Cincinnati Financial Corporation

2010 Third-Quarter Letter to Shareholders

November 18, 2010

To Our Shareholders, Friends and Associates:

Your company, like others in our industry, faces significant challenges as we continue to adapt our operations in a tough insurance environment. Some insurers appear to be cutting prices to build market share and meet near-term goals. In keeping with the Cincinnati philosophy, we choose to pursue adaptive solutions that align with long-term strategies and relationships.

Our solutions involve offering our independent agency partners more to sell in terms of value and service, along with reasonable prices and a sound underwriting approach. We believe the best way to grow and profit is to help these agencies prosper. Our commitment to our agent-centered mission requires that we steadfastly meet their current needs while also evolving and adapting to become the company they and their clients need tomorrow.

We create opportunities to listen and fully understand the value agents place on current or proposed Cincinnati attributes and services. Our extensive team of field representatives interacts daily with agency staff; our executives travel regularly to meet with agents in their offices; and earlier this year we asked an independent firm to survey our agents.

The messages we hear are consistent. Agents tell us that a strong technology infrastructure is in a sense "the price of admission" to earning their business, and we have responded with new policy administration systems. They say they would welcome more direct client support before and after the sale, and we are working to do that with our new Target Markets programs, CinciSafe™ loss control services and further development of online services for policyholders.

In any phase of the insurance market cycle, improving the value and service we give agents and policyholders is the best route to assuring future solid performance of our property casualty insurance operations. One of our three overarching corporatewide goals includes growing our share of business within our appointed agencies. Our target is to earn the No. 1 or No. 2 carrier status in 80 percent of our agencies appointed for five or more years, up from the current measure of approximately 75 percent. To hit that target, we're focusing on improving our handling of small business accounts and our interactions with consumers, so agents can expect Cincinnati to give their clients a targeted, consistent, superior experience.

Inside this *Letter to Shareholders,* you'll read about initiatives to support two more corporatewide goals. The first goal is to continue building our already strong capital to create long-term value. We have the investment-related part of our house in good order to weather storms in financial markets, but it will be challenging to find opportunities to increase investment income in the near future. To accomplish our objectives related to building capital, we must operate our insurance business more profitably. We're harnessing the power of predictive analytics to assist in developing competitive, more precise pricing. The models and metrics we set up will help us identify trends and challenges early, allowing for management decisions informed by up-to-date, granular data. We expect to develop one-, three-, five- and 10-year growth and profitability plans for each territory, state and agency.

The third corporatewide goal involves improving our internal processes, both to support our other goals and to reduce costs. We are taking opportunities to implement straight-through processing for select life insurance products and working to identify similar opportunities in our property casualty operations. Our new automation is bringing more efficient processes and better use of staff resources. Ultimately, all of these efforts will reduce costs, improving our service, agent and policyholder satisfaction and your shareholder return.

Respectfully,

/s/ John J. Schiff, Jr.	/s/ Kenneth W. Stecher	/s/ Steven J. Johnston
John J. Schiff, Jr., CPCU Chairman of the Board	Kenneth W. Stecher President and Chief Executive Officer	Steven J. Johnston, FCAS, MAAA, CFA Senior Vice President and Chief Financial Officer

About the Company

Cincinnati Financial Corporation stands among the 25 largest property casualty insurers in the nation, based on premium volume. A select group of agencies in 39 states actively markets our property casualty insurance within their communities. Standard market commercial lines policies are available in all of those states, while personal lines policies are available in 29 and surplus lines policies are available in 38 of the same 39 states. Within this select group, we seek to become the life insurance carrier of choice and to help agents and their clients – our policyholders – by offering leasing and financing services.

Three hallmarks distinguish our company, positioning us to build value and long-term success:

- Commitment to our network of professional independent insurance agencies and to their continued success
- Financial strength that lets us be a consistent market for our agents' business, supporting stability and confidence
- Operating structure that supports local decision making, showcasing our claims excellence and allowing us to balance growth with underwriting discipline

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Investor E-mail Alerts

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Recent News Releases

Cincinnati Financial Reports Third-Quarter 2010 Results

Cincinnati, October 27, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today reported:

- $156 million, or 95 cents per share, of net income for the third quarter of 2010 compared with a net income of $171 million, or $1.05 per share, in the third quarter of 2009.
- $56 million, or 34 cents per share, of operating income* compared with operating income of $96 million, or 59 cents per share.
- Net income and operating income for the third quarter of 2010 declined due to property casualty insurance results that were lower by $42 million after taxes. For the first nine months of 2010, the contribution from property casualty insurance rose $25 million over the year-ago period. The contribution to net income from investments, including net realized investment gains, rose $26 million for the quarter and $42 million for the nine-month period.
- $30.80 book value per share at September 30, 2010, up approximately 6 percent from June 30, 2010, and 5 percent from December 31, 2009.
- 9.4 percent value creation ratio for the first nine months of 2010, compared with 15.0 percent for the same period of 2009.

Financial Highlights

(Dollars in millions except share data)	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change %	**2010**	2009	Change %
Revenue Highlights						
Earned premiums	**$ 784**	$ 766	2	**$ 2,299**	$ 2,301	0
Investment income, pre-tax	**128**	127	1	**388**	370	5
Total revenues	**1,071**	1,007	6	**2,836**	2,770	2
Income Statement Data						
Net income (loss)	**$ 156**	$ 171	(9)	**$ 251**	$ 187	34
Net realized investment gains and losses	**100**	75	33	**90**	58	55
Operating income (loss)*	**$ 56**	$ 96	(42)	**$ 161**	$ 129	25
Per Share Data (diluted)						
Net income (loss)	**$ 0.95**	$ 1.05	(10)	**$ 1.53**	$ 1.15	33
Net realized investment gains and losses	**0.61**	0.46	33	**0.55**	0.36	53
Operating income (loss)*	**$ 0.34**	$ 0.59	(42)	**$ 0.98**	$ 0.79	24
Book value				**$ 30.80**	$ 28.44	8
Cash dividend declared	$ **0.40**	$ 0.395	1	$ **1.19**	$ 1.175	1
Diluted weighted average shares outstanding	**163,175,682**	162,901,396	0	**163,251,628**	162,794,767	0

Insurance Operations Third-Quarter Highlights

- 103.9 percent third-quarter 2010 property casualty combined ratio, up 8.8 percentage points from one year ago primarily due to a lower benefit from reserve development on prior accident years and relatively higher weather-related catastrophe losses.
- 1 percent increase in property casualty net written premiums, including personal lines segment growth of 9 percent.
- $109 million property casualty new business written by agencies, up $2 million from third-quarter 2009. $11 million was contributed during the quarter by all agencies appointed since the beginning of 2009.
- 4 cents per share contribution from life insurance to third-quarter operating income, matching the year ago contribution.

Investment and Balance Sheet Highlights

- Investment income, after income tax effects, grew 1 percent in the third quarter of 2010. On a nine-month basis, it grew 4 percent, driven by pre-tax interest income growth of 7 percent.
- 5 percent nine-month increase in fair value of invested assets plus cash at September 30, 2010, including bond portfolio growth of 8 percent.
- Parent company cash and marketable securities of $1.079 billion at September 30, 2010, up 8 percent from year-end.

* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on Page 9 defines and reconciles measures presented in this release that are not based on Generally Accepted Accounting Principles.

** Forward-looking statements and related assumptions are subject to the risks outlined in the company's safe harbor statement (see Page 14).

Attaining Milestones: Financial Strength

Kenneth W. Stecher, president and chief executive officer, commented, "The balance sheet strength of Cincinnati Financial Corporation grew as of September 30, 2010, with assets topping $15 billion and shareholders' equity reaching $5 billion.

"Book value per share rose 6 percent during the third quarter and 5 percent over the nine-month period. The increase for both periods was primarily due to increased fair value of our investment portfolio, with our common stock portfolio growing more than the bond portfolio during the third quarter. Investment income rose compared with the year-ago quarter, but the trend for the sequential quarter declined as we replaced matured or called bonds with ones that generally pay lower interest.

"We sold our Verisk holding during the third quarter and plan to reinvest the proceeds – more than $80 million of after-tax realized gains – in dividend-paying equities. Realized investment gains on equity sales more than offset a negative income contribution from property casualty insurance operations, with market and economic pressures continuing to affect demand and pricing in our commercial business segment.

"We expect initiatives already in progress to drive incremental improvement of our insurance underwriting results. In the interim, our exceptional level of financial strength lets us honor our strong relationships with shareholders, independent agent representatives and policyholders by maintaining consistency and a long-term approach. This month, shareholders received a regular cash dividend that reflected 50 consecutive years of annual increases, a record matched by only a handful of public companies."

Meeting Challenges: Insurance Operations Growth and Profitability

Stecher noted, "With the support of our agents, we are declining business we consider underpriced and, at the same time, enjoying growth in states and lines of business that we have targeted for premium growth. Our total new business premiums rose $2 million over last year's third quarter, thanks to increases from states where we began marketing since 2008, as well as from personal lines. Overall written premiums, which include renewing policies at our high policy retention rate, also rose slightly for the quarter. Written premium growth in personal lines and excess and surplus lines more than offset the 3 percent decline in our larger commercial segment.

"Our overall property casualty combined ratio was unsatisfactory at 103.9 percent for the quarter and 104.7 percent for the nine months. Profitability of commercial casualty, our largest line of business and representing nearly one-third of our commercial segment, continued strong.

"Our challenge remains to improve performance of our homeowner personal line of business and our workers' compensation commercial line, which have been offsetting otherwise profitable overall underwriting results. One of the ways we evaluate the effects of our underwriting initiatives is to look at the loss and loss expenses ratio before catastrophe losses and prior accident year reserve development. For the nine months, that measure for commercial lines came within 1 percentage point of full-year 2009 although pricing trends worsened. The same measure for personal lines, while still below a break-even point, improved almost 3 percentage points.

"We believe pricing precision accounts for much of the improvement, and we will repair our underperforming lines by targeting further precision. We first used predictive analytics tools for this purpose in homeowners, then workers' compensation and more recently for the personal auto line of business, and we are developing them for our other major lines of commercial business.

"In addition, we are addressing underwriting performance through several other initiatives. We are taking selective rate increases for homeowners, speeding up our response to workers' compensation claims, providing more specialized staff support for that line and expanding our proactive loss control services. All of these actions, together with our reserve practices that consistently produce favorable development over time, put us on track to resume historical underwriting results well above industry averages.

"In conclusion, we remain confident in our ability to deliver better results and shareholder value over the long term. Our time-tested business model and financial strength is the foundation. Strategic initiatives to improve operating performance are beginning to bear fruit and also place us in a better position to grow earnings at a faster pace when market conditions are more favorable."

Consolidated Property Casualty Insurance Operations

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change %	**2010**	2009	Change %
Agency renewal written premiums	**$ 677**	$ 669	1	**$ 2,044**	$ 2,030	1
Agency new business written premiums	**109**	107	2	**307**	311	(1)
Other written premiums	**(50)**	(46)	(9)	**(110)**	(110)	0
Net written premiums	**736**	730	1	**2,241**	2,231	0
Unearned premium change	**7**	3	133	**(62)**	(33)	(88)
Earned premiums	**743**	733	1	**2,179**	2,198	(1)
Loss and loss expenses	**532**	459	16	**1,560**	1,623	(4)
Underwriting expenses	**240**	238	1	**722**	716	1
Underwriting (loss) profit	**$ (29)**	$ 36	nm	**$ (103)**	$ (141)	27
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**75.5%**	73.9%	1.6	**72.3%**	70.6%	1.7
Current accident year catastrophe losses	**4.3**	1.2	3.1	**7.2**	8.4	(1.2)
Prior accident years before catastrophe losses	**(7.7)**	(12.1)	4.4	**(7.2)**	(4.9)	(2.3)
Prior accident years catastrophe losses	**(0.5)**	(0.3)	(0.2)	**(0.7)**	(0.3)	(0.4)
Total loss and loss expenses	**71.6**	62.7	8.9	**71.6**	73.8	(2.2)
Underwriting expenses	**32.3**	32.4	(0.1)	**33.1**	32.6	0.5
Combined ratio	**103.9%**	95.1%	8.8	**104.7%**	106.4%	(1.7)
Contribution from catastrophe losses and prior years reserve development	**(3.9)**	(11.2)	7.3	**(0.7)**	3.2	(3.9)
Combined ratio before catastrophe losses and prior years reserve development	**107.8%**	106.3%	1.5	**105.4%**	103.2%	2.2

- $6 million or 1 percent increase in total third-quarter 2010 property casualty net written premiums, reflecting various targeted growth initiatives that produced increases of $18 million in personal lines and $5 million in excess and surplus lines.
- $2 million increase in new business written by agencies in the third quarter of 2010 compared with the third quarter of 2009, including a decrease of $2 million for commercial lines that was offset by an increase of $4 million for personal lines.
- 1,227 agency relationships with 1,524 reporting locations marketing standard market property casualty insurance products at September 30, 2010, compared with 1,180 agency relationships with 1,463 reporting locations at year-end 2009. Seventy-one new agency appointments were made during the first nine months of 2010, exceeding the initial full-year target of 65. The company now markets in 38 states including Connecticut, where its first agency appointment was announced in October.
- 8.8 percentage-point rise in the third-quarter combined ratio, including 2.9 points for higher catastrophe losses from weather events.
- Underwriting results benefitted from favorable prior accident year reserve development of $61 million for the third quarter of 2010, a lower level of benefit compared with $91 million for the same period of 2009, which accounted for 4.2 percentage points of the increase in the combined ratio.
- 1.7 percentage point improvement in the nine-month combined ratio was driven by a higher level of benefit from favorable prior accident year reserve development and lower weather-related catastrophe losses.

The following table shows incurred catastrophe losses for 2010 and 2009.

(In millions, net of reinsurance)			Three months ended Sept. 30,			Nine months ended Sept. 30,		
Dates	Cause of loss	Region	Commercial lines	Personal lines	Total	Commercial lines	Personal lines	Total
2010								
First quarter catastrophes			**$ (1)**	**$ (1)**	**$ (2)**	**$ 8**	**$ 2**	**$ 10**
Second quarter catastrophes			**–**	**1**	**1**	**51**	**42**	**93**
Jun. 30 - Jul. 1	Hail, wind	West	**9**	**3**	**12**	**12**	**4**	**16**
Jul. 20-23	Flood, hail, tornado, wind	Midwest	**5**	**4**	**9**	**5**	**4**	**9**
All other 2010 catastrophes			**6**	**5**	**11**	**19**	**11**	**30**
Development on 2009 and prior catastrophes			**(2)**	**(1)**	**(3)**	**(12)**	**(4)**	**(16)**
Calendar year incurred total			**$ 17**	**$ 11**	**$ 28**	**$ 83**	**$ 59**	**$142**
2009								
First quarter catastrophes			$ (1)	$ 1	$ –	$ 20	$ 47	$ 67
Second quarter catastrophes			(10)	1	(9)	42	45	87
Sep. 18-22	Flood, hail, wind	South	1	4	5	1	4	5
All other 2009 catastrophes			6	6	12	11	13	24
Development on 2008 and prior catastrophes			(3)	1	(2)	(10)	4	(6)
Calendar year incurred total			$ (7)	$ 13	$ 6	$ 64	$113	$177

Insurance Operations Highlights

Commercial Lines Insurance Operations

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change %	**2010**	2009	Change %
Agency renewal written premiums	**$ 479**	$ 489	(2)	**$ 1,504**	$ 1,535	(2)
Agency new business written premiums	**74**	76	(3)	**213**	231	(8)
Other written premiums	**(42)**	(37)	(14)	**(86)**	(88)	2
Net written premiums	**511**	528	(3)	**1,631**	1,678	(3)
Unearned premium change	**36**	27	33	**(23)**	(11)	(109)
Earned premiums	**547**	555	(1)	**1,608**	1,667	(4)
Loss and loss expenses	**387**	329	18	**1,118**	1,159	(4)
Underwriting expenses	**179**	184	(3)	**529**	539	(2)
Underwriting (loss) profit	**$ (19)**	$ 42	nm	**$ (39)**	$ (31)	(26)
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**76.6%**	73.3%	3.3	**73.1%**	70.4%	2.7
Current accident year catastrophe losses	**3.5**	(0.6)	4.1	**5.9**	4.4	1.5
Prior accident years before catastrophe losses	**(9.1)**	(12.8)	3.7	**(8.8)**	(4.6)	(4.2)
Prior accident year catastrophe losses	**(0.3)**	(0.6)	0.3	**(0.7)**	(0.6)	(0.1)
Total loss and loss expenses	**70.7**	59.3	11.4	**69.5**	69.6	(0.1)
Underwriting expenses	**32.7**	33.1	(0.4)	**32.9**	32.3	0.6
Combined ratio	**103.4%**	92.4%	11.0	**102.4%**	101.9%	0.5
Contribution from catastrophe losses and prior years reserve development	**(5.9)**	(14.0)	8.1	**(3.6)**	(0.8)	(2.8)
Combined ratio before catastrophe losses and prior years reserve development	**109.3%**	106.4%	2.9	**106.0%**	102.7%	3.3

- $17 million or 3 percent decrease in third-quarter 2010 commercial lines net written premiums. The third-quarter and ninemonth periods trended similarly and were largely driven by lower renewal written premiums reflecting stable policy retention and modest pricing declines.
- $2 million and $18 million declines in third quarter and first nine months of 2010 new business written premiums compared with the same periods of 2009, due to continued strong competition and our intention to avoid writing business we considered underpriced. $13 million increase for three newest states of operation during the nine-month period while other states decreased by $31 million or 14 percent.
- 11.0 percentage-point third-quarter combined ratio increase due primarily to higher weather-related losses and a lower level of benefit from favorable prior accident year reserve development.
- 0.5 percentage point rise in the nine-month combined ratio reflected fairly stable current accident year results and higher weather-related catastrophe losses offset by a higher level of benefit from favorable prior accident year reserve development.
- 54.4 percent nine-month loss and loss expense ratio for the largest line of business in the segment, commercial casualty, in line with full-year 2009 at 54.6 percent.
- 73.1 percent nine-month ratio for current accident year losses and loss expenses before catastrophes, increased slightly from 72.5 percent full-year 2009.

Personal Lines Insurance Operations

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change %	**2010**	2009	Change %
Agency renewal written premiums	**$ 189**	$ 177	7	**$ 519**	$ 490	6
Agency new business written premiums	**25**	21	19	**67**	55	22
Other written premiums	**(6)**	(8)	25	**(19)**	(21)	10
Net written premiums	**208**	190	9	**567**	524	8
Unearned premium change	**(26)**	(20)	(30)	**(32)**	(11)	(191)
Earned premiums	**182**	170	7	**535**	513	4
Loss and loss expenses	**132**	125	6	**407**	450	(10)
Underwriting expenses	**56**	49	14	**180**	159	13
Underwriting loss	**$ (6)**	$ (4)	(50)	**$ (52)**	$ (96)	46
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**70.0%**	76.1%	(6.1)	**68.1%**	71.3%	(3.2)
Current accident year catastrophe losses	**6.9**	7.3	(0.4)	**11.6**	21.2	(9.6)
Prior accident years before catastrophe losses	**(3.7)**	(10.7)	7.0	**(3.1)**	(5.8)	2.7
Prior accident year catastrophe losses	**(0.9)**	0.6	(1.5)	**(0.6)**	0.8	(1.4)
Total loss and loss expenses	**72.3**	73.3	(1.0)	**76.0**	87.5	(11.5)
Underwriting expenses	**31.1**	29.0	2.1	**33.8**	31.2	2.6
Combined ratio	**103.4%**	102.3%	1.1	**109.8%**	118.7%	(8.9)
Contribution from catastrophe losses and prior years reserve development	**2.3**	(2.8)	5.1	**7.9**	16.2	(8.3)
Combined ratio before catastrophe losses and prior years reserve development	**101.1%**	105.1%	(4.0)	**101.9%**	102.5%	(0.6)

- $18 million or 9 percent increase in third-quarter 2010 personal lines net written premiums, reflecting improved pricing and strong new business growth. The third-quarter and nine-month periods trended similarly and were largely driven by higher renewal and new business written premiums that reflected improved pricing.
- 1.1 percentage-point increase in the third-quarter combined ratio as higher technology related costs in underwriting expenses offset lower total loss and loss expenses.
- 8.9 percentage-point nine-month combined ratio improvement driven by lower losses, primarily from weather-related catastrophes, but also other losses that included the effect of improved pricing.
- 68.1 percent nine-month ratio for current accident year losses and loss expenses before catastrophes, improved from 70.9 percent fullyear 2009 primarily due to better pricing and a 2.1 percentage point favorable effect from lower new losses greater than $250,000.

Life Insurance Operations

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change %	**2010**	2009	Change %
Term life insurance	**$ 25**	$ 22	14	**$ 72**	$ 63	14
Universal life insurance	**10**	5	100	**29**	20	45
Other life insurance, annuity, and disability income products	**6**	6	0	**19**	20	(5)
Earned premiums	**41**	33	24	**120**	103	17
Investment income, net of expenses	**32**	31	3	**97**	90	8
Other income	**-**	-	nm	**1**	1	0
Total revenues, excluding realized investment gains and losses	**73**	64	14	**218**	194	12
Contract holders benefits	**44**	40	10	**129**	118	9
Underwriting expenses	**19**	9	111	**51**	34	50
Total benefits and expenses	**63**	49	29	**180**	152	18
Net income before income tax and realized investment gains and losses	**10**	15	(33)	**38**	42	(10)
Income tax	**3**	8	(63)	**13**	15	(13)
Net income before realized investment gains and losses	**$ 7**	$ 7	0	**$ 25**	$ 27	(7)

- $8 million or 24 percent growth in third-quarter 2010 earned premiums and 17 percent nine-month growth, reflecting marketing advantages of competitive products, personal service and policies backed by financial strength. Five percent rise in face amount of life policies in force to $73.134 billion at September 30, 2010, from $69.815 billion at year-end 2009.
- $37 million in third-quarter 2010 fixed annuity deposits received compared with $70 million in third-quarter 2009 and $181 million in full-year 2009. Cincinnati Life does not offer variable or indexed products.
- Third-quarter 2010 profit was in line with 2009. Profit for the nine-month period declined primarily due to the unlocking of actuarial assumptions for our universal life contracts, which increased underwriting expenses. Nine-month expenses were also up from higher commissions and expenses due to growth in term life insurance and fixed annuities.
- GAAP shareholders' equity for The Cincinnati Life Insurance Company increased during the third quarter of 2010 by $46 million, or 6 percent, to $776 million. Net after-tax unrealized gains were up $38 million.

Investment and Balance Sheet Highlights

Investment Operations

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change %	**2010**	2009	Change %
Total investment income, net of expenses, pre-tax	**$ 128**	$ 127	1	**$ 388**	$ 370	5
Investment interest credited to contract holders	**(21)**	(17)	(24)	**(60)**	(50)	(20)
Realized investment gains and losses summary:						
Realized investment gains and losses, net	**151**	106	42	**170**	180	(6)
Change in fair value of securities with embedded derivatives	**5**	15	(67)	**6**	23	(74)
Other-than-temporary impairment charges	**(1)**	(11)	91	**(36)**	(113)	68
Total realized investment gains and losses, net	**155**	110	41	**140**	90	56
Investment operations income	**$ 262**	$ 220	19	**$ 468**	$ 410	14

(Dollars in millions)	Three months ended September 30,			Nine months ended September 30,		
	2010	2009	Change %	**2010**	2009	Change %
Investment income:						
Interest	**$ 104**	$ 104	0	**$ 318**	$ 296	7
Dividends	**25**	24	4	**73**	74	(1)
Other	**1**	1	0	**3**	6	(50)
Investment expenses	**(2)**	(2)	0	**(6)**	(6)	0
Total investment income, net of expenses, pre-tax	**128**	127	1	**388**	370	5
Income taxes	**(31)**	(31)	0	**(95)**	(87)	(9)
Total investment income, net of expenses, after-tax	**$ 97**	$ 96	1	**$ 293**	$ 283	4
Effective tax rate	**24.3%**	24.0%		**24.4%**	23.5%	
Average yield pre-tax	**4.4%**	4.9%		**4.5%**	4.7%	
Average yield after-tax	**3.4%**	3.7%		**3.4%**	3.6%	

- 1 percent third-quarter 2010 and 5 percent nine-month growth in pre-tax investment income. A steeper year-over-year decline in bond yields slowed the current quarter rate of growth relative to the nine-month period.
- $283 million or 27 percent third-quarter 2010 increase in pre-tax unrealized investment portfolio gains, including a $198 million or 36 percent for the bond portfolio and $85 million or 17 percent for the equity portfolio.

(Dollars in millions except share data)	**At September 30, 2010**	At December 31, 2009
Balance sheet data		
Invested assets	**$ 11,305**	$ 10,643
Total assets	**15,070**	14,440
Short-term debt	**49**	49
Long-term debt	**790**	790
Shareholders' equity	**5,010**	4,760
Book value per share	**30.80**	29.25
Debt-to-capital ratio	**14.3 %**	15.0 %

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
Performance measure				
Value creation ratio	**7.1%**	13.1%	**9.4%**	15.0%

- $11.750 billion in cash and invested assets at September 30, 2010, up from $11.200 billion at December 31, 2009.
- $8.466 billion bond portfolio at September 30, 2010, with an average rating of A2/A and with an 8 percent increase in fair value during the first nine months of 2010.
- $2.757 billion equity portfolio was 23.7 percent of invested assets, including $580 million in pre-tax net unrealized gains at September 30, 2010.
- $3.641 billion of statutory surplus for the property casualty insurance group at September 30, 2010, down slightly from $3.648 billion at December 31, 2009. Ratio of net written premiums to property casualty statutory surplus for the 12 months ended September 30, 2010, of 0.8-to-1, unchanged from the 12 months ended December 31, 2009.
- Value creation ratio of 7.1 percent for the third quarter of 2010 is the sum of 1.4 percent from shareholder dividends plus 5.7 percent from change in book value per share.

For additional information or to hear a replay of our October 28 conference call webcast, please visit *www.cinfin.com/investors*.

Cincinnati Financial Corporation
Condensed Balance Sheets and Statements of Operations (unaudited)

(Dollars in millions)	**September 30, 2010**	December 31, 2009
Assets		
Investments	**$ 11,305**	$ 10,643
Cash and cash equivalents	**445**	557
Premiums receivable	**1,035**	995
Reinsurance receivable	**554**	675
Other assets	**1,731**	1,570
Total assets	**$ 15,070**	$ 14,440
Liabilities		
Insurance reserves	**$ 6,193**	$ 5,925
Unearned premiums	**1,573**	1,509
Long-term debt	**790**	790
Other liabilities	**1,504**	1,456
Total liabilities	**10,060**	9,680
Shareholders' Equity		
Common stock and paid-in capital	**1,480**	1,474
Retained earnings	**3,919**	3,862
Accumulated other comprehensive income	**814**	624
Treasury stock	**(1,203)**	(1,200)
Total shareholders' equity	**5,010**	4,760
Total liabilities and shareholders' equity	**$ 15,070**	$ 14,440

(Dollars in millions except share data)	Three months ended September 30, **2010**	2009	Nine months ended September 30, **2010**	2009
Revenues				
Earned premiums	**$ 784**	$ 766	**$ 2,299**	$ 2,301
Investment income, net of expenses	**128**	127	**388**	370
Realized investment gains and losses	**155**	110	**140**	90
Other income	**4**	4	**9**	9
Total revenues	**1,071**	1,007	**2,836**	2,770
Benefits and Expenses				
Insurance losses and policyholder benefits	**575**	498	**1,686**	1,737
Underwriting, acquisition and insurance expenses	**258**	247	**772**	750
Other operating expenses	**4**	4	**11**	14
Interest expense	**13**	14	**40**	42
Total benefits and expenses	**850**	763	**2,509**	2,543
Income before income taxes	**221**	244	**327**	227
Provision for income taxes	**65**	73	**76**	40
Net Income	**$ 156**	$ 171	**$ 251**	$ 187
Per Common Share:				
Net income – basic	**$ 0.95**	$ 1.05	**$ 1.54**	$ 1.15
Net income – diluted	**$ 0.95**	$ 1.05	**$ 1.53**	$ 1.15

Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures

(See attached tables for 2010 reconciliations; prior-period reconciliations available at *www.cinfin.com/investors*.)

Cincinnati Financial Corporation prepares its public financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual and therefore is not reconciled to GAAP data.

Management uses certain non-GAAP and non-statutory financial measures to evaluate its primary business areas – property casualty insurance, life insurance and investments. Management uses these measures when analyzing both GAAP and nonGAAP measures to improve its understanding of trends in the underlying business and to help avoid incorrect or misleading assumptions and conclusions about the success or failure of company strategies. Management adjustments to GAAP measures generally: apply to non-recurring events that are unrelated to business performance and distort short-term results; involve values that fluctuate based on events outside of management's control; or relate to accounting refinements that affect comparability between periods, creating a need to analyze data on the same basis.

- Operating income: Operating income is calculated by excluding net realized investment gains and losses (defined as realized investment gains and losses after applicable federal and state income taxes) from net income. Management evaluates operating income to measure the success of pricing, rate and underwriting strategies. While realized investment gains (or losses) are integral to the company's insurance operations over the long term, the determination to realize investment gains or losses in any period may be subject to management's discretion and is independent of the insurance underwriting process. Also, under applicable GAAP accounting requirements, gains and losses can be recognized from certain changes in market values of securities without actual realization. Management believes that the level of realized investment gains or losses for any particular period, while it may be material, may not fully indicate the performance of ongoing underlying business operations in that period.

  For these reasons, many investors and shareholders consider operating income to be one of the more meaningful measures for evaluating insurance company performance. Equity analysts who report on the insurance industry and the company generally focus on this metric in their analyses. The company presents operating income so that all investors have what management believes to be a useful supplement to GAAP information.
- Statutory accounting rules: For public reporting, insurance companies prepare financial statements in accordance with GAAP. However, insurers also must calculate certain data according to statutory accounting rules as defined in the NAIC's Accounting Practices and Procedures Manual, which may be, and has been, modified by various state insurance departments. Statutory data is publicly available, and various organizations use it to calculate aggregate industry data, study industry trends and compare insurance companies.
- Written premium: Under statutory accounting rules, property casualty written premium is the amount recorded for policies issued and recognized on an annualized basis at the effective date of the policy. Management analyzes trends in written premium to assess business efforts. Earned premium, used in both statutory and GAAP accounting, is calculated ratably over the policy term. The difference between written and earned premium is unearned premium.

Cincinnati Financial Corporation
Balance Sheet Reconciliation

Dollars are per share)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2010	2009	**2010**	2009
Value creation ratio				
End of period book value	**$ 30.80**	$ 28.44	**$ 30.80**	$ 28.44
Less beginning of period book value	**29.13**	25.49	**29.25**	25.75
Change in book value	**1.67**	2.95	**1.55**	2.69
Dividend paid to shareholders	**0.40**	0.395	**1.19**	1.175
Total contribution to value creation ratio	**$ 2.07**	$ 3.35	**$ 2.74**	$ 3.87
Contribution to value creation ratio from change in book value*	**5.7%**	11.6%	**5.3%**	10.4%
Contribution to value creation ratio from dividends paid to shareholders**	**1.4**	1.5	**4.1**	4.6
Value creation ratio	**7.1%**	13.1%	**9.4%**	15.0%

* Change in book value divided by the beginning of period book value
** Dividend paid to shareholders divided by beginning of period book value

Net Income Reconciliation

(In millions, except per share data)	Three months ended September 30, 2010	Nine months ended September 30, 2010
Net income	$ 156	$ 251
Net realized investment gains and losses	100	90
Operating income	56	161
Less catastrophe losses	(19)	(93)
Operating income before catastrophe losses	$ 75	$ 254
Diluted per share data:		
Net income	$ 0.95	$ 1.53
Net realized investment gains and losses	0.61	0.55
Operating income	0.34	0.98
Less catastrophe losses	(0.11)	(0.57)
Operating income before catastrophe losses	$ 0.45	$ 1.55

Property Casualty Reconciliation

(Dollars in millions)	Nine months ended September 30, 2010		
	Consolidated*	Commercial	Personal
Statutory ratio:			
Statutory combined ratio	104.5%	105.5%	100.7%
Contribution from catastrophe losses	3.8	3.2	6.0
Statutory combined ratio excluding catastrophe losses	100.7%	102.3%	94.7%
Commission expense ratio	18.7%	19.0%	17.1%
Other expense ratio	14.2	15.8	11.3
Statutory expense ratio	32.9%	34.8%	28.4%
GAAP combined ratio:			
GAAP combined ratio	103.9%	103.4%	103.4%
Contribution from catastrophe losses	3.8	3.2	6.0
Prior accident years before catastrophe losses	(7.7)	(9.1)	(3.7)
GAAP combined ratio excluding catastrophe losses and prior years reserve development	107.8%	109.3%	101.1%

(Dollars in millions)	Nine months ended September 30, 2010		
	Consolidated*	Commercial	Personal
Statutory ratio:			
Statutory combined ratio	104.4%	102.2%	108.8%
Contribution from catastrophe losses	6.5	5.2	11.0
Statutory combined ratio excluding catastrophe losses	97.9%	97.0%	97.8%
Commission expense ratio	18.3%	17.9%	19.0%
Other expense ratio	14.5	14.8	13.8
Statutory expense ratio	32.8%	32.7%	32.8%
GAAP ratio:			
GAAP combined ratio	104.7%	102.4%	109.8%
Contribution from catastrophe losses	6.5	5.2	11.0
Prior accident years before catastrophe losses	(7.2)	(8.8)	(3.1)
GAAP combined ratio excluding catastrophe losses and prior years reserve development	105.4%	106.0%	101.9%

Dollar amounts shown are rounded to millions; certain amounts may not add due to rounding. Ratios are calculated based on whole dollar amounts.
* Consolidated property casualty data includes results from our surplus line of business.

Other News Releases

Connecticut Agency Appointed to Represent The Cincinnati Insurance Company

Cincinnati, October 20, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today announced that its lead property casualty insurance subsidiary, The Cincinnati Insurance Company, began marketing in Connecticut with the appointment of Rose & Kiernan Inc., an independent insurance agency serving Danbury, Connecticut. Cincinnati Insurance executives formalized the relationship today at the company's headquarters, welcoming agency representatives Sean Hickey, RPLU, ARM, senior vice president, and Arnold Finaldi, Jr., CPCU, senior vice president. The agency is a branch of Rose & Kiernan Inc. in East Greenbush, New York, which has represented Cincinnati since 2001.

President and CEO Kenneth W. Stecher said, "Connecticut is our 38th state of operation. We continually evaluate opportunities for profitable growth in areas that neighbor our active states, especially areas that will help over time to diversify our geographic footprint. Connecticut's favorable regulatory and political environment and its stable weather patterns also attracted us. Opening Connecticut continues our expansion initiative that, in recent years, has focused almost exclusively in the West. In New Mexico and eastern Washington, states entered in 2007, we appointed 13 agencies through 2009, earning an almost 5 percent share of their total agency annual premium volume as of the end of 2009. In Texas, entered in late 2008, net written premiums for the first six months of 2010 rose to $15 million compared with $3 million for the same period of 2009."

Executive Vice President J.F. Scherer commented, "To provide local support to agents in this new western Connecticut and southeastern New York territory, we've hired experienced field marketing representative Vincent M. Sinopoli, AAI, from Rocky Hill, Connecticut. Vincent will meet with additional agencies to select those that share our commitment to quality, value and service, with the goal of getting those agencies up and running quickly to deliver our steady underwriting approach to the businesses in this territory. Agents in this area tell us they are eager to bring their commercial clients Cincinnati's industry-leading claims service, broad coverages, highly competitive multi-year policies and solid financial strength."

Oregon Agency Appointed to Represent The Cincinnati Insurance Company

Cincinnati, November 15, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today announced that its lead property casualty insurance subsidiary, The Cincinnati Insurance Company, appointed KPD Insurance Inc. in Springfield, Oregon, as the first independent agency in that state to market its business insurance policies and services. Cincinnati Insurance executives initiated the relationship at the company's headquarters, welcoming agency representative James R. Ginger, CIC, president. Oregon is the company's 39th state of operation.

President and CEO Kenneth W. Stecher said, "We believe that methodically adding new agency relationships, while protecting the franchise value we offer to current agencies, is a good long-term way to increase our market penetration. For 2010, we've already exceeded our goal of appointing approximately 80 independent agencies that in aggregate write $1 billion in property casualty premiums annually with all insurance companies they represent. The 81 new agencies we've appointed to date write an aggregate of nearly $1.5 billion in property casualty premiums annually with various companies, for an average of approximately $18 million per agency.

"We look to earn a 10 percent share of an agency's business within 10 years of its appointment. Our solid financial strength through all kinds of markets is due to the depth of our relationship and service commitment to local independent agents and our industry-leading claims service, broad coverages and highly competitive multi-year policies."

Executive Vice President J.F. Scherer commented, "Our experienced field marketing director, Roger D. Whitescarver II, AIS, CRIS, CIC, has relocated to West Linn, Oregon. Roger led our efforts to begin doing business in Idaho in 1999. He is adept at screening interested agencies and selecting those with the highest professional standards, compatible philosophies and formal marketing plans to serve our policyholders. We plan a great partnership with KPD and look forward to partnering with additional independent agencies in Oregon."

Inside Cincinnati

Subsidiary directors made two mid-year officer elections that demonstrate our commitment to continually improving our processes relating to financial systems, risk management and internal controls. Anthony W. Dunn, CPCU, CPA, CIA, who leads our Internal Audit department, was promoted to vice president of The Cincinnati Insurance Company and its two standard market subsidiaries and The Cincinnati Life Insurance Company.

Francis T. Obermeyer, CPA, PMP, CISA, was elected to assistant vice president of the same companies. He joined us from Deloitte & Touche LLP to fill the position of internal audit manager.

Since our last *Letter to Shareholders*, these associates merited promotions:

Bond & Executive Risk

Bond State Agents-Field – **Kim Borkholder; Brett Palmer**
Underwriting Superintendents – **Cary Barrow, AFSB; Michael McGuire, CPCU**
Underwriting Specialist – **Steve Mikesell**
Field Underwriter – **Stuart Francis, AFSB**

Commercial Lines

Senior Underwriting Managers – **Miriam Pope, AIM, AU; Keith Tenoever, CPCU, AIM, AU**
Underwriting Director – **Kevin Hedrick, CPCU, AIM, ASLI**
Chief Underwriting Specialists – **Regina Bobie, CPCU; Kristie Bushman, AIS; Lisa Meloy; Paul Miller, CPCU, AIM, APA, API, AU; Roxanna Otto, AIS**
Underwriting Superintendents – **Scott Beckman; Todd Gagnon, API; Gregory Knifley, CPCU, AIM; Joy Knifley; Shawn Niehaus, CPCU, AIM, ARe; Joseph Pierro, AU**
Underwriting Specialists – **Tim Breving, AINS; Holly Sanders, CPCU; Jason Townsend, AU**
Senior Underwriters – **Kristen Barrett; Ryan Carpenter; Nancy Felton; Jonathan Grimsley; Chris Hilton; Julie Mienheartt; Sarah Naylor; Heather Rabbitt; Brett Slonaker; Randall White**

Field Claims

Manager, Field Claims-HQ – **Dick Aten, CPCU, AIC, AIM**
Regional Field Claims Manager – **Matt Muckleroy, CPCU, AIC, AIM**
Field Claims Managers – **Bobby Misztal, AIC, AIM, SCLA; Bob Russum, CPCU, AIC, AIM**
Field Claims Superintendents – **Nancy Davis, AIC; Philip Glesser, CPCU, CLU, FLMI, AIM; Joe Jacques, CPCU, AIC; Dave Kaydo, AIC, AIM, AIS; Todd Walker, AIC**
Senior Claims Representatives – **Chad Cioban, AIC, AIM; David Guinn, AIC; Rick McIntosh; Brian Philpot; Tom Resop, SCLA**
Senior Claims Specialists – **Michael Freson; Jamie Gustafson, AIC; Paul Kaiser, AIC; Mike Mann; Rebecca Overholser, AIC; Robert Scott; Dana Scudder, AIC, AIS; Katie Stickel, AIC**
Claims Specialists – **Brian Callentine; Rick Cofer; Susan Fuller; Matt Kentner, AIC; Aaron King; Andrew Knipe, AIC, AIM; Cheryl Lee, AIC; Kurt Scott; Matt Smith, AIC, SCLA; Shawna White**

Headquarters Claims

Associate Manager, Casualty Claims – **Ron Morrison**
Superintendent, Executive Risk Claims – **David Dietz, AIC**
Associate Superintendent, Workers' Compensation Claims – **Toni Postell**
Associate Superintendent, Casualty Claims – **Glen Wooldridge, SCLA**
Supervisor, Executive Risk Claims – **Carrie Mishler, AIC, AIM**
Claims Examiner – **Lisa Bullock**

Information Security Office

Supervisor, ISO – **Scott Meisenbach**
Senior Information Security Analyst – **Anna Clemmons**

Information Technology

Senior Group Managers – **Jennifer Bransford; Venkat Gannamraj**
Group Manager – **Donna Fleek**
Architects – **Michael Baker; Jake Northrup**
Senior IT Specialist – **David Murphy, AIT, API, AU**
Systems Analysts – **David Beckenhaupt, AAPA, ARA, FLMI; Daffney McGary**
Senior Programmer Analysts – **Joe Corasaniti; Dylan Mason; Fenzhi Ren; Jeffrey Rook, AIT**
Programmer/Analyst – **May Wolfinger**
Senior IT Developer – **Peggy Krpata, AIT**
Senior Programmers – **Matt Leugers; Ernie Wang**
Senior Analyst – **Brian Seiter**
Senior Business Analyst – **Leigh Anne Apke**
Programmers – **Jared Bradley; Robert Cox, AFSB; Johnny Dean**

Internal Audit

Internal Audit Specialist – **Kelly Chasteen**
Internal Auditor – **Patrick Demmer**

Life Field Services

Senior Life Field Services Representative – **Pat Hale, ACS, AIAA**

Loss Control Field

Loss Control Field Supervisor –
Jeff Evans, AIM, ARM, OHST
Senior Loss Control Consultant – **Darrel Storey**

Machinery & Equipment Specialties Field

Senior Machinery & Equipment Specialist –
Steve Tynes, AAI, ACS, AIC, ARM, AU
Machinery & Equipment Specialist – **Ray Smith, Jr.**

Personal Lines

Underwriting Superintendent – **Nathan Perry II, API**
Senior Underwriters – **Adair Carmichael;**
Kelby Wyse, AIM, API
Diamond Specialist – **Kyle Crawford**
Senior Diamond Support Analysts – **Lorie Campbell;**
Joe Osburn, AIM

Sales Field

Field Director – **Bob Proudfoot, CPCU, CIC**
Regional Director –
Michael Leininger, CPCU, AFSB, APA, ARM, AU, CIC

Staff Underwriting

Senior Regulatory Affairs Specialist – **Kimberly Garner**
Manager Filings –
Stephanie Wagner, CPCU, AIAF, AIS, ARC
Filings Superintendent – **Melissa Butler, API**
Senior Chief Technical Specialist –
Matt Broerman, AFSB, AIC, APA, API, AU, CLU
Senior Rate Filings Specialist – **Charlene Naylor, CPCU, AIM**
Filings Specialist – **Matt Terrell, API**

Learning & Development

We encourage and reward associates to continue their professional insurance education, earning credentials by meeting high academic, ethical and length-of-experience standards. Congratulations to **Mark Rutherford** who completed a series of courses to earn his Chartered Property Casualty Underwriter (CPCU) designation.

The Above and Beyond the Call (ABC) Award recognizes exemplary productivity, service and quality in exceptional associates. Congratulations to fourth-quarter 2010 ABC Award recipients **Lisa Dysert, MCSA**, senior network administrator, IT Portfolio Management & Architecture and **Damen Proffitt, AIT**, programmer analyst, IT Diamond. At the Queen City Club on October 26, Damen was named ABC of the Year. This honor is awarded annually to just one of the quarterly recipients. Damen works with associates, outside vendors and testers to manage multiple Diamond environments, keeping them stable while promoting builds, patching into environments and troubleshooting defects. Damen is key in making sure these processes run smoothly.

Public Responsibility

With the November 2010 elections now in the history books, your company will monitor the impact of the 37 gubernatorial and other statewide elections, which could result in up to two dozen new state insurance commissioners taking office by early next year. We look forward to working with the new commissioners as they carry on the important work of state insurance regulation.

As federal regulators begin to consider various rules and regulations to implement the Dodd-Frank financial regulatory reform legislation, we will continue to remind them – and Congress – that state regulation of insurance works best since the business of insurance is uniquely local. State regulators are in the best position to protect policyholders and respond with regulations and insurance products appropriate to their specific needs, which vary by state because of diverse geographic, climatic and economic conditions.

Safe Harbor Statement

This is our "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in our 2009 Annual Report on Form 10-K, Item 1A, Risk Factors, Page 23. Although we often review or update our forward-looking statements when events warrant, we caution our readers that we undertake no obligation to do so.

Factors that could cause or contribute to such differences include, but are not limited to:

- Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns, environmental events, terrorism incidents or other causes
- Increased frequency and/or severity of claims
- Inadequate estimates or assumptions used for critical accounting estimates
- Recession or other economic conditions resulting in lower demand for insurance products or increased payment delinquencies
- Delays in adoption and implementation of underwriting and pricing methods that could increase our pricing accuracy, underwriting profit and competitiveness
- Inability to defer policy acquisition costs for any business segment if pricing and loss trends would lead management to conclude that segment could not achieve sustainable profitability
- Declines in overall stock market values negatively affecting the company's equity portfolio and book value
- Events, such as the credit crisis, followed by prolonged periods of economic instability or recession, that lead to:
  - Significant or prolonged decline in the value of a particular security or group of securities and impairment of the asset(s)
  - Significant decline in investment income due to reduced or eliminated dividend payouts from a particular security or group of securities
  - Significant rise in losses from surety and director and officer policies written for financial institutions
- Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income or interest rate fluctuations that result in declining values of fixed-maturity investments, including declines in accounts in which we hold bank-owned life insurance contract assets
- Increased competition that could result in a significant reduction in the company's premium volume
- Changing consumer insurance-buying habits and consolidation of independent insurance agencies that could alter our competitive advantages
- Inability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased, financial strength of reinsurers and the potential for non-payment or delay in payment by reinsurers
- Events or conditions that could weaken or harm the company's relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company's opportunities for growth, such as:
  - Downgrades of the company's financial strength ratings
  - Concerns that doing business with the company is too difficult
  - Perceptions that the company's level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace
  - Delays or inadequacies in the development, implementation, performance and benefits of technology projects and enhancements
- Actions of insurance departments, state attorneys general or other regulatory agencies, including a change to a federal system of regulation from a state-based system, that:
  - Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business
  - Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations
  - Increase our expenses
  - Add assessments for guaranty funds, other insurance related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes
  - Limit our ability to set fair, adequate and reasonable rates
  - Place us at a disadvantage in the marketplace
  - Restrict our ability to execute our business model, including the way we compensate agents
- Adverse outcomes from litigation or administrative proceedings
- Events or actions, including unauthorized intentional circumvention of controls, that reduce the company's future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002
- Unforeseen departure of certain executive officers or other key employees due to retirement, health or other causes that could interrupt progress toward important strategic goals or diminish the effectiveness of certain longstanding relationships with insurance agents and others
- Events, such as an epidemic, natural catastrophe or terrorism, that could hamper our ability to assemble our workforce at our headquarters location
- Difficulties with technology or data security breaches could negatively affect our ability to conduct business and our relationships with agents, policyholders and others

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

Contact Information

Communications directed to Cincinnati Financial Corporation's secretary, Steven J. Johnston, FCAS, MAAA, CFA, chief financial officer, are shared with the appropriate individual(s). Or, you may directly access services:

Investors: Investor Relations responds to investor inquiries about the company and its performance.
Dennis E. McDaniel, CPA, CMA, CFM, CPCU – Assistant Vice President, Investor Relations
513-870-2768 or *investor_inquiries@cinfin.com*

Shareholders: Shareholder Services provides stock transfer services, fulfills requests for shareholder materials and assists registered shareholders who wish to update account information or enroll in shareholder plans.
Jerry L. Litton – Assistant Vice President, Shareholder Services
513-870-2639 or *shareholder_inquiries@cinfin.com*

Media: Corporate Communications assists media representatives seeking information or comment from the company or its subsidiaries.
Joan O. Shevchik, CPCU, CLU – Senior Vice President, Corporate Communications
513-603-5323 or *media_inquiries@cinfin.com*

CINCINNATI FINANCIAL CORPORATION

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Specialty Underwriters Insurance Company
The Cincinnati Life Insurance Company

CSU Producer Resources Inc.
CFC Investment Company

Cincinnati Financial Corporation

2010 Second-Quarter Letter to Shareholders

August 19, 2010

To Our Shareholders, Friends and Associates:

Two years have gone by since we assumed our new roles on Cincinnati Financial's executive team. Those two years turned out to be unlike any other period in the company's history, or for that matter, unlike anything experienced by the broader economy in a long time. We continue to feel some effects.

Over these two years, we have pushed diligently to make necessary changes and to pursue new opportunities, and we are grateful for the loyalty of our shareholders and the investment community, our agents, policyholders and associates. With your support, we have successfully managed our capital, in large part by diversifying our investment portfolio and stabilizing our investment income. New technology and other initiatives are helping to restore profitability of our homeowners and workers' compensation business, reducing future earnings volatility from catastrophe risk and improving pricing capabilities and tools. Excluding those two challenging lines of business, we have maintained overall underwriting profitability. And we have acted to drive premium growth by expanding our product offerings and operating territories, achieving strong new business and resuming premium growth in personal lines.

Our insurance operations already are seeing some benefits from these efforts, and we are confident that most of the benefits are yet to come. By changing incrementally, we seek to continue as a source of stability now and in the future for our appointed agencies and their clients. Our planning horizon is longer than the next earnings period or even the next two to three years that is often the focus of investment analysts.

Our strategy has been to maintain exceptional capital strength through all market cycles. Our level of capital is very strong. With this capital cushion, we can afford to focus on building for the long term, absorbing setbacks, while continuing to be the predictable, reliable company you count on.

Solid reserves contribute to our financial strength. In 2009, we gave up some of our current earnings in order to strengthen our workers' compensation reserves – a decision that supported our record of consistent, sound reserving practices. While this decision added to our combined ratio, we believe it was the right choice. At this point in the insurance cycle, observers believe some insurers are not making such decisions and may incur charges later to restore reserve adequacy. To us, this is a matter of integrity; we do not knowingly borrow from future earnings.

We made many other capital management choices that increase balance sheet strength and financial flexibility. Among the most important, Cincinnati Financial maintains more than $1 billion of assets at the parent company level, more than enough to retire all of our corporate debt, while preserving our insurance subsidiaries' very strong surplus and capacity for growth.

August 2, the anniversary of The Cincinnati Insurance Company's charter, marked the beginning of your company's 60th year. Perhaps more noteworthy, our first policy was written on January 25, 1951, and our anniversary recognitions will focus on that date.

With the issue of that first policy, the careful and diligent planning of our company's founders became reality. We are, in 2010, once again carefully and diligently planning for the future, moving into position by accomplishing initiatives related to agency and geographic expansion, technology, products, expense management and investments. We are looking forward to the real results and growth that we believe will flow from these efforts, creating value for shareholders, agents, policyholders and associates.

Respectfully,

/s/ John J. Schiff, Jr.	/s/ Kenneth W. Stecher	/s/ Steven J. Johnston
John J. Schiff, Jr., CPCU Chairman of the Board	Kenneth W. Stecher President and Chief Executive Officer	Steven J. Johnston, FCAS, MAAA, CFA Senior Vice President and Chief Financial Officer

About the Company

Cincinnati Financial Corporation stands among the 25 largest property casualty insurers in the nation, based on premium volume. A select group of agencies in 37 states actively markets our property casualty insurance within their communities. Standard market commercial lines policies are available in all of those states, while personal lines policies are available in 29 and surplus lines policies are available in 36 of the same 37 states. Within this select group, we seek to become the life insurance carrier of choice and to help agents and their clients – our policyholders – by offering leasing and financing services.

Three hallmarks distinguish our company, positioning us to build value and long-term success:

- Commitment to our network of professional independent insurance agencies and to their continued success
- Financial strength that lets us be a consistent market for our agents' business, supporting stability and confidence
- Operating structure that supports local decision making, showcasing our claims excellence and allowing us to balance growth with underwriting discipline

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Investor E-mail Alerts

Sign up for Investor E-mail Alerts by visiting *www.cinfin.com/investors* and selecting E-mail Alerts at the bottom of the page. This service sends shareholder communications links to the e-mail address of your choice as soon as new communications are posted on our website. E-mail alerts are the best way to make sure you see our interim reports such as the quarterly Letter to Shareholders. Unlike Electronic Delivery, E-mail alerts won't stop the paper versions of any required shareholder mailings. In addition to E-mail alerts, you'll want to enroll in Electronic Delivery to stop paper mailings.

Recent News Releases

Cincinnati Financial Reports Second-Quarter 2010 Results

Cincinnati, July 28, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today reported:

- $27 million, or 17 cents per share, of net income for second-quarter 2010 compared with a net loss of $19 million, or 12 cents per share, in the second quarter of 2009.
- $42 million, or 26 cents per share, of operating income* compared with an operating loss of $5 million, or 3 cents per share.
- Driving the improved second-quarter results were the after-tax net effects of a $7 million rise in investment income and a $44 million decrease in the property casualty insurance underwriting loss. Underwriting results improved despite high weather-related catastrophe losses that moderated somewhat compared with second-quarter 2009 catastrophe losses while exceeding early estimates announced on June 14. Partially offsetting the catastrophe losses were higher contributions from favorable development of reserved loss estimates for insurance claims related to events that occurred prior to 2010.
- $29.13 book value per share at June 30, 2010, off approximately 2 percent from March 31, 2010, and less than 1 percent from December 31, 2009.
- 2.3 percent value creation ratio for the first six months of 2010, compared with 2.0 percent for the same period of 2009.

Financial Highlights

(Dollars in millions except share data)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change %	**2010**	2009	Change %
Revenue Highlights						
Earned premiums	**$ 768**	$ 770	0	**$ 1,515**	$ 1,535	(1)
Investment income, pre-tax	**130**	119	9	**260**	243	7
Total revenues	**878**	874	0	**1,765**	1,764	0
Income Statement Data						
Net income (loss)	**$ 27**	$ (19)	nm	**$ 95**	$ 17	459
Net realized investment gains and losses	**(15)**	(14)	(7)	**(10)**	(15)	33
Operating income (loss)*	**$ 42**	$ (5)	nm	**$ 105**	$ 32	228
Per Share Data (diluted)						
Net income (loss)	**$ 0.17**	$ (0.12)	nm	**$ 0.58**	$ 0.10	480
Net realized investment gains and losses	**(0.09)**	(0.09)	0	**(0.06)**	(0.10)	40
Operating income (loss)*	**$ 0.26**	$ (0.03)	nm	**$ 0.64**	$ 0.20	220
Book value				**29.13**	25.49	14
Cash dividend declared	**0.395**	0.39	1	**0.79**	0.78	1
Diluted weighted average shares outstanding	**163,284,013**	162,556,327	0	**163,293,335**	162,738,081	0

Insurance Operations Second-Quarter Highlights

- 107.6 percent second-quarter 2010 property casualty combined ratio, improved 9.0 percentage points from one year ago.
- 4 percent increase in property casualty net written premiums, including personal lines segment growth of 7 percent.
- $106 million second-quarter 2010 property casualty new business written by agencies, within $1 million of second-quarter 2009. $11 million was contributed in the second quarter by all agencies appointed since the beginning of 2009.
- 6 cents per share contribution from life insurance to second-quarter 2010 operating income, down slightly from 7 cents.

* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on Page 9 defines and reconciles measures presented in this release that are not based on Generally Accepted Accounting Principles.

** Forward-looking statements and related assumptions are subject to the risks outlined in the company's safe harbor statement (see Page 16).

Investment and Balance Sheet Highlights

- Investment income, after income tax effects, grew 8 percent in the second quarter, driven by pre-tax interest income growth of 11 percent.
- 1 percent six-month increase in fair value of invested assets plus cash at June 30, 2010, including bond portfolio growth of 6 percent and equity portfolio decline of 3 percent.
- Parent company cash and marketable securities of $1.011 billion at June 30, 2010, up 1 percent from year-end.

Kenneth W. Stecher, president and chief executive officer, commented, "Cincinnati Financial stayed focused and disciplined in the second quarter, making progress against continuing headwinds of industry, economic and literal storms. The second quarter brought reasonable premium growth, a narrower underwriting loss and solid growth of investment income over last year's low point. Our position and results as of June 30 showed that we are poised for improved results in our insurance operations, independent of the still-awaited turn in the commercial insurance marketplace. We believe that our strategic initiatives are beginning to produce benefits that will multiply over the coming months and years."

Expanded Growth Opportunities

"Net written premiums from property casualty operations rose 4 percent over the year-ago second quarter. We have looked beyond our largest book of business in standard commercial lines for additional growth opportunities, finding them by expanding personal lines and adding excess and surplus lines. These two areas together accounted for nearly three-quarters of our second-quarter written premium growth, including strong new business.

"In commercial lines, our retention rate on renewal policies continues at a very satisfactory level while we are writing less new business, including fewer larger accounts that tend to be underpriced due to competition. As planned, agents in our newer commercial states – Texas, Colorado and Wyoming – increased six-month new business premiums by $11 million, partially offsetting declines in established states. We are approximately halfway to our 2010 goal of appointing 65 new agencies that in total write more than $1 billion of annual property casualty premium with all carriers. Second-half 2010 appointments will include our first agencies in Connecticut and Oregon. As new agency relationships mature, we work to become their No. 1 or No. 2 carrier, typically writing about 10 percent of total agency premium volume within 10 years. With expansion to states outside of the Midwest and South, we also expect growth of our market share within these new agencies to support geographical diversification, reducing volatility of financial results from catastrophes."

Stabilized Ex-Catastrophe Underwriting Results

"While we are never satisfied with a combined ratio over 100 percent, the second-quarter ratio improved 9 percentage points compared with the year-ago ratio. This year's second-quarter combined ratio benefited from lower catastrophe losses and higher favorable development of reserves. Eliminating those impacts and compared with full-year 2009, the accident-year combined ratio excluding catastrophes is fairly stable in 2010 for our commercial lines segment and improved for our personal lines segment. We believe this slightly better underlying profitability is an early indication of more precise pricing and risk selection we are just beginning to experience through our limited but steadily increasing use of predictive modeling tools in both commercial and personal lines.

As of the June 30, we are using these tools to increase our ability to target high quality risks in our homeowner and workers' compensation lines of business. We will begin use for commercial and personal auto lines before year-end and will ultimately develop tools for all major commercial lines. We expect to continue gaining new advantages from our broader use of technology, including recently introduced policy administration systems that bring efficiencies for our company and our agents and online tools that give policyholders new ways to receive service. In addition to making it easier to process our policies, our new commercial lines system, now available in 21 states with nine more to launch this year, adds billing and payment options that help attract business from our agents."

Balanced Risk and Reward

"On the investment side of our operations, we continue to position our portfolio with consideration to both the challenges presented by the current low rate environment and the risks presented by potential future inflation. As bonds in our generally laddered portfolio mature over the near term, we will be challenged to replace their current yield and continue our trend of improving investment income. While our large bond portfolio more than covers our insurance reserve liabilities, we believe one of our best opportunities for long-term growth and profits is our diversified common stock portfolio of mainly blue chip, dividend-paying companies, accounting for 24 percent of invested assets at June 30.

"Overall, our capital and liquidity continued to be very strong at June 30, 2010. Our more than $1 billion of cash and marketable securities at the parent company level would be sufficient to cover all of our corporate debt while preserving our insurance subsidiaries' very strong surplus and capacity for growth.

"For the first time since April 2009, we used capital to repurchase some of our own shares during the second quarter. As in the past, we were opportunistic, buying shares for a total of $10 million at an average price well below book value. Over 8 million shares remain available per the board's authorization, which does not specify an expiration date. We tend to use repurchases to support shareholder value by offsetting dilution from stock compensation granted to our associates and directors. The second-quarter repurchases benefited book value per share slightly, although total book value fell short of year-end 2009, reflecting fluctuation of common stock values in our equity portfolio on June 30.

Stecher concluded, "Our property casualty insurance group was named in July to the Ward's 50, a list of insurers that excel at balancing financial strength with superior performance over a five-year period. Our group is one of only five insurers named to the Ward's 50 every year since inception of the list 20 years ago. With support from our loyal shareholders, agents, policyholders and associates, we will continue managing our capital to build value that endures over time."

Consolidated Property Casualty Insurance Operations

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change %	**2010**	2009	Change %
Agency renewal written premiums	**$ 685**	$ 666	3	**$ 1,367**	$ 1,361	0
Agency new business written premiums	**106**	107	(1)	**198**	204	(3)
Other written premiums	**(42)**	(50)	16	**(60)**	(64)	6
Net written premiums	**749**	723	4	**1,505**	1,501	0
Unearned premium change	**(21)**	10	nm	**(69)**	(36)	(92)
Earned premiums	**728**	733	(1)	**1,436**	1,465	(2)
Loss and loss expenses	**553**	620	(11)	**1,028**	1,163	(12)
Underwriting expenses	**230**	235	(2)	**482**	479	1
Underwriting loss	**$ (55)**	$ (122)	55	**$ (74)**	$ (177)	58
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**71.7%**	72.1%	(0.4)	**70.6%**	69.0%	1.6
Current accident year catastrophe losses	**14.3**	16.3	(2.0)	**8.8**	11.9	(3.1)
Prior accident years before catastrophe losses	**(9.3)**	(3.7)	(5.6)	**(7.0)**	(1.2)	(5.8)
Prior accident year catastrophe losses	**(0.7)**	(0.2)	(0.5)	**(0.8)**	(0.3)	(0.5)
Total loss and loss expenses	**76.0**	84.5	(8.5)	**71.6**	79.4	(7.8)
Underwriting expenses	**31.6**	32.1	(0.5)	**33.6**	32.7	0.9
Combined ratio	**107.6%**	116.6%	(9.0)	**105.2%**	112.1%	(6.9)
Contribution from catastrophe losses and prior years reserve development	**4.3**	12.4	(8.1)	**1.0**	10.4	(9.4)
Combined ratio before catastrophe losses and prior years reserve development	**103.3%**	104.2%	(0.9)	**104.2%**	101.7%	2.5

- $26 million or 4 percent increase in second-quarter 2010 property casualty net written premiums, reflecting various targeted growth initiatives that produced increases of $14 million in personal lines and $5 million in excess and surplus lines.
- $1 million decrease in new business written by agencies in the second quarter of 2010 compared with the second quarter of 2009, including a decrease of almost $7 million for commercial lines that were nearly offset by increases of $5 million for personal lines and $1 million for excess and surplus lines.
- 1,201 agency relationships with 1,487 reporting locations marketing standard market property casualty insurance products at June 30, 2010, compared with 1,180 agency relationships with 1,463 reporting locations at year-end 2009. Thirty-eight new agency appointments were made during the first six months of 2010.
- 9.0 percentage-point improvement in the second-quarter GAAP combined ratio, including 2.0 points for lower catastrophe losses from weather events.
- Underwriting results benefitted from favorable prior accident year reserve development of $73 million for the second quarter of 2010 compared with $29 million for the same period of 2009, accounting for 6.1 percentage points of improvement in the GAAP combined ratio.

The following table shows incurred catastrophe losses.

(In millions, net of reinsurance)			Three months ended June 30,			Six months ended June 30,		
Dates	Cause of loss	Region	Commercial lines	Personal lines	Total	Commercial lines	Personal lines	Total
2010								
First quarter catastrophes			**$ (2)**	**$ -**	**$ (2)**	**$ 8**	**$ 4**	**$ 12**
Apr. 4-6	Flood, hail, tornado, wind	South, Midwest	**5**	**6**	**11**	**5**	**6**	**11**
Apr. 30 - May 3	Flood, hail, tornado, wind	South	**28**	**6**	**34**	**28**	**6**	**34**
May 7-8	Hail, tornado, wind	East, Midwest	**2**	**10**	**12**	**2**	**10**	**12**
May 12-16	Flood, hail, tornado, wind	South, Midwest	**3**	**2**	**5**	**3**	**2**	**5**
Jun. 4-6	Flood, hail, tornado, wind	Midwest	**3**	**3**	**6**	**3**	**3**	**6**
Jun. 17-20	Flood, hail, tornado, wind	Midwest, West	**5**	**4**	**9**	**5**	**4**	**9**
Jun. 21-24	Flood, hail, tornado, wind	Midwest	**4**	**5**	**9**	**4**	**5**	**9**
Jun. 25-28	Flood, hail, tornado, wind	Midwest	**1**	**4**	**5**	**1**	**4**	**5**
All other 2010 catastrophes			**11**	**4**	**15**	**17**	**6**	**23**
Development on 2009 and prior catastrophes			**(4)**	**(1)**	**(5)**	**(10)**	**(2)**	**(12)**
Calendar year incurred total			**$ 56**	**$ 43**	**$ 99**	**$ 66**	**$ 48**	**$ 114**
2009								
First quarter catastrophes			**4**	**8**	**12**	**21**	**46**	**67**
Apr. 9-11	Flood, hail, wind	South, Midwest	**13**	**15**	**28**	**13**	**15**	**28**
May 7-9	Flood, hail, wind	South, Midwest	**12**	**17**	**29**	**12**	**17**	**29**
Jun. 2-6	Flood, hail, wind	South, Midwest	**6**	**4**	**10**	**6**	**4**	**10**
Jun. 10-18	Flood, hail, wind	South, Midwest	**21**	**9**	**30**	**21**	**9**	**30**
All other 2009 catastrophes			**5**	**6**	**11**	**5**	**6**	**11**
Development on 2008 and prior catastrophes			**(4)**	**2**	**(2)**	**(7)**	**3**	**(4)**
Calendar year incurred total			**$ 57**	**$ 61**	**$ 118**	**$ 71**	**$ 100**	**$ 171**

Insurance Operations Highlights

Commercial Lines Insurance Operations

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change %	**2010**	2009	Change %
Agency renewal written premiums	**$ 492**	$ 488	1	**$ 1,025**	$ 1,045	(2)
Agency new business written premiums	**73**	79	(8)	**139**	155	(10)
Other written premiums	**(33)**	(43)	23	**(44)**	(51)	14
Net written premiums	**532**	524	2	**1,120**	1,149	(3)
Unearned premium change	**6**	32	(81)	**(59)**	(37)	(59)
Earned premiums	**538**	556	(3)	**1,061**	1,112	(5)
Loss and loss expenses	**378**	442	(14)	**731**	830	(12)
Underwriting expenses	**169**	175	(3)	**350**	355	(1)
Underwriting loss	**$ (9)**	$ (61)	85	**$ (20)**	$ (73)	73
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**71.7%**	72.5%	(0.8)	**71.4%**	68.8%	2.6
Current accident year catastrophe losses	**11.2**	10.9	0.3	**7.2**	7.0	0.2
Prior accident years before catastrophe losses	**(11.7)**	(3.2)	(8.5)	**(8.7)**	(0.6)	(8.1)
Prior accident year catastrophe losses	**(0.8)**	(0.7)	(0.1)	**(1.0)**	(0.6)	(0.4)
Total loss and loss expenses	**70.4**	79.5	(9.1)	**68.9**	74.6	(5.7)
Underwriting expenses	**31.3**	31.4	(0.1)	**33.0**	32.0	1.0
Combined ratio	**101.7%**	110.9%	(9.2)	**101.9%**	106.6%	(4.7)
Contribution from catastrophe losses and prior years reserve development	**(1.3)**	7.0	(8.3)	**(2.5)**	5.8	(8.3)
Combined ratio before catastrophe losses and prior years reserve development	**103.0%**	103.9%	(0.9)	**104.4%**	100.8%	3.6

- $8 million or 2 percent increase in second-quarter 2010 commercial lines net written premiums. Slightly higher renewal written premiums reflected strong policy retention and included modest pricing declines estimated at approximately 1 percent for the average policy during the first half of 2010.
- Combined ratio reflected favorable prior accident year reserve development and fairly stable current accident year results. 71.4 percent ratio for current accident year losses and loss expenses before catastrophes, improved slightly from 72.5 percent full-year 2009, with new losses greater than $4 million down 0.8 percentage points.
- Underwriting expense ratio was essentially flat for the second quarter as lower expenses offset lower earned premiums.

Personal Lines Insurance Operations

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change %	**2010**	2009	Change %
Agency renewal written premiums	**$ 187**	$ 176	6	**$ 330**	$ 313	5
Agency new business written premiums	**24**	19	26	**42**	34	24
Other written premiums	**(7)**	(5)	(40)	**(13)**	(13)	0
Net written premiums	**204**	190	7	**359**	334	7
Unearned premium change	**(25)**	(18)	(39)	**(6)**	9	nm
Earned premiums	**179**	172	4	**353**	343	3
Loss and loss expenses	**163**	173	(6)	**275**	325	(15)
Underwriting expenses	**57**	56	2	**124**	110	13
Underwriting loss	**$ (41)**	$ (57)	28	**$ (46)**	$ (92)	50
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**70.3%**	70.9%	(0.6)	**67.0%**	69.0%	(2.0)
Current accident year catastrophe losses	**24.5**	34.3	(9.8)	**14.1**	28.1	(14.0)
Prior accident years before catastrophe losses	**(3.0)**	(5.4)	2.4	**(2.7)**	(3.4)	0.7
Prior accident year catastrophe losses	**(0.7)**	1.1	(1.8)	**(0.5)**	0.9	(1.4)
Total loss and loss expenses	**91.1**	100.9	(9.8)	**77.9**	94.6	(16.7)
Underwriting expenses	**32.3**	32.3	0.0	**35.2**	32.3	2.9
Combined ratio	**123.4%**	133.2%	(9.8)	**113.1%**	126.9%	(13.8)
Contribution from catastrophe losses and prior years reserve development	**20.8**	30.0	(9.2)	**10.9**	25.6	(14.7)
Combined ratio before catastrophe losses and prior years reserve development	**102.6%**	103.2 %	(0.6)	**102.2%**	101.3%	0.9

- $14 million or 7 percent increase in second-quarter 2010 personal lines net written premiums, reflecting improved pricing and strong new business growth.
- 9.8 percentage-point second-quarter combined ratio improvement primarily from lower weather-related catastrophe losses.
- 67.0 percent ratio for current accident year losses and loss expenses before catastrophes, improved from 70.9 percent full-year 2009 primarily due to better pricing and 1.5 percentage points positive impact from lower new losses greater than $250,000.
- Flat second-quarter underwriting expense ratio as rising earned premiums kept pace with increased expenses.

Life Insurance Operations

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change %	**2010**	2009	Change %
Term life insurance	**$ 24**	$ 23	4	**$ 47**	$ 41	15
Universal life insurance	**10**	7	43	**19**	15	27
Other life insurance, annuity, and disability income products	**6**	7	(14)	**13**	14	(7)
Earned premiums	**40**	37	8	**79**	70	13
Investment income, net of expenses	**33**	29	14	**65**	59	10
Other income	**1**	-	nm	**1**	-	nm
Total revenues, excluding realized investment gains and losses	**74**	66	12	**145**	129	12
Contract holders benefits	**43**	39	10	**85**	78	9
Underwriting expenses	**16**	13	23	**32**	24	33
Total benefits and expenses	**59**	52	13	**117**	102	15
Net income before income tax and realized investment gains and losses	**15**	14	7	**28**	27	4
Income tax	**5**	3	67	**10**	8	25
Net income before realized investment gains and losses	**$ 10**	$ 11	(9)	**$ 18**	$ 19	(5)

- $3 million or 8 percent increase in second-quarter 2010 earned premiums, reflecting marketing advantages of competitive, up-to-date products, personal service and policies backed by financial strength. 3 percent rise in face amount of life policies in force to $72.180 billion at June 30, 2010, from $69.815 billion at year-end 2009.
- $52 million in second-quarter 2010 fixed annuity deposits received compared with $30 million in second-quarter 2009 and $181 million in full-year 2009. Cincinnati Life does not offer variable or indexed products.
- $1 million or 7 percent improvement in second-quarter 2010 pre-tax profit as revenues outgrew expenses. Higher contract holders benefits reflect increased levels of policy reserves while net death claims remained within expectations. Underwriting expenses increased primarily due to commission expense.
- GAAP shareholders' equity for The Cincinnati Life Insurance Company increased during the second quarter of 2010 by $28 million, or 4 percent, to $729 million. Net after-tax unrealized gains were up $18 million.

Investment and Balance Sheet Highlights

Investment Operations

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change %	**2010**	2009	Change %
Total investment income, net of expenses, pre-tax	**$ 130**	$ 119	9	**$ 260**	$ 243	7
Investment interest credited to contract holders	**(20)**	(17)	(18)	**(39)**	(33)	(18)
Realized investment gains and losses summary:						
Realized investment gains and losses, net	**16**	23	(30)	**19**	75	(75)
Change in fair value of securities with embedded derivatives	**(5)**	11	nm	**1**	7	(86)
Other-than-temporary impairment charges	**(34)**	(52)	35	**(35)**	(102)	66
Total realized investment gains and losses, net	**(23)**	(18)	(28)	**(15)**	(20)	25
Investment operations income	**$ 87**	$ 84	4	**$ 206**	$ 190	8

(Dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change %	**2010**	2009	Change %
Investment income:						
Interest	**$ 107**	$ 96	11	**$ 214**	$ 192	11
Dividends	**24**	24	0	**48**	50	(4)
Other	**1**	1	0	**2**	5	(60)
Investment expenses	**(2)**	(2)	0	**(4)**	(4)	0
Total investment income, net of expenses, pre-tax	**130**	119	9	**260**	243	7
Income taxes	**(32)**	(28)	(14)	**(64)**	(56)	(14)
Total investment income, net of expenses, after-tax	**$ 98**	$ 91	8	**$ 196**	$ 187	5
Effective tax rate	**24.5%**	23.2%		**24.5%**	23.2%	
Average yield pre-tax	**4.6%**	4.9%		**4.6%**	4.9%	
Average yield after-tax	**3.4%**	3.8%		**3.5%**	3.8%	

- 9 percent growth in second-quarter 2010 pre-tax investment income or 8 percent growth in after-tax net investment income, driven by higher interest income on bonds.
- $131 million or 12 percent second-quarter 2010 decrease in pre-tax unrealized investment portfolio gains, including a $123 million increase for the bond portfolio, offset by a $254 million decline in unrealized gains for the equity portfolio.

(Dollars in millions except share data)	At June 30, **2010**	At December 31, 2009
Balance sheet data		
Invested assets	**$ 11,032**	$ 10,643
Total assets	**14,607**	14,440
Short-term debt	**49**	49
Long-term debt	**790**	790
Shareholders' equity	**4,737**	4,760
Book value per share	**29.13**	28.25
Debt-to-capital ratio	**15.0 %**	15.0 %

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
Performance measures				
Value creation ratio	**(1.1)%**	8.4%	**2.3%**	2.0%

- $11.357 billion in cash and invested assets at June 30, 2010, up from $11.200 billion at December 31, 2009.
- $8.339 billion bond portfolio at June 30, 2010, with an average rating of A2/A and with a 3 percent increase in fair value during the second quarter of 2010.
- $2.611 billion equity portfolio was 23.7 percent of invested assets, including $495 million in pre-tax unrealized gains at June 30, 2010, after an 8 percent decline in fair value during the second quarter of 2010.
- $3.537 billion of statutory surplus for the property casualty insurance group at June 30, 2010, down from $3.648 billion at December 31, 2009. Ratio of net written premiums to property casualty statutory surplus for the 12 months ended June 30, 2010, of 0.8-to-1, unchanged from 0.8-to-1 for the 12 months ended December 31, 2009.
- Value creation ratio of negative 1.1 percent for the second quarter of 2010 is the sum of 1.3 percent from shareholder dividends plus negative 2.4 percent from change in book value per share.

For additional information or to hear a replay of the July 29 conference call webcast, please visit *www.cinfin.com/investors*.

Cincinnati Financial Corporation
Condensed Balance Sheets and Statements of Operations (unaudited)

(Dollars in millions)	June 30, **2010**	December 31, 2009
Assets		
Investments	**$ 11,032**	$ 10,643
Cash and cash equivalents	**325**	557
Premiums receivable	**1,055**	995
Reinsurance receivable	**543**	675
Other assets	**1,652**	1,570
Total assets	**$ 14,607**	$ 14,440
Liabilities		
Insurance reserves	**$ 6,110**	$ 5,925
Unearned premiums	**1,572**	1,509
Long-term debt	**790**	790
Other liabilities	**1,398**	1,456
Total liabilities	**9,870**	9,680
Shareholders' Equity		
Common stock and paid-in capital	**1,477**	1,474
Retained earnings	**3,828**	3,862
Accumulated other comprehensive income	**636**	624
Treasury stock	**(1,204)**	(1,200)
Total shareholders' equity	**4,737**	4,760
Total liabilities and shareholders' equity	**$ 14,607**	$ 14,440

(Dollars in millions except share data)	Three months ended June 30, **2010**	**2009**	Six months ended June 30, **2010**	**2009**
Revenues				
Earned premiums	**$ 768**	$ 770	**$ 1,515**	$ 1,535
Investment income, net of expenses	**130**	119	**260**	243
Realized investment gains and losses	**(23)**	(18)	**(15)**	(20)
Other income	**3**	3	**5**	6
Total revenues	**878**	874	**1,765**	1,764
Benefits and Expenses				
Insurance losses and policyholder benefits	**595**	658	**1,111**	1,239
Underwriting, acquisition and insurance expenses	**246**	248	**514**	503
Other operating expenses	**3**	4	**7**	10
Interest expense	**13**	14	**27**	28
Total benefits and expenses	**857**	924	**1,659**	1,780
Income (loss) before income taxes	**21**	(50)	**106**	(16)
Provision (benefit) for income taxes	**(6)**	(31)	**11**	(33)
Net Income (loss)	**$ 27**	$ (19)	**$ 95**	$ 17
Per Common Share:				
Net income (loss) – basic	**$ 0.17**	$ (0.12)	**$ 0.59**	$ 0.10
Net income (loss) – diluted	**$ 0.17**	$ (0.12)	**$ 0.58**	$ 0.10

Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures (See attached tables for 2010 reconciliations; prior-period reconciliations available at www.cinfin.com/investors.)

Cincinnati Financial Corporation prepares its public financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual and therefore is not reconciled to GAAP data.

Management uses certain non-GAAP and non-statutory financial measures to evaluate its primary business areas – property casualty insurance, life insurance and investments. Management uses these measures when analyzing both GAAP and non-GAAP measures to improve its understanding of trends in the underlying business and to help avoid incorrect or misleading assumptions and conclusions about the success or failure of company strategies. Management adjustments to GAAP measures generally: apply to non-recurring events that are unrelated to business performance and distort short-term results; involve values that fluctuate based on events outside of management's control; or relate to accounting refinements that affect comparability between periods, creating a need to analyze data on the same basis. Operating income:

- Operating income is calculated by excluding net realized investment gains and losses (defined as realized investment gains and losses after applicable federal and state income taxes) from net income. Management evaluates operating income to measure the success of pricing, rate and underwriting strategies. While realized investment gains (or losses) are integral to the company's insurance operations over the long term, the determination to realize investment gains or losses in any period may be subject to management's discretion and is independent of the insurance underwriting process. Also, under applicable GAAP accounting requirements, gains and losses can be recognized from certain changes in market values of securities without actual realization. Management believes that the level of realized investment gains or losses for any particular period, while it may be material, may not fully indicate the performance of ongoing underlying business operations in that period.
  For these reasons, many investors and shareholders consider operating income to be one of the more meaningful measures for evaluating insurance company performance. Equity analysts who report on the insurance industry and the company generally focus on this metric in their analyses. The company presents operating income so that all investors have what management believes to be a useful supplement to GAAP information.
- Statutory accounting rules: For public reporting, insurance companies prepare financial statements in accordance with GAAP. However, insurers also must calculate certain data according to statutory accounting rules as defined in the NAIC's Accounting Practices and Procedures Manual, which may be, and has been, modified by various state insurance departments. Statutory data is publicly available, and various organizations use it to calculate aggregate industry data, study industry trends and compare insurance companies.
- Written premium: Under statutory accounting rules, property casualty written premium is the amount recorded for policies issued and recognized on an annualized basis at the effective date of the policy. Management analyzes trends in written premium to assess business efforts. Earned premium, used in both statutory and GAAP accounting, is calculated ratably over the policy term. The difference between written and earned premium is unearned premium.

Cincinnati Financial Corporation
Balance Sheet Reconciliation

(Dollars are per share)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
Value creation ratio				
End of period book value	**$ 29.13**	$ 25.49	**$ 29.13**	$ 25.49
Less beginning of period book value	**29.86**	23.88	**29.25**	25.75
Change in book value	**(0.73)**	1.61	**(0.12)**	(0.26)
Dividend paid to shareholders	**0.395**	0.39	**0.79**	0.78
Total contribution to value creation ratio	**$ (0.34)**	$ 2.00	**$ 0.67**	$ 0.52
Contribution to value creation ratio from change in book value*	**(2.4)%**	6.8%	**(0.4)%**	(1.0)%
Contribution to value creation ratio from dividends paid to shareholders**	**1.3**	1.6	**2.7**	3.0
Value creation ratio	**(1.1)%**	8.4%	**2.3%**	2.0%

* Change in book value divided by the beginning of period book value
** Dividend paid to shareholders divided by beginning of period book value

Net Income Reconciliation

(In millions, except per share data)	Three months ended June 30, 2010	Six months ended June 30, 2010
Net income	$ 27	$ 95
Net realized investment gains and losses	(15)	(10)
Operating income	42	105
Less catastrophe losses	(64)	(74)
Operating income before catastrophe losses	$ 106	$ 179
Diluted per share data:		
Net income	$ 0.17	$ 0.58
Net realized investment gains and losses	(0.09)	(0.06)
Operating income	0.26	0.64
Less catastrophe losses	(0.40)	(0.45)
Operating income before catastrophe losses	$ 0.66	$ 1.09

Property Casualty Reconciliation

(Dollars in millions)	Three months ended June 30, 2010		
	Consolidated*	Commercial	Personal
Premiums:			
Adjusted written premiums – statutory	$ 753	$ 536	$ 204
Written premium adjustment	(4)	(4)	0
Reported written premiums – statutory	749	532	204
Unearned premiums change	(21)	6	(25)
Earned premiums	$ 728	$ 538	$ 179
Statutory combined ratio:			
Statutory combined ratio	107.3%	102.0%	121.2%
Contribution from catastrophe losses	13.6	10.4	23.8
Statutory combined ratio excluding catastrophe losses	93.7%	91.6%	97.4%
Commission expense ratio	17.9%	17.6%	18.1%
Other expense ratio	13.4	14.1	12.0
Statutory expense ratio	31.3%	31.7%	30.1%
GAAP combined ratio:			
GAAP combined ratio	107.6%	101.7%	123.4%
Contribution from catastrophe losses	13.6	10.4	23.8
Prior accident years before catastrophe losses	(9.3)	(11.7)	(3.0)
GAAP combined ratio excluding catastrophe losses and prior years reserve development	103.3%	103.0%	102.6%

(Dollars in millions)	Three months ended June 30, 2010		
	Consolidated*	Commercial	Personal
Premiums:			
Adjusted written premiums – statutory	$ 1,489	$ 1,104	$ 359
Written premium adjustment	16	16	0
Reported written premiums – statutory	1,505	1,120	359
Unearned premiums change	(69)	(59)	(6)
Earned premiums	$ 1,436	$ 1,061	$ 353
Statutory ratio:			
Statutory combined ratio	104.3%	100.7%	113.2%
Contribution from catastrophe losses	8.0	6.2	13.6
Statutory combined ratio excluding catastrophe losses	96.3%	94.5%	99.6%
Commission expense ratio	18.1%	17.4%	20.0%
Other expense ratio	14.6	14.4	15.3
Statutory expense ratio	32.7%	31.8%	35.3%
GAAP ratio:			
GAAP combined ratio	105.2%	101.9%	113.1%
Contribution from catastrophe losses	8.0	6.2	13.6
Prior accident years before catastrophe losses	(7.0)	(8.7)	(2.7)
GAAP combined ratio excluding catastrophe losses and prior years reserve development	104.2%	104.4%	102.2%

Dollar amounts shown are rounded to millions; certain amounts may not add due to rounding. Ratios are calculated based on whole dollar amounts.
* Consolidated property casualty data includes results from our surplus line of business.

Other News Releases

Cincinnati Financial Corporation Announces Second-Quarter Catastrophe Losses

Cincinnati, June 14, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today said that as of June 10, 2010, it estimates incurred second-quarter pre-tax catastrophe losses from severe weather at approximately $65 million for its property casualty insurance operations through The Cincinnati Insurance Companies. Catastrophe losses affect property casualty insurance underwriting income, one of the sources of consolidated net income, along with profits from investment operations and life insurance operations.

Kenneth W. Stecher, president and chief executive officer, commented, "Our storm losses typically rise in the second quarter, averaging 7.7 percentage points over the past 10 years compared with a full-year average of 4.2 percentage points. If no additional catastrophe losses are incurred beyond those we estimated through June 10, our 2010 second-quarter estimate would stand at approximately 9 percentage points, bringing our early estimate for the first half to approximately 5.6 percentage points. Catastrophe losses can vary significantly from quarter to quarter, as shown by our below-average contribution of only 2.1 percentage points in the first quarter of 2010.

"Our agents and policyholders know they can depend on Cincinnati Insurance to provide the highest quality service for claims involving storms or other insured loss events. A total of eight events, including a storm in June that primarily affected our policyholders in northern Ohio, together accounted for approximately half of our policyholders' estimated second-quarter catastrophe losses. The other half was largely due to claims in Nashville, Tennessee, for water-damaged business equipment and related business interruption. Policyholders can purchase all-risk coverage for some types of equipment and expanded coverage for business interruption as options with our commercial multi-peril policy."

Representatives of Cincinnati Financial Corporation management will review progress on strategic initiatives for improving profitability and driving premium growth at the Macquarie Small & Mid-Cap conference on June 15, 2010, as previously announced. Stecher concluded, "We continue during the second quarter to execute on these initiatives, including preparations for entry to two new states outside of our Midwest footprint, increased pricing precision and introduction of our Educational Institutions Program – the first product release from our new target markets unit. In May, we received the Vanguards in Insurance Best Practices first-place award, recognizing our delivery of real time technology that increases agency efficiency. We are on track with plans to further deploy and improve our new policy administration systems. By continuing to strengthen service and respond fully to the needs of our agents and policyholders, we plan to create value over the long term for shareholders."

Cincinnati Financial Corporation Increases Regular Quarterly Cash Dividend

• *Sets stage for 50th consecutive year of higher dividends with 1 percent increase in indicated annual dividend rate*

Cincinnati, August 16, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today announced that the board of directors voted at its regular meeting on August 13, 2010, to increase the regular quarterly cash dividend from 39.5 cents to 40 cents per share, payable October 15, 2010, to shareholders of record as of September 22, 2010.

At the new level, the indicated annual dividend is $1.60 per share. In 2009, cash dividends paid were $1.565 per share and dividends declared were $1.57 per share.

Kenneth W. Stecher, president and chief executive officer, commented, "The company has consistently increased dividends for 49 years, and the board of directors chose to continue that record for the benefit of our shareholders. This action demonstrates their confidence in our strong capital, liquidity and in our initiatives to improve earnings performance. Our capital management philosophy continues to consider the balance between future capital requirements to grow our business and returning capital to shareholders over time.

"In the first half of 2010, our profits were pressured by continuing price competition in the insurance marketplace and high catastrophe losses incurred by our policyholders. Year-to-date, shareholders have received cash dividends totaling more than our current earnings, and for their benefit, we also repurchased $10 million of our own shares. We believe our performance prospects are improving as we begin to realize benefits from our current growth and profitability initiatives. Our long-term perspective drives our long-term commitment through all market and economic cycles to create value for shareholders by investing in and expanding our insurance operations."

Inside Cincinnati

The subsidiary board executive committees announced two officer changes during their regular meeting on August 13, 2010. Directors elected Tony Dunn, CPCU, CPA, CIA, to vice president of The Cincinnati Insurance Company and its two standard market subsidiaries and The Cincinnati Life Insurance Company. Tony has led our Internal Audit department since 2007 and contributed in this area since 2002.

Directors also elected Frank Obermeyer, CPA, CISA, PMP, to assistant vice president of the same companies effective September 7, when he joins us to fill the position of internal audit manager. Frank brings more than 16 years of experience, most recently working as a senior manager with enterprise risk services for Deloitte & Touche LLP.

Since our last *Letter to Shareholders,* these associates merited promotions:

The Cincinnati Insurance Companies:
Agency Service & Field Support
Senior Manager – **Shelly Zorb, AIM**
Senior Account Records Specialist – **Amy Gamble, AIS**

Bond & Executive Risk
Systems Coordinator – **Greg Aumann**
Underwriting Director – **Mark Kleemeier**
Senior Underwriting Specialist –
Laura Lee Gayfield, CPCU, ARM
Underwriting Specialists – **Ben Bessler, RPLU; Sean Ernst**
Underwriting Superintendent – **Mike Noe**
Senior Underwriter – **Craig Cashen**
Field Underwriters – **Bradley Purnhagen, John Junker III**

Commercial Lines
Senior Underwriting Managers – **Scott Ratliff, AIM;**
Walter Sauerwein, CPCU, AIM, AU
Underwriting Managers – **Douglas Greer, AIM, AIS, AINS;**
Joe Yannetti, CPCU, AIM;
Scott Zemberi, CPCU, AIM, ARe, AU
Underwriting Directors – **Amy Schoch; Donna Offen**
Chief Underwriting Specialists – **Lynnette Beach, AU;**
Chris Byers, AU; Dana Brown, AIM; Marcie Caudill;
Kevin Hagedorn; Jason Laub, AIM; Nancy Liebowitz,
CPCU, AU; Kurt McKenna, AIS; Brad McLaughlin;
Matt Miller, CPCU, AIM, API, AU;
Dawn Woodrick, CPCU
Underwriting Superintendents – **Michele Baker, AIS;**
Jennifer Bartos, AU; Connie Caudill, AIM, AIS;
Alan Everson; Angela Halpin, CPCU, AIM, API, ASLI, AU;
Seddrick Hubbard, AIS; Stephanie McLaughlin;
Brett Meadors; Scott Meyer, ARM; Matthew Miller;
Mike Mirizzi, CPCU; Mary Muench; Jim Murphy;
Darren Richter, ARM; Jeffrey Sousa;
Damian Stark, CPCU, AIM, API, AU; Mary Thomas;
Sherell Walker
Underwriting Specialists – **Dumesha Dubose;**
Kristen Campbell, CPCU; La'Brina Love;
Stephanie Miller, AIS, AU; Sean Patrick, AU;
Ryan Rhoads; Emily Sullivan; Brian Sunderman, AIC, AIM
Systems Support Supervisor – **Karen Oliver**
Senior Underwriters – **Lindsey Dean; Lauren Dowd;**
Joy Duesing; Jinene Enders; Kevin Fancher, AIM;
Matthew Fullan; Noah Goodwin, AIM, AU;
Bridget Hamann; Sara Hauenstein; Tia Hauser;
Venetta Jones; Jim Koerner; Erin Lievestro;
Samantha Logan; Christine Montgomery; David Noonan;
Angela Ogden; Trish Perry; Melissa Piecuch;
Justin Roberts; Jennifer Santel; David Siebert;
Sarah Skidmore, AU; Gerald Southard, AU;
Kelly Thompson; Rosemarie Thrasher; Kasey Trimboli

Corporate Accounting
Property/Casualty Accountant – **Eric Lievestro**
Senior Manager – **Michael Wood, CPCU, AIAF, CPA, CIA, CFE**
Direct Bill Accountant – **Rob Gross**

Field Claims
Field Claims Coordinator – **Wanda Perlinski**
Field Claims Superintendents – **Ted Ellis, AIC, AIM;**
Mark Kovacs, AIC; John Maris, AIC;
Jay McElhaney, AIC, AIM, AIS, ARM
Senior Claims Representatives –
Matt Brown, AFSB, AIC, APA, API, AU, CLU;
Darren Brubacher; Scott Campbell, AIC, FLMI;
Dave Crews, AIC; Julie Didier, AIC; Terri Dodrill, AIC;
Justin Eskew, AIC, AIM, AIS; Connie Garrett;
Amy Mathews, AIC; Kelly Sacks, AIC; Kelly Ward, AIC;
Vicki Wisniewski
Senior Claims Specialists – **Lisa Dill; Lori Dixon, AIC;**
Adam Goerges, AIC; John Hayes; Cory Jensen, AIC;
Erica Jones, AIC; Jeff Kendrick, AIC;
Kevin Niswonger, AIC; Joe Pavlik, AIC; Amanda Porter;
Todd Solon, AIC; Kelly Lynn Ward, AIC; Carl Wolf, AIC
Claims Specialists – **Leah Ashley; Brian Battaglia;**
Joey Burke, CPCU, AIC, AU; Theresa Cain, AIC;
Edward Fowler; Melissa Gascot, AIC; Kirk Geise;
Trisha Haskin; Jessica Hawkins; Marcie Jelf, AIC;
Leslie Mann; Christopher Mitchell, AIC; Scott Molnar;
Stephanie Osterhage; Steve Putney; Cathy Scharpf;
Terry Sizemore, AIC; Jim Smith; Phillip Sorrentino;
Derick Splitt; Brian Williams; Mark Workman

Headquarters Claims
Superintendent, Operations – **Anne Balfour, AIC**
Superintendent, Casualty Claims – **Steve Fogle**
Superintendent, Claims Recovery – **Theresa Guy, AIC**
Associate Superintendent, Claims Operations – **Richard Osborn, AIM**
Associate Superintendents, Casualty Claims – **Hank Faglie, Jr., CPCU, AIC, AIM; Gary Gluck, AIC, AIM; Dan Mullen**
Associate Superintendent, Executive Risk Claims – **Ben Sanderson**
Supervisor, Casualty Claims – **Paul Braden**
Supervising Examiner, Casualty Claims – **Brooke Bruce, AIC**
Supervising Examiner, Workers' Compensation – **Leslie Rodgers**
Senior Claims Examiner – **Maureen Walsh**
Claims Examiner – **Katy Comer, AIC, AIS, AU**
Claims Examiner, Workers' Compensation – **Michelle Estell, AIC, AIS**

Information Technology
Senior Group Managers – **Jason Hoog, AIM, AIT; Laura Mize**
Group Managers – **Paul Deffinger; Diane Roberts; Karen Sanders; Donna Williams**
Senior Project Manager – **Carolyn MacDonald**
Project Manager – **Tina Williams**
Application Architect – **Alok Soni**
Senior Architect – **D.J. Owens**
Senior Systems Engineer – **John Kelly**
Senior Systems Analyst – **Patty Deaton**
Systems Engineer – **Mary Pero**
Database Engineer – **Gary Trenker, Jr.**
Senior Database Administrator – **Michael Klare**
Senior Systems Programmer – **Mike Schmalfuss**
Senior Programmer Analysts – **Maggie Biederman; Sunil Gangireddygari; Casey Linnig; Radha Reddy; Brenda Rommel**
Senior Programmer – **Debbie Maita**
Systems Administrators – **Dexter Grant; Shawn Kennedy; Brian Welch**
Senior Project Analyst – **Lisa Austin**
Specialists – **Israel Carter; Kate Sander, AIS; Doronna Vickers**
Senior Network Administrators – **Bill Debbane; Paul Holden**
Senior Analyst – **Nathan Kellett**
Senior IT Developer – **LaTasha Johnson**
IT Developer – **James Foster; Judy Merritt**

Internal Audit
Internal Auditor Specialist – **Jerry Braun, CPCU**
Internal Auditor – **Joseph Haas, CPCU, AIM, API, ARe, CIA**

Learning & Development
Learning Consultants – **Jason Estes; Brian Roach, AINS**

Legal Trial Division
Associate Counsel – **Lou DeMarco**

Loss Control Field
Loss Control Field Directors – **Charley Monahan, ARM; Denny Ray, CPCU, AIM, ARM, CRM; Randal Tuszka**

Loss Control
Senior Loss Control Representative – **Mike Mitchell**
Senior Loss Control Technical Consultant – **Chris Sewell, ARM**

Machinery & Equipment Specialties Field
Senior Machinery & Equipment Specialist – **Mike Miller**

Personal Lines
Senior Underwriting Manager – **Jen Atkinson, AIM, API**
Senior Managers, Personal Lines Support – **Christopher Gilbert, CPCU, AIM, API; Susanne Stewart, CPCU, API**
Chief Underwriting Specialist – **Carrie McKitrick, CPCU, AIM, AIT**
Underwriting Superintendent – **Stephanie Borg**
Senior Personal Lines Marketing Representatives – **Scott Fitzharris, CPCU, AIM, API, CIC; Dave Foster**
Underwriting Specialists – **Scott Cupp, CPCU, API; Melissa James, API; Sean Jones; Danielle Willman**
Senior Underwriters – **Chris Collins, API; Scott Hirsch, API; David Theobald, CPCU, API; Carolynn Billman; Brett Dailey; Carolan Deutch, API; Michael Smith**
Systems Specialists – **Carrie Harper; Denise Slatter; Karen Wright, API**
Diamond Specialist – **Leslie Fredricks**
Senior Diamond Support Analysts – **Mandi Adkins, API; Kay Owens, API; Linda Wilkirson, AIM, AIT, API**
Diamond Support Specialists – **Cindy Noll**

Premium Audit Field
Field Audit Superintendent – **Matt Hambright, CPCU, APA**

Sales Field
Field Director – **Roger Whitescarver II, AIS, CIC**
Regional Directors – **Tye Fickling, CPCU, ASLI, CIC, CRM; Shawn Murphy, CPCU, AU; Curt Shumaker, CPCU, AU, CIC**
State Agents – **Brian Bessler; Russ Blessing, AIS; Mike Henry; Aaron Hunsinger; Brad Kenney; Mark Lauman; Ken Mattison; Brian Moore, API**

Special Investigations Field
Associate Regional Manager – **Joe Cunningham**

Staff Underwriting
Associate Actuary – **Rajesh Thurairatnam**
Senior Actuarial Analyst – **Andy Kwon**
P&C Actuarial Analyst – **Daniel Price**
Senior Filings Specialist – **Jean Sterwerf**
Rate Filing Specialist – **Jason Campbell**
Senior Rate Analyst – **Kamila McKnight, AIM, API**
Filings Specialist – **Allison Timmers**

The Cincinnati Life Insurance Company:
Assistant Director, Advanced Sales –
Tyson Dailey, CPCU, AU, ChFC, CLU
Senior Life Regional Director – **Doug Stammler, CLU**
Life Field Directors – **Dane Albright, ChFC, CLU;**
Norm Alms, CLU
Senior Worksite Marketing Field Representative –
Cindy Stubblefield, FLMI, ACS, AIAA
Senior Superintendent, Reinsurance – **Nieata Bailey, ACS, ARA**
Underwriting Superintendent – **Jeremy Singer, CLU, FALU, FLMI**
Underwriting Specialist – **Gary Miller**

The Cincinnati Specialty Underwriters Insurance Company:
Underwriting Manager, Excess & Surplus – **Joe Dempsey, AIM**
Superintendent, Claims Excess & Surplus Lines – **Richard Hill**
Underwriter Directors – **Tracy Ernst; Tammy Lienberger, CPCU**
Underwriting Superintendent – **Angie Mosher, AIC, ASLI**
Underwriting Specialist – **Brian Rawlings, AIM, AIS, ASLI, AU**
Senior Underwriter – **Tim Mikesell, ASLI, AU**

Learning & Development

Independent agents and their staff use different software for each carrier they work with; understanding the details of each application can be a challenge. To help our agents understand the many features of our key commercial lines systems, we are taking the training to them. This year, Learning & Development associates are hosting hands-on, laptop-based classroom automation seminars. Reviewing a sample commercial account through the entire process, agents learn:

- how to use each type of software needed to rate, quote and issue a policy
- the tips and shortcuts to make business processing even easier
- how real-time offerings through CinciBridge® work
- more about billing options through CinciBill™
- how to access claims data

We encourage and reward associates to continue their professional insurance education, earning credentials by meeting high academic, ethical and length-of-experience standards. Congratulations to associates who completed a series of courses to earn a major designation: **Scott Cupp**, **Melissa Kamp**, **Amanda Klaus**, **Lynne Leslie**, **Chris Lewis**, **Wayne Pinney**, **Tom Ruth**, **David Theobald and Julia Wilking**, Chartered Property Casualty Underwriter (CPCU); **Matt Broerman, Bernie Kistler** and **Sharon Taylor**, Chartered Life Underwriter (CLU); **Molly Grimm**, Certified Equity Professional (CEP); **Mindy Bockewitz**, **Christopher Coffaro**, **Ken Mattison** and **Todd Ward**, Certified Insurance Counselor (CIC); **Jeremy Singer**, Fellow Associate Life Underwriter (FALU).

The Above and Beyond the Call (ABC) Award recognizes exemplary productivity, service and quality in exceptional associates. Congratulations to quarterly 2010 ABC Award recipients **Lori DeBord, API**, lead data service coordinator, Staff Underwriting; **Erica Ostendorf**, senior programmer analyst, IT Life Financials; and **Sandy Prewitt**, senior switchboard operator, Switchboard.

Public Responsibility

Congress recently passed the Dodd-Frank Act, H.R. 4173, to address concerns with regulation of the banking and investment sectors of the financial services industry. Although the legislation left state regulation of insurance mostly intact, several provisions could impact our industry: creating a consumer financial protection agency; giving the Treasury Department limited preemptive authority over state insurance regulation; creating a federal systemic risk regulator; and creating a federal resolution authority for nonbank financial institutions.

How these changes will ultimately affect consumers and the industry will depend on how the federal agency rulemaking process unfolds. Your company will urge federal regulators to consider the strengths of state-based insurance regulation as they implement the Dodd-Frank Act:

- State insurance regulators have a proven track record of protecting the interests of consumers which vary from state to state because of diverse geographic, legal, climatic and economic conditions.
- Granting any preemptive authority over state insurance regulation to the Treasury Department subjects the insurance industry to the anti-competitive forces of dual regulation.
- The insurance industry is not prone to systemic risk; our unique nature actually protects against the risk of a systemic failure.
- State insurance guaranty funds provide an efficient system for resolving and winding down insolvent insurers. A federal resolution authority would subject insurers to dual assessments and impose cross-subsidies for failures in other industries.

Safe Harbor Statement

This is our "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in our 2009 Annual Report on Form 10-K, Item 1A, Risk Factors, Page 23. Although we often review or update our forward-looking statements when events warrant, we caution our readers that we undertake no obligation to do so.

Factors that could cause or contribute to such differences include, but are not limited to:

- Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns, environmental events, terrorism incidents or other causes
- Increased frequency and/or severity of claims
- Inadequate estimates or assumptions used for critical accounting estimates
- Recession or other economic conditions resulting in lower demand for insurance products or increased payment delinquencies
- Delays in adoption and implementation of underwriting and pricing methods that could increase our pricing accuracy, underwriting profit and competitiveness
- Inability to defer policy acquisition costs for any business segment if pricing and loss trends would lead management to conclude that segment could not achieve sustainable profitability
- Declines in overall stock market values negatively affecting the company's equity portfolio and book value
- Events, such as the credit crisis, followed by prolonged periods of economic instability or recession, that lead to:
  - o Significant or prolonged decline in the value of a particular security or group of securities and impairment of the asset(s)
  - o Significant decline in investment income due to reduced or eliminated dividend payouts from a particular security or group of securities
  - o Significant rise in losses from surety and director and officer policies written for financial institutions
- Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income or interest rate fluctuations that result in declining values of fixed-maturity investments, including declines in accounts in which we hold bank-owned life insurance contract assets
- Increased competition that could result in a significant reduction in the company's premium volume
- Changing consumer insurance-buying habits and consolidation of independent insurance agencies that could alter our competitive advantages
- Inability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased, financial strength of reinsurers and the potential for non-payment or delay in payment by reinsurers
- Events or conditions that could weaken or harm the company's relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company's opportunities for growth, such as:
  - o Downgrades of the company's financial strength ratings
  - o Concerns that doing business with the company is too difficult
  - o Perceptions that the company's level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace
  - o Delays or inadequacies in the development, implementation, performance and benefits of technology projects and enhancements
- Actions of insurance departments, state attorneys general or other regulatory agencies, including a change to a federal system of regulation from a state-based system, that:
  - o Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business
  - o Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations
  - o Increase our expenses
  - o Add assessments for guaranty funds, other insurance related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes
  - o Limit our ability to set fair, adequate and reasonable rates
  - o Place us at a disadvantage in the marketplace
  - o Restrict our ability to execute our business model, including the way we compensate agents
- Adverse outcomes from litigation or administrative proceedings
- Events or actions, including unauthorized intentional circumvention of controls, that reduce the company's future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002
- Unforeseen departure of certain executive officers or other key employees due to retirement, health or other causes that could interrupt progress toward important strategic goals or diminish the effectiveness of certain longstanding relationships with insurance agents and others
- Events, such as an epidemic, natural catastrophe or terrorism, that could hamper our ability to assemble our workforce at our headquarters location
- Difficulties with technology or data security breaches could negatively affect our ability to conduct business and our relationships with agents, policyholders and others

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

Contact Information

Communications directed to Cincinnati Financial Corporation's secretary, Steven J. Johnston, FCAS, MAAA, CFA, chief financial officer, are shared with the appropriate individual(s). Or, you may directly access services:

Investors: Investor Relations responds to investor inquiries about the company and its performance.
Dennis E. McDaniel, CPA, CMA, CFM, CPCU – Assistant Vice President, Investor Relations
513-870-2768 or *investor_inquiries@cinfin.com*

Shareholders: Shareholder Services provides stock transfer services, fulfills requests for shareholder materials and assists registered shareholders who wish to update account information or enroll in shareholder plans.
Jerry L. Litton – Assistant Vice President, Shareholder Services
513-870-2639 or *shareholder_inquiries@cinfin.com*

Media: Corporate Communications assists media representatives seeking information or comment from the company or its subsidiaries.
Joan O. Shevchik, CPCU, CLU – Senior Vice President, Corporate Communications
513-603-5323 or *media_inquiries@cinfin.com*

CINCINNATI FINANCIAL CORPORATION

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Specialty Underwriters Insurance Company

The Cincinnati Life Insurance Company
CSU Producer Resources Inc.
CFC Investment Company

Cincinnati Financial Corporation

Letter from the Chairman and the Chief Executive Officer

ABOUT THE COMPANY

Cincinnati Financial Corporation stands among the 25 largest property casualty insurers in the nation, based on premium volume. A select group of independent agencies in 37 states actively markets our property casualty insurance within their communities. These agents offer our standard market commercial lines policies in all 37 states; personal lines policies in 29 states; and excess and surplus lines policies in 36 states. Within this select group, we seek to become the life insurance carrier of choice and to help agents and their clients – our policyholders – by offering leasing and financing services.

Three competitive advantages distinguish our company, positioning us to build value and long-term success:

- Commitment to our network of professional independent insurance agencies and to their continued success
- Financial strength that lets us be a consistent market for our agents' business, supporting stability and confidence
- Operating structure that supports local decision making, showcasing our claims excellence and allowing us to balance growth with underwriting discipline

Learn more about where we are today and how we plan to create value for shareholders, agents, policyholders and associates by reviewing publications that we promptly post on *www.cinfin.com/Investors* as they are completed.

REMEMBERING ROBERT C. SCHIFF 1923 – 2010

Robert C. Schiff, director emeritus of Cincinnati Financial Corporation, died January 7. A charter director of both The Cincinnati Insurance Companies in 1950 and Cincinnati Financial Corporation in 1968, Bob was the last living of the company's four founding agents. He remained actively involved with the company as a board member until 2004.

In the early years, Bob emphasized what would become one of our enduring competitive advantages: to carefully select independent agents, then offer products and underwrite accounts giving those agents broad flexibility to adapt the policy to each client's needs.

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TO OUR SHAREHOLDERS, FRIENDS AND ASSOCIATES:

FINANCIAL REVIEW

Your company reported $432 million of net income for 2009, up less than a percent from the 2008 result. Book value per share at December 31 reached $29.25, 14 percent above the year-end 2008 level. Property casualty surplus rose to $3.648 billion compared with $3.360 billion at year-end 2008. Shortly after our 2009 earnings announcements, A.M. Best affirmed its stable outlook and our A+ Superior insurer financial strength ratings, awarded to fewer than 11 percent of property casualty insurers.

How we got to this point says much about your company and our cautious, fairly positive outlook on 2010 and beyond.

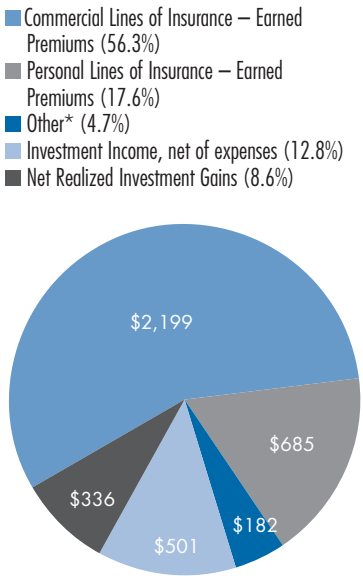
At the beginning of 2009, the crisis in the financial markets had taken its toll on our investment portfolio, reducing our income from stock dividends and our realized and unrealized investment gains. Broad economic weakness, together with a prolonged period of soft pricing for commercial insurance, pressured our premium revenues even as loss costs continued to rise. While our capital, liquidity, financial flexibility and capacity for future growth remained exceptionally strong, the declining profit trends were unsatisfactory.

John J. Schiff, Jr., CPCU (left), chairman of the board, with Kenneth W. Stecher, president and chief executive officer.

We had put our enterprise risk management program into high gear in mid-2008, working to identify specific metrics that define our risk tolerance and specific plans to stay inside their boundaries. In early 2009, many initiatives already were under way to stabilize and conserve our capital, drive growth of our insurance business and improve profitability. Our sense of urgency was strong. Nevertheless, by the end of the first quarter, high catastrophe losses led to a large underwriting loss for property casualty insurance operations. The declining trends continued for investment income, for the investment portfolio and for our property casualty surplus.

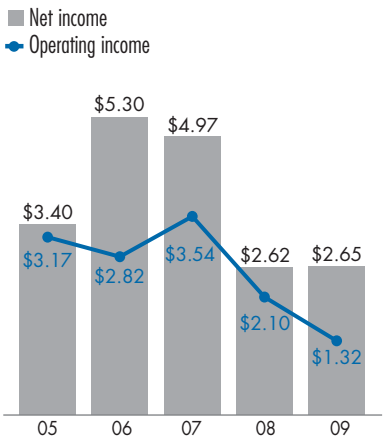
"ONE CARRIER OFFERED A CINCINNATI CLIENT COVERAGE AT A PREMIUM THAT WAS ALMOST 25 PERCENT LESS THAN CINCINNATI'S. THE CLIENT DECIDED THAT HIS CLAIMS REPRESENTATIVE AND CINCINNATI WERE WORTH THE EXTRA COST, EVEN IN THESE TOUGH ECONOMIC TIMES." — From a North Carolina Agent

2009 Consolidated Revenues
(In millions)



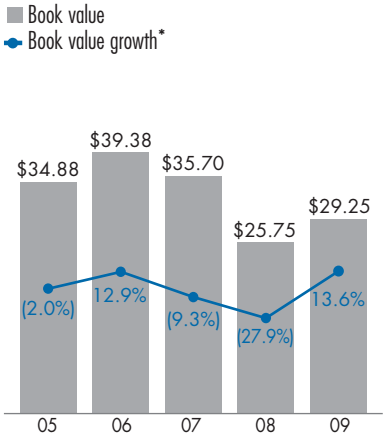
* Other includes life and surplus lines insurance earned premiums and other earned revenues.

Net and Operating* Income
Per common share



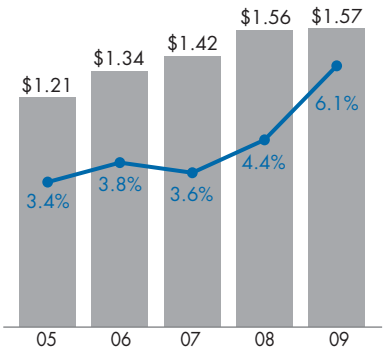
* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on *www.cinfin.com* defines and reconciles measures presented in this report that are not based on GAAP or Statutory Accounting Principles.

Book Value
Per common share



* Year-over-year change in book value per share

Cash Dividends Declared
Per common share



* Calculated as dividends declared per share to beginning book value per share

The second quarter brought little relief. Book value and surplus rose on better securities valuations. However, higher pretax investment interest income only partially offset lower dividend income. High second-quarter catastrophe losses piled on top of the first-quarter losses, and we added to our reserves for prior period workers' compensation loss estimates. Fitch Ratings cited the unfavorable underwriting performance as it lowered our insurer ratings to A+(Strong), albeit raising the outlook to stable. We kept working on our initiatives.

Solid earnings and favorable balance sheet trends emerged in the second half. By year-end, we were able to report three consecutive quarters of increasing assets, book value and statutory surplus, as well as two consecutive quarters of property casualty underwriting profit. Mild weather prevailed, partially offsetting the effects of continued price competition and lower payrolls and sales for businesses that pay premiums based on those measures. Securities valuations rose, and in the fourth quarter, pretax investment income resumed a growth trend. Property casualty operations, life operations, investment income and investment gains

all contributed during the second half to the rise in book value. While we are not yet satisfied, improving trends have returned to your company.

FOUNDATION FOR THE FUTURE

The insurance business is not for the faint-hearted who are distracted or discouraged by near-term events and results. Pushing negativity of the first half into the background, our leaders and associates kept in the foreground the initiatives that would position your company to grow profitably in years to come. Our 2009 progress was significant.

CAPITAL:

- Completed the rebalancing of our $10.562 billion investment portfolio, including the first-quarter sale of our remaining Fifth Third Bancorp shares and ongoing transactions to manage issue and sector concentrations within guidelines. At year-end, our equity holdings were 25.4 percent of invested assets. Our largest equity sector is healthcare, at 18 percent and our largest equity holding is Procter & Gamble, at 5.8 percent of our publicly traded common stock portfolio or 1.4 percent of the investment portfolio.

"UPLOAD WITH CINCINNATI IS BY FAR THE SMOOTHEST PROCESS OF ALL OF THE CARRIERS THAT OFFER IT TO US. I CAN COMPLETE SO MUCH MORE WORK IN THE SAME TIMEFRAME." – From a Michigan Agent

- Continued to build our bond portfolio with laddered maturities to protect against increasing interest rates and the corresponding decline of fair value. Our $7.855 billion bond portfolio had an average rating of A2/A at year-end and a 35 percent increase in fair value during 2009.
- Maintained parent company cash and invested assets of $1.040 billion at year-end to support financial flexibility for the insurance companies, liquidity to support dividend consistency and low debt leverage to support strong credit ratings.

AGENCY RELATIONSHIPS AND GROWTH:

- Demonstrated our commitment to agents by accelerating our major technology projects to increase their operating efficiency and by providing them with field, headquarters and online training options on the new systems. (See Serving Agents with Improved Technology on Page 4.)
- Expanded the size of our agency force, the product lines we offer those agencies and the geographical diversity of our operations. We established 87 new agency relationships in 2009, including our first agencies in Colorado and Wyoming. We staffed additional territories in Texas, which we just entered in late 2008.
- Increased local expertise available to agents and policyholders by adding to our staff of workers' compensation claims specialists and managers as well as loss control specialists.
- Responded promptly and fairly to more than 15,000 first-half catastrophe claims in Cincinnati style, earning policyholder loyalty to our company and agents.

PROFITABILITY:

- Developed predictive analytics and underwriter training to improve risk selection and pricing accuracy and adjusting rates and rate/credit structure – all actions designed to begin restoring profitability to our currently unprofitable homeowner and workers' compensation lines.

- Trimmed headquarters expenses by focusing on department level spending.
- Identified our risk tolerance for catastrophe exposures and acted where necessary to begin moving within the boundaries. Modeled projections demonstrated the effectiveness of these actions and plans, helping us to negotiate better terms on our 2010 catastrophe reinsurance agreements.
- Protected our balance sheets by accurately setting case reserves and by increasing total reserves for workers' compensation estimated losses when new information caused assumptions in our calculations to change. Our overall reserve development for prior periods was again favorable in 2009, reflecting the consistency of our conservative reserving practices. Overall reserves remain well into the upper half of the actuarial range.

We were buoyed by a strong sense of accomplishment even before the bad weather subsided in the third quarter. Most of the impacts from this work in 2009 will accumulate over time, increasing the stability of our investment and underwriting results and cementing the agent relationships that distinguish your company and help build long-term shareholder value.

TRANSITIONS, CONTINUITY AND STRATEGY

Your company's longstanding record of annual dividend increases is a key contributor to that shareholder value. As many public companies decreased or suspended their dividends in 2008 and early 2009, our board continued ours then

Taking service to the next level

Serving Agents with Improved Technology. We are streamlining our processes and systems to bring new efficiencies to our agency customers. Since October 2009, our new policy administration system for commercial package and auto coverages has deployed to agents in 14 states, with plans to add 16 more states in 2010. It features real-time quoting and policy issuance, a new direct billing option and interface capabilities to transfer selected policy data from agency management systems.

Early in 2010, we deployed the next version of our personal lines policy administration system to agencies in all 29 states where we market personal lines. This next generation, Web-based system prefills selected data, automatically orders third-party reports and offers quoting with some real-time rating and comparative vendors.

Interface technology makes it easy for agents to work on our policies within their agency systems, without logging on to our system or rekeying data. Cincinnati received the 2009 Agency Interface Award from Applied Systems® Client Network for achievements in this area.

Our excess and surplus lines company continued expanding its processing system to handle new products and states in 2009. Agents appreciate the system's delivery of electronic copies of policies within minutes of underwriting approval and policy issue. Cincinnati Specialty Underwriters was recognized as a Celent Model Insurer in the area of service for successfully leveraging a previous implementation to quickly enter a new market in 2009.

"THE REASON THIS CLIENT WANTED AN ANNUITY FROM CINCINNATI LIFE RATHER THAN ANOTHER OF MY CARRIERS IS HOW WELL THE CLIENT HAD BEEN SERVED BY YOUR CLAIMS REPRESENTATIVE DURING A CATASTROPHE AND AUTO CLAIM."
— From an Ohio Agent

acted in the third quarter of 2009 to increase it. Your new indicated annual dividend was $1.58 per share, up 2 cents, signaling the board's confidence in our financial strength and flexibility and management's ability to position the company for future performance.

This action also signaled our values of consistency, predictability and a long-term perspective – values that create steadiness in our management of market cycles, trust in our insurance relationships with agents and policyholders and transparency in our communications with investors. Those are values that have characterized your company since its founding in 1950 by four independent agents. We regretfully note the passing in early 2010 of our last living founder, Bob Schiff. (See our tribute on the inside front cover.)

The composition of our board was unchanged in 2009, with a new independent director joining us early in 2010. Linda W. Clement-Holmes is a talented and high-achieving Procter & Gamble executive with extensive leadership experience in technology strategy, management and implementation. She brings expertise that complements that of other directors, rounding out our board. Linda is serving on a new, 14th board seat and on the board's independent audit committee.

Our vice chairman and retired president, Jim Benoski is not standing for re-election at this year's annual meeting of shareholders, as previously announced. With his departure, the number of board

Taking service to the next level

Serving Shareholders. Now you can manage your Cincinnati Financial shares online by setting up your My Shareholder Account. Securely complete address changes, view your recent transactions or shareholder account statements and manage your participation in the Shareholder Investment Plan on your schedule. Once enrolled in that plan, you can buy shares directly from the company by making one-time purchases, monthly withdrawals from your bank account or reinvesting your quarterly dividends. Get started by going to Shareholder Information at *www.cinfin.com/investors.*

Shareholders who reinvest dividends compound your returns over time. Our 49-year record of consecutive dividend increases is matched by only a handful of companies. Your company qualified again in 2009 as an S&P 500 Dividend Aristocrat and a Mergent's Dividend Achiever.

Now shareholders of record can choose to hold shares in book entry instead of keeping track of paper certificates. This service protects you from the effort and cost to replace any misplaced certificates. To convert your certificated shares to book entry or request other services, please e-mail *Shareholder_inquiries@cinfin.com* or call our new toll-free shareholder line, 866-638-6443.

Reducing paper use supports our efforts to be green. Rankings published in *Newsweek* (September 2009) gave your company's operations a green score of 97.4 percent in the environmental impact category, the 16th most favorable score among 500 large companies evaluated.

Taking service to the next level

Serving Policyholders. We made more payment options available in 2009 to the growing number of policyholders directly billed by Cincinnati rather than by their agencies. They can pay for home, auto and other personal property and casualty policies online or by telephone, using credit cards or bank account transfers. They can choose annual, semi-annual or quarterly pay plans or monthly electronic funds transfers. Soon, we will expand our online services to offer all personal lines policyholders view and print capability for policy declarations pages and auto identification cards.

Pay plans for directly billed commercial package policyholders also expanded this year, now including monthly direct invoicing or electronic funds transfer for all payment plans. We have heightened our responsiveness to our commercial workers' compensation policyholders and claimants, adding 24/7 toll-free direct claim reporting with prompt agent notifications, more workers' compensation claims specialists and field claims managers, and more loss control specialists and services. We believe employers, injured employees and the company all benefit from timely, personal attention to safety and claims.

In an independent survey of 8,693 independent agents who evaluated 200 insurers, Cincinnati was the top performer for handling claims fairly (*Deep Customer Connections,* October 2009).

"WE PLACED OUR FIRST BUSINESS WITH CSU PRODUCER RESOURCES. THE EASE OF DOING BUSINESS, TIMELY RATING PROCESS AND UNDERWRITER WERE ALL UP TO CINCINNATI'S HIGH STANDARDS. E&S FROM CINCINNATI WILL DEFINITELY BE GOOD FOR AGENTS."
— From a Florida Agent

seats will return to 13. (See our tribute on Page 13.)

The board has approved our enterprise strategic plan for 2010. They will measure our success executing the plan in several ways. The value creation ratio is our primary measure of progress. We believe it captures the contribution of our insurance operations, the success of our investment strategy and the importance we place on paying cash dividends to shareholders. It has two components: 1) our rate of growth in book value per share plus 2) the ratio of dividends declared per share to beginning book value per share. For the period 2010 through 2014, we continue to target an annual value creation ratio averaging 12 percent to 15 percent.

Several goals are the keys to increasing our book value and achieving that target: 1) year-over-year property casualty premium growth exceeding the industry average of our insurance business; 2) a combined ratio consistently under 100 percent; 3) total return on the equity portfolio exceeding total return on the S&P 500 Index; and 4) year-over-year growth of investment income.

Those are ambitious goals, and we'll stretch to meet them. We will act in 2010 to manage capital, to make it easier for agents to do business with us and to enhance our ability to improve and sustain profitability. While many of the same initiatives described above are ongoing, some new initiatives are notable.

MANAGING CAPITAL

We will again work to maintain a diversified investment portfolio, applying

our risk management guidelines and balancing our needs for current income and long-term appreciation. We'll also further develop our comprehensive, enterprise-level catastrophe management program, including regional guidelines that work with our underwriting and reinsurance efforts.

EXCEEDING AGENT EXPECTATIONS

Our most important point of differentiation and competitive advantage is our agent relationships. Our 2010 emphasis is squarely on service, and on our commitment to make it easier for agents to do business with us. In 2010, we will develop short- and long-term technology plans, also gathering and acting on data that measures agent satisfaction with our systems and service. We will develop department level service improvement plans and customer service training programs for associates. We'll provide direct policyholder services that our agents say they want for their clients. By taking service to the next level, we aim to be the carrier of choice for each agency's best business. (See Serving Agents with Improved Technology on Page 4 and Serving Policyholders on Page 6.)

Taking service to the next level

Serving Agents with a Full Range of Products. By meeting our agents' needs, we win an average of 16.7 percent of premiums in agency reporting locations that have represented us for 10 or more years. To increase that share and help diversify their revenue sources, we are expanding our product offerings.

We have developed personal lines automation for more states and refined our rates, attracting agencies that previously marketed only our commercial products. An additional 133 agencies gained the ability in 2009 to cross-serve commercial clients who already know about Cincinnati's superior claims service.

In just two years of writing excess and surplus lines we have expanded product availability to include excess casualty in addition to general liability, property and dozens of classes of professional errors and omissions insurance.

Recent additions to our commercial product portfolio include Educational Institution Legal Liability and Internet Security, both available as endorsements to our Blue Chip Policy for directors and officers. New commercial package endorsements include Internet Liability Coverage and Utility Services with Overhead Transmission and Distribution Line Coverage – Direct Damage and Time Element, which is incorporated into two new coverage bundles, the CinciPlus® Commercial Property Power XC® and XC+®. In 2010, our new Target Markets area is forming to identify specific commercial classes of business for which we will develop expertise, tailored coverage and marketing support.

Cincinnati is the 24th largest of approximately 2,000 U.S. property casualty insurers based on 2008 direct premiums. According to A.M. Best data, our market share is 0.9 percent of industry premiums, indicating plenty of room to grow. Other direct written premium rankings and market shares: Commercial multiple peril – 12th place and 3 percent; commercial auto – 16th place and 1.5 percent; workers' compensation – 23rd place and 0.9 percent; homeowners multiple peril – 25th place and 0.5 percent.

DRIVING GROWTH

To grow our insurance business, we will focus our resources on markets where our penetration is low and opportunities are high. We expect to appoint 65 new professional agencies in 2010, in a range of sizes and with aggregate annual premiums of about $1 billion with all carriers they represent. We will give our product portfolio attention, further broadening and diversifying the types of commercial products offered (See Serving Our Agents with a Full Range of Products on Page 7).

IMPROVING PROFITABILITY

To sustain underwriting profitability through all cycles, we are continuing in 2010 to develop pricing capabilities for each line of business and remediation plans for each underperforming line of business. We also expect to develop more expertise for larger, complex risks. We'll reduce and manage expenses, moving toward operational budgets at the department level to help managers maximize use of resources. For each of these efforts, we'll provide improved management and associate training and establish metrics that ensure accountability.

"OUR CLIENT REVIEWED FOUR QUOTES THAT WERE LOWER IN PREMIUM, BUT HE RENEWED WITH CINCINNATI BECAUSE OF HIS PAST CLAIM EXPERIENCE AND THE LOSS CONTROL ASSISTANCE YOU HAVE PROVIDED. THE CLIENT RECOGNIZED YOUR SERVICE AND THE VALUE IT ADDS." — From a Montana Agent

ACCOUNTABILITY

Our 2010 plans and metrics fully support accountability of executives to the board and shareholders, of managers to department heads and of associates to supervisors. Additionally, shareholders approved the Annual Incentive Compensation Plan of 2009 at last year's Annual Meeting of Shareholders. The board of directors recently adjusted the balance of compensation components for executive officers, implementing this plan that makes the vesting of awards contingent on attainment of specific company performance metrics. In turn, except in unusual circumstances, the executive officers no longer will receive nonperformance-based, discretionary bonuses that other associates continue to receive.

Regardless of any economic upturn or market cycle changes that may or may not occur in 2010, we are confident in our ability to build on the improving trends and significant achievements of 2009. We thank our loyal shareholders for the opportunities to accomplish more for you in 2010.

Respectfully,

/S/ John J. Schiff, Jr.
John J. Schiff, Jr., CPCU
Chairman of the Board

/S/ Kenneth W. Stecher
Kenneth W. Stecher
President and Chief Executive Officer

CONDENSED BALANCE SHEETS AND INCOME STATEMENTS

Cincinnati Financial Corporation and Subsidiaries

(In millions)	At December 31, 2009	2008
Assets		
Investments	**$ 10,643**	$ 8,890
Cash and cash equivalents	**557**	1,009
Premiums receivable	**995**	1,059
Reinsurance receivable	**675**	759
Deferred income tax	**–**	126
Other assets	**1,570**	1,526
Total assets	**$ 14,440**	$ 13,369
Liabilities		
Insurance reserves	**$ 5,925**	$ 5,637
Unearned premiums	**1,509**	1,544
Deferred income tax	**152**	–
6.125% senior notes due 2034	**371**	371
6.9% senior debentures due 2028	**28**	28
6.92% senior debentures due 2028	**391**	392
Other liabilities	**1,304**	1,215
Total liabilities	**9,680**	9,187
Shareholders' Equity		
Common stock and paid-in capital	**1,474**	1,462
Retained earnings	**3,862**	3,579
Accumulated other comprehensive income	**624**	347
Treasury stock	**(1,200)**	(1,206)
Total shareholders' equity	**4,760**	4,182
Total liabilities and shareholders' equity	**$ 14,440**	$ 13,369

(Dollars in millions except per share data)	Years ended December 31, 2009	2008	2007
Revenues			
Earned premiums	**$ 3,054**	$ 3,136	$ 3,250
Investment income, net of expenses	**501**	537	608
Realized investment gains and losses	**336**	138	382
Other income	**12**	13	19
Total revenues	**3,903**	3,824	4,259
Benefits and Expenses			
Insurance losses and policyholder benefits	**2,242**	2,193	1,963
Underwriting, acquisition and insurance expenses	**1,004**	1,016	1,039
Other operating expenses	**20**	22	13
Interest expense	**55**	53	52
Total benefits and expenses	**3,321**	3,284	3,067
Income Before Income Taxes	**582**	540	1,192
Provision for Income Taxes	**150**	111	337
Net Income	**$ 432**	$ 429	$ 855
Per Common Share:			
Net income—basic	**$ 2.66**	$ 2.63	$ 5.01
Net income—diluted	**$ 2.65**	$ 2.62	$ 4.97

SIX-YEAR SUMMARY FINANCIAL INFORMATION

Cincinnati Financial Corporation and Subsidiaries

(Dollars in millions except per share data)	Years ended December 31,					
	2009	2008	2007	2006	2005	2004
Financial Highlights						
Net income	**$ 432**	$ 429	$ 855	$ 930	$ 602	$ 584
Net realized investment gains and losses, after tax	**217**	85	245	434	40	60
Operating income	**$ 215**	$ 344	$ 610	$ 496	$ 562	$ 524
Per Share Data (diluted)						
Net income	**$ 2.65**	$ 2.62	$ 4.97	$ 5.30	$ 3.40	$ 3.28
Net realized investment gains and losses, after tax	**1.33**	0.52	1.43	2.48	0.23	0.34
Operating income	**$ 1.32**	$ 2.10	$ 3.54	$ 2.82	$ 3.17	$ 2.94
Cash dividends declared	**1.57**	1.56	1.42	1.34	1.21	1.04
Book value	**29.25**	25.75	35.70	39.38	34.88	35.60
Ratio Data						
Debt-to-capital	**15.0%**	16.7%	12.7%	11.0%	11.5%	11.2%
Book value growth	**13.6**	(27.9)	(9.3)	12.9	(2.0)	1.4
Cash dividends declared to beginning book value	**6.1**	4.4	3.6	3.8	3.4	3.0
Value creation ratio	**19.7**	(23.5)	(5.7)	16.7	1.4	4.4
Consolidated Property Casualty Insurance Operations (Statutory)						
Agency renewal written premiums	**$ 2,665**	$ 2,828	$ 2,960	$ 2,931	$ 2,897	$ 2,793
Agency new business written premiums	**405**	368	325	357	313	330
Written premiums	**2,911**	3,010	3,117	3,178	3,076	2,997
Earned premiums	**2,911**	3,010	3,125	3,164	3,058	2,919
Current accident year before catastrophe losses	**$ 2,102**	$ 2,174	$ 2,030	$ 1,947	$ 1,854	$ 1,797
Current accident year catastrophe losses	**172**	205	47	176	118	153
Prior accident years before catastrophe losses	**(181)**	(321)	(224)	(113)	(169)	(191)
Prior accident year catastrophe losses	**(7)**	(2)	(21)	(2)	9	(5)
Total loss and loss expenses	**$ 2,086**	$ 2,056	$ 1,832	$ 2,008	$ 1,812	$ 1,754
Underwriting expenses	**953**	965	988	965	914	878
Net underwriting gain (loss)	**(128)**	(11)	305	191	332	287
Loss ratio	**58.6%**	57.7%	46.6%	51.9%	49.2%	49.8%
Loss expense ratio	**13.1**	10.6	12.0	11.6	10.0	10.3
Underwriting expense ratio	**32.7**	32.1	31.7	30.4	29.8	29.3
Combined ratio	**104.4%**	100.4%	90.3%	93.9%	89.0%	89.4%
Policyholders' surplus	**$ 3,648**	$ 3,360	$ 4,307	$ 4,750	$ 4,194	$ 4,191
Net written premiums to surplus	**0.80**	0.90	0.72	0.67	0.73	0.71
Commercial Lines Property Casualty Insurance Operations (Statutory)						
Written premiums	**$ 2,181**	$ 2,311	$ 2,413	$ 2,442	$ 2,290	$ 2,186
Earned premiums	**2,199**	2,316	2,411	2,402	2,254	2,126
Loss ratio	**55.1%**	54.2%	44.8%	48.4%	46.6%	43.4%
Loss expense ratio	**13.8**	10.7	13.1	12.7	11.0	10.9
Underwriting expense ratio	**32.9**	31.7	31.3	29.7	29.5	29.4
Combined ratio	**101.8%**	96.6%	89.2%	90.8%	87.1%	83.7%
Personal Lines Property Casualty Insurance Operations (Statutory)						
Written premiums	**$ 691**	$ 685	$ 704	$ 736	$ 786	$ 811
Earned premiums	**685**	689	714	762	804	793
Loss ratio	**70.2%**	69.0%	53.2%	62.9%	56.7%	66.7%
Loss expense ratio	**10.2**	10.4	8.1	8.3	7.2	8.9
Underwriting expense ratio	**31.0**	32.2	32.8	32.4	30.4	29.0
Combined ratio	**111.4%**	111.6%	94.1%	103.6%	94.3%	104.6%
Life Insurance Operations (Statutory)						
Written premiums	**$ 346**	$ 185	$ 167	$ 161	$ 205	$ 193
Net income before realized investment gains and losses	**11**	(18)	7	(1)	10	26
Net income	**15**	(70)	39	28	21	28
Gross life insurance face amount in force	**69,814**	65,887	61,873	56,971	51,493	44,921
Admitted assets excluding separate account business	**2,260**	1,930	2,029	2,026	1,882	1,713
Risk-based capital						
Total adjusted capital	**316**	290	506	556	518	491
Authorized control level risk-based capital	**40**	37	66	67	53	47

* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on www.cinfin.com defines and reconciles measures presented in this report that are not based on GAAP or Statutory Accounting Principles.

CINCINNATI FINANCIAL CORPORATION
SAFE HARBOR STATEMENT

This is our "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in our 2009 Annual Report on Form 10-K, Item 1A, Risk Factors, Page 23. Although we often review or update our forward-looking statements when events warrant, we caution our readers that we undertake no obligation to do so.

Factors that could cause or contribute to such differences include, but are not limited to:

- Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns, environmental events, terrorism incidents or other causes
- Increased frequency and/or severity of claims
- Inadequate estimates or assumptions used for critical accounting estimates
- Recession or other economic conditions resulting in lower demand for insurance products or increased payment delinquencies
- Delays in adoption and implementation of underwriting and pricing methods that could increase our pricing accuracy, underwriting profit and competitiveness
- Inability to defer policy acquisition costs for any business segment if pricing and loss trends would lead management to conclude that segment could not achieve sustainable profitability
- Declines in overall stock market values negatively affecting the company's equity portfolio and book value
- Events, such as the credit crisis, followed by prolonged periods of economic instability or recession, that lead to:
  - Significant or prolonged decline in the value of a particular security or group of securities and impairment of the asset(s)
  - Significant decline in investment income due to reduced or eliminated dividend payouts from a particular security or group of securities
  - Significant rise in losses from surety and director and officer policies written for financial institutions
- Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income or interest rate fluctuations that result in declining values of fixed-maturity investments, including declines in accounts in which we hold bank-owned life insurance contract assets
- Increased competition that could result in a significant reduction in the company's premium volume
- Changing consumer insurance-buying habits and consolidation of independent insurance agencies that could alter our competitive advantages
- Inability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased, financial strength of reinsurers and the potential for non-payment or delay in payment by reinsurers
- Events or conditions that could weaken or harm the company's relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company's opportunities for growth, such as:
  - Multi-notch downgrades of the company's financial strength ratings
  - Concerns that doing business with the company is too difficult
  - Perceptions that the company's level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace
  - Delays or inadequacies in the development, implementation, performance and benefits of technology projects and enhancements
- Actions of insurance departments, state attorneys general or other regulatory agencies, including a change to a federal system of regulation from a state-based system, that:
  - Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business
  - Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations
  - Increase our expenses
  - Add assessments for guaranty funds, other insurance related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes
  - Limit our ability to set fair, adequate and reasonable rates
  - Place us at a disadvantage in the marketplace
  - Restrict our ability to execute our business model, including the way we compensate agents
- Adverse outcomes from litigation or administrative proceedings
- Events or actions, including unauthorized intentional circumvention of controls, that reduce the company's future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002
- Unforeseen departure of certain executive officers or other key employees due to retirement, health or other causes that could interrupt progress toward important strategic goals or diminish the effectiveness of certain longstanding relationships with insurance agents and others
- Events, such as an epidemic, natural catastrophe or terrorism, that could hamper our ability to assemble our workforce at our headquarters location
- Difficulties with technology or data security breaches could negatively affect our ability to conduct business and our relationships with agents, policyholders and others

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

SUBSIDIARY OFFICERS AND DIRECTORS

As of March 3, 2010, listed alphabetically
The Cincinnati Insurance Company (CIC)
The Cincinnati Indemnity Company (CID)
The Cincinnati Casualty Company (CCC)
The Cincinnati Specialty Underwriters Insurance Company (CSU)
The Cincinnati Life Insurance Company (CLIC)
CSU Producer Resources Inc. (C-SUPR)
CFC Investment Company (CFC-I)

EXECUTIVE OFFICERS

Donald J. Doyle, Jr., CPCU, AIM
CIC, CID, CCC, CSU, C-SUPR Senior Vice President – Excess & Surplus Lines
CIC, CID, CCC, CSU Director

Craig W. Forrester, CLU
CIC, CID, CCC, CLIC, Senior Vice President – Information Technology

Martin F. Hollenbeck, CFA, CPCU
CIC, CID, CCC, CSU, CLIC Senior Vice President and Chief Investment Officer
CFC-I President and Chief Operating Officer
CIC, CID, CCC, CLIC, CFC-I, CSU Director

Steven J. Johnston, FCAS, MAAA, CFA
CIC, CID, CCC, CLIC, CFC-I, CSU, C-SUPR Chief Financial Officer, Senior Vice President and Secretary
CSU, C-SUPR – Treasurer
Director of all subsidiaries

Thomas A. Joseph, CPCU
CCC President
CIC, CID Senior Vice President – Personal Lines
CIC, CID, CCC, CSU Director

Eric N. Mathews, CPCU, AIAF
CIC, CID, CCC, CLIC Senior Vice President – Corporate Accounting

Martin J. Mullen, CPCU
CIC, CID, CCC Senior Vice President and Chief Claims Officer
CIC, CID, CCC, CLIC, CSU Director

David H. Popplewell, FALU, LLIF
CLIC President and Chief Operating Officer; Director

J. F. Scherer
CIC, CID, CCC, CLIC Executive Vice President – Sales & Marketing
CIC, CID, CCC, CSU, CLIC, CFC-I Director

John J. Schiff, Jr., CPCU
CIC, CID, CCC, CSU, CLIC, C-SUPR Chairman of the Board
Director of all subsidiaries

Joan O. Shevchik, CPCU, CLU
CIC, CID, CCC Senior Vice President – Corporate Communications

Kenneth W. Stecher
CIC, CID, CSU, C-SUPR President and Chief Executive Officer
CCC, CLIC, CFC-I Chief Executive Officer
Director of all subsidiaries

Charles P. Stoneburner II, CPCU, AIM
CIC, CID, CCC Senior Vice President – Commercial Lines
CIC, CID, CCC, CSU Director

Timothy L. Timmel
CIC, CID, CCC, CLIC, CFC-I Senior Vice President – Operations
CIC, CID, CCC, CSU, CLIC, CFC-I Director

SENIOR OFFICERS

Michael R. Abrams
CIC, CID, CCC, CLIC Vice President – Investments

Dawn M. Alcorn
CIC, CID, CCC Vice President – Administrative Services

Brad E. Behringer
CLIC Senior Vice President and Chief Underwriter

Roger A. Brown, FSA, MAAA
CLIC Vice President – Actuarial

David L. Burbrink
CLIC Vice President – Life Field Services

Teresa C. Cracas
CIC, CID, CCC, CLIC Vice President – Planning & Risk Management

Richard W. Cumming, ChFC, CLU, FSA, MAAA
CIC, CID, CCC, CLIC Senior Vice President and Chief Actuary
CLIC Director

Joel W. Davenport, CPCU, AAI
CIC, CID, CCC Vice President – Commercial Lines

J. Michael Dempsey, CLU
CLIC Vice President – Life Marketing Administration

Mark R. DesJardins, CPCU, AIM, AIC, ARP
CIC, CID, CCC Vice President – Learning & Development

W. Dane Donham, AIM
CIC, CID, CCC Vice President – Commercial Lines

Harold L. Eggers, CLU, FLMI, FALU, HIAA
CLIC Vice President – Life Policy Issue

Frederick A. Ferris
CIC, CID, CCC Vice President – Commercial Lines

Carl C. Gaede, CPCU, AFSB
CIC, CID, CCC Vice President – Bond & Executive Risk

William J. Geier, CPCU, CLU, ChFC, FLMI, AIM, HIAA
CIC, CID, CCC, CLIC Vice President – Information Technology

Scott A. Gilliam
CIC, CID, CCC, CLIC Vice President and Government Relations Officer

Gary B. Givler
CIC, CID, CCC Vice President – Headquarters Claims

David T. Groff, CPCU, FCAS, MAAA
CIC, CID, CCC Vice President – Staff Underwriting

Kevin E. Guilfoyle
CFC-I Senior Vice President – Leasing

David L. Helmers, CPCU, API, ARe, AIM
CIC, CID, CCC Vice President – Personal Lines

Theresa A. Hoffer
CIC, CID, CCC, CLIC Vice President – Corporate Accounting
CIC, CID, CCC Treasurer

Timothy D. Huntington, CPCU, AU
CIC, CID, CCC Vice President – Commercial Lines

Thomas H. Kelly
CIC, CID, CCC Vice President – Bond & Executive Risk

Christopher O. Kendall, CPCU, AIT, AIM, ARe, ARM, ARP
CIC, CID, CCC Vice President – Commercial Lines

Gary J. Kline, CPCU
CIC, CID, CCC Vice President – Commercial Lines

Steven W. Leibel, CPCU, AIM
CIC, CID, CCC Vice President – Personal Lines

Jerry L. Litton
CFC-I Treasurer

Richard L. Mathews, CPCU
CIC, CID, CCC, CLIC Vice President – Information Technology

Richard P. Matson
CIC, CID, CCC, CLIC, CFC-I Vice President – Purchasing/Fleet

David E. McKinney, CPCU, AIM
CIC, CID, CCC Vice President – Commercial Lines

Robyn C. Muhlberg
CIC, CID, CCC, CLIC Vice President – Information Technology

Gary A. Nichols
CIC, CID, CCC Vice President – Headquarters Claims

Glenn D. Nicholson, LLIF
CLIC Senior Vice President and Senior Marketing Officer; Director

Michael K. O'Connor, CFA, CPCU, AFSB
CIC, CID, CCC, CLIC Vice President – Investments

Todd H. Pendery, FLMI
CIC, CID, CCC, CLIC Vice President – Corporate Accounting
CLIC Treasurer

Marc C. Phillips, CPCU, AIM
CIC, CCC, CID Vice President – Commercial Lines

Ronald L. Robinson
CIC, CID, CCC Vice President – Field Claims

Michael A. Rouse
CIC, CID, CCC Vice President – Commercial Lines

Thomas J. Scheid
CIC, CID, CCC, CLIC Vice President – Inspection Services & Facilities

Gregory D. Schmidt, CPCU, ARP, CPP, ACP, ARC
CIC, CID, CCC, CLIC Vice President – Staff Underwriting

J. B. Shockey, CPCU, CIC, CLU
CIC, CID, CCC Vice President – Sales & Marketing

David W. Sloan
CFC-I Vice President – Leasing

Debra K. Smith
CIC, CID, CCC Vice President – Commercial Lines

Scott K. Smith, CPCU, ARM, AIM, AU, AAI
CIC, CID, CCC Vice President – Commercial Lines

Steven A. Soloria, CFA, CPCU
CIC, CID, CCC, CLIC Vice President – Investments

Stephen M. Spray
CIC, CID, CCC Vice President – Target Markets

Douglas W. Stang, FCAS, MAAA
CIC, CID, CCC Vice President – Staff Underwriting

James E. Streicher, CPCU, AIM, AIT, ARe, ASLI
CIC, CID, CCC Vice President – Personal Lines

Duane I. Swanson, CIC
CIC, CID, CCC Vice President – Sales & Marketing

Scott L. Unger
CIC, CID, CCC Vice President – Bond & Executive Risk

Philip J. Van Houten, CFE, FCLS
CIC, CID, CCC Vice President – Special Investigations

Stephen A. Ventre, CPCU
CIC, CID, CCC Vice President – Commercial Lines

Jody L. Wainscott
CIC, CID, CCC Vice President – Target Markets

Michael B. Wedig, CPA
CIC, CID, CCC, CLIC Vice President – Corporate Accounting

Paul W. Wells
CIC, CID, CCC Vice President – Bond & Executive Risk

Mark A. Welsh
CIC, CID, CCC, CLIC Vice President – Regulatory & Consumer Relations

Mark S. Wietmarschen
CIC, CID, CCC Vice President – Commercial Lines

Brian K. Wood, CPCU, AIM
CIC, CID, CCC, CLIC Vice President – Personnel & Community Relations

Gregory J. Ziegler
CIC, CID, CCC, CLIC, CFC-I Vice President – Personnel & Community Relations

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Teresa C. Cracas
CIC, CID, CCC, CLIC Counsel

Eugene M. Gelfand
CIC, CID, CCC, CLIC Counsel

Mark J. Huller
CIC, CID, CCC, CLIC Senior Counsel

G. Gregory Lewis
CIC, CID, CCC, CLIC Counsel

Lisa A. Love
CIC, CID, CCC, CLIC Senior Counsel

Stephen C. Roach
CIC, CID, CCC, CLIC Counsel

NON-OFFICER DIRECTORS

William F. Bahl, CFA, CIC
CIC, CID, CCC, CSU, CLIC

James E. Benoski
Director of all subsidiaries

Gregory T. Bier, CPA (Ret.)
CIC, CID, CCC, CSU, CLIC

W. Rodney McMullen
CIC, CID, CCC, CSU, CLIC

Thomas R. Schiff
CIC, CID, CCC, CSU, CLIC

John F. Steele, Jr.
CIC, CID, CCC, CSU

Larry R. Webb, CPCU
CIC, CID, CCC, CSU

E. Anthony Woods
CIC, CID, CCC, CSU, CLIC

CIC DIRECTORS EMERITI

Vincent H. Beckman
Robert J. Driehaus
Richard L. Hildbold, CPCU
William H. Zimmer

CINCINNATI FINANCIAL CORPORATION OFFICERS AND DIRECTORS

(AS OF MARCH 3, 2010)

DIRECTORS

William F. Bahl, CFA, CIC
Chairman
Bahl & Gaynor Investment Counsel Inc.
(Independent registered investment adviser)
Director since 1995 (1)(4)(5*)

James E. Benoski
Vice Chairman of the Board
Cincinnati Financial Corporation
Director since 2000 (3)(4)

Gregory T. Bier, CPA (Ret.)
Managing Partner (Ret.), Cincinnati Office
Deloitte & Touche LLP
(Independent registered public accounting firm)
Director since 2006 (4)

Linda W. Clement-Holmes
Senior Vice President
Global Diversity and Global Business Services
Procter & Gamble Company
(Consumer products)
Director since 2010 (1)

Kenneth C. Lichtendahl
President and Chief Executive Officer
Tradewinds Beverage Company
(Ready-to-drink tea and juice manufacturer)
Director Since 1988 (1*)(5)

W. Rodney McMullen
President and Chief Operating Officer
The Kroger Company
(Retail grocery chain)
Director since 2001 (2*)(3)(4)

Gretchen W. Price
Executive Vice President and
Chief Financial Officer
philosophy inc.
(Prestige beauty brand)
Director since 2002 (1)(2)(5)

John J. Schiff, Jr., CPCU
Chairman of the Board
Cincinnati Financial Corporation
Director since 1968 (3*)(4*)

Thomas R. Schiff
Chairman and Chief Executive Officer
John J. & Thomas R. Schiff & Co. Inc.
(Independent insurance agency)
Director since 1975 (4)

Douglas S. Skidmore
President and Chief Executive Officer
Skidmore Sales & Distributing Company Inc.
(Food ingredient distributor)
Director since 2004 (1)(5)

Kenneth W. Stecher
President and Chief Executive Officer
Cincinnati Financial Corporation
Director since 2008 (3)(4)

John F. Steele, Jr.
Chairman and Chief Executive Officer
Hilltop Basic Resources Inc.
(Supplier of aggregates and concrete)
Director since 2005 (1)(3)

Larry R. Webb, CPCU
President
Webb Insurance Agency Inc.
(Independent insurance agency)
Director since 1979 (3)

E. Anthony Woods
Chairman and Chief Executive Officer
SupportSource LLC
(Management, financial and investment consulting)
Director since 1998 (2)(3)(4)

(1) Audit Committee
(2) Compensation Committee
(3) Executive Committee
(4) Investment Committee; also Richard M. Burridge, CFA, adviser
(5) Nominating Committee
* Committee Chair


W.F. Bahl


G.T. Bier


L.W. Clement-Holmes


K.C. Lichtendahl


W.R. McMullen


G.W. Price


J.J. Schiff, Jr.


T.R. Schiff


D.S. Skidmore


K.W. Stecher


J.F. Steele, Jr.


L.R. Webb


E.A. Woods

OFFICERS

John J. Schiff, Jr., CPCU
Chairman of the Board

Kenneth W. Stecher
President and Chief Executive Officer

Steven J. Johnston, FCAS, MAAA, CFA
Chief Financial Officer, Senior Vice President, Secretary and Treasurer

Martin F. Hollenbeck, CFA, CPCU
Chief Investment Officer, Senior Vice President, Assistant Secretary and Assistant Treasurer

Eric N. Mathews, CPCU, AIAF
Principal Accounting Officer, Vice President, Assistant Secretary and Assistant Treasurer

DIRECTORS EMERITI

Vincent H. Beckman
Michael Brown
Robert J. Driehaus
John E. Field, CPCU
Jackson H. Randolph
Lawrence H. Rogers II
John Sawyer
Frank J. Schultheis
David B. Sharrock
John M. Shepherd
Thomas J. Smart
Alan R. Weiler, CPCU
William H. Zimmer

JAMES E. BENOSKI

Jim Benoski, a CFC director since 2000, will not stand for re-election in May 2010. Jim was president, chief operating officer and chief insurance officer of the company until July 2008. He retired in 2009 after almost 40 years of leadership and service contributing to our respected claims operations. Your company grew and prospered through Jim's inspirational work ethic and leadership. We thank him, as we thank our shareholders who elected him to several consecutive terms.

SHAREHOLDER INFORMATION

Cincinnati Financial Corporation had approximately 13,000 shareholders of record and approximately 36,000 beneficial shareholders as of December 31, 2009. Many of the company's independent agent representatives and most of the 4,170 associates of its subsidiaries own the company's common stock.

COMMON STOCK PRICE AND DIVIDEND DATA

Common shares are traded under the symbol CINF on the NASDAQ Global Select Market.

(Source: Nasdaq Global Select Market)

	2009				2008			
Quarter:	**1st**	**2nd**	**3rd**	**4th**	1st	2nd	3rd	4th
High close	**$ 29.66**	**$ 26.94**	**$ 26.31**	**$ 26.89**	$ 39.71	$ 39.97	$ 33.60	$ 31.71
Low close	**17.84**	**21.40**	**21.30**	**25.05**	35.10	25.40	21.83	18.80
Period-end close	**22.87**	**22.35**	**25.99**	**26.24**	38.04	25.40	28.44	29.07
Cash dividends declared	**0.39**	**0.39**	**0.395**	**0.395**	0.39	0.39	0.39	0.39

ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Shareholders of Cincinnati Financial Corporation at 9:30 a.m. on Saturday, May 1, 2010, at the Cincinnati Art Museum in Eden Park, Cincinnati, Ohio. You may listen to an audio webcast of the event by visiting *www.cinfin.com/investors*.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
250 East Fifth Street
Cincinnati, Ohio 45202-5109

CONTACT INFORMATION

Communications directed to Cincinnati Financial Corporation's secretary, Steven J. Johnston, FCAS, MAAA, CFA, chief financial officer, are shared with the appropriate individual(s). Or, you may directly access services:

Investors: Investor Relations responds to investor inquiries about the company and its performance.
Dennis E. McDaniel, CPA, CMA, CFM, CPCU – Assistant Vice President, Investor Relations
513-870-2768 or *investor_inquiries@cinfin.com*

Shareholders: Shareholder Services provides stock transfer services, fulfills requests for shareholder materials and assists registered shareholders who wish to update account information or enroll in shareholder plans.
Jerry L. Litton – Assistant Vice President, Shareholder Services
513-870-2639 or *shareholder_inquiries@cinfin.com*

Media: Corporate Communications assists media representatives seeking information or comment from the company or its subsidiaries.
Joan O. Shevchik, CPCU, CLU – Senior Vice President, Corporate Communications
513-603-5323 or *media_inquiries@cinfin.com*

CINCINNATI FINANCIAL CORPORATION

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Specialty Underwriters Insurance Company
The Cincinnati Life Insurance Company
CSU Producer Resources Inc.
CFC Investment Company

MAILING ADDRESS:
P.O. Box 145496
Cincinnati, Ohio 45250-5496

STREET ADDRESS:
6200 South Gilmore Road
Fairfield, Ohio 45014-5141

Phone: 513-870-2000
Fax: 513-870-2066
www.cinfin.com

Cincinnati Financial Corporation

2010 Shareholder Meeting Notice and Proxy Statement

March 18, 2010

To the Shareholders of Cincinnati Financial Corporation:

You are cordially invited to attend the Annual Meeting of Shareholders of Cincinnati Financial Corporation, which will take place at 9:30 a.m. on Saturday, May 1, 2010, at the Cincinnati Art Museum, located in Eden Park, Cincinnati, Ohio. The business to be conducted at the meeting includes:

1. Electing four directors for terms of three years;
2. Approving an amendment to the company's Articles of Incorporation to declassify its board structure;
3. Approving an amendment to the company's Code of Regulations to add procedures for shareholder meeting proposals;
4. Ratifying the selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2010;
5. Transacting such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 3, 2010, are entitled to vote at the meeting.

Whether or not you plan to attend the meeting, please cast your vote as promptly as possible. We encourage you to vote via the Internet. It is convenient and saves your company significant postage and processing costs. You also may submit your vote by telephone or by mail, if you prefer.

Your Internet or telephone vote must be received by 11:59 p.m. Eastern Daylight Time on April 30, 2010, to be counted in the final tabulation. If you choose to vote by mail, be sure to return you proxy card in time to be received and counted before the Annual Meeting. Your interest and participation in the affairs of the company are appreciated.

Steven J. Johnston

Steven J. Johnston, FCAS, MAAA, CFA
Secretary

This proxy statement, the Annual Report on Form 10-K, Letter from the Chairman and the Chief Executive Officer and voting instructions were first made available to Cincinnati Financial Corporation shareholders on March 18, 2010

TABLE OF CONTENTS

FREQUENTLY ASKED QUESTIONS

Who is soliciting my vote? – The board of directors of Cincinnati Financial Corporation is soliciting your vote for the 2010 Annual Meeting of Shareholders.

Who is entitled to vote? – Shareholders of record at the close of business on March 3, 2010, may vote.

How many votes do I have? – You have one vote for each share of common stock you owned on March 3, 2010.

How many votes can be cast by all shareholders? –162,927,521 outstanding shares of common stock can be voted as of the close of business on March 3, 2010.

How many shares must be represented to hold the meeting? – A majority of the outstanding shares, or 81,463,761 shares, must be represented to hold the meeting.

How many votes are needed to elect directors and to approve the proposals? – The nominees for director receiving the four highest vote totals will be elected as directors. The proposed amendment to our Articles of Incorporation to declassify the structure of the board will be approved if at least 75 percent of issued and outstanding shares are voted in favor of the proposal. The proposed amendment to our Code of Regulations to include advance notice provisions will be approved if at least 50 percent of issued and outstanding shares are voted in favor of the proposal. Selection of our independent registered public accounting firm is ratified if votes cast in favor of the proposal exceed votes cast against it.

What if I vote "withhold" or "abstain?" – "Withhold" or "abstain" votes have no effect on the votes required to elect directors or to ratify the independent registered public accounting firm. Abstain votes have the same effect as votes "against" the proposals to amend the Articles of Incorporation and Code of Regulations.

Can my shares be voted if I don't return my proxy and don't attend the annual meeting? – If your shares are registered in your name, the answer is no. If your shares are registered in the name of a bank, broker or other nominee and you do not direct your nominee as to how to vote your shares, applicable rules provide that the nominee generally may vote your shares on any of the routine matters scheduled to come before the meeting. The proposals to amend the Articles of Incorporation and to ratify the selection of the independent registered public accounting firm are believed to be the only routine matters scheduled to come before this year's annual meeting. If a bank, broker or other nominee indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, these shares (called broker non-votes) will be counted as present in determining whether we have a quorum but will have no effect on the votes required to elect directors, to ratify the independent registered public accounting firm or to approve or reject the other proposals.

How do I vote? – You may vote by proxy, whether or not you attend the meeting, in one of three ways:

- Internet (*www.proxyvote.com*)
- Telephone (800-690-6903)
- Mail

Even if you plan to attend the annual meeting, we ask that you vote by Internet, telephone or mail. Attending the meeting does not constitute a revocation of a previously submitted vote.

Instructions for voting via the Internet or by telephone, along with the required Control Number (the Control Number is unique to each account), are provided to you by mail or by e-mail in late March or early April. If you receive information from us by mail, you also received a Notice or proxy card that can be returned in the postage-paid envelope that was included in the same envelope.

The deadline for Internet and telephone voting is 11:59 p.m., Eastern Daylight Time, April 30, 2010. If you choose to vote by mail, be sure to return your proxy card in time to be received and counted before the Annual Meeting.

Where do I locate my Control Number so I can vote? – If you receive our information in the mail, it will be on the card that also gives your name and the number of shares you hold. If you receive our information in e-mails, the Control Number is in the text of the e-mail.

What if I cannot locate my Control Number? – If you hold shares directly in your name, you may obtain your Control Number by calling 866-638-6443. If your shares are registered in the name of a bank, broker or other nominee, that firm will be able to supply the Control Number.

Can I obtain another proxy card so I can vote by mail? – If you hold shares directly in your name, you may obtain another proxy card by calling 800-579-1639. If your shares are registered in the name of a bank, broker or other nominee, that firm will be able to supply another proxy card.

Can I change my vote or revoke my proxy? – Yes. Just cast a new vote by Internet or telephone or send in a new signed proxy card with a later date. If you hold shares directly in your name, you may send a written notice of revocation to the secretary of the company. If you hold shares directly in your name and attend the annual meeting, you also may choose to vote in person at the meeting. To do so, at the meeting you can request a ballot and direct that your previously submitted proxy not be used. Otherwise, your attendance itself does not constitute a revocation of your previously submitted proxy.

How are the votes counted? – Votes cast by proxy are tabulated prior to the meeting by the holders of the proxies. Inspectors of election appointed at the meeting count the votes and announce the results. The proxy agent reserves the right not to vote any proxies that are altered in a manner not intended by the instructions contained in the proxy.

Could other matters be decided at the meeting? – We do not know of any matters to be considered at the annual meeting other than the election of directors and the proposals described in this proxy statement. For any other matters that do properly come before the meeting, your shares will be voted at the discretion of the proxy holder.

Who can attend the meeting? – The meeting is open to all interested parties.

Can I listen to the meeting if I cannot attend in person? – If you have access to the Internet, you can listen to a live webcast of the meeting. Instructions will be available on the Investors page of *www.cinfin.com* approximately two weeks before the meeting. An audio replay will be available on the Web site within two hours after the close of the meeting.

Why did my materials arrive in different envelopes – Again this year, our paper mailings are timed to meet new regulatory standards that help us keep mailing and paper costs low. Most shareholders who have not elected to receive information using electronic delivery will receive three mailings:

- In late March: you will receive a card notifying you that you can cast your vote after reviewing your company's year-end 2009 financial materials and proxy statement online. You also can request paper materials.
- In early April: if you haven't yet voted, you will receive a second notification that your company's information is available. This notice also serves as your paper proxy card.
- A few days later, you will receive this proxy statement along with management's annual letter on performance, issues, events and trends.

If you are enrolled in electronic delivery, you will receive an e-mail notifying you of the availability of the information on the Internet and providing electronic voting instructions.

How can I obtain a 2009 Annual Report? – You can obtain our 2009 Annual Report on Form 10-K as filed with the Securities and Exchange Commission (SEC) at no cost in several different ways. You may view, search or print the document online from *www.cinfin.com/Investors*. You may ask that a copy be mailed to you by contacting the secretary of Cincinnati Financial Corporation. Or, you may request it directly from Shareholder Services. Please see the Contact Page of *www.cinfin.com/Investors* for details.

SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT

Under Section 13(d) of the Securities Exchange Act of 1934 (Exchange Act), a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment authority over such security. A beneficial owner under this definition need not enjoy the economic benefit of such securities. The following are the only shareholders known to the company who are deemed to be beneficial owners of at least 5 percent of our common stock as of March 3, 2010. John J. Schiff, Jr. and Thomas R. Schiff, directors of the company, are brothers.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Footnote Reference	Percent of Class
Common stock	John J. Schiff, Jr., CPCU Cincinnati Financial Corporation 6200 South Gilmore Fairfield, OH 45014	12,534,750	(1)(2)(3)(4)(5)	7.69
Common stock	BlackRock, Inc. 40 East 52nd Street New York, NY 10022	9,753,890	(6)	5.99
Common stock	Thomas R. Schiff Cincinnati Financial Corporation 6200 South Gilmore Fairfield, OH 45014	9,530,296	(1)(2)(5)	5.85

The outstanding common shares beneficially owned by each other director and all directors and executive officers as a group as of March 3, 2010, are shown below:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Footnote Reference	Percent of Class
Other Directors			
William F. Bahl, CFA, CIC	224,800	(7)	0.14
James E. Benoski	577,040	(3)	0.35
Gregory T. Bier	10,647		0.01
Linda W. Clement-Holmes	0		0
Kenneth C. Lichtendahl	21,981		0.01
W. Rodney McMullen	30,571		0.02
Gretchen W. Price	15,158		0.01
Douglas S. Skidmore	24,943	(8)	0.02
Kenneth W. Stecher	217,710	(3)(5)	0.13
John F. Steele, Jr.	10,703		0.01
Larry R. Webb, CPCU	482,082	(9)	0.30
E. Anthony Woods	28,628		0.02
All directors and nondirector executive officers as a group (26 individuals)	**17,451,990**	**(1)(2)(3)(4)(5)(7)(8)(9)(10)**	**10.71**

Except as otherwise indicated in the notes below, each person has sole voting and investment power with respect to the common shares noted.

(1) Includes 4,852,135 shares owned of record by The Mary R. Schiff and John J. Schiff Foundation and 2,387,383 shares owned of record by the John J. Schiff Charitable Lead Trust, the trustees of all of which are Mr. J. Schiff, Jr., Mr. T. Schiff and Ms. Suzanne S. Reid, who share voting and investment power equally.

(2) Includes 107,186 shares owned of record by the John J. & Thomas R. Schiff & Co. Inc. pension plan, the trustees of which are Mr. J. Schiff, Jr. and Mr. T. Schiff, who share voting and investment power; and 124,249 shares owned by John J. & Thomas R. Schiff & Co. Inc. of which Mr. J. Schiff, Jr. and Mr. T. Schiff are principal owners.

(3) Includes shares available within 60 days from exercise of stock options in the amount of 388,500 shares for Mr. J. Schiff, Jr; 418,500 shares for Mr. Benoski; 124,985 shares for Mr. Stecher and 723,055 shares for the non-director executive officers as a group.

(4) Includes shares held in the company's nonqualified savings plan for highly compensated associates in the amounts of 13,590 shares for Mr. J. Schiff, Jr. and 17,879 shares for the non-director executive officers as a group. Individuals participating in this plan do not have the right to vote these shares.

(5) Includes shares pledged as collateral as of December 31, 2009 in the amounts of 1,363,521 shares for Mr. J. Schiff, Jr.; 1,043,228 shares for Mr. T. Schiff; 30,475 shares for Mr. Stecher; and 380,962 shares for the non-director executive officers as a group.

(6) Reflects ownership as of December 31, 2009 according to Form 13G filed by BlackRock Inc. on January 29, 2010.

(7) Includes 8,821 shares held in the Bahl Family Foundation, of which Mr. Bahl is president; and 10,256 shares held in a trust for the benefit of a child, for which Mr. Bahl is not the trustee and has no investment or voting rights for the trust.

(8) Includes 7,035 shares owned of record by Skidmore Sales Profit Sharing Plan, of which Mr. Skidmore is an administrator and shares investment authority.

(9) Includes 186,257 shares owned of record by a limited partnership of which Mr. Webb is a general partner; 43,478 shares owned of record by an IRR marital trust for the benefit of his wife and children; 13,601 shares held in Mr. Webb's father's family trust and 60,411 shares held in his mother's IRR Living Trust.

(10) Includes 3,000 shares held in the estate of a family member for which one of the non-director executive officers is co-executor and shares voting and investment authority.

Section 16(a) Beneficial Ownership Reporting Compliance

Directors, executive officers and 10 percent shareholders are required to report their beneficial ownership of our stock according to Section 16 of the Exchange Act. Those individuals are required by SEC regulations to furnish the company with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent calendar year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that, during the calendar year 2009, all Section 16(a) filing requirements were satisfied on a timely basis except as set forth below:

James E. Benoski acquired 6,100 shares from performance-based stock units that vested upon his retirement from active employment on January 17, 2009. Of those shares, 1,827 were withheld to satisfy tax obligations. A Form 4 was filed on March 18, 2009 reporting this transaction.

David H. Popplewell acquired 2,719 shares of phantom stock on March 11, 2009 under the company's Top Hat Savings Plan, an "excess benefits plan" within the meaning of Rule 16b-3(b)(2). A Form 4 was filed March 18, 2009 reporting this transaction.

Timothy L. Timmel acquired 73 and 83 shares of phantom stock on January 2, 2009 and January 16, 2009, respectively, through fixed contributions under the company's Top Hat Savings Plan, an "excess benefits plan" within the meaning of Rule 16b-3(b)(2). A Form 4 was filed on January 21, 2009 reporting these transactions.

INFORMATION ABOUT THE BOARD OF DIRECTORS

The mission of the board is to encourage, facilitate and foster the long-term success of Cincinnati Financial Corporation. The board directs management in the performance of the company's obligations to our independent agents, policyholders, associates, communities and suppliers in a manner consistent with the company's mission and with the board's responsibility to shareholders to achieve the highest sustainable shareholder value over the long term.

Proposal 1 – Election of Directors

The board of directors currently consists of 14 directors divided into three classes, and each year the directors in one class are elected to serve terms of three years. This means that shareholders generally elect one-third of the members of the board of directors annually. For information about the board's proposal to amend the Articles of Incorporation to declassify its structure so that all directors would stand for election each year, see Proposal 2 beginning on Page 12.

This year, the term of office of five directors expires as of the 2010 Annual Meeting of Shareholders. Four of the directors with expiring terms are nominated for re-election. The fifth director with an expiring term, Mr. Benoski, is not standing for re-election because he has reached the recommended retirement age specified in our Corporate Governance Guidelines. We thank Mr. Benoski for his many years of service to the company. Following the election of directors at the Annual Meeting of Shareholders, the board intends to reduce its size to 13 directors.

The board of directors recommends a vote FOR Gregory T. Bier, Linda W. Clement-Holmes, Douglas S. Skidmore and Larry R. Webb as directors to hold office until the 2013 Annual Meeting of Shareholders and until their successors are elected.

We do not know of any reason that any of the nominees for director would not accept the nomination, and it is intended that votes will be cast to elect all four nominees as directors. In the event, however, that any nominee should refuse or be unable to accept the nomination, the people acting under the proxies intend to vote for the election of such person or people as the board of directors may recommend.

Nominees and Continuing Directors of Your Company

Each of our directors brings to our board extensive management and leadership experience gained through their service as executives and, in several cases chief executive officers of diverse businesses. In these executive roles, they have taken hands-on, day-to-day responsibility for strategy and operations, including management of capital, risk and business cycles. In addition, most current directors bring public company board experience – either significant experience on other boards or long service on our board – that broadens their knowledge of board policies and processes, rules and regulations, issues and solutions. Further, each director has civic and community involvement that mirrors our company's values emphasizing personal service and relationships and local decision making. The nominating committee's process to recommend qualified director candidates is described on Page 16 under "Director Nomination Considerations and Process." In the paragraphs below, we describe specific individual qualifications and skills of our directors that contribute to the overall effectiveness of our board and its committees.

Set forth below are the names of the nominees for election to the office of director and each current director whose term does not expire at this time, along with their ages, the year first elected as a director, their present positions, principal occupations and public company directorships held in the past five or more years.

Nominees for Directors for Terms Expiring 2013

(Data as of March 3, 2010)

Gregory T. Bier, CPA (Ret), age 63, has been a director of the company since 2006 and currently is a member of the investment committee. He is a director on our insurance subsidiary boards.

As the former lead partner of a respected independent registered public accounting firm, Mr. Bier brings to our board relevant experience with accounting and reporting issues, SEC filings and complex corporate transactions for public companies including Fifth Third Bancorp, Procter & Gamble Co., the Midland Company, Cincinnati Financial Corporation and the E.W. Scripps Co.

Mr. Bier was the managing partner of the Cincinnati office of Deloitte & Touche LLP, an independent registered public accounting firm, from 1998 to 2002. He retired in 2002 after 23 years as a partner of the firm and 35 years of service, beginning in 1968 when he joined Haskins & Sells, which later became part of Deloitte. In February 2008, he became a director of LifePoint Hospitals Inc., a public company with $3 billion of revenues that is a leading provider of healthcare services in non-urban communities in 18 states. He chairs LifePoint's audit and compliance committee and is a member of its compensation committee and corporate governance and nominating committee. From 2002 to 2007, Mr. Bier was an audit committee member for Catholic Healthcare Partners, one of the largest not-for-profit health systems in the United States. A graduate of Xavier University, he became a CPA in 1970 and is a member with retired status of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants. His activities have included leadership and service on nonprofit community boards and foundations benefitting several schools, social services and civic organizations.

Linda Clement-Holmes, age 47, has been a director of the company since February 2010 and is a member of the audit committee.

Ms. Clement-Holmes has led teams responsible for every computer, handheld, phone, e-mail function, collaboration tools and systems support that keeps Procter & Gamble connected and operational. Her aptitude and accomplishments in these areas help our board to effectively evaluate our business processes and technology initiatives, assuring alignment of those initiatives with our strategic goals.

Ms. Clement-Holmes is senior vice president, since February 2010, of global diversity and global business service for the publicly traded P&G. She has been vice president of global business services since 2007, with responsibility from 2007 to 2009 for Central and Eastern Europe, Middle East and Africa and, in 2009, for External Strategic Alliances, Flow-to-the-Work Resources & Employee Solutions. From 2006 to 2007, she was manager, global business services, Central and Eastern Europe, Middle East and Africa, and in 2005, manager of Information & Decision Solutions, Infrastructure Services & Governance. Prior management positions in her 27-year tenure included service in various business areas: IT Outsourcing Initiative, Global Engineering & Development and Communications, Knowledge & Innovation Center of Expertise, New Initiatives and E-commerce, Sales Management Systems, and Management Systems Operations and Development. Ms. Clement-Holmes holds a Bachelor of Science degree in industrial management and computer science from Purdue University. Her activities have included leadership and service in

nonprofit community boards supporting families and child care, educational and civic organizations, and professional organizations.

Douglas S. Skidmore, age 47, has been a company director since 2004 and currently is a member of our audit and nominating committees.

Mr. Skidmore has been responsible in his executive roles for strategic direction, marketing, human resources and overall growth and performance of his second-generation family business, which shares many characteristics with our typical commercial policyholders. In addition to providing a policyholder view of our products and services, he has management experience that equips him to contribute to the board's oversight of business processes and technology initiatives.

Mr. Skidmore has been chief executive officer since 2003 and president and director since 1994 of Skidmore Sales & Distributing Company Inc., privately owned, full service independent distributor and broker of quality industrial food ingredients, based in the Cincinnati area. He was marketing manager from 1990 to 1994. Mr. Skidmore was an account marketing representative for IBM Corp from 1987 to 1990, with previous experience including three years as marketing assistant for Intellitech and three years as a summer engineer for Procter & Gamble's Food Process and Product Development Lab. He earned a Master of Business Administration degree in management and operations from the J.L. Kellogg School of Management at Northwestern University after graduating from Purdue University. He has been president of the Food Ingredient Distributors Association since 2009 and its trustee since 2005. He is a member of the Institute of Food Technologists since 1990, with experience on its information systems committee.

Larry R. Webb, CPCU, age 54, has been a director of the company since 1979 and currently is a member of the executive committee. He is a director on our property casualty insurance subsidiary boards.

Mr. Webb brings to our board his insights as a principal owner of an independent insurance agency, with duties in financial management and accounting oversight, information technology, human resources, sales and marketing, risk management and relationship development with insurance companies and clients. His long tenure on our board and as a large shareholder, as well as his agency's representation of our products and services since 1951, brings the board deep institutional knowledge, promoting continuity of the agent-centered mission and values essential to our business model.

Mr. Webb has been president since 1994 and director since 1980 of Webb Insurance Agency Inc., a privately owned independent insurance agency based in Lima, Ohio. Prior to becoming president, he was treasurer of the agency from 1981 to 1994. He has been a licensed insurance agent for 33 years. A graduate of Ohio University, Mr. Webb earned the Chartered Property Casualty Underwriter designation in 1982 and served as president from 1987 to 1988 and director from 1986 to 1992 of the Grand Lake Chapter of CPCU. His activities have included leadership and service to nonprofit community boards that support business ethics, cancer research, an airport authority, and cultural organizations.

Continuing Directors for Terms Expiring 2011

(Data as of March 3, 2010)

Kenneth C. Lichtendahl, age 61, has been a director of the company since 1988 and currently is chairman of the audit committee and a member of the nominating committee.

Mr. Lichtendahl has served for more than 20 years on our board and audit and compensation committees, supporting institutional continuity with company and industry knowledge accumulated through all phases of industry and economic cycles and through our expansion over that period. He brings valuable insights gained in developing customer relationships, ethical practices, quality staff and product differentiation that helped turn his company into the 10th-largest brewer in the United States before Boston Beer acquired it in 1996.

Mr. Lichtendahl is president, chief executive officer and director of Tradewinds Beverage Company, a privately owned, Cincinnati-based company. Tradewinds was formed in 1996 following the sale of the Hudepohl-Schoenling Brewing Co. After holding various management positions at Hudepohl-Schoenling, he was president from 1978 to 1996. He also was a director for 12 years of Centennial Savings Bank in Cincinnati, which had grown to 11 offices and $700 million of deposits before its sale to National City Bank in 2000. A graduate of the University of Cincinnati, Mr. Lichtendahl's activities have included leadership and service on nonprofit community boards supporting youth and civic organizations.

W. Rodney McMullen, age 49, has been a director of the company since 2001 and currently is chairman of the compensation committee and a member of the executive and investment committees. He is a director on our insurance subsidiary boards.

Mr. McMullen has worked with The Kroger Company's board on business strategy and transactions including business model transformation, mergers and acquisitions, divestitures, and management transition. His daily experience leading a large public company equips him to understand and guide management decisions and actions related to planning, risk management, investor relations, marketing and capital management.

Since August 2009, Mr. McMullen has been president and chief operating officer of Kroger, a publicly traded, Cincinnati-based company that is the nation's second largest retail grocery chain. He has served as a director of Kroger since 2003, when he was promoted to vice chairman of the board. Prior to his appointment as vice chairman, Mr. McMullen was executive vice president of strategy, planning and finance from 2000 to 2003. He joined Kroger as a part-time store clerk in 1978 and has held key financial positions, including corporate controller and chief financial officer. He is a member since 2007 of the board of directors of Global Standards 1, a privately owned company that owns UPC and RFID codes; and since 2003 of the board of directors of dunnhumby, USA, a privately owned company that analyzes customer data to improve customer experience. Mr. McMullen holds a Master of Science degree in accounting from the University of Kentucky, where he also completed his undergraduate degree. His activities have included leadership and service on nonprofit community boards and committees that support a private university and independent living for the disabled and disadvantaged.

Thomas R. Schiff, age 62, has been a director of the company since 1975 and currently is a member of the investment committee. He is a director on our insurance subsidiary boards.

Mr. Schiff's long tenure on our board helps provide ongoing insight into how we are serving our primary customer, the independent insurance agent. He contributes to assessments of the impacts of our board decisions on agency operations, including sales, claims, professional advising and financial management. Additionally, he brings the perspective of a large shareholder to our board discussions and decisions.

Mr. Schiff has been chairman and chief executive officer since 1996 and a director and an agent with John J. & Thomas R. Schiff & Co. Inc., a privately owned independent insurance agency based in the Cincinnati area. He previously was its president from 1983 to 1996 and sales manager from 1970 to 1983. He also is chief executive officer and chairman of Lightborne Properties, Lightborne Communications and Lightborne Publications, privately owned media companies based in the Cincinnati area. Mr. Schiff is a graduate of Ohio University. His activities have included leadership and service to nonprofit community boards and foundations that support fine and performing arts, arts education, a hospital and children's dental services.

John F. Steele, Jr., age 56, has been a company director since 2005 and currently is a member of our audit and executive committees. He is a director on our property casualty insurance subsidiary boards.

Mr. Steele has provided his firm with corporate oversight and strategic direction of all aspects of business ownership, operations and customer relationships. He brings to our board a policyholder perspective, including

intimate knowledge of a family-run corporation and of the construction industry, which is the source of 34 percent of our commercial general liability insurance premiums.

Mr. Steele is chairman since 2004, chief executive officer since 1994 and a director since 1985 of Hilltop Basic Resources Inc., a privately owned aggregates and ready mixed concrete supplier to the construction industry, based in the Cincinnati area. He started his career at Hilltop in sales and assumed responsibility for operations over time, becoming president in 1991 and holding that title until 2004. Prior to joining Hilltop, he was a sales executive for William Powell Company, a privately-owned industrial valve manufacturer for which he has been a director since 2004. He also has been a director for privately-owned Smook Bros. Inc., a Canadian construction company, since 2006. He has served on professional boards including the National Stone, Sand & Gravel Association, the Ohio Aggregates Association and the Ohio Ready Mixed Concrete Association. Mr. Steele has a Master of Business Administration from Xavier University and a Bachelor degree from Rollins College. His activities have included leadership and service on nonprofit boards for a youth mentoring organization, a university center for the study of family businesses and a community college.

Continuing Directors for Terms Expiring 2012

(Data as of March 3, 2010)

William F. Bahl, CFA, CIC, age 58, has been a director of the company since 1995 and currently is chairman of the nominating committee and a member of the audit and investment committees. He is a director on our insurance subsidiary boards.

Mr. Bahl co-founded a firm that performs financial analysis of publicly held securities, advising and managing portfolios for high-net-worth and institutional clients. His expertise helps support the board's oversight of our investment operations, which continue to be our main source of profits. His familiarity with public company governance structures and policies beyond our own contributes to full discussion and evaluation of our options.

Mr. Bahl is the chairman of Bahl & Gaynor Investment Counsel Inc., an independent registered investment adviser based in Cincinnati. Before co-founding Bahl & Gaynor in 1990, he was senior vice president and chief investment officer at Northern Trust Company in Chicago and held prior positions for Fifth Third Bank and Mellon Bank. Mr. Bahl has been is a director of LCA-Vision Inc. since 2005, serving as chair of this publicly traded company's compensation committee and a member of its audit committee. He was a trustee until 2006 of The Preferred Group of Funds. Mr. Bahl earned a Master of Business Administration from the University of Michigan after graduating from the University of Florida. He has qualified for the Chartered Financial Analyst designation since 1979 and the Chartered Investment Counselor designation since 1990. His activities have included leadership and service on nonprofit community boards and foundations benefitting parks, schools, a hospital association and youth organizations.

Gretchen W. Price, age 55, has been a director of the company since 2002 and currently is a member of our audit, compensation and nominating committees.

Ms. Price's current and past executive positions have developed her expertise in areas of focus for our board, including accounting, auditing and financial reporting, investor relations, capital management, human resources, information technology, strategic planning and business planning. Board discussions and decisions benefit from her knowledge of customer relationship management and distribution chains.

Ms. Price is executive vice president and chief financial officer since January 2008 of philosophy inc., an international prestige beauty brand based in Phoenix, Arizona. Prior to joining this firm, she held positions with expanding responsibility over her 31-year tenure at publicly traded Procter & Gamble Company: vice president and general manager from 2007 to January 2008, responsible for Go-To-Market Reinvention Strategy for Global Operations and Gillette acquisition integration; vice president of finance and accounting for Global Operations from 2001 to 2007, responsible for Worldwide Financial Leadership; vice president and treasurer from 1998 to 2001, responsible for Global Treasury, investor relations and mergers and acquisitions; and vice president of Global Internal Audit from 1996 to 1998. A graduate of the University of Kentucky, she earned the Certified Internal Auditor designation in 1996. She has been a member of the Financial Executives Institute and the Board of Governors of the Institute of Internal Auditors. Her activities have included leadership and service on nonprofit community boards and committees that provide funding for fine arts and music, human service programs and student scholarships.

John J. Schiff, Jr., CPCU, age 66, has been a director of the company for 41 years and chairman of our board for 24 years. He also is chairman of our executive and investment committees and chairman of our insurance and insurance brokerage subsidiary boards.

Mr. Schiff's long tenure in our executive and board leadership strongly links us to the mission and values established by our founding agents. Our former chief executive officer and a licensed agent, he brings a blended perspective, assuring leadership and cultural continuity through agent-centered decisions that differentiate us from competitors. His insights gained from years of service on multiple public company boards helps preserve our business model's long-term approach to creating shareholder value.

From 1986 to the present, Mr. Schiff has been chairman of the company's board of directors and, except 2006 to 2008, chairman of its lead subsidiary, The Cincinnati Insurance Company. In addition, he was president and chief executive officer of the company and of the subsidiary from 1999 to 2006, thereafter retaining only the company-level chairman and chief executive officer roles from 2006 until July 2008 when he resumed the subsidiary chairman title. From 1983 to 1996, Mr. Schiff was chairman, chief executive officer and an agent with John J. & Thomas R. Schiff & Co. Inc., a privately owned, Cincinnati-based independent insurance agency. Prior to 1983, he was an agent, vice president and secretary of the John J. Schiff & Company Inc., which he joined in 1965 after earning a Bachelor of Science degree in risk and insurance management from The Ohio State University. He earned the Chartered Property Casualty Underwriter designation in 1972 and is a member of The American Institute for Chartered Property Casualty Underwriters, serving as its trustee from 1992 to 2004 and as an executive committee member. Mr. Schiff has experience as a director of publicly traded Cincinnati-based companies: Fifth Third Bancorp and The Fifth Third Bank since 1983, including periods of service on compensation, executive and trust committees; The Standard Register Company, a document management services company, since 1982, including periods of service on its audit and pension advisory committees; Cinergy Corporation, from 1994 to 2005 when it was acquired by Duke Energy Corporation; and Cinergy's predecessor, Cincinnati Gas & Electric Company, from 1986 to 1995. He served at various times on Cinergy's audit and compensation committees. Mr. Schiff also is a director of two privately owned companies, the Cincinnati Bengals Inc. and the independent insurance agency named above. His activities have included leadership and service to nonprofit community boards and foundations that support arts education, high school and university education, a hospital and general philanthropy.

Kenneth W. Stecher, age 63, has been a company director since 2008. He currently is a member of the executive and investment committees. He is a director on all subsidiary boards.

As our chief executive officer, Mr. Stecher provides the board with information gained from hands-on management of our operations, identifying our near-term and long-term challenges and opportunities. Over his long tenure, he has been our chief financial officer responsible for capital management, our face to the analyst and investor communities and our corporate secretary conversant with governance trends. In the course of his financial leadership, he developed business knowledge and relationships across our operations, uniquely positioning him to assemble our executive team and help the board plan for executive transitions.

Mr. Stecher has been the president and chief executive officer of the company and its lead subsidiary, The Cincinnati Insurance Company, since July 2008. For both companies, he was chief financial officer from 2000 to 2008 and executive vice president from 2006 to 2008. He also was chairman of the subsidiary from 2006 to 2008. He served as senior vice president for both companies until 2006, beginning in 1999 for the company and in 1997 for its subsidiary. He was secretary of both companies until from 1999 to 2008. He was treasurer for the company from 2000 to 2008. Mr. Stecher advanced through the ranks of the company's life insurance subsidiaries from 1967 to 1982, when his responsibilities within the accounting area broadened to include property casualty insurance accounting. He is a trustee since 2009 of the American Institute for Chartered Property Casualty Underwriters, and past president of the Insurance Accounting & Systems Association, Southwestern Ohio Chapter. He earned a Master of Business Administration degree in finance from Xavier University after graduating from the University of Cincinnati. His activities have included service and leadership on nonprofit community boards that support high school and college institutions.

E. Anthony Woods, age 69, has been a director of the company since 1998 and currently is a member of the compensation, executive and investment committees. He is a director on our insurance subsidiary boards.

Mr. Woods gained board and executive experience by leading high-growth organizations, enhancing his business development skills, financial acumen and sensitivity to shareholder expectations. His board and board committee service for multiple public and private companies in the healthcare and financial services sectors gives him a wide breadth of exposure to strategic, legal, investing, financing and operating issues and facilitates his contributions to oversight in these areas.

Mr. Woods is chairman and chief executive officer of his privately owned firm, SupportSource LLC, which offers management financial and investment consulting. He has been chairman since 2003 of Deaconess Associations Inc., a Cincinnati-based, nonprofit healthcare services organization. From 1987 to 2003, he led Deaconess's strategic expansion, serving as its president and chief executive officer, with prior experience from 1997 to 2003 as its chief financial officer. He has been chairman since 2006 and director since 2004 of LCA-Vision Inc., a publicly traded company, serving on its audit, compensation, governance and nominating committees. He has been a director since 2008 and audit committee member of Anchor Funding Services LLC, a financial services company serving small businesses; a director since 2006 of Phoenix Health Systems, a privately owned information technology company serving hospitals and related organizations; and a director since 2008 of Critical Homecare Solutions Inc., a privately owned company providing home health care services. Mr. Woods has Bachelor and Master of Science degrees in engineering from the University of Tennessee and a Master of Business Administration in marketing and finance from Samford University.

Proposal 2 – Approval of Amendment to Articles of Incorporation to Declassify the Structure of Our Board of Directors

Purpose

Article Sixth of our Articles of Incorporation (the Articles) currently provides for the classification of the board of directors into three classes, with election of each class every three years, and contains classification provisions concerning the filling of director vacancies. At last year's Annual Meeting of Shareholders, a majority of the voting shareholders voted to ask the board of directors to take steps toward declassifying the structure of our board, ultimately requiring all directors to stand for election each year. These votes represented a total of 49.06 percent of the issued and outstanding common shares of the company.

Accordingly, the board of directors recommends approval of an amendment to Article Sixth of the company's Articles that would declassify the board and ultimately cause each director to be elected annually for a one-year term.

A classified board of directors can make it more difficult for shareholders to change a majority of directors even if a majority of the shareholders are dissatisfied with the performance of incumbent directors. Many investors believe that the election of directors is the primary means for shareholders to influence corporate governance policies and to hold management accountable for implementing these policies.

Our board of directors is committed to good corporate governance. They examined the arguments for and against continuation of the classified board, in light of the size and financial strength of the company and the vote of the company's shareholders, and determined that the classified board structure should be eliminated. The board believes that all directors should be equally accountable at all times for the company's performance and that the will of the majority of shareholders should not be impeded by a classified board structure.

Upon approval, the proposed amendment will allow shareholders to review and express their opinions on the performance of all directors each year. Because the number of terms an individual may serve is not limited, except by age as provided in our Corporate Governance Guidelines, the continuity and stability of the board's membership and our policies and long-term strategic planning should not be affected.

If our shareholders do not approve these amendments, the board will remain classified and the directors will continue to be elected to serve three-year terms, subject to their earlier death, resignation, retirement or removal.

Description of Amendment

If the proposed amendment is approved by the requisite vote of the shareholders, the classification of the board will be phased out as follows:

- The term of those directors elected at the 2010 Annual Meeting of Shareholders will end at the 2013 Annual Meeting of Shareholders, at which those directors will be eligible to stand for re-election for a one-year term.
- Those continuing directors whose current terms expire at the 2011 or 2012 Annual Meeting of Shareholders, respectively, will serve the remainder of their terms (i.e., until the 2011 or 2012 annual meeting of shareholders, respectively), and thereafter will be eligible to stand for re-election for a one-year term.
- Any director chosen as a result of a newly-created directorship or to fill a vacancy on the board will hold office until the next annual meeting of shareholders, at which the director will be eligible to stand for re-election for a one-year term.

The foregoing description is a summary of the proposal and is not complete. The summary is qualified by reference to the actual text of the proposed amended and restated Article Sixth of the Articles, which, if approved, will replace the current Article Sixth in its entirety and is attached to this 2010 Shareholder Meeting Notice and Proxy Statement as *Appendix A*. Additions to the current Article Sixth are underlined and deletions are shown as text that has been struck through.

Vote Required

Approval of this proposal to amend the Articles to declassify our board of directors requires the affirmative vote of the holders of 75 percent of the issued and outstanding common shares. Abstentions and broker non-votes have the same effect as votes against the proposal.

The board of directors recommends that shareholders vote FOR approval of the amendments to the company's Articles of Incorporation to declassify the company's board of directors.

Committees of the Board and Meetings

There are five standing committees of the board: the audit committee, the compensation committee, the executive committee, the investment committee and the nominating committee. Each committee operates pursuant to a written charter adopted by the board, copies of which are posted on our website at *www.cinfin.com/Investors*. Each year the board considers changes to the charters recommended by each committee, if any, and reapproves them.

The following table summarizes the current membership of the board and each of its committees, as well as the number of times the board and each committee met during 2009:

	Board	Audit	Compensation	Executive	Investment	Nominating
Mr. Bahl	X	X			X	Chair
Mr. Benoski	X			X	X	
Mr. Bier	X				X	
Ms. Clement-Holmes	X	X				
Mr. Lichtendahl	X	Chair				X
Mr. McMullen	X		Chair	X	X	
Ms. Price	X	X	X			X
Mr. T. Schiff	X				X	
Mr. J. Schiff, Jr.	Chair			Chair	Chair	
Mr. Skidmore	X	X				X
Mr. Stecher	X			X	X	
Mr. Steele, Jr.	X	X		X		
Mr. Webb	X			X		
Mr. Woods	X		X	X	X	
Number of 2009 meetings	5	4	5	5	11	3

Board members are encouraged to attend the Annual Meeting of Shareholders, all meetings of the board and the meetings of committees of which they are a member. In 2009, all directors attended 100 percent of the board and committee meetings of which they were members.

The annual meeting of directors is held immediately following the annual shareholders' meeting at the same location. In May 2009, all of the company's then 13 directors attended the Annual Meeting of Shareholders. The board of directors will review committee assignments at its meeting on May 1, 2010.

Audit Committee – The purpose of the audit committee is to oversee the process of accounting and financial reporting, audits and financial statements of the company. The report of the audit committee begins on Page 20.

All of the members of the audit committee meet the NASDAQ criteria for independence and audit committee membership and also are independent for purposes of Section 10A-3 of the Exchange Act. Further, Mr. Bahl and Ms. Price qualify as financial experts according to the SEC definition and meet the standards established by NASDAQ for financial expertise.

Compensation Committee – The compensation committee discharges the responsibility of the board of directors relating to compensation of the company's directors, its principal executive officers and its internal audit officer. The committee also administers the company's stock- and performance-based compensation plans. The report of the compensation committee begins on Page 22.

All of the members of the compensation committee meet the NASDAQ criteria for independence, qualify as "non-employee directors" for purposes of Rule 16b-3 of the Exchange Act, and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code (Section 162(m)).

Executive Committee – The purpose of the executive committee is to exercise the powers of the board of directors in the management of the business and affairs of the company between meetings of the board of directors. Independence requirements do not apply to the executive committee.

Investment Committee – The investment committee provides oversight of the policies and procedures of the investment department of the company and its subsidiaries and reviews the invested assets of the company. The objective of the committee is to oversee the management of the portfolio to ensure the long-term security of the company. Independence requirements do not apply to the investment committee.

Nominating Committee – The nominating committee identifies, recruits and recommends qualified candidates for election as directors and officers of the company and as directors of its subsidiaries. The committee also nominates directors for committee membership. Further, the committee oversees compliance with the corporate governance policies for the company.

All of the members of the nominating committee meet the NASDAQ criteria for independence.

GOVERNANCE OF YOUR COMPANY

Our primary governance policies and practices are set forth in our Corporate Governance Guidelines, Code of Ethics for Senior Financial Officers and Code of Conduct applicable to all associates of the company. The nominating committee reviews these documents annually, and occasionally recommends changes for the board's consideration and approval. These guidelines and codes are available on our Web site at *www.cinfin.com/Investors*.

Certain of the board's governance policies and practices are summarized below:

Code of Conduct – Our Code of Conduct applies to all of our associates, including our officers and directors. It establishes ethical standards for a variety of topics, including, complying with laws and regulations, observing blackout periods for trading in the company's securities, accepting and giving gifts, handling conflicts of interest, proper handling the company's confidential information and personal data of consumers, and reporting illegal or unethical behavior.

Governance Hotline – Our audit committee oversees a governance hotline for the reporting of concerns about the company's auditing, accounting and financial reporting activities. Callers can remain anonymous or identify themselves. The hotline is maintained by a third-party vendor. Transcripts of all calls are reported to the audit committee.

Board Leadership and Executive Sessions – The chairman of the board presides at all meetings of the board. The chairman is appointed on an annual basis by at least a majority vote of the remaining directors. Currently, the offices of chairman of the board and chief executive officer are separated. The company has no fixed policy with respect to the separation of the offices of the chairman of the board and chief executive officer. The board believes that the separation of the offices of the chairman of the board and chief executive officer is part of the succession planning process and that it is in the best interests of the company to make this determination from time to time.

The chairs of our audit, compensation and nominating committees are our co-lead independent directors. These independent directors chair the executive sessions of board meetings without management present, and facilitate the communication between the independent directors and management on matters of interest. The independent directors meet in executive session, outside of the presence of management, at every regularly scheduled meeting of the board of directors.

Stock Ownership Guidelines – Our directors and officers are subject to stock ownership guidelines that set targets for levels of ownership at a multiple of the officer's salary or director's meeting fees. Because of recent disruptions of the market, in October 2008 the time for achieving targeted levels of ownership was extended to five years after joining the board or earning a promotion or 10 years from October 2008, whichever is later. Director and Officer Ownership Guidelines are available on our Web site at *www.cinfin.com/Investors*.

Risk Management – The board believes that oversight of the company's risk management efforts is the responsibility of the entire board. It views enterprise risk management as an integral part of the company's strategic planning process. The subject of risk management is a recurring agenda item, for which the board receives a report at each regularly scheduled board meeting from the vice president of planning and risk management, including in-person reports twice each year. The vice president of planning and risk management reports directly to the board of directors.

Additionally, the charters of certain of the board's committees assign oversight responsibility for particular areas of risk. For example, our audit committee oversees management of risks related to accounting, auditing and financial reporting and maintaining effective internal controls for financial reporting. Our nominating committee oversees risk associated with our corporate governance guidelines and code of conduct, including compliance with listing standards for independent directors, committee assignments and conflicts of interest. Our compensation committee oversees the risk related to our executive compensation plans and arrangements. Our investment committee oversees the risks related to managing our investment portfolio. All of these risks are discussed with the entire board in the ordinary course of the chairperson's report of committee activities at regular board meetings.

Director Independence – Each year, based on all relevant facts and circumstances, the board determines which directors satisfy the criteria for independence. To be found independent, a director must not have a material relationship with the company, either directly or indirectly as a partner, other than a limited partner, controlling shareholder or executive officer of another organization that has a relationship with the company that could affect the director's ability to exercise independent judgment.

Directors deemed independent are believed to satisfy the definitions of independence required by the rules and regulations of the SEC and the listing standards of NASDAQ. The board has determined that these directors and nominees meet the applicable criteria for independence as of January 29, 2010: William F. Bahl, Linda Clement-Holmes, Kenneth C. Lichtendahl, W. Rodney McMullen, Gretchen W. Price, Douglas S. Skidmore, John F. Steele, Jr. and E. Anthony Woods.

Following the re-election of the directors included in this proxy, a majority (eight) of the 13 directors would meet the applicable criteria for independence under the listing standards of NASDAQ.

Director Nomination Considerations and Process – The nominating committee considers many factors when determining the eligibility of candidates for nomination as director. The committee does not have a diversity policy; however, the committee's goal is to nominate candidates from a broad range of experiences and backgrounds who can contribute to the board's overall effectiveness in meeting its mission. The committee is charged with identifying nominees with certain characteristics:

- Demonstrated character and integrity
- An ability to work with others
- Sufficient time to devote to the affairs of the company
- Willingness to enter into a long-term association with the company, in keeping with the company's overall business strategy

The nominating committee also considers the needs of the board in accounting and finance, business judgment, management, industry knowledge, leadership and such other areas as the board deems appropriate. The committee further considers factors included in the Corporate Governance Guidelines that might preclude nomination or re-nomination.

In particular, the nominating committee seeks to support our unique, agent-centered business model. The committee believes that the board should include a variety of individuals, serving alongside independent insurance agents who bring a special knowledge of policyholders and agents in the communities where we do business.

Potential board nominees generally are identified by referral. The nominating committee follows a five-part process to evaluate nominees for director. The committee first performs initial screening that includes reviewing background information on the candidates, evaluating their qualifications against the criteria set forth in the company's Corporate Governance Guidelines and, as the committee believes is appropriate, discussing the potential candidates with the individual or individuals making the referrals. Second, for candidates who qualify for additional consideration, the committee interviews the potential nominees as to their background, interests and potential commitment to the company and its operating philosophy. Third, the

committee may seek references from sources identified by the candidates as well as sources known to the committee members. Fourth, the committee may ask other members of the board for their input. Finally, the committee develops a list of nominees who exhibit the characteristics desired of directors and satisfy the needs of the board.

The nominating committee will consider candidates recommended by shareholders. Shareholders wishing to propose a candidate for consideration may provide information about such a candidate in writing to the secretary of the company, giving the candidate's name, biographical data and qualifications, and emphasizing the characteristics set forth in our Corporate Governance Guidelines available on our Web site at *www.cinfin.com/Investors*. Preferably, any such referral would contain sufficient information to enable the committee to preliminarily screen the referred candidate for the needs of the board, if any, in accounting and finance, business judgment, management, industry knowledge, leadership, and the board's independence requirements.

Since the 2009 annual shareholders' meeting, no fees were paid to any third party to identify, evaluate, or assist in identifying and evaluating potential nominees. In 2009, one of our independent directors referred Linda Clement-Holmes to our nominating committee as a candidate. On the recommendation of the nominating committee, the board of directors increased its size to 14 and appointed Ms. Clement-Holmes to the board at its regularly scheduled meeting on January 29, 2010.

Communicating with the Board – Shareholders may direct a communication to board members by sending it to the attention of the secretary of the company, Cincinnati Financial Corporation, P.O. Box 145496, Cincinnati, Ohio, 45250-5496. The company and board of directors have not established a formal process for determining whether all shareholder communication received by the secretary will be forwarded to directors. Nonetheless, the board welcomes shareholder communication and has instructed the secretary of the company to use reasonable criteria to determine whether correspondence should be forwarded. The board believes that correspondence has been and will continue to be forwarded appropriately. However, exceptions may occur, and the board does not intend to provide management with instructions that limit its ability to make reasonable business decisions. Examples of exceptions would be routine items such as requests for publicly available information that can be provided by company associates; vendor solicitations that appear to be mass-directed to board members of a number of companies; or correspondence that raises issues related to specific company transactions (insurance policies or claims) where there may be privacy concerns or other issues.

In some circumstances, the board anticipates that management would provide the board or board member with summary information regarding correspondence.

Certain Relationships and Transactions – The audit committee follows a written policy for review and approval of transactions involving the company and related persons, defined as directors and executive officers or their immediate family members, or shareholders owning 5 percent or greater of our outstanding stock. The policy covers any related transaction that meets the minimum threshold for disclosure in the proxy statement under the relevant SEC rules, generally transactions involving amounts exceeding $120,000 in which a related person has a direct or indirect material interest.

As it examines individual transactions for approval, the committee considers:

- Whether the transaction creates a conflict of interest or would violate the company's Code of Conduct
- Whether the transaction would impair the independence of a director
- Whether the transaction would be fair
- Any other factor the committee deems appropriate

Consideration of transactions with related parties is a regular item on the audit committee's agenda. Most of the transactions fall into the categories of standard agency contracts with directors who are principals of independent insurance agencies that sell our insurance products or with directors and executive officers who purchase the company's insurance products on the same terms as such products are offered to the public. Because the committee does not believe these classes of transactions create conflicts of interest or otherwise violate our Code of Conduct, the committee deems such transactions pre-approved.

The following transactions in 2009 with related persons were determined to pose no actual conflict of interest and were approved by the committee pursuant to its policy:

Kenneth C. Lichtendahl is a director of Cincinnati Financial Corporation and the president and chief executive officer of Tradewinds Beverage Company, which entered into a three-year lease for certain bottle capping equipment valued at $273,900 from CFC Investment Company, the company's leasing subsidiary.

John J. Schiff, Jr. is chairman of the board of Cincinnati Financial Corporation, and all its subsidiaries in 2009 except former subsidiary CinFin Capital Management Company. He and Thomas R. Schiff, also a director of Cincinnati Financial Corporation, are principal owners and directors of John J. & Thomas R. Schiff & Co. Inc., a privately owned insurance agency that represents a number of insurance companies, including our insurance subsidiaries. Our insurance and leasing subsidiaries paid John J. & Thomas R. Schiff & Co. Inc. commissions and finder's fees of $4,981,750 and $668, respectively. The company purchased various insurance policies through John J. & Thomas R. Schiff & Co. Inc. for premiums totaling $1,141,889. John J. & Thomas R. Schiff & Co. Inc. purchased group health coverage from our life insurance subsidiary for a premium of $132,171 and paid rent to the company in the amount of $122,445 for office space located in the headquarters building.

Douglas S. Skidmore is a director of Cincinnati Financial Corporation and principal owner, director, chief executive officer and president of Skidmore Sales & Distributing Company Inc., which purchased property, casualty and life insurance from our insurance subsidiaries for premiums totaling $278,475.

John F. Steele, Jr. is a director of Cincinnati Financial Corporation and chairman and chief executive officer of Hilltop Basic Resources Inc., which purchased property casualty insurance from our insurance subsidiaries for premiums totaling $383,880.

Larry R. Webb is a director of Cincinnati Financial Corporation and president, director and a principal owner of Webb Insurance Agency Inc., a privately owned insurance agency that represents a number of insurance companies, including our insurance subsidiaries. The company's insurance subsidiaries paid Webb Insurance Agency Inc. commissions of $554,490.

A brother of Timothy L. Timmel, senior vice president of operations of the company's insurance subsidiaries, is a secretary of the company's property casualty insurance subsidiary and manager of workers' compensation claims in the Headquarters Claims department with 32 years of experience in both the Field Claims and Headquarters Claims departments. In 2009, Mr. Timmel's brother earned compensation consisting of salary, cash bonus, stock-based compensation and perquisites totaling $134,692. The amount of compensation was established by the company in accordance with our employment and compensation practices applicable to associates with equivalent qualifications and responsibilities and holding similar positions.

Proposal 3– Approval of Amendments to Regulations to Establish Procedures for Advance Notice of Director Nominations and Other Proposals at Shareholder Meetings

Purpose

Our Code of Regulations (Regulations) currently contains no provisions that set forth the procedural requirements regarding a shareholder's ability to propose business at shareholder meetings or nominate a candidate for election to the board of directors. While SEC rules require a shareholder to notify a corporation within a specified period of time prior to an annual meeting of shareholders if the shareholder seeks to have a proposal included in a proxy statement, a shareholder could disrupt a meeting by attempting to bring inappropriate business before the meeting without providing advance notice to the corporation. Rules of order for the conduct of shareholder meetings are appropriate, and many corporations provide for such rules.

Description of Amendment

The proposed amendment sets forth the time period in which a shareholder must provide notice to the company and the procedure to be followed in order to propose business at shareholder meetings or nominate a candidate for election to the board. The proposed amendment does not affect any rights of shareholders to request inclusion of proposals in our proxy statement pursuant to Rule 14a-8 under the U.S. Securities Exchange Act, as amended (the Exchange Act) by satisfying the notice and other requirements of Rule 14a-8 in lieu of satisfying the requirements in the proposed amendments.

Under the proposed amendment, Section 5 would be added to Article I of the Regulations, expressly providing the chairman or other presiding officer of the meeting with the ability to set and modify the agenda for the meeting.

Section 6 would be added to Article I of the Regulations, allowing a shareholder to propose business at an annual meeting by delivering a notice of a proposal to the secretary of the corporation not less than 60 days nor more than 100 days prior to the first anniversary of the previous year's annual meeting. If, however, the date of the annual meeting is more than 30 days before or more than 60 days after the first anniversary of the previous year's annual meeting, shareholders would instead be required to deliver such notice not earlier than the 100th day prior to the annual meeting and not later than the day that is the later of the 60th day prior to the annual meeting or the 10th day following the day on which we first publicly disclose the date of the annual meeting. Section 6 provides that shareholders would not be permitted to propose business for special meetings. As proposed, Section 6 requires the notice of a shareholder be in a certain form that includes information about the item of business to be brought before the meeting and specific information about the shareholder and its interests. Section 6 also provides a requirement that the shareholder update its proposed item of business as necessary.

Section 7 would be added to Article I of the regulations, permitting a shareholder to nominate a candidate for election to the board of directors by delivering timely notice of such nomination to the secretary of the corporation within the same time frames as required for a shareholder's proposal of business, as described in the paragraph above. The notice delivered to the company must include specific information about the nominating shareholder, as well as about the proposed nominee. Section 7 also requires that the shareholder update its nomination as necessary.

The foregoing descriptions are summaries of the proposals and are not complete. The summaries are qualified by reference to the actual text of the proposed Sections 5, 6 and 7 to Article I of our Regulations, which is attached to this 2010 Shareholder Meeting Notice and Proxy Statement as *Appendix B*.

Vote Required

Approval of this proposal to amend the Regulations to establish procedures for advance notice of director nominations and other proposals at shareholder meetings requires the affirmative vote of the holders of a majority of the issued and outstanding common shares. Abstentions and broker non-votes will have the same effect as votes against the proposal.

The board of directors recommends that shareholders vote FOR approval of the amendments to the company's Code of Regulations to establish procedures for advance notice of shareholder proposals and shareholder nominations.

AUDIT-RELATED MATTERS

Proposal 4– Management's Proposal to Ratify Appointment of the Independent Registered Public Accounting Firm

The audit committee has appointed the firm of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2010. Although action by shareholders in this matter is not required, the audit committee believes that it is appropriate to seek shareholder ratification of this appointment and to seriously consider shareholder opinion on this issue.

Representatives from Deloitte & Touche LLP, which also served as the company's independent registered public accounting firm for the last calendar year, will be present at the 2010 Annual Meeting of Shareholders and will be afforded the opportunity to make any statements they wish and to answer appropriate questions.

To ratify the appointment of Deloitte & Touche LLP, a majority of votes cast at the meeting must be voted for the proposal.

The board of directors recommends a vote FOR the proposal to ratify appointment of the independent registered public accounting firm.

Report of the Audit Committee

The audit committee is responsible for monitoring the integrity of the company's consolidated financial statements, the company's system of internal controls, the qualifications and independence of the company's independent registered accounting firm, the performance of the company's internal audit department and independent registered accounting firm and the company's compliance with certain legal and regulatory requirements. The committee has sole authority and responsibility to select, determine the compensation of, and evaluate the company's independent registered accounting firm. The committee has six independent directors and operates under a written charter. The board has determined that each committee member is independent under the standards of director independence established by the NASDAQ listing requirements and is also independent for purposes of Section 10A(m)(3) of the Exchange Act.

Management is responsible for the financial reporting process, including the system of internal controls; for the preparation of consolidated financial statements in accordance with generally accepted accounting principles; and for the report on the company's internal control over financial reporting. The company's independent registered public accounting firm is responsible for auditing those financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America. The committee's responsibility is to oversee and review the financial reporting process and to review and discuss management's report on the company's internal control over financial reporting. However, the committee is not professionally engaged in the practice of accounting or auditing and does not provide any expert or special assurance as to such financial statements concerning compliance with laws, regulations or generally accepted accounting principles or as to auditor independence. The committee relies, without independent verification, on the information provided to it and on the representations made by management and the independent registered accounting firm.

The committee reviewed and discussed the audited consolidated financial statements for the fiscal year ended December 31, 2009, with management, the internal auditors and Deloitte & Touche LLP. The committee also discussed with management, the internal auditors and Deloitte & Touche LLP the process used to support certifications by the company's chief executive officer and chief financial officer that are required by the SEC and the Sarbanes Oxley Act of 2002 to accompany the company's periodic filings with the SEC and the processes used to support management's annual report on the company's internal controls over financial reporting.

The committee also discussed with Deloitte & Touche LLP matters that independent registered public accounting firms must discuss with audit committees under generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (PCAOB), including, among other things, matters related to the conduct of the audit of the company's consolidated financial statements and the matters required to be discussed by Auditing Standards No. 61, as modified or supplemented (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the PCAOB in Rule 3200T. The committee has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable standards of the PCAOB regarding its communications with the committee concerning independence, and the committee has discussed with Deloitte & Touche the independent registered accounting firm's independence from the company. When considering Deloitte & Touche LLP's independence, the committee considered whether

services it provided to the company beyond those rendered in connection with its audit of the company's consolidated financial statements, and its reviews of the company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q compatible with maintaining its independence. The committee also reviewed, among other things, the audit, audit-related and tax services performed by, and the amount of fees paid for such services to Deloitte & Touche LLP. The committee received regular updates on the amount of fees and scope of audit, audit-related and tax services provided.

Based on the above-mentioned review and these meetings, discussions and reports, and subject to the limitations on the committee's role and responsibilities referred to above and in the committee's charter, the committee recommended to the board that the company's audited consolidated financial statements for the fiscal year ended December 31, 2009, be included in the company's Annual Report on Form 10-K. The committee also selected Deloitte & Touche LLP as the company's independent registered accounting firm for the fiscal year ending December 31, 2010, and is presenting the selection to the shareholders for ratification.

Submitted by the audit committee:

William F. Bahl, Linda Clement-Holmes, Kenneth C. Lichtendahl (chair), Gretchen W. Price, Douglas S. Skidmore and John F. Steele, Jr.

Fees Billed by the Independent Registered Public Accounting Firm

The audit committee engaged Deloitte & Touche LLP to perform an annual audit of the company's financial statements for the year ended December 31, 2009.

	Year Ended December 31,	
	2009	2008
Audit Fees	**$2,286,000**	$2,249,500
Audit-related Fees	**712,104**	255,844
Tax Fees	**348,780**	189,812
Subtotal	**3,346,884**	2,695,156
All Other Fees	**950,000**	–
Deloitte & Touche LLP Total Fees	**$4,296,884**	$2,695,156

Services Provided by the Independent Registered Public Accounting Firm

All services rendered by the independent registered public accounting firm are permissible under applicable laws and regulations. In 2009 and 2008, all services rendered by the independent registered accounting firm were pre-approved by the audit committee, and no fees were charged pursuant to the de minimis safe harbor exception to the pre-approval requirement described in the audit committee charter.

Under the pre-approval policy, the audit committee pre-approves specific services related to the primary service categories of audit services, audit-related services, tax services, and other services. A one-time pre-approval dollar limit for specified services related to a specific primary category is established for the audit period. Examples of non-audit services specified under the policy requiring pre-approval may include: financial and tax due diligence, benefit plan audits, American Institute of Certified Public Accountants (AICPA) agreed upon procedures, security and privacy control-related assessments, technology control assessments, technology quality assurance, financial reporting control assessments, enterprise security architecture assessment, tax controversy assistance (IRS examinations), sales tax and lease compliance, employee benefit tax, tax compliance and support, tax research, corporate finance modeling assistance, and allowable actuarial reviews and assistance.

Engagements for services falling below the dollar threshold approved for specified services may be entered into with the consent of the chief financial officer. The committee must individually approve engagements for permissible services not included in the pre-approval list or that exceed the dollar threshold established for such services. All engagements are periodically reported to the audit committee. Pursuant to the rules of the SEC, the fees billed by the independent registered public accounting firm for services are disclosed in the table above.

Audit Fees – These are fees for professional services performed by the independent registered public accounting firm for the integrated audit of the company's annual financial statements; review of financial statements included in our Form 10-K and Form 10-Q filings; and services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees – These are fees for assurance and related services performed by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements. These services include employee benefit plan audits; and independent project risk auditing services.

Tax Fees – These are fees for professional services performed by the independent registered public accounting firm with respect to tax compliance and preparation including review of our tax returns and related research as well as IRS audit assistance, which totaled $346,004 in 2009. In addition to these items, $2,776 of the tax fees in 2009 were related to tax advice, planning or consulting for retired executives. Our independent registered public accounting firm does not perform any tax shelter work on our behalf.

All Other Fees – These fees are for advisory services provided by the independent registered public accounting firm to assist the company in gathering and grouping data for the underwriting of commercial lines policies.

COMPENSATION OF NAMED EXECUTIVE OFFICERS AND DIRECTORS

Report of the Compensation Committee

The compensation committee reviewed and discussed the Compensation Discussion and Analysis with management. Based on the review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the company's 2010 proxy statement.

Submitted by the compensation committee:

W. Rodney McMullen (chair), Gretchen W. Price and E. Anthony Woods

Compensation Committee Interlocks and Insider Participation

In 2009, W. Rodney McMullen, Gretchen W. Price and E. Anthony Woods served on the compensation committee. During the 2009 fiscal year, none of the compensation committee members was an officer, employee or former officer of Cincinnati Financial Corporation.

Compensation Discussion and Analysis

The following discussion and analysis contains statements about individual and company performance targets and goals. These targets and goals are disclosed in the limited context of Cincinnati Financial Corporation's compensation programs and should not be understood to be statements of management's expectations, outlook, estimates of results or other guidance. We encourage investors to read our 2009 Annual Report on Form 10-K for more comprehensive discussion of our expectations for company performance, as well as factors we have identified as risks to our ability to achieve our overall targets.

The compensation committee of the board of directors (committee) is responsible for determining compensation for the executive officers named in the Summary Compensation Table, Page 38 (named executive officers).

2009 Performance Highlights:

Although 2009 was a difficult year for our economy, our industry and our company, our long-term perspective lets us address the immediate challenges while focusing on the major decisions that best position the company for success through all market cycles. We believe that this forward-looking view has consistently benefited our shareholders, agents, policyholders and associates. Our overall executive compensation is designed to align with shareholder interests and to motivate management behavior to increase shareholder value over the long term. While there is no doubt that the economy and price competition continue to challenge our insurance business we have seen signs during 2009 of an improving environment and are working to manage effectively in the midst of external influences. Management's actions and corresponding results include:

- We increased our financial strength with growth of total assets, invested assets and shareholders' equity and book value per share over previous 2008 levels reflecting the success of our strategy to manage capital effectively and also our initiatives to diversify our investment portfolio, decreasing volatility by diluting concentrated positions in our investment portfolio.
- Our investment income declined 6.8 percent from 2008 primarily as a result of dividend reductions by common and preferred holdings, including reductions during the year on positions subsequently sold or reduced. We allocated a larger portion of the proceeds from these sales to fixed-maturity securities,

reducing equity securities. While this reallocation reduced dividend income, it has better positioned us to grow capital through increased investment income with more secure yields.

- We continue to protect our cash flow with our strong reinsurance program, strong reserves and prudent investment portfolio structure which has allowed us to increase our cash dividend; our 49th consecutive year of increase.
- Earned premiums for our consolidated property casualty operations decreased 3.3 percent as intense price competition offset fairly stable policy retention rates on 2009 renewal business. The decline in earned premium was partially offset by an almost 10 percent increase in new business, reflecting the contribution from new agency appointments and other growth initiatives in recent years. We successfully executed our plan to accelerate delivery of improved technology to our agents, providing enhanced ease of use, that we expect to benefit premium growth over the long term.
- Our property casualty combined ratio of 104.5 percent was unprofitable, largely reflecting soft insurance market pricing, reduction of insured exposures and higher than historical levels of catastrophe losses. The total of all lines of business other than workers' compensation and homeowners was in a very profitable low-to-mid 90 percent range. We are taking action to manage risk and improve pricing for workers' compensation and homeowners, and also expect the higher than average catastrophe loss impact from 2008 and 2009 to return to near its historic average.

To measure our progress, we have defined a measure of value creation that we believe captures the contribution of our insurance operations, the success of our investment strategy and the importance we place on paying cash dividends to shareholders. We refer to this measure as our value creation ratio. It is made up of two primary components: 1) our rate of growth in book value per share plus 2) the ratio of dividends declared per share to beginning book value per share. For the period 2010 through 2014, an annual value creation ratio averaging 12 percent to 15 percent is our primary performance target. With heightened economic and market uncertainty since 2008, we believe the long-term nature of this ratio is an appropriate way to measure our long-term progress in creating shareholder value. For 2009, we aligned The Annual Incentive Compensation Plan of 2009's performance goal to our one-year value creation ratio compared to our Peer Group. Awards of incentive compensation tie vesting of a portion of annual cash compensation to performance goals and support the committee's efforts to maximize the company's federal income tax deduction for executive compensation.

In 2009, our one-year value creation ratio was a healthy 19.7 percent, exceeding our longer term target. While we are pleased with this result, compared to peers our value creation ratio placed near the bottom quartile. Nevertheless, we believe value creation ratio compared to peers remains an appropriate performance goal for our annual incentive compensation awards because it fosters teamwork among our executive officers, requiring them to make sure the contribution of their individual areas of responsibility add to book value through positive earnings, producing healthy cash flow for investment activities and dividend payments.

Performance-based restricted stock units tie vesting of a portion of stock-based compensation to performance goals and support the committee's efforts to maximize the company's federal income tax deduction for executive compensation. The three-year performance period for awards of restricted stock units reinforces the company's long-term focus and matches the period after which stock option awards are fully vested and exercisable. The most recent performance-based restricted stock awards granted were during November 2008. For those grants, the performance target is measured based on three-year total shareholder return for us compared to our Peer Group for the three calendar years ending December 31, 2011.

At year-end 2009, our three-year shareholder return was between the 25th and 50th percentile of our eight peer companies, indicating that an improved level of performance is required for those performance-based restricted stock units to vest at the target level and reward our executive officers. Nevertheless, the committee intends that these awards link the interests of our executive officers to shareholders, and we remain committed to delivering an acceptable level of shareholder return over the long term.

While overall performance is not where we would like it to be, in 2009 the management of the company successfully responded to the challenging environment, taking actions to position the company to achieve profitable growth over the long term as economic and business cycles improve. Taking into consideration the efforts of our management team, the company's performance and the economic and business environments, the committee determined that the compensation paid to our named executive officers for 2009 is reasonable.

Executive Compensation Philosophy and Objectives

The U.S. property casualty insurance industry is a highly competitive marketplace with over 2,000 stock and mutual companies operating independently or in groups. We compete with these companies, as well as companies offering surplus lines and life insurance, seeking to increase our share of these multibillion-dollar markets. We market our products exclusively through independent insurance agents. We set ourselves apart from other insurance companies by maintaining an agent-centered focus and strategies that we believe can lead over the long term to a property casualty written premium growth rate that exceeds the industry average and generate consistent underwriting profit, and by maintaining an investment philosophy that we believe can drive investment income growth and lead to a total return on our equity investment portfolio that exceeds the Standard & Poor's 500's five-year return.

Critical to our long-term success are highly experienced, dedicated and capable executives who can manage our business day to day and who possess the vision to plan for and adjust to changes in the market. It is also important that we nurture the capabilities of our emerging leaders to ensure that we have an appropriate depth of executive talent.

The committee endeavors to ensure that overall compensation paid to our executive officers is appropriate and in line with our overall compensation objective to attract, motivate, reward and retain the executive talent required to achieve the corporate objectives described above, with the ultimate goal of increasing shareholder value. At the same time, the committee is careful to ensure that compensation paid to executives is not excessive as compared with peers and does not encourage unreasonable risk-taking, that its decisions are transparent and easily understood by all stakeholders, and that the elements of compensation employed are in keeping with compensation paid to associates at all levels of the company, allowing for differences due to level of responsibility and individual performance.

With this philosophy in mind, the committee applies certain fundamentals that are key characteristics of our overall compensation program, including:

- We employ our executive officers "at will," without severance agreements or employment contracts;
- We use non-incentive cash compensation to provide adequate and stable compensation that can increase incrementally over time, for all of our full-time associates, including the named executive officers;
- We use incentive cash compensation (annual incentive bonus) at reasonable levels to reward short-term performance of named executive officers by focusing executive attention on short-term tactical actions believed to be important for achievement of longer-term strategic goals;
- We use grants of stock options and performance-based restricted stock units to align executive officer and shareholder financial interests and focus on the long term. We structure overall compensation so that a significant portion of the named executive officer's compensation is realized only when we achieve certain performance measures and when our stock price increases. Similarly, we use grants of stock options and service-based restricted stock units for all of our other eligible full-time salaried associates, giving associates an opportunity to build wealth and encouraging them to make decisions in the best interest of the company as a whole by linking their personal financial success with the company's success. We do not pay dividends or dividend equivalents on unvested stock-based awards;
- We do not reprice options, exchange options or reset performance targets for incentive compensation awards granted to any of our associates, including the named executive officers;
- We rely on long-standing, consistently and appropriately applied practices with respect to the timing and pricing of grants of stock-based compensation. When circumstances arise, such as the employment of a new executive officer, we are careful to appropriately time and price grants, if any, to such individuals;
- We consider changes in levels of compensation when responsibilities change;
- We consider competitive compensation practices and relevant factors without establishing targets for total compensation at specific benchmark percentiles; and
- We use processes that include committee review of Peer Group and internal performance data, compensation practices and plans, and management recommendations based on evaluations of individual and company performance.

Overview of 2009 Compensation

Events and Decisions Affecting 2009 Compensation. The compensation disclosed for the named executive officers for 2009 was affected by the following events and decisions:

The committee intentionally decreased total direct compensation (defined as the sum of base annual salary, discretionary bonus, annual incentive compensation payout and target values of stock-based compensation grants) paid to named executive officers for 2009 by:

- Decreasing non-incentive cash compensation, and
- Eliminating grants of non-qualified stock options and performance-based restricted stock units for 2009 as the timing of annual grants of such awards was accelerated to November 2008, and intending for regular annual grants in the first quarter of each year to resume in 2010;

Restructuring of Executive Compensation Effective for 2010. In 2009 the committee studied the existing compensation structure for executive officers to transition to compensation that was more performance-based while maintaining the level of base compensation that it had historically considered not to be at risk. The committee also was interested in balancing performance-based compensation between short and long-term components. Key features of the new executive compensation structure effective beginning 2010 include:

- Moving the annual date for compensation decisions from November of the performance year to February following the end of the performance year to provide the committee information about full-year company and peer performance and grant stock-based compensation outside of regular trading blackout periods associated with announcement of the company's year-end earnings results;
- Resetting salaries to include that portion of previously used discretionary bonuses not historically considered "at risk" and eliminating discretionary bonuses as a regular component of compensation for executive officers, reserving the right to award such bonuses when circumstances may warrant; and
- Using a percentage of base annual salary to establish target award levels for grants of short and long-term performance-based compensation; annual incentive cash compensation and stock-based compensation, respectively.

Compensation Practices and Policies

Role of executive officers. Our chief executive officer makes recommendations to the committee for base annual salary, discretionary bonus, and performance-based compensation. Supporting these recommendations are his assessment of each officer's performance and current compensation compared with changes in responsibilities during the year, if any, and his assessment of what the company can afford to pay based on the performance of the company in the current year. Additionally, our chief executive officer provides the committee with historical compensation data sheets for each executive officer containing all elements of compensation paid to each executive officer, and pro forma compensation disclosure tables for all executive officers, similar to those included in this proxy statement, as well as comparative performance and compensation data compiled by Equilar Inc., an independent subscription service that automates the collection of such information.

Role of committee. The committee makes the final determination of base salary, discretionary bonus and performance-based compensation for the chief executive officer and for each of the other named executive officers. The committee takes into account the recommendations of the chief executive officer regarding the other named executive officers and the data supplied by the chief executive officer.

Traditionally, the committee met in the fourth quarter of each calendar year to award discretionary bonuses for the current year and salaries for the upcoming year and met in the first quarter of the calendar year to grant stock-based and incentive compensation awards and consider the payment of any incentive compensation earned upon satisfaction of performance goals established in the prior year's incentive compensation award grant. Beginning in 2010, the committee will meet in February each year to make these decisions. The committee also may meet during the year to set or adjust compensation appropriately if management changes or new executive officers join the company.

The committee considers its own experience with and information received from and about the named executive officers, including:

- Interactions of the board and its committees with the named executive officers. The chief executive officer and chief financial officer regularly attend board meetings and provide commentary on activities of the

company as well as their areas of responsibility. Other named executive officers in operating positions make presentations to the board and otherwise have contact with board members from time to time.

- The chief executive officer's ongoing reports to the board and its committees about individual named executive officer activities and performance.
- Business results and business unit results, including reports:
  - filed with the SEC,
  - provided regularly to the board by management, including non-public financial, insurance and investment performance summaries, and
  - provided to the board on an as-needed or as-requested basis.

The committee also considers specific financial and operational metrics for business segments, business units and other subsets of the organization. Management monitors and provides these reports to the directors, including committee members, on an ongoing basis. This information is shared with the board and the committee through a variety of channels. For example:

- Comparisons of growth, profitability and selected other trends to averages for the entire property casualty industry or major subsets, such as our Peer Group or the average for the commercial or personal lines insurance segments presented in our public filings. For statutory data, we most frequently rely on data prepared by A.M. Best Co., a worldwide insurance-rating and information agency. For data based on GAAP, in 2006 we began to use information provided by SNL Financial LLC, a sector-specific information and research firm in the financial information marketplace.
- Reports from and board discussions with our planning and risk management officer regarding progress toward achievement of our corporate strategic goals.
- Reports and board discussions with executive officers responsible for broad areas of our insurance, investment and operational activities, including our named executive officers, about management's assessment of business unit and overall industry trends based on a variety of data monitored by the business units.

The committee does not have a pre-defined formula that determines which of these factors may be more or less important, and the emphasis placed on specific factors may vary among the named executive officers. Ultimately, it is the committee's judgment of these factors, in its normal deliberations and in executive session, along with competitive data and discussions with and recommendations from the chief executive officer, that form the basis for determining the compensation for the named executive officers.

Benchmarking, compensation consultants and peer groups. We believe our business philosophies and strategies differentiate our company in many positive ways, while diminishing comparability to industry peer groups. Except for establishing targets for performance-based compensation under certain incentive plans, we do not tie compensation at any level to specific benchmarks or formulas.

We believe the levels of compensation we provide should be competitively reasonable and appropriate for our business needs and circumstances. Our approach is to consider competitive compensation practices and relevant factors rather than establishing total compensation at specific benchmark percentiles. This provides us with flexibility in maintaining and enhancing our executive officers' focus, motivation and enthusiasm for our future.

While we do not compare compensation of individual named executive officers with executives carrying similar titles across a peer group, the committee reviews performance and compensation data of the Peer Group to gain a sense of whether we are providing generally competitive compensation for our named executive officers individually and as a group. Until 2008, the committee monitored corporate performance and compensation levels for the named executive officers of certain property casualty companies that were part of the Standard & Poor's Composite 1500 Property & Casualty Insurance Index.

Over the last several years, the number of companies in the selected peer group decreased due to merger and acquisition activity.

For 2009 the committee continued to use the Peer Group of eight companies selected in November 2008: The Chubb Corporation, The Hanover Insurance Group Inc., Harleysville Group Inc., The Hartford Financial Services Group Inc., Markel Corporation, Selective Insurance Group Inc., State Auto Financial Corporation, and The Travelers Companies Inc. (Peer Group). Not all of these companies are included in the Index.

These eight publicly traded companies were selected because they generally market their products through the same types of independent insurance agencies that represent our company and they provide both commercial lines and personal lines of insurance, as we do. We also included in the Peer Group a company that historically has followed an equity investment strategy similar to ours and that offers surplus lines coverages, similar to the business we entered in 2008.

Comparative performance and compensation data reviewed by the committee suggests that the company's executive compensation is at levels consistent with its performance as compared with the Peer Group. The following table ranks the company and the eight companies in the Peer Group according to market capitalization at December 31, 2009, and ranks one-, three-, and five-year total shareholder returns as of December 31, 2009 as reported by Bloomberg L.P. and compensation data compiled by Equilar from the 2008 proxy statements, the most current recent year for which such data is available.

Rank	Market Capitalization	One-Year Total Shareholder Return	Three-Year Total Shareholder Return	Five-Year Total Shareholder Return	2008 Total Direct Compensation
1	Travelers	Hartford	Harleysville	Harleysville	Chubb
2	Chubb	Markel	Chubb	Travelers	Hartford
3	Hartford	Travelers	Travelers	Chubb	Travelers
4	Cincinnati	Hanover	Hanover	Hanover	Selective
5	Markel	Chubb	Markel	Markel	Hanover
6	Hanover	Cincinnati	Cincinnati	Selective	Cincinnati
7	Selective	Harleysville	Selective	State Auto	Markel
8	State Auto	Selective	State Auto	Cincinnati	State Auto
9	Harleysville	State Auto	Hartford	Hartford	Harleysville

As reported by Equilar, total direct compensation of $10,005,807 paid to our named executive officers in 2008 was 59 percent of the average total direct compensation of $16,866,161 paid by companies in the Peer Group to their named executive officers in the same year.

The committee does not employ compensation consultants for recommendations concerning executive compensation. Our chief executive officer annually provides the committee with Peer Group performance and compensation data collected by the chief financial officer from the Equilar service and publicly available proxy statements and Form 10-K filings.

Tax policies. Section 162(m) of the Internal Revenue Code limits to $1 million per year the federal income tax deduction to public corporations for compensation paid for any fiscal year to any individual who is identified as a named executive officer as of the end of the fiscal year in accordance with the Exchange Act. This limitation does not apply to qualifying "performance-based compensation." Our committee designed our annual incentive compensation awards (which permit the committee to exercise negative discretion to reduce or eliminate payment of awards as it did in 2008) and performance based restricted stock units to qualify for the performance-based compensation exception to the $1 million limit. In addition, stock options are considered performance-based compensation that qualify for the exception.

The committee believes that our shareholders are best served by not restricting our committee's discretion and flexibility in making compensation decisions, such as annual salaries, variable compensation awards, service-based restricted stock units and similar non-performance based awards, although some of these elements of compensation may from time to time result in certain non-deductible compensation expenses. Accordingly, the committee may from time to time approve compensation for certain named executive officers that is not fully deductible and reserves the right to do so in the future, in appropriate circumstances.

In 2009, portions of the non-performance based compensation paid to Mr. Stecher were not tax deductible due to the value of de minimis perquisites and benefits and adjustments in base annual salary and discretionary bonus awards in line with adjustments to those compensation components for all of our exempt associates as a group. For information about how 2009 salaries and variable compensation awards were determined, see Annual Cash Compensation, Non-incentive cash compensation, Page 29.

The committee generally does not favor the payment of tax gross-ups. Except in limited circumstances, such as a retirement gift of nominal value or relocation assistance offered on the same basis offered to all retiring or relocating associates, the committee does not authorize payment of tax gross-ups to executive officers.

Employment agreements, change in control provisions and post-retirement benefits. We do not have employment agreements with any of our named executive officers, who are all at-will employees. Our long-standing corporate perspective has been that employment contracts do not provide the company with any significant advantage. We believe our corporate culture, current compensation practices and levels of stock ownership by our executive officers have resulted in stability in our current 14-member executive officer group, who average 26 years with the company.

Change in control provisions are included only in our 2006 Stock Compensation Plan and our Annual Incentive Compensation Plan of 2009, and those provisions apply to all associates receiving awards under the plan, not just to executive officers. The change in control provisions in these plans contains a "double trigger," which requires both a change in control event, as defined in the plan, and termination of the associate's employment due to the change in control within a specified time period. The double trigger ensures that we will become obligated to accelerate vesting of prior awards only if the associate is actually or constructively discharged because of the change in control event.

We occasionally provide post-retirement benefits to long-tenured, executive officer-level associates who continue to provide services to the company after retirement from their executive positions. These post-retirement benefits are intended to compensate the associate for ongoing services associated with maintaining continuity of relationships and providing guidance to their successors and other associates. We have no formal agreements with any of the current named executive officers for specific post-retirement benefits upon their future retirement. However, when a named executive officer retires, we may choose to provide him or her with modest cash compensation, office space, access to administrative support, and continuation of certain health and welfare benefits generally available to all associates in exchange for services rendered. In 2009, one associate who had previously retired from an executive position received one or more of the described benefits at a total cost to the company of $18,599.

Components of Compensation

The primary components of compensation are discussed below.

3-Year History of Total Direct Compensation at a Glance

Name	Year	Base Annual Salary	Discretionary Bonus	Target Incentive Compensation	Stock Options	Performance-Based RSU Target	Holiday Stock Bonus	Target Total Direct Compensation	Realized Total Direct Compensation
Kenneth W. Stecher	2009	$ 780,000	$ 245,151	$ 200,000	-	-	$ 257	$ 1,225,408	$ 1,055,408
	2008	750,000	426,060	150,000	$232,902	$ 257,138	272	1,816,372	1,084,062
	2007	552,264	352,119	150,000	80,759	75,369	404	1,210,915	906,486
Steven J. Johnston	2009	416,000	235,100	100,000	-	-	26	751,126	667,126
	2008*	400,000	350,000	-	79,450	105,456	-	934,906	368,539
	2007	-	-	-	-	-	-	-	-
Jacob F. Scherer, Jr.	2009	474,472	252,366	100,000	-	-	257	827,095	745,344
	2008	456,222	380,632	100,000	109,015	133,608	272	1,179,749	823,530
	2007	409,829	380,632	100,000	80,759	75,369	404	1,046,993	792,126
Thomas A. Joseph	2009	445,000	166,992	75,000	-	-	257	687,249	629,364
	2008	427,875	274,991	100,000	109,015	133,608	272	1,045,761	704,364
	2007	363,341	274,991	-	80,759	75,369	404	794,864	639,854
David H. Popplewell	2009	362,796	124,086	-	-	-	257	487,139	501,093
	2008	348,841	210,006	-	109,015	133,608	272	801,742	560,197
	2007	329,100	210,006	-	80,759	75,369	404	695,638	541,029

*Annualized amounts for officer hired effective June 30, 2008.

Total direct compensation (the sum of base annual salary, discretionary bonus, annual incentive compensation and stock-based awards) represents the sum of compensation the committee awards to the named executive officers each year. In 2009 total direct compensation decreased from 2008 levels as the committee acted to reduce cash compensation by 15 percent and did not grant stock-based awards in the first quarter of 2009, having accelerated those grants to November 2008 to link them to management changes made earlier that year. In the table above, the level of total direct compensation realized is lower than the targeted amounts as named executive officers have not realized compensation:

- From annual incentive compensation grants in the last three years as either performance targets were not achieved, or if achieved, the committee exercised its negative discretion reducing payouts to zero because of compensation already awarded for the year, and
- From stock-based awards granted in prior years as non-qualified stock options generally were underwater and three-year performance targets were not achieved for vesting of performance-based restricted stock units, first awarded in 2007.

At its meeting on February 19, 2010, the committee acted to restructure the components of total direct compensation it awards to executive officers each year. Key features of the new structure include:

- Restructuring non-incentive cash compensation by resetting base annual salary to include that portion of the traditional discretionary bonuses not considered at risk and eliminating discretionary bonuses as a regular component of annual compensation, while reserving the right to make such awards as circumstances may warrant;
- Determining equally weighted, tiered targets for performance-based annual incentive and stock-based compensation as a percentage of salary, balancing incentives for short and long-term performance;
- Consolidating decision dates for executive compensation to February following the end of the performance year to allow consideration of full year performance data of the company and peers.

The primary components of compensation, and the changes for the last three years, and information about restructured levels of each component are discussed below.

Annual Cash Compensation

Non-incentive cash compensation. In 2009, non-incentive cash compensation for named executive officers consisted of base annual salary and discretionary bonus. Amounts shown as salary in the Summary Compensation Table on Page 38 reflect adjustments to base salary made the preceding November, any adjustments during the calendar year, and the number of pay periods during the year.

Through 2009, we considered salary and discretionary bonus as a unit to make decisions about the non-incentive cash compensation for all of our associates, including our named executive officers. Base salary reflects the requirements and responsibilities of each officer's particular role, the performance of his current responsibilities and market conditions. Advancements in abilities, experience or responsibilities are recognized with increases in base salary. Changes to discretionary bonus awards reflect base salary, length of service, individual performance and company performance. While awards of discretionary bonuses were not guaranteed, we traditionally did not consider compensation in this form "at risk." Rather, the discretionary nature of that form of compensation was used as a tool available to the committee and to management, through its recommendation to the committee, to control overall company compensation expense.

Name	Year	Base Annual Salary	Discretionary Bonus	Total Non-Incentive Cash Compensation
Kenneth W. Stecher	2009	$ 780,000	$ 245,151	$ 1,025,151
	2008	750,000	426,060	1,176,060
	2007	552,264	352,119	904,383
Steven J. Johnston	2009	416,000	235,100	651,100
	2008*	400,000	350,000	750,000
	2007	-	-	-
Jacob F. Scherer, Jr.	2009	474,472	252,366	726,838
	2008	456,222	380,632	836,854
	2007	409,829	380,632	790,461
Thomas A. Joseph	2009	445,000	166,992	611,992
	2008	427,875	274,991	702,866
	2007	363,341	274,991	638,332
David H. Popplewell	2009	362,796	124,086	486,882
	2008	348,841	210,006	558,847
	2007	329,100	210,006	539,106

*Annualized amounts for officer hired effective June 30, 2008.

As a unit, the combined 2009 level of salary and discretionary bonus for the named executive officers decreased 15 percent from 2009 base annual salary plus 2008 discretionary bonus. Salaries for 2009 were set in November 2008 to reflect a 4 percent increase, in line with salary increases for the companywide salary pool established for all associates, and matching increases to 2008 base annual salaries established in November 2007. The committee determined the 4 percent increase in the companywide salary pool was appropriate based on the assumption that it was competitive with general salary increases in the Cincinnati marketplace.

For 2009, discretionary bonuses paid to named executive officers as a group declined 24 percent from 2008 levels. This element was used to effect the decrease in the overall level of non-incentive cash compensation (salary plus discretionary bonus) uniformly for all named executive officers by 15 percent, taking that reduction entirely out of the discretionary bonus component. The level of discretionary bonus reduction varied for each named executive officer and was purely a function of the prior allocation of overall non-incentive cash compensation for the individual officer between salary and discretionary bonus. Those individuals with a higher percentage of overall non-incentive cash compensation weighted to salary saw greater percentage decreases in their discretionary bonuses. The committee determined to reduce non-incentive cash compensation by this amount to reflect the overall challenging economic environment and the company's mixed performance during the year. In the two preceding years, discretionary bonuses were flat in 2008 following a 5 percent increase in 2007.

Restructuring for 2010: At its February 19, 2010 meeting, as a part of its restructuring of executive compensation described above, the committee restructured the components of non-incentive cash compensation for the named executive officers. Beginning in 2010, non-incentive cash compensation is in the form of salary only. Discretionary bonuses are eliminated as a regular component of compensation. For 2010, the committee set annual base levels of non-incentive cash compensation for the named executive officers as follows: $963,863 for Mr. Stecher; $627,590 for Mr. Johnston; $701,602 for Mr. Scherer; $570,244 for Mr. Joseph; and $455,860 for Mr. Popplewell.

Annual incentive compensation. Under the Annual Incentive Compensation Plan of 2009 approved by shareholders in 2009 (Incentive Compensation Plan), all executive officers are eligible to annually receive an award of up to $1 million in cash based on achievement of specific performance-based criteria. The Incentive Compensation Plan replaced an older plan in which only the named executive officers were eligible to participate.

The Incentive Compensation Plan offers a wide range of performance objectives from which the committee may select one or more performance targets to focus the attention of executive officers on short term tactical actions believed to be important for achievement of longer term strategic goals. It also features a forfeiture and recoupment provision to enable the company to recover payments under this plan when circumstances warrant.

Name	Year	Target Annual Incentive Compensation	Achievement Level	Realized Annual Incentive Compensation
Kenneth W. Stecher	2009	$ 200,000	< Threshhold	-
	2008	150,000	< Threshhold	-
	2007	150,000	Target	-
Steven J. Johnston	2009	100,000	< Threshhold	-
	2008	-		-
	2007	-		-
Jacob F. Scherer, Jr.	2009	100,000	< Threshhold	-
	2008	100,000	< Threshhold	-
	2007	100,000	Target	-
Thomas A. Joseph	2009	75,000	< Threshhold	-
	2008	100,000	< Threshhold	-
	2007	-		-
David H. Popplewell	2009	-		-
	2008	-		-
	2007	-		-

Subject to shareholder approval of the plan, in February 2009 the committee granted incentive compensation awards to Messrs. Stecher, Johnston, Scherer and Joseph. Mr. Popplewell did not receive an award for 2009 because he was a named executive officer for 2008 only because of his election to receive distribution of the present value of his pension benefit during the company's restructuring of retirement benefits that year, and not because of decisions made by the committee for such officers. Potential payouts of the awards range from 50 percent to 200 percent of target based upon the achievement of the performance target of the company's value creation ratio compared with the value creation ratio of the eight companies in the Peer Group. The committee selected the performance objective of the company's value creation ratio compared with peers because it captures the contribution of our insurance operations, the success of our investment strategy and the importance we place on paying cash dividends to shareholders. Achievement of the 37.5, 50th and 75th percentiles of the value creation ratio of peer companies would earn 50, 100 and 200 percent payouts of the target level of awards. For 2009, the company achieved a value creation ratio of 19.7 percent, exceeding the company's long-term target for this measure. However, on a relative basis, the company's value creation ratio exceeded that ratio for 25 percent of the Peer Group but missed achievement of the threshold level of 37.5 percent of thePeer Group required for payout.

Through 2009, target levels for awards were set at modest levels compared to peers, ranging from $75,000 to $200,000.

Under the prior plan, for 2008 annual incentive awards, the company did not achieve the performance target established by the committee as the company's adjusted gross written premiums declined 2.3 percent, exceeding the targeted decline of less than 1.5 percent and adjusted operating income declined 24.1 percent, exceeding the targeted decline of less than 14 percent. Because two of the performance targets were not achieved, the awards were not earned.

Although the performance target for 2007 annual incentive compensation awards was achieved, the committee nevertheless exercised its negative discretion and reduced each of the awards to zero, determining that compensation already paid to these four named executive officers was appropriate in light of the individual performance of each and the overall performance of the company

Restructuring for 2010*:* Beginning in 2010, all executive officers, including the named executive officers, will have the opportunity to earn annual incentive compensation bonuses under the 2009 Plan. Target levels for awards will be determined as a percentage of the named executive officer's salary. The percentage of salary will range from 50 percent to 80 percent based on the named executive officer's tier. Assignment to a particular tier is based on the named executive officer's level of responsibility. Mr. Stecher is assigned to the CEO Tier for which target level awards are 80 percent of base annual salary. Messrs. Johnston, Scherer and Joseph are assigned to Tier I for which target level awards are 65 percent of base annual salary. Mr Popplewell is assigned to Tier II for which target level awards are 50 percent of base annual salary. The committee intends to use the same tier assignment and related percentage of salary to determine the target level of stock-based awards to balance overall performance-based short-term and long-term compensation.

At its February 19, 2010, meeting, the committee established target levels for awards for annual incentive compensation grants as follows: $771,091 for Mr. Stecher; $407,934 for Mr. Johnston; $456,041 for Mr. Scherer; $370,659 for Mr. Joseph; and $227,930 for Mr. Popplewell. The performance objective for the awards is the level of value creation ratio achieved for 2010 compared with the eight companies in the Peer Group. Performance hurdles for threshold, target and maximum awards were set at the 37.5th, 50th and 75th percentiles of the Peer Group. Achievement of threshold, target and maximum performance hurdles earn award payouts of 30 percent, 100 percent and 200 percent, respectively of target.

Long-Term Stock-Based Compensation

We believe people tend to value and protect most that which they have paid for, generally by investing their time, effort or personal funds. Over the long run, we believe shareholders are better served when associates at all levels have a significant component of their financial net worth invested in the company. For that reason, we grant awards of stock-based compensation not only to our directors and to named executive officers, but also generally to all full-time salaried associates of the company. We believe this approach encourages associates at all levels to make decisions in the best interest of the company as a whole, linking their personal financial success with the organization's success. Although we do not have access to information about broker accounts, we estimate that approximately 90 percent of our current associates hold shares of Cincinnati Financial Corporation. Stock ownership guidelines applicable to all directors and officers will help the committee monitor ownership for all directors and officers. Our Director and Officer Stock Ownership Guidelines may be found at *www.cinfin.com/Investors*.

We award stock-based compensation not only to reward service to the company, but also to provide incentive for individuals to remain in the employ of the company and help it prosper. The committee currently uses two types of stock-based awards used for grants to the named executive officers. The committee uses non-qualified stock options that vest in equal amounts over the three years following the grant date and performance-based restricted stock units that cliff vest after three years if performance targets are achieved. Performance-based restricted stock units tie vesting of a portion of stock-based compensation to performance goals and support the committee's efforts to maximize the company's federal income tax deduction for executive compensation. Stock options tie the compensation realized from such awards, if any, to changes in the stock price experienced by shareholders generally. The three-year performance period for awards of restricted stock units reinforces the company's long-term focus and matches the period after which stock option awards are fully vested and exercisable. If the restricted stock units vest, the award is paid in shares of common stock, one share for each restricted stock unit. For performance-based restricted stock units, the committee expects to set targets that it considers achievable, but that require some stretch, based on market conditions and the current insurance industry environment at the time of grant.

As the committee considers stock-based awards for all associates as a group, it also considers these general objectives:

- Keep the overall cost to the company of stock-based compensation comparable with prior years,
- Continue to emphasize stock options that require associates to make a personal investment upon exercise, and
- Award a sufficient number of restricted stock units that upon vesting will strengthen the associate's ability to build wealth and ability to satisfy applicable stock ownership guidelines and retain associates in the employment of the company.

Name	Year	Non-Qualified Stock Options	Target Performance-Based RSUs	Holiday Stock Bonus	Target Total Stock-Based Compensation	Realized Stock-Based Compensation
Kenneth W. Stecher	2009	-	-	$ 257	$ 257	$ 257
	2008	$ 232,902	$ 257,138	272	490,312	272
	2007	80,759	75,369	404	156,532	404
Steven J. Johnston	2009	-	-	26	26	26
	2008	79,450	105,456	-	184,906	-
	2007	-	-	-	-	-
Jacob F. Scherer, Jr.	2009	-	-	257	257	257
	2008	109,015	133,608	272	242,895	272
	2007	80,759	75,369	404	156,532	404
Thomas A. Joseph	2009	-	-	257	257	257
	2008	109,015	133,608	272	242,895	25,181
	2007	80,759	75,369	404	156,532	404
David H. Popplewell	2009	-	-	257	257	257
	2008	109,015	133,608	272	242,895	272
	2007	80,759	75,369	404	156,532	404

Historically, the committee made decisions about stock-based compensation based on the number of shares underlying the award determined by position, which remained constant for each position year over year, rather than the cost of the awards in any given year. Beginning in 2010, award levels for the named executive officers will be restructured as described below.

Stock-based awards granted to all associates in any year generally total less than 1.5 percent of total shares outstanding. The committee did not make its regular first-quarter grants of stock-based compensation in 2009 because it had accelerated the timing of those grants to November 2008, to tie them to management changes made earlier that year. This resulted in two rounds of stock-based awards in 2008, one in the first quarter and one in the fourth quarter, and none in 2009. At the time of the November 2008 grants, nearly all outstanding unexercised stock options granted in prior years were underwater.

The three-year performance period for performance-based restricted stock units granted in 2007 ended December 31, 2009. These awards did not vest because the company did not achieve the stated performance target specified in the award agreement, the sum of “operating income” (as defined by the company’s prior incentive compensation plan) for the three calendar years ending December 31, 2009, equals or exceeds 315 percent of operating income for 2006. The company’s “operating income” for the performance period was 236 percent of operating income for 2006.

Performance-based restricted stock units granted in February and July 2008 will vest based on the amount of operating income achieved over the three calendar years ending December 31, 2010. Threshold, target and maximum aggregate three-year performance targets of 285 percent, 300 percent and 315 percent of 2007 operating income were established for threshold, target and maximum awards. As with the 2007 performance-based restricted stock unit awards described above, the committee used the definition for operating income set forth in the prior incentive compensation plan, but amended that definition to include an annual cap of 2.5 percent for the contribution of favorable development on prior period reserves to address the atypically high level of favorable development in 2007.

The performance-based restricted stock units granted in November 2008 will vest according to the level of total shareholder return achieved over the three calendar years ending December 31, 2011. Threshold, target and maximum aggregate three-year performance targets at the 25th, 50th and 75th percentiles of the Peer Group’s total shareholder return were established for threshold, target and maximum awards.

Additionally, named executive officers are eligible to receive stock bonuses under the company’s broad-based Holiday Stock Bonus Plan, which annually awards one share of common stock to each full-time associate for each year of service up to a maximum of 10 shares. This plan, in effect since 1976, encourages stock ownership at all levels of the company.

Restructuring for 2010: Beginning in 2010, the grant date fair value of target levels for awards for stock-based compensation is determined as a percentage of the named executive officer’s salary. The percentage of salary will range from 50 percent to 80 percent based on the named executive officer’s tier. Assignment to a particular tier is based on the named executive officer’s level of responsibility. Mr. Stecher is assigned to the CEO Tier for which target level awards are 80 percent of base annual salary. Messrs. Johnston, Scherer and Joseph are assigned to Tier I for which target level awards are 65 percent of base annual salary. Mr. Popplewell is assigned to Tier II for which target level awards are 50 percent of base annual salary. The committee intends to use the same tier assignment and related percentage of salary to determine the target

level of annual incentive compensation awards to balance overall performance-based short-term and long-term compensation. Two-thirds of the grant date fair value for stock-based compensation is allocated to non-qualified stock options and one-third is allocated to performance-based restricted stock units. The number of stock-options or restricted stock units is determined by dividing the allocated amount for each award by the grant date fair value per share on the date of grant.

At its February 19, 2010, meeting, the committee granted non-qualified stock-options and target levels of performance-based restricted stock units to the named executive officers as follows: $771,091 grant date fair value for Mr. Stecher consisting of 19,344 stock options and 9,672 restricted stock units; $407,934 grant date fair value for Mr. Johnston consisting of 10,234 stock options and 5,117 restricted stock units; $456,041 grant date fair value for Mr. Scherer consisting of 11,441 stock options and 5,721 restricted stock units; $370,659 grant date fair value for Mr. Joseph consisting of 9,299 stock options and 4,650 restricted stock units; and $227,930 grant date fair value for Mr. Popplewell consisting of 5,718 stock options and 2,859 restricted stock units.

The performance objective for the awards is the level of three-year total shareholder return achieved for the three years ending December 31, 2012 compared with the eight companies in the Peer Group. Performance hurdles for threshold, target and maximum awards were set at the 25th, 50th and 75th percentiles of the Peer Group. Achievement of threshold, target and maximum performance hurdles earn award payouts of 75 percent, 100 percent and 125 percent, respectively of target.

Stock-based award grant practices. In awarding stock options and other forms of stock-based compensation, the committee follows certain general precepts:

- Timing. The committee has historically granted stock-based compensation awards at approximately the same date every year, at its first regularly scheduled meeting of the calendar year. This meeting is scheduled to occur within the two weeks preceding the first meeting of the board of directors that occurs in the last week of January or first week of February each year. Although this schedule has led to stock-based grants during the period immediately before the announcement of year-end results, the committee believes the consistency of this practice eliminates concerns over the timing. When grants are made at any other time of the year, the committee ensures that such grants are granted outside of any regular trading blackout associated with the company's disclosure of financial results and when the company is not otherwise in possession of material nonpublic information. Beginning in 2010, the committee will continue to make its grants of restricted stock to directors under the Directors' Stock Plan of 2009 at its first regularly scheduled meeting of the year as described above, but will make its annual grants to all associates, including the named executive officers in February each year, at the same time it makes annual compensation decisions for executive officers.

- Option Exercise Price. All stock-based compensation is granted at fair market value on the date of grant. For stock-based awards in 2007 and 2008 under the 2006 Stock Compensation Plan and Stock Option Plan VII, fair market value is defined as the average of the high and low sale price on NASDAQ on the grant date. For stock options granted before 2007 under Stock Option Plan VII and earlier plans, the fair market value is defined as the closing price on NASDAQ on the business day prior to the grant date. Unless a future date is specified, the grant date is the date of the committee meeting at which the grant is made. Fair market value for awards under the 2009 Director Stock Plan and the Holiday Stock Bonus Plan is the average of the high and low sale price on NASDAQ on the grant date. The committee does not delegate timing or pricing of stock-based awards to management.

- Procedure. The chief executive officer recommends tiers of stock-based awards for each level of responsibility throughout the organization, based on job titles. Managers participate in the stock-based award process by confirming which full-time associates at each level they believe should be eligible for a stock-based award and information about the performance level of those associates. The number of shares may be adjusted for individuals or groups after committee deliberations and ultimately is determined and granted by the committee. Beginning in 2010, the level of stock awards for executive officers will be determined as a percentage of each officer's salary as described above. The committee does not delegate authority to management to grant stock options or other stock-based awards.

Retirement Benefits

In 2008, the company transitioned away from providing associates with a defined benefit pension plan, instead choosing to assist associates to build savings for retirement by providing a company match of associate contributions to a tax qualified 401(k) plan. This change was primarily in response to feedback from associates who wanted control over their retirement benefit accounts. Participation in the defined benefit pension plan terminated for associates under the age of 40, and they transitioned to the new tax qualified 401(k) plan with a company matching contribution. None of the named executive officers is under age 40. Associates age 40 and over as of August 31, 2008 were given a one-time election to remain in the defined benefit pension plan or to leave the plan and participate in the 401(k) plan with a company match. Those associates leaving the pension plan received distributions of their accumulated pension benefit from the defined benefit plan that they could choose to receive in cash, roll over to the company's 401(k) plan or roll-over to an Individual Retirement Account. Mr. Popplewell elected to leave the pension plan, roll-over his accumulated benefit to Individual Retirement Accounts and participate in the 401(k) with the company match on a going forward basis. Mr. Johnston, hired after entry to the pension plan was closed, also participates in the 401(k) plan with the company match. All other named executive officers elected to remain in the pension plan.

Tax-qualified defined benefit pension plan. The Cincinnati Financial Corporation Retirement Plan (Retirement Plan) is a tax-qualified defined benefit pension plan available to all full-time associates ages 40 and over on August 31, 2008 who elected to remain in the plan effective September 1, 2008. The Retirement Plan is closed to new participants. Members of the Retirement Plan earn one year of service for each calendar year in which they work at least 1,000 hours. Members also earn service for time that they are paid, or entitled to be paid, but do not actually work. These times include vacation, holidays, illness and military duty and some periods of disability. The maximum amount of service that may be earned under the Retirement Plan is 40 years. Vesting is 100 percent after five years of service, and there are no deductions for Social Security or other offset amounts.

The Retirement Plan defines earnings for any given plan year as the base rate of salary in effect on the last day of the plan year, subject to the maximum recognizable compensation under Section 401(a)(17) of the Internal Revenue Code. Bonuses, stock-based awards and other forms of compensation do not contribute to earnings under the Retirement Plan.

Normal retirement age as defined in the Retirement Plan is age 65. The normal retirement pension is computed as a single life annuity. The annual benefit payment is the greater of the following two calculated amounts:

The first calculated amount is the sum of:

1. 0.45 percent per year of the member's highest five-year average earnings for the first 15 years of service, plus
2. 1.35 percent per year of the member's highest five-year average earnings up to $35,000 for the first 15 years of service, plus the sum of:
    a. 0.6 percent per year of the member's highest five-year average earnings for years 16 through 40 plus
    b. 1.8 percent of the member's highest five-year average earnings up to $35,000 for years 16 through 40.

The second calculated amount is the sum of:

1. 0.9 percent per year of the member's highest five-year average earnings for the first 15 years of service plus
2. 1.2 percent per year of the member's highest five-year average earnings for years 16 through 40.

The normal form of benefit payment under the terms of the Retirement Plan is a single life annuity for unmarried members and a joint and 50 percent survivor annuity for married members. The plan permits members to elect to receive payment of benefits in the following forms:

- Single life only
- Single life only with 60-month or 120-month guarantee
- Joint and 50 percent contingent annuitant
- Joint and 66.67 percent contingent annuitant
- Joint and 100 percent contingent annuitant
- Lump sum

Alternative forms of benefit payment are offered to provide plan members some flexibility in retirement income and estate planning by giving them the option of electing monthly benefits with or without a survivor's benefit. Generally, the single life annuity alternative provides the largest monthly benefit, but does not provide a survivor's benefit. All other payment forms are the actuarial equivalent of the single life annuity alternative. Alternatives other than the single life annuity provide slightly lower monthly benefits to the plan member, depending on such factors as presence of survivor's benefit, the member's age and any contingent annuitant's age. The lump sum payment permits plan members to roll the present value of their benefit into an Individual Retirement Account and defer income taxes until the member withdraws funds from that account.

Supplemental retirement plan. The second retirement plan in which some named executive officers participate is The Cincinnati Financial Corporation Supplemental Retirement Plan (SERP). The SERP is unfunded and subject to forfeiture in the event of bankruptcy.

The SERP is a non-tax-qualified plan maintained by the company to pay eligible associates the difference between the amount payable under the tax-qualified plan and the amount they would have received without the tax-qualified plan's limit due to Section 401(a)(17) and Section 415 of the Internal Revenue Code. Accordingly, the SERP definitions for service, normal retirement and annual earnings are the same as those for the Retirement Plan except the SERP's definition of annual earnings is not limited, and there is no limit on number of years of service.

The SERP is integrated with Social Security. The integration level is equal to the average of the integration levels for the period of the member's employment, using wages paid, with a maximum of $6,000 for years beginning before 1976 and wages subject to Social Security tax for all years after 1976.

The pension benefit under the SERP is payable only in the form of a single lump sum. The normal retirement pension benefit for current members of the SERP is the sum of 0.75 percent of the member's highest five-year average annual earnings below the integration level plus 1.25 percent of the member's highest five-year average annual earnings in excess of the integration level, multiplied by the number of years of service, minus the pension benefit payable from the Retirement Plan.

All of the named executive officers who participate in the SERP were members of the SERP on or before January 1, 2006. For members added to the SERP on or after December 1, 2006, the normal retirement benefit under the SERP will be equal to the excess of the member's monthly benefit under the Retirement Plan as of the member's retirement date, without regard to the limit on earnings under Section 401(a)(17) of the Internal Revenue Code and without regard to any limit on benefits under Section 415 of the Internal Revenue Code over the member's monthly benefit payable under the Retirement Plan as of the member's retirement date. Participation in the SERP terminated for Mr. Popplewell on December 31, 2008. Amounts equivalent to the calculated accrued benefit under the SERP were transferred in early 2009 to his Top Hat Savings Plan accounts where he may allocate investment of these amounts among the investment alternatives approved for that plan.

Both retirement plans permit early retirement between age 60 and age 65, provided the member has at least five years of service. Benefits for early retirement are calculated by adjusting for life expectancy and reducing the benefit payable at age 65 by 0.5 percent per month for each month prior to age 65 that the member elects to begin receiving pension benefits. For example, a member who elects to retire at age 60 would receive 70 percent (60 months X 0.5 percent = 30 percent reduction) of the life-expectancy adjusted benefit payable at age 65.

Actuarial work related to both the Retirement Plan and SERP is performed by Towers Watson, which provides human resource strategy, design and management; actuarial and management consulting to the financial services industry; and reinsurance intermediary services. The committee engaged Towers Watson to provide actuarial and consultative services related to the design of the company's retirement and employee benefit plans. Towers Watson also brokers our property casualty and certain working reinsurance treaties, and we have used Towers Watson for various projects, including access to catastrophe loss modeling.

Members of the SERP include executive officers whose benefits under the Retirement Plan are limited by Section 401(a)(17) of the Internal Revenue Code. Three members of the SERP, Messrs. Stecher, Scherer, and Joseph were added effective January 1, 2006.

Defined contribution plans. The company sponsors a tax qualified 401(k) savings plan for all associates as well as the Cincinnati Financial Corporation Top Hat Savings Plan, a deferred compensation plan for certain highly compensated associates. The company made no cash contributions to the 401(k) or Top Hat plans until September 2008. In connection with retirement benefit plan changes effective September 1, 2008, the company began to match contributions to the 401(k) plan made by associates who were not members of the Retirement Plan, up to a maximum of 6 percent of the associate's annual cash compensation (salary and variable compensation award). Participants in the Top Hat savings plan do not receive a matching contribution from the company unless their compensation level exceeds the maximum recognizable compensation under Section 401(a)(17) of the Internal Revenue Code, which for 2009 was $245,000. Contributions made by associates immediately vest, while company matching contributions vest with three years of service.

Perquisites and Other Personal Benefits

Perquisites and other personal benefits are intended to support our corporate objectives or the performance of an individual's responsibilities. Perquisites and personal benefits are offered to the named executive officers on the same basis as to all of the company's officers, and may include personal umbrella liability insurance coverage, life insurance, executive tax services, use of a company car, safe driver award, executive health exams, club dues and spouse travel to and meals associated with certain business functions. Management is responsible for administering these programs. From time to time, the committee reviews these programs and may recommend changes or additions. The committee reviews the types and level of perquisites offered but does not control directly the actual amounts of named executive officer compensation paid pursuant to these programs.

The committee believes that the level of perquisites and personal benefits we offer our officers is de minimis (totaling no more than $8,261 for any named executive officer in 2009). Because the level of perquisites is low and each perquisite has business value, the committee does not consider them when monitoring total compensation levels.

Summary Compensation Table

Name and Principal Position	Year	Salary ($) (1)	Bonus ($)	Stock Awards ($) (2) (4)	Option Awards ($) (3)	Non-Equity Incentive Plan Compen-sation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6) (8)	Total Compensation ($)
Kenneth W. Stecher	2009	$810,000	$245,151	$ 257	$ -	$ -	$ 349,137	$ 5,251	$ 1,409,796
Chief Executive Officer and	2008	657,730	426,060	257,410	232,902	-	317,889	9,280	1,901,270
President	2007	553,963	352,119	75,773	80,759	-	352,143	9,908	1,424,664
Cincinnati Financial Corporation									
Steven J. Johnston	2009	432,000	235,100	26	-	-	-	37,225	704,351
Chief Financial Officer	2008	193,539	175,000	105,456	79,450	-	-	11,437	564,882
Cincinnati Financial Corporation									
Jacob F. Scherer, Jr.	2009	492,721	252,366	257	-	-	58,154	9,474	812,972
Executive Vice President	2008	442,626	380,632	133,880	109,015	-	122,145	14,137	1,202,435
The Cincinnati Insurance Company	2007	411,090	380,632	75,773	80,759	-	139,082	14,263	1,101,599
Thomas A. Joseph	2009	462,115	166,992	257	-	-	60,140	6,112	695,616
President	2008	404,192	274,991	133,880	109,015	-	114,625	8,288	1,044,991
The Cincinnati Casualty Company and Senior Vice President	2007	364,459	274,991	75,773	80,759	-	139,437	12,111	947,529
The Cincinnati Insurance Company									
David H. Popplewell	2009	376,750	124,086	257	-	-	-	39,603	540,696
President and	2008	349,919	210,006	133,880	109,015	-	-	311,560 (7)	1,114,380
Chief Operating Officer	2007	330,619	210,006	75,773	80,759	-	52,787	7,146	757,089
The Cincinnati Life Insurance Company									

(1) Salaries for 2009 reflect 27 pay periods, while salaries for 2008 and 2007 reflect 26 pay periods.

(2) Amounts shown in the stock awards column reflect values for grants of performance-based restricted stock units and holiday stock bonus awards. Performance-based restricted stock units are performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code and reflect the full grant date fair values in accordance with FASB ASC Topic 718. Amounts for 2007 and 2008 have been recomputed under the same methodology in accordance with SEC Rules. For assumptions used in determining these values, see our 2009 Annual Report on Form 10-K, Part II, Item 8, Note 17, Page 113. Awards under the Holiday Stock Bonus Plan are valued at full market value, determined by the average of the high and low sales price on NASDAQ on the date of grant, multiplied by the number of shares. The per share fair market values were $25.71, $27.18, $40.39 and for the grant dates of November 25, 2009, November 26, 2008, and November 21, 2007, respectively. There are no forfeitures of holiday stock bonus awards in any year. Performance-based restricted stock units granted in 2007 were forfeited as of December 31, 2009, as three-year performance targets were not achieved as follows: 1,850 restricted stock units for Messrs. Stecher, Scherer, Joseph and Popplewell. Mr. Johnston did not join the company until 2008 and therefore did not receive a 2007 grant. There were no forfeitures of restricted stock units granted in 2008. No restricted stock units were granted in 2009.

(3) Amounts in the Option Awards column reflect the value of awards for grants of non-qualified stock options. These non-qualified stock options are performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code and reflect the full grant date fair values in accordance with FASB ASC Topic 718. For assumptions used in calculation of option awards, see our 2009 Annual Report on Form 10-K, Part II, Item 8, Note 17, Page 113. There were no forfeitures of option awards in 2009, 2008, or 2007. Option awards were canceled in 2009 due to expiration of the unexercised grant as follows: 5,513 for Mr. Stecher, 16,538 for Mr. Scherer, 5,513 for Mr. Joseph, and 16,538 for Mr. Popplewell.

(4) Maximum values of performance-based restricted stock unit grants awarded in 2008 are: $317,437 for Mr. Stecher; $129,242 for Mr. Johnston; and $163,025 each for Messrs. Scherer, Joseph and Popplewell. Maximum values of performance-based restricted stock unit grants awarded in 2007 are shown in the Summary Compensation Table above.

(5) No preferential earnings were paid on deferred compensation in 2009. Amounts in this column reflect changes in values of actuarially calculated accumulated benefit in the company's Retirement Plan and SERP as follows:
For Mr. Stecher, a decrease of $68,545 for Retirement Plan and an increase of $417,682 for SERP
For Mr. Scherer, a decrease of $8,941 for Retirement Plan and an increase of $67,094 for SERP
For Mr. Joseph, a decrease of $22,177 for Retirement Plan and an increase of $85,318 for SERP
Mr. Popplewell ceased participation in the Retirement Plan and SERP in 2008.

(6) Includes perquisites in an aggregate amount less than $10,000 for one or more of the types described in Perquisites and Other Personal Benefits, Page 37.

(7) Includes the present value of accumulated pension benefit obligation distributed and rolled over to personal IRA in connection with termination of participation in the company's defined benefit plan in the amount $296,298 for Mr. Popplewell.

(8) Includes matching contributions to the company's 401(k) plan in the amounts of $14,700 each for Mr. Johnston and Mr. Popplewell.

2009 Grant of Plan-Based Awards (1)

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards	All Other Stock Awards: Number of Share of Stock or Units (2)	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold ($)	Target ($)	Maximum ($)	Target (#)	(#)	(#)	($/Sh)	($)
Kenneth W. Stecher	3/16/2009*	$100,000	$200,000	$400,000					
	11/25/2009**					10			$ 257
Steven J. Johnston	3/16/2009*	50,000	100,000	200,000					
	11/25/2009**					1			26
Jacob F. Scherer, Jr.	3/16/2009*	50,000	100,000	200,000					
	11/25/2009**					10			257
Thomas A. Joseph	3/16/2009*	37,500	75,000	150,000					
	11/25/2009**					10			257
David H. Popplewell									
	11/25/2009**					10			257

* Cincinnati Financial Corporation 2009 Incentive Compensation Plan.

** Holiday Stock Bonus Plan. See Long-Term Stock-Based Compensation, Page 32, for information about awards of shares under the Holiday Stock Bonus Plan.

(1) No material modifications or repricing occurred with respect to any outstanding option or other stock-based award in 2009.

(2) The grant date fair value of shares awarded under the Holiday Stock Bonus Plan is 100 percent of the average of the high and low sales price on NASDAQ on the date of grant, which was $25.71 on November 25, 2009.

Total 2009 compensation, excluding attributions of compensation related to retirement plans, declined from 2008 levels for each named executive officer, as base levels of non-incentive cash compensation (salary and bonus) were decreased 15 percent for each, and no stock options or restricted stock units were granted during the year. The committee decided to accelerate the timing of grants of stock options and restricted stock units otherwise scheduled for grant in the first quarter of 2009 to November 2008 to tie them to management changes made earlier in the year. As a result, the Summary Compensation Table reflects a level of stock-based compensation at normal levels for 2007, twice the normal level for 2008, and no grants in 2009.

The year-over-year increase in 2008 compensation compared to 2007 unrelated to retirement plans for the named executive officers was due largely to increases in base annual salaries made mid-year in connection with promotions and changes in duties in responsibilities for Messrs. Stecher, Scherer and Joseph, increases to base annual salaries of 4 percent for each named executive officer in November 2008, and the early grants of stock-based compensation made in November 2008. Mr. Johnston's employment with the company began June 30, 2008.

No adjustments to base annual salary were made in 2009. Amounts shown in the Salary column do not exactly match the base annual salaries set by the committee for the following year because: 1) there were 27 bi-weekly pay periods in 2009 compared to 26 bi-weekly pay periods in 2008 and 2007 and 2) adjustments to base annual salary made in 2008 and 2007 were effective the first pay period in December of those years. The history of changes to base annual salaries for the named executive officers for the reported years are set forth below:

- In November 2008, the committee set 2009 base annual salaries at $780,000 for Mr. Stecher, $416,000 for Mr. Johnston, $474,472 for Mr. Scherer, $445,000 for Mr. Joseph, and $362,795 for Mr. Popplewell.
- In July 2008, in connection with management changes made mid-year, the committee set 2008 base annual salary at $400,000 for Mr. Johnston; and adjusted 2008 base annual salaries to $750,000 for Mr. Stecher; $456,222 for Mr. Scherer and $427,875 for Mr. Joseph.
- In November 2007, the committee set 2008 base annual salaries at $574,355 for Mr. Stecher; $426,222 for Mr. Scherer; $377,875 for Mr. Joseph and $348,841 for Mr. Popplewell.
- In November 2006, the committee set 2007 base annual salaries of $552,264 for Mr. Stecher, $409,829 for Mr. Scherer, $363,341 for Mr. Joseph and $329,100 for Mr. Popplewell.

See Annual Cash Compensation, Page 29.

Amounts shown in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table represent the annual incremental changes in the present values of benefits under the company's defined benefit and SERP plans and changes in the balances of the Top Hat accounts of named executive officers due to their contributions and investment performance during the year. For Mr. Popplewell, the 2008 change in pension value includes a negative amount attributable to the distribution of an amount equal to the actuarial present value of his accumulated benefit that he rolled over into an Individual Retirement Account in connection with his move out of the defined benefit pension plan. The rollover amount is included in the All Other Compensation column for Mr. Popplewell for 2008.
See Retirement Benefits, Page 35.

Outstanding Equity Awards at 2009 Year-End

	Option Awards (1) (2)				Stock Awards (3)	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Kenneth W. Stecher	16,538		$ 26.95	1/25/2010		
	16,538		32.81	1/31/2011		
	16,538		34.96	1/28/2012		
	16,538		32.45	2/1/2013		
	16,538		38.80	1/19/2014		
	21,000		41.62	1/25/2015		
	15,000		45.26	2/2/2016		
	5,000	2,500	44.79	1/31/2017		
					1,850	$ 49,155
	2,667	5,333	37.59	2/18/2018		
					2,400	63,768
	10,000	20,000	26.59	11/14/2018		
					7,900	209,903
Steven J. Johnston	2,667	5,333	25.08	7/1/2018		
					2,400	63,768
	2,667	5,333	26.59	11/14/2018		
					2,400	63,768
Jacob F. Scherer, Jr.	16,538		26.95	1/25/2010		
	16,538		32.81	1/31/2011		
	16,538		34.96	1/28/2012		
	16,538		32.45	2/1/2013		
	16,538		38.80	1/19/2014		
	21,000		41.62	1/25/2015		
	15,000		45.26	2/2/2016		
	5,000	2,500	44.79	1/31/2017		
					1,850	49,155
	2,667	5,333	37.59	2/18/2018		
					2,400	63,768
	2,667	5,333	26.59	11/14/2018		
					2,400	63,768
Thomas A. Joseph	16,538		26.95	1/25/2010		
	16,538		32.81	1/31/2011		
	16,538		34.96	1/28/2012		
	16,538		32.45	2/1/2013		
	16,538		38.80	1/19/2014		
	21,000		41.62	1/25/2015		
	15,000		45.26	2/2/2016		
	5,000	2,500	44.79	1/31/2017		
					1,850	49,155
	2,667	5,333	37.59	2/18/2018		
					2,400	63,768
	2,667	5,333	26.59	11/14/2018		
					2,400	63,768
David H. Popplewell	16,538		32.81	1/31/2011		
	16,538		34.96	1/28/2012		
	16,538		32.45	2/1/2013		
	16,538		38.80	1/19/2014		
	15,750		41.62	1/25/2015		
	15,000		45.26	2/2/2016		
	5,000	2,500	44.79	1/31/2017		
					1,850	49,155
	2,667	5,333	37.59	2/18/2018		
					2,400	63,768
	2,667	5,333	26.59	11/14/2018		
					2,400	63,768

(1) Option shares awarded and exercise price have been adjusted to reflect stock splits and stock dividends where applicable.
(2) One-third of each option award vests and becomes exercisable on the first, second, and third anniversaries of the grant provided the associate remains continuously employed with the company or its subsidiaries. The vesting date of each option is listed in the table below by expiration date:

Grant Date	Vesting Dates			Expiration Date
1/25/2000	1/25/2001	1/25/2002	1/25/2003	1/25/2010
1/31/2001	1/31/2002	1/31/2003	1/31/2004	1/31/2011
1/28/2002	1/28/2003	1/28/2004	1/28/2005	1/28/2012
2/1/2003	2/1/2004	2/1/2005	2/1/2006	2/1/2013
1/19/2004	1/19/2005	1/19/2006	1/19/2007	1/19/2014
1/25/2005	1/25/2006	1/25/2007	1/25/2008	1/25/2015
2/2/2006	2/2/2007	2/2/2008	2/2/2009	2/2/2016
1/31/2007	1/31/2008	1/31/2009	1/31/2010	1/31/2017
2/18/2008	2/18/2009	2/18/2010	2/18/2011	2/18/2018
7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2018
11/14/2008	11/14/2009	11/14/2010	11/14/2011	11/14/2018

Vesting is accelerated and stock options are exercisable immediately upon retirement for Messrs. Stecher and Popplewell due to attainment of normal retirement age or 35 years of continuous service.
(3) The restricted stock units awards granted on February 18, 2008, and July 1, 2008 will vest on March 1, 2011, if performance targets are achieved. The restricted stock units awards granted on November 14, 2008, will vest on March 1, 2012, if performance targets are achieved.

2009 Option Exercises and Stock Vested

	Option Awards		Stock Awards (1)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Kenneth W. Stecher	-	-	-	-
Steven J. Johnston	-	-	-	-
Jacob F. Scherer, Jr.	-	-	-	-
Thomas A. Joseph	-	-	-	-
David H. Popplewell	-	-	-	-

(1) Prior to 2007 the company made no stock-based awards to associates other than stock options and the Holiday Stock Bonus Plan.

2009 Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($) (1)
Kenneth W. Stecher	Qualified Pension Plan	40	$ 1,132,463
	Supplemental Retirement Plan	42	1,818,779
Steven J. Johnston (2)	Qualified Pension Plan	0	-
	Supplemental Retirement Plan	0	-
Jacob F. Scherer, Jr.	Qualified Pension Plan	26	695,098
	Supplemental Retirement Plan	26	578,716
Thomas A. Joseph	Qualified Pension Plan	33	913,781
	Supplemental Retirement Plan	33	605,867
David H. Popplewell (3)	Qualified Pension Plan	0	-
	Supplemental Retirement Plan	0	-

(1) Amounts listed in the “Present Value of Accumulated Benefit” column were calculated as of December 31, 2009, using the Pension Benefit Guaranty Corporation Immediate Interest Rate published on December 15, 2008, which was 4.0 percent, and the 1983 Group Annuity Mortality Table for males, set back one year.
(2) Mr. Johnston joined the company after entry into the defined benefit pension plan was closed.
(3) Mr. Popplewell opted to leave the defined benefit plan in 2008 in connection with the company’s restructuring of retirement benefits.

See Retirement Benefits, Page 35, for details about plans providing retirement benefits to the named executive officers.

At December 31, 2009, Mr. Stecher was eligible to elect early retirement under the Retirement Plan and the SERP.

2009 Nonqualified Deferred Compensation Plan (1) (2)

Name	Aggregate Balance at 2008 Year End ($)	Executive Contributions in 2009 ($) (3)	Registrant Contributions in Last FY ($) (4)	Aggregate Earnings in 2009 ($)	Aggregate Balance at 2009 Year End ($) (5)
Kenneth W. Stecher	$ 17,008	$ -	$ -	$ 6,860	$ 23,868
Steven J. Johnston	-	25,920	11,235	6,301	43,456
Jacob F. Scherer, Jr.	344,247	40,500	-	117,937	502,684
Thomas A. Joseph	47,533	13,863	-	21,026	82,423
David H. Popplewell	-	22,605	175,636	27,465	225,706

(1) Prior to 2009 the company did not contribute to the Top Hat Savings Plan.
(2) No withdrawals or distributions occurred in 2009.
(3) The named executive officers' contributions shown in this column are also reported in the Summary Compensation Table in the salary or bonus columns, and included in the amounts shown for total compensation.
(4) The amounts shown in this column reflect the company's match of the named executive officer's contributions, up to 6 percent of their salary, bonus or both. For Mr. Popplewell, the amount listed additionally includes $155,950 for the transfer of his actuarially determined accumulated benefit form the SERP as of December 31, 2008, to his Top Hat Savings Plan account on March 10, 2009, in connection with the company's restructuring of its retirement benefits in 2008.
(5) Of the amounts shown in this column, $4,458, $125,600, $32,865 and $155,950 for Messrs. Stecher, Scherer, Joseph and Popplewell, respectively, were reported in the Summary Compensation Table in prior years.

Compensation payable to the named executive officers may be deferred pursuant to the Top Hat Savings Plan. Under the Top Hat Savings Plan, highly compensated individuals as defined by the plan, including the named executive officers, may elect to defer up to 25 percent of salary and up to 100 percent of any discretionary bonus, less the required withholdings, provided that the total amount of salary and bonus deferred does not exceed the maximum amount permitted by the Internal Revenue Code, which was $49,000 in 2009. Deferral elections are made before the plan year for which compensation is to be deferred and are effective for the entire year and generally may not be modified or terminated for that year. Compensation deferred by the named executive officer is credited to the individual's deferred compensation account maintained by the company.

Beginning in 2008, in connection with the company's redesign of our retirement benefits plans, we amended the Top Hat Savings Plan to eliminate the cap on the amount of salary that may be deferred and to permit company matching contributions for officers who have contributed to and received the maximum company match allowable in their 401(k) accounts, yet due to tax law limitations, are unable to contribute and receive a matching contribution for the compensation that exceeds the limit imposed on tax qualified 401(k) plans. We do not otherwise contribute to or match contributions to this plan. Participants are prohibited from borrowing or pledging amounts credited to their accounts. Fifth Third Bank, a subsidiary of Fifth Third Bancorp, is the third-party administrator of the Top Hat Savings Plan. Under the plan, individuals choose one or more of several specified investment alternatives, including an alternative for Cincinnati Financial Corporation common stock. Earnings credited to the named executive officer's account are calculated based on the performance of the applicable investment choice(s) selected by the named executive officer. We do not guarantee any level of return on contributions to the Top Hat Savings Plan.

Distributions from the Top Hat Savings Plan are made as soon as legally and administratively feasible after retirement, other termination of employment or death, or pursuant to a qualified domestic relations order. Distributions to the named executive officers due to retirement or other termination of employment are not permitted until 180 days after employment terminates. Other than distributions pursuant to qualified domestic relations orders, distributions are made in the form of either a single lump sum payment or monthly installments of not less than 12 months or more than 120 months, depending upon the participant's prior election. To the extent that a participant chooses to have earnings credited based on the Cincinnati Financial Corporation common stock election, the participant may choose to receive any benefit payments in the form of stock. All other distributions are made in cash.

Potential Payments upon Termination or Change of Control

As of December 31, 2009, the only benefit a named executive officer could receive upon any termination of employment, except for retirement or termination due to a change in control is the balance of a Top Hat Savings Plan account disclosed in the "Aggregated Balance at 2009 Year End" column of the 2009 Nonqualified Deferred Compensation Plan table above. In the case of retirement, named executive officers who are at least 65 years of age additionally could receive vested retirement benefits and accelerated vesting of certain outstanding stock-based awards, while for retirement at age 60 without 35 years of service a named executive officer could receive a vested early retirement benefit, but no acceleration of outstanding

stock-based awards. Named executive officers who retire before reaching 60 years of age but who have achieved 35 years of continuous service or who retire due to total and permanent disability could receive accelerated vesting of certain outstanding stock-based awards. Named executive officers who are terminated due to a change in the control of the company could receive accelerated vesting of all stock-based awards made under the 2006 Stock Compensation Plan, but not under earlier plans. The following table reflects the values of retirement benefits and the acceleration of vesting of the pertinent stock-based awards assuming termination of employment due to retirement or a change of control on December 31, 2009.

Potential Payments upon Termination

Name		Retirement Plan ($)	SERP ($)	Accelerated Vesting of Stock-Based Awards		
				Retirement ($)	Retirement with Disability ($)	Change in Control ($)
Kenneth W. Stecher		$1,064,744 (1)	$1,710,023 (1)	$48,544	$383,235	$383,235
Steven J. Johnston	(2)			-	163,571	163,571
Jacob F. Scherer, Jr.	(3)			48,544	202,835	202,835
Thomas A. Joseph	(3)			48,544	202,835	202,835
David H. Popplewell	(2)			48,544	202,835	202,835

(1) Reflects early retirement benefit calculation.
(2) Mr. Johnston was hired after entry into the defined benefit pension plan was closed and, therefore, was never a member of the pension plan or the SERP. Mr. Popplewell was not a participant in the defined benefit pension plan on December 31, 2009.
(3) Messrs. Scherer and Joseph are not eligible for early retirement under the defined benefit pension plan and SERP.

2009 Director Compensation (1)

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(4)	All Other Compensation ($)(5)	Total ($)
William F. Bahl	$ 104,500	$ 85,017	$ 3,101	$ 192,618
Gregory T. Bier	98,500	85,017	1,369	184,886
James E. Benoski	95,500	85,017	446,496 (2)	627,013
Kenneth C. Lichtendahl	58,000	58,014	1,560	117,574
W. Rodney McMullen	100,000	85,017	1,616	186,633
Gretchen W. Price	65,500	65,503	1,330	132,333
John J. Schiff, Jr.	-	257	257,038 (3)	257,295
Thomas R. Schiff	95,500	85,017	1,584	182,101
Douglas S. Skidmore	58,000	58,014	1,380	117,394
John F. Steele, Jr.	67,000	67,006	1,809	135,815
Larry R. Webb	67,000	67,006	2,269	136,275
E. Anthony Woods	100,000	85,017	1,786	186,803

(1) Mr. Stecher is a director and the company's chief executive officer. Compensation for Mr. Stecher is shown in the Summary Compensation Table and supporting disclosure beginning on Page 38. Mr. Stecher receives no additional compensation for his service as a director.
(2) Mr. Benoski retired from active employment of the company on January 19, 2009. The amount shown in the All Other Compensation column includes salary of $54,651, vested vacation pay of $54,561, increase in the actuarial present value of benefits under the defined benefit plan of $231,707, a decrease in the actuarial present value of benefits under the SERP of $74,509, interest earned and paid in the amount of $23,469 on SERP benefit until distribution on August 1, 2009 for 409A compliance, perquisites and personal benefits of $4,515, and the value of acceleration of unvested performance-based restricted stock units of $152,012.
(3) Mr. J. Schiff, Jr. is both the chairman of the board and an executive officer of the company. The amount shown in the All Other Compensation column for Mr. J. Schiff, Jr. reflects salary of $259,615, a decrease in the actuarial present value of benefits under the defined benefit and SERP plans of $5,114, and perquisites and other personal benefits of $2,537. Mr. Schiff declined to accept a discretionary bonus award for 2009. Mr. Schiff receives no additional compensation for his service as a director.
(4) Stock awards for non-employee directors are valued at full fair market value determined by the average of the high and low sales price on NASDAQ on January 28, 2010, the date of grant, times the number of shares awarded. The per share fair market value on January 28, 2009, was $26.37. The number of shares granted to directors for award reported in this column were: 3,224 shares each to Messrs. Bahl, Bier, Benoski, McMullen, T. Schiff and Woods; 2,541 shares each to Messrs. Steele and Webb; 2,484 shares to Ms. Price, and 2,200 shares each to Messrs. Lichtendahl and Skidmore. There were no forfeitures in this plan in 2009. Mr. J. Schiff, Jr. does not receive stock awards under the Directors Stock Plan of 2009. The value shown in the Stock Awards column for Mr. J. Schiff, Jr. reflects 10 shares of stock awarded on November 25, 2009, under the Holiday Stock Plan available to all full-time associates.
(5) Reflects perquisites in an aggregate amount less than $10,000 of one or more of the types described in Perquisites and Other Personal Benefits, Page 37.

Outside directors are paid cash fees of:

- $4,500 for attendance at each parent or subsidiary company's board meeting and
- $1,500 for attendance at each meeting of a parent or subsidiary board committee.

Fees for all meetings in any one day are not to exceed $6,000. In 2009, outside directors were paid an annual cash retainer of $25,000. Outside directors are reimbursed for travel expenses incurred in attending meetings. Outside directors also receive compensation in the form of common stock under the Cincinnati Financial Corporation Directors' Stock Plan of 2009 (2009 Stock Plan). The purpose of this shareholder-approved plan is to attract and retain the services of experienced and knowledgeable non-employee directors and to strengthen the alignment of interests between the non-employee directors and shareholders. Shares received under the plan assist directors in achieving ownership levels consistent with the company's Director and Officer Stock Ownership Guidelines. Under the 2009 Stock Plan, directors receive restricted shares of the company's common stock with a fair market value on the date of grant equal to $25,000 plus the cash director's fees received by such directors during the last calendar year, up to a maximum of $60,000 of cash fees, for total stock awards up to a maximum of $85,000. Awards to individual directors may slightly exceed $85,000 in value as the plan provides for rounding up to whole shares. Shares granted under the 2009 Stock Plan are restricted shares, nontransferable, except upon death, for three years from the grant date. The committee and the board intends stock awards under this plan to increase stock ownership by outside directors in furtherance of the ownership guidelines. The restriction on transferability of the shares further aligns the outside director's financial interest with the interests of shareholders.

The committee grants awards for each director's prior year's board service under the 2009 Stock Plan at its first scheduled meeting each calendar year. See Stock-Based Award Grant Practices, Page 34. Amounts shown in the Stock Awards column reflect grants awarded under the 2009 Stock Plan at the committee's meeting on January 29, 2010, based on cash fees earned for board service in 2009.

The company also provides outside directors with life insurance, personal umbrella liability insurance and spouse travel and meals to certain business events. See Perquisites and Other Personal Benefits, Page 37, for details about these benefits. Amounts contained in the All Other Compensation column reflect the aggregate cost of these individual benefits.

The company does not provide outside directors with retirement benefits, benefits under health and welfare plans or compensation in any form not described above, nor does it have any agreement with any director to make charitable donations in the director's name.

Conclusion

Shareholder Proposals for Next Year

Any qualified shareholder who wishes to present a proposal for action at the 2011 Annual Meeting of Shareholders must submit the proposal to Cincinnati Financial Corporation, P.O. Box 145496, Cincinnati, Ohio 45250-5496, on or before November 19, 2010, to be included in our proxy statement and proxy for the 2011 annual meeting. Any such proposal must conform to the rules and regulations of the SEC and otherwise be in accordance with other federal laws as well as the laws of the State of Ohio. If the date of the 2011 annual meeting is not within 30 days of May 1, 2011, the deadline will be a reasonable time before we begin to print and mail the proxy material for the 2011 Annual Meeting of Shareholders. In addition, the proxy solicited by the board for the 2011 annual meeting will confer discretionary authority on the persons named in such proxy to vote on any shareholder proposal presented at that meeting if we receive notice of such proposal later than February 1, 2011, without the matter having been discussed in such proxy.

In addition, if Proposal 3 passes and our Code of Regulations is amended to include advance notice provisions for director nominations and other proposals, any qualified shareholder who wishes to present a proposal for action at the 2011 Annual Meeting of Shareholders (other than any proposal made pursuant to Rule 14a-8 under the Securities and Exchange Act of 1934) must deliver a notice of the proposal, in the form as required by Proposal 3, to our secretary on or before March 1, 2011, but not before January 20, 2011, or the shareholder's proposal will not be permitted to be brought before the 2011 Annual Meeting of Shareholders.

Cost of Solicitation

Proxies may be solicited by our directors, officers or other employees, either in person or by mail, telephone or e-mail. The cost of soliciting proxies will be borne by the company. We have contracted with Broadridge Financial Solutions Inc. to provide Internet and telephone voting service for our direct shareholders of record. We ask banks, brokerage houses, other custodians, nominees and fiduciaries to forward copies of the proxy material to beneficial owners of shares or to request authority for the execution of proxies; and we have agreed to reimburse reasonable out-of-pocket expenses incurred. We may retain the services of a proxy solicitation firm to assist us in soliciting proxies for the annual meeting should a need for such services be determined. The cost of such services, if used, would be approximately $12,500 plus out of pocket expenses.

Other Business

Management does not know of any other matter or business that may be brought before the meeting; but if any other matter or business properly comes before the meeting, it is intended that a vote will be cast pursuant to the accompanying proxy in accordance with the judgment of the person or persons voting the same.

/S/ Steven J. Johnston
Steven J. Johnston, FCAS, MAAA, CFA
Secretary
March 18, 2010
Cincinnati Financial Corporation

Appendix A

Article Sixth would be amended as follows:

"SIXTH: (a) Subject to the provisions of part (c) of this Article Sixth, t~~T~~he Board of Directors shall be divided into three (3) classes, each class consisting of one-third (as nearly as possible but in no event may any one class have greater than one more director than any other class) of the total number of directors. At each annual meeting of ~~the~~ shareholders, the successors to the class of directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting. Subject to the right of the shareholders to fix the number of directors at a meeting called for the purpose of electing directors, the Board of Directors may change the number of directors constituting the Board of Directors by resolution.

(b) Directors of the Corporation shall only be removed by the shareholders for cause. "Cause" for the removal of a director shall exist only upon the occurrence of one (1) of the following events: (1) the conviction of a director of a felony; or (2) a finding by a court of law that the director has been or is guilty of negligence or misconduct in the performance of his duties as a director of the Corporation. Vacancies in the Board of Directors, whether arising through death, resignation or removal of a director, or newly created directorships resulting from any increase in the authorized number of directors, shall be filled by a majority of the directors then in office, or by a sole remaining director, and the directors so chosen shall hold office until the next annual meeting of shareholders and until his or her successor has been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.~~for the unexpired portion of the term of the directors replaced or, in the case of a newly created directorship, the Board of Directors shall determine the class of such director~~.

(c) Notwithstanding anything contained in parts (a) of this Article Sixth to the contrary, beginning at the 2011 annual meeting of shareholders, directors shall be elected annually for terms of one year, except that any director whose term expires at the 2012 annual meeting of shareholders or the 2013 annual meeting of shareholders shall continue to hold office until the end of the term for which such director was elected or appointed and until such Director's successor shall have been elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Accordingly, (i) at the 2010 annual meeting of shareholders, the directors whose terms expire at that meeting shall be elected to hold office for a three-year term expiring at the 2013 annual meeting of shareholders; (ii) at the 2011 annual meeting of shareholders, the directors whose terms expire at that meeting shall be elected to hold office for a one-year term expiring at the 2012 annual meeting of shareholders; and (iii) at the 2012 annual meeting of shareholders, the directors whose terms expire at that meeting shall be elected to hold office for a one-year term expiring at the 2013 annual meeting of shareholders.

Appendix B

The following sections would be added to Article I of the Company's Regulations, immediately following Section 4.

Section 5. Order of Business. Unless otherwise determined by the Board of Directors of the Corporation prior to the meeting, the chairman of the meeting shall determine in his or her sole discretion the order of business of each shareholder meeting and the rules of procedure therefo, and shall have the authority to regulate the conduct of any such meeting as he or she deems appropriate. Notwithstanding the foregoing, the order of business fixed by the chairman of the meeting may be changed by the vote of the holders of shares entitling them to exercise a majority of the voting power of the shareholders present in person or by proxy and entitled to vote.

Section 6. Notice of Shareholder Business to Be Brought Before a Meeting.

(a) *Business Properly Brought Before a Meeting*. At an annual meeting of shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) brought before the meeting by the Corporation and specified in the notice of meeting given by or at the direction of the Board of Directors, (ii) brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a shareholder who (A) was a shareholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 6 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 6 as to such business. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "*Exchange Act*"), and included in the notice of meeting given by or at the direction of the Board of Directors, the foregoing clause (iii) shall be the exclusive means for a shareholder to propose business to be brought before an annual meeting of the shareholders. Shareholders shall not be permitted to propose business to be brought before a special meeting of the shareholders, and the only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to Article I, Section 3 of these Regulations. Shareholders seeking to nominate persons for election to the Board must comply with Article I, Section 7 of these Regulations, and this Section 6 shall not be applicable to nominations except as expressly provided in Article I, Section 7 of these Regulations.

(b) *Requirement of Timely Notice of Shareholder Business*. Without qualification, for business to be properly brought before an annual meeting by a shareholder, the shareholder must (i) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 6. To be timely, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 60 days nor more than 100 days prior to the one year anniversary of the preceding year's annual meeting; *provided, however*, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered, or mailed and received, not earlier than the 100th day prior to such annual meeting and not later than the 60th day prior to such annual meeting or, if later, the tenth day following the day on which Public Disclosure of the date of such annual meeting was first made (such notice within such time periods, "*Timely Notice*"). In no event shall any

adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

(c) *Requirements for Proper Form of Shareholder Notice of Proposed Business*. To be in proper form for purposes of this Section 6, a shareholder's notice to the Secretary of the Corporation shall set forth:

(i) Shareholder Information. As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records) and (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as *"Shareholder Information"*);

(ii) Information Regarding Disclosable Interests. As to each Proposing Person, (A) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to give such Proposing Person economic risk similar to ownership of shares of any class or series of the Corporation, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the Corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the Corporation (*"Synthetic Equity Interests"*), which such Synthetic Equity Interests shall be disclosed without regard to whether (x) such derivative, swap or other transactions convey any voting rights in such shares to such Proposing Person, (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (z) such Proposing Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions, (B) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to vote any shares of any class or series of the Corporation, (C) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Proposing Person with respect to the shares of any class or series of the Corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the Corporation (*"Short Interests"*), (D) any rights to dividends on the shares of any class or series of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (E) any performance related fees (other than an asset based fee) that such Proposing Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the Corporation, or any Synthetic Equity Interests or Short Interests, if any, and (F) any other information

relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (F) are referred to as *"Disclosable Interests"*); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the shareholder directed to prepare and submit the notice required by these Regulations on behalf of a beneficial owner; and

(iii) Description of Proposed Business. As to each item of business the shareholder proposes to bring before the annual meeting, (A) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other person or entity (including their names) in connection with the proposal of such business by such shareholder.

(iv) Definition of Proposing Person. For purposes of this Section 6, the term *"Proposing Person"* shall mean (i) the shareholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act for purposes of these Regulations) of such shareholder or beneficial owner.

(d) *Update and Supplement of Shareholder Notice of Proposed Business*. A shareholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 6 shall be true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation not later than five business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight business days prior to the date for the meeting (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof), if practicable (or, if not practicable, on the first practicable date prior to any adjournment or postponement thereof).

(e) *Business Not Properly Brought Before A Meeting*. Notwithstanding anything in these Regulations to the contrary, no business shall be conducted at an annual meeting except in accordance with this Section 6. The chairman of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 6, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(f) *Rule 14a-8; Exchange Act Compliance*. This Section 6 is expressly intended to apply to any business proposed to be brought before an annual meeting of shareholders other

than any proposal made pursuant to Rule 14a-8 under the Exchange Act. In addition to the requirements of this Section 6 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 6 shall be deemed to affect the rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(g) *Definition of Public Disclosure*. For purposes of these Regulations, *"public disclosure"* shall mean disclosure in a news release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

Section 7. Nominations.

(a) *Who May Make Nominations*. Nominations of any person for election to the Board of Directors at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (i) by or at the direction of the Board of Directors, including by any committee or persons appointed by the Board of Directors, or (ii) by a shareholder who (A) was a shareholder of record (and, with respect to any beneficial owner, if different, on whose behalf such nomination is proposed to be made, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 7 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 7 as to such nomination. The foregoing clause (ii) shall be the exclusive means for a shareholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

(b) *Requirement of Timely Notice of Shareholder Nominations*. Without qualification, for a shareholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the shareholder must (i) provide Timely Notice (as defined in Section 6 of these Regulations) thereof in writing and in proper form to the Secretary of the Corporation and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 7. Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting, then for a shareholder to make any nomination of a person or persons for election to the Board of Directors at a special meeting, the shareholder must (i) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 7. To be timely, a shareholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the 100th day prior to such special meeting and not later than the 60th day prior to such special meeting or, if later, the tenth day following the day on which Public Disclosure (as defined in Section 6 of these Regulations) of the date of such special meeting was first made. In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a shareholder's notice as described above.

(c) *Requirements for Proper Form of Notice of Shareholder Nominations*. To be in proper form for purposes of this Section 7, a shareholder's notice to the Secretary of the Corporation shall set forth:

(i) Shareholder Information. As to each Nominating Person (as defined below), the Shareholder Information (as defined in Article I, Section 6(c)(i), except that for purposes of this Section 7, the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Article I, Section 6(c)(i));

(ii) Information Regarding Disclosable Interests. As to each Nominating Person, any Disclosable Interests (as defined in Article I, Section 6(c)(ii), except that for purposes of this Section 7 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Article I, Section 6(c)(ii)), and the disclosure in clause (F) of Article I, Section 6(c)(ii) shall be made with respect to the election of directors at the meeting;

(iii) Information Regarding Proposed Nominees. As to each person whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such proposed nominee that would be required to be set forth in a shareholder's notice pursuant to this Section 7 if such proposed nominee were a Nominating Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any Nominating Person, on the one hand, and each proposed nominee, his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant; and

(iv) Other Information to be Furnished by Proposed Nominees. The Corporation may require any proposed nominee to furnish such other information (A) as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation in accordance with the Corporation's Corporate Governance Guidelines or (B) that could be material to a reasonable shareholder's understanding of the independence or lack of independence of such proposed nominee.

(v) Definition of Nominating Person. For purposes of this Section 7, the term *"Nominating Person"* shall mean (i) the shareholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any affiliate or associate of such shareholder or beneficial owner.

(d) *Update and Supplement of Shareholder Notice of Nominations*. A shareholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 7 shall be true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation not later than five business days after the record date for the meeting (in

the case of the update and supplement required to be made as of the record date), and not later than eight business days prior to the date for the meeting (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof), if practicable (or, if not practicable, on the first practicable date prior to any adjournment or postponement thereof).

(e) Defective Nominations. Notwithstanding anything in these Regulations to the contrary, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with this Section 7. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with this Section 7, and if he or she should so determine, he or she shall so declare such determination to the meeting and the defective nomination shall be disregarded.

(f) *Compliance with Exchange Act*. In addition to the requirements of this Section 7 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations.

CONTACT INFORMATION

Communications directed to Cincinnati Financial Corporation's secretary, Steven J. Johnston, FCAS, MAAA, CFA, chief financial officer, are shared with the appropriate individual(s). Or, you may directly access services:

Investors: Investor Relations responds to investor inquiries about the company and its performance.
Dennis E. McDaniel, CPA, CMA, CFM, CPCU – Assistant Vice President, Investor Relations
513-870-2768 or *investor_inquiries@cinfin.com*

Shareholders: Shareholder Services provides stock transfer services, fulfills requests for shareholder materials and assists registered shareholders who wish to update account information or enroll in shareholder plans.
Jerry L. Litton – Assistant Vice President, Shareholder Services
513-870-2639 or *shareholder_inquiries@cinfin.com*

Media: Corporate Communications assists media representatives seeking information or comment from the company or its subsidiaries.
Joan O. Shevchik, CPCU, CLU – Senior Vice President, Corporate Communications
513-603-5323 or *media_inquiries@cinfin.com*

CINCINNATI FINANCIAL CORPORATION

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Specialty Underwriters Insurance Company
The Cincinnati Life Insurance Company
CSU Producer Resources Inc.
CFC Investment Company

MAILING ADDRESS:
P.O. Box 145496
Cincinnati, Ohio 45250-5496

STREET ADDRESS:
6200 South Gilmore Road
Fairfield, Ohio 45014-5141

Phone: 513-870-2000
Fax: 513-870-2066
www.cinfin.com

Cincinnati Financial Corporation

2009 Fourth-Quarter and Full-Year Letter to Shareholders

March 9, 2010

To Our Shareholders, Friends and Associates:

Your company cautiously noted signs of improving conditions in the second half of 2009. Positive third-quarter trends continued into the fourth quarter, with every major book value performance driver again generating a positive after-tax contribution. After our quarterly shareholder dividend of 39.5 cents per share, book value per share increased a total of 81 cents, rising 2.8 percent above its third-quarter level:

- 5 cents from property casualty insurance underwriting profit
- 6 cents from life insurance operations
- 38 cents net from investment income, other than life insurance, and reduced by non-insurance expenses
- 71 cents net from realized capital gains plus the change in unrealized gains on investments
- and we paid to our shareholders 39.5 cents per share in dividends

With these contributions, year-end 2009 book value per share reached $29.25, up 13.6 percent from $25.75 at year-end 2008 and 22.5 percent from the first quarter of 2009 when the market bottomed. Our value creation ratio, which factors in both book value growth and shareholder dividends, was 4.2 percent for the fourth quarter. For full-year 2009, the upturn in the investment markets helped push this ratio to 19.7 percent. Looking out five years, we continue to target an annual value creation ratio averaging 12 to 15 percent for the period from 2010 through 2014.

Our life insurance company is a steady profit source. The contribution from property casualty insurance operations remains constrained by conditions that will again challenge us in 2010. While two consecutive quarters of underwriting profit is a good sign, that profit was slim and bolstered by unusually low catastrophe losses in the second half. Our growth initiatives – mainly longer-term actions intended to gradually diversify our book of business – only partially offset the effects of market cycle and economic pressures. Fourth-quarter personal insurance premiums grew satisfactorily. Price declines narrowed for commercial accounts, with lower overall commercial premiums resulting from our efforts to write or renew only quality accounts that have a margin for profit and from recessionary impacts on our policyholders' businesses. Premiums generated from audits of general liability and workers' compensation policies decreased our revenues for the past two quarters, as audits of estimated payrolls and sales led to more premium refunds than adjustments for additional premiums.

Returning to positive signs, our pretax investment income rose in the fourth quarter, and we expect income on our restructured portfolio to continue growing in the coming quarters. Our fixed-maturity investment portfolio at year-end was 132.6 percent of our policy reserve liabilities, a conservative position that provides protection should interest rates rise, leading to lower bond values.

We welcome signs of better times to come, and at the same time, we're not letting down our guard. We are managing risk and stepping up the pace on initiatives that bring new opportunities to preserve and increase our financial and market strengths over time. You'll read inside about fourth quarter milestones including our entry into a new state, introduction of new policy administrations systems, broadening of our excess and surplus lines product portfolio and other actions to improve the service and expertise we bring to agents and policyholders.

Respectfully,

/s/ John J. Schiff, Jr.
John J. Schiff, Jr., CPCU
Chairman of the Board

/s/ Kenneth W. Stecher
Kenneth W. Stecher
President and Chief Executive Officer

About the Company

Cincinnati Financial Corporation stands among the 25 largest property casualty insurers in the nation, based on premium volume. A select group of agencies in 37 states actively markets our property casualty insurance within their communities. Standard market commercial lines policies are available in all of those states, while personal lines policies are available in 29 and surplus lines policies are available in 36 of the same 37 states. Within this select group, we seek to become the life insurance carrier of choice and to help agents and their clients – our policyholders – by offering leasing and financing services.

Three hallmarks distinguish our company, positioning us to build value and long-term success:

- Commitment to our network of professional independent insurance agencies and to their continued success
- Financial strength that lets us be a consistent market for our agents' business, supporting stability and confidence
- Operating structure that supports local decision making, showcasing our claims excellence and allowing us to balance growth with underwriting discipline

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Investor E-mail Alerts

Sign up for Investor E-mail Alerts by visiting www.cinfin.com/investors and selecting E-mail Alerts at the bottom of the page. This service sends shareholder communications links to the e-mail address of your choice as soon as new communications are posted on our Web site. E-mail alerts are the best way to make sure you see our interim reports such as the quarterly Letter to Shareholders. Unlike Electronic Delivery, E-mail alerts won't stop the paper versions of any required shareholder mailings. In addition to E-mail alerts, you'll want to enroll in Electronic Delivery to stop paper mailings.

Recent News Releases

Cincinnati Financial Reports Fourth-Quarter and Full-Year 2009 Results

Cincinnati, February 4, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today reported:

- Fourth-quarter 2009 net income of $245 million, or $1.50 per share, compared with $161 million, or 99 cents per share, in the fourth quarter of 2008; operating income* of $86 million, or 53 cents per share, compared with $92 million, or 57 cents per share.
- Full-year 2009 net income of $432 million, or $2.65 per share, compared with $429 million, or $2.62, in 2008. Operating income of $215 million, or $1.32 per share, compared with $344 million, or $2.10, in 2008.
- $3 million increase in full-year 2009 net income reflected the after-tax net effect of three major contributing items: a $132 million increase from net realized investment gains, partially offset by a $48 million decrease from investment income and a $74 million decrease from property casualty underwriting results.
- $29.25 book value per share at December 31, 2009, up 13.6 percent for the year and 2.8 percent from September 30, 2009.
- Value creation ratio reached 19.7 percent for the year 2009, compared with negative 23.5 percent for the year 2008.

Financial Highlights

(Dollars in millions except share data)	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change %	**2009**	2008	Change %
Revenue Highlights						
Earned premiums	**$ 752**	$ 780	(3.6)	**$ 3,054**	$ 3,136	(2.6)
Investment income, pre-tax	**131**	125	4.7	**501**	537	(6.8)
Total revenues	**1,133**	1,018	11.3	**3,903**	3,824	2.1
Income Statement Data						
Net income	**$ 245**	$ 161	52.1	**$ 432**	$ 429	0.7
Net realized investment gains and losses	**159**	69	130.5	**217**	85	155.8
Operating income*	**$ 86**	$ 92	(6.6)	**$ 215**	$ 344	(37.6)
Per Share Data (diluted)						
Net income	**$ 1.50**	$ 0.99	51.5	**$ 2.65**	$ 2.62	1.1
Net realized investment gains and losses	**0.97**	0.42	131.0	**1.33**	0.52	155.8
Operating income*	**$ 0.53**	$ 0.57	(7.0)	**$ 1.32**	$ 2.10	(37.1)
Book value				**$ 29.25**	$ 25.75	13.6
Cash dividend declared	**0.395**	0.39	1.3	**1.57**	1.56	0.6
Diluted weighted average shares outstanding	**163,092,882**	162,485,576	0.4	**162,866,863**	163,362,409	(0.3)

* The Definitions of Non-GAAP Information and Reconciliation to Comparable GAAP Measures on *www.cinfin.com* defines and reconciles measures presented in this release that are not based on Generally Accepted Accounting Principles.

** Forward-looking statements and related assumptions are subject to the risks outlined in the company's safe harbor statement (see Page 8).

Insurance Operations Highlights

- 98.6 percent fourth-quarter 2009 property casualty combined ratio as net written premiums declined 5.1 percent. Full-year 2009 property casualty combined ratio at 104.5 percent, with 3.3 percent decline in net written premiums.
- $94 million fourth-quarter and $405 million full-year 2009 property casualty new business written by agencies, down $6 million and up $37 million, respectively. The full-year increase included $25 million from standard market geographic expansion initiatives and $18 million from excess and surplus lines.
- 6 cents per share contribution from life insurance operating income to fourth-quarter results, down 4 cents from 2008. Full-year contribution to operating income from life insurance was 22 cents per share, down 2 cents.

Balance Sheet and Investment Highlights

- $29.25 book value, up 13.6 percent from $25.75 at December 31, 2008. Shareholders' equity grew to $4.760 billion.
- Property casualty statutory surplus rose 8.6 percent to $3.648 billion.
- 13.1 percent year-over-year increase in cash plus invested assets at December 31, 2009.
- Investment income, after income tax effects, was nearly flat for the fourth quarter. Full-year 2009 declined 11.3 percent primarily due to prior period dividend decreases.
- Strong capital position includes financial flexibility from parent company cash and marketable securities of $997 million.

Steady Progress

Kenneth W. Stecher, president and chief executive officer, commented, "The final quarter of 2009 marked Cincinnati Financial's third consecutive quarter of increasing financial strength, with growth of total assets, invested assets and book value, as well as statutory surplus for both our property casualty insurance group and for our life insurance company. At year-end 2009, all of these measures reached substantially higher levels than those reported at year-end 2008, reflecting the success of our strategy to manage capital effectively and of our initiative to diversify our investment portfolio and rebalance it on an ongoing basis.

"We also are on track to resume favorable investment income comparisons, which were affected by shifts in asset allocations as we restructured the portfolio in 2008 and early 2009. Fourth-quarter pre-tax investment income grew 4.7 percent, a pace that tops any quarter since the fourth quarter of 2007. On the after-tax basis that we believe is appropriate for measuring investment income from the restructured portfolio, our fourth-quarter result was our best this year. We continue to refine our bond portfolio's laddered maturities and continue to invest in equities, helping shield the portfolio from inflationary pressures.

"Sales of securities in the investment portfolio also provided the bulk of the net realized gains that added to fourth-quarter net income, taking full-year net income just above last year's result. We harvested gains of $162 million as a result of the Wyeth/Pfizer merger and $26 million as a result of the Verisk initial public offering of stock, leaving a healthy $1.026 billion of unrealized gains in the portfolio at December 31.

Fourth-Quarter Underwriting Profits

"Property casualty insurance underwriting generated $10 million of pretax profits for the fourth quarter. Milder weather and improved personal lines pricing benefitted results, contributing to a $16 million fourth-quarter personal lines underwriting profit that was partially offset by $4 million of commercial lines underwriting loss. The property casualty combined ratio was 96.8 percent in the second half of 2009, improving the full-year ratio to 104.5 percent.

"Our commercial lines operation, which generate approximately 72 percent of our premium revenues, have been affected by lower insured exposures and soft pricing. The average change in renewal pricing for the fourth quarter narrowed to a very low single digit decline. We chose to compete for fewer new large commercial accounts due to stronger price competition that we believe leaves insufficient margin for underwriting profit. Our agents continue to help us evaluate the quality of each account, and we continue to increase our use of predictive analytics as a tool to assure adequate pricing.

"Close attention to underwriting and price adequacy, in addition to the weak economy, led to a 5.1 percent decline in net property casualty written premiums for the quarter and 3.3 percent for the year. New business rose 9.9 percent to $405 million, driven by growth from personal lines and excess and surplus lines. Our agents and staff have the discipline and skill to identify quality accounts, controlling near-term growth with the expectation that commercial pricing may not improve this year – but we aren't standing still. We continue in 2010 to focus sharply on initiatives that position us for the future as marketplace conditions improve.

Agent-Centered Initiatives

"Because our relationships with local insurance agencies are our primary strategic advantage, we're committed to increasing the efficiency and success of those independent businesses. This week, we delivered the next version of our personal lines policy administration system with easy navigation and convenient features. In 2010, we plan to deliver our new system for commercial package and auto policies to 19 more states. Agents in the 11 states that received this system in the fourth quarter of 2009 give it good reviews, appreciating its expanded billing and policy delivery options and real-time capabilities. These systems make it easier for agents to quote, issue and deliver Cincinnati policies. We'll also continue work in 2010 on tools that make it easy for agents to compare our personal lines rates, and we'll add to our current online policyholder services for their personal lines clients, providing the ability to view policies and print ID cards as well as pay company-billed premiums.

"Superior claims service is the Cincinnati advantage that our agents value most, and we worked in 2009 to strengthen that advantage. We added more workers' compensation claims specialists in the field, and, effective January 2010, our headquarters staff began operating a workers' compensation claim reporting center, designed to improve our response time and help policyholders act quickly to limit losses. In 2010, we also will add more loss control specialists to help manage risks that can lead to workers' compensation and other types of losses.

"Other 2010 initiatives will expand operations into new territories and agencies, setting the stage for future premium growth while diversifying geographically to help manage catastrophe risk. Having entered Colorado and Wyoming in 2009 and Texas late in 2008, we'll continue to develop our agency relationships in those states and research regulatory and competitive conditions in other states to evaluate our opportunities. We generally open a state for commercial lines first, starting a personal lines relationship as we gain more experience in the state. In New York, where our agents have marketed our commercial products since 1998, we are working to add personal lines product offerings in 2010, with timing being largely dependent on regulatory approval. Over all states of operation, we're targeting 65 new agency appointments in 2010, the same goal exceeded in 2009 with 87 appointments. We continue to select only agencies that are professionally managed, financially sound community leaders and to consider the marketing reach of each agency, an approach that in many areas allows for exclusivity in our agency representation.

"Finally, in 2010 we'll continue our initiative to expand our excess and surplus lines business launched at the beginning of 2008. In its second full year of operation, Cincinnati Specialty Underwriters wrote $40 million of business and gave us new opportunities to write the standard market coverages for the same accounts. To meet agent needs, we expanded the lines of business in 2009 to include professional errors and omissions and excess liability. We plan in 2010 to make more excess and surplus products available and to increase our support for targeted standard market products, making them more attractive and easier for our agents to sell.

"Our long-term initiatives already are helping us manage risk and increase stability. We were able to negotiate a stronger 2010 reinsurance program at the same pricing as last year's program as a result of our efforts in 2009 to diversify geographically, to manage catastrophe risk and to assure superior catastrophe claims handling by our own trained claims representatives. Our strong reinsurance program, strong reserves and prudent investment portfolio structure have historically protected our cash flow, allowing us to pay claims without ever having to sell an investment before we're ready to do so. This approach continues to create shareholder value, as indicated in 2009, our 49th consecutive year of cash dividend increase."

Consolidated Property Casualty Insurance Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change %	**2009**	2008	Change %
Agency renewal written premiums	**$ 635**	$ 669	(5.0)	**$ 2,665**	$ 2,828	(5.8)
Agency new business written premiums	**94**	100	(6.3)	**405**	368	9.9
Other written premiums	**(49)**	(52)	6.3	**(159)**	(186)	15.1
Net written premiums	**680**	717	(5.1)	**2,911**	3,010	(3.3)
Unearned premium change	**33**	30	8.3	**–**	–	nm
Earned premiums	**713**	747	(4.6)	**2,911**	3,010	(3.3)
Loss and loss expenses	**464**	474	(2.3)	**2,086**	2,056	1.4
Underwriting expenses	**239**	264	(9.5)	**956**	971	(1.5)
Underwriting profit (loss)	**$ 10**	$ 9	18.9	**$ (131)**	$ (17)	nm
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**77.0 %**	81.7 %	(4.7)	**72.2 %**	72.2 %	0.0
Current accident year catastrophe losses	**(1.6)**	(2.0)	0.4	**5.9**	6.8	(0.9)
Prior accident years before catastrophe losses	**(10.3)**	(16.0)	5.7	**(6.2)**	(10.7)	4.5
Prior accident year catastrophe losses	**(0.1)**	(0.1)	0.0	**(0.2)**	0.0	(0.2)
Total loss and loss expenses	**65.0**	63.6	1.4	**71.7**	68.3	3.4
Underwriting expenses	**33.6**	35.3	(1.7)	**32.8**	32.3	0.5
Combined ratio	**98.6 %**	98.9 %	(0.3)	**104.5 %**	100.6 %	3.9
Contribution from catastrophe losses and prior years reserve development	**(12.0)**	(18.1)	6.1	**(0.5)**	(3.9)	3.4
Combined ratio before catastrophe losses and prior years reserve development	**110.6 %**	117.0 %	(6.4)	**105.0 %**	104.5 %	0.5

- 5.1 percent and 3.3 percent declines in fourth-quarter and full-year 2009 property casualty net written premiums, reflecting the effects of insured exposure decreases, soft pricing and disciplined renewal underwriting.
- $37 million rise to $405 million in 2009 new business written by agencies reflected the contribution from new agency appointment and other growth initiatives in recent years. $26 million of the increase was from standard market property casualty new business produced by agencies appointed since 2005 and $18 million of the increase was from the excess and surplus lines operation that began in 2008. A growth initiative commencing in 2008 to market personal lines or significantly expand our personal lines product offerings and automation capabilities in seven states contributed $13 million in 2009 new business.
- 1,180 agency relationships with 1,463 reporting locations marketing standard market property casualty insurance products at December 31, 2009, up 47 or 4.1 percent and 76 or 5.5 percent, respectively, from year-end 2008.
- GAAP combined ratio for the second half of 2009 was a profitable 96.8 percent. Combined ratio of 112.1 percent for the first half of 2009 reflected 10.4 percentage points from the combined effect of catastrophe losses and prior accident year reserve development.
- Full-year 2009 GAAP combined ratio increased compared with 2008 primarily due to a lesser amount of favorable loss reserve development on prior year reserves. Fourth-quarter favorable development was $74 million, down $46 million.

The following table shows incurred catastrophe losses each quarter, as of December 31.

(In millions, net of reinsurance)	Three months ended December 31,			Twelve months ended December 31,		
Dates	Commercial lines	Personal lines	Total	Commercial lines	Personal lines	Total
2009						
First quarter catastrophes	**$ (1)**	**$ 0**	**$ (1)**	**$ 20**	**$ 49**	**$ 69**
Second quarter catastrophes	**(10)**	**(2)**	**(12)**	**37**	**50**	**87**
Third quarter catastrophes	**3**	**(1)**	**2**	**9**	**7**	**16**
Fourth quarter catastrophes	**0**	**0**	**0**	**0**	**0**	**0**
Development on 2008 and prior catastrophes	**(2)**	**1**	**(1)**	**(12)**	**5**	**(7)**
Calendar year incurred total, net of reinsurance	**$ (10)**	**$ (2)**	**$ (12)**	**$ 54**	**$ 111**	**$ 165**
2008						
First quarter catastrophes	$ (2)	$ 1	$ (1)	$ 20	$ 22	$ 42
Second quarter catastrophes	(7)	(4)	(11)	61	30	91
Third quarter catastrophes	1	(4)	(3)	25	47	72
Fourth quarter catastrophes	0	0	0	0	0	0
Development on 2007 and prior catastrophes	(1)	0	(1)	(3)	1	(2)
Calendar year incurred total, net of reinsurance	$ (9)	$ (7)	$ (16)	$ 103	$ 100	$ 203

Insurance Operations Highlights

Commercial Lines Insurance Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change %	**2009**	2008	Change %
Agency renewal written premiums	**$ 478**	$ 514	(6.9)	**$ 2,013**	$ 2,156	(6.6)
Agency new business written premiums	**67**	83	(19.5)	**298**	312	(4.6)
Other written premiums	**(42)**	(45)	6.2	**(130)**	(157)	16.8
Net written premiums	**503**	552	(8.8)	**2,181**	2,311	(5.6)
Unearned premium change	**29**	21	32.6	**18**	5	265.4
Earned premiums	**532**	573	(7.3)	**2,199**	2,316	(5.1)
Loss and loss expenses	**356**	358	(0.7)	**1,515**	1,504	0.7
Underwriting expenses	**180**	204	(11.6)	**719**	742	(3.1)
Underwriting profit (loss)	**$ (4)**	$ 11	nm	**$ (35)**	$ 70	nm
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**79.5 %**	80.8 %	(1.3)	**72.5 %**	72.1 %	0.4
Current accident year catastrophe losses	**(1.5)**	(1.3)	(0.2)	**3.0**	4.6	(1.6)
Prior accident years before catastrophe losses	**(10.8)**	(16.8)	6.0	**(6.1)**	(11.7)	5.6
Prior accident year catastrophe losses	**(0.3)**	(0.2)	(0.1)	**(0.5)**	(0.1)	(0.4)
Total loss and loss expenses	**66.9**	62.5	4.4	**68.9**	64.9	4.0
Underwriting expenses	**33.9**	35.6	(1.7)	**32.7**	32.1	0.6
Combined ratio	**100.8 %**	98.1 %	2.7	**101.6 %**	97.0 %	4.6
Contribution from catastrophe losses and prior years reserve development	**(12.6)**	(18.3)	5.7	**(3.6)**	(7.2)	3.6
Combined ratio before catastrophe losses and prior years reserve development	**113.4 %**	116.4 %	(3.0)	**105.2 %**	104.2 %	1.0

- 8.8 percent and 5.6 percent declines in fourth-quarter and full-year 2009 commercial lines net written premiums. Lower renewal premiums reflected modest pricing declines and economically-driven lower insured exposure levels such as business sales or payroll volume. New business premiums reflected decisions to decline business considered underpriced.
- Fourth-quarter and full-year 2009 GAAP combined ratio increased compared with 2008 primarily due to a lesser amount of favorable loss reserve development for prior year accident years.
- The effects of modestly lower prices due to soft market conditions combined with normal loss cost inflation continued, putting upward pressure on the combined ratio. Loss reserving practices remain consistent with the past.

Personal Lines Insurance Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change %	**2009**	2008	Change %
Agency renewal written premiums	**$ 153**	$ 156	(1.8)	**$ 642**	$ 672	(4.5)
Agency new business written premiums	**20**	11	76.7	**75**	42	80.6
Other written premiums	**(6)**	(8)	22.9	**(26)**	(29)	11.1
Net written premiums	**167**	159	4.7	**691**	685	0.9
Unearned premium change	**5**	12	(56.6)	**(6)**	4	nm
Earned premiums	**172**	171	0.5	**685**	689	(0.6)
Loss and loss expenses	**102**	113	(9.6)	**551**	547	0.7
Underwriting expenses	**54**	58	(6.5)	**215**	224	(4.1)
Underwriting profit (loss)	**$ 16**	$ 0	nm	**$ (81)**	$ (82)	1.9
Ratios as a percent of earned premiums:			Pt. Change			Pt. Change
Current accident year before catastrophe losses	**69.6 %**	83.3 %	(13.7)	**70.9 %**	72.2 %	(1.3)
Current accident year catastrophe losses	**(1.7)**	(4.2)	2.5	**15.4**	14.4	1.0
Prior accident years before catastrophe losses	**(9.0)**	(13.3)	4.3	**(6.6)**	(7.3)	0.7
Prior accident year catastrophe losses	**0.3**	0.1	0.2	**0.7**	0.1	0.6
Total loss and loss expenses	**59.2**	65.9	(6.7)	**80.4**	79.4	1.0
Underwriting expenses	**31.7**	34.1	(2.4)	**31.4**	32.5	(1.1)
Combined ratio	**90.9 %**	100.0 %	(9.1)	**111.8 %**	111.9 %	(0.1)
Contribution from catastrophe losses and prior years reserve development	**(10.4)**	(17.4)	7.0	**9.5**	7.2	2.3
Combined ratio before catastrophe losses and prior years reserve development	**101.3 %**	117.4 %	(16.1)	**102.3 %**	104.7 %	(2.4)

- 4.7 percent increase in fourth-quarter 2009 personal lines net written premiums, primarily due to improved pricing and strong new business growth. 37.7 percent of full-year 2009 new business increase came from seven states where we began in 2008 to market personal lines or significantly expanded our personal lines product offerings and automation capabilities.
- Fourth-quarter 2009 results reflect favorable development on prior accident year reserves and negligible catastrophe losses.

Life Insurance Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change %	**2009**	2008	Change %
Earned premiums	**$ 39**	$ 33	18.8	**$ 143**	$ 126	13.0
Investment income, net of expenses	**32**	31	2.9	**122**	120	2.2
Other income	**–**	1	(155.0)	**–**	2	(88.1)
Total revenues, excluding realized investment gains and losses	**71**	65	9.5	**265**	248	7.0
Contract holders benefits	**42**	27	57.1	**160**	142	13.3
Underwriting expenses	**15**	12	20.8	**50**	45	9.1
Total benefits and expenses	**57**	39	45.5	**210**	187	12.3
Net income before income tax and realized investment gains and losses	**14**	26	(46.0)	**55**	61	(9.2)
Income tax	**5**	9	(46.0)	**19**	21	(6.1)
Net income before realized investment gains and losses	**$ 9**	$ 17	(45.9)	**$ 36**	$ 40	(10.8)

- 13.3 percent increase to $139 million in full-year 2009 earned premiums for life insurance products. Increase included 13.5 percent rise to $85 million in full-year 2009 term life insurance earned premiums, reflecting marketing advantages of competitive, up-to-date products, personal service and policies backed by financial strength. Earned premiums include life insurance, annuity and accident and health premiums.
- 6.0 percent rise in face amount of life policies in force to $69.815 billion at year-end 2009, from $65.888 billion at year-end 2008.
- Fixed annuity application-received count for 2009 was up nearly five-fold from 2008, primarily due to a competitive interest crediting rate compared to bank certificate of deposit rates. Total fixed annuity deposits received totaled $181 million compared with $34 million in 2008. We do not offer variable or indexed products.
- GAAP shareholders' equity for The Cincinnati Life Insurance Company increased during 2009 by $195 million, or 41.4 percent, to $666 million. Net after-tax unrealized gains were up $130 million, including $122 million for the fixed-maturity portfolio.

Investment and Balance Sheet Highlights

Investment Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change %	**2009**	2008	Change %
Investment income:						
Interest	**$ 105**	$ 88	19.4	**$ 402**	$ 326	23.1
Dividends	**27**	35	(25.3)	**100**	204	(50.8)
Other	**1**	4	(71.1)	**7**	14	(53.3)
Investment expenses	**(2)**	(2)	9.5	**(8)**	(7)	(5.2)
Total investment income, net of expenses, pre-tax	**131**	125	4.7	**501**	537	(6.8)
Income taxes	**(32)**	(25)	(25.8)	**(118)**	(106)	(11.5)
Total investment income, net of expenses, after-tax	**$ 99**	$ 100	(0.6)	**$ 383**	$ 431	(11.3)
Effective tax rate	**24.1%**	20.0%		**23.6%**	19.7%	
Average yield pre-tax	**4.7%**	4.9%		**4.7%**	4.8%	
Average yield after-tax	**3.6%**	3.9%		**3.6%**	3.9%	

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change %	2009	2008	Change %
Total investment income, net of expenses, pre-tax	**$ 131**	$ 125	4.7	**$ 501**	$ 537	(6.8)
Investment interest credited to contract holders	**(18)**	(16)	(17.2)	**(69)**	(63)	(10.0)
Realized investment gains and losses summary:						
Realized investment gains and losses, net	**261**	245	6.7	**440**	686	(35.8)
Change in fair value of securities with embedded derivatives	**4**	(25)	nm	**27**	(38)	nm
Other-than-temporary impairment charges	**(18)**	(110)	83.6	**(131)**	(510)	74.3
Total realized investment gains and losses, net	**247**	110	125.4	**336**	138	144.5
Investment operations income	**$ 360**	$ 219	64.1	**$ 768**	$ 612	25.5

- 0.6 percent decline in fourth-quarter 2009 after-tax net investment income, as higher interest income nearly offset late 2008 and early 2009 dividend reductions by equity security holdings. Fourth-quarter 2008 before-tax investment income included $3 million of amortization for previously impaired bonds, with none in fourth-quarter 2009 due to current accounting standards for impaired securities.
- $438 million full-year 2009 increase in pre-tax unrealized investment portfolio gains, including $571 million for the bond portfolio.
- $462 million in net gains from sales of equity securities were included in pre-tax realized investment gain for full-year 2009 as the company actively managed sector and issue diversification.

(Dollars in millions except share data)	At December 31, **2009**	At December 31, 2008
Balance sheet data		
Invested assets	**$ 10,643**	$ 8,890
Total assets	**14,440**	13,369
Short-term debt	**49**	49
Long-term debt	**790**	791
Shareholders' equity	**4,760**	4,182
Book value per share	**29.25**	25.75
Debt-to-capital ratio	**15.0 %**	16.7 %

	Three months ended December 31, **2009**	Three months ended December 31, 2008	Twelve months ended December 31, **2009**	Twelve months ended December 31, 2008
Performance measures				
Value creation ratio	**4.2 %**	(9.5) %	**19.7 %**	(23.5) %

- $11.200 billion in cash and invested assets at December 31, 2009, up from $9.899 billion at December 31, 2008.
- $7.855 billion bond portfolio at December 31, 2009, with an average rating of A2/A and with a 2.4 percent rise in fair value during the fourth quarter of 2009.
- $2.701 billion equity portfolio was 25.4 percent of invested assets, including $685 million in pre-tax unrealized gains at December 31, 2009.
- $3.648 billion of statutory surplus for the property casualty insurance group at December 31, 2009, up from $3.360 billion at December 31, 2008. Ratio of net written premiums to property casualty statutory surplus for the 12 months ended December 31, 2009, of 0.80-to-1, improved from 0.89-to-1 for the 12 months ended December 31, 2008.
- Value creation ratio of 19.7 percent for the year 2009 includes 6.1 percent from shareholder dividends and 13.6 percent growth in book value per share.

For additional information or to hear a replay of the February 4 conference call webcast, please visit *www.cinfin.com/investors*.

Consolidated Balance Sheets

(Dollars in millions except share data)	At December 31, **2009**	At December 31, 2008
ASSETS		
Investments		
Fixed maturities, at fair value (amortized cost: 2009 – $7,514; 2008 – $6,058)	**$ 7,855**	$ 5,827
Equity securities, at fair value (cost: 2009 – $2,016; 2008 – $2,077)	**2,701**	2,896
Short-term investments, at fair value (amortized cost: 2009 – $6; 2008 – $84)	**6**	84
Other invested assets	**81**	83
Total investments	**10,643**	8,890
Cash and cash equivalents	**557**	1,009
Investment income receivable	**118**	98
Finance receivable	**75**	71
Premiums receivable	**995**	1,059
Reinsurance receivable	**675**	759
Prepaid reinsurance premiums	**15**	15
Deferred policy acquisition costs	**481**	509
Deferred income tax	**–**	126
Land, building and equipment, net, for company use (accumulated depreciation: 2009 – $335; 2008 – $297)	**251**	236
Other assets	**45**	49
Separate accounts	**585**	548
Total assets	**$ 14,440**	$ 13,369
LIABILITIES		
Insurance reserves		
Loss and loss expense reserves	**$ 4,142**	$ 4,086
Life policy reserves	**1,783**	1,551
Unearned premiums	**1,509**	1,544
Other liabilities	**670**	618
Deferred income tax	**152**	–
Note payable	**49**	49
6.125% senior notes due 2034	**371**	371
6.9% senior debentures due 2028	**28**	28
6.92% senior debentures due 2028	**391**	392
Separate accounts	**585**	548
Total liabilities	**9,680**	9,187
SHAREHOLDERS' EQUITY		
Common stock, par value – $2 per share; (authorized: 2009 – 500 million shares, 2008 – 500 million shares; issued: 2009 – 196 million shares, 2008 – 196 million shares)	**393**	393
Paid-in capital	**1,081**	1,069
Retained earnings	**3,862**	3,579
Accumulated other comprehensive income	**624**	347
Treasury stock at cost (2009 – 34 million shares, 2008 – 34 million shares)	**(1,200)**	(1,206)
Total shareholders' equity	**4,760**	4,182
Total liabilities and shareholders' equity	**$ 14,440**	$ 13,369

Consolidated Statements of Income

(In millions except per share data)	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	**2009**	2008
REVENUES				
Earned premiums				
Property casualty	**$ 713**	$ 747	**$ 2,911**	$3,010
Life	**39**	33	**143**	126
Investment income, net of expenses	**131**	125	**501**	537
Realized investment gains and losses	**247**	110	**336**	138
Other income	**3**	3	**12**	13
Total revenues	**1,133**	1,018	**3,903**	3,824
BENEFITS AND EXPENSES				
Insurance losses and policyholder benefits	**505**	500	**2,242**	2,193
Underwriting, acquisition and insurance expenses	**254**	277	**1,004**	1,016
Other operating expenses	**6**	6	**20**	22
Interest expense	**13**	14	**55**	53
Total benefits and expenses	**778**	797	**3,321**	3,284
INCOME BEFORE INCOME TAXES	**355**	221	**582**	540
PROVISION (BENEFIT) FOR INCOME TAXES				
Current	**73**	93	**79**	238
Deferred	**37**	(33)	**71**	(127)
Total provision for income taxes	**110**	60	**150**	111
NET INCOME	**$ 245**	$ 161	**$ 432**	$ 429
PER COMMON SHARE				
Net income – basic	**$ 1.50**	$ 0.99	**$ 2.66**	$ 2.63
Net income – diluted	**$ 1.50**	$ 0.99	**$ 2.65**	$ 2.62

Other News Releases

Cincinnati Financial Corporation Founder Robert C. Schiff Dies at Age 86

Cincinnati, January 11, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today announced the January 7 death of its director emeritus Robert C. Schiff. He was a founding agent, a director of The Cincinnati Insurance Company since 1950 and a director of Cincinnati Financial since its incorporation in 1968.

Schiff retired in 2004 from the boards of Cincinnati Financial and its four insurance subsidiaries. At that time, he also retired from Schiff, Kreidler-Shell Inc., a large, Cincinnati area insurance agency that he had served as chairman since 1991 and president from 1984 to 1991. He formed Schiff, Kreidler-Shell in 1984 after leaving his position as senior vice president of Cincinnati Insurance to expand his agency business. He began his insurance career as an agent in 1945, following graduation from The Ohio State University, where he played third base for two years on the baseball team.

John J. Schiff, Jr., CPCU, Robert Schiff's nephew and Cincinnati Financial chairman, commented, "Over Bob's 59-year career as an insurance agent, he epitomized the professionalism and personal involvement that independent agents bring to the table. Bob always spoke loud and clear on behalf of the people and businesses his agency served, and this customer perspective continues to contribute to the success of our company."

Kenneth W. Stecher, president and chief executive officer, added, "Bob believed that independent agents had personal relationships in the community and unique local knowledge that could lead to prosperity for an insurance company – a belief that led to one of the company's enduring competitive advantages. He demonstrated this belief by serving on many community boards, including Beech Acres, the Boys & Girls Club of Greater Cincinnati, the Cincinnati Symphony, Cincinnati Opera, Junior Achievement of Greater Cincinnati, Tall Stacks and the Cincinnati Zoo."

Robert Schiff is survived by his wife, Adele; their two sons, Dr. James A. Schiff (Beth) and Dr. Robert C. Schiff, Jr. (Dawn); and six grandchildren. Visitation will take place Tuesday, 4 p.m. to 7 p.m., with services on Wednesday, 1:30 p.m., both at Pleasant Ridge Presbyterian Church (*www.prpc.org*).

Cincinnati Financial Corporation Announces Addition to Board

Cincinnati, February 1, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) – The Cincinnati Financial board of directors, at its regular meeting on January 29, 2010, added a fourteenth seat to the board, appointing Linda W. Clement-Holmes to fill the seat effective February 1, 2010. She also will serve on the audit committee.

Clement-Holmes is senior vice president, Global Diversity and Global Business Services, for The Procter & Gamble Company. She joined P&G as a systems analyst and, through her 27-year career, has moved through positions of expanding responsibility in IT and Global Business Services. She has led numerous breakthrough initiatives in IT systems management and organizational development. She earned a Bachelor of Science in Industrial Management and Computer Science degree from Purdue University. She has served on a number of advisory boards including: Conference Board-Council of Chief Information Officers, IT Senior Management Forum, National Urban League, Jack & Jill of America, Cincinnati Black Data Processing Association, Victory Neighborhood Services and 4C (Comprehensive Community Child Care). John J. Schiff, Jr., CPCU, chairman of the board, commented: "Linda's expertise in strategic technology management complements the diverse strengths of our current directors, rounding out our board and supporting our goal to create value for shareholders."

In accordance with the company's governance guidelines, Clement-Holmes will stand for re-election by shareholders at the annual meeting of shareholders on May 1, 2010. Other nominees on the slate for terms to expire in 2013 are continuing directors: Gregory T. Bier, CPA (Ret), Douglas S. Skidmore and Larry R. Webb, CPCU. Vice Chairman of the Board James E. Benoski, whose term also is expiring, will not stand for re-election. Benoski, age 71, was president, chief operating officer, chief insurance officer of the company until July 2008. As previously announced, he retired from active employment in January 2009. He continues as a director on all subsidiary boards.

Cincinnati Financial plans to report fourth-quarter and year-end 2009 results on Thursday, February 4. A conference call to discuss the results will be held at 11:00 a.m. EST on that day. Details regarding the Internet broadcast of the conference call are available on *www.cinfin.com/investors*.

Cincinnati Financial Corporation Subsidiaries Announce Appointments and Promotions

Cincinnati, February 1, 2010 – Cincinnati Financial Corporation (Nasdaq:CINF) announced today that boards of its subsidiary companies appointed directors, officers and counsel at their regular meetings on January 29, 2010.

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

Property Casualty Insurance – Standard Market:

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company

Promoted to Vice President:
Scott A. Gilliam – Government Relations Officer
Debra K. Smith – Commercial Lines
Stephen M. Spray – Target Markets
James E. Streicher, CPCU, AIM, AIT, ARe, ASLI – Personal Lines
Scott L. Unger – Bond & Executive Risk

Promoted to Assistant Vice President:
Beth A. Adkins – Corporate Accounting
M. Cathleen Cloud, CPCU, AIM – Commercial Lines
Michael W. Klenk – Commercial Lines
David U. Neville, CPCU, AIM, API, ARe – Personal Lines
James D. Ogle, CPCU, AIC – Headquarters Claims
Henry C. Schmidt III, AIM – Personal Lines
Blake D. Slater – Corporate Accounting

Promoted to Secretary:
Matthew R. Barton, CPCU, AIM, ARe, ARM, AU – Commercial Lines
Kimberly A. Beckman, PMP – Information Technology
John B. Boylan, CPCU, APA – Premium Audit
Jason B. Couch, AFSB, RPLU – Bond & Executive Risk
Michael J. Donges, CPCU – Web Content Management
Brent A. Hardesty III, CPCU, CIA, CISA, AIAF – Internal Audit
J. Michael Hennigan – Headquarters Claims
Derek J. Rice, AIM – Learning & Development

New Appointments to Assistant Secretary:
B. Scott Albaugh, CPCU, AIM – Commercial Lines
Scott R. Boden, AFSB – Bond & Executive Risk
John L. Crow – Headquarters Claims
Steven D. Dorr – Bond & Executive Risk
Richard J. Dugan, AIC – Headquarters Claims
Constance S. Hennigan, CPCU, AIC, AIM, RPLU – Headquarters Claims
Anthony P. Vallone, CIPP – Information Security

New Appointments to Associate Counsel:
Thomas C. Hogan
Paul J. Johnson
Joseph A. McGee

Property Casualty Insurance – Excess & Surplus Lines:

The Cincinnati Specialty Underwriters Insurance Company:

Promoted to Secretary:
Scott E. Hintze, CPCU, AIM, ASLI, AU, CIC, CRM
Marc J. Schambow, CPCU, AIM, ASLI

New Appointments to Assistant Secretary:
Dawn S. Chapel, CPCU, APA, ARe, ASLI, AU
Michael T. Luebbe, CPCU, AIM

The Cincinnati Life Insurance Company:

Promoted to Vice President:
Roger A. Brown, FSA, MAAA, Actuarial
Scott A. Gilliam*

Promoted to Secretary:
Kimberly A. Beckman*
Brent A. Hardesty III*

New Appointments to Assistant Secretary:
C. Elaine Mackey, FSA, MAAA, Actuarial
Anthony P. Vallone*

New Appointments to Associate Counsel:
Thomas C. Hogan*
Paul J. Johnson*
Joseph A. McGee*

CFC Investment Company:

Promoted to Assistant Vice President:
Blake D. Slater*

*Title as listed above

Cincinnati Financial Corporation Declares Regular Quarterly Cash Dividend

Cincinnati, February 1, 2010 – Cincinnati Financial Corporation (Nasdaq: CINF) today announced that at its regular meeting on January 29, 2010, the board of directors declared a 39.5 cents per share regular quarterly cash dividend payable April 15, 2010, to shareholders of record as of March 24, 2010. Following the increase in the regular dividend rate with the August 14, 2009, dividend declaration, the indicated annual dividend is $1.58 per share. Cash dividends declared during 2009 totaling $1.57 per share marked the 49th consecutive year of increasing the company's annual cash dividend.

Kenneth W. Stecher, president and chief executive officer, commented, "The board considers company performance prospects and current financial strength as part of its quarterly evaluation of opportunities to return capital to shareholders. Declaring the regular dividend demonstrates their confidence in the company's strategy and its execution by management and our associates, who continue to work closely with the independent agents that represent The Cincinnati Insurance Companies. Collectively, we are focused on increasing shareholder value over the long term by investing now to profitably grow our insurance business, while also rewarding shareholders in the near term through cash dividends."

Cincinnati Financial plans to report fourth-quarter and year-end 2009 results on Thursday, February 4. A conference call to discuss the results will be held at 11:00 a.m. EST on that day. Details regarding the Internet broadcast of the conference call are available on *www.cinfin.com/investors*.

Inside Cincinnati

Since our last *Letter to Shareholders*, these associates merited promotions:

Bond & Executive Risk
Bond Field Director – **Randy Deskins**
Bond Regional Director – **Debbie Gems**
Bond State Agents – **Charlie Heider, AFSB; Steve Schmalz; Matthew Stephen**
Underwriting Director Field – **Jeff Ball**
Senior Underwriting Superintendent Field – **Todd Musch**
Underwriting Specialist – **Charles Cutter**

Commercial Lines
Associate Territory Managers – **Lynn Dassel, CPCU, AIM, AU; Elizabeth Greene, AIM**
Senior Underwriting Managers – **Rick Keller, AIM; Tim Ritzie, CPCU; Steve Smith, CPCU, AIM**
Underwriting Manager – **Brian Shaffer, AIM**
Underwriting Directors – **Michelle Bucheit; Greg Popelka, CPCU, ASLI**
System Deployment Director – **Jennifer Baker, CPCU, AIM ARM, AU**
Chief Underwriting Specialists – **Kim Brenner; Heather Dingledine; Wes Lewis; Patricia Scott**
Underwriting Superintendents – **Tom Krieghoff; Steve Krolicki; Kim Meinberg; Jennifer West, CPCU, AIM, API**
Underwriting Specialists – **Angie Rose, AU; Jason Stofel, CPCU**
Senior Underwriters – **Brian Baumgardner; Kristi Cordray; Melissa Dietrich; Kristen Easton; Robert Frey; Tim Hoch; Tami Hubbard; Andrea Reed; Jeff Reisert; Justin Rivet; Lauren Winter**

Corporate Communications
Editor – **Jessie Moore, AU**

CSU Underwriting
Underwriting Superintendent – **Brian Huwel, AIS, ASLI**

Field Claims
Regional Field Claims Managers – **Mike Cranney, AIC; Dan Worth, AIC, AIM**
Field Claims Manager – **Eric Hoffman, SCLA, AIC, AIM**
Field Claims Superintendents – **Chris Campbell; Jeff Crane, AIC, AIM; Karen Jackson, AIC; Pieter Kes, AIC**
Field Claims Coordinators – **Tom Busch, CPCU, AIC, AIM; Terron Kemp, AIC**
Senior Claims Representatives – **Connie Cockerham; Jenifer Corey, AIC; Craig Cymbalski, AIC; Jerry DiClaudio; Wayne Gammon, AIC; Larry Gollon; Gretchen Herzig, CPCU; Sharri Monte, AIC; Michael Richardson, AIC**

Senior Claims Specialists – **David Gwinn, AIC; Patrick McCarthy, AIC; Scott Miller, AIC; Mark Rush, AIC; Kevin Tierney; Helen Varela AIC, AIM**
Claims Specialists – **Catherine Gavin; Denise Kozak, AIC; Vicky MacBride; Kevin McComas; Todd Morgan; Parish Pollard**

Headquarters Claims
Superintendents, Casualty Claims – **Rick Bridges, AIC; Mike Schirm, AIC, AIM, ARM**
Associate Superintendent, Casualty Claims – **Al Cartwright**
Supervisor, Casualty Claims – **Missy Neumiller, SCLA, AIC**

Information Technology
Senior Application Architect – **Larry Snyder**
Senior Systems Engineers – **Robert Meyer**
Systems Engineer – **Ken Cenci, Jr.**
Senior Systems Analyst – **Brendan Classen; Michael Puno, ACS, FLMI**
Systems Analyst – **Rick Harlan III, AIT**
Senior Business Analyst – **Patty Carson, AIT**
Business Analyst – **Mike Kelley**

Life Sales Field
Life Field Directors – **Ron Bair, ChFC, CLU; Bob Kerr, ChFC, CLU; Marshall Muse, ChFC, CLU**
Senior Life Regional Director – **Brian Druley**
Life Regional Director – **Nick Elbert**

Loss Control Field
Loss Control Field Director – **Ed Lewis, CPCU, SCLA, AIM**
Senior Loss Control Consultant – **Brian Dormeier, AIC**

Machinery & Equipment Specialties Field
Senior Machinery & Equipment Specialist – **Chuck Stoddard, AIC**

Personal Lines
Senior Underwriting Manager – **Jeff Leininger, CPCU, AIM, API**
Underwriting Superintendents – **Heather Gabriel, CPCU, AIM, AIS, API; Diana Godsey, AIM, AIS, API; Rob Treinen, AIM, AIS, API**
Underwriting Specialists – **Aaron Austin, API; Jason Engel, CPCU, API; Tara Hibbard, API**
Senior Underwriters – **Emily Havlin; Brian McClure, API; Katie Simpson; Ryan Tomlinson, API**

Premium Audit Field
Field Audit Specialist – **Kevin Wisdom, APA**

Sales Field
Field Director – **Barb Drook, CPCU**
Senior Regional Directors – **Brent Burton, CIC, AIC; Mike Herron, CIC**
State Agents – **Nicole Kinkaid; Bryan Sturdy, CPCU**

Special Investigations Field
Senior Investigator – **Jeff Lazarski**

Staff Underwriting
Senior Actuarial Analyst – **Jeff Casey**

Professional Development

We encourage and reward associates who continue their professional insurance education, earning credentials by meeting high academic, ethical and length-of-experience standards. Congratulations to the following associates who completed a series of courses to earn a designation: **Kristin Klemmer** and **Michael Mirizzi**, Chartered Property Casualty Underwriter (CPCU); **Nick Burgdorf, Kevin Getz** and **Scott Fitzharris**, Certified Insurance Counselor (CIC); **Molly Grimm**, Certified Estate Planner (CEP); **Sara Saplis**, Fellow Life Management Institute (FLMI).

The Above and Beyond the Call (ABC) Award recognizes exemplary productivity, service and quality in exceptional associates. Congratulations to first-quarter 2010 ABC Award winners **Jeff Kinman**, senior programmer analyst, IT Claims/CSU Development Support, and **Katie Simpson**, senior underwriter, Personal Lines.

Safe Harbor Statement

This is our "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in our 2008 Annual Report on Form 10-K, Item 1A, Risk Factors, Page 25. Although we often review or update our forward-looking statements when events warrant, we caution our readers that we undertake no obligation to do so.

Factors that could cause or contribute to such differences include, but are not limited to:

- Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns, environmental events, terrorism incidents or other causes
- Increased frequency and/or severity of claims
- Inadequate estimates or assumptions used for critical accounting estimates
- Recession or other economic conditions resulting in lower demand for insurance products or increased payment delinquencies
- Delays in adoption and implementation of underwriting and pricing methods that could increase our pricing accuracy, underwriting profit and competitiveness
- Inability to defer policy acquisition costs for any business segment if pricing and loss trends would lead management to conclude that segment could not achieve sustainable profitability
- Declines in overall stock market values negatively affecting the company's equity portfolio and book value
- Events, such as the credit crisis, followed by prolonged periods of economic instability or recession, that lead to:
  - Significant or prolonged decline in the value of a particular security or group of securities and impairment of the asset(s)
  - Significant decline in investment income due to reduced or eliminated dividend payouts from a particular security or group of securities
  - Significant rise in losses from surety and director and officer policies written for financial institutions
- Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income or interest rate fluctuations that result in declining values of fixed-maturity investments, including declines in accounts in which we hold bank-owned life insurance contract assets
- Increased competition that could result in a significant reduction in the company's premium volume
- Changing consumer insurance-buying habits and consolidation of independent insurance agencies that could alter our competitive advantages
- Inability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased, financial strength of reinsurers and the potential for non-payment or delay in payment by reinsurers
- Events or conditions that could weaken or harm the company's relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company's opportunities for growth, such as:
  - Multi-notch downgrades of the company's financial strength ratings
  - Concerns that doing business with the company is too difficult
  - Perceptions that the company's level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace
  - Delays or inadequacies in the development, implementation, performance and benefits of technology projects and enhancements
- Actions of insurance departments, state attorneys general or other regulatory agencies, including a change to a federal system of regulation from a state-based system, that:
  - Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business
  - Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations
  - Increase our expenses
  - Add assessments for guaranty funds, other insurance related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes
  - Limit our ability to set fair, adequate and reasonable rates
  - Place us at a disadvantage in the marketplace
  - Restrict our ability to execute our business model, including the way we compensate agents
- Adverse outcomes from litigation or administrative proceedings
- Events or actions, including unauthorized intentional circumvention of controls, that reduce the company's future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002
- Unforeseen departure of certain executive officers or other key employees due to retirement, health or other causes that could interrupt progress toward important strategic goals or diminish the effectiveness of certain longstanding relationships with insurance agents and others
- Events, such as an epidemic, natural catastrophe or terrorism, that could hamper our ability to assemble our workforce at our headquarters location

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

Contact Information

Communications directed to Cincinnati Financial Corporation's secretary, Steven J. Johnston, FCAS, MAAA, CFA, chief financial officer, are shared with the appropriate individual(s). Or, you may directly access services:

Investors: Investor Relations responds to investor inquiries about the company and its performance.
Dennis E. McDaniel, CPA, CMA, CFM, CPCU – Assistant Vice President, Investor Relations
513-870-2768 or *investor_inquiries@cinfin.com*

Shareholders: Shareholder Services provides stock transfer services, fulfills requests for shareholder materials and assists registered shareholders who wish to update account information or enroll in shareholder plans.
Jerry L. Litton – Assistant Vice President, Shareholder Services
513-870-2639 or *shareholder_inquiries@cinfin.com*

Media: Corporate Communications assists media representatives seeking information or comment from the company or its subsidiaries.
Joan O. Shevchik, CPCU, CLU – Senior Vice President, Corporate Communications
513-603-5323 or *media_inquiries@cinfin.com*

CINCINNATI FINANCIAL CORPORATION

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Specialty Underwriters Insurance Company

The Cincinnati Life Insurance Company
CSU Producer Resources Inc.
CFC Investment Company

Cincinnati Financial Corporation

2009 Annual Report on Form 10-K

ABOUT THE COMPANY

Cincinnati Financial Corporation stands among the 25 largest property casualty insurers in the nation, based on premium volume. A select group of independent agencies in 37 states actively markets our property casualty insurance within their communities. These agents offer our standard market commercial lines policies in all 37 states; personal lines policies in 29 states; and excess and surplus lines policies in 36 states. Within this select group, we seek to become the life insurance carrier of choice and to help agents and their clients - our policyholders - by offering leasing and financing services.

Three competitive advantages distinguish our company, positioning us to build value and long-term success:

- Commitment to our network of professional independent insurance agencies and to their continued success
- Financial strength that lets us be a consistent market for our agents' business, supporting stability and confidence
- Operating structure that supports local decision making, showcasing our claims excellence and allowing us to balance growth with underwriting discipline

Learn more about where we are today and how we plan to create value for shareholders, agents, policyholders and associates by reviewing publications that we promptly post on *www.cinfin.com/Investors* as they are completed.

REMEMBERING ROBERT C. SCHIFF 1923 – 2010

Robert C. Schiff, director emeritus of Cincinnati Financial Corporation, died January 7. A charter director of both The Cincinnati Insurance Companies in 1950 and Cincinnati Financial Corporation in 1968, Bob was the last living of the company's four founding agents. He remained actively involved with the company as a board member until 2004.

In the early years, Bob emphasized what would become one of our enduring competitive advantages: to carefully select independent agents, then offer products and underwrite accounts giving those agents broad flexibility to adapt the policy to each client's needs.

Cincinnati Financial Corporation

2009 Annual Report on Form 10-K

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United States Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2009.

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission file number 0-4604

Cincinnati Financial Corporation

(Exact name of registrant as specified in its charter)

Ohio	31-0746871
(State of incorporation)	(I.R.S. Employer Identification No.)

6200 S. Gilmore Road
Fairfield, Ohio 45014-5141
(Address of principal executive offices) (Zip Code)

(513) 870-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

$2.00 par, common stock
(Title of Class)
6.125% Senior Notes due 2034
(Title of Class)
6.9% Senior Debentures due 2028
(Title of Class)
6.92% Senior Debentures due 2028
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 if Regulation S-T(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and smaller reporting company in Rule 12b-2 of the Exchange Act.
(Check one): Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of voting stock held by nonaffiliates of the Registrant was $3,277,671,038 as of June 30, 2009.

As of February 22, 2010, there were 162,926,458 shares of common stock outstanding.

Document Incorporated by Reference

Portions of the definitive Proxy Statement for Cincinnati Financial Corporation's Annual Meeting of Shareholders to be held on May 1, 2010, are incorporated by reference into Part III of this Form 10-K.

Part I

Item 1. Business

CINCINNATI FINANCIAL CORPORATION – INTRODUCTION

We are an Ohio corporation formed in 1968. Our lead subsidiary, The Cincinnati Insurance Company, was founded in 1950. Our main business is property casualty insurance marketed through independent insurance agents in 37 states. Our headquarters is in Fairfield, Ohio. At year-end 2009, we employed 4,170 associates, with 2,965 headquarters associates providing support to 1,205 field associates.

At year-end 2009, Cincinnati Financial Corporation owned 100 percent of three subsidiaries: The Cincinnati Insurance Company, CSU Producer Resources Inc., and CFC Investment Company. In addition, the parent company has an investment portfolio, owns the headquarters property and is responsible for corporate borrowings and shareholder dividends.

The Cincinnati Insurance Company owns 100 percent of our four additional insurance subsidiaries. Our standard market property casualty insurance group includes two of those subsidiaries – The Cincinnati Casualty Company and The Cincinnati Indemnity Company. This group writes a broad range of business, homeowner and auto policies. Other subsidiaries of The Cincinnati Insurance Company include The Cincinnati Life Insurance Company, which provides life insurance, disability income policies and annuities, and The Cincinnati Specialty Underwriters Insurance Company, which began offering excess and surplus lines insurance products in January 2008.

The two non-insurance subsidiaries of Cincinnati Financial are CSU Producer Resources, which offers insurance brokerage services to our independent agencies so their clients can access our excess and surplus lines insurance products; and CFC Investment Company, which offers commercial leasing and financing services to our agents, their clients and other customers.

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

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

OUR BUSINESS AND OUR STRATEGY

INTRODUCTION

The Cincinnati Insurance Company was founded 60 years ago by four independent insurance agents. They established the mission that continues to guide all of the companies in the Cincinnati Financial family – to grow profitably and enhance the ability of local independent insurance agents to deliver quality financial protection to the people and businesses they serve by:

- providing market stability through financial strength
- producing competitive, up-to-date products and services
- developing associates committed to superior service

A select group of agencies in 37 states actively markets our property casualty insurance within their communities. Standard market commercial lines policies are marketed in all of those states, while personal lines policies are marketed in 29 of those states. Excess and surplus lines policies are available in 36 of those states. Within this select group, we also seek to become the life insurance carrier of choice and to help agents and their clients – our policyholders – by offering leasing and financing services.

Three competitive advantages distinguish our company, positioning us to build shareholder value and overall long-term success:

- Commitment to our network of professional independent insurance agencies and to their continued success
- Financial strength that lets us be a consistent market for our agents' business, supporting stability and confidence
- Operating structure that supports local decision making, showcasing our claims excellence and allowing us to balance growth with underwriting discipline

Independent Insurance Agency Marketplace

The U.S. property casualty insurance industry is a highly competitive marketplace with over 2,000 stock and mutual companies operating independently or in groups. No single company or group dominates across all product lines and states. Standard market insurance companies (carriers) can market a broad array of products nationally or:

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

Standard market property casualty insurers generally offer insurance products through one or more distribution channels:

- independent agents, who represent multiple carriers
- captive agents, who represent one carrier exclusively, or
- direct marketing to consumers

For the most part, we compete with standard market insurance companies that market through independent insurance agents. Agencies marketing our commercial lines products typically represent six to 12 standard market insurance carriers for commercial lines products, including both national and regional carriers, some of which may be mutual companies. Our agencies typically represent four to six standard personal lines carriers, and we also compete with carriers that market personal lines products through captive agents and direct writers. Distribution though independent insurance agents or brokers represents nearly 60 percent of overall U.S. property casualty insurance premiums and approximately 80 percent of commercial property casualty insurance premiums, according to studies by the Independent Insurance Agents and Brokers of America.

We are committed exclusively to the independent agency channel. The independent agencies that we choose to market our standard lines insurance products share our philosophies. They do business person to person; offer broad, value-added services; maintain sound balance sheets; and manage their agencies professionally. We develop our relationships with agencies that are active in their local communities, providing important knowledge of local market trends, opportunities and challenges.

In addition to the standard market for property casualty insurance, the excess and surplus lines market exists due to a regulatory distinction. Generally, excess and surplus lines insurance carriers provide insurance that is unavailable in the standard market due to market conditions or due to characteristics of the insured person or organization that are caused by nature, the insured's claim history or the characteristics of their business. Insurers operating in the excess and surplus lines market generally market business through excess and surplus lines insurance brokers, whether they are small specialty insurers or specialized divisions of larger insurance organizations.

We opened our own excess and surplus lines insurance brokerage firm so that we could offer excess and surplus lines products exclusively to the independent agents who market our other property casualty insurance products. We also market life insurance products through the agencies that market our property casualty products, and through other independent agencies that represent The Cincinnati Life Insurance Company without also representing our other subsidiaries.

At year-end 2009, our 1,180 property casualty agency relationships were marketing our standard market insurance products out of 1,463 reporting locations. An increasing number of agencies have multiple, separately identifiable locations, reflecting their growth and consolidation of ownership within the independent agency marketplace. The number of reporting agency locations indicates our agents' regional scope and the extent of our presence within our 37 active states. At year-end 2008, our 1,133 agency relationships had 1,387 reporting locations. At year-end 2007, our 1,092 agency relationships had 1,327 reporting locations.

On average, we have an 11.1 percent share of the property casualty insurance purchased through our reporting agency locations. Our share is 16.7 percent in reporting agency locations that have represented us for more than 10 years; 5.9 percent in agencies that have represented us for five to 10 years; 3.9 percent in agencies that have represented us for one to five years; and 0.6 percent in agencies that have represented us for less than one year.

Our largest single agency relationship accounted for approximately 1.2 percent of our total property casualty earned premiums in 2009. No aggregate locations under a single ownership structure accounted for more than 2.2 percent of our earned premiums in 2009.

Financial Strength

We believe that our financial strength and strong surplus position, reflected in our insurer financial strength ratings, are clear, competitive advantages in the segments of the insurance marketplace that we serve. This strength supports the consistent, predictable performance that our policyholders, agents, associates and shareholders have always expected and received, helping us withstand significant challenges.

While the prospect exists for short-term financial performance volatility due to our exposures to potential catastrophes or significant capital market losses, the ratings agencies consistently have asserted that we have built appropriate financial strength and flexibility to manage that volatility. We remain committed to strategies that emphasize being a consistent, stable market for our agents' business over short-term benefits that might accrue by quick, opportunistic reaction to changes in market conditions.

At year-end 2009 and 2008, risk-based capital (RBC) for our standard and excess and surplus lines property casualty operations and life operations was very strong, far exceeding regulatory requirements.

- We ended 2009 with a 0.8-to-1 ratio of property casualty premiums to surplus, a key measure of property casualty insurance company capacity. Our ratio gives us the flexibility to diversify risk by expanding our operations into new geographies and product areas. The estimated industry average ratio also was 0.8 to 1 for 2009. The lower the ratio, the greater capacity an insurer has for growth.
- We ended 2009 with a 16.3 percent ratio of life statutory adjusted risk-based surplus to liabilities, a key measure of life insurance company capital strength. The estimated industry average ratio was 10.0 percent for 2009. A higher ratio indicates an insurer's stronger security for policyholders and capacity to support business growth.

(Dollars in millions) Statutory Information	At December 31, **2009**	2008
Standard market property casualty insurance subsidiary		
Statutory surplus	**$ 3,648**	$ 3,360
Risk-based capital (RBC)	**3,664**	3,389
Authorized control level risk-based capital	**437**	407
Ratio of risk-based capital to authorized control level risk-based capital	**8.4**	8.3
Written premium to surplus ratio	**0.8**	0.9
Life insurance subsidiary		
Statutory surplus	**$ 300**	$ 290
Risk-based capital (RBC)	**316**	290
Authorized control level risk-based capital	**40**	37
Ratio of risk-based capital to authorized control level risk-based capital	**7.9**	7.8
Total liabilities excluding separate account business	**1,960**	1,640
Life statutory risk-based adjusted surplus to liabilities ratio	**16.3**	17.7
Excess and surplus insurance subsidiary		
Statutory surplus	**$ 168**	$ 174
Risk-based capital (RBC)	**168**	174
Authorized control level risk-based capital	**8**	4
Ratio of risk-based capital to authorized control level risk-based capital	**21.4**	39.7
Written premium to surplus ratio	**0.2**	0.1

The consolidated property casualty insurance group's ratio of investments in common stock to statutory surplus was 58.4 percent at year-end 2009 compared with 53.4 percent at year-end 2008. The life insurance company's ratio was 32.2 percent compared with 39.2 percent a year ago.

Cincinnati Financial Corporation's senior debt is rated by four independent ratings firms. In addition, the ratings firms award our property casualty and life operations insurer financial strength ratings based on their quantitative and qualitative analyses. These ratings assess an insurer's ability to meet financial obligations to policyholders and do not necessarily address all of the matters that may be important to shareholders. Ratings may be subject to revision or withdrawal at any time by the rating agency, and each rating should be evaluated independently of any other rating.

All of our insurance subsidiaries continue to be highly rated. During 2009, Fitch Ratings lowered our ratings as described below. No other ratings agency actions occurred during 2009.

As of February 26, 2010, our credit and financial strength ratings were:

		Insurance Financial Strength Ratings									
Rating Agency	Parent Company Senior Debt Rating	Standard Market Property Casualty Insurance Subsidiaries			Life Insurance Subsidiary			Excess and Surplus Insurance Subsidiary			Status (date)
				Rating Tier			Rating Tier			Rating Tier	
A. M. Best Co.	a	A+	Superior	2 of 16	A	Excellent	3 of 16	A	Excellent	3 of 16	Stable outlook (2/18/10)
Fitch Ratings	BBB+	A+	Strong	5 of 21	A+	Strong	5 of 21	-	-	-	Stable outlook (8/6/09)
Moody's Investors Service	A3	A1	Good	5 of 21	-	-	-	-	-	-	Stable outlook (9/25/08)
Standard & Poor's Ratings Services	BBB+	A+	Strong	5 of 21	A+	Strong	5 of 21	-	-	-	Negative outlook (06/30/08)

On August 6, 2009, Fitch Ratings lowered our ratings and changed the rating outlook to stable. Our parent company senior debt rating was lowered from A- to BBB+ and our standard market property casualty subsidiaries' insurance and life insurance subsidiary financial strength ratings were lowered from AA- to A+. Fitch said the rating action was primarily driven by our unfavorable property casualty underwriting performance during 2008 and the first half of 2009. Fitch said it viewed favorably our steps taken with our investment portfolio. Fitch also noted our strong capitalization and low operating leverage. No other ratings agency actions occurred during 2009.

On February 18, 2010, A.M. Best affirmed our ratings that it had assigned in December 2008, continuing its stable outlook. A.M. Best cited our superior risk-adjusted capitalization, strong five-year average operating performance, historically redundant reserves and successful distribution within our targeted regional markets. A.M. Best noted that common stock leverage was approximately 50 percent of statutory surplus at year-end 2009, a concern offset by our conservative underwriting and reserving philosophies, with loss reserves more than fully covered by a highly rated, diversified bond portfolio.

Our debt ratings are discussed in Item 7, Liquidity and Capital Resources, Additional Sources of Liquidity, Page 69.

Operating Structure

We offer our broad array of insurance products through the independent agency channel. We recognize that locally based independent agencies have relationships in their communities and local marketplace intelligence that can lead to policyholder satisfaction, loyalty and profitable business. We seek to be a consistent and predictable property casualty carrier that agencies can rely on to serve their clients. For our standard market business, field and headquarters underwriters make risk-specific decisions about both new business and renewals.

In our 10 highest volume states for consolidated property casualty premiums, 933 reporting agency locations wrote 68.1 percent of our 2009 consolidated property casualty earned premium volume compared with 910 locations and 68.7 percent in 2008.

Property Casualty Insurance Earned Premiums by State

(Dollars in millions)	Earned premiums	% of total earned	Agency locations	Average premium per location
Year ended December 31, 2009				
Ohio	**$ 611**	**21.0 %**	**224**	**$ 2.7**
Illinois	**253**	**8.7**	**119**	**2.1**
Indiana	**201**	**6.9**	**104**	**1.9**
Pennsylvania	**174**	**6.0**	**82**	**2.1**
Georgia	**148**	**5.1**	**71**	**2.1**
North Carolina	**138**	**4.8**	**75**	**1.8**
Michigan	**129**	**4.4**	**109**	**1.2**
Virginia	**121**	**4.2**	**60**	**2.0**
Wisconsin	**103**	**3.5**	**49**	**2.1**
Kentucky	**100**	**3.5**	**40**	**2.5**
Year ended December 31, 2008				
Ohio	$ 630	20.9 %	219	$ 2.9
Illinois	270	9.0	119	2.3
Indiana	205	6.8	104	2.0
Pennsylvania	183	6.1	80	2.3
Georgia	150	5.0	68	2.2
North Carolina	150	5.0	73	2.1
Michigan	135	4.5	101	1.3
Virginia	131	4.4	58	2.3
Wisconsin	108	3.6	48	2.3
Tennessee	102	3.4	40	2.6

Field Focus

We rely on our field associates to provide service and be accountable to our agencies for decisions we make at the local level. These associates live in the communities our agents serve, working from offices in their homes and providing 24/7 availability to our agents. Headquarters associates also provide agencies with underwriting, accounting and technology assistance and training. Company executives, headquarters underwriters and special teams regularly travel to visit agencies, strengthening the personal relationships we have with these organizations. Agents have opportunities for direct, personal conversations with our senior management team, and headquarters associates have opportunities to refresh their knowledge of marketplace conditions and field activities.

The field team is coordinated by field marketing representatives responsible for underwriting new commercial lines business. They are joined by field representatives specializing in claims, loss control, personal lines, machinery and equipment, bond, premium audit, life insurance and leasing. The field team provides many services for agencies and policyholders; for example, our field loss control representatives and others specializing in machinery and equipment risks perform inspections and recommend specific actions to improve the safety of the policyholder's operations and the quality of the agent's account.

Agents work with us to carefully select risks and assure pricing adequacy. They appreciate the time our associates invest in creating solutions for their clients while protecting profitability, whether that means working on an individual case or customizing policy terms and conditions that preserve flexibility, choice and other sales advantages. We seek to develop long-term relationships by understanding the unique needs of their clients, who are also our policyholders.

We also are responsive to agent needs for well designed property casualty products. Our commercial lines products are structured to allow flexible combinations of property and liability coverages in a single package with a single expiration date and several payment options. This approach brings policyholders convenience, discounts and a reduced risk of coverage gaps or disputes. At the same time, it increases account retention and saves time and expense for the agency and our company.

We seek to employ technology solutions and business process improvements that:

- allow our field and headquarters associates to collaborate with each other and with agencies more efficiently
- provide our agencies the ability to access our systems and client data to process business transactions from their offices
- allow policyholders to directly access pertinent policy information online in order to further improve efficiency for our agencies
- automate our internal processes so our associates can spend more time serving agents and policyholders, and
- reduce duplicated effort, introducing more efficient processes that reduce company and agency costs.

Agencies access our systems and other electronic services via their agency management systems or CinciLink®, our secure agency-only Web site. CinciLink provides an array of Web-based services and content that makes doing business with us easier, such as commercial and personal lines rating and processing systems, policy loss information, sales and marketing materials, educational courses about our products and services, accounting services, and electronic libraries for property and casualty coverage forms and state rating manuals.

Superior Claims Service

Our claims philosophy reflects our belief that we will prosper as a company by responding to claims person to person, paying covered claims promptly, preventing false claims from unfairly adding to overall premiums and building financial strength to meet future obligations.

Our 771 locally based field claims representatives work from their homes, assigned to specific agencies. They respond personally to policyholders and claimants, typically within 24 hours of receiving an agency's claim report. We believe we have a competitive advantage because of the person-to-person approach and the resulting high level of service that our field claims representatives provide. We also help our agencies provide prompt service to policyholders by giving agencies authority to immediately pay most first-party claims under standard market policies up to $2,500. We believe this same local approach to handling claims is a competitive advantage for our agents providing excess and surplus lines coverage in their communities. Handling of these claims includes guidance from headquarters-based excess and surplus lines claims managers.

Our property casualty claims operation uses CMS, our claims management system, to streamline processes and achieve operational efficiencies. CMS allows field and headquarters claims associates to collaborate on reported claims through a virtual claim file. Our field claims representatives use tablet computers to view and enter information into CMS from any location, including an insured's home or agent's office, and to print claim checks using portable printers. Agencies can also access selected CMS information such as activity notes on open claims.

Catastrophe response teams are comprised of volunteers from our experienced field claims staff, and we give them the tools and authority they need to do their jobs. In times of widespread loss, our field claims representatives confidently and quickly resolve claims, often writing checks on the same day they inspect the loss. CMS introduced new efficiencies that are especially evident during catastrophes. Electronic claim files allow for fast initial contact of policyholders and easy sharing of information and data by rotating storm teams, headquarters and local field claims representatives. When hurricanes or other weather events are predicted, we can choose to have catastrophe response team members travel to strategic locations near the expected impact area. They are in position to quickly get to the affected area, set up temporary offices and start calling on policyholders.

Our claims associates work to control costs where appropriate. They use vendor resources that provide negotiated pricing to our insureds and claimants. Our field claims representatives also are educated continuously on new techniques and repair trends. They can leverage their local knowledge and experience with area body shops, which helps them negotiate the right price with any facility the policyholder chooses.

We staff a Special Investigations Unit (SIU) with former law enforcement and claims professionals whose qualifications make them uniquely suited to gathering facts to uncover potential fraud. While we believe our job is to pay what is due under each policy contract, we also want to prevent false claims from unfairly increasing overall premiums. Our SIU also operates a computer forensic lab, using sophisticated software to recover data and mitigate the cost of computer-related claims for business interruption and loss of records.

Loss and Loss Expense Reserves

When claims are made by or against policyholders, any amounts that our property casualty operations pay or expect to pay for covered claims are losses. The costs we incur in investigating, resolving and processing these claims are loss expenses. Our consolidated financial statements include property casualty loss and loss expense reserves that estimate the costs of not-yet-paid claims incurred through December 31 of each year. The reserves include estimates for claims that have been reported to us plus our estimates for claims that have been incurred but not yet reported (IBNR), along with our estimate for loss expenses associated with processing and settling those claims. We develop the various estimates based on individual claim evaluations and statistical projections. We reduce the loss reserves by an estimate for the amount of salvage and subrogation we expect to recover. We encourage you to review several sections of the Management's Discussion and Analysis where we discuss our loss reserves in greater depth. In Item 7, Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves, Page 38, we discuss our process for analyzing potential losses and establishing reserves. In Item 7, Property Casualty Loss and Loss Expense Obligations and Reserves, Page 71, and Life Insurance Policyholder Obligations and Reserves, Page 78, we review reserve levels, including 10-year development of our property casualty loss reserves.

Insurance Products

We actively market property casualty insurance in 37 states through a select group of independent insurance agencies. Our standard market commercial lines products are marketed in all of those states while our standard market personal lines products are marketed in 29. We discuss our commercial lines and personal lines insurance operations and products in Commercial Lines Property Casualty Insurance Segment, Page 12, and Personal Lines Property Casualty Insurance Segment, Page 15. At year-end 2009, CSU Producer Resources marketed our excess and surplus lines products to agencies in 36 states that represent Cincinnati Insurance.

The Cincinnati Specialty Underwriters Insurance Company began excess and surplus lines insurance operations in January 2008. We structured this operation to exclusively serve the needs of the independent agencies that currently market our standard market insurance policies. When all or a portion of a current or potential client's insurance program requires excess and surplus lines coverages, those agencies can write the whole account with Cincinnati, gaining benefits not often found in the broader excess and surplus lines market. Agencies have access to The Cincinnati Specialty Underwriters Insurance Company's product line through CSU Producer Resources Inc., the wholly owned insurance brokerage subsidiary of parent-company Cincinnati Financial Corporation.

Cincinnati Specialty Underwriters and CSU Producer Resources employ a Web-based policy administration system to quote, bind, issue and deliver policies electronically to agents. This system also provides integration to existing document management and data management systems, allowing for straight-through processing of policies and billing.

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

Our property casualty agencies make up the main distribution system for our life insurance products. To help build scale, we also develop life business from other independent life insurance agencies in geographic markets underserved through our property casualty agencies. We are careful to solicit business from these other agencies in a manner that does not compete with the life insurance marketing and sales efforts of our property casualty agencies. Our life insurance operation emphasizes up-to-date products, responsive underwriting, high quality service and competitive pricing.

Other Services to Agencies

We complement the insurance operations by providing products and services that help attract and retain high-quality independent insurance agencies. When we appoint agencies, we look for organizations with knowledgeable, professional staffs. In turn, we make an exceptionally strong commitment to assist them in keeping their knowledge up to date and educating new people they bring on board as they grow. Numerous activities fulfill this commitment at our headquarters, in regional and agency locations and online.

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

In addition to broad education and training support, we make non-insurance financial services available through CFC Investment Company. CFC Investment Company offers equipment and vehicle leases and loans for independent insurance agencies, their commercial clients and other businesses. It also provides commercial real estate loans to help agencies operate and expand their businesses. We believe that providing these services enhances agency relationships with the company and their clients, increasing loyalty while diversifying the agency's revenues.

STRATEGIC INITIATIVES

Management has identified strategies that can position us for long-term success. The board of directors and management believe that execution of our strategic plan will create significant value for shareholders over time. We broadly group these strategies into three areas of focus – managing capital effectively, improving insurance profitability and driving premium growth – correlating with the primary ways we measure our progress toward our long-term financial objectives. Our strategies are intended to position us to compete successfully in the markets we have targeted while seeking to optimize the balance of risk and returns. We believe successful implementation of the initiatives that support our strategies will help us better serve our agent customers, reduce volatility in our financial results and achieve our long-term objectives despite shorter-term effects of difficult economic, market or pricing cycles. We describe our expectations for the results of these initiatives in Item 7, Executive Summary of the Management's Discussion and Analysis, Page 34.

Manage Capital Effectively

Our first strategy is a continuing focus on managing capital effectively. This strategy serves as a foundation supporting other strategies focused on profitably growing our insurance business, with the overall objective of building capital for the long-term benefit of shareholders. Implementation of the initiatives below that support our capital management strategy is intended to preserve our capital while maintaining appropriate liquidity. A strong capital position provides the capacity to support premium growth and liquidity provides for our investment in the people and infrastructure needed to implement our other strategic initiatives. Our strong capital and liquidity also provide financial flexibility for shareholder dividends or other capital management actions.

The primary capital management initiatives are:

- Maintain a diversified investment portfolio by reviewing and applying diversification parameters and tolerances – We discuss our portfolio strategies in greater depth in Investments Segment, Page 18.
    - High-quality fixed-maturity portfolio that exceeds total insurance reserves – At year-end 2009, the average rating of the $7.855 billion fixed maturity portfolio was A2/A. The risk of potential decline of capital due to lower bond values during periods of increasing interest rates is managed in part through a generally laddered maturity schedule for this portfolio, as approximately 28 percent will mature in the next five years. The portfolio value exceeded total insurance reserve liability by 32.6 percent. In addition, we have assets in the form of receivables from reinsurers, most with A.M. Best insurer financial strength ratings of A or better. These assets directly related to insurance reserves, offsetting over 10 percent of that liability.
    - Diversified equity portfolio that has no concentrated positions in single stocks or industries – At year-end 2009, no single security accounted for more than 5.8 percent of our portfolio of publicly traded common stocks, and no single sector accounted for more than 18.0 percent. Because of the strength of our fixed-maturity portfolio, we have the opportunity to invest for potential capital appreciation by purchasing equity securities. We seek to achieve a total return on the equity portfolio over any five-year period that exceeds that of the Standard & Poor's 500 Index while taking similar or less risk.
    - Parent company liquidity that increases our flexibility through all periods to maintain our cash dividend and to continue to invest in and expand our insurance operations – At year-end 2009, we held $1.040 billion of our cash and invested assets at the parent company level, of which $683 million, or 65.7 percent, was invested in common stocks, and $54 million, or 5.2 percent, was cash or cash equivalents.
- Develop a comprehensive, enterprise-level catastrophe management program – Weather-related catastrophe losses for our property casualty business can significantly affect capital and cause earnings volatility. Key objectives of a comprehensive program include identifying an overall tolerance for catastrophe risk as well as regional guidelines that work with our underwriting and reinsurance efforts. An important element of this initiative continues to be obtaining reinsurance from highly rated reinsurers to mitigate underwriting risk and to support our ability to hold investments until maturity. See Item 7, 2010 Reinsurance Programs, Page 79, for additional details on these programs.
- Minimize reliance on debt as a source of capital, maintaining the ratio of debt-to-total capital below 20 percent – This target is higher than we had identified prior to 2008 because total capital declined in 2008 although debt levels were essentially unchanged. At year-end 2009, this ratio was 15.0 percent compared with 16.7 percent at year-end 2008 and 12.7 percent at year-end 2007. Our long-term debt consists of three non-convertible, non-callable debentures, two due in 2028 and one in 2034.

- Identify tolerances for other operational risks and calibrate management decisions accordingly – Among the areas of focus during 2009 was exposure to risks related to disaster recovery and business continuity. We completed a conversion to a new information technology back-up data center and continued work to address the risks associated with a concentration of support operations at our headquarters location. Our enterprise risk management efforts also include evaluating emerging risks such as potential changes in regulation at both the state and federal levels and the potential effects of increased inflation on assets and liabilities.

We measure the overall success of our strategy to effectively manage capital primarily by growing investment income and by achieving over any five-year period a total return on our equity investment portfolio that exceeds the Standard & Poor's 500's return. Investment income grew at a compound annual rate of 0.3 percent over the five years ended December 31, 2009. It grew during 2005 through 2007, then declined during 2008 and 2009 when we experienced a dramatic reduction in dividends from financial services companies held in our equity portfolio, a risk we addressed aggressively during 2008 and early 2009. Over the five years ended December 31, 2009, our compound annual equity portfolio return was negative 5.8 percent compared with a compound annual total return of 0.4 percent for the S&P 500 Index. Our equity portfolio underperformed the market for the five-year period primarily because of the decline in the market value of Fifth Third Bancorp (NASDAQ: FITB), our largest holding for most of the period. We have not owned any shares of Fifth Third common stock since early 2009.

We also monitor other measures. One of the most significant is our ratio of property casualty net written premiums to statutory surplus, which was 0.8-to-1 at year-end 2009 compared with 0.9-to-1 at year-end 2008 and 0.7-to-1 at year-end 2007. This ratio is a common measure of operating leverage used in the property casualty industry; the lower the ratio the more capacity a company has for premium growth. The estimated property casualty industry net written premium to statutory surplus ratio also was 0.8-to-1 at year-end 2009, 0.9-to-1 at year-end 2008 and 0.8-to-1 at year-end 2007.

Our second means of verifying our capital preservation strategy is our financial strength ratings as discussed in Our Business and Our Strategy, Page 1. All of our insurance subsidiaries continue to be highly rated. A third means is measurement of our risk-based capital ratios, which currently indicate that our insurance subsidiaries are operating with a level of capital far exceeding regulatory requirements.

Improve Insurance Profitability

Our second strategy is to improve insurance profitability. Implementation of the operational initiatives below is intended to improve pricing capabilities for our property casualty business and improve our efficiency. Improved pricing helps us manage profit margins and greater efficiency helps control costs, together improving overall profitability. These initiatives also seek to help the agencies that represent us to grow profitably by allowing them to serve clients faster and manage expenses better. The primary initiatives to improve insurance profitability are:

- Improve underwriting expertise – While most of our lines of business have maintained underwriting profitability, we must continue to improve our capabilities in risk selection and pricing. For the lines of business that are underperforming or that involve larger or more complex risks, we take a comprehensive approach – with collaborative expertise among associates from underwriting, claims, loss control, marketing, actuarial services and premium audit – to work toward restoring underwriting profitability. Specific initiatives that are key to improving profitability are summarized below.
    - Improve pricing capabilities in each line of business – Predictive modeling tools that better align individual insurance policy pricing to risk attributes and claims practices are already in use for our homeowner and workers' compensation lines of business. We are developing predictive models for all major lines of commercial insurance and for our personal auto line of business. Predictive modeling tools increase pricing precision so we can more effectively evaluate and appropriately price insured risks, improving our ability to compete for the most desirable business within our agencies. Use of our predictive modeling tool for workers' compensation began in 2009 and is anticipated to meaningfully improve the loss ratio for this line of business over time. During 2009 we began using an enhanced version of predictive modeling for our homeowner line of business, helping to further improve our rate and credit structures for attracting and retaining more accounts with the best prospects of long-term profitability. Our efforts to better match insured risks with appropriate policy pricing are expected to improve overall underwriting profitability for our property casualty business.
    - Improving our business data, supporting accurate underwriting, pricing and decisions – Over the next several years, we will deploy a full data management program, including a data warehouse for our property casualty and life insurance operations that will provide enhanced granularity of pricing data. This is a phased, long-term project that is currently in progress.

- Improve expense management to make the best use of our resources – During 2009, we have invested in technology and workflow improvements that will help us improve efficiency and grow our business, when insurance market conditions improve, without proportional increases in expenses. Through careful allocation of staff, we have added associates in areas of strategic significance while realizing efficiencies in other areas, resulting in a slight reduction in the overall number of associates during 2009. We continue to work toward improving efficiency through efforts such as studies of transactional workflows and development of an energy efficiency plan for our headquarters buildings.
- Develop and deploy technology plans – Technology continues to be key for improving efficiencies and streamlining processes for our agencies, allowing us to win an increasing share of their most profitable business. We will continue to integrate solutions across business lines to make it easier for agents to do business with us and to maximize product cross-serving while reducing duplication of effort. Our technology initiatives serve to enhance our tradition of local decision making based on the local knowledge and risk selection expertise we derive from our agents and from having a large network of field representatives who live and work in our agents' communities. Ongoing technology development contributes to improved profitability by enhancing internal efficiency and the organization of business data used for underwriting and pricing. Technology development and deployment will reflect our vision of the services that our agents will need in the short and long terms. These technology solutions will be prioritized to optimize their delivery. Progress during 2009 and future plans for major technology initiatives are highlighted below.
    - Commercial lines policy administration system – In the fourth quarter of 2009, we deployed a new system called e-CLAS® CPP for commercial package and auto coverages to all of our appointed agencies in 11 states. Those states produce approximately 55 percent of our commercial premium volume. We plan to deploy the system to as many as 19 additional states in 2010. The new system includes real-time quoting and policy issuance, direct bill capabilities with several payment plans, and interface capabilities to transfer selected policy data from agency management systems. We believe the new system will further improve our position among the go-to carriers for our agencies, having a positive impact on future growth of profitable commercial lines business.
    - Personal lines policy administration system – During 2009, we developed the next version of this system, Diamond 5.x, and moved our personal lines policy processing system to this next generation platform in early 2010. The Web-based system supports agency efficiency through pre-filling of selected policy data and easy-to-use screens. We continue to focus on making it easier for our agents to do business with us, which we believe will significantly benefit our objective of writing their highest quality accounts with superior profit margins.

We measure the overall success of our strategy to improve insurance profitability primarily through our GAAP combined ratio, which we believe can be consistently below 100 percent over any five-year period.

In addition, we expect these initiatives to contribute to our rank as the No. 1 or No. 2 carrier based on premium volume in agencies that have represented us for at least five years. In 2009, we again earned that rank in more than 75 percent of the agencies that have represented Cincinnati Insurance for more than five years, based on 2008 premiums. We are working to increase the percentage of agencies where we have achieved that rank.

Drive Premium Growth

Our third strategy is to drive premium growth. Implementation of the operational initiatives below is intended to expand our geographic footprint and diversify our premium sources to obtain profitable growth without significant infrastructure expense. Diversified growth may also reduce our catastrophe exposure risk and temper negative changes that may occur in the economic, judicial or regulatory environments in the territories we serve.

The primary initiatives to drive premium growth are:

- New agency appointments in 2010 – We continue to appoint new agencies in our current operating territories, adding 87 in 2009. Our objective is to appoint additional points of distribution, focusing on markets where our market share is less than 1 percent while also considering economic and catastrophe risk factors. In 2010, we are targeting 65 appointments of independent agencies writing an aggregate $1 billion in property casualty premiums annually with all carriers they represent.

In measuring progress toward achieving this initiative, we include appointment of new agency relationships with Cincinnati. For those that we believe will produce a meaningful amount of new business premiums, we also include appointment of agencies that merge with a Cincinnati agency and new branch offices opened by existing Cincinnati agencies. We made 87, 76 and 66 new appointments in 2009, 2008 and 2007, respectively. Of these new appointments, 65, 52 and 50, respectively, were new relationships. These new appointments and other changes in agency structures led to a net increase in reporting agency locations of 76 in 2009, 60 in 2008 and 38 in 2007. We seek to build a close, long-term relationship with each agency we appoint. We carefully evaluate the marketing reach of each new appointment to ensure the territory can support both current and new agencies.

- Earn a larger share of business with currently appointed agents – We will continue to execute on growth initiatives from prior years and will focus on the key components of agent satisfaction based on factors agents find most important. This will include measurements to identify key factors and gauge progress in our performance for delivering satisfaction.
  - Deploy new products and service enhancements that address agents' needs – In addition to meeting the needs of our agents and their clients, new product development will target markets with above-average profitability to reduce market-cycle volatility. This initiative will expand beyond the specialty package options currently offered through our commercial lines operation, with a focus on identifying promising classes of business and increasing our product advantages and product support.
  - New states – With our entry into Colorado and Wyoming during 2009 and Texas in late 2008, Cincinnati Insurance now is actively marketing our policies in 37 states, expanding our opportunities beyond the Midwest and South. We now have a growing presence in the western states – opening New Mexico and eastern Washington in 2007, Utah in 2000, Idaho in 1999 and Montana in 1998. We entered Arizona in 1971. While we continually study the regulatory and competitive environment in other states where we could decide to actively market our property casualty products, we have not announced specifics regarding entry into new states.

    We generally are able to earn a 10 percent share of an agency's business within 10 years of its appointment. We also help our agents grow their business by attracting more clients in their communities through the unique style of service we offer. In New Mexico and eastern Washington, we've appointed 13 agencies since early 2007 that currently write about $260 million annually with all the carriers they represent. During 2009, our written premiums with agencies in these two new states totaled almost 5 percent of that total agency annual premium volume. In Texas, where we made 20 agency appointments through the year, those agencies wrote over $10 million of Cincinnati Insurance premiums in 2009. By mid 2010, we expect to have appointed Texas agencies that currently write a total of about $750 million in premiums annually with all carriers they represent, an indication of strong potential for future premium growth.
  - Excess & Surplus lines insurance – Another source of premium growth is our excess and surplus lines operation with products available in 37 states. We entered this market in 2008 to better serve agents of The Cincinnati Insurance Companies®, initially offering general liability coverage. Today, those agents write about $2.5 billion annually of surplus lines business with other carriers. We plan to earn a profitable share by bringing Cincinnati-style service to agents and policyholders. In late 2008, we expanded product offerings beyond the general liability, adding property and professional liability lines of businesses. In late 2009, we began offering excess casualty coverage. During 2009, net written premiums were $39 million compared with $14 million in 2008, our initial year for excess and surplus lines operations.
  - Personal lines – We continue to position our personal lines business for profitable future growth as pricing refinements and improved ease of use expand our agents' opportunities to market Cincinnati's policy advantages to their more quality-conscious clientele. Enhancement of our tiered rating during 2009 helped to further improve our rate and credit structures to attract and retain more accounts with the best prospects of long-term profitability. Personal lines rate changes made in 2008 and 2009 plus expansion of our personal lines operation into new states drove strong new business, which increased by 80.6 percent for the year 2009.

    We continue to see the effects of executing on our potential to market personal lines insurance through agencies that already represent us for commercial lines. In early 2009, we began marketing personal lines in two additional states, bringing the total of states where we market personal lines to 29. In seven states where we began writing personal lines business or significantly expanded our product offerings and automation capabilities in 2008 or 2009, our agencies write approximately $650 million in personal lines premiums annually with all carriers they represent. This initiative produced an increase of $13 million in 2009 new business premiums.

We measure the overall success of this strategy to drive premium growth primarily through changes in net written premiums, which we believe can grow faster than the industry average over any five-year period. For 2009, our property casualty net written premiums declined by 3.3 percent, comparing favorably with the estimated 4.2 percent decline for the industry.

OUR SEGMENTS

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

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

We also evaluate results for our consolidated property casualty operations, which is the total of our commercial lines, personal lines and excess and surplus lines results.

Revenues, income before income taxes and identifiable assets for each segment are shown in a table in Item 8, Note 18 of the Consolidated Financial Statements, Page 115. Some of that information also is discussed in this section of this report, where we explain the business operations of each segment. The financial performance of each segment is discussed in the Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, which begins on Page 34.

COMMERCIAL LINES PROPERTY CASUALTY INSURANCE SEGMENT

The commercial lines property casualty insurance segment contributed net earned premiums of $2.199 billion to total revenues, or 56.3 percent of that total, and reported a loss before income taxes of $35 million in 2009. Commercial lines net earned premiums declined 5.1 percent and 3.9 percent in 2009 and 2008 after growing 0.4 percent in 2007.

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

- Commercial casualty – Commercial casualty insurance provides coverage to businesses against third-party liability from accidents occurring on their premises or arising out of their operations, including liability coverage for injuries sustained from products sold as well as coverage for professional services, such as dentistry. Specialized casualty policies may include liability coverage for employment practices liability (EPLI), which protects businesses against claims by employees that their legal rights as employees of the company have been violated, and other acts or failures to act under specified circumstances as well as excess insurance and umbrella liability, including personal umbrella liability written as an endorsement to commercial umbrella coverages. The commercial casualty business line includes liability coverage written on both a discounted and non-discounted basis as part of commercial package policies.
- Commercial property – Commercial property insurance provides coverage for loss or damage to buildings, inventory and equipment caused by covered causes of loss such as fire, wind, hail, water, theft and vandalism, as well as business interruption resulting from a covered loss. Commercial property also includes crime insurance, which provides coverage for losses such as embezzlement or misappropriation of funds by an employee, among others; and inland marine insurance, which provides coverage for a variety of mobile equipment, such as contractor's equipment, builder's risk, cargo and electronic data processing equipment. Various property coverages can be written as stand-alone policies or can be added to a package policy. The commercial property business line includes property coverage written on both a non-discounted and discounted basis as part of commercial package policies.
- Commercial auto – Commercial auto coverages protect businesses against liability to others for both bodily injury and property damage, medical payments to insureds and occupants of their vehicles, physical damage to an insured's own vehicle from collision and various other perils, and damages caused by uninsured motorists.
- Workers' compensation – Workers' compensation coverage protects employers against specified benefits payable under state or federal law for workplace injuries to employees. We write workers' compensation coverage in all of our active states except North Dakota, Ohio and Washington, where coverage is provided solely by the state instead of by private insurers.
- Specialty packages – Specialty packages include coverages for property, liability and business interruption tailored to meet the needs of specific industry classes, such as artisan contractors,

dentists, garage operators, financial institutions, metalworkers, printers, religious institutions, or smaller, main street businesses. Businessowners policies, which combine property, liability and business interruption coverages for small businesses, are included in specialty packages.

- Surety and executive risk – This business line includes:
  - Contract and commercial surety bonds, which guarantee a payment or reimbursement for financial losses resulting from dishonesty, failure to perform and other acts.
  - Fidelity bonds, which cover losses that policyholders incur as a result of fraudulent acts by specified individuals or dishonest acts by employees.
  - Director and officer liability insurance, which covers liability for actual or alleged errors in judgment, breaches of duty or other wrongful acts related to activities of for-profit or nonprofit organizations. Our director and officer liability policy can optionally include EPLI coverage.
- Machinery and equipment – Specialized machinery and equipment coverage can provide protection for loss or damage to boilers and machinery, including production and computer equipment, from sudden and accidental mechanical breakdown, steam explosion or artificially generated electrical current.

Our emphasis is on products that agents can market to small- to mid-size businesses in their communities. Of our 1,463 reporting agency locations, nine market only our surety and executive risk products and five market only our personal lines products. The remaining 1,449 locations, located in all states in which we actively market, offer some or all of our standard market commercial insurance products.

In 2009, our 10 highest volume commercial lines states generated 65.3 percent of our earned premiums compared with 65.9 percent in the prior year as we continued efforts to geographically diversify our property casualty risks. Earned premiums in the 10 highest volume states decreased 5.2 percent in 2009 and decreased 4.8 percent in the remaining 27 states. The number of reporting agency locations in our 10 highest volume states increased to 933 in 2009 from 905 in 2008.

Commercial Lines Earned Premiums by State

(Dollars in millions)	Earned premiums	% of total earned	Agency locations	Average premium per location
Year ended December 31, 2009				
Ohio	**$ 364**	**16.3 %**	**223**	**$ 1.6**
Illinois	**205**	**9.2**	**117**	**1.8**
Pennsylvania	**158**	**7.1**	**82**	**1.9**
Indiana	**143**	**6.4**	**103**	**1.4**
North Carolina	**128**	**5.8**	**74**	**1.7**
Michigan	**103**	**4.6**	**108**	**1.0**
Virginia	**102**	**4.6**	**60**	**1.7**
Georgia	**87**	**3.9**	**71**	**1.2**
Wisconsin	**84**	**3.8**	**49**	**1.7**
Iowa	**79**	**3.6**	**46**	**1.7**
Year ended December 31, 2008				
Ohio	$ 377	16.2 %	218	$ 1.7
Illinois	222	9.5	118	1.9
Pennsylvania	166	7.1	80	2.1
Indiana	148	6.4	103	1.4
North Carolina	143	6.2	73	2.0
Virginia	111	4.8	58	1.9
Michigan	107	4.6	99	1.1
Georgia	89	3.8	68	1.3
Wisconsin	88	3.8	48	1.8
Tennessee	82	3.5	40	2.1

For new commercial lines business, case-by-case underwriting and pricing is coordinated by our locally based field marketing representatives. Our agents and our field marketing, claims, loss control, premium audit, bond and machinery and equipment representatives get to know the people and businesses in their communities and can make informed decisions about each risk. These field marketing representatives also are responsible for selecting new independent agencies, coordinating field teams of specialized company representatives and promoting all of the company's products within the agencies they serve.

Commercial lines policy renewals are managed by headquarters underwriters who are assigned to specific agencies and consult with local field staff as needed. As part of our team approach, the headquarters underwriter also helps oversee agency growth and profitability. They are responsible for formal issuance of all new business and renewal policies as well as policy endorsements. Further, the headquarters underwriters provide day-to-day customer service to agencies and marketing representatives by offering product training, answering underwriting questions, helping to determine underwriting eligibility and assisting with the mechanics of premium determination.

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

Although we offer three-year policy terms, premiums for some coverages within those policies are adjustable at anniversary for the next annual period, and policies may be canceled at any time at the discretion of the policyholder. Contract terms often provide that rates for property, general liability, inland marine and crime coverages, as well as policy terms and conditions, are fixed for the term of the policy. The general liability exposure basis may be audited annually. Commercial auto, workers' compensation, professional liability and most umbrella liability coverages within multi-year packages are rated at each of the policy's annual anniversaries for the next one-year period. The annual pricing could incorporate rate changes approved by state insurance regulatory authorities between the date the policy was written and its annual anniversary date, as well as changes in risk exposures and premium credits or debits relating to loss experience and other underwriting judgment factors. We estimate that approximately 75 percent of 2009 commercial premiums were subject to annual rating or were written on a one-year policy term.

Staying abreast of evolving market conditions is a critical function, accomplished in both an informal and a formal manner. Informally, our field marketing representatives and underwriters are in constant receipt of market intelligence from the agencies with which they work. Formally, our commercial lines product management group and field marketing associates conduct periodic surveys to obtain competitive intelligence. This market information helps identify the top competitors by line of business or specialty program and also identifies our market strengths and weaknesses. The analysis encompasses pricing, breadth of coverage and underwriting/eligibility issues.

In addition to reviewing our competitive position, our product management group and our underwriting audit group review compliance with our underwriting standards as well as the pricing adequacy of our commercial insurance programs and coverages. Further, our research and development group analyzes opportunities and develops new products, new coverage options and improvements to existing insurance products.

At year-end 2009, we supported our commercial lines operations with a variety of technology tools. e-CLAS for commercial package business was rolled out to 11 states by year end 2009 with an additional 19 states planned for 2010. This system allows our agencies to quote and print commercial package policies in their offices, increasing their ease of doing business with us. The e-CLAS platform also makes use of our real-time agency interface, CinciBridge®, which allows the automated movement of key underwriting data from an agency's management system to e-CLAS. This reduces agents' data entry and allows seamless quoting, rating, and issuance capability. WinCPP® is our commercial lines premium quoting system. WinCPP is available in all of our agency locations where we actively market commercial lines insurance and provides quoting capabilities for nearly 100 percent of our new and renewal commercial lines business. WinCPP also works with CinciBridge.

Many small business accounts written as Businessowners Policies (BOP) and Dentist's Package Policies (DBOP) are eligible to be issued at our agency locations through our e-CLAS system as well. e-CLAS provides full policy lifecycle transactions, including quoting, issuance, policy changes, renewal processing and policy printing, at the agency location. These features make it easy and efficient for our agencies to issue and service these policies. At year-end 2009, e-CLAS for BOP and DBOP was in use in 30 states representing 98 percent of our premiums for these products, which are included in the specialty packages commercial line of business. e-CLAS also uses CinciBridge to provide real-time data transfer with agency management systems.

We have been streamlining internal processes and achieving operational efficiencies in our headquarters commercial lines operations through deployment of iView™, a policy imaging and workflow system. This system provides online access to electronic copies of policy files, enabling our underwriters to respond to agent requests and inquiries more quickly and efficiently. iView also automates internal workflows through electronic routing of underwriting and processing work tasks. At year-end 2009, more than 99 percent of in-force non-workers' compensation commercial lines policy files were administered and stored electronically in iView. In 2010, we plan to add our workers' compensation policies to i-View.

PERSONAL LINES PROPERTY CASUALTY INSURANCE SEGMENT

The personal lines property casualty insurance segment contributed net earned premiums of $685 million to total revenues, or 17.6 percent of the total, and reported a loss before income taxes of $81 million in 2009. Personal lines net earned premiums declined 0.6 percent in 2009, 3.4 percent in 2008 and 6.3 percent in 2007.

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

- Personal auto – This business line includes personal auto coverages that protect against liability to others for both bodily injury and property damage, medical payments to insureds and occupants of their vehicle, physical damage to an insured's own vehicle from collision and various other perils, and damages caused by uninsured motorists. In addition, many states require policies to provide first-party personal injury protection, frequently referred to as no-fault coverage.
- Homeowners – This business line includes homeowner coverages that protect against losses to dwellings and contents from a wide variety of perils, as well as liability arising out of personal activities both on and off the covered premises. The company also offers coverage for condominium unit owners and renters.
- Other personal lines – This includes the variety of other types of insurance products we offer to individuals such as dwelling fire, inland marine, personal umbrella liability and watercraft coverages.

At year-end, we marketed personal lines insurance products through 1,059 of our 1,463 reporting agency locations in 29 of the 37 states in which we offer standard market commercial lines insurance. As discussed in Strategic Initiatives, Page 8, introducing personal lines to these agencies is one of the ways we intend to grow profitably in the next several years. The number of reporting agency locations in our 10 highest volume states increased more than 5 percent to 660 in 2009 from 627 in 2008.

In 2009, our 10 highest volume personal lines states generated 84.1 percent of our earned premiums compared with 85.1 percent in the prior year. Earned premiums in the 10 highest volume states declined 1.7 percent in 2009 while increasing 5.9 percent in the remaining states.

Personal Lines Earned Premiums by State

(Dollars in millions)	Earned premiums	% of total earned	Agency locations	Average premium per location
Year ended December 31, 2009				
Ohio	**$ 248**	**36.1 %**	**202**	**$ 1.2**
Georgia	**61**	**8.9**	**63**	**1.0**
Indiana	**57**	**8.4**	**79**	**0.7**
Illinois	**48**	**7.1**	**84**	**0.6**
Alabama	**41**	**5.9**	**36**	**1.1**
Kentucky	**36**	**5.3**	**35**	**1.0**
Michigan	**26**	**3.8**	**80**	**0.3**
Tennessee	**20**	**2.9**	**36**	**0.6**
Florida	**20**	**2.9**	**10**	**2.0**
Virginia	**19**	**2.8**	**35**	**0.5**
Year ended December 31, 2008				
Ohio	$ 253	36.8 %	199	$ 1.3
Georgia	61	8.9	60	1.0
Indiana	57	8.3	76	0.8
Illinois	48	7.0	84	0.6
Alabama	41	5.9	37	1.1
Kentucky	34	5.0	36	0.9
Michigan	28	4.0	70	0.4
Florida	24	3.4	10	2.4
Virginia	20	2.9	25	0.8
Wisconsin	20	2.9	30	0.7

New and renewal personal lines business reflects our risk-specific underwriting philosophy. Each agency selects personal lines business primarily from within the geographic territory that it serves, based on the agent's knowledge of the risks in those communities or familiarity with the policyholder. Personal lines activities are supported by headquarters associates assigned to individual agencies. We now have seven full-time personal lines marketing representatives, who have underwriting authority and visit agencies on a regular basis. They reinforce the advantages of our personal lines products and offer training in the use of our processing system.

Competitive advantages of our personal lines operation include broad coverage forms, flexible underwriting, superior claims service, generous credit structure and customizable endorsements for both the personal auto and homeowner policies. Our personal lines products are processed through Diamond, our real-time personal lines policy processing system that supports and allows once-and-done processing. Diamond incorporates features frequently requested by our agencies such as direct bill and monthly payment plans, local and headquarters policy printing options, data transfer to and from popular agency management systems and real-time integration with third-party data such as insurance scores, motor vehicle reports and address verification. The new web-based version of Diamond that was released to our agents in the first quarter of 2010 provides significant improvements, including more user-friendly screens and workflow plus other features such as a pre-fill option to reduce key strokes for improved efficiency.

In 2006, we introduced PL-efiles, a policy imaging system, to our personal lines operations. The transition was completed in 2009 and replaces paper format with electronic copies of policy documents. PL-efiles complements the Diamond system by giving personal lines underwriters and support staff online access to policy documents and data, enabling them to respond to agent requests and inquiries quickly and efficiently. The underlying technology is updated and permits us to offer access to policy documents directly to policyholders in 2010. We intend to focus on nonrevenue bearing services that allow our agencies to concentrate on more important services and sales. In early 2009 the convenience of paying premiums online or over the phone was introduced to our directly-billed personal lines policyholders.

LIFE INSURANCE SEGMENT

The life insurance segment contributed $143 million of net earned premiums, representing 3.7 percent of total revenues, and $2 million of income before income taxes in 2009. Life insurance segment profitability is discussed in detail in Item 7, Life Insurance Results of Operations, Page 62. Life insurance net earned premiums grew 13.0 percent in 2009, 0.8 percent in 2008 and 9.0 percent in 2007.

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

Cincinnati Life seeks to become the life insurance carrier of choice for the independent agencies that work with our property casualty operations. We emphasize up-to-date products, responsive underwriting and high quality service as well as competitive commissions. At year-end 2009, almost 85 percent of our 1,463 property casualty reporting agency locations offered Cincinnati Life's products to their clients. We also develop life business from approximately 500 other independent life insurance agencies. We are careful to solicit business from these other agencies in a manner that does not conflict with or compete with the marketing and sales efforts of our property casualty agencies.

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

- Because our property casualty operations are held in high regard, property casualty agency management is predisposed to consider selling our life products.
- Marketing efforts for both our property casualty and life insurance businesses are directed by our field marketing department, which assures consistency of communication and operations. Life field marketing representatives are available to meet face-to-face with agency personnel and their clients as well.
- The resources of our life headquarters underwriters and other associates are available to the agents and field team to assist in the placement of business. Fewer and fewer of our competitors provide direct, personal support between the agent and the insurance carrier.

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

- We primarily offer products addressing the needs of businesses with key person and buy-sell coverages. We offer personal and commercial clients of our agencies quality, personal life insurance coverage.
- Term insurance is our largest life insurance product line. We continue to introduce new term products with features our agents indicate are important, such as a return of premium benefit, and we have restructured our underwriting classifications to better meet the needs of their clients.

Because of our strong capital position, we can offer a competitive product portfolio including guaranteed products, giving our agents a marketing edge. Our life insurance company maintains strong insurer financial strength ratings: A.M. Best – A (Excellent), Fitch – A+ (Strong) and Standard & Poor's – A+ (Strong), as discussed in Financial Strength, Page 3. Our life insurance company has chosen not to establish a Moody's rating.

Life Insurance Business Lines

Four lines of business – term insurance, universal life insurance, worksite products and whole life insurance – account for approximately 96.4 percent of the life insurance segment's revenues:

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

In addition, Cincinnati Life markets:

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

INVESTMENT SEGMENT

Revenues of the investment segment are primarily from net investment income and from realized investment gains and losses from investment portfolios managed for the holding company and each of the operating subsidiaries. After adding back $69 million in interest credited to contract holders of the life insurance segment, the investment segment contributed $837 million, or 21.5 percent, of our total revenues in 2009. After deducting $69 million in interest credited to contract holders of the life insurance segment, the investment segment contributed $768 million of income before income taxes.

In 2008, our investment department adopted internal guidelines to place additional parameters around our portfolio, with the approval of the investment committee of the board of directors. These parameters address, among other issues, the overall mix of the portfolio as well as security and sector concentrations. The parameters came out of our risk management program, with the goal of more specifically defining our risk tolerances, aligning our operating plan accordingly and improving management's ability to identify and respond to changing conditions. Going forward, we will evaluate all of our fixed-maturity and equity investments using our investment parameters, as appropriate.

The fair value of our investment portfolio was $10.562 billion and $8.807 billion at year-end 2009 and 2008, respectively. The overall portfolio remained in an unrealized gain position as gains harvested from equity rebalancing efforts were more than offset by the strong performance of the bond portfolio.

The cash we generate from insurance operations historically has been invested in three broad categories of investments:

- Fixed-maturity investments – Includes taxable and tax-exempt bonds and redeemable preferred stocks. During 2009 and 2008, purchases served to offset sales, calls and market value declines.
- Equity investments – Includes common and nonredeemable preferred stocks. During 2009 and 2008, sales and fair value declines of equity securities more than offset purchases and fair value appreciation.
- Short-term investments – Primarily commercial paper.

(In millions)	**At December 31, 2009**				At December 31, 2008			
	Book value	**% of BV**	**Fair value**	**% of FV**	Book value	% of BV	Fair value	% of FV
Taxable fixed maturities	**$ 4,644**	**48.6 %**	**$ 4,863**	**46.0 %**	$ 3,354	40.8 %	$ 3,094	35.1 %
Tax-exempt fixed maturities	**2,870**	**30.1**	**2,992**	**28.3**	2,704	32.9	2,733	31.0
Common equities	**1,941**	**20.4**	**2,608**	**24.7**	1,889	23.0	2,721	30.9
Preferred equities	**75**	**0.8**	**93**	**0.9**	188	2.3	175	2.0
Short-term investments	**6**	**0.1**	**6**	**0.1**	84	1.0	84	1.0
Total	**$ 9,536**	**100.0 %**	**$ 10,562**	**100.0 %**	$ 8,219	100.0 %	$ 8,807	100.0 %

We actively determine the portion of new cash flow to be invested in fixed-maturity and equity securities at the parent and insurance subsidiary levels. We consider internal measures, as well as insurance department regulations and ratings agency guidance. We monitor a variety of metrics, including after-tax yields, the ratio of investments in common stocks to statutory surplus for the property casualty and life insurance operations, and the parent company's ratio of investment assets to total assets.

At year-end 2009, less than 1 percent of the value of our investment portfolio was made up of securities that do not actively trade on a public market and require management's judgment to develop pricing or valuation techniques (Level 3 assets). We generally obtain at least two outside valuations for these assets and generally use the more conservative estimate. These investments include private placements, small issues and various thinly traded securities. See Item 7, Fair Value Measurements, Page 43, and Item 8, Note 3 of the Consolidated Financial Statements Page 103, for additional discussion of our valuation techniques.

In addition to securities held in our investment portfolio, at year-end 2009, other invested assets included $40 million of life policy loans, $24 million of venture capital fund investments, $6 million of investment in real estate and $11 million of other invested assets.

Fixed-maturity and Short-term Investments

By maintaining a well diversified fixed-maturity portfolio, we attempt to manage overall interest rate, reinvestment, credit and liquidity risk. We pursue a buy and hold strategy and do not attempt to make large scale changes to the portfolio in anticipation of rate movements. By investing new money on a regular basis and analyzing risk-adjusted after-tax yields, we work to achieve a laddering effect to our portfolio that may mitigate some of the effects of adverse interest rate movements.

Fixed-maturity and Short-term Portfolio Ratings

As of year-end 2009, the portfolio was trading at 104.5 percent of its book value, up from last year as credit spreads tightened considerably.

The portfolio grew significantly in 2009 due to a large volume of purchases. These purchases were most concentrated in the investment grade corporate bond market, particularly in the Baa/BBB ratings range.

This had the effect of increasing our year-end percentage of investment grade bonds, those rated Baa/BBB or higher, by one percentage point to 92.5 percent. The majority of our non-rated securities are tax-exempt municipal bonds from smaller municipalities that chose not to pursue a credit rating. Credit ratings as of December 31 for the fixed-maturity and short-term portfolio were:

(Dollars in millions)	At December 31, 2009		At December 31, 2008	
	Fair value	Percent to total	Fair value	Percent to total
Moody's Ratings and Standard & Poor's Ratings combined				
Aaa, Aa, A, AAA, AA, A	**$ 4,967**	**63.2 %**	$ 4,149	70.2 %
Baa, BBB	**2,302**	**29.3**	1,258	21.3
Ba, BB	**279**	**3.5**	240	4.1
B, B	**44**	**0.6**	46	0.8
Caa, CCC	**29**	**0.4**	7	0.1
Ca, CC	**3**	**0.0**	3	0.1
C, C	**0**	**0.0**	0	0.0
Non-rated	**237**	**3.0**	208	3.4
Total	**$ 7,861**	**100.0 %**	$ 5,911	100.0 %

We discuss the maturity of our fixed-maturity portfolio in Item 8, Note 2 of the Consolidated Financial Statements, Page 100. Attributes of the fixed-maturity portfolio include:

	Years ended December 31,	
	2009	2008
Weighted average yield-to-book value	**5.9 %**	5.6 %
Weighted average maturity	**7.5 yrs**	8.2 yrs
Effective duration	**5.3 yrs**	5.4 yrs

Taxable Fixed Maturities

Our taxable fixed-maturity portfolio (at fair value) at year-end 2009 included:

- $347 million in U.S. agency paper that is rated Aaa/AAA by Moody's and Standard & Poor's, respectively.
- $3.978 billion in investment-grade corporate bonds that have a Moody's rating at or above Baa3 or a Standard & Poor's rating at or above BBB-.
- $309 million in high-yield corporate bonds that have a Moody's rating below Baa3 or a Standard & Poor's rating below BBB-.
- $137 million in taxable municipal bonds that have an average rating of Aa3/AA by Moody's and Standard & Poor's, respectively.
- $92 million in convertible bonds and redeemable preferred stocks.

While our strategy typically is to buy and hold fixed-maturity investments to maturity, we monitor credit profiles and fair value movements when determining holding periods for individual securities. With the exception of U.S. agency paper (government-sponsored entities), no individual issuer's securities accounted for more than 1.3 percent of the taxable fixed-maturity portfolio at year-end 2009.

The investment-grade corporate bond portfolio is most heavily concentrated in the financial-related sectors, including banks, brokerage, finance and investment and insurance companies. The financial sectors represented 25.3 percent of fair value of this portfolio at year-end 2009, compared with 30.7 percent, at year-end 2008. Although the financial-related sectors make up our largest group of investment-grade corporate bonds, we believe our concentration is below the average for the corporate bond market as a whole. Energy and utilities are the only other sectors that exceed 10 percent of our investment-grade corporate bond portfolio, at 11.9 and 10.4 percent of fair value respectively at year end 2009.

Tax-exempt Fixed Maturities

We traditionally have purchased municipal bonds focusing on general obligation and essential services, such as sewer, water or others. While no single municipal issuer accounted for more than 0.6 percent of the tax-exempt municipal bond portfolio at year-end 2009, there are higher concentrations within individual states. Holdings in Texas and Indiana accounted for a total of 31.9 percent of the municipal bond portfolio at year-end 2009.

At year-end 2009, bonds representing $2.295 billion, or 76.7 percent, of the fair value of our municipal portfolio were insured with an average rating of AAA. Because of our emphasis on general obligation and essential services bonds, over 90 percent of the insured municipal bonds have an underlying rating of at least A3 or A-.

Short-term Investments

Our short-term investments consist primarily of commercial paper, demand notes or bonds purchased within one year of maturity. We make short-term investments primarily with funds to be used to make upcoming cash payments, such as taxes. At year-end 2009, we had $6 million of short-term investments compared with $84 million at year-end 2008.

Equity Investments

After covering both our intermediate and long-range insurance obligations with fixed-maturity investments, we historically used available cash flow to invest in equity securities. Investment in equity securities has played an important role in achieving our portfolio objectives and has contributed to portfolio appreciation. We remain committed to our long-term equity focus, which we believe is key to our company's long-term growth and stability.

At December 31, 2009, two holdings had a fair value equal to or greater than 5 percent of our publicly-traded common stock portfolio compared with four similar holdings at year-end 2008. Procter & Gamble (NYSE:PG) is our largest single common stock investment, comprising 5.8 percent of the publicly traded common stock portfolio and 1.4 percent of the investment portfolio. The other stock with a fair value greater than 5 percent of our publicly-traded common stock portfolio is Johnson & Johnson (NYSE:JNJ).

Common Stocks

Our common stock investments generally are dividend-paying securities that vary from those with high current yield to others with lower yields but better growth prospects. Other criteria we evaluate include increasing sales and earnings, proven management and a favorable outlook. We believe our equity investment style is an appropriate long-term strategy after we have purchased fixed-maturity investments to cover our insurance reserves.

In mid-2008, we began applying new investment guidelines that increased portfolio diversification, reducing single issue and sector concentrations. Our year-end 2009 portfolio has been positioned for reduced volatility going forward. We view our diversifying actions to be consistent with our view of prudent risk management. We expect to continue to make changes to the portfolio, as deemed appropriate.

Common Stock Portfolio Industry Sector Distribution

	Percent of Publicly Traded Common Stock Portfolio			
	At December 31, 2009		At December 31, 2008	
	Cincinnati Financial	S&P 500 Industry Weightings	Cincinnati Financial	S&P 500 Industry Weightings
Sector:				
Healthcare	**18.0 %**	**12.6 %**	21.6 %	14.8 %
Consumer staples	**15.5**	**11.4**	19.8	12.8
Energy	**11.0**	**11.5**	16.8	13.3
Information technology	**11.0**	**19.8**	4.2	15.3
Financial	**10.2**	**14.4**	12.4	13.3
Consumer discretionary	**9.6**	**9.6**	6.6	8.4
Industrials	**9.2**	**10.2**	6.1	11.1
Utilities	**6.7**	**3.7**	9.3	4.2
Materials	**5.1**	**3.6**	1.9	3.0
Telecomm services	**3.7**	**3.2**	1.3	3.8
Total	**100.0 %**	**100.0 %**	100.0 %	100.0 %

At year-end 2009, 26.2 percent of our common stock holdings (measured by fair value) were held at the parent company level. For the publicly-traded common stock portfolio on a consolidated basis, no single issue accounted for more than 5.8 percent at year-end 2009. Until June 2008, we had held more than 10 percent of Fifth Third's common stock for many years, and it represented over 25 percent of our common stock holdings as recently as December 31, 2007.

Preferred Stocks

We evaluate preferred stocks in a manner similar to the evaluation we make for fixed-maturity investments, seeking attractive relative yields. We generally focus on investment-grade preferred stocks issued by companies that have a strong history of paying common dividends, providing us with another layer of protection. When possible, we seek out preferred stocks that offer a dividend received deduction for income tax purposes. Events in the fall of 2008 and into early 2009 led us to reevaluate the riskiness of all preferred securities, particularly those of banking institutions. As a result, we downsized this portfolio by $82 million of fair value to $93 million.

Additional information regarding the composition of investments is included in Item 8, Note 2 of the Consolidated Financial Statements, Page 100.

OTHER

We report as Other the other income of our standard market property casualty insurance subsidiary, as well as non-investment operations of the parent company and its subsidiary CFC Investment Company. Beginning 2008, we also included results of our excess and surplus lines operations, The Cincinnati Specialty Underwriters Insurance Company and CSU Producer Resources.

CFC Investment Company

CFC Investment Company offers commercial leasing and financing services to our agents, their clients and other customers. As of year-end 2009, CFC Investment Company had 2,286 accounts and $76 million in receivables, compared with 2,197 accounts and $71 million in receivables at year-end 2008.

Excess and Surplus Lines Property Casualty Insurance

Agencies have access to The Cincinnati Specialty Underwriters Insurance Company's product line through CSU Producer Resources, the wholly owned insurance brokerage subsidiary of parent-company Cincinnati Financial Corporation. CSU Producer Resources has binding authority on all classes of business written through CSU and maintains appropriate agent and excess and surplus lines licenses to process non-admitted business.

Agents can submit risks to CSU Producer Resources, reflecting the mix of accounts Cincinnati agencies currently write in their non-admitted excess and surplus lines markets. CSU Producer Resources currently markets and underwrites commercial general liability, property, excess liability and miscellaneous errors and omissions coverages in 37 states.

Agency producers have direct access through CSU Producer Resources to a group of our underwriters who focus exclusively on excess and surplus lines business. Those underwriters can tap into their agencies' broader Cincinnati relationships to bring their policyholders services such as experienced and responsive loss control and claims handling. Our excess and surplus lines policy administration system delivers electronic copies of policies to producers within minutes of underwriting approval and policy issue. CSU Producer Resources gives extra support to our producers by remitting excess and surplus lines taxes and stamping fees and retaining admitted market affidavits, where required.

REGULATION

The business of insurance primarily is regulated by state law. All of our insurance company subsidiaries are domiciled in the State of Ohio, except The Cincinnati Specialty Underwriters Insurance Company, which is domiciled in the State of Delaware. Each insurance subsidiary is governed by the insurance laws and regulations in its respective state of domicile. We also are subject to state regulatory authorities of all states in which we write insurance. The state laws and regulations that have the most significant effect on our insurance operations and financial reporting are discussed below.

- Insurance Holding Company Regulation – We are regulated as an insurance holding company system in the respective states of domicile of our standard market property casualty company subsidiary and its surplus lines and life insurance subsidiaries. These regulations require that we annually furnish financial and other information about the operations of the individual companies within the holding company system. All transactions within a holding company affecting insurers must be fair and equitable. Notice to the state insurance commissioner is required prior to the consummation of transactions affecting the ownership or control of an insurer and prior to certain material transactions between an insurer and any person or entity in its holding company group. In addition, some of those transactions cannot be consummated without the commissioner's prior approval.
- Subsidiary Dividends – The Cincinnati Insurance Company is 100 percent owned by Cincinnati Financial Corporation. The dividend-paying capacity of The Cincinnati Insurance Company and its 100 percent owned subsidiaries is regulated by the laws of the applicable state of domicile. Under these laws, our insurance subsidiaries must provide a 10-day advance informational notice to the insurance commissioner for the domiciliary state prior to payment of any dividend or distribution to its shareholders. In all cases, ordinary dividends may be paid only from earned surplus, which for the Ohio subsidiaries is the amount of unassigned funds set forth in an insurance subsidiary's most recent statutory financial statement. For the Delaware subsidiary, it is the amount of available and accumulated funds derived from the subsidiary's net operating profit of its business and realized capital gains.

  The insurance company subsidiaries must give 30 days notice to and obtain prior approval from the state insurance commissioner before the payment of an extraordinary dividend as defined by the state's insurance code. You can find information about the dividends paid by our insurance subsidiary in 2009 in Item 8, Note 9 of the Consolidated Financial Statements, Page 106.
- Insurance Operations – All of our insurance subsidiaries are subject to licensing and supervision by departments of insurance in the states in which they do business. The nature and extent of such regulations vary, but generally have their source in statutes that delegate regulatory, supervisory and administrative powers to state insurance departments. Such regulations, supervision and administration of the insurance subsidiaries include, among others, the standards of solvency that must be met and maintained; the licensing of insurers and their agents and brokers; the nature and limitations on investments; deposits of securities for the benefit of policyholders; regulation of policy forms and premium rates; policy cancellations and non-renewals; periodic examination of the affairs of insurance companies; annual and other reports required to be filed on the financial condition of

insurers or for other purposes; requirements regarding reserves for unearned premiums, losses and other matters; the nature of and limitations on dividends to policyholders and shareholders; the nature and extent of required participation in insurance guaranty funds; the involuntary assumption of hard-to-place or high-risk insurance business, primarily workers' compensation insurance; and the collection, remittance and reporting of certain taxes and fees.

The legislative and regulatory climate in Florida continues to create uncertainty for the insurance industry. In February 2007, we adopted a marketing stance of continuing to service existing accounts while writing no new business relationships in Florida. This remained our stance through 2009, except in the lines of directors and officers, surety, machinery and equipment and life insurance, which we resumed writing in June 2007, subject to existing guidelines. In 2009, we cautiously resumed writing additional commercial lines new business, while working to more actively manage the associated catastrophe risk, carefully underwriting new commercial submissions and non-renewing commercial and personal lines policies that present the most risk of loss because of their age, construction and geographic characteristics. In 2009, our property casualty written premiums from Florida agencies were 2.3 percent of net written premiums, compared with 2.9 percent in 2008.

On August 24, 2007, the company received administrative subpoenas from the Florida Office of Insurance Regulation seeking documents and testimony concerning insurance for residential risks located in Florida and communications with reinsurers, risk modeling companies, rating agencies and insurance trade associations. We produced documents to respond to the subpoenas. The Office of Insurance Regulation canceled and has not rescheduled the hearing noticed in the subpoena for October 18, 2007. Although inactive, these subpoenas remain outstanding as of December 31, 2009. We continue to assess the changing insurance environment in Florida and hope to resume writing our complete portfolio of insurance products in the state as the market stabilizes.

- Insurance Guaranty Associations – Each state has insurance guaranty association laws under which the associations may assess life and property casualty insurers doing business in the state for certain obligations of insolvent insurance companies to policyholders and claimants. Typically, states assess each member insurer in an amount related to the insurer's proportionate share of business written by all member insurers in the state. Our insurance companies received a savings of less than $2 million from guaranty associations in 2009 and a charge of less than $1 million in 2008. We cannot predict the amount and timing of any future assessments or refunds on our insurance subsidiaries under these laws.
- Shared Market and Joint Underwriting Plans – State insurance regulation requires insurers to participate in assigned risk plans, reinsurance facilities and joint underwriting associations, which are mechanisms that generally provide applicants with various basic insurance coverages when they are not available in voluntary markets. Such mechanisms are most commonly instituted for automobile and workers' compensation insurance, but many states also mandate participation in FAIR Plans or Windstorm Plans, which provide basic property coverages. Participation is based upon the amount of a company's voluntary market share in a particular state for the classes of insurance involved. Underwriting results related to these organizations could be adverse to our company.
- Statutory Accounting – For public reporting, insurance companies prepare financial statements in accordance with GAAP. However, certain data also must be calculated according to statutory accounting rules as defined in the NAIC's Accounting Practices and Procedures Manual (SAP). While not a substitute for any GAAP measure of performance, statutory data frequently is used by industry analysts and other recognized reporting sources to facilitate comparisons of the performance of insurance companies.
- Insurance Reserves – State insurance laws require that property casualty and life insurers analyze the adequacy of reserves annually. Our appointed actuaries must submit an opinion that reserves are adequate for policy claims-paying obligations and related expenses.
- Risk-Based Capital Requirements – The NAIC's risk-based capital (RBC) requirements for property casualty and life insurers serve as an early warning tool for the NAIC and state regulators to identify companies that may be undercapitalized and may merit further regulatory action. The NAIC has a standard formula for annually assessing RBC. The formula for calculating RBC for property casualty companies takes into account asset and credit risks but places more emphasis on underwriting factors for reserving and pricing. The formula for calculating RBC for life insurance companies takes into account factors relating to insurance, business, asset and interest rate risks.

Although the federal government and its regulatory agencies generally do not directly regulate the business of insurance, federal initiatives can affect our business. We do not expect to have any material effects on our expenditures, earnings or competitive position as a result of compliance with any federal, state, or local provisions enacted or regulated relating to the protection of the environment. We currently do not have any material estimated capital expenditures for environmental control facilities.

Item 1A. Risk Factors

Our business involves various risks and uncertainties that may affect achievement of our business objectives. Many of the risks could have ramifications across our organization. For example, while risks related to setting insurance rates and establishing and adjusting loss reserves are insurance activities, errors in these areas could have an impact on our investment activities, growth and overall results.

The following discussion should be viewed as a starting point for understanding the significant risks we face. It is not a definitive summary of their potential impacts or of our strategies to manage and control the risks. Please see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Page 34, for a discussion of those strategies.

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

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

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

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

Certain events or conditions could diminish our agents' desire to produce business for us and the competitive advantage that our independent agencies enjoy:

- Downgrade of the financial strength ratings of our insurance subsidiaries. We believe our strong insurer financial strength ratings, in particular the A+ (Superior) rating from A.M. Best for our standard market property casualty insurance subsidiaries, are an important competitive advantage. Ratings agencies could change or expand their requirements. If our property casualty ratings were to be downgraded, our agents might find it more difficult to market our products or might choose to emphasize the products of other carriers. See Item 1, Our Business and Our Strategy, Page 1, for additional discussion of our financial strength ratings.
- Concerns that doing business with us is difficult or not profitable, perceptions that our level of service is no longer a distinguishing characteristic in the marketplace, or perceptions that our business practices are not compatible with agents' business models. These issues could occur if agents or policyholders believe that we are no longer providing the prompt, reliable personal service that has long been a distinguishing characteristic of our insurance operations.
- Delays in the development, implementation, performance and benefits of technology projects and enhancements or independent agent perceptions that our technology solutions are inadequate to match their needs.

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

Further, policyholders may choose a competitor's product rather than our own because of real or perceived differences in price, terms and conditions, coverage or service. If the quality of the independent agencies with which we do business were to decline, that also might cause policyholders to purchase their insurance through different agencies or channels. Consumers, especially in the personal insurance segments, may increasingly choose to purchase insurance from distribution channels other than independent insurance agents, such as direct marketers.

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

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

to appropriately manage catastrophe risk depends partially on catastrophe models, the accuracy of which may be affected by inaccurate or incomplete data, the uncertainty of the frequency and severity of future events and the uncertain impact of climate change.

The geographic regions in which we market insurance are exposed to numerous natural catastrophes, such as:

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

The occurrence of terrorist attacks in the geographic areas we serve could result in substantially higher claims under our insurance policies than we have anticipated. While we do insure terrorism risk in all areas we serve, we have identified our major terrorism exposure as general commercial risks in the metropolitan Chicago area, small co-op utilities, small shopping malls and small colleges throughout our 37 active states, and, because of the number of associates located there, our Fairfield headquarters. Additionally, our life insurance subsidiary could be adversely affected in the event of a terrorist event or an epidemic such as the avian or swine flu, particularly if the epidemic were to affect a broad range of the population beyond just the very young or the very old. Our associate health plan is self-funded and could similarly be affected.

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

Our geographic concentration ties our performance to business, economic, environmental and regulatory conditions in certain states. We market our property casualty insurance products in 37 states, but our business is concentrated in the Midwest and Southeast. We also have exposure in states where we do not actively market insurance when clients of our independent agencies have businesses or properties in multiple states.

The Cincinnati Insurance Company also participates in three assumed reinsurance treaties with two reinsurers that spread the risk of very high catastrophe losses among many insurers. In 2009, the largest treaty had exposure of up to $7 million of assumed losses in three layers, from $1.0 billion to $1.7 billion, from a single event under an assumed reinsurance treaty for Munich Re Group.

In the event of a severe catastrophic event or terrorist attack elsewhere in the world, our insurance losses may be immaterial. However, the companies in which we invest might be severely affected, which could affect our financial condition and results of operations. Our reinsurers might experience significant losses, potentially jeopardizing their ability to pay losses we cede to them. We also may be exposed to state guaranty fund assessments if other carriers in a state cannot meet their obligations to policyholders. A catastrophe or epidemic event also could affect our operations by damaging our headquarters facility, injuring associates and visitors at our Fairfield, Ohio, headquarters or disrupting our associates' ability to perform their assigned tasks.

Our ability to achieve our performance objectives could be affected by changes in the financial, credit and capital markets or the general economy.

We invest premiums received from policyholders and other available cash to generate investment income and capital appreciation, maintaining sufficient liquidity to pay covered claims and operating expenses, service our debt obligations and pay dividends.

Investment income is an important component of our revenues and net income. The ability to increase investment income and generate longer-term growth in book value is affected by factors that are beyond our control, such as inflation, economic growth, interest rates, world political conditions, changes in laws and regulations, terrorism attacks or threats, adverse events affecting other companies in our industry or the industries in which we invest, market events leading to credit constriction and other widespread unpredictable events. These events may adversely affect the economy generally and could cause our investment income or the value of securities we own to decrease. A significant decline in our investment income could have an adverse effect on our net income, and thereby on our shareholders' equity and our policyholders' surplus. For more detailed discussion of risks associated with our investments, please refer to Item 7A, Quantitative and Qualitative Disclosures About Market Risk, Page 82.

We issue life contracts with guaranteed minimum returns, referred to as bank-owned life insurance contracts (BOLIs). BOLI investment assets must meet certain criteria established by the regulatory authorities in which jurisdiction the group contract holder is subject. Therefore, sales of investments may be mandated to maintain compliance with these regulations, possibly requiring gains or losses to be recorded.

We could experience losses if the assets in the accounts were less than liabilities at the time of maturity or termination. We discuss other risks associated with our separate account BOLIs in Item 7, Critical Accounting Estimates, Separate Accounts, Page 45.

Deterioration in the banking sector or in banks with which we have relationships could affect our results of operations. Our ability to maintain or obtain short-term lines of credit could be affected if the banks from which we obtain these lines are purchased, fail or are otherwise negatively affected. We may lose premium if a bank that owns appointed agencies were to change its strategies. We could experience increased losses in our director and officer liability line of business if claims were made against insured financial institutions.

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

At year-end 2009, common stock holdings made up 24.5 percent of our invested assets. Adverse news or events affecting the global or U.S. economy or the equity markets could affect our net income, book value and overall results as well as our ability to pay our common stock dividend. See Item 7, Investments Results of Operations, Page 64, and Item 7A, Quantitative and Qualitative Disclosures About Market Risk, Page 82, for discussion of our investment activities.

Deteriorating credit and market conditions could also impair our ability to access credit markets and could affect existing or future lending arrangements.

Our overall results could be affected if a significant portion of our commercial lines policyholders, including those purchasing surety bonds, are adversely affected by marked or prolonged economic downturns and events such as a downturn in construction and related sectors, tightening credit markets and higher fuel costs. Such events could make it more difficult for policyholders to finance new projects, complete projects or expand their businesses, leading to lower premiums from reduced payrolls and sales and lower purchases of equipment and vehicles. These events could also cause claims, including surety claims, to increase due to a policyholder's inability to secure necessary financing to complete projects or to collect on underlying lines of credit in the claims process. Such economic downturns and events could have a greater impact in the construction sector where we have a concentration of risks and in geographic areas that are hardest hit by economic downturns.

Deteriorating economic conditions could also increase the degree of credit risk associated with amounts due from independent agents who collect premiums for payment to us and could hamper our ability to recover amounts due from reinsurers.

Our ability to properly underwrite and price risks and increased competition could adversely affect our results.

Our financial condition, cash flow and results of operations depend on our ability to underwrite and set rates accurately for a full spectrum of risks. We establish our pricing based on assumptions about the level of losses that may occur within classes of business, geographic regions and other criteria.

To properly price our products, we must collect and properly analyze data; the data must be sufficient, reliable and accessible; we need to develop appropriate rating methodologies and formulae; and we may need to identify and respond to trends quickly. Inflation trends, especially outside of historical norms, may make it more difficult to determine adequate pricing. If rates are not accurate, we may not generate enough premiums to offset losses and expenses or we may not be competitive in the marketplace.

Our ability to set appropriate rates could be hampered if a state or states where we write business refuses to allow rate increases that we believe are necessary to cover the risks insured. At least one state requires us to purchase reinsurance from a mandatory reinsurance fund. Such reinsurance funds can create a credit risk for insurers if not adequately funded by the state and, in some cases, the existence of a reinsurance fund could affect the prices charged for our policies. The effect of these and similar arrangements could reduce our profitability in any given period or limit our ability to grow our business.

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

- Competitiveness of premiums charged
- Relationships among carriers, agents, brokers and policyholders
- Underwriting and pricing methodologies that allow insurers to identify and flexibly price risks
- Compensation provided to agents
- Underwriting discipline
- Terms and conditions of insurance coverage
- Speed at which products are brought to market

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

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

Please see the discussion of our Commercial Lines, Personal Lines and Life Insurance Segments in Item 1, Page 12, Page 15 and Page 16, for a discussion of our competitive position in the insurance marketplace.

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

Our consolidated financial statements are prepared using GAAP. These principles require us to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes. Actual results could differ materially from those estimates. For a discussion of the significant accounting policies we use to prepare our financial statements and the material implications of uncertainties associated with the methods, assumptions and estimates underlying our critical accounting policies, please refer to Item 8, Note 1 of the Consolidated Financial Statements, Page 94, and Item 7, Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves and Life Insurance Policy Reserves, Page 38 and Page 42.

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

The estimation process for unpaid loss and loss expense obligations involves uncertainty by its very nature. We continually review the estimates and adjust the reserves as facts about individual claims develop, additional losses are reported and new information becomes known. Adjustments due to loss development on prior periods are reflected in the calendar year in which they are identified. The process used to determine our loss reserves is discussed in Item 7, Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves and Life Insurance Policy Reserves, Page 38 and Page 42.

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

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

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

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

We participated in USAIG, a joint underwriting association of individual insurance companies that collectively functions as a worldwide insurance market for all types of aviation and aerospace accounts. Our participation was terminated after policy year 2002. At year-end 2009, 31 percent, or $212 million, of our total reinsurance receivables were related to USAIG, primarily for events of September 11, 2001, offset by $221 million of amounts ceded to other pool participants and reinsurers. If the pool participants and reinsurers were unable to fulfill their financial obligations and all security collateral that supports the participants' obligations became worthless, we could be liable for an additional pool liability of $288 million and our financial position and results of operations could be materially affected. Currently all pool participants and reinsurers are financially solvent.

Please see Item 7, 2010 Reinsurance Programs, Page 79, for a discussion of our reinsurance treaties.

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

Our business depends on our associates' ability to perform necessary business functions, such as processing new and renewal policies and claims. We increasingly rely on technology and systems to accomplish these business functions in an efficient and uninterrupted fashion. Our inability to access our headquarters facilities or a failure of technology, telecommunications or other systems could significantly impair our ability to perform such functions on a timely basis or affect the accuracy of transactions. If sustained or repeated, such a business interruption or system failure could result in a deterioration of our ability to write and process new and renewal business, serve our agents and policyholders, pay claims in a timely manner, collect receivables or perform other necessary business functions. If our disaster recovery and business continuity plans did not sufficiently consider, address or reverse the circumstances of an interruption or failure, this could result in a materially adverse effect on our operating results and financial condition. This risk is exacerbated because approximately 70 percent of our associates work at our Fairfield, Ohio, headquarters.

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

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

Further, the National Association of Insurance Commissioners (NAIC), state insurance regulators and state legislators continually re-examine existing laws and regulations governing insurance companies and insurance holding companies, specifically focusing on modifications to statutory accounting principles, interpretations of existing laws, regulations relating to product forms and pricing methodologies and the development of new laws and regulations that affect a variety of financial and nonfinancial components of our business. Any proposed or future legislation, regulation or NAIC initiatives, if adopted, may be more restrictive on our ability to conduct business than current regulatory requirements or may result in higher costs.

Federal laws and regulations, including those that may be enacted in the wake of the financial and credit crises, may have adverse affects on our business, potentially including a change from a state-based system of regulation to a system of federal regulation, the repeal of the McCarran Ferguson Act and/or the establishment of an insurance office in Department of Treasury. While we do not participate or intend to seek to participate in the Troubled Asset Relief Program, the effect of it or any similar legislation on our industry, particularly competition from insurers that do participate, and the economy in general is uncertain.

The effects of such changes could adversely affect our results of operations. Please see Item 7, Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves and Life Insurance Policy Reserves, Page 38 and Page 42, for a discussion of our reserving practices.

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

While technology can streamline many business processes and ultimately reduce the cost of operations, technology initiatives present short-term cost, implementation and operational risks. In addition, we may have inaccurate expense projections, implementation schedules or expectations regarding the effectiveness and user acceptance of the end product. These issues could escalate over time. If we were unable to find and retain employees with key technical knowledge, our ability to develop and deploy key technology solutions could be hampered.

We necessarily collect, use and hold data concerning individuals and businesses with whom we have a relationship. Threats to data security rapidly emerge and change, exposing us to rising costs and competing time constraints to secure our data in accordance with customer expectations and statutory and regulatory requirements. A breach of our security that results in unauthorized access to our data could expose us to data loss, litigation, damages, fines and penalties, significant increases in compliance costs and reputational damage.

Please see Item 1, Strategic Initiatives, Page 8 for a discussion of our technology initiatives.

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

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

Dividends paid to our parent company by our insurance subsidiary are restricted by the insurance laws of Ohio, its domiciliary state. These laws establish minimum solvency and liquidity thresholds and limits. Currently, the maximum dividend that may be paid without prior regulatory approval is limited to the greater of 10 percent of statutory surplus or 100 percent of statutory net income for the prior calendar year, up to the amount of statutory unassigned surplus as of the end of the prior calendar year. Dividends exceeding these limitations may be paid only with prior approval of the Ohio Department of Insurance. Consequently, at times, we might not be able to receive dividends from our insurance subsidiary, or we might not receive dividends in the amounts necessary to meet our debt obligations or to pay dividends on our common stock without liquidating securities. This could affect our financial position.

Please see Item 1, Regulation, Page 21, and Item 8, Note 9 of the Consolidated Financial Statements, Page 106, for discussion of insurance holding company dividend regulations.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Cincinnati Financial Corporation owns our headquarters building located on 100 acres of land in Fairfield, Ohio. This building has approximately 1,508,200 total square feet of available space. The property, including land, is carried in our financial statements at $165 million as of December 31, 2009, and is classified as land, building and equipment, net, for company use.
John J. & Thomas R. Schiff & Co. Inc., a related party, occupies approximately 6,750 square feet (less than 1 percent).

Cincinnati Financial Corporation also owns the Fairfield Executive Center, which is located on the northwest corner of our headquarters property. This four-story office building has approximately 124,000 square feet of available space. The property is carried in the financial statements at $6 million as of December 31, 2009, and is classified as an other invested asset. Unaffiliated tenants occupy approximately 8 percent. All unoccupied space is currently available for lease.

The Cincinnati Insurance Company owns a building used for business continuity, with approximately 48,000 square feet of available space, located approximately six miles from our headquarters. The property, including land, is carried on our financial statements at $10 million as of December 31, 2009, and is classified as land, building and equipment, net, for company use.

Item 3. Legal Proceedings

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

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

No matters were submitted to a vote of security holders of Cincinnati Financial during the fourth quarter of 2009.

Part II

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

Cincinnati Financial Corporation had approximately 13,000 shareholders of record and approximately 36,000 beneficial shareholders as of December 31, 2009. Many of our independent agent representatives and most of the 4,170 associates of our subsidiaries own the company's common stock. We are unable to quantify those holdings because many are beneficially held.

Our common shares are traded under the symbol CINF on the Nasdaq Global Select Market.

(Source: Nasdaq Global Select Market)	2009				2008			
Quarter:	**1st**	**2nd**	**3rd**	**4th**	1st	2nd	3rd	4th
High	**$ 29.66**	**$ 26.94**	**$ 26.31**	**$ 26.89**	$ 39.71	$ 39.97	$ 33.60	$ 31.71
Low	**17.84**	**21.40**	**21.30**	**25.05**	35.10	25.40	21.83	18.80
Period-end close	**22.87**	**22.35**	**25.99**	**26.24**	38.04	25.40	28.44	29.07
Cash dividends declared	**0.39**	**0.39**	**0.395**	**0.395**	0.39	0.39	0.39	0.39

We discuss the factors that affect our ability to pay cash dividends and repurchase shares in Item 7, Liquidity and Capital Resources, Page 68. One factor we address is regulatory restrictions on the dividends our insurance subsidiary can pay to the parent company, which also is discussed in Item 8, Note 9 of the Consolidated Financial Statements, Page 106.

The following summarizes securities authorized for issuance under our equity compensation plans as of December 31, 2009:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights at December 31, 2009	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) at December 31, 2009
	(a)	(b)	(c)
Equity compensation plans approved by security holders	9,875,411	$ 36.67	7,726,853
Equity compensation plans not approved by security holders	-	-	-
Total	9,875,411	$ 36.67	7,726,853

The number of securities remaining available for future issuance includes: 7,354,695 shares available for issuance under the Cincinnati Financial Corporation 2006 Stock Compensation Plan, which can be issued as stock options, service-based, or performance-based restricted stock units, stock appreciation rights or other equity-based grants; 72,158 shares of stock options available for issuance under the Cincinnati Financial Corporation Stock Option Plan VII and 300,000 shares available for issuance of share grants under the Director's Stock Plan of 2009, which was approved by shareholders during 2009. Additional information about stock-based associate compensation granted under our equity compensation plans is available in Item 8, Note 17 of the Consolidated Financial Statements, Page 113.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1-31, 2009	0	$ 0.00	0	9,048,574
February 1-28, 2009	0	0.00	0	9,048,574
March 1-31, 2009	3,174	22.69	3,174	9,045,400
April 1-30, 2009	1,303	26.71	1,303	9,044,097
May 1-31, 2009	0	0.00	0	9,044,097
June 1-30, 2009	0	0.00	0	9,044,097
July 1-31, 2009	0	0.00	0	9,044,097
August 1-31, 2009	0	0.00	0	9,044,097
September 1-30, 2009	0	0.00	0	9,044,097
October 1-31, 2009	0	0.00	0	9,044,097
November 1-30, 2009	0	0.00	0	9,044,097
December 1-31, 2009	0	0.00	0	9,044,097
Totals	4,477	23.86	4,477	

We did not sell any of our shares that were not registered under the Securities Act during 2009. The board of directors has authorized share repurchases since 1996. Purchases are expected to be made generally

through open market transactions. The board gives management discretion to purchase shares at reasonable prices in light of circumstances at the time of purchase, subject to SEC regulations.

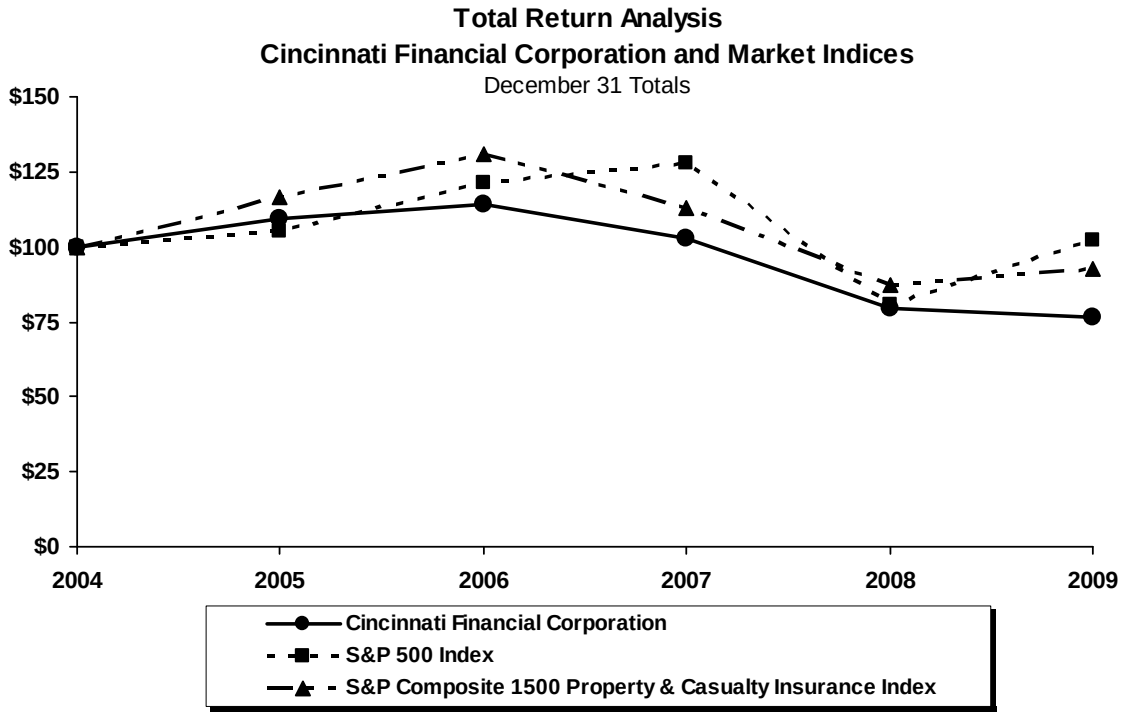
On October 24, 2007, the board of directors expanded the existing repurchase authorization to approximately 13 million shares. The prior repurchase program for 10 million shares was announced in 2005, replacing a program that had been in effect since 1999. No repurchase program has expired during the period covered by the above table. All of the publicly announced plan repurchases in the table above were made under the expansion announced in October 2007 of our 2005 program. Neither the 2005 nor 1999 program had an expiration date, but no further repurchases will occur under the 1999 program.

Cumulative Total Return

As depicted in the graph below, the five–year total return on a $100 investment made December 31, 2004, assuming the reinvestment of all dividends, was a negative 23.3 percent for Cincinnati Financial Corporation's common stock compared with a negative 7.3 percent for the Standard & Poor's Composite 1500 Property & Casualty Insurance Index and a 2.1 percent return for the Standard & Poor's 500 Index.

The Standard & Poor's Composite 1500 Property & Casualty Insurance Index includes 25 companies: Allstate Corporation, American Physicians Capital, Amerisafe Inc., Berkley (W R) Corporation, Chubb Corporation, Cincinnati Financial Corporation, Employers Holdings Inc., Fidelity National Financial Inc., First American Corporation, Hanover Insurance Group Inc., Infinity Property & Casualty Corporation, Mercury General Corporation, Navigators Group Inc., Old Republic International Corporation, Proassurance Corporation, Progressive Corporation, RLI Corporation, Safety Insurance Group Inc., Selective Insurance Group Inc., Stewart Information Services, Tower Group Inc., Travelers Companies Inc., United Fire & Casualty Company, XL Capital Ltd. and Zenith National Insurance Corporation.

The Standard & Poor's 500 Index includes a representative sample of 500 leading companies in a cross section of industries of the U.S. economy. Although this index focuses on the large capitalization segment of the market, it is widely viewed as a proxy for the total market.



Item 6. Selected Financial Data

(In millions except per share data)	Years ended December 31,			
	2009	2008	2007	2006
Consolidated Income Statement Data				
Earned premiums	**$ 3,054**	$ 3,136	$ 3,250	$ 3,278
Investment income, net of expenses	**501**	537	608	570
Realized investment gains and losses*	**336**	138	382	684
Total revenues	**3,903**	3,824	4,259	4,550
Net income	**432**	429	855	930
Net income per common share:				
Basic	**$ 2.66**	$ 2.63	$ 5.01	$ 5.36
Diluted	**2.65**	2.62	4.97	5.30
Cash dividends per common share:				
Declared	**1.57**	1.56	1.42	1.34
Paid	**1.565**	1.525	1.40	1.31
Shares Outstanding				
Weighted average, diluted	**163**	163	172	175
Consolidated Balance Sheet Data				
Invested assets	**$ 10,643**	$ 8,890	$ 12,261	$ 13,759
Deferred policy acquisition costs	**481**	509	461	453
Total assets	**14,440**	13,369	16,637	17,222
Gross loss and loss expense reserves	**4,142**	4,086	3,967	3,896
Life policy reserves	**1,783**	1,551	1,478	1,409
Long-term debt	**790**	791	791	791
Shareholders' equity	**4,760**	4,182	5,929	6,808
Book value per share	**29.25**	25.75	35.70	39.38
Value creation ratio	**19.7 %**	(23.5) %	(5.7) %	16.7 %
Consolidated Property Casualty Operations				
Earned premiums	**$ 2,911**	$ 3,010	$ 3,125	$ 3,164
Unearned premiums	**1,507**	1,542	1,562	1,576
Gross loss and loss expense reserves	**4,096**	4,040	3,925	3,860
Investment income, net of expenses	**336**	350	393	367
Loss ratio	**58.6 %**	57.7 %	46.6 %	51.9 %
Loss expense ratio	**13.1**	10.6	12.0	11.6
Underwriting expense ratio	**32.8**	32.3	31.7	30.8
Combined ratio	**104.5 %**	100.6 %	90.3 %	94.3 %

Per share data adjusted to reflect all stock splits and dividends prior to December 31, 2009.

* Realized investment gains and losses are integral to our financial results over the long term, but our substantial discretion in the timing of investment sales may cause this value to fluctuate substantially. Also, applicable accounting standards require us to recognize gains and losses from certain changes in fair values of securities and embedded derivatives without actual realization of those gains and losses. We discuss realized investment gains for the past three years in Item 7, Investments Results of Operations, Page 64.

2005	2004	2003	2002	2001	2000	1999
$ 3,164	$ 3,020	$ 2,748	$ 2,478	$ 2,152	$ 1,907	$ 1,732
526	492	465	445	421	415	387
61	91	(41)	(94)	(25)	(2)	0
3,767	3,614	3,181	2,843	2,561	2,331	2,128
602	584	374	238	193	118	255
$ 3.44	$ 3.30	$ 2.11	$ 1.33	$ 1.10	$ 0.67	$ 1.40
3.40	3.28	2.10	1.32	1.07	0.67	1.37
1.205	1.04	0.90	0.81	0.76	0.69	0.62
1.162	1.02	0.89	0.80	0.74	0.67	0.60
177	178	178	180	179	181	186
$ 12,702	$ 12,677	$ 12,485	$ 11,226	$ 11,534	$ 11,276	$ 10,156
429	400	372	343	286	259	226
16,003	16,107	15,509	14,122	13,964	13,274	11,795
3,661	3,549	3,415	3,176	2,887	2,473	2,154
1,343	1,194	1,025	917	724	641	885
791	791	420	420	426	449	456
6,086	6,249	6,204	5,598	5,998	5,995	5,421
34.88	35.60	35.10	31.43	33.62	33.80	30.35
1.4 %	4.4 %	14.5 %	(4.1) %	1.7 %	13.6 %	1.3 %
$ 3,058	$ 2,919	$ 2,653	$ 2,391	$ 2,073	$ 1,828	$ 1,658
1,557	1,537	1,444	1,317	1,060	920	835
3,629	3,514	3,386	3,150	2,894	2,416	2,093
338	289	245	234	223	223	208
49.2 %	49.8 %	56.1 %	61.5 %	66.6 %	71.1 %	61.6 %
10.0	10.3	11.6	11.4	10.1	11.3	10.0
30.0	29.7	27.0	26.8	28.2	30.4	28.6
89.2 %	89.8 %	94.7 %	99.7 %	104.9 %	112.8 %	100.2 %

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The purpose of Management's Discussion and Analysis is to provide an understanding of Cincinnati Financial Corporation's consolidated results of operations and financial condition. Our Management's Discussion and Analysis should be read in conjunction with Item 6, Selected Financial Data, Pages 32 and 33, and Item 8, Consolidated Financial Statements and related Notes, beginning on Page 87. We present per share data on a diluted basis unless otherwise noted, adjusting those amounts for all stock splits and stock dividends.

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

EXECUTIVE SUMMARY

Through The Cincinnati Insurance Company, Cincinnati Financial Corporation is one of the 25 largest property casualty insurers in the nation, based on written premium volume for approximately 2,000 U.S. stock and mutual insurer groups. We market our insurance products through a select group of independent insurance agencies in 37 states as discussed in Item 1, Our Business and Our Strategy, Page 1.

Although 2009 and 2008 were difficult years for our economy, our industry and our company, our long-term perspective lets us address the immediate challenges while focusing on the major decisions that best position the company for success through all market cycles. We believe that this forward-looking view has consistently benefited our shareholders, agents, policyholders and associates.

To measure our progress, we have defined a measure of value creation that we believe captures the contribution of our insurance operations, the success of our investment strategy and the importance we place on paying cash dividends to shareholders. We refer to this measure as our value creation ratio, or VCR, and it is made up of two primary components: (1) our rate of growth in book value per share plus (2) the ratio of dividends declared per share to beginning book value per share. For the period 2010 through 2014, an annual value creation ratio averaging 12 percent to 15 percent is our primary performance target. Management believes this non-GAAP measure is a useful supplement to GAAP information. With heightened economic and market uncertainty since 2008, we believe the long-term nature of this ratio is an appropriate way to measure our long-term progress in creating shareholder value.

	One year	Three-year % average	Five-year % average
Value creation ratio			
as of December 31, 2009	**19.7 %**	**(3.2) %**	**1.7 %**
as of December 31, 2008	(23.5)	(4.2)	(1.3)
as of December 31, 2007	(5.7)	4.1	6.3

When looking at our longer-term objectives, we see three performance drivers:

- Premium growth – We believe over any five-year period our agency relationships and initiatives can lead to a property casualty written premium growth rate that exceeds the industry average. The compound annual growth rate of our net written premiums was negative 0.6 percent over the five-year period 2005 through 2009, equal to the negative 0.6 percent estimated growth rate for the property casualty insurance industry.
- Combined ratio – We believe our underwriting philosophy and initiatives can generate a GAAP combined ratio over any five-year period that is consistently below 100 percent. Our GAAP combined ratio has averaged 95.6 percent over the five-year period 2005 through 2009. Our combined ratio was below 100 percent in each year during the period, except 2008 and 2009, which averaged 102.5 percent, and which averaged catastrophe losses that were 2.5 percentage points higher than the average for the 10-year period prior to 2008. Performance as measured by the combined ratio is discussed in Consolidated Property Casualty Insurance Results of Operations, Page 46. Our statutory combined ratio averaged 95.4 percent over the five-year period 2005 through 2009 compared with an estimated 98.9 percent for the property casualty industry.

- Investment contribution - We believe our investment philosophy and initiatives can drive investment income growth and lead to a total return on our equity investment portfolio over a five-year period that exceeds the five-year return of the Standard & Poor's 500 Index.
    - Investment income growth, on a before-tax basis, grew at a compound annual rate of 0.3 percent over the five-year period 2005 through 2009. It grew in each year except 2008 and 2009, when we experienced a dramatic reduction in dividend payouts by financial services companies held in our equity portfolio, a risk we addressed aggressively during 2008, completing that effort in early 2009.
    - Over the five years ended December 31, 2009, our compound annual equity portfolio return was a negative 5.8 percent compared with a compound annual total return of 0.4 percent for the Index. Our equity portfolio underperformed the market for the five-year period primarily because of the decline in the market value of our previously large holdings in the financial services sector. For the year 2009, our compound annual equity portfolio return was 16.4 percent, compared with 26.5 percent for the Index, as the broad market rally did not favor the higher quality, dividend-paying stocks we prefer.

The board of directors is committed to rewarding shareholders directly through cash dividends and through authorizing share repurchases. The board also has periodically declared stock dividends and splits. Through 2009, the company has increased the indicated annual cash dividend rate for 49 consecutive years, a record we believe is matched by only 11 other publicly traded companies. The board regularly evaluates relevant factors in dividend-related decisions, and the increase reflects confidence in our strong capital, liquidity and financial flexibility, as well as progress through our initiatives to improve earnings performance. We discuss our financial position in more detail in Liquidity and Capital Resources, Page 68.

Strategic Initiatives Highlights

Management has worked to identify the strategies that can lead to long-term success, with concurrence by the board of directors. Our strategies are intended to position us to compete successfully in the markets we have targeted while appropriately managing risk. We believe successful implementation of the initiatives that support our strategies will help us better serve our agent customers, reduce volatility in our financial results and weather difficult economic, market or industry pricing cycles.

- Manage capital effectively – Continued focus on these initiatives is intended to manage our capital and liquidity so that we can successfully grow our insurance business. A strong capital position provides the capacity to support premium growth and provides the liquidity to pay claims while sustaining our investment in the people and infrastructure needed to implement our other strategic initiatives.
- Improve insurance profitability – Implementation of these operational initiatives is intended to support profitable growth for the agencies that represent us and for our company. These initiatives seek to enhance our underwriting or pricing expertise and to provide more advanced technology to our agents, allowing them to serve clients faster and manage expenses better. Some initiatives also streamline our internal processes so we can devote more resources to agent service.
- Drive premium growth – Implementation of these operational initiatives is intended to expand our geographic footprint and diversify our premium sources to obtain profitable growth without significant infrastructure expense. Diversified growth also may reduce our catastrophe exposure risk.

We discuss each of these strategies, along with the metrics we use to assess their progress, in Item 1, Strategic Initiatives, Page 8,

Factors Influencing Our Future Performance

In 2009, our value creation ratio result exceeded our target annual average of 12 percent to 15 percent for the period 2010 through 2014, and in 2008, it was below our target, as discussed in the review of our financial highlights below. For the year 2010, we believe our value creation ratio may be below our long-term target for several reasons.

- The strong rally in financial markets during 2009 had a highly favorable impact on our 2009 value creation ratio, offsetting much of the unfavorable impact of the sharp decline in financial markets during 2008. That decline also was reflected in the value creation ratio. Should financial markets decline during 2010, which could occur as part of typical volatility patterns, the related component of our 2010 value creation ratio could also register a weak or negative result.
- Lingering effects of soft insurance market pricing are expected to affect growth rates and earned premium levels into 2010 and perhaps later, depending on when insurance market conditions improve. These conditions continue to weaken loss ratios and hamper near-term profitability. Economic factors, including inflation, may increase our claims and settlement expenses related to medical care, litigation and construction.
- The weak economy is expected to continue to affect policyholders by deflating the valuation of their business and personal insurable assets. Until the weak economy significantly strengthens, we do not expect to see significant premium growth for the property casualty industry or our commercial lines

segment, which represented 75 percent of our 2009 property casualty net written premiums. Property casualty written premium growth also may lag as our growth initiatives need more time to reach their full contribution.

- We will incur the cost of continued investment in our business, including technology, entry in new states and process initiatives to create long-term value. In addition, we will not see the full advantage of many of these investments for several years.
- Diversification of the investment portfolio during 2008 and early 2009 included sales of selected positions to lock in gains, reduce concentrations and increase liquidity. Proceeds of sales were reinvested in both fixed income and in equity securities with yields that we believe are likely to be more secure, but which could result in slower growth of investment income. We expect to continue making changes to the portfolio, as appropriate.

Our view of the value we can create over the next five years relies on two assumptions about the external environment. First, we anticipate some firming of commercial insurance pricing by the end of 2010. Second, we believe that the economy and financial markets can resume a growth track by the end of 2010. If those assumptions prove to be inaccurate, we may not be able to achieve our performance targets even if we accomplish our strategic objectives.

Other factors that could influence our ability to achieve our targets include:

- We expect the insurance marketplace to remain competitive, which is likely to cause carriers to pursue strategies that they believe could lead to economies of scale, market share gains or the potential for an improved competitive posture. Direct writers will continue to be a factor in the personal insurance market.
- We expect the independent insurance agency system to remain strong and viable, with continued agency consolidation, especially as agency margins come under more pressure due to soft pricing and the difficult economic environment. The soft commercial market that has extended into 2010 creates additional risk for agencies. We expect the soft market to continue for much of 2010, particularly in non-catastrophe-event-prone states and lines of business, absent a significant event or events.
- We expect initiatives that make it easier for agents to do business with us will continue to be a significant factor in agency relationships, with technology being a major driver. Policyholders will increasingly demand online services and access from agents or carriers.

We discuss in our Item 1A, Risk Factors, Page 23, many potential risks to our business and our ability to achieve our qualitative and quantitative objectives. These are real risks, but their probability of occurring may not be high. We also believe that our risk management programs generally could mitigate their potential effects, in the event they would occur. We continue to study emerging risks, including climate change risk and its potential financial effects on our results of operation and those we insure. These effects include deterioration in credit quality of our municipal or corporate bond portfolios and increased losses without sufficient corresponding increases in premiums. As with any risk, we seek to identify the extent of the risk exposure and possible actions to mitigate potential negative effects of risk, at an enterprise level.

We have formal risk management programs overseen by a senior officer and supported by a team of representatives from business areas. The team makes reports to our chairman, our president and chief executive officer and our board of directors, as appropriate, on risk assessments, risk metrics and risk plans. Our use of operational audits, strategic plans and departmental business plans, as well as our culture of open communications and our fundamental respect for our Code of Conduct, continue to help us manage risks on an ongoing basis.

Below we review highlights of our financial results for the past three years. Detailed discussion of these topics appears in Results of Operations, Page 46, and Liquidity and Capital Resources, Page 68.

CORPORATE FINANCIAL HIGHLIGHTS

The value creation ratio discussed in the Executive Summary, Page 34, was 19.7 percent in 2009, negative 23.5 percent in 2008 and negative 5.7 percent in 2007. The book value per share growth component of the value creation ratio was 13.6 percent during 2009, largely reflecting improved valuation of our investment portfolio in addition to earnings. In both 2008 and 2007, a decline in unrealized gains on our investment portfolio was the most significant factor in the decline in book value as discussed below. In 2009 and 2008, net income also was significantly below the level of 2007.

Cash dividends declared per share rose 0.6 percent in 2009, 9.9 percent in 2008 and 6.0 percent in 2007.

Balance Sheet Data

(Dollars in millions except share data)	At December 31, 2009	At December 31, 2008
Balance sheet data		
Invested assets	**$ 10,643**	$ 8,890
Total assets	**14,440**	13,369
Short-term debt	**49**	49
Long-term debt	**790**	791
Shareholders' equity	**4,760**	4,182
Book value per share	**29.25**	25.75
Debt-to-capital ratio	**15.0 %**	16.7 %

Invested assets increased significantly for the year 2009 primarily due to a strong rally in the financial markets, reversing the trend of 2008 from lower fair values for portfolio investments, largely due to economic factors. Entering 2009, the portfolio was substantially more diversified and generally better positioned to withstand short-term fluctuations compared with recent years. The downturn in the economy during 2008 had a particularly adverse effect on our financial sector equity holdings, which made up a significant portion of the portfolio prior to mid-2008. We discuss our investment strategy in Item 1, Investments Segment, Page 18, and results for the segment in Investment Results of Operations, Page 64.

Our ratio of debt to total capital (debt plus shareholders' equity) decreased during 2009 after rising in 2008. The increase during 2008 was due to the effect on shareholders' equity from the declining value of our invested assets.

Income Statement and Per Share Data

(Dollars in millions except share data)	Twelve months ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Income statement data					
Earned premiums	**$ 3,054**	$ 3,136	$ 3,250	**(2.6)**	(3.5)
Investment income, net of expenses (pretax)	**501**	537	608	**(6.8)**	(11.6)
Realized investment gains and losses (pretax)	**336**	138	382	**144.5**	(64.0)
Total revenues	**3,903**	3,824	4,259	**2.1**	(10.2)
Net income	**432**	429	855	**0.7**	(49.9)
Per share data					
Net income	**$ 2.65**	$ 2.62	$ 4.97	**1.1**	(47.3)
Cash dividends declared	**1.57**	1.56	1.42	**0.6**	9.9
Weighted average shares outstanding	**162,866,863**	163,362,409	172,167,452	**(0.3)**	(5.1)

Net income increased $3 million during 2009, reflecting the after-tax net effect of three major contributing items: a $132 million increase from net realized investment gains, partially offset by a $48 million decrease from investment income and a $74 million decrease from property casualty underwriting results. Net income declined in 2008 because of a decline in realized investment gains, a first-ever decline in investment income and a lower aggregate contribution from our insurance segments. A 2008 pension plan settlement reduced 2008 net income by $17 million, or 11 cents per share. The transition from a defined benefit pension plan reduced company risk while providing a company-sponsored 401(k) match to associates.

Weighted average shares outstanding may fluctuate from period to period due to repurchases of shares under board authorizations or issuance of shares when associates exercise stock options. Weighted average shares outstanding on a diluted basis declined by less than 1 million in 2009, after declining 9 million in 2008 and 3 million in 2007.

As discussed in Investment Results of Operation, Page 64, security sales led to realized investment gains in all three years, although 2008 gains were tempered by $510 million in other-than-temporary impairment charges. Realized investment gains and losses are integral to our financial results over the long term. We have substantial discretion in the timing of investment sales and, therefore, the gains or losses that are recognized in any period. That discretion generally is independent of the insurance underwriting process. Also, applicable accounting standards require us to recognize gains and losses from certain changes in fair values of securities and for securities with embedded derivatives without actual realization of those gains and losses.

Lower income from common stock dividends led to a 6.8 percent decline in pretax net investment income in 2009, improving on an 11.6 percent decline for 2008, which was the first decline for this measure in company history. The primary reason for the decline was dividend reductions by common and preferred holdings, including reductions during the year on positions subsequently sold or reduced.

Contribution from Insurance Operations

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Consolidated property casualty highlights					
Written premiums	**$ 2,911**	$ 3,010	$ 3,117	**(3.3)**	(3.4)
Earned premiums	**2,911**	3,010	3,125	**(3.3)**	(3.7)
Underwriting (loss) profit	**(131)**	(17)	304	**nm**	nm
				Pt. Change	Pt. Change
GAAP combined ratio	**104.5 %**	100.6 %	90.3 %	**3.9**	10.3
Statutory combined ratio	**104.4**	100.4	90.3	**4.0**	10.1
Written premium to statutory surplus	**0.8**	0.9	0.7	**(0.1)**	0.2

The decline in property casualty written premium growth reflected the competitive and market factors discussed in Item 1, Commercial Lines and Personal Lines Property Casualty Insurance Segment, Page 12 and Page 15.

In both 2009 and 2008, our property casualty insurance operations reported an underwriting loss after achieving record profitability in 2007. We measure property casualty underwriting profitability primarily by the combined ratio. Our combined ratio measures the percentage of each earned premium dollar spent on claims plus all expenses related to our property casualty operations. A lower ratio indicates more favorable results and better underlying performance. In 2009, 2008 and 2007, favorable development on reserves for claims that occurred in prior accident years helped offset incurred loss and loss expenses. Reserve development is discussed further in Property Casualty Loss and Loss Expense Obligations and Reserves, Pages 71 through 72. Catastrophe losses fluctuated dramatically over the three-year period, with higher than average contributions to the combined ratio of 5.7 and 6.8 percentage points in 2009 and 2008, respectively, following an unusually low 0.8 points in 2007. Our 10-year historical annual average contribution of catastrophe losses to the combined ratio was 4.2 percentage points as of December 31, 2009. The pension plan settlement increased the 2008 combined ratio by 0.8 percentage points.

During 2009, our excess and surplus lines operations contributed $39 million to net written premiums and $27 million to earned premiums. We began excess and surplus lines operations in 2008, and performance is consistent with expectations, including a modest underwriting loss primarily due to start-up expenses related to technology for processing business.

Our life insurance segment continued to provide a consistent source of profit. We discuss results for the segment in Life Insurance Results of Operations, Page 62. Investment income and realized investment gains from the life insurance investment portfolio are included in Investments segment results.

CRITICAL ACCOUNTING ESTIMATES

Cincinnati Financial Corporation's financial statements are prepared using GAAP. These principles require management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes. Actual results could differ materially from those estimates.

The significant accounting policies used in the preparation of the financial statements are discussed in Item 8, Note 1 of the Consolidated Financial Statements, Page 94. In conjunction with that discussion, material implications of uncertainties associated with the methods, assumptions and estimates underlying the company's critical accounting policies are discussed below. The audit committee of the board of directors reviews the annual financial statements with management and the independent registered public accounting firm. These discussions cover the quality of earnings, review of reserves and accruals, reconsideration of the suitability of accounting principles, review of highly judgmental areas including critical accounting policies, audit adjustments and such other inquiries as may be appropriate.

PROPERTY CASUALTY INSURANCE LOSS AND LOSS EXPENSE RESERVES

We establish loss and loss expense reserves for our property casualty insurance business as balance sheet liabilities. These reserves account for unpaid loss and loss expenses as of a financial statement date. Unpaid loss and loss expenses are the estimated amounts necessary to pay for and settle all outstanding insured claims, including incurred but not reported (IBNR) claims, as of that date.

For some lines of business that we write, a considerable and uncertain amount of time can elapse between the occurrence, reporting and payment of insured claims. The amount we will actually have to pay for such claims also can be highly uncertain. This uncertainty, together with the size of our reserves, makes the loss and loss expense reserves our most significant estimate. Gross loss and loss expense reserves were $4.096 billion at year-end 2009 compared with $4.040 billion at year-end 2008.

How Reserves Are Established

Our field claims representatives establish case reserves when claims are reported to the company to provide for our unpaid loss and loss expense obligation associated with individual claims. Experienced

headquarters claims supervisors review individual case reserves greater than $35,000 that were established by field claims representatives. Headquarters claims managers also review case reserves greater than $100,000.

Our claims representatives base their case reserve estimates primarily upon case-by-case evaluations that consider:

- type of claim involved
- circumstances surrounding each claim
- policy provisions pertaining to each claim
- potential for subrogation or salvage recoverable
- general insurance reserving practices

Case reserves of all sizes are subject to review on a 90-day cycle, or more frequently if new information about a loss becomes available. As part of the review process, we monitor industry trends, cost trends, relevant court cases, legislative activity and other current events in an effort to ascertain new or additional loss exposures.

We also establish incurred but not reported (IBNR) reserves to provide for all unpaid loss and loss expenses not accounted for by case reserves:

- For weather events designated as catastrophes, we calculate IBNR reserves directly as a result of an estimated IBNR claim count and an estimated average claim amount for each event. Our claims department management coordinates the assessment of these events and prepares the related IBNR reserve estimates. Such an assessment involves a comprehensive analysis of the nature of the storm, of policyholder exposures within the affected geographic area and of available claims intelligence. Depending on the nature of the event, available claims intelligence could include surveys of field claims associates within the affected geographic area, feedback from a catastrophe claims team sent into the area, as well as data on claims reported as of the financial statement date. We generally use the catastrophe definition provided by Property Claims Service, a division of Insurance Services Office (ISO). PCS defines a catastrophe as an event that causes countrywide damage of $25 million or more in insured property losses and affects a significant number of policyholders and insureds.
- For asbestos and environmental claims, we calculate IBNR reserves by deriving an actuarially based estimate of total unpaid loss and loss expenses. We then reduce the estimate by total case reserves. We discuss the reserve analysis that applies to asbestos and environmental reserves in Asbestos and Environmental Reserves, Page 74.
- For all other claims and events, IBNR reserves are calculated as the difference between an actuarial estimate of the ultimate cost of total loss and loss expenses incurred reduced by the sum of total loss and loss expense payments and total case reserves estimated for individual claims. We discuss below the development of actuarially based estimates of the ultimate cost of total loss and loss expenses incurred.

Our actuarial staff applies significant judgment in selecting models and estimating model parameters when preparing reserve analyses. In addition, unpaid loss and loss expenses are inherently uncertain as to timing and amount. Uncertainties relating to model appropriateness, parameter estimates and actual loss and loss expense amounts are referred to as model, parameter and process uncertainty, respectively. Our management and actuarial staff control for these uncertainties in the reserving process in a variety of ways.

Our actuarial staff bases its IBNR reserve estimates for these losses primarily on the indications of methods and models that analyze accident year data. Accident year is the year in which an insured claim, loss, or loss expense occurred. The specific methods and models that our actuaries have used for the past several years are:

- paid and reported loss development methods
- paid and reported loss Bornhuetter-Ferguson methods
- individual and multiple probabilistic trend family models

Our actuarial staff uses diagnostics provided by stochastic reserving software to evaluate the appropriateness of the models and methods listed above. The software's diagnostics have indicated that the appropriateness of these models and methods for estimating IBNR reserves for our lines of business tends to depend on a line's tail. Tail refers to the time interval between a typical claim's occurrence and its settlement. For our long-tail lines such as workers' compensation and commercial casualty, models from the probabilistic trend family tend to provide superior fits and to validate well compared with models underlying the loss development and Bornhuetter-Ferguson methods. The loss development and Bornhuetter-Ferguson methods, particularly the reported loss variations, tend to produce the more appropriate IBNR reserve estimates for our short-tail lines such as homeowner and commercial property. For our mid-tail lines such as personal and commercial auto liability, all models and methods provide useful insights.

Our actuarial staff also devotes significant time and effort to the estimation of model and method parameters. The loss development and Bornhuetter-Ferguson methods require the estimation of numerous loss development factors. The Bornhuetter-Ferguson methods also involve the estimation of numerous ultimate loss ratios by accident year. Models from the probabilistic trend family require the estimation of development trends, calendar year inflation trends and exposure levels. Consequently, our actuarial staff monitors a number of trends and measures to gain key business insights necessary for exercising appropriate judgment when estimating the parameters mentioned.

These trends and measures include:

- company and industry pricing
- company and industry exposure
- company and industry loss frequency and severity
- past large loss events such as hurricanes
- company and industry premium
- company in-force policy count

These trends and measures also support the estimation of ultimate accident year loss ratios needed for applying the Bornhuetter-Ferguson methods and for assessing the reasonability of all IBNR reserve estimates computed. Our actuarial staff reviews these trends and measures quarterly, updating parameters derived from them as necessary.

Quarterly, our actuarial staff summarizes its reserve analysis by preparing an actuarial best estimate and a range of reasonable IBNR reserves intended to reflect the uncertainty of the estimate. An inter-departmental committee that includes our actuarial management team reviews the results of each quarterly reserve analysis. The committee establishes management's best estimate of IBNR reserves, which is the amount that is included in each period's financial statements. In addition to the information provided by actuarial staff, the committee also considers factors such as the following:

- large loss activity and trends in large losses
- new business activity
- judicial decisions
- general economic trends such as inflation
- trends in litigiousness and legal expenses
- product and underwriting changes
- changes in claims practices

The determination of management's best estimate, like the preparation of the reserve analysis that supports it, involves considerable judgment. Changes in reserving data or the trends and factors that influence reserving data may signal fundamental shifts or may simply reflect single-period anomalies. Even if a change reflects a fundamental shift, the full extent of the change may not become evident until years later. Moreover, since our methods and models do not explicitly relate many of the factors we consider directly to reserve levels, we typically cannot quantify the precise impact of such factors on the adequacy of reserves prospectively or retrospectively.

Due to the uncertainties described above, our ultimate loss experience could prove better or worse than our carried reserves reflect. To the extent that reserves are inadequate and increased, the amount of the increase is a charge in the period that the deficiency is recognized, raising our loss and loss expense ratio and reducing earnings. To the extent that reserves are redundant and released, the amount of the release is a credit in the period that the redundancy is recognized, reducing our loss and loss expense ratio and increasing earnings.

Key Assumptions - Loss Reserving

Our actuarial staff makes a number of key assumptions when using their methods and models to derive IBNR reserve estimates. Appropriate reliance on these key assumptions essentially entails determinations of the likelihood that statistically significant patterns in historical data may extend into the future. The four most significant of the key assumptions used by our actuarial staff and approved by management are:

- Emergence of loss and allocated loss expenses on an accident year basis. Historical paid loss, reported loss and paid allocated loss expense data for the business lines we analyze contain patterns that reflect how unpaid losses, unreported losses and unpaid allocated loss expenses as of a financial statement date will emerge in the future on an accident year basis. Unless our actuarial staff or management identifies reasons or factors that invalidate the extension of historical patterns into the future, these patterns can be used to make projections necessary for estimating IBNR reserves. Our actuaries significantly rely on this assumption in the application of all methods and models mentioned above.

- Calendar year inflation. For long-tail and mid-tail business lines, calendar year inflation trends for future paid losses and paid allocated loss expenses will not vary significantly from a stable, long-term average. Our actuaries base reserve estimates derived from probabilistic trend family models on this assumption.
- Exposure levels. Historical earned premiums, when adjusted to reflect common levels of product pricing and loss cost inflation, can serve as a proxy for historical exposures. Our actuaries require this assumption to estimate expected loss ratios and expected allocated loss expense ratios used by the Bornhuetter-Ferguson reserving methods. They also use this assumption to establish exposure levels for recent accident years, characterized by “green” or immature data, when working with probabilistic trend family models.
- Claims having atypical emergence patterns. Characteristics of certain subsets of claims, such as high frequency, high severity, or mass tort claims, have the potential to distort patterns contained in historical paid loss, reported loss and paid allocated loss expense data. When testing indicates this to be the case for a particular subset of claims, our actuaries segregate these claims from the data and analyze them separately. Subsets of claims that could fall into this category include hurricane claims, individual large claims and asbestos and environmental claims.

These key assumptions have not changed since 2005, when our actuarial staff began using probabilistic trend family models to estimate IBNR reserves.

Paid losses, reported losses and paid allocated loss expenses are subject to random as well as systematic influences. As a result, actual paid losses, reported losses and paid allocated loss expenses are virtually certain to differ from projections. Such differences are consistent with what specific models for our business lines predict and with the related patterns in the historical data used to develop these models. As a result, management does not closely monitor statistically insignificant differences between actual and projected data.

Reserve Estimate Variability

Management believes that the standard error of a reserve estimate, a measure of the estimate's variability, provides the most appropriate measure of the estimate's sensitivity. The reserves we establish depend on the models we use and the related parameters we estimate in the course of conducting reserve analyses. However, the actual amount required to settle all outstanding insured claims, including IBNR claims, as of a financial statement date depends on stochastic, or random, elements as well as the systematic elements captured by our models and estimated model parameters. For the lines of business we write, process uncertainty – the inherent variability of loss and loss expense payments – typically contributes more to the imprecision of a reserve estimate than parameter uncertainty.

Consequently, a sensitivity measure that ignores process uncertainty would provide an incomplete picture of the reserve estimate's sensitivity. Since a reserve estimate's standard error accounts for both process and parameter uncertainty, it reflects the estimate's full sensitivity to a range of reasonably likely scenarios.

The table below provides standard errors and reserve ranges for lines of business that account for just over 90 percent of our 2009 loss and loss expense reserves as well as the potential effects on our net income, assuming a 35 percent federal tax rate. Standard errors and reserve ranges for assorted groupings of these lines of business cannot be computed by simply adding the standard errors and reserve ranges of the component lines of business, since such an approach would ignore the effects of product diversification. See Range of Reasonable Reserves, Page 72, for more details on our total reserve range. While the table reflects our assessment of the most likely range within which each line's actual unpaid loss and loss expenses may fall, one or more lines' actual unpaid loss and loss expenses could nonetheless fall outside of the indicated ranges.

(In millions)	Net loss and loss expense range of reserves				
	Carried reserves	Low point	High point	Standard error	Net income effect
At December 31, 2009					
Total	**$ 3,661**	**$ 3,459**	**$ 3,774**		
Commercial casualty	**$ 1,605**	**$ 1,459**	**$ 1,691**	**$ 116**	**$ 75**
Commercial property	**115**	**93**	**136**	**21**	**14**
Commercial auto	**374**	**355**	**393**	**19**	**12**
Workers' compensation	**975**	**887**	**1,035**	**74**	**48**
Personal auto	**154**	**146**	**161**	**8**	**5**
Homeowners	**89**	**80**	**98**	**9**	**6**
At December 31, 2008					
Total	$ 3,498	$ 3,256	$ 3,592		
Commercial casualty	$ 1,559	$ 1,280	$ 1,595	$ 158	$ 103
Commercial property	137	123	160	19	12
Commercial auto	385	367	401	17	11
Workers' compensation	842	854	943	45	29
Personal auto	165	153	170	8	5
Homeowners	82	74	90	8	5

If actual unpaid loss and loss expenses fall within these ranges, our cash flow and fixed maturity investments should provide sufficient liquidity to make the subsequent payments. To date, our cash flow has covered our loss and loss expense payments, and we have never had to sell investments to make these payments. If this were to become necessary, however, our fixed maturity investments should provide us with ample liquidity. At year-end 2009, consolidated fixed maturity investments exceeded total insurance reserves (including life policy reserves) by more than $1.930 billion.

LIFE INSURANCE POLICY RESERVES

We establish the reserves for traditional life insurance policies based on expected expenses, mortality, morbidity, withdrawal rates and investment yields, including a provision for uncertainty. Once these assumptions are established, they generally are maintained throughout the lives of the contracts. We use both our own experience and industry experience adjusted for historical trends in arriving at our assumptions for expected mortality, morbidity and withdrawal rates. We use our own experience and historical trends for setting our assumptions for expected expenses. We base our assumptions for expected investment income on our own experience adjusted for current economic conditions.

We establish reserves for our universal life, deferred annuity and investment contracts equal to the cumulative account balances, which include premium deposits plus credited interest less charges and withdrawals. Some of our universal life insurance policies contain no-lapse guarantee provisions. For these policies, we establish a reserve in addition to the account balance based on expected no-lapse guarantee benefits and expected policy assessments.

ASSET IMPAIRMENT

Our fixed-maturity and equity investment portfolios are our largest assets. The company's asset impairment committee continually monitors the holdings in these portfolios and all other assets for signs of other-than-temporary or permanent impairment. The committee monitors significant decreases in the fair value of invested assets, changes in legal factors or in the business climate, an accumulation of costs in excess of the amount originally expected to acquire or construct an asset, uncollectability of all receivable assets, or other factors such as bankruptcy, deterioration of creditworthiness, failure to pay interest or dividends or signs indicating that the carrying amount may not be recoverable.

The application of our impairment policy resulted in other-than-temporary impairment charges that reduced our income before income taxes by $131 million in 2009, $510 million in 2008 and $16 million in 2007. Impairment charges are recorded for other-than-temporary declines in value, if, in the asset impairment committee's judgment, there is little expectation that the value may be recouped within a designated recovery period. Other than-temporary impairment losses represent non-cash charges to income and are reported as realized investment losses.

Our portfolio managers monitor their assigned portfolios. If a security is trading below book value, the portfolio managers undertake additional reviews. Such declines often occur in conjunction with events taking place in the overall economy and market, combined with events specific to the industry or operations of the issuing organization. Management reviews quantitative measurements such as a declining trend in fair value, the extent of the fair value decline and the length of time the value of the security has been depressed, as well as qualitative measures such as pending events, credit ratings and issuer liquidity. We are even more proactive when these declines in valuation are greater than might be anticipated when viewed in the context of overall economic and market conditions. We provide information

about valuation of our invested assets in Item 8, Note 2 of the Consolidated Financial Statements, Page 100.

All securities valued below 100 percent of book value are reported to the asset impairment committee for evaluation. Securities valued between 95 percent and 100 percent of book value are reviewed but not monitored separately by the committee. These assets generally are at this value because of interest rate-driven factors.

When evaluating for other-than-temporary impairments, the committee considers the company's intent and ability to retain a security for a period adequate to recover its cost. Because of the company's financial strength, management may not impair certain securities even when they are trading below book value.

When determining OTTI charges for our fixed-maturity portfolio, management places significant emphasis on whether issuers of debt are current on contractual payments and whether future contractual amounts are likely to be paid. Our fixed maturity invested asset impairment policy states that OTTI is considered to have occurred (1) if we intend to sell the impaired fixed maturity security; (2) if it is more likely than not we will be required to sell the fixed maturity security before recovery of its amortized cost basis; or (3) the present value of the expected cash flows is not sufficient to recover the entire amortized cost basis. If we intend to sell or it is more likely than not we will be required to sell, the book value of any such securities is reduced to fair value as the new cost basis, and a realized loss is recorded in the quarter in which it is recognized. When we believe that full collection of interest and/or principal is not likely, we determine the net present value of future cash flows by using the effective interest rate implicit in the security at the date of acquisition as the discount rate and compare that amount to the amortized cost and fair value of the security. The difference between the net present value of the expected future cash flows and amortized cost of the security is considered a credit loss and recognized as a realized loss in the quarter in which it occurred. The difference between the fair value and the net present value of the cash flows of the security, the non-credit loss, is recognized in other comprehensive income as an unrealized loss.

When determining OTTI charges for our equity portfolio, our invested asset impairment policy considers qualitative and quantitative factors, including facts and circumstances specific to individual securities, asset classes, the financial condition of the issuer, changes in dividend payment, the length of time fair value had been less than book value, the severity of the decline in fair value below book value, the volatility of the security and our ability and intent to hold each position until its forecasted recovery.

For each of our equity securities in an unrealized loss position at December 31, 2009, we applied the objective quantitative and qualitative criteria of our invested asset impairment policy for OTTI. Our long-term equity investment philosophy, emphasizing companies with strong indications of paying and growing dividends, combined with our strong surplus, liquidity and cash flow, provide us the ability to hold these investments through what we believe to be slightly longer recovery periods occasioned by the recession and historic levels of market volatility. We review the expected recovery period by individual security. Based on the individual qualitative and quantitative factors, as discussed above, we evaluate and determine an expected recovery period for each security. A change in the condition of a security can warrant impairment before the expected recovery period. If the security has not recovered cost within the expected recovery period, the security is impaired.

Securities that have previously been impaired are evaluated based on their adjusted book value and written down further, if deemed appropriate. We provide detailed information about securities trading in a continuous loss position at year-end 2009 in Item 7A, Application of Asset Impairment Policy, Page 85. An other-than-temporary decline in the fair value of a security is recognized in net income as a realized investment loss.

Securities considered to have a temporary decline would be expected to recover their book value, which may be at maturity. Under the same accounting treatment as fair value gains, temporary declines (changes in the fair value of these securities) are reflected in shareholders' equity on our balance sheet in accumulated other comprehensive income, net of tax, and have no impact on net income.

FAIR VALUE MEASUREMENTS

Valuation of Financial Instruments

Valuation of financial instruments, primarily securities held in our investment portfolio, is a critical component of our year-end financial statement preparation. Fair Value Measurements and Disclosures, ASC 820-10, defines fair value as the exit price or the amount that would be (1) received to sell an asset or (2) paid to transfer a liability in an orderly transaction between marketplace participants at the measurement date. When determining an exit price, we must, whenever possible, rely upon observable market data. Prior to the adoption of ASC 820-10, we considered various factors such as liquidity and volatility but primarily obtained pricing from various external services, including broker quotes.

The fair value measurement and disclosure exit price notion requires our valuation also to consider what a marketplace participant would pay to buy an asset or receive to assume a liability. Therefore, while we can

consider pricing data from outside services, we ultimately determine whether the data or inputs used by these outside services are observable or unobservable.

In accordance with ASC 820-10, we have categorized our financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Consolidated Balance Sheets are categorized based on the inputs to the valuation techniques as described in Item 8, Note 3, Fair Value Measurements, Page 103.

Level 1 and Level 2 Valuation Techniques

Over 99 percent of the $10.562 billion of securities in our investment portfolio measured at fair value are classified as Level 1 or Level 2. Financial assets that fall within Level 1 and Level 2 are priced according to observable data from identical or similar securities that have traded in the marketplace. Also within Level 2 are securities that are valued by outside services or brokers where we have evaluated the pricing methodology and determined that the inputs are observable.

Included in the Level 2 hierarchy is a small portfolio of collateralized mortgage obligations (CMOs) that represented less than 1 percent of the fair value of our investment portfolio at December 31, 2009. We obtained the CMOs as part of the termination of our securities lending program during 2008.

Level 3 Valuation Techniques

Financial assets that fall within the Level 3 hierarchy are valued based upon unobservable market inputs, normally because they are not actively traded on a public market. Level 3 corporate fixed-maturity securities include certain private placements, small issues, general corporate bonds and medium-term notes. Level 3 state, municipal and political subdivisions fixed-maturity securities include various thinly traded municipal bonds. Level 3 common equities include private equity securities. Level 3 preferred equities include private and thinly traded preferred securities.

Pricing for each Level 3 security is based upon inputs that are market driven, including third-party reviews provided to the issuer or broker quotes. However, we placed in the Level 3 hierarchy securities for which we were unable to obtain the pricing methodology or we could not consider the price provided as binding. Pricing for securities classified as Level 3 could not be corroborated by similar securities priced using observable inputs.

Management ultimately determined the pricing for each Level 3 security that we considered to be the best exit price valuation. As of December 31, 2009, total Level 3 assets were less than 1 percent of our investment portfolio measured at fair value. Broker quotes are obtained for thinly traded securities that subsequently fall within the Level 3 hierarchy. We obtained two non-binding quotes from brokers and, after evaluating, our investment professionals typically selected the lower quote as the fair value.

EMPLOYEE BENEFIT PENSION PLAN

We have a defined benefit pension plan which was modified during 2008; refer to Item 8, Note 13 of the Consolidated Financial Statements, Page 109, for additional information. Contributions and pension costs are developed from annual actuarial valuations. These valuations involve key assumptions including discount rates and expected return on plan assets, which are updated annually. Any adjustments to these assumptions are based on considerations of current market conditions. Therefore, changes in the related pension costs or credits may occur in the future due to changes in assumptions.

Key assumptions used in developing the 2009 net pension obligation were a 6.10 percent discount rate and rates of compensation increases ranging from 4.00 percent to 6.00 percent. Key assumptions used in developing the 2009 net pension expense were a 6.00 percent discount rate, an 8.00 percent expected return on plan assets and rates of compensation increases ranging from 4.00 percent to 6.00 percent. See Note 13, Page 109 for additional information on assumptions.

In 2009, the net pension expense was $11 million. In 2010, we expect the net pension expense to be $12 million.

Holding all other assumptions constant, a 0.5 percentage-point change in the discount rate would affect our 2010 income before income taxes by $1 million. Likewise, a 0.5 percentage point change in the expected return on plan assets would affect our 2010 income before income taxes by $1 million.

The fair value of the plan assets was $42 million less than the accumulated benefit obligation at year-end 2009 and $52 million less at year-end 2008. The fair value of the plan assets was $77 million less than the projected plan benefit obligation at year-end 2009 and $88 million less at year-end 2008. Market conditions and interest rates significantly affect future assets and liabilities of the pension plan. In 2010, we expect to contribute approximately $25 million to our qualified plan.

Deferred Acquisition Costs

We establish a deferred asset for costs that vary with, and are primarily related to, acquiring property casualty and life insurance business. These costs are principally agent commissions, premium taxes and certain underwriting costs, which are deferred and amortized into net income as premiums are earned. Deferred acquisition costs track with the change in premiums. Underlying assumptions are updated periodically to reflect actual experience. Changes in the amounts or timing of estimated future profits could result in adjustments to the accumulated amortization of these costs.

For property casualty policies, deferred acquisition costs are amortized over the terms of the policies. We assess recoverability of deferred acquisition costs at the segment level, consistent with the ways we acquire service, manage and measure profitability. Our standard market insurance operations consist of two segments, commercial lines and personal lines. We also have deferred acquisition costs in our excess and surplus lines operation, which is reported in Other. For life policies, acquisition costs are amortized into income either over the premium-paying period of the policies or the life of the policy, depending on the policy type. We analyze our acquisition cost assumptions periodically to reflect actual experience; we evaluate our deferred acquisition cost for recoverability; and we regularly conduct reviews for potential premium deficiencies or loss recognition.

Contingent Commission Accrual

Another significant estimate relates to our accrual for property casualty contingent (profit-sharing) commissions. We base the contingent commission accrual estimate on property casualty underwriting results and on supplemental information. Contingent commissions are paid to agencies using a formula that takes into account agency profitability, premium volume and other factors, such as prompt monthly payment of amounts due to the company. Due to the complexity of the calculation and the variety of factors that can affect contingent commissions for an individual agency, the amount accrued can differ from the actual contingent commissions paid. The contingent commission accrual of $81 million in 2009 contributed 2.8 percentage points to the property casualty combined ratio. If contingent commissions paid were to vary from that amount by 5 percent, it would affect 2010 net income by $3 million (after tax), or 2 cents per share, and the combined ratio by approximately 0.1 percentage points.

Separate Accounts

We issue life contracts referred to as bank-owned life insurance policies (BOLI). Based on the specific contract provisions, the assets and liabilities for some BOLIs are legally segregated and recorded as assets and liabilities of the separate accounts. Other BOLIs are included in the general account. For separate account BOLIs, minimum investment returns and account values are guaranteed by the company and also include death benefits to beneficiaries of the contract holders.

Separate account assets are carried at fair value. Separate account liabilities primarily represent the contract holders' claims to the related assets and are carried at an amount equal to the contract holders' account value. Generally, investment income and realized investment gains and losses of the separate accounts accrue directly to the contract holders and, therefore, are not included in our Consolidated Statements of Income. However, each separate account contract includes a negotiated realized gain and loss sharing arrangement with the company. This share is transferred from the separate account to our general account and is recognized as revenue or expense. In the event that the asset value of contract holders' accounts is projected below the value guaranteed by the company, a liability is established through a charge to our earnings.

For our most significant separate account, written in 1999, realized gains and losses are retained in the separate account and are deferred and amortized to the contract holder over a five-year period, subject to certain limitations. Upon termination or maturity of this separate account contract, any unamortized deferred gains and/or losses will revert to the general account. In the event this separate account holder were to exchange the contract for the policy of another carrier in 2010, the account holder would not pay a surrender charge. The surrender charge is zero in 2010 and beyond.

At year-end 2009, net unamortized realized losses amounted to $7 million. In accordance with this separate account agreement, the investment assets must meet certain criteria established by the regulatory authorities to whose jurisdiction the group contract holder is subject. Therefore, sales of investments may be mandated to maintain compliance with these regulations, possibly requiring gains or losses to be recorded and charged to the general account. Potentially, losses could be material; however, unrealized losses are approximately $6 million before tax in the separate account portfolio, which had a book value of $541 million at year-end 2009.

Recent Accounting Pronouncements

Information about recent accounting pronouncements is provided in Item 8, Note 1 of the Consolidated Financial Statements, Page 94. We have determined that recent accounting pronouncements have not had nor are they expected to have any material impact on our consolidated financial statements.

RESULTS OF OPERATIONS

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

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

We report as Other the non-investment operations of the parent company and its non-insurer subsidiaries, CFC Investment Company and CSU Producers Resources Inc. We also report as Other the results of The Cincinnati Specialty Underwriters Insurance Company, as well as other income of our standard market property casualty insurance subsidiary.

We measure profit or loss for our commercial lines and personal lines property casualty and life insurance segments based upon underwriting results (profit or loss), which represent net earned premium less loss and loss expenses and underwriting expenses on a pretax basis. We also frequently evaluate results for our consolidated property casualty insurance operations, which is the total of our commercial, personal plus our excess and surplus insurance results. Underwriting results and segment pretax operating income are not substitutes for net income determined in accordance with GAAP.

For our consolidated property casualty insurance operations as well as the insurance segments, statutory accounting data and ratios are key performance indicators that we use to assess business trends and to make comparisons to industry results, since GAAP-based industry data generally is not as readily available.

Investments held by the parent company and the investment portfolios for the insurance subsidiaries are managed and reported as the investments segment, separate from the underwriting businesses. Net investment income and net realized investment gains and losses for our investment portfolios are discussed in the Investment Results of Operations.

The calculations of segment data are described in more detail in Item 8, Note 18 of the Consolidated Financial Statements, Page 115. The following sections review results of operations for each of the four segments. Commercial Lines Insurance Results of Operations begins on Page 49, Personal Lines Insurance Results of Operations begins on Page 57, Life Insurance Results of Operations begins on Page 62, and Investment Results of Operations begins on Page 64. We begin with an overview of our consolidated property casualty operations, which is the total of our commercial lines, personal lines plus excess and surplus lines results.

CONSOLIDATED PROPERTY CASUALTY INSURANCE RESULTS OF OPERATIONS

In addition to the factors discussed in Commercial Lines and Personal Lines Insurance Results of Operations, Page 49 and Page 57, overall growth and profitability for our consolidated property casualty insurance operations were affected by a number of common factors. The table below summarizes results of operations for our property casualty operations.

Our 2009 and 2008 combined ratios before catastrophe losses and reserve development on prior accident years were substantially higher than 2007 primarily due to lower pricing prompted by soft market conditions and also due to normal loss cost inflation. During 2008, we also experienced a higher level of larger commercial lines losses and the impact of a pension plan settlement cost. The pension plan settlement increased the 2008 combined ratio by 0.8 percentage points. We have taken actions to manage expenses, increasing spending in some areas such as technology to pursue long-term benefits and decreasing in other areas of our operation. However, lower pricing continues to put upward pressure on the underwriting expense ratio. This is consistent with industry trends as A.M. Best estimates that the industry's 2009 statutory underwriting expense ratio increased by 1.4 percentage points compared with the year 2006 level.

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Earned premiums	**$ 2,911**	$ 3,010	$ 3,125	**(3.3)**	(3.7)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**2,102**	2,174	2,030	**(3.3)**	7.1
Current accident year catastrophe losses	**172**	205	47	**(16.2)**	341.2
Prior accident years before catastrophe losses	**(181)**	(321)	(224)	**43.8**	(43.5)
Prior accident year catastrophe losses	**(7)**	(2)	(21)	**(259.0)**	90.4
Total loss and loss expenses	**2,086**	2,056	1,832	**1.4**	12.2
Underwriting expenses	**956**	971	989	**(1.5)**	(1.8)
Underwriting (loss) profit	**$ (131)**	$ (17)	$ 304	**nm**	nm
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**72.2 %**	72.2 %	64.9 %	**0.0**	7.3
Current accident year catastrophe losses	**5.9**	6.8	1.4	**(0.9)**	5.4
Prior accident years before catastrophe losses	**(6.2)**	(10.7)	(7.1)	**4.5**	(3.6)
Prior accident year catastrophe losses	**(0.2)**	0.0	(0.6)	**(0.2)**	0.6
Total loss and loss expenses	**71.7**	68.3	58.6	**3.4**	9.7
Underwriting expenses	**32.8**	32.3	31.7	**0.5**	0.6
Combined ratio	**104.5 %**	100.6 %	90.3 %	**3.9**	10.3
Combined ratio	**104.5 %**	100.6 %	90.3 %	**3.9**	10.3
Contribution from catastrophe losses and prior years reserve development	**(0.5)**	(3.9)	(6.3)	**3.4**	2.4
Combined ratio before catastrophe losses and prior years reserve development	**105.0 %**	104.5 %	96.6 %	**0.5**	7.9

Changes in written and earned premiums over the past three years reflected growing price competition partially offset by fairly stable policy retention rates of renewal business and increases in new business. New business written directly by agencies rose in both 2009 and 2008 after declining in 2007. The resurgence in new business was largely due to the contribution of new agency appointments – in both new and existing states of operation; the contribution of our excess and surplus lines business; and more competitive personal lines pricing. Other written premiums primarily include premiums ceded to our reinsurers as part of our reinsurance program.

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Agency renewal written premiums	**$ 2,665**	$ 2,828	$ 2,960	**(5.8)**	(4.5)
Agency new business written premiums	**405**	368	325	**9.9**	13.1
Other written premiums	**(159)**	(186)	(168)	**15.1**	(10.3)
Net written premiums	**2,911**	3,010	3,117	**(3.3)**	(3.4)
Unearned premium change	**0**	0	8	**nm**	nm
Earned premiums	**$ 2,911**	$ 3,010	$ 3,125	**(3.3)**	(3.7)

Catastrophe losses contributed 5.7 percentage points to the combined ratio in 2009, down somewhat from the 2008 contribution of 6.8 percentage points, the highest catastrophe loss ratio for our company since 1991. In 2007, catastrophe losses added just 0.8 percentage points, the lowest ratio over the same period. Our 10-year historical annual average contribution of catastrophe losses to the combined ratio was 4.2 percentage points as of December 31, 2009. The following table shows catastrophe losses incurred, net of reinsurance, for the past three years, as well as the effect of loss development on prior period catastrophe reserves.

Hurricane Ike, which reached the Gulf Coast on September 12, 2008, moved into the Midwest on September 14, causing unusually high winds in Ohio, Indiana and Kentucky. At December 31, 2009, our gross losses from Hurricane Ike were estimated at $145 million, making it the single largest catastrophe in the company's history. Net of reinsurance, the loss was estimated at $59 million. Virtually all of the losses reported by our policyholders occurred in the Midwest.

Catastrophe Losses Incurred

(In millions, net of reinsurance)

Dates	Cause of loss	Region	Commercial lines	Personal lines	Total
2009					
Jan. 26-28	Flood, freezing, weight of ice, snow	South, Midwest	**$ 5**	**$ 14**	**$ 19**
Feb. 10-13	Flood, hail, wind	South, Midwest	**13**	**25**	**38**
Feb. 18-19	Wind, hail	South	**1**	**8**	**9**
Apr. 9-11	Flood, hail, wind	South, Midwest	**13**	**21**	**34**
May 7-9	Flood, hail, wind	South, Midwest	**9**	**13**	**22**
Jun. 2-6	Flood, hail, wind	South, Midwest	**3**	**4**	**7**
Jun. 10-18	Flood, hail, wind	South, Midwest	**7**	**4**	**11**
Sep. 18-22	Flood, hail, wind	South	**3**	**4**	**7**
Other 2009 catastrophes			**12**	**13**	**25**
Development on 2008 and prior catastrophes			**(12)**	**5**	**(7)**
Calendar year incurred total			**$ 54**	**$ 111**	**$ 165**
2008					
Jan. 4-9	Wind, hail, flood, freezing	South, Midwest	$ 4	$ 2	$ 6
Jan. 29-30	Wind, hail	Midwest	5	4	9
Feb. 5-6	Wind, hail, flood	Midwest	5	8	13
Mar. 14	Tornadoes, wind, hail, flood	South	4	0	4
Mar. 15-16	Wind, hail	South	2	8	10
Apr. 9-11	Wind, hail, flood	South	17	2	19
May 1	Wind, hail	South	5	1	6
May 10-12	Wind, hail, flood	South, Mid-Atlantic	3	4	7
May 22-26	Wind, hail	Midwest	4	3	7
May 29- Jun 1	Wind, hail, flood	Midwest	4	4	8
Jun. 2-4	Wind, hail, flood	Midwest	6	4	10
Jun. 5-8	Wind, hail, flood	Midwest	8	6	14
Jun. 11-12	Wind, hail, flood	Midwest	10	4	14
Jun. 25	Wind, hail, flood	Midwest	2	2	4
Jul. 19	Wind, hail, flood	Midwest	2	2	4
Jul. 26	Wind, hail, flood	Midwest	1	7	8
Sep. 12-14	Hurricane Ike	South, Midwest	22	36	58
Other 2008 catastrophes			2	2	4
Development on 2007 and prior catastrophes			(3)	1	(2)
Calendar year incurred total			$ 103	$ 100	$ 203
2007					
Mar. 1-2	Wind, hail, flood	South	$ 6	$ 2	$ 8
Jun. 7-9	Wind, hail, flood	Midwest	4	5	9
Sep. 20-21	Wind, hail, flood	Midwest	2	4	6
Other 2007 catastrophes			15	9	24
Development on 2006 and prior catastrophes			(10)	(11)	(21)
Calendar year incurred total			$ 17	$ 9	$ 26

The rise in the total underwriting expense ratio since 2007 largely was due to the rise in non-commission underwriting expenses, reflecting our continued investment in the people and systems necessary for our future growth, and also reflecting lower premiums. Commission expenses include our profit-sharing, or contingent commissions, which are primarily based on the profitability of an agency's aggregate property casualty book of Cincinnati business. The commission ratio has declined from the 2007 level. These profit-based commissions generally fluctuate with our loss and loss expense ratio, with the expense ratio generally increasing when our loss and loss expense ratio declines. The change in our pension plan added 0.5 percentage points to the 2008 non-commission underwriting expense ratio.

(Dollars in millions)	Years ended December 31, 2009	2008	2007	**2009-2008 Change %**	2008-2007 Change %
Commission expenses	**$ 539**	$ 552	$ 599	**(2.5)**	(7.8)
Underwriting expenses	**400**	404	375	**(1.0)**	7.9
Policyholder dividends	**17**	15	15	**16.2**	(3.5)
Total underwriting expenses	**$ 956**	$ 971	$ 989	**(1.5)**	(1.8)
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Commission expenses	**18.5 %**	18.3 %	19.2 %	**0.2**	(0.9)
Underwriting expenses	**13.7**	13.5	12.0	**0.2**	1.5
Policyholder dividends	**0.6**	0.5	0.5	**0.1**	0.0
Total underwriting expense ratio	**32.8 %**	32.3 %	31.7 %	**0.5**	0.6

The discussions of our property casualty insurance segments provide additional detail about these factors.

COMMERCIAL LINES INSURANCE RESULTS OF OPERATIONS

Overview – Three-Year Highlights

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Earned premiums	**$ 2,199**	$ 2,316	$ 2,411	**(5.1)**	(3.9)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**1,596**	1,671	1,572	**(4.5)**	6.3
Current accident year catastrophe losses	**66**	106	26	**(37.9)**	299.7
Prior accident years before catastrophe losses	**(135)**	(270)	(194)	**50.0**	(39.3)
Prior accident year catastrophe losses	**(12)**	(3)	(10)	**(282.7)**	69.3
Total loss and loss expenses	**1,515**	1,504	1,394	**0.7**	7.8
Underwriting expenses	**719**	742	756	**(3.1)**	(1.8)
Underwriting (loss) profit	**$ (35)**	$ 70	$ 261	**nm**	(73.0)
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**72.5 %**	72.1 %	65.2 %	**0.4**	6.9
Current accident year catastrophe losses	**3.0**	4.6	1.1	**(1.6)**	3.5
Prior accident years before catastrophe losses	**(6.1)**	(11.7)	(8.0)	**5.6**	(3.7)
Prior accident year catastrophe losses	**(0.5)**	(0.1)	(0.4)	**(0.4)**	0.3
Total loss and loss expenses	**68.9**	64.9	57.9	**4.0**	7.0
Underwriting expenses	**32.7**	32.1	31.3	**0.6**	0.8
Combined ratio	**101.6 %**	97.0 %	89.2 %	**4.6**	7.8
Combined ratio	**101.6 %**	97.0 %	89.2 %	**4.6**	7.8
Contribution from catastrophe losses and prior years reserve development	**(3.6)**	(7.2)	(7.3)	**3.6**	0.1
Combined ratio before catastrophe losses and prior years reserve development	**105.2 %**	104.2 %	96.5 %	**1.0**	7.7

Performance highlights for the commercial lines segment include:

- Premiums – Pricing in our industry continues to be very competitive, and the poor economy is driving exposures lower. Our commercial lines net written premium decline for 2009 of 5.6 percent compared favorably with the estimated decline of 7.9 percent for the overall commercial lines industry, and our 2008 decline of 4.2 percent was slightly worse than the decline of 3.9 percent estimated for the industry. We believe our pace for new and renewal business in recent years is consistent with our agents' practice of selecting and retaining accounts with manageable risk characteristics that support the lower prevailing prices. We also believe our favorable comparison to the industry for 2009 reflects the advantages we achieve through our field focus, which provides us with quality intelligence on local market conditions. Our earned premiums declined in 2009 and 2008, following the pattern of our written premiums, after rising slightly in 2007.
- Combined ratio – Our commercial lines combined ratio rose to 101.6 percent in 2009 from 97.0 percent in 2008, following a very strong performance in 2007. Compared with 2008, results for 2009 reflected approximately half as much benefit from net favorable reserve development on prior accident years, accounting for 5.2 percentage points of the 4.6 percentage-point combined ratio increase. The reduction in the net favorable reserve development on prior accident years occurred primarily for our commercial casualty and workers' compensation lines of business. We continue to focus on sound underwriting fundamentals and obtaining adequate premiums for risks insured by each individual policy. The 2009 and 2008 ratios for current accident year before catastrophe losses largely reflect loss cost trends that are outpacing earned premium trends. Approximately $49 million, or 2.1 percentage points, of the rise in 2008 accident year loss and loss expenses was due to refinements made to the allocation of IBNR reserves by accident year. We discuss factors affecting the combined ratio and reserve development by line of business below.

  Our commercial lines statutory combined ratio was 101.8 percent in 2009 compared with 96.6 percent in 2008 and 89.2 percent in 2007. By comparison, the estimated industry commercial lines combined ratio was 101.2 percent in 2009, 107.2 percent in 2008 and 95.1 percent in 2007. Industry commercial lines estimates include mortgage and financial guaranty insurers, which saw a surge in claims following the historically high level of mortgage defaults in 2008, driving an unusually high industry combined ratio for 2008.

Commercial Lines Insurance Premiums

(Dollars in millions)	Years ended December 31,			2009-2008	2008-2007
	2009	2008	2007	**Change %**	Change %
Agency renewal written premiums	**$ 2,013**	$ 2,156	$ 2,271	**(6.6)**	(5.1)
Agency new business written premiums	**298**	312	287	**(4.6)**	8.8
Other written premiums	**(130)**	(157)	(145)	**16.8**	(8.3)
Net written premiums	**2,181**	2,311	2,413	**(5.6)**	(4.2)
Unearned premium change	**18**	5	(2)	**265.4**	nm
Earned premiums	**$ 2,199**	$ 2,316	$ 2,411	**(5.1)**	(3.9)

As commercial lines markets have grown more competitive over the past several years, we have focused on leveraging our local relationships as well as the efforts of our agents and the teams that work with them. In this environment, we have been careful to maintain appropriate pricing discipline for both new and renewal business as we emphasize the importance of assessing account quality to our agencies and underwriters. We continue to make case-by-case decisions not to write or renew certain business. We continue to use rate credits to retain renewals of quality business and earn new business, but do so selectively in order to avoid commercial accounts that we believe have insufficient profit margins. Our experience remains that the larger the account, the higher the credits needed to write or retain the account, with variations by geographic region and class of business.

Over the past three years, we continued to focus on seeking and maintaining adequate premium per risk exposure as well as pursuing non-pricing means of enhancing longer-term profitability. Non-pricing means have included deliberate reviews of each risk, terms and conditions and limits of insurance. We continue to adhere to our underwriting guidelines, to re-underwrite books of business with selected agencies and to update policy terms and conditions. In addition, we continue to leverage our strong local presence. Our field marketing representatives meet with local agencies to reaffirm agreements on the extent of the frontline renewal underwriting that agents will perform. Loss control, machinery and equipment and field claims representatives continue to conduct on-site inspections. To assist underwriters, field claims representatives prepare full reports on their first-hand observations of risk quality.

Both renewal and new business reflected the effects of the economic slowdown in many regions, as exposures declined and policyholders became increasingly focused on reducing expenses. For commercial accounts, we typically calculate general liability premiums based on sales or payroll volume, while we calculate workers' compensation premiums based on payroll volume. A change in sales or payroll volume generally indicates a change in demand for a business's goods or services, as well as a change in its exposure to risk. Policyholders who experience sales or payroll volume changes due to economic factors may be purchasers of other types of insurance, such as commercial auto or commercial property, in addition to general liability and workers' compensation. Premium levels for these other types of policies generally are not linked directly to sales or payroll volumes.

In 2009, we estimated that policyholders with a contractor-related ISO general liability code accounted for approximately 34 percent of our general liability premiums, which are included in the commercial casualty line of business, and that policyholders with a contractor-related National Council on Compensation Insurance Inc. (NCCI) workers' compensation code accounted for approximately 46 percent of our workers' compensation premiums. The market seeking to insure contractors has been more adversely affected by the economic slowdown than some other markets.

The decline in 2009 agency renewal written premiums was largely driven by pricing and exposure declines while policy retention rates declined slightly. For renewal business, our headquarters underwriters talk regularly with agents. Our field teams are available to assist headquarters underwriters by conducting inspections and holding renewal review meetings with agency staff. These activities can help verify that a commercial account retains the characteristics that caused us to write the business initially. We measure average changes in commercial lines renewal pricing as the rate of change in renewal premium for the new policy period compared with the premium for the expiring policy period, assuming no change in the level of insured exposures or policy coverage between those periods for respective policies. For policies renewed during 2009, the typical pricing decline on average was in the low-single-digit range. For larger accounts we typically experienced more significant premium declines and for smaller accounts we sometimes saw little if any premium change at renewal. The 2009 average represented an improvement from the mid-single-digit range average pricing decline experienced in 2008. In addition to pricing pressures, premiums confirmed by audits of policyholder sales and payrolls declined significantly in 2009. Written and earned premiums from audits decreased $38 million and $52 million, respectively, for the year 2009 compared with 2008.

For new business, our field associates are frequently in our agents' offices helping to judge the quality of each account, emphasizing the Cincinnati value proposition, calling on sales prospects with those agents, carefully evaluating risk exposure and providing their best quotes. In 2009, new business premium growth largely was driven by agencies appointed in recent years, which includes Texas agents appointed since late 2008 when we entered that state. Texas agencies generated new business growth of $11 million during

2009 while other agencies appointed during 2008 and 2009 contributed $23 million of our new commercial lines business. During 2009 we wrote fewer policies with annual premiums above $100,000, reflecting significant competition for larger accounts as many carriers continued to protect their renewal portfolio of business during the soft pricing environment. Some of our 2009 new business came from accounts that were not new to the agent. We believe these seasoned accounts tend to be priced more accurately than business that is less familiar to our agent because it was recently obtained from a competing agent. As we appoint new agencies who choose to move accounts to us, we report these accounts as new business to us.

In 2009, other written premiums had less of a downward impact on commercial lines net written premiums than in 2008, primarily due to a lower overall cost for reinsurance and a smaller adjustment for estimated premiums of policies in effect but not yet processed. The adjustment for estimated premiums had an immaterial effect on earned premiums. Higher ceded reinsurance costs were the primary driver of the larger negative effect in 2008, including $5 million for ceded premium to reinstate coverage for our catastrophe reinsurance treaty.

Commercial Lines Insurance Loss and Loss Expenses

Loss and loss expenses include both net paid losses and reserve changes for unpaid losses as well as the associated loss expenses.

(Dollars in millions) Accident year loss and loss expenses incurred and ratios to earned premiums: Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 1,662**	**$ 1,644**	**$ 1,467**	**75.5 %**	**71.0 %**	**60.8 %**
as of December 31, 2008		1,777	1,493		76.7	61.9
as of December 31, 2007			1,599			66.3

The trend for our commercial lines current accident year loss and loss expense ratio before catastrophe losses over the past three years reflected normal loss cost inflation as well as softer pricing that began in 2005 and continued through 2009, as discussed above.

Catastrophe losses were volatile over the three-year period as discussed in Consolidated Property Casualty Insurance Results of Operations, Page 46. Catastrophe losses added 3.0, 4.6 and 1.1 percentage points to the commercial lines accident year loss and loss expense ratios in the table above.

Commercial lines reserve development for prior accident years continued to net to a favorable amount in 2009, although it was less than in 2008, as discussed in Commercial Lines Insurance Segment Reserves, Page 75. Accident years 2008 and 2007 for the commercial lines segment have developed favorably, as indicated in the table above.

Trends for commercial lines loss and loss expenses and the related ratios are further analyzed in Commercial Lines of Business Analysis, Pages 52 through 57.

Commercial Lines Insurance Losses by Size

(Dollars in millions)	Years ended December 31,			**2009-2008**	2008-2007
	2009	2008	2007	**Change %**	Change %
New losses greater than $4,000,000	**$ 52**	$ 41	$ 4	**26.5**	835.3
New losses $1,000,000-$4,000,000	**130**	153	201	**(14.7)**	(24.3)
New losses $250,000-$1,000,000	**164**	184	155	**(10.8)**	18.8
Case reserve development above $250,000	**245**	229	201	**7.1**	13.9
Total large losses incurred	**591**	607	561	**(2.5)**	8.0
Other losses excluding catastrophe losses	**565**	547	502	**3.4**	8.9
Catastrophe losses	**54**	103	16	**(47.1)**	560.2
Total losses incurred	**$ 1,210**	$ 1,257	$ 1,079	**(3.6)**	16.4
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
New losses greater than $4,000,000	**2.4 %**	1.8 %	0.2 %	**0.6**	1.6
New losses $1,000,000-$4,000,000	**5.9**	6.6	8.3	**(0.7)**	(1.7)
New losses $250,000-$1,000,000	**7.5**	8.0	6.4	**(0.5)**	1.6
Case reserve development above $250,000	**11.2**	9.9	8.4	**1.3**	1.5
Total large loss ratio	**27.0**	26.3	23.3	**0.7**	3.0
Other losses excluding catastrophe losses	**25.7**	23.4	20.8	**2.3**	2.6
Catastrophe losses	**2.5**	4.5	0.7	**(2.0)**	3.8
Total loss ratio	**55.2 %**	54.2 %	44.8 %	**1.0**	9.4

The 2009 decline of $16 million or 2.5 percent in the loss and loss expenses from new losses and case reserve increases greater than $250,000, net of reinsurance, was more than offset by a larger decline in commercial lines earned premiums, causing an increase in the corresponding ratio. Our analysis indicated no unexpected concentration of these losses and reserve increases by geographic region, policy inception, agency or field marketing territory. We believe the inherent volatility of loss experience for larger policies is greater than that of smaller policies, and we continue to monitor that in addition to general inflationary trends in loss costs. In 2007, our retention for our property and casualty working treaties was $4 million.

In 2008, we raised the casualty treaty retention to $5 million and raised it to $6 million effective January 1, 2009, when we also raised the property treaty retention to $5 million.

Commercial Lines Insurance Underwriting Expenses

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Commission expenses	**$ 392**	$ 413	$ 454	**(5.2)**	(8.9)
Underwriting expenses	**310**	314	287	**(1.1)**	9.5
Policyholder dividends	**17**	15	15	**16.2**	(3.5)
Total underwriting expenses	**$ 719**	$ 742	$ 756	**(3.1)**	(1.8)
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Commission expenses	**17.8 %**	17.8 %	18.8 %	**0.0**	(1.0)
Underwriting expenses	**14.1**	13.7	11.9	**0.4**	1.8
Policyholder dividends	**0.8**	0.6	0.6	**0.2**	0.0
Total underwriting expense ratio	**32.7 %**	32.1 %	31.3 %	**0.6**	0.8

Commercial lines commission expenses as a percent of earned premium remained stable during 2009. The decrease in the commission expenses ratio in 2008 reflected a lower level of our profit-sharing, or contingent commissions, which are primarily based on the profitability of an agency's aggregate property casualty book of Cincinnati business.

In 2009, non-commission underwriting expenses declined slightly, but to a lesser extent than earned premiums, causing the non-commission underwriting expense ratio component of the underwriting expense ratio to rise. In 2008, non-commission underwriting expenses rose on declining earned premiums, which also led to unfavorable deferred acquisition expense comparisons. Further, in 2008, the salary cost contribution rose by approximately 0.8 percentage points and the change in our pension plan contributed 0.5 percentage points to the ratio. Refinements in the allocation of expenses between our commercial lines and personal lines segments also contributed to minor variations in the non-commission underwriting expenses.

Commercial Lines Insurance Outlook

Industrywide commercial lines written premiums are projected to decline approximately 5.6 percent in 2010 with the industry combined ratio estimated at 103.7 percent. As discussed in Item 1, Commercial Lines Property Casualty Insurance Segment, Page 12, over the past several years, renewal and new business pricing has come under steadily increasing pressure, reinforcing the need for more flexibility and careful risk selection. Price competition remains intense and shows no signs of abating in the near term.

We intend to continue marketing our products to a broad range of business classes, pricing our products appropriately and taking a package approach. We intend to maintain our underwriting selectivity and carefully manage our rate levels as well as our programs that seek to accurately match exposures with appropriate premiums. We will continue to evaluate each risk individually and to make decisions about rates, the use of three-year commercial policies and other policy conditions on a case-by-case basis, even in lines and classes of business that are under competitive pressure. Nonetheless, we expect commercial lines profitability to remain under pressure in 2010, in part due to small average pricing declines on policies renewed during 2009 for which premiums will be earned during 2010.

In Item 1, Strategic Initiatives, Page 8, we discuss the initiatives we are implementing to achieve our corporate performance objectives. We discuss factors influencing future results of our property casualty insurance operations in the Executive Summary, Page 34.

Commercial Lines of Business Analysis

Approximately 95 percent of our commercial lines premiums relate to accounts with coverages from more than one of our business lines. As a result, we believe that the commercial lines segment is best measured and evaluated on a segment basis. However, we provide line-of-business data to summarize growth and profitability trends separately for each line. The accident year loss data provides current estimates of incurred loss and loss expenses and corresponding ratios over the most recent three accident years. Accident year data classifies losses according to the year in which the corresponding loss events occur, regardless of when the losses are actually reported, recorded or paid. For 2009, the only commercial line of business that exhibited significant adverse profitability trends was workers' compensation. Most of the profit deterioration in worker's compensation was a result of prior accident year reserve development. As discussed below, actions we are taking to improve pricing and reduce loss costs are expected to benefit future profitability trends.

Commercial Casualty

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Commercial casualty:					
Written premiums	**$ 704**	$ 764	$ 830	**(7.9)**	(7.9)
Earned premiums	**712**	763	827	**(6.7)**	(7.8)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**542**	576	572	**(5.9)**	0.7
Current accident year catastrophe losses	**0**	0	0	**nm**	nm
Prior accident years before catastrophe losses	**(154)**	(257)	(149)	**40.3**	(72.3)
Prior accident year catastrophe losses	**0**	0	0	**nm**	nm
Total loss and loss expenses	**$ 388**	$ 319	$ 423	**22.0**	(24.7)
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**76.2 %**	75.4 %	69.2 %	**0.8**	6.2
Current accident year catastrophe losses	**0.0**	0.0	0.0	**0.0**	0.0
Prior accident years before catastrophe losses	**(21.6)**	(33.7)	(18.1)	**12.1**	(15.6)
Prior accident year catastrophe losses	**0.0**	0.0	0.0	**0.0**	0.0
Total loss and loss expense ratio	**54.6 %**	41.7 %	51.1 %	**12.9**	(9.4)

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 542**	**$ 488**	**$ 443**	**76.2 %**	**63.9 %**	**53.5 %**
as of December 31, 2008		576	479		75.4	57.9
as of December 31, 2007			572			69.2

Commercial casualty is our largest business line. The decline in commercial casualty premiums reflected the intensifying competition in the casualty market. In addition, premiums for this business line reflect economic trends, including changes in underlying exposures, particularly for general liability coverages where the premium amount is heavily influenced by economically-driven measures of risk exposure such as sales volume.

The calendar year total loss and loss expense ratio increased during 2009 largely because of a lower level, compared with 2008, of favorable development on prior accident year reserves. Factors contributing to the 2008 higher level of favorable prior accident year reserve development included refinements to our IBNR reserve allocation, quarter-to-quarter reductions in actuarial reserve estimates, the introduction of an additional umbrella liability reserving model, sooner-than-expected moderation in the inflation trend of allocated loss expenses and unusual deviations from predictions of reserving methods and models.

The 2009 current accident year loss and loss expense ratio before catastrophe losses deteriorated slightly, reflecting lower pricing per exposure and normal loss cost inflation.

Commercial Property

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Commercial property:					
Written premiums	**$ 485**	$ 481	$ 499	**0.7**	(3.6)
Earned premiums	**485**	487	497	**(0.5)**	(2.0)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**257**	282	240	**(8.6)**	17.3
Current accident year catastrophe losses	**42**	81	20	**(47.9)**	304.2
Prior accident years before catastrophe losses	**(5)**	(7)	(10)	**29.0**	29.1
Prior accident year catastrophe losses	**(11)**	(3)	(9)	**(336.3)**	73.4
Total loss and loss expenses	**$ 283**	$ 353	$ 241	**(19.7)**	46.7
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**53.1 %**	57.7 %	48.3 %	**(4.6)**	9.4
Current accident year catastrophe losses	**8.8**	16.6	4.0	**(7.8)**	12.6
Prior accident years before catastrophe losses	**(1.1)**	(1.3)	(2.0)	**0.2**	0.7
Prior accident year catastrophe losses	**(2.2)**	(0.4)	(1.8)	**(1.8)**	1.4
Total loss and loss expense ratio	**58.6 %**	72.6 %	48.5 %	**(14.0)**	24.1

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 299**	**$ 348**	**$ 259**	**61.9 %**	**71.5 %**	**52.2 %**
as of December 31, 2008		363	260		74.3	52.3
as of December 31, 2007			260			52.3

Commercial property is our second largest business line. Net written premiums for 2009 increased slightly, largely due to more reinsurance ceded premium in 2008, including $4 million to reinstate coverage for our catastrophe reinsurance treaty. The overall declining trend in premium since 2007 also reflected pricing declines.

The calendar year loss and loss expense ratio improved compared with 2008, primarily due to lower catastrophe losses. The 2008 ratio was also adversely affected by 3.4 percentage points for new losses and case reserve increases greater than $250,000. Development on prior period reserves was relatively stable for all periods shown.

The 2009 current accident year loss and loss expense ratio before catastrophe losses also improved compared with 2008. A portion of the higher 2008 ratio was due to a higher loss expense allocation because of the level of non-catastrophe weather-related losses. In addition, the refinement in the allocation of IBNR reserves by accident year accounted for approximately 2 percentage points of the difference between the 2007 and 2008 ratios.

Commercial Auto

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Commercial auto:					
Written premiums	**$ 388**	$ 402	$ 429	**(3.4)**	(6.2)
Earned premiums	**394**	411	440	**(4.1)**	(6.7)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**273**	303	303	**(9.9)**	(0.5)
Current accident year catastrophe losses	**3**	2	1	**12.9**	240.5
Prior accident years before catastrophe losses	**(20)**	(8)	(25)	**(146.2)**	67.6
Prior accident year catastrophe losses	**0**	0	(1)	**nm**	nm
Total loss and loss expenses	**$ 256**	$ 297	$ 278	**(13.9)**	6.3
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**69.2 %**	73.7 %	69.3 %	**(4.5)**	4.4
Current accident year catastrophe losses	**0.7**	0.6	0.0	**0.1**	0.6
Prior accident years before catastrophe losses	**(5.0)**	(2.0)	(5.8)	**(3.0)**	3.8
Prior accident year catastrophe losses	**0.0**	0.0	0.0	**0.0**	0.0
Total loss and loss expense ratio	**64.9 %**	72.3 %	63.5 %	**(7.4)**	8.8

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 276**	**$ 292**	**$ 293**	**69.9 %**	**71.0 %**	**66.7 %**
as of December 31, 2008		305	298		74.3	67.7
as of December 31, 2007			304			69.3

The decline in commercial auto premiums over the three-year period reflected the downward pressure exerted by the market on the pricing of commercial accounts. Commercial auto is one of the business lines that we renew and price annually, so market trends may be reflected here more quickly than in other lines. Commercial auto also experiences pricing pressure because it often represents the largest portion of insurance costs for many commercial policyholders.

The calendar year loss and loss expense ratio improved during 2009 due in part to a higher amount of favorable development on prior accident year reserves. The 2009 accident year loss and loss expense ratio also improved, reflecting more favorable loss experience due in part to the general slump in U.S. economic activity and also reflecting volatility in the number of commercial auto losses greater than $1 million.

Workers' Compensation

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Workers' compensation:					
Written premiums	**$ 323**	$ 382	$ 378	**(15.6)**	1.1
Earned premiums	**326**	375	373	**(13.0)**	0.6
Loss and loss expenses from:					
Current accident year before catastrophe losses	**355**	342	326	**4.0**	4.9
Current accident year catastrophe losses	**0**	0	0	**nm**	nm
Prior accident years before catastrophe losses	**48**	(3)	(10)	**nm**	75.0
Prior accident year catastrophe losses	**0**	0	0	**nm**	nm
Total loss and loss expenses	**$ 403**	$ 339	$ 316	**18.9**	7.5
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**108.8 %**	91.1 %	87.3 %	**17.7**	3.8
Current accident year catastrophe losses	**0.0**	0.0	0.0	**0.0**	0.0
Prior accident years before catastrophe losses	**14.7**	(0.7)	(2.7)	**15.4**	2.0
Prior accident year catastrophe losses	**0.0**	0.0	0.0	**0.0**	0.0
Total loss and loss expense ratio	**123.5 %**	90.4 %	84.6 %	**33.1**	5.8

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 355**	**$ 331**	**$ 310**	**108.8 %**	**88.1 %**	**83.0 %**
as of December 31, 2008		342	305		91.1	81.7
as of December 31, 2007			326			87.3

Workers' compensation premiums declined sharply in 2009, primarily due to lower exposures from the weak economy and more selective underwriting and the non-renewal of a number of policies in our worst pricing tier. In addition, premiums resulting from audits of policyholder payroll levels declined $28 million, reflecting the weak economy.

Since we pay a lower commission rate on workers' compensation business, this line has a higher calendar year loss and loss expense breakeven point than our other commercial business lines. Nonetheless, the ratio was at an unprofitable level in each of the last three years, and management continues to work to improve financial performance for this line. During 2009, we began using a predictive modeling tool to improve risk selection and pricing capabilities. Predictive modeling increases pricing precision so that our agents can better compete for the most desirable workers' compensation business. We also added to our staff of loss control field representatives, premium audit field representatives and field claims representatives specializing in workers' compensation risks. In early 2010, we implemented direct reporting of workers' compensation claims, allowing us to quickly obtain detailed information to promptly assign the appropriate level of claims handling expertise for each case. Obtaining more information sooner for specific claims allows for medical care appropriate to the nature of each injury, benefiting injured workers, employers and agents while ultimately lowering overall loss costs.

The workers' compensation business line includes our longest tail exposures, making initial estimates of accident year loss and loss expenses incurred more uncertain. Due to the lengthy payout period of workers' compensation claims, small shifts in medical cost inflation and payout periods could have a significant effect on our potential future liability compared with our current projections. Our workers' compensation reserve analyses completed during the first half of 2009 indicated that loss cost inflation was higher than previously estimated, leading us to make more conservative assumptions about future loss cost inflation when estimating loss reserves, thereby significantly increasing losses incurred. Prior analyses attributed a larger share of the rise in claim payments for recent accident years to exposure growth rather than loss cost inflation. However, declining claim frequencies reflected in reserving data as of December 31, 2008, indicated that exposure growth was less of a source of the rise in claim payments for recent accident years than was loss cost inflation. The higher estimates of loss cost inflation derived from analyses during 2009 affected reserves estimated for many prior accident years. Accident years 2006 through 2008 had net favorable development of $4 million, largely due to favorable development on the loss expense component of the reserves. Accident years 2000 through 2005 had net unfavorable development of $37 million, and accident years prior to 2000 had net unfavorable development of $15 million. Workers' compensation prior accident year reserve development for full-year 2009 was unfavorable by $48 million for all prior accident years in total compared with favorable development of $2 million for 2008. As discussed in Property Casualty Insurance Loss and Loss Expense Reserves, including the table on Page 42 showing ranges for estimated reserves, the significant strengthening of reserves during 2009 moved the carried reserves for workers' compensation into the upper half of the range.

Specialty Packages

(Dollars in millions)	Years ended December 31,			2009-2008	2008-2007
	2009	2008	2007	**Change %**	Change %
Specialty packages:					
Written premiums	**$ 148**	$ 145	$ 146	**1.7**	(0.5)
Earned premiums	**147**	144	146	**2.4**	(1.3)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**84**	87	80	**(4.1)**	9.2
Current accident year catastrophe losses	**21**	23	6	**(6.7)**	287.4
Prior accident years before catastrophe losses	**1**	(3)	0	**nm**	nm
Prior accident year catastrophe losses	**(1)**	(1)	0	**(85.0)**	nm
Total loss and loss expenses	**$ 105**	$ 106	$ 86	**(1.6)**	22.0
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**56.9 %**	60.8 %	54.8 %	**(3.9)**	6.0
Current accident year catastrophe losses	**14.2**	15.6	4.0	**(1.4)**	11.6
Prior accident years before catastrophe losses	**0.3**	(2.5)	0.5	**2.8**	(3.0)
Prior accident year catastrophe losses	**(0.8)**	(0.4)	0.1	**(0.4)**	(0.5)
Total loss and loss expense ratio	**70.6 %**	73.5 %	59.4 %	**(2.9)**	14.1

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 105**	**$ 106**	**$ 89**	**71.1 %**	**73.9 %**	**61.0 %**
as of December 31, 2008		110	87		76.4	59.9
as of December 31, 2007			86			58.8

Specialty packages premiums were relatively flat over the three-year period. Our commercial lines policy processing system for businessowners policies, which are included in this business line, already had several of the technology features we recently introduced to our agents with our new commercial lines policy processing system, thereby meeting many of the ease of use requirements of our agencies.

The calendar year and accident year loss and loss expense ratios reflected the volatility in catastrophe losses over the three-year period. In addition, pricing reductions and normal loss cost inflation continued to put upward pressure on the ratios.

Surety and Executive Risk

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Surety and executive risk:					
Written premiums	**$ 101**	$ 107	$ 102	**(5.1)**	4.0
Earned premiums	**104**	107	100	**(3.5)**	7.7
Loss and loss expenses from:					
Current accident year before catastrophe losses	**76**	71	41	**6.8**	75.2
Current accident year catastrophe losses	**0**	0	0	**nm**	nm
Prior accident years before catastrophe losses	**(3)**	7	1	**nm**	494.7
Prior accident year catastrophe losses	**0**	0	0	**nm**	nm
Total loss and loss expenses	**$ 73**	$ 78	$ 42	**(6.4)**	87.0
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**73.2 %**	66.1 %	40.6 %	**7.1**	25.5
Current accident year catastrophe losses	**0.0**	0.0	0.0	**0.0**	0.0
Prior accident years before catastrophe losses	**(2.7)**	6.5	1.2	**(9.2)**	5.3
Prior accident year catastrophe losses	**0.0**	0.0	0.0	**0.0**	0.0
Total loss and loss expense ratio	**70.5 %**	72.6 %	41.8 %	**(2.1)**	30.8

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	**2009**	2008	2007
as of December 31, 2009	**$ 76**	**$ 69**	**$ 63**	**73.2 %**	**64.5 %**	**63.6 %**
as of December 31, 2008		71	54		66.1	54.3
as of December 31, 2007			41			40.6

Surety and executive risk premiums declined in 2009 as we non-renewed many policies in an effort to improve the quality of the financial institution portion of this book of business. Prior to the credit crisis in 2008, this line of business had been growing in response to our marketing of these products.

Director and officer liability coverage accounted for 60.3 percent of surety and executive risk premiums in 2009 compared with 58.9 percent in 2008 and 62.3 percent in 2007. We have actively managed the potentially high risk of writing director and officer liability by:

- Marketing primarily to nonprofit organizations, which accounted for approximately 70 percent of the director and officer liability policies we wrote in 2009.
- Limiting the number of for-profit policies. At year-end 2009, our in-force director and officer liability policies provided coverage to 14 non-financial publicly traded companies, including two Fortune 1000 companies. We also provided this coverage to approximately 500 banks, savings and loans and other financial institutions.
    - The majority of these financial institution policyholders are smaller community banks, and we believe they have no unusual exposure to credit-market concerns, including subprime mortgages. Based on new policy data or information from the most recent policy renewal, only 14 of our bank and savings and loan policyholders have assets greater than $2 billion, only 22 have assets between $1 billion and $2 billion; and 41 have assets between $500 million and $1 billion.
- Writing on a claims-made basis, which normally restricts coverage to losses reported during the policy term.
- Providing limits no higher than $10 million with facultative or treaty reinsurance in place in 2010 to cover losses greater than $6 million.

The calendar year and current accident year loss and loss expense ratios rose substantially in 2008 and remained high in 2009, driven by director and officer new losses and case reserve increases greater than $250,000. During 2009, there were 37 new director and officer losses and case reserve increases, compared with 38 in 2008 and 20 in 2007. This added approximately $36 million to loss and loss expenses compared with $43 million in 2008 and $9 million in 2007. The higher level in both 2009 and 2008 was largely from claims related to prior lending practices at financial institutions. To address the potential risk inherent in the financial institutions book of our surety and executive risk business line moving forward, we continue to work with our agents to limit the number of new director and officer policies for financial institutions, in addition to using credit rating and other metrics to carefully re-underwrite in-force policies when they are considered for renewal.

Machinery and Equipment

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Machinery and equipment:					
Written premiums	**$ 32**	$ 30	$ 29	**7.5**	3.5
Earned premiums	**31**	29	28	**7.3**	3.1
Loss and loss expenses from:					
Current accident year before catastrophe losses	**9**	11	10	**(19.9)**	10.9
Current accident year catastrophe losses	**0**	0	0	**nm**	nm
Prior accident years before catastrophe losses	**(2)**	1	(2)	**nm**	nm
Prior accident year catastrophe losses	**0**	0	0	**nm**	nm
Total loss and loss expenses	**$ 7**	$ 12	$ 8	**(45.4)**	57.7
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**26.9 %**	36.1 %	33.6 %	**(9.2)**	2.5
Current accident year catastrophe losses	**0.3**	0.9	0.0	**(0.6)**	0.9
Prior accident years before catastrophe losses	**(5.8)**	5.5	(5.5)	**(11.3)**	11.0
Prior accident year catastrophe losses	**0.2**	0.0	(0.3)	**0.2**	0.3
Total loss and loss expense ratio	**21.6 %**	42.5 %	27.8 %	**(20.9)**	14.7

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 9**	**$ 10**	**$ 9**	**27.2 %**	**35.6 %**	**32.0 %**
as of December 31, 2008		11	10		37.0	34.2
as of December 31, 2007			10			33.6

Machinery and equipment premiums continued to rise in 2009. Because of the relatively small size of this business line, the calendar year and accident year loss and loss expense ratios can fluctuate substantially.

PERSONAL LINES INSURANCE RESULTS OF OPERATIONS

Overview – Three-Year Highlights

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Earned premiums	**$ 685**	$ 689	$ 714	**(0.6)**	(3.4)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**485**	498	459	**(2.4)**	8.7
Current accident year catastrophe losses	**106**	99	20	**6.9**	396.4
Prior accident years before catastrophe losses	**(45)**	(51)	(30)	**9.9**	(67.6)
Prior accident year catastrophe losses	**5**	1	(11)	**325.7**	nm
Total loss and loss expenses	**551**	547	438	**0.7**	25.2
Underwriting expenses	**215**	224	233	**(4.1)**	(3.9)
Underwriting (loss) profit	**$ (81)**	$ (82)	$ 43	**1.9**	nm
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**70.9 %**	72.2 %	64.3 %	**(1.3)**	7.9
Current accident year catastrophe losses	**15.4**	14.4	2.8	**1.0**	11.6
Prior accident years before catastrophe losses	**(6.6)**	(7.3)	(4.3)	**0.7**	(3.0)
Prior accident year catastrophe losses	**0.7**	0.1	(1.5)	**0.6**	1.6
Total loss and loss expenses	**80.4**	79.4	61.3	**1.0**	18.1
Underwriting expenses	**31.4**	32.5	32.6	**(1.1)**	(0.1)
Combined ratio	**111.8 %**	111.9 %	93.9 %	**(0.1)**	18.0
Combined ratio	**111.8 %**	111.9 %	93.9 %	**(0.1)**	18.0
Contribution from catastrophe losses and prior years reserve development	**9.5**	7.2	(3.0)	**2.3**	10.2
Combined ratio before catastrophe losses and prior years reserve development	**102.3 %**	104.7 %	96.9 %	**(2.4)**	7.8

Performance highlights for the personal lines segment include:

- Premiums – Very strong competition in our personal lines markets continued in 2009 and we continued to adjust pricing in an effort to return to consistent profitability in our personal lines segment. Net written premiums grew slightly, driven by new business growth that included expansion into new states where we previously offered only commercial lines policies. Industry average written premium growth was estimated at negative 1.1 percent in 2009 and negative 0.7 percent in 2008 after being flat in 2007.
- Combined ratio – The combined ratio improved slightly in 2009, reflecting in part improved pricing, following substantial deterioration in 2008. The level of catastrophe losses remained high in 2009, and the current accident year loss and loss expense ratio remained fairly steady, once refinements made to the IBNR reserve allocation in 2008, noted below, are taken into account. In 2008, the current accident

year loss and loss expense ratio before catastrophe losses also rose substantially, in part due to approximately $20 million, or 2.9 percentage points, from refinements made to the allocation of IBNR reserves by accident year.

Our personal lines statutory combined ratio was 111.4 percent in 2009, 111.6 percent in 2008 and 94.7 percent in 2007. By comparison, the estimated industry personal lines combined ratio was 101.0 percent in 2009, 103.6 percent in 2008 and 96.1 percent in 2007. Our concentration of business in areas hard-hit by catastrophe events contributed to recent results that differed from the overall industry, an issue we are addressing in part through geographic expansion as noted below. The contribution of catastrophe losses to our personal lines statutory combined ratio was 16.1 percentage points in 2009, 14.5 percent points in 2008 and 1.3 percentage points in 2007, compared to an estimated 4.5, 7.5, and 2.1 percentage points, respectively, for the industry.

Personal Lines Insurance Premiums

(Dollars in millions)	Years ended December 31,			2009-2008	2008-2007
	2009	2008	2007	**Change %**	Change %
Agency renewal written premiums	**$ 642**	$ 672	$ 690	**(4.5)**	(2.5)
Agency new business written premiums	**75**	42	38	**80.6**	9.5
Other written premiums	**(26)**	(29)	(24)	**11.1**	(22.5)
Net written premiums	**691**	685	704	**0.9**	(2.7)
Unearned premium change	**(6)**	4	10	**nm**	(53.2)
Earned premiums	**$ 685**	$ 689	$ 714	**(0.6)**	(3.4)

Personal lines insurance is a strategic component of our overall relationship with many of our agencies and an important component of our agencies' relationships with their clients. We believe agents recommend Cincinnati personal insurance products for their value-oriented clients who seek to balance quality and price and who are attracted by our superior claims service and the benefits of our package approach.

Our personal lines policy retention and new business levels have remained at higher levels following introduction in recent years of a limited program of policy credits for personal auto and homeowner pricing in most of the states in which we operate. The program provided credits for eligible new and renewal policyholders identified as above-average quality risks. Additional pricing and credit changes were implemented in early 2009, further improving pricing for the best accounts, which should help us retain and attract even more of our agents' preferred business.

Our personal lines new business written by our agencies rose significantly in 2009 as the number of agency locations writing our personal lines rose by 133, or 14.4 percent, following an increase of 136 agency locations in 2008. Since early 2008, we have worked to improve our geographic diversification by expanding our personal lines operation to several states less prone to catastrophes. There are seven states where we began writing business or significantly expanded our personal lines product offerings and automation capabilities beginning in 2008, and they accounted for $13 million of our 2009 increase in our personal lines new business written premiums. Those seven states are Arizona, Idaho, Maryland, Montana, North Carolina, South Carolina, and Utah.

For the three-year period, other written premiums, primarily premiums that are ceded to reinsurers and that lower our net written premiums, remained relatively stable. Additional premiums ceded to reinsurers to reinstate our catastrophe reinsurance treaty contributed $9 million to other written premiums in 2008.

Personal Lines Insurance Loss and Loss Expenses

Loss and loss expenses include both net paid losses and reserve changes for unpaid losses as well as the associated loss expenses. Catastrophe losses were unusually high during 2009 and 2008, and also are inherently volatile, as discussed above and in Consolidated Property Casualty Insurance Results of Operations, Page 46. Development on loss and loss expense reserves for prior accident years continued to trend favorably in 2009 as discussed in Personal Lines Insurance Segment Reserves, Page 77.

The increase in the current accident year loss and loss expense ratio before catastrophe losses since 2007 reflects the pricing factors discussed above, normal loss cost inflation and higher non-catastrophe weather-related losses. During 2009, one unusually large fire loss for our homeowner line of business contributed $5 million to personal lines segment losses. In addition, refinements made to the allocation of IBNR reserves by accident year increased the 2008 ratio.

(Dollars in millions)
Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 591**	**$ 575**	**$ 468**	**86.3 %**	**83.4 %**	**65.6 %**
as of December 31, 2008		597	480		86.6	67.3
as of December 31, 2007			478			67.0

The effect on the loss and loss expense ratio from new losses and case reserve increases greater than $250,000, net of reinsurance, was higher in 2009 than it was in 2008. Our analysis indicated no unexpected concentration of these losses and reserve increases by risk category, geographic region, policy inception, agency or field marketing territory.

Personal Lines Insurance Losses by Size

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
New losses greater than $4,000,000	**$ 5**	$ 5	$ 0	**0.0**	nm
New losses $1,000,000-$4,000,000	**17**	16	28	**8.4**	(42.2)
New losses $250,000-$1,000,000	**48**	44	44	**6.7**	1.3
Case reserve development above $250,000	**19**	16	19	**24.7**	(20.1)
Total large losses incurred	**89**	81	91	**10.0**	(11.0)
Other losses excluding catastrophe losses	**281**	295	279	**(4.4)**	5.6
Catastrophe losses	**111**	100	10	**10.4**	958.8
Total losses incurred	**$ 481**	$ 476	$ 380	**1.1**	25.4
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
New losses greater than $4,000,000	**0.7 %**	0.7 %	0.0 %	**0.0**	0.7
New losses $1,000,000-$4,000,000	**2.5**	2.3	3.9	**0.2**	(1.6)
New losses $250,000-$1,000,000	**6.9**	6.4	6.2	**0.5**	0.2
Case reserve development above $250,000	**2.8**	2.3	2.7	**0.5**	(0.4)
Total large losses incurred	**12.9**	11.7	12.8	**1.2**	(1.1)
Other losses excluding catastrophe losses	**41.1**	42.8	39.1	**(1.7)**	3.7
Catastrophe losses	**16.2**	14.5	1.3	**1.7**	13.2
Total loss ratio	**70.2 %**	69.0 %	53.2 %	**1.2**	15.8

Personal Lines Insurance Underwriting Expenses

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Commission expenses	**$ 136**	$ 136	$ 145	**(0.2)**	(6.4)
Underwriting expenses	**79**	88	88	**(10.1)**	0.4
Total underwriting expenses	**$ 215**	$ 224	$ 233	**(4.1)**	(3.9)
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Commission expenses	**19.8 %**	19.7 %	20.3 %	**0.1**	(0.6)
Underwriting expenses	**11.6**	12.8	12.3	**(1.2)**	0.5
Total underwriting expense ratio	**31.4 %**	32.5 %	32.6 %	**(1.1)**	(0.1)

Personal lines commission expense as a percent of earned premium for 2009 was essentially flat compared with 2008. The decrease in the commission expenses ratio in 2008 reflected a lower level of our profit-sharing, or contingent commissions, which are primarily based on the profitability of an agency's aggregate property casualty book of Cincinnati business.

Non-commission underwriting expenses declined in 2009 primarily due to lower depreciation expense on previously capitalized software expenditures. In 2008 there was an unusual expense of $3 million due to a pension charge. Refinements in the allocation of expenses between our commercial lines and personal lines segments also contributed to minor variations between year-to-year comparisons in the non-commission underwriting expenses.

Personal Lines Insurance Outlook

A.M. Best estimates industrywide personal lines written premiums may rise approximately 1.8 percent in 2010, with the combined ratio estimated at 100.3 percent. With improvement in our new business levels and by maintaining our strong policy retention rate along with rate increases in the homeowner line effected in late 2009, we expect our growth rate to be slightly higher than the industry target for 2010. In Item 1, Strategic Initiatives, Page 8, we discuss the initiatives we are implementing to address the unsatisfactory performance of our personal lines segment, in particular the homeowner line of business. We also describe steps that will enhance our response to the changing marketplace. We are aware that our personal lines pricing and loss activity are at levels that could put achievement of our corporate financial objectives at risk if those trends continue. We discuss our overall outlook for our property casualty insurance operations in the Executive Summary, Page 34.

Personal Lines of Business Analysis

We prefer to write personal lines coverages within accounts that include both auto and homeowner coverages as well as coverages from the other personal business line. As a result, we believe that the personal lines segment is best measured and evaluated on a segment basis. However, we provide line-of-business data to summarize growth and profitability trends separately for each line. The accident year loss data provides current estimates of incurred loss and loss expenses and corresponding ratios over the most recent three accident years. Accident year data classifies losses according to the year in which the corresponding loss events occur, regardless of when the losses are actually reported, recorded or paid. For 2009, the personal line of business that exhibited the most significant adverse profitability trend was homeowner. As discussed above, we continue to take action to improve pricing per risk and overall rates, which is expected to improve future profitability trends. In addition, we anticipate that the unusually high

catastrophe loss level of 2009 may return nearer to the historical average, with the long-term future catastrophe loss ratio improving due to our gradual geographic diversification into states less prone to catastrophe losses.

Personal Auto

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Personal auto:					
Written premiums	**$ 324**	$ 320	$ 332	**1.3**	(3.7)
Earned premiums	**319**	325	342	**(1.7)**	(5.0)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**224**	226	225	**(0.6)**	0.3
Current accident year catastrophe losses	**3**	4	1	**(23.7)**	266.3
Prior accident years before catastrophe losses	**(6)**	(12)	5	**42.7**	nm
Prior accident year catastrophe losses	**0**	0	(3)	**nm**	nm
Total loss and loss expenses	**$ 221**	$ 218	$ 228	**0.9**	(4.4)
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**70.2 %**	69.4 %	65.8 %	**0.8**	3.6
Current accident year catastrophe losses	**1.0**	1.2	0.3	**(0.2)**	0.9
Prior accident years before catastrophe losses	**(2.0)**	(3.4)	1.6	**1.4**	(5.0)
Prior accident year catastrophe losses	**(0.2)**	0.0	(0.9)	**(0.2)**	0.9
Total loss and loss expense ratio	**69.0 %**	67.2 %	66.8 %	**1.8**	0.4

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 227**	**$ 227**	**$ 234**	**71.2 %**	**69.8 %**	**68.3 %**
as of December 31, 2008		230	237		70.6	69.2
as of December 31, 2007			226			66.1

Net written premiums for personal auto increased slightly in 2009 as strong new business growth offset pricing decreases taken in early 2009 and business lost due to normal attrition. We continue to monitor and modify selected rates and credits to address our competitive position.

The calendar year loss and loss expense ratio rose slightly over the three-year period. In recent years, we have seen generally higher costs for liability claims, including severe injuries, and we have sought rate increases for liability coverages that partially offset price decreases for physical damage coverages.

Price reductions, in part reflecting our trend toward a higher quality book of business, combined with normal loss cost inflation as the primary drivers in the rise in the accident year loss and loss expense ratio before catastrophe losses since 2007. The 2008 accident year loss and loss expense ratio also reflected refinements made to our IBNR reserve allocation by accident year that contributed approximately 4 percentage points.

Homeowner

(Dollars in millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Homeowner:					
Written premiums	**$ 275**	$ 277	$ 284	**(0.6)**	(2.5)
Earned premiums	**276**	277	285	**(0.4)**	(2.6)
Loss and loss expenses from:					
Current accident year before catastrophe losses	**202**	194	161	**4.1**	20.5
Current accident year catastrophe losses	**96**	89	17	**7.8**	416.6
Prior accident years before catastrophe losses	**(5)**	(9)	(3)	**49.7**	(235.4)
Prior accident year catastrophe losses	**5**	1	(7)	**278.7**	nm
Total loss and loss expenses	**$ 298**	$ 275	$ 168	**8.3**	63.7
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**73.0 %**	69.9 %	56.5 %	**3.1**	13.4
Current accident year catastrophe losses	**34.7**	32.1	6.0	**2.6**	26.1
Prior accident years before catastrophe losses	**(1.6)**	(3.2)	(1.0)	**1.6**	(2.2)
Prior accident year catastrophe losses	**1.7**	0.4	(2.5)	**1.3**	2.9
Total loss and loss expense ratio	**107.8 %**	99.2 %	59.0 %	**8.6**	40.2

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 298**	**$ 281**	**$ 180**	**107.7 %**	**101.5 %**	**63.3 %**
as of December 31, 2008		283	177		102.0	62.3
as of December 31, 2007			178			62.5

Premiums for 2009 were relatively flat compared with 2008. Both years were lower than 2007 and reflected improved new business levels offset by higher reinsurance premiums in both years. Premiums ceded for reinsurance, which reduce premium revenue, were $22 million in 2009; $26 million in 2008,

including a reinstatement premium of $8 million; and $23 million in 2007. The pricing changes of the past several years have had a positive effect on policyholder retention and new business activity. We continue to monitor and modify selected rates and credits to address our competitive position and to achieve long-term profitability. Implementation of predictive modeling has provided additional pricing points to target profitability. Various rate changes were implemented beginning in October 2009, including rate increases that respond in part to weather-related loss trends as well as other trends in loss costs. The increases for the homeowner line of business averaged approximately 6 percent in affected states, although some individual policies will see renewal increases in the double-digit range. These actions, in addition to geographic diversification, are important steps we are taking to improve homeowner results.

The calendar year loss and loss expense ratio over the past three years fluctuated with catastrophe losses, non-catastrophe weather-related losses and other large losses. Catastrophe losses have been above our expected range in recent years, averaging 34.5 percent of homeowner earned premium from 2008 to 2009, compared with the most recent 10-year average of 21.9 percent.

The current accident year loss and loss expense ratio before catastrophe losses remained high in 2009, in part due to the same non-catastrophe weather related losses and other large losses that affected the calendar year result. Non-catastrophe weather-related losses contributed about 14.0 percentage points to the 2009 ratio and about 5 percentage points to the 2008 ratio. In addition, the refinements made to our IBNR reserve allocation by accident year and a lower estimate of salvage and subrogation reserves raised the 2008 ratio by about 2 percentage points.

Other Personal

(Dollars in millions)	Years ended December 31,			2009-2008	2008-2007
	2009	2008	2007	**Change %**	Change %
Other personal:					
Written premiums	**$ 92**	$ 88	$ 88	**4.7**	0.6
Earned premiums	**90**	87	87	**3.1**	0.1
Loss and loss expenses from:					
Current accident year before catastrophe losses	**60**	79	72	**(23.4)**	8.6
Current accident year catastrophe losses	**7**	6	2	**15.0**	271.0
Prior accident years before catastrophe losses	**(34)**	(30)	(33)	**(14.4)**	8.4
Prior accident year catastrophe losses	**0**	(1)	0	**nm**	nm
Total loss and loss expenses	**$ 33**	$ 54	$ 41	**(38.8)**	32.5
Ratios as a percent of earned premiums:				**Pt. Change**	Pt. Change
Current accident year before catastrophe losses	**66.9 %**	89.9 %	82.9 %	**(23.0)**	7.0
Current accident year catastrophe losses	**7.7**	6.9	1.9	**0.8**	5.0
Prior accident years before catastrophe losses	**(38.3)**	(34.4)	(37.6)	**(3.9)**	3.2
Prior accident year catastrophe losses	**0.6**	(0.2)	(0.2)	**0.8**	0.0
Total loss and loss expense ratio	**36.9 %**	62.2 %	47.0 %	**(25.3)**	15.2

Accident year loss and loss expenses incurred and ratios to earned premiums:

Accident Year:	2009	2008	2007	2009	2008	2007
as of December 31, 2009	**$ 67**	**$ 67**	**$ 54**	**74.6 %**	**76.8 %**	**62.2 %**
as of December 31, 2008		85	66		96.8	76.1
as of December 31, 2007			74			84.8

Other personal premiums increased in 2009 reflecting the growth in our personal auto and homeowner lines before the effects of reinsurance. Most of our other personal coverages are endorsed to homeowner or auto policies.

The calendar year and accident year loss and loss expense ratio for other personal improved in 2009. Reserve development on prior accident years can fluctuate significantly for this business line because personal umbrella liability is a major component of other personal losses.

LIFE INSURANCE RESULTS OF OPERATIONS

Overview – Three-Year Highlights

Performance highlights for the life insurance segment include:

- Revenues – Driven by higher term life insurance premiums, earned premiums have grown over the past three years. Gross in-force policy face amounts increased to $69.815 billion at year-end 2009 from $65.888 billion at year-end 2008 and $61.875 billion at year-end 2007.
- Profitability – The life insurance segment frequently reports only a small profit or loss because most of its investment income is included in investment segment results. We include only investment income credited to contract holders (interest assumed in life insurance policy reserve calculations) in life insurance segment results. The segment reported a $2 million profit in 2009.

Life Insurance Results

(In millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Earned premiums	**$ 143**	$ 126	$ 125	**13.0**	0.8
Separate account investment management fees	**-**	2	4	**nm**	(56.0)
Total revenues	**143**	128	129	**11.5**	(1.1)
Contract holders' benefits incurred	**160**	142	133	**13.3**	6.1
Investment interest credited to contract holders	**(69)**	(63)	(59)	**10.0**	(5.2)
Operating expenses incurred	**50**	45	52	**9.1**	(12.8)
Total benefits and expenses	**141**	124	126	**13.5**	(1.2)
Life insurance segment profit	**$ 2**	$ 4	$ 3	**(52.7)**	0.9

Life Insurance Growth

We market term, whole and universal life products, fixed annuities and disability income products. In addition, we offer term, whole and universal life and disability insurance to employees at their worksite. These products provide our property casualty agency force with excellent cross-serving opportunities for both commercial and personal accounts.

Earned premiums increased in 2009 largely because of growth in our term and universal life insurance business. Earned premiums from term insurance grew $10 million, or 13.4 percent, and earned premiums from universal life insurance grew $4 million, or 17.8 percent.

Separate account investment management fee income contributed less than $1 million to total revenue in 2009, compared with a $2 million contribution in 2008 and $4 million in 2007. These fees declined primarily because of a net realized capital loss sharing agreement between the separate account and the general account.

Over the past several years, we have worked to maintain a portfolio of simple, yet competitive products, primarily under the LifeHorizons banner. Our product development efforts emphasize death benefit protection and guarantees. Distribution expansion within our property casualty insurance agencies remains a high priority. In the past several years, we have added life field marketing representatives for the western, southeastern and northeastern states. Our 32 life field marketing representatives work in partnership with our more than 100 property casualty field marketing representatives. Approximately 70 percent of our term and other life insurance product premiums were generated through our property casualty insurance agency relationships.

Life Insurance Profitability

Although we exclude most of our life insurance company investment income from investment segment results, we recognize that assets under management, capital appreciation and investment income are integral to evaluation of the success of the life insurance segment because of the long duration of life products. On a basis that includes investment income and realized gains or losses from life insurance-related invested assets, the life insurance company reported a net profit of $22 million in 2009, compared with a net loss of $19 million in 2008 and a net profit of $65 million in 2007. The life insurance company portfolio had after-tax realized investment losses of $13 million in 2009, including $15 million in other-than-temporary impairment charges, compared with after-tax realized investment losses of $58 million in 2008, which included $66 million in other-than-temporary impairment charges. Realized investment losses were minimal in 2007, when we reported after-tax realized investment gains of $26 million. Realized investment gains and losses are discussed under Investment Results of Operations, Page 64.

Life segment expenses consist principally of:

- Contract holders' (policyholders') benefits incurred related to traditional life and interest-sensitive products accounted for 76.4 percent of 2009 total benefits and expenses compared with 75.7 percent in 2008 and 71.9 percent in 2007. Total benefits and expenses rose due to net death claims that increased but remained within our range of pricing expectations.

- Operating expenses incurred, net of deferred acquisition costs, accounted for 23.6 percent of 2009 total benefits and expenses compared with 24.3 percent in 2008 and 28.1 percent in 2007. Operating expenses increased principally because of the level of commission expense associated with new term life insurance and fixed annuity policies, partially offset by deferred acquisition costs related to these products.

Life segment profitability depends largely on premium levels, the adequacy of product pricing, underwriting skill and operating efficiencies. Life segment results include only investment interest credited to contract holders (interest assumed in life insurance policy reserve calculations). The remaining investment income is reported in the investment segment results. The life investment portfolio is managed to earn target spreads between earned investment rates on general account assets and rates credited to policyholders. We consider the value of assets under management and investment income for the life investment portfolio as key performance indicators for the life insurance segment.

We seek to maintain a competitive advantage with respect to benefits paid and reserve increases by consistently achieving better than average claims experience due to skilled underwriting. Commissions paid by the life insurance operation are on par with industry averages.

During the past several years, we have invested in imaging and workflow technology and have significantly improved application processing. We have achieved process efficiencies while improving our service. These efficiencies have played a significant role in cost containment and in our ability to increase total premiums and policy count over the past 10 years with minimal headcount additions.

Life Insurance Outlook

Life insurer balance sheets strengthened nicely in 2009 after weathering a difficult 2008. Many companies increased prices or exited selected lines of business to preserve and enhance valuable capital. Our strong surplus position and straight-forward portfolio of products allowed us to maintain our pricing and continue to offer the products and services upon which our agents have come to rely. This strategy led to strong growth in our life and annuity lines in 2009; we expect this trend will continue with respect to life sales but expect some moderation with respect to annuity sales in 2010.

Our property casualty agencies remain the main distribution system for our life insurance segment, and we continue to emphasize securing an increasing share of the life insurance premium produced by these agencies. While other life insurers continue to expand nontraditional distribution channels such as direct sales, we intend to market through agencies affiliated with our property casualty insurance operations or independent life-only agencies. In 2009 our property casualty agencies produced 70 percent and our life-only agencies 30 percent of our life insurance premium. Term insurance continues to fit well with the sales goals of both our property casualty and life-only agencies and remains our largest product line. We continue to introduce new term products with features our agents tell us are important. We will complete a comprehensive review of our term portfolio as well as introduce a new second-to-die universal life product in 2010. We continue to emphasize the cross-serving opportunities of our worksite products for our property casualty agencies' commercial accounts.

As we seek to improve internal efficiencies, we are consolidating our legacy life insurance administrative systems into a single system. We anticipate this effort will be completed by mid-2011. We are also exploring online initiatives including intelligent electronic applications. We expect these projects to directly affect our ability to increase revenue and reduce expenses.

Current statutory laws and regulations require life insurers to hold redundant reserves, particularly for preferred risk underwriting classes. While these redundant reserves have no direct effect on GAAP results, they depress statutory earnings and require a large commitment of capital. Redundant reserves are a significant challenge, not just for our life insurance operations, but for all writers of term insurance and universal life insurance with secondary guarantees.

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

INVESTMENT RESULTS OF OPERATIONS

Overview – Three-Year Highlights

The investment segment contributes investment income and realized gains and losses to results of operations. Investments provide our primary source of pretax and after-tax profits.

- Investment income – Pretax investment income declined 6.8 percent in 2009, primarily because of prior year dividend cuts in our common stock portfolio. Pretax investment income declined 11.6 percent in 2008, primarily because of dividend reductions by common and preferred holdings, including reductions during the year on positions subsequently sold or reduced. After-tax investment income declined 11.3 percent in 2009 compared with 10.9 percent in 2008. This after-tax decline has been primarily driven by the above-mentioned dividend reductions.
- Realized investment gains and losses – We reported realized investment gains in all three years, largely due to investment sales that were discretionary in timing and amount. Those sales were somewhat offset in 2009 and 2008, respectively, by $131 million and $510 million of other-than-temporary impairment charges for the write-down of 50 securities in 2009 and 126 securities in 2008.

Investment Results

(In millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Total investment income, net of expenses, pre-tax	**$ 501**	$ 537	$ 608	**(6.8)**	(11.6)
Investment interest credited to contract holders	**(69)**	(63)	(59)	**(10.0)**	(5.2)
Realized investment gains and losses summary:					
Realized investment gains and losses	**440**	686	409	**(35.8)**	67.6
Change in fair value of securities with embedded derivatives	**27**	(38)	(11)	**nm**	(243.8)
Other-than-temporary impairment charges	**(131)**	(510)	(16)	**74.3**	nm
Total realized investment gains and losses	**336**	138	382	**144.5**	(64.0)
Investment operations profit	**$ 768**	$ 612	$ 931	**25.5**	(34.2)

Investment Income

The primary drivers of investment income were:

- Interest income rose again in 2009 as we increased our allocation of investments to fixed maturity securities. At year-end 2009, the fixed maturities fair value was 104.5 percent of book value compared with 96.2 percent at year-end 2008.
- Dividend income declined 50.8 percent in 2009 after declining 30.5 percent in 2008 and rising in 2007. During 2008, we reduced the size of our common stock portfolio by more than 50 percent in response to actual or anticipated dividend reductions as well as for the implementation of a risk management program.

We are investing available cash flow in both fixed income and equity securities in a manner that we believe balances current income needs with longer-term growth goals.

(In millions)	Years ended December 31, 2009	2008	2007	2009-2008 Change %	2008-2007 Change %
Investment income:					
Interest	**$ 402**	$ 326	$ 308	**23.1**	6.0
Dividends	**100**	204	294	**(50.8)**	(30.5)
Other	**7**	14	15	**(53.3)**	(4.5)
Investment expenses	**(8)**	(7)	(9)	**(5.2)**	12.6
Total investment income, net of expenses, pre-tax	**501**	537	608	**(6.8)**	(11.6)
Income taxes	**(118)**	(106)	(124)	**(11.5)**	14.6
Total investment income, net of expenses, after-tax	**$ 383**	$ 431	$ 484	**(11.3)**	(10.9)
Effective tax rate	**23.6%**	19.7%	20.4%		
Average invested assets	**$ 10,550**	$ 11,193	$ 13,224		
Average yield pre-tax	**4.7%**	4.8%	4.6%		
Average yield after-tax	**3.6%**	3.9%	3.7%		

Net Realized Investment Gains and Losses

Net realized investment gains and losses are made up of realized investment gains and losses on the sale of securities, changes in the valuation of embedded derivatives within certain convertible securities and other-than-temporary impairment charges. These three areas are discussed below.

Investment gains or losses are recognized upon the sales of investments or as otherwise required under GAAP. The timing of realized gains or losses from sales can have a material effect on results in any quarter.

However, such gains or losses usually have little, if any, effect on total shareholders' equity because most equity and fixed maturity investments are carried at fair value, with the unrealized gain or loss included as a component of other comprehensive income.

Realized Investment Gains and Losses

As appropriate, we buy, hold or sell both fixed-maturity and equity securities on an ongoing basis to help achieve our portfolio objectives. Pretax realized investment gains in the past three years largely were due to the sale of equity holdings.

Net realized investment gains and losses totaling $440 million for the year ended December 31, 2009, reflected:

- $624 million in realized gains from equity sales including $161 million from the merger of Wyeth with Pfizer (NYSE: PFE); $133 million from the sale of ExxonMobil (NYSE: XOM); $100 million from the sale of Procter & Gamble; $67 million from the sale of Fifth Third Bancorp (NASDAQ: FITB); $52 million from the sale of Piedmont Natural Gas (NYSE: PNY); and $111 million from the sale of various other equity holdings.
- $162 million in realized losses from the sales of various equity securities, including $52 million from the sale of General Electric Co. (NYSE: GE). These realized losses partially offset the $624 million in realized gains from equity sales.
- $15 million in net losses from fixed-maturity sales and calls.
- $7 million in other net losses, including $6 million from a write-off of an other invested asset.

In 2008, most of the gain was due to sales of holdings of common and preferred stocks of financial services issuers, to reduce our historical weighting in financial sector securities. The majority of these holdings were sold following reductions or elimination of their cash dividends to shareholders. Because of our low cost basis, we were able to record gains on many of these sales despite the decline in overall stock market values during 2008. Realized gains were lower in 2007, although we chose to take gains from partial sales of selected holdings and to sell other holdings because of general credit concerns that began in the subprime mortgage market and spread to other areas in the homebuilding and related industries over the course of 2007.

We generally purchase fixed income securities with the intention to hold until maturity. Securities that no longer meet our investment criteria, usually due to a change in credit fundamentals, are divested.

Change in the Valuation of Securities with Embedded Derivatives

We have a small portfolio of convertible preferred stocks and bonds, which have an embedded derivative component. In 2009 we recorded $27 million in fair value realized gains compared with $38 million and $11 million in fair value declines for 2008 and 2007. These changes in fair value were due to the application of ASC 815-15-25, which allows us to account for the entire hybrid financial instrument at fair value, with changes recognized in realized investment gains and losses. The changes in fair values are recognized in net income in the period they occur. See the discussion of Derivative Financial Instruments and Hedging Activities in Item 8, Note 1 of the Consolidated Financial Statements, Page 94, for details on the accounting for convertible security embedded options.

Other-than-temporary Impairment Charges

In 2009, we recorded $131 million in write-downs of 50 securities that we deemed had experienced an other-than-temporary decline in fair value versus $510 million for 126 securities in 2008 and $16 million in 2007. The factors we consider when evaluating impairments are discussed in Critical Accounting Estimates, Asset Impairment, Page 42. The other-than-temporary impairment charges in 2009 approximated 1.2 percent of our total invested assets at year-end compared with 5.7 percent for 2008. Other-than-temporary impairment charges also include unrealized losses of holdings that we intend to sell but have not yet completed a transaction.

Other-than-temporary impairment charges from the investment portfolio by the asset class we described in Item 1, Investments Segment, Page 18, are summarized below:

(Dollars in millions)	Years ended December 31,		
	2009	2008	2007
Taxable fixed maturities:			
Impairment amount	**$ (61)**	$ (162)	$ (14)
New book value	**$ 81**	$ 187	$ 46
Percent to total owned	**2 %**	6 %	1 %
Number of securities impaired	**37**	86	18
Percent to total owned	**3 %**	10 %	2 %
Tax-exempt fixed maturities:			
Impairment amount	**$ (1)**	$ (1)	$ 0
New book value	**$ 3**	$ 1	$ 0
Percent to total owned	**0 %**	0 %	0 %
Number of securities impaired	**2**	1	0
Percent to total owned	**0 %**	0 %	0 %
Common equities:			
Impairment amount	**$ (59)**	$ (214)	$ (2)
New book value	**$ 48**	$ 87	$ 2
Percent to total owned	**2 %**	5 %	0 %
Number of securities impaired	**8**	9	2
Percent to total owned	**16 %**	18 %	4 %
Preferred equities:			
Impairment amount	**$ (10)**	$ (133)	$ 0
New book value	**$ 5**	$ 98	$ 0
Percent to total owned	**7 %**	52 %	0 %
Number of securities impaired	**3**	30	0
Percent to total owned	**12 %**	86 %	0 %
Total:			
Impairment amount	**$ (131)**	$ (510)	$ (16)
New book value	**$ 137**	$ 373	$ 48
Percent to total owned	**1 %**	5 %	1 %
Number of securities impaired	**50**	126	20
Percent to total owned	**2 %**	6 %	1 %

Other-than-temporary impairment charges from the investment portfolio by industry are summarized as follows:

(In millions)	Years ended December 31,		
	2009	2008	2007
Fixed maturities:			
Financial	**$ (30)**	$ (72)	$ (4)
Services cyclical	**(14)**	(17)	(6)
Real estate	**(11)**	(49)	0
Consumer cyclical	**(5)**	(14)	(1)
Other	**(2)**	(11)	(3)
Total fixed maturities	**(62)**	(163)	(14)
Common equities:			
Industrials	**(35)**	0	0
Consumer discretionary	**(10)**	0	0
Material	**(8)**	0	0
Health	**(6)**	(30)	0
Financial	**0**	(184)	0
Real estate	**0**	0	(2)
Total common equities	**(59)**	(214)	(2)
Preferred equities:			
Financial	**(10)**	(132)	0
Other	**0**	(1)	0
Total preferred equities	**(10)**	(133)	0
Total	**$ (131)**	$ (510)	$ (16)

The decrease in other-than-temporary impairment charges in 2009 was largely due to the improvement in values as asset markets rebounded. The increase in other-than-temporary impairment charges in 2008 was largely due to write-downs of holdings of bonds and common and preferred stocks of financial services

issuers, reflecting our historical weighting in this sector and the decline in overall stock market values during 2008.

Investments Outlook

We continue to focus on portfolio strategies to balance near-term income generation and long-term book value growth. In 2010, we expect to continue to allocate a portion of cash available for investment to equity securities, taking into consideration corporate liquidity and income requirements, as well as insurance department regulations and ratings agency comments. We discuss our portfolio strategies in Item 1, Investments Segment, Page 18.

We believe that a weak or prolonged recovery from current economic conditions could heighten the risk of renewed pressure on securities markets, which could lead to additional other-than-temporary impairment charges. Our asset impairment committee continues to monitor the investment portfolio. The current asset impairment policy is described in Critical Accounting Estimates, Asset Impairment, Page 42.

OTHER

Revenues for our Other businesses increased during 2009, primarily due to earned premiums from our excess and surplus lines business. Other also includes other income of our standard market insurance subsidiary, as well as non-investment operations of the parent company and its subsidiary, CFC Investment Company, and former subsidiary CinFin Capital Management Company. Upon commencing our excess and surplus lines operations in 2008, we also included results of The Cincinnati Specialty Underwriters Insurance Company and CSU Producer Resources.

Losses before income taxes for Other were largely driven by interest expense from debt of the parent company plus losses and loss expenses and underwriting expenses from our excess and surplus lines operation.

(In millions)	Years ended December 31,			**2009-2008**	2008-2007
	2009	2008	2007	**Change %**	Change %
Interest and fees on loans and leases	**$ 7**	$ 8	$ 10	**(10.2)**	(21.1)
Earned premiums	**27**	5	0	**499.0**	nm
Money management fees	**-**	2	3	**nm**	(29.2)
Other revenues	**5**	1	2	**181.0**	(27.8)
Total revenues	**39**	16	15	**144.6**	6.6
Interest expense	**55**	53	51	**3.5**	3.8
Loss and loss expenses	**20**	5	0	**308.6**	nm
Underwriting expenses	**21**	5	1	**343.1**	318.9
Operating expenses	**15**	17	9	**(11.3)**	74.3
Total expenses	**111**	80	61	**22.3**	20.8
Other loss	**$ (72)**	$ (64)	$ (46)	**10.6**	(25.3)

TAXES

We had $150 million of income tax expense in 2009 compared with $111 million in 2008 and $337 million in 2007. The effective tax rate for 2009 was 25.7 percent compared with 20.7 percent in 2008 and 28.3 percent in 2007.

The change in our effective tax rate was driven by changes in pretax income from underwriting results, investment income from dividends and the amount of realized investment gains and losses. Higher tax-exempt interest and changes in our dividends received deduction in the current year compared with prior years also contributed with the change in the effective tax rates from 2007 to 2009.

Historically, we have pursued a strategy of investing some portion of cash flow in tax-advantaged fixed-maturity and equity securities to minimize our overall tax liability and maximize after-tax earnings. See Tax-Exempt Fixed Maturities, Page 19 for further discussion on municipal bond purchases in our fixed-maturity investment portfolio. For our insurance subsidiaries, approximately 85 percent of income from tax-advantaged fixed-maturity investments is exempt from federal tax. Our non-insurance companies own an immaterial amount of tax-advantaged fixed-maturity investments. For our insurance subsidiaries, the dividend received deduction, after the dividend proration of the 1986 Tax Reform Act, exempts approximately 60 percent of dividends from qualified equities from federal tax. For our non-insurance subsidiaries, the dividend received deduction exempts 70 percent of dividends from qualified equities. Details about our effective tax rate are found on Note 11, Income Taxes, Page 108.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources represent the overall financial strength of our company and our ability to generate cash flows to meet the short- and long-term cash requirements of business obligations and growth needs. We seek to maintain prudent levels of liquidity and financial strength for the protection of our policyholders, creditors and shareholders. We manage liquidity at two levels. The first is the liquidity of the parent company. The second is the liquidity of our insurance subsidiary. The management of liquidity at both levels is essential because each has different funding needs and sources, and each is subject to certain regulatory guidelines and requirements.

Parent Company Liquidity

The parent company's primary means of meeting liquidity requirements are dividends from our insurance subsidiary, investment income and sale proceeds from investments held at the parent company level. The parent company's primary contractual obligations are interest and principal payments on long- and short-term debt as described under Contractual Obligations, Page 71. Other uses of parent company cash include general operating expenses described under Other Commitments, Page 71, as well as dividends to shareholders and common stock repurchases. As of December 31, 2009, the parent company had $998 million in cash and marketable securities, providing strong liquidity to fund uses of cash.

This table below shows a summary, by the direct method, of the major sources and uses of liquidity by the parent company. Dividends received in 2009 and 2008 from our insurance subsidiary were much lower than in the several years prior to that, in order to maintain strong statutory surplus and financial strength ratings. We expect sources of liquidity to increase in 2010 and beyond, as we anticipate investment income growth and improved profitability for our property casualty operations. A dividend of $50 million was received from our insurance subsidiary in January 2010. The majority of expenditures for the parent company have been consistent during the last three years, and we expect future expenditures to remain fairly stable.

(In millions)	Years ended December 31,		
	2009	2008	2007
Sources of liquidity:			
Insurance subsidiary dividends received	**$ 0**	$ 220	$ 450
Other operating subsidiaries' dividends received	**0**	10	0
Investment income received	**41**	81	99
Uses of liquidity:			
Debt interest payments	**$ 52**	$ 53	$ 52
Pension payments	**34**	34	10
Shareholders dividend payments	**249**	250	240
Purchase (issuance) of treasury shares	**(1)**	138	307

At the discretion of the board of directors, the company can return cash directly to shareholders:

- Dividends to shareholders – Over the past 10 years, the company has paid an average of 39.9 percent of net income as dividends. The ability of the company to continue paying cash dividends is subject to factors the board of directors may deem relevant.

  Through 2009, the board had increased our cash dividend for 49 consecutive years. The board decision in August 2009 to increase the dividend demonstrated confidence in the company's strong capital, liquidity, financial flexibility and initiatives to improve earnings performance. While the board and management believe there is merit to sustaining the company's record of dividend increases, our first priority is the company's financial strength.

- Common stock repurchase – Generally, our board believes that stock repurchases can help fulfill our commitment to enhancing shareholder value. Consequently, the board has authorized the repurchase of outstanding shares, giving management discretion to purchase shares at reasonable prices in light of circumstances at the time of purchase, pursuant to SEC regulations.

  Consistent with our approach for the second half of 2008, in 2009 we chose to preserve capital rather than repurchase shares. During the first half of 2008, we repurchased 3.8 million shares. In the past, repurchases have occurred when we believed that stock prices on the open market were favorable for such repurchases. Our corporate Code of Conduct restricts repurchases during certain time periods. The details of the repurchase authorizations and activity are described in Item 5, Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, Page 30. Between February 1999 and year-end 2009, we have repurchased 28.7 million shares at a total cost to the company of $1.105 billion. We do not adjust the number of shares repurchased and average price per repurchased share for stock dividends.

Insurance Subsidiary Liquidity

Our insurance subsidiary's primary means of meeting liquidity requirements are investment income, sale proceeds from investments held at the subsidiary level and collection of insurance premiums. Property casualty insurance premiums generally are received before losses are paid under the policies purchased with those premiums. While first-year life insurance expenses normally exceed first-year premiums, subsequent premiums are used to generate investment income until the policy benefits are paid or the policy term expires.

Our insurance subsidiaries' primary contractual obligations are property casualty loss and loss expenses and life policyholder obligations as well as certain ongoing operating expenses as shown under Contractual Obligations, Page 71. Other uses of insurance subsidiary cash include payments of dividends to the parent company and other operating expenses as discussed under Other Commitments, Page 71.

This table shows a summary of operating cash flow of the insurance subsidiary (direct method):

(In millions)	Years ended December 31,		
	2009	2008	2007
Premiums collected	**$ 3,083**	$ 3,163	$ 3,256
Loss and loss expenses paid	**(2,030)**	(2,064)	(1,888)
Commissions and other underwriting expenses paid	**(1,049)**	(1,078)	(1,053)
Insurance subsidiary cash flow from underwriting	**4**	21	315
Investment income received	**432**	475	502
Insurance subsidiary operating cash flow	**$ 436**	$ 496	$ 817

Over the past three years, cash receipts from property casualty and life insurance premiums, along with investment income, have been more than sufficient to pay claims, operating expenses and dividends to the parent company. We discuss the factors that affected insurance operations in Commercial Lines and Personal Lines Insurance Results of Operations, Page 48 and Page 57.

Additional Sources of Liquidity

Investing is a primary source of liquidity for both the parent company and our insurance subsidiary operations. For both, cash in excess of operating requirements is invested in fixed-maturity and equity securities. Equity securities provide the potential for future increases in dividend income and for appreciation. In Item 1, Investments Segment, Page 18, we discuss our investment strategy, portfolio allocation and quality.

Income from our investments is the most important investment contribution to cash flow. While we have never sold investments to make claims payments, the sale of investments could provide an additional source of liquidity at either the parent company or insurance subsidiary level, if required, although we follow a buy-and-hold investment philosophy seeking to compound cash flows over the long-term. In addition to possible sales of investments, proceeds of call or maturities of fixed maturities also can provide liquidity. During the next five years, $2.135 billion, or 28.4 percent, of our fixed-maturity portfolio will mature. At year-end 2009, total unrealized gains in the investment portfolio, before deferred income taxes, were $1.026 billion, up from $588 million at year-end 2008. Net unrealized gains in 2009 nearly doubled from year-end 2008, even after a significant amount of gains was realized during 2009. Further, financial resources of the parent company also could be made available to our insurance subsidiaries, if circumstances required. This flexibility would include our ability to access the capital markets and short-term bank borrowings.

One way we seek to maintain a solid financial position and provide capital flexibility is by keeping our ratio of debt to total capital moderate. We target a ratio below 20 percent. At year-end 2009, the ratio was 15.0 percent compared with 16.7 percent at year-end 2008. The decrease in the debt-to-total-capital ratio was due entirely to the increase in shareholders' equity at year-end 2009. Based on our present capital requirements, we do not believe we will need to increase debt levels during 2010. As a result, we believe that changes in our debt-to-capital ratio will again be a function of changes in shareholders' equity.

We had $790 million of long-term debt and $49 million in borrowings on our short-term lines of credit at year-end 2009. We generally have minimized our reliance on debt financing although we may use lines of credit to fund short-term cash needs.

Long-Term Debt

We provide details of our three long-term notes in Item 8, Note 8 of the Consolidated Financial Statements, Page 106. None of the notes are encumbered by rating triggers:

- $391 million aggregate principal amount of 6.92% senior debentures due 2028.
- $28 million aggregate principal amount of 6.9% senior debentures due 2028.
- $374 million aggregate principal amount of 6.125% senior debentures due 2034.

The company's senior debt is rated investment grade by independent ratings firms. On August 2, 2009, Fitch Ratings lowered our senior debt rating from A- to BBB+. Three other rating agencies made no changes

to our debt ratings in 2009. Our debt ratings from the other rating agencies are: a from A.M. Best, A3 from Moody's Investors Service and BBB+ from Standard & Poor's Ratings Services. The ratings are described in Item 1, Financial Strength, Page 3.

Short-Term Debt

At December 31, 2009, we had two lines of credit with commercial banks amounting to $225 million, with $49 million borrowed. Access to these lines of credit requires compliance with various covenants, including maintaining a minimum consolidated net worth and not exceeding a certain debt-to-capital ratio. As of December 31, 2009, we were well within compliance with all of the covenants under the credit agreements.

Our $75 million unsecured line of credit with PNC Bank, N.A. was established more than five years ago and was renewed effective August 31, 2009, for a one-year term to expire on August 29, 2010. CFC Investment Company, a subsidiary of Cincinnati Financial Corporation, also is a borrower under this line of credit. At year-end 2008, $49 million was outstanding on this line of credit, which was repaid in 2009. PNC Bank is a subsidiary of PNC Financial Services Group, Inc. (NYSE:PNC).

The second line of credit is an unsecured $150 million revolving line of credit administered by The Huntington National Bank. It was established in 2007 and will mature in 2012. CFC Investment Company, a subsidiary of Cincinnati Financial Corporation, also is a borrower under this line of credit. At year-end 2009, there was $49 million outstanding on this line of credit. The Huntington National Bank, a subsidiary of Huntington Bancshares Inc. (NASDAQ:HBAN), is the lead participant with a $75 million share. U.S. Bancorp (NYSE:USB), Bank of America (NYSE:BAC) and Northern Trust Corporation (NASDAQ:NTRS) also participate, each providing $25 million of capacity.

The line of credit includes a swing line sub-facility for same-day borrowing in the amount of $35 million. The credit agreement provides alternative interest charges based on the type of borrowing and our debt rating. The interest rate charged for an advancement is adjusted LIBOR plus the applicable margin. Based on our debt ratings at year-end 2009, interest for Eurodollar rate advances is adjusted LIBOR plus 33 basis points, and for floating rate advances is adjusted LIBOR. Utilization and commitment fees based on Cincinnati Financial Corporation's current debt rating are 5 basis points and 8 basis points, respectively. CFC Investment Company, a subsidiary of Cincinnati Financial Corporation, is a co-borrower under the agreement.

Liquidity and Capital Resources Outlook

A long-term perspective governs all of our major decisions, with the goal of benefiting our policyholders, agents, shareholders and associates over time. While our insurance results remained weak for 2009, even after a strong second half of the year, our improved capital position from year-end 2008 provided adequate cushion. We have taken the necessary steps to protect our capital and are confident in our strategies to return our insurance operations to growth and profitability.

Our consistent cash flows and prudent cash balances continue to create strong liquidity. As of December 31, 2009, we had $557 million in cash and cash equivalents. That strong liquidity and our consistent cash flows gives us the flexibility to meet current obligations while building value by prudently investing where we see potential for both current income and long-term return.

In any year, we consider the most likely source of pressure on liquidity would be an unusually high level of catastrophe losses within a short period of time. This could create additional obligations for our insurance operations by increasing the severity or frequency of claims. To address the risk of unusual insurance loss obligations including catastrophe events, we maintain property casualty reinsurance contracts with highly rated reinsurers, as discussed under 2010 Reinsurance Programs, Page 79. We also monitor the financial condition of our reinsurers because an insolvency could place in jeopardy a portion of our $675 million in outstanding reinsurance recoverables as of December 31, 2009.

Continued economic weakness also has the potential to affect our liquidity and capital resources in a number of different ways, including: delinquent payments from agencies, defaults on interest payments by fixed-maturity holdings in our portfolio, dividend reductions by holdings in our equity portfolio or declines in the market value of holdings in our portfolio.

Further, parent company liquidity could be constrained by State of Ohio regulatory requirements that restrict the dividends insurance subsidiaries can pay. During 2010, total dividends that our insurance subsidiary can pay to our parent company without regulatory approval are approximately $365 million.

Off-Balance-Sheet Arrangements

We do not use any special-purpose financing vehicles or have any undisclosed off-balance-sheet arrangements (as that term is defined in applicable SEC rules) that are reasonably likely to have a current or future material effect on the company's financial condition, results of operation, liquidity, capital expenditures or capital resources. Similarly, the company holds no fair-value contracts for which a lack of marketplace quotations would necessitate the use of fair-value techniques.

OBLIGATIONS

We pay obligations to customers, suppliers and associates in the normal course of our business operations. Some are contractual obligations that define the amount, circumstances and/or timing of payments. We have other commitments for business expenditures; however, the amount, circumstances and/or timing of our other commitments are not dictated by contractual arrangements.

Other Commitments

As of December 31, 2009, we believe our most significant other commitments are:

- Qualified pension plan – In 2010, we currently estimate a voluntary cash contribution of $25 million to our qualified pension plan, a $12 million net pension expense and a $7 million expense for company 401(k) contributions. Going forward, potential savings due to lower funding requirements for the pension plan are expected to be offset by the company 401(k) contributions. In 2008, we chose to transition away from a defined benefit plan to reduce the company's future market risk while offering associates an up-to-date, more flexible benefits program. We discuss the change to the pension plan, future contributions and plan assets in Item 8, Note 13 to the Consolidated Financial Statements, Page 109.
- Commissions – We expect commission payments to generally track with written premiums. We discuss commission trends in the Commercial Lines and Personal Lines Insurance Results of Operations, Page 49 and Page 57.
- Other operating expenses – Many of our operating expenses are not contractual obligations but reflect the ongoing expenses of our business. Technology – In addition to contractual obligations for hardware and software discussed below, we anticipate capitalizing approximately $20 million in spending for key technology initiatives in 2010. Technology projects are discussed in Item 1, Strategic Initiatives, Page 8. Capitalized development costs related to key technology initiatives totaled $28 million in 2009 and $38 million in 2008. These activities are conducted at our discretion, and we have no material contractual obligations for activities planned as part of these projects.

Contractual Obligations

As of December 31, 2009, we estimate our future contractual obligations as follows:

(In millions)	Payment due by period				
	Year 2010	Years 2011-2012	Years 2013-2014	There-after	Total
Gross property casualty loss and loss expense payments	$ 1,210	$ 1,324	$ 590	$ 972	$ 4,096
Gross life policyholder obligations	46	76	112	3,268	3,502
Interest on long-term debt	52	104	104	838	1,098
Long-term debt	0	0	0	793	793
Short-term debt	49	0	0	0	49
Profit-sharing commissions	81	0	0	0	81
Operating property	1	0	0	0	1
Capital lease obligations	12	15	1	0	28
Computer hardware and software	12	13	3	0	28
Other invested assets	4	7	0	0	11
Total	$ 1,467	$ 1,539	$ 810	$ 5,871	$ 9,687

Our most significant contractual obligations are discussed in conjunction with related insurance reserves in Gross Property Casualty Loss and Loss Expense Payments and Gross Life Insurance Policyholder Obligations on Page 71 and Page 78, respectively. Other future contractual obligations include:

- Interest on long- and short-term debt – We expect total interest expense to be approximately $52 million in 2010. We discuss outstanding debt in Additional Sources of Liquidity, Page 69.
- Profit-sharing commissions – Profit-sharing, or contingent, commissions are paid to agencies using a formula that takes into account agency profitability and other factors. We estimate 2010 contingent commission payments of approximately $81 million. We discuss commission expense trends in Commercial Lines and Personal Lines Insurance Results of Operations, Page 49 and Page 57.
- Computer hardware and software – We expect to need approximately $25 million over the next three years for current material commitments for computer hardware and software, including maintenance contracts on hardware and other known obligations. We discussed above the non-contractual expenses we anticipate for computer hardware and software in 2010.

Property Casualty Loss and Loss Expense Obligations and Reserves

Gross Property Casualty Loss and Loss Expense Payments

Our estimate of future gross property casualty loss and loss expense payments of $4.096 billion is lower than loss and loss expense reserves of $4.142 billion as of year-end 2009. The $46 million difference is

due to life and health loss reserves, as discussed in Item 8, Note 5 of the Consolidated Financial Statements, Page 105.

While we believe that historical performance of property casualty and life loss payment patterns is a reasonable source for projecting future claim payments, there is inherent uncertainty in this estimate of contractual obligations. We believe that we could meet our obligations under a significant and unexpected change in the timing of these payments because of the liquidity of our invested assets, strong financial position and access to lines of credit.

Our estimates of gross property casualty loss and loss expense payments also do not include reinsurance receivables or ceded losses. As discussed in 2010 Reinsurance Programs, Page 79, we purchase reinsurance to mitigate our property casualty risk exposure. Ceded property casualty reinsurance unpaid receivables of $435 million at year-end 2009 are an offset to our gross property casualty loss and loss expense obligations. Our reinsurance program mitigates the liquidity risk of a single large loss or an unexpected rise in claim severity or frequency due to a catastrophic event. Reinsurance does not relieve us of our obligation to pay covered claims. The financial strength of our reinsurers is important because our ability to recover losses under our reinsurance agreements depends on the financial viability of the reinsurers.

We direct our associates and agencies to settle claims and pay losses as quickly as is practical and we made $1.923 billion of net claim payments during 2009. At year-end 2009, net property casualty reserves reflected $2.026 billion in unpaid amounts on reported claims (case reserves), $792 million in loss expense reserves and $843 million in estimates of claims that were incurred but had not yet been reported (IBNR). The specific amounts and timing of obligations related to case reserves and associated loss expenses are not set contractually. The amounts and timing of obligations for IBNR claims and related loss expenses are unknown. We discuss our methods of establishing loss and loss expense reserves and our belief that reserves are adequate in Critical Accounting Estimates, Property Casualty Insurance Loss and Loss Expense Reserves, Page 38.

The historical pattern of using premium receipts for the payment of loss and loss expenses has enabled us to extend slightly the maturities of our investment portfolio beyond the estimated settlement date of the loss reserves. The effective duration of our consolidated fixed-maturity portfolio was 5.3 years at year-end 2009. By contrast, the duration of our loss and loss expense reserves was approximately three years. We believe this difference in duration does not affect our ability to meet current obligations because cash flow from operations is sufficient to meet these obligations. In addition, investment holdings could be liquidated, if necessary, to meet higher than anticipated loss and loss expenses.

Range of Reasonable Reserves

The company established a reasonably likely range for net loss and loss expense reserves of $3.459 billion to $3.774 billion at year-end 2009, with the company carrying net reserves of $3.661 billion. The likely range was $3.256 billion to $3.592 billion at year-end 2008, with the company carrying net reserves of $3.498 billion. Our loss and loss expense reserves are not discounted for the time-value of money, but we have reduced the reserves by an estimate of the amount of salvage and subrogation payments we expect to recover. We provide a reconciliation of the property casualty reserves with the loss and loss expense reserve as shown on the balance sheet in Item 8, Note 5 of the Consolidated Financial Statements, Page 105.

The low point of each year's range corresponds to approximately one standard error below each year's mean reserve estimate, while the high point corresponds to approximately one standard error above each year's mean reserve estimate. We discussed management's reasons for basing reasonably likely reserve ranges on standard errors in Critical Accounting Estimates, Reserve Estimate Variability, Page 41.

The ranges reflect our assessment of the most likely unpaid loss and loss expenses at year-end 2009 and 2008. However, actual unpaid loss and loss expenses could nonetheless fall outside of the indicated ranges.

Management's best estimate of total loss and loss expense reserves as of year-end 2009 was consistent with the corresponding actuarial best estimate. Management's best estimate of total loss and loss expense reserves as of year-end 2008 also was consistent with the corresponding actuarial best estimate.

Development of Reserves for Loss and Loss Expenses

We reconcile the beginning and ending balances of our reserves for loss and loss expenses at December 31, 2009, 2008 and 2007, in Item 8, Note 5 of the Consolidated Financial Statements, Page 105. The reconciliation of our year-end 2008 reserve balance to net incurred losses one year later recognizes approximately $188 million of favorable reserve development.

The table on the following page shows the development of estimated reserves for loss and loss expenses for the past 10 years.

- Section A shows our total property casualty loss and loss expense reserves recorded at the balance sheet date for each of the indicated calendar years on a gross and net basis. Those reserves represent

the estimated amount of unpaid loss and loss expenses for claims arising in the indicated calendar year and all prior accident years at the balance sheet date, including losses that were incurred but not yet reported to the company.

- Section B shows the cumulative net amount paid with respect to the previously recorded reserve as of the end of each succeeding year. For example, as of December 31, 2009, we had paid $1.567 billion of loss and loss expenses in calendar years 2000 through 2009 for losses that occurred in accident years 1999 and prior. An estimated $201 million of losses remained unpaid as of year-end 2009 (net re-estimated reserves of $1.768 billion from Section C less cumulative net paid loss and loss expenses of $1.567 billion).
- Section C shows the re-estimated amount of the previously reported reserves based on experience as of the end of each succeeding year. The estimate is increased or decreased as we learn more about the development of the related claims.

Section D, cumulative net reserve development, represents the aggregate change in the estimates for all years subsequent to the year the reserves were initially established. For example, reserves established at December 31, 1999, had developed favorably by $164 million over 10 years, net of reinsurance, which was reflected in income over the 10 years. The table shows favorable reserve development as a negative number. Favorable reserve development on prior accident years, which represents a negative expense, is favorable to income. The reconciliation shows the effects on income before income taxes in 2009, 2008 and 2007 of changes in estimates of the reserves for loss and loss expenses for all accident years. The effect was favorable to pre-tax income for those three years by $188 million, $323 million, and $244 million, respectively. Our annual review has led us to add to income in each of the past 21 years due to favorable development of reserves on prior accident years.

In evaluating the development of our estimated reserves for loss and loss expenses for the past 10 years, note that each amount includes the effects of all changes in amounts for prior periods. For example, payments or reserve adjustments related to losses settled in 2009 but incurred in 2002 are included in the cumulative deficiency or redundancy amount for 2002 and each subsequent year. In addition, this table presents calendar year data, not accident or policy year development data, which readers may be more accustomed to analyzing. Conditions and trends that affected development of reserves in the past may not necessarily occur in the future. Accordingly, it may not be appropriate to extrapolate future reserve development based on this data.

Differences between the property casualty reserves reported in the accompanying consolidated balance sheets (prepared in accordance with GAAP) and those same reserves reported in the annual statements (filed with state insurance departments in accordance with statutory accounting practices – SAP), relate principally to the reporting of reinsurance recoverables, which are recognized as receivables for GAAP and as an offset to reserves for SAP.

Development of Estimated Reserves for Loss and Loss Expenses

(In millions)	Calendar year ended December 31,										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	**2009**
A. Originally reported reserves for unpaid loss and loss expenses:											
Gross of reinsurance	$ 2,093	$ 2,401	$ 2,865	$ 3,150	$ 3,386	$ 3,514	$ 3,629	$ 3,860	$ 3,925	**$ 4,040**	**$ 4,096**
Reinsurance recoverable	161	219	513	542	541	537	518	504	528	542	**435**
Net of reinsurance	$ 1,932	$ 2,182	$ 2,352	$ 2,608	$ 2,845	$ 2,977	$ 3,111	$ 3,356	$ 3,397	**$ 3,498**	**$ 3,661**
B. Cumulative net paid as of:											
One year later	$ 591	$ 697	$ 758	$ 799	$ 817	$ 907	$ 944	$ 1,006	$ 979	**$ 994**	
Two years later	943	1,116	1,194	1,235	1,293	1,426	1,502	1,547	**1,523**		
Three years later	1,195	1,378	1,455	1,519	1,626	1,758	1,845	**1,896**			
Four years later	1,327	1,526	1,614	1,716	1,823	1,963	**2,059**				
Five years later	1,412	1,623	1,717	1,823	1,945	**2,096**					
Six years later	1,464	1,680	1,778	1,889	**2,031**						
Seven years later	1,496	1,717	1,819	**1,940**							
Eight years later	1,520	1,750	**1,855**								
Nine years later	1,545	**1,778**									
Ten years later	**1,567**										
C. Net reserves re-estimated as of:											
One year later	$ 1,912	$ 2,120	$ 2,307	$ 2,528	$ 2,649	$ 2,817	$ 2,995	$ 3,112	$ 3,074	**$ 3,310**	
Two years later	1,833	2,083	2,263	2,377	2,546	2,743	2,871	2,893	**3,042**		
Three years later	1,802	2,052	2,178	2,336	2,489	2,657	2,724	**2,898**			
Four years later	1,771	2,010	2,153	2,299	2,452	2,578	**2,776**				
Five years later	1,757	1,999	2,127	2,276	2,414	**2,645**					
Six years later	1,733	1,992	2,122	2,259	**2,469**						
Seven years later	1,739	1,994	2,111	**2,298**							
Eight years later	1,746	1,986	**2,147**								
Nine years later	1,741	**2,018**									
Ten years later	**1,768**										
D. Cumulative net redundancy as of:											
One year later	$ (20)	$ (62)	$ (45)	$ (80)	$ (196)	$ (160)	$ (116)	$ (244)	$ (323)	**$ (188)**	
Two years later	(99)	(99)	(89)	(231)	(299)	(234)	(240)	(463)	**(355)**		
Three years later	(130)	(130)	(174)	(272)	(356)	(320)	(387)	**(458)**			
Four years later	(161)	(172)	(199)	(309)	(393)	(399)	**(335)**				
Five years later	(175)	(183)	(225)	(332)	(431)	**(332)**					
Six years later	(199)	(190)	(230)	(349)	**(376)**						
Seven years later	(193)	(188)	(241)	**(310)**							
Eight years later	(186)	(196)	**(205)**								
Nine years later	(191)	**(164)**									
Ten years later	**(164)**										
Net reserves re-estimated—latest	$ 1,768	$ 2,018	$ 2,147	$ 2,298	$ 2,469	$ 2,645	$ 2,776	$ 2,898	$ 3,042	**$ 3,310**	
Re-estimated recoverable—latest	220	247	519	550	532	552	512	506	484	**522**	
Gross liability re-estimated—latest	$ 1,988	$ 2,265	$ 2,666	$ 2,848	$ 3,001	$ 3,197	$ 3,288	$ 3,404	$ 3,526	**$ 3,832**	
Cumulative gross redundancy	$ (105)	$ (136)	$ (199)	$ (302)	$ (385)	$ (317)	$ (341)	$ (456)	$ (399)	**$ (208)**	

Asbestos and Environmental Reserves

We carried $118 million of net loss and loss expense reserves for asbestos and environmental claims as of year-end 2009, compared with $114 million for such claims as of year-end 2008. These amounts constitute 3.2 percent and 3.3 percent of total loss and loss expense reserves as of these year-end dates.

We believe our exposure to asbestos and environmental claims is limited, largely because our reinsurance retention was $500,000 or below prior to 1987. We also predominantly were a personal lines company in the 1960s and 1970s when asbestos and pollution exclusions were not widely used. During the 1980s and early 1990s, commercial lines grew as a percentage of our overall business and our exposure to asbestos and environmental claims grew accordingly. Over that period, we endorsed to or included in most policies an asbestos and environmental exclusion.

Additionally, since 2002, we have revised policy terms where permitted by state regulation to limit our exposure to mold claims prospectively and further reduce our exposure to other environmental claims generally. Finally, we have not engaged in any mergers or acquisitions through which such a liability could have been assumed. We continue to monitor our claims for evidence of material exposure to other mass tort classes such as silicosis, but we have found no such credible evidence to date.

Reserving data for asbestos and environmental claims has characteristics that limit the usefulness of the methods and models used to analyze loss and loss expense reserves for other claims. Specifically, asbestos and environmental loss and loss expenses for different accident years do not emerge independently of one another as loss development and Bornhuetter-Ferguson methods assume. In addition, asbestos and environmental loss and loss expense data available to date does not reflect a well-defined tail, greatly complicating the identification of an appropriate probabilistic trend family model.

Due to these considerations, our actuarial staff elected to use a paid survival ratio method to estimate reserves for incurred but not yet reported asbestos and environmental claims. Although highly uncertain, reserve estimates obtained via this method have developed in a reasonably stable fashion since 2004. Between 2006 and 2009, total asbestos and environmental reserves decreased 9.6 percent. Since our exposure to such claims is limited, we believe the paid survival ratio method is sufficient.

Commercial Lines Insurance Segment Reserves

For the business lines in the commercial lines insurance segment, the following table shows the breakout of gross reserves among case, IBNR and loss expense reserves. The rise in total gross reserves for our commercial business lines is primarily due to workers' compensation IBNR reserve strengthening, as discussed in Commercial Lines Insurance Results of Operations, Page 49.

(Dollars in millions)	Loss reserves		Loss	Total	
	Case reserves	IBNR reserves	expense reserves	gross reserves	Percent of total
At December 31, 2009					
Commercial casualty	**$ 1,044**	**$ 309**	**$ 540**	**$ 1,893**	**50.8 %**
Commercial property	**84**	**15**	**31**	**130**	**3.5**
Commercial auto	**266**	**47**	**65**	**378**	**10.1**
Workers' compensation	**452**	**458**	**143**	**1,053**	**28.3**
Specialty packages	**68**	**5**	**10**	**83**	**2.2**
Surety and executive risk	**128**	**(2)**	**55**	**181**	**4.9**
Machinery and equipment	**2**	**3**	**1**	**6**	**0.2**
Total	**$ 2,044**	**$ 835**	**$ 845**	**$ 3,724**	**100.0 %**
At December 31, 2008					
Commercial casualty	$ 1,046	$ 327	$ 527	$ 1,900	52.0 %
Commercial property	135	7	32	174	4.8
Commercial auto	276	48	65	389	10.6
Workers' compensation	445	353	126	924	25.3
Specialty packages	74	1	10	85	2.3
Surety and executive risk	129	(4)	50	175	4.8
Machinery and equipment	3	3	1	7	0.2
Total	$ 2,108	$ 735	$ 811	$ 3,654	100.0 %

The following table shows net reserve changes at year-end 2009, 2008 and 2007 by commercial line of business and accident year:

(In millions)	Commercial casualty	Commercial property	Commercial auto	Workers' compensation	Specialty packages	Surety & exec risk	Machinery & equipment	Totals
As of December 31, 2009								
2008 accident year	**$ (89)**	**$ (15)**	**$ (13)**	**$ (11)**	**$ (4)**	**$ (2)**	**$ 0**	**$ (134)**
2007 accident year	**(36)**	**0**	**(5)**	**5**	**2**	**9**	**(1)**	**(26)**
2006 accident year	**(33)**	**4**	**(4)**	**2**	**0**	**(3)**	**(1)**	**(35)**
2005 accident year	**(17)**	**(1)**	**1**	**6**	**2**	**(5)**	**0**	**(14)**
2004 accident year	**3**	**(2)**	**0**	**6**	**1**	**0**	**0**	**8**
2003 accident year	**9**	**(1)**	**1**	**6**	**0**	**0**	**0**	**15**
2002 and prior accident years	**9**	**(1)**	**0**	**34**	**(1)**	**(2)**	**0**	**39**
Deficiency/(redundancy)	**$ (154)**	**$ (16)**	**$ (20)**	**$ 48**	**$ 0**	**$ (3)**	**$ (2)**	**$ (147)**
Reserves estimated as of December 31, 2008	**$ 1,559**	**$ 136**	**$ 385**	**$ 842**	**$ 82**	**$ 130**	**$ 7**	**$ 3,141**
Reserves re-estimated as of December 31, 2009	**1,405**	**120**	**365**	**890**	**82**	**127**	**5**	**2,994**
Deficiency/(redundancy)	**$ (154)**	**$ (16)**	**$ (20)**	**$ 48**	**$ 0**	**$ (3)**	**$ (2)**	**$ (147)**
As of December 31, 2008								
2007 accident year	$ (93)	$ 0	$ (7)	$ (21)	$ 1	$ 14	$ 0	$ (106)
2006 accident year	(55)	(7)	5	0	(1)	(2)	1	(59)
2005 accident year	(48)	(2)	(1)	5	(2)	(2)	0	(50)
2004 accident year	(27)	1	(4)	4	(2)	(3)	0	(31)
2003 accident year	(19)	0	1	6	0	(1)	0	(13)
2002 accident year	(4)	0	(2)	1	0	1	0	(4)
2001 and prior accident years	(11)	(2)	0	3	0	0	0	(10)
Deficiency/(redundancy)	$ (257)	$ (10)	$ (8)	$ (2)	$ (4)	$ 7	$ 1	$ (273)
Reserves estimated as of December 31, 2007	$ 1,565	$ 121	$ 383	$ 777	$ 76	$ 94	$ 8	$ 3,024
Reserves re-estimated as of December 31, 2008	1,308	111	375	775	72	101	9	2,751
Deficiency/(redundancy)	$ (257)	$ (10)	$ (8)	$ (2)	$ (4)	$ 7	$ 1	$ (273)
As of December 31, 2007								
2006 accident year	$ (70)	$ (4)	$ (15)	$ (20)	$ 1	$ 3	$ (1)	$ (106)
2005 accident year	(22)	(13)	(7)	0	2	3	(1)	(38)
2004 accident year	(34)	(1)	1	1	(1)	(1)	0	(35)
2003 accident year	(2)	0	(3)	(1)	0	(3)	0	(9)
2002 accident year	(15)	(1)	1	5	(1)	(3)	0	(14)
2001 accident year	(8)	0	(1)	2	0	1	0	(6)
2000 and prior accident years	2	0	(2)	3	0	1	0	4
Deficiency/(redundancy)	$ (149)	$ (19)	$ (26)	$ (10)	$ 1	$ 1	$ (2)	$ (204)
Reserves estimated as of December 31, 2006	$ 1,483	$ 170	$ 386	$ 713	$ 84	$ 83	$ 9	$ 2,928
Reserves re-estimated as of December 31, 2007	1,334	151	360	703	85	84	7	2,724
Deficiency/(redundancy)	$ (149)	$ (19)	$ (26)	$ (10)	$ 1	$ 1	$ (2)	$ (204)

Overall favorable development for commercial lines reserves of $147 million in 2009 illustrated the potential for revisions inherent in estimating reserves, especially for long-tail lines such as commercial casualty and workers' compensation. Favorable reserve development of $154 million for the commercial casualty line exceeded the segment total in 2009, while adverse reserve development for the workers' compensation line reduced segment favorable reserve development by $48 million. Drivers of commercial casualty and workers' compensation reserve development are discussed below.

- **Refinements to umbrella liability reserving** – As discussed on page 79 of our 2008 Annual Report on 10-K, our actuaries introduced a second reserving model at the end of 2008 to improve the accuracy of estimates of commercial umbrella liability loss reserves, which are a component of our commercial casualty reserves. Further work on these models led to a change in the weighting accorded to each model's estimate for deriving actuarial best estimates in 2009. If this change had been in place at the time year-end 2008 reserves were established, commercial casualty reserves at year-end 2008 would have been approximately $19 million lower. Accordingly, 2009 favorable reserve development would have been reduced by a like amount.
- **Flat paid loss trends** – Two of our commercial casualty coverages exhibited flat paid loss trends in 2009, which differed from our expectations. Trends in paid losses on a calendar-year basis for medical malpractice and non-discounted premises/operations coverages were essentially flat in 2009, while year-end 2008 reserve estimates reflected upward trends of over 8 percent for these coverages. Had our actuaries reflected these flat trends in paid losses in their reserve estimates a year ago, commercial casualty reserves at year-end 2008 would have been reduced by $22 million, and favorable reserve development in 2009 would have been similarly lower.
- **Moderation in trend selections** – Various commercial casualty coverages that we write have reflected moderating loss cost trends over periods of one or more years. A number of factors seem to have played a role, including sluggish economic activity, favorable court decisions, policy form restrictions, medical malpractice tort reform and claims department initiatives. Accordingly, it is not wholly clear whether these moderating loss cost trends represent short-term or longer-term changes, and our

actuaries have responded cautiously to these changes, electing to recognize improvements in trends used for estimating reserves in a progressive, incremental fashion. If the resulting, revised trends had been used to estimate year-end 2008 reserves, those reserves and 2009 favorable reserve development would have been $31 million lower.

- **Unusual deviations from predictions of reserving methods and models** – Similar to 2008, commercial multi-peril liability coverages made a major contribution to favorable reserve development again in 2009, because both paid loss and reported loss emergence deviated favorably from projections. Projected to rise more than $5 million in 2009, calendar year paid losses on these coverages, excluding asbestos and environmental claims, fell by $22 million instead. Reported losses for accident years 2005 and 2008 also developed more favorably than expected, while reported loss development related to other accident years aligned closely with expectations. If our actuaries had been able to take this information into account when estimating year-end 2008 reserves, their estimates would have been $59 million lower, as would 2009 favorable reserve development.
- **Workers' compensation reserve strengthening –** Additions to workers' compensation IBNR reserves on accident years prior to 2009 lowered commercial lines favorable reserve development by $48 million. A reserving model adjustment necessitated by increasingly large deviations between expected and actual paid loss emergence prompted the additions to IBNR reserves. To account for the increasingly large deviations, our actuaries partially shifted the attribution of recent accident years' paid loss growth from exposure growth to loss cost inflation in their workers' compensation reserving models. This adjustment produced a significantly higher estimate of loss cost inflation, which raised reserve estimates for all active accident years, not just the recent accident years for which paid loss growth had been previously misinterpreted. The reserving models resulting from this adjustment would have increased the year-end 2008 reserve estimate for workers' compensation by approximately $61 million had they been available at the time the estimate was derived. In such an event, 2009 favorable reserve development would have increased by a comparable amount.
- **Refinement in commercial/personal umbrella liability IBNR Reserve Allocation** – A 2009 study indicated that personal umbrella coverages had been allocated too large a portion of the total IBNR reserve for all umbrella coverages. As a result, $7 million of personal umbrella IBNR reserves was shifted to commercial umbrella, partially offsetting the favorable reserve development detailed in the first four points above.

The above points cover drivers of commercial casualty and workers' compensation reserve development in 2009 attributable to unusual deviations from expectations and changes in methods, models, and procedures. An examination of factors contributing to the remaining $41 million of commercial lines favorable reserve development, not accounted for by the commercial casualty and workers' compensation lines, did not turn up any abnormal or unexpected variations. As noted in Critical Accounting Estimates, Key Assumptions - Loss Reserving, Page 40, our models predict that actual loss and loss expense emergence will differ from projections, and we do not attempt to monitor or identify such normal variations.

Personal Lines Insurance Segment Reserves

For the business lines in the personal lines insurance segment, the following table shows the breakout of gross reserves among case, IBNR and loss expense reserves. Total gross reserves were down from year-end 2008 due to favorable reserve development and the decline in premiums and exposures for this segment, as we discussed in Personal Lines Insurance Results of Operations, Page 57.

(Dollars in millions)	Loss reserves		Loss	Total	
	Case reserves	IBNR reserves	expense reserves	gross reserves	Percent of total
At December 31, 2009					
Personal auto	**$ 130**	**$ (4)**	**$ 28**	**$ 154**	**44.2 %**
Homeowners	**56**	**26**	**17**	**99**	**28.4**
Other personal	**45**	**42**	**9**	**96**	**27.4**
Total	**$ 231**	**$ 64**	**$ 54**	**$ 349**	**100.0 %**
At December 31, 2008					
Personal auto	$ 141	$ (3)	$ 28	$ 166	43.5 %
Homeowners	67	17	15	99	26.0
Other personal	53	52	11	116	30.5
Total	$ 261	$ 66	$ 54	$ 381	100.0 %

The following table shows net reserve changes at year-end 2009, 2008 and 2007 by personal line of business and accident year:

(In millions)	Personal auto	Homeowner	Other personal	Totals
As of December 31, 2009				
2008 accident year	**$ (3)**	**$ (2)**	**$ (17)**	**$ (22)**
2007 accident year	**(3)**	**3**	**(12)**	**(12)**
2006 accident year	**(1)**	**0**	**(10)**	**(11)**
2005 accident year	**1**	**0**	**(1)**	**0**
2004 accident year	**0**	**0**	**5**	**5**
2003 accident year	**0**	**(1)**	**2**	**1**
2002 and prior accident years	**0**	**0**	**(1)**	**(1)**
Deficiency/(redundancy)	**$ (6)**	**$ 0**	**$ (34)**	**$ (40)**
Reserves estimated as of December 31, 2008	**$ 165**	**$ 82**	**$ 106**	**$ 353**
Reserves re-estimated as of December 31, 2009	**159**	**82**	**72**	**313**
Deficiency/(redundancy)	**$ (6)**	**$ 0**	**$ (34)**	**$ (40)**
As of December 31, 2008				
2007 accident year	$ 11	$ (1)	$ (8)	$ 2
2006 accident year	(4)	(3)	(5)	(12)
2005 accident year	(9)	(1)	(8)	(18)
2004 accident year	(5)	(2)	(3)	(10)
2003 accident year	(3)	(1)	(4)	(8)
2002 accident year	(1)	0	(1)	(2)
2001 and prior accident years	(1)	0	(1)	(2)
Deficiency/(redundancy)	$ (12)	$ (8)	$ (30)	$ (50)
Reserves estimated as of December 31, 2007	$ 189	$ 77	$ 107	$ 373
Reserves re-estimated as of December 31, 2008	177	69	77	323
Deficiency/(redundancy)	$ (12)	$ (8)	$ (30)	$ (50)
As of December 31, 2007				
2006 accident year	$ 3	$ (7)	$ (11)	$ (15)
2005 accident year	5	0	(5)	0
2004 accident year	(2)	(3)	(10)	(15)
2003 accident year	(3)	(1)	(1)	(5)
2002 accident year	(1)	0	(4)	(5)
2001 accident year	0	0	(1)	(1)
2000 and prior accident years	0	1	(1)	0
Deficiency/(redundancy)	$ 2	$ (10)	$ (33)	$ (41)
Reserves estimated as of December 31, 2006	$ 206	$ 104	$ 118	$ 428
Reserves re-estimated as of December 31, 2007	208	94	85	387
Deficiency/(redundancy)	$ 2	$ (10)	$ (33)	$ (41)

Favorable development for personal lines segment reserves illustrates the potential for revisions inherent in estimating reserves. Several atypical factors discussed in Commercial Lines Insurance Segment Reserves, Page 75, that contributed to commercial lines segment reserve development in 2009 also contributed to personal lines favorable reserve development.

In consideration of the data's credibility, we analyze commercial and personal umbrella liability reserves together and then allocate the derived total reserve estimate to the commercial and personal coverages. Consequently, all of the umbrella factors that contributed to commercial lines reserve development also contributed to personal lines reserve development through the other personal line, of which personal umbrella coverages are a part. Specifically, refinements in the use of umbrella reserving models, revisions to umbrella trend selections, and refinements in the umbrella reserve allocation all contributed favorably to other personal reserve development in 2009. If our actuaries had reflected all of this information and these related changes in their year-end 2008 reserve estimates, other personal reserves carried at year-end 2008 would have been $19 million lower. Accordingly, favorable reserve development in 2009 for the other personal line and the personal lines segment would have been lower by a like amount.

Life Insurance Policyholder Obligations and Reserves

Gross Life Insurance Policyholder Obligations

Our estimates of life, annuity and disability policyholder obligations reflect future estimated cash payments to be made to policyholders for future policy benefits, policyholders' account balances and separate account liabilities. These estimates include death and disability claims, policy surrenders, policy maturities, annuity payments, minimum guarantees on separate account products, commissions and premium taxes offset by expected future deposits and premiums on in-force contracts.

Our estimates of gross life, annuity and disability obligations do not reflect net recoveries from reinsurance agreements. Ceded life reinsurance receivables were $213 million at year-end 2009. As discussed in

2010 Reinsurance Programs, Page 79, we purchase reinsurance to mitigate our life insurance risk exposure. At year-end 2009, ceded death benefits represented approximately 49.0 percent of our total policy face amounts in force.

These estimated cash outflows are undiscounted with respect to interest. As a result, the sum of the cash outflows for all years of $3.502 billion (total of life insurance obligations) exceeds the liabilities recorded in life policy reserves and separate accounts for future policy benefits and claims of $2.399 billion (total of life insurance policy reserves and separate account policy reserves). Separate account policy reserves make up all but $2 million of separate accounts liabilities.

We have made significant assumptions to determine the estimated undiscounted cash flows of these policies and contracts that include mortality, morbidity, future lapse rates and interest crediting rates. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results.

Life Insurance Reserves

Gross life policy reserves were $1.783 billion at year-end 2009, compared with $1.551 billion at year-end 2008. We establish reserves for traditional life insurance policies based on expected expenses, mortality, morbidity, withdrawal rates and investment yields, including a provision for uncertainty. Once these assumptions are established, they generally are maintained throughout the lives of the contracts. We use both our own experience and industry experience adjusted for historical trends in arriving at our assumptions for expected mortality, morbidity and withdrawal rates. We use our own experience and historical trends for setting our assumptions for expected expenses. We base our assumptions for expected investment income on our own experience adjusted for current economic conditions.

We establish reserves for our universal life, deferred annuity and investment contracts equal to the cumulative account balances, which include premium deposits plus credited interest less charges and withdrawals. Some of our universal life insurance policies contain no-lapse guarantee provisions. For these policies, we establish a reserve in addition to the account balance based on expected no-lapse guarantee benefits and expected policy assessments.

We regularly review our life insurance business to ensure that any deferred acquisition cost associated with the business is recoverable and that our actuarial liabilities (life insurance segment reserves) make sufficient provision for future benefits and related expenses.

2010 Reinsurance Programs

A single large loss or an unexpected rise in claims severity or frequency due to a catastrophic event could present us with a liquidity risk. In an effort to control such losses, we avoid marketing property casualty insurance in specific geographic areas, monitor our exposure in certain coastal regions, review aggregate exposures to huge disasters and purchase reinsurance. We use the Risk Management Solutions (RMS) and Applied Insurance Research (AIR) models to evaluate exposures to a once-in-a-100 year and a once-in-a-250 year event to help determine appropriate reinsurance coverage programs. In conjunction with these activities, we also continue to evaluate information provided by our reinsurance broker. These various sources explore and analyze credible scientific evidence, including the impact of global climate change, which may affect our exposure under insurance policies.

Reinsurance mitigates the risk of highly uncertain exposures and limits the maximum net loss that can arise from large risks or risks concentrated in areas of exposure. Management's decisions about the appropriate level of risk retention are affected by various factors, including changes in our underwriting practices, capacity to retain risks and reinsurance market conditions. Reinsurance does not relieve us of our obligation to pay covered claims. The financial strength of our reinsurers is important because our ability to recover for losses covered under any reinsurance agreement depends on the financial viability of the reinsurer.

Currently participating on our standard market property and casualty per-risk and per-occurrence programs are Hannover Reinsurance Company, Munich Reinsurance America, Partner Reinsurance Company of the U.S. and Swiss Reinsurance America Corporation, all of which have A.M. Best insurer financial strength ratings of A (Excellent) or A+ (Superior). Our property catastrophe program is subscribed through a broker by reinsurers from the United States, Bermuda, London and the European markets.

Primary components of the 2010 property and casualty reinsurance program include:

- Property per risk treaty – The primary purpose of the property treaty is to provide capacity up to $25 million, adequate for the majority of the risks we write. It also includes protection for extra-contractual liability coverage losses. We retain the first $5 million of each loss. Losses between $5 million and $25 million are reinsured at 100 percent. The ceded premium is estimated at $36 million for 2010, compared with $35 million in 2009 and $37 million in 2008.
- Casualty per occurrence treaty – The casualty treaty provides capacity up to $25 million. Similar to the property treaty, it provides sufficient capacity to cover the vast majority of casualty accounts we insure and also includes protection for extra-contractual liability coverage losses. We retain the first $6 million

of each loss. Losses between $6 million and $25 million are reinsured at 100 percent. The ceded premium is estimated at $38 million in 2010, compared with $38 million in 2009 and $43 million in 2008.

- Casualty excess treaties – We purchase a casualty reinsurance treaty that provides an additional $25 million in protection for certain casualty losses. This treaty, along with the casualty per occurrence treaty, provides a total of $50 million of protection for workers' compensation, extra-contractual liability coverage and clash coverage losses, which would apply when a single occurrence involves multiple policyholders of The Cincinnati Insurance Companies or multiple coverages for one insured. The ceded premium is estimated at $2 million in 2010, similar to the premium we paid in 2009.

  We purchase a second casualty excess treaty, which provides an additional $20 million in casualty loss coverage. This treaty also provides catastrophic coverage for workers' compensation and extra-contractual liability coverage losses. The ceded premium is estimated at $1 million for 2010, similar to the premium we paid in 2009.

- Property catastrophe treaty – To protect against catastrophic events such as wind and hail, hurricanes or earthquakes, we purchase property catastrophe reinsurance with a limit up to $500 million. For the 2010 treaty, ceded premiums are estimated at $49 million, similar to the $50 million in 2009 and $41 million in 2008. We retain the first $45 million of any loss and varying shares of losses up to $500 million:
  - 34 percent of losses between $45 million and $70 million
  - 11 percent of losses between $70 million and $105 million
  - 10 percent of losses between $105 million and $200 million
  - 18 percent of losses between $200 million and $300 million
  - 10 percent of losses between $300 million and $400 million
  - 9 percent of losses between $400 million and $500 million

  After reinsurance, our maximum exposure to a catastrophic event that caused $500 million in covered losses would be $104 million compared with $118 million in 2009. The largest catastrophe loss in our history was Hurricane Ike in September 2008, which was estimated to be $145 million before reinsurance at December 31, 2009. The treaty contains one reinstatement provision.

Individual risks with insured values in excess of $25 million, as identified in the policy, are handled through a different reinsurance mechanism. We typically reinsure property coverage for individual risks with insured values between $25 million and $65 million under an automatic facultative treaty. For risks with property values exceeding $65 million, we negotiate the purchase of facultative coverage on an individual certificate basis. For casualty coverage on individual risks with limits exceeding $25 million, facultative reinsurance coverage is placed on an individual certificate basis.

Terrorism coverage at various levels has been secured in most of our reinsurance agreements. The broadest coverage for this peril is found in the property and casualty working treaties, which provide coverage for commercial and personal risks. Our property catastrophe treaty provides coverage for personal risks, and coverage for commercial risks with total insured values of $10 million or less. For insured values between $10 million and $25 million, there also may be coverage in the property working treaty.

A form of reinsurance is also provided through The Terrorism Risk Insurance Act of 2002 (TRIA). TRIA was originally signed into law on November 26, 2002, and extended on December 22, 2005, in a revised form, and extended again on December 26, 2007. TRIA provides a temporary federal backstop for losses related to the writing of the terrorism peril in property casualty insurance policies. TRIA now is scheduled to expire December 31, 2014. Under regulations promulgated under this statute, insurers are required to offer terrorism coverage for certain lines of property casualty insurance, including property, commercial multi-peril, fire, ocean marine, inland marine, liability, aircraft and workers' compensation. In the event of a terrorism event defined by TRIA, the federal government would reimburse terrorism claim payments subject to the insurer's deductible. The deductible is calculated as a percentage of subject written premiums for the preceding calendar year. Our deductible in 2009 was $383 million (20 percent of 2008 subject premiums), and we estimate it is $369 million (20 percent of 2009 subject premiums) in 2010.

Reinsurance protection for the company's surety business is covered under separate treaties with many of the same reinsurers that write the property casualty working treaties.

The Cincinnati Specialty Underwriters Insurance Company, which began issuing insurance policies in 2008, has separate property and casualty reinsurance treaties for 2010 through Swiss Reinsurance America Corporation. Primary components of the treaties include:

- Property per risk treaty – The property treaty provides limits up to $5 million, which is adequate capacity for the risk profile we insure. We retain the first $1 million of any policy loss. Losses between $1 million and $5 million are reinsured at 100 percent.

- Casualty treaties – The casualty treaties are written on a quota share basis and provide limits up to $5 million, which is adequate capacity for the risk profile we insure. The maximum exposure for any one casualty loss is $1 million.
- Basket retention – The Cincinnati Specialty Underwriters Insurance Company has purchased this coverage to limit our retention to $1 million in the event that the same occurrence results in both a property and a casualty loss.
- Property catastrophe treaty – As a subsidiary of The Cincinnati Insurance Company, The Cincinnati Specialty Underwriters Insurance Company has been added as a named insured under our corporate property catastrophe treaty. All terms and conditions of this treaty apply to policies underwritten by The Cincinnati Specialty Underwriters Insurance Company.

For property or casualty risks with limits exceeding $5 million, underwriters place facultative reinsurance coverage on an individual certificate basis. The combined property and casualty treaty provides protection on a participating basis for extra contractual obligations, as well as exposure to losses in excess of policy limits. The limit is $5 million for both property and casualty.

Cincinnati Life, our life insurance subsidiary, purchases reinsurance under separate treaties with many of the same reinsurers that write the property casualty working treaties. In 2005, we modified our reinsurance protection for our term life insurance business due to changes in the marketplace that affected the cost and availability of reinsurance for term life insurance. We are retaining no more than a $500,000 exposure, ceding the balance using excess over retention mortality coverage, and retaining the policy reserve. Retaining the policy reserve has no direct impact on GAAP results. However, because of the conservative nature of statutory reserving principles, retaining the policy reserve unduly depresses our statutory earnings and requires a large commitment of our capital. We also have catastrophe reinsurance coverage on our life insurance operations that reimburses us for covered net losses in excess of $9 million. Our recovery is capped at $75 million for losses involving our associates. For term life insurance business written prior to 2005, we retain 10 percent to 25 percent of each term policy, not to exceed $500,000, ceding the balance of mortality risk and policy reserve.

SAFE HARBOR STATEMENT

This is our "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Our business is subject to certain risks and uncertainties that may cause actual results to differ materially from those suggested by the forward-looking statements in this report. Some of those risks and uncertainties are discussed in Item 1A, Risk Factors, Page 23. Although we often review or update our forward-looking statements when events warrant, we caution our readers that we undertake no obligation to do so.

Factors that could cause or contribute to such differences include, but are not limited to:

- Unusually high levels of catastrophe losses due to risk concentrations, changes in weather patterns, environmental events, terrorism incidents or other causes
- Increased frequency and/or severity of claims
- Inadequate estimates or assumptions used for critical accounting estimates
- Recession or other economic conditions resulting in lower demand for insurance products or increased payment delinquencies
- Delays in adoption and implementation of underwriting and pricing methods that could increase our pricing accuracy, underwriting profit and competitiveness
- Inability to defer policy acquisition costs for any business segment if pricing and loss trends would lead management to conclude that segment could not achieve sustainable profitability
- Declines in overall stock market values negatively affecting the company's equity portfolio and book value
- Events, such as the credit crisis, followed by prolonged periods of economic instability or recession, that lead to:
    - Significant or prolonged decline in the value of a particular security or group of securities and impairment of the asset(s)
    - Significant decline in investment income due to reduced or eliminated dividend payouts from a particular security or group of securities
    - Significant rise in losses from surety and director and officer policies written for financial institutions
- Prolonged low interest rate environment or other factors that limit the company's ability to generate growth in investment income or interest rate fluctuations that result in declining values of fixed-maturity investments, including declines in accounts in which we hold bank-owned life insurance contract assets
- Increased competition that could result in a significant reduction in the company's premium volume

- Changing consumer insurance-buying habits and consolidation of independent insurance agencies that could alter our competitive advantages
- Inability to obtain adequate reinsurance on acceptable terms, amount of reinsurance purchased, financial strength of reinsurers and the potential for non-payment or delay in payment by reinsurers
- Events or conditions that could weaken or harm the company's relationships with its independent agencies and hamper opportunities to add new agencies, resulting in limitations on the company's opportunities for growth, such as:
  - Multi-notch downgrades of the company's financial strength ratings
  - Concerns that doing business with the company is too difficult
  - Perceptions that the company's level of service, particularly claims service, is no longer a distinguishing characteristic in the marketplace
  - Delays or inadequacies in the development, implementation, performance and benefits of technology projects and enhancements
- Actions of insurance departments, state attorneys general or other regulatory agencies, including a change to a federal system of regulation from a state-based system, that:
  - Restrict our ability to exit or reduce writings of unprofitable coverages or lines of business
  - Place the insurance industry under greater regulatory scrutiny or result in new statutes, rules and regulations
  - Increase our expenses
  - Add assessments for guaranty funds, other insurance related assessments or mandatory reinsurance arrangements; or that impair our ability to recover such assessments through future surcharges or other rate changes
  - Limit our ability to set fair, adequate and reasonable rates
  - Place us at a disadvantage in the marketplace
  - Restrict our ability to execute our business model, including the way we compensate agents
- Adverse outcomes from litigation or administrative proceedings
- Events or actions, including unauthorized intentional circumvention of controls, that reduce the company's future ability to maintain effective internal control over financial reporting under the Sarbanes-Oxley Act of 2002
- Unforeseen departure of certain executive officers or other key employees due to retirement, health or other causes that could interrupt progress toward important strategic goals or diminish the effectiveness of certain longstanding relationships with insurance agents and others
- Events, such as an epidemic, natural catastrophe or terrorism, that could hamper our ability to assemble our workforce at our headquarters location
- Difficulties with technology or data security breaches could negatively affect our ability to conduct business and our relationships with agents, policyholders and others

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

INTRODUCTION

Market risk is the potential for a decrease in securities value resulting from broad yet uncontrollable forces such as: inflation, economic growth, interest rates, world political conditions or other widespread unpredictable events. It is comprised of many individual risks that, when combined, create a macroeconomic impact. The company accepts and manages risks in the investment portfolio as part of the means of achieving portfolio objectives. Some of the risks are:

- Political – the potential for a decrease in value due to the real or perceived impact of governmental policies or conditions
- Regulatory – the potential for a decrease in value due to the impact of legislative proposals or changes in laws or regulations

- Economic – the potential for a decrease in value due to changes in general economic factors (recession, inflation, deflation, etc.)
- Revaluation – the potential for a decrease in value due to a change in relative value (change in market multiple) of the market brought on by general economic factors
- Interest-rate – the potential for a decrease in value of a security or portfolio due to its sensitivity to changes (increases or decreases) in the general level of interest rates
- Company-specific risk – the potential for a particular issuer to experience a decline in value due to the impact of sector or market risk on the holding or because of issues specific to the firm
- Fraud – the potential for a negative impact on an issuer's performance due to actual or alleged illegal or improper activity of individuals it employs
- Credit – the potential for deterioration in an issuer's financial profile due to specific company issues, problems it faces in the course of its operations or industry-related issues
- Default – the possibility that an issuer will not make a required payment (interest payment or return of principal) on its debt. Generally this occurs after its financial profile has deteriorated (credit risk) and it no longer has the means to make its payments

The investment committee of the board of directors monitors the investment risk management process primarily through its executive oversight of our investment activities. We take an active approach to managing market and other investment risks, including the accountabilities and controls over these activities. Actively managing these market risks is integral to our operations and could require us to change the character of future investments purchased or sold or require us to shift the existing asset portfolios to manage exposure to market risk within acceptable ranges.

Sector risk is the potential for a negative impact on a particular industry due to its sensitivity to factors that make up market risk. Market risk affects general supply/demand factors for an industry and affects companies within that industry to varying degrees.

Risks associated with the five asset classes described in Item 1, Investments Segment, Page 18, can be summarized as follows (H – high, A – average, L – low):

	Taxable fixed maturities	Tax-exempt fixed maturities	Common equities	Preferred equities	Short-term investments
Political	A	H	A	A	L
Regulatory	A	A	A	A	L
Economic	A	A	H	A	L
Revaluation	A	A	H	A	L
Interest rate	H	H	A	H	L
Fraud	A	L	A	A	L
Credit	A	L	A	A	L
Default	A	L	A	A	L

FIXED-MATURITY INVESTMENTS

For investment-grade corporate bonds, the inverse relationship between interest rates and bond prices leads to falling bond values during periods of increasing interest rates. We address this risk by attempting to construct a generally laddered maturity schedule that allows us to reinvest cash flows at prevailing rates. Although the potential for a worsening financial condition, and ultimately default, does exist with investment-grade corporate bonds, we address this risk by performing credit analysis and monitoring as well as maintaining a diverse portfolio of holdings.

The primary risk related to high-yield corporate bonds is credit risk or the potential for a deteriorating financial structure. A weak financial profile can lead to rating downgrades from the credit rating agencies, which can put further downward pressure on bond prices. Interest rate risk, while significant, is less of a factor with high-yield corporate bonds, as valuation is related more directly to underlying operating performance than to general interest rates. This puts more emphasis on the financial results achieved by the issuer rather than on general economic trends or statistics within the marketplace. We address this concern by analyzing issuer- and industry-specific financial results and by closely monitoring holdings within this asset class.

The primary risks related to tax-exempt bonds are interest rate risk and political risk associated with the specific economic environment within the political boundaries of the issuing municipal entity. We address these concerns by focusing on municipalities' general-obligation debt and on essential-service bonds. Essential-service bonds derive a revenue stream from municipal services that are vital to the people living in the area (water service, sewer service, etc.). Another risk related to tax-exempt bonds is regulatory risk or the potential for legislative changes that would negate the benefit of owning tax-exempt bonds. We monitor regulatory activity for situations that may negatively affect current holdings and our ongoing strategy for investing in these securities.

The final, less significant risk is our exposure to credit risk for a portion of the tax-exempt portfolio that has support from corporate entities. Examples are bonds insured by corporate bond insurers or bonds with interest payments made by a corporate entity through a municipal conduit/authority. Our decisions regarding these investments primarily consider the underlying municipal situation. The existence of third-party insurance is intended to reduce risk in the event of default. In circumstances in which the municipality is unable to meet its obligations, risk would be increased if the insuring entity were experiencing financial duress. Because of our diverse exposure and selection of higher-rated entities with strong financial profiles, we do not believe this is a material concern as we discuss in Item 1, Investments Segment, Page 18.

Interest Rate Sensitivity Analysis

Because of our strong surplus, long-term investment horizon and ability to hold most fixed-maturity investments to maturity, we believe the company is well positioned if interest rates were to rise. A higher rate environment would provide the opportunity to invest cash flow in higher-yielding securities, while reducing the likelihood of untimely redemptions of currently callable securities. While higher interest rates would be expected to continue to increase the number of fixed-maturity holdings trading below 100 percent of book value, we believe lower fixed-maturity security values due solely to interest rate changes would not signal a decline in credit quality.

Our dynamic financial planning model uses analytical tools to assess market risks. As part of this model, the effective duration of the fixed-maturity portfolio is continually monitored by our investment department to evaluate the theoretical impact of interest rate movements.

The table below summarizes the effect of hypothetical changes in interest rates on the fixed-maturity portfolio:

(In millions)	Interest Rate Shift in Basis Points				
	-200	-100	0	100	200
At December 31, 2009	**$ 8,705**	**$ 8,279**	**$ 7,855**	**$ 7,428**	**$ 7,024**
At December 31, 2008	$ 6,467	$ 6,143	$ 5,827	$ 5,506	$ 5,202

The effective duration of the fixed maturity portfolio was 5.3 years at year-end 2009, compared with 5.4 years at year-end 2008. A 100 basis point movement in interest rates would result in an approximately 5.3 percent change in the fair value of the fixed maturity portfolio. Generally speaking, the higher a bond is rated, the more directly correlated movements in its fair value are to changes in the general level of interest rates, exclusive of call features. The fair values of average- to lower-rated corporate bonds are additionally influenced by the expansion or contraction of credit spreads.

In the dynamic financial planning model, the selected interest rate change of 100 to 200 basis points represents our views of a shift in rates that is quite possible over a one-year period. The rates modeled should not be considered a prediction of future events as interest rates may be much more volatile in the future. The analysis is not intended to provide a precise forecast of the effect of changes in rates on our results or financial condition, nor does it take into account any actions that we might take to reduce exposure to such risks.

SHORT-TERM INVESTMENTS

Our short-term investments consist primarily of commercial paper, demand notes or bonds purchased within one year of maturity. We make short-term investments primarily with funds to be used to make upcoming cash payments, such as taxes. At year-end 2009, short-term investments included $5 million that was frozen in The Reserve's Primary Fund. This amount was received in early 2010.

EQUITY INVESTMENTS

Common stocks are subject to a variety of risk factors encompassed under the umbrella of market risk. General economic swings influence the performance of the underlying industries and companies within those industries. As we saw in 2008, a downturn in the economy can have a negative effect on an equity portfolio. Industry- and company-specific risks also have the potential to substantially affect the value of our portfolio. We implemented new investment guidelines in 2008 to help address these risks by diversifying the portfolio and establishing parameters to help manage exposures.

Our equity holdings represented $2.701 billion in fair value and accounted for approximately 66.8 percent of the unrealized appreciation of the entire portfolio at year-end 2009. See Item 1, Investments Segment, Page 18, for additional details on our holdings.

The primary risks related to preferred stocks are similar to those related to investment grade corporate bonds. Falling interest rates adversely affect market values due to the normal inverse relationship between rates and yields. Credit risk exists due to the subordinate position of preferred stocks in the capital structure. We minimize this risk by primarily purchasing investment grade preferred stocks of issuers with a strong history of paying a common stock dividend.

APPLICATION OF ASSET IMPAIRMENT POLICY

As discussed in Item 7, Critical Accounting Estimates, Asset Impairment, Page 42, our fixed-maturity and equity investment portfolios are evaluated differently for other-than-temporary impairments. The company's asset impairment committee monitors a number of significant factors for indications that the value of investments trading below the carrying amount may not be recoverable. The application of our impairment policy resulted in other-than-temporary impairment charges that reduced our income before income taxes by $131 million in 2009, $510 million in 2008 and $16 million in 2007. Impairments are discussed in Item 7, Investment Results of Operations, Page 64.

We expect the number of securities trading below 100 percent of book value to fluctuate as interest rates rise or fall and credit spreads expand or contract due to prevailing economic conditions. Further, book values for some securities have been revised due to impairment charges recognized in prior periods. At year-end 2009, 355 of the 2,505 securities we owned were trading below 100 percent of book value compared with 944 of the 2,233 securities we owned at year-end 2008 and 373 of the 2,053 securities we owned at year-end 2007.

The 355 holdings trading below book value at year-end 2009 represented 16.8 percent of invested assets and $84 million in unrealized losses.

- 311 of these holdings were trading between 90 percent and 100 percent of book value. The value of these securities fluctuates primarily because of changes in interest rates. The fair value of these 311 securities was $1.613 billion at year-end 2009, and they accounted for $51 million in unrealized losses.
- 35 of these holdings were trading between 70 percent and 90 percent of book value. The fair value of these holdings was $168 million, and they accounted for $30 million in unrealized losses. These securities, which are being closely monitored, have been affected by a combination of factors including wider credit spreads driven primarily by the distress in the mortgage market, slumping real estate valuations, the effects of a slowing economy and the effects of higher interest rates on longer duration instruments. The majority of these securities are in the financial-related sectors.
- 9 securities, all fixed-maturity, were trading below 70 percent of book value at year-end 2009. The fair value of these holdings was $5 million, and they accounted for $3 million in unrealized losses. The real estate sector accounted for 63 percent and the financial sector for 37 percent of the unrealized losses. The issuers of these debt instruments are current on contractual payments and we believe that future contractual amounts are likely to be paid.

The following table summarizes the length of time securities in the investment portfolio have been in a continuous unrealized gain or loss position.

(In millions)	Less than 12 months		12 months or more		Total	
At December 31,	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
2009						
Fixed maturities:						
States, municipalities and political subdivisions	**$ 196**	**$ 4**	**$ 29**	**$ 2**	**$ 225**	**$ 6**
Government-sponsored enterprises	**347**	**7**	**-**	**-**	**347**	**7**
Short-term investments	**1**	**-**	**-**	**-**	**1**	**-**
Collateralized mortgage obligations	**-**	**-**	**27**	**6**	**27**	**6**
Corporate bonds	**397**	**19**	**309**	**17**	**706**	**36**
Total	**941**	**30**	**365**	**25**	**1,306**	**55**
Equity securities	**65**	**3**	**415**	**26**	**480**	**29**
Total	**$ 1,006**	**$ 33**	**$ 780**	**$ 51**	**$ 1,786**	**$ 84**
At December 31,						
2008						
Fixed maturities:						
States, municipalities and political subdivisions	$ 592	$ 26	$ 94	$ 5	$ 686	$ 31
Convertibles and bonds with warrants attached	195	15	38	5	233	20
Government-sponsored enterprises	141	2	-	-	141	2
All other corporate bonds and short-term investments	1,367	215	254	68	1,621	283
Total	2,295	258	386	78	2,681	336
Equity securities	820	219	79	41	899	260
Total	$ 3,115	$ 477	$ 465	$ 119	$ 3,580	$ 596

The following table summarizes the investment portfolio:

(Dollars in millions)	Number of issues	Book value	Fair value	Gross unrealized gain/loss	Gross investment income
At December 31, 2009					
Taxable fixed maturities:					
Trading below 70% of book value	9	$ 8	$ 5	$ (3)	$ 1
Trading at 70% to less than 100% of book value	257	1,213	1,165	(48)	55
Trading at 100% and above of book value	849	3,423	3,693	270	204
Securities sold in current year	0	0	0	0	19
Total	1,115	4,644	4,863	219	279
Tax-exempt fixed maturities:					
Trading below 70% of book value	0	0	0	0	0
Trading at 70% to less than 100% of book value	76	139	135	(4)	6
Trading at 100% and above of book value	1,236	2,731	2,857	126	118
Securities sold in current year	0	0	0	0	2
Total	1,312	2,870	2,992	122	126
Common equities:					
Trading below 70% of book value	0	0	0	0	0
Trading at 70% to less than 100% of book value	7	477	452	(25)	16
Trading at 100% and above of book value	43	1,464	2,156	692	65
Securities sold in current year	0	0	0	0	9
Total	50	1,941	2,608	667	90
Preferred equities:					
Trading below 70% of book value	0	0	0	0	0
Trading at 70% to less than 100% of book value	5	32	28	(4)	2
Trading at 100% and above of book value	20	43	65	22	4
Securities sold in current year	0	0	0	0	1
Total	25	75	93	18	7
Short-term investments:					
Trading below 70% of book value	0	0	0	0	0
Trading at 70% to less than 100% of book value	1	1	1	0	0
Trading at 100% and above of book value	2	5	5	0	0
Securities sold in current year	0	0	0	0	0
Total	3	6	6	0	0
Portfolio summary:					
Trading below 70% of book value	**9**	**8**	**5**	**(3)**	**1**
Trading at 70% to less than 100% of book value	**346**	**1,862**	**1,781**	**(81)**	**79**
Trading at 100% and above of book value	**2,150**	**7,666**	**8,776**	**1,110**	**391**
Investment income on securities sold in current year	**0**	**0**	**0**	**0**	**31**
Total	**2,505**	**$ 9,536**	**$ 10,562**	**$ 1,026**	**$ 502**
At December 31, 2008					
Portfolio summary:					
Trading below 70% of book value	83	$ 528	$ 322	$ (206)	$ 25
Trading at 70% to less than 100% of book value	861	3,648	3,258	(390)	176
Trading at 100% and above of book value	1,279	4,043	5,227	1,184	290
Investment income on securities sold in current year	0	0	0	0	39
Total	2,223	$ 8,219	$ 8,807	$ 588	$ 530

Item 8. Financial Statements and Supplementary Data

RESPONSIBILITY FOR FINANCIAL STATEMENTS

We have prepared the consolidated financial statements of Cincinnati Financial Corporation and our subsidiaries for the year ended December 31, 2009, in accordance with accounting principles generally accepted in the United States of America (GAAP).

We are responsible for the integrity and objectivity of these financial statements. The amounts, presented on an accrual basis, reflect our best estimates and judgment. These statements are consistent in all material aspects with other financial information in the Annual Report on Form 10-K. Our accounting system and related internal controls are designed to assure that our books and records accurately reflect the company's transactions in accordance with established policies and procedures as implemented by qualified personnel.

Our board of directors has established an audit committee of independent outside directors. We believe these directors are free from any relationships that could interfere with their independent judgment as audit committee members.

The audit committee meets periodically with management, our independent registered public accounting firm and our internal auditors to discuss how each is handling responsibilities. The audit committee reports its findings to the board of directors. The audit committee recommends to the board the annual appointment of the independent registered public accounting firm. The audit committee reviews with this firm the scope of the audit assignment and the adequacy of internal controls and procedures.

Deloitte & Touche LLP, our independent registered public accounting firm, audited the consolidated financial statements of Cincinnati Financial Corporation and subsidiaries for the year ended December 31, 2009. Its report is on Page 89. Deloitte's auditors met with our audit committee to discuss the results of their examination. They have the opportunity to discuss the adequacy of internal controls and the quality of financial reporting without management present.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Cincinnati Financial Corporation and its subsidiaries is responsible for establishing and maintaining adequate internal controls, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). The company's internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2009, as required by Section 404 of the Sarbanes Oxley Act of 2002. Management's assessment was based on the criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and was designed to provide reasonable assurance that the company maintained effective internal control over financial reporting as of December 31, 2009. The assessment led management to conclude that, as of December 31, 2009, the company's internal control over financial reporting was effective based on those criteria.

The company's independent registered public accounting firm has issued an audit report on our internal control over financial reporting as of December 31, 2009. This report appears on Page 89.

/S/ Kenneth W. Stecher

Kenneth W. Stecher

President and Chief Executive Officer

/S/ Steven J. Johnston

Steven J. Johnston, FCAS, MAAA, CFA

Chief Financial Officer, Senior Vice President, Secretary and Treasurer

February 26, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Cincinnati Financial Corporation

Fairfield, Ohio

We have audited the accompanying consolidated balance sheets of Cincinnati Financial Corporation and subsidiaries (the company) as of December 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedules listed in the Index at Item 15(c). We also have audited the company's internal control over financial reporting as of December 31, 2009, based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedules and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the company as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also, in our opinion, the company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 1 to the consolidated financial statements, the company changed its method of accounting for the recognition and presentation of other-than-temporary impairments in 2009.

/S/ Deloitte & Touche LLP

Cincinnati, Ohio

February 26, 2010

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In millions except per share data)	**December 31, 2009**	December 31, 2008
ASSETS		
Investments		
Fixed maturities, at fair value (amortized cost: 2009—$7,514; 2008—$6,058)	**$ 7,855**	$ 5,827
Equity securities, at fair value (cost: 2009—$2,016; 2008—$2,077)	**2,701**	2,896
Short-term investments, at fair value (amortized cost: 2009—$6; 2008—$84)	**6**	84
Other invested assets	**81**	83
Total investments	**10,643**	8,890
Cash and cash equivalents	**557**	1,009
Investment income receivable	**118**	98
Finance receivable	**75**	71
Premiums receivable	**995**	1,059
Reinsurance receivable	**675**	759
Prepaid reinsurance premiums	**15**	15
Deferred policy acquisition costs	**481**	509
Deferred income tax	**-**	126
Land, building and equipment, net, for company use (accumulated depreciation: 2009—$335; 2008—$297)	**251**	236
Other assets	**45**	49
Separate accounts	**585**	548
Total assets	**$ 14,440**	$ 13,369
LIABILITIES		
Insurance reserves		
Loss and loss expense reserves	**$ 4,142**	$ 4,086
Life policy reserves	**1,783**	1,551
Unearned premiums	**1,509**	1,544
Other liabilities	**670**	618
Deferred income tax	**152**	-
Note payable	**49**	49
6.125% senior notes due 2034	**371**	371
6.9% senior debentures due 2028	**28**	28
6.92% senior debentures due 2028	**391**	392
Separate accounts	**585**	548
Total liabilities	**9,680**	9,187
Commitments and contingent liabilities (Note 16)	—	—
SHAREHOLDERS' EQUITY		
Common stock, par value—$2 per share; (authorized: 2009—500 million shares, 2008—500 million shares; issued: 2009—196 million shares, 2008—196 million shares)	**393**	393
Paid-in capital	**1,081**	1,069
Retained earnings	**3,862**	3,579
Accumulated other comprehensive income	**624**	347
Treasury stock at cost (2009—34 million shares, 2008—34 million shares)	**(1,200)**	(1,206)
Total shareholders' equity	**4,760**	4,182
Total liabilities and shareholders' equity	**$ 14,440**	$ 13,369

Accompanying notes are an integral part of these consolidated financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In millions except per share data)	Years ended December 31,		
	2009	2008	2007
REVENUES			
Earned premiums			
Property casualty	**$ 2,911**	$ 3,010	$ 3,125
Life	**143**	126	125
Investment income, net of expenses	**501**	537	608
Other income	**12**	13	19
Realized investment gains (losses), net			
Other-than-temporary impairments on fixed maturity securities	**(62)**	(163)	(14)
Other-than-temporary impairments on fixed maturity securities transferred to Other Comprehensive Income	**-**	-	-
Other realized investment gains, net	**398**	301	396
Total realized investment gains (losses), net	**336**	138	382
Total revenues	**3,903**	3,824	4,259
BENEFITS AND EXPENSES			
Insurance losses and policyholder benefits	**2,242**	2,193	1,963
Underwriting, acquisition and insurance expenses	**1,004**	1,016	1,039
Other operating expenses	**20**	22	13
Interest expense	**55**	53	52
Total benefits and expenses	**3,321**	3,284	3,067
INCOME BEFORE INCOME TAXES	**582**	540	1,192
PROVISION (BENEFIT) FOR INCOME TAXES			
Current	**79**	238	325
Deferred	**71**	(127)	12
Total provision for income taxes	**150**	111	337
NET INCOME	**$ 432**	$ 429	$ 855
PER COMMON SHARE			
Net income—basic	**$ 2.66**	$ 2.63	$ 5.01
Net income—diluted	**2.65**	2.62	4.97

Accompanying notes are an integral part of these consolidated financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions)	Years ended December 31,		
	2009	2008	2007
COMMON STOCK			
Beginning of year	**$ 393**	$ 393	$ 391
Stock options exercised	**-**	-	2
End of year	**393**	393	393
PAID-IN CAPITAL			
Beginning of year	**1,069**	1,049	1,015
Stock options exercised	**-**	4	19
Stock-based compensation	**10**	15	14
Other	**2**	1	1
End of year	**1,081**	1,069	1,049
RETAINED EARNINGS			
Beginning of year	**3,579**	3,404	2,786
Cumulative effect of change in accounting for hybrid financial securities	**-**	-	5
Cumulative effect of change in accounting for uncertain tax positions	**-**	-	(1)
Adjusted beginning of year	**3,579**	3,404	2,790
Cumulative effect of change in accounting for other-than-temporary impairments as of April 1,2009, net of tax	**106**	-	-
Net income	**432**	429	855
Dividends declared	**(255)**	(254)	(241)
End of year	**3,862**	3,579	3,404
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Beginning of year	**347**	2,151	3,379
Cumulative effect of change in accounting for hybrid financial securities	**-**	-	(5)
Adjusted beginning of year	**347**	2,151	3,374
Cumulative effect of change in accounting for other-than-temporary impairments as of April 1, 2009, net of tax	**(106)**	-	-
Other comprehensive income (loss), net	**383**	(1,804)	(1,223)
End of year	**624**	347	2,151
TREASURY STOCK			
Beginning of year	**(1,206)**	(1,068)	(763)
Purchased	**-**	(139)	(306)
Reissued	**6**	1	1
End of year	**(1,200)**	(1,206)	(1,068)
Total shareholders' equity	**$ 4,760**	$ 4,182	$ 5,929
COMMON STOCK - NUMBER OF SHARES OUTSTANDING			
Beginning of year	**162**	166	173
Purchase of treasury shares	**-**	(4)	(7)
Reissuance of treasury shares	**-**	-	-
End of year	**162**	162	166
COMPREHENSIVE INCOME			
Net income	**$ 432**	$ 429	$ 855
Other comprehensive income (loss), net	**383**	(1,804)	(1,223)
Total comprehensive income (loss)	**$ 815**	$ (1,375)	$ (368)

Accompanying notes are an integral part of these consolidated financial statements.

CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Years ended December 31,		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 432**	$ 429	$ 855
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash items	**38**	32	36
Realized gains on investments	**(336)**	(138)	(382)
Stock-based compensation	**10**	15	14
Interest credited to contract holders	**43**	34	36
Deferred income tax	**71**	(127)	12
Changes in:			
Investment income receivable	**(20)**	26	(3)
Premiums and reinsurance receivable	**148**	43	(50)
Deferred policy acquisition costs	**(12)**	(17)	(8)
Other assets	**10**	5	(4)
Loss and loss expense reserves	**56**	119	71
Life policy reserves	**110**	67	101
Unearned premiums	**(35)**	(20)	(15)
Other liabilities	**5**	(25)	64
Current income tax receivable/payable	**5**	41	(22)
Net cash provided by operating activities	**525**	484	705
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of fixed maturities	**187**	167	321
Call or maturity of fixed maturities	**659**	1,029	520
Sale of equity securities	**1,247**	2,052	812
Collection of finance receivables	**30**	36	37
Purchase of fixed maturities	**(2,135)**	(1,695)	(924)
Purchase of equity securities	**(796)**	(771)	(769)
Change in short-term investments, net	**78**	20	(5)
Investment in buildings and equipment, net	**(42)**	(36)	(70)
Investment in finance receivables	**(34)**	(17)	(23)
Change in other invested assets, net	**(9)**	(17)	(1)
Change in securities lending collateral invested	**-**	741	(760)
Net cash provided by (used in) investing activities	**(815)**	1,509	(862)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends to shareholders	**(249)**	(250)	(240)
Purchase of treasury shares	**-**	(139)	(307)
Change in notes payable	**-**	(20)	20
Proceeds from stock options exercised	**-**	4	19
Contract holders' funds deposited	**162**	25	12
Contract holders' funds withdrawn	**(66)**	(66)	(79)
Change in securities lending payable	**-**	(760)	760
Excess tax benefits on share-based compensation	**-**	-	2
Other	**(9)**	(4)	(6)
Net cash provided by (used in) financing activities	**(162)**	(1,210)	181
Net (decrease) increase in cash and cash equivalents	**(452)**	783	24
Cash and cash equivalents at beginning of year	**1,009**	226	202
Cash and cash equivalents at end of period	**$ 557**	$ 1,009	$ 226
Supplemental disclosures of cash flow information:			
Interest paid (net of capitalized interest: 2009—$0; 2008—$3; 2007—$4)	**$ 55**	$ 53	$ 51
Income taxes paid	**74**	197	346
Non-cash activities:			
Conversion of securities	**$ 90**	$ 25	$ 20
Equipment acquired under capital lease obligations	**15**	2	12

Accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Cincinnati Financial Corporation operates through our insurance group and two complementary subsidiary companies:

The Cincinnati Insurance Company leads our standard market property casualty insurance group that also includes two subsidiaries: The Cincinnati Casualty Company and The Cincinnati Indemnity Company. This group markets a broad range of standard market business, homeowner and auto policies. The group provides quality customer service to our select group of 1,180 independent insurance agencies with 1,463 reporting locations across 37 states. Other subsidiaries of The Cincinnati Insurance Company include The Cincinnati Life Insurance Company, which markets life and disability income insurance and annuities, and The Cincinnati Specialty Underwriters Insurance Company, which began offering excess and surplus lines insurance products in 2008.

The two complementary subsidiaries are CSU Producer Resources Inc., which offers insurance brokerage services to our independent agencies so their clients can access our excess and surplus lines insurance products, and CFC Investment Company (CFC-I), which offers commercial leasing and financing services to our agents, their clients and other customers.

Basis of Presentation

Our consolidated financial statements include the accounts of the parent company and our wholly owned subsidiaries. We present our statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In consolidating our accounts, we have eliminated intercompany balances and transactions.

In accordance with GAAP, we have made estimates and assumptions that affect the amounts we report and discuss in the consolidated financial statements and accompanying notes. Actual results could differ from our estimates.

Earnings per Share

Net income per common share is based on the weighted average number of common shares outstanding during each of the respective years. We calculate net income per common share (diluted) assuming the exercise of stock-based awards. We have adjusted shares and earnings per share to reflect all stock splits and dividends prior to December 31, 2009.

Share-Based Compensation

We grant qualified and non-qualified share-based compensation under authorized plans. The stock options vest ratably over three years following the date of grant and are exercisable over 10-year periods. In 2008, the committee approved a mix of stock options and restricted stock units for stock-based awards. Stock options granted had similar terms but generally were awarded for fewer shares compared with previous years to accommodate new awards of service-based and performance-based restricted stock units.

Employee Benefit Pension Plan

We sponsor a defined benefit pension plan that was modified during 2008. We froze entry into the pension plan, and only participants 40 years of age or older could elect to remain in the plan. Our pension expense is based on certain actuarial assumptions and also is composed of several components that are determined using the projected unit credit actuarial cost method. Refer to Note 13, Employee Retirement Benefits, Page 109 for more information regarding our defined benefit pension plan.

Property Casualty Insurance

Property casualty written premiums are deferred and recorded as earned premiums on a pro rata basis over the terms of the policies. We record as unearned premiums the portion of written premiums that applies to unexpired policy terms. The expenses associated with issuing insurance policies – primarily commissions, premium taxes and underwriting costs – are deferred and amortized over the terms of the policies. Our standard market insurance operations consist of two segments, commercial lines and personal lines. We assess recoverability of deferred acquisition costs at the segment level, consistent with the ways we acquire, service and manage insurance and measure profitability. We also have deferred acquisition costs in our surplus lines operation, which is reported in Other. We analyze our acquisition cost assumptions periodically to reflect actual experience; we evaluate our deferred acquisition cost for recoverability; and we regularly conduct reviews for potential premium deficiencies.

A premium deficiency is recorded when the sum of expected loss and loss adjustment expenses, expected policyholder dividends, unamortized acquisition costs and maintenance costs exceeds the total of unearned premiums and anticipated investment income. A premium deficiency is first recognized by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency. If the premium

deficiency is greater than unamortized acquisition costs, a liability is accrued for the excess deficiency. We did not record a premium deficiency for the three years ended 2009, 2008 and 2007.

Certain property casualty policies are not booked before the effective date. An actuarial estimate is made to determine the amount of unbooked written premiums. The majority of the estimate is unearned and does not have a material impact on earned premium.

Effective in the second quarter 2009, we changed our presentation of underwriting expenses in our consolidated statements of income. We have summarized commissions, insurance operating expenses, increase in deferred acquisition costs and taxes, licenses and fees to a single caption, "Underwriting, acquisition and insurance expenses."

We establish reserves to cover the expected cost of claims, or losses, and our expenses related to investigating, processing and resolving claims. Although determining the appropriate amount of reserves is inherently uncertain, we base our decisions on past experience and current facts. Reserves are based on claims reported prior to the end of the year and estimates of unreported claims. We take into account the fact that we may recover some of our costs through salvage and subrogation. We regularly review and update reserves using the most current information available. Any resulting adjustments are reflected in current year insurance losses and policyholder benefits.

The consolidated property casualty companies actively write property casualty insurance through independent agencies in 37 states. Our 10 largest states generated 68.1 percent and 68.7 percent of total earned premiums in 2009 and 2008. Ohio, our largest state, accounted for 21.0 percent and 20.9 percent of total earned premiums in 2009 and 2008. Georgia, Illinois, Indiana, Michigan, North Carolina, Pennsylvania and Virginia each accounted for between 4 percent and 9 percent of total earned premiums in 2009. Our largest single agency relationship accounted for approximately 1.2 percent of the company's total earned premiums in 2009. Our largest reinsurer, Swiss Reinsurance Company, accounted for 21.5 percent of total ceded earned premiums.

Policyholder Dividends

Certain workers' compensation policies include the possibility of a policyholder earning a return of a portion of its premium in the form of a policyholder dividend. The dividend generally is calculated by determining the profitability of a policy year along with the associated premium. We reserve for all probable future policyholder dividend payments.

Life and Health Insurance

We offer several types of life and health insurance, and we account for each according to the duration of the contract. Short-duration contracts are written to cover claims that arise during a short, fixed term of coverage. We generally have the right to change the amount of premium charged or cancel the coverage at the end of each contract term. Group life insurance is an example. We record premiums for short-duration contracts similarly to property casualty contracts.

Long-duration contracts are written to provide coverage for an extended period of time. Traditional long-duration contracts require policyholders to pay scheduled gross premiums, generally not less frequently than annually, over the term of the coverage. Premiums for these contracts are recognized as revenue when due. Whole life insurance and disability income insurance are examples. Some traditional long-duration contracts have premium payment periods shorter than the period over which coverage is provided. For these contracts, the excess of premium over the amount required to pay expenses and benefits is recognized over the term of the coverage rather than over the premium payment period. Ten-pay whole life insurance is an example.

We establish a liability for traditional long-duration contracts as we receive premiums. The amount of this liability is the present value of future expenses and benefits less the present value of future net premiums. Net premium is the portion of gross premium required to provide for all expenses and benefits. We estimate future expenses and benefits and net premium using assumptions for expected expenses, mortality, morbidity, withdrawal rates and investment income. We include a provision for deviation, meaning we allow for some uncertainty in making our assumptions. We establish our assumptions when the contract is issued and we generally maintain those assumptions for the life of the contract. We use both our own experience and industry experience, adjusted for historical trends, in arriving at our assumptions for expected mortality, morbidity and withdrawal rates. We use our own experience and historical trends for setting our assumption for expected expenses. We base our assumption for expected investment income on our own experience, adjusted for current economic conditions.

When we issue a traditional long-duration contract, we capitalize acquisition costs. Acquisition costs are costs that vary with, and are primarily related to, the production of new business. We then charge these deferred policy acquisition costs to expenses over the premium-paying period of the contract, and we use the same assumptions that we use when we establish the liability for the contract. We update our acquisition cost assumptions periodically to reflect actual experience, and we evaluate our deferred acquisition cost for recoverability.

Universal life contracts are long-duration contracts for which contractual provisions are not fixed, unlike whole life insurance. Universal life contracts allow policyholders to vary the amount of premium, within limits, without our consent. However, we may vary the mortality and expense charges, within limits, and the interest crediting rate used to accumulate policy values. We do not record universal life premiums as revenue. Instead we recognize as revenue the mortality charges, administration charges and surrender charges when received. Some of our universal life contracts assess administration charges in the early years of the contract that are compensation for services we will provide in the later years of the contract. These administration charges are deferred and are recognized over the period when we provide those future services.

For universal life long-duration contracts, we maintain a liability equal to the policyholder account value. There is no provision for adverse deviation. Some of our universal life policies contain no-lapse guarantee provisions. For these policies, we establish a reserve in addition to the account balance, based on expected no-lapse guarantee benefits and expected policy assessments.

When we issue a universal life long-duration contract, we capitalize acquisition costs. We then charge these capitalized costs to expenses over the term of coverage of the contract. When we charge deferred policy acquisition costs to expenses, we use assumptions based on our best estimates of long-term experience. We review and modify these assumptions on a regular basis.

Effective in the second quarter 2009, we changed our presentation of underwriting expenses in our consolidated statements of income. We have summarized commissions, insurance operating expenses, increase in deferred acquisition costs and taxes, licenses and fees to a single caption, "Underwriting, acquisition and insurance expenses."

Separate Accounts

We issue life contracts with guaranteed minimum returns, referred to as bank-owned life insurance contracts (BOLIs). We legally segregate and record as separate accounts the assets and liabilities for some of our BOLIs, based on the specific contract provisions. We guarantee minimum investment returns, account values and death benefits for our separate account BOLIs. Our other BOLIs are general account products.

We carry the assets of separate account BOLIs at fair value. The liabilities on separate account BOLIs primarily are the contract holders' claims to the related assets and are carried at an amount equal to the contract holders' account value. At December 31, 2009, the current fair value of the BOLI invested assets and cash exceeded the current fair value of the contract holders' account value by approximately $7 million. If the BOLI projected fair value were to fall below the value we guaranteed, a liability would be established by a charge to the company's earnings.

Generally, investment income and realized investment gains and losses of the separate accounts accrue directly to the contract holder, and we do not include them in the Consolidated Statements of Income. Revenues and expenses related to separate accounts consist of contractual fees and mortality, surrender and expense risk charges. Also, each separate account BOLI includes a negotiated gain and loss sharing arrangement with the company. A percentage of each separate account's realized gain and loss representing contract fees and assessments accrues to us and is transferred from the separate account to our general account and is recognized as revenue or expense.

Reinsurance

We reduce risk and uncertainty by buying property casualty and life reinsurance. Reinsurance contracts do not relieve us from our duty to policyholders, but rather help protect our financial strength to perform that duty. All of our reinsurance contracts transfer the economic risk of loss.

We also serve in a limited way as a reinsurer for other insurance companies, reinsurers and involuntary state pools. We record our transactions for such assumed reinsurance based on reports provided to us by the ceding reinsurer.

Reinsurance assumed and ceded premiums are deferred and recorded as earned premiums on a pro rata basis over the terms of the contract. We estimate loss amounts recoverable from our reinsurers based on the reinsurance policy terms. Historically, our claims with reinsurers have been paid. We do not have an allowance for uncollectible reinsurance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid instruments that include liquid debt instruments with original maturities of less than three months. These are carried at cost and approximate fair value.

Investments

Our portfolio investments are primarily in publicly traded fixed-maturity, equity and short-term investments. Fixed-maturity investments (taxable bonds, tax-exempt bonds, redeemable preferred stocks and collateralized mortgage obligations) and equity investments (common and non-redeemable preferred stocks) are classified as available for sale and recorded at fair value in the consolidated financial

statements. The number of fixed-maturity securities trading below 100 percent of book value can be expected to fluctuate as interest rates rise or fall. Because of our strong surplus and long-term investment horizon, our general intent is to hold fixed-maturity investments until maturity, regardless of short-term fluctuations in fair values.

On April 1, 2009, we adopted Accounting Standards Codification (ASC) 320, Recognition and Presentation of Other-Than-Temporary Impairments (OTTI). Our invested asset impairment policy states that fixed maturities the company (1) intends to sell or (2) are more likely than not will be required to sell before recovery of their amortized cost basis are deemed to be other-than-temporarily impaired. The book value of any such securities is reduced to fair value as the new cost basis, and a realized loss is recorded in the period in which it is recognized. When these two criteria are not met, and the company believes that full collection of interest and/or principal is not likely, we determine the net present value of future cash flows by using the effective interest rate implicit in the security at the date of acquisition as the discount rate and compare that amount to the amortized cost and fair value of the security. The difference between the net present value of the expected future cash flows and amortized cost of the security is considered a credit loss and recognized as a realized loss in the period in which it occurred. The difference between the fair value and the net present value of the cash flows of the security, the non-credit loss, is recognized in other comprehensive income as an unrealized loss. With the adoption of this ASC in the second quarter of 2009, we recognized a cumulative effect adjustment of $106 million, net of tax, to reclassify the non-credit component of previously recognized impairments by increasing retained earnings and reducing accumulated other comprehensive income.

ASC 320 does not allow retrospective application of the new other-than-temporary impairment model. Our Consolidated Statements of Income for the year ended December 31, 2009, are not measured on the same basis as prior period amounts and, accordingly, these amounts are not comparable.

When determining OTTI charges for our equity portfolio, our invested asset impairment policy considers qualitative and quantitative factors, including facts and circumstances specific to individual securities, asset classes, the financial condition of the issuer, changes in dividend payment, the length of time fair value had been less than book value, the severity of the decline in fair value below book value, the volatility of the security and our ability and intent to hold each position until its forecasted recovery.

Included within our other invested assets are life policy loans, venture capital fund investments and investment in real estate. Life policy loans are carried at the receivable value. We use the equity method of accounting for venture capital fund investments. The venture capital funds provide their financial statements to us and generally report investments on their balance sheets at fair value. Investment in real estate consists of one office building that is carried at cost less accumulated depreciation.

We include the non-credit portion of fixed maturities and all other unrealized gains and losses on investments, net of taxes, in shareholders' equity as accumulated other comprehensive income. Realized gains and losses on investments are recognized in net income based on the trade date accounting method.

Investment income consists mainly of interest and dividends. We record interest on an accrual basis and record dividends at the ex-dividend date. We amortize premiums and discounts on fixed-maturity securities using the effective interest method over the expected life of the security.

Fair Value Disclosures

We account for our investment portfolio at fair value and apply fair value measurements as defined by ASC 820, Fair Value Measurements and Disclosures, to financial instruments. Fair value is applicable to ASC 320, Investments-Debt and Equity Securities, ASC 815, "Derivatives and Hedging," and ASC 825, Financial Instruments.

We adopted the provisions of Fair Value Measurements on January 1, 2008. Fair Value Measurements defines fair value as the exit price or the amount that would be (1) received to sell an asset or (2) paid to transfer a liability in an orderly transaction between marketplace participants at the measurement date. When determining an exit price we must, whenever possible, rely upon observable market data.
We primarily base fair value for investments in equity and fixed-maturity securities (including redeemable preferred stock and assets held in separate accounts) on quoted market prices or on prices from FT Interactive Data, an outside resource that supplies global securities pricing, dividend, corporate action and descriptive information to support fund pricing, securities operations, research and portfolio management. When a price is not available from these sources, as in the case of securities that are not publicly traded, we determine the fair value using various inputs including quotes from independent brokers. The fair value of investments not priced by FT Interactive Data is less than 1 percent of the fair value of our total investment portfolio.

For the purpose of ASC 825 disclosure, we estimate the fair value for liabilities of investment contracts and annuities. We also estimate the fair value for assets arising from policyholder loans on insurance contracts. These estimates are developed using discounted cash flow calculations across a wide range of economic interest rate scenarios with a provision for our own credit risk. We base fair value for long-term senior notes

on the quoted market prices for such notes. We base fair value for notes payable on our year-end outstanding balance.

Derivative Financial Instruments and Hedging Activities

We account for derivative financial instruments as defined by ASC 815, Derivatives and Hedging. The hedging definitions included in ASC 815 guide our recognition of the changes in the fair value of derivative financial instruments as realized gains or losses in the consolidated statements of income or as a component of accumulated other comprehensive income in shareholder's equity in the period for which they occur.

Securities Lending Program

During the third quarter of 2008, we terminated our securities lending program.

Lease/Finance

Our leasing subsidiary provides auto and equipment direct financing (leases and loans) to commercial and individual clients. We generally transfer ownership of the property to the client as the terms of the leases expire. Our lease contracts contain bargain purchase options. We record income over the financing term using the effective interest method.

We capitalize and amortize lease or loan origination costs over the life of the financing using the effective interest method. These costs may include, but are not limited to: finder fees, broker fees, filing fees and the cost of credit reports. We account for these leases and loans as direct financing-type leases.

Land, Building and Equipment

We record building and equipment at cost less accumulated depreciation. Certain equipment held under capital leases also is classified as property and equipment with the related lease obligations recorded as liabilities. Our depreciation is based on estimated useful lives (ranging from three years to 39½ years) using straight-line and accelerated methods. Depreciation expense was $48 million in 2009, $35 million in 2008, and $38 million in 2007. We monitor land, building and equipment for potential impairments. Potential impairments may include a significant decrease in the fair values of the assets, considerable cost overruns on projects or a change in legal factors or business climate, or other factors that indicate that the carrying amount may not be recoverable. There were no recorded land, building and equipment impairments for 2009, 2008 or 2007.

We capitalize and amortize costs for internally developed computer software during the application development stage. These costs generally consist of external consulting, payroll and payroll-related costs.

Income Taxes

We calculate deferred income tax liabilities and assets using tax rates in effect for the time when temporary differences in book and taxable income are estimated to reverse. We recognize deferred income taxes for numerous temporary differences between our taxable income and book-basis income and other changes in shareholders' equity. Such temporary differences relate primarily to unrealized gains and losses on investments and differences in the recognition of deferred acquisition costs and insurance reserves. We charge deferred income taxes associated with unrealized appreciation and depreciation (except the amounts related to the effect of income tax rate changes) to shareholders' equity in accumulated other comprehensive income. We charge deferred taxes associated with other differences to income.

There are no amounts in our ASC 740 liability that would change the effective tax rate if recognized. Although no penalties currently are accrued, if incurred, they would be recognized as a component of income tax expense. Accrued interest expense is recognized as other interest expense in the consolidated statements of income.

Subsequent Events

There were no subsequent events requiring adjustment to the financial statements or disclosure.

Pending Accounting Standards

- In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures. ASU 2010-06 applies to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements. ASU 2010-06 requires separate disclosures of the activity in the Level 3 category related to any purchases, sales, issuances and settlements on a gross basis. The effective date of the disclosures regarding level 3 category purchases, sales, issuances and settlements are for interim and annual periods ending after December 15, 2010. The portion of ASU 2010-06 that has not yet been adopted will not have a material impact on our company's financial position, cash flows or results of operations as it focuses on additional disclosures.

Adopted Accounting Standards

- In December 2008, the FASB issued ASC 715-20-65-2, Employers' Disclosures about Postretirement Benefit Plan Assets. ASC 715-20-65-2 is an amendment of ASC 715-20, Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of ASC 715-10, 715-30, and 715-60. ASC 715-20-65-2 provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The effective date of this ASC is the company's fiscal year ending after December 15, 2009. We adopted this standard; however, it did not have an impact on our company's financial position, cash flows or results of operations as it focuses on additional disclosures.
- In April 2009, the FASB issued ASC 820-10-50, Interim Disclosures about Fair Value of Financial Instruments. ASC 820-10-50 is an amendment of ASC 825-10-50, Disclosures about Fair Value of Financial Instruments and ASC 270, Interim Financial Reporting. ASC 820-10-50 expands the fair value disclosures for all financial instruments within the scope of ASC 825-10-50 to interim reporting periods. We have adopted ASC 820-10-50, and it is effective for interim reporting periods ending after June 15, 2009. It did not have an impact on our company's financial position, cash flows or results of operations as it focuses on additional disclosures.
- In April 2009, the FASB issued ASC 320, Recognition and Presentation of Other-Than-Temporary Impairments effective for interim and annual reporting periods ending after June 15, 2009. ASC 320 is an amendment of ASC 320-10, Accounting for Certain Investments in Debt and Equity Securities and ASC 958-320, Accounting for Certain Investments Held by Not-for-Profit Organizations. ASC 320 amends the other-than-temporary impairment guidance for debt securities and expands the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. We adopted this ASC as of April 1, 2009.
- In April 2009, the FASB issued ASC 820-10-65-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. ASC 820-10-65-4 is an amendment of ASC 820-10, Fair Value Measurements. ASC 820-10-65-4 applies to all assets and liabilities and provides guidance on measuring fair value when the volume and level of activity has significantly decreased and guidance on identifying transactions that are not orderly. ASC 820-10-65-4 requires interim and annual disclosures of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, that occurred during the period. We have adopted this ASC, which is effective for interim and annual reporting periods ending after June 15, 2009. It did not have a material impact on our company's financial position, cash flows or results of operations.
- In May 2009, the FASB issued ASC 855, Subsequent Events. ASC 855 provides guidance on the disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The date through which any subsequent events have been evaluated and the basis for that date must be disclosed. ASC 855 requires that we disclose the analysis of subsequent events through the date that our Financial Statements are issued. ASC 855 also defines the circumstances under which an entity should recognize such events or transactions and the related disclosures of such events or transactions that occur after the balance sheet date. We adopted this ASC, which is effective for interim or annual financial periods ending after June 15, 2009. It did not have an impact on our company's financial position, cash flows or results of operations.
- In June 2009, the FASB issued ASC 105, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles–a replacement of FASB Statement No. 162. ASC 105 establishes a single source of authoritative, nongovernmental U.S. GAAP, except for rules and interpretive releases of the SEC. We have adopted this ASC, which is effective for interim and annual reporting periods ending after September 15, 2009. It did not have an impact on our company's financial position, cash flows or results of operations as it does not change authoritative guidance.
- In August 2009, the FASB issued ASU 2009-05, Measuring Liabilities at Fair Value. ASU 2009-05 is an amendment of ASC 820, Fair Value Measurements and Disclosures. ASU 2009-05 applies to all entities that measure liabilities at fair value within the scope of ASC 820, Fair Value Measurements and Disclosures. ASU 2009-05 provides guidance on measuring fair value of liabilities under circumstances in which a quoted price in an active market for the identical liability is not available. We have adopted this ASU, which is effective for the first interim or annual reporting period beginning after August 28, 2009. It did not have a material impact on our company's financial position, cash flows or results of operations.
- In September 2009, the FASB issued ASU 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2009-12 provides guidance on estimating fair value of alternative investments when using the net asset value per share provided by the investment entity. We have adopted this ASU, which is effective for interim and annual periods ending after December 15, 2009, with early adoption permitted. It did not have a material impact on our company's financial position, cash flows or results of operations.

- In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures. ASU 2010-06 applies to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements. ASU 2010-06 provides guidance on additional disclosures on any significant transfers in and out of Level 1 and Level 2 and a description of the transfer. ASU 2010-06 also requires separate disclosures of the activity in the Level 3 category related to any purchases, sales, issuances and settlements on a gross basis. The effective date of the new disclosures relating to the existing disclosures regarding Level 1 and Level 2 categories is for interim and annual periods ending after December 15, 2009. We have adopted the portion of ASU 2010-06 related to significant transfers in and out of Level 1 and Level 2. The effective date of the disclosures regarding purchases, sales, issuances and settlements to the Level 3 category is for interim and annual periods ending after December 15, 2010. The portion of ASU 2010-06 that has been adopted did not have a material impact on our company's financial position, cash flows or results of operations as it focuses on additional disclosures.

2. INVESTMENTS

The following table analyzes investment income, realized investment gains and losses and the change in unrealized investment gains and losses:

(In millions)	Years ended December 31,		
	2009	2008	2007
Investment income summarized by investment category:			
Interest on fixed maturities	**$ 402**	$ 326	$ 308
Dividends on equity securities	**100**	204	294
Other investment income	**7**	14	15
Total	**509**	544	617
Less investment expenses	**8**	7	9
Total	**$ 501**	$ 537	$ 608
Realized investment gains and losses summary:			
Fixed maturities:			
Gross realized gains	**$ 15**	$ 4	$ 8
Gross realized losses	**(30)**	(36)	(18)
Other-than-temporary impairments	**(62)**	(163)	(14)
Equity securities:			
Gross realized gains	**624**	1,020	438
Gross realized losses	**(162)**	(280)	(24)
Other-than-temporary impairments	**(69)**	(347)	(2)
Securities with embedded derivatives	**27**	(38)	(11)
Other	**(7)**	(22)	5
Total	**$ 336**	$ 138	$ 382
Change in unrealized investment gains and losses and other summary:			
Fixed maturities	**$ 734**	$ (296)	$ 7
Equity securities	**(134)**	(2,455)	(1,904)
Adjustment to deferred acquisition costs and life policy reserves	**(24)**	19	(1)
Pension obligations	**(14)**	(15)	12
Other	**28**	(34)	0
Income taxes on above	**(207)**	977	663
Total	**$ 383**	$ (1,804)	$ (1,223)

At December 31, 2009, contractual maturity dates for fixed-maturity and short-term investments were:

(Dollars in millions)	Amortized cost	Fair value	% of Fair value
Maturity dates occurring:			
Less than 1 year	$ 105	$ 107	1.4 %
Years 1 - 5	2,030	2,147	27.3
Years 6 - 10	3,476	3,663	46.6
Years 11 - 20	1,712	1,755	22.3
Over 20 years	197	189	2.4
Total	$ 7,520	$ 7,861	100.0 %

Actual maturities may differ from contractual maturities when there is a right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2009, investments with book value of $85 million and fair value of $89 million were on deposit with various states in compliance with regulatory requirements.

The following table analyzes cost or amortized cost, gross unrealized gains, gross unrealized losses, fair value and other-than-temporary impairments (OTTI) in accumulated other comprehensive income (AOCI) for our investments:

(In millions) At December 31,	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	OTTI in AOCI
2009					
Fixed maturities:					
States, municipalities and political subdivisions	**$ 3,007**	**$ 128**	**$ 6**	**$ 3,129**	**$ -**
Convertibles and bonds with warrants attached	**91**	**-**	**-**	**91**	**-**
United States government	**4**	**-**	**-**	**4**	**-**
Government-sponsored enterprises	**354**	**-**	**7**	**347**	**-**
Foreign government	**3**	**-**	**-**	**3**	**-**
Short-term investments	**6**	**-**	**-**	**6**	**-**
Collateralized mortgage obligations	**37**	**-**	**6**	**31**	**-**
Corporate bonds	**4,018**	**268**	**36**	**4,250**	**-**
Total	**$ 7,520**	**$ 396**	**$ 55**	**$ 7,861**	**$ -**
Equity securities	**$ 2,016**	**$ 714**	**$ 29**	**$ 2,701**	NA
At December 31,					
2008					
Fixed maturities:					
States, municipalities and political subdivisions	$ 2,704	$ 60	$ 31	$ 2,733	
Convertibles and bonds with warrants attached	102	-	-	102	
United States government	4	1	-	5	
Government-sponsored enterprises	391	-	2	389	
Foreign government	3	-	-	3	
All other corporate bonds and short-term investments	2,938	44	303	2,679	
Total	$ 6,142	$ 105	$ 336	$ 5,911	
Equity securities	$ 2,077	$ 1,079	$ 260	$ 2,896	

At year-end 2009, Procter & Gamble was our largest stock holding of the publicly traded common stock portfolio at 5.8 percent. At year-end 2008 and 2007 our largest stock holding made up 14.5 percent and 28.1 percent of the publicly traded common stock portfolio, respectively. We also diversified our investment portfolio as a result of the fourth-quarter 2009 Pfizer acquisition of Wyeth (NYSE:WYE). In addition to receiving approximately $146 million in cash for our Wyeth shares, we sold approximately 2.4 million shares of Pfizer subsequent to the merger. As a result of these transactions, our stock portfolio exposure to the healthcare sector reduced to 18.0 percent at December 31, 2009, from 24.6 percent at September 30, 2009.

This table reviews unrealized losses and fair values by investment category and by the duration of the securities' continuous unrealized loss position:

(In millions)	Less than 12 months		12 months or more		Total	
At December 31,	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
2009						
Fixed maturities:						
States, municipalities and political subdivisions	**$ 196**	**$ 4**	**$ 29**	**$ 2**	**$ 225**	**$ 6**
Government-sponsored enterprises	**347**	**7**	**-**	**-**	**347**	**7**
Short-term investments	**1**	**-**	**-**	**-**	**1**	**-**
Collateralized mortgage obligations	**-**	**-**	**27**	**6**	**27**	**6**
Corporate bonds	**397**	**19**	**309**	**17**	**706**	**36**
Total	**941**	**30**	**365**	**25**	**1,306**	**55**
Equity securities	**65**	**3**	**415**	**26**	**480**	**29**
Total	**$ 1,006**	**$ 33**	**$ 780**	**$ 51**	**$ 1,786**	**$ 84**
At December 31,						
2008						
Fixed maturities:						
States, municipalities and political subdivisions	$ 592	$ 26	$ 94	$ 5	$ 686	$ 31
Convertibles and bonds with warrants attached	195	15	38	5	233	20
Government-sponsored enterprises	141	2	-	-	141	2
All other corporate bonds and short-term investments	1,367	215	254	68	1,621	283
Total	2,295	258	386	78	2,681	336
Equity securities	820	219	79	41	899	260
Total	$ 3,115	$ 477	$ 465	$ 119	$ 3,580	$ 596

Other-than-temporary Impairment Charges

The following table provides the amount of OTTI charges:

(In millions)	Years ended December 31,		
	2009	2008	2007
Other-than-temporary impairment charges:			
Fixed maturities	**$ (62)**	$ (163)	$ (14)
Equity securities	**(69)**	(347)	(2)
Total	**$ (131)**	$ (510)	$ (16)

The following table provides the amount of credit losses on fixed-maturity securities for which a portion of OTTI has been recognized in other comprehensive income:

(In millions)	
Impairments due to credit losses reconciliation	
Balance at April 1, 2009	**$ 4**
Additional credit impairments on:	
Previously impaired securities	**1**
Securities without prior impairments	**-**
Reductions	**(5)**
Balance December 31, 2009	**$ -**

During 2009, we impaired 50 securities. At December 31, 2009, 121 fixed-maturity investments with a total unrealized loss of $25 million had been in an unrealized loss position for 12 months or more. Of that total, eight fixed maturity investments were trading below 70 percent of book value with a total unrealized loss of $2 million. Ten equity investments with a total unrealized loss of $26 million had been in an unrealized loss position for 12 months or more as of December 31, 2009. Of that total, no equity investments were trading below 70 percent of book value.

During 2008, we impaired 126 securities. At December 31, 2008, 142 fixed-maturity investments with a total unrealized loss of $78 million had been in an unrealized loss position for 12 months or more. Of that total, no fixed-maturity investments were trading below 70 percent of book value. Six equity investments with a total unrealized loss of $41 million had been in an unrealized loss position for 12 months or more as of December 31, 2008, with two trading below 70 percent of book value. As a result of this evaluation, we did not record impairment on the six equity securities in an unrealized loss position in excess of 12 months at December 31, 2008.

During 2007, we impaired 20 securities. At December 31, 2007, 184 fixed-maturity investments with a total unrealized loss of $20 million had been in an unrealized position for 12 months or more. Three of these securities were trading below 70 percent of book value with a total unrealized loss of $6 million. There were no equities trading below book value for 12 months or more.

When determining OTTI charges for our fixed-maturity portfolio, management places significant emphasis on whether issuers of debt are current on contractual payments and whether future contractual amounts are likely to be paid. As required by the new accounting standard for fixed-maturity securities, our invested asset impairment policy states that OTTI is considered to have occurred (1) if we intend to sell the impaired fixed maturity security; (2) if it is more likely than not we will be required to sell the fixed maturity security before recovery of its amortized cost basis; or (3) the present value of the expected cash flows is not sufficient to recover the entire amortized cost basis. If we intend to sell or it is more likely than not we will be required to sell, the book value of any such securities is reduced to fair value as the new cost basis, and a realized loss is recorded in the period in which it is recognized. When we believe that full collection of interest and/or principal is not likely, we determine the net present value of future cash flows by using the effective interest rate implicit in the security at the date of acquisition as the discount rate and compare that amount to the amortized cost and fair value of the security. The difference between the net present value of the expected future cash flows and amortized cost of the security is considered a credit loss and recognized as a realized loss in the period in which it occurred. The difference between the fair value and the net present value of the cash flows of the security, the non-credit loss, is recognized in other comprehensive income as an unrealized loss.

With the adoption of ASC 320 in the second quarter of 2009, we recognized a cumulative effect adjustment of $106 million, net of tax, to reclassify the non-credit component of previously recognized impairments by increasing retained earnings and reducing accumulated other comprehensive income. ASC 320 does not allow retrospective application of the new OTTI model. Our Consolidated Statements of Income for the year ended December 31, 2009, are not measured on the same basis as prior period amounts and, accordingly, these amounts are not comparable.

When determining OTTI charges for our equity portfolio, our invested asset impairment policy considers qualitative and quantitative factors, including facts and circumstances specific to individual securities, asset classes, the financial condition of the issuer, changes in dividend payment, the length of time fair

value had been less than book value, the severity of the decline in fair value below book value, the volatility of the security and our ability and intent to hold each position until its forecasted recovery.

For each of our equity securities in an unrealized loss position at December 31, 2009, we applied the objective quantitative and qualitative criteria of our invested asset impairment policy for OTTI. Our long-term equity investment philosophy, emphasizing companies with strong indications of paying and growing dividends, combined with our strong surplus, liquidity and cash flow, provides us the ability to hold these investments through what we believe to be slightly longer recovery periods occasioned by the recession and historic levels of market volatility. Each quarter we review the expected recovery period for each individual security. Based on the individual qualitative and quantitative factors, as discussed above, we evaluate and determine an expected recovery period for each security. A change in the condition of a security can warrant impairment before the expected recovery period. If the security has not recovered cost within the expected recovery period, the security is impaired.

3. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

In accordance with fair value measurements and disclosures, we categorized our financial instruments, based on the priority of the observable and market-based data for valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices with readily available independent data in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3). Our valuation techniques have not changed from December 31, 2008, and ultimately management determines fair value.

When various inputs for measurement fall within different levels of the fair value hierarchy, the lowest observable input that has a significant impact on fair value measurement is used.

Financial instruments are categorized based upon the following characteristics or inputs to the valuation techniques:

- Level 1 – Financial assets and liabilities for which inputs are observable and are obtained from reliable quoted prices for identical assets or liabilities in actively traded markets. This is the most reliable fair value measurement and includes, for example, active exchange-traded equity securities.
- Level 2 – Financial assets and liabilities for which values are based on quoted prices in markets that are not active or for which values are based on similar assets and liabilities that are actively traded. This also includes pricing models for which the inputs are corroborated by market data.
- Level 3 – Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include the following:
    - Quotes from brokers or other external sources that are not considered binding;
    - Quotes from brokers or other external sources where it can not be determined that market participants would in fact transact for the asset or liability at the quoted price;
    - Quotes from brokers or other external sources where the inputs are not deemed observable.

We conduct a thorough review of fair value hierarchy classifications on a quarterly basis. Reclassification of certain financial instruments may occur when input observability changes. As noted below in the Level 3 disclosure table, reclassifications are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassification occurred.

The following tables illustrate the fair value hierarchy for those assets measured at fair value on a recurring basis for the periods ended December 31, 2009, and December 31, 2008. We do not have any material liabilities carried at fair value. There were also no significant transfers between Level 1 or Level 2.

(In millions)	Asset fair value measurements at December 31, 2009 using:			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities, available for sale:				
Corporate securities	**$ -**	**$ 4,314**	**$ 27**	**$ 4,341**
Foreign government	**-**	**3**	**-**	**3**
U.S. Treasury and U.S. government agencies	**4**	**347**	**-**	**351**
Collateralized mortgage obligations	**-**	**31**	**-**	**31**
States, municipalities and political subdivisions	**-**	**3,125**	**4**	**3,129**
Taxable fixed maturities separate accounts	**-**	**555**	**-**	**555**
Total	**4**	**8,375**	**31**	**8,410**
Common equities, available for sale	**2,474**	**134**	**-**	**2,608**
Preferred equities, available for sale	**-**	**88**	**5**	**93**
Short-term investments	**-**	**6**	**-**	**6**
Top Hat Savings Plan	**7**	**-**	**-**	**7**
Total	**$ 2,485**	**$ 8,603**	**$ 36**	**$ 11,124**

(In millions)	Asset fair value measurements at December 31, 2008 using:			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Available for sale securities:				
Taxable fixed maturities	$ 395	$ 2,619	$ 50	$ 3,064
Taxable fixed maturities separate accounts	65	422	6	493
Tax-exempt fixed maturities	-	2,728	5	2,733
Common equities	2,657	-	64	2,721
Preferred equities	-	153	22	175
Collateralized mortgage obligations	-	30	-	30
Short-term investments	-	84	-	84
Top Hat Savings Plan	4	1	-	5
Total	$ 3,121	$ 6,037	$ 147	$ 9,305

Each financial instrument that was deemed to have significant unobservable inputs when determining valuation is summarized in the tables below by security type with a summary of changes in fair value for the year ended December 31, 2009 and 2008. As of December 31, 2009, total Level 3 assets were less than 1 percent of financial assets measured at fair value compared with 1.6 percent at December 31, 2008.

(In millions)	Asset fair value measurements using significant unobservable inputs (Level 3)					
	Corporate fixed maturities	Taxable fixed maturities-separate accounts	States, municipalities and political subdivisions fixed maturities	Common equities	Preferred equities	Total
Beginning balance, January 1, 2009	**$ 50**	**$ 6**	**$ 5**	**$ 64**	**$ 22**	**$ 147**
Total gains or losses (realized/unrealized):						
Included in earnings (or changes in net assets)	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Included in other comprehensive income	**-**	**-**	**-**	**(3)**	**5**	**2**
Purchases, sales, issuances and settlements	**5**	**-**	**(1)**	**(61)**	**(4)**	**(61)**
Transfers in and/or out of Level 3	**(28)**	**(6)**	**-**	**-**	**(15)**	**(49)**
Ending balance, December 31, 2009	**$ 27**	**$ -**	**$ 4**	**$ -**	**$ 5**	**$ 36**

(In millions)	Asset fair value measurements using significant unobservable inputs (Level 3)					
	Taxable fixed maturities	Taxable fixed maturities-separate accounts	Tax-exempt fixed maturities	Common equities	Preferred equities	Total
Beginning balance, January 1, 2008	$ 85	$ 3	$ 5	$ 59	$ 58	$ 210
Total gains or losses (realized/unrealized):						
Included in earnings (or changes in net assets)	(4)	(1)	-	-	(16)	(21)
Included in other comprehensive income	(6)	1	-	5	(2)	(2)
Purchases, sales, issuances and settlements	(18)	-	-	-	(9)	(27)
Transfers in and/or out of Level 3	(7)	3	-	-	(9)	(13)
Ending balance, December 31, 2008	$ 50	$ 6	$ 5	$ 64	$ 22	$ 147

For the year ended December 31, 2009, two preferred equity securities totaling $15 million were transferred from Level 3 to Level 2. There was also a $3 million OTTI of one preferred equity during the first quarter of 2009. As a result of the change in use of observable or unobservable inputs throughout 2009,

corporate fixed-maturity securities decreased $28 million as nine securities totaling $35 million transferred from Level 3 to Level 2 and two securities totaling $7 million transferred from Level 2 to Level 3. At December 31, 2009, total fair value of assets priced with broker quotes and other non-observable market inputs for the fair value measurements and disclosures was $36 million.

4. DEFERRED ACQUISITION COSTS

This table summarizes components of our deferred policy acquisition costs asset:

(In millions)	Years ended December 31,		
	2009	2008	2007
Deferred policy acquisition costs asset at beginning of year	**$ 509**	$ 461	$ 453
Capitalized deferred policy acquisition costs	**650**	649	666
Amortized deferred policy acquisition costs	**(638)**	(632)	(657)
Amortized shadow deferred policy acquisition costs	**(40)**	31	(1)
Deferred policy acquisition costs asset at end of year	**$ 481**	$ 509	$ 461

5. PROPERTY CASUALTY LOSS AND LOSS EXPENSES

This table summarizes our consolidated property casualty loss and loss expense reserves:

(In millions)	Years ended December 31,		
	2009	2008	2007
Gross loss and loss expense reserves, January 1,	**$ 4,040**	$ 3,925	$ 3,860
Less reinsurance receivable	**542**	528	504
Net loss and loss expense reserves, January 1,	**3,498**	3,397	3,356
Net incurred loss and loss expenses related to:			
Current accident year	**2,274**	2,379	2,076
Prior accident years	**(188)**	(323)	(244)
Total incurred	**2,086**	2,056	1,832
Net paid loss and loss expenses related to:			
Current accident year	**929**	976	785
Prior accident years	**994**	979	1,006
Total paid	**1,923**	1,955	1,791
Net loss and loss expense reserves, December 31	**3,661**	3,498	3,397
Plus reinsurance receivable	**435**	542	528
Gross loss and loss expense reserves, December 31	**$ 4,096**	$ 4,040	$ 3,925

We use actuarial methods, models, and judgment to estimate, as of a financial statement date, the property casualty loss and loss expense reserves required to pay for and settle all outstanding insured claims, including incurred but not reported (IBNR) claims, as of that date. The actuarial estimate is subject to review and adjustment by an inter-departmental committee that includes actuarial management and is familiar with relevant company and industry business, claims, and underwriting trends, as well as general economic and legal trends, that could affect future loss and loss expense payments.

Because of changes in estimates of insured events in prior years, we decreased the provision for loss and loss expenses by $188 million, $323 million and $244 million in calendar years 2009, 2008 and 2007. These decreases are partly due to the effects of settling reported (case) and unreported (IBNR) reserves established in prior years for amounts less than expected. The reserve for loss and loss expenses in the consolidated balance sheets also includes $46 million for both 2009 and 2008, and $42 million at December 31, 2007, for certain life and health losses.

6. LIFE POLICY RESERVES

We establish the reserves for traditional life insurance policies based on expected expenses, mortality, morbidity, withdrawal rates and investment yields, including a provision for uncertainty. Once these assumptions are established, they generally are maintained throughout the lives of the contracts.
We use both our own experience and industry experience, adjusted for historical trends, in arriving at our assumptions for expected mortality, morbidity and withdrawal rates as well as for expected expenses.
We base our assumptions for expected investment income on our own experience adjusted for current economic conditions.

We establish reserves for the company's universal life, deferred annuity and investment contracts equal to the cumulative account balances, which include premium deposits plus credited interest less charges and withdrawals. Some of our universal life policies contain no-lapse guarantee provisions. For these policies, we establish a reserve in addition to the account balance, based on expected no-lapse guarantee benefits and expected policy assessments.

Here is a summary of our life policy reserves:

(In millions)	At December 31, 2009	2008
Ordinary/traditional life	$ **579**	$ 528
Universal life	**450**	442
Deferred annuities	**539**	374
Investment contracts	**197**	195
Other	**18**	12
Total	$ **1,783**	$ 1,551

Reserves for deferred annuities and other investment contracts were $736 million and $569 million for December 31, 2009, and December 31, 2008, respectively. Fair value for these deferred annuities and investment contracts was $737 million and $460 million for December 31, 2009, and December 31, 2008, respectively. Fair values of liabilities associated with certain investment contracts are calculated based upon internally developed models because active, observable markets do not exist for those items. To determine the fair value, we make the following significant assumptions: (1) the discount rates used to calculate the present value of expected payments are the risk-free spot rates plus an A3 rated bond spread for financial issuers as of December 31, 2009, to account for non-performance risk; (2) the rate of interest credited to policyholders is the portfolio net earned interest rate less a spread for expenses and profit; and (3) additional lapses occur when the credited interest rate is exceeded by an assumed competitor credited rate, which is a function of the risk-free rate of the economic scenario being modeled. The fair value of life policy loans outstanding principal and interest approximated $44 million, compared with book value of $40 million reported in the consolidated balance sheets as of December 31, 2009.

7. NOTES PAYABLE

At December 31, 2009 and 2008, we had two lines of credit with commercial banks with an aggregate borrowing capacity of $225 million. Our note payable balance, which approximates fair value, was $49 million at year-end 2009 and at year-end 2008. The $75 million line of credit expires August of 2010. The $150 million line of credit with a $49 million balance expires July of 2012. We had no compensating balance requirements on short-term debt for either 2009 or 2008. Interest rates charged on borrowings ranged from 2.58 percent to 6.86 percent during 2009.

8. SENIOR DEBT

This table summarizes the principal amounts of our long-term debt excluding unamortized discounts:

(In millions) Interest rate	Year of issue		At December 31, 2009	2008
6.900%	1998	Senior debentures, due 2028	$ **28**	$ 28
6.920%	2005	Senior debentures, due 2028	**391**	392
6.125%	2004	Senior notes, due 2034	**374**	375
		Total	$ **793**	$ 795

The fair value of our senior debt approximated $740 million at year-end 2009 compared with $595 million at year-end 2008. Fair value for 2009 and 2008 was determined under ASC 820 based on market pricing of these or similar debt instruments that are actively trading. Fair value can vary with macro economic concerns. Regardless of the fluctuations in fair value, the outstanding principal amount of our long-term debt was reduced slightly from year-end 2008. None of the notes are encumbered by rating triggers.

9. SHAREHOLDERS' EQUITY AND DIVIDEND RESTRICTIONS

Our insurance subsidiary declared dividends to the parent company of $50 million in 2009, $160 million in 2008 and $420 million in 2007. State regulatory requirements restrict the dividends insurance subsidiaries can pay. Generally, the most our insurance subsidiaries can pay without prior regulatory approval is the greater of 10 percent of policyholder surplus or 100 percent of statutory net income for the prior calendar year. Dividends exceeding these limitations may be paid only with approval of the insurance department of the domiciliary state. During 2010, the total dividends that our lead insurance subsidiary may pay to our parent company without regulatory approval is approximately $365 million.

As of December 31, 2009, 7.7 million shares of common stock were available for future equity award grants.

Declared cash dividends per share were $1.57, $1.56 and $1.42 for the years ended December 31, 2009, 2008 and 2007, respectively.

Accumulated Other Comprehensive Income

The change in unrealized gains and losses on investments, pension obligations and derivatives included:

(In millions)	Years ended December 31,								
	2009			2008			2007		
	Before tax	Income tax	Net	Before tax	Income tax	Net	Before tax	Income tax	Net
Accumulated unrealized gains on securities available for sale at January 1,	**$ 570**	**$ 189**	**$ 381**	$ 3,336	$ 1,161	$ 2,175	$ 5,241	$ 1,830	$ 3,411
Cumulative effect of change in accounting for hybrid financial securities	**0**	**0**	**0**	0	0	0	(7)	(2)	(5)
Adjusted accumulated unrealized gains on securities available for sale at January 1,	**570**	**189**	**381**	3,336	1,161	2,175	5,234	1,828	3,406
(Decrease)/increase in unrealized gains	**936**	**330**	**606**	(2,618)	(915)	(1,703)	(1,515)	(530)	(985)
Cumulative effect of change in accounting for other-than-temporary impairments	**(163)**	**(57)**	**(106)**	0	0	0	0	0	0
Reclassification adjustment for (gains) losses included in net income	**(336)**	**(119)**	**(217)**	(138)	(53)	(85)	(382)	(137)	(245)
Adjustment to deferred acquisition costs and life policy reserves	**5**	**2**	**3**	(10)	(4)	(6)	(1)	0	(1)
Effect on other comprehensive income	**442**	**156**	**286**	(2,766)	(972)	(1,794)	(1,898)	(667)	(1,231)
Accumulated unrealized gains on securities available for sale at December 31,	**$ 1,012**	**$ 345**	**$ 667**	$ 570	$ 189	$ 381	$ 3,336	$ 1,161	$ 2,175
Accumulated unrealized losses for pension obligations at January 1,	**$ (52)**	**$ (18)**	**$ (34)**	$ (37)	$ (13)	$ (24)	$ (49)	$ (17)	$ (32)
Change in pension obligations	**(14)**	**(5)**	**(9)**	(15)	(5)	(10)	12	4	8
Accumulated unrealized losses for pension obligations at December 31,	**$ (66)**	**$ (23)**	**$ (43)**	$ (52)	$ (18)	$ (34)	$ (37)	$ (13)	$ (24)
Accumulated other comprehensive income at January 1,	**$ 518**	**$ 171**	**$ 347**	$ 3,299	$ 1,148	$ 2,151	$ 5,185	$ 1,811	$ 3,374
Unrealized investment gains and losses and other adjustments	**442**	**156**	**286**	(2,766)	(972)	(1,794)	(1,898)	(667)	(1,231)
Change in pension obligations	**(14)**	**(5)**	**(9)**	(15)	(5)	(10)	12	4	8
Accumulated other comprehensive income at December 31,	**$ 946**	**$ 322**	**$ 624**	$ 518	$ 171	$ 347	$ 3,299	$ 1,148	$ 2,151

10. REINSURANCE

Our consolidated statements of income include earned consolidated property casualty insurance premiums on assumed and ceded business:

(In millions)	Years ended December 31,		
	2009	2008	2007
Direct earned premiums	**$ 3,068**	$ 3,175	$ 3,278
Assumed earned premiums	**12**	13	22
Ceded earned premiums	**(169)**	(178)	(175)
Net earned premiums	**$ 2,911**	$ 3,010	3,125

Our consolidated statements of income incurred consolidated property casualty insurance loss and loss expenses on assumed and ceded business:

(In millions)	Years ended December 31,		
	2009	2008	2007
Direct incurred loss and loss expenses	**$ 2,135**	$ 2,172	$ 1,920
Assumed incurred loss and loss expenses	**10**	5	17
Ceded incurred loss and loss expenses	**(63)**	(126)	(107)
Net incurred loss and loss expenses	**$ 2,082**	$ 2,051	$ 1,830

Our consolidated statements of income include earned life insurance premiums on assumed and ceded business:

(In millions)	Years ended December 31,		
	2009	2008	2007
Direct earned premiums	**$ 196**	$ 180	$ 178
Assumed earned premiums	**0**	0	0
Ceded earned premiums	**(53)**	(54)	(53)
Net earned premiums	**$ 143**	$ 126	$ 125

Our consolidated statements of income include life insurance contract holders' benefits incurred on assumed and ceded business:

(In millions)	Years ended December 31, 2009	2008	2007
Direct contract holders' benefits incurred	**$ 201**	$ 175	$ 173
Assumed contract holders' benefits incurred	**0**	0	0
Ceded contract holders' benefits incurred	**(41)**	(33)	(40)
Net incurred loss and loss expenses	**$ 160**	$ 142	$ 133

11. INCOME TAXES

Deferred tax assets and liabilities reflect temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount recognized for tax purposes. The significant components of deferred tax assets and liabilities included in the consolidated balance sheets at December 31 were as follows:

(In millions)	At December 31, 2009	2008
Deferred tax assets:		
Loss and loss expense reserves	**$ 182**	$ 196
Unearned premiums	**104**	107
Investments	**40**	121
Other	**31**	41
Total	**357**	465
Deferred tax liabilities:		
Unrealized gains on investments and derivatives	**(332)**	(182)
Deferred acquisition costs	**(152)**	(149)
Other	**(25)**	(8)
Total	**(509)**	(339)
Net deferred tax (liability) asset	**$ (152)**	$ 126

The provision for federal income taxes is based upon filing a consolidated income tax return for the company and its subsidiaries. As of December 31, 2009, we had no operating or capital loss carry forwards.

The differences between the 35 percent statutory income tax rate and our effective income tax rate were as follows:

	Years ended December 31, 2009	2008	2007
Tax at statutory rate	**35.0 %**	35.0 %	35.0 %
Increase (decrease) resulting from:			
Tax-exempt municipal bonds	**(6.5)**	(6.2)	(2.7)
Dividend received exclusion	**(3.4)**	(8.9)	(4.7)
Other	**0.6**	0.8	0.7
Effective rate	**25.7 %**	20.7 %	28.3 %

ASC 740, Income Taxes

As a result of positions taken in our 2008 federal tax return filed with the IRS, we believe it is more likely than not that tax positions for which we previously carried a liability for unrecognized tax benefits will be sustained upon examination by the IRS.

Below is the unrecognized tax benefit for the years ended December 31:

(In millions)	2009	2008	2007
Gross unrecognized tax benefits at January 1,	**$ 2**	$ 14	$ 25
Gross increase in prior year positions	**0**	3	0
Gross decrease in prior year positions	**(2)**	0	(12)
Gross increase in current year positions	**0**	2	1
Settlements with tax authorities	**0**	(17)	0
Gross unrecognized tax benefits at December 31,	**$ 0**	$ 2	$ 14

In May 2008, the IRS concluded the examination phase of its audit of our 2005 and 2006 tax years and presented us with adjustments primarily related to the valuation of our loss reserves. In October 2008, we reached agreement with the IRS settling all issues related to the 2005 and 2006 tax years. As a result of the IRS agreement for tax years 2005 and 2006, management refined certain assumptions used to calculate the unrecognized tax benefits associated with loss reserves, resulting in a revised measurement of the unrecognized tax benefits as of December 31, 2008.

The IRS has begun the audit of tax years 2007 and 2008. It is reasonably possible that a change in our liability for unrecognized tax benefits may occur once the examination phase of this audit has concluded. At this time, we can neither estimate the settlement date of, nor quantify an estimated range for any potential change to our liability for unrecognized tax benefits relating to these years.

In addition to our IRS filings, we file income tax returns in various state jurisdictions. Material amounts of income tax are paid to Ohio, Illinois and Florida. In December 2009, the State of Illinois began an income tax audit of amended returns for tax years 2002 through 2006 as well as an audit of the return filed for tax year 2007. Although we have not yet been presented with the final examination reports for any of these years, we do not expect any material changes as a result of the Illinois audits. With the exception of Illinois, no other state audits are currently under way nor are we aware of any audits pending. Excluding years under examination by Illinois, tax years 2006 and forward remain open for state examination.

12. NET INCOME PER COMMON SHARE

Basic earnings per share are computed based on the weighted average number of shares outstanding. Diluted earnings per share are computed based on the weighted average number of common and dilutive potential common shares outstanding. We have adjusted shares and earnings per share to reflect all stock splits and dividends prior to December 31, 2009.

Here are calculations for basic and diluted earnings per share:

(In millions except per share data)	Years ended December 31,		
	2009	2008	2007
Numerator:			
Net income—basic and diluted	**$ 432**	$ 429	$ 855
Denominator:			
Weighted-average common shares outstanding	**162,595,041**	163,150,329	170,595,204
Effect of stock based awards	**271,822**	212,080	1,572,248
Adjusted diluted weighted-average shares	**162,866,863**	163,362,409	172,167,452
Earnings per share:			
Basic	**$ 2.66**	$ 2.63	$ 5.01
Diluted	**2.65**	2.62	4.97
Number of anti-dilutive stock based awards	**9,875,411**	9,781,652	1,870,579
Exercise price of anti-dilutive stock based awards	**$ 25.08-45.26**	$ 25.08-45.26	$ 44.79-45.26

The current sources of dilution of our common shares are certain equity-based awards as discussed in Note 17 Stock-Based Associate Compensation Plans, Page 113. The above table shows the number of anti-dilutive stock-based awards at year-end 2009, 2008 and 2007. We did not include these stock-based awards in the computation of net income per common share (diluted) because their exercise would have anti-dilutive effects.

13. EMPLOYEE RETIREMENT BENEFITS

We sponsor a defined benefit pension plan and a defined contribution plan (401(k) savings plan). During 2008, we changed the form of retirement benefit we offer some associates to a company match on contributions to the 401(k) plan from the defined benefit pension plan. We froze entry into the pension plan for new associates during 2008. Only participants 40 years of age or older could elect to continue to participate. For participants remaining in the pension plan, we continue to contribute to fund future benefit obligations. Benefits for the defined benefit pension plan are based on years of credited service and compensation level. Contributions are based on the prescribed method defined in the Pension Protection Act. Our pension expense is based on certain actuarial assumptions and also is composed of several components that are determined using the projected unit credit actuarial cost method.

We also maintain a supplemental executive retirement plan (SERP) with liabilities of approximately $5 million at year-end 2009 and $6 million at year-end 2008. The SERP is included in the obligation and expense amounts in the tables below. The company also makes available to a select group of associates the Cincinnati Financial Corporation Top Hat Savings Plan, a non-qualified deferred compensation plan.

For any participant who left the pension plan, benefit accruals were frozen during 2008. We transferred $60 million of the pension plan's accumulated benefit obligation during 2008 to an intermediary spin-off plan to facilitate the partial curtailment and settlement for these participants. For SERP participants who chose to leave the defined benefit pension plan, benefit accruals were frozen in the SERP as of December 31, 2008. During 2009, the frozen accrued benefit for those participants, collectively amounting to approximately $1 million, transferred to the Top Hat Savings Plan. Beginning in 2009, for these associates, the company has begun matching deferrals to the Top Hat Savings Plan up to the first 6 percent of an associate's compensation that exceeds the compensation limit specified by the Internal Revenue Code of 1986, as amended.

Pursuant to ASC 715-30 we recognized expense of $3 million during 2008 in the consolidated statement of income associated with the partial termination of the qualified pension plan. In addition, we recognized $27 million in the consolidated statement of income during 2008 for a settlement loss associated with the payout to the participants who left the pension plan of the obligation held in their behalf. Included in the charge is the contribution of $24 million to complete funding of benefits that were distributed in 2008 to participants leaving the pension plan.

Matching contributions to our sponsored 401(k) plan, which we began making during 2008, totaled $7 million and $3 million during the years 2009 and 2008. Associates who are not accruing benefits under the pension plan are eligible to receive the company match of up to 6 percent of cash compensation. We also pay all operating expenses for the 401(k) plan. Participants vest in the company match for the 401(k) plan and Top Hat Savings Plan after three years of eligible service.

Defined Benefit Pension Plan Assumptions

Key assumptions used in developing the 2009 net pension obligation were a 6.10 percent discount rate and rates of compensation increases ranging from 4.00 percent to 6.00 percent. To determine the discount rate, the plan's particular liability characteristics – the amounts, timing and interest sensitivity of expected benefit payments – were evaluated and then matched to a yield curve based on actual high-quality corporate bonds across a full maturity spectrum. Once the plan's projected cash flows matched the yield curve, a present value was developed, which was then calibrated to a single-equivalent discount rate. That discount rate, when applied to a single sum, would generate the necessary cash flows to pay benefits when due. We increased the rate by 0.10 percentage points due to market interest rate conditions at year-end 2009. We based the rates of compensation increase on the company's historical data.

Key assumptions used in developing the 2009 net pension expense were a 6.00 percent discount rate, an 8.00 percent expected return on plan assets and rates of compensation increases ranging from 4.00 percent to 6.00 percent. The 8.00 percent return on plan assets assumption is consistent with current expectations of inflation and based partially on the fact that our common stock holdings pay dividends. We believe this rate is representative of the expected long-term rate of return on these assets. These assumptions were consistent with the prior year, except that the discount rate was decreased by 0.25 percentage points due to market interest rate conditions at the beginning of the year.

Here is a summary of the weighted-average assumptions we use to determine our net expense for the plan:

	Qualified Pension Plan			SERP		
	2009	2008	2007	**2009**	2008	2007
Discount rate	**6.00 %**	6.25 %	5.75 %	**6.00 %**	6.25 %	5.75 %
Expected return on plan assets	**8.00**	8.00	8.00	**n/a**	n/a	n/a
Rate of compensation increase	**4-6**	4-6	4-6	**4-6**	4-6	4-6

Benefit obligation activity using an actuarial measurement date for our qualified plan and SERP at December 31 follows:

(In millions)	At December 31,	
	2009	2008
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 206**	$ 270
Service cost	**10**	14
Interest cost	**12**	17
Actuarial loss	**2**	21
Benefits paid	**(7)**	(11)
Curtailment	**0**	(27)
Settlement	**(2)**	(78)
Projected benefit obligation at end of year	**$ 221**	$ 206
Accumulated benefit obligation	**$ 186**	$ 170
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 118**	$ 210
Actual return on plan assets	**0**	(36)
Employer contributions	**33**	33
Benefits paid	**(7)**	(11)
Settlement	**0**	(78)
Fair value of plan assets at end of year	**$ 144**	$ 118
Unfunded status:		
Unfunded status at end of year	**$ (77)**	$ (88)

A reconciliation follows of the funded status for our qualified plan and SERP at the end of the measurement period to the amounts recognized in the consolidated balance sheets at December 31:

(In millions)	At December 31, 2009	2008
Amounts recognized in the consolidated balance sheets consists of:		
Pension liability	**$ (77)**	$ (88)
Total	**$ (77)**	$ (88)
Amounts recognized in accumulated other comprehensive income not yet recognized as a component of net periodic benefit costs consist of:		
Net actuarial loss	**$ 63**	$ 47
Prior service cost	**3**	5
Total	**$ 66**	$ 52

The weighted-average assumptions used to determine benefit obligations for our qualified plan and SERP at December 31 follows:

	At December 31, 2009	2008
Discount rate	**6.10 %**	6.00 %
Rate of compensation increase	**4-6**	4-6

We evaluate our pension plan assumptions annually and update them as necessary. The discount rate assumptions for our benefit obligation track with high grade corporate bond yields and yearly adjustments reflect any changes to those bond yields. Compensation increase assumptions reflect historical calendar year compensation increases.

Here are the components of our net periodic benefit cost, as well as other changes in plan assets and benefit obligations recognized in other comprehensive income for our qualified plan and SERP at December 31:

(In millions)	Years ended December 31, 2009	2008	2007
Service cost	**$ 10**	$ 14	$ 17
Interest cost	**12**	17	16
Expected return on plan assets	**(12)**	(16)	(15)
Amortization of actuarial loss, prior service cost and transition asset	**1**	2	3
Curtailment	**0**	3	0
Settlement	**0**	27	0
Net periodic benefit cost	**$ 11**	$ 47	$ 21

(In millions)	Years ended December 31, 2009	2008	2007
Current year actuarial loss (gain)	**$ 15**	$ 73	$ (10)
Recognition of actuarial (loss) gain	**0**	(54)	(1)
Recognition of prior service cost	**(1)**	(4)	(1)
Total recognized in other comprehensive income	**$ 14**	$ 15	$ (12)

The total recognized in net periodic benefit cost and other comprehensive income was $25 million, $62 million and $9 million for the periods ended December 31, 2009, 2008 and 2007, respectively. The estimated costs to be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year for our plans are a $2 million actuarial loss and a $1 million prior service cost.

Defined Benefit Pension Plan Assets

The pension plan assets are managed to maximize total return over the long term while providing sufficient liquidity and current return to satisfy the cash flow requirements of the plan. The plan's day-to-day investment decisions are managed by our internal investment department; however, overall investment strategies are agreed upon by our employee benefits committee.

Reflecting the long-term time horizon of pension obligations, during 2009 we allocated 60 percent to 65 percent of the pension portfolio to domestic equity investments, which are priced from highly observable and actively traded markets. The remainder of the portfolio is allocated to domestic fixed-maturity investments and cash. Our corporate bond portfolio is investment grade. The plan does not engage in derivative transactions.

Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Investments in securities that are traded in active markets are based on quoted market prices at December 31, 2009 and 2008. Investments in securities that are not

actively traded are valued based on pricing models which the inputs have been corroborated by market data at December 31, 2009 and 2008.

The plan, which ultimately determines fair value, categorized its financial instruments, based on the priority of the observable and market-based data for valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices with readily available independent data in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3).

When various inputs for measurement fall within different levels of the fair value hierarchy, the lowest observable input that has a significant impact on fair value measurement is used.

Refer to Note 3, Fair Value Measurements, Page 103 for valuation techniques and categorization of financial instruments within the pension plan assets. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement.

The following table illustrates the fair value hierarchy for those assets measured at fair value on a recurring basis for period ended December 31, 2009. The pension plan does not have any assets categorized as Level 3. During 2008, plan assets held were 83 percent equity securities, 4 percent fixed maturities and 13 percent cash and cash equivalents.

(In millions)	Asset fair value measurements at December 31, 2009 using:			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Money market fund	$ 23	$ -	$ -	$ 23
Fixed maturities, available for sale:				
Corporate securities	-	28	-	28
States, municipalities and political subdivisions	-	1	-	1
Total fixed maturities, available for sale	-	29	-	29
Common equities, available for sale	89	-	-	89
Preferred equities, available for sale	3	-	-	3
Total	$ 115	$ 29	$ -	$ 144

Our pension plan assets included 642,113 shares of the company's common stock, which had a fair value of $17 million and $19 million at December 31, 2009 and 2008, respectively. The defined benefit pension plan did not purchase or sell any shares of our common stock during 2009 and 2008. The company paid $1 million in cash dividends on our common stock to the pension plan in both 2009 and 2008.

In 2010, we expect to contribute $25 million to our qualified plan. We expect to make the following benefit payments for our qualified plan and SERP, reflecting expected future service:

(In millions)	Years ended December 31,					
For the years ended December 31,	2010	2011	2012	2013	2014	2015 - 2019
Expected future benefit payments	$ 12	$ 17	$ 19	$ 16	$ 15	$ 115

14. STATUTORY ACCOUNTING INFORMATION (UNAUDITED)

Insurance companies use statutory accounting practices (SAP) as prescribed by regulatory authorities. The primary differences between SAP and GAAP include:

- valuation of unrealized investment gains and losses,
- expensing of policy acquisition costs,
- actuarial assumptions for life insurance reserves and
- deferred income taxes based on differences in statutory and taxable income.

Statutory net income and capital and surplus as determined in accordance with SAP prescribed or permitted by insurance regulatory authorities for four legal entities, our insurance subsidiary and its three insurance subsidiaries, are as follows:

(In millions)	SAP Net Income (Loss) Years ended December 31,			Capital and Surplus At December 31,	
	2009	2008	2007	**2009**	2008
The Cincinnati Insurance Company	**$ 339**	$ 194	$ 658	**$ 3,648**	$ 3,360
The Cincinnati Casualty Company	**29**	16	12	**254**	263
The Cincinnati Indemnity Company	**8**	2	1	**67**	66
The Cincinnati Specialty Underwriters Insurance Company	**(7)**	(38)	0	**168**	174
The Cincinnati Life Insurance Company	**15**	(70)	39	**300**	290

Statutory capital and surplus for our insurance subsidiary, The Cincinnati Insurance Company, includes capital and surplus of its four insurance subsidiaries.

15. TRANSACTIONS WITH AFFILIATED PARTIES

We paid certain officers and directors, or insurance agencies of which they are shareholders, commissions of approximately $6 million, $6 million and $7 million on premium volume of approximately $36 million, $38 million and $37 million for 2009, 2008 and 2007, respectively.

16. COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of conducting business, the company and its subsidiaries are named as defendants in various legal proceedings. Most of these proceedings are claims litigation involving the company's insurance subsidiaries in which the company is either defending or providing indemnity for third-party claims brought against insureds who are litigating first-party coverage claims. The company accounts for such activity through the establishment of unpaid loss and loss adjustment expense reserves. We believe that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, is immaterial to our consolidated financial condition, results of operations and cash flows.

The company and its subsidiaries also are occasionally involved in other legal actions, some of which assert claims for substantial amounts. These actions include, among others, putative class actions seeking certification of a state or national class. Such putative class actions have alleged, for example, improper reimbursement of medical providers paid under workers' compensation insurance policies, erroneous coding of municipal tax locations and excessive premium charges for uninsured motorist coverage. The company's insurance subsidiaries also are occasionally parties to individual actions in which extra-contractual damages, punitive damages or penalties are sought, such as claims alleging bad faith in the handling of insurance claims.

On a quarterly basis, we review the outstanding lawsuits seeking such recourse. Based on our year-end review, we believe we have valid defenses to each. As a result, we believe the ultimate liability, if any, with respect to these lawsuits, after consideration of provisions made for estimated losses, is immaterial to our consolidated financial position.

Nonetheless, given the potential for large awards in certain of these actions and the inherent unpredictability of litigation, an adverse outcome could have a material adverse effect on the company's consolidated results of operations or cash flows.

17. STOCK-BASED ASSOCIATE COMPENSATION PLANS

We currently have four equity compensation plans that together permit us to grant various types of equity awards. We currently grant incentive stock options, non-qualified stock options, service-based restricted stock units and performance-based restricted stock units under our shareholder-approved plans. We also have a Holiday Stock Bonus Plan that permits annual awards of one share of common stock to each full-time associate for each year of service up to a maximum of 10 shares. One of our equity compensation plans permits us to grant stock to our outside directors as a component of their annual compensation.

We use the modified-prospective-transition method under which we recognize our pretax and after-tax share-based compensation costs, which are summarized below:

(In millions)	Years ended December 31,		
	2009	2008	2007
Stock-based compensation cost	**$ 10**	$ 15	$ 14
Income tax benefit	**3**	4	3
Stock-based compensation cost after tax	**$ 7**	$ 11	$ 11

Options exercised during the year ended December 31, 2009, had no intrinsic value. The total intrinsic value of options exercised during the years ended December 31, 2008 and 2007 was $1 million and $8 million, respectively. (Intrinsic value is the market price less the exercise price.) Options vested during the years ended December 31, 2009, 2008 and 2007, had no intrinsic value.

As of December 31, 2009, we had $11 million of unrecognized total compensation cost related to non-vested stock options and restricted stock unit awards. That cost will be recognized over a weighted-average period of 1.5 years.

Stock options are granted to associates at an exercise price that is equal to the fair value as reported on the NASDAQ Global Select Market for the grant date and are exercisable over 10-year periods. The stock options generally vest ratably over a three-year period. In determining the share-based compensation amounts, we estimate the fair value of each option granted on the date of grant using the binomial option-pricing model. We make assumptions in four areas to develop the binomial option-pricing model:

- Weighted-average expected term is based on historical experience of similar awards with consideration for current exercise trends.

- Expected volatility is based on our stock price over a historical period that approximates the expected term.
- Dividend yield is determined by dividing the per share dividend by the stock price on the date of grant.
- Risk-free rates are the implied yield currently available on U.S. Treasury issues with a remaining term approximating the expected term.

During 2009, we issued our common stock to eligible associates under our Holiday Stock Bonus Plan. No stock options, service-based or performance-based restricted stock units were granted to associates during 2009. The following weighted average assumptions were used for grants issued during 2008 and 2007 in determining fair value of share-based compensation:

	2009	2008	2007
Weighted - average expected term	**n/a**	7-9 years	5-7 years
Expected volatility	**n/a**	20.58-28.52%	18.29 - 24.14%
Dividend yield	**n/a**	3.99-6.22%	3.33%
Risk-free rates	**n/a**	3.29-3.84%	4.8-4.81%
Weighted-average fair value of options granted during the period	**n/a**	$ 6.50	$ 9.43

Here is a summary of options information:

(Dollars in millions, shares in thousands)	Shares	Weighted-average exercise	Aggregate intrinsic value
2009			
Outstanding at beginning of year	10,789	$ 36.31	
Granted	0	0.00	
Exercised	(2)	27.83	
Forfeited	(912)	32.47	
Outstanding at end of year	9,875	36.67	$ 12
Options exercisable at end of period	8,711	$ 36.99	$ 4

Cash received from the exercise of options was less than $1 million, $4 million and $19 million for the years ended December 31, 2009, 2008 and 2007, respectively. We did not realize a tax benefit on options exercised for the years ended December 31, 2009 and 2008. We realized a $2 million tax benefit on options exercised for the year ended December 31, 2007.

Options outstanding and exercisable consisted of the following at December 31, 2009:

(Shares in thousands)

	Options outstanding			Options exercisable	
Range of exercise prices	Shares	Weighted-average remaining contractual life	Weighted-average exercise price	Shares	Weighted-average exercise price
$25.00 to $29.99	1,628	4.34 yrs	$ 26.77	1,107	$ 26.87
$30.00 to $34.99	3,044	2.08 yrs	33.39	3,044	33.39
$35.00 to $39.99	2,049	5.26 yrs	38.69	1,578	38.65
$40.00 to $44.99	1,895	5.47 yrs	42.55	1,723	42.32
$45.00 to $49.99	1,259	5.86 yrs	45.26	1,259	45.26
Total	9,875	4.25 yrs	36.67	8,711	36.99

The weighted-average remaining contractual life for exercisable awards as of December 31, 2009, was 3.7 years. A total of 16.9 million shares are authorized to be granted under the shareholder-approved plans. At December 31, 2009, 7.7 million shares were available for future issuance under the plans. During the second quarter of 2009, our shareholders approved the Directors' Stock Plan of 2009, which authorizes 300,000 shares to be granted to our directors. During 2009, we granted 23,944 shares of common stock under the expiring plan to our directors for 2008 board service fees. We currently issue new shares or use treasury shares for stock-based compensation award issues or exercises.

Restricted Stock Units

Service-based and performance-based restricted stock units are granted to associates at fair value of the shares on the date of grant less the present value of the dividends that holders of restricted stock units will not receive on the shares underlying the restricted stock units during the vesting period. Service-based restricted stock units cliff vest three years after the date of grant.

If certain performance targets are attained, performance-based restricted stock units vest on the first day of March after a three-calendar-year performance period. Quarterly, management reviews and determines the likelihood that the company will achieve the performance targets for the outstanding groups of performance-based restricted stock units.

As of December 31, 2009, management assumed that performance targets used for restricted stock unit awards granted during November 2008 would be met, and we recognized related compensation cost.

Management concluded that the company would not meet performance targets for all other performance-based restricted stock unit awards and did not recognize related compensation costs.

Here is a summary of restricted stock unit information for 2009:

(Shares in thousands)	Service-based nonvested shares	Weighted-average grant-date fair value	Performance-based nonvested shares	Weighted-average grant-date fair value
Nonvested at January 1, 2009	610	$ 31.60	136	$ 30.49
Granted	0	0.00	0	0.00
Exercised	(3)	33.14	(9)	39.93
Forfeited	(10)	31.31	(6)	31.43
Nonvested at December 31, 2009	597	31.60	121	29.75

18. SEGMENT INFORMATION

We operate primarily in two industries, property casualty insurance and life insurance. We regularly review four different reporting segments to make decisions about allocating resources and assessing performance:

- Commercial lines property casualty insurance
- Personal lines property casualty insurance
- Life insurance
- Investment operations

We report as Other the non-investment operations of the parent company and its non-insurer subsidiaries, CFC Investment Company and CSU Producers Resources Inc. We also report as Other the results of The Cincinnati Specialty Underwriters Insurance Company, as well as other income of our standard market property casualty insurance subsidiary. Also included in 2009, 2008 and 2007 results for this segment are the operations of a former subsidiary, CinFin Capital Management.

Revenues come primarily from unaffiliated customers:

- All three insurance segments record revenues from insurance premiums earned. Life insurance segment revenues also include separate account investment management fees.
- Our investment operations' revenues are pretax net investment income plus realized investment gains and losses.
- Other revenues are primarily finance/lease income and, for 2009 and 2008, earned premiums from The Cincinnati Specialty Underwriters Insurance Company.

Income or loss before income taxes for each segment is reported based on the nature of that business area's operations:

- Income before income taxes for the insurance segments is defined as underwriting income or loss.
  - For commercial lines and personal lines insurance segments, we calculate underwriting income or loss by recording premiums earned minus loss and loss expenses and underwriting expenses incurred.
  - For the life insurance segment, we calculate underwriting income or loss by recording premiums earned and separate account investment management fees, minus contract holders' benefits and expenses incurred, plus investment interest credited to contract holders.
- Income before income taxes for the investment operations segment is net investment income plus realized investment gains and losses for investments of the entire company, minus investment interest credited to contract holders of the life insurance segment.
- Loss before income taxes for the Other category is primarily due to interest expense from debt of the parent company, operating expenses of our headquarters and, for 2009 and 2008, loss and loss expenses and underwriting expenses from The Cincinnati Specialty Underwriters Insurance Company.

Identifiable assets are used by each segment in its operations. We do not separately report the identifiable assets for the commercial or personal lines segments because we do not use that measure to analyze the segments. We include all investment assets, regardless of ownership, in the investment operations segment.

This table summarizes segment information:

(In millions)	Years ended December 31, 2009	2008	2007
Revenues:			
Commercial lines insurance			
Commercial casualty	**$ 712**	$ 763	$ 827
Commercial property	**485**	487	497
Commercial auto	**394**	411	440
Workers' compensation	**326**	375	373
Specialty packages	**147**	144	146
Surety and executive risk	**104**	107	100
Machinery and equipment	**31**	29	28
Total commercial lines insurance	**2,199**	2,316	2,411
Personal lines insurance			
Personal auto	**319**	325	342
Homeowner	**276**	277	285
Other personal lines	**90**	87	87
Total personal lines insurance	**685**	689	714
Life insurance	**143**	128	129
Investment operations	**837**	675	990
Other	**39**	16	15
Total	**$ 3,903**	$ 3,824	$ 4,259
Income (loss) before income taxes:			
Insurance underwriting results:			
Commercial lines insurance	**$ (35)**	$ 70	$ 261
Personal lines insurance	**(81)**	(82)	43
Life insurance	**2**	4	3
Investment operations	**768**	612	931
Other	**(72)**	(64)	(46)
Total	**$ 582**	$ 540	$ 1,192

Identifiable assets:

	December 31, 2009	December 31, 2008
Property casualty insurance	**$ 2,202**	$ 2,676
Life insurance	**1,176**	1,091
Investment operations	**10,684**	8,907
Other	**378**	695
Total	**$ 14,440**	$ 13,369

19. QUARTERLY SUPPLEMENTARY DATA (UNAUDITED)

This table includes unaudited quarterly financial information for the years ended December 31, 2009 and 2008:

(Dollars in millions except per share data)	Quarter 1st	2nd	3rd	4th	Full year
2009					
Revenues *	**$ 890**	**$ 874**	**$ 1,007**	**$ 1,133**	**$ 3,903**
Income (loss) before income taxes	**34**	**(50)**	**244**	**355**	**582**
Net income (loss)	**35**	**(19)**	**171**	**245**	**432**
Net income (loss) per common share—basic	**0.22**	**(0.12)**	**1.05**	**1.50**	**2.66**
Net income (loss) per common share—diluted	**0.22**	**(0.12)**	**1.05**	**1.50**	**2.65**
2008					
Revenues *	$ 704	$ 917	$ 1,186	$ 1,017	$ 3,824
Income (loss) before income taxes	(100)	64	356	220	540
Net income (loss)	(42)	63	247	161	429
Net income (loss) per common share—basic	(0.26)	0.38	1.51	0.99	2.63
Net income (loss) per common share—diluted	(0.26)	0.38	1.50	0.99	2.62

Note: The sum of the quarterly reported per share amounts may not equal the full year as each is computed independently.

* Revenues include realized investment gains and losses, which are integral to our financial results over the long term may cause this value to fluctuate substantially because we have substantial discretion in the timing of investment sales. Also, applicable accounting standards require us to recognize gains and losses from certain changes in fair values of securities and embedded derivatives without actual realization of those gains and losses. We discuss realized investment gains for the past three years in Item 7, Investments Results of Operations, Page 64.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We had no disagreements with the independent registered public accounting firm on accounting and financial disclosure during the last two fiscal years.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures – The company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)).

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The company's management, with the participation of the company's chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of the company's disclosure controls and procedures as of December 31, 2009. Based upon that evaluation, the company's chief executive officer and chief financial officer concluded that the design and operation of the company's disclosure controls and procedures provided reasonable assurance that the disclosure controls and procedures are effective to ensure that:

- information required to be disclosed in the company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and
- such information is accumulated and communicated to the company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting – During the three months ended December 31, 2009, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management's Annual Report on Internal Control Over Financial Reporting and the Report of the Independent Registered Public Accounting Firm are set forth in Item 8, Pages 88 and 89.

Item 9B. Other Information

None

Part III

Our Proxy Statement will be filed with the SEC in preparation for the 2010 Annual Meeting of Shareholders no later than April 2, 2010. As permitted in Paragraph G(3) of the General Instructions for Form 10-K, we are incorporating by reference to that statement portions of the information required by Part III as noted in Item 10 through Item 14 below.

Item 10. Directors, Executive Officers and Corporate Governance

a) The following sections of our Proxy Statement for our Annual Meeting of Shareholders to be held May 1, 2010, are incorporated herein by reference: "Security Ownership of Principal Shareholders and Management," "Section 16(a) Beneficial Ownership Reporting Compliance," "Information about the Board of Directors," and "Governance of Your Company,"

b) Information about the "Code of Ethics for Senior Financial Officers" appeared in the 2004 Proxy Statement as an appendix and is available at *www.cinfin.com/investors*. Our Code of Ethics applies to those who are responsible for preparing and disclosing our financial information. This includes our chief executive officer, chief financial officer and others performing similar functions or reporting directly to these officers.

c) Set forth below is information concerning the company's executive officers who are not also directors of the company, as of February 26, 2010.

Name and Age	Primary Title(s) and Business Responsibilities Since February 2005	Executive Officer Since
Donald J. Doyle, Jr., CPCU, AIM (43)	Senior vice president of The Cincinnati Insurance Company. Responsible since 2007 for excess and surplus lines underwriting and operations; responsible until 2007 for internal audit.	2008
Craig W. Forrester, CLU (51)	Senior vice president of The Cincinnati Insurance Company. Responsible for information technology systems.	2003
Martin F. Hollenbeck, CFA, CPCU (50)	President and chief operating officer since 2008 of CFC Investment Company, a subsidiary. President from 2008 to 2009 of CinFin Capital Management Company, a former subsidiary. Chief investment officer since 2009, senior vice president, assistant secretary and assistant treasurer since 2008 of Cincinnati Financial Corporation. Chief investment officer and senior vice president since 2009 of The Cincinnati Insurance Company; vice president until 2009. Responsible for investment operations and leasing and financing services; responsible until 2009 for asset management services operations.	2008
Steven J. Johnston, FCAS, MAAA, CFA (50)	Senior vice president, chief financial officer and secretary since 2008 of Cincinnati Financial Corporation and The Cincinnati Insurance Company. Treasurer since 2008 of Cincinnati Financial. From 2006 to 2008, consulted on risk management, economic capital and executive compensation modeling, and agency valuation. Until 2006, chief financial officer, senior vice president and treasurer of State Auto Financial Corporation.	2008
Thomas A. Joseph, CPCU (54)	President since 2008 of The Cincinnati Casualty Company. Senior vice president of The Cincinnati Insurance Company. Responsible for property casualty reinsurance and for personal lines underwriting and operations; responsible until 2008 for commercial lines underwriting operations except machinery and equipment.	2003
Eric N. Mathews, CPCU, AIAF (54)	Principal accounting officer since 2008 and vice president, assistant secretary and assistant treasurer. Senior vice president of The Cincinnati Insurance Company.	2001
Martin J. Mullen, CPCU (54)	Senior vice president and chief claims officer since 2008 of The Cincinnati Insurance Company; vice president until 2008. Responsible for headquarters and field claims operations, special investigations unit and claims administration; responsible until 2008 for casualty claims.	2008
David H. Popplewell, FALU, LLIF (65)	President and chief operating officer of The Cincinnati Life Insurance Company. Responsible for life insurance underwriting and operations.	1997

Name and Age	Primary Title(s) and Business Responsibilities Since February 2005	Executive Officer Since
Jacob F. Scherer, Jr. (57)	Executive vice president since 2008 of The Cincinnati Insurance Company; senior vice president until 2008. Responsible for sales and marketing, including new commercial lines business, relationships with independent agencies and, since 2008, meetings and travel.	1995
Joan O. Shevchik, CPCU, CLU (59)	Senior vice president of The Cincinnati Insurance Company. Responsible for corporate communications.	2003
Charles P. Stoneburner II, CPCU, AIM (57)	Senior vice president since 2008 of The Cincinnati Insurance Company; vice president until 2008. Responsible for commercial lines underwriting and operations, loss control, premium audit and staff underwriting; responsible until 2008 for field claims operations.	2008
Timothy L. Timmel (61)	Senior vice president of The Cincinnati Insurance Company. Responsible for operations including corporate communications, learning and development, legal, personnel and, since 2008, administrative services, data entry, maintenance, printing, regulatory and consumer relations, security and information security; also responsible until 2008 for field claims operations.	1997

Item 11. Executive Compensation

The "Compensation of Named Executive Officers and Directors," section of our Proxy Statement for our Annual Meeting of Shareholders to be held May 1, 2010, which includes the "Report of the Compensation Committee," "Compensation Committee Interlocks and Insider Participation," and the "Discussion and Analysis," is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

a) The "Security Ownership of Principal Shareholders and Management" section of our Proxy Statement for our Annual Meeting of Shareholders to be held May 1, 2010, is incorporated herein by reference.

b) Information on securities authorized for issuance under equity compensation plans appears in Part II, Item 5, Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, Page 30, as securities authorized for issuance under equity compensation plans. Additional information on share-based compensation under our equity compensation plans is available in Item 8, Note 17 of the Consolidated Financial Statements, Page 113.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The following sections of our Proxy Statement for our Annual Meeting of Shareholders to be held May 1, 2010, are incorporated by reference: "Governance of Your Company — Director Independence" and "Governance of Your Company — Certain Relationships and Transactions."

Item 14. Principal Accountant Fees and Services

The "Audit-Related Matters," section of our Proxy Statement for our Annual Meeting of Shareholders to be held May 1, 2010, which includes the "Proposal 4—Ratification of Selection of Independent Registered Public Accounting Firm," "Report of the Audit Committee," "Fees Billed by the Independent Registered Public Accounting Firm," "Services Provided by the Independent Registered Public Accounting Firm," is incorporated herein by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules

a) Financial Statements – information contained in Part II, Item 8, of this report, Page 90 to Page 93

b) Exhibits – see Index of Exhibits, Page 132

c) Financial Statement Schedules

Schedule I – Summary of Investments – Other than Investments in Related Parties, Page 121

Schedule II – Condensed Financial Statements of Registrant, Page 123

Schedule III – Supplementary Insurance Information, Page 126

Schedule IV – Reinsurance, Page 128

Schedule V – Valuation and Qualifying Accounts, Page 129

Schedule VI – Supplementary Information Concerning Property Casualty Insurance Operations, Page 130

SCHEDULE I

Cincinnati Financial Corporation and Subsidiaries
Summary of Investments - Other than Investments in Related Parties

(In millions)	At December 31, 2009		
Type of investment	Cost or amortized cost	Fair value	Balance sheet
Fixed maturities:			
United States government:			
The Cincinnati Life Insurance Company	$ 4	$ 4	$ 4
Total	4	4	4
Government-sponsored enterprises:			
The Cincinnati Insurance Company	200	196	196
The Cincinnati Life Insurance Company	154	151	151
Total	354	347	347
Foreign government:			
The Cincinnati Insurance Company	3	3	3
Total	3	3	3
States, municipalities and political subdivisions:			
The Cincinnati Insurance Company	2,591	2,699	2,699
The Cincinnati Casualty Company	158	165	165
The Cincinnati Indemnity Company	36	38	38
The Cincinnati Specialty Underwriters Insurance Company	109	114	114
The Cincinnati Life Insurance Company	113	113	113
Total	3,007	3,129	3,129
Convertibles and bonds with warrants attached:			
The Cincinnati Insurance Company	80	80	80
The Cincinnati Life Insurance Company	4	4	4
Cincinnati Financial Corporation	7	7	7
Total	91	91	91
Collateralized mortgage obligations			
The Cincinnati Insurance Company	25	21	21
The Cincinnati Life Insurance Company	12	10	10
Total	37	31	31
All other corporate bonds:			
The Cincinnati Insurance Company	2,059	2,178	2,178
The Cincinnati Casualty Company	53	57	57
The Cincinnati Indemnity Company	23	24	24
The Cincinnati Specialty Underwriters Insurance Company	83	88	88
The Cincinnati Life Insurance Company	1,568	1,645	1,645
CSU Producers Resources Inc.	5	5	5
Cincinnati Financial Corporation	227	253	253
Total	4,018	4,250	4,250
Total fixed maturities	$ 7,514	$ 7,855	$ 7,855

SCHEDULE I (CONTINUED)

Cincinnati Financial Corporation and Subsidiaries
Summary of Investments - Other than Investments in Related Parties

(In millions)	At December 31, 2009		
Type of investment	Cost or amortized cost	Fair value	Balance sheet
Equity securities:			
Common stocks:			
The Cincinnati Insurance Company	$ 1,226	$ 1,790	$ 1,790
The Cincinnati Casualty Company	22	37	37
The Cincinnati Indemnity Company	2	2	2
The Cincinnati Life Insurance Company	100	97	97
Cincinnati Financial Corporation	591	682	682
Total	1,941	2,608	2,608
Nonredeemable preferred stocks:			
The Cincinnati Insurance Company	68	81	81
The Cincinnati Life Insurance Company	7	12	12
Total	75	93	93
Total equity securities	$ 2,016	$ 2,701	$ 2,701
Short-term investments:			
The Cincinnati Insurance Company	$ 5	$ 5	$ 5
CSU Producers Resources Inc.	1	1	1
Total short-term investments	$ 6	$ 6	$ 6
Other invested assets:			
Real estate:			
Cincinnati Financial Corporation	$ 6	—	$ 6
Policy loans:			
The Cincinnati Life Insurance Company	40	—	40
Limited partnerships:			
Cincinnati Financial Corporation	24	—	24
Other investments:			
Cincinnati Financial Corporation	11	—	11
Total other invested assets	$ 81	—	$ 81
Total investments	$ 9,617	—	$ 10,643

SCHEDULE II

Cincinnati Financial Corporation (parent company only)
Condensed Balance Sheets

(In millions)	At December 31, 2009	2008
ASSETS		
Investments		
Fixed maturities, at fair value	**$ 261**	$ 52
Equity securities, at fair value	**683**	809
Short-term investments, at fair value	**0**	65
Investment real estate, net	**6**	6
Other invested assets	**36**	40
Cash and cash equivalents	**54**	344
Equity in net assets of subsidiaries	**4,441**	3,711
Investment income receivable	**5**	4
Land, building and equipment, net, for company use (accumulated depreciation: 2009—$71; 2008—$64)	**165**	171
Prepaid federal income tax	**18**	0
Other assets	**14**	12
Due from subsidiaries	**53**	33
Total assets	**$ 5,736**	$ 5,247
LIABILITIES		
Dividends declared but unpaid	**$ 64**	$ 63
Deferred federal income tax	**16**	21
6.92% senior debentures due 2028	**391**	392
6.9% senior debentures due 2028	**28**	28
6.125% senior notes due 2034	**371**	372
Other liabilities	**106**	189
Total liabilities	**976**	1,065
SHAREHOLDERS' EQUITY		
Common stock	**393**	393
Paid-in capital	**1,081**	1,069
Retained earnings	**3,862**	3,579
Accumulated other comprehensive income	**624**	347
Treasury stock at cost	**(1,200)**	(1,206)
Total shareholders' equity	**4,760**	4,182
Total liabilities and shareholders' equity	**$ 5,736**	$ 5,247

This condensed financial information should be read in conjunction with the Consolidated Financial Statements and Notes included in Part II, Item 8, Page 90.

SCHEDULE II (CONTINUED)

Cincinnati Financial Corporation (parent company only)
Condensed Statements of Income

(In millions)	Years ended December 31,		
	2009	2008	2007
REVENUES			
Dividends from subsidiaries	**$ 50**	$ 170	$ 420
Investment income, net of expenses	**41**	67	100
Realized gains on investments	**135**	54	97
Other revenue	**15**	14	10
Total revenues	**241**	305	627
EXPENSES			
Interest expense	**52**	51	49
Depreciation expense	**7**	6	3
Other expenses	**20**	19	15
Total expenses	**79**	76	67
INCOME BEFORE INCOME TAXES AND EARNINGS OF SUBSIDIARIES	**162**	229	560
PROVISION (BENEFIT) FOR INCOME TAXES			
Current	**8**	23	34
Deferred	**24**	(20)	(2)
Total provision for income taxes	**32**	3	32
NET INCOME BEFORE EARNINGS OF SUBSIDIARIES	**130**	226	528
Increase in undistributed earnings of subsidiaries	**302**	203	327
NET INCOME	**$ 432**	$ 429	$ 855

This condensed financial information should be read in conjunction with the Consolidated Financial Statements and Notes included in Part II, Item 8, Page 90.

SCHEDULE II (CONTINUED)

Cincinnati Financial Corporation (parent company only)
Condensed Statements of Cash Flows

(In millions)	Years ended December 31,		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 432**	$ 429	$ 855
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**8**	6	2
Realized (gains) on investments	**(135)**	(54)	(97)
Changes in:			
Investment income receivable	**(1)**	14	(2)
Current federal income taxes	**(104)**	92	(21)
Deferred income taxes	**24**	(20)	(2)
Other assets	**(2)**	4	0
Other liabilities	**(22)**	8	12
Undistributed earnings of subsidiaries	**(302)**	(203)	(327)
Net cash (used in) provided by operating activities	**(102)**	276	420
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of fixed-maturities	**22**	0	9
Call or maturity of fixed-maturities	**15**	24	37
Sale of equity securities	**408**	629	186
Purchase of fixed-maturities	**(206)**	0	(1)
Purchase of equity securities	**(246)**	(125)	(231)
Change in short-term investments, net	**65**	(64)	0
Investment in buildings and equipment, net	**(1)**	(14)	(49)
Change in other invested assets, net	**(5)**	(9)	(6)
Change in securities lending collateral, net	**0**	9	(9)
Net cash (used in) provided by investing activities	**52**	450	(64)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in notes payable	**0**	(20)	20
Payment of cash dividends to shareholders	**(249)**	(250)	(240)
Purchase/issuance of treasury shares	**1**	(138)	(307)
Proceeds from stock options exercised	**0**	4	20
Net transfers to subsidiaries	**8**	15	120
Change in securities lending payable, net	**0**	(9)	9
Net cash used in financing activities	**(240)**	(398)	(378)
Net increase (decrease) in cash and cash equivalents	**(290)**	328	(22)
Cash and cash equivalents at beginning of year	**344**	16	38
Cash and cash equivalents at end of year	**$ 54**	$ 344	$ 16

This condensed financial information should be read in conjunction with the Consolidated Financial Statements and Notes included in Part II, Item 8, Page 90.

SCHEDULE III

Cincinnati Financial Corporation and Subsidiaries
Supplementary Insurance Information

(In millions)	Years ended December 31,		
	2009	2008	2007
Deferred policy acquisition costs:			
Commercial lines insurance	**$ 219**	$ 229	$ 234
Personal lines insurance	**78**	77	78
Excess and surplus lines insurance	**6**	6	0
Total property casualty insurance	**303**	312	312
Life insurance	**178**	197	149
Total	**$ 481**	$ 509	$ 461
Gross future policy benefits, losses, claims and expense losses:			
Commercial lines insurance	**$ 3,725**	$ 3,654	$ 3,533
Personal lines insurance	**349**	381	392
Excess and surplus lines insurance	**22**	5	0
Total property casualty insurance	**4,096**	4,040	3,925
Life insurance	**1,817**	1,580	1,505
Total (1)	**$ 5,913**	$ 5,620	$ 5,430
Gross unearned premiums:			
Commercial lines insurance	**$ 1,112**	$ 1,166	$ 1,191
Personal lines insurance	**372**	367	371
Excess and surplus lines insurance	**23**	9	0
Total property casualty insurance	**1,507**	1,542	1,562
Life insurance	**2**	2	2
Total (1)	**$ 1,509**	$ 1,544	$ 1,564
Other policy claims and benefits payable:			
Commercial lines insurance	**$ 0**	$ 0	$ 0
Personal lines insurance	**0**	0	0
Excess and surplus lines insurance	**0**	0	0
Total property casualty insurance	**0**	0	0
Life insurance	**12**	17	15
Total (1)	**$ 12**	$ 17	$ 15
Premium revenues:			
Commercial lines insurance	**$ 2,199**	$ 2,316	$ 2,411
Personal lines insurance	**685**	689	714
Excess and surplus lines insurance	**27**	5	0
Total property casualty insurance	**2,911**	3,010	3,125
Life insurance	**143**	126	125
Consolidated eliminations	**0**	0	0
Total	**$ 3,054**	$ 3,136	$ 3,250

SCHEDULE III (CONTINUED)

Cincinnati Financial Corporation and Subsidiaries
Supplementary Insurance Information

(In millions)	Years ended December 31,		
	2009	2008	2007
Investment income, net of expenses:			
Commercial lines insurance	**$ 0**	$ 0	$ 0
Personal lines insurance	**0**	0	0
Excess and surplus lines insurance	**0**	0	0
Total property casualty insurance (2)	**336**	350	393
Life insurance	**122**	119	114
Total	**$ 458**	$ 469	$ 507
Benefits, claims losses and settlement expenses:			
Commercial lines insurance	**$ 1,515**	$ 1,504	$ 1,395
Personal lines insurance	**551**	547	437
Excess and surplus lines insurance	**20**	5	0
Total property casualty insurance	**2,086**	2,056	1,832
Life insurance	**160**	142	133
Consolidated eliminations	**(4)**	(5)	(2)
Total	**$ 2,242**	$ 2,193	$ 1,963
Amortization of deferred policy acquisition costs:			
Commercial lines insurance	**$ 458**	$ 462	$ 477
Personal lines insurance	**143**	145	150
Excess and surplus lines insurance	**10**	3	0
Total property casualty insurance	**611**	610	627
Life insurance	**27**	22	30
Total (3)	**$ 638**	$ 632	$ 657
Other underwriting and insurance expenses:			
Commercial lines insurance	**$ 261**	$ 280	$ 248
Personal lines insurance	**71**	79	83
Excess and surplus lines insurance	**11**	2	0
Total property casualty insurance	**343**	361	331
Life insurance	**23**	23	22
Total (3)	**$ 366**	$ 384	$ 353
Written premiums:			
Commercial lines insurance	**$ 2,181**	$ 2,311	$ 2,413
Personal lines insurance	**691**	685	704
Excess and surplus lines insurance	**39**	14	0
Total property casualty insurance	**2,911**	3,010	3,117
Accident health insurance	**3**	3	3
Consolidated eliminations	**0**	0	0
Total	**$ 2,914**	$ 3,013	$ 3,120

Notes to Schedule III:

(1) The sum of gross future policy benefits, losses, claims and expense losses, gross unearned premium and other policy claims and benefits payable is equal to the sum of Loss and loss expense reserves, Life policy reserves and Unearned premiums reported in the company's consolidated balance sheets.

(2) This segment information is not regularly allocated to segments and reviewed by company management in making decisions about resources to be allocated to the segments or to assess their performance.

(3) The sum of amortization of deferred policy acquisition costs and other underwriting and insurance expenses is equal to underwriting, acquisition and insurance expenses in the consolidated statements of income.

SCHEDULE IV

Cincinnati Financial Corporation and Subsidiaries
Reinsurance

(Dollars in millions)	Years ended December 31,		
	2009	2008	2007
Gross amounts:			
Life insurance in force	**$ 69,814**	$ 65,887	$ 61,873
Earned premiums			
Commercial lines insurance	**$ 2,324**	$ 2,449	$ 2,536
Personal lines insurance	**715**	721	742
Excess and surplus lines insurance	**28**	5	0
Total property casualty insurance	**3,067**	3,175	3,278
Life insurance	**196**	180	178
Consolidated eliminations	**0**	0	0
Total	**$ 3,263**	$ 3,355	$ 3,456
Ceded amounts to other companies:			
Life insurance in force	**$ 34,232**	$ 33,710	$ 32,959
Earned premiums			
Commercial lines insurance	**$ 137**	$ 144	$ 144
Personal lines insurance	**31**	34	31
Excess and surplus lines insurance	**1**	0	0
Total	**169**	178	175
Life insurance	**53**	54	53
Total	**$ 222**	$ 232	$ 228
Assumed amounts from other companies:			
Life insurance in force	**$ 1**	$ 1	$ 2
Earned premiums			
Commercial lines insurance	**$ 12**	$ 11	$ 20
Personal lines insurance	**1**	2	2
Excess and surplus lines insurance	**0**	0	0
Total property casualty insurance	**13**	13	22
Life insurance	**0**	0	0
Total	**$ 13**	$ 13	$ 22
Net amounts:			
Life insurance in force	**$ 35,583**	$ 32,178	$ 28,916
Earned premiums			
Commercial lines insurance	**$ 2,199**	$ 2,316	$ 2,411
Personal lines insurance	**685**	689	714
Excess and surplus lines insurance	**27**	5	0
Total property casualty insurance	**2,911**	3,010	3,125
Life insurance	**143**	126	125
Consolidated eliminations	**0**	0	0
Total	**$ 3,054**	$ 3,136	$ 3,250
Percentage of amounts assumed to net:			
Life insurance in force	**0.0 %**	0.0 %	0.0 %
Earned premiums			
Commercial lines insurance	**0.5 %**	0.5 %	0.8 %
Personal lines insurance	**0.2**	0.3	0.3
Excess and surplus lines insurance	**0.0**	0.0	0.0
Total property casualty insurance	**0.4**	0.4	0.7
Life insurance	**0.0**	0.0	0.0
Total	**0.4 %**	0.4 %	0.7 %

SCHEDULE V

Cincinnati Financial Corporation and Subsidiaries
Valuation and Qualifying Accounts

(In millions)	At December 31,		
	2009	2008	2007
Allowance for doubtful receivables:			
Balance at beginning of period	**$ 4**	$ 4	$ 3
Additions charged to costs and expenses	**2**	3	3
Deductions	**(3)**	(3)	(2)
Balance at end of period	**$ 3**	$ 4	$ 4

SCHEDULE VI

Cincinnati Financial Corporation and Subsidiaries
Supplementary Information Concerning Property Casualty Insurance Operations

(In millions)	Years ended December 31, 2009	2008	2007
Deferred policy acquisition costs:			
Commercial lines insurance	**$ 219**	$ 229	$ 234
Personal lines insurance	**78**	77	78
Excess and surplus lines insurance	**6**	6	0
Total	**$ 303**	$ 312	$ 312
Reserves for unpaid claims and claim adjustment expenses:			
Commercial lines insurance	**$ 3,725**	$ 3,654	$ 3,533
Personal lines insurance	**349**	381	392
Excess and surplus lines insurance	**22**	5	0
Total	**$ 4,096**	$ 4,040	$ 3,925
Reserve discount deducted	**$ 0**	$ 0	$ 0
Unearned premiums:			
Commercial lines insurance	**$ 1,112**	$ 1,166	$ 1,191
Personal lines insurance	**372**	367	371
Excess and surplus lines insurance	**23**	9	0
Total	**$ 1,507**	$ 1,542	$ 1,562
Earned premiums:			
Commercial lines insurance	**$ 2,199**	$ 2,316	$ 2,411
Personal lines insurance	**685**	689	714
Excess and surplus lines insurance	**27**	5	0
Total	**$ 2,911**	$ 3,010	$ 3,125
Investment income:			
Commercial lines insurance	**$ 0**	$ 0	$ 0
Personal lines insurance	**0**	0	0
Excess and surplus lines insurance	**0**	0	0
Total (1)	**$ 336**	$ 350	$ 393
Loss and loss expenses incurred related to current accident year:			
Commercial lines insurance	**$ 1,662**	$ 1,777	$ 1,598
Personal lines insurance	**591**	597	478
Excess and surplus lines insurance	**21**	5	0
Total	**$ 2,274**	$ 2,379	$ 2,076
Loss and loss expenses incurred related to prior accident years:			
Commercial lines insurance	**$ (147)**	$ (273)	$ (204)
Personal lines insurance	**(40)**	(50)	(40)
Excess and surplus lines insurance	**(1)**	0	0
Total	**$ (188)**	$ (323)	$ (244)
Amortization of deferred policy acquisition costs:			
Commercial lines insurance	**$ 458**	$ 462	$ 477
Personal lines insurance	**143**	145	150
Excess and surplus lines insurance	**10**	3	0
Total	**$ 611**	$ 610	$ 627
Paid loss and loss expenses:			
Commercial lines insurance	**$ 1,348**	$ 1,387	$ 1,299
Personal lines insurance	**573**	568	492
Excess and surplus lines insurance	**2**	0	0
Total	**$ 1,923**	$ 1,955	$ 1,791
Written premiums:			
Commercial lines insurance	**$ 2,181**	$ 2,311	$ 2,413
Personal lines insurance	**691**	685	704
Excess and surplus lines insurance	**39**	14	0
Total	**$ 2,911**	$ 3,010	$ 3,117

Note to Schedule VI:

(1) This segment information is not regularly allocated to segments and not reviewed by company management in making decisions about resources to be allocated to the segments or to assess their performance.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cincinnati Financial Corporation

/S/ Eric N. Mathews

By: Eric N. Mathews, CPCU, AIAF
Title: Principal Accounting Officer, Vice President, Assistant Secretary and Assistant Treasurer
Date: February 26, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ John J. Schiff, Jr. John J. Schiff, Jr.	Chairman of the Board	February 26, 2010
/S/ Kenneth W. Stecher Kenneth W. Stecher	President, Chief Executive Officer and Director	February 26, 2010
/S/ Steven J. Johnston Steven J. Johnston	Chief Financial Officer, Senior Vice President, Secretary and Treasurer	February 26, 2010
/S/ William F. Bahl William F. Bahl	Director	February 26, 2010
/S/ James E. Benoski James E. Benoski	Vice Chairman of the Board	February 26, 2010
/S/ Gregory T. Bier Gregory T. Bier	Director	February 26, 2010
/S/ Linda W. Clement-Holmes Linda W. Clement-Holmes	Director	February 26, 2010
/S/ Kenneth C. Lichtendahl Kenneth C. Lichtendahl	Director	February 26, 2010
/S/ W. Rodney McMullen W. Rodney McMullen	Director	February 26, 2010
/S/ Gretchen W. Price Gretchen W. Price	Director	February 26, 2010
/S/ Thomas R. Schiff Thomas R. Schiff	Director	February 26, 2010
/S/ Douglas S. Skidmore Douglas S. Skidmore	Director	February 26, 2010
/S/ John F. Steele, Jr. John F. Steele, Jr.	Director	February 26, 2010
/S/ Larry R. Webb Larry R. Webb	Director	February 26, 2010
/S/ E. Anthony Woods E. Anthony Woods	Director	February 26, 2010

INDEX OF EXHIBITS

Exhibit No.	Exhibit Description
3.1A	Amended Articles of Incorporation of Cincinnati Financial Corporation (incorporated by reference to the company's 1999 Annual Report on Form 10-K dated March 23, 2000) (File No. 000-04604)
3.1B	Amendment to Article Fourth of Amended Articles of Incorporation of Cincinnati Financial Corporation (incorporated by reference to Exhibit 3(i) filed with the company's Current Report on Form 8-K dated July 15, 2005)
3.2	Regulations of Cincinnati Financial Corporation (incorporated by reference to the company's Definitive Proxy Statement dated March 2, 1992, Exhibit 2, as subsequently amended pursuant to adoption of Management's Proposal to Amend Cincinnati Financial Corporation's Code of Regulations on pages 5- 6 of the company's Proxy dated March 20, 2008) (File No. 000-04604).
4.1	Indenture with The Bank of New York Trust Company (incorporated by reference to the company's Current Report on Form 8-K dated November 2, 2004, filed with respect to the issuance of the company's 6.125% Senior Notes due November 1, 2034)
4.2	Supplemental Indenture with The Bank of New York Trust Company (incorporated by reference to the company's Current Report on Form 8-K dated November 2, 2004, filed with respect to the issuance of the company's 6.125% Senior Notes due November 1, 2034)
4.3	Second Supplemental Indenture with The Bank of New York Trust Company (incorporated by reference to the company's Current Report on Form 8-K dated May 9, 2005, filed with respect to the completion of the company's exchange offer and rescission offer for its 6.90% senior debentures due 2028)
4.4	Form of 6.125% Exchange Note Due 2034 (included in Exhibit 4.2)
4.5	Form of 6.92% Debentures Due 2028 (included in Exhibit 4.3)
4.6	Indenture with the First National Bank of Chicago (subsequently assigned to The Bank of New York Trust Company) (incorporated by reference to the company's registration statement on Form S-3 effective May 22, 1998 (File No. 333-51677))
4.7	Form of 6.90% Debentures Due 2028 (included in Exhibit 4.6)
10.1	Agreement with Messer Construction (incorporated by reference to the company's 2004 Annual Report on Form 10-K dated March 11, 2005)
10.2	Cincinnati Financial Corporation Directors' Stock Plan of 2009 (incorporated by reference to the company's definitive Proxy Statement dated March 20, 2009)
10.3	Cincinnati Financial Corporation Stock Option Plan No. VI (incorporated by reference to the company's definitive Proxy Statement dated March 1, 1999) (File No. 000-04604)
10.4	Cincinnati Financial Corporation Stock Option Plan No. VII (incorporated by reference to the company's definitive Proxy Statement dated March 8, 2002) (File No. 000-04604)
10.5	Form of Nonqualified and Incentive Option Agreements for Stock Option Plan No. VI (incorporated by reference to the company's 2004 Annual Report on Form 10-K dated March 11, 2005)
10.6	Cincinnati Financial Corporation Annual Incentive Compensation Plan of 2009 (incorporated by reference to the company's definitive Proxy Statement dated March 20, 2009)
10.7	Cincinnati Financial Corporation 2006 Stock Compensation Plan (incorporated by reference to the company's definitive Proxy Statement dated March 30, 2007)
10.8	Form of Combined Incentive/Nonqualified Stock Option for Stock Option Plan VI (incorporated by reference to Exhibit 10.3 filed with the company's Current Report on Form 8-K dated July 15, 2005)
10.9	Director and Named Executive Officer Compensation Summary (incorporated by reference to the company's definitive Proxy Statement dated March 20, 2009)
10.10	Cincinnati Financial Corporation Supplemental Retirement Plan (incorporated by reference to Exhibit 10.17 filed with the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006)
10.11	Form of Incentive Stock Option Agreement for Stock Option Plan VII (incorporated by reference to Exhibit 10.1 filed with the company's Current Report on Form 8-K dated October 20, 2006)
10.12	Form of Nonqualified Stock Option Agreement for Stock Option Plan VII (incorporated by reference to Exhibit 10.2 filed with the company's Current Report on Form 8-K dated October 20, 2006)
10.13	Form of Incentive Stock Option Agreement for the 2006 Stock Compensation Plan (incorporated by reference to Exhibit 10.3 filed with the company's Current Report on Form 8-K dated October 20, 2006)
10.14	Form of Nonqualified Stock Option Agreement for the 2006 Stock Compensation Plan (incorporated by reference to Exhibit 10.4 filed with the company's Current Report on Form 8-K dated October 20, 2006)

Exhibit No.	Exhibit Description
10.15	Restricted Stock Unit Agreement for John J. Schiff, Jr., dated January 31, 2007 (incorporated by reference to Exhibit 10.1 filed with the company's Current Report on Form 8-K dated January 31, 2007)
10.16	Restricted Stock Unit Agreement for James E. Benoski, dated January 31, 2007 (incorporated by reference to Exhibit 10.2 filed with the company's Current Report on Form 8-K dated January 31, 2007)
10.17	Restricted Stock Unit Agreement for Jacob F. Scherer, Jr., dated January 31, 2007 (incorporated by reference to Exhibit 10.3 filed with the company's Current Report on Form 8-K dated January 31, 2007)
10.18	Restricted Stock Unit Agreement for Kenneth W. Stecher, dated January 31, 2007 (incorporated by reference to Exhibit 10.4 filed with the company's Current Report on Form 8-K dated January 31, 2007)
10.19	Restricted Stock Unit Agreement for Thomas A. Joseph, dated January 31, 2007 (incorporated by reference to Exhibit 10.5 filed with the company's Current Report on Form 8-K dated January 31, 2007)
10.20	Form of Restricted Stock Unit Agreement for the Cincinnati Financial Corporation 2006 Stock Compensation Plan (service-based) (incorporated by reference to Exhibit 10.6 filed with the company's Current Report on Form 8-K dated January 31, 2007, as amended)
10.21	Form of Restricted Stock Unit Agreement for use under the Cincinnati Financial Corporation 2006 Stock Compensation Plan (performance-based) (incorporated by reference to Exhibit 10.1 filed with the company's Current Report on Form 8-K dated November 18, 2008)
10.22	Form of Incentive Compensation Agreement for the Cincinnati Financial Corporation Incentive Compensation Plan of 2009 (incorporated by reference to Exhibit 10.1 filed with the company's Current Report on Form 8-K dated March 16, 2009)
10.23	Stock Purchase Agreement between Cincinnati Financial Corporation and the E. Perry Webb Marital Trust, dated September 5, 2007 (incorporated by reference to Exhibit 10.34 filed with the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007)
10.24	Restricted Stock Unit Agreement for John J. Schiff, Jr. dated February 18, 2008 (incorporated by reference to Exhibit 10.1 filed with the company's Current Report on Form 8-K dated February 20, 2008)
10.25	Restricted Stock Unit Agreement for James E. Benoski dated February 18, 2008 (incorporated by reference to Exhibit 10.2 filed with the company's Current Report on Form 8-K dated February 20, 2008)
10.26	Restricted Stock Unit Agreement for Jacob F. Scherer, Jr. dated February 18, 2008 (incorporated by reference to Exhibit 10.3 filed with the company's Current Report on Form 8-K dated February 20, 2008)
10.27	Restricted Stock Unit Agreement for Kenneth W. Stecher dated February 18, 2008 (incorporated by reference to Exhibit 10.4 filed with the company's Current Report on Form 8-K dated February 20, 2008)
10.28	Restricted Stock Unit Agreement for Thomas A. Joseph dated February 18, 2008 (incorporated by reference to Exhibit 10.5 filed with the company's Current Report on Form 8-K dated February 20, 2008)
10.29	Unwritten arrangement with Lehman Brothers Inc. to sell 35,000,000 shares of Fifth Third stock held by the Cincinnati Financial Corporation (incorporated by reference to the further description of the arrangement set forth on the company's Current Report on Form 8-K dated July 25, 2008)
10.30	Amended and Restated Cincinnati Financial Corporation Top Hat Savings Plan dated November 14, 2008 (incorporated by reference to Exhibit 10.38 filed with the company's Annual Report on Form 10-K dated February 27, 2009)
10.31	Restricted Stock Unit Agreement for John J. Schiff, Jr. dated November 14, 2008 (incorporated by reference to Exhibit 10.2 filed with the company's Current Report on Form 8-K dated November 14, 2008)
10.32	Restricted Stock Unit Agreement for James E. Benoski dated November 14, 2008 (incorporated by reference to Exhibit 10.3 filed with the company's Current Report on Form 8-K dated November 14, 2008)
10.33	Restricted Stock Unit Agreement for Kenneth W. Stecher dated November 14, 2008 (incorporated by reference to Exhibit 10.4 filed with the company's Current Report on Form 8-K dated November 14, 2008)
10.34	Restricted Stock Unit Agreement for Steven J. Johnston dated November 14, 2008 (incorporated by reference to Exhibit 10.5 filed with the company's Current Report on Form 8-K dated November 14, 2008)
10.35	Restricted Stock Unit Agreement for Thomas A. Joseph dated November 14, 2008 (incorporated by reference to Exhibit 10.6 filed with the company's Current Report on Form 8-K dated November 14, 2008)
10.36	Restricted Stock Unit Agreement for J.F. Scherer dated November 14, 2008 (incorporated by reference to Exhibit 10.7 filed with the company's Current Report on Form 8-K dated November 14, 2008)
10.37	Incentive Compensation Award Agreement for Kenneth W. Stecher dated March 16, 2009 under Incentive Compensation Plan of 2009 (incorporated by reference to Exhibit 10.2 filed with the company's Current Report on Form 8-K dated March 16, 2009)

Exhibit No.	Exhibit Description
10.38	Incentive Compensation Award Agreement for Steven J. Johnston dated March 16, 2009 under Incentive Compensation Plan of 2009 (incorporated by reference to Exhibit 10.3 filed with the company's Current Report on Form 8-K dated March 16, 2009)
10.39	Credit Agreement by and among Cincinnati Financial Corporation, CFC Investment Company, and PNC Bank, National Association, dated August 31, 2009 (which supersedes that certain Offer and Acceptance of terms to renew $75 million unsecured line of credit with PNC Bank, National Association, effective June 30, 2009, that was filed with and described in the company's Current Report on Form 8-K dated July 7, 2009) (incorporated by reference to Exhibit 10.1 filed with the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
10.40	Swap Agreement by and among Cincinnati Financial Corporation, CFC Investment Company and PNC Bank, National Association, dated August 31, 2009 (incorporated by reference to Exhibit 10.2 filed with the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
11	Statement re: Computation of per share earnings for the years ended December 31, 2009, 2008, and 2007 contained in Part II, Item 8, Note 12 to the Consolidated Financial Statements
14	Cincinnati Financial Corporation Code of Ethics for Senior Financial Officers (incorporated by reference to the company's Definitive Proxy Statement data March 18, 2004 (File No. 000-04604))
21	Cincinnati Financial Corporation subsidiaries contained in Part I, Item 1 of this report
23	Consent of Independent Registered Public Accounting Firm
31A	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002 – Chief Executive Officer
31B	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002 – Chief Financial Officer
32	Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-85953 (on Form S-8), No. 333-24815 (on Form S-8), No. 333-24817 (on Form S-8), No. 333-49981 (on Form S-8), No. 333-103509 (on Form S-8), No. 333-103511 (on Form S-8), No. 333-121429 (on Form S-4), No. 333-123471 (on Form S-4), No. 333-126714 (on Form S-8), as amended, and No. 333-155373 (on Form S-3), of Cincinnati Financial Corporation of our report dated February 26, 2010, relating to the consolidated financial statements and financial statement schedules of Cincinnati Financial Corporation and subsidiaries and the effectiveness of internal control over financial reporting (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the company's change in method of accounting for the recognition and presentation of other-than-temporary impairments in 2009), appearing in this Annual Report on Form 10-K of Cincinnati Financial Corporation for the year ended December 31, 2009.

/S/ Deloitte & Touche LLP

Cincinnati, Ohio
February 26, 2010

EXHIBIT 31A

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Kenneth W. Stecher, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cincinnati Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting , or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2010

/S/ Kenneth W. Stecher
Kenneth W. Stecher
President and Chief Executive Officer

EXHIBIT 31B

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Steven J. Johnston, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cincinnati Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting , or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2010

/S/ Steven J. Johnston

Steven J. Johnston, FCAS, MAAA, CFA

Chief Financial Officer, Senior Vice President, Secretary and Treasurer

EXHIBIT 32

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with this report on Form 10-K for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Kenneth W. Stecher, the chief executive officer, and Steven J. Johnston, the chief financial officer, of Cincinnati Financial Corporation each certifies that, to the best of his knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Cincinnati Financial Corporation.

Date: February 26, 2010

/S/ Kenneth W. Stecher
Kenneth W. Stecher
President and Chief Executive Officer

/S/ Steven J. Johnston
Steven J. Johnston, FCAS, MAAA, CFA
Chief Financial Officer, Senior Vice President, Secretary and Treasurer

CINCINNATI FINANCIAL CORPORATION OFFICERS AND DIRECTORS

(AS OF MARCH 3, 2010)

DIRECTORS

William F. Bahl, CFA, CIC
Chairman
Bahl & Gaynor Investment Counsel Inc.
(Independent registered investment adviser)
Director since 1995 (1)(4)(5*)

James E. Benoski
Vice Chairman of the Board
Cincinnati Financial Corporation
Director since 2000 (3)(4)

Gregory T. Bier, CPA (Ret.)
Managing Partner (Ret.), Cincinnati Office
Deloitte & Touche LLP
(Independent registered public accounting firm)
Director since 2006 (4)

Linda W. Clement-Holmes
Senior Vice President
Global Diversity and Global Business Services
Procter & Gamble Company
(Consumer products)
Director since 2010 (1)

Kenneth C. Lichtendahl
President and Chief Executive Officer
Tradewinds Beverage Company
(Ready-to-drink tea and juice manufacturer)
Director Since 1988 (1*)(5)

W. Rodney McMullen
President and Chief Operating Officer
The Kroger Company
(Retail grocery chain)
Director since 2001 (2*)(3)(4)

Gretchen W. Price
Executive Vice President and
Chief Financial Officer
philosophy inc.
(Prestige beauty brand)
Director since 2002 (1)(2)(5)

John J. Schiff, Jr., CPCU
Chairman of the Board
Cincinnati Financial Corporation
Director since 1968 (3*)(4*)

Thomas R. Schiff
Chairman and Chief Executive Officer
John J. & Thomas R. Schiff & Co. Inc.
(Independent insurance agency)
Director since 1975 (4)

Douglas S. Skidmore
President and Chief Executive Officer
Skidmore Sales & Distributing Company Inc.
(Food ingredient distributor)
Director since 2004 (1)(5)

Kenneth W. Stecher
President and Chief Executive Officer
Cincinnati Financial Corporation
Director since 2008 (3)(4)

John F. Steele, Jr.
Chairman and Chief Executive Officer
Hilltop Basic Resources Inc.
(Supplier of aggregates and concrete)
Director since 2005 (1)(3)

Larry R. Webb, CPCU
President
Webb Insurance Agency Inc.
(Independent insurance agency)
Director since 1979 (3)

E. Anthony Woods
Chairman and Chief Executive Officer
SupportSource LLC
(Management, financial and investment consulting)
Director since 1998 (2)(3)(4)

(1) Audit Committee
(2) Compensation Committee
(3) Executive Committee
(4) Investment Committee; also Richard M. Burridge, CFA, adviser
(5) Nominating Committee
* Committee Chair


W.F. Bahl


G.T. Bier


L.W. Clement-Holmes


K.C. Lichtendahl


W.R. McMullen


G.W. Price


J.J. Schiff, Jr.


T.R. Schiff


D.S. Skidmore


K.W. Stecher


J.F. Steele, Jr.


L.R. Webb


E.A. Woods

OFFICERS

John J. Schiff, Jr., CPCU
Chairman of the Board

Kenneth W. Stecher
President and Chief Executive Officer

Steven J. Johnston, FCAS, MAAA, CFA
Chief Financial Officer, Senior Vice President, Secretary and Treasurer

Martin F. Hollenbeck, CFA, CPCU
Chief Investment Officer, Senior Vice President, Assistant Secretary and Assistant Treasurer

Eric N. Mathews, CPCU, AIAF
Principal Accounting Officer, Vice President, Assistant Secretary and Assistant Treasurer

DIRECTORS EMERITI

Vincent H. Beckman
Michael Brown
Robert J. Driehaus
John E. Field, CPCU
Jackson H. Randolph
Lawrence H. Rogers II
John Sawyer
Frank J. Schultheis
David B. Sharrock
John M. Shepherd
Thomas J. Smart
Alan R. Weiler, CPCU
William H. Zimmer

JAMES E. BENOSKI

Jim Benoski, a CFC director since 2000, will not stand for re-election in May 2010. Jim was president, chief operating officer and chief insurance officer of the company until July 2008. He retired in 2009 after almost 40 years of leadership and service contributing to our respected claims operations. Your company grew and prospered through Jim's inspirational work ethic and leadership. We thank him, as we thank our shareholders who elected him to several consecutive terms.

SHAREHOLDER INFORMATION

Cincinnati Financial Corporation had approximately 13,000 shareholders of record and approximately 36,000 beneficial shareholders as of December 31, 2009. Many of the company's independent agent representatives and most of the 4,170 associates of its subsidiaries own the company's common stock.

COMMON STOCK PRICE AND DIVIDEND DATA

Common shares are traded under the symbol CINF on the NASDAQ Global Select Market.

(Source: Nasdaq Global Select Market)

	2009				2008			
Quarter:	**1st**	**2nd**	**3rd**	**4th**	1st	2nd	3rd	4th
High close	**$ 29.66**	**$ 26.94**	**$ 26.31**	**$ 26.89**	$ 39.71	$ 39.97	$ 33.60	$ 31.71
Low close	**17.84**	**21.40**	**21.30**	**25.05**	35.10	25.40	21.83	18.80
Period-end close	**22.87**	**22.35**	**25.99**	**26.24**	38.04	25.40	28.44	29.07
Cash dividends declared	**0.39**	**0.39**	**0.395**	**0.395**	0.39	0.39	0.39	0.39

ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Shareholders of Cincinnati Financial Corporation at 9:30 a.m. on Saturday, May 1, 2010, at the Cincinnati Art Museum in Eden Park, Cincinnati, Ohio. You may listen to an audio webcast of the event by visiting *www.cinfin.com/investors.*

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
250 East Fifth Street
Cincinnati, Ohio 45202-5109

CONTACT INFORMATION

Communications directed to Cincinnati Financial Corporation's secretary, Steven J. Johnston, FCAS, MAAA, CFA, chief financial officer, are shared with the appropriate individual(s). Or, you may directly access services:

Investors: Investor Relations responds to investor inquiries about Cincinnati Financial Corporation and its performance.
Dennis E. McDaniel, CPA, CMA, CFM, CPCU – Assistant Vice President, Investor Relations
513-870-2768 or *investor_inquiries@cinfin.com*

Shareholders: Shareholder Services provides stock transfer services, fulfills requests for shareholder materials and assists registered shareholders who wish to update account information or enroll in shareholder plans.
Jerry L. Litton – Assistant Vice President, Shareholder Services
513-870-2639 or *shareholder_inquiries@cinfin.com*

Media: Corporate Communications assists media representatives seeking information or comment from Cincinnati Financial Corporation or its subsidiaries.
Joan O. Shevchik, CPCU, CLU – Senior Vice President, Corporate Communications
513-603-5323 or *media_inquiries@cinfin.com*

CINCINNATI FINANCIAL CORPORATION

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company
The Cincinnati Specialty Underwriters Insurance Company
The Cincinnati Life Insurance Company
CSU Producer Resources Inc.
CFC Investment Company

MAILING ADDRESS:
P.O. Box 145496
Cincinnati, Ohio 45250-5496

STREET ADDRESS:
6200 South Gilmore Road
Fairfield, Ohio 45014-5141

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