UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

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

Commission File Number 0-4604

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

An Ohio Corporation	31-0746871
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6200 South Gilmore Road
Fairfield, Ohio 45014-5141

(Address of principal executive offices)

Registrant's telephone number, including area code: 513/870-2001

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

YES X . NO .

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

$2.00 Par Common--160,714,000 shares outstanding at March 31, 2001

$29,455,000 of 5.5% Convertible Senior Debentures Due 2002

$419,631,000 of 6.9% Senior Debentures Due 2028

PART I

ITEM 1. FINANCIAL STATEMENTS

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	(000's omitted)	
	(Unaudited) March 31, 2001	December 31, 2000
Assets		
Investments		
Fixed maturities (amortized cost: 2001--$2,884,009; 2000--$2,802,863)	$ 2,866,750	$ 2,721,291
Equity securities (cost: 2001--$2,121,829; 2000--$2,067,984)	7,756,331	8,525,985
Other invested assets	68,428	68,560
Cash	67,279	60,254
Investment income receivable	86,059	86,234
Finance receivables	29,812	30,718
Premiums receivable	657,693	652,340
Reinsurance receivables	281,764	214,576
Prepaid reinsurance premiums	19,225	15,246
Deferred acquisition costs pertaining to unearned premiums and to life policies in force	266,257	258,734
Land, buildings and equipment for company use (at cost less accumulated depreciation)	121,112	122,005
Other assets	97,925	173,533
Separate accounts	376,613	357,615
Total assets	$ 12,695,248	$ 13,287,091
Liabilities		
Insurance reserves:		
Losses and loss expenses	$ 2,531,900	$ 2,473,059
Life policy reserves	622,590	605,421
Unearned premiums	977,386	921,872
Other liabilities	250,638	257,254
Deferred income taxes	1,797,751	2,057,641
Notes payable	158,000	170,000
6.9% Senior debentures due 2028	419,631	419,631
5.5% Convertible senior debentures due 2002	29,455	29,603
Separate accounts	376,613	357,615
Total liabilities	7,163,964	7,292,096
Shareholders' equity		
Common stock, $2 per share; authorized 200,000 shares; issued 2001--172,958; 2000--172,883 shares; outstanding 2001--160,714; 2000--160,891 shares	345,915	345,766
Paid-in capital	255,134	254,156
Retained earnings	1,658,765	1,619,954
Accumulated other comprehensive income-unrealized net capital gains	3,661,237	4,155,929
	5,921,051	6,375,805
Less treasury shares at cost (2001--12,244 shares; 2000--11,992 shares)	(389,767)	(380,810)
Total shareholders' equity	5,531,284	5,994,995
Total liabilities and shareholders' equity	$ 12,695,248	$ 13,287,091

Accompanying notes are an integral part of these condensed consolidated financial statements.

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

(000's omitted except per share data)

	Three Months Ended March 31, 2001	2000
Revenues:		
Premium income:		
Property and casualty	$ 489,566	$ 430,370
Life	17,088	17,012
Accident and health	853	711
Premiums earned	507,507	448,093
Net investment income	101,768	106,279
Realized gains on investments	3,351	14,524
Other income	5,256	2,374
Total revenues	617,882	571,270
Benefits & expenses:		
Insurance losses and policyholder benefits	357,013	317,289
Commissions	94,229	84,526
Other operating expenses	45,863	41,985
Taxes, licenses & fees	17,627	13,497
Increase in deferred acquisition costs pertaining to unearned premiums and to life policies in force	(7,523)	(4,001)
Interest expense	10,206	9,162
Other expenses	3,575	5,284
Total benefits & expenses	520,990	467,742
Income before income taxes	96,892	103,528
Provision for income taxes:		
Current	18,334	21,578
Deferred	5,945	2,587
Total provision for income taxes	24,279	24,165
Net income	$ 72,613	$ 79,363
Average shares outstanding (diluted)	166,154	164,859
Per common share:		
Net income (basic)	$ .45	$ .49
Net income (diluted)	$ .44	$ .48
Cash dividends declared	$ .21	$ .19

Accompanying notes are an integral part of these condensed consolidated financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)
(000's omitted)
THREE MONTHS ENDED MARCH 31, 2000 AND 2001

	Common Shares	Common Stock Amount	Treasury Stock Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Bal. Dec. 31, 1999	171,862	$ 343,725	$(314,294)	$237,859	$1,623,890	$ 3,530,104	$ 5,421,284
Net income					79,363		79,363
Change in unreal gains net of inc. taxes of $337,084						(626,014)	(626,014)
Comprehensive Income (loss)							(546,651)
Div. declared					(30,549)		(30,549)
Purchase/issuance of treasury shares			(49,671)	1			(49,670)
Stock options exercised	379	757		7,525			8,282
Conversion of debentures	28	55		357			412
Bal. March 31, 2000	172,269	$ 344,537	$(363,965)	$245,742	$1,672,704	$ 2,904,090	$ 4,803,108
Bal. Dec. 31, 2000	172,883	$ 345,766	$(380,810)	$254,156	$1,619,954	$ 4,155,929	$ 5,994,995
Net income					72,613		72,613
Change in unreal gains net of inc. taxes of $266,373						(494,692)	(494,692)
Comprehensive Income (loss)							(422,079)
Div. declared					(33,802)		(33,802)
Purchase/issuance of treasury shares			(8,957)	(1)			(8,958)
Stock options exercised	65	129		851			980
Conversion of debentures	10	20		128			148
Bal. March 31, 2001	172,958	$ 345,915	$(389,767)	$255,134	$1,658,765	$ 3,661,237	$ 5,531,284

Accompanying notes are an integral part of these condensed consolidated financial statements.

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

(000's omitted)

	Three Months Ended March 31, 2001	2000
Cash flows from operating activities:		
Net income	$ 72,613	$ 79,363
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	7,114	4,969
Decrease (increase) in investment income receivable	175	(6,018)
Increase in premiums receivable	(5,353)	(28,713)
Increase in reinsurance receivable	(67,188)	(14,693)
Increase (decrease) in prepaid reinsurance premiums	(3,979)	571
Increase in deferred acquisition costs	(7,523)	(3,998)
Decrease in accounts receivable	1,929	29,016
Decrease (increase) in other assets	53,892	(2,358)
Increase in loss and loss expense reserves	58,841	31,593
Increase in life policy reserves	17,169	12,342
Increase in unearned premiums	55,514	11,035
(Decrease) increase in other liabilities	(9,847)	34,638
Increase in deferred income taxes	6,483	2,587
Realized gains on investments	(3,351)	(14,524)
Increase in current income taxes	17,746	38,381
Net cash provided by operating activities	194,235	174,191
Cash flows from investing activities:		
Sale of fixed maturities	6,518	144,831
Call or maturity of fixed maturities investments	56,935	108,004
Sale of equity securities investments	20,622	40,166
Collection of finance receivables	3,433	3,512
Purchase of fixed maturities investments	(147,664)	(607,833)
Purchase of equity securities investments	(69,529)	(78,160)
Investment in land, buildings and equipment	(4,522)	(14,861)
Investment in finance receivables	(2,527)	(2,647)
Proceeds from (investment in) other invested assets	72	(2,287)
Net cash used in investing activities	(136,662)	(409,275)
Cash flows from financing activities:		
Proceeds from stock options exercised	980	8,282
Purchase/Issuance of treasury shares	(8,958)	(49,670)
(Decrease) increase in notes payable	(12,000)	19,000
Payment of cash dividends to shareholders	(30,570)	(27,609)
Net cash used in financial activities	(50,548)	(49,997)
Net decrease (increase) in cash	7,025	(285,081)
Cash at the beginning of the period	60,254	339,554
Cash at the end of the period	$ 67,279	$ 54,473
Supplemental disclosures of cash flow information		
Interest paid	$ 3,305	$ 1,636
Income taxes paid	$ 0	$ (18,048)

Accompanying notes are an integral part of these condensed consolidated financial statements.

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

NOTE I - ACCOUNTING POLICIES

The condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries, each of which is wholly owned, and are presented in conformity with accounting principles generally accepted in the United States of America. All significant inter-company investments and transactions have been eliminated in consolidation. The December 31, 2000 consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America.

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

INVESTMENTS--Fixed maturities and equity securities have been classified as available for sale and are carried at fair values at March 31, 2001 and December 31, 2000.

UNREALIZED GAINS AND LOSSES (000's omitted)--The increases (decreases) in unrealized gains for fixed maturities and equity securities (net of income tax effect) for the three-month periods ended March 31 are as follows:

Year	Fixed Maturities	Equity Securities	Total
2001	$ 41,354	$(536,046)	$(494,692)
2000	$(19,587)	$(606,427)	$(626,014)

Such amounts are included as deductions from shareholders' equity.

REINSURANCE (000's omitted)--Premiums earned are net of $37,477 and $27,710 premiums on ceded business for March 31, 2001 and 2000, respectively. Insurance losses and policyholder benefits in the accompanying consolidated statements of income are net of $67,435 and $22,866 reinsurance recoveries for March 31, 2001 and 2000, respectively.

NOTE II - STOCK OPTIONS

The Company has primarily qualified stock option plans under which options are granted to employees of the Company at prices which are not less than market price at the date of grant and which are exercisable over ten-year periods. On March 31, 2001, outstanding options for Stock Plan IV totalled 1,984,025 shares with purchase prices ranging from a low of $10.07 to a high of $42.87, outstanding options for Stock Plan V totalled 1,179,470 shares with purchase prices ranging from a low of $20.47 to a high of $45.37 and outstanding options for Stock Plan VI totalled 3,971,277 shares with purchase prices ranging from a low of $29.38 to a high of $41.47.

NOTE III - SEGMENT INFORMATION

The Company is organized and operates principally in two industries and has four reportable segments--commercial lines property and casualty insurance, personal lines property and casualty insurance, life insurance and investment operations. The accounting policies of the segments are the same as those described in Note I - Accounting Policies. Revenue is primarily from unaffiliated customers. Identifiable assets by segment are those assets, including investment securities, used in the Company's operations in each industry. Corporate and other identifiable assets are principally cash and marketable securities. Segment information, for which results are regularly reviewed by Company management in making decisions about resources to be allocated to the segments and assess their performance, is summarized in the following table. Information regarding income before income taxes and identifiable assets is not available for two reportable segments - commercial lines and personal lines - property casualty insurance.

(000's omitted)	Quarter Ended March 31, 2001	2000
REVENUES		
Commercial lines insurance	$ 337,943	$ 283,393
Personal lines insurance	151,623	146,977
Life insurance	17,941	17,723
Investment operations	105,119	120,803
Corporate and other	5,256	2,374
Total revenues	$ 617,882	$ 571,270
INCOME BEFORE INCOME TAXES		
Property and casualty insurance	$ 8,412	$ 7,459
Life insurance	2,556	(312)
Investment operations	95,991	108,186
Corporate and other	(10,067)	(11,805)
Total income before income taxes	$ 96,892	$ 103,528
IDENTIFIABLE ASSETS		
Property and casualty insurance	$ 6,311,238	$ 5,144,927
Life insurance	1,650,825	1,455,394
Corporate and other	4,733,185	3,963,587
Total identifiable assets	$ 12,695,248	$ 10,563,908

NOTE IV - FINANCIAL ACCOUNTING PRONOUNCEMENTS

The Company adopted Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, on January 1, 2001. SFAS 133 requires that all derivative financial instruments, such as convertible debt, convertible preferred stock, interest rate swap contracts and foreign exchange contracts, be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair market value of derivative financial instruments are either recognized periodically in income or shareholders' equity (as a component of comprehensive income), depending on whether the derivative is being used to hedge changes in fair value or cash flows. The adoption of SFAS 133 did not have a significant impact on the consolidated results of operations, financial position or cash flows of the Company because the Company does not have significant derivative activity.

Subsequent to March 31, 2001, the Company entered into an interest rate swap as a cash flow hedge of variable interest payments. (The risk designated as being hedged is the risk of changes in cash flows attributable to changes in market interest rates.) For this interest rate swap contract under which the Company agrees to pay a fixed rate of interest, the contract is considered to be a hedge against changes in the amount of future cash flows associated with the Company's interest payments of certain variable rate debt obligations ($31 million notional amount). Accordingly, the interest rate swap contract will be reflected at fair value in the Company's consolidated balance sheet and the related gain or loss on this contract will be a component of comprehensive income. The net effect of this accounting on the Company's operating results will be that interest expense on the portion of variable rate debt being hedged will generally be recorded based on fixed interest rates.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (000's omitted)

This Management Discussion is intended to supplement the data contained in the financial statements and related notes of Cincinnati Financial Corporation and subsidiaries. The following discussion related to the condensed consolidated financial statements and accompanying notes contain certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to: unusually high levels of catastrophe losses due to changes in weather patterns or other natural causes; changes in insurance regulations or legislation that place the Company at a disadvantage in the marketplace; recession or other economic conditions resulting in lower demand for insurance products; sustained decline in overall stock market values negatively impacting the Company's equity portfolio and the ability to generate investment income. Readers are cautioned that the Company undertakes no obligation to review or update the forward-looking statements included in this material.

Premiums earned for the three months ended March 31, 2001 have increased $59,414 (13%) over the three months ended March 31, 2000. For our property and casualty insurance companies, gross written premiums increased $83,434, net written premiums increased by $69,094 and net earned premiums increased by $59,365. The premium growth rates are greater than last year primarily because of rate increases. Commercial lines new business increased 5%. Earned premiums of our life company increased $218. The premium growth in our life products is mainly attributable to increased sales of both traditional and work site marketing products. For the three-month period ended March 31, 2001, investment income, net of expenses, has increased $.9 (1%) when compared with the first three months of 2000, excluding $5.3 million in 2000 interest income from a bank-owned life insurance (BOLI) policy. Lack of growth was attributable to the average yield for the bond portfolio decreasing and lower dividends earned in the quarter. Realized gains on investments for the three months ended March 31, 2001 amounted to $3,351 compared to $14,524 for the comparable three-month period March 31, 2000.

Insurance losses and policyholder benefits (net of reinsurance recoveries) increased $39,724 (13%) for the first three months of 2001 over the same period in 2000. Property and casualty company losses increased $43,376 in the first quarter of 2001, compared to the first quarter of 2000, while policy holder benefits decreased $3,652 over the first quarter of 2000 in the life insurance subsidiary. The increase in property casualty losses is primarily due to a 30% increase in losses incurred for claims $250 or less. Catastrophic claims were lower by $1,415 in the same period.

Commission expenses increased $9,703 for the first quarter of 2001 compared to the same period of 2000. Property and casualty commissions increased $10,503, reflecting higher contingent commissions and higher growth of premiums written. Life commissions decreased $800. In the first quarter 2000, a backlog of "Triple X" term insurance processing resulted in higher premiums and commissions. 2001 commissions are lower, as these policies now are paying a renewal commission instead of a first year commission. Other operating expenses increased $3,878 for the three-month period ended March 31, 2001 compared to the same period for 2000. The increase is attributable to increases in staff and other internal development costs associated with our investment in infrastructure to support future growth. Taxes, licenses and fees increased $4,130 for the first quarter of 2001 compared to the first quarter of 2000 primarily due to growth in written premiums. Interest expense increased $1,044 for the three-month period ended March 31, 2001 compared to the same period for 2000. A large portion of the increase is attributable to more short-term debt held at March 31, 2001.

There was no significant change in the provision for federal income taxes for the first three months of 2001 compared to the first three months of 2000.

In the first quarter of 2001 and 2000, the Company experienced a decrease in unrealized gains in investments resulting in comprehensive income of ($422,079) in 2001 compared to ($546,651) in 2000. Our top 10 equity holdings accounted for $517,697 of the decrease in unrealized gains for 2001.

Market Risk - The Company could incur losses due to adverse changes in market rates and prices. The Company's primary market risk exposures are to changes in price for equity securities and changes in interest rates and credit ratings for fixed maturity securities. The Company could alter the existing investment portfolios or change the character of future investments to manage exposure to market risk. CFC, with the Board of Directors, administers and oversees investment risk through the Investment Committee, which provides executive oversight of investment activities. The Company has specific investment guidelines and policies that define the overall framework used daily by investment portfolio managers to limit the Company's exposure to market risk.

The Company's Board of Directors has authorized the repurchase of outstanding shares. At March 31, 2001, 8.9 million shares remain authorized for repurchase at any time in the future. During the first quarter 2001, 252 shares were repurchased at a cost of $8,967. As of March 31, 2001, the Company has repurchased 12,027 shares.

PART II
OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 2. Changes in Securities

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

ITEM 3. Defaults Upon Senior Securities

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

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

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

ITEM 5. Other Information

No matters to report.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits included:

Exhibit 11--Statement re-Computation of Per Share Earnings.

(b) The Company was not required to file any reports on Form 8-K during the quarter ended March 31, 2001.

Signature

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

CINCINNATI FINANCIAL CORPORATION

(Registrant)

Date May 8, 2001

By/s/ Kenneth W. Stecher

Kenneth W. Stecher
Chief Financial Officer

EXHIBIT 11
CINCINNATI FINANCIAL CORPORATION
STATEMENT RE-COMPUTATION OF PER SHARE EARNINGS
(000's omitted except per share data)

	Three Months Ended March 31, 2001	2000
Basic earnings per share:		
Net income	$ 72,613	$ 79,363
Average shares outstanding	$162,888	$161,430
Net income per common share	$ .45	$ .49
Diluted earnings per share:		
Net income	$ 72,613	$ 79,363
Interest on convertible debentures--net of tax....	263	328
Net income for per share calculation (diluted)....	$ 72,876	$ 79,691
Average shares outstanding	162,688	161,430
Effective of dilutive securities:		
5.5% convertible senior debentures	1,980	2,443
Stock options	1,486	986
Total dilutive shares	166,154	164,859
Net income per common share (diluted)	$ .44	$ .48

ANTI-DILUTIVE SECURITIES

Options to purchase 963 and 2,669 shares of the Company with exercise prices ranging from $37.88 to $45.37 per share were outstanding at March 31, 2001, and exercise prices ranging from $33.00 to $45.37 per share were outstanding at March 31, 2000. The shares were not included in the computation of diluted earnings per share for the three-month periods ended March 31, 2001 and 2000, since inclusion of these options would have anti-dilutive effects, as the options-exercise prices exceeded the respective average market prices of the Company's shares.