



# CINCINNATI FINANCIAL CORPORATION

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

August 1, 2001

## TO OUR SHAREHOLDERS, ASSOCIATES AND FRIENDS:

After the very challenging final six months of 2000, the first half of 2001 brought encouraging signs of progress. Achievements for the first six months of this year included improved pricing and double-digit growth of commercial property casualty insurance premiums, healthy investment income and the second-highest book value for any reporting period in the Company's history. While top-line growth helped keep operating results for the full six-month period in line with expectations, second-quarter wind and hail catastrophes and other large losses reduced earnings, offsetting better first-quarter results.

For the six months ended June 30, 2001, net operating income was \$117.5 million, or 72 cents per share, versus \$142.6 million, or 87 cents per share, last year. Net income for the first half of the year was \$121.6 million, or 74 cents per share, versus \$154.1 million, or 94 cents per share.

Total revenues advanced \$113.2 million to \$1.263 billion, up 9.8 percent over last year's first half. Revenues from pre-tax investment income reached \$212.0 million, up 4.1 percent from \$203.7 million in last year's first half, excluding 2000 interest income from a bank-owned life insurance policy.

Catastrophe losses for the first six months totaled \$41.7 million, mainly from three storms, contributing 4.2 points to the combined ratio of 101.4 percent and impacting earnings by 16 cents per share. Most of the loss—\$35.0 million or 14 cents per share—occurred during the second quarter. This was the second highest quarterly catastrophe total, net of reinsurance, in the history of our property casualty companies. This year's severe spring storms caused more than \$4 billion of insured damage across the property casualty industry.



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,	
	2001	2000	2001	2000
Revenues	\$ 645.4	\$ 578.8	\$ 1,263.3	\$ 1,150.1
Net Operating Income	\$ 47.1	\$ 72.7	\$ 117.5	\$ 142.6
Net Realized Capital Gain	1.9	2.0	4.1	11.5
<b>Net Income</b>	<b>\$ 49.0</b>	<b>\$ 74.7</b>	<b>\$ 121.6</b>	<b>\$ 154.1</b>
Net Operating Income Per Share	\$ 0.29	\$ 0.44	\$ 0.72	\$ 0.87
Net Realized Capital Gain Per Share	0.01	0.01	0.02	0.07
<b>Net Income Per Share</b>	<b>\$ 0.30</b>	<b>\$ 0.45</b>	<b>\$ 0.74</b>	<b>\$ 0.94</b>
Dividends Declared Per Share	\$ .21	\$ 0.19	\$ 0.42	0.38
Book Value Per Share	—	—	\$ 37.20	\$ 30.25
Average Weighted Shares Outstanding (diluted)	163.8	165.5	164.4	164.9
Annualized Return on Equity	3.4%	6.2%	4.1%	6.0%
Annualized Return on Equity Including Net Unrealized Gain and Loss*	35.1%	8.0%	2.8%	(17.5%)

\*This calculation reflects Cincinnati Financial Corporation's comprehensive net income. It recognizes the Company's equity focus and the resulting appreciation/depreciation not reflected in traditional return calculations that consider income statement-based earnings only.

## PROPERTY CASUALTY INSURANCE OPERATIONS: GROWTH

(Dollars in millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Gross Written Premiums	\$ 585.1	\$ 510.2	\$ 1,161.2	\$ 1,003.0
Net Written Premiums	\$ 549.0	\$ 483.4	\$ 1,087.1	\$ 952.4
Net Earned Premiums	\$ 509.8	\$ 450.1	\$ 1,000.5	\$ 881.4

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 premium of \$1.087 billion, up 14.2 percent or \$134.7 million over the comparable 2000 period. Six-month net written premiums for commercial lines of insurance rose 18.5 percent to \$779.2 million, while personal lines rose 4.4 percent to \$307.9 million.

Improved pricing continues to drive growth. Our agents report that they are able to obtain much needed 15-20 percent price increases on quality commercial accounts. We continue to move toward that level of increase, mainly by reducing or eliminating premium credits, notably in workers' compensation and commercial auto lines. We continue to respond to loss severity that arose in the second half of 2000, inspecting and re-underwriting or not renewing risks that don't measure up to the same good quality as when originally written. In the context of current market conditions, our conservative actions are actually slowing our commercial lines growth from the level we could be achieving with our strong agency relationships. New business from our agents was \$130.8 million versus \$127.4 million in the first half of last year. We remain highly selective and focused on profitability and service.

## **PROPERTY CASUALTY INSURANCE OPERATIONS: PROFITABILITY**

(In percentages)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Loss and LAE Ratio Excluding Catastrophes	72.6%	64.4%	70.4%	65.7%
Catastrophe Loss Ratio	6.9	5.2	4.2	3.6
Loss and LAE Ratio	79.5%	69.6%	74.6%	69.3%
Expense Ratio	25.9	26.7	26.1	26.5
Policyholder Dividend Ratio	0.8	1.2	0.7	1.2
Statutory Combined Ratio	106.2%	97.5%	101.4%	97.0%

The improving industry growth rate during the past 12 months has not translated into substantial profitability improvements for the industry as a whole. And while we are in the same boat, our six-month combined ratio of 101.4 percent puts us ahead of the level for the industry, currently estimated at or above 110 percent for the full-year 2001. Catastrophe losses accounted for 4.2 points of our 2001 ratio versus 3.6 points of the 97.0 percent ratio in 2000. As of June 30, only 150 claims remained open out of nearly 6,000 first-half catastrophe claims reported by policyholders. Our storm teams did a tremendous job helping policyholders recover quickly.

Pure loss ratios were 65 percent overall, 60.8 percent for commercial lines of insurance and 74.6 percent for personal lines. Personal lines account for about a third of our written premium volume but more than 60 percent of the first-half catastrophe claims. We are filing rate increases and emphasizing insurance to value to improve results for the homeowner line, where the pure loss ratio rose to 94.0 percent. We are writing personal auto insurance profitably and expect to see additional growth as competitors raise rates. On commercial accounts, new guidelines for umbrella liability underwriting and for property insurance to value were issued during the second quarter, addressing appropriate use of blanket and replacement cost coverages.

## **LIFE INSURANCE OPERATIONS**

(Dollars in millions)	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net Written Premiums	\$ 25.9	\$ 24.9	\$ 50.7	\$ 48.1
Net Earned Premiums	21.6	20.8	39.5	38.5
Investment Income	20.8	18.6	39.3	41.8
Total Revenues	42.9	40.3	79.8	81.6
Total Expenses	31.8	26.6	56.5	57.8
Net Operating Income	\$ 7.4	\$ 9.0	\$ 15.6	\$ 15.6
Net Realized Capital Gain	(0.1)	0.1	(0.1)	0.4
Net Income	\$ 7.3	\$ 9.1	\$ 15.5	\$ 16.0

The Cincinnati Life Insurance Company contributed \$15.5 million to net profits for the first six months, with a higher incidence of death claims than the comparable period in 2000, when net profits were \$16.0 million. Total net written premiums for the first half of the year were \$50.7 million this year, up 5.4 percent from \$48.1 million last year.

Last year at this time we were processing the unusual surge of ordinary life applications for policyholders who purchased term insurance before the “Triple X” regulations took effect on January 1, 2000. This backlog inflated last year’s first-half life insurance premium growth, making comparisons difficult this year. Looking forward, an expanded portfolio of products will boost our prospects for growth. In the second half of 2001, Cincinnati Life will introduce a new 30-year term insurance policy and a disability income insurance policy. Enhanced back office support will make it much easier to write and service worksite marketing accounts for larger employers.

## **INVESTMENT OPERATIONS**

Six-month investment income rose 1.9 percent to \$207.5 million, excluding \$4.5 million from FAS 133. This new accounting rule requires companies to include in income any changes in the option value of convertible issues.

Fifteen of the 49 common stocks in our portfolio have raised their dividends since January 1. This should add \$7.0 million to gross investment income on an annualized basis. The strong sales, earnings and dividends of Fifth Third Bancorp and other stocks in our portfolio make them excellent vehicles as we go forward with our long-term approach and total return strategy. During the first half of 2001, we have invested \$238.7 million of new money, about two-thirds in bonds, with an emphasis on municipal issues.

## **FINANCIAL SERVICES**

CFC Investment Company, our commercial leasing and finance subsidiary, reported net after-tax income of \$1.2 million for the first half of 2001. Total lease/finance receivables ended the first half of 2001 at \$87.9 million. Leasing revenue for the first half of 2001 was \$3.2 million.

During the first quarter of 2001, we began marketing a consumer vehicle lease to the employees of Cincinnati’s independent insurance agencies, generating more than \$400,000 in receivables as of June 30. During the second quarter, we subdivided the Ohio territory, placing a leasing representative in the Cleveland market to increase our level of service to Cincinnati’s independent insurance agencies and their clients. Also in June, we began offering an automated clearinghouse electronic payment method that eliminates the client’s cost of processing and mailing a check each month. In just a few weeks, more than 133 accounts have signed up to take advantage of this new service.

CinFin Capital Management, our asset management subsidiary, is now in its third year of operation. As of June 30, CinFin has 30 institutional, corporate and individual clients and \$583.7 million under management.

## **PUBLIC RESPONSIBILITY**

Thanks in large part to a ground swell of support from Ohio businesses and their insurance agents, both chambers of the Ohio legislature passed Senate Bill 97 during the second quarter. The governor is expected to sign the bill on July 30. It repeals the mandatory offer of uninsured motorist coverage, making the offer voluntary like other auto coverages. While this doesn’t affect our liability for past claims, it removes an opportunity for the Ohio Supreme Court to provide coverage where policyholders did not request or pay for it.

On the federal side of government relations, we continue to work with the National Association of Insurance Commissioners to modernize and improve state insurance regulation. Efficient state regulation is in the best interest of our property casualty insurance policyholders. Their risks and coverage needs genuinely vary from one state to another 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.

## **PERSONNEL AND PROFESSIONAL DEVELOPMENT**

At the Annual Meeting of Shareholders held in April, members elected John M. Shepherd to a three-year term on Cincinnati Financial's Board of Directors. He fills the seat of William R. Johnson, a director since 1996, who did not stand for reelection. John serves on the Board's audit committee. He is chairman and chief executive officer of The Shepherd Chemical Company and director and secretary of The Shepherd Color Company. In addition, W. Rodney McMullen was elected to a new, 15th seat on the Board for a term of one year. He serves on the investment committee. Rodney is executive vice president of strategy, planning and finance for The Kroger Co.

In February 2001, Cincinnati Financial and subsidiary boards made the following promotions and new appointments of directors, officers and counsel:

### ***Cincinnati Financial Corporation and Subsidiaries***

Kenneth W. Stecher was appointed chief financial officer of Cincinnati Financial Corporation, its insurance subsidiaries and CFC Investment Company (CFC-I). Stecher serves as senior vice president and secretary of Cincinnati Financial Corporation, all insurance subsidiaries and CFC-I; treasurer of the corporation, The Cincinnati Life Insurance Company and CinFin Capital Management Company; and director on all subsidiary boards.

#### ***Property Casualty Insurance Subsidiaries***

Urban G. Neville, Senior Vice President—Strategic Planning

Dawn M. Alcorn, Vice President—Administrative Services

Richard P. Matson, Vice President—Purchasing

Joan O. Shevchik, CPCU, CLU, Vice President—Corporate Communications

Joel W. Davenport, CPCU, AAI, Assistant Vice President—Commercial Lines

Timothy D. Huntington, CPCU, AU, Assistant Vice President—Commercial Lines

Steve W. Leibel, AIM, Assistant Vice President—Personal Lines

Gary B. Stuart, Assistant Vice President—Sales & Marketing

Michael A. Terrell, CPCU, RPLU, Assistant Vice President—Sales & Marketing

Bradley N. DeLaney, CPCU, AIM, Secretary—Education & Training

W. Dane Donham, AIM, Secretary—Commercial Lines

Kenneth P. Grimme, CPCU, AIM, Secretary—Claims

Jerry L. Litton, Secretary—Corporate Accounting

Robyn C. Muhlberg, Secretary—Information Technology

David A. Pierce, Secretary—Education & Training

John P. Ringstrom, Secretary—Claims

Dennis G. Stetz, SCLA, Secretary—Claims

Stephen A. Ventre, Secretary—Commercial Lines

Robert W. Wallace, CPCU, Secretary—Claims

M. Cathleen Cloud, CPCU, AIM, Assistant Secretary—Commercial Lines

Michael K. Dockery, Assistant Secretary—Information Technology

Kevin L. Heflin, Assistant Secretary—Information Technology

James E. Streicher, Jr., CPCU, AIM, Assistant Secretary—Personal Lines

William H. Thomas, AIM, Assistant Secretary—Data Entry

Steven S. Timmel, CPCU, AIM, Assistant Secretary—Claims

Teresa C. Cracas, Associate Counsel

Michael D. Fitzpatrick, Associate Counsel

P. Arlene Rochlin, Associate Counsel

#### ***The Cincinnati Life Insurance Company***

Urban G. Neville\*

Richard P. Matson\*

Robyn C. Muhlberg\*

Michael K. Dockery\*

Kevin L. Heflin\*

Teresa C. Cracas\*

Michael D. Fitzpatrick\*

P. Arlene Rochlin\*

#### ***CFC Investment Company***

Urban G. Neville\*

Richard P. Matson\*

Jerry L. Litton\*

#### ***CinFin Capital Management Company***

Hollis A. Jones, AIM, Assistant Treasurer—Investments

\*Title as listed above.

(Continued on page 8.)

**Cincinnati Financial Corporation**  
**Consolidated Balance Sheets**

(000s omitted except per share data)

	June 30, 2001	December 31, 2000	Change
<b>Assets:</b>			
Cash .....	\$ 42,894	\$ 60,254	\$ (17,360)
Investments: .....			
Bonds, at Market Value .....	2,937,114	2,721,291	215,823
Stocks, at Market Value .....	8,499,441	8,525,985	(26,544)
Mortgage Loans on Real Estate .....	16,447	16,844	(397)
Real Estate (Net of Depreciation) .....	3,902	4,019	(117)
Policy Loans .....	23,906	23,188	718
Notes Receivable .....	22,189	24,509	(2,320)
Finance Receivables .....	29,557	30,718	(1,161)
Premium Receivables .....	704,157	652,340	51,817
Reinsurance Receivables .....	271,117	214,576	56,541
Prepaid Reinsurance Premiums .....	19,082	15,246	3,836
Other Notes and Accounts Receivable .....	26,899	26,272	627
Investment Income Receivable .....	91,154	86,234	4,920
Land, Buildings, and Equipment for .....			
Company Use (Net of Depreciation) .....	132,853	122,005	10,848
Deferred Acquisition Costs-Pertaining to .....			
Unearned Premiums & Life Policies in Force .....	274,901	258,734	16,167
Other Assets .....	86,820	147,261	(60,441)
Separate Accounts .....	375,243	357,615	17,628
<b>Total Assets</b> .....	<b>\$ 13,557,676</b>	<b>\$ 13,287,091</b>	<b>\$ 270,585</b>
<b>Liabilities:</b>			
Insurance Reserves:			
Unearned Premiums .....	\$ 1,016,533	\$ 921,872	\$ 94,661
Life Policy Reserves .....	636,218	605,421	30,797
Losses and Loss Expense .....	2,534,292	2,424,635	109,657
Notes and Mortgages Payable .....	175,000	170,000	5,000
Loss Checks Payable .....	56,567	48,424	8,143
Accrued Commissions .....	92,891	92,503	388
Taxes Other Than Income .....	23,644	32,239	(8,595)
Dividends Declared but Unpaid .....	33,940	30,568	3,372
Federal Income Taxes: .....			
Current .....	17,926	0	17,926
Deferred .....	2,036,892	2,057,641	(20,749)
5.5% Conv. Sr. Deb. due 2002 .....	13,528	29,603	(16,075)
6.9% Sr. Deb. due 2028 .....	419,634	419,631	3
Other Liabilities .....	113,028	101,944	11,084
Separate Accounts .....	375,243	357,615	17,628
<b>Total Liabilities</b> .....	<b>\$ 7,545,336</b>	<b>\$ 7,292,096</b>	<b>\$ 253,240</b>
<b>Shareholders' Equity:</b>			
Common Stock .....	\$ 348,153	\$ 345,766	\$ 2,387
Paid-In Capital .....	269,673	254,156	15,517
Retained Earnings .....	1,673,790	1,619,954	53,836
Accumulated Other Comprehensive Income .....	4,118,271	4,155,929	(37,658)
Treasury Stock .....	(397,547)	(380,810)	(16,737)
<b>Total Shareholders' Equity</b> .....	<b>\$ 6,012,340</b>	<b>\$ 5,994,995</b>	<b>\$ 17,345</b>
<b>Total Liabilities &amp; Shareholders' Equity</b> .....	<b>\$ 13,557,676</b>	<b>\$ 13,287,091</b>	<b>\$ 270,585</b>
Book Value per Share .....	\$ 37.20	\$ 37.26	\$ (0.06)
Outstanding Shares .....	161,628	160,891	737
Treasury Shares .....	12,449	11,992	457

**Cincinnati Financial Corporation**  
**Consolidated Statements of Income**

	Year-to-Date Ending June 30,			
	2001	2000	Change	% Change
(000s omitted except per share data)				
<b>Revenue:</b>				
Premiums Earned:				
Property/Casualty .....	\$ 1,069,972	\$ 930,876	\$ 139,096	14.94
Life .....	44,196	43,455	741	1.71
Accident/Health .....	2,159	1,650	509	30.85
Premiums Ceded .....	(77,428)	(57,401)	(20,027)	(34.89)
Total Earned Premium .....	1,038,899	918,580	120,319	13.10
Investment Income .....	212,032	209,020	3,012	1.44
Realized Gain on Investments .....	6,240	17,624	(11,384)	(64.59)
Other Income .....	6,101	4,853	1,248	25.72
<b>Total Revenue .....</b>	<b>\$ 1,263,272</b>	<b>\$ 1,150,077</b>	<b>\$ 113,195</b>	<b>9.84</b>
<b>Benefits &amp; Expenses:</b>				
Losses & Policy Benefits .....	\$ 884,172	\$ 706,186	\$ 177,986	25.20
Reinsurance Recoveries .....	(102,544)	(59,291)	(43,253)	(72.95)
Commissions .....	196,605	173,312	23,293	13.44
Other Operating Expenses .....	95,191	83,640	11,551	13.81
Interest Expense .....	20,134	19,141	993	5.19
Taxes, Licenses & Fees .....	29,527	27,865	1,662	5.96
Incr Deferred Acq Expense .....	(16,167)	(12,104)	(4,063)	(33.57)
Other Expenses .....	8,297	11,160	(2,863)	(25.65)
<b>Total Expenses .....</b>	<b>\$ 1,115,215</b>	<b>\$ 949,909</b>	<b>\$ 165,306</b>	<b>17.40</b>
<b>Income Before Income Taxes .....</b>	<b>\$ 148,057</b>	<b>\$ 200,168</b>	<b>\$ (52,111)</b>	<b>(26.03)</b>
<b>Provision (Credit) for Income Taxes:</b>				
Current .....	\$ 27,485	\$ 41,027	\$ (13,542)	(33.01)
Deferred .....	(1,009)	5,084	(6,093)	(119.85)
<b>Total Income Tax .....</b>	<b>\$ 26,476</b>	<b>\$ 46,111</b>	<b>\$ (19,635)</b>	<b>(42.58)</b>
<b>Net Income .....</b>	<b>\$ 121,581</b>	<b>\$ 154,057</b>	<b>\$ (32,476)</b>	<b>(21.08)</b>
<b>Comprehensive Net Income (Loss) .....</b>	<b>\$ 83,923</b>	<b>\$ (449,905)</b>	<b>\$ 533,828</b>	<b>118.65</b>
<b>Net Income from Operations .....</b>	<b>\$ 117,525</b>	<b>\$ 142,601</b>	<b>\$ (25,076)</b>	<b>(17.58)</b>
<b>Net Income from Realized Capital Gains .....</b>	<b>\$ 4,056</b>	<b>\$ 11,456</b>	<b>\$ (7,400)</b>	<b>(64.59)</b>
<b>Net Income Per Share (diluted):</b>				
Operations .....	\$ 0.72	\$ 0.87	\$ (0.15)	(17.24)
Realized Capital Gains .....	0.02	0.07	(0.05)	(71.43)
<b>Total Net Income Per Share .....</b>	<b>\$ 0.74</b>	<b>\$ 0.94</b>	<b>\$ (0.20)</b>	<b>(21.28)</b>
<b>Total Net Income Per Share (basic) .....</b>	<b>\$ 0.76</b>	<b>\$ 0.95</b>	<b>\$ (0.19)</b>	<b>(20.00)</b>
<b>Dividends Per Share:</b>				
Paid .....	\$ 0.40	\$ 0.36	\$ 0.04	11.11
Declared .....	\$ 0.42	\$ 0.38	\$ 0.04	10.53
Number of Weighted Avg Shares (diluted) .....	164,395	164,895	(500)	(0.30)
Interest Expense on Debentures .....	\$ 429	\$ 665	\$ (236)	(35.49)



(Continued from page 5.)

Since the December 2000 *Letter to Shareholders*, the following staff members of The Cincinnati Insurance Companies merited promotions:

Gail Adams, Chief Underwriting Specialist  
Nikki Allen, Programmer/Analyst  
Rob Allonier, Senior Regional Director  
Renee Altimari, Senior Life Worksite Marketing Representative  
Jen Atkinson, Senior Underwriter  
Scott Babb, AIC, Claims Specialist  
Lori Bagoly, Senior Underwriter  
Mark A. Baker, Senior Underwriter  
Mike Baker, Senior Programmer/Analyst  
Terry Barrow, Senior Group Manager  
Matt Barton, CPCU, AIM, Senior Underwriting Manager  
Joe Beane, Claims Specialist  
Kirsten Becker, Managing Editor  
Bertie Becker, CPCU, AIC, Claims Specialist  
Mary Beth Brubaker, Claims Specialist  
Stephanie Bird, Filings Specialist  
Ron Bleck, AIC, SCLA, Senior Claims Specialist  
Chris Bond, Claims Specialist  
Scott Bowen, Field Claims Coordinator  
Rob Breving, Underwriting Specialist  
Rick Bridges, AIC, Senior Claims Specialist  
Jeff Brock, Senior Group Manager  
Jim Brown, Chief Regulatory Specialist  
Rob Bruner, AIT, Senior Programming Group Manager  
Pat Buchman, Chief Underwriting Specialist  
Mandy Bullock, Supervising Accountant  
Tom Busch, AIC, Senior Claims Specialist  
Tom Buschermann, Property Casualty Accountant  
Tim Bushman, Senior Underwriter  
Melissa Butler, Senior Underwriter  
Jim Callahan, CPCU, AIC, Regional Field Claims Manager  
Robert Cammack, AIC, Claims Specialist  
Tim Campbell, Underwriting Superintendent  
Anthony Carlisle, Senior Underwriter  
Dave Carroll, CPCU, Regional Director  
Bobby Carver, AIC, SCLA, Field Claims Superintendent  
Dennis Casarcia, AIC, Senior Claims Specialist  
Ken Cassan, Field Claims Superintendent  
Kim Chagnon, AIC, Claims Specialist  
Brian Clapp, Field Representative  
K.C. Clark, Senior Regional Director  
Brendan Classen, Programmer/Analyst  
Marc Collins, AIC, Claims Specialist  
Keith Colton, Underwriting Manager  
Jon Cooper, Field Claims Coordinator  
Kelly Cordle, AIC, Claims Specialist  
Mike Cranney, Field Claims Coordinator  
Anita Creasy, Claims Specialist  
Lori Crittenden, Claims Specialist  
Jon Curtis, Machinery & Equipment Specialist  
Mark Daniels, Claims Specialist  
Debbie Davis, Senior Claims Representative  
Jim Day, Underwriting Specialist  
Ron Day, AIC, Associate Superintendent, Claims  
Shamal Desai, CPCU, AIM, CLU, Chief Rate Filing Specialist  
Randy Deskins, AFSB, Bond Regional Director  
Emilio DiLorenzo, Senior Underwriter

Al Dornon, AIC, Senior Claims Specialist  
Todd Dowdy, AIC, Claims Specialist  
Ron Dunlap, Senior Underwriting Manager  
Chuck Eckert, AIC, CIC, Regional Director  
Mike Eddins, Regional Director  
Kimberly Ellison, AU, Underwriting Manager  
Tracy Ernst, Chief Underwriting Specialist  
Peggy Eubanks, Statement Coordinator  
Diane Fluegeman, APA, PMP, Project Manager  
Mike Fox, AIM, Superintendent—Bond Claims  
Drew Gallagher, AIC, Senior Claims Specialist  
Jerry George, Regional Director  
Laurie Gerhardt, Senior Customer Support Analyst  
Kevin Getz, AIM, Underwriting Manager  
Mike Gingrich, Senior Underwriter  
Molly Grimm, Senior Underwriter  
James Guth, AIC, AIM, Field Claims Coordinator  
Al Hackley, Regional Manager—Special Investigations  
Lisa Hall, CIC, Senior Regional Director  
Tracy Hamilton, Senior Underwriter  
Chris Harrison, Assistant Manager—Agency Accounting  
Ken Heffner, Senior Workers' Compensation Specialist  
Steve Heizman, Senior Machinery & Equipment Representative  
Doug Helton, Systems Analyst  
Tom Heming, Underwriting Superintendent  
Andrew Henderson, Claims Specialist  
Andrea Hendrix, FLMI, Chief Filing Specialist  
C. Jon Hines, CPCU, AIC, AIM, Superintendent  
Mike Hingsbergen, Group Manager  
Scott Hintze, CPCU, AIM, Senior Regional Director  
Lisa Hodges, Software Quality Engineer  
Terri Holland, Senior Programmer/Analyst  
Sandi Holley, Field Claims Superintendent  
Gary James, Programmer/Analyst  
Duane Johnson, Claims Specialist  
Sean Jones, Senior Underwriter  
Mike Kammeyer, AIC, Senior Claims Specialist  
Mike Kannapel, Machinery & Equipment Specialist  
Shawn Kappner, AIM, Underwriting Superintendent  
Dave Karas, Personnel Specialist  
Tom Karenbauer, AIC, AIM, Senior Claims Representative  
Jim Karkoska, AIC, Senior Claims Specialist  
John Kay, AIC, Senior Claims Specialist  
Ronald Kaylor, Programmer  
Mike King, Chief Underwriting Specialist  
Jeff Klopff, Machinery & Equipment Specialist  
Mike Knaub, Senior Claims Specialist  
Brian Knepper, Senior Claims Representative  
Steve Knipper, Underwriting Specialist  
Paul Kocher, AIC, Senior Claims Specialist  
Jeff Kohout, CPCU, AIC, Field Claims Coordinator  
Kimberly Kramer, Senior Claims Specialist  
Mary Kretchmer, AIC, Senior Claims Specialist  
Ray Krimple, CPCU, Senior Underwriting Manager  
Doris Kuhling, CPCU, AIM, Associate Manager—Claims Recovery  
Mark Kuntz, Chief Product Manager  
Debbie Lanter, Senior Programmer/Analyst



Rick Leete, AIC, Senior Claims Representative  
 Septa Leslie, Senior Life Worksite Marketing Representative  
 Jack Linamen, Machinery & Equipment Specialist  
 Bob Lucas, CPCU, AIC, AIM, SCLA, Regional Field Claims Manager  
 Mike Luebbe, CPCU, AIM, Underwriting Manager  
 Steve Luehrmann, AIM, Portfolio Manager  
 Melissa Madden, Programmer/Analyst  
 Shannon Madewell, Senior Systems Analyst  
 Pete Magnuson, Senior Claims Specialist  
 Matthew Manning, Senior Underwriter  
 Stephanie Martin, Senior Underwriter  
 Dan May, AIC, Senior Claims Specialist  
 Teresa McAllister, AIC, SCLA, Claims Specialist  
 Rick McAtee, Coordinator—PC Tech  
 Greg McCrary, AIC, Senior Claims Specialist  
 Becky Meaney-Mitek, Field Claims Superintendent  
 Steve Means, AIC, Claims Specialist  
 Steve Medosch, ACS, AIAA, FLMI, Senior Group Manager  
 Carol Meece, Senior Claims Examiner  
 Scott Meisenbach, Information Security Specialist  
 Brant Merrill, AIC, Senior Claims Specialist  
 Robert L. Miller, SCLA, Senior Claims Representative  
 Robert Misztal, AIC, Claims Specialist  
 Randall Mitchell, AIC, Supervisor Casualty Claims  
 Laura Mize, Senior Programmer/Analyst  
 Marcia Montaine, Senior Underwriter  
 Christine O'Keefe, AIC, Claims Specialist  
 Andrea Oakes, Claims Specialist  
 Tom Oeters, Underwriting Specialist  
 Jim Olney, Senior Machinery & Equipment Representative  
 Valerie Owens, Claims Specialist  
 Susan Parker, Claims Specialist  
 Jeff Pater, Financial Accountant  
 Jon Perkins, AIC, Claims Specialist  
 Bob Proudfoot, State Agent  
 Michael Puno, FLMI, Senior Programmer  
 Rex Pynos, AIC, Senior Claims Specialist  
 Barb Randolph, Senior Underwriter  
 Dan Ratliff, Senior Underwriter  
 Lisa Rausch, Senior Claims Representative  
 Robert Reafler, Senior Premium Auditor  
 Reed Reamsnyder, Field Claims Superintendent  
 Keith Reyer, Claims Specialist  
 Jody Rhude, Regional Director  
 Tim Ritzie, Chief Underwriting Specialist  
 Eric Ross, Machinery & Equipment Specialist  
 Karen Sanders, Senior Business Analyst

Matt Sanders, FLMI, Programmer  
 Gary Scavone, Claims Specialist  
 Patrick Scheina, Senior Loss Control Representative  
 Brian Schenk, IIA, Senior Underwriter  
 Robert Scott, Portfolio Manager  
 Sonny Singleton, Manager—Security  
 Chad Smith, AIC, Claims Specialist  
 Kevin Smith, Manager—Life Accounting  
 Sherri Smith, Programmer  
 John Steele, AU, Machinery & Equipment Specialist  
 Gina Stetter, Senior Business Analyst  
 Carolyn Straker, Business Analyst  
 Julie Sullivan, AIC, SCLA, Supervisor—Casualty Claims  
 Mike S. Sullivan, AIC, Senior Claims Representative  
 Bob Summe, AIC, Senior Claims Specialist  
 Chad Summers, Senior Underwriter  
 Trey Sutphin, Senior Premium Auditor  
 Tore Swanson, AIM, SCLA, Superintendent—Property Claims  
 Bill Taylor, Underwriting Superintendent  
 Carey Taylor, Senior Underwriter  
 Sharon Taylor, Programmer/Analyst  
 Joy Theuring, Programmer/Analyst  
 Ryan Thomas, Network Analyst  
 Eric Trass, Senior Loss Control Representative  
 Julie Trudel, Senior Underwriter  
 Charlotte Tungate, AIC, Manager—Environmental Claims  
 Celeste VanHoutte, Senior Loss Control Representative  
 Scott Vest, Claims Specialist  
 Jack Victory, AIC, Senior Claims Representative  
 Marnel Villaver, Senior Accountant—Support  
 Paul Voda, AIC, Field Claims Coordinator  
 Patti Voegel, Assistant Manager  
 Jerry Vondrell, CPCU, AIC, Regional Field Claims Manager  
 Todd Wallrauch, Customer Support Analyst  
 Dan Walsh, Associate Regional Claims Manager  
 Jane Ward, AIC, Claims Specialist  
 Larry Weary, CPCU, AIC, Field Claims Superintendent  
 James M. Wells, AIC, Senior Claims Specialist  
 Tina Wessels, AIT, Senior Programmer  
 Tracy Westfall, AIC, Senior Claims Specialist  
 Bill Whalen, CSP, Machinery & Equipment Specialist  
 Dave Whipple, Machinery & Equipment Specialist  
 Miriam Williams, Senior Underwriter  
 Mike Wolfer, Underwriting Superintendent  
 Tracy Woyat, Programmer  
 Brad Zimmerman, AIC, Senior Underwriter

A committee of peers granted the quarterly *Above and Beyond the Call (ABC) Award* to associates Stephanie Bird and Connie Petertonjes, AFSB, RPLU, Staff Underwriting; Kathy Halderman, Word Processing; Pat Hale, Information Technology Support Services; Denise Kovac, Commercial Technical Support; Brad Krekeler, Information Technology Support Services; Sue Reckner, Information Technology P&C Administration; and Jeremy Singer, Actuarial. *The ABC Award* recognizes exemplary productivity, service and quality.

We reward and encourage associates to meet high academic, length-of-experience and ethical standards qualifying them for professional insurance designations. Congratulations to Robert Crouch, Lynn Dassel, Bill Frietsch, Paul Fulmer, Joe Jacques, Sandi Lautman, Robert Lucas, Michael Meece, Tracy Reese, Walter Sauerwein and Steve Ventre, who completed a series of courses to earn the Charter Property Casualty Underwriter (CPCU) designation; to Ron Bair, who earned the Charter Life Underwriter (CLU) designation; to Matt Sanders, who earned the Fellow Life Management Institute (FLMI) designation; to Robert Kerr, who earned the Chartered Financial Consultant (ChFC) designation; and to Lisa Hall, Steve Spray and Mike Terrell, who earned the Certified Insurance Counselor (CIC) designation.

Our Education & Training Department continues to offer opportunities for growth to our agents and associates. More than 215 agents completed training in our commercial and personal lines schools, agency management and executive liability roundtables, a new producer school, worksite marketing seminar, life product seminar and professional selling skills.

We are now poised to develop and deliver learning and information using online tools. Currently, 646 e-Learning courses are available to all associates. Technology now in the test stage allows us to develop our own courses, electronically track participation and update personnel records.

### **BALANCE SHEET STRENGTH**

At June 30, total assets were \$13.558 billion versus \$13.287 billion at year-end 2000. Shareholders' equity was \$6.012 billion, or a book value of \$37.20 per share, versus \$5.995 billion, or a book value of \$37.26, at December 31, 2000. Shareholders' equity includes \$4.118 billion of unrealized gain in the investment portfolio, versus \$4.156 billion at year-end 2000.

During the first half of 2001, the Company repurchased 456,500 shares of Cincinnati Financial common stock at an average price of \$36.68 per share, bringing the total repurchases since the Board's 1996 authorization to 12.5 million shares.

### **OUTLOOK**

Let me highlight Cincinnati Financial's positive achievements for the first half of 2001: strong property casualty premium growth, improving investment performance and strong book value. With these achievements as a foundation, we are on track to rebuild property casualty profitability over the coming quarters. The local agents who represent us are our biggest advantage and our loyal supporters in this ongoing effort, as shown in a survey published in the July issue of *Crittenden's Insurance Markets Property/Casualty Ratings*, where agents rated Cincinnati as the leading provider of commercial package policies.

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 investment management services to institutions, corporations and individuals. For additional information, please visit our Web site at [www.cinfin.com](http://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 risks and uncertainties. Many factors could cause future results to differ materially from those discussed. Examples of such factors include: variation in catastrophe losses due to changes in weather patterns or other natural causes; changes in insurance regulations, legislation or court decisions that place the Company at a disadvantage in the marketplace; recession, economic conditions or stock market changes affecting pricing or demand for insurance products or the Company's ability to generate investment income; and the ability of the Company, suppliers and agency representatives to adapt to technology changes. Growth and profitability have been and may be potentially materially affected by these and other factors.

## Automatic, Secure, Quick Access to Your Dividends

We are pleased to offer Dividend Direct Deposit for your quarterly cash dividends. This program allows you to have your dividend payments from Cincinnati Financial Corporation delivered directly to your account at the financial institution of your choice. It saves you the time it takes to deposit the payments, provides you with immediate availability of your funds and minimizes the risk of your payments being lost or stolen.

### How it works to benefit you!

On dividend payment day, your dividend is deposited automatically into your personal checking or savings account. In lieu of a check, Cincinnati Financial Corporation sends you a notice of the amount deposited. In addition, the deposit appears on your statement from your financial institution.

### Sign up today

To participate in the Dividend Direct Deposit program, please complete the authorization form below and return it **(with your pre-encoded deposit ticket or blank, voided check)** to Shareholder Services. If you require additional information, please call Shareholder Services, 513/870-2639.

### Dividend reinvestment

Cincinnati Financial Corporation also offers a Dividend Reinvestment Plan, which would allow you to invest your cash dividend immediately in additional shares of Cincinnati Financial stock. If you would prefer Dividend Reinvestment over Dividend Direct Deposit, do not complete this form. Instead, send your request for enrollment information to Shareholder Services, P.O. Box 145496, Cincinnati, OH 45250-5496; or call 513/870-2639.

---

## Dividend Direct Deposit Authorization Form

Please complete a separate form for each shareholder account. This form may be photocopied.

Please indicate the account number and the financial institution to which you would like your dividends deposited.

**Please enclose a pre-encoded deposit ticket or blank, voided check to help us identify the account. Mail to Shareholder Services, P.O. Box 145496, Cincinnati, OH 45250-5496.**

- ☐ Checking account number: \_\_\_\_\_  
Financial institution: \_\_\_\_\_
- ☐ Savings account number: \_\_\_\_\_  
Financial institution: \_\_\_\_\_
- ☐ Other: \_\_\_\_\_  
Financial institution: \_\_\_\_\_

Please print name(s) as shown on shareholder records:

First \_\_\_\_\_ Middle Initial \_\_\_\_\_ Last \_\_\_\_\_

First \_\_\_\_\_ Middle Initial \_\_\_\_\_ Last \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone Number ( ) \_\_\_\_\_ ( ) \_\_\_\_\_  
Home Work

Signature(s)\*: \_\_\_\_\_

Shareholder account number  
(this number appears on the dividend check stub): \_\_\_\_\_

\* All persons shown on shareholder records are required to sign for Dividend Direct Deposit.

AC-1096 (5/97)



[www.cinfin.com](http://www.cinfin.com)