CINCINNATI FINANCIAL CORPORATION

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

February 26, 2007

To Our Shareholders, Associates and Friends:

Your company's main business, property casualty insurance underwriting, was profitable in the fourth quarter and full-year 2006 – yet not as highly profitable as in the same periods in 2005. In the attached fourth-quarter earnings release, you'll read about the emergence of price competition in the marketplace, higher catastrophe losses, increasing claim severity, higher underwriting expenses and other trends, as well as their effects on income for the recently completed and upcoming periods.

In the current environment, as in the past, our intention is to write insurance profitably by maintaining underwriting discipline and to pay claims and expenses from current cash flow. Over time, this approach allows us to increase the net worth of the company, as measured by shareholders' equity, by holding equity investments that bring us the potential for long-term appreciation as well as steadily increasing dividend income.

It went largely unnoticed that your shareholders' equity rose 12.9 percent to an all-time high of $6.808 billion, or book value of $39.38 per share, at the end of the fourth quarter. While the early 2006 sale of our Alltel Corporation common stock holdings accounted for a large portion of the increase in 2006 net income, it was not a factor in the increase in book value. That increase was attributable to the contribution to earnings of insurance operations and investment income as well as significant appreciation over the course of the year in the rest of the equity portfolio.

Our equity holdings outperformed the Standard & Poor's 500 Index in 2006, returning 16.1 percent. While we fell below that benchmark for the five-year period that just ended, total return on the equity portfolio also surpassed the return on the Index over the 10- and 15-year periods that better measure our success as a buy-and-hold investor.

We began this letter saying that property casualty insurance is our main business but investment operations are another source of profits and wealth. While our fixed income portfolio covers current insurance liabilities, the equity portfolio supports the accumulation over time of unrealized gains that build book value for shareholders. This cushion of financial strength and flexibility also benefits agents and policyholders, supporting a long-term perspective that leads us to behave consistently in the marketplace; make prompt, fair claim payments and set adequate reserves; and continue investing in the infrastructure for growth. Our insurance strategies and investment strategies are a good match and we believe their combined results will continue bringing you value in 2007.

Respectfully,

/S/ John J. Schiff, Jr.

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

/S/ James E. Benoski

James E. Benoski
Vice Chairman, President and
Chief Operating Officer

Recent News Releases

Cincinnati Financial Corporation Increases Cash Dividend and Announces Board Actions

- *Sets stage for 47th consecutive year of higher dividends with 6% increase in indicated annual dividend rate*
- *Confirms slate of nominees for election by shareholders on May 5*

Affirms codes of conduct and ethics and committee charters and updates governance guidelines

Cincinnati, February 5, 2007 -- Cincinnati Financial Corporation (Nasdaq: CINF) today announced that the board of directors voted at its regular meeting on February 2, 2007, to increase the regular quarterly cash dividend 6 percent to 35.5 cents per share, payable April 16, 2007, to shareholders of record on March 23, 2007. At the new level, the indicated annual dividend is $1.42 per share. Cash dividends declared in 2006 were $1.34 per share.

Chairman and Chief Executive Officer John J. Schiff, Jr., CPCU, commented, "Careful attention to property casualty underwriting and our total-return investment strategy has helped us maintain a strong financial position and achieve industry-leading results over the long-term. Today's action signals the board's continuing confidence in our long-term outlook.

Cincinnati Financial's common stock total return to shareholders over the five years ended December 31, 2006, was 49.4 percent compared with a 35.0 percent total return for the Standard & Poor's 500 Index.

The company also announced that the board confirmed the slate of nominees for election at the company's annual meeting of shareholders on May 5, 2007. Directors standing for re-election for three-year terms to expire in 2010 are: Dirk J. Debbink, Douglas S. Skidmore and newly appointed director Gregory T. Bier, CPA (retired). As previously announced, Michael Brown and John M. Shepherd, current directors, will not stand for re-election due to the company's guidelines on director age. The board determined that 10 of the current 15 members meet the applicable criteria for independence.

The board also approved the code of ethics for senior financial officers, the code of conduct for all company associates and board committee charters, which are reviewed annually by the respective committees as stipulated in the governance guidelines. Further, the board formalized several current company practices with updates to the corporate governance guidelines on board membership criteria, director elections and stock ownership guidelines for directors and officers.

"Cincinnati Financial's management and directors purposefully align business decisions with our mission, which includes fulfilling the company's obligations to its independent agents, policyholders and shareholders as well as associates, suppliers and communities it serves. We work diligently to meet those obligations and to act with integrity," said Schiff.

Cincinnati Financial plans to report fourth-quarter and year-end 2006 results on Wednesday, February 7. 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,* as are the code of ethics, code of conduct, board committee charters and corporate governance guidelines.

Cincinnati Financial 2006 Net Income at $5.30 per Share and Operating Income* at $2.82

Cincinnati, February 7, 2007 – Cincinnati Financial Corporation (Nasdaq: CINF) today reported:

- Fourth-quarter net income of 75 cents per share and operating income of 70 cents per share
- Full-year net income of $5.30 per share including $2.35 from first-quarter 2006 sale of Alltel common stock holding.
- Record book value of $39.38 per share, up 12.9 percent from year-end 2005.
- Property casualty underwriting profits of $181 million tempered by higher catastrophe losses, increased loss severity and less savings from favorable development on prior period losses as well as higher underwriting expenses.

Financial Highlights

(Dollars in millions except share data)	Three months ended December 31,			Twelve months ended December 31,		
	2006	2005	Change %	**2006**	2005	Change %
Revenue Highlights						
Earned premiums	**$ 832**	$ 803	3.6	**$ 3,278**	$ 3,164	3.6
Investment income	**145**	136	6.7	**570**	526	8.4
Total revenues	**995**	967	2.9	**4,550**	3,767	20.8
Income Statement Data						
Net income	**$ 130**	$ 183	(28.6)	**$ 930**	$ 602	54.5
Net realized investment gains and losses	**8**	16	(49.7)	**434**	40	993.0
Operating income*	**$ 122**	$ 167	(26.6)	**$ 496**	$ 562	(11.8)
Per Share Data (diluted)						
Net income	**$ 0.75**	$ 1.03	(27.2)	**$ 5.30**	$ 3.40	55.9
Net realized investment gains and losses	**0.05**	0.09	(44.4)	**2.48**	0.23	978.3
Operating income*	**$ 0.70**	$ 0.94	(25.5)	**$ 2.82**	$ 3.17	(11.0)
Book value				**$ 39.38**	$ 34.88	12.9
Cash dividend declared	**$ 0.335**	$ 0.305	9.8	**$ 1.34**	$ 1.205	11.2
Weighted average shares outstanding	**174,988,162**	177,045,508	(1.2)	**175,451,341**	177,116,126	(0.9)

Insurance Operations Highlights

- 3.8 percent and 3.3 percent increases in fourth-quarter and full-year property casualty net written premiums.
- Strong commercial lines growth with 2006 net written premiums up 6.7 percent and new business written by our agencies up 14.9 percent to a record $324 million.
- Second-half 2006 personal lines new business up 17.6 percent. Pricing changes made July 1, 2006, improved ability to market personal lines.
- 94.5 percent and 94.3 percent fourth-quarter and full-year property casualty combined ratios, in line with previous announcement.
- 5.5 percentage points from catastrophe losses in the 2006 fourth-quarter and full-year combined ratios. In the comparable 2005 periods, catastrophe losses accounted for 5.6 and 4.1 percentage points of the ratios.
- 4 cents and 19 cents contribution from the life insurance operations to fourth-quarter and full-year operating income.

Investment and Balance Sheet Highlights

- 6.7 percent and 8.4 percent growth in fourth-quarter and full-year pretax investment income.
- Book value of $39.38 at year-end 2006, up $4.50 from year-end 2005. Invested assets rose on new investments and appreciation in the equity portfolio.

Full-year 2007 Outlook**

- Property casualty net written premium growth expected to be in the low single digits in 2007. New agency appointments and new states to help drive long-term growth.
- Combined ratio expected to be 97 percent to 99 percent in 2007, assuming catastrophe losses contribute approximately 5.5 percentage points.
- Investment income growth target at 6.5 percent to 7.0 percent range for 2007.

* 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 or Statutory Accounting Principles.

** Outlook and related assumptions are subject to the risks outlined in the company's forward-looking information safe-harbor statement (see Page 15).

Current Results and Long-term Position

"We reached record levels of new business and total property casualty insurance premiums in 2006 in the face of growing competition," said John J. Schiff, Jr., CPCU, chairman and chief executive officer. "Business policyholders continued to respond favorably to their local independent agents' presentation of the Cincinnati value proposition. In the second half of the year, agents and personal lines policyholders responded to new pricing for Cincinnati's personal lines products with higher customer retention rates and rising new business. Further, our equity-focused investment strategy led to another year of record investment income and record book value."

"However, other factors dampen our enthusiasm for those favorable results. Nine catastrophe events, primarily storms affecting our policyholders in the Midwest, led to a record level of catastrophe losses even as the industry experienced a lighter catastrophe year. Loss severity crept upward. And ongoing investment in our people and our infrastructure, including technology and systems to make it easier for agents to do business with our company, contributed to expenses rising more rapidly than premiums," Schiff noted.

"Finally, this year's earnings reflected the adoption of stock option expensing, and as anticipated, savings from favorable development on prior period losses was below the unusually high level of the past few years," Schiff noted.

"We look beyond this year with confidence. We remain committed to providing a stable market for our agents' high quality business, underwriting this business carefully and producing steady value for our shareholders, as represented by the board of directors' recent decision to increase our 2007 indicated annual dividend by 6 percent, which would mark the 47th consecutive year of increase in that measure. Their action reflected our belief that we can achieve above-industry-average growth in written premiums and industry-leading profitability over the long term by building on our proven strategies: strong agency relationships, front-line underwriting, quality claims service, solid reserves, and total return investing," Schiff said.

New States and New Agency Appointments to Support Continued Growth

Schiff added, "We finished 2006 with more agencies than ever, making 55 new agency appointments during the course of the year. Over the past 10 years, we have selectively added more than 400 highly professional agencies. As part of our plans for 2007, we expect to appoint another 50+ agencies. We are working on plans to enter New Mexico and eastern Washington within the next year and will soon begin the process by preparing policy forms and rates to submit to the departments of insurance in those states.

"Whether appointing new agencies in our current states or moving into new geographic areas, we look for the most professionally managed agencies in each area where we see opportunities to bring Cincinnati's insurance products and services to families and businesses. Field teams introduce these agencies to the Cincinnati value proposition – customized coverage packages, multi-year commercial policies, superior claims service, our A++ rating from A.M. Best Co. and local field representatives with decision-making authority. Within the five years following an appointment, Cincinnati sets out to earn a prominent position among the carriers serving that agency. We have seen annual premiums from newly appointed agencies rise to an average of approximately $2 million by the fifth year."

2006 Catastrophe Losses

James E. Benoski, vice chairman, chief insurance officer and president, said, "Again in 2006, policyholders had ample opportunities to benefit from the Cincinnati relationship. In early October, a Midwest storm caused heavy hail damage in central Ohio, resulting in an estimated $38 million of losses for our policyholders. In late-November, another storm across the Midwest resulted in $8 million of fourth-quarter losses.

"Of the more than 12,000 catastrophe claims reported through January 31, 2007, for severe storms during 2006, more than 90 percent are already closed. Our field claims representatives' prompt responses and personal approach reflect positively on our agents, supporting their marketing efforts," Benoski noted.

2007 Property Casualty Outlook Update

Kenneth W. Stecher, chief financial officer and executive vice president commented, "While we expect competition to continue accelerating in most property casualty business lines in 2007, we believe that our strong agency relationships will lead to full-year 2007 net written premium growth in the low single digits. That growth rate takes into account an anticipated $22 million increase in reinsurance premiums we pay. Our strong financial position affords us the flexibility to help manage the increase by raising our risk retention to a slightly higher level."

Stecher added, "If catastrophe losses contribute approximately 5.5 percentage points to the ratio, we would expect the full-year combined ratio to be in the 97 percent to 99 percent range. Several factors support this view. First, the loss and loss expense ratio may move up as pricing becomes even more competitive and loss costs increase.

"Second, we continue to see favorable reserve development attributable to improving loss trends following the re-underwriting of our commercial lines business between 2000 and 2003. As more data that reflects the improved commercial lines risk profile becomes available, we should be able to improve the accuracy of our initial estimates of reserves for incurred by not yet reported claims. Over the next several years, these ongoing improvements in the accuracy of reserve estimates should result in savings from favorable development moving below this year's level.

"Finally, continued investment in people and technology may contribute to an increase in other underwriting expenses, particularly while premium growth is slowing."

Investment Strategy Key to Long-term Growth and Stability

"Our buy-and-hold equity investing strategy is key to the company's long-term growth and stability," Schiff noted. "We are looking for pretax investment income growth in the range of 6.5 percent to 7.0 percent in 2007, and we continue to invest to further build book value, an important measure of our long-term success."

Schiff noted, "In 2007, we anticipate allocating a higher proportion of cash available for investment to equity securities. We continue to identify companies with the potential for revenue, earnings and dividend growth, a strong management team and favorable outlook. These equities offer a steadily increasing flow of dividend income along with the potential for capital appreciation."

Stecher added, "When allocating available cash for investment between fixed-maturity securities, equities and share repurchase, we are mindful of rating agency capitalization measures. We believe that our strong capitalization and high insurer financial strength ratings give our agents a distinct advantage marketing to value-oriented clients."

Property Casualty Insurance Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2006	2005	Change %	**2006**	2005	Change %
Written premiums	**$ 755**	$ 727	3.8	**$ 3,178**	$ 3,076	3.3
Earned premiums	**$ 802**	$ 775	3.5	**$ 3,164**	$ 3,058	3.5
Loss and loss expenses excluding catastrophes	**458**	373	22.6	**1,833**	1,685	8.8
Catastrophe loss and loss expenses	**44**	44	1.1	**175**	127	37.9
Commission expenses	**144**	142	1.6	**596**	592	0.7
Underwriting expenses	**108**	93	14.6	**363**	319	13.9
Policyholder dividends	**4**	(2)	300.9	**16**	5	208.1
Underwriting profit	**$ 44**	$ 125	(64.6)	**$ 181**	$ 330	(45.2)
Ratios as a percent of earned premiums:						
Loss and loss expenses excluding catastrophes	**57.1 %**	48.2 %		**58.0 %**	55.1 %	
Catastrophe loss and loss expenses	**5.5**	5.6		**5.5**	4.1	
Loss and loss expenses	**62.6 %**	53.8 %		**63.5 %**	59.2 %	
Commission expenses	**18.0**	18.3		**18.8**	19.4	
Underwriting expenses	**13.3**	12.1		**11.5**	10.4	
Policyholder dividends	**0.6**	(0.3)		**0.5**	0.2	
Combined ratio	**94.5 %**	83.9 %		**94.3 %**	89.2 %	

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 (non-GAAP).

- 3.8 percent rise in fourth-quarter property casualty net written premiums, with a 3.3 percent full-year increase.
- $88 million in fourth-quarter new business written directly by agencies, up 6.3 percent. Full-year new business rose 13.5 percent to $357 million.
- 1,066 agency relationships with 1,289 reporting locations marketing our insurance products at year-end 2006, up from 1,024 agency relationships with 1,252 locations at year-end 2005.
- 94.3 percent full-year 2006 property casualty combined ratio. The ratio rose 5.1 percentage points largely because of softer pricing, higher catastrophe losses, increased loss severity, less savings from favorable development on prior period losses and higher expenses.
- $44 million in fourth-quarter 2006 catastrophe losses, reflecting $46 million from severe storms during the period and $2 million of savings from development on prior period storms. $175 million in full-year 2006 catastrophe losses contributed 5.5 percentage points to the combined ratio.

Catastrophe Loss and Loss Expenses Incurred

(In millions, net of reinsurance)			Twelve months ended December 31, 2006		
Dates	Cause of loss	Region	Commercial lines	Personal lines	Total
Mar. 11-13	Wind, hail	Midwest, Mid-Atlantic	$ 29	$ 8	$ 37
Apr. 2-3	Wind, hail	Midwest	12	5	17
Apr. 6-8	Wind, hail	South	13	24	37
Apr. 13-15	Wind, hail	South	4	6	10
Jun. 18-22	Wind, hail, flood	South	3	2	5
Jul. 19-21	Wind, hail, flood	South	4	1	5
Aug. 23-25	Wind, hail, flood	Midwest	5	2	7
Oct. 2-4	Wind, hail, flood	Midwest	7	31	38
Nov. 30 - Dec. 3	Wind, hail, ice, snow	Midwest, South	4	4	8
Other 2006 and development on 2005 and prior catastrophes			8	3	11
Totals			$ 89	$ 86	$ 175

- Fourth-quarter 2006 net savings from favorable development on prior period reserves improved the combined ratio by 10.0 percentage points. In last year's fourth quarter, savings improved the ratio by 10.3 percentage points.
- Full-year 2006 net savings from favorable development improved the combined ratio by 3.7 percentage points. In 2005, savings improved the ratio by 5.2 percentage points.
- 2007 property casualty reinsurance program finalized. Program updated to maintain balance between the cost of the programs and the level of risk retained. Estimated incremental premium increase of $22 million primarily due to higher rates.

2007 Reinsurance Programs

Treaties	Retention Summary	Comments
Property catastrophe treaty	For any one event: • Retain 100% of first $45 million in losses • Retain 5% of losses between $45 million and $200 million • Retain 14% of losses between $200 million and $300 million • Retain 18% of losses between $300 million and $500 million	• After reinsurance, our maximum exposure to a catastrophic event that caused $500 million in covered losses would be $103 million compared with $68 million in 2006. The largest catastrophe loss in our history was $87 million before reinsurance.
Property and casualty per risk treaties	For a single loss: • Retain 100% of first $4 million in losses • Retain 0% of losses between $4 million and $25 million • Obtain facultative reinsurance for losses above $25 million	• No changes in 2007
Casualty third excess treaty	• $25 million excess of $25 million	• No changes in 2007
Casualty fourth excess treaty	• $20 million excess of $50 million	• No changes in 2007

Commercial Lines Insurance Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2006	2005	Change %	**2006**	2005	Change %
Written premiums	**$ 589**	$ 548	7.5	**$ 2,442**	$ 2,290	6.7
Earned premiums	**$ 619**	$ 576	7.4	**$ 2,402**	$ 2,254	6.6
Loss and loss expenses excluding catastrophes	**357**	280	27.1	**1,377**	1,222	12.7
Catastrophe loss and loss expenses	**11**	14	(18.0)	**89**	76	16.6
Commission expenses	**113**	114	(0.4)	**444**	438	1.4
Underwriting expenses	**79**	67	16.4	**268**	228	17.8
Policyholder dividends	**4**	(2)	300.9	**16**	5	208.1
Underwriting profit	**$ 55**	$ 103	(46.4)	**$ 208**	$ 285	(27.0)
Ratios as a percent of earned premiums:						
Loss and loss expenses excluding catastrophes	**57.6 %**	48.7 %		**57.3 %**	54.2 %	
Catastrophe loss and loss expenses	**1.9**	2.4		**3.7**	3.4	
Loss and loss expenses	**59.5 %**	51.1 %		**61.0 %**	57.6 %	
Commission expenses	**18.3**	19.7		**18.5**	19.5	
Underwriting expenses	**12.6**	11.7		**11.1**	10.1	
Policyholder dividends	**0.7**	(0.4)		**0.7**	0.2	
Combined ratio	**91.1 %**	82.1 %		**91.3 %**	87.4 %	

- 7.5 percent growth in fourth-quarter commercial lines net written premiums, with a 6.7 percent full-year increase.
- $80 million in new commercial lines business written directly by agencies in fourth-quarter 2006, up 4.9 percent. Full-year new commercial lines business rose 14.9 percent to record $324 million.
- 91.3 percent full-year 2006 commercial lines combined ratio. The ratio rose 3.9 percentage points largely because of softer pricing, increasing loss severity, less savings from favorable development on prior period reserves and adoption of stock option expensing.
- Fourth-quarter 2006 net savings from favorable development on prior period reserves improved the commercial lines combined ratio by 10.0 percentage points. In last year's fourth quarter, savings improved the ratio by 9.6 percentage points.
- Full-year 2006 net savings from favorable development improved the commercial lines combined ratio by 4.1 percentage points. In 2005, savings improved the ratio by 5.6 percentage points.
- 1.0 percentage-point decrease in full-year commercial lines commission expense ratio, primarily due to lower profit-sharing commissions on lower overall underwriting profits.
- 1.0 percentage-point increase in full-year commercial lines non-commission expense ratio, excluding policyholder dividends. Higher staffing expense was the primary reason for the increase, with stock option expense contributing 0.5 percentage-points to the ratio. Higher technology expense also contributed to the increase.
- Commercial casualty, commercial property and workers' compensation – three of the company's four largest commercial business lines – reported strong net written premium growth in 2006. Healthy new business and policy retention rates offset pricing pressures due to competitive market conditions. As expected, the fourth of the largest business lines – commercial auto – saw net written premiums decline slightly due to pricing.
- Continued strong commercial lines profitability although softer pricing, increased loss severity and changes in reserve development also affected comparisons for some business lines. For the second consecutive quarter, the commercial auto and workers' compensation business lines experienced higher-than-anticipated new large losses. In the fourth quarter, new large losses in the commercial casualty business line also were higher than anticipated.
- 2007 plans include integration with agency management systems for WinCPP®, the company's online, real-time commercial lines rate quoting system used by all agencies. Plans also include roll-out of Businessowner (BOP) and Dentist's Package Policy (DBOP) capabilities in 12 additional states for e-CLAS™, the company's Web-based policy processing system currently used in seven states representing 44 percent of BOP and DBOP premiums.

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 (non-GAAP).

Personal Lines Insurance Operations

(Dollars in millions)	Three months ended December 31,			Twelve months ended December 31,		
	2006	2005	Change %	**2006**	2005	Change %
Written premiums	**$ 166**	$ 179	(7.4)	**$ 736**	$ 786	(6.4)
Earned premiums	**$ 183**	$ 199	(8.0)	**$ 762**	$ 804	(5.3)
Loss and loss expenses excluding catastrophes	**101**	93	9.3	**456**	463	(1.5)
Catastrophe loss and loss expenses	**33**	30	10.2	**86**	51	69.8
Commission expenses	**31**	28	9.6	**152**	154	(1.6)
Underwriting expenses	**29**	26	10.0	**95**	91	4.2
Underwriting profit (loss)	**$ (11)**	$ 22	(150.2)	**$ (27)**	$ 45	(160.0)
Ratios as a percent of earned premiums:						
Loss and loss expenses excluding catastrophes	**55.5 %**	46.8 %		**59.9 %**	57.6 %	
Catastrophe loss and loss expenses	**17.9**	14.9		**11.3**	6.3	
Loss and loss expenses	**73.4 %**	61.7 %		**71.2 %**	63.9 %	
Commission expenses	**16.9**	14.2		**19.9**	19.2	
Underwriting expenses	**15.7**	13.1		**12.5**	11.3	
Combined ratio	**106.0 %**	89.0 %		**103.6 %**	94.4 %	

- 7.4 percent decrease in fourth-quarter personal lines net written premiums, with a 6.4 percent full-year decrease, in part due to reduced pricing effective July 2006.
- 17.6 percent increase in new personal lines business written directly by agencies for the second half of 2006, following the pricing changes that improved agents' ability to market personal lines. With pricing reduced to better compete in the current market, agents had more opportunity to sell service and value, contributing to improved policy retention and new business growth.
- Fourth-quarter 2006 personal lines new business rose 21.3 percent to $9 million. Second-half new business growth offset the decline in the first half of 2006, leading to 1.6 percent full-year new business growth.
- 103.6 percent 2006 personal lines combined ratio. The 9.2 percentage-point increase reflected a 5.0 percentage point rise in catastrophe losses. Other factors included the decline in earned premiums, less savings from favorable development on prior period reserves, the third-quarter 2006 uptick in loss severity and higher expenses.
- Fourth-quarter 2006 net savings from favorable development on prior period reserves improved the personal lines combined ratio by 9.6 percentage points. In last year's fourth quarter, savings improved the ratio by 12.5 percentage points.
- Full-year 2006 net savings from favorable development improved the personal lines combined ratio by 2.4 percentage points. In 2005, savings improved the ratio by 4.3 percentage points.
- 0.7 percentage-point increase in full-year personal lines commission expense ratio, primarily because of higher contingent commissions due to accrual and allocation adjustments.
- 1.2 percentage point increase in personal lines non-commission expense ratio. Higher staffing expense contributed to the increase, with stock option expense adding 0.5 percentage-points to the ratio. Higher technology expense was the other significant factor in the increase.
- 82 percent of agencies writing personal lines policies now use Diamond, the company's personal lines policy processing system. Approximately 90 percent of total 2006 personal lines earned premium volume was written in the 13 active Diamond states. Agents in Pennsylvania and Virginia will begin using Diamond early this year, with several other states planned for later in 2007.
- Personal auto – the company's largest personal business line – reported another full year of healthy profitability despite a fourth-quarter uptick in the loss ratio.
- Homeowner results reflected higher catastrophe losses as well as industrywide trends of higher material costs, increased insured property values and rising deductibles. Loss severity returned to a more normal level after rising in the third quarter.

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 (non-GAAP).

Life Insurance Operations

(In millions)	Three months ended December 31,			Twelve months ended December 31,		
	2006	2005	Change %	**2006**	2005	Change %
Written premiums	**$ 41**	$ 43	(5.1)	**$ 161**	$ 205	(21.3)
Earned premiums	**$ 31**	$ 28	10.5	**$ 115**	$ 106	7.9
Investment income, net of expenses	**27**	26	4.0	**108**	99	8.4
Other income	**1**	1	(2.3)	**3**	4	(0.2)
Total revenues, excluding realized investment gains and losses	**59**	55	7.2	**226**	209	8.0
Policyholder benefits	**30**	25	22.9	**122**	102	20.1
Expenses	**18**	15	17.7	**51**	52	(1.8)
Total benefits and expenses	**48**	40	20.9	**173**	154	12.6
Net income before income tax and realized investment gains and losses	**11**	15	(29.5)	**53**	55	(5.0)
Income tax	**4**	6	(36.0)	**19**	19	(1.9)
Net income before realized investment gains and losses	**$ 7**	$ 9	(25.5)	**$ 34**	$ 36	(6.6)

- $161 million in full-year 2006 total life insurance segment net written premiums, compared with $205 million in 2005. Written premiums include life insurance, annuity and accident and health premiums.
- 12.7 percent increase to $127 million in statutory written premiums for term and other life insurance products in 2006. Since late 2005, the company has de-emphasized annuities because of an unfavorable interest rate environment. Statutory written annuity premiums decreased to $30 million in 2006 from $88 million in 2005.
- 27.2 percent rise in 2006 term life insurance written premiums reflecting competitive advantages of offering competitive, up-to-date products, providing close personal attention and exhibiting financial strength and stability.
- 10.6 percent rise in face amount of life policies in force to $56.871 billion at year-end 2006, from $51.493 billion at year-end 2005.
- $19 million increase in full-year 2006 benefits and expenses compared with 2005, principally due to reserve and mortality expense increases associated with growth and aging of life insurance in force. Mortality experience remained within pricing guidelines. Adoption of stock option expensing contributed approximately $1 million to operating expenses.
- 2007 plans include enhancement of term and other life insurance products, including an expanded worksite product portfolio, and introduction of two new universal and whole life products. The priority continues to be expansion within the insurance agencies currently marketing our property casualty insurance products.

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 (non-GAAP).

Investment Operations

(In millions)	Three months ended December 31, 2006	2005	Change %	Twelve months ended December 31, 2006	2005	Change %
Investment income:						
Interest	**$ 75**	$ 72	3.9	**$ 300**	$ 280	7.1
Dividends	**68**	63	7.4	**262**	244	7.5
Other	**4**	2	133.2	**15**	8	90.0
Investment expenses	**(2)**	(1)	(34.2)	**(7)**	(6)	(19.3)
Total net investment income	**145**	136	6.7	**570**	526	8.4
Investment interest credited to contract holders	**(14)**	(13)	(4.8)	**(54)**	(51)	(5.7)
Net realized investment gains and losses:						
Realized investment gains and losses	**11**	28	(60.9)	**678**	69	883.0
Change in valuation of embedded derivatives	**2**	(5)	131.0	**7**	(7)	200.7
Other-than-temporary impairment charges	**0**	0	(100.0)	**(1)**	(1)	41.7
Net realized investment gains (losses)	**13**	23	(46.6)	**684**	61	1,026.0
Investment operations income	**$ 144**	$ 146	(1.5)	**$ 1,200**	$ 536	124.0

- 6.7 percent increase in fourth-quarter pretax net investment income with 8.4 percent increase for the year. Fifth Third Bancorp, the company's largest equity holding, contributed 43.8 percent of 2006 full-year dividend income.
- Growth in investment income reflected new investments, higher interest income from the growing fixed-maturity portfolio and increased dividend income from the common stock portfolio. In addition, proceeds from the sale of the Alltel Corporation holding used to make the applicable tax payments in 2006 were invested in short-term instruments that generated approximately $5 million in interest income in 2006.
- $16 million annually in additional investment income expected during 2007 from dividend increases announced during 2006 by Fifth Third and another 37 of the 50 common stock holdings in the equity portfolio.
- $684 million in full-year 2006 net realized investment gains (pretax), including $647 million from the first-quarter sale of the company's holdings of Alltel common stock.

Balance Sheet

(Dollars in millions except share data)	At December 31, 2006	2005
Balance sheet data		
Invested assets	**$ 13,759**	$ 12,702
Total assets	**17,222**	16,003
Short-term debt	**49**	0
Long-term debt	**791**	791
Shareholders' equity	**6,808**	6,086
Book value per share	**39.38**	34.88
Debt-to-capital ratio	**11.0 %**	11.5 %

	Three months ended Dec. 31, 2006	2005	Twelve months ended Dec. 31, 2006	2005
Performance measures				
Comprehensive income	**$ 449#**	$ 137	**$ 1,057#**	$ 99
Return on equity	**7.9 %**	12.1 %	**14.4 %**	9.8 %
Return on equity based on comprehensive income	**27.0#**	9.1	**16.4#**	1.6

- Book value of $39.38 at year-end 2006, up $4.50 from year-end 2005 level. Invested assets rose from year-end 2005 because of new investments and appreciation in the equity portfolio. Equity portfolio returned 16.1 percent in 2006 compared with a 15.8 percent return for the Standard & Poor's 500 Index.
- $4.723 billion in statutory surplus for the property casualty insurance group at year-end 2006, up from $4.220# billion at year-end 2005. The ratio of common stock to statutory surplus for the property casualty insurance group portfolio was 97.3 percent at year-end 2006, compared with 96.4# percent at year-end 2005.
- 31.5 percent ratio of investment securities held at the holding-company level to total holding-company-only assets at year-end 2006, comfortably within management's below-40 percent target.
- 504,221 shares repurchased in fourth quarter. Full-year 2006 repurchases totaled 2,646,787 shares for a total cost of $118 million.

Notice: # – Final number – Indicates 2006 data updated from original release following completion of the quarterly reporting process.

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 (non-GAAP).

Cincinnati Financial Corporation
Consolidated Balance Sheets

(Dollars in millions except per share data)	December 31, 2006 (unaudited)	December 31, 2005
ASSETS		
Investments		
Fixed maturities, at fair value (amortized cost: 2006—$5,739; 2005—$5,387)	**$ 5,805**	$ 5,476
Equity securities, at fair value (cost: 2006—$2,621; 2005—$2,128)	**7,799**	7,106
Short-term investments, at fair value (amortized cost: 2006—$95; 2005—$75)	**95**	75
Other invested assets	**60**	45
Cash and cash equivalents	**202**	119
Investment income receivable	**121**	117
Finance receivable	**108**	105
Premiums receivable	**1,128**	1,116
Reinsurance receivable	**683**	681
Prepaid reinsurance premiums	**13**	14
Deferred policy acquisition costs	**453**	429
Land, building and equipment, net, for company use (accumulated depreciation: 2006—$261; 2005—$232)	**193**	168
Other assets	**58**	66
Separate accounts	**504**	486
Total assets	**$ 17,222**	$ 16,003
LIABILITIES		
Insurance reserves		
Loss and loss expense reserves	**$ 3,896**	$ 3,661
Life policy reserves	**1,409**	1,343
Unearned premiums	**1,579**	1,559
Other liabilities	**533**	455
Deferred income tax	**1,653**	1,622
Notes payable	**49**	0
6.125% senior notes due 2034	**371**	371
6.9% senior debentures due 2028	**28**	28
6.92% senior debenture due 2028	**392**	392
Separate accounts	**504**	486
Total liabilities	**10,414**	9,917
SHAREHOLDERS' EQUITY		
Common stock, par value-$2 per share; authorized: 2006-500 million shares, 2005-500 million shares; issued: 2006-196 million shares, 2005-194 million shares	**391**	389
Paid-in capital	**1,015**	969
Retained earnings	**2,786**	2,088
Accumulated other comprehensive income	**3,379**	3,284
Treasury stock at cost (2006—23 million shares, 2005—20 million shares)	**(763)**	(644)
Total shareholders' equity	**6,808**	6,086
Total liabilities and shareholders' equity	**$ 17,222**	$ 16,003

Cincinnati Financial Corporation
Consolidated Statements of Income

(In millions except per share data)	Three months ended December 31, **2006**	2005	Twelve months ended December 31, **2006**	2005
	(unaudited)		**(unaudited)**	
REVENUES				
Earned premiums				
Property casualty	**$ 802**	$ 775	**$ 3,163**	$ 3,058
Life	**31**	28	**115**	106
Investment income, net of expenses	**145**	136	**570**	526
Realized investment gains and losses	**12**	23	**684**	61
Other income	**5**	5	**18**	16
Total revenues	**995**	967	**4,550**	3,767
BENEFITS AND EXPENSES				
Insurance losses and policyholder benefits	**532**	442	**2,128**	1,911
Commissions	**153**	151	**630**	627
Other operating expenses	**100**	76	**354**	302
Taxes, licenses and fees	**19**	19	**77**	72
Increase in deferred policy acquisition costs	**5**	5	**(21)**	(19)
Interest expense	**14**	13	**53**	51
Total benefits and expenses	**823**	706	**3,221**	2,944
INCOME BEFORE INCOME TAXES	**172**	261	**1,329**	823
PROVISION (BENEFIT) FOR INCOME TAXES				
Current	**41**	61	**404**	188
Deferred	**1**	17	**(5)**	33
Total provision for income taxes	**42**	78	**399**	221
NET INCOME	**$ 130**	$ 183	**$ 930**	$ 602
PER COMMON SHARE				
Net income—basic	**$ 0.75**	$ 1.04	**$ 5.36**	$ 3.44
Net income—diluted	**$ 0.75**	$ 1.03	**$ 5.30**	$ 3.40

Since 1996, Cincinnati Financial has disclosed the estimated impact of stock options on net income and earnings per share in a Note to the Financial Statements. For the fourth-quarter and year ended December 31, 2005, diluted net income would have been reduced by approximately 2 cents and 8 cents per share, if option expense, calculated using the binomial option-pricing model, were included as an expense.

Inside Cincinnati

Professional Development

On February 2, 2007, Gregory T. Bier, CPA (retired), who joined the Cincinnati Financial Corporation board of directors in November 2006, was additionally appointed to boards of all insurance subsidiaries.

The board of Cincinnati Financial Corporation announced that the boards of its subsidiary companies appointed directors, officers and counsel.

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company

Michael R. Abrams, Vice President – Investments
W. Dane Donham, AIM, Vice President – Commercial Lines
David T. Groff, CPCU, FCAS, Vice President – Staff Underwriting
Robyn C. Muhlberg, Vice President – Information Technology
Ronald L. Robinson, Vice President – Field Claims
Michael B. Wedig, CPA, Vice President – Corporate Accounting
Jack Morgan, CFE, Assistant Vice President – Special Investigations
Martin D. Skidmore, Assistant Vice President – Headquarters Claims
Douglas W. Stang, FCAS, MAAA, Assistant Vice President – Staff Underwriting
James E. Streicher, CPCU, AIM, ARe, Assistant Vice President – Personal Lines
William H. Thomas, AIM, CPCU, Assistant Vice President – Commercial Lines
Anthony W. Dunn, CPA, CPCU, Secretary – Internal Audit
David F. Hartkemeier, Secretary – Bond & Executive Risk
Hollis A. Jones, AIM, Secretary – Investments
Michael W. Klenk, Secretary – Data Entry
Doris J. Kuhling, CPCU, AIM, Secretary – Headquarters Claims
Timothy D. Morris, CPCU, APA, Secretary – Premium Audit
Beth A. Scalf, Secretary – Corporate Accounting
Michael J. Donges, CPCU, Assistant Secretary – Web Content Management
Derek J. Rice, AIM, Assistant Secretary – Education & Training
Michael S. Stumpfl, ARM, CSP, Assistant Secretary – Loss Control
Geraldine Brown, Assistant Treasurer – Agency Accounting
Bernard F. Kistler, CPCU, Associate Counsel
Alan E. Mazur, Associate Counsel

The Cincinnati Life Insurance Company

Michael R. Abrams*
Robyn C. Muhlberg*
Michael B. Wedig*
Anthony W. Dunn*
Hollis A. Jones*
Roger A. Brown, FSA, MAAA, Assistant Secretary – Actuarial
Bernard F. Kistler*
Alan E. Mazur*
*Title as listed above

CinFin Capital Management Company

Hollis A. Jones*
*Title as listed above

Since the November 28, 2006 Letter to Shareholders, staff members merited promotions:

Matt Acevedo, AIC, AIM – Field Claims Manager
Linda Adams, AIM, AIS, APA, ARM, AU, CPCU – Underwriting Superintendent
Gifty Addai, CPCU – Underwriting Specialist
Matthew Addington – Senior Underwriter
Todd Allgeyer – Senior Underwriter
Debi Baker – Director, Storage
Michael Baker – Senior Systems Analyst
Doug Bauer – Field Claims Superintendent
Bill Becker IV, AIC – Field Claims Superintendent
Chris Beckman, CPCU – Underwriting Specialist
Sangita Bone – Senior Project Analyst, Information Technology
Clyde Brehm – Manager, Information Security
Rick Bridges, AIC – Associate Claims Superintendent
Holly Brobst, ARM, CPCU – Underwriting Superintendent
Edy Brown – Senior Underwriter
Jim Brown – Superintendent, Regulatory & Consumer Relations
Jim Brown, CPCU – Associate Claims Superintendent
Tom Brun – Senior Machinery & Equipment Specialist
Matt Burns, API – Underwriting Superintendent
Tom Buschelmann – Manager, Corporate Accounting
Melissa Butler, API – Senior Filings Specialist
George Caffey – Field Claims Superintendent
Kelly Chasteen – Director, Corporate Accounting
Robert Chasteen – System Analyst
Rebecca Compton – Senior Programmer
Julian Deese – Underwriting Superintendent
Jill Dicke, AIC, AIM – Claims Superintendent
Jerry DiClaudio – Senior Claims Specialist
Stephanie DiLonardo, API – Chief Underwriting Specialist
Locke Doty, AIC – Senior Claims Representative
Barb Drook, CPCU – Senior Regional Director
Candace Edmonston – Group Manager, Information Technology
Erin Engelkamp – Underwriting Specialist
Jack Farmer, AIC, SCLA – Senior Claims Specialist
Alan Ferree – Senior Claims Representative

Diane Fluegeman, APA, CPCU, PMP – Division Manager, Information Technology
Wayne Gammon, AIC – Senior Claims Specialist
Debora Glover, AIC – Senior Claims Representative
Paul Goossens – Senior Claims Representative
Kevin Green – Supervisor, Special Investigations
Steve Gregov – Regional Director
Russ Hall – Underwriting Manager
Steve Harbert – Field Claims Superintendent
Jeff Hemphill, AIC – Underwriting Specialist
David Henry, AIC – Senior Claims Specialist
Joanna Hensley – Chief Underwriting Specialist
Gretchen Herzig – Senior Claims Specialist
Brian Hetterich – Manager, Commissions
Lou Hille, AIC – Senior Claims Representative
Terri Holland – Senior Systems Analyst
Jason Hoog, AIT – Specialist, Information Technology
Robyn Jacobs – Manager, Imaging
Cory Jensen, AIC – Claims Specialist
Duane Johnson – Senior Claims Representative
Erica Jones, AIC – Claims Specialist
Tracey Jones, AIM, API – Underwriting Superintendent
Paul Jurkowski, AIC, ARM – Senior Claims Specialist
Padmaja Kandisetty – Senior Unix System Administrator
John Kay, AIC – Senior Claims Representative
Ike Kirch – Senior Underwriter
John Kozina, AIC – Senior Claims Representative
Tony Layman, AAI, AIM – Senior Underwriting Manager
Ed Lewis, AIM, CPCU, SCLA – Senior Loss Control Consultant
Tammy Loss – Senior Claims Representative
Jill Malay – Underwriting Specialist
Regina Maringer – Underwriting Superintendent
Teresa McAllister, SCLA – Senior Claims Representative
Sharon McDonald – Senior Field Auditor
Jim McGee II – Senior Machinery & Equipment Representative
Christopher Meece – Senior Underwriter
Robert Meyer – System Engineer
Mike Miller – Machinery & Equipment Specialist
Wayne Moyer, CPCU – Senior Claims Specialist
Michele Murphy – Senior Requirements Analyst
David Murphy, AIT – Specialist, Information Technology
Tracie Murray, AIC – Claims Specialist
Susan Necessary, AIS, CPIW – Senior Underwriter
Rick Nola, ARM, CIC, CPCU – Sales Field Director
David Nutt, AIM – Senior Filings Specialist
Andrew Oligny, AIC – Senior Claims Representative
Ryan Osborn – Senior Group Manager, Information Technology
Rebecca Overholser, AIC – Claims Specialist
Nancy Pashley – Field Claims Superintendent
Tony Pavelka, AIC, AIM – Field Claims Manager
Rob Pearman, Jr. – Claims Specialist
Ray Price – Systems Analyst
Cindy Prising – Senior Underwriter
Damen Proffitt – Senior Programmer
Tom Radeke – Regional Director
Jeff Roberts, AIM, API, CPCU – Senior Underwriting Manager
Ann Roda – Senior Underwriter
Bob Rook, AU – Underwriting Superintendent
Jeffery Rook, AIT – Programmer Analyst
Chad Russell, CPA, CPCU – Manager, Corporate Accounting
Doug Russum, AIC – Field Claims Superintendent
Barb Santel – Senior Analyst
Matt Sarvak – Senior Requirements Analyst
Barry Schulte – Business Analyst
Tracey Singer – Business Analyst
Dan Slaten, AIC, CPCU – Field Claims Superintendent
Jim Snyder – Claims Specialist
Brad Spicer, AIC, AIS – Associate Regional Manager
Gina Spradling, AIM – Underwriting Superintendent
Alice Stone – Director, Accounting & Agency Services
Michael Strange – Network Administrator
Katie Stubblefield – Senior Underwriter
Bryan Sturdy – Senior Underwriter
Terri Sunderman – Senior Underwriter
Tim Sunderman, AIM, API, CPCU – Underwriting Specialist
Tore Swanson, AIM, SCLA – Associate Regional Manager
Carey Taylor – Chief Underwriting Specialist
Eric Trass – Senior Loss Control Consultant
Julie Trudel – Chief Underwriting Specialist
Helen Varela, AIC, AIS – Claims Specialist
Scott Wabnitz, AIT – Senior Analyst
Dave Walker, AIC, AIM, CPCU – Regional Field Claims Manager
Brad Zimmerman, AIC – Claims Supervisor

A committee of peers recently granted quarterly *Above and Beyond the Call* (ABC) awards to Lori Avallone, Commercial Central, and Melissa Butler, Staff Underwriting. The ABC Award recognizes exemplary productivity, service and quality.

We encourage and reward associates who continue their professional insurance education, earning credentials by meeting high academic, ethical and length-of-experience standards. Several associates recently qualified for prestigious designations. Congratulations to associates who completed a series of courses to earn the *Chartered Property Casualty Underwriter (CPCU) designation*: Janice AbuBakr, Gifty Addai, Joe Ambrosiano, Tom Bier, Mitch Borton, Doug Brockway, Keith Colton, Mike Czanik, Barb Drook, Tom Dushkewich, Richard Feldner, Diane Fluegeman, Byron Frick, Jeff Geyer, Julie Hampton, Steve Holt, Mike King, Bernie Kistler, Jr., Marilyn Kreke, Mike Lane, Bill Larson, Craig Macke, Tracy Miller, Chris Monahan, Charlene Naylor, Donna Offen, Paul Pettesch, Sandy Pohlman, Jody Rhude, Karl Runkle, Brad Sherman, Damian Stark, Susanne Stewart, Jennifer West and Michael Wood; to associates who earned the *Certified Insurance Counselor (CIC) designation*: LeAnn Gregory, Mike Herron, Kathy Lander and Robert Young; to associates who earned the *Fellow Life Management Institute (FLMI) designation*: Paula Gentry, Kim Morris and Kathy Murphy; and to associates who earned the *Certified Safety Professional (CSP) designation*: Mitch Carson and Celeste VanHoutte.

The use of technology continues to enhance our traditional classroom training. We plan to offer eight Web conferences a month for agency staff in 2007. These Web conferences provide timely and focused information without the need for travel. Feedback has been overwhelmingly positive from the more than 3,800 Web conference attendees in 2006.

In January, training began in Missouri and Iowa on e-CLAS, our Commercial Lines processing system now issuing our Businessowners Package policies and Dentist's Package. Cincinnati associates travel to the field with a mobile lab – lap top computers with wireless connections – to offer hands-on e-CLAS training. After the initial classroom session, agency staff attend a follow-up Web conference 30 days later and can review online modules to cement their e-CLAS skills.

Financial Services

The company's two financial services subsidiaries continue to successfully leverage our insurance relationships and broaden our offerings. As of December 31, 2006, CFC Investment Company, which offers equipment and vehicle leases and loans, reported 2,897 accounts representing $108 million of contract receivables. CinFin Capital Management Company, which offers asset management services, reported $960 million under management in 64 accounts.

Safe Harbor

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 2006 Form 10-K, Item 1A, Risk Factors, Page 20. 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
- Inaccurate estimates or assumptions used for critical accounting estimates
- 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
- 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:
  - Downgrade of the company's financial strength ratings
  - Concerns that doing business with the company is too difficult or
  - 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
- Ability 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
- Increased competition that could result in a significant reduction in the company's premium growth rate
- Underwriting and pricing methods adopted by competitors that could allow them to identify and flexibly price risks, which could decrease our competitive advantages
- Actions of insurance departments, state attorneys general or other regulatory agencies 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 or
  - Restrict our ability to execute our business model, including the way we compensate agents
- Sustained decline in overall stock market values negatively affecting the company's equity portfolio and book value; in particular a sustained decline in the market value of Fifth Third shares, a significant equity holding
- Recession or other economic conditions or regulatory, accounting or tax changes resulting in lower demand for insurance products
- Events that lead to a significant decline in the value of a particular security and impairment of the asset
- 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
- Adverse outcomes from litigation or administrative proceedings
- Investment activities or market value fluctuations that trigger restrictions applicable to the parent company under the Investment Company Act of 1940
- Events, such as an avian flu epidemic, natural catastrophe, terrorism or construction delays, 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.

Electronic Delivery

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

Electronic delivery benefits you and your company:

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

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

Cost savings
Electronic delivery saves money for Cincinnati Financial – your company.

Plus, it's better for the environment

You can benefit from electronic delivery whether you directly hold registered shares or hold your investments through a participating brokerage/financial institution. You will need to provide an e-mail address, account number(s) and the last four digits of the Social Security number of the account holder. If you provide this information, you can give your consent for electronic delivery immediately. While you may cancel your consent for electronic delivery at any time, we are confident that you will find this option an efficient and effective way to receive important information about your investment.

To enroll, select Electronic Delivery from the Investors page of www.cinfin.com. If you hold multiple accounts directly or through a broker, you will need to separately enroll each account – including joint tenant and custodial accounts – to stop paper mailings.

Enroll Today

Cincinnati Financial Corporation offers property and casualty insurance, its main business, through The Cincinnati Insurance Company, The Cincinnati Indemnity Company and The Cincinnati Casualty Company. The Cincinnati Life Insurance Company markets life and disability income insurance and annuities. CFC Investment Company offers commercial leasing and financing services. CinFin Capital Management Company provides asset management services to institutions, corporations and individuals. For additional information about the company, please visit www.cinfin.com.

For Further Information:

Shareholder Contact: Jerry L. Litton
513-870-2639

Investor Contact: Heather J. Wietzel
513-870-2768

Media Contact: Joan O. Shevchik
513-603-5323

www.cinfin.com