FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

CINCINNATI FINANCIAL CORP

CIK:**20286**| IRS No.: **310746871** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-04604** | Film No.: **99573527**
SIC: **6331** Fire, marine & casualty insurance

Mailing Address
6200 SOUTH GILMORE ROAD
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5138702000

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, 1998 Commission file number 0-4604

CINCINNATI FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Ohio	31-0746871
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6200 S. Gilmore Road, Fairfield, Ohio	45014-5141
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (513) 870-2000

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	Exchange on Which Registered
$2.00 Par, Common	Over The Counter
5.5% Convertible Senior Debentures Due 2002	Over The Counter
6.9% Senior Debentures Due 2028	Over The Counter

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. [X] 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.

The aggregate market value of voting stock held by nonaffiliates of Cincinnati Financial Corporation was $5,055,263,346 as of March 2, 1999.

As of March 2, 1999, there were 165,906,871 shares of common stock outstanding.

Documents Incorporated by Reference

Annual Report to Shareholders for year ended December 31, 1998 (in part) into Parts I, II and IV and Registrant's Proxy Statement dated March 1, 1999 into Parts I, III and IV.

PART I

ITEM 1. BUSINESS

Cincinnati Financial Corporation ("CFC") was incorporated on September 20, 1968 under the laws of the State of Delaware. On April 4, 1992, the shareholders voted to adopt an Agreement of Merger by means of which the reincorporation of the Corporation from the State of Delaware to the State of Ohio was accomplished. CFC owns 100% of The Cincinnati Insurance Company ("CIC"), 100% of CFC Investment Company ("CFC-I") and 100% of CinFin Capital

Management Company ("CinFin"). The principal purpose of CFC is to be a holding company for CIC, CFC-I and CinFin in addition for the purpose of acquiring other companies.

CIC, incorporated in August, 1950, is an insurance carrier presently licensed to conduct multiple line underwriting in accordance with Section 3941.02 of the Revised Code of Ohio. This includes the sale of fire, automobile, casualty, bonds, and all related forms of property and casualty insurance in 50 states, the District of Columbia, and Puerto Rico. CIC is not authorized to write any other forms of insurance. CIC is in a highly competitive industry and competes in varying degrees with a large number of stock and mutual companies. CIC also owns 100% of the stock of the following insurance companies.

1. The Cincinnati Life Insurance Company ("CLIC") incorporated in 1987 under the laws of Ohio for the purpose of acquiring the business of Inter-Ocean and The Life Insurance Company of Cincinnati. CLIC acquired The Life Insurance Company of Cincinnati and Inter-Ocean Insurance Company on February 1, 1988. CLIC is licensed for the sale of life insurance and accident and health insurance in 46 states and the District of Columbia.

2. The Cincinnati Casualty Company ("CCC") (formerly the Queen City Indemnity Company), incorporated in 1972 under the laws of Ohio, is licensed in the fire and casualty insurance business on a direct billing basis in 40 states. The business of CIC and CCC is conducted separately, and there are no plans for combining the business of said companies.

3. The Cincinnati Indemnity Company ("CID"), incorporated in 1988 under the laws of Ohio, is engaged in the writing of nonstandard personal and casualty lines of insurance in 31 states. The business of CIC and CID is conducted separately, and there are no plans for combining the business of said companies.

CFC-I, incorporated in 1970, owns certain real estate in the Greater Cincinnati area and is in the business of leasing or financing various items, principally automobiles, trucks, computer equipment, machine tools, construction equipment, and office equipment.

CinFin, incorporated, yet inactive, in 1998, will offer investment management services to corporations, institutions, and high net worth individuals.

Industry segment information for revenues, income before income taxes, and identifiable assets is included on page 35 of the Company's Annual Report to Shareholders and is incorporated herein by reference (see Exhibit 13 to this filing).

As more fully discussed in pages 7 through 13 in the Company's Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing), the Company sells insurance primarily in the Midwest and Southeast through a network of a limited number (978 in 29 states at December 31, 1998) of selectively appointed independent agents, most of whom own stock in the Company. Gross written premiums by property/casualty lines increased 6% to $1.656 billion in 1998. The Company's mix of property/casualty business did not change significantly in 1998. Life and accident and health insurance (which constituted only 4% of the Company's premium income for 1998) is also sold primarily through property/casualty agencies and the growth rate of 11.4% was the result of increased sales of both traditional and interest-sensitive products.

The consolidated financial statements include the estimated liability for unpaid losses and loss adjustment expenses ("LAE") of the Company's property/casualty ("P/C") insurance subsidiaries. Property and casualty insurance is written in 50 states, the District of Columbia, and Puerto Rico. The liabilities for losses and LAE are determined using case-basis evaluations and statistical projections and represent estimates of the ultimate net cost of all unpaid losses and LAE incurred through December 31 of each year. These estimates are subject to the effect of trends in future claim severity and frequency. These estimates are continually reviewed; and as experience develops and new information becomes known, the liability is adjusted as necessary. Such adjustments, if any, are reflected in current operations.

The Company does not discount any of its property/casualty liabilities for unpaid losses and unpaid loss adjustment expenses.

There are two tables used to present an analysis of losses and LAE. The first table, providing a reconciliation of beginning and ending liability balances for 1998, 1997, and 1996, is on page 31 in the Company's Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing). The second table, showing the development of the estimated liability for the ten years prior to 1998 is presented on the next page.

The reconciliation referred to in the preceding paragraph shows a 1998 recognition of $153,311,000 redundancy in the December 31, 1997 liability. This redundancy is due in part to the effects of settling case reserves established in prior years for less than expected and also in part to the over estimation of the severity of IBNR losses. Average severity continues to increase primarily because of increases in medical costs related to workers' compensation and auto liability insurance. Litigation expenses for recent court cases on pending liability claims continue to be very costly; and judgments continue to be high and difficult to estimate. Reserves for environmental claims have been reviewed, and the Company believes that the reserves are adequate. Environmental exposures are minimal as a result of the types of risks we have insured in the past. Historically, most commercial accounts written post-date the coverages which afford clean-up costs and Superfund responses.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for anticipated changes in underwriting standards, policy provisions, and general economic trends. These trends are monitored based on actual development and are modified if necessary.

The limits on risks retained by the Company vary by type of policy, and risks in excess of the retention limits are reinsured. Because of the growth in the Company's capacity to underwrite risks and reinsurance market conditions, in 1989 and 1995, the Company raised its retention limits from $750,000 to $1,000,000 to $2,000,000, respectively, for casualty and property lines of insurance.

There are no differences between the property/casualty liabilities reported in the accompanying consolidated financial statements in accordance with generally accepted accounting principles ("GAAP") and that reported in the annual statements filed with state insurance departments in accordance with statutory accounting practices ("SAP").

ANALYSIS OF LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT
(Millions of Dollars)

<TABLE>
<CAPTION>

Year Ended December 31	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Liability for Unpaid Losses and Loss Adjustment Expenses	$631	$ 742	$ 833	$ 986	$1,138	$ 1,293	$ 1,432	$ 1,581	$ 1,702	$ 1,777	$ 1,840
Net Liability Reestimated as of:											
One Year Later	671	751	869	956	1,098	1,200	1,306	1,429	1,582	1,623	
Two Years Later	634	747	816	928	993	1,116	1,220	1,380	1,470		
Three Years Later	622	696	795	823	949	1,067	1,214	1,279			
Four Years Later	596	676	723	814	937	1,067	1,131				
Five Years Later	580	635	720	824	943	1,013					
Six Years Later	551	637	732	827	910						
Seven Years Later	558	653	734	804							
Eight Years Later	571	655	731								
Nine Years Later	571	657									
Ten Years Later	574										
Net Cumulative Redundancy	$ 57	$ 85	$ 102	$ 182	$ 228	$ 280	$ 301	$ 302	$ 232	$ 154	
Net Cumulative Amount of Liability Paid Through:											
One Year Later	$204	$ 238	$ 232	$ 280	$ 310	$ 343	$ 368	$ 395	$ 453	$ 499	
Two Years Later	321	356	397	440	498	538	578	630	732		
Three Years Later	390	446	493	546	612	663	709	801			
Four Years Later	441	497	552	611	681	734	802				
Five Years Later	467	528	588	647	718	788					
Six Years Later	485	550	610	666	743						
Seven Years Later	496	563	621	676							
Eight Years Later	502	570	631								
Nine Years Later	507	577									
Ten Years Later	512										

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Liability--End of Year	$ 1,138	$ 1,293	$ 1,432	$ 1,581	$ 1,702	$ 1,777	$ 1,840

Reinsurance Recoverable	62	72	78	109	122	112	138
Gross Liability--End of Year	$ 1,200	$ 1,365	$ 1,510	$ 1,690	$ 1,824	$ 1,889	$ 1,978
Net Reestimated Liability--Latest	$ 910	$ 1,013	$ 1,131	$ 1,279	$ 1,470	$ 1,623	
Reestimated Recoverable--Latest	96	107	113	123	118	118	
Gross Reestimated Liability--Latest	$ 1,006	$ 1,120	$ 1,244	$ 1,402	$ 1,588	$ 1,741	
Gross Cumulative Redundancy	$ 194	$ 245	$ 266	$ 288	$ 236	$ 148	

</TABLE>

The table above presents the development of balance sheet liabilities for 1988 through 1998. The top line of the table shows the estimated liability for unpaid losses and LAE recorded at the balance sheet date for each of the indicated years. This liability represents the estimated amount of losses and LAE for claims arising in all prior years that are unpaid at the balance sheet date, including losses that had been incurred but not yet reported to the Company. The upper portion of the table shows the reestimated amount of the previously recorded liability based on experience as of the end of each succeeding year. The estimate is increased or decreased as more information becomes known about the frequency and severity of claims for individual years.

The "net cumulative redundancy" represents the aggregate change in the estimates over all prior years. For example, the 1988 liability has developed a $57,000,000 redundancy over ten years and has been reflected in income over the ten years. The effects on income of the past three years of changes in estimates of the liabilities for losses and LAE for all accident years is shown in the reconciliation table, referred to above.

The lower section of the table shows the cumulative amount paid with respect to the previously recorded liability as of the end of each succeeding year. For example, as of December 31, 1998, the Company had paid $512,000,000 of the currently estimated $574,000,000 of losses and LAE that have been incurred as of the end of 1988; thus an estimated $62,000,000 of losses incurred as of the end of 1988 remain unpaid as of the current financial statement date.

In evaluating this information, it should be noted that each amount includes the effects of all changes in amounts for prior periods. For example, the amount of deficiency or redundancy related to losses settled in 1993, but incurred in 1988, will be included in the cumulative deficiency or redundancy amount for 1988 and each subsequent year. This table does not present accident or policy year development data which readers may be more accustomed to analyzing. Conditions and trends that have affected development of the liability in the past may not necessarily occur in the future. Accordingly, it may not be appropriate to extrapolate future redundancies or deficiencies based on this table.

The Company limits the maximum net loss that can arise by large risks or risks concentrated in areas of exposure by reinsuring (ceding) with other insurers or reinsurers. Related thereto, the Company's retention levels were last increased from $1,000,000 to $2,000,000 in 1995. The Company reinsures with only financially sound companies. The composition of its reinsurers has not changed, and the Company has not experienced any uncollectible reinsurance amounts or coverage disputes with its reinsurers in more than ten years.

Information concerning the Company's investment strategy and philosophy is contained on pages 18 through 22 of the Annual Report to Shareholders, incorporated herein by reference (see Exhibit 13 to this filing). The Company's primary strategy is to maintain liquidity to meet both its immediate and long-range insurance obligations through the purchase and maintenance of medium-risk fixed maturity and equity securities, while earning optimal returns on medium-risk equity securities which offer growing dividends and capital appreciation. The Company usually holds these securities to maturity unless there is a change in credit risk or the securities are called by the issuer. Historically, municipal bonds (with concentrations in the essential services, i.e. schools, sewer, water, etc.) have been attractive to the Company due to their tax exempt features. Because of Alternative Minimum Tax matters, the Company uses a blend of tax-exempt and taxable fixed maturity securities. Investments in common stocks have been made with an emphasis on securities with an annual dividend yield of at least 2 to 3 percent and annual dividend increases. The Company's strategy in equity investments is to identify approximately 10 to 12 companies in which it can accumulate 10 to 20 percent of their common stock. As a long-term investor, a buy and hold strategy has been followed for many years, resulting in an accumulation of a significant amount of unrealized appreciation on equity securities.

As of December 31, 1998, CFC employed 2,770 associates.

ITEM 2. PROPERTIES

CFC-I owns a fully leased 85,000 square feet office building in downtown Cincinnati that is currently leased to Procter and Gamble Company, an unaffiliated company, on a net, net, net lease basis. This property is carried in the financial statements at $535,000 as of December 31, 1998.

CFC-I also owns the Home Office building located on 75 acres of land in Fairfield, Ohio. This building contains approximately 380,000 square feet. The John J. and Thomas R. Schiff & Company, an affiliated company, occupies approximately 5,350 square feet, and the balance of the building is occupied by CFC and its subsidiaries. The property is carried in the financial statements at $10,832,005 as of December 31, 1998.

CFC-I also owns the Fairfield Executive Center which is located on the northwest corner of the home office property in Fairfield, Ohio. This is a four-story office building containing approximately 103,000 rentable square feet. CFC and its subsidiaries occupy approximately 91% of the building and unaffiliated tenants occupy approximately 9% of the building. The property is carried in the financial statements at $9,890,539 as of December 31, 1998.

The CLIC owns a four-story office building in the Tri-County area of Cincinnati containing approximately 127,000 square feet. At the present time, 100% of the building is currently being leased by an unaffiliated tenant. This property is carried in the financial statements at $3,807,796 as of December 31, 1998.

In addition, the Company is in the process of constructing another Home Office building to be used by CFC and its subsidiaries. This building is identical and sits adjacent to the current Home Office building. The total cost of the building is expected to be approximately $60 million. As of December 31, 1998, the Company had paid $10.6 million of such costs.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in no material litigation other than routine litigation incident to the nature of the insurance industry.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

CFC filed with the commission on March 2, 1999, definitive proxy statements and annual reports pursuant to Regulation 14A. Material filed was the same as that described in Item 4 and is incorporated herein by reference. No matters were submitted during the fourth quarter.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

This information is included in the Annual Report of the Registrant to its shareholders on the inside back cover for the year ended December 31, 1998 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 6. SELECTED FINANCIAL DATA

This information is included in the Annual Report of the Registrant to its shareholders on pages 14 and 15 for the year ended December 31, 1998 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

This information is included in the Annual Report of the Registrant to its shareholders on pages 16 through 22 for the year ended December 31, 1998 and is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) Financial Statements
The following consolidated financial statements of the Registrant and its subsidiaries, included in the Annual Report of the Registrant to its shareholders on pages 23 to 35 for the year ended December 31, 1998, are incorporated herein by reference (see Exhibit 13 to this filing).

Independent Auditors' Report
Consolidated Balance Sheets--December 31, 1998 and 1997
Consolidated Statements of Income--Years ended December 31, 1998, 1997, and 1996
Consolidated Statements of Shareholders' Equity--Years ended December 31, 1998, 1997, and 1996
Consolidated Statements of Cash Flows--Years ended December 31, 1998, 1997, and 1996.
Notes to Consolidated Financial Statements

(b) Supplementary Data
Selected quarterly financial data, included in the Annual Report of the Registrant to its shareholders on page 22 for the year ended December 31, 1998, is incorporated herein by reference (see Exhibit 13 to this filing).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements on accounting and financial disclosure requirements with accountants within the last 24 months prior to December 31, 1998.

PART III

CFC filed with the Commission on March 2, 1999 definitive proxy statements pursuant to regulation 14-A. Material filed was the same as that described in Item 10, Directors and Executive Officers of the Registrant; Item 11, Executive Compensation; Item 12, Security Ownership of Certain Beneficial Owners and Management; Item 13, Certain Relationships and Related Transactions, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Filed Documents. The following documents are filed as part of this report:
1. Financial Statements--incorporated herein by reference (see Exhibit 13 to this filing) as listed in Part II of this Report.

2. Financial Statement Schedules and Independent Auditors' Report:
Independent Auditors' Report
Schedule I--Summary of Investments Other than Investments in Related Parties
Schedule II--Condensed Financial Information of Registrant
Schedule III--Supplementary Insurance Information
Schedule IV--Reinsurance
Schedule VI--Supplemental Information Concerning Property-Casualty Insurance Operations

All other schedules are omitted because they are not required, inapplicable or the information is included in the financial statements or notes thereto.

3. Exhibits:

Exhibit 11--Statement recomputation of per share earnings for years ended December 31, 1998, 1997, and 1996
Exhibit 13--Material incorporated by reference from the annual report of the registrant to its shareholders for the year ended December 31, 1998
Exhibit 21--Subsidiaries of the registrant--information contained in Part I of this report
Exhibit 22--Published Report regarding matters submitted to vote of securityholders--notice of Annual Meeting of Shareholders and Proxy Statement dated March 1, 1999--incorporated by reference to such document previously filed with Securities and Exchange Commission, Washington, D.C., 20549
Exhibit 23--Independent Auditors' Consent
Exhibit 27--Financial Data Schedule

(b) Reports on Form 8-K--NONE

INDEPENDENT AUDITORS' REPORT

To The Shareholders and Board of Directors of
Cincinnati Financial Corporation

We have audited the consolidated financial statements of Cincinnati Financial Corporation and its subsidiaries as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, and have issued our report thereon dated February 4, 1999; such consolidated financial statements and report are included in your 1998 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedules of Cincinnati Financial Corporation and its subsidiaries, listed in Item 14(a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated 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.

DELOITTE & TOUCHE LLP

/S/ Deloitte & Touche LLP

Cincinnati, Ohio
February 4, 1999

SCHEDULE I
CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
SUMMARY OF INVESTMENTS--OTHER THAN INVESTMENTS IN RELATED PARTIES
DECEMBER 31, 1998

<TABLE>
<CAPTION>

Type of Investment	Cost	Fair Value	Amount at which shown in balance sheet
	(000 omitted)		
Fixed Maturities:			
Bonds:			
United States Government and government agencies and authorities			
The Cincinnati Insurance Company	$ 2,250	$ 2,318	$ 2,318
The Cincinnati Indemnity Company	455	499	499

The Cincinnati Casualty Company....................	403	456	456
The Cincinnati Life Insurance Company	5,935	6,250	6,250
Total..	9,043	9,523	9,523
States, municipalities and political subdivisions:			
The Cincinnati Insurance Company...................	834,022	883,173	883,173
The Cincinnati Indemnity Company...................	9,123	9,507	9,507
The Cincinnati Casualty Company....................	17,879	19,198	19,198
The Cincinnati Life Insurance Company..............	4,576	5,325	5,325
Total..	865,600	917,203	917,203
Public utilities:			
The Cincinnati Insurance Company...................	29,482	32,149	32,149
The Cincinnati Casualty Company....................	5,210	5,643	5,643
The Cincinnati Life Insurance Company..............	21,017	22,630	22,630
Total..	55,709	60,422	60,422
Convertibles and bonds with warrants attached:			
The Cincinnati Insurance Company...................	74,362	74,696	74,696
The Cincinnati Life Insurance Company..............	14,630	15,020	15,020
Cincinnati Financial Corporation...................	11,368	11,938	11,938
Total..	100,360	101,654	101,654
All other corporate bonds:			
The Cincinnati Insurance Company...................	628,963	666,330	666,330
The Cincinnati Indemnity Company...................	13,813	15,044	15,044
The Cincinnati Casualty Company....................	44,810	48,060	48,060
The Cincinnati Life Insurance Company..............	535,410	574,228	574,228
Cincinnati Financial Corporation...................	428,951	419,767	419,767
Total..	1,651,947	1,723,429	1,723,429
TOTAL FIXED MATURITIES................................	$2,682,659	$2,812,231	$2,812,231

</TABLE>

<TABLE>
<CAPTION>

(000 omitted)

Type of Investment	Cost	Fair Value	Amount at which shown in balance sheet
<S>	<C>	<C>	<C>
Equity Securities:			
Common Stocks:			
Public utilities			
The Cincinnati Insurance Company...................	$ 92,668	$ 340,208	$ 340,208
The Cincinnati Casualty Company....................	3,697	11,110	11,110
The Cincinnati Life Insurance Company..............	18,752	88,620	88,620
Cincinnati Financial Corporation...................	66,429	503,380	503,380
Total..	181,546	943,318	943,318
Banks, trust and insurance companies			
The Cincinnati Insurance Company...................	323,905	1,280,397	1,280,397
The Cincinnati Casualty Company....................	15,817	86,249	86,249
The Cincinnati Indemnity Company...................	725	806	806
The Cincinnati Life Insurance Company..............	40,094	163,457	163,457
Cincinnati Financial Corporation...................	413,892	3,130,553	3,130,553
Total..	794,433	4,661,462	4,661,462
Industrial miscellaneous and all other			
The Cincinnati Insurance Company...................	407,904	1,060,878	1,060,878
The Cincinnati Indemnity Company...................	5,505	12,678	12,678
The Cincinnati Casualty Company....................	23,997	52,093	52,093
The Cincinnati Life Insurance Company..............	53,075	134,283	134,283
Cincinnati Financial Corporation...................	70,852	147,901	147,901
Total..	561,333	1,407,833	1,407,833
Nonredeemable preferred stocks			
The Cincinnati Insurance Company...................	290,750	323,105	323,105
The Cincinnati Casualty Company....................	2,500	2,325	2,325

The Cincinnati Indemnity Company	934	990	990
The Cincinnati Life Insurance Company	72,989	73,817	73,817
Cincinnati Financial Corporation	38,721	41,967	41,967
Total	405,894	442,204	442,204
TOTAL EQUITY SECURITIES	$1,943,206	$7,454,817	$ 7,454,817
Other Invested Assets:			
Mortgage loans on real estate			
The Cincinnati Life Insurance Company	$ 3,043	XXXXXX	$ 3,043
CFC-I Investment Company	11,510	XXXXXX	11,510
Total	14,553	XXXXXX	14,553
Real estate			
The Cincinnati Life Insurance Company	3,808	XXXXXX	3,808
CFC-I Investment Company	664	XXXXXX	664
Total	4,472	XXXXXX	4,472
Policy loans			
The Cincinnati Life Insurance Company	22,424	XXXXXX	22,424
Notes receivable			
CFC-I Investment Company	16,453	XXXXXX	16,453
TOTAL OTHER INVESTED ASSETS	$ 57,902	XXXXXX	$ 57,902
TOTAL INVESTMENTS	$4,683,767	XXXXXX	$10,324,950

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SCHEDULE II CINCINNATI FINANCIAL CORPORATION

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(000 OMITTED)

<TABLE>
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Condensed Statements of Income (Parent Company Only)

For the Years ended December 31	1998	1997	1996
Income			
<S>	<C>	<C>	<C>
Dividends from Subsidiaries	$ 75,000	$ 125,000	$ 85,000
Investment Income	95,106	87,312	81,220
Realized Losses (Gains) on Investments	(23)	4,415	2,232
Other	2,739	99	0
Total	$ 172,822	$ 216,826	$ 168,452
Expenses			
Interest	$ 27,070	$ 20,306	$ 20,098
Other	9,305	8,568	6,620
Total Expenses	36,375	28,874	26,718
Income Before Taxes and Earnings of Subsidiaries	136,447	187,952	141,734
Applicable Income Taxes	9,372	11,066	9,760
Net Income Before Change in Undistributed Earnings of Subsidiaries	127,075	176,886	131,974
Increase in Undistributed Earnings of Subsidiaries	114,492	122,489	91,786
Net Income	$ 241,567	$ 299,375	$ 223,760

</TABLE>

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Condensed Balance Sheets (Parent Company Only)

December 31	1998	1997
<S>	<C>	<C>

Assets		
Cash	$ 21,421	$ 6,942
Fixed Maturities, at Fair Value	431,704	427,275
Equity Securities, at Fair Value	3,823,801	2,915,049
Investment Income Receivable	21,431	18,569
Inter-Company Dividends Receivable	20,000	50,000
Equity in Net Assets of Subsidiaries	2,911,439	2,525,086
Finance Receivables	4,221	7,829
Other Assets	41,778	7,101
Total Assets	$7,275,795	$5,957,851
Liabilities		
Notes Payable	$ 0	$ 265,564
Dividends Declared but Unpaid	25,564	22,704
Federal Income Tax		
Current	8,316	10,729
Deferred	1,133,387	863,298
5.5% Convertible Senior Debentures Due 2002	51,919	58,430
6.9% Senior Debentures Due 2028	419,601	0
Other Liabilities	16,072	20,161
Total Liabilities	$1,654,859	$1,240,886
Stockholders' Equity	5,620,936	4,716,965
Total Liabilities and Stockholders' Equity	$7,275,795	$5,957,851

</TABLE>

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SCHEDULE II CINCINNATI FINANCIAL CORPORATION
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(000 OMITTED)

Condensed Statements of Cash Flows (Parent Company Only)
For the Years ended December 31

<S>	1998 <C>	1997 <C>	1996 <C>
Operating Activities			
Net Income	$ 241,567	$ 299,375	$ 223,760
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Amortization	(385)	(624)	(782)
Increase in Investment Income Receivable	(2,862)	(228)	(2,602)
(Decrease) Increase in Current Federal Income Taxes Payable	(2,413)	1,307	1,733
Provision for Deferred Income Taxes	642	159	1,116
Decrease (Increase) in Dividends Receivable from Subsidiaries	30,000	(29,500)	(7,973)
(Increase) Decrease in Other Assets	(34,677)	3,417	(6,928)
(Decrease) Increase in Other Liabilities	(4,089)	11,806	3,391
Increase in Undistributed Earnings of Subsidiaries	(114,492)	(122,489)	(91,786)
Realized Losses (Gains) on Investments	23	(4,415)	(2,232)
Net Cash Provided by Operating Activities	113,314	158,808	117,697
Investing Activities			
Sale of Fixed Maturity Investments	30,805	62,712	78,701
Maturity of Fixed Maturity Investments	68,396	77,380	6,807
Sale of Equity Security Investments	7,125	9,982	36,825
Collection of Finance Receivables	3,608	1,330	-0-
Purchase of Fixed Maturity Investments	(132,759)	(119,592)	(139,934)
Purchase of Equity Security Investments	(116,530)	(40,834)	(52,282)
Investment in Finance Receivables	-0-	(9,159)	-0-
Net Cash Used in Investing Activities	(139,355)	(18,181)	(69,883)

Financing Activities

(Decrease) Increase in Other Short-Term Borrowings....	(265,564)	3,466	41,093
Proceeds from Issue of 6.9% Senior Debentures.........	419,593	0	0
Payment of Cash Dividends.............................	(99,522)	(88,405)	(79,203)
Purchase/Issuance of Treasury Shares..................	(24,301)	(60,714)	(8,963)
Proceeds from Stock Options Exercised.................	10,314	6,474	3,399
Net Cash Provided by (Used in) Financing Activities...	40,520	(139,179)	(43,674)
Increase in Cash......................................	14,479	1,448	4,140
Cash at Beginning of Year.............................	6,942	5,494	1,354
Cash at End of Year...................................	$ 21,421	$ 6,942	$ 5,494

</TABLE>

SCHEDULE III

CINCINNATI FINANCIAL CORPORATION & SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
FOR YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996
(000 omitted)

<TABLE>
<CAPTION>

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Segment	Deferred Policy Acquisition Cost	Future Policy Benefits Losses, Claims & Expense Losses	Unearned Premiums	Other Policy Claims & Benefits Payable	Premium Revenue	Net Investment Income(3)	Benefits, Claims Losses & Settlement Expenses
1998							
Commercial Lines Insurance	$ --(3)	$1,644,823	$ 287,148	$ --(3)	$1,019,463	$ --	$ 725,621
Personal Lines Insurance	--(3)	333,637	171,722	--(3)	523,176	--	427,262
Total Property/Liability Insurance	86,611	1,978,460	458,870	50,422	1,542,639	--	1,152,883
Life/Health Insurance	56,285	544,093	825	15,480	70,096	--	68,235
Grand Total	$ 142,896	$2,522,553	$ 459,695	$65,902	$1,612,735	$ --	$1,221,118
1997							
Commercial Lines Insurance	$ --(3)	$1,567,436	$ 285,401	$ --(3)	$ 983,761	$ --	$ 624,639
Personal Lines Insurance	--(3)	321,447	156,677	--(3)	469,765	--	370,847
Total Property/Liability Insurance	83,759	1,888,883	442,078	24,614	1,453,526	--	995,486
Life/Health Insurance	51,554	491,374	976	14,110	62,852	--	59,438
Grand Total	$ 135,313	$2,380,257	$ 443,054	$38,724	$1,516,378	$ --	$1,054,924
1996							
Commercial Lines Insurance	$ --(3)	$1,528,093	$ 282,796	$ --(3)	$ 947,007	$ --	$ 669,169
Personal Lines Insurance	--(3)	296,203	141,691	--(3)	419,537	--	362,086
Total Property/Liability Insurance	79,914	1,824,296	424,487	35,500	1,366,544	--	1,031,255
Life/Health Insurance	47,674	448,969	1,263	12,683	56,353	--	55,850
Grand Total	$ 127,588	$2,273,265	$ 425,750	$48,183	$1,422,897	$ --	$1,087,105

<CAPTION>

Column A	Column I	Column J	Column K
Segment	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premium Written
1998			
Commercial Lines Insurance	$ --(3)	$ --(3)	$1,019,786

Personal Lines Insurance	--(3)	--(3)	537,795
Total Property/Liability Insurance	365,183	91,414	1,557,581
Life/Health Insurance	11,465	20,655	8,392(4)
Grand Total	$ 376,648	$112,069	$1,565,973
1997			
Commercial Lines Insurance	$ --(3)	$ --(3)	$ 987,446
Personal Lines Insurance	--(3)	--(3)	484,157
Total Property/Liability Insurance	305,336	130,960	1,471,603
Life/Health Insurance	9,056	17,737	8,112(4)
Grand Total	$ 314,392	$148,697	$1,479,715
1996			
Commercial Lines Insurance	$ --(3)	$ --(3)	$ 952,791
Personal Lines Insurance	--(3)	--(3)	430,734
Total Property/Liability Insurance	287,222	98,844	1,383,525
Life/Health Insurance	7,890	16,879	7,652(4)
Grand Total	$ 295,112	$115,723	$1,391,177

</TABLE>

Notes to Schedule III:

(1) The sum of columns C, D, & E is equal to the sum of Losses and loss expense reserves, Life policy reserves, and Unearned premium reserves reported in the Company's consolidated balance sheets.

(2) The sum of columns I & J is equal to the sum of Commissions, Other operating expenses, Taxes, licenses, and fees, Increase in deferred acquisition costs, and other expenses shown in the consolidated statement of income, less other expenses not applicable to the above insurance segments.

(3) 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 and assess their performance.

(4) Amounts represent written premiums on accident and health insurance business only.

SCHEDULE IV CINCINNATI FINANCIAL CORPORATION AND SUBSIDIARIES
REINSURANCE
FOR YEARS ENDING DECEMBER 31, 1998, 1997, AND 1996
(000 omitted)

<TABLE>
<CAPTION>

Column A	Column B	Column C	Column D	Column E	Column F
	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
<S>	<C>	<C>	<C>	<C>	<C>
1998					
Life Insurance in Force	$13,048,209	$ 3,080,996	$ 11,647	$ 9,978,860	.1%
Premiums					
Commercial Lines Insurance	$ 1,055,769	$ 74,251	$ 37,945	$ 1,019,463	3.7%
Personal Lines Insurance	544,153	21,822	845	523,176	.2%
Total Property/Liability Insurance	1,599,922	96,073	38,790	1,542,639	2.5%
Life/Health Insurance	75,657	5,682	121	70,096	.2%

Grand Total Premiums	$ 1,675,579	$ 101,755	$ 38,911	$ 1,612,735	2.4%
	===========	===========	===========	===========	
1997					

Life Insurance in Force	$10,844,743	$ 1,313,957	$ 13,631	$ 9,544,417	.1%
	===========	===========	===========	===========	
Premiums					
Commercial Lines Insurance	$ 1,016,586	$ 74,137	$ 41,157	$ 983,606	4.2%
Personal Lines Insurance	489,643	20,260	537	469,920	.1%
	-----------	-----------	-----------	-----------	
Total Property/Liability Insurance	1,506,229	94,397	41,694	1,453,526	2.9%
	-----------	-----------	-----------	-----------	
Life/Health Insurance	68,073	5,357	136	62,852	.2%
	-----------	-----------	-----------	-----------	
Grand Total Premiums	$ 1,574,302	$ 99,754	$ 41,830	$ 1,516,378	2.8%
	===========	===========	===========	===========	
1996					

Life Insurance in Force	$ 9,775,948	$ 1,272,331	$ 15,919	$ 8,519,536	.2%
	===========	===========	===========	===========	
Premiums					
Commercial Lines Insurance	$ 978,460	$ 72,219	$ 40,681	$ 946,922	4.3%
Personal Lines Insurance	438,341	19,177	458	419,622	.1%
	-----------	-----------	-----------	-----------	
Total Property/Liability Insurance	1,416,801	91,396	41,139	1,366,544	3.0%
	-----------	-----------	-----------	-----------	
Life/Health Insurance	60,994	4,749	108	56,353	.2%
	-----------	-----------	-----------	-----------	
Grand Total Premiums	$ 1,477,795	$ 96,145	$ 41,247	$ 1,422,897	2.9%
	===========	===========	===========	===========	

</TABLE>

SCHEDULE VI

CINCINNATI FINANCIAL CORPORATION & SUBSIDIARIES
SUPPLEMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
FOR YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996
(000 omitted)

<TABLE>
<CAPTION>

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Affiliation with Registrant	Deferred Policy Acquisition Costs	Reserves for Unpaid Claims and Claim Adjustment Expenses	Discount, if any, Deducted in Column C	Unearned Premiums	Earned Premiums	Net Investment Income
Consolidated Property-Casualty Entities						
<C>	<C>	<C>	<C>	<C>	<C>	<C>
1998	$86,611	$1,978,460	$0	$458,870	$1,542,639	$203,919
====	=======	==========	==	========	==========	========
1997	$83,759	$1,888,883	$0	$442,078	$1,453,526	$199,427
====	=======	==========	==	========	==========	========
1996	$79,914	$1,824,296	$0	$424,487	$1,366,544	$190,318
====	=======	==========	==	========	==========	========

Column A	Column B	Column C	Column D	Column E	Column F	Column G
--------	--------	--------	--------	--------	--------	--------

<CAPTION>

Affiliation with Registrant	Claims and Claim Adjustment Expenses Incurred Related to (1) Current Year	(2) Prior Years	Amortization of Deferred Policy Acquisition Costs	Paid Claims and Claim Adjustment Expenses	Premiums Written
Consolidated Property-Casualty Entities					
<S>	<C>	<C>	<C>	<C>	<C>
1998	$1,306,194	$(153,311)	$365,183	$1,089,208	$1,557,581
====	==========	=========	========	==========	==========
1997	$1,115,140	$(119,654)	$305,336	$921,253	$1,471,603
====	==========	=========	========	==========	==========
1996	$1,183,251	$(151,996)	$287,222	$909,582	$1,383,525
====	==========	=========	========	==========	==========

</TABLE>

Index of Exhibits

Exhibit 11--Statement recomputation of per share earnings for the years ended December 31, 1998, 1997, and 1996

Exhibit 13--Material incorporated by reference from the annual report of the registrant to its shareholders for the year ended December 31, 1998

Exhibit 21--Subsidiaries of the registrant--information contained in Part I of this report

Exhibit 22--Notice of Annual Meeting of Shareholders and Proxy Statement dated March 1, 1999--incorporated by reference to such document previously filed with Securities and Exchange Commission, Washington, D.C., 20549

Exhibit 23--Independent Auditors' Consent

Exhibit 27--Financial Data Schedule

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

Signature	Title	Date
/s/ Robert B. Morgan ------------------------ Robert B. Morgan	Chief Executive Officer, President and Director	March 12, 1999
/s/ Theodore F. Elchynski --------------------------- Theodore F. Elchynski	Senior Vice President Chief Financial Officer Treasure and Secretary (Principal Financial Officer) (Principal Accounting Officer)	March 12, 1999
/s/ William F. Bahl	Director	March 12, 1999

William F. Bahl		
Michael Brown	Director	March ,1999
/s/ Richard Burridge Richard Burridge	Director	March 12, 1999
John E. Field	Director	March , 1999
William R. Johnson	Director	March , 1999
/s/ Kenneth C. Lichtendahl Kenneth C. Lichtendahl	Director	March 12, 1999
James G. Miller	Senior Vice President Chief Investment officer and Director	March , 1999

Signature	Title	Date
/S/ Jackson H. Randolph Jackson H. Randolph	Director	March 12, 1999
/S/ John J. Schiff, Jr. John J. Schiff, Jr.	Chairman of the Board and Director	March 12, 1999
Robert C. Schiff	Director	March , 1999
/S/ Thomas R. Schiff Thomas R. Schiff	Director	March 12, 1999
Frank J. Schultheis	Director	March , 1999
/S/ Larry R. Webb Larry R. Webb	Director	March 12, 1999
/S/ Alan R. Weiler Alan R. Weiler	Director	March 12, 1999
E. Anthony Woods	Director	March , 1999

EXHIBIT 11

CINCINNATI FINANCIAL CORPORATION
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(000's omitted except per share amounts)

<TABLE>
<CAPTION>

	1998	1997	1996
Basic Earnings per share:			
<S>	<C>	<C>	<C>
Net income	$241,567	$299,375	$223,760
Average shares outstanding	166,821	165,538	167,209
Net income per common share	$ 1.45	$ 1.81	$ 1.34
Diluted earnings per share:			
Net income	$241,567	$299,375	$223,760
Interest on convertible debentures--net of tax	1,918	2,712	2,859
Net income for per share calculation (diluted)	$243,485	$302,087	$226,619
Average shares outstanding	166,821	165,538	167,209
Effective of dilutive securities:			
5.5% convertible senior debentures	3,490	3,928	5,368
Stock options	1,767	1,329	769
Total dilutive shares	172,078	170,795	173,346
Net income per common share--diluted	$ 1.41	$ 1.77	$ 1.31

</TABLE>

Per share amounts reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998.

EXHIBIT 13

SEGMENT INFORMATION FROM PAGE 35 (INCORPORATED INTO ITEM 1).

16. SEGMENT INFORMATION

The Company is organized and operates principally in two industries and has four reportable segments - commercial lines property and casualty insurance, personal lines property and casualty insurance, life insurance and investment operations. The accounting policies of the segments are the same as those described in the basis of presentation. Revenue is primarily from unaffiliated customers. Identifiable assets by segment are those assets, including investment securities, used in the Company's operations in each industry. Corporate and other identifiable assets are principally cash and marketable securities. Segment information, for which results are regularly reviewed by Company management in making decisions about resources to be allocated to the segments and assess their performance, is summarized as follows (000's omitted):

<TABLE>
<CAPTION>

	Years Ended December 31,		
REVENUES	1998	1997	1996
<S>	<C>	<C>	<C>
Commercial lines insurance	$ 1,019,463	$ 983,605	$ 946,923
Personal lines insurance	523,176	469,921	419,621
Life insurance	70,096	62,852	56,353
Investment operations	433,302	417,827	375,253
Corporate and other	8,252	8,179	10,599
Total revenues	$ 2,054,289	$ 1,942,384	$ 1,808,749
INCOME BEFORE INCOME TAXES			
Property and casualty insurance ...	$ (59,438)	$ 28,955	$ (44,449)
Life insurance	(1,776)	2,763)	(2,906)
Investment operations	403,925	390,850	353,157
Corporate and other	(35,604)	(28,009)	(23,381)
Total income before income taxes	$ 307,107	$ 394,559	$ 282,421
IDENTIFIABLE ASSETS			
Property and casualty insurance ...	$ 5,483,137	$ 4,953,259	$ 3,986,658
Life insurance	1,203,908	1,094,445	902,354
Corporate and other	4,399,458	3,445,721	2,156,502
Total identifiable assets	$ 11,086,503	$ 9,493,425	$ 7,045,514

</TABLE>

TEXT DATA FROM PAGES 7 THROUGH 13 (INCORPORATED INTO ITEM 1).

IS CFC'S GEOGRAPHICAL EXPANSION DRIVING HIGHER CATASTROPHE LOSSES?

BOB MORGAN:

"No. Broader geographical scope is a positive. Roughly 75 percent of 1998 catastrophe losses occurred in core states--the dozen highest volume states where we've marketed for 15 years or longer. We had about $100 million in business from states entered since 1994--Maryland, Arkansas, Minnesota, North Dakota, Montana and New York. We're on a good pace but don't have the volume that creates catastrophe exposure."

J.F. SCHERER:

"Generally, we launch new territories with commercial business, appointing agencies for personal lines as the relationship becomes established and they understand our field underwriting philosophy. While we're moving more quickly now to introduce personal lines, those newer states just don't have the concentration of personal policies often associated with catastrophe claims."

"Field personnel operate out of their homes and come around often to build personal relationships. They will tackle just about anything and it makes life easier."

John H. Root, The A.C. Root Agency, Inc., Clinton, IA

TIM TIMMEL:

"Hail in Kentucky and Hurricane Georges across several southern states led this year's storm claims activity. Only two of our 29 states escaped this year's severe weather, and those were North Dakota and Montana, two newer states."

ARE YOU CHANGING THE WAY YOU WORK WITH AGENTS?

J.F. SCHERER:

"We don't take a cookie-cutter approach to who represents us and how we treat them. Our agencies come in all sizes and have different appetites. Our job is to be quick and flexible enough to stay attuned to larger, as well as smaller, agencies. Marketing representatives in the field have an enormous amount of authority and decision-making flexibility to work with each agency differently, as justified by the particular circumstance.

"We'll ask agents to consolidate the carriers in their offices and give us a larger portion of their business. Average agency volume is about $8.8 million and our part of that is about $1.6 million per agency, just shy of 20 percent penetration. There is opportunity."

"Many companies tell us how much they value their relationships with agents...but it is an honor to represent a company that `walks the talk.'"

Terry L. Williams, CIC, Langford Insurance Agency, Vienna, VA

JACK SCHIFF, JR.:

"We continue to help them build their own success in their communities. Agencies can differentiate themselves by having an exclusive Cincinnati contract and getting the benefits of our claim service for their policyholders. We give them a valuable franchise."

HOW WILL YOU INCREASE AGENCY PENETRATION?

TOM JOSEPH:

"More and better insurance products extend our capabilities to meet changing needs. For example, this year we introduced Worldwide Commercial General Liability, Actual Loss Sustained Business Income and Contractors' Limited Pollution Liability. We updated our

Building and Personal Property coverage form and package policies for artisan contractors and religious institutions."

LARRY PLUM:

"We'll make doing business with Cincinnati easier. We'll offer agencies incentive loans, agency perpetuation planning, advice from management consultants and peer roundtables. In 1998, we started sending people into agents' offices to process the transfer of blocks of business from other carriers to Cincinnati. In 1999, we'll help agents develop best practices for personal lines marketing. In 2000, agents will have a new direct bill option."

"Cincinnati is by far the best in the commercial market. Their umbrella is as broad as I've seen and their rates are competitive."

Dick Lash, Hubbard-Insurance Agency, Farmville, VA

BOB MORGAN:

"We'll ask for business. Marketing representatives, executives, underwriters...we'll all increase our presence in agencies."

WHAT IS CFC DOING TO OVERCOME COMMERCIAL MARKETPLACE CHALLENGES?

JACK SCHIFF, JR.:

"We have the underwriting expertise and discipline to leave business on the table when there is no reasonable profit expectation. Years of industry price competition have created thin margins, so we look closely at risks with unsatisfactory loss records and sustain the relationship by correcting the rate. We nurture the agency relationship and encourage renewal business."

"It was my first experience working with the special risks unit. Thanks for your `We can make this happen!' approach."

Michael S. Steiner, CPCU, CIC, Steiner Insurance Agency, Inc., Wooster, OH

J.F. SCHERER:

"Carriers are standing in line to write policies at any price. Our greatest strength is informed and experienced underwriters sitting in the agent's office or the policyholder's business and discerning if we should accept the risk, if it needs an innovative form, what price should be charged. That's why agents gave Cincinnati $218 million of new business in 1998, enough to offset soft pricing and increase property and casualty net written premiums 5.8 percent. Commercial premiums grew 3.3 percent with a 61 percent loss ratio. We balance growth and profitability."

TOM JOSEPH:

"We compete on value more than price. That means rapid quoting ability, claim service superiority, loss control services for workers' compensation accounts, broad coverages backed by financial strength. We are positioning ourselves to handle larger, more sophisticated accounts. We have filings in all 50 states so we can handle multi-state risks."

"Our claims representative met me at an insured's on a holiday to assess a loss and made instant contacts with VIP clients at our request."

Steven L. Squires, CPCU, CIC
Norman E. Johnson, Inc., Madison, WI

We have filings in all 50 states so we can handle multi-state risks. Our special accounts unit helped remove barriers to writing 82 new jumbo accounts with premiums averaging over $100,000 each."

WHAT IS CFC DOING TO DRIVE PROFITABLE GROWTH IN PERSONAL LINES?

BOB MORGAN:

"Profitable is the operative word. While personal insurance premiums grew 11 percent in 1998, the loss ratio was 73.8 percent. We're addressing this with homeowners rate increases in the three to five percent range in selected territories and with a 1999 re-underwriting program for about 200 agencies."

LARRY PLUM:

"Cincinnati maintains quality features other insurers have restricted, such as our guaranteed replacement cost, a three-year guarantee that rates won't increase, water damage coverage and an economic way to cover home businesses. In 1999, we'll have electronic transfer technology in our property casualty worksite marketing program. It will give us billing flexibility to be a player as the payroll deduction market takes off."

J.F. SCHERER:

"More agents are recognizing the stability a solid personal lines book brings and how welcome that is. We allow the agent both the responsibility and privilege of deciding which policyholders get written. Cross-functional teams of marketing, underwriting, claims and information systems people continue to show agents the why and how of rolling over profitable business, moving it to Cincinnati from other carriers less committed to this marketplace and to agency distribution."

"Thank you. Cincinnati has once again proven why our agency's trust in placing two-thirds of our volume with you is not misplaced."

Chuck Mason, Mason Insurance Agency, Inc., Orange, VA

ARE CHANGES INITIATED BY CINCINNATI LIFE'S NEW LEADERS HAVING AN IMPACT?

TED ELCHYNSKI:

"Cincinnati Life's net income decreased to $21.5 million this year from $29.2 million last year. The difference came from a $6.5 million swing in net realized capital gains and higher expenses to revamp the product line and expand distribution."

DAVE POPPLEWELL:

"Activity is already picking up with introduction of our first wave of LifeHorizons brand products. In the second half of 1998, we introduced a new non-smoker worksite marketing product agents like, plus competitive term insurance products and a Roth IRA. Net written premiums rose

"Our agency exceeded our 1998 life production goal. We couldn't have done it without your brilliant underwriting."

Bob Redel, CLU, ChFC, LUTCF, AEP,
Naught-Naught Agency, Jefferson City, MO

20 percent. We project that premiums could grow at a 15-20 percent compound rate over the next five years.

"1999 roll-outs will include more products where we have a core competency, like Long-Term Guarantee Universal Life and Last Survivor Universal Life. We're working on giving agents a complete line, supplying non-core products through private label agreements with a third party--long-term care, disability income and equity products, including variable life. Cincinnati Life should be ready to meet the needs of 80-85 percent of an agent's clients. Agents will have a full range of choices to fund retirements and estate plans, preserve assets, provide pure life protection for some folks and appeal to others who want interest-sensitive products."

WHAT STEPS ARE PLANNED TO INCREASE THE CONTRIBUTION FROM THIS BUSINESS AREA?

DAVE POPPLEWELL:

"We'll increase penetration in property casualty agencies with this new generation of policies, and we'll develop an increased role for regional directors in finding business life solutions for commercial lines customers. To lower unit costs and accelerate revenues, we've started to appoint independent life agents and worksite marketers in Texas, California and other locations where Cincinnati has chosen not to have a property casualty presence. We can leverage our worksite marketing expertise and that's a booming market."

BOB MORGAN:

"Our professionalism and knowledge of the market surpasses our competitors. We have a better persistency ratio than our competitors. Our goal, over the next five years, is to more than double this year's $110 million of written premium. People are going to be excited about the results."

HOW DOES YOUR LEASING COMPANY COMPLEMENT THE INSURANCE OPERATIONS?

TED ELCHYNSKI:

"CFC Investment Company increased revenues 16.7 percent and net income

"It is phenomenal how quickly your department responds when it really counts--at the time the promise of the policy is completed."

Dannie R. Fouts, CLU, Hummel & Plum
Life Insurance Agency, Circleville, OH

36.5 percent in 1998, to just over $3 million. That's mainly from vehicle and equipment leasing and financing services we make available to agents and their business insurance customers. This year we initiated a real estate mortgage program for owner-occupied buildings and wrote a lot of incentive leases for agents who agreed to meet premium production goals. We wrote a $1 million lease this year for a Maryland agent and see some golden opportunities to write more of these larger leases. Our growing field staff is calling on agents and their business policyholders in more areas."

WHAT PROGRESS IS CFC MAKING TOWARD YOUR $2 BILLION PREMIUM GOAL?

J.F. SCHERER:

"Two years ago, our planning committee looked ahead at all of the milestones we'll reach in the year 2000. It will be our 50th anniversary and our new $65 million headquarters building will be completed. Our new CEO will be in place and major technology initiatives will cause dramatic changes as agents, field associates and headquarters share policy information via an intranet. We suggested an ambitious goal for total property casualty and life premiums, ~$2 billion in direct written premium for the year 2000, to get our associates and agents on board for these changes and geared up to make the most of the opportunities they bring."

JACK SCHIFF, JR.:

"This year's total direct written premiums exceeded $1.7 billion. The year 2000 goal may yet be attainable with great effort and help from the marketplace, in the form of firmer prices for some commercial lines. We'll balance growth with profitability. But the goal was never about just reaching some magical premium level. It's about improving our processes, taking our service and technology to the next level, inviting associates at all levels to step forward with ideas and take ownership of the Company's success in the next millennium. That's where we see clear progress."

"Our insured would not change companies for the lower premium. The service has been excellent and that was the final deciding factor."

John D. Smith, CIC, Clark/Colton Insurance
Agency, Inc., Hinsdale, NH

TIM TIMMEL:

"Operationally, we're continuing to be innovative and productive. By educating associates, adopting the team approach and targeting process improvement, the commercial lines area handled 14 percent more files with no additional work hours and 27 percent fewer processing errors in 1998 versus 1997. They are now sending out cross-sell information about leasing services with their policies, dissolving department boundaries to meet corporate goals. The Claims Department reduced glass replacement costs while preserving customer choice, potentially saving about $2 million per year. And they've offered claimants the settlement option of Cincinnati Life annuities, doubling the structured settlement annuities written in 1998 to $16.7 million."

"Cincinnati's loss control recommendations are based on sound risk management principles and are well received by our clients."

Ken Kratovil, ARM, AAI
Wagner Agency, Inc., Pittsburgh,PA

TED ELCHYNSKI:

"Associates have increased their knowledge and skills to prepare for challenges of the next few years. Technology training for systems like the one implemented this year for accounting is

extensive. Over the years leading up to 2000, we're investing $9.5 million to upgrade or replace systems. Ninety percent of that work is done now. Costs are now leveling off, but we'll continue to see benefits of increased efficiency in areas from claims to underwriting and from personnel to life insurance."

"I was impressed with the corporate culture and accessibility of the executives. Your people and their collective experience is your greatest asset."

John Daloisio, CPCU, CLU, Echnoz, Scalzott &
Schutzman Insurance Group, Kittanning, PA

HOW DID CFC'S INVESTMENT PORTFOLIO PERFORM IN 1998?

JIM MILLER:

"Our 5.6 percent growth rate for investment income was very good by industry standards. Income of $368 million was a record, yet short of the double-digit growth we target internally for two reasons. One, we had less cash to invest due to catastrophe claims payments. Two, low interest rates led to a high rate of bond calls and proceeds couldn't be reinvested at comparable yields. That's why we invested in shorter-term bonds, keeping those funds liquid, and in tax-exempt municipal bonds, where higher after-tax yields flow to net income. Plus, we repurchased 736,240 shares of CFC stock during 1998, paying $33.86 per share on average. "

JACK SCHIFF, JR.:

"On the bright side, dividends from our equity portfolio rose. We're concentrated in 57 stocks and 43 of them announced dividend increases in 1998, adding $16.4 million to annualized dividend income. We have an equity focus and a total return philosophy, so we look to equities for both income and appreciation. At the end of 1998, equity values rose, increasing net worth. The balance sheet shows shareholders' equity up 19.2 percent to $5.621 billion and assets up 16.8 percent to $11.087 billion. Those are all-time highs."

BOB MORGAN

"Our investment team really has an expertise in high-yield bonds, municipal bonds, convertibles and common stock. We formed CinFin Capital Management this year and will begin during 1999 to offer asset management services externally, to other companies and insurance agencies. We'll start slowly in Ohio then expand to other states where we market insurance, over the coming years."

ARE CINCINNATI FINANCIAL'S STRENGTHS DOCUMENTED BY OBJECTIVE, EXTERNAL EVALUATION?

JIM MILLER:

"This was Cincinnati Financial's first full year in the S&P 500 Index, and we think that's a comment on our consistency and strength. Standard & Poor's evaluated our financial strength as AA- and Moody's gave us an A2 for our 30-year senior debenture offering in May. They assigned an Aa3 insurance rating to the property casualty group, looking at our strong franchise as a regional agency underwriter, sound balance sheet with modest leverage and above-average underwriting profitability."

J.F. SCHERER:

"Having the highest Best's rating, A++ Superior, shows the financial strength of our insurance companies. Independent surveys confirm our

product and service strengths, too. Crittenden's(TM) Property/Casualty Ratings newsletter surveys thousands of agents across the country. They selected Cincinnati as the leading writer of commercial lines, with the best Business-owners Policy in the Mid-west and the best umbrella liability, inland marine and commercial auto coverages nationwide. A consumer magazine ranked Cincinnati among the top personal auto insurers. These ratings really help our agents at the point of sale."

DAVE POPPLEWELL:

"Cincinnati's new AA+ rating from Standard & Poor's will help attract independent life agencies we plan to appoint in areas where Cincinnati isn't already a known name. Cincinnati Life, as well as the Cincinnati property casualty group, qualified again for Ward Financial Group's Benchmark 50. That's a list of insurers that give the best value to shareholders and policyholders, as measured by five years of quantitative data."

"Your storm team worked for three weeks and closed over 80 percent of the hail claims. The `advertising' we received from this service cannot be purchased."

John D. Van Groll, Insurance Management, Inc.,
Little Chute, WI

WHAT DOES CFC DO TO BENEFIT THE GENERAL PUBLIC, AS WELL AS AGENTS, POLICYHOLDERS AND SHAREHOLDERS?

BOB MORGAN:

"Cincinnati Financial is an active corporate citizen. We work with the community, especially in the arts and education areas. Key executives lend their leadership, associates volunteer their service, and we support well-managed nonprofits with modest financial contributions. It's also our duty to proactively study regulatory and legislative issues that could impact the Company's ability to do our best for shareholders and policyholders. In 1999, we'll work to support a proposal allowing insurers to set up policyholder safety reserves for future catastrophe losses. We'll monitor the financial services modernization debate and urge Congress to pass legislation that preserves state regulation of insurance."

"I commend your support and thank you for your interest and dedication to our young people. It is refreshing to have the support of the community behind us."

Karen Norton, Business Education,
Midview High School, Grafton, OH

LOSS AND LOSS EXPENSES IN NOTES TO FINANCIAL STATEMENT FROM PAGE 31 (INCORPORATED INTO ITEM 5).

4. LOSSES AND LOSS EXPENSES

Activity in the reserve for losses and loss expenses is summarized as follows (000's omitted):

	Years Ended December 31,		
	1998	1997	1996
Balance at January 1	$1,888,883	$1,824,296	$1,690,461
Less reinsurance receivable.	112,235	121,881	109,719
Net balance at January 1.......	1,776,648	1,702,415	1,580,742
Incurred related to:			
Current year................	1,306,194	1,115,140	1,183,251
Prior years	(153,311)	(119,654)	(151,996)
Total incurred.................	1,152,883	995,486	1,031,255
Paid related to:			
Current year................	590,366	467,843	514,186
Prior years	498,842	453,410	395,396
Total paid.....................	1,089,208	921,253	909,582
Net balance at December 31.....	1,840,323	1,776,648	1,702,415
Plus reinsurance receivable.	138,138	112,235	121,881
Balance at December 31......	$1,978,461	$1,888,883	$1,824,296

As a result of changes in estimates of insured events in prior years, the provision for losses and loss expenses decreased by $153,311,000, $119,654,000 and $151,996,000 in 1998, 1997 and 1996. These decreases are due in part to the effects of settling reported (case) and unreported (IBNR) reserves established in prior years for less than expected.

The reserve for losses and loss expenses in the accompanying balance sheets also includes $76,264,000 and $47,651,000 at December 31, 1998 and 1997, respectively, for certain life/health losses and loss checks payable.

"PRICE RANGE OF COMMON STOCK" SECTION FROM THE INSIDE BACK COVER (INCORPORATED INTO ITEM 5).

PRICE RANGE OF COMMON STOCK

Shares are traded nationally over the counter. Closing sale price is quoted under the symbol CINF on the National Market List of Nasdaq (National Association of Securities Dealers Automated Quotation System). Tables below show the price range reported for each quarter based on daily last sale prices.

<TABLE>
<CAPTION>

Quarter	1998 1st	1998 2nd	1998 3rd	1998 4th	1997 1st	1997 2nd	1997 3rd	1997 4th
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
High..................	$45 3/8	$45 21/64	$39 1/8	$40	$24 27/64	$27 1/2	$27 29/32	$46 29/32
Low...................	41 21/64	36 5/8	30 3/4	31 5/8	20 31/32	22 29/64	26 11/64	27 31/32
Dividend paid.........	.13 2/3	.15 1/3	.15 1/3	.15 1/3	.12 1/3	.13 2/3	.13 2/3	.13 2/3

</TABLE>

Price ranges reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998.

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"SELECTED FINANCIAL INFORMATION" FROM PAGES 14 AND 15 (INCORPORATED INTO ITEM 6).

SELECTED FINANCIAL INFORMATION
(000's omitted except per share data and ratios)
<TABLE>
<CAPTION>
Cincinnati Financial Corporation and Subsidiaries

	Years Ended December 31, 1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>
TOTAL ASSETS	$11,086,503	$ 9,493,425	$ 7,045,514	$ 6,109,298
LONG-TERM OBLIGATIONS	$ 471,520	$ 58,430	$ 79,847	$ 80,000
REVENUES				
Premium Income	$ 1,612,735	$ 1,516,378	$ 1,422,897	$ 1,314,126
Investment Income (Less Expense) .	367,993	348,597	327,307	300,015
Realized Gains on Investments	65,309	69,230	47,946	30,781
Other Income	8,252	8,179	10,599	10,729
NET INCOME BEFORE REALIZED GAINS ON INVESTMENTS				
In Total	$ 199,116	$ 254,375	$ 192,595	$ 207,342
Per Common Share	1.19	1.54	1.15	1.24
NET INCOME				
In Total	$ 241,567	$ 299,375	$ 223,760	$ 227,350
Per Common Share	1.45	1.81	1.34	1.36
Per Common Share (Diluted)	1.41	1.77	1.31	1.33
CASH DIVIDENDS DECLARED				
Per Common Share	$.61 1/3	$ .54 2/3	$ .48 2/3	$ .42 2/3
CASH DIVIDENDS PAID				
Per Common Share	$ .59 2/3	$ .53 1/3	$ .47 2/3	$ .42
PROPERTY AND CASUALTY OPERATIONS				
Gross Premiums Written	$ 1,656,476	$ 1,566,688	$ 1,476,011	$ 1,377,426
Net Premiums Written	1,557,581	1,471,603	1,383,525	1,295,852
Premiums Earned	1,542,639	1,453,526	1,366,544	1,263,257
Loss Ratio	65.4%	58.3%	61.6%	57.6%
Loss Expense Ratio	9.3	10.1	13.8	14.7
Underwriting Expense Ratio	28.9	29.3	27.6	27.1
....				
Combined Ratio	103.6%	97.7%	103.0%	99.4%
Investment Income Before Taxes ...	$ 203,919	$ 199,427	$ 190,318	$ 180,074
Property and Casualty Reserves				
Unearned Premiums	$ 432,436	$ 418,465	$ 401,562	$ 385,418
Losses	1,432,212	1,373,950	1,319,286	1,274,180
Loss Adjustment Expense	408,113	402,698	383,135	306,570
Statutory Policyholders' Surplus .	$ 3,019,828	$ 2,472,532	$ 1,608,084	$ 1,268,597

</TABLE>

*1993 earnings include a credit for $13,845 ($.08 per share) cumulative effect of a change in the method of accounting for income taxes to conform with SFAS No. 109 and a net charge of $8,641 ($.05 per share) related to the effect of the 1993 increase in income tax rates on deferred taxes recorded for various prior year items.

<TABLE>
<CAPTION>

Cincinnati Financial Corporation and Subsidiaries

1994	1993	1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$4,734,279	$4,602,288	$4,098,713	$3,513,749	$2,626,156	$2,602,990	$2,163,341
$ 80,000	$ 80,000	$ 80,000	$ 182	$ 202	$ 753	$ 890
$1,219,033	$1,140,791	$1,038,772	$ 947,576	$ 871,196	$ 813,313	$ 754,335
262,649	239,436	218,942	193,220	167,425	149,285	130,885
19,557	51,529	35,885	7,641	1,488	4,678	6,423
11,267	10,396	10,552	12,698	8,822	7,134	10,281
$ 188,538	$ 182,530*	$ 147,669	$ 141,273	$ 128,052	$ 111,477	$ 124,618
1.13	1.10*	.90	.86	.79	.69	.78
$ 201,230	$ 216,024*	$ 171,325	$ 146,280	$ 128,962	$ 114,490	$ 128,748
1.21	1.30*	1.04	.90	.79	.71	.81
1.18	1.27*	1.03	.89	.79	.70	.80
$ .38 2/3	$ .34	$ .31	$ .27 2/3	$ .24 1/3	$ .22	$ .17 1/3
$ .37 1/3	$ .33 1/3	$ .30	$ .27	$ .23 2/3	$ .21	$ .17
$1,287,280	$1,216,766	$1,089,901	$ 996,807	$ 896,204	$ 845,346	$ 782,143
1,190,824	1,123,780	1,014,971	930,296	838,554	790,971	718,853
1,169,940	1,092,135	992,335	903,465	828,046	771,205	712,771
63.3%	63.5%	63.8%	61.6%	61.6%	61.6%	55.1%
9.8	8.7	9.0	9.2	9.0	9.0	10.1
27.5	27.9	29.0	28.9	29.0	29.1	30.7
100.6%	100.1%	101.8%	99.7%	99.6%	99.7%	95.9%
$ 162,260	$ 153,190	$ 141,958	$ 126,332	$ 110,827	$ 97,661	$ 84,379
$ 353,697	$ 333,550	$ 302,473	$ 280,404	$ 254,000	$ 244,011	$ 224,545
1,213,383	1,100,051	960,571	825,952	692,081	616,730	522,162
218,642	193,305	177,262	160,260	140,501	124,993	109,323
$ 998,595	$1,011,609	$ 933,529	$ 735,557	$ 477,355	$ 494,460	$ 422,521

</TABLE>

Per share data adjusted for three-for-one stock splits in 1998 and 1992 and stock dividends of 5 percent in 1996 and 1995.

"MANAGEMENT DISCUSSION" FROM PAGES 16 THROUGH 22 (INCORPORATED INTO ITEMS 1 AND 7).

MANAGEMENT DISCUSSION

Cincinnati Financial Corporation and Subsidiaries

INTRODUCTION

This Management Discussion is intended to supplement the data contained in the financial statements and related notes of Cincinnati Financial Corporation and subsidiaries.

Cincinnati Financial Corporation (CFC) had six subsidiaries at year-end 1998. The lead property and casualty insurance subsidiary, The Cincinnati Insurance Company, markets a broad range of business and personal policies in 29 states through an elite corps of 978 independent insurance agencies. Also engaged in the property and casualty business are The Cincinnati Casualty Company, which works on a direct billing basis, and The Cincinnati Indemnity Company, which markets nonstandard policies for preferred risk accounts. The Cincinnati Life Insurance Company markets life, health and accident policies through property and casualty agencies and independent life agencies. CFC Investment Company complements the insurance subsidiaries with leasing, financing and real estate services. Investment operations are CFC's primary source of profits, with a total return strategy emphasizing investment in fixed maturities securities as well as equity securities that contribute to current earnings through dividend increases and add to net worth through long-term appreciation. During 1998, the Company incorporated a sixth subsidiary, CinFin Capital Management Company. The new subsidiary was established to provide investment management services to institutions, corporations and individuals with $500,000 minimum accounts. In January 1999, CinFin started to conduct business with approximately $150 million in assets under management.

The following discussion, related consolidated financial statements and accompanying notes contain certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to: unusually high levels of catastrophe losses due to changes in weather patterns or other natural causes; changes in insurance regulations or legislation that place the Company at a disadvantage in the marketplace; recession or other economic conditions resulting in lower demand for insurance products; sustained decline in overall stock market values negatively impacting the Company's equity portfolio and the ability to generate investment income; and the potential inability of the Company and/or the independent agencies with which it works to complete the necessary information system changes required to handle the Year 2000 issue. Readers are cautioned that the Company undertakes no obligation to review or update the forward-looking statements included in this material.

RESULTS OF OPERATION

OVERVIEW OF RESULTS

Primarily as a result of continued market penetration and entry into new states, CFC revenues have increased at a compound annual rate of 7.3%, reaching $2.054 billion in 1998, with property/casualty net written premiums growing at a 6.7% rate to $1.558 billion over the past five years. In the same five-year period, total net income, including realized capital gains, grew at a 2.3% rate to $241.6 million, or $1.45 per share, from $201.2 million, or $1.21. Net operating income increased at a 1.8% rate to $199.1 million, or $1.19 per share, from $188.5 million, or $1.13, in 1994. Excluding catastrophe losses and an adjustment for SFAS No. 109 in 1993, total net income over the five-year period grew at a compound rate of 6.9%, while net operating income increased at a 7.2% rate. Book value grew at a 23.5% compound rate over the same period to $33.72 per share from $11.65.

A number of factors, including the Company's strong reputation among independent insurance agencies and management's belief that the Company can achieve additional market penetration in states in which it currently operates, have led management to target an ambitious $2 billion in total direct written premiums for the year 2000, up from $1.732 billion in 1998. At the same time, the Company seeks to generate an underwriting profit and maximize annual growth in investment income.

The following table and discussion analyze results for the three-year period ending December 31, 1998 and provide insight into management's strategic direction.

<TABLE>
<CAPTION>

(000,000 omitted except per share data and ratios)	1998	Change $	Change %	1997	Change $	Change %	1996	Change $	Change %
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	$2,054.3	$111.9	6	$1,942.4	$133.7	7	$1,808.7	$153.0	9
Net Operating Income	199.1	(55.3)	(22)	254.4	61.8	32	192.6	(14.7)	(7)
Net Capital Gains (after tax) ..	42.5	(2.5)	(6)	45.0	13.8	44	31.2	11.2	56
Net Income	241.6	(57.8)	(19)	299.4	75.6	34	223.8	(3.5)	(2)
Net Operating Income Per Share .	$ 1.19	$ (.35)	(23)	$ 1.54	$ .39	34	$ 1.15	$ (.09)	(7)
Net Capital Gains Per Share	.26	(.01)	(4)	.27	.08	42	.19	.07	58
Net Income Per Share	$ 1.45	$ (.36)	(20)	$ 1.81	$ .47	35	$ 1.34	$ (.02)	(2)
Catastrophe Losses (before tax)	$ 93.5	$ 68.0	267	$ 25.5	$ (39.2)	(60)	$ 64.7	$ 37.6	138
Catastrophe Losses Per Share									

(after tax)	.36	.26	260	.10	(.15)	(60)	.25	.15	150

</TABLE>

Cincinnati Financial Corporation and Subsidiaries

The Company's financial results for the three years ending December 31, 1998 reflect growth in new insurance business and retention of renewal customers through the Company's independent insurance agents, offset by highly competitive property and casualty pricing. However, frequent and severe storms pushed catastrophe losses to an all-time high in 1998 of $93.5 million. The previous high had been $64.7 million in 1996. Results for 1998 do reflect the Company's consistent underwriting philosophy and strategy of maintaining high underwriting standards by carefully evaluating individual risks, reviewing agency performance and controlling overall expenses.

While the Company generated 5.6% growth in pre-tax investment income, net operating income for 1998 declined from the prior-year level due to catastrophe losses and large property losses. In 1997, net operating income rose 32% and pre-tax investment income rose 6.5%. The contribution from net realized capital gains declined slightly in 1998 but rose in 1997, primarily due to the sale of equity securities.

<TABLE>
<CAPTION>
PROPERTY AND CASUALTY INSURANCE OPERATIONS

(000,000 omitted except per share data and ratios)	1998	Change $	Change %	1997	Change $	Change %	1996	Change $	Change %
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Gross Written Premiums	$1,656.5	$ 89.8	5.7	$1,566.7	$ 90.7	6.1	$1,476.0	$ 98.6	7.2
Net Written Premiums	1,557.6	86.0	5.8	1,471.6	88.1	6.4	1,383.5	87.6	6.8
Net Earned Premiums	1,542.6	90.1	6.2	1,453.5	87.0	6.4	1,366.5	103.2	8.2
Loss and LAE Ratio	74.7%	n/a	9.2	68.4%	n/a	(9.3)	75.4%	n/a	4.3
Expense Ratio	28.9%	n/a	(1.4)	29.3%	n/a	6.2	27.6%	n/a	1.8
Combined Ratio	103.6%	n/a	6.0	97.7%	n/a	(5.1)	103.0%	n/a	3.6

</TABLE>

PREMIUMS

While premium growth rates declined in 1998 and 1997, the Company's property and casualty group continued to increase net written premiums at rates well above the industry average. In 1998 and 1997, the primary source of growth was personal lines insurance, for which net written premiums advanced 11.0% in 1998 (12.4% in 1997), while commercial lines insurance growth was 3.3% (3.6% in 1997).

During 1998, the commercial insurance market continued to experience the intense price competition that began prior to 1996. The impact was seen in workers' compensation where market-share competition and mandated rate reductions in some states led to renewal account discounts of as much as a third from the previous year's premium. Although the Company is committed to prudent underwriting standards and emphasizing account profitability, the lower pricing combined with large property losses to produce a 61.1% pure loss ratio for the commercial lines area, higher than the 53.2% reported in 1997.

As a result of the market factors, direct written premiums from account renewals for the commercial insurance lines declined in 1998. New business premiums offset this decline and generated modest overall premium growth. Total new business in direct written premiums in the property and casualty area rose 7.6%, reaching an all-time high of $218 million on a new business policy count of more than 148,500. Management cannot predict when the pricing pressures in the commercial insurance area will be alleviated. To help offset these pressures, the Company is working harder to underwrite accounts even more closely by:

- systematically re-underwriting the personal lines book of business,
- entering new states to expand market opportunities,
- pursuing a marketing strategy that permits field representatives to spend more time assisting the independent insurance agents and
- expanding its life insurance operations.

The Company sees heightened interest from independent insurance agents in writing personal lines insurance as a means of buffering the price competition in the commercial sector and stabilizing their revenue. CFC is taking advantage of this trend by encouraging independent agents to move their proven, profitable business to the Company. Agents who are streamlining operations by reducing the number of carriers they represent have been rolling over entire books of business to the Company.

Management believes CFC can achieve additional market penetration by leveraging its strong relationships with independent agencies and entering new states. The Company also can distinguish itself through key competitive advantages of the insurance products, for example three- and five-year policies for many types of insurance coverage.

For the year 1998, approximately 97% of the Company's property and casualty premium volume was in states in which the Company has had a presence since 1994 or earlier. Over

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the past five years, the Company added seven marketing representatives in established states, restructuring territories so that each representative has fewer agencies to serve. This has allowed field representatives to appoint additional agencies and, more importantly, spend more time with each agent. This program was essentially completed in 1998, with only one marketing territory division anticipated in 1999.

Entry into new states also has been a source of premium growth. The states the Company entered between 1994 and 1998 contributed more than $102.4 million of property and casualty premium volume over the five-year period. A very successful example of a new market entry is Minnesota, where premium volume reached $18.2 million in 1998, up from $800,000 in 1994. From 1996 through 1998, the Company began marketing commercial lines in North Dakota, Montana and upstate New York and added personal lines in Arkansas, Maryland, Minnesota, North Dakota, Pennsylvania and Vermont. Idaho and Utah have been selected to seek approval to market the Company's products in 1999. Three additional states currently are being researched. The Company's criteria for entry into new states include a favorable regulatory climate and no residual market.

EXPENSES

The Company recorded a $64.5 million statutory underwriting loss in 1998 compared with a $24.8 million underwriting profit in 1997 and a $45.0 million underwriting loss in 1996. The 1998 underwriting loss, reflecting a combined ratio of 103.6%, was primarily the result of catastrophe losses, which added 6.1 points to the loss and loss adjustment expense ratio, as well as large fire losses. That compared with a 1.8 point impact of catastrophe losses on a combined ratio of 97.7% in 1997. The underwriting loss in 1996, reflecting a combined ratio of 103.0%, was the result of higher catastrophe losses, as well as a half of one percentage point increase in the expense ratio over 1995. Due to the nature of catastrophic events, management is unable to predict accurately the frequency or potential cost of such occurrences in the future; however, the Company has continued not to market property and casualty insurance in California, not to write flood insurance, to review exposure to huge disasters and reduce coverage in certain coastal regions in an effort to control such catastrophe losses. For property catastrophes, the Company retains the first $25 million of losses and is reinsured for 95% of losses from $25 million up to $200 million.

After rising in 1997 and 1996, the expense ratio in 1998 declined slightly because the Company reached a sustainable level of investment in staff and costs associated with upgrading technology and facilities. These investments will help the Company accommodate anticipated growth in premium volume while making computer systems Year 2000 compliant. (See Year 2000 discussion on page 19.)

As discussed in the Notes to the Consolidated Financial Statements, the Company's liabilities for insurance reserves are estimated by management based upon Company experience. The Company consistently has established property and casualty insurance reserves, including adjustments of estimates, using information from internal analysis and review by external actuaries. Though uncertainty always exists as to the adequacy of established reserves, management believes this uncertainty is less than it otherwise would be, due to the stability of the Company's book of business. Such reserves are related to various lines of business and will be paid out over future periods.

Reserves for environmental claims have been reviewed; and the Company believes, at this time, these reserves are adequate. Environmental exposures are minimal as a result of the types of risks the Company has insured in the past. Historically, most commercial accounts written post-date coverages that afford clean-up costs and Superfund responses.

LIFE AND ACCIDENT AND HEALTH

CFC's life insurance subsidiary had total net premium income for 1998 of $70.1 million, up from $62.9 million in 1997 and $56.4 million in 1996. Life insurance premiums were $61.7 million, $54.7 million and $48.7 million, respectively. The life insurance subsidiary contributed 12% of CFC's operating income in 1998 and 10% of CFC operating income in 1997 and 1996.

During 1997, the Company hired a new president for the life insurance subsidiary. Under his direction, the life insurance subsidiary is expanding worksite marketing activities, introducing a competitive new life insurance product series and researching opportunities to sell life insurance in areas where the Company does not have property and casualty agency representation. The initiatives, which began in the second half of 1997, appeared to have a measurable impact on 1998 results. Management believes that opportunities exist to further increase the life insurance subsidiary's contribution to total operating income through expanded life insurance sales.

INVESTMENT INCOME AND INVESTMENTS

Investment income rose 5.6% to $368.0 million in 1998 and increased 6.5% to $348.6 million in 1997 primarily as a result of investing the cash flows from operating activities and collection of dividend increases from equity securities in the investment portfolio. The slower growth rate in 1998 again reflected the volume of fixed maturities investments being called early and the generally lower interest rate environment. In 1998, 43 of the 57 common stocks in the Company's investment portfolio increased dividends during the year, adding more than $16.0 million to future annualized investment earnings.

The Company's primary investment strategy is to maintain liquidity to meet both immediate and long-range insurance

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obligations through the purchase and maintenance of medium-risk, fixed maturity and equity securities, while earning optimal returns on the equity portfolio through higher dividends and capital appreciation. The Company's investment decisions on an individual insurance company basis are influenced by insurance regulatory statutory requirements designed to protect policyholders from investment risk. Cash generated from insurance operations is invested almost entirely in corporate, municipal, public utility and other fixed maturity securities or equity securities. Such securities are evaluated prior to purchase based on yield and risk.

Investments in common stocks have emphasized securities with an annual dividend yield of at least 2-3% and annual dividend increases. The Company's portfolio of equity investments had an average dividend yield to cost of 8.0% at December 31, 1998. Management's strategy in equity investments includes identifying approximately ten to twelve companies, for the core of the investment portfolio, in which the Company can accumulate 10-20% of their common stock.

INTEREST AND INCOME TAXES

The Company's income tax expense was $65.5 million, $95.2 million and $58.7 million for 1998, 1997 and 1996, respectively, while the effective tax rate was 21.34%, 24.12% and 20.77% for the same periods. The lower rates in 1998 and 1996 were partially the result of a higher percentage of net income earned from tax-exempt interest on state, municipal and political subdivision fixed maturities and from dividends received on equity investments. The higher tax rate in 1997 primarily was due to the strong underwriting profit recorded for the year and higher capital gains. The Company incurred no additional alternative minimum tax expenses for the three years.

YEAR 2000 COMPLIANCE

Because the Company issues three- and five- year policies, it has been working on the Year 2000 project for several years to address potential problems within the Company's operations that could result from the century change. The Information Systems Department is primarily responsible for this endeavor and has a designated team of Company associates assigned to this effort. This team has access to key associates in all areas of the Company's operations as well as to outside consultants and resources on an as-needed basis.

The Information Systems Department provides a comprehensive report on a quarterly basis for management and the Audit Committee of the Board of Directors. This report identifies progress against the plan as well as projections on specific issues.

Percent of Hardware/Software Applications Year 2000 Compliant

	Actual as of December 31, 1998	Planned as of December 31, 1998	Planned as of June 30, 1999
Mission critical systems	90%	90%	100%
All other systems	90%	90%	100%

The Company has identified computer systems (both hardware and software), including equipment with embedded computer chips, that were not Year 2000 compliant; determined what revisions or replacements would be needed to achieve compliance; prioritized and proceeded to implement those

revisions or replacements; instituted testing procedures to ensure that the revisions and fixes are operational; and moved the compliant systems into production. As of December 31, 1998, approximately 90% of the applications had either been modified to be compliant or had been replaced by purchased compliant systems. Additional in-depth testing, both internal and third-party related, is planned into 1999. Management believes that all critical systems will be Year 2000 compliant by June 30, 1999.

As part of the overall review of Year 2000, the Company is verifying with certain key outside vendors, and with others where a significant business relationship exists, to determine their Year 2000 compliance status and plans. Because the Company markets products through independent agencies, it is of paramount importance that those approximately 1,000 agencies (1,300 offices) successfully migrate to a Year 2000 compliant processing system. The Company is actively working with those agencies. As of December 1998, nearly all of the agencies' processing systems had either been made compliant or the agencies had plans to be compliant by June 30, 1999. Phone and personal interviews are being used to verify the progress of the agencies.

Contingency planning for the Year 2000 includes standard backup and recovery procedures to be followed in the event of a critical system failure. While management does not expect any unusual failures as a result of specific Year 2000-related changes, by June 30, 1999, the Company plans to develop specific backup procedures for the Year 2000 to minimize the effect of any potential problems.

Should the Company or a third party with whom the Company transacts business have a system failure due to the century change, it is believed it will not result in more than a delay in processing or reporting, with no material financial impact.

The Company has budgeted $9.5 million pretax to resolve the Year 2000 issues. This would encompass the costs of modifications, the salaries of the associates primarily assigned to this effort and the fees of outside consultants. As of December 31, 1998, the Company had incurred approximately $7.9 million of these costs, with the expenses incurred during 1998 at approximately $4.2 million.

Although the Company expects its systems to be Year 2000 compliant on or before December 31, 1999, it cannot predict the outcome or the success of its Year 2000 project; or that third-party systems are or will be Year 2000 compliant; or that the costs required to address the Year 2000 issue or the impact of a failure to achieve substantial Year 2000 compliance will not have a material adverse effect on the Company's business, financial condition or results of operations.

CASH FLOW AND LIQUIDITY

(000,000 omitted)	1998	1997	1996
Net cash provided by operating activities	$ 273.6	$ 427.0	$ 308.3

Net cash used in investing activities	(320.7)	(282.5)	(224.8)
Net cash provided (used) in			
financing activities	25.5	(124.2)	(43.7)
Net (decrease) increase in cash	(21.6)	20.2	39.9
Cash at beginning of year	80.2	59.9	20.0
Cash at end of year	58.6	80.2	59.9
Supplemental			
Interest paid	36.4	21.8	20.9
Income taxes paid	91.2	95.5	65.0

</TABLE>

CASH FLOW

In 1998, operating cash flows were 36% lower than 1997 because of the frequency and severity of catastrophe losses. Over the three-year period, however, operating cash flows were sufficient to meet operating needs and provide for financing needs and increased investment. Management expects operating cash flow will continue to be CFC's primary source of funds because no substantial changes are anticipated in the Company's mix of business nor are there plans to reduce protection by ceded reinsurance agreements with financially stable reinsurance companies. Further, the Company has no significant exposure to assumed reinsurance. Assumed reinsurance comprised no more than 3% of gross premiums in each of the last three years.

The change in net cash used in investing activities reflected the continuing trend over the three years of fixed maturity investments being called by the issuer, offset in 1998 by increased purchases of equity securities and in 1997 by increased purchases of fixed maturities and equity securities. Cash flows used in net purchases of fixed maturity and equity securities, respectively, amounted to $107.8 million and $153.2 million in 1998, $122.6 million and $134.1 million in 1997, and $98.0 million and $95.4 million in 1996.

In 1998, net cash was provided in financing activities because of the issuance of a senior debenture in the amount of $419.6 million. Those funds were used to repay short-term notes, to pay cash dividends and to purchase treasury shares. For the years 1997 and 1996, the primary increases in net cash used for financing activities were for the payment of cash dividends and the purchase of treasury shares.

NOTES PAYABLE

Increases in notes payable, primarily short-term debt used to enhance liquidity, were reduced from $41.1 million in 1996 to $18.5 million in 1997. Management used short-term debt for cash management and other purposes. In 1998, the Company issued $420 million of 30-year senior debentures. The proceeds

were used to repay all of the short-term notes payable. The balance will be used in the construction of an additional Cincinnati headquarters building and for other purposes.

DIVIDENDS

CFC has increased cash dividends to shareholders for 38 consecutive years and, periodically, the Board of Directors authorizes stock dividends or splits. In February 1997, the CFC Board voted to increase the regular quarterly dividend by four cents to an indicated annual rate of $1.64 per share. On February 7, 1998, the Board of Directors authorized a 12.2% increase, raising the regular quarterly dividend by five cents to an indicated annual rate of $1.84. At the same time, the Board of Directors announced its intention to declare a three-for-one split to be distributed on May 15, 1998, to shareholders of record as of April 24, 1998, which was authorized on April 4, 1998, based on shareholder approval of a proposal to increase authorized shares to 200 million from 80 million. On February 6, 1999, the Board of Directors authorized a 10.9% cash dividend increase, raising the quarterly dividend by one and two-thirds cents to an indicated annual rate of $0.68.

Since 1987, the Company's Board has authorized three additional stock splits or stock dividends: a 5% stock dividend in 1996; a 5% stock dividend in 1995 and a three-for-one stock split in 1992. After the stock split in 1998, a shareholder who purchased one Cincinnati Insurance share before 1957 would own 1,946 Cincinnati Financial shares, if all shares from accrued stock dividends and splits were held. The Company's policy for the past ten years has been to reinvest approximately 70% of net income in future growth and to distribute remaining income as dividends. The ability of the Company to continue paying cash dividends is subject to such factors as the Board of Directors may deem relevant.

FINANCIAL CONDITION

ASSETS

Cash and marketable securities of $10.326 billion make up 93.1% of the Company's $11.087 billion assets; this compares with 93.0% in 1997 and 90.3% in 1996. The Company has only minor investments in real estate and mortgages, which are typically illiquid. At December 31, 1998, the Company's portfolio of fixed maturity securities had an average yield-to-cost of 8.2% and an average maturity of ten years. For the insurance companies' purposes, strong emphasis has been placed on purchasing current income-producing securities and maintaining such securities as long as they continue to meet the Company's yield and risk criteria. Historically, municipal bonds have been attractive due to their tax-exempt feature. Essential service (e.g., schools, sewer, water, etc.) bonds issued by municipalities are prevalent in this area. Many of these bonds are not rated due to the small size of their offerings.

At year-end 1998 and 1997, investments totaling approximately $873 million and $836 million ($883 million and $797 million at cost) of the Company's $10.325 billion and $8.797 billion investment portfolio related to securities rated non-investment grade or not rated by Moody's Investors Service or Standard & Poor's. Such investments, which tend to have higher yields, historically have benefited the Company's results of operations. Further, many have been upgraded to investment grade while owned by CFC.

Because of alternative minimum tax matters, the Company uses a blend of tax-exempt and taxable fixed maturity securities. Tax-exempt bonds comprise 9% of invested assets as of December 31, 1998, compared with 10% at year-end 1997 and 14% at year-end 1996. Additional information regarding the composition of investments, together with maturity data regarding investments in fixed maturities, is included in the Notes to Consolidated Financial Statements.

MARKET RISK

The Company could incur losses due to adverse changes in market rates and prices. The Company's primary market risk exposures are changes in price for equity securities and changes in interest rates and credit ratings for fixed maturity securities. The Company could alter the existing investment portfolios or change the character of future investments to manage this exposure to market risk. CFC, with the Board of Directors, administers and oversees investment risk through the Investment Committee, which provides executive oversight of investment activities. The Company has specific investment guidelines and policies that define the overall framework used daily by investment portfolio managers to limit the Company's exposure to market risk.

LIABILITIES AND SHAREHOLDERS' EQUITY

At December 31, 1998, long- and short-term debt were 4%, insurance reserves were 23% and total shareholders' equity was 51% of total assets, with remaining liabilities consisting of unearned premiums, deferred income taxes and other liabilities.

DEBT

Total long- and short-term debt was less than 5% of total assets at year-end 1998 and 1997. At December 31, 1998 and 1997, long-term debt consisted of $471.5 million and $58.4 million, respectively, of convertible and senior debentures. Short-term debt is used to provide working capital as discussed above. In the second quarter of 1998, the Company issued $419.6 million of 30-year, non-callable senior debentures. Proceeds were used to pay off $280.6 million of short-term debt as it matured and for future general corporate purposes, including expansion of the Company's headquarters.

EQUITY

Shareholders' equity has continued to grow as a percentage of total assets, reaching 51% for 1998 from 50% for 1997 and 45% for 1996, due to retained earnings and accumulated comprehensive income. Statutory risk-based capital requirements became effective for life insurance companies in 1993 and for property casualty companies in 1994. The Company's capital has been well above required amounts in each year since those effective dates.

(000,000 omitted)	1998	1997	1996
Shareholders' equity excluding retained earnings and accumulated comprehensive income	$ 462.0	$ 469.5	$ 502.3
Retained earnings	1,480.9	1,341.7	1,132.9
Accumulated comprehensive income	3,678.0	2,905.8	1,527.7
Total shareholders' equity	$5,620.9	$4,717.0	$3,162.9

As a long-term investor, the Company has followed a buy-and-hold strategy for more than 39 years. A significant amount of unrealized appreciation on equity investments has been generated as a result of this policy. Unrealized appreciation on equity investments, before deferred income taxes, was $5.512 billion as of December 31, 1998 and constituted 54% of the total investment portfolio; 74% of the equities investment portfolio; and, after deferred income taxes, 64% of total shareholders' equity. Such unrealized appreciation, before deferred income taxes, amounted to $4.273 billion and $2.203 billion at year-end 1997 and 1996, respectively.

On November 22, 1996, the Board of Directors authorized the repurchase of up to three million of the Company's outstanding shares as management deemed appropriate over an unspecified period of time. On August 21, 1998, the Board of Directors authorized repurchase of an additional six million shares, to reflect the three-for-one split, which resulted in a total of nine million shares authorized to be repurchased. As of December 31, 1998, the Company had repurchased 3.5 million shares at an accumulated cost of $93.1 million.

On February 6, 1999, the CFC Board authorized management to repurchase up to 17 million shares of the Company's 166.7 million shares outstanding. They specified their intention to complete the repurchase by December 31, 2000. This authorization superceded the previous authorization of nine million shares, 3.9 million of which were purchased by February 5, 1999.

SELECTED QUARTERLY FINANCIAL DATA

(000's omitted except per share data)

Financial data for each quarter in the two years ended December 31,

	1998				
Quarter	1st	2nd	3rd	4th	Full Year
Revenues	$ 512,554	$ 518,578	$ 514,766	$ 508,392	$2,054,289
Income before income taxes	116,333	72,913	64,019	53,841	307,107
Net income	84,178	58,850	52,915	45,623	241,567
Net income per common share	.51	.35	.31	.27	1.45
Net income per common share (diluted)	.49	.35	.30	.27	1.41

	1997				
Quarter	1st	2nd	3rd	4th	Full Year
Revenues	$ 483,737	$ 484,203	$ 492,038	$ 482,406	$1,942,384
Income before income taxes	98,278	100,341	101,964	93,975	394,559
Net income	74,047	75,830	77,000	72,498	299,375
Net income per common share	.44	.46	.47	.44	1.81
Net income per common share (diluted)	.43	.44	.46	.43	1.77

Per share amounts reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998. Note: The sum of the quarterly reported amounts may not equal the full year as each is computed independently.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Cincinnati Financial Corporation and Subsidiaries

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENT FROM PAGES 23 THROUGH 35 (INCORPORATED INTO ITEMS 8 AND 14).

INDEPENDENT AUDITORS' REPORT

[LOGO-DELOITTE & TOUCHE LLP]

To the Shareholders and Board of Directors of Cincinnati Financial Corporation:

We have audited the consolidated balance sheets of Cincinnati Financial Corporation and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cincinnati Financial Corporation and subsidiaries at December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 4, 1999

CONSOLIDATED BALANCE SHEETS
(000's omitted)

Cincinnati Financial Corporation and Subsidiaries

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
ASSETS		
Investments		
Fixed maturities, at fair value (cost: 1998-$2,682,659; 1997-$2,571,549)	$ 2,812,231	$ 2,751,219
Equity securities, at fair value (cost: 1998-$1,943,206; 1997-$1,725,855)	7,454,817	5,999,271
Other invested assets	57,902	46,560
Cash	58,611	80,168
Investment income receivable	76,773	74,520
Finance receivables	32,107	31,715
Premiums receivable	164,412	158,539
Reinsurance receivable	135,991	109,110
Prepaid reinsurance premiums	26,435	23,612
Deferred acquisition costs pertaining to unearned premiums and to life policies in force	142,896	135,313
Land, buildings and equipment for Company use (at cost, less		

accumulated depreciation: 1998-$108,449; 1997-$97,248	53,639	52,559
Other assets	70,689	30,839
Total assets	$ 11,086,503	$ 9,493,425

LIABILITIES		
Insurance reserves		
Losses and loss expenses	$ 2,054,725	$ 1,936,534
Life policy reserves	533,730	482,447
Unearned premiums	459,695	443,054
Other liabilities	136,894	168,959
Deferred income taxes	1,809,003	1,406,478
Notes payable	- 0 -	280,558
6.9% senior debentures due 2028	419,601	- 0 -
5.5% convertible senior debentures due 2002	51,919	58,430
Total liabilities	5,465,567	4,776,460
SHAREHOLDERS' EQUITY		
Common stock, par value-$2 per share; authorized 200,000 shares; issued: 1998-170,435; 1997-169,391	340,871	338,782
Paid-in capital	218,328	203,282
Retained earnings	1,480,914	1,341,730
Accumulated comprehensive income	3,678,019	2,905,756
	5,718,132	4,789,550
Less treasury shares at cost (1998-3,754 shares; 1997-3,035 shares)	(97,196)	(72,585)
Total shareholders' equity	5,620,936	4,716,965
Total liabilities and shareholders' equity	$ 11,086,503	$ 9,493,425

</TABLE>

Common stock, paid-in capital and share figures reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998. Accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF INCOME
(000's omitted except per share data)

Cincinnati Financial Corporation and Subsidiaries

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
REVENUE			
Premium income			
Property and casualty	$ 1,542,639	$ 1,453,526	$ 1,366,544
Life	61,704	54,742	48,694
Accident and health	8,392	8,110	7,659
Net premiums earned	1,612,735	1,516,378	1,422,897
Investment income	367,993	348,597	327,307
Realized gains on investments	65,309	69,230	47,946
Other income	8,252	8,179	10,599
Total revenues	2,054,289	1,942,384	1,808,749
BENEFITS AND EXPENSES			
Insurance losses and policyholder benefits	1,221,118	1,054,924	1,087,105
Commissions	290,832	282,690	259,291
Other operating expenses	144,849	139,030	117,034
Taxes, licenses and fees	60,798	48,573	43,392
Increase in deferred acquisition costs pertaining to unearned premiums and to life policies in force	(7,583)	(7,725)	(7,999)
Interest expense	28,012	20,821	20,102
Other expenses	9,156	9,512	7,403

Total benefits and expenses	1,747,182	1,547,825	1,526,328
INCOME BEFORE INCOME TAXES	307,107	394,559	282,421
PROVISION FOR INCOME TAXES			
Current	78,847	107,046	67,827
Deferred	(13,307)	(11,862)	(9,166)
Total provision for income taxes	65,540	95,184	58,661
NET INCOME	$ 241,567	$ 299,375	$ 223,760
PER COMMON SHARE			
Net Income	$ 1.45	$ 1.81	$ 1.34
Net Income (diluted)	$ $1.41	$ 1.77	$ 1.31
Cash dividends (declared)	$ .61 1/3	$ .54 2/3	$ .48 2/3

</TABLE>

Per share amounts reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998. Accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(000's omitted)
<TABLE>
<CAPTION>
Cincinnati Financial Corporation and Subsidiaries

	Common Stock	Treasury Stock	Paid-In Capital	Retained Earnings	Accumulated Comprehensive Income	Total Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	$ 318,504	$ (1,384)	$ 24,836	$ 1,156,627	$ 1,159,388	$ 2,657,971
Net income				223,760		223,760
Change in unrealized gains on investments					566,644	566,644
Income taxes on unrealized gains					(198,325)	(198,325)
Comprehensive income						592,079
Dividends declared				(81,498)		(81,498)
5% stock dividend at market	15,913		149,844	(166,009)*		(252)
Purchase/issuance of treasury shares		(9,833)	870			(8,963)
Stock options exercised	534		2,865			3,399
Conversion of debentures	21		132			153
Balance, December 31, 1996	334,972	(11,217)	178,547	1,132,880	1,527,707	3,162,889
Net income				299,375		299,375
Change in unrealized gains on investments					2,120,075	2,120,075
Income taxes on unrealized gains					(742,026)	(742,026)
Comprehensive income						1,677,424
Dividends declared				(90,525)		(90,525)
Purchase/issuance of treasury shares		(61,368)	654			(60,714)
Stock options exercised	931		5,543			6,474
Conversion of debentures	2,879		18,538			21,417

Balance, December 31, 1997	338,782	(72,585)	203,282	1,341,730	2,905,756	4,716,965
Net income				241,567		241,567
Change in unrealized gains on investments					1,188,097	1,188,097
Income taxes on unrealized gains					(415,834)	(415,834)
Comprehensive income						1,013,830
Dividends declared				(102,383)		(102,383)
Purchase/issuance of treasury shares		(24,611)	310			(24,301)
Stock options exercised	1,214		9,100			10,314
Conversion of debentures	875		5,636			6,511
Balance, December 31, 1998	$ 340,871	$ (97,196)	$218,328	$ 1,480,914	$ 3,678,019	$ 5,620,936

</TABLE>

*Includes $252 for fractional shares paid in April 1996.
Common stock and paid-in capital figures reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998.
Accompanying notes are an integral part of this statement.

Consolidated Statements of Cash Flows
(000's omitted)

Cincinnati Financial Corporation and Subsidiaries

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Net income	$ 241,567	$ 299,375	$ 223,760
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	11,793	11,327	7,100
Increase in investment income receivable	(2,253)	(4,074)	(5,401)
(Increase) decrease in premiums receivable	(5,873)	3,506	(928)
(Increase) decrease in reinsurance receivable	(26,881)	6,796	(12,223)
Increase in prepaid reinsurance premiums	(2,823)	(688)	(1,089)
Increase in deferred acquisition costs	(7,583)	(7,725)	(7,999)
Increase in accounts receivable	(7,369)	(7,230)	(2,080)
Decrease (increase) in other assets	649	42,084	(31,538)
Increase in loss and loss expense reserves	118,191	55,367	137,633
Increase in life policy reserves	51,283	42,166	37,017
Increase in unearned premiums	16,641	17,304	17,126
(Decrease) increase in other liabilities	(34,925)	49,672	6,984
Decrease in deferred income taxes	(13,307)	(11,862)	(9,272)
Realized gains on investments	(65,309)	(69,230)	(47,946)
Other	(224)	169	(2,805)
Net cash provided by operating activities	273,577	426,957	308,339
Cash flows from investing activities:			
Sale of fixed maturities investments	47,486	138,741	219,131
Call or maturity of fixed maturities investments	320,510	376,496	247,205
Sale of equity securities investments	321,003	266,296	257,981
Collection of finance receivables	14,738	8,588	10,449
Purchase of fixed maturities investments	(475,751)	(637,858)	(564,317)
Purchase of equity securities investments	(474,176)	(400,405)	(353,340)
Investment in land, buildings and equipment	(47,750)	(16,485)	(17,798)
Investment in finance receivables	(15,131)	(13,439)	(17,032)
Increase in other invested assets	(11,589)	(4,471)	(7,030)
Net cash used in investing activities	(320,660)	(282,537)	(224,751)
Cash flows from financing activities:			
Proceeds from issue of 6.9% senior debentures	419,593	- 0 -	- 0 -
Proceeds from stock options exercised	10,314	6,474	3,399

Purchase/issuance of treasury shares	(24,301)	(60,714)	(8,963)
Payoff/increase in notes payable	(280,558)	18,460	41,093
Payment of cash dividends to shareholders	(99,522)	(88,405)	(79,203)
Net cash provided (used) in financing activities	25,526	(124,185)	(43,674)
Net (decrease) increase in cash	(21,557)	20,235	39,914
Cash at beginning of year	80,168	59,933	20,019
Cash at end of year	$ 58,611	$ 80,168	$ 59,933
Supplemental disclosures of cash flow information:			
Interest paid	$ 36,419	$ 21,823	$ 20,922
Income taxes paid	$ 91,241	$ 95,488	$ 65,000

</TABLE>

Accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cincinnati Financial Corporation and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - Cincinnati Financial Corporation (the "Company") sells insurance primarily in the Midwest and Southeast through a network of local independent agents. Insurance products sold include fire, automobile, casualty, bonds and all related forms of property and casualty insurance, as well as life insurance and accident and health insurance.

BASIS OF PRESENTATION - The consolidated financial statements include the accounts of the Company and its subsidiaries, each of which is wholly owned, and are presented in conformity with generally accepted accounting principles. Generally accepted accounting principles differ in certain respects from statutory insurance accounting practices prescribed or permitted for insurance companies by regulatory authorities. All significant inter-company balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The accompanying consolidated financial statements include estimates for such items as insurance reserves and income taxes. Actual results could differ from those estimates.

PROPERTY AND CASUALTY INSURANCE - Expenses incurred in the issuance of policies are deferred and amortized over the terms of the policies. Anticipated investment income is not considered in determining if a premium deficiency related to insurance contracts exists. Policy premiums are included in income on a pro rata basis over the terms of the policies. Losses and loss expense reserves are based on claims reported prior to the end of the year and estimates of unreported claims.

LIFE INSURANCE - Policy acquisition costs are deferred and amortized over the premium paying period of the policies. Life policy reserves are based on anticipated rates of mortality derived primarily from industry experience data, anticipated withdrawal rates based principally on Company experience and estimated future interest earnings using initial interest rates ranging from 3% to 101/2%. Interest rates on approximately $356,000,000 and $324,000,000 of such reserves at December 31, 1998 and 1997, respectively, are periodically adjusted based upon market conditions.

Payments received for investment, limited pay and universal life-type contracts are recognized as income only to the extent of the current cost of insurance and policy administration, with the remainder recognized as liabilities and included in life policies reserves.

ACCIDENT AND HEALTH INSURANCE - Expenses incurred in the issuance of policies are deferred and amortized over a five-year period. Policy premium income, unearned premiums and reserves for unpaid losses are accounted for in substantially the same manner as property and casualty insurance discussed above.

REINSURANCE - In the normal course of business, the Company seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance companies, reinsurers and involuntary state pools. Reinsurance contracts do not relieve the Company from any obligation to policyholders. Although the Company historically has not experienced uncollectible reinsurance, failure of reinsurers to honor their obligations could result in losses to the Company. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

The Company also assumes some reinsurance from other insurance companies, reinsurers and involuntary state pools. Such assumed reinsurance activity is recorded principally on the basis of reports received from the ceding companies.

INVESTMENTS - Fixed maturities (bonds and notes) and equity securities (common and preferred stocks) are classified as available for sale and are stated at fair values.

Unrealized gains and losses on investments, net of income taxes associated therewith, are included in shareholders' equity. Realized gains and losses on sales of investments are recognized in net income on a specific identification basis.

INCOME TAXES - Deferred tax liabilities and assets are computed using the tax rates in effect for the time when temporary differences in book and taxable income are estimated to reverse. Deferred income taxes are recognized for numerous temporary differences between the Company's taxable income and book-basis income and other changes in shareholders' equity. Such temporary differences relate primarily to unrealized gains on investments and differences in the recognition of deferred acquisition costs and insurance reserves. Deferred taxes associated with unrealized appreciation (except the amounts related to the effect of income tax rate changes) are charged to shareholders' equity, and deferred taxes associated with other differences are charged to income.

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. The calculation of net income per common share (diluted) assumes the conversion of convertible senior debentures and the exercise of stock options.

FAIR VALUE DISCLOSURES - Fair values for investments in fixed maturity securities (including redeemable preferred stock) are based on quoted market prices, where available. For

such securities not actively traded, fair values are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments. Fair values for equity securities are based on quoted market prices.

The fair values for liabilities under investment-type insurance contracts (annuities) are estimated using discounted cash flow calculations, based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. Fair values for short-term notes payable are estimated using interest rates currently available to the Company. Fair values for long-term debentures are based on the quoted market prices for such debentures.

STOCK SPLIT - On April 4, 1998, the Company's authorized capital was increased to 200,000,000 shares of common stock and a three-for-one stock split was declared that was effective for shareholders of record as of April 24, 1998. The financial statements, notes and other references to share and per share data have been retroactively restated to reflect the stock split for all periods presented.

ACCOUNTING CHANGES - In 1998, the Company adopted several Statements of Financial Accounting Standards (SFAS). SFAS No. 130, "Reporting Comprehensive Income," requires financial statement reporting of comprehensive income, which includes net income and other items, such as the change in unrealized gains on investments, net of income taxes. SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," requires certain information to be reported about operating segments on a basis consistent with the Company's internal organizational structure. SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits," revises the disclosures for pensions and other postretirement benefits and standardizes them into a combined format. The Company has made all required disclosures and prior years' information has been reclassified for the impact of SFAS Nos. 130, 131 and 132. SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" was issued in 1998 and establishes accounting and reporting standards for derivative instruments. The effects of the statement to the Company are not yet known.

2. INVESTMENTS
(000's omitted)

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Investment income summarized by investment category:			
Interest on fixed maturities	$ 217,675	$ 218,065	$ 208,907
Dividends on equity securities	145,885	128,403	118,932
Other investment income	9,545	6,865	5,744
Total	373,105	353,333	333,583
Less investment expenses	5,112	4,736	6,276
Net investment income	$ 367,993	$ 348,597	$ 327,307
Realized gains on investments summarized by investment category:			
Fixed maturities:			
Gross realized gains	$ 11,591	$ 22,075	$ 20,823
Gross realized losses	(10,354)	(6,732)	(10,207)
Equity securities:			
Gross realized gains	104,079	62,337	47,310
Gross realized losses	(40,007)	(8,450)	(9,980)
Realized gains on investments	$ 65,309	$ 69,230	$ 47,946
Change in unrealized gains on investments summarized by investment category:			
Fixed maturities	$ (50,098)	$ 49,650	$ (18,257)
Equity securities	1,238,195	2,070,425	584,901
Change in unrealized gains on investments	$ 1,188,097	$ 2,120,075	$ 566,644

</TABLE>

Notes to Consolidated Financial Statements
(continued)

Cincinnati Financial Corporation and Subsidiaries

Analysis of cost, gross unrealized gains, gross unrealized losses and fair value as of December 31, 1998 and 1997 (000's omitted):

<TABLE>
<CAPTION>

1998	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
<S>	<C>	<C>	<C>	<C>
States, municipalities and political subdivisions	$ 865,600	$ 51,944	$ 341	$ 917,203
Convertibles and bonds with warrants attached ...	100,360	6,208	4,914	101,654
Public utilities	55,709	4,713	0	60,422
United States government and government agencies and authorities	9,043	480	0	9,523
All other corporate bonds	1,651,947	104,849	33,367	1,723,429
Total	$2,682,659	$ 168,194	$ 38,622	$2,812,231
Equity securities	$1,943,206	$5,553,489	$ 41,878	$7,454,817

1997

Fixed maturities:				
States, municipalities and political subdivisions	$ 843,064	$ 47,811	$ 2,645	$ 888,230
Convertibles and bonds with warrants attached ...	103,124	7,973	1,705	109,392
Public utilities	74,871	4,982	18	79,835
United States government and government agencies and authorities	9,278	258	22	9,514
All other corporate bonds	1,541,212	125,174	2,138	1,664,248
Total	$2,571,549	$ 186,198	$ 6,528	$2,751,219
Equity securities	$1,725,855	$4,277,294	$ 3,878	$5,999,271

</TABLE>

Contractual maturity dates for investments in fixed maturity securities as of December 31, 1998 (000's omitted):
<TABLE>
<CAPTION>

<S>	Cost <C>	Fair Value <C>	% of Fair Value <C>
Maturity dates occurring:			
One year or less	$ 134,300	$ 135,906	4.8
After one year through five years	614,545	640,865	22.8
After five years through ten years	938,364	957,728	34.1
After ten years	995,450	1,077,732	38.3
Total	$2,682,659	$2,812,231	100.0

</TABLE>

Actual maturities may differ from contractual maturities when there exists a right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 1998, investments with a cost of $49,425,000 and fair value of $53,029,000 were on deposit with various states in compliance with certain regulatory requirements.

Investments in companies that exceed 10% of the Company's shareholders' equity include the following as of December 31 (000's omitted):

<TABLE>
<CAPTION>

	1998		1997	
<S>	Cost <C>	Fair Value <C>	Cost <C>	Fair Value <C>
Fifth Third Bancorp common stock .	$ 276,799	$3,445,118	$ 255,089	$2,612,607
Alltel Corporation common stock. .	$ 100,467	$ 767,105	$ 95,810	$ 522,527

</TABLE>

3. DEFERRED ACQUISITION COSTS

Acquisition costs incurred and capitalized during 1998, 1997 and 1996 amounted to $384,231,000, $322,117,000 and $303,111,000, respectively. Amortization of deferred acquisition costs was $376,648,000, $314,392,000 and $295,112,000 for 1998, 1997 and 1996, respectively.

4. LOSSES AND LOSS EXPENSES

Activity in the reserve for losses and loss expenses is summarized as follows (000's omitted):
<TABLE>
<CAPTION>

Years Ended December 31,		
1998	1997	1996

Balance at January 1	$1,888,883	$1,824,296	$1,690,461
Less reinsurance receivable	112,235	121,881	109,719
Net balance at January 1	1,776,648	1,702,415	1,580,742
Incurred related to:			
Current year	1,306,194	1,115,140	1,183,251
Prior years	(153,311)	(119,654)	(151,996)
Total incurred	1,152,883	995,486	1,031,255
Paid related to:			
Current year	590,366	467,843	514,186
Prior years	498,842	453,410	395,396
Total paid	1,089,208	921,253	909,582
Net balance at December 31	1,840,323	1,776,648	1,702,415
Plus reinsurance receivable	138,138	112,235	121,881
Balance at December 31	$1,978,461	$1,888,883	$1,824,296

As a result of changes in estimates of insured events in prior years, the provision for losses and loss expenses decreased by $153,311,000, $119,654,000 and $151,996,000 in 1998, 1997 and 1996. These decreases are due in part to the effects of settling reported (case) and unreported (IBNR) reserves established in prior years for less than expected.

The reserve for losses and loss expenses in the accompanying balance sheets also includes $76,264,000 and $47,651,000 at December 31, 1998 and 1997, respectively, for certain life/health losses and loss checks payable.

5. LIFE POLICY RESERVES.

Life policy reserves have been calculated using the account value basis for universal life and annuity policies and primarily the Basic Table (select) mortality basis for ordinary/traditional, industrial and other policies. Following is a summary of such reserves (000's omitted):

	1998	1997
Ordinary/traditional life	$156,887	$137,734
Universal life	221,197	202,696
Annuities	135,176	121,284
Industrial	15,986	16,470
Other	4,484	4,263
Total	$533,730	$482,447

At December 31, 1998 and 1997, the fair value associated with the annuities shown above approximated $144,000,000 and $123,000,000, respectively.

6. NOTES PAYABLE

The Company and subsidiaries had no compensating balance requirement on debt for either 1998 or 1997. Notes payable in the accompanying balance sheets are short term, and interest rates charged on such borrowings ranged from 5.03% to 8.50% during 1998, which resulted in an average interest rate of 6.07%. At December 31, 1997, the fair value of the notes payable approximated the carrying value and the weighted average interest rate approximated 6.44%.

7. SENIOR DEBENTURES

The Company issued $420,000,000 of senior debentures due in 2028 in 1998. The convertible senior debentures due in 2002 are convertible by the debenture holders into shares of common stock at a conversion price of $14.88 (67.23 shares for each $1,000 principal). At December 31, 1998 and 1997, the fair value of the debentures approximated $533,000,000 and $175,000,000, respectively.

8. SHAREHOLDERS' EQUITY AND RESTRICTION

The insurance subsidiaries paid cash dividends to the Company of approximately $105,000,000, $95,500,000 and $77,027,000 in 1998, 1997 and 1996, respectively. Dividends paid to the Company by insurance subsidiaries are restricted by regulatory requirements of the insurance subsidiaries' domiciliary state. Generally, the maximum dividend that may be paid without prior regulatory approval is limited to the greater of 10% of statutory surplus or 100% 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 can be paid only with approval of the insurance department of the subsidiaries' domiciliary state. During 1999, the total dividends that can be paid to the Company without regulatory approval are approximately $299,805,000.

4,318,000 shares of common stock were available for future stock option grants, as of December 31, 1998.

On November 22, 1996, the Board of Directors of the Company authorized the repurchase of up to three million of the Company's outstanding shares as management deemed appropriate, over an unspecified period of time. On August 21, 1998, the Board authorized the repurchase of an additional six million shares, to reflect the three-for-one split, which results in a total of nine million shares authorized to be repurchased. As of December 31, 1998, the Company had repurchased 3,538,000 shares.

9. REINSURANCE

Property and casualty premium income in the accompanying statements of income includes approximately $38,790,000, $41,694,000 and $41,139,0000 of earned premiums on assumed business and is net of approximately $96,073,000, $94,397,000 and $91,396,000 of earned premiums on ceded business for 1998, 1997 and 1996, respectively.

Written premiums for 1998, 1997 and 1996 consist of the following (000's omitted):

	1998	1997	1996
Direct business	$ 1,618,357	$ 1,523,915	$ 1,433,340
Assumed business	38,119	42,773	42,671
Ceded business	(98,895)	(95,085)	(92,486)
Net	$ 1,557,581	$ 1,471,603	$ 1,383,525

Insurance losses and policyholder benefits in the accompanying statements of income are net of approximately $59,741,000, $34,744,000 and $44,770,000 of reinsurance recoveries for 1998, 1997 and 1996, respectively.

10. FEDERAL INCOME TAXES

Significant components of the Company's net deferred tax liability as of December 31, 1998 and 1997 are as follows (000's omitted):

	1998	1997
Deferred tax liabilities:		
Unrealized gains on investments	$1,974,414	$1,558,580
Deferred acquisition costs	45,205	42,936
Other	8,046	10,514
Total	2,027,665	1,612,030
Deferred tax assets:		
Losses and loss expense reserves	132,298	127,994
Unearned premiums	30,270	29,293
Life policy reserves	18,637	19,460

Other	37,457	28,805
Total	218,662	205,552
Net deferred tax liability	$1,809,003	$1,406,478

</TABLE>

The provision for federal income taxes is based upon a consolidated income tax return for the Company and subsidiaries.

The differences between the statutory federal rates and the Company's effective federal income tax rates are as follows:

<TABLE>
<CAPTION>

	1998 Percent	1997 Percent	1996 Percent
<S>	<C>	<C>	<C>
Tax at statutory rate	35.00	35.00	35.00
Increase (decrease) resulting from:			
Tax-exempt municipal bonds	(5.39)	(4.44)	(6.41)
Dividend exclusion	(9.29)	(6.54)	(8.50)
Other	1.02	.10	.68
Effective rate	21.34	24.12	20.77

</TABLE>

No provision has been made (at December 31, 1998, 1997 and 1996) for federal income taxes on approximately $14,000,000 of the life insurance subsidiary's retained earnings, since such taxes will become payable only to the extent that such retained earnings are distributed as dividends or exceed limitations prescribed by tax laws. The Company does not contemplate any such dividend.

11. NET INCOME PER COMMON SHARE
(000's omitted except per share data)

<TABLE>
<CAPTION>

1998	Income (Numerator)	Shares (Denominator)	Per Share Amount
<S>	<C>	<C>	<C>
Net income per common share..	$241,567	166,821	$1.45
Effect of dilutive securities:			
5.5% convertible senior debentures	1,918	3,490	
Stock options		1,767	
Net income per common share (diluted)	$243,485	172,078	$1.41
1997			
Net income per common share..	$ 299,375	165,538	$ 1.81
Effect of dilutive securities:			
5.5% convertible senior debentures	2,712	3,928	
Stock options		1,329	

Net income per common share (diluted)	$ 302,087	170,795	$ 1.77
1996			
Net income per common share	$ 223,760	167,209	$ 1.34
Effect of dilutive securities:			
5.5% convertible senior debentures	2,859	5,368	
Stock options		769	
Net income per common share (diluted)	$ 226,619	173,346	$ 1.31

</TABLE>

Options to purchase 667,000, 76,000 and 1,458,000 shares of common stock were outstanding during 1998, 1997 and 1996, respectively, but were not included in the computation of net income per common share (diluted) because the options' exercise prices were greater than the average market price of the common shares.

12. PENSION PLAN

The Company and subsidiaries have a defined benefit pension plan covering substantially all employees. Benefits are based on years of credited service and compensation level. Contributions to the plan are based on the frozen entry age actuarial cost method. Pension expense is composed of several components that are determined using the projected unit credit actuarial cost method and based on certain actuarial assumptions.

The following table sets forth summarized information on the Company's defined benefit pension plan (000's omitted):

<TABLE>
<CAPTION>

	Years Ended December 31, 1998	1997
Change in benefit obligation:		
<S>	<C>	<C>
Benefit obligation at beginning of year	$ 62,934	$ 53,849
Service cost	4,150	3,449
Interest cost	4,474	3,938
Actuarial gain	7,383	4,719
Benefits paid	(2,627)	(3,021)
Benefit obligation at end of year	$ 76,314	$ 62,934
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 133,470	$ 92,740
Actual return on plan assets	21,036	43,751
Benefits paid	(2,627)	(3,021)
Fair value of plan assets at end of year	$ 151,879	$ 133,470
Funded status:		
Funded status at end of year	$ 75,565	$ 70,536
Unrecognized net actuarial gain	(72,235)	(67,081)
Unrecognized net transitional asset	(3,331)	(3,702)
Unrecognized prior service cost	(357)	(397)
Prepaid accrued pension cost	$ (358)	$ (644)

</TABLE>

The fair value of the Company's stock comprised $21,331,023 and $27,325,064 of the plan's assets at December 31, 1998 and 1997, respectively.

The following summarizes the assumptions for the plan:

<TABLE>
<CAPTION>

Years Ended December 31,

	1998 Percent	1997 Percent
Discount rate	6.25	6.75
Expected return on plan assets	8.00	8.00
Rate of compensation increase	5 to 7	5 to 7

The components of the net periodic benefit cost for 1998, 1997 and 1996 include the following (000's omitted):

	Years Ended December 31, 1998	1997	1996
Service cost	$ 4,150	$ 3,449	$ 3,306
Interest cost	4,474	3,938	3,572
Expected return on plan assets	(7,451)	(6,250)	(5,557)
Amortization of:			
Transition obligation (asset)	(370)	(370)	(370)
Prior service cost	(40)	(40)	(40)
Actuarial (gain) loss	(1,049)	(790)	(475)
Net pension expense	$ (286)	$ (63)	$ 436

13. STATUTORY ACCOUNTING INFORMATION

Net income and shareholders' equity, as determined in accordance with statutory accounting practices for the Company's insurance subsidiaries, are as follows (000's omitted):

	Years Ended December 31, 1998	1997	1996
Net income:			
Property/casualty insurance subsidiaries	$ 148,235	$ 200,830	$ 136,041
Life/health insurance subsidiary	$ 7,248	$ 6,261	$ (1,812)

	December 31, 1998	1997
Shareholders' equity:		
Property/casualty insurance subsidiaries	$2,650,503	$2,152,334
Life/health insurance subsidiary	$ 369,325	$ 320,198

14. TRANSACTION WITH AFFILIATED PARTIES

The Company paid certain officers and directors, or insurance agencies of which they are shareholders, commissions of approximately $11,654,000, $11,780,000 and $10,874,000 on premium volume of approximately $82,839,000, $78,727,000 and $70,418,000 for 1998, 1997 and 1996, respectively.

15. STOCK OPTIONS

The Company has primarily qualified stock option plans under which options are granted to employees of the Company at prices which are not less than market price at the date of grant and which are exercisable over ten-year periods. The Company applies APB Opinion 25 and related Interpretations in accounting for these plans. Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (000's omitted except per share data):

<TABLE>
<CAPTION>

		1998	1997	1996
<S>	<C>	<C>	<C>	<C>
Net income	As reported	$241,567	$299,375	$223,760
	Pro forma	235,420	296,078	221,665
Net income per common share	As reported	$ 1.45	$ 1.81	$ 1.34
	Pro forma	1.41	1.79	1.33
Net income per common share	As reported	$ 1.41	$ 1.77	$ 1.31
(diluted)	Pro forma	1.38	1.75	1.30

</TABLE>

In determining the pro forma amounts above, the fair value of each option was estimated on the date of grant using the Binomial option-pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: dividend yield of 1.79%, 1.22% and 2.26%; expected volatility of 21.79%, 19.67% and 20.50%; risk-free interest rates of 5.02%, 5.89% and 6.56%; and expected lives of ten years for all years. Compensation expense in the pro forma disclosures is not indicative of future amounts as options vest over several years and additional grants are generally made each year.

A summary of options information for the years ended December 31, 1998, 1997 and 1996 follows (000's omitted except per share data):

<TABLE>
<CAPTION>

	1998		1997		1996	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	3,932,271	$17.88	3,774,492	$15.98	2,685,747	$13.41
Granted	1,664,200	38.00	655,437	20.97	1,537,809	20.25
Exercised	(615,884)	15.27	(465,429)	11.31	(272,778)	12.46
Forfeited/revoked	(39,996)	25.48	(32,229)	17.96	(176,286)	19.56
Outstanding at end of year	4,940,591	25.11	3,932,271	17.88	3,774,492	15.98
Options exercisable at end of year	2,243,982		2,108,790		1,956,030	
Weighted-average fair value of options granted during the year		$13.39		$ 7.66		$6.85

</TABLE>

Options outstanding at December 31, 1998 consisted of the following:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>

$ 7.34 to 12.34	590,335	2.77 yrs	$11.50	490,335	$11.33
$13.45 to 17.00	531,153	5.52 yrs	15.81	531,153	15.81
$17.38 to 20.00	500,409	6.36 yrs	19.28	378,550	19.18
$20.47 to 21.33	1,060,865	7.37 yrs	20.51	646,215	20.50
$22.46 to 26.62	533,556	8.30 yrs	23.08	174,356	23.07
$33.00 to 33.88	953,373	9.60 yrs	33.81	23,373	33.00
$36.63 to 45.37	770,900	9.20 yrs	42.70	0	n/a
	4,940,591	7.34 yrs	25.11	2,243,982	17.49

</TABLE>

MANAGEMENT DISCUSSION
(continued)

Cincinnati Financial Corporation and Subsidiaries

"SELECTED QUARTERLY FINANCIAL DATA" FROM PAGE 22 (INCORPORATED INTO ITEM 8).

SELECTED QUARTERLY FINANCIAL DATA

(000's omitted except per share data)

Financial data for each quarter in the two years ended December 31,

<TABLE>
<CAPTION>

	1998				
Quarter	1st	2nd	3rd	4th	Full Year
Revenues	$ 512,554	$ 518,578	$ 514,766	$ 508,392	$2,054,289
Income before income taxes	116,333	72,913	64,019	53,841	307,107
Net income	84,178	58,850	52,915	45,623	241,567
Net income per common share	.51	.35	.31	.27	1.45
Net income per common share (diluted)	.49	.35	.30	.27	1.41

</TABLE>

<TABLE>
<CAPTION>

	1997				
Quarter	1st	2nd	3rd	4th	Full Year
Revenues	$ 483,737	$ 484,203	$ 492,038	$ 482,406	$1,942,384
Income before income taxes	98,278	100,341	101,964	93,975	394,559
Net income	74,047	75,830	77,000	72,498	299,375
Net income per common share	.44	.46	.47	.44	1.81
Net income per common share (diluted)	.43	.44	.46	.43	1.77

</TABLE>

Per share amounts reflect the effects of a three-for-one stock split effective to shareholders of record on April 24, 1998. Note: The sum of the quarterly reported amounts may not equal the full year as each is computed independently.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 2-71575 (on Form S-8), No. 33-34127 (on Form S-8), No. 333-24185)on Form S-8), No. 333-24817 (on Form S-8), No. 333-49981 (on Form S-8), No. 333-51677 (on Form S-3), and No. 33-48970 (on Form S-4) of Cincinnati Financial Corporation of our reports dated February 4, 1999, appearing in and incorporated by reference in the Annual Report on Form 10-K of Cincinnati Financial Corporation for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP

/S/ Deloitte & Touche LLP

Cincinnati, Ohio
March 22, 1999

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