THE CINCINNATI INSURANCE COMPANIES

CINCINNATI FINANCIAL CORPORATION

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December 1, 2002

TO OUR SHAREHOLDERS, ASSOCIATES AND FRIENDS:

For the nine months ended September 30, 2002, net operating income was $204 million, or $1.25 per diluted share, versus $152 million, or 94 cents per share, last year. Including realized capital gains and losses, net income for the nine months was $182 million, or $1.11 per share, versus $157 million, or 97 cents per share.

Your company is clearly starting to see the benefits of our initiatives to improve property casualty pricing, underwriting, processes and products. The hard work by our agents and associates is paying off, and I believe we now are looking at solid progress that will carry forward into future periods. We expect the stream of profits from our growing insurance business to help sustain healthy growth of investment income at approximately 6 percent for the fourth quarter.

RECENT EVENTS

While our December letter usually focuses on results for the third quarter and the first nine months of the year, I want to offer a perspective on four November events, placing them into a context of longer-term strategies that keep your company true to its proven course:

- **Tornadoes, strong winds and hail** swept through several states on November 10. The storms inflicted heavy damage on our policyholders across several states, with the most damage in northern Ohio. Our early loss estimate of $15 million to $20 million would add approximately 2.8 percentage points to the combined ratio and decrease fourth-quarter earnings by approximately 7 cents per share.

  Two weeks later, 854 claims have been reported and new claims continue to come in. In the area around Coshocton, which was hit especially hard, approximately half of reported claims already have been paid. Superior claims service earns agent and policyholder loyalty throughout stricken communities. It gives us more opportunities to influence insurance-buying decisions based on value and service, not price alone.

6200 S. Gilmore Road, Fairfield, Ohio 45014-5141

- **Fifth Third Bancorp**—which accounts for approximately 40 percent of the company's investment portfolio—reported on November 14 that it is cooperating with an informal regulatory investigation of a previously disclosed accounting error. Fifth Third's management believes there will be no negative findings as they have already fixed the processes and procedures that led to the mistake.

  Recognized as one of the strongest and best-managed banks in America, Fifth Third proves its value by delivering steadily increasing profits and dividends. It's hard to imagine a better investment for our total-return strategy. Historically, one of your company's strengths has been to carefully enter into just a few relationships and commit totally. This guiding principle applies to our portfolio as well as our agency force. In both cases, it goes against conventional wisdom. And in both cases, we apply the elbow grease to closely monitor fundamental performance and to justify confidence that the relationships will benefit shareholders.

- **Chief Investment Officer James G. Miller**, age 65, announced on November 15 that he will begin his long-planned retirement on January 2, 2003. Vice President Kenneth S. Miller, CLU, ChFC, will assume leadership of our Investment department.

  Jim's open seat on the Cincinnati Financial board of directors will bring your company a second step closer to compliance with proposed—not yet adopted—SEC and Nasdaq exchange requirements for a majority of independent directors. The first step was taken in August, when Gretchen W. Price joined the board. Your board can and will meet all new requirements while also preserving the strategic advantage of strong independent agent membership. Like all other public companies, we are in the process of addressing other governance tasks arising out of the Sarbanes-Oxley Act and SEC and Nasdaq proposed rules. In the wake of corporate misdeeds, these new rules are designed to compel executives to act in the long-term interests of shareholders. Long-term shareholder value has always been the goal of your company and has guided each and every business decision made by me, by Bob Morgan, by my father and by Harry Turner over the past 50 years.

- **Standard & Poor's** affirmed its double 'A' minus ratings with a stable outlook on November 6. This rating applies to each insurance subsidiary based on strong competitive position, high business persistency, strong capitalization and excellent financial flexibility. **A.M. Best Co.** affirmed its top, A++ financial strength ratings and stable outlook for your company's property casualty group and subsidiaries, as well as its A+ rating for Cincinnati Life, on November 19, after the above events. Best cited Cincinnati's superior capitalization, sustained profitability and benefits from our long-standing independent agency strategy. Finally, **Moody's Investors Service** reaffirmed their Aa3 ratings of our property casualty subsidiaries this week after a review of November developments. Moody's noted key factors including our sound balance sheet, conservative leverage profile and sizable capital base.

  These ratings agencies consider your company's catastrophe exposures, maverick investment approach and bias towards incremental change with an eye toward stability instead of quick fixes. While these factors have the potential to introduce volatility, the ratings agencies are convinced that your company has built appropriate financial strength to manage that volatility and seek higher long-term returns for shareholders. That unique balance of strength and risk defines your company and has been the source of 42 consecutive years of dividend increases paid to shareholders through all kinds of economic cycles.

At September 30, 2002, total assets were $13.684 billion versus $13.959 billion at year-end 2001. Shareholders' equity was $5.517 billion, or a book value of $34.14 per share, compared with $5.998 billion, or a book value of $37.07, at December 31, 2001. Shareholders' equity included $3.581 billion of unrealized gains, net of taxes, in the investment portfolio, versus $4.113 billion at year-end 2001.

FINANCIAL HIGHLIGHTS

(In millions, except data per diluted share and ratios)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2002	**2001**	**2002**	**2001**
Income Statement Data				
Revenues	$ 731	$ 644	$ 2,121	$ 1,907
Income before income taxes	90	34	215	182
Net operating income	83	38	204	152
Net capital (losses) gains	(11)	(2)	(22)	5
Net income	**72**	**36**	**182**	**157**
Net operating income per share (diluted)	0.51	0.23	1.25	0.94
Net capital (losses) gains per share (diluted)	(0.07)	(0.01)	(0.14)	0.03
Net income per share (diluted)	**0.44**	**0.22**	**1.11**	**0.97**
Cash dividend declared	0.2225	0.2100	0.6675	0.6300
Average shares outstanding (diluted)	163	162	163	163
Balance Sheet Data				
Total assets	-	-	$ 13,684	$ 13,559
Shareholders' equity	-	-	5,517	5,926
Book value per share	-	-	34.14	36.69
Ratio Data				
Statutory combined ratio*	97.4%	108.9%	100.3%	104.0%
Annualized return on equity	4.9	2.4	4.2	3.5
Annualized return on equity including net unrealized (losses) gains**	(40.6)	(2.7)	(8.1)	1.0

* Property casualty statutory data reflects the company's adoption of Codification effective January 1, 2001. For comparison purposes, a $402 million one-time written premium adjustment required by Codification was excluded from nine-month 2001 results.

** Comprehensive net income recognizes the company's equity focus and the resulting appreciation/depreciation not reflected in traditional return calculations that consider income statement-based earnings.

PROPERTY CASUALTY INSURANCE OPERATIONS: GROWTH (Statutory)

(In millions)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2002	**2001**	**2002**	**2001**
Net written premiums*	$ 637	$ 545	$ 1,884	$ 1,632
Net earned premiums	610	520	1,751	1,521

* Property casualty statutory data reflects the company's adoption of Codification effective January 1, 2001. For comparison purposes, a $402 million one-time written premium adjustment required by Codification was excluded from nine-month 2001 results.

The Corporation's property casualty insurance affiliates—The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company—reported 2002 net written premiums up 16.9 percent for the third quarter and up 15.4 percent for the nine months. Net written premiums for commercial lines of insurance rose 19.3 percent for the third quarter and 17.7 percent for the nine months, while personal lines rose 11.9 percent for the third quarter and 9.9 percent for the nine months.

New business written directly by agents rose 27.8 percent to $87 million for the quarter, bringing the nine-month total to $241 million, up 21.2 percent. Over the nine-month period, commercial new business gained momentum, reaching 29.5 percent for the third quarter, and personal lines new business moderated to 21.7 percent. This growth represents better pricing along with tightened underwriting. We continued to write new business on a case-by-case basis, particularly coverages for contractors and homeowners, and to offer one-year policies where competition or regulation makes multi-year policies impractical. Workers' compensation new business fell 12.4 percent during the first nine months of 2002 as we continued to walk away from this business at current rates.

While we anticipate no immediate effects, we did reach some milestones during the third quarter in Web-based technology projects that will make it easier for agents to place business with Cincinnati. Agencies and field representatives in three states now are using our new commercial policy quoting system. Since late August, our Kansas agencies have processed almost 2,000 policies with approximately $2 million of premium using the initial version of our new integrated processing system for six personal lines of business. As state-by-state development and rollout take place over the coming years, this system will offer agents more control and more choices, such as agency or direct billing and printing at their offices or ours.

PROPERTY CASUALTY INSURANCE OPERATIONS: PROFITABILITY (Statutory)

	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2002	**2001**	**2002**	**2001**
Loss and LAE ratio excluding catastrophes	69.2%	79.7%	70.5%	73.6%
Catastrophe loss ratio	0.8	2.6	3.8	3.6
Loss and LAE ratio	70.0%	82.3%	74.3%	77.2%
Expense ratio*	27.3	25.6	25.7	26.0
Policyholder dividend ratio*	0.1	1.0	0.3	0.8
Combined ratio*	97.4%	108.9%	100.3%	104.0%

* Property casualty statutory data reflects the company's adoption of Codification effective January 1, 2001. For comparison purposes, a $402 million one-time written premium adjustment required by Codification was excluded from nine-month 2001 results.

The statutory combined ratio for the third quarter improved to 97.4 percent versus our six-month ratio of 101.9 percent. For the nine-month period, the ratio improved to 100.3 percent in 2002 versus 104.0 percent in 2001, exceeding our target of 101.3 percent. If catastrophe losses for the fourth quarter hold at approximately 2.8 percentage points as already reported, it remains possible to achieve a full-year property casualty combined ratio closer to 100 percent.

Nine-month total catastrophe losses, net of reinsurance, contributed 3.8 percentage points, compared with 3.6 percentage points in the comparable 2001 period. The 2002 nine-month total of $66 million included $8 million of damage, net of reinsurance, from the only third-quarter weather catastrophe affecting our policyholders, a tornado in Indiana. For the nine months, this year's commercial lines combined ratio was 96.6 percent, or 93.9 percent excluding catastrophes, and the personal lines ratio was 109.6 percent, or 103.0 percent excluding catastrophes.

Our agents are doing a good job presenting policyholders with choices that let them balance price and protection. With agent guidance, many are selecting larger deductibles and options to buy just the right amount of coverage instead of the automatic amount formerly included. Agents are successfully implementing these coverage changes that will allow us to return to our historic levels of profitability. This is especially important for the homeowner line, where agents are offering higher deductibles, verifying insurance to value with building coverage increases

averaging about 15 percent, and customizing water damage and replacement coverages. Agents will need to offer similar service as our new commercial general liability filings, approved and in effect in a few states in September, move into additional states over the coming quarters.

Loss severity continued through the third quarter, with the ratio of total large losses above $250,000 to earned premium at 16.3 percent versus an average of 16.7 percent over the previous six quarters. We experienced 17 claims in excess of $1 million during this year's third quarter compared with an average of 14 over the previous six quarters. The statutory expense ratio rose to 27.4 percent for the third quarter versus an average of 26.2 percent over the previous six quarters, due to a combination of higher commissions and taxes, and timing differences on items affecting quarterly expenses. On a nine-month basis, the 2002 expense ratio improved slightly.

LIFE INSURANCE OPERATIONS

(In millions)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net earned premiums	$ 22	$ 18	$ 63	$ 58
Investment income	22	20	63	60
Total revenues	38	39	114	119
Total expenses	35	28	99	85
Net operating income	$ 5	$ 8	$ 18	$ 23
Net capital losses	(3)	0	(8)	0
Net income	$ 2	$ 8	$ 10	$ 23

The Cincinnati Life Insurance Company's nine-month net operating income was $18 million, compared with $23 million last year. Cincinnati Life contributed $10 million to the company's nine-month net profits in 2002, including net realized investment losses of $8 million. Nine-month 2001 profits were $23 million, including no net investment loss or gain. Higher expenses arose this year from first-year acquisition costs on strong sales, and from increased regulatory and legal costs.

Excluding the sale of a $33 million bank-owned life insurance policy, total net written premium rose 8.6 percent to $114 million. Net written life insurance premiums for the nine months of 2002 rose 58.9 percent to $104 million. New submitted applications increased 12.2 percent to more than 34,000 on strong sales of ordinary life products, including an enhanced LifeHorizons term life insurance series introduced in May.

In 2003, Cincinnati Life plans to enhance our disability income policy and develop two new LifeHorizons guaranteed products—whole life with a single-pay paid-up life rider and long-term guaranteed universal life. A new disability income product for worksite clients will give our agents a second product line to market to their employer accounts.

FINANCIAL SERVICES

CFC Investment Company, our commercial leasing and finance subsidiary, reported net after-tax income of $3 million for the first nine months of 2002, up 88 percent from the first nine months of 2001. Gross operating income declined approximately $500,000, with $419,000 primarily due to reserves for potentially uncollectible accounts. This was more than offset by $3 million of pre-tax net realized capital gains from the sale of a commercial property in downtown Cincinnati. Total net lease/finance receivables at September 30, 2002, were $72 million, compared with $63 million at September 30, 2001.

CinFin Capital Management, our asset management subsidiary, is now in its fourth year of operation. As of October 15, CinFin has 33 institutional, corporate and individual clients and $701 million under management.

(Continued on page 8.)

Cincinnati Financial Corporation
Consolidated Balance Sheets

(In millions except share data)	September 30, 2002	December 31, 2001	Change
Assets:			
Cash	$ 171	$ 93	$ 78
Investments:			
Bonds, at market value	3,156	3,010	146
Stocks, at market value	7,816	8,495	(679)
Mortgage loans on real estate	18	16	2
Real estate (net of depreciation)	3	4	(1)
Policy loans	25	24	1
Notes receivable	23	22	1
Finance receivable	33	27	6
Premium receivable	850	732	118
Reinsurance receivable	485	515	(30)
Prepaid reinsurance premium	53	28	25
Other notes and accounts receivable	41	31	10
Investment income receivable	92	93	(1)
Property and equipment for company use (net of depreciation)	131	125	6
Deferred policy acquisition costs	318	286	32
Other assets	54	68	(14)
Separate accounts	415	390	25
Total assets	**$ 13,684**	**$ 13,959**	**$ (275)**
Liabilities:			
Insurance reserves:			
Losses and loss expense	$ 3,068	$ 2,887	$ 181
Life policy reserves	792	674	118
Unearned premium	1,230	1,062	168
Notes and mortgages payable	183	183	0
Loss checks payable	50	45	5
Accrued commissions	119	121	(2)
Taxes other than income	23	28	(5)
Dividends declared but unpaid	36	34	2
Federal income taxes:			
Current	8	11	(3)
Deferred	1,703	2,001	(298)
5.5% convertible senior debenture due 2002	0	6	(6)
6.9% senior debenture due 2028	420	420	0
Other liabilities	120	99	21
Separate accounts	415	390	25
Total liabilities	**$ 8,167**	**$ 7,961**	**$ 206**
Shareholders' equity:			
Common stock	$ 352	$ 350	$ 2
Paid-in capital	296	284	12
Retained earnings	1,751	1,678	73
Accumulated other comprehensive income	3,581	4,113	(532)
Treasury stock	(463)	(427)	(36)
Total shareholders' equity	**$ 5,517**	**$ 5,998**	**$ (481)**
Total liabilities and shareholders' equity	**$ 13,684**	**$ 13,959**	**$ (275)**
Book value per share	$ 34.14	$ 37.07	$ (2.93)
Outstanding shares	161,595,532	161,786,629	(191,097)
Treasury shares	14,166,358	13,212,484	953,874

Cincinnati Financial Corporation
Consolidated Statements of Income

(In millions except share data)	Nine Months Ending September 30, 2002	2001	Change	% Change
Revenues:				
Premiums earned:				
Property casualty	$ 1,985	$ 1,630	$ 355	21.8
Life	74	66	8	12.5
Accident health	4	3	1	16.1
Ceded premiums	(251)	(122)	(129)	(105.9)
Total premiums earned	1,812	1,577	235	14.9
Investment income	331	313	18	5.7
Realized (loss) gain on investments	(34)	8	(42)	(536.9)
Other income	12	9	3	29.7
Total revenues	**$ 2,121**	**$ 1,907**	**$ 214**	**11.2**
Benefits and expenses:				
Insurance losses and policyholder benefits	$ 1,440	$ 1,366	$ 74	5.4
Reinsurance recoveries	(80)	(139)	59	42.6
Commissions	345	297	48	16.4
Other operating expenses	150	136	14	10.1
Interest expense	26	30	(4)	(13.1)
Taxes, licenses and fees	51	44	7	15.4
Increase in deferred policy acquisition costs	(32)	(22)	(10)	(45.2)
Other expenses	6	13	(7)	(55.6)
Total benefits and expenses	**$ 1,906**	**$ 1,725**	**$ 181**	**10.5**
Income before income taxes	**$ 215**	**$ 182**	**$ 33**	**17.8**
Provision (benefit) for income taxes:				
Current	$ 44	$ 38	$ 6	15.4
Deferred	(11)	(13)	2	13.8
Total income taxes	**$ 33**	**$ 25**	**$ 8**	**30.6**
Net income	**$ 182**	**$ 157**	**$ 25**	**15.8**
Comprehensive income	**$ (349)**	**$ 43**	**$ (392)**	**(911.8)**
Net income from operations	**$ 204**	**$ 152**	**$ 52**	**34.3**
Net income from realized capital (losses) gains	**$ (22)**	**$ 5**	**$ (27)**	**(535.1)**
Net income per share (diluted):				
Operations	$ 1.25	$ 0.94	$ 0.31	32.6
Realized capital (losses) gains	(0.14)	0.03	(0.17)	(566.7)
Total net income per share	**$ 1.11**	**$ 0.97**	**$ 0.14**	**14.3**
Dividends per share:				
Paid	$ 0.6550	$ 0.6100	$ 0.0450	7.4
Declared	$ 0.6675	$ 0.6300	$ 0.0375	6.0
Weighted average shares (diluted)	163,491,420	163,296,968	194,452	0.1
Interest expense on debentures	$ -	$ 1	$ (1)	-

(Continued from page 5.)

INVESTMENT OPERATIONS

Investment income rose 7.1 percent for the third quarter and 5.7 percent for the nine-month period of 2002. Twenty-three of the 51 common stocks in our portfolio have raised their dividends since January 1, which should add about $11 million to gross investment earnings on an annualized basis.

Our bank stocks continue their stellar records, with Fifth Third Bancorp's 2002 annualized dividend increase contributing almost $9 million. During the fourth quarter, growth of investment income should continue at the nine-month pace if we can find high-quality investment options that fit our longstanding parameters. Operations are producing excellent cash flow for investment. During the first nine months of this year, $319 million was available to the Investment department for new investments.

Pre-tax net capital losses of $16 million were realized during the third quarter. This total includes $8 million of asset impairment from write-downs of 10 nonperforming bond and preferred stock issues and $10 million from the effect of Statement of Financial Accounting Standard No. 133. This standard accounts for market value fluctuation of convertible securities as a capital gain or loss instead of as an unrealized gain or loss.

Based on our ongoing review of the portfolio and continuing weak market conditions, there is a possibility that $40 million to $65 million of securities could be written down. This would represent only 0.4 percent to 0.6 percent of September 30, 2002 invested assets.

The return on our common stock portfolio was a negative 9.0 percent for the nine months, with strong increases in some top 10 holdings partially offsetting declines in other holdings. Notably, the return on the S&P 500 Index declined 28.1 percent for same period. We continue to maintain our relationships with the management teams of the companies in our equity portfolio through one-on-one visits and telephone conferences. Because we believe that the best barometer of a company's overall performance is the quality of its management, we remain proactive, keeping our attention on the activities, progress and performance of those who lead the companies in our portfolio**.**

PERSONNEL AND PROFESSIONAL DEVELOPMENT

As mentioned earlier, at its regular meeting on August 16, 2002, Cincinnati Financial's board appointed Gretchen W. Price to serve as a director, creating a 16th board seat. Gretchen is vice president-finance and accounting, global market development organization, for The Procter & Gamble Company. In April, we will ask shareholders to approve this appointment for a full three-year term.

Also as noted earlier, James G. Miller announced that he will retire on January 2, 2003, from the Cincinnati Financial board seat he has held since 1996 and from his officer positions. Jim has served for 36 years. He founded our Investment department in 1972 when the portfolio was worth $64 million. Under the management of Jim and the team he developed, it now has grown to more than $10 billion. In 1998, Jim founded CinFin Capital Management Company, which applies the Cincinnati philosophy in managing assets for other corporations, institutions and high net worth individuals.

Kenneth S. Miller, CLU, ChFC, will succeed Jim as head of the Investment department. Ken has worked with Jim since 1979 and has served as an officer since 1985. He currently is vice president of Cincinnati Financial Corporation; senior vice president of the insurance subsidiaries; president, chief operating officer and a director of CFC Investment Company; and executive vice president and a director of CinFin Capital Management Company.

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

Janice Abu Bakr, CIC, Chief Underwriting Specialist
Donna Amburn, Filing Superintendent
Chuck Auber, Claims Specialist
Nieata Bailey, Reinsurance Supervisor
Annette Baird, Senior Filing Specialist
David Beadle, AIC, Senior Claims Representative
Jonathan Beech, AIC, Claims Specialist
Diane Belgrave, Senior Underwriter
Kenneth Bigham, AIC, Field Claims Superintendent
Mark Bowling, Senior Programmer
Sherry Brestle, AIC, Senior Claims Representative
Roger Brown, Senior Actuarial Analyst
Sheri Bugher, AIC, Senior Claims Representative
Kelly Chasteen, Manager, Corporate Accounting
David Conlon, AIC, Claims Specialist
Daniel Cooper, Senior Programmer Analyst
Rita Craig, Senior Underwriter
Bradley Crow, SCLA, Senior Claims Representative
Thomas Dameron, Senior Underwriter
Lynn Dassel, CPCU, AIM, Underwriting Superintendent
Mary Donovan, Senior Underwriter
Richard Dugan, AIC, Associate Claims Superintendent
Charles Eddingfield, Senior Project Controller
Sandra Edward, CPCU, APA, CIC, Field Audit Specialist
Carol Elliott, Senior Life Compliance Administrator
Andrew Eminger, AIC, Claims Specialist
Michael Fischer, Senior Claims Representative
Kathy Fitzgerald, Systems Analyst
Sharon French, Filing Superintendent
Philip Glesser, CPCU, CLU, FLMI, Senior Claims Specialist
Gary Gluck, Claims Specialist
Vicki Goudzwaard, Field Audit Specialist
Antonio Gregov, AIC, Claims Specialist
John Grove, CPCU, AIM, Field Claims Superintendent
Stacy Hall, Manager, Purchasing
Alisa Hettinger, Senior Claims Specialist
Steve Holt, AIM, Underwriting Specialist
Edward Humphrey, AIC, Senior Claims Representative
Joseph Jacques, CPCU, AIC, Senior Claims Specialist
Philip Jankowski, Senior Claims Specialist
James Johnson, Machinery & Equipment Specialist
Randy Keck, Senior Claims Specialist
Richard Kiefer, Filing Superintendent
Brad Krekeler, Senior Customer Support Technician
Patrick Landis, AIC, Senior Claims Specialist
Keith Lang, Senior Underwriter
Douglas Lee, Senior Underwriter
Corey Linder, Senior Claims Specialist
Casey Linnig, Programmer
Donald Lowery, Senior Investigator, SIU
Ernst Macke, Associate Project Manager
Craig Maiwurm, AIC, Senior Claims Representative
Robert Marvin, AIC, Senior Claims Specialist
William McCullough, Senior Underwriter
James McDaniel, Field Claims Superintendent
Wayne McElroy, Senior Manager, PL Technical Unit
Kimberly McInerney, Senior Claims Specialist
Robert Miller, Personnel Specialist
Steven Miller, Senior Claims Representative
Garry Mitchell, Senior Group Manager
Julie Montgomery, Senior Claims Specialist
Holly Moorhead, Senior Underwriter
Angie Mosher, AIC, Senior Claims Specialist
Carl Musselman, Senior Machinery & Equipment Representative
Denise Palmer, Associate Claims Superintendent
Eric Pennington, AIC, Senior Claims Specialist
Pamela Pitts, AIC, Senior Claims Specialist
Sonya Pope, Underwriting Specialist
Washita Powell, Programmer
Ray Price, Jr., Programmer
David Rader, Senior Programmer
Brian Ramsey, AIC, Senior Claims Specialist
Scott Ratliff, Underwriting Manager
Susan Reckner, Senior Methods Analyst
Kelly Retzsch, CPA, Senior Programmer
Kristine Roach, Senior Claims Specialist
Jeffrey Roberts, AIM, Underwriting Manager
Vincent Rolczynski, Senior Machinery & Equipment Representative
Brenda Rommel, Network Analyst
Jeffrey Rook, Programmer
Robert Rook, Senior Underwriter
Kelly Rowe, AIC, Senior Claims Specialist
Jennifer Rush, Underwriting Superintendent

Karen Sanders, Associate Project Manager
Matthew Sanders, FLMI, Senior Programmer
John Schiavone, Senior Claims Specialist
Daniel Schwabauer, AIC, Senior Claims Specialist
Gary Seeger, Machinery & Equipment Specialist
Kathryn Settle, Senior Business Analyst
Paul Shadrick, AIC, Senior Claims Specialist
Tracey Singer, Customer Support Specialist
Linda Skelton, Filing Superintendent
Mike Slusser, Senior Claims Specialist
Todd Smittle, AU, Senior Underwriter
Jacquelyn Soczka, AIC, Senior Claims Specialist
Brad Spicer, AIC, Associate Claims Superintendent
Randall Stigall, Group Manager
Charles Stoddard, Senior Machinery & Equipment Representative
Mike Swiat, Associate Claims Superintendent
Michael Szczepanski, Underwriting Specialist
Kevin Tate, Senior Claims Specialist
Sharon Taylor, AIAA, AIRC, ALHC, ARE, ACS, FLMI, Senior Programmer/Analyst
Andrew Tebbe, Senior Underwriter
James Vermeesch, Senior Investigator, SIU
Stephanie Wagner, Filing Superintendent
Jason Wanta, AIC, Senior Claims Specialist
Christine Wessels, AIT, Programmer Analyst
Clay Willis, IT Field Specialist
Jeannette Wirsch, AIM, Underwriting Specialist
Jeff Wisner, Senior Claims Specialist
Peter Zoromski, AIC, Senior Claims Representative

A committee of peers recently granted quarterly *Above and Beyond the Call* (ABC) *Awards* to associates Debbie Fehrenbach, Life Policy Issue, and Linda Gregory, Commercial Lines. The *ABC Award* recognizes exemplary productivity, service and quality. The winner of the *ABC of the Year Award* for 2002 was announced in November. Ernst Macke, associate project manager, Information Technology, achieved cost savings for your company through his extra efforts to design and implement several software programs and databases for the Legal department.

We encourage and reward associates to 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 Brent Billman, Holly Brobst, Sandra Edward, Kimberly Ellison, Jeffrey Kirk, Jeffrey Leininger, Patricia Mangone, Robert Russum, William Smith and Timothy Wright, who completed requirements for the Charter Property Casualty Underwriter (CPCU) designation; to Dane Albright, who earned the Charter Life Underwriter (CLU) designation; and to Kevin Yuenger and Gary Stuart, who qualified for the Certified Insurance Counselor (CIC) designation.

Special training programs support your company's profitability and service initiatives. Customized, Web-based courses now are available, and our first offering educated associates on important changes to our commercial general liability coverages. Other traditional courses respond to our need to improve measurement of risks and verify that adequate coverage limits are selected. In the third quarter, 30 agents traveled to Cincinnati for our insurance to value class, becoming proficient users of property value estimation software available online via CinciLink, our agency extranet. During the third quarter, half of our field claims representatives attended sessions to update their estimating skills for auto damage repairs.

Five classes of new insurance underwriters have graduated in 2002. Most have joined our commercial underwriting department, where we need them to keep up with a high volume of business and close scrutiny of each risk. In addition, a class of claims representative trainees recently graduated, bringing our total field claims force to 719 associates who live and work in the same communities where agents market Cincinnati policies.

PUBLIC RESPONSIBILITY

The Terrorism Risk Insurance Act of 2002 was signed into law November 26. If future acts of international terrorism cause billions of dollars in losses, the federal government will share the portion of those losses that rises above a percentage of the insurer's premiums for the previous year. Any taxpayer payouts under the Act will be repaid via surcharges on policies.

The Act's architects expect it to support widespread availability and affordability of insurance, protecting American businesses from property casualty and workers' compensation losses due to acts of terrorism. Because the Act became effective the day the president signed it, insurers now are challenged to quickly digest and interpret all of its provisions, even while taking immediate steps to revise reinsurance contracts, explain the federal program and offer and price terrorism coverage for policyholders.

Your company acts in the interests of shareholders and policyholders to advocate judicial restraint and a level playing field for all litigants. In November state Supreme Court races, voters elected candidates whose records are consistent with these principles, including incumbent Justice Harold See in Alabama and incumbent Justice Evelyn Stratton and Lieutenant Governor Maureen O'Connor, both in Ohio.

On the legislative side, several tort reform proposals are pending in Ohio, where your company does approximately 25 percent of our business. We support SB 120, which would bring more fairness to joint and several liability law by limiting the circumstances under which a tort-feasor who is less than 100 percent at fault can be tapped to pay the entire loss.

As an insurer with operations across 31 states, Cincinnati has policyholders whose risks and coverage needs vary widely due to regional differences in geography, climate and economic conditions. Because we are convinced that the state system of insurance regulation best addresses such diversity, we continue to work with the National Association of Insurance Commissioners to preserve and strengthen state regulation. Current proposals for optional federal chartering of insurers overlook regional diversity and its corollary, the superior flexibility of states to respond with regulations and insurance products appropriate to state-specific conditions.

SHAREHOLDER VALUE

During the third quarter, the company repurchased 669,100 shares of Cincinnati Financial common stock. With the market value of our common stock falling below book value in October, we took the opportunity to purchase 177,500 additional shares, bringing the year-to-date repurchases to 1.1 million shares, at a total cost of $43 million or $37.69 per share. Approximately 6.8 million shares remain authorized for future repurchases.

As of October 15, your company has returned more than $185 million this year to shareholders in stock repurchases and cash dividends. The Cincinnati Insurance Companies stand among the strongest and most financially secure insurer groups in the nation, with statutory ratios of net written property casualty premiums to surplus at 1.1 and net written life premiums to surplus at 0.4. We maintain superior strength so we can fulfill our claims obligations, execute an unusual yet highly successful equity investment strategy and consistently reward you.

Respectfully,

/s/ Jack Schiff, Jr.

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

Cincinnati Financial Corporation offers property and casualty insurance, our main business, through The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company. The Cincinnati Life Insurance Company markets life, disability income and long-term care 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 our Web site at www.cinfin.com.

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 or other causes; increased frequency and/or severity of claims; environmental events or changes; insurance regulatory actions, legislation or court decisions that increase expenses or place the company at a disadvantage in the marketplace; adverse outcomes from litigation or administrative proceedings; recession or other economic conditions resulting in lower demand for insurance products; sustained decline in overall stock market values negatively affecting the company's equity portfolio, in particular a sustained decline in market value of Fifth Third Bancorp shares; events that lead to a significant decline in the market value of a particular security and impairment of the asset; delays in the development, implementation and benefits of technology enhancements; and decreased ability to generate growth in investment income.

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 impacting corporate financial reporting and governance. The ultimate changes and eventual effects, if any, of these initiatives are uncertain.

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