

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, 1995

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

\_\_\_\_\_  
Commission File Number 0-4604

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

An Ohio Corporation	31-0746871
(State or other jurisdiction of 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: 513/870-2000

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

YES    X    .	NO       .
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Securities registered pursuant to Section 12(g) of the Act:

\$2.00 Par Common--53,003,715 shares outstanding at March 31, 1995

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

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## ITEM 1. FINANCIAL STATEMENTS

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 1995	December 31, 1994
	-----	-----
ASSETS		
- - - - -		
Cash . . . . .	\$ 33,160,127	\$ 48,254,464
Investments		
Fixed Maturities (Cost: 1995--\$2,076,941,596; 1994--\$1,976,314,328). . . . .	2,118,523,014	1,943,116,277
Equity Securities (Cost: 1995--\$1,325,853,464; 1994--\$1,289,443,730). . . . .	2,368,209,991	2,230,246,516
Other Invested Assets. . . . .	39,324,943	38,815,948
Finance Receivables. . . . .	16,941,738	16,168,514
Premiums Receivable. . . . .	141,164,973	141,972,017
Reinsurance Receivable . . . . .	85,150,775	67,125,191
Prepaid Reinsurance Premiums . . . . .	24,506,172	24,066,171
Investment Income Receivable . . . . .	58,065,096	56,069,113
Land, Buildings and Equipment for Company Use (at Cost Less Accumulated Depreciation) . . . . .	32,649,328	32,672,741
Deferred Acquisition Costs Pertaining to Unearned Premiums and to Life Policies in Force . . . . .	110,513,864	109,503,487
Other Assets . . . . .	28,406,100	26,268,434
	-----	-----
Total Assets	\$5,056,616,121	\$4,734,278,873
	-----	-----
LIABILITIES		
- - - - -		
Insurance Reserves:		
Life Policy Reserves . . . . .	\$ 376,722,490	\$ 370,095,301
Losses and Loss Expenses . . . . .	1,616,759,517	1,552,296,866
Unearned Premiums. . . . .	380,725,002	382,119,017
Notes Payable. . . . .	139,616,197	129,115,650
5-1/2% Convertible Senior Debentures Due 2002. . . . .	80,000,000	80,000,000
Federal Income Taxes		
Current. . . . .	24,789,108	-0-
Deferred . . . . .	253,892,346	195,447,391
Other Liabilities. . . . .	83,003,582	85,157,413
	-----	-----
Total Liabilities	2,955,508,242	2,794,231,638
	-----	-----
SHAREHOLDERS' EQUITY		
- - - - -		
*Common Stock, \$2 per Share; Authorized 80,000,000 Shares; Issued 1995--53,022,326; 1994--52,957,773 Shares; Outstanding 1995--53,003,715; 1994--52,938,838 Shares . . . . .	106,044,652	100,871,948
Paid-In Capital. . . . .	234,836,748	105,791,761
Retained Earnings. . . . .	1,046,620,288	1,133,104,811
Unrealized Gain on Investments, Less Taxes . . . . .	714,509,491	601,192,480
	-----	-----
	2,102,011,179	1,940,961,000
	-----	-----
*Less Treasury Shares at Cost (1995--18,611 Shares; 1994--18,935 Shares) . . . . .	(903,300)	(913,765)
	-----	-----
Total Shareholders' Equity . . . . .	2,101,107,879	1,940,047,235
	-----	-----
Total Liabilities and Shareholders' Equity . . .	\$5,056,616,121	\$4,734,278,873
	=====	=====

\*Adjusted to reflect 5% stock dividend effective March 17, 1995.

Accompanying notes are an integral part of these financial statements.

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

	Three Months Ended March 31,	
	1995	1994
Revenues:	----	----
Premiums Earned:		
Property and Casualty . . . . .	\$ 307,146,925	\$ 281,727,271
Life . . . . .	10,949,844	10,729,336
Accident and Health . . . . .	1,833,146	1,811,567
	-----	-----
Net Premiums Earned . . . . .	319,929,915	294,268,174
Investment Income, Less Expenses . . . . .	71,813,695	63,774,572
Realized Gain on Investments . . . . .	21,018,001	18,924,075
Other Income . . . . .	1,926,188	2,735,699
	-----	-----
Total Revenues . . . . .	414,687,799	379,702,520
	-----	-----
Benefits & Expenses:		
Insurance Losses and Policyholder Benefits . . . . .	233,385,026	234,542,096
Commissions . . . . .	59,217,649	53,463,326
Other Operating Expenses . . . . .	24,805,094	20,555,397
Taxes, Licenses & Fees . . . . .	8,944,612	8,627,550
Increase in Deferred Acquisition . . . . .		
Costs Pertaining to Unearned Premiums and to Life Policies in Force . . . . .	(1,010,378)	(75,723)
Interest Expense . . . . .	3,662,971	1,938,566
Other Expenses . . . . .	1,859,960	759,937
	-----	-----
Total Expenses . . . . .	330,864,934	319,811,149
	-----	-----
Income Before Income Taxes . . . . .	83,822,865	59,891,371
	-----	-----
Provision (Benefit) for Income Taxes:		
Current . . . . .	21,313,367	22,354,007
Deferred . . . . .	(735,101)	(10,962,106)
	-----	-----
Total . . . . .	20,578,266	11,391,901
	-----	-----
Net Income . . . . .	\$ 63,244,599	\$ 48,499,470
	=====	=====
Increase (Decrease) in Unrealized Gains on Fixed Maturities and Equity Investments . . . . .	\$ 174,333,863	\$(108,657,240)
Less Provision (Benefits) for Federal Income Taxes . . . . .	61,016,852	(38,030,015)
	-----	-----
Increase (Decrease) in Unrealized Gains on Fixed Maturities and Equity Investments Less Applicable Federal Income Taxes . . . . .	\$ 113,317,011	(70,627,225)
	=====	=====
Weighted Average Shares Outstanding . . . . .	54,876,028	54,825,665*
	=====	=====
Per Common Share:		
Total Net Income . . . . .	\$1.17	\$ .90*
	=====	=====
Cash Dividends Declared . . . . .	\$ .32	\$ .30*
	=====	=====

\*Adjusted to reflect 5% stock dividend effective March 17, 1995.

Accompanying notes are an integral part of these financial statements.

## CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
(UNAUDITED)THREE MONTHS ENDED MARCH 31, 1995  
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	Common Shares -----	Stock Amount -----	Treasury Stock -----	Paid-In Capital -----	Retained Earnings -----	Unrealized Capital Gains (Losses) -----
Balance December 31, 1994	50,435,974	\$100,871,948	\$(913,765)	\$105,791,761	\$1,133,104,811	\$601,192,480
Net Income					63,244,599	
Change in Unrealized Gains Net of Income Taxes of \$61,016,852						113,317,011
Dividends Declared					(17,164,239)	
5% Stock Dividend at Market	2,521,546	5,043,092		127,338,073	(132,564,883)	
Issuance of Treasury Shares			10,465	4,437		
Stock Options Exercised	64,806	129,612		1,702,477		
Balance March 31, 1995	53,022,326 =====	\$106,044,652 =====	\$(903,300) =====	\$234,836,748 =====	\$1,046,620,288 =====	\$714,509,491 =====

Accompanying notes are an integral part of these financial statements.

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

	Three Months Ended March 31,	
	1995	1994
	----	----
Cash flows from operating activities:		
Net income . . . . .	\$63,244,599	\$48,499,470
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization . . . . .	2,432,438	2,178,070
Decrease in net unearned premiums . . . . .	(1,834,016)	(6,295,956)
Increase in net life policy reserves . . . . .	6,627,189	7,056,431
Increase in net loss and loss expense reserves . . . . .	46,437,067	66,164,808
Decrease in net premiums receivable . . . . .	807,044	2,829,669
Increase in deferred acquisition costs . . . . .	(1,010,377)	(75,722)
Decrease in other liabilities . . . . .	(3,569,850)	(25,649,675)
Increase in investment income receivable . . . . .	(1,995,983)	(836,003)
(Increase) decrease in policy loans and accounts receivable . . . . .	(5,759,188)	3,231,902
Decrease in deferred income taxes . . . . .	(2,571,897)	(10,962,107)
Increase in current income taxes . . . . .	26,725,886	16,531,740
Realized gain on investments . . . . .	(21,018,001)	(18,924,075)
Other . . . . .	1,216,919	(391,115)
	-----	-----
Net cash provided by operating activities . . . . .	109,731,830	83,357,437
	-----	-----
Cash flows from investing activities:		
Sale of fixed maturities investments . . . . .	20,509,272	24,314,205
Maturity of fixed maturities investments . . . . .	47,190,434	99,484,580
Sale of equity securities investments . . . . .	83,764,258	38,406,775
Collection of mortgage loans . . . . .	65,418	236,835
Collection of finance receivables . . . . .	1,828,410	1,549,313
Purchase of fixed maturities investments . . . . .	(167,264,970)	(156,711,199)
Purchase of equity securities investments . . . . .	(102,142,181)	(100,233,806)
Investment in mortgage loans . . . . .	-0-	(690,943)
Investment in land, buildings and equipment . . . . .	(2,334,980)	(3,190,298)
Investment in finance receivables . . . . .	(2,601,634)	(2,114,237)
Investment in real estate and other . . . . .	(53,991)	(761,872)
	-----	-----
Net cash used in investing activities . . . . .	(121,039,964)	(99,710,647)
	-----	-----
Cash flows from financing activities:		
Proceeds from stock options exercised . . . . .	1,832,089	1,215,805
Issuance (purchase) of treasury shares . . . . .	14,902	(149,607)
Increase in notes payable . . . . .	10,500,547	10,512,454
Payment of cash dividends to shareholders . . . . .	(16,133,741)	(14,085,764)
	-----	-----
Net cash used in financing activities . . . . .	(3,786,203)	(2,507,112)
	-----	-----
Net decrease in cash . . . . .	(15,094,337)	(18,860,322)
Cash at beginning of period . . . . .	48,254,464	48,113,639
	-----	-----
Cash at end of period . . . . .	\$ 33,160,127	\$ 29,253,317
	=====	=====
Supplemental disclosures of cash flow information		
Interest paid . . . . .	\$ 2,234,417	\$ 751,533
	=====	=====
Income taxes paid . . . . .	\$ -0-	\$ 6,000,000
	=====	=====

Accompanying notes are an integral part of these financial statements.

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

NOTE I - ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, each of which is wholly owned, and are presented in conformity with generally accepted accounting principles. All significant inter-company investments and transactions have been eliminated in consolidation. The December 31, 1994 consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures required by generally accepted accounting principles.

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

UNREALIZED GAINS AND LOSSES--The increases (decreases) in unrealized gains for fixed maturities and equity securities for the three-month periods ended March 31 are as follows:

1995 ----	Fixed Maturities -----	Equity Securities -----
Increase in Unrealized Gains (Net of Income Tax Effects)	\$ 47,307,079	\$ 66,009,932
 1994 ----		
Decrease in Unrealized Gains (Net of Income Tax Effects)	\$(28,436,090)	\$(121,531,440)

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

REINSURANCE--Premiums earned are net of \$18,720,168 and \$24,585,613 of premium on ceded business for March 31, 1995 and 1994, respectively. Insurance losses and policyholder benefits in the accompanying statements of income are net of \$14,617,542 and \$3,429,385 reinsurance recoveries for March 31, 1995 and 1994, respectively.

NOTE II - STOCK OPTIONS

The Company has primarily qualified stock option plans under which options are granted to employees of the Company at prices which are not less than market price at the date of grant and which are exercisable over a five-year period, or over a ten-year period if granted on or after July 25, 1990. On March 31, 1995, outstanding options for Stock Option Plan No. III totalled 87,977 shares with purchase prices ranging from a low of \$12.46 to a high of \$23.13 and outstanding options for Stock Option Plan No. IV totalled 734,919 shares with purchase prices ranging from a low of \$23.50 to a high of \$59.29. All outstanding shares have been adjusted for the 5% stock dividend declared February 4, 1995, payable April 28, 1995 to shareholders of record of March 17, 1995.

## NOTE III INTERIM ADJUSTMENTS

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

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Premiums earned for the three months ended March 31, 1995 have increased \$25,661,741 (9%) over the three months ended March 31, 1994. The growth rate of our property and casualty subsidiaries on a gross written basis is greater than last year; and with lower costs of reinsurance, our premiums earned increased 9% in the three-month period ended March 31, 1995 over March 31, 1994. The premium growth is attributable to new business and rate increases. The premium volume of our life and health company has increased approximately 2% as the Company had slight increases in both life and health insurance production. For the three-month period ended March 31, 1995, Investment Income, net of expenses, has increased \$8,039,123 (13%) when compared with the first three months of 1994. This increase is the result of the growth of the investment portfolio because of investing cash flows from increased premiums written. The growth is greater than last year because of higher yields on new investments.

Realized gains on investments for the three months ended March 31, 1995 amounted to \$21,018,001 compared to \$18,924,075 for the comparable three-month period ended March 31, 1994. The realized gains are predominantly the result of the sale of equity securities and management's decision to realize the gains and reinvest the proceeds at higher yields.

Insurance losses and policyholder benefits (net of reinsurance recoveries) decreased \$1,157,070 (1%) for the first three months of 1995 over the same period in 1994. The losses and benefits of the property and casualty companies have decreased \$2,419,732 because the catastrophe losses for the first quarter of 1995 were only \$0.1 million compared to \$18.8 million in 1994. The lower incidence and severity of these weather related catastrophe claims more than offset the increased claims due to the growth in business. Policyholder benefits increased \$1,262,662 over the first quarter of 1994 in the life insurance subsidiary. The majority of the increase is the result of a higher incidence of death and disability income claims and related costs.

Commission expenses increased \$5,754,323 for the first quarter of 1995 compared to the first quarter of 1994. The increase is mainly attributable to the increases in new business and the effects of favorable underwriting results. Other operating expenses increased \$4,249,697 for the first quarter of 1995 compared to the first quarter of 1994. Most of the increase is the result of general wage increases and the increase in the number of employees from 1,975 at December 31, 1993 to 2,150 at March 31, 1995.

Provision for income taxes, current and deferred, have increased by \$9,186,365 for the first three months of 1995 compared to the first three months of 1994. The increase in federal taxes is attributable to higher underwriting profits in our property and casualty companies, because of lower catastrophe claims and higher taxable investment income, dividends received and capital gains for the corporation.

Unrealized appreciation will fluctuate with changes in the overall fixed maturities and equity securities market. Changes in unrealized appreciation are discussed in Note 1. The Company's equity investment portfolio continues to be primarily investments in common stocks of public utility companies and financial institutions.



PART II  
OTHER INFORMATION

ITEM 1. Legal Proceedings  
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The Company is involved in no material litigation other than routine litigation incident to the nature of the insurance industry.

ITEM 2. Changes in Securities  
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On February 4, 1995, the Company declared a 5% stock dividend payable on April 28, 1995 to shareholders of record of March 17, 1995.

ITEM 3. Defaults Upon Senior Securities  
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The Company has not defaulted on any interest or principal payment, and no arrearage in the payment of dividends has occurred.

ITEM 4. Submission of Matters to a Vote of Security Holders  
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No special matters were voted upon by security holders during the first quarter.

ITEM 5. Other Information  
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No matters to report.

ITEM 6. Exhibits and Reports on Form 8-K  
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(a) Exhibits included:

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

(b) The Company was not required to file any reports on Form 8-K during the quarter ended March 31, 1995.

Signature

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

CINCINNATI FINANCIAL CORPORATION  
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(Registrant)

Date May 11, 1995  
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By/s/ Robert J. Driehaus  
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R. J. Driehaus  
Financial Vice President & Treasurer  
(Principal Financial Officer)

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## EXHIBIT 11

CINCINNATI FINANCIAL CORPORATION  
 STATEMENT RE COMPUTATION OF PER SHARE EARNINGS  
 FOR THE QUARTER ENDED MARCH 31,  
 (in thousands except for per share amounts)

	1995	1994*
	-----	-----
Weighted average shares outstanding	52,974	52,835
Equivalent shares assumed to be outstanding for:		
Stock options	195	284
Convertible debentures	1,707	1,707
	-----	-----
Number of shares for primary computation	54,876	54,826
Other dilutive equivalent shares-- stock options	2	0
	-----	-----
Number of shares assuming full dilution	54,878	54,826
	=====	=====
Net income	\$63,245	\$48,499
Interest on convertible debentures-- net of tax	715	715
	-----	-----
Net income for per share computation	\$63,960	\$49,214
	=====	=====
Earnings per share:		
Primary	\$ 1.17	\$ .90
	=====	=====
Fully Diluted	\$ 1.17	\$ .90
	=====	=====

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

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DEC-31-1995	
JAN-31-1995	
MAR-31-1995	
2,118,523,014	
0	
0	
2,368,209,991	
5,529,985	
15,929,968	
4,526,057,948	
33,160,127	
2,846,446	
110,513,864	
5,056,616,121	
1,940,294,341	
380,725,002	
50,265,836	
4,791,452	
219,616,197	
105,141,352	
0	
0	
1,995,966,527	
5,056,616,121	
319,929,915	
71,813,695	
21,018,001	
1,926,188	
233,385,026	
19,223,416	
78,256,492	
83,822,865	
20,578,266	
63,244,599	
0	
0	
0	
63,244,599	
1.17	
1.17	
1,510,150,293	
0	
0	
0	
0	
1,563,712,336	
0	

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

Equals the sum of Life Policy Reserves and Losses and Loss Expenses less the Life Company liability for Supplementary Contracts without Life Contingencies of \$2,921,829 which is classified as Other Policyholder Funds

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

Equals the Total Shareholders Equity

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

Equals the reserve for unpaid claims for the property casualty subsidiaries less loss checks payable as of December 31, 1994

Equals the reserve for unpaid claims for the property casualty subsidiaries less loss checks payable as of March 31, 1995