

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Under Section 13 or 15 (d) of the
 ---- Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 1994

---- Transition Report Pursuant to Section 13 or 15 (d)
 of the Securities Exchange Act of 1934

Commission File Number 0-4604

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

An Ohio Corporation
 (State or other jurisdiction of
 incorporation or organization)

31-0746871
 (I.R.S. Employer
 Identification No.)

6200 South Gilmore Road
 Fairfield, Ohio 45014-5141

(Address of principal executive offices)

Registrant's telephone number, including area code: 513/870-2000

*Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X . NO .
 ----- -----

Securities registered pursuant to Section 12(g) of the Act:

\$2.00 Par Common--50,388,499 shares outstanding at September 30, 1994

\$80,000,000 of 5-1/2% Convertible Senior Debentures Due 2002

PART I

ITEM 1. FINANCIAL STATEMENTS

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 1994	December 30, 1993
	-----	-----
ASSETS		
- - - - -		
Cash	\$ 40,703,867	\$ 48,113,639
Investments		
Fixed Maturities (Cost 1994--\$1,892,410,000 Fair Value 1993--\$1,881,717,000).	1,915,333,869	1,759,655,272
Equity Securities (Cost 1994--\$1,294,927,000 Cost 1993--\$1,184,172,000).	2,311,309,563	2,318,803,191
Other Invested Assets.	38,626,249	38,363,656
Finance Receivables.	14,621,248	13,010,774
Premiums Receivable.	138,480,099	134,360,968
Reinsurance Receivable	57,267,823	59,060,502
Prepaid Reinsurance Premiums	26,158,512	23,966,451
Investment Income Receivable	54,420,129	50,120,280
Land, Buildings and Equipment for Company Use (at Cost Less Accumulated Depreciation)	32,850,862	31,336,331
Deferred Acquisition Costs Pertaining to Unearned Premiums and to Life Policies in Force	108,622,015	104,090,953
Other Assets	39,025,270	21,406,477
	-----	-----
Total Assets	\$4,777,419,506	\$4,602,288,494
	=====	=====
LIABILITIES		
- - - - -		
Insurance Reserves:		
Unearned Premiums.	\$ 380,461,691	\$ 362,012,334
Life Policy Reserves	365,061,333	345,977,142
Losses and Loss Expenses	1,509,061,504	1,402,508,455
Notes Payable.	119,085,075	78,065,805
5-1/2% Convertible Senior Debentures Due 2002.	80,000,000	80,000,000
Federal Income Taxes		
Current.	-0-	5,099,591
Deferred	243,550,032	290,904,126
Other Liabilities.	84,535,714	90,383,444
	-----	-----
Total Liabilities	2,782,373,349	2,654,950,897
	-----	-----
SHAREHOLDERS' EQUITY		
- - - - -		
Common Stock, \$2 per Share; Authorized 80,000,000 Shares; Issued 1994--50,401,077; 1993--50,313,161 Shares; Outstanding 1994--50,388,499; 1993--50,306,301 Shares	100,802,154	100,626,322
Paid-In Capital.	104,846,829	102,234,649
Retained Earnings.	1,103,142,697	996,358,793
Unrealized Gain on Investments, Less Taxes	686,798,800	748,513,998
	-----	-----
1,995,590,480	1,947,733,762	
Less Treasury Shares at Cost (1994--12,578 Shares; 1993--6,860 Shares).	(544,323)	(396,165)
	-----	-----
Total Shareholders' Equity	1,995,046,157	1,947,337,597
	-----	-----
Total Liabilities and Shareholders' Equity	\$4,777,419,506	\$4,602,288,494
	=====	=====

Accompanying notes are an integral part of these financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	1994	1993	1994	1993
Revenues:				
Premiums Earned:				
Property and Casualty	\$ 867,348,118	\$ 811,594,942	\$293,582,804	\$277,069,237
Life	32,194,272	29,738,248	11,004,201	10,002,078
Accident and Health	5,417,645	5,655,888	1,824,144	1,839,424
Net Premiums Earned	904,960,035	846,989,078	306,411,149	288,910,739
Investment Income, Less Expenses	195,516,422	178,253,537	65,868,082	58,310,837
Realized Gain on Investments	31,504,672	49,283,150	6,680,050	7,708,941
Other Income	8,268,208	7,740,037	2,766,985	2,603,407
Total Revenues	1,140,249,337	1,082,265,802	381,726,266	357,533,924
Benefits & Expenses:				
Ins. Losses and Policyholder Ben.	673,238,888	623,311,430	232,745,504	220,071,300
Commissions	175,685,779	163,739,977	60,436,825	52,458,025
Other Operating Expenses	63,409,776	63,141,293	21,906,095	22,184,066
Taxes, Licenses & Fees	30,617,436	25,911,654	9,805,054	8,799,896
Increase in Deferred Acquisition Costs Pertaining to Unearned Premiums and to Life Policies in Force	(4,531,062)	(10,604,426)	(3,519,809)	(3,557,535)
Interest Expense	7,074,385	5,495,097	2,828,519	1,775,417
Other Expenses	2,027,332	2,315,843	657,525	819,073
Total Expenses	947,522,534	873,310,868	324,859,713	302,550,242
Income Before Income Taxes and Cum. Effect of a Change in Acct. Prin.	192,726,803	208,954,934	56,866,533	54,983,682
Provision (Benefit) for Inc. Taxes:				
Current	51,715,436	55,009,564	12,416,605	15,645,081
Deferred	(14,122,861)	(1,152,792)	(3,101,932)	3,576,583
Total	37,592,575	53,856,772	9,314,673	19,221,664
Income Before Cum. Effect of Change in Accounting for Income Taxes	155,134,228	155,098,162	47,551,880	35,762,018
Cum. Effect of Change in Acct. for Income Taxes	-0-	13,844,678	-0-	-0-
Net Income	\$ 155,134,228	\$ 168,942,840	\$ 47,551,880	\$ 35,762,018
(Decrease) Increase in Unrealized Gains on Fixed Maturities and Equity Investments	\$ (94,946,375)	\$ 150,616,420	\$ 35,782,812	\$ 66,674,436
Less (Benefits) Provision for Federal Income Taxes	(33,231,177)	51,876,328	12,524,019	23,336,053
(Decrease) Increase in Unrealized Gains on Fixed Maturities and Equity Investments Less Applicable Federal Income Taxes	\$ (61,715,198)	\$ 98,740,092	\$ 23,258,793	\$ 43,388,383
Weighted Average Shares Outstanding	52,208,284	52,056,493	52,233,141	52,188,896
Per Common Share:				
Net Income Before Cum. Effect of Change in Acct. for Income Taxes	\$3.01	\$3.04	\$.92	\$.71
Cum. Effect of Change in Acct. for Income Taxes	-0-	.26	-0-	-0-
Total Net Income	\$3.01	\$3.30	\$.92	\$.71
Cash Dividends Declared	\$.96	\$.84	\$.32	\$.28

Accompanying notes are an integral part of these financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)NINE MONTHS ENDED SEPTEMBER 30, 1994

	Common Stock Shares -----	Amount -----	Treasury Stock -----	Paid-In Capital -----	Retained Earnings -----	Unrealized Gains on Investments -----
Balance December 31, 1993	50,313,161	\$100,626,322	\$(396,165)	\$102,234,649	\$ 996,358,793	\$748,513,998
Net Income					155,134,228	
Effect of Change in Accounting for Fixed Maturity Invest., Net of Income Taxes of \$42,721,703						79,340,305
Change in Unrealized Gains on Fixed Mat. and Equity Invest., Net of Income Taxes of \$75,952,934						(141,055,503)
Dividends Declared					(48,350,324)	
Purchase of Treasury Stock			(148,158)	(1,449)		
Stock Issued Upon Exercise of Stock Options	87,916 -----	175,832 -----	-----	2,613,629 -----	-----	-----
Balance Sept. 30, 1994	50,401,007 =====	\$100,802,154 =====	\$(544,323) =====	\$104,846,829 =====	\$1,103,142,697 =====	\$686,798,800 =====

Accompanying notes are an integral part of these financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	1994	1993
Cash flows from operating activities:		
Net income	\$ 155,134,228	\$ 168,942,840
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	6,753,226	7,538,166
Increase in net unearned premiums	16,257,295	27,442,109
Increase in net life policy reserves	19,084,191	22,326,340
Increase in net loss and loss expense reserves	108,963,728	124,106,816
Increase in net premiums receivable	(4,119,131)	(9,711,896)
Increase in deferred acquisition costs	(4,531,062)	(10,604,426)
(Decrease) increase in other liabilities	(7,886,286)	13,706,268
Increase in investment income receivable	(4,299,849)	(3,057,039)
Increase in policy loans and accounts receivable	(13,291,534)	(4,449,598)
Decrease in deferred income taxes	(14,122,861)	(27,460,674)
(Decrease) Increase in current income taxes	(9,413,208)	3,402,927
Realized gain on investments	(31,504,672)	(49,283,150)
Other	643,293	(1,108,1900)
Net cash provided by operating activities	217,667,358	261,790,493
Cash flows from investing activities:		
Sale of fixed maturities investments	66,789,210	79,259,761
Maturity of fixed maturities investments	181,013,701	229,545,247
Sale of equity securities investments	169,499,008	146,438,596
Collection of mortgage loans	552,762	2,001,491
Collection of finance receivables	4,812,081	4,834,073
Purchase of fixed maturities investments	(368,896,771)	(385,711,707)
Purchase of equity securities investments	(259,440,021)	(285,064,459)
Investment in mortgage loans	(1,139,740)	(548,451)
Investment in land, buildings and equipment	(8,362,392)	(6,132,431)
Investment in finance receivables	(6,422,555)	(5,697,118)
Investment in real estate and other	(829,768)	(562,050)
Net cash used in investing activities	(222,424,485)	(221,637,048)
Cash flows from financing activities:		
Proceeds from stock options exercised	2,789,461	6,115,916
(Purchase) Issuance of treasury shares	(149,607)	19,300
Increase in notes payable	41,019,270	342,077
Payment of cash dividends to shareholders	(46,311,769)	(41,054,172)
Net cash provided by (used in) financing activities	(2,652,645)	(34,576,879)
Net decrease in cash	(7,409,772)	5,576,566
Cash at beginning of period	48,113,639	49,982,702
Cash at end of period	\$ 40,703,867	\$ 55,559,268
Supplemental disclosures of cash flow information		
Interest paid	\$ 5,956,088	\$ 4,397,363
Income taxes paid	\$ 61,192,157	\$ 55,000,000

Accompanying notes are an integral part of these financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE I - ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, each of which is wholly owned, and are presented in conformity with generally accepted accounting principles. All significant inter-company investments and transactions have been eliminated in consolidation. The December 31, 1993 consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures required by generally accepted accounting principles.

INVESTMENTS--The Company adopted Statement of Financial Accounting Standards (SFAS) 115 "Accounting for Certain Investments in Debt and Equity Securities" effective January 1, 1994. With the adoption of SFAS 115, fixed maturities have been classified as available for sale and are stated at fair values at September 30, 1994, while fixed maturities were primarily carried at amortized costs at December 31, 1993. Equity securities are carried at fair values at September 30, 1994 and December 31, 1993.

UNREALIZED GAINS AND LOSSES--As indicated in the accompanying consolidated statement of shareholders' equity for the nine-month period ended September 30, 1994, the Company had an unrealized loss of \$141,055,503. For the three-month period ended September 30, 1994, the Company had an unrealized gain of \$23,258,793. For the nine-month period ended September 30, 1994, fixed maturity and equity securities' investments reflected decreases in unrealized gains (net of income tax effects) of \$64,194,116 and \$76,861,387, respectively. For the three-month period ended September 30, 1994, fixed maturity and equity securities' investments reflected a decrease and increase in unrealized gains (net of income tax effects) of \$7,504,059 and \$30,762,852, respectively. For the nine-month and three-month periods ended September 30, 1993, equity securities' investments reflected increases in unrealized gains (net of income tax effects) of \$98,740,092 and \$43,338,383, respectively. Such amounts are included as additions to and deductions from shareholders' equity. For the nine-month and three-month periods ended September 30, 1993, fixed maturity investments had increases and decreases in unrecognized unrealized gains (net of income tax effects) of \$2,582,170 and \$44,335, respectively.

REINSURANCE--Premiums earned are net of \$76,486,577 and \$65,450,001 of premium on ceded business; and insurance losses and policyholder benefits are net of \$14,423,110 and \$24,323,145 of reinsurance recoveries for the nine-month periods ended September 30, 1994 and 1993, respectively. Premiums earned are net of \$15,208,720 and \$22,593,727 of premium on ceded business; and insurance losses and policyholder benefits are net of \$6,860,085 and \$6,421,048 of reinsurance recoveries for the three-month periods ended September 30, 1994 and 1993, respectively.

NOTE II - STOCK OPTIONS

The Company has primarily qualified stock option plans under which options are granted to employees of the Company at prices which are not less than market price at the date of grant and which are exercisable over a five-year period, or over a ten-year period if granted on or after

July 25, 1990. On September 30, 1994, outstanding options for Stock Option Plan No. III totalled 87,831 shares with purchase prices ranging from a low of \$13.08 to a high of \$26.17 and outstanding options for Stock Option Plan No. IV totalled 719,299 shares with purchase prices ranging from a low of \$24.67 to a high of \$62.25.

NOTE III INTERIM ADJUSTMENTS

The preceding summary of financial information for Cincinnati Financial Corporation and consolidated subsidiaries is unaudited, but the Company believes that all adjustments (consisting only of normal recurring accruals) necessary for fair presentation have been made. The results of operations for interim periods are not necessarily indications of results to be expected for this year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Premiums earned for the nine months ended September 30, 1994 have increased \$57,970,957 (7%) over the nine months ended September 30, 1993. Also, premiums earned have increased \$17,500,410 (6%) for the three months ended September 30, 1994 over the three months ended September 30, 1993. The premium growth is attributable to new business and rate increases on direct business. The growth rate of our property and casualty subsidiaries is less than last year on both a gross written and earned premium basis for both the nine-month and three-month periods because of the continued softness of the commercial lines market. The premium volume of our life and health subsidiary has increased 6% for the nine months ended September 30, 1994 and 8% for the three months ended September 30, 1994 compared to the comparable periods of 1993. The premium growth in our life subsidiary is the result of increased life insurance business which was offset by the reduction in accident and health insurance. For the nine-month and three-month periods ended September 30, 1994, investment income, net of expenses, has increased \$17,262,885 (10%) and \$7,557,245 (13%) when compared with the first nine months and third three months of 1993, respectively. This increase is the result of the growth of the investment portfolio because of investing cash flows from increased premiums written. The growth rate is greater than last year because of higher yields on new investments.

Realized gains on investments for the nine months ended September 30, 1994 amounted to \$31,504,672 compared to \$49,283,150 for the nine-month period ended September 30, 1993, and \$6,680,050 for the three-month period ended September 30, 1994 compared to \$7,708,941 for the three-month period ended September 30, 1993. The realized gains are predominantly the result of the sale of equity securities and management's decision to realize the gains and reinvest the proceeds at higher yields.

Insurance losses and policyholder benefits (net of reinsurance recoveries) increased \$49,927,458 (8%) for the first nine months of 1994 over the same period in 1993 and increased \$12,674,204 (6%) for the third quarter when compared to the third quarter of 1993. The losses and benefits of the property and casualty companies have increased \$50,198,651 for the nine-month period and increased \$11,904,594 for the third quarter of 1994 compared to the comparable periods of 1993. The losses for the first nine months and the third quarter have increased because of the growth of new business and a higher incidence of claims. Catastrophe losses were \$20.4 million and \$22.6 million, respectively, for the first nine months of 1994 and 1993 and were \$2.2 million and \$1.3 million, respectively, for the third quarter of 1994 and 1993. These losses were higher in the first quarter and third quarter of 1994 compared to the first quarter and third quarter of 1993 because of a higher incidence and severity of these weather related claims. The losses for the second quarter of 1994 compared to the same quarter of 1993 were lower because of a lower incidence and severity of claims and favorable claim development on first quarter catastrophe claims.

Policyholder benefits of the life insurance subsidiary decreased \$271,193 for the first nine months of 1994 over the same period in 1993 and increased \$769,610 for the third quarter when compared to the third quarter of 1993. The nine-month decrease was due to a lower incidence of accident and health claims while the third quarter increase was the result of a higher incidence of death claims and related life benefits.

Commission expenses increased \$7,978,800 for the third quarter of 1994 compared to the third quarter of 1993. This increase is mainly attributable to the increases in new business and the effects of underwriting results before catastrophe losses on accruals for contingent commission expense.

Taxes, licenses and fees increased \$4,705,782 for the first nine months of 1994 over the same period in 1993 and increased \$1,005,158 for the third quarter when compared to the third quarter of 1993. The increase in taxes is the result of higher state franchise taxes, state corporate income taxes, city taxes on premium collections, and guaranty fund assessments for Hurricane Andrew.

Provision for income taxes, current and deferred, have decreased by \$16,264,197 for the first nine months of 1994 compared to the first nine months of 1993 and have decreased \$9,906,991 for the third quarter of 1994 compared to the third quarter of 1993. The decrease in taxes for the first nine months is attributable to lower income before taxes and the effect of the 1993 tax rate change. The taxes for the third quarter decreased because of the tax rate change. The tax rate change increased taxes for the third quarter 1993 and year-to-date 1993 by \$9,907,324. Included in this amount was the income tax expense of \$11,249,403 resulting from the effect of the tax rate change on unrealized appreciation of equity investments. The Company did not incur an alternative minimum tax in the first nine months nor third quarter of 1994 or 1993.

Notes payable increased \$41,019,270 for the first nine months and increased \$10,268,410 for the third quarter of 1994. The Company borrowed the additional funds to pay for the increased losses in the property and casualty companies instead of paying the losses from cash flow because the Company decided to take advantage of the investment opportunities that were available at that time.

Unrealized appreciation will fluctuate with changes in the overall fixed maturities and equity securities market. Unrealized appreciation related to the Company's equity investment portfolio decreased in the first nine months of 1994 by \$118,248,206 (\$76,861,387 decrease in shareholders' equity, net of deferred income taxes) while, for the first nine months of 1993, it increased by \$150,616,420 (\$98,740,092 increase in shareholders' equity, net of deferred income taxes). Unrealized appreciation related to the Company's equity investment portfolio increased in the third three months of 1994 by \$47,327,518 (\$30,762,853 increase of shareholders' equity, net of deferred income taxes) while the third three months of 1993, it increased by \$66,674,436 (\$43,338,383 increase in shareholders' equity, net of deferred taxes). The Company's equity investment portfolio continues to be primarily investments in common stocks of public utility companies and financial institutions.

PART II
OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is involved in no material litigation other than routine litigation incident to the nature of the insurance industry.

ITEM 2. Changes in Securities

There have been no material changes in securities during the third quarter.

ITEM 3. Defaults Upon Senior Securities

The Company has not defaulted on any interest or principal payment, and no arrearage in the payment of dividends has occurred.

ITEM 4. Submission of Matters to a Vote of Security Holders

No special matters were voted upon by security holders during the third quarter.

ITEM 5. Other Information

No matters to report.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits included:

Exhibit 11--Statement re Computation of Per Share Earnings.
Exhibit 27--Financial Data Schedule

(b) The Company was not required to file any reports on Form 8-K during the quarter ended September 30, 1994.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CINCINNATI FINANCIAL CORPORATION

(Registrant)

Date November 14, 1994

By /s/ Robert J. Driehaus

R. J. Driehaus
Financial Vice President & Treasurer
(Principal Financial Officer)

EXHIBIT 11

CINCINNATI FINANCIAL CORPORATION
 STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
 (in thousands except for per share amounts)

	Nine Months Ended September 30,		Three Months Ended September 30	
	1994	1993	1994	1993
Weighted average shares outstanding	50,348	50,092	50,375	50,161
Equivalent shares assumed to be outstanding for:				
Stock options	243	339	232	331
Convertible debentures	1,626	1,626	1,626	1,626
Number of weighted average shares outstanding for primary computation	52,208	52,057	52,233	52,118
Other dilutive equivalent shares-- stock options	0	0	0	0
Number of shares assuming full dilution	52,208	52,057	52,233	52,118
Net income before cumulative effect of change in accounting for income taxes	\$155,134	\$155,098	\$ 47,552	\$ 35,762
Interest on convertible debentures-- net of tax	2,145	2,629	715	1,177
Cumulative effect of change in accounting for income taxes	-0-	13,845	-0-	-0-
Net income for per share computation	\$157,279	\$171,572	\$ 48,267	\$ 36,939
Earnings per share:				
Primary before cumulative effect of change in accounting for income taxes	\$ 3.01	\$ 3.04	\$.92	\$.71
Cumulative effect of change in accounting for income taxes	-0-	.26	-0-	-0-
Total Primary	\$ 3.01	\$ 3.30	\$.92	\$.71
Fully Diluted	\$ 3.01	\$ 3.30	\$.92	\$.71

This schedule contains summary financial information extracted from the S-K and is qualified in its entirety by reference to such financial statements.

9-MOS	
	SEP-30-1994
	JAN-01-1994
	SEP-30-1994
1,915,333,869	
	0
	0
	2,311,309,563
	5,329,022
	16,311,358
	4,265,269,681
	40,703,867
	1,133,682
108,622,015	
	4,777,419,506
	1,827,209,850
	380,461,691
	44,871,085
	3,422,797
	199,085,075
	100,257,831
	0
	0
	1,894,788,326
4,777,419,506	
	904,960,035
	195,516,422
	31,504,672
	8,268,208
	673,238,888
54,916,502	
	219,372,144
	192,726,803
	37,592,575
	155,134,228
	0
	0
	0
	155,134,228
	3.01
	3.01
	1,380,925,959
	0
	0
	0
	0
	1,481,721,391
	0

--Equals the sum of Fixed Maturities, Equity Securities and other Invested Assests

--Equals the sum of Life Policy Reserves and Losses and Loss Expenses less the Life Company liability for Supplementary Contracts without Life Contingencies which is classified as Other Policyholder Funds

--Equals the sum of Notes Payable and the 5-1/2% Convertible Senior Debenture

--Equals the Total Shareholders Equity

--Equals the Sum of Commissions, Other Operating Expenses, Taxes licenses and Fees, Increase in deferred acquisition costs, Interest expense and other expenses

--Equals the reserve for unpaid claims for both the property casualty and life insurance subsidiaries as of December 31, 1993

--Equals the reserve for unpaid claims for both the property casualty and life insurance subsidiaries as of September 30, 1994