

On the Notes to the Financial Statement, Note 30 has been updated as requested by the Ohio Department of Insurance per domicile state regulations.



LIFE AND ACCIDENT AND HEALTH COMPANIES — ASSOCIATION EDITION

ANNUAL STATEMENT
For the Year Ended December 31, 2011
OF THE CONDITION AND AFFAIRS OF THE

CINCINNATI LIFE INSURANCE COMPANY

NAIC Group Code	00244	(Current Period)	00244	(Prior Period)	NAIC Company Code	76236	Employer's ID Number	31-1213778
Organized under the Laws of	Ohio				State of Domicile or Port of Entry	Ohio		
Country of Domicile	United States							
Incorporated/Organized	07/02/1987				Commenced Business	02/01/1988		
Statutory Home Office	6200 SOUTH GILMORE ROAD				(Street and Number)	FAIRFIELD, OH 45014-5141		
Main Administrative Office	6200 SOUTH GILMORE ROAD				(Street and Number)	FAIRFIELD, OH 45014-5141		513-870-2000
					(City or Town, State and Zip Code)	(Area Code)	(Telephone Number)	
Mail Address	6200 SOUTH GILMORE ROAD				(Street and Number or P.O. Box)	FAIRFIELD, OH 45014-5141		
					(City or Town, State and Zip Code)			
Primary Location of Books and Records	6200 SOUTH GILMORE ROAD				(Street and Number)	FAIRFIELD, OH 45014-5141		513-870-2000
					(City or Town, State and Zip Code)	(Area Code)	(Telephone Number)	
Internet Web Site Address	WWW.CINFIN.COM							
Statutory Statement Contact	KEVIN CHRISTOPHER SMITH				(Name)	513-603-5564		
						(Area Code)	(Telephone Number) (Extension)	
	KEVIN_SMITH@CINFIN.COM				(E-Mail Address)	513-603-5500		
						(FAX Number)		

OFFICERS

Name	Title	Name	Title
DAVID HUGH POPPLEWELL	PRESIDENT	MICHAEL JAMES SEWELL #	CFO & SENIOR VICE PRESIDENT
TODD HANCOCK PENDERY	TREASURER & VICE PRESIDENT	ROGER ANDREW BROWN	ACTUARY & VICE PRESIDENT

OTHER OFFICERS

KENNETH WILLIAM STECHER #	CHAIRMAN OF THE BOARD	STEVEN JUSTUS JOHNSTON #	CHIEF EXECUTIVE OFFICER
JACOB FERDINAND SCHERER JR #	EXECUTIVE VICE PRESIDENT		
TERESA CURRIN CRACAS	SENIOR VICE PRESIDENT	BRAD ERIC BERHINGER	SENIOR VICE PRESIDENT
MARTIN FRANCIS HOLLENBECK	SENIOR VICE PRESIDENT	CRAIG WILLIAM FORRESTER	SENIOR VICE PRESIDENT
LISA ANNE LOVE #	SENIOR VICE PRESIDENT	JOHN SCOTT KELLINGTON	SENIOR VICE PRESIDENT
GLENN DOUGLAS NICHOLSON	SENIOR VICE PRESIDENT	ERIC NEIL MATHEWS	SENIOR VICE PRESIDENT
MICHAEL RAY ABRAMS	VICE PRESIDENT	TIMOTHY LEE TIMMEL	SENIOR VICE PRESIDENT
DAVID LEWIS BURBRINK	VICE PRESIDENT	ROGER ANDREW BROWN	VICE PRESIDENT
ANTHONY WAYNE DUNN	VICE PRESIDENT	JOSEPH MICHAEL DEMPSEY	VICE PRESIDENT
WILLIAM JAMES GEIER	VICE PRESIDENT	HAROLD LEE EGGERS	VICE PRESIDENT
THERESA ANN HOFFER	VICE PRESIDENT	SCOTT ALAN GILLIAM	VICE PRESIDENT
RICHARD PARKS MATSON	VICE PRESIDENT	RICHARD LOUIS MATHEWS	VICE PRESIDENT
MICHAEL KEVIN O'CONNOR	VICE PRESIDENT	DENNIS EUGENE MCDANIEL #	VICE PRESIDENT
THOMAS JOSEPH SCHEID	VICE PRESIDENT	TODD HANCOCK PENDERY	VICE PRESIDENT
STEVEN ANTHONY SOLORIA	VICE PRESIDENT	GREGORY DALE SCHMIDT	VICE PRESIDENT
MICHAEL BERNARD WEDIG	VICE PRESIDENT	DOUGLAS WAYNE STANG #	VICE PRESIDENT
BRIAN KEITH WOOD	VICE PRESIDENT	MARK ALAN WELSH	VICE PRESIDENT

DIRECTORS OR TRUSTEES

WILLIAM FORREST BAHL	GREGORY THOMAS BIER	ROGER ANDREW BROWN #	MARTIN FRANCIS HOLLENBECK
STEVEN JUSTUS JOHNSTON	WILLIAM RODNEY MCMULLEN	MARTIN JOSEPH MULLEN	GLENN DOUGLAS NICHOLSON
	JACOB FERDINAND SCHERER JR		
DAVID HUGH POPPLEWELL		JOHN JEFFERSON SCHIFF JR	THOMAS REID SCHIFF
KENNETH WILLIAM STECHER	TIMOTHY LEE TIMMEL	EARNEST ANTHONY WOODS	

State of OHIO ss
County of BUTLER

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

DAVID HUGH POPPLEWELL PRESIDENT	MICHAEL JAMES SEWELL CHIEF FINANCIAL OFFICER	TODD HANCOCK PENDERY TREASURER
a. Is this an original filing? Yes [] No [X]		
b. If no:		
1. State the amendment number		
2. Date filed		
3. Number of pages attached		

KAREN S. DONNER, NOTARY PUBLIC
OCTOBER 26, 2014

NOTES TO FINANCIAL STATEMENTS

1.

Summary of Significant Accounting Policies

A. Accounting Practices – The financial statements of the Cincinnati Life Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance. The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio.

B. Use of Estimates in the Preparation of the Financial Statements – The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policies – The Company uses the following accounting policies:

(1) Not applicable.

(2) Bonds are stated at amortized cost using the scientific method.

(3) Common Stocks are stated at market.

(4) Preferred stocks are stated at book value.

(5) Not applicable.

(6) Not applicable.

(7) Not applicable.

(8) Not applicable.

(9) The Company does not have any derivatives.

(10) Not applicable.

(11) Unpaid accident and health losses include an amount determined from individual case estimates and an amount based on historic experience, for pending losses and losses incurred but not reported. Such liabilities are based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the reserves established. The reserve factors used to establish the resulting liabilities are periodically reviewed and any adjustments are reflected in the period determined.

(12) The Company has not modified its capitalization policy from the prior period.

(13) Not applicable.

2.

Accounting Changes and Correction of Errors

A. The company had no material changes in accounting principles and/or correction of errors.

3.

Business Combinations and Goodwill

A. Statutory Purchase Method - Not applicable.

B. Statutory Merger - Not applicable.

C. Goodwill Resulting from Assumption Reinsurance - Not applicable.

D. Impairment Loss on Business Combinations and Goodwill - Not applicable.

4.

Discontinued Operations – None.

5.

Investments

A. Mortgage Loans - None

B. Debt Restructuring – None.

C. Reverse Mortgages – None.

D. Loan-Backed Securities

(1) None.

(2) None.

(3) None.

(4) None.

(5) None.

E. Repurchase Agreements – None.

F. Real Estate

(1) Real Estate Impairment – None.

(2) Real Estate Held for Sale – None.

(3) Change in Plan of Sale – None

(4) Retail Land Sales – None

G. Low-Income Housing Tax Credits – None.

6.

Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

B. Not applicable.

7.

Investment Income

A. There was no due and accrued income excluded from investment income in 2011.

B. Not applicable.

8.

Derivative Instruments

A. Not applicable

B. Not applicable

C. Not applicable

D. Not applicable

E. Not applicable

F. Not applicable
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NOTES TO FINANCIAL STATEMENTS

9. **Income Taxes**
A. The components of the net deferred tax asset/(liability) are as follows:
(1)

Description	Ordinary	2011 Capital	Total	Ordinary	2010 Capital	Total
Gross deferred tax assets	\$ 71,765,934	\$ 11,571,875	\$ 83,337,809	\$ 71,926,544	\$ 10,977,190	\$82,903,734
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	\$ 71,765,934	\$ 11,571,875	\$ 83,337,809	\$ 71,926,544	\$ 10,977,190	\$82,903,734
Gross deferred tax liabilities	(254,650)	(119,290)	(373,940)	(33,698)	-	(33,698)
Net deferred tax asset/(liability) before admissibility test	\$ 71,511,284	\$ 11,452,585	\$ 82,963,869	\$ 71,892,846	\$ 10,977,190	\$82,870,036
Admitted pursuant to Paragraph 10.a	\$ 1,378,579	\$ 601,155	\$ 1,979,733	\$ 2,075,959	\$ -	\$ 2,075,959
Paragraph 10.b.i.	11,446,004	10,970,720	22,416,724	19,610,905	2,893,173	22,504,078
Paragraph 10.b.ii.	23,635,032	23,635,032	23,635,032	26,256,282	26,256,282	26,256,282
Admitted pursuant to paragraph 10.b. (lesser of i. or ii.)	11,446,004	10,970,720	22,416,724	19,610,905	2,893,173	22,504,078
Admitted pursuant to paragraph 10.c.	373,940	-	373,940	33,698	-	33,698
Additional admitted pursuant to paragraph 10.e.i.	-	-	-	-	-	-
Paragraph 10.e.ii.a.	12,661,883	-	12,661,883	20,441,882	-	20,441,882
Paragraph 10.e.ii.b.	35,452,547	35,452,547	35,452,547	39,384,423	39,384,423	39,384,423
Additional admitted pursuant to paragraph 10.e.ii. (lesser of a. or b.)	12,661,883	-	12,661,883	16,380,000	-	16,380,000
Additional admitted pursuant to paragraph 10.e.iii.	-	-	-	-	-	-
Admitted deferred tax asset	25,860,405	11,571,875	37,432,280	38,100,562	2,893,173	40,993,735
Deferred tax liability	(254,650)	(119,290)	(373,940)	(33,698)	-	(33,698)
Net Admitted DTA or (DTL)	\$ 25,605,755	\$ 11,452,585	\$ 37,058,340	\$ 38,066,864	\$ 2,893,173	\$40,960,036
Nonadmitted DTA	\$ 45,905,529	\$ -	\$ 45,905,529	\$ 33,825,983	\$ 8,084,017	\$41,910,000

- (2) The Company has elected to admit DTAs pursuant to paragraph 10.e.
(3) The Company recorded an increase in admitted DTAs as the result of its election to employ the provisions of paragraph 10.e. as follows:

Description	Ordinary	Change During 2011 Capital	Total
Total of gross deferred tax assets(admitted and nonadmitted)	\$ (160,610)	\$ 594,685	\$ 434,075
Statutory valuation allowance	-	-	-
Adjusted gross deferred tax assets	\$ (160,610)	\$ 594,685	\$ 434,075
Gross deferred tax liabilities	(220,952)	(119,290)	(340,242)
Net deferred tax asset/(liability) before admissibility test	\$ (381,562)	\$ 475,395	\$ 93,833
Admitted pursuant to Paragraph 10.a	\$ (697,380)	\$ 601,155	\$ (96,225)
Paragraph 10.b.i.	(8,164,901)	8,077,547	(87,354)
Paragraph 10.b.ii.	(2,621,250)	(2,621,250)	(2,621,250)
Admitted pursuant to paragraph 10.b. (lesser of i. or ii.)	(8,164,901)	8,077,547	(87,354)
Admitted pursuant to paragraph 10.c.	340,242	-	340,242
Additional admitted pursuant to paragraph 10.e.i.	-	-	-
Paragraph 10.e.ii.a.	(7,779,999)	-	(7,779,999)
Paragraph 10.e.ii.b.	(3,931,876)	(3,931,876)	(3,931,876)
Additional admitted pursuant to paragraph 10.e.ii. (lesser of a. or b.)	(3,718,117)	-	(3,718,117)
Additional admitted pursuant to paragraph 10.e.iii.	-	-	-
Admitted deferred tax asset	(12,240,157)	8,678,702	(3,561,455)
Deferred tax liability	(220,952)	(119,290)	(340,242)
Change in net admitted DTA or (DTL)	\$ (12,461,109)	\$ 8,559,412	\$ (3,901,697)
Increase (decrease) in nonadmitted DTA from prior year	\$ 12,079,546	\$ (8,084,017)	\$ 3,995,529

- (4) (5)Description

As of December 31, 2011	With paragraph's 10.a. - c.	With paragraph's 10.e.	Difference
Admitted DTAs	\$ 24,770,397	\$ 37,432,280	\$ 12,661,883
Admitted assets	\$ 3,344,605,701	\$ 3,357,267,584	\$ 12,661,883
Statutory surplus (September 30, 2011)	\$ 255,632,767	\$ 268,294,650	\$ 12,661,883
Total adjusted capital	\$ 275,815,448	\$ 288,477,331	\$ 12,661,883
Authorized control level used in 10.d.	\$ 36,393,353	\$ 36,393,353	\$ -
As of December 31, 2010	With paragraph's 10.a. - c.	With paragraph's 10.e.	Difference
Admitted DTAs	\$ 24,613,735	\$ 40,993,735	\$ 16,380,000
Admitted assets	\$ 3,148,805,490	\$ 3,165,185,490	\$ 16,380,000
Statutory surplus (September 30, 2010)	\$ 299,702,270	\$ 316,082,270	\$ 16,380,000
Total adjusted capital	\$ 302,105,236	\$ 318,485,236	\$ 16,380,000
Authorized control level used in 10.d.	\$ 35,229,313	\$ 35,229,313	\$ -
Change from 2010 to 2011	With paragraph's 10.a. - c.	With paragraph's 10.e.	Difference
Admitted DTAs	\$ 156,662	\$ (3,561,455)	\$ (3,718,117)
Admitted assets	\$ 195,800,211	\$ 192,082,094	\$ (3,718,117)
Statutory surplus	\$ (44,069,503)	\$ (47,787,620)	\$ (3,718,117)
Total adjusted capital	\$ (26,289,788)	\$ (30,007,905)	\$ (3,718,117)
Authorized control level used in 10.d.	\$ 1,164,040	\$ 1,164,040	\$ -

NOTES TO FINANCIAL STATEMENTS

(6) The percentage amount tax planning strategies impact the adjusted gross DTAs:

<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
0.00%	0.00%	0.00%

The percentage amount tax planning strategies impact the net DTAs:

<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
0.00%	10.15%	10.15%

- B. Temporary differences for which a DTL has not been established: \$ -
- C. Current Tax and Change in Deferred Tax

Current income taxes incurred consist of the following major components:

Description	2011	2010
Current income tax expense	\$ 5,680,777	\$ (6,486,974)
Tax on capital gains/(losses)	(4,508,603)	3,240,708
Federal income taxes incurred	\$ 1,172,174	\$ (3,246,266)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

DTAs Resulting From Book/Tax Differences in	December 31, 2011	December 31, 2010	Change	Character
Investments	\$ 11,571,875	\$ 7,427,107	\$ 4,144,768	Capital
Unrealized losses on investments	-	3,550,083	(3,550,083)	Capital
Life and health reserves	44,802,212	47,033,882	(2,231,670)	Ordinary
DAC	24,448,511	22,488,156	1,960,355	Ordinary
Nonadmitted assets	1,052,818	838,351	214,467	Ordinary
Other, net	1,462,393	1,566,155	(103,762)	Ordinary
Gross DTAs	\$ 83,337,809	\$ 82,903,734	\$ 434,075	
Nonadmitted DTAs	\$ 45,905,529	\$ 41,910,000	\$ 3,995,529	

DTLs Resulting From Book/Tax Differences in	December 31, 2011	December 31, 2010	Change	Character
Unrealized gains on investments	\$ (119,290)	\$ -	\$ (119,290)	Capital
Other, net	(254,650)	(33,698)	(220,952)	Ordinary
Gross DTLs	\$ (373,940)	\$ (33,698)	\$ (340,242)	

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	December 31, 2011	December 31, 2010	Change
Total deferred tax assets	\$ 83,337,809	\$ 82,903,734	\$ 434,075
Total deferred tax liabilities	(373,940)	(33,698)	(340,242)
Net deferred tax asset(liability)	\$ 82,963,869	\$ 82,870,036	\$ 93,833
Tax effect of unrealized (gains)/losses			3,669,373
Change in net deferred income tax (charge)/benefit			\$ 3,763,206

	December 31, 2010	December 31, 2009	Change
Total deferred tax assets	\$ 82,903,734	\$ 90,208,064	\$ (7,304,330)
Total deferred tax liabilities	(33,698)	(11,094)	(22,604)
Net deferred tax asset(liability)	\$ 82,870,036	\$ 90,196,970	\$ (7,326,934)
Tax effect of unrealized (gains)/losses			(2,411,300)
Change in net deferred income tax (charge)/benefit			\$ (9,738,234)

NOTES TO FINANCIAL STATEMENTS

D. Reconciliation of Federal income Tax Rate to Actual Effective Rate

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

As of December 31, 2011			
Description	Amount	Tax Effect	Effective Tax Rate
		\$	
Income before taxes	\$ (6,847,445)	(2,396,606)	35.00%
Amortization of IMR	(638,379)	(223,433)	3.26%
Dividends received deduction	(130,602)	(45,711)	0.67%
Other items permanent in nature	(520,930)	(182,326)	2.66%
Other	1,347,168	471,511	(6.88)%
Total	\$ (6,790,188)	\$ (2,376,565)	34.71%
Federal income taxes incurred expense/(benefit)	\$ 16,230,790	\$ 5,680,777	(82.96)%
Tax on capital gains/(losses)	(12,881,723)	(4,508,603)	65.84%
Change in net deferred income tax charge/(benefit)	(10,752,018)	(3,763,206)	54.96%
Change in nonadmitted excluding deferred tax asset	612,763	214,467	(3.13)%
Total statutory income taxes	\$ (6,790,188)	\$ (2,376,565)	34.71%

As of December 31, 2010			
Description	Amount	Tax Effect	Effective Tax Rate
Income before taxes	\$ 16,241,401	\$ 5,684,490	35.00%
Amortization of IMR	1,673,069	585,574	3.61%
Dividends received deduction	(342,964)	(120,037)	-0.74%
Other items permanent in nature	(87,306)	(30,557)	-0.19%
Other	922,596	322,909	1.99%
Total	\$ 18,406,796	\$ 6,442,379	39.67%
Federal income taxes incurred expense/(benefit)	\$ (18,534,211)	\$ (6,486,974)	-39.94%
Tax on capital gains/(losses)	9,259,166	3,240,709	19.95%
Change in net deferred income tax charge/(benefit)	27,823,527	9,738,234	59.96%
Change in nonadmitted excluding deferred tax asset	(141,686)	(49,590)	-0.30%
Total statutory income taxes	\$ 18,406,796	\$ 6,442,379	39.67%

- E. At December 31, 2011, the Company had net operating loss carryforwards of: \$ -
At December 31, 2011, the Company had capital loss carryforwards of: \$ -

The following is income tax expense for the current and prior years that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2011	\$ (1,320,478)	\$ 1,921,633	\$ 601,155
2010	1,378,579	-	1,378,579
2009	-	-	-
Total	\$ 58,101	\$ 1,921,633	\$ 1,979,734

Deposits admitted under Internal Revenue Code Section 6603: \$ -

F. The Company’s federal income tax return is consolidated with the following entities:

- Cincinnati Financial Corporation (Parent)
- The Cincinnati Insurance Company
- The Cincinnati Casualty Company
- The Cincinnati Indemnity Company
- The Cincinnati Specialty Underwriters Insurance Company
- CFC Investment Company
- CSU Producer Resources, Inc.

The method of allocation between the companies is subject to written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with a current credit for net losses.

10. **Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**
- A. Not Applicable.
 - B. Not Applicable.
 - C. Not Applicable.
 - D. At December 31, 2011, the Company reported \$2,607,829 as amounts due from the parent company, The Cincinnati Insurance Company, and from affiliated companies, CFC Investment Company, Cincinnati Specialty Underwriters Company and CSU Producer Resources, Inc. Also at December 31, 2011 the Company reported \$329,855 as amounts due to the ultimate parent Cincinnati Financial Corporation. The terms of the settlement require that these amounts be settled within 30 days.
 - E. Not applicable.
 - F. Not applicable.
 - G. All outstanding shares of the Company are owned by the Parent Company, The Cincinnati Insurance Company, an insurance company domiciled in Ohio.
 - H. Not applicable.
 - I. Not applicable.
 - J. Not applicable.
 - K. Not applicable.
 - L. Not applicable.

11. **Debt**

NOTES TO FINANCIAL STATEMENTS

- A.

Capital Notes – The Company had no capital note obligation at December 31, 2011.
- B.

All Other Debt – The Company had no borrowed funds at December 31, 2011.
12.

Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A.

Defined Benefit Plan - None

B.

Defined Contribution Plans – None.

C.

Multi-employer Plans – None.

D.

Consolidated/Holding Company Plans – The Company participates in a qualified, noncontributory defined benefit pension plan sponsored by Cincinnati Financial Corporation, an affiliate. The Company has no legal obligations for benefits under these plans. Cincinnati Financial Corporation allocates amounts to the Company based on the percentage of participants on the Company’s payroll. The Company’s share of net expense for the qualified pension plan was \$870,938 and \$903,711 for 2011 and 2010 respectively.

E.

Post-employment Benefits & Compensated absences – None.

F.

Impact on Medicare Modernization Act on Postretirement Benefits – None.
13.

Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

A.

The Company has 2,000 shares authorized, 2,000 shares issued and 2,000 shares outstanding. All shares are Class A shares. The par value per share is \$1,500.

B.

The Company has no preferred stock outstanding.

C.

The maximum amount of dividends which may be paid by State of Ohio insurance companies to shareholders without prior approval, cannot exceed in any one year the greater of ten percent of the surplus as of December 31 next preceding, or the net income for the twelve month period ending December 31 next preceding. The maximum dividend payment that may be made in 2012 is approximately \$28,000,000. Dividends are paid as determined by the Board of Directors and are not cumulative.

D.

The Company paid \$25,000,000 in dividends to its Parent Company, The Cincinnati Insurance Company, on September 20, 2011.

E.

Within the limitations of (B) above, there are no restrictions placed on the portion of company profits that may be paid as ordinary dividends.

F.

There are no restrictions on unassigned surplus.

G.

Not applicable.

H.

The Company holds no shares of stock for special purposes.

I.

Not applicable.

J.

The portion of unassigned surplus represented or reduced by each item below is as follows:

1.

Unrealized gains and losses:

\$ 340,828 (pre-tax)

K.

The Company has no surplus debentures or similar obligations.

L.

Not applicable.

M.

Not applicable.
14.

Contingencies

A.

The Company has no commitment or contingent commitment to a SCA entity, joint venture, partnership or limited liability company.

B.

The Company is unaware of any assessments that could have a material financial effect.

C.

The Company is unaware of any gain contingencies that could have a material financial effect.

D.

In the normal course of business, the Company is involved in litigation from time to time with claimants, beneficiaries, and others; and a number of lawsuits were pending at December 31, 2011. In the opinion of the Company, the ultimate liability, if any, would not have a material adverse financial effect upon the Company.

E.

Various lawsuits against the Company have arisen in the course of the Company’s business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no assets that it considers to be impaired.
15.

Leases

A.

(1)

The Company leases company automobiles under various noncancelable operating agreements.

(2)

At December 31, 2011, the minimum agreement rental commitments are as follows:

Year Ending December 31

Operating Leases

1.

2011

\$ 36,794

2.

2012

\$ 62,973

3.

2013

\$ 62,973

4.

2014

\$ 62,973

5.

2015

\$ 31,671

6.

Total

\$ 257,384

(3)

The Company is not involved in any material sales leaseback transactions.
16.

Off-Balance Sheet Risk

- The Company does not have any financial instruments with off-balance sheet risk or any financial instruments with concentration of credit risk.
17.

Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A.

None.

B.

None.

C.

None.
18.

The Company has no Gain or Loss from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans.
19.

The Cincinnati Life Insurance Company has direct written long term care premiums of \$ 2,432,508 through a third party administrator. During 2011 the Company entered into a new TPA agreement with Asset Management Resources, to administer certain closed blocks of life and health business, who collected \$1,732,998 on our behalf.
20.

Fair Value Measurements

A.

None.

B.

None.

C.

None.
21.

Other Items

A.

Not applicable

B.

Not applicable

C.

Assets in the amount of \$4,087,732 and \$3,895,755 at December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

D.

The Company had no admitted assets receivable during 2011 and 2010 for uninsured plans or amounts due from agents.

E.

Not applicable

F.

Not applicable

G.

Not applicable

H.

Retained Assets

1.

The Company’s retained asset program is structured in the financial statements as such. Once a claimant meeting the program requirements opts to take part in the retained assets program, (Benefit Access Account), a claim is recorded and the corresponding liability set up. At that point The Northern Trust Company, which administers the program for Cincinnati Life Insurance, sets up the retained asset account and forwards all documentation including check books to the beneficiary who have full access to their funds once the necessary paperwork is completed with the administrator. From January 1 to March 31, 2011, the account holders were credited at a 1.75% interest rate; from April 1 to the end of the year that credit rate was set at 1.50%. There are no monthly service or maintenance fees for the BAA and there is no charge for withdrawals or for checks, however there are fees for special services. Each returned check are charged to the account holder at \$10 each and stop payments are charged at \$15 each.

2.

	December 31, 2011			December 31, 2010	
Category	Number	Amount	Category	Number	Amount
Up to and including 12 months	50	\$7,475,463	Up to and including 12 months	134	\$11,329,819
13 to 24 months	93	\$4,257,020	13 to 24 months	120	\$10,011,780
25 to 36 months	100	\$7,935,979	25 to 36 months	95	\$4,570,523
37 to 48 months	74	\$2,594,638	37 to 48 months	56	\$1,182,137
49 to 60 months	44	\$1,012,438	49 to 60 months	52	\$1,063,380

NOTES TO FINANCIAL STATEMENTS

Over 60 months	157	\$2,775,536	Over 60 months	127	\$2,206,602
Total	518	\$26,051,074	Total	584	\$30,364,241

3.The Company’s retained asset program consists entirely of individual contracts.

	Number	Balance/Amount
Retained Asset accounts at 1/1/2011	583	\$30,364,241
Accounts issued during 2011	73	\$11,883,736
Earnings credited during 2011	N/A	\$439,870
Fees & Other Charges during 2011	N/A	\$603
Accounts transferred to Unclaimed Property during 2011	0	\$0
Accounts closed/withdrawn during 2011	139	\$16,637,376
Retained Asset accounts at 12/31/2011	517	\$26,051,074

22. Events Subsequent – None.
23. Ceded Reinsurance Report

Section 1 – General Interrogatoriesa. No b. No

Section 2 – Ceded Reinsurance – Part Aa. No b. No

Section 3 – Ceded Reinsurance – Part Ba. \$ 344,681,257 b. No
24. Retrospectively Rated Contracts – Not applicable.
25. Change in Incurred Losses and Loss Adjustment Expense – Reserves for prior year incurred accident and health losses are periodically updated based on the result of ongoing analysis of recent loss development trends. The resulting adjustments in prior year loss development have been immaterial.
26. Inter-company Pooling Agreements – The Company is not part of a pooling arrangement with its group of affiliated insurers.
27. Structured Settlements – None.
28. Health Care Receivables – None.
29. Participating Policies – None.
30. Premium Deficiency Reserves – The Company reviewed the basis of the premium deficiency reserves including investment income as part of the calculation and concluded on January 18, 2012, that there were no premium deficiency reserves applicable for the year ending December 31, 2011.
31. Reserves for Life Contracts and Deposit Type Contracts

A. The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the month of death. Surrender values are not promised in excess of the legally computed reserves.

B. Mean reserves are determined by computing the regular mean reserve for the plan at the rated age and holding, in addition, one-half of the extra premium charge for the year.

C. As of December 31, 2011, the Company had \$ 14,188,876,287 of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of Ohio.

D. The Tabular Interest, Tabular less Actual Reserve Released and Tabular Cost have been determined by formula as described in the instructions.

E. Tabular interest on funds not involving life contingencies is calculated by subtracting from the current year end total of accumulations and deposit funds prior year end total of accumulations and deposit funds and funds added during the year, and adding funds withdrawn during the year.

F. No other reserve changes.

32. Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

	Amount	% of Total
Subject to discretionary withdrawal – with adjustment		
- with market value adjustment		
- at book value less surrender charge	\$ 468,527,083	46%
Subject to discretionary withdrawal – with adjustment		
- at book value	337,061,430	33%
Not subject to discretionary withdrawal provision	208,891,728	21%
Total gross annuity actuarial reserves and deposit fund liabilities	1,014,480,241	100%
Less: reinsurance	211,521	
Total net annuity actuarial reserves and deposit fund liabilities	\$ 1,014,268,720	
Reconciliation of Total Annuity Actuarial Reserves and Deposit Fund Liabilities*		
Exhibit 5, Section B, Totals (net)	\$ 811,573,980	
Exhibit 5, Section C, Totals (net)	2,452,843	
Exhibit 7, Column 1, Line 14	200,241,897	
Subtotal General Account	1,014,268,720	
Separate Accounts, Exhibit 3, Line 0299999, Column 2	621,069,270	
Separate Accounts, Exhibit 3, Line 0399999, Column 2	0	
Separate Accounts, Page 3, Line 1	0	
Subtotal Separate Accounts	621,069,270	
Combined Total	1,635,337,990	

33. Premium and Annuity Considerations Deferred and Uncollected
- A. Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2011 were as follows:
- | | (1)
Gross | (2)
Net of Loading |
|---------------------------|---------------|-----------------------|
| Type | | |
| (1) Industrial | \$ 1,581 | \$ 600 |
| (2) Ordinary new business | 5,881,681 | 4,321,361 |
| (3) Ordinary renewal | 32,590,587 | 74,907,930 |
| (4) Credit life | | |
| (5) Group life | 85,088 | 85,088 |
| (6) Annuity | | |
| (7) Total | \$ 38,558,937 | \$ 79,314,979 |

34. Separate Accounts
- A. Separate Account Activity
- (1) The Cincinnati Life Insurance Company utilizes separate accounts to record and account for assets and liabilities for particular lines of business and transactions. For the current reporting year, Cincinnati Life reported assets and liabilities from Bank Owned Life Insurance (BOLI) policies into a separate account. In accordance with the Ohio state procedures of approving items within the separate account, the classification of the BOLI policies into separate accounts is supported by Ohio revised code 3911.011 (B).
- (2) As of December 31, 2011 and 2010 the Company separate account statement included legally insulated assets of \$621,868,503 and \$595,864,251, respectively. All assets are legally insulated from the general account as of December 31, 2011.
- (3) In accordance with the products/transactions recorded within the separate account, some separate account liabilities are guaranteed by the general account. In accordance with these guarantees, if the investment proceeds are insufficient to cover the rate of return guaranteed for the product, the policyholder proceeds will be remitted by the general account.

a. As of December 31, 2011, the general account of the Cincinnati Life Insurance Company had a maximum guarantee for separate account liabilities of \$0.

b. As of December 31, 2011, the separate account paid \$2,081,047 to compensate the general account of the Company for the risk taken.

c. As of December 31, 2011, the general account of the Company has not made any payments towards separate account guarantees.

NOTES TO FINANCIAL STATEMENTS

- (4) The Company does not engage in security lending transactions within the separate account.
- B. General Nature and Characteristics of Separate Account Business:
Separate accounts held by the Company relate to single premium bank-owned group life insurance policies. The assets of these accounts are carried at amortized cost.

Information regarding the separate accounts of the Company is as follows:

	(1)	Separate Accounts with Guarantees		Non-guaranteed	(5)
		(2)	(3)	(4)	
	Indexed	Non-indexed Guarantee less Than/equal to 4%	Non-indexed Guarantee More than 4%	Non-guaranteed Separate Accounts	Total
1. Premiums, considerations or deposits for year ended 12/31/11					
2. Reserves at 12/31/11					
I. For accounts with assets at:					
a. Market value					
b. Amortized cost		\$ 621,868,503			\$ 621,868,503
c. Total reserves		\$ 621,868,503			\$ 621,868,503
II. By withdrawal characteristics:					
a. Subject to discretionary withdrawal					
b. With MV adjustment					
c. At book value without MV adjustment and with current surrender charge of 5%		\$ 621,868,503			\$ 621,868,503
d. At market value					
e. At book value without MV adjustment and with current surrender charge less than 1%					
f. Subtotal		\$ 621,868,503			\$ 621,868,503
g. Not subject to discretionary withdrawal					
h. Total		\$ 621,868,503			\$ 621,868,503
B. The Company transferred \$2,092,379 from Separate Accounts to the company account.					

Transfers as reported in the Summary of Operations of the Separate Accounts Statement	
A. Transfers to Separate Accounts (Page 4, Line 1.4)	\$0
B. Transfers from Separate Accounts (Page 4, Line 10)	\$ 2,092,379
C. Net transfers to or (From) Separate Accounts (a) – (b)	\$(2,092,379)
Reconciling Adjustments	
A.	\$ 0
B.	\$ 0
C.	\$ 0
Transfers as reported in the Summary of Operations of the Life, Accident & Health Annual Statement	
(1c) + (2) = (Page 4, Line 26)	\$(2,092,379)

35. Loss/Claim adjustment Expense – None.