

CINCINNATI FINANCIAL CORP

Form 10-Q

April 27, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2011.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission file number 0-4604

CINCINNATI FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

31-0746871

(I.R.S. Employer Identification No.)

6200 S. Gilmore Road, Fairfield, Ohio

(Address of principal executive offices)

45014-5141

(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

As of April 25, 2011, there were 163,070,453 shares of common stock outstanding.

CINCINNATI FINANCIAL CORPORATION
 FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2011

TABLE OF CONTENTS

Part I – Financial Information	3
Item 1. Financial Statements (unaudited)	3
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Income	4
Condensed Consolidated Statements of Shareholders’ Equity	5
Condensed Consolidated Statements of Cash Flows	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	17
Safe Harbor Statement	17
Introduction	19
Results of Operations	24
Liquidity and Capital Resources	38
Other Matters	40
Item 3. Quantitative and Qualitative Disclosures about Market Risk	42
Fixed-Maturity Investments	42
Equity Investments	45
Unrealized Investment Gains and Losses	45
Item 4. Controls and Procedures	48
Part II – Other Information	48
Item 1. Legal Proceedings	48
Item 1A. Risk Factors	48
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 3. Defaults upon Senior Securities	48
Item 4. (Removed and Reserved)	48
Item 5. Other Information	49
Item 6. Exhibits	49

Part I – Financial Information

Item 1. Financial Statements (unaudited)
 Cincinnati Financial Corporation and Subsidiaries
 Condensed Consolidated Balance Sheets

(In millions except per share data)

	March 31, 2011	December 31, 2010
ASSETS		
Investments		
Fixed maturities, at fair value (amortized cost: 2011—\$8,033; 2010—\$7,888)	\$8,536	\$ 8,383
Equity securities, at fair value (cost: 2011—\$2,223; 2010—\$2,286)	3,100	3,041
Other invested assets	68	84
Total investments	11,704	11,508
Cash and cash equivalents	379	385
Investment income receivable	117	119
Finance receivable	76	73
Premiums receivable	1,062	1,015
Reinsurance receivable	573	572
Prepaid reinsurance premiums	16	18
Deferred policy acquisition costs	503	488
Land, building and equipment, net, for company use (accumulated depreciation: 2011—\$368; 2010—\$352)	243	229
Other assets	66	67
Separate accounts	630	621
Total assets	\$15,369	\$ 15,095
LIABILITIES		
Insurance reserves		
Loss and loss expense reserves	\$4,239	\$ 4,200
Life policy reserves	2,106	2,034
Unearned premiums	1,586	1,553
Other liabilities	555	556
Deferred income tax	296	260
Note payable	49	49
Long-term debt	790	790
Separate accounts	630	621
Total liabilities	10,251	10,063
Commitments and contingent liabilities (Note 10)	—	—
SHAREHOLDERS' EQUITY		
Common stock, par value—\$2 per share; (authorized: 2011 and 2010—500 million shares; issued: 2011 and 2010—196 million shares)	393	393
Paid-in capital	1,090	1,091
Retained earnings	3,977	3,980
Accumulated other comprehensive income	855	769
Treasury stock at cost (2011—33 million shares and 2010—34 million shares)	(1,197)	(1,201)
Total shareholders' equity	5,118	5,032

Total liabilities and shareholders' equity	\$15,369	\$ 15,095
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Accompanying notes are an integral part of these condensed consolidated financial statements.

Cincinnati Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Income

(In millions except per share data)

	Three months ended March 31,	
	2011	2010
REVENUES		
Earned premiums	\$ 782	\$ 746
Investment income, net of expenses	131	130
Fee revenues	1	1
Other revenues	3	2
Realized investment gains (losses), net:		
Other-than-temporary impairments on fixed maturity securities	-	(1)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income	-	-
Other realized investment gains, net	12	9
Total realized investment gains, net	12	8
Total revenues	929	887
BENEFITS AND EXPENSES		
Insurance losses and policyholder benefits	575	516
Underwriting, acquisition and insurance expenses	261	268
Other operating expenses	4	4
Interest expense	13	