CINCINNATI FINANCIAL CORP
Form 11-K
June 26, 2008

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X]

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

[ ]

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

For the transition period from ___________________ to ___________________

Commission file number _______________________

Cincinnati Financial Corporation

Tax-Qualified Savings Plan

(Full title of plan and the address of the plan,

if different from that of the issuer named below)

Cincinnati Financial Corporation

6200 South Gilmore Road

Fairfield, OH 45014

(Name of issuer of the securities held pursuant to the plan

and the address of its principal executive office)

REQUIRED INFORMATION

Items 1-3.

The information required by Items 1-3 is not required. See Item 4 below.

Item 4.

The Cincinnati Financial Corporation Tax-Qualified Savings Plan is subject to the requirements of ERISA. In lieu of the requirements of Items 1-3 above, the Plan Financial Statements and Schedule prepared in accordance with the Financial Reporting requirements of ERISA are attached hereto and incorporated herein by reference.

Financial Statements and Exhibits

Consent of Independent Registered Accounting Firm

Financial statements for the years ended December 31, 2007 and 2006, and supplemental schedule as of December 31, 2007.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Cincinnati Financial Corporation

Tax-Qualified Savings Plan

(Name of Plan)

DATE: June 26, 2008

/s/ Gregory J. Ziegler

Gregory J. Ziegler

Vice President – Personnel

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-49981 on Form S-8 of our report dated June 26, 2008, appearing in this Annual Report on Form 11-K of Cincinnati Financial Corporation Tax-Qualified Savings Plan for the year ended December 31, 2007.

/s/ Deloitte & Touche LLP

Cincinnati, OH

June 26, 2008

Cincinnati Financial Corporation Tax-Qualified Savings Plan

Financial Statements as of and for the
Years Ended December 31, 2007 and 2006, Supplemental Schedule
as of December 31, 2007, and Report of Independent Registered
Public Accounting Firm

CINCINNATI FINANCIAL CORPORATION
TAX-QUALIFIED SAVINGS PLAN

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NOTE:

All other schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors of Cincinnati Financial Corporation, and to the Participants of the Cincinnati Financial Corporation Tax-Qualified Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Cincinnati Financial Corporation Tax-Qualified Savings Plan (the Plan) as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2007, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2007 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP
Cincinnati, Ohio

June 26, 2008

CINCINNATI FINANCIAL CORPORATION
TAX-QUALIFIED SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS:		
Participant-directed investments (at fair value)	$ 72,412,584	$ 62,758,250
Accrued interest and dividends receivable	75,917	68,793
NET ASSETS AVAILABLE FOR BENEFITS	$ 72,488,501	$ 62,827,043

See notes to financial statements.

CINCINNATI FINANCIAL CORPORATION
TAX-QUALIFIED SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
ADDITIONS:		
Contributions (including rollovers of $785,936 and $590,964 in 2007 and 2006, respectively)	$ 9,117,077	$ 8,153,226
Investment income:		
Net (depreciation)/appreciation in fair value of investments	(3,042,052)	1,514,790
Interest and dividend income	5,801,575	3,599,699
Total investment income	2,759,523	5,114,489
DEDUCTIONS Benefits paid to participants	2,215,142	1,510,835
INCREASE IN NET ASSETS	9,661,458	11,756,880
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	62,827,043	51,070,163
End of year	$ 72,488,501	$ 62,827,043

See notes to financial statements.

CINCINNATI FINANCIAL CORPORATION
TAX-QUALIFIED SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

1.

DESCRIPTION OF THE PLAN

The following description of the Cincinnati Financial Corporation Tax-Qualified Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan Document for more complete information.

General The Plan is a defined contribution plan covering substantially all employees of Cincinnati Financial Corporation (the Company) who have attained age 21. Fifth Third Bank (the Trustee) serves as the trustee of the Plan. Effective December 3, 2004, Fifth Third Bank outsourced the Plan s recordkeeping function to FASCore. The Plan commenced January 1, 1996, and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Contributions Each year, participants may contribute up to 25 percent of their pretax annual compensation, as defined in the Plan, subject to certain Internal Revenue Code (IRC) limitations. There is no Company match on participant contributions to the Plan. Participants may also contribute amounts representing distributions from the other qualified defined benefit or defined contribution plans (Rollover).

Participant Accounts Individual accounts are maintained for each plan participant. Each participant s account is credited with the participant s contribution and allocations of Plan earnings; and charged with withdrawals and allocations of Plan losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Investments Participants direct the investment of their contributions into various investment options offered by the Plan.

Vesting Participants are vested immediately in their contributions plus actual earnings thereon.

Participant Loans Participants may borrow from their fund accounts up to a maximum of $50,000 or 50 percent of their account balance, whichever is less. The loans are secured by the balance in the participant s account balance and bear interest rates equal to the prime rate plus one percent. Principal and interest is paid ratably through payroll deductions over a period of up to five years, except for loans used to purchase a primary residence which are repaid via payroll deduction within a reasonable period as defined by the Plan. Principal and interest paid is credited to applicable funds in the borrower s account. Upon participant termination or retirement, the outstanding loan balance is treated as a distribution to the participant.

Payment of Benefits The Plan provides for benefits to be paid upon retirement, disability, death or separation other than retirement as defined by the Plan document. Plan benefits may be made in a lump sum of cash or shares of Company common stock.

2.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates. The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition The Plan s investments are stated at fair value, except as described below. The Plan s mutual funds are valued based on quoted market prices. The Plan s other investments are valued by the fund manager, the Trustee, based upon the fair value of the funds underlying investments. Participant loans are valued at the outstanding loan balances.

The Financial Accounting Standards Board (FASB) issued Staff Position AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the FSP) which requires assets attributable to fully benefit-responsive investment contracts to be reported at contract value. The Fifth Third Stable Value Fund (the Fund) meets the definition of a fully benefit responsive investment contract. The Fund invests primarily in investment contracts issued by insurance companies, banks and other financial institutions and other instruments and authorized.

The FSP requires the Statements of Net Assets Available for Benefits present the fair value of the Plan s investment contract as well as the adjustment of the investment contract from fair value to contract value. The adjustment from fair value to contract value for the Fund was $(649) and $42,251 at December 31, 2007 and 2006, respectively. The Statement of Net Assets Available for Benefits reports the Fund at contract value due to the insignificant difference between fair value and contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract basis.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administrative Expenses Trustee fees and other expenses of the Plan are paid by the Company.

Payment of Benefits Benefit payments to participants are recorded upon distribution. There were no amounts allocated to accounts of persons who have elected to withdraw from the Plan but have not yet been paid at December 31, 2007 and 2006.

3.

INVESTMENTS

The Plan s investments that represented 5 percent or more of the Plan s net asset available for benefits as of December 31, 2007 and 2006, are as follows:

		2007	2006
	Dodge & Cox Stock Fund	$ 11,931,378	$ 10,759,193
	T Rowe Price Growth Fund	10,002,407	-
*	Cincinnati Financial Corporation Stock Fund	8,424,804	9,474,692
*	Fifth Third Quality Growth Fund	-	8,360,182
*	Fifth Third Mid Cap Growth Fund	6,552,418	6,738,436
	Artison International Fund	4,132,400	-
*	Fifth Third LifeModel Moderate Fund	3,666,627	-
*	Fifth Third International Equity Fund	-	3,675,850
*	Fifth Third Balanced Fund	-	3,549,986

* Party-in-interest.

During 2007 and 2006, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated/appreciated in value as follows:

	2007	2006
Mutual funds	$ (1,848,978)	$ 1,457,556
Common stock	(1,193,074)	57,234
Net (depreciation)/appreciation of investments	$ (3,042,052)	$ 1,514,790

4.

RELATED-PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by the Fifth Third Bank. Fifth Third Bank is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for investment management services were included as a reduction of the return earned on each fund.

At December 31, 2007 and 2006, the Plan held 211,663 and 206,847 shares, respectively, of common stock of Cincinnati Financial Corporation, the sponsoring employer, with a cost basis of $7,627,811 and $7,554,466, respectively. During the years ended December 31, 2007 and 2006, the Plan recorded dividend income of Cincinnati Financial Corporation of $297,559 and $269,655, respectively.

5.

PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions set forth in ERISA.

6.

FEDERAL INCOME TAX STATUS

The Plan uses a prototype plan document sponsored by the Trustee. The Trustee received an opinion letter from the Internal Revenue Service (the IRS), dated November 19, 2001, which states that the prototype document satisfies the applicable provisions of the Internal Revenue Code (the IRC). The Plan itself has not received a determination letter from the IRS. The Plan has been amended since the Trustee received the opinion letter; however, the Company believes the Plan is currently designed and

6.

FEDERAL INCOME TAX STATUS, CONTINUED

operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan s financial statements.

7.

RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures of fair value measurements. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. The adoption of SFAS No. 157 in 2008 will not have any significant effect on our statement of net assets available for benefits or statement of changes in net assets available for benefits.

8.

SUBSEQUENT EVENT

Effective September 1, 2008, a company match will be introduced to the Plan. The match will be 100 percent of the first 6 percent of eligible compensation which will vest after three years of eligible service.

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SUPPLEMENTAL SCHEDULE

CINCINNATI FINANCIAL CORPORATION
TAX-QUALIFIED SAVINGS PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4i SCHEDULE OF ASSETS
(HELD AT END OF YEAR)
DECEMBER 31, 2007

	Identity of Issuer	Description of Asset	Fair Value
	Allianz	Small Cap Value Fund	$ 3,316,271
	Artisan	International Fund	4,132,400
*	Cincinnati Financial Corporation	Common stock and money market funds	8,424,804
	Dodge & Cox	Dodge & Cox International Stock Fund - A	3,379,565
	Dodge & Cox	Dodge & Cox Stock Fund	11,931,378
	Dreyfus	Small Cap Stock Index Fund	1,074,883
	Federated	Mid Cap Index Fund	1,404,469
*	Fifth Third Funds	Fifth Third Bond INSTL	2,907,625
*	Fifth Third Funds	Fifth Third Equity Index Fund INSTL	1,706,206
*	Fifth Third Funds	Fifth Third LifeModel Aggressive INSTL	179,049
*	Fifth Third Funds	Fifth Third LifeModel Conservative INSTL	25,687
*	Fifth Third Funds	Fifth Third LifeModel Mod Agg INSTL	177,537
*	Fifth Third Funds	Fifth Third LifeModel Mod Cons INSTL	69,447
*	Fifth Third Funds	Fifth Third LifeModel Moderate INSTL	3,666,627
*	Fifth Third Funds	Fifth Third Mid Cap Growth Fund INSTL	6,552,418
*	Fifth Third Funds	Fifth Third Stable Value Fund (B)	2,947,661
	Goldman Sachs	Core Fixed - Inc INSTL	2,086,574
	Goldman Sachs	Mid Value Fund - A	1,953,948
	Royce	Premier Fund	2,985,553
	Touchstone	Mid Cap Growth Fund	1,952,919
	T. Rowe Price	New Horizon Fund	217,829
	T. Rowe Price	Growth Stock	10,002,407
*	Participant Loans**		1,317,327
			$ 72,412,584

* Party-in-interest

** The interest rates on these loans range from 5.0% to 9.25%, with maturity dates through March 2034.

Cost information is not required for participant-directed investments and, therefore, is not included.