Part I

Item 1. Business

CINCINNATI FINANCIAL CORPORATION – INTRODUCTION

We are an Ohio corporation formed in 1968. Through our subsidiaries, we have been in business since 1950, marketing commercial, personal and life insurance through independent insurance agencies to businesses and individuals. Our headquarters is in Fairfield, Ohio. At year-end 2006, we had 4,048 associates, with 2,888 headquarters associates providing support to 1,160 field associates.

Cincinnati Financial Corporation (CFC) owns 100 percent of three subsidiaries: The Cincinnati Insurance Company, CFC Investment Company and CinFin Capital Management Company. In addition, the parent company has an investment portfolio and is responsible for corporate borrowings and shareholder dividends. The Cincinnati Insurance Company owns 100 percent of our three smaller insurance subsidiaries: The Cincinnati Casualty Company, The Cincinnati Indemnity Company and The Cincinnati Life Insurance Company.

The Cincinnati Insurance Company, founded in 1950, leads the property casualty group known as The Cincinnati Insurance Companies. The Cincinnati Casualty Company and The Cincinnati Indemnity Company round out the property casualty insurance group, providing flexibility in pricing and underwriting while ceding all of their business to The Cincinnati Insurance Company. The Cincinnati Life Insurance Company primarily markets life insurance and annuities. CFC Investment Company complements the insurance subsidiaries with leasing and financing services. CinFin Capital Management Company provides asset management services to institutions, corporations and high net worth individuals.

Our filings with the Securities and Exchange Commission (SEC) are available, free of charge, on our Web site, *www.cinfin.com*, as soon as possible after they have been filed with the SEC. These filings include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. In the following pages we reference various Web sites. These Web sites, including our own, are not incorporated by reference in this Annual Report on Form 10-K.

Periodically, we refer to estimated industry data so that we can give information about our performance versus the overall insurance industry. Unless otherwise noted, the industry data is prepared by A.M. Best Co., a leading insurance industry statistical, analytical and financial strength rating organization. Information from A.M. Best is presented on a statutory basis. When we provide our results on a comparable statutory basis, we label it as such; all other company data is presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

OUR BUSINESS AND OUR STRATEGY

INTRODUCTION

Our company was founded more than 50 years ago by independent agents to support the ability of local independent property casualty insurance agents to deliver quality financial protection to people and businesses in their communities. Today, we operate much the same way, actively marketing commercial insurance policies in 32 states through a select group of independent insurance agencies. We actively market all of our personal lines insurance policies in 22 of those states. We also seek to become the life insurance carrier of choice for the agencies that market our property casualty insurance products and offer other financial services to help agents and their clients, the policyholders.

Our company distinguishes itself in three ways:

- We cultivate relationships with the independent insurance agents who market our policies and we make our decisions at the local level
- We achieve claims excellence, covering the spectrum from our response to reported claims to our approach to establishing reserves for not-yet-paid claims
- We invest for long-term total return, using available cash flow to purchase equity securities after covering insurance liabilities by purchasing fixed-maturity securities

CULTIVATING RELATIONSHIPS WITH INDEPENDENT INSURANCE AGENTS

The U.S. property casualty insurance industry is a highly competitive marketplace with over 3,900 stock and mutual companies operating independently or in groups. No single company or group dominates across all product lines and states. Insurance companies (carriers) can market a broad array of products nationally or:

- choose to sell a limited product line or only one type of insurance (monoline carrier)
- target a certain segment of the market (for example, personal insurance)

- focus on one or more states or regions (regional carrier)

Property casualty insurers generally market their products through one or more distribution channels:

- independent agents, who represent multiple carriers,
- captive agents, who represent one carrier exclusively, or
- direct marketing through the mail or Internet

Some carriers use more than one channel. For the most part, we compete with insurance companies that market through independent insurance agents.

Independent Agency Distribution System

We are committed to the independent agency distribution system, offering a broad array of commercial, personal and life insurance products through this channel. We recognize that locally based independent agencies have relationships in their communities that can lead to policyholder satisfaction, loyalty and profitable business. Our field associates provide service and accountability to the agencies, living in the communities they serve and working from offices in their homes, providing 24/7 availability to our agents.

At year-end 2006, our 1,066 agency relationships had 1,289 reporting agency locations marketing our insurance products. An increasing number of agencies have multiple, separately identifiable locations, reflecting their growth and consolidation of ownership within the independent agency marketplace. Reporting agency locations describes our agents' scope of business and our presence within our 32 active states.
At year-end 2005, we had 1,024 agency relationships with 1,252 reporting agency locations. At year-end 2004, we had 998 agency relationships with 1,213 reporting agency locations. In addition to providing data on reporting agency locations, we continue to give agency relationships metrics, such as our penetration within each agency relationship.

Property Casualty Earned Premiums by State

In our 10 highest volume states, 877 reporting agency locations wrote 70.0 percent of our 2006 total property casualty earned premium volume compared with 69.7 percent in 2005.

(Dollars in millions)	Earned premiums	Percent of total earned	Reporting agency locations	Avg premium per location
Year ended December 31, 2006				
Ohio	**$ 695**	**22.0 %**	**220**	**$ 3.2**
Illinois	**291**	**9.2**	**116**	**2.5**
Indiana	**225**	**7.1**	**98**	**2.3**
Pennsylvania	**190**	**6.0**	**75**	**2.5**
Michigan	**160**	**5.1**	**92**	**1.7**
Georgia	**147**	**4.6**	**62**	**2.4**
North Carolina	**144**	**4.5**	**70**	**2.1**
Virginia	**142**	**4.5**	**55**	**2.6**
Wisconsin	**119**	**3.8**	**51**	**2.3**
Kentucky	**103**	**3.2**	**38**	**2.7**
Year ended December 31, 2005				
Ohio	$ 687	22.5 %	224	$ 3.1
Illinois	281	9.2	112	2.5
Indiana	222	7.3	99	2.2
Pennsylvania	182	5.9	63	2.9
Michigan	164	5.4	88	1.9
Georgia	133	4.3	59	2.3
Virginia	126	4.1	53	2.4
North Carolina	121	3.9	68	1.8
Wisconsin	119	3.9	49	2.4
Kentucky	98	3.2	38	2.6

In 2005, the most recent period for which data is available, Cincinnati Insurance was the No. 1 or No. 2 carrier in 75 percent of the reporting agency locations that have represented us for more than five years.
The independent agencies that we choose to market our products share our philosophies. They do business person to person; offer broad, value-added services; maintain sound balance sheets and manage their agencies professionally. On average, we have a 15.7 percent share of the property casualty insurance in our reporting agency locations. Our share is 22.4 percent in reporting agency locations that have represented us for more than 10 years; 9.9 percent in agencies that have represented us for five to 10 years; 4.3 percent in agencies that have represented us for one to five years; and 1.2 percent in agencies that have represented us for less than one year.

Over the next decade, industry analysts predict successful agencies will have opportunities to increase their size on average almost three-fold. Agencies are expected to continue to pursue consolidation opportunities, buying or merging with other agencies to create stronger organizations and expand service. In addition to the growing networks of agency locations owned by banks and brokers, other agencies are addressing the consolidation by forming voluntary associations. These associations, or "clusters," share back office and other functions to enhance economies, while maintaining their individual ownership structures.

No single agency relationship accounted for more than 1.2 percent of our total agency earned premiums in 2006. Some of our agency relationships are with individual offices of bank- or broker-owned organizations. Our relationships are with each office separately, however, no bank- or broker-owned organization, in aggregate, accounted for more than 2.3 percent of our total agency earned premiums in 2006.

Strengthening Our Agency Relationships

We follow a number of strategies to strengthen our relationships with the independent property casualty insurance agencies that represent us.

Emphasis on Relationships and Local Decision-making

We continue to expand the services we provide that support agency opportunities. Accessible field representatives are the first layer of support. Headquarters associates also provide agencies with underwriting, accounting and technology assistance and training. Company executives, headquarters underwriters and special teams regularly travel to visit agencies. Agents have opportunities for direct, personal conversations with our senior management team, and headquarters associates have opportunities to refresh their knowledge of marketplace conditions and field activities.

The field marketing representatives are joined by field representatives specializing in claims, loss control, machinery and equipment, bond, premium audit, life insurance and leasing. For example, our field machinery and equipment and loss control representatives perform inspections and recommend specific actions to improve the safety of the policyholder's operations and the quality of the agent's account.

Agents tell us they agree with the need to carefully select risks and assure pricing adequacy. They appreciate the time our associates invest in creating solutions for their clients while protecting profitability, whether that means working on an individual case or developing modified policy terms and conditions that preserve flexibility, choice and other sales advantages.

Risk-specific Underwriting

We seek to be a consistent, predictable and reasonable property casualty carrier that agencies can rely on to serve their clients. Our field and headquarters underwriters make risk-specific decisions about both new business and renewals. On a case-by-case basis, we select risks we can cover on acceptable terms and at adequate prices rather than underwriting solely by geographic location or business class.

For new commercial lines business, this case-by-case underwriting and pricing is coordinated by the local field marketing representatives. Our agents and our field marketing, loss control, bond and machinery and equipment representatives get to know the people and businesses in their communities and can make informed decisions about each risk. These field marketing representatives also are responsible for selecting new independent agencies, coordinating field teams of specialized company representatives and promoting all of the company's products within the agencies they serve. Commercial lines policy renewals are managed by headquarters underwriters who are assigned to specific agencies and consult with local field staff, as needed.

We apply our risk-specific underwriting philosophy to personal lines new and renewal business in a different process. Each agency selects personal lines business from within the geographic territory that it serves, based on the agent's knowledge of the risks in those communities or familiarity with the policyholder. New and renewal business activities are supported by headquarters associates assigned to individual agencies.

Competitive Insurance Products

We are committed to offering the property casualty products and services local agents need to serve their clients – the policyholders. Our commercial lines products are structured to allow flexible combinations of coverages in a single package with a single expiration date. Our intent is to offer personal auto and homeowners coverages together with other coverages such as personal umbrella. This approach brings policyholders convenience, discounts and a reduced risk of coverage gaps or disputes. At the same time, it increases account retention and saves time and expense for the agency and our company.

Our commercial lines packages are typically offered on a three-year policy term for most insurance coverages, a key competitive advantage. Although we offer three-year policy terms, premiums for some coverages within those policies are adjustable at anniversary for the next annual period, and policies may be cancelled at any time at the discretion of the policyholder. Contract terms often provide that rates for property, general liability, inland marine and crime coverages, as well as policy terms and conditions, are fixed for the term of the policy. The general liability exposure basis may be audited annually. Commercial auto, workers' compensation, professional liability and most umbrella liability coverages within multi-year packages are rated at each of the policy's annual anniversaries for the next one-year period. The annual pricing could incorporate rate changes approved by state insurance regulatory authorities between the date the policy was written and its annual anniversary date, as well as changes in risk exposures and premium credits or debits relating to loss experience, competition and other underwriting judgment factors. We estimate that approximately 75 percent of 2006 commercial premiums were subject to annual rating or were written on a one-year policy term.

In our experience, multi-year packages are somewhat less price sensitive for the quality-conscious insurance buyers who we believe are typical clients of our independent agents. Customized insurance programs on a three-year term complement the long-term relationships these policyholders typically have with their agents and with the company. By reducing annual administrative efforts, multi-year policies lower expenses for our company and for our agents. The commitment we make to policyholders encourages long-term relationships and reduces their need to annually re-evaluate their insurance carrier or agency. We believe that the advantages of three-year policies in terms of policyholder convenience, account retention and reduced administrative costs outweigh the potential disadvantage of these policies, even in periods of rising rates.

Our personal lines policies are offered on a one-year term, except for homeowner policies in five states. Competitive advantages of our personal lines coverages include a generous credit structure and customizable endorsements for both the personal auto and homeowner policies. A newly introduced personal auto policy endorsement is replacement cost coverage for newly purchased vehicles. Popular homeowner endorsements include replacement cost for contents, inflation guard, identity theft mitigation and advocacy, flexible water damage coverages and enhanced replacement cost coverage for older homes.

Technology Solutions

We seek to employ technology solutions and business process improvements that complement our core values of local underwriting decisions, strong relationships with our independent agencies and superior claims service. In recent years, we have made significant investments in state-of-the-art information technology platforms, systems and Internet-based applications to:

- allow our agencies and our field and headquarters associates to collaborate more efficiently,
- provide our agencies the ability to access our systems and client data to process business transactions from their offices,
- automate our internal processes so our associates can spend more time serving agents and policyholders, and
- reduce duplication and make our processes more effective to reduce company and agency costs.

Agencies access our systems and other electronic services via CinciLink®, our secure agency-only portal. CinciLink provides an array of Web-based services and content that make it easier to do business with us, such as commercial and personal lines rating and processing systems, policy loss information, sales and marketing materials, educational courses on our products and services, and electronic libraries for property and casualty coverage forms and state rating manuals.

Commercial Lines Technology – Through our WinCPP® commercial lines premium quoting system, agency and company representatives are able to complete online, real-time premium quotes for new business and renewals. WinCPP is used by all of our agency locations in the 32 states in which we actively market insurance and provides quoting capabilities for nearly 100 percent of our new and renewal commercial lines business. In 2007, we will introduce agency integration technology for WinCPP; CinciBridge™ allows automated movement of key underwriting data from an agent's management system to WinCPP, reducing agents' data entry and allowing seamless quoting and rating capabilities.

Some small business accounts written as Businessowner Policies (BOP) and Dentist's Package Policies (DBOP) are eligible to be issued at our agency locations through our Web-based e-CLAS® policy processing system. (A businessowner policy combines property, liability and business interruption coverages for small businesses.) e-CLAS provides full policy lifecycle transactions including: quoting, issuance, policy changes, renewal processing and policy printing at the agency location. These features make it easier and more efficient for our agencies to issue and service these policies. e-CLAS is in use in seven states representing 44 percent of the BOP and DBOP premiums. During 2007, we expect to roll-out e-CLAS to an additional 12 states for these policy types. We also intend to introduce the CinciBridge agency integration technology with e-CLAS. Our primary long-term technology objective is to complete development of e-CLAS for all of our commercial lines of business.

Since 2004, we have been streamlining internal processes and achieving operational efficiencies in our headquarters commercial lines operations through deployment of i-View™, a policy imaging and workflow system. This system provides online access to electronic copies of policy files, enabling our underwriters to respond to agent requests and inquiries more quickly and efficiently. i-View also automates internal workflows through electronic routing of underwriting and processing work tasks. Sixty percent of non-workers' compensation commercial lines policy files now are administered and retained electronically in i-View and our field claims representatives can access these records to help them efficiently verify coverage and process claims. We expect more than 90 percent of non-workers' compensation commercial lines policy files will be retained in i-View by year-end 2007.

Personal Lines Technology – Diamond is a real-time personal lines policy processing system, supporting all six of our personal lines of business and allowing once and done processing. Diamond incorporates features frequently requested by our agencies such as direct bill and monthly payment plans, local and headquarters policy printing options, data transfer to and from popular agency management systems and real-time integration with data from third party sources needed to calculate final premiums such as insurance scores, MVR reports and address verification. At year-end 2006, Diamond was in use in 13 states representing approximately 90 percent of our personal lines premium volume. Agents in Pennsylvania and Virginia began using Diamond in early 2007 with additional states planned for later in the year.

In 2006, we introduced PL-efiles, a policy imaging system, to our personal lines operations. Through year-end 2006, we had transitioned more than one-third of our Diamond personal lines files to PL-efiles, replacing paper format with electronic copies of policy documents. PL-efiles complements the Diamond system by giving personal lines underwriters and support staff online access to policy documents and data that enable them to respond to agent requests and inquiries quickly and efficiently.

Claims Technology – Our property and casualty claims operation has streamlined processes and achieved operational efficiencies through the use of CMS™, our claims file management system. Initially deployed in late 2003, CMS allows simultaneous access to claim files by headquarters and field claims associates. Field and headquarters claims associates use CMS to process all reported claims in a virtual claim file. We continue to refine the system to add capabilities to make our associates more effective. During 2006, we issued tablet computers to our field claims representatives. These units allow our claims representatives to view and enter information into CMS from any location, including an insured's home or agent's office, and to print claim checks using portable printers. Agent access to selected CMS information is planned for 2007.

Surety and Executive Risk Technology – Advances in automation and streamlined business processes have enabled us to offer our agencies a more efficient means to process certain surety bonds. This helps agencies offer a complete package to their commercial clients. Since 2005, we have introduced CinciBond®, an automated system to process license and permit surety bonds, to agents in 11 states representing 803 agency reporting locations. CinciBond enables agents to rate, issue and print bonds at their offices. During 2007, we expect to complete rollout in remaining states and add other popular surety bond types.

Life Insurance Offerings Round Out Agency Relationships

We support the independent agencies affiliated with our property casualty operations in their programs to sell life insurance. The products offered by our life insurance subsidiary round out and protect accounts and improve account persistency. At the same time, the life operation looks to increase diversification of revenue and profitability sources for both the agency and our company.

Our property casualty agencies make up the main distribution system for our life insurance products. We also develop life business from other independent life insurance agencies to provide us with penetration in geographic markets not served through our property casualty agencies. We are careful to solicit business from these other agencies in a manner that does not conflict with or compete with the marketing and sales efforts of our property casualty agencies. We emphasize up-to-date products, responsive underwriting, high quality service and competitive pricing.

Programs, Products and Services to Support Agency Growth

We complement the property casualty operations by providing products and services that help attract and retain high-quality independent insurance agencies. CFC Investment Company offers equipment and vehicle leases and loans for independent insurance agencies, their commercial clients and other businesses. It also provides commercial real estate loans to help agencies operate and expand their businesses. CinFin Capital Management markets asset management services to agencies and their clients, as well as other institutions, corporations and high net worth individuals.

When we appoint agencies, we look for organizations with knowledgeable, professional staffs. In turn, we make an exceptionally strong commitment to assist them in keeping their knowledge up to date and educating new people they bring on board as they grow. Numerous activities at our headquarters, in regional and agency locations, and online fulfill this commitment:

- At our headquarters, we conduct agency management roundtables for agency principals, as well as our regular schedule of commercial lines, personal lines and life insurance agent schools and seminars. These generally focus on Cincinnati product and underwriting information and sales tips. In addition to schools for agents, we have opened seats for agents in our structured classroom training for new underwriting associates. Agency staff may return to their agencies after the class or stay and become fully grounded in Cincinnati philosophy by serving as an associate for a few years before returning to the agency.
- Associates travel to regional and agency locations to instruct classes and provide a variety of educational support services. Teams conduct seminars on a variety of topics, such as marketing seminars to promote cross-marketing of our products. Cincinnati associates also co-host client seminars with our agencies on a

variety of topics such as risk transfer techniques. These customized programs address liability issues specific to classes of business, such as contractors or dentists.

- Agency staff can access the Agency Learning Center through CinciLink, our secure agency-only Web site. The Learning Center offers convenient, online courses and Web conferences, including Cincinnati product information, Microsoft® Office topics and general business subjects. Our new producer and customer service representative curricula guide students through a progression of online courses and classroom instruction.

Except travel-related expenses for courses held at our headquarters, most programs are offered at no cost to our agencies. While that approach may be extraordinary in our industry today, the result is quality service for our policyholders and increased success for our independent agencies.

Superior Financial Strength Ratings

In addition to the ratings of our parent company senior debt, independent ratings firms award our property casualty and life operations insurer financial strength ratings based on their quantitative and qualitative analyses. These ratings assess an insurer's ability to meet its financial obligations to policyholders and do not necessarily address all of the matters that may be important to shareholders.

We believe that our strong surplus position and superior insurer financial strength ratings are clear, competitive advantages in the segment of the insurance marketplace that our agents serve. Our financial strength supports the consistent, predictable performance that our policyholders, agents, associates and shareholders have always expected and received, and it must be able to withstand significant challenges. We seek to ensure that our performance remains consistent and predictable by aligning agents' interests with those of the company, giving agents outstanding service and compensation and earning their best business by enhancing their ability to serve the businesses and individuals in their communities.

As of December 31, 2006, our financial strength ratings were unchanged from those reported in our 2005 Annual Report on Form 10-K. The outlook from Standard & Poor's was raised to stable from negative.

	Parent Company Senior Debt Rating	Property Casualty Insurance Subsidiaries Financial Strength Ratings			Life Insurance Subsidiary Financial Strength Ratings			Outlook
				Rating Tier			Rating Tier	
A. M. Best Co.	aa-	A++	Superior	1 of 16	A+	Superior	2 of 16	Stable
Fitch Ratings	A+	AA	Very Strong	4 of 21	AA	Very Strong	4 of 21	Stable
Moody's Investors Services	A2	Aa3	Excellent	4 of 12	-	-	-	Stable
Standard & Poor's Ratings Services	A	AA-	Very Strong	4 of 21	AA-	Very Strong	4 of 21	Stable

- A.M. Best Co. - On April 28, 2006, A.M. Best affirmed its financial strength rating (FSR) of A++ (Superior) for our property casualty group, citing its superior risk-adjusted capitalization, very strong operating performance, network of independent agents and strong overall underwriting results despite challenges to achieve profitability in its personal lines business. Concurrently, A.M. Best downgraded its issuer credit ratings for our property casualty insurance companies to aa+ from aaa, reflecting the company's investment and geographic risk concentrations at current rating levels. Additionally, A.M. Best affirmed the FSR of A+ (Superior) and the issuer credit rating of aa- of The Cincinnati Life Insurance Company. The outlook for all ratings is stable.
- Fitch Ratings - On September 15, 2006, Fitch affirmed the AA insurer financial strength ratings of our three property casualty companies and The Cincinnati Life Insurance Company. Fitch said the ratings are based on the strong financial condition of our operating subsidiaries, excellent financial flexibility and successful total return investment strategy. The ratings consider the property casualty group's investment concentration in a small number of common stocks and geographic concentration in Ohio and Midwestern states.
- Moody's Investors Service –In July 2006, Moody's issued its Analysis, stating that overall, its Top 10 ratio metrics suggest that our property casualty group continues to be appropriately positioned within the Aa insurance financial strength rating category. Further, in its November 2006 comment after our third-quarter earnings announcements, Moody's said the stable outlook is supported by our conservative financial and operational leverage profiles and by Moody's belief that our operating model will enable us to continue to compete effectively in our core markets. Moody's noted that challenges include the increasingly competitive environment in small and middle market commercial lines, lagging technology systems, a concentrated portfolio and payment of sizable common stock dividends that reduce our fixed charge coverage levels.
- Standard & Poor's Ratings Services - On July 25, 2006, Standard & Poor's Ratings Services affirmed its AA- (Very Strong) financial strength and counterparty credit ratings on the property casualty group and The Cincinnati Life Insurance Company. At the same time, Standard & Poor's revised its outlook on the company, our property casualty operating companies and Cincinnati Life to stable from negative.

Standard & Poor's said the revised outlook reflected the improved results on our homeowner book of business, as well as its view of our ability to benefit from corrective actions we have effected over recent years. Standard & Poor's said it believes our unique approach to agency relationships should drive profitable growth even in a softer pricing environment.

Statutory surplus for our property casualty insurance subsidiary was $4.723 billion at December 31, 2006, with the ratio of property casualty common stock to statutory surplus at 97.3 percent, in line with our targeted sub-100 percent level. At year-end 2005, property casualty statutory surplus was $4.220 billion, with the ratio of common stock to surplus at 96.4 percent. Life statutory surplus was $479 million at December 31, 2006, with the ratio of life common stock to statutory adjusted capital and surplus at 88.8 percent. At year-end 2005, life statutory surplus was $451 million, with the ratio of common stock to statutory adjusted capital and surplus at 83.5 percent.

Cincinnati Life's statutory adjusted risk-based surplus increased 8.7 percent to $556 million at December 31, 2006, from $511 million a year earlier. Statutory adjusted risk-based surplus as a percentage of liabilities, a key measure of life insurance company capital strength, was 37.8 percent at year-end 2006 compared with an estimated industry average ratio of 10.7 percent. A higher ratio indicates an insurer's stronger security for policyholders and capacity to support business growth.

At year-end 2006 and 2005, the risk-based capital (RBC) for our property casualty and life operations was exceptionally strong and well above levels that would have required regulatory action.

We continue to review the risk management and capital requirement changes that rating agencies have proposed for our industry. Additionally, we began a formal implementation of enterprise risk management in 2005. Responsibility for enterprise risk management has been assigned at the officer level, supported by a team of representatives from business areas. The team reports to our president, our chief executive officer and our board of directors, as appropriate, on detailed and summary risk assessments, risk metrics and risk plans. Our use of operational audits, strategic plans and departmental business plans, as well as our culture of open communications and our fundamental respect for our code of conduct, continue to help us manage risks on an ongoing basis.

While the potential for volatility exists due to our catastrophe exposures, investment philosophy and bias toward incremental change, the ratings agencies consistently have asserted that we have built appropriate financial strength and flexibility to manage that volatility. We remain committed to strategies that emphasize long-term stability over short-term benefits that might accrue by quick reaction to changes in market conditions.

For example, through all market and economic cycles we maintain strong insurance company statutory surplus, a solid, conservative reinsurance program, sound reserving practices and low interest rate risk, as well as low debt and strong capital at the parent-company level. Investments at the parent company give us flexibility to support our capitalization policies for the subsidiaries, improve the ability of the insurance companies to write additional premiums and maintain high insurer financial strength ratings.

We believe that our property catastrophe reinsurance program provides adequate protection for large loss events. Our strong capital position would allow the payment of claims if an event exceeded our reinsurance program. Currently participating on our property per risk and casualty per-occurrence programs are Hannover Reinsurance Company, Munich Reinsurance America, Partner Reinsurance Company of the U.S. and Swiss Reinsurance America Corporation and its subsidiaries, all of which have A.M. Best insurer financial strength ratings of A (Excellent) or A+ (Superior). Over the past several years, we also modified earthquake deductibles in selected Midwestern states for both commercial and personal lines property coverages to reduce our exposure to a single significant catastrophic event.

In 2004, we transferred approximately 32 million shares of our Fifth Third Bancorp (Nasdaq: FITB) common stock holding to the insurance subsidiary from the parent company to reduce parent company investment assets. The transfer raised our property casualty statutory surplus and reduced our ratio of net written premiums to statutory surplus, which was 0.7 at year-end 2006, 2005 and 2004. This ratio is a common measure of operating leverage used in the property casualty industry. It serves as an indicator of the company's premium growth capacity. The estimated property casualty industry net written premium to statutory surplus ratio was 0.9 at year-end 2006, 1.0 at year-end 2005 and 1.1 at year-end 2004. We do not intend to leverage our lower ratio following the asset transfer by accelerating growth or strengthening loss reserves. Rather, the transfer allowed us to retain the financial flexibility that continues to support our high insurer financial strength ratings.

Growing with Our Agencies

One of our primary objectives is to increase our written premiums more rapidly than the industry. We believe our agencies are growing more rapidly than the industry, and we seek to maintain or increase our penetration within each agency as it grows.

To help us maintain or increase our penetration within each agency, we are further improving service through the creation of smaller marketing territories that permit our local field marketing representatives to devote

more time to each agency relationship. At year-end 2006, we had 102 field marketing territories, up from 100 at the end of 2005 and 92 at the end of 2004. We continually study the regulatory and competitive environment in states where we could decide to actively market our property casualty products.
In January 2007, we announced we were working on plans to enter New Mexico and eastern Washington within the next year. We will soon begin the process by preparing policy forms and rates to submit to the departments of insurance in those states. Marketing efforts in New Mexico and Washington will begin following our initial agency appointments.

Another way we seek to increase overall premiums is to expand our agency plant within our current marketing territories. Our objective is to appoint approximately 50 additional sales offices, or points of distribution, each year. In measuring progress towards this goal, we include appointment of new agency relationships with Cincinnati (the primary focus of our goal). For those that we believe will produce a meaningful amount of new business premiums, we also include appointment of agencies that merge with a Cincinnati agency and new branch offices opened by existing Cincinnati agencies. We made 55, 57 and 58 new appointments in 2006, 2005 and 2004 respectively. Of these new appointments, 42, 41, and 48, respectively, were new relationships. These new appointments and other changes in agency structures led to a net increase in reporting agency locations of 37 in 2006, 39 in 2005 and 22 in 2004. We are very careful to protect the franchise for current agencies when selecting and appointing new agencies.

ACHIEVING CLAIMS EXCELLENCE

Our claims philosophy reflects our belief that we will prosper as a company by responding to claims person to person, paying covered claims promptly, preventing false claims from unfairly adding to overall premiums and building financial strength to meet future obligations. We also believe that our company should have the financial strength to pay claims while also creating value for shareholders, leading to our emphasis on the establishment of adequate loss reserves.

Superior Claims Service

Our 748 locally based field claims representatives work from their homes, assigned to specific agencies. They respond personally to policyholders and claimants, typically within 24 hours of receiving an agency's claim report. We believe we have a competitive advantage because of the person-to-person approach and the resulting high level of service that our field claims representatives provide. We also help our agencies provide prompt service to policyholders by giving agencies authority to immediately pay most first-party claims up to $2,500.

Catastrophe response teams are comprised of volunteers from our experienced field claims staff. As hurricanes threaten, these associates travel to strategic locations near the expected impact area. This puts them in position to quickly get to the affected area, set up temporary offices and start calling on policyholders. Cincinnati takes pride in giving our field personnel the tools and authority they need to do their jobs. In times of widespread loss, our field claims representatives confidently and quickly resolve claims, often writing checks for damages on the same day they inspect the loss. Our Claims Management System introduced new efficiencies that are especially evident during catastrophes. Electronic claim files allow for fast initial contact of policyholders and easy sharing of information between rotating storm teams, headquarters and local field claims representatives.

Cincinnati's claims associates work hard to control costs where appropriate. They have vendor resources that provide negotiated pricing to our insureds and claimants and that help us determine appropriate pricing for medical cost-related claims. Our field claims representatives also are educated continuously on new techniques and repair trends. They can leverage their local knowledge and experience with area body shops, which helps them negotiate the right price with any facility the policyholder chooses.

We staff a Special Investigations Unit (SIU) with former law enforcement and claims professionals who are available to gather facts to uncover potential fraud. While we believe it's our job to pay what is due under each policy, we also want to prevent false claims from unfairly increasing overall premiums. Our SIU also operates a computer forensic lab, using sophisticated software to recover data and mitigating the cost of computer-related claims for business interruption and loss of records.

Loss and Loss Expense Reserves

When claims are made by or against policyholders, any amounts that our property casualty operations pay or expect to pay for covered claims are termed losses. The costs we incur in investigating, resolving and processing these claims are termed loss expenses. Our consolidated financial statements include property casualty loss and loss expense reserves that estimate the costs of not-yet-paid claims incurred through December 31 of each year. The reserves include estimates for claims that have been reported to us plus our estimates for claims that have been incurred but not yet reported called IBNR, along with our estimate for loss expenses associated with processing and settling those claims. We develop the various estimates based on individual claim evaluations and statistical projections. We reduce the loss reserves by an estimate for the amount of salvage and subrogation we expect to recover. For more than 10 years, our annual review has led to savings from favorable development of loss reserves on prior accident years.

We encourage you to review several sections of the Management's Discussion and Analysis where we discuss our loss reserves in greater depth. In Item 7, Critical Accounting Estimates, Property Casualty Loss and Loss Expense Reserves, Page 35, we discuss our process for analyzing potential losses and establishing reserves. In Item 7, Property Casualty Insurance Reserves, Page 63, we review reserve levels, including 10-year development of our property casualty loss reserves.

Investing for Long-Term Total-Return

While we seek to generate an underwriting profit in our insurance operations, our investments historically have provided our primary source of net income and contributed to our financial strength, driving long-term growth in shareholders' equity and book value.

Under the direction of the investment committee of the board of directors, our investment department portfolio managers seek to balance current investment income opportunities and long-term appreciation so that current cash flows can be compounded to achieve above-average long-term total return. We invest some portion of cash flow in tax-advantaged fixed-maturity and equity securities to maximize after-tax earnings. Premium payments, generally received before claims are made, particularly for casualty business lines, create substantial cash flow for investment.

Insurance regulatory and statutory requirements established to protect policyholders from investment risk have always influenced our investment decisions on an individual insurance company basis. After covering both our intermediate and long-range insurance obligations with fixed-maturity investments, we historically used available cash flow to invest in equity securities. Investment in equity securities has played an important role in achieving our portfolio objectives and has contributed significantly to total net unrealized investment gains of $5.244 billion (pretax) at year-end 2006. We remain committed to our long-term equity focus, which we believe is key to our company's long-term growth and stability.

Our Segments

Consolidated financial results primarily reflect the results of our four reporting segments. These segments are defined based on financial information we use to evaluate performance and to determine the allocation of assets.

- Commercial lines property casualty insurance
- Personal lines property casualty insurance
- Life insurance
- Investments

We also frequently evaluate results for our consolidated property casualty operations, which is the total of our commercial lines and personal lines segments. Our consolidated property casualty operations generated an unusually low 69.5 percent of our total revenues in 2006 due to the sale of our Alltel Corporation common stock holding. Revenues, income before income taxes, and identifiable assets for each segment are shown in a table in Item 8, Note 17 to the Consolidated Financial Statements, Page 102. Some of that information also is discussed in this section of this report, where we explain the business operations of each segment.
The financial performance of each segment is discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, which begins on Page 31.

Commercial Lines Property Casualty Insurance Segment

The commercial lines property casualty insurance segment contributed $2.402 billion in net earned premiums to total revenues and $208 million to income before income taxes in 2006. Commercial lines net earned premiums grew 6.6 percent in 2006, 6.0 percent in 2005 and 11.4 percent in 2004.

Approximately 95 percent of our commercial lines premiums are written to provide accounts with coverages from more than one of our business lines. As a result, we believe that commercial lines is best measured and evaluated on a segment basis. However, we provide the line of business data to summarize growth and profitability trends separately for our business lines. The seven commercial business lines are:

- Commercial casualty – Commercial casualty insurance provides coverage to businesses against third-party liability from accidents occurring on their premises or arising out of their operations, including liability coverage for injuries sustained from products sold as well as coverage for professional services, such as dentistry. Specialized casualty policies may include liability coverage for employment practices liability (EPLI), which protects businesses against claims by employees that their legal rights as employees of the company have been violated, and other acts or failures to act under specified circumstances as well as excess insurance and umbrella liability, including personal umbrella written as an endorsement to commercial umbrella coverages. The commercial casualty business line includes liability coverage written on both a discounted and non-discounted basis as part of commercial package policies. Our ceded participation in USAIG, a joint underwriting association, from 2003 and prior is included in the commercial casualty business line.

- Commercial property – Commercial property insurance provides coverage for loss or damage to buildings, inventory and equipment caused by fire, wind, hail, water, theft and vandalism as well as business interruption resulting from a covered loss. Commercial property also includes crime insurance, which provides coverage for losses due to embezzlement or misappropriation of funds by an employee, and inland marine insurance, which provides coverage for a variety of mobile equipment, such as builder's risk, contractor's equipment, cargo and electronic data processing equipment. Various property coverages can be written as stand-alone policies or can be added to a package policy. The commercial property business line includes property coverage written on both a non-discounted and discounted basis as part of commercial package policies.
- Commercial auto – Commercial auto coverages protect businesses against liability to others for both bodily injury and property damage, medical payments to insureds and occupants of their vehicles, physical damage to an insured's own vehicle from collision and various other perils, and damages caused by uninsured motorists.
- Workers' compensation – Workers' compensation coverage protects employers against specified benefits payable under state or federal law for workplace injuries to employees. We write workers' compensation coverage in all of our active states except North Dakota, Ohio and West Virginia, where coverage is provided solely by the state instead of by private insurers.
- Specialty packages – Specialty packages include coverages for property, liability and business interruption tailored to meet the needs of specific industry classes, such as artisan contractors, dentists, garage operators, financial institutions, metalworkers, printers, religious institutions, or smaller, main street businesses. Businessowner policies, which combine property, liability and business interruption coverages for small businesses, are included in specialty packages.
- Surety and executive risk – This business line includes:
    - Contract and commercial surety bonds, which guarantee a payment or reimbursement for financial losses resulting from dishonesty, failure to perform and other acts.
    - Fidelity bonds, which cover losses that policyholders incur as a result of fraudulent acts by specified individuals or dishonest acts by employees.
    - Director and officer liability insurance, which covers liability for alleged errors in judgment, breaches of duty and wrongful acts related to activities of for-profit or nonprofit organizations. Our director and officer liability policy can optionally include EPLI coverage.
- Machinery and equipment – Specialized machinery and equipment coverage can provide protection for loss or damage to boilers and machinery, including production and computer equipment, from sudden and accidental mechanical breakdown, steam explosion, or artificially generated electrical current.

Our emphasis is on products that agents can market to small- to mid-size businesses in their communities. Of our 1,289 reporting agency locations, six market only our surety and executive risk products and one markets only our personal lines products. The remaining 1,282 locations, located in all 32 states in which we actively do business, market some or all of our general commercial insurance products.

In 2006, our 10 highest volume commercial lines states generated 67.7 percent of our earned premiums compared with 67.1 percent in the prior year. Earned premiums in the 10 highest volume states rose 7.4 percent in 2006 and rose 5.0 percent in the remaining 22 states.

Commercial Lines Earned Premiums by State

(Dollars in millions)	Earned premiums	Percent of total earned	Reporting agency locations	Avg premium per location
Year ended December 31, 2006				
Ohio	**$ 410**	**17.1 %**	**219**	**$ 1.9**
Illinois	**238**	**9.9**	**116**	**2.1**
Pennsylvania	**172**	**7.2**	**75**	**2.3**
Indiana	**160**	**6.7**	**98**	**1.6**
North Carolina	**136**	**5.7**	**70**	**1.9**
Michigan	**124**	**5.2**	**92**	**1.3**
Virginia	**120**	**5.0**	**55**	**2.2**
Wisconsin	**96**	**4.0**	**51**	**1.9**
Georgia	**84**	**3.5**	**62**	**1.4**
Tennessee	**81**	**3.4**	**37**	**2.2**
Year ended December 31, 2005				
Ohio	$ 389	17.2 %	224	$ 1.7
Illinois	224	10.0	112	2.0
Pennsylvania	164	7.3	63	2.6
Indiana	151	6.7	99	1.5
Michigan	122	5.4	88	1.4
North Carolina	115	5.1	68	1.7
Virginia	105	4.7	53	2.0
Wisconsin	92	4.1	49	1.9
Iowa	76	3.4	45	1.7
Tennessee	73	3.2	32	2.3

Commercial Lines Insurance Marketplace

For commercial lines, our competition predominately consists of those companies that also distribute through independent agents. The independent agencies that market our commercial lines products typically represent four to 12 standard market insurance carriers, including both national and regional carriers, some of which may be mutual companies. Regional carriers traditionally have offered us the greatest competition on small- and mid-size commercial accounts because they often are familiar with the local market and focus on differentiating themselves through personal relationships with agencies. National carriers traditionally have provided formidable competition on large commercial accounts and have increasingly targeted smaller commercial accounts, marketing a service-center approach that some agencies find efficient. In our experience, the level of competition varies state by state and region by region, regardless of the carriers represented within a specific agency.

Since late 2003, the softening commercial lines marketplace has been characterized by increased competition in non-coastal markets, particularly for quality new business, and there are no signs that trend is abating. In 2006, competition for new business continued to intensify, and we also began to see significant market softening extend to renewals. As market conditions have softened, we also believe distinctions between regional and national carriers have blurred.

Over the course of 2006, anecdotal reports of very aggressive pricing became somewhat more frequent. But on balance we believed the market remained healthy and we continued to see underwriting taking place and terms and conditions remaining fairly stable. Generally, we believe carriers are modifying prices rather than changing policy terms and conditions, but we have begun to see underwriting discipline slip to capture market share in late 2006 and early 2007.

The hurricane activity that occurred in 2005 is still having significant impacts on the cost of catastrophe reinsurance and property pricing remains very firm in catastrophe prone areas. We are uncertain what effect the hurricanes, and the related rise in the cost of reinsurance, may have on commercial lines pricing in non-coastal areas throughout 2007.

Personal Lines Property Casualty Insurance Segment

The personal lines property casualty insurance segment contributed $762 million in net earned premiums to total revenues and reported a $27 million loss before income taxes in 2006. Personal lines net earned premiums declined 5.3 percent in 2006 after rising 1.4 percent in 2005 and 6.4 percent in 2004.

We prefer to write personal lines coverage on an account basis that includes both auto and homeowner coverages as well as coverages from the other personal business line. As a result, we believe that personal lines is best measured and evaluated on a segment basis. However, we provide the line of business data to summarize growth and profitability trends separately for the three business lines:

- Personal auto – This business line includes personal auto coverages that protect against liability to others for both bodily injury and property damage, medical payments to insureds and occupants of their vehicle, physical damage to an insured's own vehicle from collision and various other perils, and damages caused by uninsured motorists. In addition, many states require policies to provide first-party personal injury protection, frequently referred to as no-fault coverage.

- Homeowners – This business line includes homeowner coverages that protect against losses to dwellings and contents from a wide variety of perils, as well as liability arising out of personal activities both on and off the covered premises. The company also offers coverage for condominium unit owners and renters.
- Other personal lines – This includes the variety of other types of insurance products we offer to individuals such as dwelling fire, inland marine, personal umbrella liability and watercraft coverages.

We market both homeowner and personal auto insurance products through 772 of our 1,289 reporting agency locations in 22 of the 32 states in which we market commercial lines insurance. We market homeowner products through 22 locations in three additional states (Maryland, North Carolina and West Virginia.) The remaining 495 locations are in states where we either do not actively market these products or where we have determined, in conjunction with agency management, that our personal lines products are not appropriate for their agencies at this time.

In 2006, our 10 highest volume personal lines states generated 84.7 percent of our earned premiums compared with 83.3 percent in the prior year. Earned premiums in the 10 highest volume states declined 3.7 percent in 2006 and declined 13.1 percent in the remaining states.

Personal Lines Earned Premiums by State

(Dollars in millions)	Earned premiums	Percent of total earned	Reporting agency locations	Avg premium per location
Year ended December 31, 2006				
Ohio	**$ 285**	**37.4 %**	**204**	**$ 1.4**
Indiana	**65**	**8.5**	**65**	**1.0**
Georgia	**63**	**8.3**	**52**	**1.2**
Illinois	**53**	**6.9**	**76**	**0.7**
Alabama	**39**	**5.1**	**25**	**1.6**
Kentucky	**38**	**5.0**	**33**	**1.2**
Michigan	**36**	**4.7**	**64**	**0.6**
Wisconsin	**23**	**3.1**	**28**	**0.8**
Florida	**22**	**2.9**	**10**	**2.2**
Virginia	**22**	**2.8**	**19**	**1.2**
Year ended December 31, 2005				
Ohio	$ 299	37.2 %	211	$ 1.4
Indiana	71	8.8	65	1.1
Georgia	60	7.5	46	1.3
Illinois	57	7.0	78	0.7
Michigan	42	5.3	66	0.6
Kentucky	38	4.7	33	1.2
Alabama	36	4.4	24	1.5
Wisconsin	27	3.3	30	0.9
Virginia	21	2.6	23	0.9
Florida	20	2.5	10	2.0

Personal Lines Insurance Marketplace

In addition to carriers that market through independent agents, our personal lines competition also includes carriers that market through captive agents and direct writers, which our agencies' clients may investigate independently. The independent agencies that market our personal lines products typically represent five to eight standard personal lines carriers.

Prior to 2003, the industry had experienced several years of rising personal auto and homeowner rates and stricter enforcement of underwriting standards across the industry. Since 2003, we have seen increased competition in the personal lines marketplace, driven by industrywide improvement in results and favorable frequency and severity trends. The increased competition in the past several years also reflected implementation of tiered rating systems by a growing number of carriers. Carriers that have adopted these systems use multiple variables to segment the market, relying in part on credit-based information and offering a greater number of rate levels.

We expect that competition in the personal auto and homeowners markets will continue to increase over the next 12 to 24 months. Despite the record level of industrywide catastrophe losses in 2005 and 2004, many personal lines carriers have reported strong operating results in the past three years and continue to have healthy capital to support business growth. We believe these carriers are focused on gaining market share through the introduction of new products and services, increased advertising expenditures and the use of tiered rating systems that they believe allow them to target higher quality risks with lower prices.

LIFE INSURANCE SEGMENT

The life insurance segment contributed $115 million of net earned premiums and a $1 million loss before income taxes in 2006. Life insurance segment profitability is discussed in detail in Item 7, Life Insurance Results of Operations, Page 54. Life insurance net earned premiums grew 7.9 percent in 2006, 5.7 percent in 2005 and 5.5 percent in 2004.

The overall mission of our company is supported by The Cincinnati Life Insurance Company. Cincinnati Life helps meet the needs of our agencies, including increasing and diversifying agency revenues. We primarily focus on life products that produce revenue growth through a steady stream of premium payments. By diversifying revenue and profitability for both the agency and our company, this strategy enhances the already strong relationship built by the combination of the property casualty and life companies.

Cincinnati Life seeks to become the life insurance carrier of choice for the independent agencies that work with our property casualty operations. We emphasize up-to-date products, responsive underwriting and high quality service as well as competitive commissions. At year-end 2006, approximately 81 percent of our 1,289 property casualty reporting agency locations offered Cincinnati Life's products to their clients. We also develop life business from 507 other independent life insurance agencies. We are careful to solicit business from these other agencies in a manner that does not conflict with or compete with the marketing and sales efforts of our property casualty agencies.

Business Lines

Four lines of business – term insurance, universal life insurance, worksite products and whole life insurance – account for approximately 90.6 percent of the life insurance segment's revenues:

- Term insurance – policies under which a death benefit is payable only if the insured dies during a specific period of time or term. For policies without a return of premium provision, no benefit is payable if the insured survives to the end of the term. For policies with a return of premium provision, a benefit equal to the sum of all paid premiums is payable if the insured survives to the end of the term. While premiums are fixed, they must be paid as scheduled. The proposed insured is evaluated using normal underwriting standards.
- Universal life insurance – long-duration life insurance policies. Contract premiums are neither fixed nor guaranteed; however, the contract does specify a minimum interest crediting rate and a maximum cost of insurance charge and expense charge. Premiums are not fixed and may be varied by the contract owner. The cash values available as a loan collateralized by the cash surrender value to withdrawing policyholders are not guaranteed and depend on the amount and timing of actual premium payments and the amount of actual contract assessments. The proposed insured is evaluated using normal underwriting standards.
- Worksite products – term insurance, whole life insurance, universal life and disability insurance offered to employees through their employer. Premiums are collected by the employer using payroll deduction. Polices are issued using a simplified underwriting approach and for smaller face amounts than similar, regularly underwritten policies. Worksite insurance products provide our property casualty agency force with excellent cross-serving opportunities for both commercial and personal accounts. Agents report that offering worksite marketing to employees of their commercial accounts provides a benefit to the employees at low cost to the employer. Worksite marketing also connects agents with new customers who may not have previously benefited from receiving the services of a professional independent insurance agent.
- Whole life insurance – policies that provide life insurance for the entire lifetime of the insured; the death benefit is guaranteed never to decrease and premiums are guaranteed never to increase. While premiums are fixed, they must be paid as scheduled. These policies provide guaranteed cash values that are available as a loan collateralized by the cash surrender value to withdrawing policyholders. The proposed insured is evaluated using normal underwriting standards.

In addition, Cincinnati Life markets:

- Disability income insurance - provides monthly benefits to offset the loss of income when the insured person is unable to work due to accident or illness.
- Deferred annuities - provide regular income payments that commence after the end of a specified period or when the annuitant attains a specified age. During the deferral period, any payments made under the contract accumulate at the crediting rate declared by the company but not less than a contract-specified guaranteed minimum interest rate. A deferred annuity may be surrendered during the deferral period for a cash value equal to the accumulated payments plus interest less the surrender charge, if any.
- Immediate annuities - provide some combination of regular income and lump sum payments in exchange for a single premium. Most of the immediate annuities written by our life insurance segment are purchased by our property casualty companies to settle casualty claims.

Life Insurance Marketplace

Our property casualty agencies comprise the main distribution system for our life insurance products. Other life insurance carriers continue to expand the use of nontraditional distribution channels such as banks and financial planners as alternatives to the agency channel. We intend to market solely through independent agencies, with an emphasis on enhancing our relationships with the agencies affiliated with our property casualty insurance operations.

When marketing through our property casualty agencies we have several specific competitive advantages:

- Because our property casualty operations are held in high regard, the property casualty agency's management is predisposed to consider carefully our proposals to sell our life products.
- All of our marketing efforts, property casualty and life, are directed by our field marketing department, which assures consistency of message. Our life field marketing representatives are available to meet face-to-face with the agency personnel responsible for life insurance production.
- The resources of our life headquarters underwriters and other associates are available to the agents and field team to assist in the placement of business. We find fewer and fewer of our competitors provide direct, personal contact between the agent and the insurance carrier.

We continue to emphasize the cross-serving opportunities between worksite marketing of life insurance products and the property casualty agency's commercial accounts. In both the property casualty and independent life agency distribution systems we enjoy the advantages of offering competitive, up-to-date products, providing close personal attention and exhibiting financial strength and stability.

- We primarily offer products targeted at addressing the needs of businesses that require key person coverage and individuals who require mortality coverage.
- Term insurance is our largest life insurance product line. We continue to introduce new term products with features our agents indicate are important, such as a return of premium rider. Reaction to our term portfolio was favorable in 2006 with approximately 25 percent of applications requesting the return-of-premium feature.
- In 2007 we plan to enhance our term and other life insurance products, including an expanded worksite product portfolio, and investigate new survivor universal life and whole life products. The priority is expansion within the insurance agencies marketing our property casualty insurance products.

Because of our strong capital position, we can offer a competitive product portfolio including guaranteed products, giving our agents a marketing edge. Our life insurance company maintained strong insurer financial strength ratings in 2006: A.M. Best – A+ (Superior), Fitch -- AA (Very Strong) and Standard & Poor's – AA- (Very Strong). Our life insurance company has not chosen to establish a Moody's rating.

Offsetting our competitive advantages, we continue to see consolidation within the life insurance industry and an increased presence of large, well-capitalized carriers. The larger carriers can offer a broader product line, including variable and equity-indexed products. We do not offer variable or equity-indexed products because of the associated financial risk. That decision can affect our premium growth, particularly during times when the stock market is performing well.

Current statutory laws and regulations require redundant reserves, particularly for preferred risk underwriting classes. These redundant reserves, in turn, depress statutory earnings and require a large commitment of capital. Redundant reserves are a significant issue, not just for our life insurance operations, but for all writers of term insurance and universal life with secondary guarantees. However, larger carriers may be able to better absorb or may be able to securitize the statutory reserve strain associated with competitively priced term insurance and universal life with secondary guarantees.

The National Association of Insurance Commissioners recognizes the problems caused by redundant reserves and is considering a principles-based reserving system rather than the current formulaic system. While still capturing all material risks, a principles-based system would allow a company to use its own experience, subject to credibility standards and appropriate margins for uncertainty. Also, under the proposed principles-based system, the insurer would fully document and disclose all its assumptions and methods to regulatory officials.

INVESTMENTS SEGMENT

The investment segment contributed $1.254 billion of our total revenues in 2006, primarily from net investment income and realized investment gains and losses from investment portfolios managed for the holding company and each of the operating subsidiaries. After deducting interest credited to contract holders of the life insurance segment, the investments segment contributed $1.200 billion of income before income taxes, or 90.3 percent of our total income before income taxes.

The fair value (market value) of our investment portfolio was $13.699 billion and $12.657 billion at year-end 2006 and 2005, respectively. The cash we generate from insurance operations historically has been invested in three broad categories of investments:

- Fixed-maturity investments – Includes taxable and tax-exempt bonds and redeemable preferred stocks
- Equity investments – Includes common and nonredeemable preferred stocks
- Short-term investments – Primarily commercial paper

(In millions)	**At December 31, 2006**		At December 31, 2005	
	Book value	**Fair value**	Book value	Fair value
Taxable fixed maturities	**$ 3,357**	**$ 3,389**	$ 3,304	$ 3,359
Tax-exempt fixed maturities	**2,382**	**2,416**	2,083	2,117
Common equities	**2,400**	**7,564**	1,961	6,936
Preferred equities	**221**	**235**	167	170
Short-term investments	**95**	**95**	75	75
Total	**$ 8,455**	**$ 13,699**	$ 7,590	$ 12,657

During 2006, our allocation of cash flows for new fixed-maturities and equity investments more closely approximated our historical levels. The primary reason for the increase in the market value of the common equity portfolio in 2006 was market appreciation of our holdings. The sale of our Alltel common stock and other equity holdings more than offset new equity purchases. In 2005 and the second half of 2004, almost all of our insurance subsidiary's available cash flow was used to purchase fixed-maturity investments. Our objective was to bring the property casualty subsidiary's ratio of common stock to statutory surplus in line with our historic sub-100 percent level. The ratio of common stock to statutory surplus for the property casualty insurance subsidiary portfolio was 97.3 percent at year-end 2006 compared with 96.4 percent at year-end 2005 and 103.5 percent at year-end 2004.

During the same period, we took actions to reduce the parent company's ratio of investment assets to total assets for the parent company below 40 percent, for the reasons we discuss in Item 1A, Risk Factors, Page 20. The ratio of investment assets to total assets for the parent company was 31.5 percent at year-end 2006 compared with 33.9 percent at year-end 2005 and 36.3 percent at year-end 2004.

Going forward, we also will take into consideration insurance department regulations and ratings agency comments, as well as the trend in these ratios, to determine what portion of new cash flow should be invested in equity securities at the parent and insurance subsidiary levels.

Fixed-maturity and Short-term Investments

By maintaining a well diversified fixed-maturity portfolio, we attempt to reduce overall risk. We invest new money in the bond market on a continuous basis, targeting what we believe to be optimal risk-adjusted after-tax yields. Risk, in this context, includes interest rate, call, reinvestment rate, credit and liquidity risk. We do not make a concerted effort to alter duration on a portfolio basis in response to anticipated movements in interest rates. By continuously investing in the bond market, we build a broad, diversified portfolio that we believe mitigates the impact of adverse economic factors. In recent years, we have taken into account the trend toward a flatter corporate yield curve by purchasing higher-quality corporate bonds with intermediate maturities as well as tax-exempt municipal bonds and U.S. agency paper. Our focus on long-term total return may result in variability in the levels of realized and unrealized investment gains or losses from one period to the next.

We place a strong emphasis on purchasing current income-producing securities for the insurance companies' portfolios. Within the fixed-maturity portfolio, we invest in a blend of taxable and tax-exempt securities to minimize our corporate taxes. With the exception of U.S. agency paper (government-sponsored entities), no individual issuer's securities accounted for more than 0.8 percent of the fixed-maturity portfolio at December 31, 2006.

Taxable Fixed-maturities

Our taxable fixed-maturity portfolio (at fair value) includes:

- $972 million in U.S. agency paper, which is rated AAA by both Moody's and Standard & Poor's.
- $1.818 billion in investment-grade corporate bonds that have a Moody's rating at or above Baa 3 or a Standard & Poor's rating at or above BBB-.
- $321 million in high-yield corporate bonds that have a Moody's rating below Baa 3 or a Standard & Poor's rating below BBB-.
- $278 million in convertible bonds and redeemable preferred stocks.

We seek to balance current income with potential changes in market value as well as changes in credit risk when determining whether or not to hold these securities to maturity.

Similar to the equity portfolio, the taxable fixed-maturity portfolio is most heavily concentrated in the financials sector, including banks, brokerage, finance and investment and insurance companies. The financials sector represented 27.2 percent and 27.7 percent, respectively, of book value and fair value of the taxable fixed-maturity portfolio at December 31, 2006, compared with 26.1 percent and 26.6 percent of book value and fair value at December 31, 2005. Although it is our largest concentration in a single sector, we believe our percentage in the financials sector is below average for the corporate bond market as a whole. No other sector or industry accounted for more than 10 percent of the taxable fixed-maturity portfolio.

Tax-exempt Fixed-maturities

We traditionally have purchased municipal bonds focusing on schools and essential services, such as sewer, water or others. While no single municipal issuer accounted for more than 1.1 percent of the tax-exempt municipal bond portfolio at December 31, 2006, there are higher concentrations within individual states. Holdings in Illinois, Indiana, Michigan, Ohio and Texas accounted for 61.9 percent of the municipal bond portfolio at year-end 2006.

Fixed-maturity and Short-term Portfolio Ratings

Our investments in U.S. agency paper and insured municipal bonds over the past several years have led to a significant rise in the percentage of A and higher rated fixed-maturity and short-term holdings, based on fair value. The majority of our non-rated securities are tax-exempt municipal bonds from smaller municipalities that chose not to pursue a credit rating. Credit ratings as of December 31 for the fixed-maturity and short-term portfolio were:

(Dollars in millions)	**At December 31, 2006**		At December 31, 2005	
	Fair value	**Percent to total**	Fair value	Percent to total
Moody's Ratings				
Aaa, Aa, A	**$ 4,039**	**68.5 %**	$ 3,651	65.8 %
Baa	**1,086**	**18.4**	1,094	19.7
Ba	**266**	**4.5**	324	5.8
B	**122**	**2.1**	110	2.0
Caa	**28**	**0.5**	13	0.2
Ca	**0**	**0.0**	0	0.0
C	**0**	**0.0**	0	0.0
Non-rated	**359**	**6.0**	359	6.5
Total	**$ 5,900**	**100.0 %**	$ 5,551	100.0 %
Standard & Poor's Ratings				
AAA, AA, A	**$ 3,631**	**61.5 %**	$ 3,233	58.3 %
BBB	**1,044**	**17.7**	1,112	20.0
BB	**310**	**5.3**	354	6.4
B	**131**	**2.2**	117	2.1
CCC	**10**	**0.2**	2	0.0
CC	**0**	**0.0**	0	0.0
D	**0**	**0.0**	0	0.0
Non-rated	**774**	**13.1**	733	13.2
Total	**$ 5,900**	**100.0 %**	$ 5,551	100.0 %

Attributes of the fixed-maturity portfolio include:

	Years ended December 31,	
	2006	2005
Weighted average yield-to-book value	**5.3 %**	5.4 %
Weighted average maturity	**8.7 yrs**	9.5 yrs
Effective duration	**5.1 yrs**	5.2 yrs

We discuss the maturity of our fixed-maturity portfolio in Item 8, Note 2 to the Consolidated Financial Statements, Page 90.

Equity Investments

Our equity investment portfolio includes both common stocks and nonredeemable preferred stocks. Approximately 82.4 percent of the equity portfolio is made up of a core group of common stocks that we monitor closely to gain an in-depth understanding of their organizations and industries. The portfolio also includes a broader group of smaller positions that are a source of trading flexibility and other risk management advantages. Following the sale of our Alltel common stock holding, average dividend yield-to-cost for our equity investments declined to 9.9 percent at December 31, 2006, compared with 11.7 percent at December 31, 2005.

Common Stocks

At December 31, 2006, 32.7 percent of our common stock holdings (measured by fair value) were held at the parent company level. Our common stock investments generally are securities with annual dividend yields ranging from 1.5 percent to 4.0 percent and with histories of dividend increases. Other criteria we evaluate include increasing sales and earnings, proven management and a favorable outlook. When investing in common stock, we seek to identify some companies in which we can accumulate more than 5 percent of their outstanding shares. At year-end 2006, we held more than 5 percent of three companies: Fifth Third, FirstMerit Corporation and Piedmont Natural Gas Company.

Those holdings are part of a core group of common stocks in which we hold a fair value of at least $100 million each. At year-end 2006, there were 13 holdings in that core group.

Largest Common Stock Holdings

(Dollars in millions)	As of and for the year ended December 31, 2006				
	Actual cost	Fair value	Percent of fair value	Earned dividend income	Earned dividend to fair value
Fifth Third Bancorp	$ 283	$ 2,979	39.4 %	$ 115	3.9 %
Exxon Mobil Corporation	133	687	9.1	11	1.7
The Procter & Gamble Company	192	469	6.2	8	1.8
National City Corporation	171	358	4.7	15	4.2
PNC Financial Services Group, Inc.	62	348	4.6	10	2.9
AllianceBernstein Holding L.P.	60	266	3.5	12	4.3
U.S. Bancorp	150	251	3.3	9	3.7
Johnson & Johnson	194	238	3.1	5	2.1
Wyeth	62	225	3.0	4	2.0
Wells Fargo & Company	96	193	2.5	6	3.0
Piedmont Natural Gas Company, Inc.	64	151	2.0	5	3.6
Sky Financial Group, Inc.	91	133	1.8	4	3.3
FirstMerit Corporation	55	129	1.7	6	4.7
All other common stock holdings	787	1,137	15.1	31	2.6
Total	$ 2,400	$ 7,564	100.0 %	$ 241	

In January 2006, we sold 12,700,164 shares of our holdings of Alltel after selling 475,000 shares in December 2005. Alltel had been our second largest common stock holding. Alltel was an excellent investment for the company for over 40 years, bringing an increasing flow of dividend income and healthy market value appreciation. Because of the restructuring that Alltel announced in late 2005, we determined that it no longer met our investment parameters.

This emphasis on a small group of equities and long-term investment horizon has resulted in significant concentrations within the portfolio, as this buy-and-hold strategy over many years has built up significant accumulated unrealized appreciation. At year-end 2006, the largest industry concentrations within our common stock holdings were the financials sector at 66.6 percent of total fair value and the healthcare sector at 7.9 percent.

Nonredeemable Preferred Stocks

We evaluate preferred stocks similar to the evaluation we make for fixed-maturity investments, seeking attractive relative yields. We generally focus on investment-grade preferred stocks issued by companies that have a strong history of paying common dividends, which provides us with another layer of protection. Additionally, when possible we seek out preferred stocks that offer a dividend received deduction.

Additional information regarding the composition of investments is included in Item 8, Note 2 to the Consolidated Financial Statements, Page 90.

OTHER

We report as "Other" the operations of the parent company, CFC Investment Company and CinFin Capital Management Company (excluding investment activities) as well as other income of our insurance subsidiary. As of December 31, 2006, CFC Investment Company had 2,897 accounts and $108 million in receivables, compared with 2,815 accounts and $105 million in receivables at December 31, 2005.
As of December 31, 2006, CinFin Capital had 64 institutional, corporate and individual clients and $960 million under management, compared with 64 and $864 million at December 31, 2005. Assets under management rose because a single account placed additional funds with CinFin Capital in 2006.

REGULATION

STATE REGULATION

The business of insurance primarily is regulated by state law. Although our insurance subsidiaries are domiciled in Ohio and primarily subject to Ohio insurance laws and regulations, we also are subject to state regulatory authorities of all states in which we write insurance. The state laws and regulations that have the most significant effect on our insurance operations and financial reporting are discussed below.

- Insurance Holding Company Regulation – Our subsidiaries primarily engage in the property casualty insurance business and secondarily in the life insurance business, both subject to regulation as an insurance holding company system by the State of Ohio. These regulations require that we annually furnish financial and other information about the operations of the individual companies within the holding company system. All transactions within a holding company affecting insurers must be fair and equitable. Notice to the state insurance commissioner is required prior to the consummation of transactions affecting the ownership or control of an insurer and prior to certain material transactions between an insurer and any person or entity in its holding company group. In addition, some of those transactions cannot be consummated without the commissioner's prior approval.
- Subsidiary Dividends – The dividend-paying capacity of our insurance subsidiaries is regulated by the laws of Ohio, the domiciliary state. This regulation requires an insurance subsidiary to provide a 10-day advance informational notice to the Ohio insurance department prior to payment of any dividend or distribution to its shareholders (all of our smaller insurance subsidiaries are 100 percent owned by The Cincinnati Insurance Company, which is 100 percent owned by Cincinnati Financial Corporation). Ordinary dividends must be paid from earned surplus, which is the amount of unassigned funds set forth in an insurance subsidiary's most recent statutory financial statement.

  The Ohio Department of Insurance must give prior approval before the payment of an extraordinary dividend by an insurance subsidiary to shareholders. You can find information about the dividends paid by our insurance subsidiary in 2006 in Item 8, Note 8 to the Consolidated Financial Statements, Page 93.
- Insurance Operations – All of our insurance subsidiaries are subject to licensing and supervision by departments of insurance in the states in which they do business. The nature and extent of such regulations vary, but generally have their source in statutes that delegate regulatory, supervisory and administrative powers to state insurance departments. Such regulations, supervision and administration of the insurance subsidiaries include, among others, the standards of solvency which must be met and maintained; the licensing of insurers and their agents; the nature and limitations on investments; deposits of securities for the benefit of policyholders; regulation of policy forms and premium rates; policy cancellations and non-renewals; periodic examination of the affairs of insurance companies; annual and other reports required to be filed on the financial condition of insurers or for other purposes; requirements regarding reserves for unearned premiums, losses and other matters; the nature of and limitations on dividends to policyholders and shareholders; the nature and extent of required participation in insurance guaranty funds; and the involuntary assumption of hard-to-place or high-risk insurance business, primarily workers' compensation insurance.
- Insurance Guaranty Associations – Each state has insurance guaranty association laws under which the associations may assess life and property casualty insurers doing business in the state for certain obligations of insolvent insurance companies to policyholders and claimants. Typically, states assess each member insurer in an amount related to the insurer's proportionate share of business written by all member insurers in the state. Our insurance subsidiaries received a net refund of $500,000 and $3 million from guaranty associations in 2006 and 2005. We cannot predict the amount and timing of any future assessments or refunds on our insurance subsidiaries under these laws.
- Shared Market and Joint Underwriting Plans – State insurance regulation requires insurers to participate in assigned risk plans, reinsurance facilities and joint underwriting associations, which are mechanisms that generally provide applicants with various basic insurance coverages when they are not available in voluntary markets. Such mechanisms are most commonly instituted for automobile and workers' compensation insurance, but many states also mandate participation in FAIR Plans or Windstorm Plans, which provide basic property coverages. Participation is based upon the amount of a company's voluntary market share in a particular state for the classes of insurance involved. Underwriting results related to these organizations, which tend to be adverse to our company, have been immaterial to our results of operations.
- Statutory Accounting – For public reporting, insurance companies prepare financial statements in accordance with GAAP. However, certain data also must be calculated according to statutory accounting rules as defined in the NAIC's Accounting Practices and Procedures Manual.

  While not a substitute for any GAAP measure of performance, statutory data frequently is used by industry analysts and other recognized reporting sources to facilitate comparisons of the performance of insurance companies.
- Insurance Reserves – State insurance laws require that property casualty and life insurance subsidiaries analyze the adequacy of reserves annually. Our appointed actuaries must submit an opinion that reserves are adequate for policy claims-paying obligations and related expenses.
- Risk-Based Capital Requirements – The NAIC's risk-based capital (RBC) requirements for property casualty and life insurers serve as an early warning tool for the NAIC and the state regulators to identify companies that may be undercapitalized and may merit further regulatory action. The NAIC has a standard formula for

annually assessing RBC. The formula for calculating RBC for property casualty companies takes into account asset and credit risks but places more emphasis on underwriting factors for reserving and pricing. The formula for calculating RBC for life insurance companies takes into account factors relating to insurance, business, asset and interest rate risks.

Federal Regulation

Although the federal government and its regulatory agencies generally do not directly regulate the business of insurance, federal initiatives often have an impact. Some of the current and proposed federal measures that may significantly affect our business are discussed below.

- The Terrorism Risk Insurance Act of 2002 (TRIA) – TRIA was signed into law on November 26, 2002, and extended on December 22, 2005, in a revised form. TRIA provides a temporary federal backstop for losses related to the writing of the terrorism peril in property casualty insurance policies. TRIA now is scheduled to expire December 31, 2007. Under regulations promulgated under this statute, insurers are required to offer terrorism coverage for certain lines of property casualty insurance, including property, commercial multi-peril, fire, ocean marine, inland marine, liability, aircraft, surety and workers' compensation. In the event of a terrorism event defined by TRIA, the federal government will reimburse terrorism claim payments subject to the insurer's deductible. The deductible is calculated as a percentage of subject written premiums for the preceding calendar year. Our deductible was $318 million (17.5 percent of 2005 subject premiums) in 2006, $328 million (15 percent of 2004 subject premiums) in 2005 and $199 million (10 percent of 2003 subject premiums) in 2004. For 2007, the deductible is an estimated $388 million (20.0 percent of 2006 subject premiums).
- Health Insurance Portability and Accountability Act of 1996 (HIPAA) – We protect consumer health information pursuant to regulations promulgated under HIPAA. Regulations effective April 14, 2003, require health care providers such as doctors and hospitals, as well as health and long-term care insurers and health care clearinghouses, to institute physical and procedural safeguards to protect the health records of patients and insureds. Effective October 16, 2003, additional regulations required health plans to electronically transmit and receive standardized health care information. These rules and regulations have had a minimal effect on us, as our health insurance writings are limited to our self-funded health plan for our associates and a small number of run-off medical and hospital expense insurance policies. We do not actively market health, medical and hospital expense insurance policies.
- Office on Foreign Asset Control (OFAC) — Subject to an Executive Order signed on September 24, 2001, intended to thwart financing of terrorists and sponsors of terrorism, financial institutions were required to block and report transactions and attempted transactions between their organization and persons and organizations named in a list published by OFAC. We currently use a combination of software, third-party vendor and manual searches to accomplish our transaction blocking and reporting activities.
- Investment Advisers Act of 1940 – Our subsidiary, CinFin Capital Management Company, operates an investment advisory business and is therefore subject to regulation by the SEC as a registered investment adviser under the Investment Advisers Act of 1940. This law imposes certain annual reporting, recordkeeping, client disclosure and compliance obligations on CinFin Capital Management.

Item 1A. Risk Factors

Our business involves various risks and uncertainties that may affect achievement of our business objectives. Many of the risks could have ramifications across our integrated business activities. For example, while risks related to setting insurance rates and establishing and adjusting loss reserves are insurance activities, errors in these areas could have an impact on our investment activities. The following discussion should be viewed as a starting point for understanding the significant risks we face. It is not a definitive summary of their potential impact or of our strategies to manage and control the risks. Please see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Page 31, for a discussion of those strategies.

The risks and uncertainties below are not the only ones we face. There are additional risks and uncertainties that we currently do not believe are material. There also may be risks and uncertainties of which we are not aware. If any risks or uncertainties discussed here develop into actual events, they could have a material adverse effect on our business, financial condition or results of operations. In that case, the market price of our common stock could decline materially.

Readers should carefully consider this information together with the other information we have provided in this report and in other reports and materials we file periodically with the Securities and Exchange Commission as well as news releases and other information we disseminate publicly.

We rely exclusively on independent insurance agents to distribute our products.

We market our products through independent, non-exclusive insurance agents. These agents are not obligated to promote our products and can and do sell our competitors' products. We must offer insurance products that meet the needs of these agencies and their clients. We need to maintain good relationships with the agencies that market our products. If we do not, these agencies may market our competitors' products instead of ours, which may lead to us having a less desirable mix of business and could affect our results of operations.

Events or conditions that could diminish a competitive advantage that our independent agencies enjoy:

- Downgrade of the financial strength ratings of our insurance subsidiaries. We believe our strong insurer financial strength ratings, in particular the A++ rating from A.M. Best of our property casualty insurance subsidiaries, are an important competitive advantage. Only 17 other insurance groups, or 1.6 percent of all insurance groups, qualify for the A++, A.M. Best's highest rating. If our property casualty ratings were downgraded, our agents might find it more difficult to market our products or might choose to emphasize the products of other carriers.
- Concerns that doing business with us is difficult or perceptions that our level of service is no longer a distinguishing characteristic in the marketplace. This could occur if agents or policyholders believe that we were no longer providing the prompt, reliable personal service that has long been a distinguishing characteristic of our insurance operations.
- Delays in the development, implementation, performance and benefits of technology projects and enhancements or independent agent perceptions that our technology solutions are inadequate to match their needs.

A reduction in the number of independent agencies marketing our products, the failure of these agencies to successfully market our products or the choice of these agencies to reduce their writings of our products could affect our results of operations if we were unable to replace them with agencies that produce adequate premiums.

Further, policyholders may choose a competitor's product rather than our own because of real or perceived differences in price, terms and conditions, coverage or service. If the quality of the independent agencies with which we do business were to decline, that also might cause policyholders to purchase their insurance through different agencies or channels. Increased comfort in Internet purchasing could further reduce independent agencies' writings of personal lines products.

Please see Item 1, Our Business and Our Strategy, Page 1, for a discussion of our relationships with independent insurance agents.

Competition could adversely affect our ability to sell policies at rates we deem adequate.

The insurance industry is cyclical and intensely competitive. From time to time, the insurance industry goes through prolonged periods of intense competition during which it is more difficult to attract new business and maintain profitability. Competition in our insurance business is based on many factors, including:

- Competitiveness of premiums charged
- Underwriting and pricing methodologies that allow insurers to identify and flexibly price risks
- Underwriting discipline
- Terms and conditions of insurance coverage
- Speed at which products are brought to market

- Technological innovation
- Ability to control expenses
- Adequacy of financial strength ratings by independent ratings agencies such as A.M. Best
- Quality of services provided to agents and policyholders
- Claims satisfaction and reputation

If we were unable to compete effectively because of one or more of these factors, our premium writings could decline and our results of operations and financial condition could be materially adversely affected.

Please see Item 7, Commercial Lines, Personal Lines and Life Insurance Results of Operations, Page 42, Page 49, and Page 54, for a discussion of our competitive position in the insurance marketplace.

Managing technology initiatives and meeting new data security requirements are significant challenges.

While technology can streamline many business processes and ultimately reduce the cost of operations, technology initiatives present short-term cost and implementation risks. In addition, we may have inaccurate expense projections, implementation schedules or expectations regarding the efficacy of the end product. These issues could escalate over time.

Data security is subject to increasing regulation. We face rising costs and competing time constraints in meeting compliance requirements of new and proposed regulations. Computer viruses, hackers and other external hazards could expose our data systems to security breaches. These increased risks and expanding regulatory requirements could expose us to data loss litigation, damages and significant increases in compliance costs.

Please see Item 1, Technology Solutions, Page 4, for a discussion of our technology initiatives.

The effects of changes in industry practices and regulations on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to insurance pricing, claims and coverage may emerge. These issues may adversely affect our business by impeding our ability to obtain adequate rates for covered risks, extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, unforeseeable emerging and latent claim and coverage issues may not become apparent until some time after we have issued the insurance policies that could be affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a policy is issued. The effects of such changes could adversely affect our results of operations.

Please see Item 7, Property Casualty and Life Insurance Reserves, Page 63 and Page 69, for a discussion of our reserving practices.

Our loss reserves, our largest liability, are based on estimates and could be inadequate to cover our actual losses.

Our financial statements are prepared using GAAP. These principles require us to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes. Actual results could differ materially from those estimates. For a discussion of the significant accounting policies we use to prepare our financial statements and the material implications of uncertainties associated with the methods, assumptions and estimates underlying our critical accounting policies, please refer to Item 7, Property Casualty Insurance Loss And Loss Expense Reserves, Page 35, and Item 8, Note 1 to the Consolidated Financial Statements, Page 85.

Our most critical accounting estimate is loss reserves. Loss reserves are the amounts we expect to pay for covered claims and expenses we incur to settle those claims. The loss reserves we establish in our financial statements represent an estimate of amounts needed to pay and administer claims arising from insured events that have occurred, including events that have not yet been reported to us. Loss reserves are estimates and are inherently uncertain; they do not and cannot represent an exact measure of liability. Accordingly, our loss reserves for past periods could prove to be inadequate to cover our actual losses and related expenses. Any changes in these estimates are reflected in our results of operations during the period in which the changes are made. An increase in our loss reserves would decrease earnings, while a decrease in our loss reserves would increase earnings.

The estimation process for unpaid loss and loss expense obligations involves uncertainty by its very nature. We continually review the estimates and adjust the reserves as facts regarding individual claims develop, additional losses are reported and new information becomes known. Adjustments due to loss development on prior years are reflected in the calendar year in which they are identified.

Unforeseen losses, the type and magnitude of which we cannot predict, may emerge in the future. These additional losses could arise from changes in the legal environment, catastrophic events, increases in loss severity or frequency, or other causes. Such future losses could be substantial.

Please see Item 7, Property Casualty and Life Insurance Reserves, Page 63 and Page 69, for a discussion of our reserving practices.

We could experience an unusually high level of losses due to catastrophic or terrorism events or risk concentrations.

Our financial condition, cash flow and results of operations depend on our ability to underwrite and set rates accurately for a full spectrum of risks. We establish our pricing based on assumptions regarding the level of losses that will occur within classes of business, geographic regions and other criteria. A number of factors could cause our assumptions regarding future losses to be inaccurate.

In the normal course of our business, we provide coverage against perils for which estimates of losses are highly uncertain, in particular catastrophic and terrorism events. Catastrophes can be caused by a number of events, including hurricanes, tornadoes, windstorms, earthquakes, hailstorms, explosions, severe winter weather and fires. Due to the nature of these events, we are unable to predict precisely the frequency or potential cost of catastrophe occurrences. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event.

We have catastrophe exposure to:

- Hurricanes in the gulf and southeastern coastal regions.
- Earthquakes in the New Madrid fault zone, which lies within the central Mississippi valley, extending from northeast Arkansas through southeast Missouri, western Tennessee and western Kentucky to southern Illinois, southern Indiana and parts of Ohio.
- Tornado, wind and hail in the Midwest and Southeast and, to a certain extent, the mid-Atlantic.

We have identified terrorism exposure to general commercial risks in the metropolitan Chicago area as well as small co-op utilities, small shopping malls and small colleges throughout our 32 active states.

Additionally, our life insurance subsidiary could be adversely affected in the event of a terrorist event or an epidemic such as the avian flu, particularly if the epidemic were to affect a broad range of the population beyond just the very young or the very old.

Our results of operations would be adversely affected if the level of losses we experienced over a period of time exceeded our actuarially determined expectations. In addition, our financial condition would be adversely affected if we were required to sell securities prior to maturity or at unfavorable prices to pay an unusually high level of loss and loss expenses. Securities pricing might be even less favorable if a number of insurance companies needed to sell securities during a short period of time because of unusually high losses from catastrophic events.

Our geographic concentration ties our performance to business, economic and regulatory conditions in certain states. We market our property casualty insurance product in 32 states, but our business is concentrated in the Midwest and Southeast. We also have exposure in states where we do not actively market insurance when clients of our independent agencies have business or properties in multiple states.

The Cincinnati Insurance Company also participates in three assumed reinsurance treaties with two reinsurers that spread the risk of very high catastrophe losses among many insurers. In 2007, we have exposure of up to $8 million of assumed losses in three layers, from $875 million to $1.500 billion, from a single event under an assumed reinsurance treaty for Munich Re Group. The other two assumed reinsurance treaties are immaterial.

In the event of a severe catastrophic event or terrorist attack elsewhere in the world, our insurance losses may be immaterial. However, the companies in which we invest might be severely affected, which could affect our financial condition and results of operations. A catastrophe event also could affect our operations by damaging our headquarters facility or disrupting our associates' ability to perform their assigned tasks.

Please see Item 7, Property Casualty and Life Insurance Reserves, Page 63 and Page 69, for a discussion of our reserving practices.

Our ability to obtain or collect on our reinsurance protection could affect our business, financial condition, results of operations and cash flows.

We buy property casualty and life reinsurance coverage to mitigate the liquidity risk of an unexpected rise in claims severity or frequency from catastrophic events or a single large loss. The availability, amount and cost of reinsurance depend on market conditions and may vary significantly. If we are unable to obtain reinsurance on acceptable terms and in appropriate amounts, our business and financial condition may be adversely affected.

In addition, we are subject to credit risk with respect to our reinsurers. Although we purchase reinsurance to manage our risks and exposures to losses, this reinsurance does not discharge our direct obligations under the policies we write. We would remain liable to our policyholders even if we were unable to recover what we believe we are entitled to receive under our reinsurance contracts. Reinsurers might refuse or fail to pay losses that we cede to them, or they might delay payment. For long-term cases, the creditworthiness of our reinsurers may change before we can recover amounts to which we are entitled. A reinsurer's insolvency, inability or unwillingness to make payments under the terms of its reinsurance agreement with our insurance subsidiaries could have a material adverse effect on our financial position, results of operations and cash flows.

Prior to 2003, we participated in USAIG, a joint underwriting association of individual insurance companies that collectively functions as a worldwide insurance market for all types of aviation and aerospace accounts. At year-end 2006, 35.5 percent, or $242 million, of our total reinsurance receivables were related to USAIG, primarily for September 11, 2001, events. Although more than 99 percent of the reinsurance recoverables associated with USAIG are backed by securities on deposit, if we are unable to collect these receivables, our financial position and results of operations could be materially affected. We no longer participate in new business generated by USAIG and its members.

Please see Item 7, 2006 Reinsurance Programs, Page 69, for a discussion of our reinsurance treaties.

Our ability to realize our investment objectives could affect our financial condition, our results of operations or cash flows.

We invest premiums received from policyholders and other available cash to generate investment income and capital appreciation, maintaining sufficient liquidity to pay covered claims and operating expenses, service our debt obligations and pay dividends. At year-end 2006, our investment portfolio was $13.699 billion, or 79.5 percent of our total assets. In 2006, our investment operations contributed 27.6 percent of our revenue and 94.3 percent of our total income before income taxes.

Investment income is an important component of our revenues and net income. The ability to achieve our investment objectives is affected by factors that are beyond our control, such as inflation, economic growth, interest rates, world political conditions, terrorism attacks or threats and other widespread unpredictable events. These events may adversely affect the economy generally and could cause our investment income or the value of securities we own to decrease. A significant decline in our investment income could have an adverse effect on our net income, and thereby on our shareholders' equity and our policyholders' surplus. For more detailed discussion of risks associated with our investments, please refer to Item 7A, Qualitative and Quantitative Disclosures About Market Risk, Page 72.

Our investment performance also could suffer because of the types of investments, industry groups and/or individual securities in which we choose to invest. Market value changes related to these choices could cause a material change in our financial condition or results of operations.

One of our investments, Fifth Third, accounted for 25.7 percent of our shareholders' equity at year-end 2006 and dividends earned from our Fifth Third investment were 20.2 percent of our investment income in 2006. If Fifth Third's common stock price were to decline significantly, our financial condition could be materially affected. If Fifth Third were to decrease or discontinue its dividend, our results of operations and cash flows could be materially affected.

Because we currently own more than 10 percent of Fifth Third's outstanding shares, we are limited in the amount of Fifth Third stock we could sell in any given period. This limitation could lead us to hold a sizeable position in Fifth Third even if it would no longer meet our investment parameters. This could result in a variety of adverse consequences depending on the reason we had concluded Fifth Third no longer met our investment parameters. For example, if Fifth Third were to stop paying dividends on its common stock, we would not be able to quickly sell a part of our holdings to reinvest in other income-earning investments, which would have a material effect on our results of operations.

Please see Item 1, Investments Segment, Page 14, and Item 7, Investments Results of Operations, Page 56, and Liquidity and Capital Resources, Page 59, for discussion of our investment activities.

Our status as an insurance holding company with no direct operations could affect our ability to pay dividends in the future.

Cincinnati Financial Corporation is a holding company that transacts substantially all of its business through its subsidiaries. Our primary assets are the stock in our operating subsidiaries and our investments. Consequently, our cash flow to pay cash dividends and interest on our long-term debt depends on dividends we receive from our operating subsidiaries and income earned on investments held at the parent-company level.

Dividends paid to us by our insurance subsidiary are restricted by the insurance laws of Ohio, our domiciliary state. These laws establish minimum solvency and liquidity thresholds and limits. Currently, the maximum dividend that may be paid without prior regulatory approval is limited to the greater of 10 percent of statutory surplus or 100 percent 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 may be paid only with prior approval of the Ohio Department of Insurance. Consequently, at times, we might not be able to receive dividends from our insurance subsidiary or we might not receive dividends in the amounts necessary to meet our debt obligations or to pay dividends on our common stock. This could affect our financial position.

Please see Item 1, Regulation, Page 17, and Item 8, Note 8 to the Consolidated Financial Statements, Page 93, for discussion of insurance holding company dividend regulations.

We could make investment decisions or experience market value fluctuations that trigger restrictions applicable to the parent company under the Investment Company Act of 1940.

Compared with other insurance holding companies, we hold a significant level of investment assets at the parent company level. If these investment assets grow to account for more than 40 percent of parent company's total assets, excluding assets of our subsidiaries, we might become subject to regulation under the Investment Company Act of 1940. Our operations are limited by the constraint that investment securities held at the holding company level should remain below the 40 percent threshold described above. Efforts to stay below the threshold could result in:

- Disposal of otherwise desirable investment securities, possibly under undesirable conditions. Such dispositions could result in a lower return on investment, loss of investment income, and if we were unable to manage the timing of the dispositions, we also might realize unnecessary capital gains, which would increase our annual tax payment.
- Limited opportunities to purchase equity securities that hold the potential for market value appreciation, which could hamper book value growth over the long term.
- Maintenance of a greater portion of our portfolio of equity securities at the insurance subsidiary, which would cause the parent to be more reliant on its subsidiaries for cash to fund parent-company obligations, including shareholder dividends and interest on long-term debt.

If the parent company's investment assets were to exceed the 40 percent ratio to its total assets, excluding investment in its subsidiaries, and if it were determined that the holding company was an unregistered investment company, the holding company might be unable to enforce contracts with third parties, and third parties could seek rescission of transactions with the holding company undertaken during the period that it was an unregistered investment company, subject to equitable considerations set forth in the Investment Company Act. In addition, the holding company could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC.

Please see Item 8, Note 15 to the Consolidated Financial Statements, Page 99, for discussion of the Investment Company Act of 1940.

Our business depends on the uninterrupted operation of our facilities, systems and business functions.

Our business depends on our associate's ability to perform necessary business functions, such as processing new and renewal policies and claims. We increasingly rely on technology and systems to accomplish these business functions in an efficient and uninterrupted fashion. Our inability to access our headquarters facilities or a failure of technology, telecommunications or other systems could significantly impair our ability to perform such functions on a timely basis. If sustained or repeated, such a business interruption or system failure could result in a deterioration of our ability to write and process new and renewal business, serve our agents and policyholders, pay claims in a timely manner or perform other necessary business functions. This could result in a materially adverse effect on our operating results and financial condition.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Cincinnati Financial Corporation owns our headquarters building located on 100 acres of land in Fairfield, Ohio. This building contains approximately 800,000 total square feet. The property, including land, is carried in our financial statements at $71 million as of December 31, 2006, and is classified as land, building and equipment, net, for company use. John J. & Thomas R. Schiff & Co. Inc., a related party, occupies approximately 6,750 square feet (1 percent).

Construction of a 690,000 total square foot underground garage and third office tower at our headquarters building began in early 2005. We estimate a completion date of September 2008 for the project. We believe this estimated $100 million expansion will accommodate our business needs for the foreseeable future. The construction project is on schedule and on budget. As of December 31, 2006, construction costs totaled $41 million, which is classified as land, building and equipment, net, for company use.

Cincinnati Financial Corporation owns the Fairfield Executive Center, which is located on the northwest corner of our headquarters property. This is a four-story office building containing approximately 124,000 square feet. The property is carried in the financial statements at $7 million as of December 31, 2006, and is classified as land, building and equipment, net, for company use. CFC and our subsidiaries occupy approximately 90 percent of the rentable square feet and unaffiliated tenants occupy approximately 10 percent.

The Cincinnati Life Insurance Company owns a four-story office building in Springdale, Ohio, approximately four miles from our headquarters. It contains approximately 102,000 rentable square feet. This property is carried in the financial statements at $3 million as of December 31, 2006, and is classified as other invested assets. At year-end 2006, two tenants occupied approximately 37 percent of the rentable square feet. The remaining space is available for lease. The property is available for sale.

In 2006, The Cincinnati Insurance Company purchased an unoccupied building on 16 acres of land in Springfield Township, Ohio, approximately six miles from our headquarters. We plan to renovate the 51,000 square foot building to serve as a data processing center and a disaster recovery center. The property, including land, is carried on our financial statements at $3 million as of December 31, 2006, and is classified as land, building and equipment, net, for company use.

Item 3. Legal Proceedings

Neither the company nor any of our subsidiaries is involved in any material litigation other than ordinary, routine litigation incidental to the nature of its business.

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

No matters were submitted to a vote of security holders of Cincinnati Financial during the fourth quarter of 2006.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Cincinnati Financial Corporation had approximately 12,000 shareholders of record as of December 31, 2006. Many of our independent agent representatives and most of the 4,048 associates of our subsidiaries own the company's common stock. We are unable to accurately quantify those holdings because many are beneficially held.

Our common shares are traded under the symbol CINF on the Nasdaq Global Select Market. The common stock prices and dividend data below reflects the 5 percent stock dividend paid April 26, 2005.

(Source: Nasdaq Global Select Market)	**2006**				2005			
Quarter:	**1st**	**2nd**	**3rd**	**4th**	1st	2nd	3rd	4th
High	**$ 45.56**	**$ 47.01**	**$ 48.44**	**$ 49.07**	$ 43.92	$ 43.12	$ 42.64	$ 45.95
Low	**42.07**	**41.43**	**45.93**	**44.25**	40.84	38.38	39.00	39.91
Period-end close	**42.07**	**47.01**	**48.12**	**45.31**	41.53	39.56	41.89	44.68
Cash dividends declared	**0.335**	**0.335**	**0.335**	**0.335**	0.290	0.305	0.305	0.305

Our ability to pay cash dividends may depend on the ability of our insurance subsidiary to pay dividends to the parent company. The dividend restrictions of our insurance company subsidiaries are discussed in Item 8, Note 8 to the Consolidated Financial Statements, Page 93.

Information regarding securities authorized for issuance under our equity compensation plans appears in the Proxy Statement under "Securities Authorized for Issuance under Equity Compensation Plans." This portion of the Proxy Statement is incorporated herein by reference. Additional information about share-based compensation granted under our equity compensation plans is available in Item 8, Note 16 to the Consolidated Financial Statements, Page 100.

The board of directors has authorized share repurchases since 1996. We discuss the board authorization in Item 7, Uses of Capital, Page 63. In 2006, we repurchased a total of 2,646,787 shares.

Month	Total number of shares purchased(1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs(2)	Maximum number of shares that may yet be purchased under the plans or programs
January 1-31, 2006	0	$ 0.00	0	9,466,035
February 1-28, 2006	537,322	44.12	537,322	8,928,713
March 1-31, 2006	1,316,978	43.97	1,312,678	7,616,035
April 1-30, 2006	0	0.00	0	7,616,035
May 1-31, 2006	0	0.00	0	7,616,035
June 1-30, 2006	150,000	45.89	150,000	7,466,035
July 1-31, 2006	0	0.00	0	7,466,035
August 1-31, 2006	31,666	45.98	31,666	7,434,369
September 1-30, 2006	113,598	46.23	110,900	7,323,469
October 1-31, 2006	27,345	48.44	0	7,323,469
November 1-30, 2006	484,021	45.15	458,221	6,865,248
December 1-31, 2006	46,000	44.29	46,000	6,819,248
Totals	2,706,930	44.48	2,646,787	

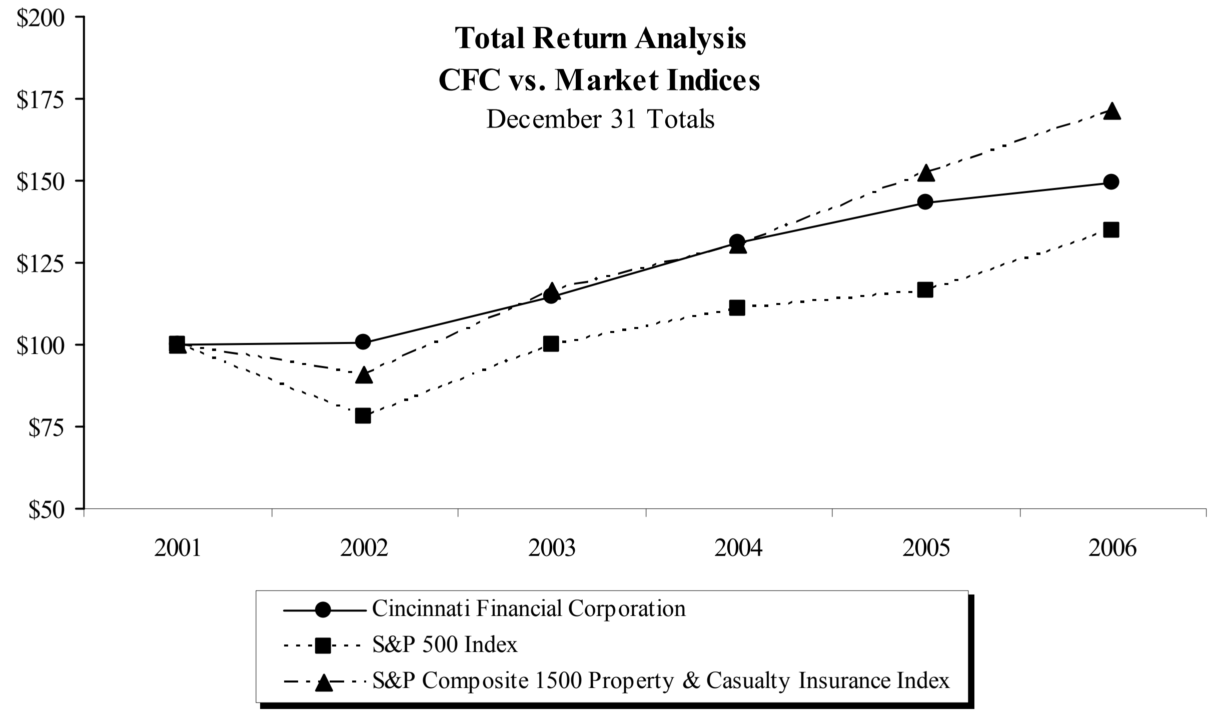
(1) Includes 34,343 acquired in 2006, primarily in satisfaction of withholding taxes due upon exercise of stock options.
(2) The current repurchase program was announced on August 19, 2005, and became effective on September 1, 2005. It replaced a program which had been in effect since 1999. No repurchase program has expired during the period covered by the above table.

All of the repurchases reported in the table above were repurchased under our 2005 program, which was approved for 10 million shares. At the time the 1999 program, which was for 17 million shares, was superseded by the 2005 program, it had 2,739,942 shares remaining. Neither of the programs had an expiration date but no further repurchases will occur under the 1999 program.

Cumulative Total Return

As depicted in the graph below, the five–year total return on a $100 investment made December 31, 2001, assuming the reinvestment of all dividends, was 49.4 percent for Cincinnati Financial Corporation's common stock compared with 71.4 percent for the Standard & Poor's Composite 1500 Property & Casualty Insurance Index and 35.0 percent for the Standard & Poor's 500 Index.

- The Standard & Poor's Composite 1500 Property & Casualty Insurance Index includes 28 companies: Ace Ltd., Allstate Corporation, AMBAC Financial Group, Berkley (W R) Corporation, Chubb Corporation, Cincinnati Financial Corporation, Fidelity National Financial Inc., First American Corporation, Hanover Insurance Group, Infinity Property Casualty Corporation, Landamerica Financial Group, MBIA Inc., Mercury General Corporation, Ohio Casualty Corporation, Old Republic International Corporation, Philadelphia Consolidated Holding Corporation, Proassurance Corporation, Progressive Corporation, RLI Corporation, Safeco Corporation, Safety Insurance Group, SCPIE Holdings Inc., Selective Insurance Group Inc., St. Paul Travelers Companies Inc., Stewart Information Services, United Fire & Casualty Company, XL Capital Ltd. and Zenith National Insurance Corp.
- The Standard & Poor's 500 Index includes a representative sample of 500 leading companies in a cross section of industries of the U.S. economy. Although this index focuses on the large capitalization segment of the market, it is widely viewed as a proxy for the total market.



Item 6. Selected Financial Data

(In millions except per share data)	Years ended December 31, 2006	2005	2004	2003
Consolidated Income Statement Data				
Earned premiums	**$ 3,278**	$ 3,164	$ 3,020	$ 2,748
Investment income, net of expenses	**570**	526	492	465
Realized investment gains and losses	**684**	61	91	(41)
Total revenues	**4,550**	3,767	3,614	3,181
Net income	**930**	602	584	374
Net income per common share:				
Basic	**$ 5.36**	$ 3.44	$ 3.30	$ 2.11
Diluted	**5.30**	3.40	3.28	2.10
Cash dividends per common share:				
Declared	**1.34**	1.205	1.04	0.90
Paid	**1.31**	1.162	1.02	0.89
Shares Outstanding				
Weighted average, diluted	**175**	177	178	178
Consolidated Balance Sheet Data				
Invested assets	**$ 13,759**	$ 12,702	$ 12,677	$ 12,485
Deferred policy acquisition costs	**453**	429	400	372
Total assets	**17,222**	16,003	16,107	15,509
Loss and loss expense reserves	**3,896**	3,661	3,549	3,415
Life policy reserves	**1,409**	1,343	1,194	1,025
Long-term debt	**791**	791	791	420
Shareholders' equity	**6,808**	6,086	6,249	6,204
Book value per share	**39.38**	34.88	35.60	35.10
Property Casualty Insurance Operations				
Earned premiums	**$ 3,164**	$ 3,058	$ 2,919	$ 2,653
Unearned premiums	**1,576**	1,557	1,537	1,444
Loss and loss expense reserves	**3,860**	3,629	3,514	3,386
Investment income, net of expenses	**367**	338	289	245
Loss ratio	**51.9 %**	49.2 %	49.8 %	56.1 %
Loss expense ratio	**11.6**	10.0	10.3	11.6
Expense ratio	**30.8**	30.0	29.7	27.0
Combined ratio	**94.3 %**	89.2 %	89.8 %	94.7 %

One-time charges or adjustments:

2006 – The company sold its holdings in Alltel Corporation common stock. The sale contributed $647 million (pretax) to realized investment gains and revenues and $412 million (after tax), or $2.35 per share, to net income.

2003 -- As the result of a settlement negotiated with a vendor, pretax results included the recovery of $23 million of the $39 million one-time, pretax charge incurred in 2000.

2000 -- The company recorded a one-time charge of $39 million, pretax, to write down previously capitalized costs related to the development of software to process property casualty policies.

2000 -- The company earned $5 million in interest in the first quarter from a $303 million single-premium bank-owned life insurance (BOLI) policy booked at the end of 1999 that was segregated as a Separate Account effective April 1, 2000. Investment income and realized investment gains and losses from separate accounts generally accrue directly to the contract holder and, therefore, are not included in the company's consolidated financials.

2002	2001	2000	1999	1998	1997	1996
$ 2,478	$ 2,152	$ 1,907	$ 1,732	$ 1,613	$ 1,516	$ 1,423
445	421	415	387	368	349	327
(94)	(25)	(2)	0	65	69	48
2,843	2,561	2,331	2,128	2,054	1,942	1,809
238	193	118	255	242	299	224
$ 1.33	$ 1.10	$ 0.67	$ 1.40	$ 1.31	$ 1.64	$ 1.21
1.32	1.07	0.67	1.37	1.28	1.61	1.17
0.81	0.76	0.69	0.62	0.55	0.50	0.44
0.80	0.74	0.67	0.60	0.54	0.49	0.43
180	179	181	186	190	188	191
$ 11,226	$ 11,534	$ 11,276	$ 10,156	$ 10,296	$ 8,778	$ 6,340
343	286	259	226	143	135	128
14,122	13,964	13,274	11,795	11,484	9,867	7,397
3,176	2,887	2,473	2,154	2,055	1,937	1,881
917	724	641	885	536	482	440
420	426	449	456	472	58	80
5,598	5,998	5,995	5,421	5,621	4,717	3,163
31.43	33.62	33.80	30.35	30.58	25.71	17.19
$ 2,391	$ 2,073	$ 1,828	$ 1,658	$ 1,543	$ 1,454	$ 1,367
1,317	1,060	920	835	458	442	424
3,150	2,894	2,416	2,093	1,979	1,889	1,824
234	223	223	208	204	199	190
61.5 %	66.6 %	71.1 %	61.6 %	65.4 %	58.3 %	61.6 %
11.4	10.1	11.3	10.0	9.3	10.1	13.8
26.8	28.2	30.4	28.6	29.6	30.0	28.2
99.7 %	104.9 %	112.8 %	100.2 %	104.3 %	98.4 %	103.6 %