749    | (5)(7)                               | 0.14  |
| John F. Steele, Jr.  | 15,006     |                                      | 0.01  |
| Larry R. Webb, CPCU  | 490,757    | (12)                                 | 0.30  |
| E. Anthony Woods   | 43,644     |                                      | 0.03  |
| All directors and nondirector executive officers as a group (29 individuals) | 16,371,140 | (3)(4)(5)(6) (7)(10)(11)<br>(12)(13) | 10.09 |

Except as otherwise indicated in the notes below, each person has sole voting and investment power with respect to the common shares noted.

- (1) Reflects ownership as of December 31, 2011, according to Form 13G filed by State Street Corporation on February 9, 2012.
- (2) Reflects ownership as of December 31, 2011, according to Form 13G filed by First Eagle Investment Management LLC on February 13, 2012.  
Includes 5,767,923 shares owned of record by The Mary R. Schiff and John J. Schiff Foundation and 1,701,595
- (3) shares owned of record by the John J. Schiff Charitable Lead Trust, the trustees of all of which are Messrs. J. Schiff, Jr. and T. Schiff and Suzanne S. Reid, who share voting and investment power equally.  
Includes 107,186 shares owned of record by the John J. & Thomas R. Schiff & Co. Inc. pension plan, the trustees of which are Messrs. J. Schiff, Jr. and T. Schiff, who share voting and investment power; and 124,249 shares
- (4) owned by John J. & Thomas R. Schiff & Co. Inc. for which Messrs. J. Schiff, Jr. and T. Schiff share voting and investment power.  
Includes shares available within 60 days from exercise of stock options in the amount of 25,487 shares for Mr.
- (5) Johnston; 101,196 shares for Mr. Joseph; 103,181 shares for Mr. Scherer; 312,901 shares for Mr. J. Schiff, Jr.; 132,507 shares for Mr. Stecher and 717,055 shares for the nondirector executive officers as a group.  
Includes shares held in the company's nonqualified savings plan for highly compensated associates in the amounts
- (6) of 7,998 shares for Mr. Johnston; 15,105 shares for Mr. J. Schiff, Jr. and 22,076 shares for the nondirector executive officers as a group. Individuals participating in this plan do not have the right to vote these shares.  
Includes shares pledged as collateral as of December 31, 2011, in the amounts of 36,028 shares for Mr. Joseph;
- (7) 96,331 shares for Mr. Scherer; 1,363,521 shares for Mr. J. Schiff, Jr.; 1,043,228 shares for Mr. T. Schiff; 41,975 shares for Mr. Stecher; and 370,610 shares for the nondirector executive officers as a group.
- (8) Reflects ownership as of December 31, 2011, according to Form 13G filed by BlackRock Inc. on February 13, 2012.
- (9) Reflects ownership as of December 31, 2011, according to Form 13G filed by The Vanguard Group, Inc. on February 10, 2012.
  - (10) Includes 8,821 shares held in the Bahl Family Foundation, of which Mr. Bahl is president.
- (11) Includes 7,035 shares owned of record by Skidmore Sales Profit Sharing Plan, of which Mr. Skidmore is an administrator and shares investment authority.
- (12) Includes 186,257 shares owned of record by a limited partnership of which Mr. Webb is a general partner and 43,478 shares owned of record by an IRR marital trust for the benefit of his wife and children.
- (13) Includes 67,118 shares held in Thomas R. Schiff Foundation and 269,117 shares held in TRS Investments LLC., of which Mr. T. Schiff has voting and investment power.

#### Section 16(A) Beneficial Ownership Reporting Compliance

Directors, executive officers and 10 percent shareholders are required to report their beneficial ownership of our stock according to Section 16 of the Exchange Act. Those individuals are required by SEC regulations to furnish the company with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent calendar year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that, during the calendar year 2011, all Section 16(a) filing requirements were satisfied on a timely basis except for the following:

Due to a clerical error, in his Form 5 filed January 31, 2011, Mr. Stecher underreported the number of shares disposed of by gift on December 14, 2010, by 70 shares. These 70 shares were reported in a Form 5 filed on January 25, 2012.

## Information About the Board of Directors

The mission of the board is to encourage, facilitate and foster the long-term success of Cincinnati Financial Corporation. The board oversees management in the performance of the company's obligations to our independent agents, policyholders, associates, communities and suppliers in a manner consistent with the company's mission and with the board's responsibility to shareholders to achieve the highest sustainable shareholder value over the long term.

### Proposal 1 – Election of Directors

The board of directors currently consists of 14 directors. In 2010, shareholders voted to amend our Articles of Incorporation to declassify the structure of the board of directors. During the transition to the new declassified board structure, as the term of each class of directors expires, candidates nominated for election or re-election to the board stand for election to one-year terms. The transition to a fully declassified board will be completed in 2013 when all directors standing for election in that year will be elected for one-year terms.

This year, the term of office of 10 directors expires as of the 2012 Annual Meeting of Shareholders.

**The board of directors recommends a vote FOR William F. Bahl, Steven J. Johnston, Kenneth C. Lichtendahl, W. Rodney McMullen, Gretchen W. Price, John J. Schiff, Jr., Thomas R. Schiff, Kenneth W. Stecher, John F. Steele, Jr., and E. Anthony Woods as directors to hold office until the 2013 Annual Meeting of Shareholders and until their successors are elected.**

We do not know of any reason that any of the nominees for director would not accept the nomination, and it is intended that votes will be cast to elect all 10 nominees as directors. In the event, however, that any nominee should refuse or be unable to accept the nomination, the people acting under the proxies intend to vote for the election of such person or people as the board of directors may recommend.

### Nominees and Continuing Directors of Your Company

Each of our directors brings to our board extensive management and leadership experience gained through their service as executives and, in several cases, chief executive officers of diverse businesses. In these executive roles, they have taken hands-on, day-to-day responsibility for strategy and operations, including management of capital, risk and

business cycles. In addition, most current directors bring public company board experience – either significant experience on other boards or long service on our board – that broadens their knowledge of board policies and processes, rules and regulations, issues and solutions. Further, each director has civic and community involvement that mirrors our company’s values emphasizing personal service and relationships and local decision making. The nominating committee’s process to recommend qualified director candidates is described on Page 18 under “Director Nomination Considerations and Process.”

Below are the names of the nominees for election to the office of director and each current director whose term does not expire at this time, along with their ages, the year first elected as a director, their present positions, principal occupations and public company directorships held in the past five or more years. For each nominee, we also describe specific individual qualifications and skills of our directors that contribute to the overall effectiveness of our board and its committees.

Nominees for Director for Terms Expiring 2012

(Data as of March 3, 2012)

**William F. Bahl, CFA, CIC**, age 60, has been a director of the company since 1995 and currently is our lead director and chairman of the nominating committee. He is a member of the audit, compensation, executive and investment committees. He is a director on our insurance subsidiary boards.

Mr. Bahl co-founded a firm that performs financial analysis of publicly held securities, advising and managing portfolios for high-net-worth and institutional clients. His expertise helps support the board's oversight of our investment operations, which continue to be our main source of profits. His familiarity with public company governance structures and policies beyond our own contributes to full discussion and evaluation of our options.

Mr. Bahl is chairman of the board of Bahl & Gaynor Investment Counsel Inc., an independent registered investment adviser based in Cincinnati. Before co-founding Bahl & Gaynor in 1990, he was senior vice president and chief investment officer at Northern Trust Company in Chicago and held prior positions for Fifth Third Bank and Mellon Bank. Mr. Bahl is a director of LCA-Vision Inc. since 2005, serving as chair of this publicly traded company's compensation committee and a member of its audit and nominating committees. He was a trustee until 2006 of The Preferred Group of Funds and a board member from 2000 to 2006 of The Hennegan Company, a privately owned, Cincinnati-based printing business. Mr. Bahl earned a Master of Business Administration from the University of Michigan after graduating from the University of Florida. He has qualified for the Chartered Financial Analyst designation since 1979 and the Chartered Investment Counselor designation since 1991. His activities have included leadership and service on nonprofit community boards and foundations benefitting parks, schools, a hospital association and youth organizations.

**Steven J. Johnston, FCAS, MAAA, CFA**, age 52, was appointed to the board in May 2011. He is a member of the executive and investment committees. He is a director on all subsidiary boards.

As chief executive officer of the company, Mr. Johnston provides the board with information gained from hands-on management of our operations, identifying our near-term and long-term challenges and opportunities. His management and actuarial expertise and his experience driving technology and efficiency improvements combine with his strong communication skills to aid in his role as liaison between the board and the company management team.



Mr. Johnston has been chief executive officer of the company and all subsidiaries, and president of the company and its lead subsidiary, The Cincinnati Insurance Company, since May 2011. From 2008 to May 2011, he was chief financial officer, senior vice president and secretary for both the company and The Cincinnati Insurance Company, and treasurer of the company. Former chief financial officer of State Auto Insurance Company, he has more than 25 years of property casualty insurance experience, including a broad background in accounting, finance, actuarial, reinsurance, technology, investments and management of investor and ratings agency relationships. He also served as a director and chairman of the investment committee for State Automobile Mutual Insurance Company. A graduate of Otterbein University, he is a Fellow of the Casualty Actuarial Society, where he served as a member of the audit committee and chairman of the investment and enterprise risk committees. He is a member of the American Academy of Actuaries and a Chartered Financial Analyst.

**Kenneth C. Lichtendahl**, age 63, has been a director of the company since 1988, is chairman of the audit committee and serves on the nominating committee.

Mr. Lichtendahl has served for more than 20 years on our board and audit committee, supporting institutional continuity with company and industry knowledge accumulated through all phases of industry and economic cycles and through our expansion over that period. He brings valuable insights gained in developing customer relationships, ethical practices, high quality staff and product differentiation that helped turn his company, Hudepohl-Schoenling Brewing Co., into the 10th-largest brewer in the United States before its sale in 1996.

Mr. Lichtendahl is a senior adviser for Nestle Waters of North America. He has served as senior adviser since Tradewinds Beverage Company was acquired in 2010 by Sweet Leaf Tea, which was acquired in 2011 by Nestle Waters of North America. He was president and a director from 1996 to 2010 of Tradewinds, a privately owned, Cincinnati-based company formed following the sale of Hudepohl-Schoenling. He was president from 1978 to 1996 of Hudepohl-Schoenling, where he held various management positions. He also was a director for 12 years of Centennial Savings Bank in Cincinnati, which had grown to 11 offices and \$700 million of deposits before its sale to National City Bank in 2000. A graduate of the University of Cincinnati, Mr. Lichtendahl has contributed his leadership and service on nonprofit community boards supporting youth and civic organizations, as well as land, water and wildlife preservation.

**W. Rodney McMullen**, age 51, has been a director of the company since 2001 and is chairman of the compensation committee and a member of the executive and investment committees. He is a director on our insurance subsidiary boards.

Mr. McMullen has worked with The Kroger Co.'s board on business strategy initiatives and transactions including business model transformation, mergers and acquisitions, divestitures and management transitions. His daily experience leading a large public company equips him to understand and guide management decisions and actions related to planning, risk management, investor relations, marketing and capital management.

Since August 2009, Mr. McMullen has been president and chief operating officer of Kroger, a publicly traded, Cincinnati-based company that is the nation's second largest retail grocery chain. He has been a director of Kroger since 2003, when he was promoted to vice chairman of the board. Prior to his appointment as vice chairman, Mr. McMullen was executive vice president of strategy, planning and finance from 2000 to 2003. He joined Kroger as a part-time store clerk in 1978 and has held key financial positions, including corporate controller and chief financial officer. He is a member since 2007 of the board of Global Standards 1, a privately owned company that owns UPC and RFID codes; and, beginning in 2010, chairman of GS1 US, a not-for-profit organization that develops supply-chain standards, solutions and services for 25 industries. He also is a director since 2011 of dunhumby LTD, a privately owned, UK-based company that analyzes customer data to improve customer experience and a director since 2003 of dunhumby USA LLC. Mr. McMullen holds a Master of Science degree in accounting from the

University of Kentucky, where he also completed his undergraduate degrees. His activities have included leadership and service on nonprofit community boards and committees that support a private university and independent living for the disabled and disadvantaged.

**Gretchen W. Price**, age 57, has been a director of the company since 2002 and is a member of our audit, compensation and nominating committees.

Ms. Price's current and past executive positions have developed her expertise in areas of focus for our board, including accounting, auditing and financial reporting, investor relations, capital management, human resources, information technology, strategic planning and business planning. Board discussions and decisions benefit from her knowledge of customer relationship management and distribution chains.

Ms. Price is executive vice president, chief financial and administrative officer since July 2011 of Arbonne International LLC, a beauty and nutritional product company headquartered in Irvine, California. She leads the firm's financial, accounting, strategy and business planning, operations, information technology, human resources and international functions. She was executive vice president and chief financial officer from 2008 to July 2011 of Philosophy Inc., an international prestige beauty brand based in Phoenix, Arizona. Prior to 2008, she held positions with expanding responsibility over her 31-year tenure at publicly traded Procter & Gamble Company: vice president and general manager from 2006 to 2007, responsible for Go-To-Market Reinvention Strategy for Global Operations and for Gillette acquisition integration; vice president of finance and accounting for Global Operations from 2001 to 2005, responsible for Worldwide Financial Leadership; vice president and treasurer from 1998 to 2001, responsible for Global Treasury, investor relations and mergers and acquisitions; and vice president of Global Internal Audit from 1996 to 1998. A graduate of the University of Kentucky, she earned the Certified Internal Auditor designation in 1996. She has been a member of the Financial Executives Institute and the Board of Governors of the Institute of Internal Auditors. Her activities have included leadership and service on nonprofit community boards and committees that provide funding for fine arts and music, human service programs and student scholarships.

**John J. Schiff, Jr., CPCU**, age 68, has been a director of the company since 1968. He is chairman of our executive committee and a member of our investment committee.

Mr. Schiff's long tenure in our executive and board leadership strongly links us to the mission and values established by our founding agents. As our former chairman of the board, chief executive officer and a licensed insurance agent, he brings a blended perspective, assuring leadership and cultural continuity through agent-centered decisions that differentiate us from competitors. His insights gained from years of service on multiple public company boards help preserve our business model's long-term approach to creating shareholder value.

Mr. Schiff has been chairman of the executive committee since 1998. From 1986 to May 2011, Mr. Schiff also was chairman of the company's board of directors and, except 2006 to 2008, chairman of its lead subsidiary, The Cincinnati Insurance Company. In addition, he was president and chief executive officer of the company and of its lead subsidiary from 1999 to 2006. He retained only the company-level chairman and chief executive officer roles from 2006 to 2008 when he resumed the subsidiary chairman title. From 1983 to 1996, Mr. Schiff was chairman, chief executive officer and an agent with John J. & Thomas R. Schiff & Co. Inc., a privately owned, Cincinnati-based independent insurance agency. Prior to 1983, he was an agent, vice president and secretary of John J. Schiff & Company Inc., which he joined in 1965 after earning a Bachelor of Science in risk and insurance management from The Ohio State University. He earned the Chartered Property Casualty Underwriter designation in 1972 and is a member of The American Institute for Chartered Property Casualty Underwriters, serving as a trustee from 1992 to 2004 and as an executive committee member. Mr. Schiff has experience as a director of publicly traded Cincinnati-based companies: Fifth Third Bancorp and The Fifth Third Bank since 1983, including periods of service on compensation, executive and trust committees; The Standard Register Company, a document management services company, since 1982, including periods of service on its audit and pension advisory committees; Cinergy Corporation, from 1994 to 2005 when it was acquired by Duke Energy Corporation; and Cinergy's predecessor, Cincinnati Gas & Electric Company, from 1986 to 1995. He served at various times on Cinergy's audit and compensation committees. Mr. Schiff also is a director of two privately owned companies, the Cincinnati Bengals Inc. and the independent insurance agency named above. His activities have included leadership and service to nonprofit community boards and foundations that support arts education, high school and university education, a hospital and general philanthropy.



**Thomas R. Schiff**, age 64, has been a director of the company since 1975 and is a member of the investment committee. He is a director on our insurance subsidiary boards.

Mr. Schiff's long tenure on our board helps provide ongoing insight into how we are serving our primary customer, the independent insurance agent. He contributes to board assessments of the impacts of our decisions on agency operations, including sales, claims, professional advising and financial management. Additionally, he brings the perspective of a large shareholder to our board discussions and decisions.

Mr. Schiff has been chairman and chief executive officer since 1996 and a director and an agent with John J. & Thomas R. Schiff & Co. Inc., a privately owned, Cincinnati-based independent insurance agency. He was its president from 1983 to 1996 and sales manager from 1970 to 1983. He also is chief executive officer and chairman of Lightborne Properties, Lightborne Communications and Lightborne Publications, privately owned media companies based in the Cincinnati area. Mr. Schiff is a graduate of Ohio University. His activities have included leadership and service to nonprofit community boards and foundations that support fine and performing arts, arts education, a hospital and children's dental services.

**Kenneth W. Stecher**, age 65, has been a company director since 2008 and chairman of the board since May 2011. He is chairman of the investment committee and a member of the executive committee. He is the chairman of all subsidiary boards.

Mr. Stecher facilitates and guides the business of the board, supporting its effectiveness by bringing his deep knowledge of the company as well as industry challenges and opportunities. Over his long tenure in management, he was our president and chief executive officer responsible for operations, our chief financial officer responsible for capital management, our face to the analyst and investor communities and our corporate secretary conversant with governance trends. In the course of his financial leadership, he developed business knowledge and relationships across our operations.

Mr. Stecher was the president and chief executive officer of the company and its lead subsidiary, The Cincinnati Insurance Company, from 2008 to May 2011. For both companies, he was chief financial officer from 2001 to 2008 and executive vice president from 2006 to 2008. He also was chairman of the lead subsidiary from 2006 to 2008. He served as senior vice president for both companies until 2006, beginning in 1999 for the company and in 1997 for its lead subsidiary. He was secretary of both companies from 1999 to 2008, and treasurer for the company from 1999 to 2008. Mr. Stecher advanced through the ranks of the company's life insurance subsidiaries from 1967 to 1982, when his responsibilities within the accounting area broadened to include property casualty insurance accounting. He is a trustee since 2009 of the American Institute for Chartered Property Casualty Underwriters, and past president of the Insurance Accounting & Systems Association, Southwestern Ohio Chapter. He earned a Master of Business Administration in finance from Xavier University after graduating from the University of Cincinnati with a Bachelors of Science degree in Accounting. His activities have included service and leadership on nonprofit community boards

that support high school and college institutions.

**John F. Steele, Jr.**, age 58, has been a company director since 2005 and is a member of our audit and executive committees. He is a director on our property casualty insurance subsidiary boards.

Mr. Steele has provided his firm with corporate oversight and strategic direction of all aspects of business ownership, operations and customer relationships. He brings to our board a policyholder perspective, including intimate knowledge of family-run corporations and the construction industry, which is the source of 33 percent of our commercial general liability insurance premiums.

Mr. Steele is chairman since 2004, chief executive officer since 1994 and a director since 1985 of Hilltop Basic Resources Inc., a privately owned, Cincinnati-based aggregates and ready mixed concrete supplier to the construction industry. He started his career at Hilltop in 1978 in sales and assumed responsibility for operations over time, becoming president in 1991 and holding that title until 2004. Prior to joining Hilltop, he was a sales executive for William Powell Company, a privately owned industrial valve manufacturer for which he has been a director since 2004. He also was a director for privately owned Smook Bros. Inc., a Canadian construction company from 2006 to 2010. He has served on professional boards including the National Stone, Sand & Gravel Association, the Ohio Aggregates Association and the Ohio Ready Mixed Concrete Association. Mr. Steele has a Master of Business Administration from Xavier University and a Bachelor of Arts from Rollins College. His activities have included leadership and service on nonprofit boards for a youth mentoring organization, a university center for the study of family businesses and a community college.

**E. Anthony Woods**, age 71, has been a director of the company since 1998 and is a member of the compensation, executive and investment committees. He is a director on our insurance subsidiary boards.

Mr. Woods gained board and executive experience by leading high-growth organizations, enhancing his business development skills, financial acumen and sensitivity to shareholder expectations. His board and board committee service for multiple public and private companies in the healthcare and financial services sectors gives him a wide breadth of exposure to strategic, legal, investing, financing and operating issues and facilitates his contributions to oversight in these areas.

Mr. Woods is chairman and chief executive officer of his privately owned firm, SupportSource LLC, which offers management, financial and investment consulting. He has been chairman since 2003 of Deaconess Associations Inc., a Cincinnati-based, nonprofit healthcare services organization. From 1987 to 2003, he served as its president and chief executive officer, with prior experience from 1997 to 2003 as its chief financial officer. He has been chairman since 2006 and director since 2004 of LCA-Vision Inc., a publicly traded company, serving on its audit, compensation, governance and nominating committees. He has been a director since 2008 and audit committee member of Anchor Funding Services LLC, a financial services company serving small businesses; a director since 2006 of Phoenix Health Systems, a privately owned information technology company serving hospitals and related organizations; and a director from 2008 until its sale in 2010 of Critical Homecare Solutions Inc., a privately owned company providing home health care services. Mr. Woods has Bachelor and Master of Science degrees in engineering from the University of Tennessee and a Master of Business Administration in marketing and finance from Samford University.

Continuing Directors for Terms Expiring 2013

(Data as of March 3, 2012)

**Gregory T. Bier, CPA (Ret.)**, age 65, has been a director of the company since 2006 and currently is a member of the audit, compensation and investment committees. He is a director on our insurance subsidiary boards.

As the former lead partner of a respected independent registered public accounting firm, Mr. Bier brings to our board relevant experience with accounting and financial reporting issues, SEC filings, complex corporate transactions and mergers and acquisitions for public companies including Fifth Third Bancorp, The Procter & Gamble Company, The Midland Company, Cincinnati Financial Corporation and The E.W. Scripps Company.



Mr. Bier was the managing partner of the Cincinnati office of Deloitte & Touche LLP, an independent registered public accounting firm, from 1998 to 2002. He retired in 2002 after 23 years as a partner of the firm and 35 years of service, beginning in 1968 when he joined Haskins & Sells, which later became part of Deloitte. In 2008, he became a director of LifePoint Hospitals Inc., a public company with \$3 billion of revenues that is a leading provider of healthcare services in nonurban communities in 18 states. He chairs LifePoint's audit and compliance committee and is a member of its compensation, corporate governance and nominating, and quality committees. From 2002 to 2007, Mr. Bier was an audit committee member for Catholic Healthcare Partners, one of the largest not-for-profit health systems in the United States. A graduate of Xavier University, he became a CPA in 1970 and is a member with retired status of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants. His activities have included leadership and service on nonprofit community boards and foundations benefitting several schools, social services and civic organizations.

**Linda W. Clement-Holmes**, age 49, has been a director of the company since 2010 and is a member of the audit committee.

Ms. Clement-Holmes has led teams responsible for every computer, handheld, phone, email function, collaboration tools and systems support that keeps The Procter & Gamble Company connected and operational. Her aptitude and accomplishments in these areas help our board to effectively evaluate our business processes and technology initiatives, supporting alignment of those initiatives with our strategic goals.

Ms. Clement-Holmes is chief diversity officer and senior vice president, since February 2010, of Global Business Services for the publicly traded Procter & Gamble Company. She was vice president of Global Business Services since 2007, with responsibility from 2007 to 2009 for Central and Eastern Europe, Middle East and Africa and, in 2009, for External Strategic Alliances, Flow-to-the-Work Resources & Employee Solutions. From 2006 to 2007, she was manager, Global Business Services, Central and Eastern Europe, Middle East and Africa; and in 2005, manager of Information & Decision Solutions, Infrastructure Services & Governance. Prior management positions since 1983 included service in various business areas: IT Outsourcing Initiative, Global Engineering & Development and Communications, Knowledge & Innovation Center of Expertise, New Initiatives and E-commerce, Sales Management Systems, and Management Systems Operations and Development. Ms. Clement-Holmes holds a Bachelor of Science degree in industrial management and computer science from Purdue University. Her activities have included leadership and service in nonprofit community boards supporting families and child care, educational and civic organizations, and professional organizations.

**Douglas S. Skidmore**, age 49, has been a company director since 2004 and is a member of our audit and nominating committees.

Mr. Skidmore has been responsible in his executive roles for strategic direction, marketing, human resources and overall growth and performance of his second-generation family business, which shares many characteristics with our typical commercial policyholders. In addition to providing a policyholder view of our products and services, he has management experience that equips him to contribute to the board's oversight of business processes and technology initiatives.

Mr. Skidmore has been chief executive officer since 2003 and president and director since 1994 of Skidmore Sales & Distributing Company Inc., a privately owned, Cincinnati-based full-service independent distributor and broker of quality industrial food ingredients. He was marketing manager from 1990 to 1994. Mr. Skidmore was an account marketing representative for IBM Corporation from 1987 to 1990, with student experiences as a marketing assistant for Intellitech Corporation and a summer engineer for The Procter & Gamble Company's Food Process and Product Development Lab. He earned a Master of Business Administration degree in management and operations from the J.L. Kellogg School of Management at Northwestern University after graduating from Purdue University. He has been president of the Food Ingredient Distributors Association since 2009 and its trustee since 2005. He is a member of the

Institute of Food Technologists since 1990, with experience on its information systems committee.

Page 14

**Larry R. Webb, CPCU**, age 56, has been a director of the company since 1979 and is a member of the executive committee. He is a director on our property casualty insurance subsidiary boards.

Mr. Webb brings to our board his insights as a principal owner of an independent insurance agency, with duties in financial management and accounting oversight, information technology, human resources, sales and marketing, risk management and relationship development with insurance companies and clients. His long tenure on our board and as a large shareholder, as well as his agency's representation of our products and services since 1951, brings the board deep institutional knowledge, promoting continuity of the agent-centered mission and values essential to our business model.

Mr. Webb has been president since 1994 and director since 1980 of Webb Insurance Agency Inc., a privately owned independent insurance agency based in Lima, Ohio. Prior to becoming president, he was treasurer of the agency from 1981 to 1994. He has been a licensed insurance agent since 1977. He is a director since 2010 of SWD Inc., a privately owned wholesaler serving small business owners. A graduate of Ohio University, Mr. Webb earned the Chartered Property Casualty Underwriter designation in 1982 and served as president from 1987 to 1988 and director from 1986 to 1992 of the Grand Lake Chapter of CPCU. His activities have included leadership and service to nonprofit community boards that support business ethics, cancer research, an airport authority and cultural organizations.

#### Committees of the Board and Meetings

There are five standing committees of the board: audit, compensation, executive, investment and nominating. Each committee operates pursuant to a written charter adopted by the board, copies of which are posted on our website at [www.cinfin.com/investors](http://www.cinfin.com/investors). Each year the board considers changes to the charters recommended by each committee, if any, and reapproves them.

The following table summarizes the current membership of the board and each of its committees, as well as the number of times the board and each committee met during 2011: