

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1994

Commission file number
0-4604

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Ohio

31-0746871

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

6200 S. Gilmore Road, Fairfield, Ohio

45014-5141

(Address of principal executive offices)

(Zip Code)

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

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

NONE

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

Title of Each Class -----	Exchange on Which Registered -----
\$2.00 Par, Common	Over The Counter
5-1/2% Convertible Senior Debentures Due 2002	Over The Counter

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 ☒ No ☐

The aggregate market value of voting stock held by nonaffiliates of Cincinnati Financial Corporation was \$2,274,194,981 as of March 1, 1995.

As of March 1, 1995, there were 50,465,998 shares of common stock outstanding.

Documents Incorporated by Reference

Annual Report to Shareholders for year ended December 31, 1994 (in part) into Parts I, II and IV and Registrant's Proxy Statement dated February 27, 1995 into Parts I, III and IV.

PART I

ITEM 1. BUSINESS

Cincinnati Financial Corporation ("CFC") was incorporated on September 20, 1968 under the laws of the State of Delaware. On April 4, 1992, the shareholders voted to adopt an Agreement of Merger by means of which the reincorporation of the Corporation from the State of Delaware to the State of Ohio was accomplished. CFC owns 100% of The Cincinnati Insurance Company ("CIC") and 100% of CFC Investment Company ("CFC-I"). The principal purpose of CFC is to be a holding company for CIC and CFC-I and in addition for the purpose of acquiring other companies.

CIC, incorporated in August, 1950, is an insurance carrier presently licensed to conduct multiple line underwriting in accordance with Section 3941.02 of the Revised Code of Ohio. This includes the sale of fire, automobile, casualty, bonds, and all related forms of property and casualty insurance in 50 states and the District of Columbia. CIC is not authorized to write any other forms of insurance. CIC is in a highly competitive industry and competes in varying degrees with a large number of stock and mutual companies. CIC also owns 100% of the stock of the following insurance companies.

1. The Cincinnati Life Insurance Company ("CLIC") incorporated in 1987 under the laws of Ohio for the purpose of acquiring the business of Inter-Ocean and The Life Insurance Company of Cincinnati. CLIC acquired The Life Insurance Company of Cincinnati and Inter-Ocean Insurance Company on February 1, 1988. CLIC is engaged in the sale of life insurance and accident and health insurance in 46 states and the District of Columbia.
2. The Cincinnati Casualty Company ("CCC") (formerly the Queen City Indemnity Company), incorporated in 1972 under the laws of Ohio, is engaged in the fire and casualty insurance business on a direct billing basis in 29 states. The business of CIC and CCC is conducted separately, and there are no plans for combining the business of said companies.
3. The Cincinnati Indemnity Company ("CID"), incorporated in 1988 under the laws of Ohio, is engaged in the writing of nonpreferred personal and casualty lines of insurance in 21 states. The business of CIC and CID is conducted separately, and there are no plans for combining the business of said companies.

CFC-I, organized in 1970, owns certain real estate in the Greater Cincinnati area and is in the business of leasing or financing various items, principally automobiles, trucks, computer equipment, machine tools, construction equipment, and office equipment.

Industry segment information for operating profits and identifiable assets is included on page 30 of the Company's Annual Report to Shareholders and is incorporated herein by reference (see Exhibit 13 to this filing).

As more fully discussed in pages 7 through 12 in the Company's Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing), the company sells insurance primarily in the Midwest and Southeast through a network of a limited number (974 in 25

states at December 31, 1994) of selectively appointed independent agents, most of whom own stock in the Company. Gross written premiums by property/casualty lines increased 5.8% to \$1.287 billion in 1994. The Company's mix of property/casualty business did not change significantly in 1994. Life and accident and health insurance (which constituted only 4% of the Company's premium income for 1994) is also sold primarily through property/casualty agencies and did not change significantly in 1994.

The consolidated financial statements include the estimated liability for unpaid losses and loss adjustment expenses ("LAE") of the Company's property/casualty ("P/C") insurance subsidiaries. The subsidiaries write property and casualty insurance in 50 states and the District of Columbia. The liabilities for losses and LAE are determined using case-basis evaluations and statistical projections and represent estimates of the ultimate net cost of all unpaid losses and LAE incurred through December 31 of each year. These estimates are subject to the effect of trends in future claim severity and frequency. These estimates are continually reviewed; and as experience develops and new information becomes known, the liability is adjusted as necessary. Such adjustments, if any, are reflected in current operations.

The Company does not discount any of its property/casualty liabilities for unpaid losses and unpaid loss adjustment expenses.

The two tables are used to present an analysis of losses and LAE. The first table, providing a reconciliation of beginning and ending liability balances for 1994, 1993, and 1992, is on page 27 in the Company's Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing). The second table, showing the development of the estimated liability for the ten years prior to 1994 is presented on the next page.

The reconciliation shows a 1994 recognition of \$92,892,000 redundancy in the December 31, 1993 liability. This redundancy is due in part to the effects of settling case reserves established in prior years for less than expected and also in part to the over estimation of the severity of IBNR losses. Average severity continues to increase primarily because of increases in medical costs related to workers' compensation and auto liability insurance. Litigation expenses for recent court cases on pending liability claims continue to be very costly; and judgments continue to be high and difficult to estimate. Also, reserves for environmental claims have been reviewed and the Company believes that the reserves are adequate. Exposures are minimal as a result of the types of risks we have insured in the past. Historically, most commercial accounts written post-date the coverages which afford clean up costs and superfund responses.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for anticipated changes in underwriting standards, policy provisions, and general economic trends. These trends are monitored based on actual development and are modified if necessary.

3

4

The limits on risks retained by the Company vary by type of policy, and risks in excess of the retention limits are reinsured. Because of the growth in the Company's capacity to underwrite risks and reinsurance market conditions, in 1987, the Company raised its retention limits from \$500,000 to \$750,000 for casualty lines of insurance. In 1989, the casualty and property lines retention limits were further raised to \$1,000,000.

There are no differences between the liability reported in the accompanying consolidated financial statements in accordance with generally accepted accounting principles ("GAAP") and that reported in the annual statement filed with state insurance departments in accordance with statutory accounting practices ("SAP").

ANALYSIS OF LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT (Millions of Dollars)											
Year Ended December 31	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
-----	----	----	----	----	----	----	----	----	----	----	----
Net Liability for Unpaid Losses and Loss Adjustment Expenses	\$212	\$272	\$377	\$534	\$631	\$742	\$833	\$986	\$1,138	\$1,293	\$1,432
Net Liability Reestimated as of:											
One Year Later	229	344	444	548	671	751	869	956	1,098	1,200	
Two Years Later	266	382	460	584	634	747	816	928	993		
Three Years Later	279	382	480	544	622	696	795	823			
Four Years Later	284	383	452	535	596	676	723				
Five Years Later	280	370	447	523	580	635					
Six Years Later	273	370	443	508	551						
Seven Years Later	272	367	429	496							
Eight Years Later	274	364	431								
Nine Years Later	275	366									
Ten Years Later	277										
Net Cumulative Redundancy (Deficiency)	\$(65)	\$(94)	\$(54)	\$ 38	\$ 80	\$107	\$110	\$163	\$145	\$ 93	
-----	----	----	----	----	----	----	----	----	----	-----	
Net Cumulative Amount of Liability Paid Through:											
One Year Later	\$99	\$137	\$153	\$178	\$204	\$238	\$232	\$280	\$310	\$ 343	
Two Years Later	159	217	247	292	321	356	397	440	498		
Three Years Later	198	266	313	362	390	446	493	546			
Four Years Later	220	300	351	398	441	497	552				
Five Years Later	237	316	367	427	467	528					
Six Years Later	245	324	387	441	485						
Seven Years Later	247	338	394	454							
Eight Years Later	253	340	402								
Nine Years Later	255	348									
Ten Years Later	261										
Gross Liability--End of Year									\$1,200	\$1,365	\$1,510
Reinsurance Recoverable									62	72	78
Net Liability--End of Year									-----	-----	-----
									\$1,138	\$1,293	\$1,432
									=====	=====	=====
Gross Reestimated Liability--Latest									\$1,050	\$1,265	
Reestimated Recoverable--Latest									57	65	
Net Reestimated Liability--Latest									-----	-----	
									\$ 993	\$1,200	
									=====	=====	
Gross Cumulative Redundancy									\$ 145	\$ 93	

The table above presents the development of balance sheet liabilities for 1984 through 1994. The top line of the table shows the

4

5

estimated liability for unpaid losses and LAE recorded at the balance sheet date for each of the indicated years. This liability represents the estimated amount of losses and LAE for claims arising in all prior years that are unpaid at the balance sheet date, including losses that had been incurred but not yet reported to the Company. The upper portion of the table shows the reestimated amount of the previously recorded liability based on experience as of the end of each succeeding year. The estimate is increased or decreased as more information becomes known about the frequency and severity of claims for individual years.

The "cumulative redundancy (deficiency)" represents the aggregate change in the estimates over all prior years. For example, the 1987 liability has developed a \$38,000,000 redundancy over seven years and has been reflected in income over the seven years. The effects on income of the past three years of changes in estimates of the liabilities for losses and LAE for all accident years is shown in the reconciliation table.

The lower section of the table shows the cumulative amount paid with respect to the previously recorded liability as of the end of each succeeding year. For example, as of December 31, 1994, the Company had paid \$454,000,000 of the currently estimated \$496,000,000 of losses and LAE that have been incurred as of the end of 1987; thus an estimated \$42,000,000 of losses incurred as of the end of 1987 remain unpaid as of the current financial statement date.

In evaluating this information, it should be noted that each amount includes the effects of all changes in amounts for prior periods. For example, the amount of deficiency or redundancy related to losses settled in 1992, but incurred in 1987, will be included in the cumulative deficiency or redundancy amount for 1987 and each subsequent year. This table does not present accident or policy year development data which readers may be more accustomed to analyzing. Conditions and trends that have affected development of the liability in the past may not necessarily occur in the future. Accordingly, it may not be appropriate to extrapolate future redundancies or deficiencies based on this table.

The Company limits the maximum net loss that can arise by large risks or risks concentrated in areas of exposure by reinsuring (ceding) with other insurers or reinsurers. Related thereto, the Company's retention levels were last increased from \$750,000 to \$1,000,000 during 1989. Management presently intends to raise such retention levels in 1995 to \$2,000,000. The Company reinsures with only financially sound companies. The composition of its reinsurers has not changed, and the Company has not experienced any uncollectible reinsurance amounts or coverage disputes with its reinsurers in more than ten years.

Information concerning the Company's investment strategy and philosophy is contained in page 32 of the Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing). The Company's primary strategy is to maintain liquidity to meet both its immediate and long-range insurance obligations through the purchase and maintenance of medium-risk fixed maturity and equity securities, while earning optimal returns on medium-risk equity securities which offer growing dividends and capital appreciation. The Company usually holds

5

6

these securities to maturity unless there is a change in credit risk or the securities are called by the issuer. Historically, municipal bonds (with concentrations in the essential services, i.e. schools, sewer, water, etc.) have been attractive to the Company due to their tax exempt features. Because of Alternative Minimum Tax matters, the Company uses a blend of tax-exempt and

taxable fixed maturity securities. Investments in common stocks have been made with an emphasis on securities with an annual dividend yield of at least 4 to 5 percent and annual dividend increases. The Company's strategy in equity investments is to identify approximately 10 to 12 companies in which it can accumulate 10 to 20 percent of their common stock. As a long-term investor, a buy and hold strategy has been followed for many years, resulting in an accumulation of a significant amount of unrealized appreciation on equity securities.

As of December 31, 1994, CFC employed 2,110 persons.

ITEM 2. PROPERTIES

CFC-I owns a fully leased 85,000 square feet office building in downtown Cincinnati that is currently leased to Proctor and Gamble Company, a non-affiliated company, on a net, net, net lease basis. This property is carried in the financial statements at \$691,040 as of December 31, 1994.

CFC-I also owns the Home Office building located on 75 acres of land in Fairfield, Ohio. This building contains approximately 380,000 square feet. The John J. and Thomas R. Schiff & Company occupies approximately 5,350 square feet, and the balance of the building is occupied by CFC and its subsidiaries. The property is carried in the financial statements at \$12,870,631 as of December 31, 1994.

CFC-I also owns the Fairfield Executive Center which is located on the northwest corner of the home office property in Fairfield, Ohio. This is a four-story office building containing approximately 124,000 square feet. CFC and its subsidiaries occupy approximately 9% of the building, unaffiliated tenants occupy approximately 89% of the building, and the balance is currently available for lease. The property is carried in the financial statements at \$10,441,164 as of December 31, 1994.

The CLIC owns a four-story office building in the Tri-County area of Cincinnati containing approximately 127,000 square feet. At the present time, 100% of the building is currently being leased. This property is carried in the financial statements at \$4,982,622 as of December 31, 1994.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

CFC filed with the commission on February 27, 1995, definitive proxy statements and annual reports pursuant to Regulation 14A. Material filed was the same as that described in Item 4 and is incorporated herein by reference. No matters were submitted during the fourth quarter.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED

STOCKHOLDER MATTERS

This information is included in the Annual Report of the Registrant to its shareholders on page 5 for the year ended December 31, 1994 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 6. SELECTED FINANCIAL DATA

This information is included in the Annual Report of the Registrant to its shareholders on pages 18 and 19 for the year ended December 31, 1994 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This information is included in the Annual Report of the Registrant to its shareholders on pages 31 and 32 for the year ended December 31, 1994 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) Financial Statements

The following consolidated financial statements of the Registrant and its subsidiaries, included in the Annual Report of the Registrant to its shareholders on pages 19 to 29 for the year ended December 31, 1994, are incorporated herein by reference (see Exhibit 13 to this filing).

Independent Auditors' Report
Consolidated Balance Sheets--December 31, 1994 and 1993
Consolidated Statements of Income--Years ended
December 31, 1994, 1993, and 1992
Consolidated Statements of Shareholders' Equity--Years
ended December 31, 1994, 1993, and 1992
Consolidated Statements of Cash Flows--Years ended
December 31, 1994, 1993, and 1992.

Notes to Consolidated Financial Statements

(b) Supplementary Data

Selected quarterly financial data, included in the Annual Report of the Registrant to its shareholders on Page 1 for the year ended December 31, 1994, is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING
AND FINANCIAL DISCLOSURE

There were no disagreements on accounting and financial disclosure requirements with accountants within the last 24 months prior to December 31, 1994.

7

8

PART III

CFC filed with the Commission on February 27, 1995 definitive proxy statements pursuant to regulation 14-A. Material filed was the same as that described in Item 10, Directors and Executive Officers of the Registrant; Item 11, Executive Compensation; Item 12, Security Ownership of Certain Beneficial Owners and Management; Item 13, Certain Relationships and Related Transactions, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Filed Documents. The following documents are filed as part of this report:

1. Financial Statements--incorporated herein by reference (see Exhibit 13 to this filing) as listed in Part II of this Report.
2. Financial Statement Schedules and Independent Auditors' Report:
Independent Auditors' Report
Schedule I--Summary of Investments
Other than Investments in Related Parties
Schedule III--Supplementary Insurance Information
Schedule IV--Reinsurance
Schedule VI--Supplemental Information Concerning
Property-Casualty Insurance Operations

All other schedules are omitted because they are not required, inapplicable or the information is included in the financial statements or notes thereto.

3. Exhibits:

Exhibit 11--Statement re computation of per share earnings for years ended December 31, 1994, 1993, and 1992
Exhibit 13--Material incorporated by reference from the annual report of the registrant to its shareholders for the year ended December 31, 1994
Exhibit 21--Subsidiaries of the registrant--information contained in Part I of this report.
Exhibit 22--Notice of Annual Meeting of Shareholders and Proxy Statement dated February 27, 1995 filed with Securities and Exchange Commission, Washington, D.C., 20549
Exhibit 23--Independent Auditors' Consent
Exhibit 27--Financial Data Schedule
Exhibit 28--Information from reports furnished to state insurance regulatory authorities

(b) Reports on Form 8-K--NONE

8

9

INDEPENDENT AUDITORS' REPORT

To The Shareholders and Board of Directors of
Cincinnati Financial Corporation

We have audited the consolidated financial statements of Cincinnati Financial Corporation and its subsidiaries as of December 31, 1994 and 1993 and for each of the three years in the period ended December 31, 1994, and have issued our report thereon dated February 13, 1995; such consolidated financial statements and report are included in your 1994 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedules of Cincinnati Financial Corporation and its subsidiaries listed in Item 14(a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

/S/ Deloitte & Touche LLP

Cincinnati, Ohio
February 13, 1995

9

10

SCHEDULE I

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
SUMMARY OF INVESTMENTS--OTHER THAN INVESTMENTS IN RELATED PARTIES
DECEMBER 31, 1994

(000 omitted)

Type of Investment	Cost	Fair Value	Amount at which shown in balance sheet
-----	----	----	-----

Fixed Maturities:

Bonds:

United States Government and
government agencies and
authorities

The Cincinnati Indemnity Company . .	\$ 200	\$ 205	\$ 205
The Cincinnati Casualty Company . .	150	139	139
The Cincinnati Life Insurance Company	3,750	3,793	3,793
Total	4,100	4,137	4,137

States, municipalities and political
subdivisions:

The Cincinnati Insurance Company . .	706,304	698,553	698,553
The Cincinnati Indemnity Company . .	4,844	4,919	4,919
The Cincinnati Casualty Company . .	62,581	61,851	61,851
The Cincinnati Life Insurance Company	4,266	4,164	4,164
Total	777,995	769,487	769,487

Public Utilities:

The Cincinnati Insurance Company . .	34,695	32,293	32,293
The Cincinnati Casualty Company . .	8,999	9,030	9,030
The Cincinnati Life Insurance Company	34,653	33,423	33,423
Total	78,347	74,746	74,746

Convertibles and Bonds with warrants
attached:

The Cincinnati Insurance Company . .	144,302	144,210	144,210
The Cincinnati Casualty Company . .	2,550	2,247	2,247
The Cincinnati Life Insurance Company	25,435	24,442	24,442
Cincinnati Financial Corporation . .	10,289	9,438	9,438
Total	182,576	180,337	180,337

All other Corporate Bonds:

The Cincinnati Insurance Company . .	327,768	329,512	329,512
The Cincinnati Indemnity Company . .	16,984	16,686	16,686
The Cincinnati Casualty Company . .	62,851	63,135	63,135
The Cincinnati Life Insurance Company	314,541	305,813	305,813
Cincinnati Financial Corporation . .	211,152	199,263	199,263
Total	933,296	914,409	914,409

TOTAL FIXED MATURITIES	\$1,976,314	\$1,943,116	\$1,943,116
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10

11

(000 omitted)

Equity Securities:

Common Stocks

Public Utilities

The Cincinnati Insurance Company . .	\$ 69,438	\$ 160,820	\$ 160,820
The Cincinnati Indemnity Company . .	884	878	878
The Cincinnati Casualty Company . .	13,062	16,556	16,556
The Cincinnati Life Ins. Company . .	36,035	72,142	72,142
Cincinnati Financial Corp	80,375	267,887	267,887
Total	199,794	518,283	518,283

Banks, trust and insurance companies

The Cincinnati Insurance Company . .	46,870	178,272	178,272
The Cincinnati Casualty Company . .	1,716	10,080	10,080

Amount at
which shown
in balance
sheet

Type of Investment

Cost

Fair
Value

The Cincinnati Life Ins. Company. . .	4,596	13,751	13,751
Cincinnati Financial Corporation. . .	245,621	622,546	622,546
Total	298,803	824,649	824,649
Industrial miscellaneous and all other			
The Cincinnati Insurance Company. . .	151,546	227,459	227,459
The Cincinnati Indemnity Company. . .	7,191	7,160	7,160
The Cincinnati Casualty Company. . .	15,582	17,028	17,028
The Cincinnati Life Ins. Company. . .	23,140	34,343	34,343
Cincinnati Financial Corporation. . .	37,485	46,976	46,976
Total	234,944	332,966	332,966
Nonredeemable preferred stocks			
The Cincinnati Insurance Company. . .	431,553	427,516	427,516
The Cincinnati Casualty Company. . .	13,443	14,535	14,535
The Cincinnati Life Ins. Company. . .	102,967	104,019	104,019
Cincinnati Financial Corporation. . .	7,940	8,279	8,279
Total	555,903	554,349	554,349
TOTAL EQUITY SECURITIES	\$1,289,444	\$2,230,247	\$2,230,247
Mortgage loans on real estate			
The Cincinnati Life Ins. Company. . .	\$ 2,110	XXXXXXXXXX	\$ 2,110
CFC-I Investment Company	3,485	XXXXXXXXXX	3,485
Total	5,595	XXXXXXXXXX	5,595
Real Estate			
The Cincinnati Life Ins. Company. . .	4,983	XXXXXXXXXX	4,983
CFC-I Investment Company	11,132	XXXXXXXXXX	11,132
Total	16,115	XXXXXXXXXX	16,115
Policy Loans			
The Cincinnati Life Ins. Company. . .	17,106	XXXXXXXXXX	17,106
TOTAL OTHER INVESTED ASSETS	38,816	XXXXXXXXXX	38,816
TOTAL INVESTMENTS	\$3,304,574	XXXXXXXXXX	\$4,212,179
	=====		=====

SCHEDULE III

CINCINNATI FINANCIAL CORPORATION & SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
FOR YEARS ENDED DECEMBER 31, 1994, 1993, AND 1992
(000 omitted)

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Segment	Deferred Policy Acquisition Cost	Future Policy Benefits, Losses, Claims & Expense Losses	Unearned Premiums	Other Policy Claims & Benefits Payable	Premium Revenue	Net Investment Income	Benefits, Claims Losses & Settlement Expenses
1994							
Property and Liability Insurance	\$ 69,169	\$1,510,150	\$377,764	\$24,654	\$1,169,940	\$165,260	\$854,804
Life/Health Insurance	40,334	378,432	1,655	11,856	49,093	48,339	46,010
Total	\$109,503	\$1,888,582	\$379,419	\$36,510	\$1,219,033	\$213,599	\$900,814
	=====	=====	=====	=====	=====	=====	=====
1993							
Property and Liability Insurance	\$ 64,086	\$1,365,052	\$357,515	\$21,582	\$1,092,135	\$168,190	\$788,318

Life/Health Insurance	40,005	354,028	1,762	10,557	48,656	45,844	44,160
	-----	-----	-----	-----	-----	-----	-----
Total	\$104,091	\$1,719,080	\$359,277	\$32,139	\$1,140,791	\$214,034	\$832,478
	=====	=====	=====	=====	=====	=====	=====
1992							
Property and Liability Insurance	\$ 58,883	\$1,200,182	\$321,173	\$19,688	\$ 992,335	\$156,958	\$721,800
Life/Health Insurance	38,451	322,682	1,297	12,334	46,437	44,328	44,310
	-----	-----	-----	-----	-----	-----	-----
Total	\$ 97,334	\$1,522,864	\$322,470	\$32,022	\$1,038,772	\$201,286	\$766,110
	=====	=====	=====	=====	=====	=====	=====

Column A	Column I	Column J	Column K
-----	-----	-----	-----

	Amortization of Deferred		
	Policy	Other	
	Acquisition	Operating	Premium
Segment	Costs	Expenses	Written
-----	-----	-----	-----

1994			
Property and Liability Insurance	\$64,086	\$260,975	\$1,190,824
Life/Health Insurance	8,824	14,579	7,204 (4)
	-----	-----	-----
Total	\$72,910	\$275,554	\$1,198,028
	=====	=====	=====

1993			
Property and Liability Insurance	\$58,883	\$252,456	\$1,123,780
Life/Health Insurance	7,760	13,146	7,459 (4)
	-----	-----	-----
Total	\$66,643	\$265,602	\$1,131,239
	=====	=====	=====

1992			
Property and Liability Insurance	\$55,157	\$241,983	\$1,014,971
Life/Health Insurance	9,719	13,343	8,402 (4)
	-----	-----	-----
Total	\$64,876	\$255,326	\$1,023,373
	=====	=====	=====

<FN>
Notes to Schedule III:

- (1) The sum of columns C, D, & E is equal to the sum of losses and loss expense reserves, Life policy reserves, and Unearned premium reserves reported in the Company's consolidated balance sheets.
- (2) The sum of columns I & J is equal to the sum of Commissions, Other operating expenses, Taxes, licenses, and fees, Increase in deferred acquisition costs, and Other expenses shown in the consolidated statements of income, less other expenses not applicable to the above insurance segments.
- (3) Investment income amounts for the above insurance segments represent investment income on the actual investment securities in each such segment. Investment expenses, which are deducted from investment income, and other operating expenses include both expenses incurred directly in the insurance segments and expenses allocated to and among the insurance segments based on historical usage factors. The life/health segment is conducted totally within one subsidiary that has no other segments.
- (4) Amounts represent written premiums on accident and health insurance business only.

SCHEDULE IV

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
REINSURANCE
FOR YEARS ENDING DECEMBER 31, 1994, 1993, AND 1992
(000 omitted)

Column A -----	Column B -----	Column C -----	Column D -----	Column E -----	Column F -----
	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net

1994 ----					
Life Insurance in Force	\$7,473,906 =====	\$855,389 =====	\$ 23,102 =====	\$6,641,619 =====	.3%
Premiums					
Life/Health Insurance	\$ 52,251	\$ 3,303	\$ 145	\$ 49,093	.3%
Property/Liability Ins.	1,207,036	100,842	63,746	1,169,940	5.4%
	-----	-----	-----	-----	
Total Premiums	\$1,259,287 =====	\$104,145 =====	\$ 63,891 =====	\$1,219,033 =====	5.2%
1993 ----					
Life Insurance in Force	\$6,740,142 =====	\$761,452 =====	\$ 25,712 =====	\$6,004,402 =====	.4%
Premiums					
Life/Health Insurance	\$ 51,011	\$ 2,521	\$ 166	\$ 48,656	.3%
Property/Liability Ins.	1,114,330	87,820	65,625	1,092,135	6.0%
	-----	-----	-----	-----	
Total Premiums	\$1,165,341 =====	\$ 90,341 =====	\$ 65,791 =====	\$1,140,791 =====	5.8%
1992 ----					
Life Insurance in Force	\$6,079,681 =====	\$640,756 =====	\$ 31,540 =====	\$5,470,465 =====	.6%
Premiums					
Life/Health Insurance	\$ 48,655	\$ 2,432	\$ 214	\$ 46,437	.5%
Property/Liability Ins.	1,017,814	72,415	46,936	992,335	4.7%
	-----	-----	-----	-----	
Total Premiums	\$1,066,469 =====	\$ 74,847 =====	\$ 47,150 =====	\$1,038,772 =====	4.5%

SCHEDULE VI

CINCINNATI FINANCIAL CORPORATION & SUBSIDIARIES
SUPPLEMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
FOR YEARS ENDED DECEMBER 31, 1994, 1993, AND 1992
(000 omitted)

Column A -----	Column B -----	Column C -----	Column D -----	Column E -----	Column F -----	Column G -----
Affiliation with Registrant	Deferred Policy Acquisition Costs	Reserves for Unpaid Claims and Claim Adjustment Expenses	Discount if any, Deducted in Column C	Unearned Premiums	Earned Premiums	Net Investment Income

Consolidated Property-Casualty Entities						
1994	\$69,169 =====	\$1,510,150 =====	\$-0- =====	\$377,764 =====	\$1,169,940 =====	\$165,260 =====
1993	\$64,086 =====	\$1,365,052 =====	\$-0- =====	\$357,515 =====	\$1,092,135 =====	\$168,190 =====
1992	\$58,883 =====	\$1,200,182 =====	\$-0- =====	\$321,173 =====	\$ 992,335 =====	\$156,958 =====

	Column H -----		Column I -----	Column J -----	Column K -----	
	Claim Adjustment Expenses Incurred Related to -----		Amortization of Deferred Policy	Paid Claims and Claim		
	(1)	(2)				

	Current Year	Prior Years	Acquisition Costs	Adjustment Expenses	Premiums Written

Consolidated Property-Casualty Entities					
1994	\$948,581 =====	\$(92,892) =====	\$64,086 =====	\$717,025 =====	\$1,190,824 =====
1993	\$828,978 =====	\$(39,769) =====	\$58,883 =====	\$633,681 =====	\$1,123,780 =====
1992	\$752,993 =====	\$(30,351) =====	\$55,157 =====	\$571,018 =====	\$1,014,971 =====

14

15

S I G N A T U R E S

Pursuant to the requirements of Section 13 or 15 (d) 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

Signature -----	Title -----	Date -----
/S/ Robert B. Morgan ----- Robert B. Morgan	Chief Executive Officer, President and Director	March 21, 1995
/S/ Robert J. Driehaus ----- Robert J. Driehaus	Financial Vice President Treasurer and Director (Principal Financial Officer) (Principal Accounting Officer)	March 21, 1995
/S/ Vincent H. Beckman ----- Vincent H. Beckman	Secretary and Director	March 23, 1995
/S/ Michael Brown ----- Michael Brown	Director	March 23, 1995
----- Richard M. Burridge	Director	March , 1995
----- David R. Huhn	Director	March , 1995
/S/ Kenneth C. Lichtendahl ----- Kenneth C. Lichtendahl	Director	March 23, 1995
----- Jackson H. Randolph	Director	March , 1995

76

16

Signature

Title

Date

-----	-----	----
----- John Sawyer	Director	March , 1995
/S/ John J. Schiff		
----- John J. Schiff	Director	March 21, 1995
/S/ John J. Schiff, Jr.		
----- John J. Schiff, Jr.	Chairman of the Board and Director	March 22, 1995
----- Robert C. Schiff	Director	March , 1995
/S/ Thomas R. Schiff		
----- Thomas R. Schiff	Director	March 22, 1995
----- Harry M. Turner	Director	March , 1995
----- Larry R. Webb	Director	March , 1995
----- Alan R. Weiler	Director	March , 1995
/S/ William H. Zimmer		
----- William H. Zimmer	Vice Chairman of the Board and Director	March 21, 1995

Index of Exhibits

Exhibit 11--Statement re computation of per share earnings for the years ended December 31, 1994, 1993, and 1992.

Exhibit 13--Material incorporated by reference from the annual report of the registrant to the shareholders for the year ended December 31, 1994.

Exhibit 23--Independent Auditors' Consent

Exhibit 27--Financial Data Schedule

Exhibit 28--Information from reports furnished to state insurance regulatory authorities.

EXHIBIT 11

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

	1994	1993	1992
	----	----	----
Weighted average shares outstanding	50,360	50,119	49,733
Equivalent shares assumed to be outstanding for:			
Stock options:	209	321	343
Convertible debentures	1,626	1,626	1,039
	-----	-----	-----
Number of shares for primary computation	52,195	52,066	51,115
Other dilutive equivalent shares-- stock options --	--	--	139
	-----	-----	-----
Number of shares assuming full dilution	52,195	52,066	51,254
	=====	=====	=====
Net income before cumulative effect of change in accounting for income taxes	\$201,230	\$202,179	\$171,325
Interest on convertible debentures-- net of tax	2,860	2,858	1,887
Cumulative effect of change in accounting for income taxes	-0-	13,845	-0-
	-----	-----	-----
Net income for per share computation	\$204,090	\$218,882	\$173,212
	=====	=====	=====
Earnings per share:			
Primary before cumulative effect of change in accounting for income taxes	\$ 3.91	\$ 3.94	\$ 3.39
Cumulative effect of change in accounting for income taxes	-0-	.26	-0-
	-----	-----	-----
Total Primary	\$ 3.91	\$ 4.20	\$ 3.39
	=====	=====	=====
Fully Diluted	\$ 3.91	\$ 4.20	\$ 3.38
	=====	=====	=====

EXHIBIT 13

Material incorporated by reference from the annual report of the registrant to the shareholders for the year ended December 31, 1994.

Segment information from page 30 (incorporated into Item 1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Cincinnati Financial Corporation and Subsidiaries

SEGMENT INFORMATION

The Company operates principally in two industries--property and casualty insurance and life insurance. Information concerning the Company's operations in different industries is presented below (000's omitted). Revenue is primarily from unaffiliated customers. Identifiable assets by industry are those assets that are used in the Company's operations in each industry. Corporate assets are principally cash and marketable securities.

	Income Before Income Taxes		
	1994	1993	1992
Property/casualty insurance.....	\$ (5,703)	\$ (3,429)	\$ (22,687)
Life/health insurance.....	(1,691)	357	(2,880)
Investment income (less required interest on life reserves)...	244,347	222,992	201,374
Realized gain on investments.....	19,557	51,529	35,885
Other.....	5,874	5,578	6,138
General corporate expenses.....	(13,056)	(10,032)	(8,636)
Total.....	\$ 249,328	\$ 266,995	\$ 209,194
Identifiable Assets			
	1994	1993	1992
Property/casualty			
insurance.....	\$ 2,830,788	\$ 2,736,960	\$ 2,463,767
Life/health insurance.....	689,838	688,516	617,221
Other.....	44,006	42,822	44,530
Corporate assets.....	1,169,647	1,133,990	973,195
Total.....	\$ 4,734,279	\$ 4,602,288	\$ 4,098,713

Text data from pages 7 through 12 (incorporated into Item 1).

PROPERTY CASUALTY INSURANCE

Gross written premium increased to \$1.287 billion, showing a 5.8 percent rate of growth compared to an 11.6 percent rate in 1993. Of this amount, approximately \$150 million was new property casualty business, increasing our total policies in force to 775,000. Agents are bringing us their properly priced accounts. They're proving their frontline underwriting skills by turning away from growth when it would sacrifice profitability.

This year's combined loss and expense ratio was 100.6 percent versus 100.1 last year. Ratios near the generally accepted break-even point of 100 percent are an achievement under current market conditions, which resulted in an industry average estimated at 108.3 percent.

We're extremely optimistic about opportunities to increase profitable growth in 1995:

* Regulatory reform, rate increases and managed care techniques have made workers' compensation business attractive in some states where we previously discouraged this line. We'll be more aggressive in 1995, and it may well be possible to double the 1994 growth rate to 12 percent.

* We took a conservative approach in Georgia and Arizona, states where we were unsure of the regulatory direction. Our loyal agency force helped us work

toward satisfactory solutions that rekindled strong interest in these states.

* During 1994, we added new territories in Missouri, North Carolina and Michigan, states where we have operated profitably and see additional opportunities. During 1995, we will restructure our Ohio marketing territories, adding to our field staff in order to increase our service to agents.

* We opened our first Arkansas and Maryland territories in December and our first two Minnesota territories in January, 1995. We plan to appoint 10-12 agencies in each of these territories over the next year. We are able to select the very best agents thanks to good words about us passed along by our agents.

* We invested in development of software that lets agents and field marketing representatives generate customized sales proposals. The software highlights our points of difference, prompts agents to gather complete underwriting information and reminds them of value-added optional coverages available to their customers.

7

4

COMMERCIAL LINES

Gross written premium from commercial lines of insurance totaled \$893.5 million, up from \$831.7 million last year. The loss ratio was 60.4 percent, slightly better than the 65 percent we generally find acceptable.

Growth and profitability of our Dentist's Package policies, fidelity bonds and surety bonds were especially satisfactory. Interest surged in our profitable line of Directors & Officers Liability policies, protection that makes it possible for citizens to volunteer leadership without worrying about potential liability.

Timely new products slated for introduction during 1995 include Building Laws Safeguard, which takes the worry out of repairing or rebuilding up to the standards of complex ordinances or laws after a covered loss. A new endorsement, the Bodily Injury Exceptions to Pollutant Exclusion, covers an insured's liability for injury due to certain kinds of sudden and accidental release of pollutants. Standard industry policies exclude all pollution-related liability; we're taking the lead and introducing this coverage to the marketplace because we believe insureds need to be able to insure against this risk.

Innovations like these are some of the reasons for our first-place showings in independent surveys of agents. Property & Casualty Rates & Ratings published top rankings this year for The Cincinnati Companies with regard to fairness and efficiency in claims; flexibility on conditions, exclusions and modifications; commercial multi-peril insurance; businessowners policies; directors and officers liability insurance; and commercial general liability insurance.

8

5

PERSONAL LINES

Gross written premium from personal lines of insurance totaled \$393.8 million, up from \$385.1 million in 1993. The loss ratio on this business was 62.9 percent.

Production of Executive Homeowner policies rose 17 percent to \$61 million in 1994. Higher valued homes, worth \$200,000 or more, benefitted from revised rates. Policyholders like the Executive's 3-year guaranteed rates and Executive Plus endorsement, a bundle of optional coverages at an affordable price.

Profitability of homeowner business has been declining, while automobile business has been more satisfactory. We are developing an endorsement to bundle popular automobile coverage options and considering marketing automobile insurance in Michigan, where we currently market commercial lines and homeowner policies. New personal lines marketing territories are planned for Vermont and New Hampshire in 1995.

We have developed a Residential Business Program to be introduced in several states during 1995. The program offers convenient protection for the growing numbers of people who operate cottage industries.

9

6

LIFE INSURANCE

The Cincinnati Life Insurance Company contributed net operating earnings, excluding realized capital gains, of \$20.2 million in 1994 versus \$21.0 million (excluding accounting and tax rate changes) in 1993. 1994 total net earnings of \$22.0 million included \$1.8 million of capital gains compared to 1993 net earnings of \$28.4 million with \$10.4 million of capital gains. Earned premiums rose to \$49.1 million from \$48.7 million.

Cincinnati Life distributes our life insurance products primarily through independent agents representing the Corporation's property and casualty insurance affiliates. These agencies produced more than 84 percent of new life premiums in 1994, up from approximately 80 percent in 1993. Our product portfolio emphasizes policies appropriate for cross selling to their clientele--individuals and businesses who prefer strong, stable insurers that offer broad coverages and person-to-person service.

Our marketing thrust centers on traditional whole and term life policies, including a portfolio of guaranteed plans which feature fixed premiums, fixed death benefits, fixed interest and fixed cash-value buildup. New business from guaranteed plans brought in approximately \$2 million of first-year premium in 1994, the first full year of availability for most of the guaranteed products. Agents find they are solid tools for long-term planning, providing liquidity for business perpetuation, family needs and estate preservation.

We continue to help customer service representatives of property casualty agencies identify clients who need life insurance. A special promotion put in force \$16 million of family protection in 900 new Juvenile Term and HomeOwner Protector (HOP) policies. The HOP is decreasing term insurance with a death benefit that can be used to pay off mortgage debt.

Additional 1994 activities supported production of life premiums through property casualty insurance agencies:

- * Cincinnati Life continues to recruit, train and place new life insurance producers in property casualty agencies. We conduct a full schedule of product and sales seminars at CFC Headquarters and in the field. During 1994, our business life insurance and estate planning courses were approved in several states to meet agent licensing requirements for continuing education.

- * We revised our agency compensation program to reward agents incrementally for reaching higher levels of production and placing a greater portion of their business with Cincinnati Life.

10

7

FINANCIAL SERVICES

CFC Investment Company's 1994 net operating income totaled \$1.8 million, up 6.2 percent from 1993.

The Cincinnati Companies market insurance. CFC Investment Company's lease, finance and real estate activities are not a sideline to our insurance business but in direct support of it:

- * Many of our customers are independent insurance agents, their commercial clients and prospective clients. CFC Investment Company provides leasing and financing services that reinforce insurance relationships at the local level, involving us with a select clientele more than 99 percent paid

current at year-end.

Total finance receivables grew by 37 percent to \$31.2 million at year-end. We increased sales efforts and benefitted from rising interest rates, which decreased early account payoffs.

* CFC Investment Company manages assets assigned to other Cincinnati Companies affiliates. As of December 31, \$10.2 million of receivables from prime credit caliber leases were so assigned. Three commercial investment properties managed by CFC Investment Company maintained 99 percent occupancy during the year, generating profit and cash flow.

* When independent agency owners have retired or died without adequate plans, CFC Investment Company has acquired and temporarily held a few agencies with large blocks of Cincinnati policies. The Cincinnati

11

8

Companies recruited, trained and appointed as our representatives new independent owners with compatible philosophies. Through such arrangements, the agencies' Cincinnati policyholders are able to retain their quality protection. Two agencies were transferred to new owners on January 1, 1994, and a third was sold September 1. No agencies are owned at this time.

Our management is available to talk with any agency owner who is thinking of selling an agency.

12

9

Loss and Loss expenses in Notes to Financial Statements from page 27 (incorporated into Item 1).

LOSSES AND LOSS EXPENSES

Activity in the reserve for losses and loss expenses is summarized as follows (000's omitted):

	Years Ended December 31,		
	1994	1993	1992
Balance at January 1.....	\$1,365,052	\$1,200,182	\$1,056,923
Less reinsurance receivable	71,691	62,349	70,714
Net balance at January 1.....	1,293,361	1,137,833	986,209
Incurrd related to:			
Current year.....	948,581	828,978	752,993
Prior years.....	(92,892)	(39,769)	(30,351)
Total incurred.....	855,689	789,209	722,642
Paid related to:			
Current year.....	373,721	323,616	291,508
Prior years.....	343,304	310,065	279,510
Total paid.....	717,025	633,681	571,018
Net balance at December 31.....	1,432,025	1,293,361	1,137,833
Plus reinsurance receivable.....	78,125	71,691	62,349
Balance at December 31.....	\$1,510,150	\$1,365,052	\$1,200,182
	=====	=====	=====

As a result of changes in estimates of insured events in prior years, the provision for losses and loss expenses (net of reinsurance recoveries of

\$8,211,000, \$1,064,000 and \$16,834,000 in 1994, 1993 and 1992, respectively) decreased by \$92,892,000, \$39,769,000 and \$30,351,000 in 1994, 1993 and 1992. These decreases are due in part to the effects of settling reported (case) and unreported (IBNR) reserves established in prior years for less than expected.

The reserve for losses and loss expenses in the accompanying balance sheets also includes \$42,147,000, \$37,455,000 and \$35,330,000 at December 31, 1994, 1993 and 1992, respectively, for certain life/health losses and loss checks payable.

10

"Price range of Common Stock" section from page 5 (incorporated into Item 5).

DIVIDENDS

Cincinnati Financial Corporation and Subsidiaries

PRICE RANGE OF COMMON STOCK

Cincinnati Financial Corporation had approximately 9,340 shareholders of record as of December 31, 1994. Most of CFC's 2,110 associates own stock in their Company.

CFC shares are traded nationally over the counter. Closing sale price is quoted under the symbol CINF on the National Market List of the NASDAQ (National Association of Securities Dealers Automated Quotation System). Tables below show the price range reported for each quarter based on daily last sale prices.

1994				
QUARTER	1ST	2ND	3RD	4TH
HIGH	\$58 1/4	\$54 1/4	\$56 1/2	\$53 3/4
LOW	51 1/4	50	51 3/4	46
DIVIDEND PAID	.28	.32	.32	.32
1993				
Quarter	1st	2nd	3rd	4th
High	\$66	\$63 7/8	\$60 3/4	\$59 1/8
Low	58 3/4	51	56 3/4	51 1/2
Dividend Paid	.26	.28	.28	.28

5

11

"Selected Financial Information" from pages 18 and 19 (incorporated into Item 6).

SELECTED FINANCIAL INFORMATION (000's omitted except per share data).

Cincinnati Financial Corporation and Subsidiaries

	1994	Years Ended December 31,		
		1993	1992	1991
TOTAL ASSETS	\$ 4,734,279	\$ 4,602,288	\$ 4,098,713	\$ 3,513,749
LONG-TERM OBLIGATIONS	\$ 80,000	\$ 80,000	\$ 80,000	\$ 182
REVENUES				
Premium Income	\$ 1,219,033	\$ 1,140,791	\$ 1,038,772	\$ 947,576
Investment Income (Less Expense)	262,649	239,436	218,942	193,220
Realized Gain on Investments	19,557	51,529	35,885	7,641
Other Income	11,267	10,396	10,552	12,698
NET INCOME BEFORE REALIZED GAINS ON INVESTMENTS				
In Total	\$ 188,538	\$ 182,530*	\$ 147,669	\$ 141,273
Per Common Share	3.67	3.56*	2.93	2.84
NET INCOME				
In Total	\$ 201,230	\$ 216,024*	\$ 171,325	\$ 146,280
Per Common Share	3.91	4.20*	3.39	2.94

CASH DIVIDENDS DECLARED								
Per Common Share	\$	1.28	\$	1.12	\$	1.03	\$.91

CASH DIVIDENDS PAID								
Per Common Share	\$	1.24	\$	1.10	\$	1.00	\$.89

<FN>
 * 1993 earnings include a credit for \$13,845,000 (\$.26 per share) cumulative effect of a change in the method of accounting for income taxes to conform with FASB Statement No. 109; and 1993 earnings include a net charge of \$8,641,000 (\$.17 per share) related to the effect of the 1993 increase in income tax rates on deferred taxes recorded for various prior year items.

18

12

Cincinnati Financial Corporation and Subsidiaries

1990	1989	1988	1987	1986	1985	1984
\$ 2,626,156	\$ 2,602,990	\$ 2,163,341	\$ 1,828,032	\$ 1,581,591	\$ 1,272,242	\$ 995,392
\$ 202	\$ 753	\$ 890	\$ 3,898	\$ 8,468	\$ 8,825	\$ 13,741
\$ 871,196	\$ 813,313	\$ 754,335	\$ 747,266	\$ 666,892	\$ 513,864	\$ 412,974
167,425	149,285	130,885	108,915	90,875	76,561	65,237
1,488	4,678	6,423	3,845	13,881	3,528	1,960
8,822	7,134	10,281	7,686	1,932	2,554	1,470
\$ 128,052	\$ 111,477	\$ 124,618	\$ 90,714	\$ 83,477	\$ 52,452	\$ 67,350
2.59	2.27	2.57	1.89	1.72	1.10	1.43
\$ 128,962	\$ 114,490	\$ 128,748	\$ 93,154	\$ 93,471	\$ 54,993	\$ 68,725
2.61	2.33	2.65	1.94	1.93	1.16	1.46
\$.81	\$.72	\$.58	\$.49	\$.42	\$.39	\$.35
\$.79	\$.69	\$.57	\$.47	\$.41	\$.38	\$.33

<FN>
 Per share data are adjusted for three-for-one stock split in 1992, two-for-one stock split in 1985 and stock dividends of 5% in 1987 and 1984.

19

13

"Management Discussion" from pages 31 and 32 (incorporated into Items 1 and 7).

MANAGEMENT DISCUSSION

Cincinnati Financial Corporation and Subsidiaries

This Management Discussion is intended to supplement the data contained in the financial statements and related notes of Cincinnati Financial Corporation and subsidiaries.

RESULTS OF OPERATIONS

The Company's \$201.2 million net income for 1994 reflected a \$14.8 million, 6.9 percent, decrease from 1993. Net income for 1993 and 1992, respectively, reflected 26.1 percent and 17.1 percent increases from the preceding years. Realized gains on investments (net of income taxes) were \$12.7 million for 1994, compared to \$33.5 million in 1993 and \$23.7 million in 1992. The effect on income per share of various matters discussed herein is illustrated in the following summary:

	1994	1993	1992
	-----	-----	-----
Net income excluding the items below.....	\$ 3.93	\$ 3.75	\$ 3.28
Realized gains.....	.24	.64	.46
Catastrophe losses.....	(.26)	(.28)	(.35)
Effect of tax rate change:			
Unrealized appreciation.....	-0-	(.22)	-0-

Other prior year differences.....	-0-	.05	-0-
Cumulative effect of accounting change.....	-0-	.26	-0-
	-----	-----	-----
Net income per share.....	\$ 3.91	\$ 4.20	\$ 3.39
	=====	=====	=====

The Company has continued in the same lines of property casualty business and has continued not to market in California and not to write flood insurance. The Company continues to review exposure for huge disasters and to reduce coverage in certain coastal areas. Developing newer territories has helped the property and casualty operations increase premium income. Premium income amounted to \$1.170 billion for 1994, an increase of 7.1 percent over 1993. 1993 and 1992 reflected increases of 10 percent and 9.8 percent, respectively. The combined loss and expense ratio for the Company's property and casualty operations was 100.6 percent for 1994, 100.1 percent for 1993 and 101.8 percent for 1992.

The Company incurred catastrophe losses (net of reinsurance) of \$20.7 million, \$22.6 million and \$27.4 million in 1994, 1993 and 1992, respectively.

Uncertainty always exists as to the adequacy of established reserves. The Company has consistently established property casualty insurance reserves, including adjustment of estimates as facts become known, using information from internal analysis and review by external actuaries. Because of the stability of the Company's book of business, management believes that uncertainty as to reserves is less than it otherwise would be.

Total life, annuity, accident and health premium income remained relatively level over the past three years at \$49.1 million, \$48.7 million and \$46.4 million for 1994, 1993 and 1992, respectively.

Investment income increased 9.7 percent to \$262.6 million in 1994. Investment income was \$239.4 million in 1993 and \$218.9 million in 1992, increases of 9.4 percent and 13.3 percent, respectively. Increases in investment income have principally been the result of investing the cash flows from operating activities and the Company's strategy in 1992 to shift to relatively more investments in securities whose income therefrom is taxable and higher yielding than tax-exempt investments.

The Company's income tax expense, \$48.1 million, \$64.8 million and \$37.9 million for 1994, 1993 and 1992, respectively, decreased to a smaller percentage of pre-tax income primarily because a larger percentage of our pre-tax investment income was tax-exempt interest and dividends received in 1994 compared to 1993 and because of the effects of the tax rate increase signed into law in 1993. As discussed in the Notes to Consolidated Financial Statements and above, 1993 income tax expense includes an \$11.2 million charge and a \$2.6 million credit related to the effect of the income tax rate change on unrealized appreciation on investments in equity securities and on other prior years' temporary book-tax differences. The Company incurred no additional alternative minimum tax expense for 1994, 1993 or 1992. The alternative minimum basis effectively taxes certain income that is exempt from taxation on a regular tax basis.

Statutory risk based capital requirements, effective for life companies in 1993 and for property casualty companies in 1994, did not significantly affect the Company's operations.

CASH FLOWS AND LIQUIDITY

Net cash provided by operating activities amounted to \$325.8 million, \$363.2 million and \$329.1 million for 1994, 1993 and 1992, respectively. Operating cash flows have been more than sufficient to meet all operating needs and provide for financing needs and increased investments. Management expects that this situation will continue because of no substantial changes in the Company's mix of business, protection by reinsurance agreements with financially stable companies and no significant exposure to assumed reinsurance. Assumed reinsurance comprised no more than 6 percent of gross premiums in each of the last three years.

The Company used \$317.6 million in 1994, \$333.4 million in 1993 and \$334.5 million in 1992 in investing activities. Net cash flows used in additions to fixed maturity and equity securities, respectively, amounted to

\$209 million and \$92 million in 1994, \$113 million and \$212 million in 1993 and \$162 million and \$165 million in 1992.

Proceeds from \$80 million of convertible debentures issued in 1992 (maturing in 2002) were used to reduce short-term debt (\$40 million) and to increase working capital of subsidiaries.

31

14

MANAGEMENT DISCUSSION (CONTINUED)

Cincinnati Financial Corporation and Subsidiaries

Cash and marketable securities of \$4.222 billion make up 89.2 percent of the Company's \$4.734 billion of assets; this compares to 89.7 percent in 1993 and 89.3 percent in 1992. The Company has only minor investments in real estate and mortgages, which are typically illiquid. Information regarding the composition of investments, together with maturity data regarding investments in fixed maturities, is included in the Notes to Consolidated Financial Statements. As discussed in such notes, the Company's insurance reserve liabilities are estimated by management based upon Company experience data. Such reserves are related to various lines of business and will be paid out over various future periods. The Company has continued to utilize some short-term debt.

INVESTMENTS

The Company's primary investment strategy is to maintain liquidity to meet both its immediate and long-range insurance obligations through the purchase and maintenance of medium-risk, fixed maturity and equity securities, while earning optimal returns on medium-risk equity securities which offer growing dividends and capital appreciation.

The Company's investment decisions on an individual insurance company basis are influenced by insurance statutory requirements, which are designed to protect policyholders from investment risk. Cash generated from insurance operations is almost entirely invested in either corporate, governmental, municipal, public utility and other fixed maturity securities or equity securities. Such securities are evaluated prior to purchase based on yield and risk criteria.

The Company's portfolio of fixed maturity securities at December 31, 1994 has an average yield-to-book value of 8.4 percent and an average maturity of 12.9 years. For the insurance companies' purposes, strong emphasis has been placed on purchasing current income producing securities and maintaining such securities as long as they continue to meet the Company's yield and risk criteria. Historically, municipal bonds have been attractive due to their tax-exempt feature. Concentrations in the essential service (i.e., schools, sewer, water, etc.) bonds issued by municipalities are prevalent in this area. Due to the small size of several of these offerings, many of these bonds are not rated by a rating agency. Because of alternative minimum tax matters, the Company uses a blend of tax-exempt and taxable fixed maturity securities. Tax-exempt bonds comprise 18 percent of invested assets as of December 31, 1994, compared to 18 percent and 19 percent in 1993 and 1992, respectively.

At December 31, 1994 and 1993, investments totaling approximately \$532 million and \$468 million, respectively (\$563 million and \$445 million at cost), of the Company's \$4.212 billion and \$4.239 billion investment portfolio relate to securities that are rated noninvestment grade or that are not rated by Moody's Investors Service or Standard & Poor's. Such investments are not expected to have a material effect on the Company's financial condition or results of operations.

Investments in common stocks have been made with emphasis on securities with an annual dividend yield of at least 4 percent to 5 percent and annual dividend increases. The Company's portfolio of equity investments at December 31, 1994 has an average dividend yield to cost of 8.2 percent. Strategy in equity investments continues to include identifying approximately 10 to 12 companies in which the Company can accumulate 10 percent to 20 percent of their common stock.

As a long-term investor, the Company has followed a buy-and-hold strategy for many years. As a result of this policy for over 36 years, a significant amount of unrealized appreciation on equity investments has been generated. Unrealized appreciation on equity investments was \$941 million as of December 31, 1994 and constituted 22 percent of the total investment portfolio, 42 percent of the equities investment portfolio and, after deferred income taxes, 32 percent of total shareholders' equity. Such unrealized appreciation amounted to \$1.135 billion and \$1.05 billion at December 31, 1993 and 1992, respectively.

SHAREHOLDERS' EQUITY AND
LONG- AND SHORT-TERM DEBT

At December 31, 1994, shareholders' equity was \$1.940 billion. Shareholders' equity was 41 percent of assets in 1994 and 42 percent in 1993 and 1992. During 1994, shareholders' equity decreased \$7 million. This decrease was the result of a \$147 million decrease in unrealized appreciation on fixed maturity and equity investments discussed above, net of income tax effects. During 1993 and 1992, respectively, shareholders' equity increased \$234 million and \$272 million, of which \$61 million and \$144 million were related to the increase in unrealized appreciation on equity investments discussed above, net of income tax effects. Long-term and short-term debt each amounted to less than 5 percent of total assets at December 31, 1994 and 1993. At December 31, 1994 and 1993, long-term debt consisted of \$80 million of convertible debentures. Short-term debt amounted to \$129 million, up from \$78 million in 1993 and \$67 million in 1992. The additional borrowings were used to provide additional working capital.

32

15
Independent Auditors' Report and Financial Statements from pages 19 thru 29
(incorporated into Item 8).

Cincinnati Financial Corporation and Subsidiaries

INDEPENDENT AUDITORS' REPORT

[LOGO]

To the Shareholders and Board of Directors of Cincinnati Financial Corporation:

We have audited the consolidated balance sheets of Cincinnati Financial Corporation and subsidiaries as of December 31, 1994 and 1993 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cincinnati Financial Corporation and subsidiaries at December 31, 1994 and 1993 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in the notes to consolidated financial statements, the Company changed its method of accounting for fixed maturity investments to conform with Statement of Financial Accounting Standards (SFAS) No. 115 effective January 1, 1994 and its method of accounting for income taxes to conform with SFAS No. 109 effective January 1, 1993.

19

16
CONSOLIDATED BALANCE SHEETS
Cincinnati Financial Corporation and Subsidiaries

	December 31,	
	1994	1993
ASSETS		
Investments		
Fixed maturities (cost: 1994--\$1,976,314,000; fair value: 1993--\$1,881,717,000)	\$ 1,943,116,000	\$ 1,759,655,000
Equity securities, at fair value (cost: 1994--\$1,289,444,000; 1993--\$1,184,172,000)	2,230,247,000	2,318,803,000
Other invested assets.....	38,816,000	38,364,000
Cash.....	48,254,000	48,114,000
Investment income receivable.....	56,069,000	50,120,000
Finance receivables.....	16,169,000	13,011,000
Premiums receivable.....	141,972,000	134,361,000
Reinsurance receivable.....	67,125,000	59,061,000
Prepaid reinsurance premiums.....	24,066,000	23,966,000
Deferred acquisition costs pertaining to unearned premiums and to life policies in force.....	109,503,000	104,091,000
Land, buildings and equipment for Company use (at cost, less accumulated depreciation: 1994--\$64,819,000; 1993--\$57,745,000)	32,673,000	31,336,000
Other assets	26,269,000	21,406,000
Total assets.....	\$ 4,734,279,000	\$ 4,602,288,000
LIABILITIES		
Insurance reserves		
Losses and loss expenses.....	\$ 1,552,297,000	\$ 1,402,507,000
Life policy reserves.....	370,095,000	345,977,000
Unearned premiums.....	382,119,000	362,012,000
Other liabilities.....	85,158,000	95,484,000
Deferred income taxes.....	195,447,000	290,904,000
Notes payable.....	129,116,000	78,066,000
5 1/2% convertible senior debentures due 2002.....	80,000,000	80,000,000
Total liabilities.....	2,794,232,000	2,654,950,000
SHAREHOLDERS' EQUITY		
Common stock, par value--\$2 per share; authorized 80,000,000 shares; issued, 1994--50,435,974; 1993--50,313,161.....	100,872,000	100,626,000
Paid-in capital.....	105,792,000	102,235,000
Retained earnings.....	1,133,105,000	996,359,000
Unrealized gains on investments.....	601,192,000	748,514,000
	1,940,961,000	1,947,734,000
Less treasury shares at cost (1994--18,033 shares; 1993--6,860 shares).....	(914,000)	(396,000)
Total shareholders' equity.....	1,940,047,000	1,947,338,000
Total liabilities and shareholders' equity.....	\$ 4,734,279,000	\$ 4,602,288,000

<FN>
Accompanying notes are an integral part of this statement.

20

17
CONSOLIDATED STATEMENTS OF INCOME
Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31,		
	1994	1993	1992
REVENUE			
Premium income			
Property and casualty.....	\$ 1,169,940,000	\$ 1,092,135,000	\$ 992,335,000
Life.....	41,888,000	41,169,000	38,014,000
Accident and health.....	7,205,000	7,487,000	8,423,000
Net premiums earned.....	1,219,033,000	1,140,791,000	1,038,772,000
Investment income.....	262,649,000	239,436,000	218,942,000
Realized gain on investments.....	19,557,000	51,529,000	35,885,000
Other income.....	11,267,000	10,396,000	10,552,000

Total revenues.....	1,512,506,000	1,442,152,000	1,304,151,000
BENEFITS AND EXPENSES			
Insurance losses and policyholder			
benefits.....	900,814,000	832,478,000	766,110,000
Commissions.....	230,551,000	220,830,000	209,204,000
Other operating expenses.....	85,405,000	83,357,000	79,545,000
Taxes, licenses and fees.....	39,070,000	35,088,000	30,521,000
Increase in deferred acquisition costs			
pertaining to unearned premiums and			
to life policies in force.....	(5,412,000)	(6,757,000)	(3,753,000)
Interest expense.....	9,961,000	7,389,000	6,690,000
Other expenses.....	2,789,000	2,772,000	6,640,000
Total benefits and expenses.....	1,263,178,000	1,175,157,000	1,094,957,000
INCOME BEFORE INCOME TAXES			
AND CUMULATIVE EFFECT OF			
AN ACCOUNTING CHANGE	249,328,000	266,995,000	209,194,000
PROVISION FOR INCOME TAXES			
Current.....	64,228,000	71,119,000	54,964,000
Deferred.....	(16,130,000)	(6,303,000)	(17,095,000)
	48,098,000	64,816,000	37,869,000
INCOME BEFORE CUMULATIVE			
EFFECT OF AN ACCOUNTING			
CHANGE.....	201,230,000	202,179,000	171,325,000
CUMULATIVE EFFECT OF A CHANGE			
IN ACCOUNTING FOR INCOME TAXES.....	-0-	13,845,000	-0-
NET INCOME.....	\$ 201,230,000	\$ 216,024,000	\$ 171,325,000
PER COMMON SHARE			
Income before cumulative effect of an			
accounting change.....	\$ 3.91	\$ 3.94	\$ 3.39
Cumulative effect of a change in accounting			
for income taxes.....	-0-	.26	-0-
Net income.....	\$ 3.91	\$ 4.20	\$ 3.39
Cash dividends (declared).....	\$ 1.28	\$ 1.12	\$ 1.03

<FN>

Accompanying notes are an integral part of this statement.

21

18 CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Cincinnati Financial Corporation and Subsidiaries

	COMMON STOCK	TREASURY STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED GAINS ON INVESTMENTS
Balance, December 31, 1991.....	\$ 99,406,000	\$ (2,839,000)	\$ 84,881,000	\$ 716,657,000	\$ 543,296,000
Net income.....				171,325,000	
Change in unrealized					
gains on investments.....					217,823,000
Income taxes on unrealized					
gains.....					(74,060,000)
Dividends declared.....				(51,448,000)	
Issuance of treasury shares.....		348,000	290,000		
Stock options exercised.....	610,000		6,126,000		
Purchase of insurance agency.....	66,000		1,115,000		
Conversion of debentures.....	64,000		117,000	(1,000)	
Balance, December 31, 1992.....	100,146,000	(2,491,000)	92,529,000	836,533,000	687,059,000
Net income.....				216,024,000	
Change in unrealized					
gains on investments.....					93,255,000
Income taxes on unrealized					
gains.....					(31,800,000)
Dividends declared.....				(56,198,000)	
Issuance of treasury shares.....		2,095,000	3,084,000		
Stock options exercised.....	480,000		6,622,000		
Balance, December 31, 1993.....	100,626,000	(396,000)	102,235,000	996,359,000	748,514,000
Effect of a change in accounting for					
fixed maturity investments, net					
of income taxes of \$42,722,000...					79,340,000
Net income.....				201,230,000	
Change in unrealized					
gains on investments.....					(348,711,000)
Income taxes on unrealized					
gains.....					122,049,000
Dividends declared.....				(64,484,000)	
Purchase of treasury shares.....		(518,000)	58,000		
Stock options exercised.....	246,000		3,499,000		
Balance, December 31, 1994.....	\$ 100,872,000	\$ (914,000)	\$ 105,792,000	\$1,133,105,000	\$ 601,192,000

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22

19

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31,		
	1994	1993	1992
Cash flows from operating activities:			
Net income.....	\$ 201,230,000	\$ 216,024,000	\$ 171,325,000
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization.....	9,923,000	10,466,000	10,051,000
Increase in investment income receivable.....	(5,949,000)	(3,121,000)	(4,135,000)
Increase in premiums receivable.....	(7,611,000)	(10,199,000)	(7,979,000)
Increase in reinsurance receivable.....	(8,064,000)	(7,511,000)	(9,911,000)
Increase in prepaid reinsurance premiums.....	(100,000)	(5,266,000)	(2,381,000)
Increase in deferred acquisition costs.....	(5,412,000)	(6,757,000)	(3,753,000)
Decrease (increase) in policy loans and accounts receivable.....	1,008,000	(8,045,000)	(3,570,000)
Increase in losses and loss expense reserves.....	149,790,000	166,995,000	166,372,000
Increase in life policy reserves.....	24,118,000	29,208,000	42,005,000
Increase in unearned premiums.....	20,107,000	36,937,000	24,006,000
(Decrease) increase in other liabilities.....	(7,274,000)	20,374,000	1,817,000
Decrease in deferred income taxes.....	(16,131,000)	(20,148,000)	(17,095,000)
Realized gain on investments.....	(19,557,000)	(51,529,000)	(35,885,000)
Other.....	(10,258,000)	(4,238,000)	(1,812,000)
Net cash provided by operating activities.....	325,820,000	363,190,000	329,055,000
Cash flows from investing activities:			
Sale of fixed maturities investments.....	83,360,000	118,064,000	56,552,000
Maturity of fixed maturities investments.....	207,843,000	287,096,000	264,618,000
Sale of equity securities investments.....	250,722,000	200,775,000	165,654,000
Collection of finance receivables.....	6,567,000	6,523,000	6,269,000
Purchase of fixed maturities investments.....	(500,283,000)	(518,339,000)	(482,695,000)
Purchase of equity securities investments.....	(342,949,000)	(412,630,000)	(330,644,000)
Investment in land, buildings and equipment.....	(11,356,000)	(7,648,000)	(12,125,000)
Investment in finance receivables.....	(9,725,000)	(7,471,000)	(6,469,000)
(Decrease) increase in other invested assets.....	(1,758,000)	279,000	4,360,000
Net cash used in investing activities.....	(317,579,000)	(333,351,000)	(334,480,000)
Cash flows from financing activities:			
\$ 1/2% convertible debenture issue.....	-0-	-0-	80,000,000
Proceeds from stock options exercised.....	3,745,000	7,102,000	6,736,000
Issuance (purchase) of treasury shares.....	(460,000)	5,179,000	638,000
Increase (decrease) in notes payable.....	51,050,000	11,114,000	(39,419,000)
Payment of cash dividends to shareholders.....	(62,436,000)	(55,103,000)	(49,697,000)
Net cash used in financing activities.....	(8,101,000)	(31,708,000)	(1,742,000)
Net increase (decrease) in cash.....	140,000	(1,869,000)	(7,167,000)
Cash at beginning of year.....	48,114,000	49,983,000	57,150,000
Cash at end of year.....	\$ 48,254,000	\$ 48,114,000	\$ 49,983,000
Supplemental disclosures of cash flow information:			
Interest paid.....	\$ 10,216,000	\$ 7,543,000	\$ 6,191,000
Income taxes paid.....	\$ 71,192,000	\$ 67,000,000	\$ 58,250,000

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Accompanying notes are an integral part of this statement.

23

20

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cincinnati Financial Corporation and Subsidiaries

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION--The consolidated financial statements include the accounts of Cincinnati Financial Corporation (the "Company") and all subsidiaries, each of which is wholly owned, and are presented in conformity with generally accepted accounting principles. Generally accounting principles differ in certain respects from statutory insurance accounting practices prescribed or permitted for insurance companies by regulatory authorities. All significant inter-company balances and transactions have been eliminated in consolidation.

PROPERTY AND CASUALTY INSURANCE-- Expenses incurred in the issuance of policies are deferred and amortized over the terms of the policies. Anticipated investment income is not considered in determining if a premium deficiency related to insurance contracts exists. Policy premiums are included in income on a pro rata basis over the terms of the policies. Losses and loss expense reserves are based on claims reported prior to the end of the year and estimates of unreported claims, net of salvage and subrogation.

LIFE INSURANCE--Policy acquisition costs are deferred and amortized over the premium paying period of the policies. Life policy reserves are based on anticipated rates of mortality derived primarily from industry experience data, anticipated withdrawal rates based principally on Company experience and estimated future interest earnings using initial interest rates ranging from 3% to 10 1/2%. Interest rates on approximately \$246,000,000 and \$229,000,000 of such reserves at December 31, 1994 and 1993, respectively, are periodically adjusted based upon market conditions.

Payments received for investment, limited pay and universal life-type contracts are recognized as income only to the extent of the current cost of insurance and policy administration, with the remainder recognized as liabilities and included in life policies reserves.

ACCIDENT AND HEALTH INSURANCE--Expenses incurred in the issuance of policies are deferred and amortized over a five year period. Policy premium income, unearned premiums and reserves for unpaid losses are accounted for in substantially the same manner as property and casualty insurance discussed above.

REINSURANCE--In the normal course of business, the Company seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance companies, reinsurers and involuntary state pools. Reinsurance contracts do not relieve the Company from any obligation to policyholders. Although the Company historically has not experienced uncollectible reinsurance, failure of reinsurers to honor their obligations could result in losses to the Company. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

The Company also assumes some reinsurance from other insurance companies, reinsurers and involuntary state pools. Such assumed reinsurance activity is recorded principally on the basis of reports received from the ceding companies.

INVESTMENTS--The Company adopted Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities" effective January 1, 1994. With the adoption of SFAS No. 115, fixed maturities (bonds and notes) have been classified as available for sale and are stated at fair values. Prior to 1994, fixed maturities were principally stated at amortized cost. Equity securities (common and preferred stocks) are stated at fair values.

Unrealized gains and losses on investments carried at fair value, net of income taxes associated therewith, are included in shareholders' equity. Realized gains and losses on sales of investments are recognized in net income on a specific identification basis.

INCOME TAXES--As further discussed below, effective January 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires deferred tax liabilities and assets to be computed using the tax rates in effect for the time when temporary differences in book and taxable income are estimated to reverse and limits the amount of deferred tax assets that can be recognized. Deferred income taxes are recognized for numerous temporary differences between the Company's taxable income and book-basis income and other changes in shareholders' equity. Such temporary differences relate primarily to unrealized gains on investments and differences in the recognition of deferred acquisition costs and insurance reserves. Deferred taxes associated with unrealized appreciation (except the amounts related to the effect of income tax rate changes) are charged to shareholders' equity, and deferred taxes associated with other differences are charged to income.

EARNINGS PER SHARE--Net income per common share is based on the average number of shares and equivalent shares outstanding during each of the respective years. Stock options and convertible debentures are treated as

common stock equivalents.

24

21

Cincinnati Financial Corporation and Subsidiaries

FAIR VALUE DISCLOSURES--Fair values for investments in fixed maturity securities (including redeemable preferred stock) are based on quoted market prices, where available. For such securities not actively traded, fair values are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments. Fair values for equity securities are based on quoted market prices.

The fair values for liabilities under investment-type insurance contracts (annuities) are estimated using discounted cash flow calculations, based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. Fair values for short-term notes payable are estimated using interest rates currently available to the Company. Fair values for long-term convertible debentures are based on the quoted market prices for such debentures.

RECLASSIFICATIONS--Certain prior year amounts have been reclassified to conform with 1994 classifications.

INVESTMENTS

Gross realized gains and gross realized losses on fixed maturity securities were \$13,570,000 and \$6,058,000, respectively, in 1994; \$32,361,000 and \$7,168,000, respectively, in 1993; and \$14,005,000 and \$7,224,000, respectively, in 1992. Gross realized gains and gross realized losses on equity securities were \$31,785,000 and \$19,740,000, respectively, in 1994; \$36,134,000 and \$9,798,000, respectively, in 1993, and \$37,408,000 and \$8,304,000, respectively, in 1992.

Investment income summarized by investment category (000's omitted):

	Years Ended December 31,		
	1994	1993	1992
Interest on fixed maturities.....	\$ 158,015	\$ 150,732	\$ 142,646
Dividends on equity securities.....	103,307	87,415	75,619
Other investment income.....	5,434	5,306	4,437
Total.....	266,756	243,453	222,702
Less investment expenses.....	4,107	4,017	3,760
Net investment income.....	\$ 262,649	\$ 239,436	\$ 218,942

25

22

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Cincinnati Financial Corporation and Subsidiaries

Analysis of cost, fair value, gross unrealized gains and gross unrealized losses as of December 31, 1994 and 1993 (000's omitted):

1994	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Fixed maturities:				
States, municipalities and political subdivisions.....	\$ 777,995	\$ 23,591	\$ 32,099	\$ 769,487
Convertibles and bonds with warrants attached.....	182,576	8,113	10,352	180,337
Public utilities.....	78,347	1,078	4,679	74,746
United States government and government agencies and authorities.....	4,100	71	34	4,137
All other corporate bonds.....	933,296	16,668	35,555	914,409
Total.....	\$ 1,976,314	\$ 49,521	\$ 82,719	\$ 1,943,116

Equity securities.....	\$ 1,289,444	\$ 977,580	\$ 36,777	\$ 2,230,247
1993	=====	=====	=====	=====
Fixed maturities:				
States, municipalities and political subdivisions.....	\$ 759,517	\$ 53,330	\$ 5,000	\$ 807,847
Convertibles and bonds with warrants attached	164,257	21,169	741	184,685
Public utilities.....	66,251	3,261	402	69,110
United States government and government				
agencies and authorities.....	4,714	619	0	5,333
All other corporate bonds.....	764,916	51,098	1,272	814,742
	-----	-----	-----	-----
Total.....	\$ 1,759,655	\$ 129,477	\$ 7,415	\$ 1,881,717
	=====	=====	=====	=====
Equity securities.....	\$ 1,184,172	\$ 1,136,343	\$ 1,712	\$ 2,318,803
	=====	=====	=====	=====

Maturity dates for investments in fixed maturity securities as of December 31, 1994 (000's omitted):

	COST	FAIR VALUE
	-----	-----
Maturity dates occurring:		
One year or less.....	\$ 60,734	\$ 59,572
After one year through five years.....	98,362	96,533
After five years through ten years.....	667,948	649,316
After ten years.....	1,149,270	1,137,695
	-----	-----
Total.....	\$ 1,976,314	\$ 1,943,116
	=====	=====

Investments in companies that exceed 10% of the Company's shareholders' equity include the following as of December 31 (000's omitted):

	1994		1993	
	COST	FAIR VALUE	Cost	Fair Value
	-----	-----	-----	-----
Fifth Third Bancorp common stock	\$ 157,843	\$ 623,040	\$ 123,674	\$ 637,524
Alltel Corporation common stock	\$ 95,810	\$ 383,346	\$ 90,407	\$ 369,492
	-----	-----	-----	-----

26

23

Cincinnati Financial Corporation and Subsidiaries

DEFERRED ACQUISITION COSTS

Acquisition costs capitalized during 1994, 1993 and 1992 amounted to \$78,322,000, \$73,400,000 and \$68,629,000, respectively. Amortization of deferred acquisition costs was \$72,910,000, \$66,643,000 and \$64,876,000 for 1994, 1993 and 1992, respectively.

LOSSES AND LOSS EXPENSES

Activity in the reserve for losses and loss expenses is summarized as follows (000's omitted):

	Years Ended December 31,		
	1994	1993	1992
	-----	-----	-----
Balance at January 1.....	\$1,365,052	\$1,200,182	\$1,056,923
Less reinsurance receivable	71,691	62,349	70,714
	-----	-----	-----
Net balance at January 1.....	1,293,361	1,137,833	986,209
	-----	-----	-----
Incurred related to:			
Current year.....	948,581	828,978	752,993
Prior years.....	(92,892)	(39,769)	(30,351)
	-----	-----	-----
Total incurred.....	855,689	789,209	722,642
	-----	-----	-----
Paid related to:			
Current year.....	373,721	323,616	291,508
Prior years.....	343,304	310,065	279,510

Total paid.....	717,025	633,681	571,018
Net balance at December 31.....	1,432,025	1,293,361	1,137,833
Plus reinsurance receivable.....	78,125	71,691	62,349
Balance at December 31.....	\$1,510,150	\$1,365,052	\$1,200,182
	=====	=====	=====

As a result of changes in estimates of insured events in prior years, the provision for losses and loss expenses (net of reinsurance recoveries of \$8,211,000, \$1,064,000 and \$16,834,000 in 1994, 1993 and 1992, respectively) decreased by \$92,892,000, \$39,769,000 and \$30,351,000 in 1994, 1993 and 1992. These decreases are due in part to the effects of settling reported (case) and unreported (IBNR) reserves established in prior years for less than expected.

The reserve for losses and loss expenses in the accompanying balance sheets also includes \$42,147,000, \$37,455,000 and \$35,330,000 at December 31, 1994, 1993 and 1992, respectively, for certain life/health losses and loss checks payable.

LIFE POLICY RESERVES

Life policy reserves have been calculated using the account value basis for universal life and annuity policies and primarily the Basic Table (select) mortality basis for ordinary/traditional, industrial and other policies. Following is a summary of such reserves (000's omitted):

	1994	1993
	-----	-----
Ordinary/Traditional Life..	\$ 103,197	\$ 95,847
Universal Life.....	147,599	130,953
Annuities.....	98,750	98,394
Industrial.....	18,032	18,373
Other.....	2,517	2,410
Total.....	\$ 370,095	\$ 345,977
	=====	=====

At December 31, 1994 and 1993, the fair value associated with the annuities shown above approximated \$99,000,000 and \$100,000,000, respectively.

NOTES PAYABLE

The Company and subsidiaries had no compensating debt balance for either 1994 or 1993. Notes payable in the accompanying balance sheets are short term and interest rates charged on such borrowings ranged from 3.93% to 8.5% during 1994 which resulted in an average interest rate of 5.35%. At December 31, 1994 and 1993, the fair value of the notes payable approximated the carrying value and the weighted average interest rate approximated 6.77% and 4.03%, respectively.

CONVERTIBLE SENIOR DEBENTURES

The convertible senior debentures (\$80,000,000 issued in 1992) are convertible by the debenture holders into shares of common stock at a conversion price of \$49.20 (20.33 shares for each \$1,000 principal). At December 31, 1994 and 1993, the fair value of the debentures approximated \$88,800,000 and \$101,600,000, respectively.

REINSURANCE

Property and casualty premium income in the accompanying statements of income includes approximately \$63,746,000, \$65,625,000 and \$46,936,000 of earned premiums on assumed business and is net of approximately \$100,842,000, \$87,819,000 and \$73,579,000 of premiums on ceded business for 1994, 1993 and 1992, respectively.

Written premiums for 1994, 1993 and 1992 consist of the following (000's omitted):

1994	1993	1992
-----	-----	-----

Direct business.....	\$1,233,948	\$1,145,185	\$1,039,737
Assumed business.....	53,332	71,581	59,480
Ceded business.....	(96,456)	(92,986)	(84,246)
	-----	-----	-----
Net.....	\$1,190,824	\$1,123,780	\$1,014,971
	=====	=====	=====

Insurance losses and policyholder benefits in the accompanying statements of income are net of approximately \$33,645,000, \$25,995,000 and \$9,875,000 of reinsurance recoveries for 1994, 1993 and 1992, respectively.

27

24
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Cincinnati Financial Corporation and Subsidiaries

FEDERAL INCOME TAXES

Effective January 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes," and recognized in 1993 income the \$13,845,000 cumulative effect on prior years of the change in method of accounting for income taxes. Income tax rates were increased during 1993, and as a result of the use of SFAS No. 109, the Company also charged to 1993 income \$11,245,000 of taxes related to the effect of the change in rates on unrealized appreciation on equity investments at the date the rate increases were signed into law. Further, under SFAS No. 109, the effect (\$2,604,000) of the change on accumulated temporary differences as of January 1, 1993 was credited to income. Under the previous methods of accounting for income taxes, the net \$8,641,000 charge to income would not have been recognized.

Significant components of the Company's net deferred tax liability as of December 31, 1994 and 1993 are as follows (000's omitted):

	1994	1993
	-----	-----
Deferred tax liabilities:		
Unrealized gain on investments.....	\$ 317,662	\$ 396,989
Deferred acquisition costs.....	34,691	33,246
Other.....	7,816	8,623
	-----	-----
Total.....	360,169	438,858
	-----	-----
Deferred tax assets:		
Losses and loss expense reserves.....	122,665	107,156
Unearned premiums.....	24,786	23,379
Life policy reserves.....	15,570	14,862
Othe.....	1,701	2,557
	-----	-----
Total.....	164,722	147,954
	-----	-----
Net deferred tax liability.....	\$ 195,447	\$ 290,904
	=====	=====

The provision for federal income taxes is based upon a consolidated income tax return for the Company and subsidiaries.

The differences between the statutory federal rates and the Company's effective federal income tax rates are as follows:

1994	1993	1992
PERCENT	Percent	Percent
-----	-----	-----

Tax at statutory rate.....	35.00	35.00	34.00
Increase (decrease) resulting from:			
Tax-exempt municipal bonds.....	(7.40)	(7.61)	(9.51)
Dividend exclusion.....	(8.71)	(6.73)	(7.99)
Effect of rate change on unrealized appreciation.....		4.21	
Other.....	.40	(.59)	1.60
	-----	-----	-----
Effective rate.....	19.29	24.28	18.10
	=====	=====	=====

No provision has been made (at December 31, 1994, 1993 and 1992) for federal income taxes on approximately \$14,000,000 of the life insurance subsidiary's retained earnings, since such taxes will become payable only to the extent that such retained earnings are distributed as dividends or exceed limitations prescribed by tax laws. The Company does not contemplate any such dividend.

PENSION PLAN

The Company and subsidiaries have a defined benefit pension plan covering substantially all employees. Benefits are based on years of credited service and compensation level. Contributions to the plan are based on the frozen entry age actuarial cost method. Pension expense is composed of several components that are determined using the projected unit credit actuarial cost method and that are based on certain actuarial assumptions. The following table sets forth the plan's funded status and the amounts recognized in the Company's balance sheets as of December 31, 1994 and 1993 (000's omitted):

	1994	1993
	-----	-----
Actuarial present value of accumulated benefit obligation (vested benefits: 1994--\$22,650; 1993--\$21,410).....	\$ 23,452	\$ 22,146
	=====	=====
Plan assets at fair value.....	\$ 59,699	\$ 61,957
Actuarial present value of projected benefit obligation.....	39,523	38,807
	-----	-----
Plan assets in excess of projected benefit obligation.....	20,176	23,150
Unrecognized net transition asset at January 1, 1987 (\$7,774 amortized over 21 years).....	(4,813)	(5,183)
Unrecognized prior service costs.....	(516)	(420)
Unrecognized net gain.....	(15,546)	(18,213)
	-----	-----
Accrued pension cost.....	\$ (699)	\$ (666)
	=====	=====

28

25

Cincinnati Financial Corporation and Subsidiaries

Net pension expense for 1994, 1993 and 1992 includes the following components (000's omitted):

	1994	1993	1992
	-----	-----	-----
Service cost for current year.....	\$ 2,682	\$ 2,297	\$ 2,049
Interest cost.....	2,788	2,429	2,127
Actual return on plan assets.....	1,571	(2,593)	(8,250)

Net amortization and deferral.....	(7,009)	(2,254)	4,229
	-----	-----	-----
Net pension expense.....	\$ 32	\$ (121)	\$ 155
	=====	=====	=====

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation as of December 31 was 7.25%, 6.75% and 7.00% in 1994, 1993 and 1992, respectively. The rates of increase in future compensation levels were 5% to 7% for each year. The expected long-term rate of return on retirement plan assets, consisting principally of equity securities (including those of the Company), was 8% as of December 31, 1994, 1993 and 1992.

SHAREHOLDERS' EQUITY AND RESTRICTION

The insurance subsidiaries paid cash dividends to the Company of approximately \$85,700,000, \$119,000,000 and \$82,651,000 in 1994, 1993 and 1992, respectively. Dividends paid to the Company by insurance subsidiaries are restricted by regulatory requirements of the insurance subsidiaries' domiciliary state. Generally, the maximum dividend that may be paid without prior regulatory approval is limited to the greater of 10% of statutory surplus or 100% of statutory net income for the prior calendar year, up to the amount of statutory unassigned surplus as of the end of the prior calendar year. Dividends exceeding these limitations can be paid only with approval of the insurance department of the subsidiaries' domiciliary state. During 1995, the total dividends that can be paid to the Company without regulatory approval are approximately \$98,454,000.

2,435,205 shares of common stock were reserved as of December 31, 1994 for the issuance of debenture conversions and stock options.

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 five- or ten-year periods. A summary of options information for the years ended December 31, 1994, 1993 and 1992 and the related range of prices per share for the year ended December 31, 1994 follows:

	1994	1993	1992
	-----	-----	-----
Shares under option			
(\$13.08 to \$62.25).....	809,189	873,708	1,003,998
Options exercisable			
(\$13.08 to \$62.25).....	513,537	428,657	417,858
Options exercised			
(\$13.08 to \$48.00).....	122,813	240,014	304,983

At December 31, 1994, the average purchase price of the shares under option was \$39.90 and the aggregate market value of the shares under option was approximately \$41,673,000; such options expire on dates ranging from February 10, 1995 to December 20, 2004.

STATUTORY ACCOUNTING INFORMATION

Net income and shareholders' equity, as determined in accordance with statutory accounting practices for the Company's insurance subsidiaries, are as follows (000's omitted):

	Years Ended December 31,		
	1994	1993	1992
	-----	-----	-----
Net income:			
Property/casualty			
insurance			
subsidiaries.....	\$ 125,684	\$ 131,151	\$ 98,589
Life/health insurance			
subsidiary.....	\$ 13,438	\$ 14,577	\$ 20,831

	December 31,	
	1994	1993
Shareholders' equity:		
Property/casualty insurance subsidiaries.....	\$ 776,813	\$ 808,704
Life/health insurance subsidiary..	\$ 207,725	\$ 201,624

TRANSACTION WITH AFFILIATED PARTIES

The Company paid certain officers and directors, or insurance agencies of which they are shareholders, commissions of approximately \$7,824,000, \$9,405,000 and \$9,272,000 on premium volume of approximately \$45,811,000, \$50,723,000 and \$48,584,000 for 1994, 1993 and 1992, respectively.

29

26

"Selected Quarterly Financial Data" from page 1 (incorporated into Item 8).

Cincinnati Financial Corporation and Subsidiaries

SELECTED QUARTERLY FINANCIAL DATA

Listed below are financial data for each quarter in the two years ended December 31, 1994 (000's omitted except per share data).

	1994				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR
Revenues	\$ 379,703	\$ 378,821	\$ 381,726	\$ 372,256	\$ 1,512,506
Income Before Income Taxes	59,891	75,969	56,867	56,601	249,328
Net Income	48,500	59,083	47,552	46,095	201,230
Net Income Per Share.....	.94	1.15	.92	.90	3.91

	1993				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues.....	\$ 353,660	\$ 371,071	\$ 357,534	\$ 359,887	\$ 1,442,152
Income Before Income Taxes	73,674	80,297	54,984	58,040	266,995
Net Income.....	71,082(2)	62,098	35,762(2)	47,082	216,024
Net Income Per Share.....	1.38(2)	1.21	.71(2)	.90	4.20

<FN>

(2) 1993 first-quarter earnings include a credit for \$13,845,000 (\$.26 per share) cumulative effect of a change in the method of accounting for income taxes to conform with FASB Statement No. 109; and 1993 third-quarter earnings include a net charge of \$8,641,000 (\$.17 per share) related to the effect of the 1993 increase in income tax rates on deferred taxes recorded for various prior year items.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 2-71575 (on Form S-8), Registration Statement No. 33-34127 (on Form S-8), and Registration Statement No. 33-48970 (on Form S-4) of Cincinnati Financial Corporation of our reports dated February 13, 1995, appearing in and incorporated by reference in the Annual Report on Form 10-K of Cincinnati Financial Corporation for the year ended December 31, 1994.

DELOITTE & TOUCHE LLP

/S/ Deloitte & Touche LLP

Cincinnati, Ohio
March 28, 1995

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which is classified as Other Policyholder Funds

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EXHIBIT 28

Information from reports furnished to state insurance regulatory authorities.