THE CINCINNATI INSURANCE COMPANIES ®

CINCINNATI FINANCIAL CORPORATION

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December 1, 2004

To Our Shareholders, Associates and Friends:

Since my August letter, your company has reported a fifth consecutive quarter of property casualty underwriting profits, leading to record net income and a 91.5 percent statutory combined ratio for the first nine months of 2004.

These strong results were all the more satisfying in view of the hurricane activity in the third quarter. We were able to absorb $133 million in catastrophe losses for policyholders during the first nine months of this year and at the same time report net income of $392 million, up 60 percent from last year's nine-month period. It is hard to imagine a more dramatic illustration of the efforts of the past several years by your company's independent agents, field representatives and underwriters. They have persisted in working account by account, reviewing every policy for appropriate coverage and price and seeking profitability for every line of business.

As insurance investors, you know that underwriting strength doesn't happen overnight. It is the cumulative result of relationships and knowledge developed, and business philosophies and practices applied, over a longer period. A solid underwriting performance supports our high financial strength and credit ratings, bringing our agents a marketing advantage and assuring favorable terms when we go to the capital markets.

A.M. Best Co., Fitch Ratings, Moody's Investors Service and Standard & Poor's each awarded the same high ratings your company has previously earned to the new $375 million in senior notes we issued in November. Your company is using the money to pay off short-term debt, repay an intercompany loan and fund the headquarters expansion to support our growing business.

This year's hurricanes also illustrated the dedication of our field claims representatives. Our regular field claims associates volunteer in advance to travel on special duty when extensive storm damage requires a team response. When called up, these associates leave their families for weeks, spreading their regular workload among others in their "home" units who generously step up to keep the regular business flowing. Our storm teams, along with their home teams and families, sacrifice personal time to help people in need, often responding on an individual level beyond their insurance representative role. In honor of their generosity, your company donated funds to the Salvation Army for aid to hurricane victims in the Pensacola area, where claims from our policyholders were most concentrated.

Recently, a few large insurers and brokers have come under scrutiny for questionable sales practices. Our relationship with our independent insurance agents is the traditional one of sales agent/insurer, not broker/insurer. We believe the independent agents who represent us strongly consider client interests when they match an account with a carrier. In our experience, they evaluate value as well as price, looking at benefits to the insurance consumer from the policy terms and conditions, packaging advantages, availability of local, person-to-person claims and loss control services and financial strength. They act with integrity, and the result is healthy competition.

Our agents and associates create the trusting relationships that an insurance contract implies, and they also work to support our promises to investors. Recently, your company was named to Mergent's Dividend Achievers for our history of paying cash dividends; to Ward's 50 for balancing policyholder safety and investor return; to a "Safe Stocks" list in Kiplinger's Safe Investing (Winter Issue 2004); and to the "Clean Stocks" list in the Jubak Journal on TheStreet.com (November 17, 2004).

We look forward to the remainder of 2004 and to the year beyond, with all of the opportunities these periods will bring to be the insurance company you are proud to own.

Respectfully,

/S/ John J. Schiff, Jr.

John J. Schiff, Jr., CPCU
Chairman and Chief Executive Officer

Recent News Releases

Cincinnati Financial Corporation Announces Transitions for Founder and Directors

- *Robert C. Schiff, one of the four founding independent insurance agents and a charter director, retires*
- *Frank J. Schultheis, independent agent and director, not standing for re-election in 2005*

Cincinnati, November 15, 2004—Cincinnati Financial Corporation (Nasdaq: CINF) today announced that at its regular meeting on November 12, 2004, the board of directors received and accepted the request of Robert C. Schiff to retire, effective immediately, from boards of the parent company and its four insurance subsidiaries. Additionally, the board accepted Frank J. Schultheis's request not to stand for re-election to boards of the parent company and two insurance subsidiaries. He will complete his regular term, which runs until the April 2005 annual meeting of shareholders.

Schiff was a founding agent and director of The Cincinnati Insurance Company (CIC) in 1950 and a director of Cincinnati Financial since it was incorporated in 1968. He retired earlier this year from Schiff, Kreidler-Shell, Inc., a large, Cincinnati area insurance agency where he had served as chairman since 1991 and president from 1984 to 1991. He formed Schiff, Kreidler-Shell in 1984 after leaving his position as senior vice president of CIC to expand his agency business, previously named Schiff Insurance, Inc. His career as an agent began in 1945, following graduation from The Ohio State University, where he played third base for two years on the baseball team.

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU, commented, "Over Bob's 59-year career as an insurance agent, he has epitomized the professionalism and personal involvement that independent agents bring to the table. Bob has always spoken loud and clear on behalf of the people and businesses his agency serves, and this perspective has contributed to the effectiveness of our board and the success of our company."

Robert Schiff also has served on many community boards, including Beech Acres, the Cincinnati Symphony, Cincinnati Opera, Junior Achievement of Greater Cincinnati, Tall Stacks and the Cincinnati Zoo. He has received many awards, including the first Lifetime I.M.P.A.C.T. Award from the Boys & Girls Clubs of Greater Cincinnati earlier this year. In 2001, Friends of Drake Hospital Foundation honored Bob and his wife Adele with the Diamond Award for making a difference in the lives of Drake patients. Robert Schiff is the uncle of Chairman and Chief Executive Officer John J. Schiff, Jr., and CFC Director Thomas R. Schiff. He and Adele reside in Indian Hill. They have two sons, Dr. James A. Schiff and Dr. Robert C. Schiff, Jr., and six grandchildren.

Frank Schultheis joined the Cincinnati Financial board in 1995 and was appointed in 1996 to the boards of The Cincinnati Insurance Company and The Cincinnati Indemnity Company. He served on executive committees of the parent company and property casualty insurance subsidiaries. He is the retiring president of Schultheis Insurance Agency, Inc., an Evansville, Indiana, based independent agency that has represented The Cincinnati Insurance Companies since 1970. His community leadership has included board positions for the Oakland City University, American Cancer Society, United Caring Shelters and Buffalo Trace Council, which honored him with the Distinguished Citizen Award in 2001. Frank and his wife Judy, residents of Newburgh, Indiana, have three children and five grandchildren.

"Frank has contributed to our company's growth by building his business through the avenues of sales, service and acquisitions, expanding to many locations," said John J. Schiff, Jr. "The company and its shareholders have been grateful beneficiaries of Bob's and Frank's achievements. These two leaders—as well as the 13 directors who continue to serve on our board—exemplify the strong work ethic, innovative spirit and personal integrity that have helped the company fulfill its promises and advance to new levels of performance."

Cincinnati Financial Corporation Declares Regular Quarterly Cash Dividend

Cincinnati, November 15, 2004—Cincinnati Financial Corporation (Nasdaq: CINF) today announced that at its regular meeting on November 12, 2004, the board of directors declared a 27.5 cents per share regular quarterly cash dividend payable January 14, 2005, to shareholders of record on December 22, 2004. The indicated annual dividend is $1.10 per share.

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU commented, "Cincinnati Financial's insurance and investment operations are structured to perform predictably and consistently over the long term, benefiting agents, policyholders, shareholders and associates. The board believes in rewarding shareholders who support this approach and the strong results it creates."

Cincinnati Financial Corporation Announces Pricing of Debt Offering

Cincinnati, October 27, 2004—Cincinnati Financial Corporation (Nasdaq: CINF) today announced the pricing of its offering of $375 million aggregate principal amount of 6.125% senior notes due November 2034. Cincinnati Financial Corporation intends to use the net proceeds as follows: (i) approximately $58 million will be used to pay the entire outstanding balance under its line of credit; (ii) approximately $128 million will be paid to The Cincinnati Insurance Company to satisfy an outstanding intercompany debt; (iii) approximately $100 million will be used beginning in 2005 to finance the construction of a parking garage and office building to be situated at its headquarters located in Fairfield, Ohio; and (iv) remaining net proceeds will be used for general corporate purposes. The company increased the size of the offering to $375 million from the previously announced $350 million.

The notes were offered only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act).

Cincinnati Financial Corporation Reports Strong Third-Quarter 2004 Results

- *Net income at 53 cents per share compared with 61 cents*
- *Operating income* improves to 56 cents per share from 46 cents before one-time software recovery*
- *Property casualty GAAP combined ratio at 97.8%, including 11.8 percentage points from catastrophe losses*
- *Full-year estimate of property casualty profitability increases, with lower premium growth target*
- *Book value at $36.21 per share*

Cincinnati, October 21, 2004—Cincinnati Financial Corporation (Nasdaq: CINF) today reported third-quarter 2004 net income of $90 million, or 53 cents per diluted share, compared with $104 million, or 61 cents per share, in the third quarter of 2003. Net income per share included net realized investment losses of 3 cents per share in 2004 versus a gain of 6 cents in the third quarter of 2003. Net income for the third quarter of 2003 included a $15 million, or 9 cent per share, after-tax software cost recovery. Per-share amounts for all periods have been adjusted for the 5 percent stock dividend paid June 15, 2004.

Revenues from pretax investment income rose 6.1 percent to $124 million for the third quarter. Total revenues advanced $43 million, or 5.1 percent, to $879 million, reflecting 8.1 percent total earned premium growth and realized losses versus realized gains in the comparable 2003 quarter.

Financial Highlights*

(Dollars in millions, except share data)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Income Statement Data				
Net income	$ 90	$ 104	$ 392	$ 245
Negotiated settlement-software cost recovery	-	15	-	15
Net income before recovery*	$ 90	$ 89	$ 392	$ 230
Net realized investment gains and losses	(5)	10	36	(29)
Operating income before recovery*	$ 95	$ 79	$ 356	$ 259
Per Share Data (diluted)				
Net income	$ 0.53	$ 0.61	$ 2.30	$ 1.44
Negotiated settlement-software cost recovery	-	0.09	-	0.09
Net income before recovery*	$ 0.53	$ 0.52	$ 2.30	$ 1.35
Net realized investment gains and losses	(0.03)	0.06	0.21	(0.17)
Operating income before recovery*	$ 0.56	$ 0.46	$ 2.09	$ 1.52
Cash dividend declared	0.2750	0.2380	0.8250	0.7140
Book value	-	-	36.21	34.23
Average shares outstanding	169,907,395	169,983,298	170,043,940	169,812,514

* The reconciliation of non-GAAP financial information on the Financials & Analysis tab of the Investors page of *www.cinfin.com* defines and reconciles measures presented in this release that are not based on Generally Accepted Accounting Principles (non-GAAP).

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU, commented, "Storms had a significant impact on third-quarter results for the insurance industry, with The Cincinnati Insurance Companies incurring a record level of catastrophe losses. The bigger impact, however, has been on the lives of policyholders throughout the Southeast. In these difficult times, we are working to honor the trust they have placed in us by paying their claims promptly, fairly and personally. More than 100 of Cincinnati's experienced claims representatives have traveled to stricken areas to work with associates based in each market, helping policyholders get back on their feet.

"Service also is the key to the strong performance we've recorded again this quarter, despite the catastrophe losses, and to the positive outlook we have for the remainder of 2004 and beyond," Schiff continued. "As we noted last quarter, we are entering this period of predictably increasing competition in the commercial insurance marketplace from a position of strength, with an underwriting mindset. Our personal lines operation made a small step toward a return to profitability. Our financial strength continues to let us invest for both short-term income and the potential for long-term appreciation, supporting the financial flexibility that is so valuable to our policyholders, independent agent representatives and shareholders."

"Our nine-month GAAP combined ratio was very satisfactory at 92.3 percent, led by excellent commercial lines results. That performance puts our combined ratio on track to finish 2004 slightly better than our target ratio of 92 percent (91.5 percent on a statutory basis). We are basing this more favorable outlook on expectations that catastrophe losses will contribute approximately 5 percentage points for the full year. There also will be an approximately 1 percentage point benefit from the first-quarter 2004 release of uninsured motorist/underinsured motorist (UM/UIM) reserves. We believe we can surpass this level of underwriting success next year, assuming catastrophe losses are in the more normal range of 3 to 3.5 percentage points on the combined ratio," Schiff added.

Catastrophe Loss Summary

Total catastrophe losses of $86 million for third quarter, net of reinsurance, reflected $94 million from storms during the period, partially offset by reduced estimates of prior-period catastrophe losses.

(Dollars in millions, net of reinsurance)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Catastrophe losses (pretax)	$ 86	$ 41	$ 133	$ 90
Catastrophe losses per fully diluted share (after tax)	$ 0.33	$ 0.16	$ 0.51	$ 0.34
Combined ratio impact of catastrophe losses (percentage points)	11.8	6.1	6.1	4.6

The company's reinsurance coverage limits its losses from catastrophic events such as wind, hail, hurricanes or earthquakes. Under the 2004 reinsurance program, the company retains the first $25 million in losses arising from a single event and 43 percent of losses from $25 million to $45 million. The company retains only 5 percent of losses between $45 million and $500 million. To restore affected layers of the property catastrophe reinsurance program following Hurricane Ivan, the company incurred an $11 million reinsurance reinstatement premium in the third quarter. The company has received no information on potential assessments for wind pools in Florida and other affected states.

Nine-Month Results

Net income for the first nine months was $392 million, or $2.30 per diluted share, up 60.1 percent from $245 million, or $1.44 per share, in the first nine months of 2003. Net income per share included net realized investment gains of 21 cents in 2004 versus losses of 17 cents per share in 2003. Nine-month 2004 results included the first-quarter 2004 release of $32 million pretax ($21 million, or 12 cents per share, after tax) from reserves for UM/UIM losses. Remaining UM/UIM reserve changes have been immaterial since the first quarter of 2004. Nine-month 2003 results included a $15 million, or 9 cents per share, after-tax software cost recovery.

Revenues from pretax investment income rose 5.2 percent to $365 million for the first nine months of 2004. Total revenues advanced $331 million, or 14.1 percent, to $2.672 billion, reflecting 10.4 percent total earned premium growth and realized gains versus realized losses in the first nine months of 2003.

Property Casualty Insurance Operations

(Dollars in millions - GAAP)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Income Statement Data				
Earned premiums	$ 733	$ 678	$ 2,166	$ 1,963
Loss and loss expenses excluding catastrophe losses	416	443	1,222	1,293
Catastrophe losses	86	41	133	90
Commissions	149	136	445	379
Underwriting expenses	66	35	199	136
Underwriting profit	$ 16	$ 23	$ 167	$ 65
Underwriting profit before recovery*	$ 16	$ -	$ 167	$ 42
Ratio Data				
Loss and loss expenses excluding catastrophe losses	56.7%	65.3%	56.5%	65.8%
Catastrophe losses	11.8	6.1	6.1	4.6
Commissions	20.3	20.0	20.5	19.3
Underwriting expenses	9.0	5.2	9.2	7.0
Combined ratio	97.8%	96.6%	92.3%	96.7%
Combined ratio before recovery*	97.8%	100.0%	92.3%	97.9%

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For the third quarter, statutory net written premiums of the property casualty insurance affiliates rose 3.7 percent to $750 million compared with $723 million in last year's third quarter. Both net written and net earned premium for 2004 were reduced by the $11 million reinsurance reinstatement premium, which lowered the third-quarter net written premium growth rate by 1.5 percentage points. For the first nine months of 2004, statutory net written premiums of the property casualty insurance affiliates rose 6.5 percent to $2.274 billion compared with $2.136 billion last year. The reinsurance reinstatement premium lowered the nine-month growth rate by 0.5 percentage points.

Third-quarter new business written directly by agencies was unchanged at $87 million, including $73 million in commercial lines new business and $14 million in personal lines new business. Nine-month new business written directly by agencies was $253 million, up 4.9 percent over the first nine months of last year.

The third-quarter 2004 GAAP combined ratio of 97.8 percent improved 2.2 percentage points over the comparable prior period excluding the software recovery. The loss and loss expense ratio excluding catastrophes declined 8.6 percentage points. The third-quarter 2004 commission expense ratio rose by 0.3 percentage points. The underwriting expense ratio rose by 0.4 percentage points, excluding the 3.4 percentage point benefit of the recovery from 2003 underwriting

expenses. The nine-month 2004 GAAP combined ratio of 92.3 percent included a 1.5 percentage-point benefit from the release of the UM/UIM reserves. The comparable 2003 ratio was 97.9 percent before the recovery.

Schiff commented, "Our commercial markets are showing continuing signs of increasing competition. We believe our approach will allow us to continue winning our agencies' quality business while maintaining profitability. Everything we are doing to achieve growth revolves around strengthening our relationships with the local independent insurance agents who serve our policyholders. Restructuring selected field territories to make them smaller lets us provide a higher level of sales support and service to these agents."

Schiff added, "We have 92 property casualty field marketing territories today, and we anticipate reaching 100 field marketing territories in 2005. Territory subdivisions are planned for Birmingham, Alabama; Chicago, Illinois; Central Indiana; Detroit, Michigan; Chattanooga and Nashville, Tennessee; and Utah. We also will carve out a new Delaware/Maryland territory when we appoint our first agencies in Delaware, which we anticipate in 2005. In addition to the representatives who staff marketing territories, the company's 975 independent agencies also are supported by more than 1,000 additional field associates who provide claims, life insurance marketing, loss control, premium audit, bond, leasing and machinery and equipment services.

"Our first and foremost objective is to earn more business from the independent agencies that currently represent us. However, smaller territories also allow us to appoint additional, high-caliber agencies in markets where we see opportunities to attract new policyholders who value Cincinnati's financial strength, service and products. As previously announced, we anticipate appointing approximately 150 new agencies during the 2004 through 2006 period. Thirty new agencies already have been appointed in 2004, with another 20 appointments already scheduled for the last three months of the year."

Commercial Lines

(Dollars in millions - GAAP)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Income Statement Data				
Earned premiums	$ 537	$ 488	$ 1,576	$ 1,410
Loss and loss expenses excluding catastrophe losses	285	310	826	895
Catastrophe losses	48	10	65	28
Commissions	108	98	324	271
Underwriting expenses	50	31	143	106
Underwriting profit	$ 46	$ 39	$ 218	$ 110
Underwriting profit before recovery*	$ 46	$ 24	$ 218	$ 95
Ratio Data				
Loss and loss expenses excluding catastrophe losses	53.1%	63.4%	52.4%	63.4%
Catastrophe losses	9.0	2.0	4.1	2.0
Commissions	20.1	20.1	20.6	19.2
Underwriting expenses	9.2	6.6	9.1	7.6
Combined ratio	91.4%	92.1%	86.2%	92.2%
Combined ratio before recovery*	91.4%	95.0%	86.2%	93.2%

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Statutory net written premiums for commercial lines of insurance rose 5.0 percent to $532 million for the third quarter, compared with $507 million in last year's third quarter. The $6 million commercial lines reinsurance reinstatement premium reduced the third-quarter growth rate by 1.3 percentage points. New commercial lines business written directly by agencies increased 2.0 percent for the third quarter and 9.9 percent for the nine months. The third-quarter 2004 commercial lines GAAP combined ratio was 91.4 percent, a 3.6 percentage-point improvement over the third-quarter of 2003 ratio excluding the recovery.

Schiff commented, "Our plans to increase our field presence in our agencies will be most significant for commercial lines, helping to bolster new business growth as competition increases in more regional marketplaces. Agents report that the market continues to differentiate between quality and average accounts. We are pleased to hear that in most areas they are negotiating low-single-digit rate increases on most quality renewal risks that have no change in exposure.

"To maintain our underwriting success, we intend to carefully manage our underwriting appetite and use of discounting. With increasing price pressure, our programs to accurately match exposures with appropriate premium are all the more important. Our field teams continue to support our agents by emphasizing renewal reviews and personally inspecting risks," Schiff noted.

For the first nine months of 2004, statutory net written premiums for commercial lines of insurance rose 7.4 percent to $1.654 billion, compared with $1.540 billion last year. The reinsurance reinstatement premium reduced the nine-month growth rate by 0.4 percentage points. The commercial lines GAAP combined ratio for the first nine months of 2004 was 86.2 percent, including a 2.0 percentage-point benefit from the release of UM/UIM reserves. The comparable 2003 combined ratio was 93.2 percent before the recovery.

Personal Lines

(Dollars in millions - GAAP)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Income Statement Data				
Earned premiums	$ 196	$ 190	$ 590	$ 553
Loss and loss expenses excluding catastrophe losses	131	133	396	398
Catastrophe losses	38	31	68	62
Commissions	41	38	121	108
Underwriting expenses	16	4	56	30
Underwriting loss	$ (30)	$ (16)	$ (51)	$ (45)
Underwriting loss before recovery*	$ (30)	$ (24)	$ (51)	$ (53)
Ratio Data				
Loss and loss expenses excluding catastrophe losses	66.9%	70.0%	67.1%	71.9%
Catastrophe losses	19.3	16.6	11.6	11.2
Commissions	20.9	20.0	20.5	19.6
Underwriting expenses	8.3	1.8	9.4	5.5
Combined ratio	115.4%	108.4%	108.6%	108.2%
Combined ratio before recovery*	115.4%	112.6%	108.6%	109.6%

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Statutory net written premiums for personal lines of insurance rose 0.5 percent to $218 million for the third quarter, compared with $216 million in last year's third quarter. The $5 million personal lines reinsurance reinstatement premium reduced the third-quarter growth rate by 2.1 percentage points. Third-quarter new personal lines business written directly by agencies was $14 million, compared with $15 million in last year's third quarter. The third-quarter 2004 personal lines GAAP combined ratio was 115.4 percent, including 19.3 percentage points from catastrophe losses. For the comparable 2003 period, the ratio before the recovery was 112.6 percent, including 16.6 percentage points from catastrophe losses.

Schiff commented, "Our personal lines business is focused on achieving two key objectives: returning to profitability and deploying Diamond, our new personal lines policy processing system, as quickly as possible. While each objective brings its own challenges, including a measurable effect on new business growth, agents and associates have shown their commitment to these initiatives and an appreciation of their importance.

"In terms of profitability, for the nine months, our personal auto line continued to perform well and our homeowner line made progress, as seen in a 5.5 percentage-point improvement in its loss and loss expense ratio excluding catastrophe losses compared with the first nine months of 2003. In addition to rate increases, deductible changes and modifications in policy terms and conditions including one-year homeowner policy periods, we anticipate fine-tuning our rate structure in 2005 to offer marketable prices to attract our agencies' quality accounts. For current personal lines policies up for renewal, retention remains above 90 percent," Schiff said.

"The rollout of the Diamond system now has been completed for agencies in Indiana, Michigan and Ohio. These are three of our largest personal lines states, accounting for 53.1 percent of personal lines premium volume. The transition of these agencies to the Diamond system is a significant accomplishment. They also have helped us understand that the learning curve may be steeper than anticipated, temporarily reducing agency attention to new business efforts. As these

agents progress through the transition, they are writing or renewing approximately $1 million in personal lines premium in Diamond each day."

For the first nine months of 2004, statutory net written premiums for personal lines of insurance rose 4.0 percent to $620 million, compared with $596 million last year. The reinsurance reinstatement premium reduced the nine-month growth rate by 0.7 percentage points. Personal lines new business written directly by agencies for the first nine months of 2004 was $39 million, compared with $46 million in the first nine months of 2003. The personal lines GAAP combined ratio for the first nine months of 2004 was 108.6 percent, including a 0.1 percentage-point benefit from the release of UM/UIM reserves. The comparable 2003 combined ratio was 109.6 percent.

Life Insurance Operations

(In millions - GAAP)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Earned premiums	$ 25	$ 23	$ 77	$ 68
Investment income, net of expenses	23	22	68	67
Other income	1	1	2	2
Total revenues excluding realized investment gains and losses	$ 49	$ 46	$ 147	$ 137
Policyholder benefits	23	22	71	66
Expenses	14	13	40	36
Total benefits and expenses	$ 37	$ 35	$ 111	$ 102
Income before income tax and realized investment gains and losses	$ 12	$ 11	$ 36	$ 35
Income tax	4	3	12	12
Income before realized investment gains and losses*	$ 8	$ 8	$ 24	$ 23

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The Cincinnati Life Insurance Company's third-quarter 2004 earned premiums increased 7.2 percent to $25 million. Income before realized investment gains and losses increased 3.2 percent over the third quarter of 2003. Net income including net realized investment gains and losses – a performance indicator for Cincinnati Life – declined 35.2 percent to $5 million for the third quarter from $8 million for the comparable 2003 period. Third-quarter realized losses in the life insurance company's investment portfolio were due to the sale of airline bonds and a decline in the fair value of derivatives embedded in convertible securities.

Cincinnati Life President David H. Popplewell, FALU, LLIF, commented, "Since the beginning of the year, face amounts of in-force policies have grown 13.0 percent and applications submitted have grown 5.4 percent. During the third quarter, we further strengthened our worksite marketing line with the addition of a disability income product. Worksite insurance products provide our property casualty agency force with an excellent cross serving opportunity for their small commercial accounts. Agents find that offering our competitively priced worksite products through employers provides a voluntary benefit program to employees at no cost to the employer."

For the first nine months of 2004, Cincinnati Life's earned premiums increased 13.5 percent to $77 million. Income before realized investment gains and losses increased 3.0 percent over the first nine months of 2003. For the nine months, net income including net realized investment gains and losses rose to $24 million from $14 million for the comparable 2003 period.

Investment Operations

(In millions, pre-tax)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Investment income:				
Interest	$ 64	$ 60	$ 188	$ 177
Dividends	58	57	176	169
Other	3	1	5	4
Investment expenses	(1)	(1)	(4)	(3)
Investment income, net of expenses	$ 124	$ 117	$ 365	$ 347
Net realized investment gains and losses:				
Other-than-temporary impairment charges	$ (5)	$ (8)	$ (8)	$ (77)
Realized investment gains and losses	8	14	70	24
Change in valuation of embedded derivatives	(10)	9	(7)	9
Net realized investment gains and losses	$ (7)	$ 15	$ 55	$ (44)

Consolidated pretax investment income rose 6.1 percent for the third quarter and 5.2 percent for the first nine months of 2004, benefiting from higher interest income due to cash flow invested in the fixed-income portfolio and from dividend increases by companies in the equity portfolio. Dividend increases announced during the 12 months ended September 30, 2004, by Fifth Third Bancorp and another 38 of the 50 equity holdings in the portfolio are expected to add $18 million to annualized investment income.

Schiff commented, “We are seeing an upward trend in investment income growth. With continued strong cash flow, our investment program should produce a full-year growth rate above the high end of the 3.5 percent to 4.5 percent range we had initially anticipated, with this level of growth continuing into 2005.”

Net realized investment losses were $7 million in this year’s third quarter, including $5 million in other-than-temporary impairment charges. In last year’s third quarter, net realized investment gains were $15 million, including $8 million in other-than-temporary impairment charges.

During the third quarter, the company made $208 million in net new investments from cash flow and existing cash balances. Purchases were almost entirely fixed income securities, including U.S. agency paper and municipal bonds. The market value of consolidated fixed-maturity investments rose 15.1 percent to $4.516 billion at September 30, 2004, from $3.925 billion at year-end 2003. The market value of consolidated equity securities was $7.688 billion at September 30, 2004, down from $8.524 billion at year-end 2003. The decline was due to the $350 million in net equity sales in the second quarter of 2004, as well as market value fluctuations of the company’s holdings including a decline in the market value of Fifth Third, the company’s largest common stock holding. Proceeds from the equity sales were reinvested in fixed income and convertible securities during the second and third quarters.

The company repurchased 296,800 shares of Cincinnati Financial common stock at a total cost of $12 million, or $39.83 per share, during the third quarter. Approximately 5 million shares remain authorized by the board of directors for repurchase.

Balance Sheet

(Dollars in millions)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Balance Sheet Data				
Total assets	-	-	$ 15,806	$ 14,958
Invested assets	-	-	12,242	11,742
Shareholders' equity	-	-	6,084	5,766
Ratio Data				
Return on equity, annualized	5.9%	7.1%	8.5%	5.7%
Return on equity, annualized, based on comprehensive income	2.4	(4.2)	0.7	7.8

At September 30, 2004, consolidated assets reached $15.806 billion compared with $15.509 billion at year-end 2003. Shareholders' equity was $6.084 billion, or $36.21 per share, compared with $6.204 billion, or $36.85 per share, at year-end 2003, due to lower unrealized gains in the investment portfolio. Total debt declined to $478 million, including $58 million in borrowings on one short-term line of credit, compared with $603 million, including $183 million in borrowings on two short-term lines, at year-end 2003. The company paid off one short-term line of credit during the 2004 third quarter.

As announced in August 2004, the company transferred investment securities with a market value of $1.600 billion to The Cincinnati Insurance Company from the parent company. As a result of the transfer, the ratio of investment securities held at the holding company level to total holding-company-only assets moved under 40 percent at September 30, 2004, as management intended.

Schiff noted, "The asset transfer resolved the holding company's current status under the Investment Company Act of 1940. While it also raised The Cincinnati Insurance Company's surplus, our action was not a means to accelerate growth or strengthen loss reserves. Rather, it allowed us to retain the financial flexibility that continues to support our high financial strength ratings. During the third quarter, we also followed up on other actions we had announced to support our strong policyholder surplus, including our short-term program to allocate virtually all funds available for investment purchases to fixed income securities. This builds on the enhancement to our reinsurance program we accomplished in the second quarter and the modifications to our earthquake deductibles in the Midwest that began to take effect in selected states this summer."

Statutory surplus for the property casualty insurance group was $4.037 billion at September 30, 2004, up $1.257 billion from year-end 2003, primarily because of the asset transfer. The property casualty insurance group's ratio of common stock holdings to statutory surplus was 102.4 percent at September 30, 2004. The ratio was 93.7 percent at June 30, 2004, and 114.7 percent at year-end 2003.

Schiff added, "Over the longer term, we anticipate continuing to allocate approximately 25 percent to 35 percent of new money to equities on a consolidated basis. Our equity approach remains the center of our investing strategy."

During the third quarter, the company also announced that it anticipates investing approximately $98 million in a headquarters expansion beginning in early 2005. The company believes that the financial resources of its insurance operations are adequate to fund the project; however, management is exploring the full range of financing options available.

Outlook Positive for Remainder of 2004 and 2005

Schiff commented, "For the full-year 2004, we now expect that our property casualty combined ratio may be slightly better than our target ratio of 92 percent (91.5 percent on a statutory basis). We believe we will exceed this level of underwriting success next year, if catastrophe losses are in the more normal range of 3 to 3.5 percentage points on the combined ratio.

"With our emphasis on underwriting, the softening of commercial lines prices and our modest shorter-term expectations for new personal lines business, we now believe total 2004 written premiums growth may be in the range of 7 percent," Schiff added. "The strong profitability we anticipate more than offsets the slightly lower growth rate we now are targeting. Our agents continue to choose Cincinnati for their quality business.

"As a result, we look forward to 2005 with optimism. Our agencies are growing and we expect to grow with them, while making purposeful decisions to maintain our position as an industry profitability leader over the longer term," Schiff concluded.

Cincinnati Financial Corporation
Consolidated Balance Sheets

(Dollars in millions except share data)	**September 30, 2004** (unaudited)	December 31, 2003
Assets		
Investments		
Fixed maturities, at fair value (amortized cost: 2004—$4,268; 2003—$3,669)	**$ 4,516**	$ 3,925
Equity securities, at fair value (cost: 2004—$2,203; 2003—$2,487)	**7,688**	8,524
Other invested assets	**38**	36
Cash	**311**	91
Investment income receivable	**98**	99
Finance receivable	**96**	81
Premiums receivable	**1,154**	1,060
Reinsurance receivable	**739**	617
Prepaid reinsurance premiums	**14**	13
Deferred policy acquisition costs	**396**	372
Property and equipment, net, for company use (accumulated depreciation: 2004—$202; 2003—$181)	**157**	153
Other assets	**118**	75
Separate accounts	**481**	463
Total assets	**$ 15,806**	$ 15,509
Liabilities		
Insurance reserves		
Losses and loss expense	**$ 3,681**	$ 3,415
Life policy reserves	**1,139**	1,025
Unearned premiums	**1,566**	1,446
Other liabilities	**603**	404
Deferred income tax	**1,774**	1,949
Notes payable	**58**	183
6.9% senior debenture due 2028	**420**	420
Separate accounts	**481**	463
Total liabilities	**9,722**	9,305
Shareholders' equity		
Common stock, par value—$2 per share; authorized 200 million shares; issued: 2004—185 million shares, 2003—176 million shares	**370**	352
Paid-in capital	**652**	306
Retained earnings	**1,879**	1,986
Accumulated other comprehensive income—unrealized gains on investments and derivatives	**3,726**	4,084
Treasury stock at cost (2004—17 million shares, 2003—16 million shares)	**(543)**	(524)
Total shareholders' equity	**6,084**	6,204
Total liabilities and shareholders' equity	**$ 15,806**	$ 15,509

Cincinnati Financial Corporation
Consolidated Statements of Income

(In millions except per share data)	Nine Months Ending September 30, 2004	2003
	(unaudited)	
Revenues		
Earned premiums		
Property casualty	**$ 2,166**	$ 1,963
Life	**77**	68
Investment income, net of expenses	**365**	347
Realized investment gains and losses	**55**	(44)
Other income	**9**	8
Total revenues	**2,672**	2,342
Benefits and expenses		
Insurance losses and policyholder benefits	**1,424**	1,447
Commissions	**468**	402
Other operating expenses	**192**	142
Taxes, licenses and fees	**55**	48
Increase in deferred policy acquisition costs	**(29)**	(42)
Interest expense	**27**	25
Other expenses	**6**	10
Total benefits and expenses	**2,143**	2,032
Income before income taxes	**529**	310
Provision (benefit) for income taxes		
Current	**120**	75
Deferred	**17**	(10)
Total provision (benefit) for income taxes	**137**	65
Net income	**$ 392**	$ 245
Per common share		
Net income -- basic	**$ 2.33**	$ 1.45
Net income -- diluted	**$ 2.30**	$ 1.44

Since 1996, Cincinnati Financial has disclosed the estimated impact of stock options on net income and earnings per share in a Note to the Financial Statements. In the second quarters of 2004 and 2003, net income would have been reduced by less than 2 cents per share, if option expense, calculated using the binomial option-pricing model, were included as an expense.

Inside Cincinnati

Personnel and Professional Development

On November 12, 2004, the board of directors received and accepted the request of founding agent and charter director Robert C. Schiff to retire, effective immediately, and the request of independent agent director Frank J. Schultheis not to stand for re-election in April 2005. Details are available in the news release printed earlier in this document.

On October 15, 2004, the audit committee of the board of directors approved the appointment of Donald J. Doyle, Jr., CPCU, AIM, to manage its internal audit department. Don continues to serve as senior vice president in each of the company's four insurance subsidiaries. Internal Audit Officer Marc A. O'Dowd, CPA, CPCU, has announced plans to retire in the first half of 2005.

Since the August 2004 *Letter to Shareholders*, the following staff members of The Cincinnati Insurance Companies merited promotions:

Tony Adkins—Claims Specialist
Clem Auyeung—Associate Superintendent, Casualty Claims
Brian Ayers, AIC—Claims Specialist
Lori Bagoly—Underwriting Specialist
Cary Barrow, AFSB—Senior Underwriter
Diane Belgrave—Underwriting Specialist
Patricia Benzinger—Senior Systems Analyst
Quimberly Blair—Supervising Accountant
Marvin Bowling—Senior Customer Support Technician
Richard Bridges, AIC—Supervisor, Headquarters Claims
David Brinker—Senior Underwriter
Sean Brogan—Senior Test Analyst
Roger Brown—Assistant Actuary
David Brownell—Claims Specialist
Bob Brown—Senior Loss Control Consultant
Kristie Bushman—Senior Underwriter
Mary Cahill—Senior Programmer
Chris Campbell—Senior Claims Representative
Bill Chandler, AIM—Senior Underwriting Manager
Sarah Chiasson—Underwriting Specialist
Joe Coffaro—Senior Underwriter
Brandon Copeland, AIC—Claims Specialist
Rita Craig—Underwriting Specialist
Mike Cranney, AIC—Field Claims Manager
Thomas Dameron—Underwriting Specialist
Dana Dawson—Senior Underwriter
Angie Delaney, CIC—Field Director
David Dietz, AIC—Claims Specialist
Nancy DiNuoscio—Underwriting Specialist
Scott Donovan—Senior Underwriting Manager
Dan Doorley, AIC—Claims Specialist
Christopher Draper, AU—Senior Underwriter
Richard Dugan, AIC—Superintendent, Environmental Claims
Laurie Dustin, AIC—Field Claims Coordinator
Angie Engelke—Underwriting Superintendent
Justin Eskew, AIS, AIC—Claims Specialist
Jodi Follick—Programmer
Donna Getzendanner—Systems Analyst
Christopher Gilbert, API—Assistant Manager
Tim Gottsch—Machinery & Equipment Specialist
Dan Gray—Senior Machinery & Equipment Specialist
Kevin Green, SIU—Senior Investigator
Jim Grindstaff—Senior Systems Analyst
Kevin Gullette—Senior Underwriter
Steve Harbert—Senior Claims Representative
Charles Harrison—Senior Underwriter
Kelly Harrison—Supervising Claims Examiner
Dana Hart, AIC—Senior Claims Representative
Kevin Hedrick, AIM—Underwriting Superintendent
Mark Hertzfeldt—Senior Loss Control Consultant
Heather Hickey—Senior Underwriter
Chris Hill—Senior Underwriter
Joseph Hoffman—Senior Underwriter
Paul Holden—Senior Customer Support Technician
Duane Horn, AIC—Field Claims Superintendent
Steve Horsley, AIC—Senior Claims Representative
Mark Howard—Senior Claims Specialist
Timothy Jensen, AIC—Associate Superintendent, Casualty Claims
Ming Jiang—Programmer Analyst
Duane Johnson—Senior Claims Specialist
Ron Kaylor—Senior Programmer
Darren Kuhlmann—Senior Programmer Analyst
Doug Lee—Underwriting Specialist
Casey Linnig—Senior Programmer
Bob Marvin, AIC—Senior Claims Representative
Timothy May, AIC, CIC—Senior Claims Representative
Tim McCord—Senior Claims Specialist
Russ McCormack, AIC—Senior Claims Representative
Bill McCullough—Underwriting Specialist
Ellen McGuire—Lead Life Field Services Representative
Michael McGuire—Senior Underwriter
Paul Miller, CPCU, AU—Senior Underwriter
Steve Miller—Field Claims Superintendent
Alex Miller—Senior Underwriter
Sallie Minnich—Senior Claims Specialist
Logan Mitchell, AIC—Senior Claims Representative
Dave Nelson, AIC—Senior Claims Representative
Chris Onkst—Senior Programmer Analyst
Erica Ostendorf—Senior Programmer
Roxanna Otto—Senior Underwriter
Ginny Paine, AIM, AIC—Field Claims Manager

Denise Palmer—Superintendent, Claims Administration
Sangita Patel-Bone—Project Analyst
Heather Paul—Senior Underwriter
Kevin Polson, AIC—Field Claims Superintendent
Amanda Porter—Claims Specialist
Michael Puno, FLMI—Senior Programmer Analyst
Mike Reichart, SCLA—Associate Superintendent, Casualty Claims
Kathy Reist—Lead Life Field Services Representative
Mark Rienstra, ARM—Loss Control Consultant
Jeffrey Rook—Senior Programmer
Jenny Rush—Chief Underwriting Specialist
Ryan Schaeffer—Claims Specialist
Andy Schmitt, AIC—Senior Field Auditor
Mark Shaw—Senior Machinery & Equipment Specialist
Todd Smith—Underwriting Superintendent
Todd Smittle, CPCU, ARM, AIS, AU—Underwriting Specialist
Jamie Spoelstra—Senior Underwriter
James Stringer, CPCU, AIM, APA, ARe, AU—Senior Underwriter
Julie Sullivan, AIC, SCLA—Associate Superintendent, Casualty Claims
Mike Swiadas—Machinery & Equipment Specialist
Mike Szczepanski—Underwriting Superintendent
Fran Tate, CIC—Underwriting Director
Kevin Tate—Senior Claims Representative
Jerry Toldi, CPCU—Claims Specialist
Brad Turner, AIC—Field Claims Superintendent
Tony Vallone—Senior Information Security Specialist
Chris Vehr—Senior Underwriter
John Ward, AIC—Senior Claims Specialist
Kendall Woodward, AIC—Senior Claims Specialist
Dan Worth, AIM, AIC—Field Claims Manager
Sabrina Yockey—Senior Analyst

A committee of peers recently granted quarterly *Above and Beyond the Call* (ABC) *Awards* to two associates: Delina Abbott, Life Policy Issue; and Tim Breving, Commercial West. The *ABC Award* recognizes exemplary productivity, service and quality. Peggy Eubanks, Statement Manager in Actuarial, was honored on December 1 with the ABC of the Year Award, recognizing her for improving Cincinnati Life's quarter-end processes and systems.

We encourage and reward associates who continue their professional insurance education, earning credentials by meeting high academic, length-of-experience and ethical standards. Several associates recently qualified for prestigious designations. Congratulations to Tammy Landers, Jeff Orzechowski, and Scott Robinson, who completed requirements for the Charter Property Casualty Underwriter (CPCU) designation; and to Bill Clevidence, Joe Gilmer and Tracy Reese, who qualified for the Certified Insurance Counselor (CIC) designation.

Public Responsibility

In the 2004 general election, voters in Ohio, Michigan, Illinois, Alabama and West Virginia filled several seats on their respective state supreme courts. In Ohio, Michigan and Alabama, justices who believe that their role is to strictly interpret the law will continue in the majority. In Illinois and West Virginia, the election of new justices with impartial and balanced judicial philosophies should enhance the stability and predictability of the legal environment.

In January, Congress and the state legislatures will begin new sessions. At the federal level, we will continue to advocate asbestos liability reform, class action reform and tort reform. Modernization of state insurance regulation is also expected to be the subject of continued interest by Congress. At the state level, we will continue to advocate public policies that enhance the insurance and legal environment for policyholders and the industry.

Safe Harbor

This is a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995. Certain forward-looking statements contained herein involve potential risks and uncertainties. The company's future results could differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to:

- unusually high levels of catastrophe losses due to changes in weather patterns, environmental events, terrorism incidents or other causes
- ability to obtain adequate reinsurance for the property casualty and life insurance operations on acceptable terms, amount of reinsurance purchased and financial strength of reinsurers
- increased frequency and/or severity of claims
- events or conditions that could weaken or harm our relationships with our independent agencies and hamper opportunities to add new agencies, resulting in limitations on our opportunities for growth, such as:
    - downgrade of our financial strength ratings
    - concerns that doing business with us is too difficult or
    - perceptions that our level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace
- insurance regulatory actions, legislation or court decisions or legal actions that increase expenses or place us at a disadvantage in the marketplace
- delays in the development, implementation, performance and benefits of technology projects and enhancements
- inaccurate estimates or assumptions used for critical accounting estimates, including loss reserves
- results and timely completion of assessment and remediation of internal controls for financial reporting under the Sarbanes-Oxley Act of 2002
- recession or other economic conditions or regulatory, accounting or tax changes resulting in lower demand for insurance products
- sustained decline in overall stock market values negatively affecting our equity portfolio, in particular a sustained decline in the market value of Fifth Third Bancorp shares, a significant equity holding
- events that lead to a significant decline in the market value of a particular security and impairment of the asset
- prolonged low interest rate environment or other factors that limit our ability to generate growth in investment income
- adverse outcomes from litigation or administrative proceedings
- effect on the insurance industry as a whole, and thus on our business, of the suit brought by the Attorney General of the State of New York against participants in the insurance industry, as well as any increased regulatory oversight that might result from the suit
- limited flexibility in conducting investment activities if the restrictions imposed by the Investment Company Act of 1940 become applicable to us.

Further, the company’s insurance businesses are subject to the effects of changing social, economic and regulatory environments. Public and regulatory initiatives have included efforts to adversely influence and restrict premium rates, restrict the ability to cancel policies, impose underwriting standards and expand overall regulation. The company also is subject to public and regulatory initiatives that can affect the market value for its common stock, such as recent measures affecting corporate financial reporting and governance. The ultimate changes and eventual effects, if any, of these initiatives are uncertain.

Readers are cautioned that the company undertakes no obligation to review or update the forward-looking statements included in this material.

Cincinnati Financial Corporation offers property and casualty insurance, its main business, through The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company. The Cincinnati Life Insurance Company markets life and disability income insurance and annuities. CFC Investment Company supports the insurance subsidiaries and their independent agent representatives through commercial leasing and financing activities. CinFin Capital Management Company provides asset management services to institutions, corporations and individuals. For additional information, please visit the company’s Web site at www.cinfin.com.

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Electronic Delivery

Cincinnati Financial Corporation is pleased to offer the convenience of electronic delivery of shareholder communication, including annual reports, interim letters to shareholders and proxy statements—even proxy voting online. With your consent and at no cost to you, we can notify you by e-mail when these materials become available on the Internet at *www.cinfin.com*.

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Immediate availability
Immediate availability of important information—no more waiting for the mail to arrive.

Less clutter
The average consumer is receiving more mail today than ever, making it easy to miss important information.

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Electronic delivery saves money for Cincinnati Financial—your company.

Plus, it's better for the environment

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