CINCINNATI FINANCIAL CORPORATION

Mailing Address: P.O. BOX 145496
CINCINNATI, OHIO 45250-5496
(513) 870-2000

August 1, 2002

TO OUR SHAREHOLDERS, ASSOCIATES AND FRIENDS:

It's more important than ever to know that the companies in which you invest take their responsibility seriously, that they understand the trust you've placed in them and act as good stewards of your dollars.

I am confident in telling you that Cincinnati Financial Corporation is worthy of that trust. Two recent events reflect how very seriously we take our responsibilities to shareholders and policyholders:

- During the first six months of 2002, your Company invited Fitch Ratings to evaluate our financial health and management. They assigned an 'AA' Insurer Financial Strength Rating to Cincinnati's insurance subsidiaries, citing our strong capital base, low debt and conservative philosophy toward loss reserves and catastrophe exposures. Additionally, an 'A+' long-term issuer rating was assigned to Cincinnati Financial Corporation. These ratings—along with high ratings from Best, Moody's and Standard & Poor's—help our agents attract insurance buyers who want policies backed by a strong and stable insurer.

- Stability is attractive to shareholders, too. In May, your Company was featured on Bloomberg TV's "Morning Call" in a series about companies with outstanding dividend records and recent stock price increases. Chief Financial Officer Ken Stecher explained Cincinnati Financial's dividend policy and our 42-year record of consecutive cash dividend increases. We think one good indication that a company's earnings are real is the ability to consistently pay cash dividends to investors. The dividends you received from Cincinnati Financial Corporation rose at an average compound rate above 11 percent over the past five years.

Consistency and stability are hallmarks of your Company and our management philosophy, as the financial results from the first half of this year demonstrate.

For the six months ended June 30, 2002, net operating income was $122 million, or 74 cents per share, versus $115 million, or 70 cents per share, last year. Including realized capital gains and losses, net income for the first half of the year was $110 million, or 67 cents per share, versus $122 million, or 74 cents per share.

Consolidated revenues advanced $127 million to $1.390 billion, up 10.0 percent over last year's first half. Revenues from pre-tax investment income rose 4.9 percent in a very difficult environment, reaching $218 million compared with $207 million in last year's first six months. We continue to invest in securities of companies with a record of steadily increasing their dividends and with high-quality earnings that support these payouts over the long term. In times like these, that stream of dividends partially offsets low interest rates on our bond holdings and has a stabilizing effect on investment income.

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

FINANCIAL HIGHLIGHTS

(In millions, except data per diluted share and percentages)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Income Statement Data				
Revenues	$ 703	$ 645	$ 1,390	$ 1,263
Income before income taxes	32	51	125	148
Net operating income	41	45	122	115
Net capital (losses) gains	(6)	4	(12)	7
Net income	**35**	**49**	**110**	**122**
Net operating income per share (diluted)	.25	.28	.74	.70
Net capital (losses) gains per share (diluted)	(.04)	.02	(.07)	.04
Net income per share (diluted)	**.21**	**.30**	**.67**	**.74**
Cash dividends declared	.2225	.2100	.4450	.4200
Average shares outstanding (diluted)	164	164	164	164
Balance Sheet Data				
Total assets	-	-	$ 14,533	$ 13,558
Shareholders' equity	-	-	6,170	6,012
Book value per share	-	-	38.03	37.20
Ratio Data				
Statutory combined ratio*	107.2%	106.2%	101.9%	101.4%
Annualized return on equity	2.3	3.4	3.6	4.1
Annualized return on equity including net unrealized (losses) gains**	(13.2)	35.1	8.0	2.8

* 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 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 only.

Midway through the year, our property casualty business remains on target for satisfactory premium growth and for reaching our combined ratio target of 101.3 percent, assuming that catastrophes add less than 3 percentage points to the ratio in the second half. Our first-half performance repeated last year's pattern of an outstanding first quarter, followed by lower second-quarter profits, primarily due to severe weather.

As the first and second quarters of both years demonstrated, severe weather can cause wide, seasonal swings in our property casualty results. Looking at the longer, six-month period and excluding catastrophes, our combined ratio improved to 96.5 percent in 2002 from 97.3 percent in 2001. We continue to work on improving on that result.

The second-quarter catastrophe loss of $47 million was the second highest quarterly total, net of reinsurance and before taxes, in our history. The six-month total was $62 million, with an impact of 5.4 points on the combined ratio of 101.9 percent and 24 cents per share on after-tax earnings. Last year, the six-month catastrophe loss was $42 million, contributing 4.2 points to the combined ratio of 101.4 percent and impacting after-tax earnings by 16 cents per share.

PROPERTY CASUALTY INSURANCE OPERATIONS: GROWTH

(Statutory, in millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net written premiums*	$ 626	$ 549	$ 1,246	$ 1,087
Net earned premiums	580	510	1,141	1,000

* 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 2001 results.

The Corporation's property casualty insurance affiliates—The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company—reported six-month net written premiums of $1.246 billion, up 14.7 percent or $159 million over the comparable 2001 period. Net written premiums for commercial lines of insurance rose 17.0 percent to $911 million, while personal lines rose 8.8 percent to $335 million.

New business written directly by agents rose 17.8 percent to $154 million for the first half, boosted by second-quarter growth at 23.8 percent. For the six months, commercial new business rose 12.8 percent to $122 million and personal new business rose 41.2 percent to $32 million.

Commercial renewal premium increases drove much of the overall growth, with total premiums for most commercial lines of business growing at double-digit rates on lower policy counts. We're more aggressively identifying and measuring exposures to match coverage amounts and premiums to the risk. Where this isn't possible, we're not renewing accounts.

Agents agree on the need to carefully select risks and restore pricing adequacy as we grow together. 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.

PROPERTY CASUALTY INSURANCE OPERATIONS: PROFITABILITY

(Statutory, in percentages)	**Second Quarter Ended June 30,**		**Six Months Ended June 30,**	
	2002	**2001**	**2002**	**2001**
Loss and LAE ratio excluding catastrophes	73.8	72.6	71.2	70.4
Catastrophe loss ratio	8.1	6.9	5.4	4.2
Loss and LAE ratio	81.9	79.5	76.6	74.6
Expense ratio*	25.0	25.9	24.9	26.1
Policyholder dividend ratio*	0.3	0.8	0.4	0.7
Combined ratio*	107.2	106.2	101.9	101.4

* 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 2001 results.

For the first half, the commercial lines loss and LAE ratio was 72.9 percent, including 3.4 percentage points of catastrophes losses, and the personal lines ratio was 86.0 percent, including 10.3 percentage points of catastrophe losses.

On commercial business, field marketing representatives and underwriters are doing a good job of writing appropriately priced accounts. We are implementing changes to our general liability policy and underwriting guidelines that should reduce contractor- and auto-related losses. Of the 34 losses above $1 million incurred since the beginning of the year, 10 were personal or commercial non-contractor auto losses and 13 were contractor-related general liability or auto losses. Loss severity continues, with the six-month ratio of total large losses above $250,000 to earned premium at 17.4 percent versus an average of 16.3 percent in 2001.

The homeowner line is our biggest problem, and we've made several changes to improve profitability. Rate increases averaging 10 percent went into effect in most states by the end of the second quarter. We continue to work with agencies on re-underwriting their homeowner business and selling appropriate limits to cover the full value of the risk. Our updated replacement cost and water damage coverages begin to roll out in August. These initiatives are all in the early stages now. While it takes time to apply changes as policies are renewed, we expect to see quarter-over-quarter improvement as we work through the three-year policy cycle.

LIFE INSURANCE OPERATIONS

(In millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net earned premiums	$ 22	$ 22	$ 42	$ 40
Investment income	21	20	42	39
Total revenues	37	43	76	80
Total expenses	34	32	64	57
Net operating income	$ 6	$ 7	$ 13	$ 16
Net capital losses	(4)	-	(5)	-
Net income	$ 2	$ 7	$ 8	$ 16

The Cincinnati Life Insurance Company's six-month net operating income was $13 million, compared with $16 million last year. Including 2002 net realized capital losses of $5 million, net income was $8 million in 2002 versus $16 million in 2001. Net written life insurance premiums rose 9.0 percent to $48 million, including an increase of 18.8 percent in universal life and 11.8 percent in term insurance. Net written annuities reached $19 million, up from $5 million in last year's first half.

Cincinnati Life's new submitted applications rose 7 percent to more than 21,000 in the first half of 2002. With our new premium growth, we experienced higher expenses due to increases in first-year acquisition cost. We also experienced a significant write-down in the second quarter from underperforming or nonperforming bonds.

Looking forward, we anticipate continued growth of LifeHorizons flexible- and single-premium deferred annuities that were introduced in August 2000. Their guaranteed income features are attractive in the current economic climate. Our product portfolio is in good shape, with new or enhanced life products launched during the first half including the 25-Year Guaranteed Rate Term policy, an enhanced LifeHorizons term series and a simplified term policy designed specifically to be cross-sold to clients of the Company's property casualty agencies. Over the next several months, we plan to roll out both a new whole life product and a non-cancellable rider for our disability insurance product.

FINANCIAL SERVICES

CFC Investment Company, our leasing and finance subsidiary, reported net after-tax income of $840,000, down $315,000 from the first half of 2001. This company supports the insurance subsidiaries by offering leases, financing and mortgage loans to Cincinnati's independent agencies, their commercial insurance clients and other businesses.

Net lease and loan volume generated in the first six months of 2002 increased to $16 million, compared with $10 million for the same period last year. Total lease receivables and loans outstanding as of June 30 reached $68 million versus $66 million at this time last year. Lease and loan liquidation has decreased to more acceptable levels after occurring at a record rate over the past year, as customers refinanced at lower prevailing interest rates.

CinFin Capital Management, our asset management subsidiary, now has 35 institutional, corporate and individual clients and $677 million under management, up from 30 clients and $584 million under management at this time last year. With three years of performance data now available, CinFin has enhanced credibility in the marketplace. During the second quarter, two experienced professionals joined the CinFin staff to develop and implement a marketing plan.

INVESTMENT OPERATIONS

Growth of investment income slowed to 1.4 percent for the second quarter and 4.9 percent for the first half of 2002. $10 million of pre-tax, net capital gains realized during the first half from sales of securities were offset by $30 million of asset impairments, reflecting our assessment that certain items in the portfolio had experienced more than temporary declines in market value. Such underperforming or nonperforming bonds written down in the first half included $8 million of WorldCom.

During the first half of the year, $179 million was available for new investments. While we typically allocate about 35 percent to equities, so far this year we've increased the allocations for convertible preferred stocks, using less than 20 percent of the available cash for common stock purchases. With many high-quality stocks now very attractively priced, we expect to return to our more traditional pace to take advantage of current valuations. As usual, we'll select well-managed companies with consistent histories of increasing both dividends and income.

Total return for the first half was 3.3 percent for our equity portfolio, compared with a decline of 13.2 percent for the S&P 500 Index. Fifteen of the 45 common stocks in our portfolio have raised their dividends since January 1, adding about $1 million to gross investment income on an annualized basis. We anticipate further growth as some of our largest holdings are expected to announce their dividend increases during the second half of the year.

The strong fundamentals of Fifth Third Bancorp and other bank stocks in our portfolio make them excellent vehicles as we go forward with our long-term approach. We have the financial strength to absorb short-term market risk related to our equity concentration.

BALANCE SHEET STRENGTH

At June 30, 2002, total assets reached $14.533 billion versus $13.959 billion at year-end 2001. Shareholders' equity rose to $6.170 billion, or a book value of $38.03 per share, compared with $5.998 billion, or a book value of $37.07, at December 31, 2001. Shareholders' equity included $4.246 billion of unrealized gains in the investment portfolio versus $4.113 billion at year-end 2001.

During the first half of this year, the Company repurchased 284,000 shares of Cincinnati Financial common stock at an average cost of $39.73 per share, investing a total of $11 million. With the market value of our common stock falling below book value in July, we took the opportunity to purchase 264,000 additional shares. Total repurchases since the board's first authorization in 1996 reached 13.5 million shares, with 7.4 million shares authorized for future repurchases.

PUBLIC RESPONSIBILITY

Your Company works to educate, inform and develop consensus on legislative, judicial and regulatory issues affecting our customers and our business. On the state government level, 2002 elections will fill several seats on the supreme courts in Ohio and Alabama. We continue to act on behalf of shareholders and policyholders by encouraging candidates who have an impartial and balanced judicial philosophy and who recognize that the Court's role is to strictly interpret the law, not rewrite it from the bench.

We are working with the National Association of Insurance Commissioners to modernize and improve state insurance regulation. Recently, a Company representative testified in Congress before the House Financial Services Committee, which is reviewing the issue of state versus federal regulation of the insurance industry. Our experience shows that policyholder risks and coverage needs vary because of diverse geographic, climatic and economic conditions. Proposals for federal chartering of insurers overlook this diversity and its corollary, the superior flexibility of states to respond with regulations and insurance products appropriate to state-specific conditions.

The insurance industry and government representatives continue to seek solutions to manage terrorism risk. Both the House and the Senate have passed bills that would establish a federal backstop. We look toward a bill that will satisfy all parties, protecting consumers from terrorism-related rate increases and insurers from potential insolvencies. A conference committee has been appointed to determine the mechanics of the backstop and resolve other differences between the House and Senate bills, paving the way for a compromise bill to be passed and signed into law by President Bush.

Your Company also continues to cooperate with members of Congress to advance the Policyholder Disaster Protection Act, a proposal first introduced in the House and the Senate in 1999 and still before Congress at this time. Supported by a coalition of insurance, business and consumer organizations, it would help policyholders by incentivizing carriers to make coverage available in catastrophe-prone areas.

(Continued on page 8.)

Cincinnati Financial Corporation
Consolidated Balance Sheets

(In millions except per share data)	June 30, 2002	December 31, 2001	Change
Assets:			
Cash	$ 121	$ 93	$ 28
Investments:			
Bonds, at market value	3,108	3,010	98
Stocks, at market value	8,764	8,495	269
Mortgage loans on real estate	17	16	1
Real estate (net of depreciation)	4	4	0
Policy loans	25	24	1
Notes receivable	22	22	0
Finance receivables	31	27	4
Premium receivables	828	732	96
Reinsurance receivables	514	515	(1)
Prepaid reinsurance premiums	45	28	17
Other notes and accounts receivable	35	31	4
Investment income receivable	94	93	1
Property and equipment for company use (net of depreciation)	120	125	(5)
Deferred policy acquisition costs	309	286	23
Other assets	92	68	24
Separate accounts	404	390	14
Total assets	**$ 14,533**	**$ 13,959**	**$ 574**
Liabilities:			
Insurance reserves:			
Losses and loss expense	$ 3,023	$ 2,887	$ 136
Life policy reserves	721	674	47
Unearned premiums	1,188	1,062	126
Notes and mortgages payable	183	183	0
Loss checks payable	62	45	17
Accrued commissions	108	121	(13)
Taxes other than income	19	28	(9)
Dividends declared but unpaid	36	34	2
Federal income taxes:			
Current	18	11	7
Deferred	2,058	2,001	57
5.5% conv. sr. deb. due 2002	0	6	(6)
6.9% sr. deb. due 2028	420	420	0
Other liabilities	123	99	24
Separate accounts	404	390	14
Total liabilities	**$ 8,363**	**$ 7,961**	**$ 402**
Shareholders' equity:			
Common stock	$ 351	$ 350	$ 1
Paid-in capital	295	284	11
Retained earnings	1,716	1,678	38
Accumulated other comprehensive income	4,246	4,113	133
Treasury stock	(438)	(427)	(11)
Total shareholders' equity	**$ 6,170**	**$ 5,998**	**$ 172**
Total liabilities and shareholders' equity	**$ 14,533**	**$ 13,959**	**$ 574**
Book value per share	$ 38.03	$ 37.07	$ 0.96
Outstanding shares	162	162	0
Treasury shares	13	13	0

Cincinnati Financial Corporation
Consolidated Statements of Income

(In millions except per share data)	Six Months Ending June 30, 2002	2001	Change	% Change
Revenues:				
Premiums earned:				
Property casualty	$ 1,286	$ 1,070	$ 216	20.2
Life	48	44	4	9.6
Accident health	3	2	1	16.5
Ceded premiums	(156)	(77)	(79)	(101.3)
Total earned premiums	1,181	1,039	142	13.7
Investment income	218	207	11	4.9
Realized (loss) gain on investments	(18)	11	(29)	(266.9)
Other income	9	6	3	55.0
Total revenues	**$ 1,390**	**$ 1,263**	**$ 127**	**10.0**
Benefits and expenses:				
Insurance losses and policyholder benefits	$ 954	$ 884	$ 70	8.0
Reinsurance recoveries	(42)	(103)	61	59.3
Commissions	225	197	28	14.4
Other operating expenses	97	95	2	1.4
Interest expense	17	20	(3)	(13.8)
Taxes, licenses and fees	32	30	2	8.4
Incr deferred acq costs	(22)	(16)	(6)	(39.7)
Other expenses	4	8	(4)	(46.8)
Total benefits and expenses	**$ 1,265**	**$ 1,115**	**$ 150**	**13.5**
Income before income taxes	**$ 125**	**$ 148**	**$ (23)**	**(15.8)**
Provision (benefit) for income taxes:				
Current	$ 29	$ 27	$ 2	8.8
Deferred	(14)	(1)	(13)	(5,462.2)
Total income taxes	**$ 15**	**$ 26**	**$ (11)**	**(45.3)**
Net income	**$ 110**	**$ 122**	**$ (12)**	**(9.4)**
Comprehensive net income	**$ 243**	**$ 84**	**$ 159**	**189.9**
Net income from operations	**$ 122**	**$ 115**	**$ 7**	**6.3**
Net income from realized capital (losses) gains	**$ (12)**	**$ 7**	**$ (19)**	**(266.2)**
Net income per share (diluted):				
Operations	$ 0.74	$ 0.70	$ 0.04	5.7
Realized capital (losses) gains	(0.07)	0.04	(0.11)	(275.0)
Total net income per share	**$ 0.67**	**$ 0.74**	**$ (0.07)**	**(9.5)**
Dividends per share:				
Paid	$ 0.4325	$ 0.4000	$ 0.0325	8.1
Declared	$ 0.4450	$ 0.4200	$ 0.0250	6.0
Number of weighted avg shares (diluted)	164	164	0	(0.5)

PERSONNEL AND PROFESSIONAL DEVELOPMENT

At the Annual Meeting of Shareholders in April, members re-elected five directors to three-year terms: W. Rodney McMullen, executive vice president of The Kroger Co.; James G. Miller, senior vice president and chief investment officer of Cincinnati Financial Corporation; Thomas R. Schiff, chairman and chief executive officer of John J. & Thomas R. Schiff & Co., Inc.; Frank J. Schultheis, president of Schultheis Insurance Agency, Inc.; and Larry R. Webb, CPCU, president of Webb Insurance Agency, Inc.

In other annual meeting business, shareholders passed a stock option plan and voted with management to reject a shareholder proposal to restructure the board. More than 75 percent of shareholders agreed that the Company's unique, agent-centered business model works. Currently, the 15-member board includes independent business executives alongside independent insurance agents who bring your Company a special ability to serve policyholders and agents in the communities where we do business. We intend to preserve this strategic advantage while complying with all Nasdaq exchange requirements, including recently proposed requirements related to director independence, should the proposed requirements be approved by the Securities and Exchange Commission.

At the regular meeting of the board of directors, also in April, Director William F. Bahl, CFA, president of Bahl & Gaynor, Inc., was appointed to replace John J. Schiff, Jr., on the nominating committee and to chair the compensation committee. Director Michael Brown, president and general manager of the Cincinnati Bengals, Inc., was appointed to chair the nominating committee and continues to serve on the compensation committee, which he formerly chaired. Subsidiary boards also met and the board of CinFin Capital Management Company appointed two new directors: Thomas A. Joseph, CPCU, senior vice president—commercial lines for the property casualty group and a director of The Cincinnati Casualty Company; and David H. Popplewell, FALU, LLIF, president, chief operating officer and a director of The Cincinnati Life Insurance Company.

Recent officer retirements included Senior Vice President—Staff Underwriting Bob R. Kerns, with 32 years of service; Senior Vice President—Strategic Planning Urban (Skip) G. Neville, with 34 years of service and Vice President—Personal Lines Donald E. Schricker, with 35 years of service. We thank Bob, Skip and Don for all of their years of leadership and dedication to your Company.

With deepest regret, we report the death in June of Frank D. Love, CPCU, retired senior vice president. Over a period of 30 years, Frank helped guide our boiler and engineering, commercial lines, sales and administrative services departments.

Early in 2002, Cincinnati Financial Corporation and subsidiaries appointed and promoted officers and counsel:

Cincinnati Financial Corporation

Assistant Secretary and Assistant Treasurer Eric N. Mathews, AIAF, was appointed to the additional corporate post of vice president. He serves the Company's property casualty insurance subsidiaries as treasurer and senior vice president—corporate accounting.

Boards of subsidiary companies made the following promotions and new appointments of officers and counsel:

Property Casualty Insurance Subsidiaries

Craig W. Forrester, CLU, Senior Vice President—Information Technology
Joan O. Shevchik, CLU, CPCU, Senior Vice President—Corporate Communications
Theresa A. Hoffer, Vice President—Corporate Accounting
Mark A. Welsh, Vice President—Staff Underwriting
Patricia L. Barnhart, AIM, Assistant Vice President—Agency Accounting
Gary B. Givler, Assistant Vice President—Claims
Martin F. Hollenbeck, CFA, Assistant Vice President—Investments
Gary A. Nichols, Assistant Vice President—Claims
Ronald L. Robinson, Assistant Vice President—Field Claims
Michael A. Rouse, Assistant Vice President—Commercial Lines
Scott K. Smith, AIM, CPCU, Assistant Vice President—Commercial Lines
Steven A. Soloria, CFA, Assistant Vice President—Investments
Jeff M. Barnes, AIM, Secretary—Commercial Lines
Carl C. Gaede, AFSB, CPCU, Secretary—Bond & Executive Risk
Norman S. Kirkpatrick, AIM, CPCU, Secretary—Claims
Allen J. Matheny, Secretary-Claims
David E. McKinney, AIM, Secretary—Commercial Lines
Michael K. O'Connor, AFSB, CFA, Secretary—Investments
Martin D. Skidmore, Secretary—Claims

Debra K. Smith, Secretary—Commercial Lines
Brian K. Wood, AIM, CPCU, Secretary—Personnel
Thomas E. Dennis, Assistant Secretary—Information Technology
Ted W. Doughman, AFSB, CPCU, RPLU, Assistant Secretary—Bond & Executive Risk
Philip T. Kramer, CIC, Assistant Secretary—Sales & Marketing
Thomas J. Lupinetti, CSP, ALCM, Assistant Secretary—Loss Control
Gregory J. Schloemer, Assistant Secretary—Bond & Executive Risk
Douglas W. Stang, Assistant Secretary—Staff Underwriting
Charlotte A. Tungate, AIC, Assistant Secretary—Claims
Gerald L. Varney, Assistant Secretary—Purchasing/Fleet

Stephen C. Roach, Counsel
Michael L. Clark, Associate Counsel
Molly S. Harbaugh, Associate Counsel

The Cincinnati Life Insurance Company
Craig W. Forrester, CLU*
David L. Burbrink, Vice President—Policy Services and Life Field Services
Todd H. Pendery, FLMI, Vice President—Corporate Accounting & Treasurer
Mark A. Welsh*
R. Larry Arlen, CLU, CPCU, FLMI, Assistant Vice President—Life Claims
Martin F. Hollenbeck, CFA*
Steven A. Soloria, CFA*
Michael K. O'Connor, ASFB, CFA*
Brian K. Wood, AIM, CPCU*
Thomas E. Dennis*
Gerald L. Varney*

Stephen C. Roach*
Michael L. Clark*
Molly S. Harbaugh*

CinFin Capital Management Company
Steven A. Soloria, CFA, Vice President—Investments & Secretary

* Title as listed above.

Since the December 2001 *Letter to Shareholders*, the following staff members of The Cincinnati Insurance Companies merited promotions:

Matt Acevedo, AIC, Senior Claims Specialist
Lorenzo Acoff, Senior Underwriter
Andrew Agerton, AIC, Senior Claims Specialist
Carrie Albanese, Senior Underwriter
Mike Allen, Senior Customer Support Technician
Phil Allen, Programmer Analyst
Jennifer Baker, AIM, ARM, CPCU, Underwriting Superintendent
Debi Baker, Manager—Central Files
Bruce Barringer, AIC, Senior Claims Specialist
Doug Bauer, Senior Claims Representative
Robert Beamon, Claims Specialist
Dale Beaner, Machinery & Equipment Specialist
Mark Becker, Senior Claims Specialist
Kim Beckman, PMP, Senior Group Manager
Brian Beiting, Underwriting Superintendent
Jeff Bertsch, CFHC, CLU, Underwriting Director
Cindy Billinghurst, AIC, Senior Claims Examiner—Recovery
Ann Binzer, CHFC, CLU, FALU, FLMI, Underwriting Superintendent
Trina Bishop, Programmer Analyst
Mark Blessing, Senior Customer Support Analyst
Georgia Bodley, Senior Manager—CCC
Peter Bond, AIC, Claims Specialist
Chris Boydston, Claims Specialist
Jamie Brenner, Underwriting Specialist
Bob Brickley, AIC, Field Claims Superintendent
Geraldine Brown, Senior Project Manager
Marty Bruce, AIM, ARe, CPCU, Underwriting Manager
Michelle Bucheit, Underwriting Specialist
Laura Byrd, Senior Group Manager
Chris Campbell, Senior Claims Specialist
Michelle Cappel, Programmer
Sylvia Carrico, AIC, CPCU, Senior Claims Representative
Mitch Carson, Loss Control Technical Consultant
David Chin, Senior Programmer/Analyst
Robert Chrisley, AIC, Senior Claims Specialist
Sarah Cole, Claims Specialist
Sean Connolly, AIM, CIC, Senior Regional Director
Pam Cooper, AIM, Senior Systems Technical Manager
Brandon Copeland, Senior Underwriter
Scott Courtney, AIC, Senior Claims Representative
Jason Crank, Underwriting Specialist
Scott Curtis, AIC, Senior Claims Representative
Mona Day, Manager—Life Field Services
Angie Delaney, CIC, Senior Regional Director
Joe Dempsey, Underwriting Specialist
Mike DeStazio, AIC, Senior Claims Representative
Mike Devocelle, AIC, APA, Senior Field Auditor
Nancy DiNuoscio, Senior Underwriter
Lori Dittman, Senior Underwriter
Scott Donovan, Underwriting Manager
Steve Dorr, Chief Underwriting Specialist
Tim Dorr, Senior Business Analyst
Gary Douty, Claims Specialist
Scott Egbers, Underwriting Specialist
Julie Etris, AIM, Underwriting Superintendent
Terence Feeney, AIC, Field Claims Coordinator
Tod Felton, AIC, Claims Specialist
Joe Fisher, Senior Underwriter
David Fitzgerald, AIC, Senior Claims Specialist
Jill Foxx, Senior Actuarial Technician
Sandy Fraley, Group Manager
Sharon Frazier, Systems Analyst
William Frietsch, CPCU, Senior Underwriting Specialist
Mike Frigo, Field Director
Ron Fugate, Senior Regional Director
Paul Fulmer, AIC, CPCU, Associate Superintendent—Casualty Claims
Judy Gibson, AIC, Senior Claims Specialist
Sean Givler, State Agent
Tim Gottsch, Senior Machinery & Equipment Representative
Dan Gray, Machinery & Equipment Specialist

Forrest Gregg, Jr., Senior Underwriter
Molly Grimm, Associate Billing Manager—Diamond
Jim Grindstaff, Systems Analyst
Sharon Grubbs, Senior Filing Analyst
Chris Guibord, Senior Underwriter
Ernie Gustafson, Senior Claims Specialist
Jeff Harrison, Senior Underwriter
Scott Harrison, Senior IT Research Analyst
Jan Hatch, Field Claims Superintendent
Scott Hendrix, Senior Loss Control Consultant
Don Henes, API, Underwriting Specialist
Connie Hennigan, AIC, Associate Manager—Executive Risk Claims
Mike Herron, State Agent
Dan Hilvert, Underwriting Superintendent
Kerri Hinkel, AIM, Web Content Specialist
Al Hoeweler, Senior Underwriter
Cindi Hollerbach, Underwriting Specialist
Scott Hoover, AIC, Senior Claims Specialist
Bruce Hop, Life Marketing Director
Phil Howard, State Agent
Brian Huwel, Senior Underwriter
Russell Hymer, Senior Underwriter
Sonia Jackson, Underwriting Specialist
Vince Johnston, Claims Specialist
Garth Jones, Senior Underwriter
Mike Joseforsky, AIC, Claims Specialist
David Kaydo, AIC, Senior Claims Specialist
Brian Keipert, Claims Specialist
David Keller, AFSB, Bond Regional Director
Rick Keller, Underwriting Superintendent
Jack Kelley, AIC, CPCU, Manager—Field Claims
Shawn Kelly, Underwriting Specialist
Jeff Kirk, Senior Underwriter
Ron Klimkowski, AIC, Regional Director
Tom Klug, CPCU, Commercial Systems Coordinator
Jay Kokena, Senior Machinery & Equipment Representative
Darin Kolbeck, AIC, Senior Claims Representative
Greg Kolish, AIM, ARM, Underwriting Manager
David Koon, AIC, AIM, RPLU, SCLA, Superintendent—Executive Risk Claims
Mark Kovacs, AIC, Senior Claims Specialist
Fred Krisher, AALU, FLMI, Chief Underwriting Specialist
Doris Kuhling, AIM, CPCU, Manager—Claims Recovery
Bernadette LaGory, Senior Programmer
Mike Lally, AIC, CPCU, Associate Superintendent—Casualty Claims
Kathy Lander, Regional Director
Mike Lane, Underwriting Specialist
Scott Lane, Senior Machinery & Equipment Representative
Chuck Lawson, FLMI, Web Developer
Laurie Lewandowski, AIC, Claims Specialist
Jack Lindeman, Senior Underwriting Specialist
Matt Lint, Senior Customer Support Technician
Christy Longbottom, Programmer/Analyst
Darlene Lothschutz, Senior Underwriter
Steve Lucas, CFE, CIFI, SCLA, CPCU, FCLS, Regional Manager
Mike Luehrmann, AIM, Program Manager
Dawn Luntsford, Supervising Claims Examiner—Workers' Compensation
Craig Macke, AIC, Claims Specialist
Kevin Macke, Underwriting Superintendent
Kara Maguire, Programmer/Analyst
Philip Maher, Claims Specialist
Mike Major, Superintendent—Claims Recovery
John Maris, AIC, Senior Claims Specialist
Denise Markle, CIC, Senior Field Auditor
Jack Martin, Senior Regional Director
Dylan Mason, Senior Programmer
Tim May, AIC, Senior Claims Specialist
Dan Mays, AIC, Claims Specialist
Daniel McCaffrey, AFSB, Underwriting Superintendent
Andrew McCarty, AIC, Senior Claims Specialist
Pat McCarty, Associate Manager—Environmental Claims
Scott McConkey, CLU, LUTCF, Associate Manager—Commissions
Brad McCurdy, Regional Director
Scott McDonald, Senior Group Manager
Deborah McDonnell, State Agent
Gary McElfresh, Claims Specialist
Jay McElhaney, AIC, Senior Claims Specialist
Brian McGinnis, FLMI, Programmer
Sean McKinley, Life Marketing Director
Kimberly Meddings, Senior Underwriter
Connie Merrill, Senior Underwriter
Phil Miller, Associate Regional Manager—Casualty Claims
Sallie Minnich, Claims Specialist
Chris Monahan, Regional Director
Sharri Monte, AIC, Claims Specialist
Tim Morris, APA, CPCU, Field Manager
Ron Morrison, Claims Specialist
Eric Moseley, Claims Specialist
Phil Motz, Senior Group Manager
Matthew Muckleroy, AIC, AIM, Field Claims Coordinator
David Murphy, MSCERT, Senior Web Developer
Todd Musch, Senior Underwriter
Marshall Muse, CHFC, CLU, Life Marketing Director
Tony Nance, AIC, Senior Claims Specialist
Rhonda Napper, Senior Underwriter
Charlene Naylor, AIM, Manager—Filings Coordination
Mike Neubert, AIC, Claims Specialist
Diane Nolley, Program Manager
Lisa Novak, AIC, Senior Claims Specialist
Donna Offen, Underwriting Specialist
Michelle Olson, APA, CIC, Senior Field Auditor
Nancy Olson, Claims Specialist
Chris Onkst, Programmer Analyst
Ryan Osborn, Senior Web Developer
Jeff Owens, AIM, Underwriting Superintendent
Terry Parker, Senior Operations Analyst
Tony Pavelka, AIC, Senior Claims Specialist
Anita Phillips, Senior Methods Analyst
Jeff Phillips, AIC, Senior Claims Representative
Laura Ravenna, Claims Specialist
Denny Ray, AIM, ARM, CPCU, Senior Underwriting Manager
Mark Redick, AIC, Claims Specialist
Bob Reed, AU, Chief Underwriting Specialist
Joe Reese, Senior Claims Representative
Tracy Reese, CPCU, Regional Director
Troy Reichers, Associate Manager—Complex Claims
Steve Reynolds, AIC, Senior Claims Specialist
David Rice, SCLA, Manager—Field Claims
Tracey Richards, Senior Underwriter
Janice Rieman, Senior Programmer Analyst
Mark Rienstra, Senior Loss Control Representative
Mike Ripley, Claims Specialist
Burl Ritcheson, AIC, Senior Claims Specialist
Scott Robinson, Underwriting Specialist
Deborah Robinson, ACS, AU, CPIW, State Agent
Dan Robles, Senior Underwriter
Leslie Rodgers, Senior Claims Examiner—Workers' Compensation

Todd Rodriguez, Senior Web Developer
Curt Rohrbacher, Programmer
Kendra Roland, Business Analyst
Clinton Rouse, Senior Programmer
Lydda Rowland, Associate Editor
Anne Russo, AU, Senior Underwriter
Tom Ruth, AIC, Senior Claims Representative
Tom Ryder, State Agent
Scott Sanderson, AIC, Field Claims Coordinator
Jeff Sansbury, Senior Claims Specialist
Walt Sauerwein, CPCU, Underwriting Specialist
Jennifer Saul, Underwriting Superintendent
Dave Schaffer, AIM, Underwriting Director
Dave Schallick, Network Analyst
Jason Schira, Claims Specialist
Allen Schmitt, Underwriting Specialist
Jamie Schneider, Senior Underwriter
Lori Schneider, Senior Group Manager
Amy Schoch, Underwriting Specialist
Sandy Schomaker, FLMI, Senior Programmer/Analyst
Keith Schulz, Claims Specialist
Chuck Scott, Machinery & Equipment Specialist
Renae Shea, AIC, Claims Specialist
Stuart Sheetz, AIC, Claims Specialist
Cathy Shell, Claims Specialist
Tammy Siler, Senior Underwriter
Blake Slater, Manager—Corporate Accounting
Jill Slater, Programmer
Mary Slover, AIC, Supervisor—Claims Administration
Steve Smith, Underwriting Specialist
Steve Spray, Field Director
Susanne Stewart, Senior Programmer Analyst
Jana Stinchcomb, HR, Employment Specialist
Craig Stinebiser, AIM, Senior Claims Representative
Jim Stires, Bond Regional Director
Steve Stockwell, AMIM, CPCU, Underwriting Director
Alice Stone, Assistant Manager—Special Reconciliation
Susan Stout, Claims Specialist
J.D. Strange, Field Claims Superintendent
Cindy Stubblefield, ACS, AIAA, Senior Life Field Services Representative
Betsy Swartz, Associate Editor
Mike Swiadas, Senior Machinery & Equipment Representative
Stan Szabat, Senior Claims Specialist
Nisha Tandon, Senior Programmer
Keith Tenoever, Underwriting Specialist
Jill Terry, Associate Manager—Life Policy Services
Paul Thibault, Loss Control Consultant
Denise Toth, AIC, Claims Specialist
Cindy Traurig, Filings Specialist
Jerry Treft, Underwriting Manager
Karen Tucker, AIC, Examiner—Claims Recovery
Lewis Tucker, Underwriting Specialist
Brad Turner, Senior Claims Representative
Ingrid Van Egmond, AIC, Senior Claims Specialist
Michelle Vaughn, Business Analyst
Jeff Viel, AIM, Senior Underwriting Specialist
Eve Villaver, AIT, Programmer
Mike Von Hoene, AIC, Senior Claim Examiner
Kenn Walker, Systems Analyst
Julie Wallace, AIT, Programmer Analyst
Dan Walsh, Regional Manager—Casualty Claims
John Ward, AIC, Claims Specialist
Larry Weary, AIC, CPCU, Field Claims Coordinator
Greg Weisner, CPCU, Underwriting Specialist
Jeff Wendlandt, Regional Director
Mike Wilkinson, AIC, Claims Specialist
Susan Williams, AIC, Claims Specialist
Ed Wilson, Senior IT Research Analyst
Debbie Wittich, Systems Analyst
Jim Wolpert, Underwriting Specialist
John Woodyard, AIC, Claims Specialist
Brian Wright, Claims Specialist
Tim Wright, AIM, Underwriting Superintendent
James Young, AIC, Claims Specialist
Kevin Yuenger, CHFC, CLU, Life Marketing Director
Susanne Zien, AIM, CPCU, Underwriting Manager

Several associates were nominated and selected by their peers to receive *Above and Beyond the Call (ABC) Awards* recognizing their exemplary productivity, service and quality: Donna Amburn and Linda Skelton, Staff Underwriting; Ron Day, Claims HQ; Vicki DeFossett, Loss Control; and Ernie Macke, Barry Schulte, Gina Stetter and Karen Thompson, Information Technology. The ABC Selection Committee granted the prestigious *ABC of the Year Award* for 2001 to Sue Reckner, methods analyst, Information Technology, whose extra efforts benefited the CFCDirect billing project.

We encourage and reward associates who meet high academic, length-of-experience and ethical standards qualifying them for professional insurance credentials. Congratulations to Jennifer Baker, Edward Lewis, John Nutter, Donna Slabaugh and Suzanne Zien, who completed a series of courses to earn the Chartered Property Casualty Underwriter (CPCU) designation; and to Kevin Yuenger, who earned the Chartered Financial Consultant (ChFC) designation.

The Education & Training Department continuously innovates to help associates and agents stay on top of new tools, industry trends and issues so they can effectively serve policyholders. In the first half of 2002, we hosted 375 agents and customer service representatives who participated in commercial and personal lines schools and agency roundtables. Agencies sent 28 college interns to participate in our first Insurance to Value school. Those students learned how to visit policyholder properties, gather data and use recently introduced estimation software to update property values. Their agency sponsors now are using this information to verify the adequacy of policy limits and, where necessary, increase limits and premiums to cover the exposure to risk. We will offer future sessions to other agency staff, new underwriters and trainees.

Your Company maintained a rigorous underwriter training program during the soft market. While some insurers are just starting programs to teach underwriting concepts and practices—as opposed to processing—we have had a high-quality program in place since 1978, and last year more than 100 new underwriters graduated from it. In 2002, three classes of trainees already have joined underwriting departments, where they serve our agents by responding to the influx of service requests that accompanies business growth.

OUTLOOK

At this writing, the market value of the blue chip stocks in our portfolio appears to be moving back toward June 30 levels after a very difficult July. Investors are struggling to determine whom or what to believe, and the market is struggling to differentiate between good and bad performance. There's a good deal of talk about new legislation or new government oversight of accountants and auditors. Some have proposed expensing stock options to restore confidence in corporate America. That step would have reduced per share earnings for the first six months by approximately 1½ cents and the full year's earnings by approximately 3 cents, using the conservative Black Scholes methodology.

Regardless of the ultimate decisions, we hope that consistency emerges the winner. Methodology should be consistent across the universe of reporting companies so that no company is placed at a disadvantage.

Cincinnati Financial is a conservative company with conservative accounting practices. We believe in doing the right thing, and I'm encouraged by the fact that we are not alone.

Over the years, our insurance business and investment activities have taken me into the communities and businesses that form the backbone of our country's strong and often vibrant economy. While a few people in positions of responsibility have abused that privilege, I believe by far and away the largest majority of corporate managers and business people are honest, caring and committed to doing what is right. They manage their businesses knowing that shareholders, customers and employees are depending on them.

At Cincinnati Financial we see every transaction and every contact as an opportunity to define corporate America in a favorable light. We will continue to build trust every day as we pay claims, back our policies with strong capital, manage our business to promote marketplace stability, treat our business partners fairly and work hard to offer reasonable and adequate policy rates and terms. We are optimistic that this approach will ultimately unlock value for shareholders, agents, policyholders and associates of the Company.

Respectfully,

/s/ John J. 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 provides asset management services to institutions, corporations and individuals. For additional information, please visit our Web site at www.cinfin.com.

***