

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

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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, 1995

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

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Commission File Number 0-4604

CINCINNATI FINANCIAL CORPORATION  
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(Exact name of registrant as specified in its charter)

An Ohio Corporation	31-0746871
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	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
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Securities registered pursuant to Section 12(g) of the Act:

\$2.00 Par Common--53,027,672 shares outstanding at September 30, 1995

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

## PART I

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## ITEM 1. FINANCIAL STATEMENTS

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 1995 -----	December 31, 1994 -----
<b>ASSETS</b> -----		
Cash . . . . .	\$ 38,877,201	\$ 48,254,464
Investments		
Fixed Maturities (Cost: 1995--\$2,226,834,497; 1994--\$1,976,314,328) . . . . .	2,338,778,440	1,943,116,277
Equity Securities (Cost: 1995--\$1,385,358,658; 1994--\$1,289,443,730) . . . . .	2,684,397,387	2,230,246,516
Other Invested Assets . . . . .	39,841,350	38,815,948
Finance Receivables . . . . .	19,279,495	16,168,514
Premiums Receivable . . . . .	161,819,006	141,972,017
Reinsurance Receivable . . . . .	95,707,399	67,125,191
Prepaid Reinsurance Premiums . . . . .	23,393,135	24,066,171
Investment Income Receivable . . . . .	63,447,091	56,069,113
Land, Buildings and Equipment for Company Use (at Cost Less Accumulated Depreciation) . . . . .	32,574,210	32,672,741
Deferred Acquisition Costs Pertaining to Unearned Premiums and to Life Policies in Force . . . . .	118,119,217	109,503,487
Other Assets . . . . .	40,419,795	26,268,434
	-----	-----
Total Assets	\$5,656,653,726 =====	\$4,734,278,873 =====
<b>LIABILITIES</b> -----		
Insurance Reserves:		
Life Policy Reserves . . . . .	\$ 395,331,593	\$ 370,095,301
Losses and Loss Expenses . . . . .	1,703,510,898	1,552,296,866
Unearned Premiums . . . . .	406,540,218	382,119,017
Notes Payable . . . . .	197,649,310	129,115,650
5-1/2% Convertible Senior Debentures Due 2002 . . . . .	80,000,000	80,000,000
Federal Income Taxes		
Current . . . . .	10,629,663	-0-
Deferred . . . . .	370,076,520	195,447,391
Other Liabilities . . . . .	99,704,804	85,157,413
	-----	-----
Total Liabilities	3,263,443,006	2,794,231,638
<b>SHAREHOLDERS' EQUITY</b> -----		
*Common Stock, \$2 per Share; Authorized 80,000,000 Shares; Issued 1995--53,067,651; 1994--52,957,773 Shares; Outstanding 1995--53,027,672; 1994--52,938,838 Shares . . . . .	106,135,302	100,871,948
Paid-In Capital . . . . .	236,399,066	105,791,761
Retained Earnings . . . . .	1,124,303,214	1,133,104,811
Unrealized Gain on Investments, Less Taxes . . . . .	928,388,139	601,192,480
	-----	-----
	2,395,225,721	1,940,961,000
*Less Treasury Shares at Cost (1995--39,979 Shares; 1994--18,935 Shares) . . . . .	(2,015,001)	(913,765)
	-----	-----
Total Shareholders' Equity . . . . .	2,393,210,720	1,940,047,235
	-----	-----
Total Liabilities and Shareholders' Equity . . . . .	\$ 5,656,653,726 =====	\$4,734,278,873 =====

\*Adjusted to reflect 5% stock dividend effective March 17, 1995.  
Accompanying notes are an integral part of these financial statements.

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

	Nine Months Ended Sept. 30,		Three Months Ended Sept. 30,	
	1995	1994	1995	1994
Revenues:				
Premiums Earned:				
Property and Casualty . . . . .	\$ 935,212,076	\$ 867,348,118	\$316,795,076	\$293,582,804
Life . . . . .	32,923,047	32,194,272	11,246,097	11,004,201
Accident and Health . . . . .	5,562,013	5,417,645	1,870,379	1,824,144
Net Premiums Earned . . . . .	973,697,136	904,960,035	329,911,552	306,411,149
Investment Income, Less Expenses . . . . .	223,550,773	195,516,422	76,105,459	65,868,082
Realized Gain on Investments . . . . .	31,303,394	31,504,672	7,668,261	6,680,050
Other Income . . . . .	7,816,844	8,268,208	2,972,281	2,766,985
Total Revenues . . . . .	1,236,368,147	1,140,249,337	416,657,553	381,726,266
Benefits & Expenses:				
Ins. Losses and Policyholder Ben. . . . .	712,086,070	673,238,888	241,044,955	232,745,504
Commissions . . . . .	183,440,100	175,685,779	61,587,975	60,436,825
Other Operating Expenses . . . . .	73,025,419	63,409,776	26,364,563	21,906,095
Taxes, Licenses & Fees . . . . .	28,281,967	30,617,436	8,925,878	9,805,054
Increase in Deferred Acquisition Costs Pertaining to Unearned Premiums and to Life Policies in Force . . . . .	(8,615,731)	(4,531,062)	(4,522,789)	(3,519,809)
Interest Expense . . . . .	12,819,852	7,074,385	4,837,283	2,828,519
Other Expenses . . . . .	4,904,822	2,027,332	1,446,355	657,525
Total Expenses . . . . .	1,005,942,499	947,522,534	339,684,220	324,859,713
Income Before Income Taxes . . . . .	230,425,648	192,726,803	76,973,333	56,866,553
Provision (Benefit) for Inc. Taxes:				
Current . . . . .	53,139,686	51,715,436	14,054,820	12,416,605
Deferred . . . . .	297,883	(14,122,861)	4,315,613	(3,101,932)
Total . . . . .	53,437,569	37,592,575	18,370,433	9,314,673
Net Income . . . . .	\$ 176,988,079	\$ 155,134,228	\$ 58,602,900	\$ 47,551,880
Weighted Average Shares Outstanding . . . . .	54,915,561	54,818,698*	54,944,685	54,844,798*
Per Common Share:				
Total Net Income . . . . .	\$3.26	\$2.87*	\$1.08	\$ .88*
Cash Dividends Declared . . . . .	\$1.00	\$ .91*	\$ .34	\$ .30*

\*Adjusted to reflect 5% stock dividend effective March 17, 1995.  
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, 1995  
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	Common Stock Shares -----	Amount -----	Treasury Stock -----	Paid-In Capital -----	Retained Earnings -----	Unrealized Capital Gains (Losses) -----
Balance Dec. 31, 1994	50,435,974	\$100,871,948	\$(913,765)	\$105,791,761	\$1,133,104,811	\$601,192,480
Net Income					176,988,079	
Change in Unrealized Gains Net of Inc. Taxes of \$176,182,278						327,195,659
Dividends Declared					(53,224,793)	
5% Stock Dividend at Market	2,521,546	5,043,092		127,338,073	(132,564,883)*	
Purchase of Treasury Shares			(1,101,236)	4,436		
Stock Options Exercised	110,131	220,262		3,264,796		
	-----	-----	-----	-----	-----	-----
Balance Sept. 30, 1995	53,067,651 =====	\$106,135,302 =====	\$(2,015,001) =====	\$236,399,066 =====	\$1,124,303,214 =====	\$928,388,139 =====

Accompanying notes are an integral part of these financial statements.

\*Includes \$183,718 cash paid for fractional shares in March, 1995.

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

	Nine Months Ended September 30,	
	1995	1994
	----	----
Cash flows from operating activities:		
Net income . . . . .	\$176,988,079	\$ 155,134,228
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization . . . . .	6,740,990	6,753,226
Increase in net unearned premiums . . . . .	25,094,237	16,257,295
Increase in net life policy reserves . . . . .	25,236,292	19,084,191
Increase in net loss and loss expense reserves . . . . .	122,631,824	108,963,728
Increase in net premiums receivable . . . . .	(19,846,989)	(4,119,131)
Increase in deferred acquisition costs . . . . .	(8,615,730)	(4,531,062)
Increase (decrease) in other liabilities . . . . .	12,450,089	(7,886,286)
Increase in investment income receivable . . . . .	(7,377,978)	(4,299,849)
Increase in policy loans and accounts receivable . . . . .	(18,617,264)	(13,291,534)
Decrease in deferred income taxes . . . . .	(1,553,149)	(14,122,861)
Increase (decrease) in current income taxes . . . . .	12,566,440	(9,413,208)
Realized gain on investments . . . . .	(31,303,394)	(31,504,672)
Other . . . . .	1,494,596	643,293
	-----	-----
Net cash provided by operating activities . . . . .	295,888,043	217,667,358
	-----	-----
Cash flows from investing activities:		
Sale of fixed maturities investments . . . . .	110,330,569	66,789,210
Maturity of fixed maturities investments . . . . .	145,656,562	181,013,701
Sale of equity securities investments . . . . .	221,452,824	169,499,008
Collection of mortgage loans . . . . .	415,242	552,762
Collection of finance receivables . . . . .	5,992,361	4,812,081
Purchase of fixed maturities investments . . . . .	(492,073,695)	(368,896,771)
Purchase of equity securities investments . . . . .	(299,571,471)	(259,440,021)
Investment in mortgage loans . . . . .	(392,531)	(1,139,741)
Investment in land, buildings and equipment . . . . .	(7,210,591)	(8,362,391)
Investment in finance receivables . . . . .	(9,103,340)	(6,422,555)
Investment in real estate and other . . . . .	(170,702)	(829,768)
	-----	-----
Net cash used in investing activities . . . . .	(324,674,772)	(222,424,485)
	-----	-----
Cash flows from financing activities:		
Proceeds from stock options exercised . . . . .	3,485,058	2,789,461
Purchase of treasury shares . . . . .	(1,096,800)	(149,607)
Increase in notes payable . . . . .	68,533,660	41,019,270
Payment of cash dividends to shareholders . . . . .	(51,512,452)	(46,311,769)
	-----	-----
Net cash provided by financing activities . . . . .	19,409,466	(2,652,645)
	-----	-----
Net decrease in cash . . . . .	(9,377,263)	(7,409,772)
Cash at beginning of period . . . . .	48,254,464	48,113,639
	-----	-----
Cash at end of period . . . . .	\$ 38,877,201	\$ 40,703,867
	=====	=====
Supplemental disclosures of cash flow information		
Interest paid . . . . .	\$ 11,485,922	\$ 5,956,088
	=====	=====
Income taxes paid . . . . .	\$ 46,000,000	\$ 61,192,157
	=====	=====

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, 1994 consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures required by generally accepted accounting principles.

INVESTMENTS--Fixed maturities and equity securities have been classified as available for sale and are carried at fair values at September 30, 1995 and December 31, 1994.

UNREALIZED GAINS AND LOSSES--The increases (decreases) in unrealized gains for fixed maturities and equity securities (net of income tax effect) for the nine-month and three-month periods ended September 30 are as follows:

	Fixed Maturities -----	Equity Securities -----	Total -----
Nine-Month Periods Ended			
September 30, 1995	\$ 94,342,296	\$ 232,853,363	\$ 327,195,659
September 30, 1994	(64,194,116)	(76,861,387)	(141,055,503)
Three-Month Periods Ended			
September 30, 1995	\$ 1,595,539	\$ 93,963,151	\$ 95,558,690
September 30, 1994	(7,504,060)	30,762,853	23,258,793

Such amounts are included as additions to and deductions from shareholders' equity.

REINSURANCE--Premiums earned are net of premiums on ceded business, and insurance losses and policyholder benefits are net of reinsurance recoveries in the accompanying statements of income for the nine-month and three-month periods ended September 30 as follows:

	Ceded Premiums -----	Reinsurance Recoveries -----
Nine-Month Periods Ended		
September 30, 1995	\$63,858,772	\$29,849,669
September 30, 1994	76,486,577	14,423,110
Three-Month Periods Ended		
September 30, 1995	\$23,252,553	\$1,632,321
September 30, 1994	15,208,720	6,860,085

## 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, 1995, outstanding options for Stock Option Plan No. III totalled 87,977 shares with purchase prices ranging from a low of \$12.46 to a high of \$23.13 and outstanding options for Stock Option Plan No. IV totalled 722,635 shares with purchase prices ranging from a low of \$23.50 to a high of \$59.29. All outstanding shares have been adjusted for the 5% stock dividend declared February 4, 1995, payable April 28, 1995 to shareholders of record of March 17, 1995.

## 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, 1995 have increased \$68,737,101 (8%) over the nine months ended September 30, 1994. Also, premiums earned have increased \$23,500,403 (8%) for the three months ended September 30, 1995 over the three months ended September 30, 1994. For the nine-month period ended September 30, 1995, the growth rate of our property and casualty subsidiaries is greater than last year on both a gross written and earned premium basis. For the three-month period ended September 30, 1995, the growth rate is slightly less on a gross written basis and slightly greater on an earned premium basis when compared to the third quarter of 1994. The increase in new business, some rate increases, and lower reinsurance costs were somewhat offset by the continued softness of the commercial lines market. The premium volume of our life and health subsidiary has increased 2% for the nine months ended September 30, 1995 and for the three months ended September 30, 1995 compared to the comparable periods of 1994. The premium growth in our life subsidiary is the result of slight increases in life and health insurance sales. For the nine-month and three-month periods ended September 30, 1995, investment income, net of expenses, has increased \$28,034,351 (14%) and \$10,237,377 (16%) when compared with the first nine months and third three months of 1994, respectively. This increase is the result of the growth of the investment portfolio. The growth rate is greater than last year because of higher yields on new investments and on increased cash flow provided by operating activities.

Realized gains on investments for the nine months ended September 30, 1995 amounted to \$31,303,394 compared to \$31,504,672 for the nine-month period ended September 30, 1994, and \$7,668,261 for the three-month period ended September 30, 1995 compared to \$6,680,050 for the three-month period ended September 30, 1994. 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 \$38,847,182 (6%) for the first nine months of 1995 over the same period in 1994 and increased \$8,299,451 (4%) for the third quarter when compared to the third quarter of 1994. The losses and benefits of the property and casualty companies have increased \$34,307,135 for the nine-month period and increased \$5,650,952 for the third quarter of 1995 compared to the comparable periods of 1994. The losses for the first nine months and for the third quarter have increased because of the growth of new business and a higher incidence of claims. Catastrophe losses were \$9.9 million and \$20.4 million, respectively, for the first nine months of 1995 and 1994 and were \$5.5 million and \$2.2 million, respectively, for the third quarter of 1995 and 1994. These losses were substantially lower in the first nine months of 1995 compared to the first nine months of 1994 because of a lower incidence and severity of these weather related claims. The losses for the third quarter of 1995 compared to the same quarter of 1994 were higher because of a higher incidence and severity of claims.

Policyholder benefits of the life insurance subsidiary increased \$4,540,047 for the first nine months of 1995 over the same period of 1994 and increased \$2,648,499 for the third quarter when compared to the third quarter of 1994. The majority of the nine-month and third quarter increase is the result of a higher incidence of death and disability income claims and related costs.



Commission expenses increased \$7,754,321 for the nine-month period ended September 30, 1995 compared to the same period for 1994 and increased \$1,151,150 for the third quarter of 1995 compared to the same period in 1994. The increase is mainly attributable to the increases in new business and the effects of favorable underwriting results. Other operating expenses increased \$9,615,643 for the nine-month period ended September 30, 1995 compared to the same period for 1994 and increased \$4,458,468 for the third quarter of 1995 compared to the same period in 1994. The increase is the result of general wage increases and the increase in the number of employees from 1,975 at December 31, 1993 to 2,250 at September 30, 1995 and the related expenses associated with the production of new business.

Taxes, licenses and fees decreased \$2,335,469 for the first nine months of 1995 compared to the same period for 1994 and decreased \$879,176 for the third quarter when compared to the third quarter of 1994. The decrease in taxes is the result of lower state corporate income taxes and state guaranty fund assessments.

Provision for income taxes, current and deferred, have increased by \$15,844,994 for the first nine months of 1995 compared to the first nine months of 1994 and have increased \$9,055,760 for the third quarter of 1995 compared to the third quarter of 1994. The increase in taxes for the first nine months and the third three months is attributable to higher operating income in our property casualty companies and higher taxable investment income and net dividends received for the corporation. The Company did not incur an alternative minimum tax in 1995 or 1994.

Notes payable increased \$68,533,660 for the first nine months and increased \$563,426 for the third quarter of 1995. 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. Changes in unrealized appreciation are discussed in Note 1. 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  
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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  
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There have been no material changes in securities during the third quarter.

ITEM 3.               Defaults Upon Senior Securities  
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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  
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No special matters were voted upon by security holders during the third quarter.

ITEM 5.               Other Information  
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No matters to report.

ITEM 6.               Exhibits and Reports on Form 8-K  
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(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, 1995.

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 13, 1995  
-----

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	
	1995	1994*	1995	1994*
Weighted average shares outstanding	53,010	52,865	53,034	52,894
Equivalent shares assumed to be outstanding for:				
Stock options	199	246	204	244
Convertible debentures	1,707	1,707	1,707	1,707
Number of shares for primary computation	54,916	54,818	54,945	54,845
Other dilutive equivalent shares-- stock options	7	-0-	7	-0-
Number of shares assuming full dilution	54,923	54,818	54,952	54,845
Net income	\$176,988	\$155,134	\$58,603	\$47,552
Interest on convertible debentures-- net of tax	2,145	2,145	715	715
Net income for per share computation	\$179,133	\$157,279	\$59,318	\$48,267
Earnings per share:				
Total Primary	\$ 3.26	\$ 2.87	\$ 1.08	\$ .88
Fully Diluted	\$ 3.26	\$ 2.87	\$ 1.08	\$ .88

\*Common shares and their equivalent have been adjusted to reflect the 5% stock dividend effective March 17, 1995.

9-MOS  
     SEP-30-1995  
         JAN-01-1995  
         SEP-30-1995  
 2,338,778,440  
     0  
         0  
         2,684,397,387  
             5,572,693  
         15,505,556  
         5,063,017,177  
             38,877,201  
         1,064,896  
 118,119,217  
         5,656,653,726  
         2,048,474,294  
         406,540,218  
             47,603,012  
         6,178,324  
             277,649,310  
                 104,120,301  
             0  
                 0  
                 2,289,090,419  
 5,656,653,726  
         973,697,136  
         223,550,773  
         31,303,394  
             7,816,844  
                 712,086,070  
 57,578,110  
         236,278,319  
             230,425,648  
                 53,437,569  
         176,988,079  
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                 176,988,079  
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         1,510,150,293  
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                     0  
                     0  
         1,655,907,887  
             0

Equals the sum of Fixed Maturities, Equity Securities and other Invested Assets  
 Equals the sum of Life Policy Reserves and Losses and Loss Expenses Less the  
 Life Company Liability for Supplementary Contracts without Contingencies of  
 \$2,765,185 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 expenses other expenses  
 Equals the reserve for unpaid claims for the property casualty subsidiaries  
 less loss checks payable as of December 31, 1994  
 Equals the reserve for unpaid claims for the property casualty  
 subsidiaries less loss checks payable as of September 30, 1995