LOEWS CORP
Form 10-Q
November 01, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

.. **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 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-2646102**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

667 Madison Avenue, New York, N.Y. 10065-8087

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 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 x No ¨ Not Applicable ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

Yes ¨ No x

Class	Outstanding at October 21, 2011
Common stock, $0.01 par value	396,566,700 shares

Table of Contents

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Dollar amounts in millions, except per share data)	September 30, 2011	December 31, 2010
Assets:		
Investments:		
Fixed maturities, amortized cost of $37,144 and $36,677	$ 39,680	$ 37,814
Equity securities, cost of $935 and $979	924	1,086
Limited partnership investments	2,953	2,814
Other invested assets	220	113
Short term investments	5,848	7,080
Total investments	49,625	48,907
Cash	128	120
Receivables	10,109	10,142
Property, plant and equipment	12,935	12,636
Deferred income taxes		289
Goodwill	856	856
Other assets	1,451	1,798
Deferred acquisition costs of insurance subsidiaries	783	1,079
Separate account business	418	450
Total assets	$ 76,305	$ 76,277
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	$ 25,031	$ 25,496
Future policy benefits	9,258	8,718
Unearned premiums	3,386	3,203
Policyholders funds	176	173
Total insurance reserves	37,851	37,590
Payable to brokers	567	685
Short term debt	1,206	647
Long term debt	8,026	8,830
Deferred income taxes	802	562
Other liabilities	3,870	4,407
Separate account business	418	450
Total liabilities	52,740	53,171

Preferred stock, $0.10 par value:		
Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 415,156,538 and 414,930,507 shares	**4**	4
Additional paid-in capital	**3,658**	3,667
Retained earnings	**15,282**	14,564
Accumulated other comprehensive income	**735**	230
	19,679	18,465
Less treasury stock, at cost (17,754,138 and 384,400 shares)	**(705)**	(15)
Total shareholders equity	**18,974**	18,450
Noncontrolling interests	**4,591**	4,656
Total equity	**23,565**	23,106
Total liabilities and equity	**$ 76,305**	$ 76,277

See accompanying Notes to Consolidated Condensed Financial Statements.

3

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions, except per share data)				
Revenues:				
Insurance premiums	**$ 1,732**	$ 1,645	**$ 4,942**	$ 4,868
Net investment income	**333**	654	**1,513**	1,797
Investment gains (losses):				
Other-than-temporary impairment losses	**(75)**	(41)	**(136)**	(189)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss)	**(2)**	(3)	**(44)**	28
Net impairment losses recognized in earnings	**(77)**	(44)	**(180)**	(161)
Other net investment gains	**50**	106	**195**	255
Total investment gains (losses)	**(27)**	62	**15**	94
Contract drilling revenues	**861**	749	**2,520**	2,405
Other	**539**	591	**1,658**	1,736
Total	**3,438**	3,701	**10,648**	10,900
Expenses:				
Insurance claims and policyholders benefits	**1,400**	1,343	**4,131**	3,798
Amortization of deferred acquisition costs	**356**	351	**1,051**	1,038
Contract drilling expenses	**392**	351	**1,142**	1,009
Other operating expenses (Note 5)	**725**	1,271	**2,167**	2,714
Interest	**126**	127	**406**	384
Total	**2,999**	3,443	**8,897**	8,943
Income before income tax	**439**	258	**1,751**	1,957
Income tax expense	**(124)**	(84)	**(464)**	(619)
Income from continuing operations	**315**	174	**1,287**	1,338
Discontinued operations, net		(22)		(21)
Net income	**315**	152	**1,287**	1,317
Amounts attributable to noncontrolling interests	**(153)**	(116)	**(491)**	(495)
Net income attributable to Loews Corporation	**$ 162**	$ 36	**$ 796**	$ 822
Net income attributable to Loews Corporation:				

Income from continuing operations	**$ 162**	$ 56	**$ 796**	$ 841
Discontinued operations, net		(20)		(19)
Net income	**$ 162**	$ 36	**$ 796**	$ 822
Basic net income per share:				
Income from continuing operations	**$ 0.41**	$ 0.13	**$ 1.96**	$ 2.00
Discontinued operations, net		(0.04)		(0.04)
Net income	**$ 0.41**	$ 0.09	**$ 1.96**	$ 1.96
Diluted net income per share:				
Income from continuing operations	**$ 0.40**	$ 0.13	**$ 1.95**	$ 2.00
Discounted operations, net		(0.04)		(0.04)
Net income	**$ 0.40**	$ 0.09	**$ 1.95**	$ 1.96
Dividends per share	**$ 0.0625**	$ 0.0625	**$ 0.1875**	$ 0.1875
Weighted-average shares outstanding:				
Shares of common stock	**401.01**	417.67	**407.20**	419.67
Dilutive potential shares of common stock	**0.72**	0.80	**0.85**	0.80
Total weighted-average shares outstanding assuming dilution	**401.73**	418.47	**408.05**	420.47

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions)				
Net income	**$ 315**	$ 152	**$ 1,287**	$ 1,317
Other comprehensive income (loss)				
Changes in:				
Net unrealized gains on investments with other- than-temporary impairments	**(14)**	39	**25**	81
Net other unrealized gains on investments	**219**	720	**542**	1,400
Total unrealized gains on available-for-sale investments	**205**	759	**567**	1,481
Unrealized gains (losses) on cash flow hedges	**8**	15	**(3)**	82
Foreign currency	**(54)**	38	**(23)**	44
Pension liability		(2)	**2**	2
Other comprehensive income	**159**	810	**543**	1,609
Comprehensive income	**474**	962	**1,830**	2,926
Amounts attributable to noncontrolling interests	**(158)**	(206)	**(547)**	(671)
Total comprehensive income attributable to Loews Corporation	**$ 316**	$ 756	**$ 1,283**	$ 2,255

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

(Unaudited)

	Loews Corporation Shareholders						
(In millions)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
Balance, January 1, 2010	$ 21,085	$ 4	$ 3,637	$ 13,693	$ (419)	$ (16)	$ 4,186
Net income	1,317			822			495
Other comprehensive income	1,609				1,433		176
Dividends paid	(476)			(79)			(397)
Issuance of equity securities by subsidiary	279		83		1		195
Purchase of Loews treasury stock	(337)					(337)	
Issuance of Loews common stock	5		5				
Stock-based compensation	17		15				2
Other			18	(3)	2		(17)
Balance, September 30, 2010	$ 23,499	$ 4	$ 3,758	$ 14,433	$ 1,017	$ (353)	$ 4,640
Balance, January 1, 2011	**$ 23,106**	**$ 4**	**$ 3,667**	**$ 14,564**	**$ 230**	**$ (15)**	**$ 4,656**
Net income	**1,287**			**796**			**491**
Other comprehensive income	**543**				**487**		**56**
Dividends paid	**(373)**			**(76)**			**(297)**
Acquisition of CNA Surety noncontrolling interests	**(475)**		**(54)**		**17**		**(438)**
Issuance of equity securities by subsidiary	**152**		**28**		**1**		**123**
Purchase of Loews treasury stock	**(690)**					**(690)**	
Issuance of Loews common stock	**4**		**4**				
Stock-based compensation	**16**		**14**				**2**
Other	**(5)**		**(1)**	**(2)**			**(2)**
Balance, September 30, 2011	**$ 23,565**	**$ 4**	**$ 3,658**	**$ 15,282**	**$ 735**	**$ (705)**	**$ 4,591**

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30	2011	2010
(In millions)		
Operating Activities:		
Net income	**$ 1,287**	$ 1,317
Adjustments to reconcile net income to net cash provided by operating activities, net	**977**	640
Changes in operating assets and liabilities, net:		
Reinsurance receivables	**405**	(545)
Other receivables	**(181)**	(38)
Deferred acquisition costs	**(28)**	12
Insurance reserves	**(5)**	(563)
Other liabilities	**(349)**	28
Trading securities	**(231)**	243
Other, net	**149**	(110)
Net cash flow operating activities continuing operations	**2,024**	984
Net cash flow operating activities discontinued operations		(89)
Net cash flow operating activities total	**2,024**	895
Investing Activities:		
Purchases of fixed maturities	**(8,854)**	(12,981)
Proceeds from sales of fixed maturities	**5,912**	9,263
Proceeds from maturities of fixed maturities	**2,434**	2,891
Purchases of equity securities	**(51)**	(92)
Proceeds from sales of equity securities	**171**	215
Purchases of property, plant and equipment	**(502)**	(670)
Deposits for construction of offshore drilling equipment	**(478)**	
Sales of property, plant and equipment	**28**	789
Change in short term investments	**1,295**	629
Change in other investments	**(314)**	(552)
Other, net	**6**	7
Net cash flow investing activities continuing operations	**(353)**	(501)
Net cash flow investing activities discontinued operations		75
Net cash flow investing activities total	**(353)**	(426)

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS - (Continued)

(Unaudited)

Nine Months Ended September 30	2011	2010
(In millions)		
Financing Activities:		
Dividends paid	$ (76)	$ (79)
Dividends paid to noncontrolling interests	(297)	(397)
Acquisition of CNA Surety noncontrolling interests	(475)	
Purchases of treasury shares	(700)	(351)
Issuance of common stock	4	5
Proceeds from sale of subsidiary stock	172	337
Principal payments on debt	(1,630)	(659)
Issuance of debt	1,351	645
Other, net	(11)	(28)
Net cash flow financing activities continuing operations	(1,662)	(527)
Net cash flow financing activities discontinued operations		
Net cash flow financing activities total	(1,662)	(527)
Effect of foreign exchange rate on cash	(1)	
Net change in cash	8	(58)
Net cash transactions:		
From continuing operations to discontinued operations		(14)
To discontinued operations from continuing operations		14
Cash, beginning of period	120	190
Cash, end of period	$ 128	$ 132
Cash, end of period:		
Continuing operations	$ 128	$ 132
Discontinued operations		
Total	$ 128	$ 132

See accompanying Notes to Consolidated Condensed Financial Statements.

8

Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary); exploration, production and marketing of natural gas and natural gas liquids (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary); the operation of interstate natural gas pipeline systems (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 64% owned subsidiary); and the operation of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary). In the second quarter of 2011 Boardwalk Pipeline sold 6 million common units through a public offering for $170 million, reducing the Company s ownership interest from 66% to 64%. Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) Loews as used herein means Net income (loss) attributable to Loews Corporation.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2011 and December 31, 2010 and the results of operations and comprehensive income for the three and nine months ended September 30, 2011 and 2010 and changes in shareholders equity and cash flows for the nine months ended September 30, 2011 and 2010.

Net income for the third quarter and first nine months of each of the years is not necessarily indicative of net income for that entire year.

Reference is made to the Notes to Consolidated Financial Statements in the 2010 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

The Company presents basic and diluted earnings per share on the Consolidated Condensed Statements of Income. Basic earnings per share excludes dilution and is computed by dividing net income attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Stock appreciation rights (SARs) of 3.2 million, 2.6 million, 2.1 million and 2.6 million shares were not included in the diluted weighted average shares amount for the three and nine months ended September 30, 2011 and 2010 due to the exercise price being greater than the average stock price.

First Insurance Company of Hawaii CNA owns 50% of the common stock of First Insurance Company of Hawaii (FICOH). On August 11, 2011, CNA announced the sale of its noncontrolling interest in FICOH to Tokio Marine & Nichido Fire Insurance Co., Ltd., the other 50% shareholder. The sale, which is subject to regulatory approval, is anticipated to close in the fourth quarter of 2011 and is not expected to have a material impact on the Company s results of operations. CNA previously anticipated recovering the undistributed earnings of FICOH at a dividend tax rate. As a result of the pending sale, CNA has increased income tax expense by $22 million for the three and nine months ended September 30, 2011 to reflect the statutory tax rate.

CNA Surety Corporation On June 10, 2011, CNA completed its previously announced acquisition of the noncontrolling interests of CNA Surety Corporation (CNA Surety). Previously CNA owned approximately 61% of the outstanding publicly traded common stock of CNA Surety. CNA Surety is now a wholly owned subsidiary of CNA, and, effective after the close of the stock market on June 10, 2011, trading in CNA Surety common stock ceased. The aggregate purchase price was approximately $475 million, based on the offer price of $26.55 per share and inclusive of the retirement of CNA Surety employee stock options. The amount paid to acquire the common shares of CNA Surety in excess of the closing date noncontrolling interests included in the Company s equity of $438 million was reflected as an adjustment to Additional paid-in capital of $54 million. In addition, Accumulated other comprehensive income increased by $17 million related to the portion of net unrealized gains previously allocated to the noncontrolling shareholders. Net income attributable to the noncontrolling interests for the nine months ended September 30, 2011 and the three and nine months ended September 30, 2010 was not significant.

New accounting standards not yet adopted In October 2010, the FASB issued updated accounting guidance which limits the capitalization of costs incurred to acquire or renew insurance contracts to those that are incremental direct costs of successful contract acquisitions. The updated accounting guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 with prospective or retrospective application allowed. The Company intends to adopt this updated accounting guidance retrospectively and is currently assessing the impact it will have on its financial condition and results of operations. The Company preliminarily estimates that amounts capitalized under the current accounting guidance as of September 30, 2011 would be approximately $75 million to $130 million less under the updated guidance. Any reduction of capitalized costs will also necessitate a change in related deferred tax balances.

2. Investments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions)				
Net investment income consists of:				
Fixed maturity securities	**$ 494**	$ 511	**$ 1,505**	$ 1,540
Short term investments	**4**	4	**11**	18
Limited partnerships	**(87)**	91	**69**	178
Equity securities	**4**	7	**16**	26
Income (loss) from trading portfolio (a)	**(70)**	52	**(55)**	68
Other	**3**	3	**12**	8
Total investment income	**348**	668	**1,558**	1,838
Investment expenses	**(15)**	(14)	**(45)**	(41)
Net investment income	**$ 333**	$ 654	**$ 1,513**	$ 1,797

(a) Includes net unrealized gains/(losses) related to changes in fair value on trading securities still held of $(63), $55, $(86) and $52 for the three and nine months ended September 30, 2011 and 2010.

Investment gains (losses) are as follows:				
Fixed maturity securities	**$ (29)**	$ 76	**$ 11**	$ 169
Equity securities	**(1)**	(17)	**(3)**	(42)
Derivative instruments	**1**	(1)		(32)
Short term investments		1	**3**	5
Other	**2**	3	**4**	(6)
Investment gains (losses) (a)	**$ (27)**	$ 62	**$ 15**	$ 94

(a) Includes gross realized gains of $57, $124, $240 and $359 and gross realized losses of $87, $65, $232 and $232 on available-for-sale securities for the three and nine months ended September 30, 2011 and 2010.

10

Table of Contents

The components of other-than-temporary impairment (OTTI) losses recognized in earnings by asset type are as follows:

(In millions)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Fixed maturity securities available-for-sale:				
Corporate and other bonds	**$ 49**	$ 17	**$ 73**	$ 59
States, municipalities and political subdivisions				20
Asset-backed:				
Residential mortgage-backed	**21**	18	**95**	55
Commercial mortgage-backed				2
Other asset-backed	**4**		**4**	2
Total fixed maturity securities available-for-sale	**74**	35	**172**	138
Equity securities available-for-sale:				
Common stock	**3**	5	**7**	10
Preferred stock		4	**1**	13
Total equity securities available-for-sale	**3**	9	**8**	23
Net OTTI losses recognized in earnings	**$ 77**	$ 44	**$ 180**	$ 161

A security is impaired if the fair value of the security is less than its cost adjusted for accretion, amortization and previously recorded OTTI losses, otherwise defined as an unrealized loss. When a security is impaired, the impairment is evaluated to determine whether it is temporary or other-than-temporary.

Significant judgment is required in the determination of whether an OTTI loss has occurred for a security. CNA follows a consistent and systematic process for determining and recording an OTTI loss. CNA has established a committee responsible for the OTTI process. This committee, referred to as the Impairment Committee, is made up of three officers appointed by CNA s Chief Financial Officer. The Impairment Committee is responsible for evaluating all securities in an unrealized loss position on at least a quarterly basis.

The Impairment Committee s assessment of whether an OTTI loss has occurred incorporates both quantitative and qualitative information. Fixed maturity securities that CNA intends to sell, or it more likely than not will be required to sell before recovery of amortized cost, are considered to be other-than-temporarily impaired and the entire difference between the amortized cost basis and fair value of the security is recognized as an OTTI loss in earnings. The remaining fixed maturity securities in an unrealized loss position are evaluated to determine if a credit loss exists. The factors considered by the Impairment Committee include: (i) the financial condition and near term prospects of the issuer, (ii) whether the debtor is current on interest and principal payments, (iii) credit ratings of the securities and (iv) general market conditions and industry or sector specific outlook. CNA also considers results and analysis of cash flow modeling for asset-backed securities, and when appropriate, other fixed maturity securities. The focus of the analysis for asset-backed securities is on assessing the sufficiency and quality of underlying collateral and timing of cash flows based on scenario tests. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss is judged to exist and the asset-backed security is deemed to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is judged to be other-than-temporarily impaired for credit reasons and that shortfall, referred to as the credit component, is recognized as an OTTI loss in earnings. The difference between the adjusted amortized cost basis and fair value, referred to as the non-credit component, is recognized as OTTI in Other comprehensive income. In subsequent reporting periods, a change in intent to sell or further credit impairment on a security whose fair value has not deteriorated will cause the non-credit component originally recorded as OTTI in Other comprehensive income to be recognized as an OTTI loss in earnings.

CNA performs the discounted cash flow analysis using stressed scenarios to determine future expectations regarding recoverability. For asset-backed securities, significant assumptions enter into these cash flow projections

11

Table of Contents

including delinquency rates, probable risk of default, loss severity upon a default, over collateralization and interest coverage triggers and credit support from lower level tranches.

CNA applies the same impairment model as described above for the majority of non-redeemable preferred stock securities on the basis that these securities possess characteristics similar to debt securities and that the issuers maintain their ability to pay dividends. For all other equity securities, in determining whether the security is other-than-temporarily impaired, the Impairment Committee considers a number of factors including, but not limited to: (i) the length of time and the extent to which the fair value has been less than amortized cost, (ii) the financial condition and near term prospects of the issuer, (iii) the intent and ability of CNA to retain its investment for a period of time sufficient to allow for an anticipated recovery in value and (iv) general market conditions and industry or sector specific outlook.

The amortized cost and fair values of securities are as follows:

September 30, 2011	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
(In millions)					
Fixed maturity securities:					
Corporate and other bonds	$ 19,141	$ 1,918	$ 160	$ 20,899	
States, municipalities and political subdivisions	8,834	853	150	9,537	
Asset-backed:					
Residential mortgage-backed	5,812	199	161	5,850	$ 82
Commercial mortgage-backed	1,255	55	61	1,249	(8)
Other asset-backed	1,035	15	14	1,036	
Total asset-backed	8,102	269	236	8,135	74
U.S. Treasury and obligations of government-sponsored enterprises	221	16		237	
Foreign government	557	25		582	
Redeemable preferred stock	49	8		57	
Fixed maturities available- for-sale	36,904	3,089	546	39,447	74
Fixed maturities, trading	240		7	233	
Total fixed maturities	37,144	3,089	553	39,680	74
Equity securities:					
Common stock	103	19	2	120	
Preferred stock	213	2	8	207	
Equity securities available-for-sale	316	21	10	327	
Equity securities, trading	619	64	86	597	
Total equity securities	935	85	96	924	
Total	$ 38,079	$ 3,174	$ 649	$ 40,604	$ 74

December 31, 2010	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
(In millions)					
Fixed maturity securities:					
Corporate and other bonds	$ 19,503	$ 1,603	$ 70	$ 21,036	
States, municipalities and political subdivisions	8,157	142	410	7,889	
Asset-backed:					
Residential mortgage-backed	6,255	101	265	6,091	$ 114
Commercial mortgage-backed	994	40	41	993	(2)
Other asset-backed	753	18	8	763	
Total asset-backed	8,002	159	314	7,847	112
U.S. Treasury and obligations of government-sponsored enterprises	122	16	1	137	
Foreign government	602	18		620	
Redeemable preferred stock	47	7		54	
Fixed maturities available-for-sale	36,433	1,945	795	37,583	112
Fixed maturities, trading	244		13	231	
Total fixed maturities	36,677	1,945	808	37,814	112
Equity securities:					
Common stock	90	25		115	
Preferred stock	332	2	9	325	
Equity securities available-for-sale	422	27	9	440	
Equity securities, trading	557	123	34	646	
Total equity securities	979	150	43	1,086	
Total	$ 37,656	$ 2,095	$ 851	$ 38,900	$ 112

At September 30, 2011 and December 31, 2010, net unrealized gains on investments included in Accumulated other comprehensive income (AOCI) supporting certain products within CNA s Life & Group Non-Core segment were reduced by $420 million and $135 million, net of tax and noncontrolling interests, resulting from a reduction of Deferred acquisition costs or an increase in Future policy benefit reserves.

The available-for-sale securities in a gross unrealized loss position are as follows:

	Less than 12 Months		Greater than 12 Months		Total	
September 30, 2011	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
(In millions)						
Fixed maturity securities:						
Corporate and other bonds	**$ 3,143**	**$ 134**	**$ 142**	**$ 26**	**$ 3,285**	**$ 160**
States, municipalities and political subdivisions	**270**	**4**	**716**	**146**	**986**	**150**

Asset-backed:						
Residential mortgage-backed	**789**	**20**	**978**	**141**	**1,767**	**161**
Commercial mortgage-backed	**474**	**42**	**179**	**19**	**653**	**61**
Other asset-backed	**377**	**4**	**77**	**10**	**454**	**14**
Total asset-backed	**1,640**	**66**	**1,234**	**170**	**2,874**	**236**
Total fixed maturities available- for-sale	**5,053**	**204**	**2,092**	**342**	**7,145**	**546**
Equity securities available-for-sale:						
Common stock	**36**	**2**			**36**	**2**
Preferred stock	**129**	**7**	**19**	**1**	**148**	**8**
Total	**$ 5,218**	**$ 213**	**$ 2,111**	**$ 343**	**$ 7,329**	**$ 556**

Table of Contents

December 31, 2010	Less than 12 Months Estimated Fair Value	Less than 12 Months Gross Unrealized Losses	Greater than 12 Months Estimated Fair Value	Greater than 12 Months Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
(In millions)						
Fixed maturity securities:						
Corporate and other bonds	$ 1,719	$ 34	$ 405	$ 36	$ 2,124	$ 70
States, municipalities and political subdivisions	3,339	164	745	246	4,084	410
Asset-backed:						
Residential mortgage-backed	1,800	52	1,801	213	3,601	265
Commercial mortgage-backed	164	3	333	38	497	41
Other asset-backed	122	1	60	7	182	8
Total asset-backed	2,086	56	2,194	258	4,280	314
U.S. Treasury and obligations of government-sponsored enterprises	8	1			8	1
Total fixed maturities available-for-sale	7,152	255	3,344	540	10,496	795
Equity securities available-for-sale:						
Preferred stock	175	5	70	4	245	9
Total	$ 7,327	$ 260	$ 3,414	$ 544	$ 10,741	$ 804

The amount of pretax net unrealized gains (losses) on available-for-sale securities reclassified out of AOCI into earnings was $(29) million, $62 million, $12 million and $133 million for the three and nine months ended September 30, 2011 and 2010.

The following table summarizes the activity for the three and nine months ended September 30, 2011 and 2010 related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held at September 30, 2011 and 2010 for which a portion of an OTTI loss was recognized in Other comprehensive income.

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	**Nine Months Ended September 30, 2011**	Nine Months Ended September 30, 2010
(In millions)				
Beginning balance of credit losses on fixed maturity securities	**$ 82**	$ 171	**$ 141**	$ 164
Additional credit losses for securities for which an OTTI loss was previously recognized	**11**	4	**29**	26
Credit losses for securities for which an OTTI loss was not previously recognized	**10**	1	**11**	9
Reductions for securities sold during the period	**(4)**	(27)	**(50)**	(50)
Reductions for securities the Company intends to sell or more likely than not will be required to sell		(8)	**(32)**	(8)
Ending balance of credit losses on fixed maturity securities	**$ 99**	$ 141	**$ 99**	$ 141

Based on current facts and circumstances, the Company has determined that no additional OTTI losses related to the securities in an unrealized loss position presented in the table above are required to be recorded. A discussion of some of the factors reviewed in making that determination is presented below.

The classification between investment grade and non-investment grade presented in the discussion below is based on a ratings methodology that takes into account ratings from two major providers, Standard & Poor s and Moody s Investors Service, Inc. in that order of preference. If a security is not rated by these providers, the Company formulates an internal rating. For securities with credit support from third party guarantees, the rating reflects the greater of the underlying rating of the issuer or the insured rating.

Table of Contents

Corporate and Other Bonds

The unrealized losses on the Company s investments in this category primarily relate to non-investment grade bonds and bonds within the financial industry sector. The financial industry sector holdings in this category include bonds with an aggregate fair value of $1,702 million and an aggregate amortized cost of $1,793 million as of September 30, 2011.

The corporate and other bonds in a gross unrealized loss position by ratings distribution are as follows:

September 30, 2011	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
(In millions)			
AAA	$ 58	$ 57	$ 1
AA	202	196	6
A	1,018	975	43
BBB	1,280	1,219	61
Non-investment grade	887	838	49
Total	$ 3,445	$ 3,285	$ 160

The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of principal and interest; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at September 30, 2011.

States, Municipalities and Political Subdivisions

The unrealized losses on the Company s investments in this category are primarily due to market conditions for zero coupon bonds, particularly for those with maturity dates that exceed 20 years. Yields for these securities continue to be higher than historical norms relative to after-tax returns on similar fixed income securities.

The states, municipalities and political subdivisions securities in a gross unrealized loss position by ratings distribution are as follows:

September 30, 2011	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
(In millions)			
AAA	$ 198	$ 190	$ 8
AA	485	378	107
A	370	340	30
BBB	67	63	4
Non-investment grade	16	15	1
Total	$ 1,136	$ 986	$ 150

The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of principal and interest; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at September 30, 2011.

Table of Contents

Asset-Backed Securities

The fair value of total asset-backed holdings at September 30, 2011 was $8,135 million which was comprised of 2,055 different securities. The fair value of these securities tends to be influenced by the characteristics and projected cash flows of the underlying collateral rather than the credit of the issuer. Each security has deal-specific tranche structures, credit support that results from the unique deal structure, particular collateral characteristics and other distinct security terms. As a result, seemingly common factors such as delinquency rates and collateral performance affect each security differently. Of these securities, 132 had underlying collateral that was either considered sub-prime or Alt-A in nature. The exposure to sub-prime residential mortgage collateral and Alternative A residential mortgages that have lower than normal standards of loan documentation collateral is measured by the original deal structure.

Residential mortgage-backed securities included 149 non-agency structured securities that had at least one trade lot in a gross unrealized loss position. The aggregate severity of the gross unrealized loss for residential mortgage-backed securities was approximately 7.6% of amortized cost.

Commercial mortgage-backed securities included 66 securities that had at least one trade lot in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 8.6% of amortized cost. Other asset-backed securities included 46 securities that had at least one trade lot in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 3.1% of amortized cost.

The asset-backed securities in a gross unrealized loss position by ratings distribution are as follows:

September 30, 2011	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
(In millions)			
U.S. Government, Government Agencies and Government-Sponsored Enterprises	$ 481	$ 465	$ 16
AAA	762	734	28
AA	441	415	26
A	213	203	10
BBB	316	278	38
Non-investment grade	897	779	118
Total	$ 3,110	$ 2,874	$ 236

The Company believes the unrealized losses are primarily attributable to broader economic conditions, changes in interest rates, wider than historical bid/ask spreads and uncertainty with regard to the timing and amount of ultimate collateral realization, but are not indicative of the ultimate collectibility of the current carrying values of securities. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at September 30, 2011.

Table of Contents

Contractual Maturity

The following table summarizes available-for-sale fixed maturity securities by contractual maturity at September 30, 2011 and December 31, 2010. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties. Securities not due at a single date are allocated based on weighted average life.

	September 30, 2011		December 3 1, 2010	
(In millions)	**Amortized Cost**	**Estimated Fair Value**	Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 1,658**	**$ 1,662**	$ 1,515	$ 1,506
Due after one year through five years	**12,947**	**13,407**	11,198	11,653
Due after five years through ten years	**8,447**	**8,941**	10,034	10,437
Due after ten years	**13,852**	**15,437**	13,686	13,987
Total	**$ 36,904**	**$ 39,447**	$ 36,433	$ 37,583

Limited Partnerships

The carrying value of limited partnerships as of September 30, 2011 and December 31, 2010 was $3.0 billion and $2.8 billion. Limited partnerships comprising 61.8% of the total carrying value were reported on a current basis through September 30, 2011 with no reporting lag, 25.0% were reported on a one month lag and the remainder were reported on more than a one month lag. As of September 30, 2011 and December 31, 2010, the Company had 86 and 84 active limited partnership investments. The number of limited partnerships held and the strategies employed provide diversification to the limited partnership portfolio and the overall invested asset portfolio.

Of the limited partnerships held, 84.7% and 87.4% at September 30, 2011 and December 31, 2010, employ hedge fund strategies that generate returns through investing in securities that are marketable while engaging in various management techniques primarily in public fixed income and equity markets. These hedge fund strategies include both long and short positions in fixed income, equity and derivative instruments. The hedge fund strategies may seek to generate gains from mispriced or undervalued securities, price differentials between securities, distressed investments, sector rotation, or various arbitrage disciplines. Within hedge fund strategies, approximately 43.1% were equity related, 36.7% pursued a multi-strategy approach, 14.9% were focused on distressed investments and 5.3% were fixed income related at September 30, 2011. Limited partnerships representing 11.0% and 9.1% at September 30, 2011 and December 31, 2010 were invested in private debt and equity. The remaining were invested in various other partnerships including real estate.

While the Company generally does not invest in highly leveraged partnerships, there are risks which may result in losses due to short-selling, derivatives or other speculative investment practices. The use of leverage increases volatility generated by the underlying investment strategies.

The Company s limited partnership investments contain withdrawal provisions that generally limit liquidity for a period of thirty days up to one year and in some cases do not permit withdrawals until the termination of the partnership. Typically, withdrawals require advanced written notice of up to 90 days.

Investment Commitments

As of September 30, 2011, the Company had committed approximately $157 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

The Company invests in various privately placed debt securities, including bank loans, as part of its overall investment strategy and has committed to additional future purchases and sales. The purchase and sale of these investments are recorded on the date that the legal agreements are finalized and cash settlements are made. As of September 30, 2011, the Company had commitments to purchase $110 million and sell $51 million of such investments.

17

Table of Contents

3. Fair Value

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not observable.

The Company attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Company is responsible for the valuation process and seeks to obtain quoted market prices for all securities. When quoted market prices in active markets are not available, the Company uses a number of methodologies to establish fair value estimates, including discounted cash flow models, prices from recently executed transactions of similar securities or broker/dealer quotes, utilizing market observable information to the extent possible. In conjunction with modeling activities, the Company may use external data as inputs. The modeled inputs are consistent with observable market information, when available, or with the Company s assumptions as to what market participants would use to value the securities. The Company also uses pricing services as a significant source of data. The Company monitors all the pricing inputs to determine if the markets from which the data is gathered are active. As further validation of the Company s valuation process, the Company samples past fair value estimates and compares the valuations to actual transactions executed in the market on similar dates.

Table of Contents

The fair values of CNA s life settlement contracts are included in Other assets. Equity options purchased are included in Equity securities, and all other derivative assets are included in Receivables. Derivative liabilities are included in Payable to brokers. Assets and liabilities measured at fair value on a recurring basis are summarized in the tables below:

September 30, 2011 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
Corporate and other bonds		$ 20,280	$ 619	$ 20,899
States, municipalities and political subdivisions		9,355	182	9,537
Asset-backed:				
Residential mortgage-backed		5,219	631	5,850
Commercial mortgage-backed		1,090	159	1,249
Other asset-backed		607	429	1,036
Total asset-backed	$	6,916	1,219	8,135
U.S. Treasury and obligations of government-sponsored enterprises	176	61		237
Foreign government	92	490		582
Redeemable preferred stock	3	54		57
Fixed maturities available-for-sale	271	37,156	2,020	39,447
Fixed maturities, trading		122	111	233
Total fixed maturities	$ 271	$ 37,278	$ 2,131	$ 39,680
Equity securities available-for-sale	$ 179	$ 116	$ 32	$ 327
Equity securities, trading	585		12	597
Total equity securities	$ 764	$ 116	$ 44	$ 924
Short term investments	$ 5,276	$ 566	$ 6	$ 5,848
Other invested assets		6	10	16
Receivables		56	4	60
Life settlement contracts			125	125
Separate account business	23	360	35	418
Payable to brokers	(179)	(53)	(32)	(264)

19

Table of Contents

December 31, 2010 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
Corporate and other bonds		$ 20,412	$ 624	$ 21,036
States, municipalities and political subdivisions		7,623	266	7,889
Asset-backed:				
Residential mortgage-backed		5,324	767	6,091
Commercial mortgage-backed		920	73	993
Other asset-backed		404	359	763
Total asset-backed	$	6,648	1,199	7,847
U.S. Treasury securities and obligations of government-sponsored enterprises	76	61		137
Foreign government	115	505		620
Redeemable preferred stock	3	48	3	54
Fixed maturities available-for-sale	194	35,297	2,092	37,583
Fixed maturities, trading		47	184	231
Total fixed maturities	$ 194	$ 35,344	$ 2,276	$ 37,814
Equity securities available-for-sale	$ 288	$ 126	$ 26	$ 440
Equity securities, trading	640		6	646
Total equity securities	$ 928	$ 126	$ 32	$ 1,086
Short term investments	$ 6,079	$ 974	$ 27	$ 7,080
Other invested assets			26	26
Receivables		74	2	76
Life settlement contracts			129	129
Separate account business	28	381	41	450
Payable to brokers	(328)	(79)	(23)	(430)
Discontinued operations investments, included in Other liabilities	11	60		71

Table of Contents

The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2011 and 2010:

2011 (In millions)	Balance, July 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
Fixed maturity securities:										
Corporate and other bonds	$ 812	$ (7)	$ (3)	$ 113	$ (107)	$ (47)	$ 12	$ (154)	$ 619	$ (10)
States, municipalities and political subdivisions	179			3					182	
Asset-backed:										
Residential mortgage-backed	687	1	(5)	73	(81)	(13)		(31)	631	
Commercial mortgage- backed	95		(7)	76				(5)	159	
Other asset-backed	491	(5)	(6)	114	(105)	(25)	2	(37)	429	(4)
Total asset-backed	1,273	(4)	(18)	263	(186)	(38)	2	(73)	1,219	(4)
Fixed maturities available-for-sale	2,264	(11)	(21)	379	(293)	(85)	14	(227)	2,020	(14)
Fixed maturities, trading	114	(3)							111	(3)
Total fixed maturities	$ 2,378	$ (14)	$ (21)	$ 379	$ (293)	$ (85)	$ 14	$ (227)	$ 2,131	$ (17)
Equity securities available-for-sale	$ 36				$ (1)			$ (3)	$ 32	
Equity securities trading	16	$ (4)							12	$ (4)
Total equity securities	$ 52	$ (4)	$	$	$ (1)	$	$	$ (3)	$ 44	$ (4)
Short term investments	$ 6								$ 6	
Other invested assets	10								10	
Life settlement contracts	129	$ 11				$ (15)			125	$ (1)
Separate account business	37				$ (2)				35	
Derivative financial instruments, net	(37)	(13)	$ 11			11			(28)	(1)

Table of Contents

2010 (In millions)	Balance, July 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases, Sales, Issuances and Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
Fixed maturity securities:								
Corporate and other bonds	$ 718	$ 1	$ 18	$ (83)		$ (54)	$ 600	$ (1)
States, municipalities and political subdivisions	539		3	(84)			458	
Asset-backed:								
Residential mortgage-backed	659	1	(9)	(5)			646	
Commercial mortgage-backed	95		3			(20)	78	
Other asset-backed	306	(1)	7	(66)			246	
Total asset-backed	1,060		1	(71)	$	(20)	970	
Redeemable preferred stock	1						1	
Fixed maturities available-for-sale	2,318	1	22	(238)		(74)	2,029	(1)
Fixed maturities, trading	191	(2)		(1)			188	(2)
Total fixed maturities	$ 2,509	$ (1)	$ 22	$ (239)	$	$ (74)	$ 2,217	$ (3)
Equity securities available-for-sale	$ 4	$ (3)		$ 15	$ 6		$ 22	$ (4)
Short term investments	21			(8)		$ (11)	2	
Other invested assets		2		26			28	2
Life settlement contracts	134	8		(6)			136	4
Separate account business	37			4			41	
Derivative financial instruments, net	4	(3)	$ (15)	1			(13)	

22

Table of Contents

2011 (In millions)	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
Fixed maturity securities:										
Corporate and other bonds	$ 624	$ (5)	$ (6)	$ 459	$ (157)	$ (144)	$ 52	$ (204)	$ 619	$ (11)
States, municipalities and political subdivisions	266			3		(87)			182	
Asset-backed:										
Residential mortgage-backed	767	(11)	9	170	(164)	(54)		(86)	631	(15)
Commercial mortgage- backed	73	3	11	81	(4)			(5)	159	
Other asset-backed	359		(6)	441	(236)	(80)	2	(51)	429	(4)
Total asset-backed	1,199	(8)	14	692	(404)	(134)	2	(142)	1,219	(19)
Redeemable preferred stock	3	3	(3)		(3)					
Fixed maturities available-for-sale	2,092	(10)	5	1,154	(564)	(365)	54	(346)	2,020	(30)
Fixed maturities, trading	184	(1)			(72)				111	6
Total fixed maturities	$ 2,276	$ (11)	$ 5	$ 1,154	$ (636)	$ (365)	$ 54	$ (346)	$ 2,131	$ (24)
Equity securities available-for-sale	$ 26	$ (2)	$ (1)	$ 19	$ (12)		$ 5	$ (3)	$ 32	$ (3)
Equity securities trading	6	(9)		1			14		12	(9)
Total equity securities	$ 32	$ (11)	$ (1)	$ 20	$ (12)	$	$ 19	$ (3)	$ 44	$ (12)
Short term investments	$ 27			$ 12		$ (23)		$ (10)	$ 6	
Other invested assets	26	$ 3			$ (19)				10	$ 1
Life settlement contracts	129	20				(24)			125	2
Separate account business	41				(6)				35	
Derivative financial instruments, net	(21)	(32)	$ (5)			30			(28)	(1)

Table of Contents

2010	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in OCI	Purchases, Sales, Issuances and Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
(In millions)								
Fixed maturity securities:								
Corporate and other bonds	$ 609	$ 10	$ 56	$ 29	$ 23	$ (127)	$ 600	$ (2)
States, municipalities and political subdivisions	756		9	(307)			458	
Asset-backed:								
Residential mortgage-backed	629	(7)	20	50		(46)	646	(10)
Commercial mortgage- backed	123	(1)	1	6	7	(58)	78	(2)
Other asset-backed	348	3	29	(89)		(45)	246	(1)
Total asset-backed	1,100	(5)	50	(33)	7	(149)	970	(13)
Redeemable preferred stock	2	6		(7)			1	
Fixed maturities available-for-sale	2,467	11	115	(318)	30	(276)	2,029	(15)
Fixed maturities, trading	197	6		(15)			188	5
Total fixed maturities	$ 2,664	$ 17	$ 115	$ (333)	$ 30	$ (276)	$ 2,217	$ (10)
Equity securities available-for-sale	$ 11	$ (4)		$ 14	$ 8	$ (7)	$ 22	$ (5)
Short term investments				12	1	(11)	2	
Other invested assets		2		26			28	2
Life settlement contracts	130	25		(19)			136	11
Separate account business	38			3			41	
Discontinued operations investments	16		$ 1	(2)		(15)		
Derivative financial instruments, net	(48)	(18)	27	26			(13)	

Net realized and unrealized gains and losses are reported in Net income as follows:

Major Category of Assets and Liabilities	Consolidated Condensed Statements of Income Line Items
Fixed maturity securities available-for-sale	Investment gains (losses)
Fixed maturity securities, trading	Net investment income
Equity securities available-for-sale	Investment gains (losses)
Equity securities, trading	Net investment income
Other invested assets	Investment gains (losses)
Derivative financial instruments held in a trading portfolio	Net investment income
Derivative financial instruments, other	Investment gains (losses) and Other revenues
Life settlement contracts	Other revenues

Table of Contents

Securities shown in the Level 3 tables may be transferred in or out of Level 3 based on the availability of observable market information used to verify pricing sources or used in pricing models. The availability of observable market information varies based on market conditions and trading volume and may cause securities to move in and out of Level 3 from reporting period to reporting period. There were no significant transfers between Level 1 and Level 2 during the three or nine months ended September 30, 2011. The Company s policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

The following section describes the valuation methodologies used to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which the instruments are generally classified.

Fixed Maturity Securities

Level 1 securities include highly liquid U.S. and foreign government bonds and redeemable preferred stock valued using quoted market prices. The remaining fixed maturity securities are valued using pricing for similar securities, recently executed transactions, cash flow models with yield curves, broker/dealer quotes and other pricing models utilizing observable inputs. The valuation for most fixed maturity securities is classified as Level 2. Level 2 securities may also include securities that have firm sale commitments and prices that are not recorded until the settlement date. Securities are generally assigned to Level 3 in cases where broker/dealer quotes are significant inputs to the valuation and there is a lack of transparency as to whether these quotes are based on information that is observable in the marketplace. Level 3 securities also include tax-exempt and taxable auction rate certificates. Fair value of auction rate securities is determined utilizing a pricing model with three primary inputs. The interest rate and spread inputs are observable from like instruments while the maturity date assumption is unobservable due to the uncertain nature of the principal prepayments prior to maturity.

Equity Securities

Level 1 securities include publicly traded securities valued using quoted market prices. Level 2 securities are primarily non-redeemable preferred stocks and common stocks valued using pricing for similar securities, recently executed transactions, broker/dealer quotes and other pricing models utilizing observable inputs. Level 3 securities are priced using internal models with inputs that are not market observable.

Derivative Financial Instruments

Exchange traded derivatives are valued using quoted market prices and are classified within Level 1 of the fair value hierarchy. Level 2 derivatives include currency forwards valued using observable market forward rates. Over-the-counter derivatives, principally interest rate swaps, total return swaps, commodity swaps, credit default swaps, equity warrants and options, are valued using inputs including broker/dealer quotes and are classified within Level 2 or Level 3 of the valuation hierarchy, depending on the amount of transparency as to whether these quotes are based on information that is observable in the marketplace.

Short Term Investments

The valuation of securities that are actively traded or have quoted prices are classified as Level 1. These securities include money market funds and treasury bills. Level 2 primarily includes commercial paper, for which all inputs are observable. Level 3 securities include fixed maturity securities purchased within one year of maturity where broker/dealer quotes are significant inputs to the valuation and there is a lack of transparency to the market inputs used.

Life Settlement Contracts

The fair values of life settlement contracts are determined as the present value of the anticipated death benefits less anticipated premium payments based on contract terms that are distinct for each insured, as well as CNA s own assumptions for mortality, premium expense, and the rate of return that a buyer would require on the contracts, as no comparable market pricing data is available.

Table of Contents

Separate Account Business

Separate account business includes fixed maturity securities, equities and short term investments. The valuation methodologies for these asset types have been described above.

Financial Assets and Liabilities Not Measured at Fair Value

The carrying amount and estimated fair value of the Company s financial instrument assets and liabilities which are not measured at fair value on the Consolidated Condensed Balance Sheets are listed in the table below.

	September 30, 2011		December 31, 2010	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
(In millions)				
Financial assets:				
Other invested assets	**$ 204**	**$ 214**	$ 87	$ 86
Financial liabilities:				
Premium deposits and annuity contracts	**$ 108**	**$ 110**	$ 104	$ 105
Short term debt	**1,206**	**1,210**	647	662
Long term debt	**8,026**	**8,633**	8,830	9,243

The following methods and assumptions were used in estimating the fair value of these financial assets and liabilities.

The fair values of Other invested assets were based on the present value of the expected future cash flows discounted at the current interest rate for similar financial instruments.

Premium deposits and annuity contracts were valued based on cash surrender values, estimated fair values or policyholder liabilities, net of amounts ceded related to sold business.

Fair value of debt was based on observable quoted market prices when available. When quoted market prices were not available, the fair value for debt was based on quoted market prices of comparable instruments adjusted for differences between the quoted instruments and the instruments being valued or is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

4. Derivative Financial Instruments

The Company invests in certain derivative instruments for a number of purposes, including: (i) asset and liability management activities, (ii) income enhancements for its portfolio management strategy and (iii) to benefit from anticipated future movements in the underlying markets. If such movements do not occur as anticipated, then significant losses may occur.

Monitoring procedures include senior management review of daily detailed reports of existing positions and valuation fluctuations to ensure that open positions are consistent with the Company s portfolio strategy.

The Company does not believe that any of the derivative instruments utilized by it are unusually complex, nor do these instruments contain embedded leverage features which would expose the Company to a higher degree of risk.

The Company uses derivatives in the normal course of business, primarily in an attempt to reduce its exposure to market risk (principally interest rate risk, equity price risk, commodity price risk and foreign currency risk) stemming from various assets and liabilities and credit risk (the ability of an obligor to make timely payment of principal and/or interest). The Company s principal objective under such risk strategies is to achieve the desired reduction in economic risk, even if the position does not receive hedge accounting treatment.

26

CNA s use of derivatives is limited by statutes and regulations promulgated by the various regulatory bodies to which it is subject, and by its own derivative policy. The derivative policy limits the authorization to initiate derivative transactions to certain personnel. Derivatives entered into for hedging, regardless of the choice to designate hedge accounting, shall have a maturity that effectively correlates to the underlying hedged asset or liability. The policy prohibits the use of derivatives containing greater than one-to-one leverage with respect to changes in the underlying price, rate or index. The policy also prohibits the use of borrowed funds, including funds obtained through securities lending, to engage in derivative transactions.

The Company has exposure to economic losses due to interest rate risk arising from changes in the level of, or volatility of, interest rates. The Company attempts to mitigate its exposure to interest rate risk in the normal course of portfolio management, which includes rebalancing its existing portfolios of assets and liabilities. In addition, various derivative financial instruments are used to modify the interest rate risk exposures of certain assets and liabilities. These strategies include the use of interest rate swaps, interest rate caps and floors, options, futures, forwards and commitments to purchase securities. These instruments are generally used to lock interest rates or market values, to shorten or lengthen durations of fixed maturity securities or to hedge (on an economic basis) interest rate risks associated with investments and variable rate debt. The Company infrequently designates these types of instruments as hedges against specific assets or liabilities.

The Company has exposure to equity price risk as a result of its investment in equity securities and equity derivatives. Equity price risk results from changes in the level or volatility of equity prices, which affect the value of equity securities, or instruments that derive their value from such securities. The Company attempts to mitigate its exposure to such risks by limiting its investment in any one security or index. The Company may also manage this risk by utilizing instruments such as options, swaps, futures and collars to protect appreciation in securities held.

The Company has exposure to credit risk arising from the uncertainty associated with a financial instrument obligor s ability to make timely principal and/or interest payments. The Company attempts to mitigate this risk by limiting credit concentrations, practicing diversification, and frequently monitoring the credit quality of issuers and counterparties. In addition, the Company may utilize credit derivatives such as credit default swaps (CDS) to modify the credit risk inherent in certain investments. CDS involve a transfer of credit risk from one party to another in exchange for periodic payments.

Foreign currency risk arises from the possibility that changes in foreign currency exchange rates will impact the fair value of financial instruments denominated in a foreign currency. The Company s foreign transactions are primarily denominated in Australian dollars, Brazilian reais, British pounds, Canadian dollars and the European Monetary Unit. The Company typically manages this risk via asset/liability currency matching and through the use of foreign currency forwards.

In addition to the derivatives used for risk management purposes described above, the Company may also use derivatives for purposes of income enhancement. Income enhancement transactions are entered into with the intention of providing additional income or yield to a particular portfolio segment or instrument.

The Company will also use CDS to sell credit protection against a specified credit event. In selling credit protection, CDS are used to replicate fixed income securities when credit exposure to certain issuers is not available or when it is economically beneficial to transact in the derivative market compared to the cash market alternative. Credit risk includes both the default event risk and market value exposure due to fluctuations in credit spreads. In selling CDS protection, the Company receives a periodic premium in exchange for providing credit protection on a single name reference obligation or a credit derivative index. If there is an event of default as defined by the CDS agreement, the Company is required to pay the counterparty the referenced notional amount of the CDS contract and in exchange the Company is entitled to receive the referenced defaulted security or the cash equivalent.

Table of Contents

The tables below summarize open CDS contracts where the Company sold credit protection as of September 30, 2011 and December 31, 2010. The fair value of the contracts represents the amounts that the Company would receive or pay at those dates to exit the derivative positions. The maximum amount of future payments assumes no residual value in the defaulted securities that the Company would receive as part of the contract terminations and is equal to the notional value of the CDS contracts.

September 30, 2011	Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years To Maturity
(In millions of dollars)			
A-rated		$ 5	5.0
BBB-rated	$ (2)	15	5.1
BB-rated	(1)	22	4.3
B-rated		3	0.7
CCC-rated	(1)	5	5.0
Total	$ (4)	$ 50	4.5
December 31, 2010			
BB-rated	$ 1	$ 5	2.5
B-rated		3	1.5
Total	$ 1	$ 8	2.1

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to the instruments recognized on the Consolidated Condensed Balance Sheets. The Company attempts to mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives to multiple counterparties. The Company generally requires that all over-the-counter derivative contracts be governed by an International Swaps and Derivatives Association (ISDA) Master Agreement, and exchanges collateral under the terms of these agreements with its derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty. The Company does not offset its net derivative positions against the fair value of the collateral provided. The fair value of collateral provided by the Company was $18 million at September 30, 2011 and $2 million at December 31, 2010 and consisted of cash and U.S. Treasury Bills. The fair value of cash collateral received from counterparties was $1 million at September 30, 2011 and December 31, 2010.

The agreements governing HighMount s derivative instruments contain certain covenants, including a maximum debt to capitalization ratio reviewed quarterly. If HighMount does not comply with these covenants, the counterparties to the derivative instruments could terminate the agreements and request payment on those derivative instruments in net liability positions. The aggregate fair value of HighMount s derivative instruments that are in a liability position was $68 million at September 30, 2011. HighMount was not required to post any collateral under the governing agreements. At September 30, 2011, HighMount was in compliance with all of its covenants under the derivatives agreements.

See Note 3 for information regarding the fair value of derivative instruments.

Table of Contents

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. Equity options purchased are included in Equity securities, and all other derivative assets are reported as Receivables. Derivative liabilities are included in Payable to brokers on the Consolidated Condensed Balance Sheets. The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and may not be representative of the potential for gain or loss on these instruments.

	September 30, 2011			December 31, 2010		
	Contractual/ Notional Amount	**Estimated Fair Value Asset**	**Estimated Fair Value (Liability)**	Contractual/ Notional Amount	Estimated Fair Value Asset	Estimated Fair Value (Liability)
(In millions)						
With hedge designation:						
Interest rate risk:						
Interest rate swaps				$ 1,095		$ (75)
Commodities:						
Forwards short	**$ 325**	**$ 52**	**$ (26)**	487	$ 70	(24)
Foreign exchange:						
Currency forwards short	**191**		**(14)**	140	4	
Without hedge designation:						
Equity markets:						
Options purchased	**222**	**44**		207	30	
Options written	**366**		**(37)**	340		(10)
Futures short	**43**					
Equity swaps and warrants long	**16**	**14**				
Equity swaps and warrants short	**11**					
Interest rate risk:						
Interest rate swaps (a)	**1,100**		**(38)**	5		(1)
Credit default swaps purchased protection	**63**	**2**	**(2)**	20		(2)
Credit default swaps sold protection	**50**		**(4)**	8	1	
Forward commitments for mortgage-backed securities	**62**	**1**				
Futures short	**13**					
Foreign exchange:						
Currency forwards long	**7**		**(2)**			
Currency forwards short	**162**	**4**				

(a) As a result of HighMount expecting to replace its $1.1 billion variable-rate term loans, included in Short term debt in the Consolidated Condensed Balance Sheets at September 30, 2011, before their scheduled maturity date in July of 2012, the hedge designation has been removed from the related interest rate swaps.

Derivatives without hedge designation For derivatives not held in a trading portfolio, new derivative transactions entered into totaled approximately $64 million and $88 million in notional value while derivative termination activity totaled approximately $14 million and $47 million during the three and nine months ended September 30, 2011. This activity was primarily attributable to forward commitments for mortgage-backed securities and foreign currency forwards. During the three and nine months ended September 30, 2010, new derivative transactions entered into totaled approximately $342 million and $1.1 billion in notional value while derivative termination activity totaled approximately $361 million and $1.1 billion. This activity was primarily attributable to interest rate futures and forward commitments for mortgage-backed securities.

Table of Contents

A summary of the recognized gains (losses) related to derivative financial instruments without hedge designation follows. Changes in the fair value of derivatives not held in a trading portfolio are reported in Investment gains (losses) and changes in the fair value of derivatives held for trading purposes are reported in Net investment income on the Consolidated Condensed Statements of Income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions)				
Included in Net investment income:				
Equity markets:				
Equity options purchased	**$ 16**	$ (7)	**$ 7**	$ (10)
Equity options written	**(18)**	10	**(11)**	15
Futures long	**(8)**	(3)	**(8)**	(6)
Futures short	**6**	(1)	**5**	(4)
Foreign exchange:				
Currency forwards long	**(2)**	2	**(2)**	
Currency forwards short	**5**	(8)	**5**	(9)
Currency options short		1		(1)
Interest rate risk:				
Credit default swaps purchased protection	**2**		**2**	
Credit default swaps sold protection	**(3)**		**(3)**	
Options on government securities short		(66)		(66)
Futures long		4		(14)
Futures short	**2**	14	**2**	14
Other	**(1)**		**(2)**	(2)
	(1)	(54)	**(5)**	(83)
Included in Investment gains (losses):				
Interest rate risk:				
Interest rate swaps				(44)
Credit default swaps purchased protection		(1)		(1)
Forward commitments for mortgage-backed securities	**1**		**1**	
Currency forwards short			**(1)**	
Commodity forwards short				13
	1	(1)		(32)
Total	**$**	$ (55)	**$ (5)**	$ (115)

Cash flow hedges A significant portion of the Company s hedge strategies represents cash flow hedges of the variable price risk associated with the purchase and sale of natural gas and other energy-related products. As of September 30, 2011, approximately 58.9 billion cubic feet of natural gas equivalents was hedged by qualifying cash flow hedges. The effective portion of these commodity hedges is reclassified from AOCI into earnings when the anticipated transaction affects earnings. Approximately 22% of these derivatives have settlement dates in 2011 and 57% have settlement dates in 2012. As of September 30, 2011, the estimated amount of net unrealized gains associated with commodity contracts that will be reclassified into earnings during the next twelve months was $21 million. However, these amounts are likely to vary materially as a result of changes in market conditions. Foreign currency forward exchange contracts are used to reduce exposure to future foreign currency expenditures. The effective portion of these hedges is reclassified from AOCI into earnings when the hedged transaction affects earnings or it is determined that the hedged transaction will not occur. As of September 30, 2011, the estimated amount of net unrealized losses associated with these contracts that will be reclassified into earnings over the next twelve months was $14 million. The Company also uses interest rate swaps to hedge its exposure to variable interest rates or risk attributable to changes in interest rates on long term debt. The effective portion of the hedges is

Table of Contents

amortized to interest expense over the term of the related notes. As of September 30, 2011, the estimated amount of net unrealized losses associated with interest rate swaps that will be reclassified into earnings during the next twelve months was $45 million. On September 30, 2011, HighMount determined that the expected payments of interest on its variable-rate term loans were not probable, but possible of occurring and discontinued hedge accounting treatment prospectively for its interest rate swaps. HighMount will record future changes in the fair value of the swaps through earnings and reclass any amounts deferred in AOCI to earnings when the date of refinancing is known. For the three and nine months ended September 30, 2011 and 2010, the net amounts recognized due to ineffectiveness were less than $1 million.

As a result of the sale of certain gas producing properties in 2010, HighMount recognized losses of $36 million in Investment gains (losses) in the Consolidated Condensed Statements of Income for the nine months ended September 30, 2010, reflecting the reclassification of net derivative losses from AOCI to earnings.

The following table summarizes the effective portion of the net derivative gains or losses included in OCI and the amount reclassified into income for derivatives designated as cash flow hedges and for de-designated hedges:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	2010	**2011**	2010
(In millions)				
Amount of gain (loss) recognized in OCI:				
Commodities	**$ 27**	$ 34	**$ 9**	$ 151
Foreign exchange	**(17)**	6	**(5)**	1
Interest rate	**1**	(10)	**(4)**	(44)
Total	**$ 11**	$ 30	**$**	$ 108
Amount of gain (loss) reclassified from AOCI into income:				
Commodities	**$ 8**	$ 23	**$ 33**	$ 71
Foreign exchange	**4**		**12**	1
Interest rate	**(15)**	(13)	**(43)**	(92)
Total	**$ (3)**	$ 10	**$ 2**	$ (20)

Location of gain (loss) reclassified from AOCI into income:

Type of cash flow hedge	Consolidated Condensed Statements of Income line items
Commodities	Other revenues and Investment gains (losses)
Foreign exchange	Contract drilling expenses
Interest rate	Interest expense and Investment gains (losses)

The Company also enters into short sales as part of its portfolio management strategy. Short sales are commitments to sell a financial instrument not owned at the time of sale, usually done in anticipation of a price decline. Short sales resulted in proceeds of $140 million and $308 million with fair value liabilities of $142 million and $317 million at September 30, 2011 and December 31, 2010. These positions are marked to market and investment gains or losses are included in Net investment income in the Consolidated Condensed Statements of Income.

Table of Contents

5. Claim and Claim Adjustment Expense Reserves

CNA s property and casualty insurance claim and claim adjustment expense reserves represent the estimated amounts necessary to resolve all outstanding claims, including claims that are incurred but not reported (IBNR) as of the reporting date. CNA s reserve projections are based primarily on detailed analysis of the facts in each case, CNA s experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as field reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions including inflation, and public attitudes. All of these factors can affect the estimation of claim and claim adjustment expense reserves.

Establishing claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the cost of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement amount can be. Accordingly, short-tail claims, such as property damage claims, tend to be more reasonably estimable than long-tail claims, such as workers compensation, general liability and professional liability claims. Adjustments to prior year reserve estimates, if necessary, are reflected in the results of operations in the period that the need for such adjustments is determined. There can be no assurance that CNA s ultimate cost for insurance losses will not exceed current estimates.

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in the Company s results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of $50 million and $205 million for the three and nine months ended September 30, 2011. Catastrophe losses in 2011 related primarily to domestic storms, Hurricane Irene and the event in Japan. CNA reported catastrophe losses, net of reinsurance, of $12 million and $100 million for the three and nine months ended September 30, 2010 for events occurring in those periods.

Asbestos and Environmental Pollution (A&EP) Reserves

On August 31, 2010, Continental Casualty Company together with several of CNA s insurance subsidiaries completed a transaction with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., under which substantially all of CNA s legacy A&EP liabilities were ceded to NICO.

Under the terms of the NICO transaction, effective January 1, 2010 CNA ceded approximately $1.6 billion of net A&EP claim and allocated claim adjustment expense reserves to NICO under a retroactive reinsurance agreement with an aggregate limit of $4.0 billion (Loss Portfolio Transfer). Included in the $1.6 billion of net A&EP claim and allocated claim adjustment expense reserves was approximately $90 million of net claim and allocated claim adjustment expense reserves relating to CNA s discontinued operations. The $1.6 billion of claim and allocated claim adjustment expense reserves ceded to NICO was net of $1.2 billion of ceded claim and allocated claim adjustment expense reserves under existing third party reinsurance contracts. The NICO aggregate reinsurance limit also covers credit risk on the existing third party reinsurance related to these liabilities.

CNA paid NICO a reinsurance premium of $2.0 billion and transferred to NICO billed third party reinsurance receivables related to A&EP claims with a net book value of $215 million (net of an allowance of $100 million for uncollectible reinsurance receivables on billed third party reinsurance receivables, as discussed further below). As of August 31, 2010, NICO deposited approximately $2.2 billion in a collateral trust account as security for its obligations to CNA. This $2.2 billion will be reduced by the amount of net A&EP claim and allocated claim adjustment expense payments. In addition, Berkshire Hathaway Inc. guaranteed the payment obligations of NICO up to the full aggregate reinsurance limit as well as certain of NICO s performance obligations under the trust agreement. NICO is responsible for claims handling and billing and collection from third party reinsurers related to CNA s A&EP claims.

Table of Contents

The following table displays the impact of the Loss Portfolio Transfer on the Consolidated Condensed Statements of Income:

Three and Nine Months Ended September 30, 2010 (In millions)	
Other operating expenses	$ (529)
Income tax benefit	185
Loss from continuing operations, included in the Other Insurance segment	(344)
Loss from discontinued operations	(21)
Net loss	(365)
Amounts attributable to noncontrolling interests	37
Net loss attributable to Loews Corporation	$ (328)

In connection with the transfer of billed third party reinsurance receivables related to A&EP claims and the coverage of credit risk afforded under the terms of the Loss Portfolio Transfer, CNA reduced its allowance for uncollectible reinsurance receivables on billed third party reinsurance receivables and ceded claim and allocated claim adjustment expense reserves by $200 million. This reduction is reflected in Other operating expenses presented above.

Net Prior Year Development

The following tables and discussion include the net prior year development recorded for CNA Specialty, CNA Commercial and Other Insurance:

Three Months Ended September 30, 2011 (In millions)	**CNA Specialty**	**CNA Commercial**	**Other Insurance**	**Total**
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (5)**	**$ (42)**	**$ 11**	**$ (36)**
Pretax (favorable) unfavorable premium development	**(26)**	**(11)**	**1**	**(36)**
Total pretax (favorable) unfavorable net prior year development	**$ (31)**	**$ (53)**	**$ 12**	**$ (72)**
Three Months Ended September 30, 2010				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (65)	$ (26)	$ 2	$ (89)
Pretax (favorable) unfavorable premium development	(2)	(2)		(4)
Total pretax (favorable) unfavorable net prior year development	$ (67)	$ (28)	$ 2	$ (93)

33

Table of Contents

Nine Months Ended September 30, 2011 (In millions)	CNA Specialty	CNA Commercial	Other Insurance	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (72)**	**$ (99)**	**$ 5**	**$ (166)**
Pretax (favorable) unfavorable premium development	**(34)**	**21**		**(13)**
Total pretax (favorable) unfavorable net prior year development	**$ (106)**	**$ (78)**	**$ 5**	**$ (179)**
Nine Months Ended September 30, 2010				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (215)	$ (229)	$ 5	$ (439)
Pretax (favorable) unfavorable premium development	(5)	54	(3)	46
Total pretax (favorable) unfavorable net prior year development	$ (220)	$ (175)	$ 2	$ (393)

For the three and nine months ended September 30, 2011, favorable premium development was recorded for CNA Specialty primarily due to changes in estimates of exposures in medical professional liability tail coverages.

For the nine months ended September 30, 2011, unfavorable premium development for CNA Commercial was recorded due to a further reduction of ultimate premium estimates relating to retrospectively rated policies, partially offset by premium adjustments on auditable policies due to increased exposures.

For the nine months ended September 30, 2010, unfavorable premium development for CNA Commercial was recorded due to a change in ultimate premium estimates relating to retrospectively rated policies and return premium on auditable policies due to reduced exposures.

CNA Specialty

The following table and discussion provides further detail of the net prior year claim and allocated claim adjustment expense reserve development recorded for the CNA Specialty segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions)				
Medical professional liability	**$ (18)**	$ 4	**$ (52)**	$ (44)
Other professional liability	**1**	(28)	**(20)**	(116)
Surety	**1**	(38)	**(2)**	(49)
Warranty			**(12)**	
Other	**11**	(3)	**14**	(6)
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (5)**	$ (65)	**$ (72)**	$ (215)

Three Month Comparison

2011

Favorable development for medical professional liability was primarily due to favorable case incurred emergence in nurses and physicians in accident years 2008 and prior.

Other includes standard property and casualty coverages provided to CNA Specialty customers. Unfavorable development for other coverages was primarily due to increased frequency of large claims in auto and workers compensation coverages in accident years 2009 and 2010.

2010

Favorable development for other professional liability was recorded in errors & omissions and directors & officers coverages primarily due to reviews of large claims in accident years 2007 and prior.

Favorable development for surety coverages was primarily due to a decrease in the estimated loss on a large national contractor in accident year 2005 and lower than expected claim emergence in accident years 2007 and prior.

Nine Month Comparison

2011

Favorable development for medical professional liability was primarily due to favorable case incurred emergence in nurses, physicians, and primary institutions in accident years 2008 and prior.

Favorable development for other professional liability was driven by better than expected loss emergence in the life agents coverages.

Favorable development in warranty was driven by favorable policy year experience on an aggregate stop loss policy covering CNA s non-insurance warranty subsidiary.

Other includes standard property and casualty coverages provided to CNA Specialty customers. Unfavorable development for other coverages was primarily due to increased frequency of large claims in auto and workers compensation coverages in accident years 2009 and 2010.

2010

Overall, favorable development for medical professional liability was primarily due to lower than expected frequency of large losses, primarily in accident years 2007 and prior. Additionally, unfavorable development in accident years 2008 and 2009 was due to increased frequency of large losses related to medical products.

Overall, favorable development for other professional liability was recorded primarily in accident years 2007 and prior in errors & omissions and directors & officers coverages due to several factors, including reduced frequency of large claims and the result of reviews of large claims. Additionally, unfavorable development for other professional liability was recorded in accident years 2008 and 2009 in employment practices liability and errors & omissions coverages, driven by the economic recession and higher unemployment.

Favorable development for surety coverages was primarily due to a decrease in the estimated loss on a large national contractor in accident year 2005 and lower than expected claim emergence in accident years 2007 and prior.

Table of Contents

CNA Commercial

The following table and discussion provides further detail of the net prior year claim and allocated claim adjustment expense reserve development recorded for the CNA Commercial segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions)				
Commercial auto	**$ (2)**	$ (1)	**$ (36)**	$ (71)
General liability	**4**	(29)	**26**	(71)
Workers compensation	**3**	39	**39**	39
Property and other	**(47)**	(35)	**(128)**	(126)
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (42)**	$ (26)	**$ (99)**	$ (229)

Three Month Comparison

2011

Overall, unfavorable development for workers compensation was related to increased medical severity and higher adjusting and other payments in accident years 2008 and subsequent. Additionally, favorable development for workers compensation was due to reduced indemnity severity in accident years 2002 and prior.

Favorable development for property and other coverages was due to decreased frequency of large losses in accident year 2010 and favorable loss emergence related to non-catastrophe claims in accident years 2010 and prior.

2010

Overall, favorable development for general liability coverages was primarily due to better than expected loss emergence in accident years 2006 and prior in the small and middle markets business. Additionally, unfavorable development for other liability coverages was primarily due to increased frequency in accident years 2004 and prior in excess workers compensation.

Unfavorable development for workers compensation was related to increased severity of indemnity losses relative to expectations on claims related to Defense Base Act contractors, primarily in accident years 2008 and prior.

Favorable development was recorded for property and other coverages. Favorable property and marine development primarily reflects decreased claim frequency in accident years 2008 and 2009, and lower than expected severity for marine excess liability in accident years 2005 and prior.

Nine Month Comparison

2011

Favorable development for commercial auto coverages was due to lower than expected severity on bodily injury claims in accident years 2006 and prior.

The unfavorable development in the general liability coverages was primarily due to two large claim outcomes on umbrella claims in accident year 2001.

Unfavorable development for workers compensation was related to increased medical severity and higher adjusting and other payments in accident years 2008 and subsequent.

Favorable development for property and other coverages was due to decreased frequency of large losses in commercial multi-peril coverages primarily in accident year 2010, a favorable settlement on an individual equipment breakdown claim in accident year 2003, favorable loss emergence related to catastrophe claims in accident year 2008 and favorable loss emergence related to non-catastrophe claims in accident years 2010 and prior.

Table of Contents

2010

Favorable development for commercial auto coverages was primarily due to decreased frequency and severity trends in accident years 2009 and prior.

Overall, favorable development for general liability and umbrella coverages was primarily due to better than expected loss emergence in accident years 2006 and prior. Additionally, unfavorable development was primarily driven by increased claim frequency in accident years 2004 and prior for excess workers compensation and in accident years 2008 and 2009 for a portion of CNA s primary casualty surplus lines coverages.

Unfavorable development for workers compensation was related to increased severity of indemnity losses relative to expectations on claims related to Defense Base Act contractors primarily in accident years 2008 and prior.

Favorable development was recorded for property and other coverages. Favorable catastrophe development was due to favorable incurred loss emergence, primarily in accident years 2008 and 2009. Favorable non-catastrophe development was due to lower than expected severity in accident years 2009 and prior. Favorable marine development primarily reflects decreased claim frequency in accident years 2008 and 2009, and lower than expected severity for marine excess liability in accident years 2005 and prior.

6. Benefit Plans

Pension Plans - The Company has several non-contributory defined benefit plans for eligible employees. Benefits for certain plans are determined annually based on a specified percentage of annual earnings (based on the participant s age or years of service) and a specified interest rate (which is established annually for all participants) applied to accrued balances. The benefits for another plan which cover salaried employees are based on formulas which include, among others, years of service and average pay. The Company s funding policy is to make contributions in accordance with applicable governmental regulatory requirements.

Other Postretirement Benefit Plans - The Company has several postretirement benefit plans covering eligible employees and retirees. Participants generally become eligible after reaching age 55 with required years of service. Actual requirements for coverage vary by plan. Benefits for retirees who were covered by bargaining units vary by each unit and contract. Benefits for certain retirees are in the form of a Company health care account.

Benefits for retirees reaching age 65 are generally integrated with Medicare. Other retirees, based on plan provisions, must use Medicare as their primary coverage, with the Company reimbursing a portion of the unpaid amount; or are reimbursed for the Medicare Part B premium or have no Company coverage. The benefits provided by the Company are basically health and, for certain retirees, life insurance type benefits.

The Company funds certain of these benefit plans and accrues postretirement benefits during the active service of those employees who would become eligible for such benefits when they retire.

The components of net periodic benefit cost are as follows:

	Pension Benefits			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	2010	**2011**	2010
(In millions)				
Service cost	**$ 6**	$ 7	**$ 18**	$ 20
Interest cost	**41**	42	**123**	125
Expected return on plan assets	**(47)**	(44)	**(141)**	(132)
Amortization of unrecognized net loss	**8**	7	**22**	21
Net periodic benefit cost	**$ 8**	$ 12	**$ 22**	$ 34

Table of Contents

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions)				
Service cost	**$ 1**	$ 1	**$ 1**	$ 2
Interest cost	**1**	3	**5**	9
Expected return on plan assets		(1)	**(2)**	(3)
Amortization of unrecognized net loss	**1**		**1**	2
Amortization of unrecognized prior service benefit	**(7)**	(6)	**(20)**	(18)
Regulatory asset decrease	**1**	1	**4**	4
Net periodic benefit cost	**$ (3)**	$ (2)	**$ (11)**	$ (4)

7. Business Segments

The Company s reportable segments are primarily based on its individual operating subsidiaries. Each of the principal operating subsidiaries are headed by a chief executive officer who is responsible for the operation of its business and has the duties and authority commensurate with that position. Investment gains (losses) and the related income taxes, excluding those of CNA, are included in the Corporate and other segment.

CNA s core property and casualty commercial insurance operations are reported in two business segments: CNA Specialty and CNA Commercial. CNA Specialty provides a broad array of professional, financial and specialty property and casualty products and services, primarily through insurance brokers and managing general underwriters. CNA Commercial includes property and casualty coverages sold to small businesses and middle market entities and organizations primarily through an independent agency distribution system. CNA Commercial also includes commercial insurance and risk management products sold to large corporations primarily through insurance brokers.

CNA s non-core operations are managed in two segments: Life & Group Non-Core and Other Insurance. Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. Other Insurance primarily includes certain corporate expenses, including interest on corporate debt, and the results of certain property and casualty business primarily in run-off, including CNA Re and asbestos and environmental pollution.

Diamond Offshore s business primarily consists of operating 46 offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. On September 30, 2011, Diamond Offshore s drilling rigs were located offshore 11 countries in addition to the United States.

HighMount s business consists primarily of natural gas exploration and production operations located primarily in the Permian Basin in Texas. In the second quarter of 2010, HighMount sold substantially all of its exploration and production assets located in the Antrim Shale in Michigan and the Black Warrior Basin in Alabama. The Michigan and Alabama properties represented approximately 17%, in aggregate, of HighMount s total proved reserves as of December 31, 2009.

Boardwalk Pipeline is engaged in the interstate transportation and storage of natural gas. This segment consists of three interstate natural gas pipeline systems originating in the Gulf Coast region, Oklahoma and Arkansas, and extending north and east through the midwestern states of Tennessee, Kentucky, Illinois, Indiana and Ohio, with approximately 14,200 miles of pipeline.

Loews Hotels owns and/or operates 18 hotels, 16 of which are in the United States and two are in Canada.

The Corporate and other segment consists primarily of corporate investment income, including investment gains (losses) from non-insurance subsidiaries, corporate interest expense and other unallocated expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. In addition, CNA does not maintain a distinct investment portfolio for each of its insurance segments, and accordingly, allocation of assets to each segment is not performed. Therefore,

38

Table of Contents

net investment income and investment gains (losses) are allocated based on each segment s carried insurance reserves, as adjusted.

The following tables set forth the Company s consolidated revenues and income (loss) attributable to Loews Corporation by business segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
(In millions)				
Revenues (a):				
CNA Financial:				
CNA Specialty	**$ 874**	$ 899	**$ 2,640**	$ 2,640
CNA Commercial	**962**	1,072	**3,040**	3,132
Life and Group Non-Core	**334**	351	**993**	992
Other Insurance	**6**	41	**29**	147
Total CNA Financial	**2,176**	2,363	**6,702**	6,911
Diamond Offshore	**881**	833	**2,582**	2,518
HighMount	**95**	98	**297**	351
Boardwalk Pipeline	**269**	264	**843**	821
Loews Hotels	**82**	74	**251**	230
Corporate and other	**(65)**	69	**(27)**	69
Total	**$ 3,438**	$ 3,701	**$ 10,648**	$ 10,900
Income (loss) before income tax and noncontrolling interests (a):				
CNA Financial:				
CNA Specialty	**$ 124**	$ 250	**$ 529**	$ 768
CNA Commercial	**80**	189	**362**	542
Life and Group Non-Core	**(43)**	(59)	**(136)**	(125)
Other Insurance	**(34)**	(546)	**(110)**	(542)
Total CNA Financial	**127**	(166)	**645**	643
Diamond Offshore	**335**	298	**974**	1,023
HighMount	**25**	30	**78**	105
Boardwalk Pipeline	**46**	55	**141**	196
Loews Hotels	**(1)**	(1)	**13**	4
Corporate and other	**(93)**	42	**(100)**	(14)
Total	**$ 439**	$ 258	**$ 1,751**	$ 1,957
Net income (loss) - Loews (a):				
CNA Financial:				
CNA Specialty	**$ 70**	$ 139	**$ 299**	$ 432
CNA Commercial	**33**	110	**202**	312
Life and Group Non-Core	**(15)**	(38)	**(50)**	(58)
Other Insurance	**(19)**	(314)	**(65)**	(306)

Total CNA Financial	**69**	(103)	**386**	380
Diamond Offshore	**121**	93	**363**	333
HighMount	**16**	19	**50**	56
Boardwalk Pipeline	**18**	21	**56**	80
Loews Hotels		(2)	**8**	1
Corporate and other	**(62)**	28	**(67)**	(9)
Income from continuing operations	**162**	56	**796**	841
Discontinued operations, net		(20)		(19)
Total	**$ 162**	$ 36	**$ 796**	$ 822

Table of Contents

(a) Investment gains (losses) included in Revenues, Income (loss) before income tax and noncontrolling interests and Net income (loss) - Loews are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
Revenues and Income (loss) before income tax and noncontrolling interests:				
CNA Financial:				
CNA Specialty	**$ (8)**	$ 15	**$ 7**	$ 60
CNA Commercial	**(15)**	21	**13**	30
Life & Group Non-Core	**(4)**	20	**(7)**	15
Other Insurance		6	**1**	20
Total CNA Financial	**(27)**	62	**14**	125
Corporate and other			**1**	(31)
Total	**$ (27)**	$ 62	**$ 15**	$ 94
Net income (loss) - Loews:				
CNA Financial:				
CNA Specialty	**$ (5)**	$ 8	**$ 4**	$ 35
CNA Commercial	**(8)**	13	**8**	13
Life & Group Non-Core	**(2)**	11	**(4)**	7
Other Insurance		5	**1**	13
Total CNA Financial	**(15)**	37	**9**	68
Corporate and other				(19)
Total	**$ (15)**	$ 37	**$ 9**	$ 49

8. Legal Proceedings

In August 2005, CNA and certain insurance subsidiaries were joined as defendants, along with other insurers and brokers, in multidistrict litigation pending in the United States District Court for the District of New Jersey, *In re Insurance Brokerage Antitrust Litigation*, Civil No. 04-5184 (GEB). The plaintiffs consolidated class action complaint alleged bid rigging and improprieties in the payment of contingent commissions in connection with the sale of insurance. After various motions and preliminary court rulings providing for further proceedings, all parties executed final settlement documents and the plaintiffs filed a motion for preliminary approval of the settlement in May 2011. In June 2011, the Court entered an order preliminarily approving the settlement. A fairness hearing was held in September 2011 to determine final approval of the settlement. The Court took the matter under advisement and will issue a ruling in due course. As currently structured, the settlement will not have a material impact on the Company s results of operations. In addition, the Company does not believe it has any material ongoing exposure relating to this matter.

The Company has been named as a defendant in the following three cases alleging substantial damages based on alleged health effects caused by smoking cigarettes or exposure to tobacco smoke, all of which also name a former subsidiary, Lorillard, Inc. or one of its subsidiaries, as a defendant. In *Cypret vs. The American Tobacco Company, Inc. et al.* (1998, Circuit Court, Jackson County, Missouri), the Company would contest jurisdiction and make use of all available defenses in the event it receives personal service of this action. In *Clalit vs. Philip Morris, Inc., et al.* (1998, Jerusalem District Court of Israel), the court did not permit plaintiffs to effect service on the Company and plaintiffs noticed an appeal to the Israel Supreme Court (which was dismissed but could be reinstated under certain circumstances); one of several appeals pending in the case. In *Young vs. The American Tobacco Company, Inc. et al.* (1997, Civil District Court, Orleans Parish, Louisiana), the Company filed an exception for lack of personal jurisdiction during 2000, which remains pending. A fourth case, *Luciano vs. Alcoa Inc., et al.* (2011, Supreme Court, New York County, New York), was dismissed in October 2011.

The Company does not believe it is a proper defendant in any tobacco related cases and as a result, does not believe the outcome will have a material affect on its results of operations or equity. Further, pursuant to the Separation Agreement dated May 7, 2008 between the Company and Lorillard Inc. and its subsidiaries, Lorillard, Inc. and its subsidiaries have agreed to indemnify and hold the Company harmless from all costs and expenses based upon or arising out of the operation or conduct of Lorillard s business, including among other things, smoking and health claims and litigation such as the four cases described above.

Table of Contents

While the Company intends to defend vigorously all tobacco products liability litigation, it is not possible to predict the outcome of any of this litigation. Litigation is subject to many uncertainties. It is possible that one or more of the pending actions could be decided unfavorably.

The Company and its subsidiaries are also parties to other litigation arising in the ordinary course of business. The outcome of this other litigation will not, in the opinion of management, materially affect the Company s results of operations or equity.

9. Commitments and Contingencies

Guarantees

In the course of selling business entities and assets to third parties, CNA has agreed to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets being sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such indemnification provisions generally survive for periods ranging from nine months following the applicable closing date to the expiration of the relevant statutes of limitation. As of September 30, 2011, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was $719 million.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of September 30, 2011, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser s ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

Offshore Rig Purchase Obligations

Diamond Offshore has entered into three separate turnkey contracts with Hyundai Heavy Industries, Co. Ltd., (Hyundai) for the construction of three dynamically positioned, ultra-deepwater drillships, with deliveries scheduled for late in the second and fourth quarters of 2013 and in the second quarter of 2014. The aggregate cost of the three drillships, including commissioning, spares and project management, is expected to be approximately $1.8 billion. The contracted price of each drillship is payable in two installments. The first installments, aggregating $478 million, were paid in 2011 and are now included in Property, plant and equipment in the Consolidated Condensed Balance Sheets. The final installments of the contracted price are payable to Hyundai upon delivery of each vessel.

10. Consolidating Financial Information

The following schedules present the Company s consolidating balance sheet information at September 30, 2011 and December 31, 2010, and consolidating statements of income information for the nine months ended September 30, 2011 and 2010. These schedules present the individual subsidiaries of the Company and their contribution to the consolidated condensed financial statements. Amounts presented will not necessarily be the same as those in the individual financial statements of the Company s subsidiaries due to adjustments for purchase accounting, income taxes and noncontrolling interests. In addition, many of the Company s subsidiaries use a classified balance sheet which also leads to differences in amounts reported for certain line items.

The Corporate and Other column primarily reflects the parent company s investment in its subsidiaries, invested cash portfolio and corporate long term debt. The elimination adjustments are for intercompany assets and liabilities, interest and dividends, the parent company s investment in capital stocks of subsidiaries, and various reclasses of debit or credit balances to the amounts in consolidation. Purchase accounting adjustments have been pushed down to the appropriate subsidiary.

Table of Contents

Loews Corporation

Consolidating Balance Sheet Information

September 30, 2011 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	$ 44,105	$ 1,129	$ 149	$ 76	$ 67	$ 4,099		$ 49,625
Cash	84	21	1	10	10	2		128
Receivables	9,164	625	90	85	33	215	$ (103)	10,109
Property, plant and equipment	284	4,612	1,407	6,253	335	44		12,935
Deferred income taxes	234		516				(750)	
Goodwill	86	20	584	163	3			856
Investments in capital stocks of subsidiaries						16,272	(16,272)	
Other assets	640	442	16	314	23	16		1,451
Deferred acquisition costs of insurance subsidiaries	783							783
Separate account business	418							418
Total assets	$ 55,798	$ 6,849	$ 2,763	$ 6,901	$ 471	$ 20,648	$ (17,125)	$ 76,305
Liabilities and Equity:								
Insurance reserves	$ 37,851							$ 37,851
Payable to brokers	283	$ 14	$ 86			$ 184		567
Short term debt	100		1,100		$ 6			1,206
Long term debt	2,538	1,488		$ 3,198	209	693	$ (100)	8,026
Deferred income taxes		510		469	56	517	(750)	802
Other liabilities	2,698	553	79	345	13	185	(3)	3,870
Separate account business	418							418
Total liabilities	43,888	2,565	1,265	4,012	284	1,579	(853)	52,740
Total shareholders equity	10,603	2,172	1,498	1,717	187	19,069	(16,272)	18,974
Noncontrolling interests	1,307	2,112		1,172				4,591
Total equity	11,910	4,284	1,498	2,889	187	19,069	(16,272)	23,565
Total liabilities and equity	$ 55,798	$ 6,849	$ 2,763	$ 6,901	$ 471	$ 20,648	$ (17,125)	$ 76,305

Table of Contents

Loews Corporation

Consolidating Balance Sheet Information

December 31, 2010 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	$ 42,655	$ 1,055	$ 128	$ 52	$ 57	$ 4,960		$ 48,907
Cash	77	22	2	7	10	2		120
Receivables	9,224	671	109	71	33	169	$ (135)	10,142
Property, plant and equipment	286	4,291	1,350	6,326	347	36		12,636
Deferred income taxes	699		548				(958)	289
Goodwill	86	20	584	163	3			856
Investments in capital stocks of subsidiaries						15,314	(15,314)	
Other assets	724	678	27	339	24	6		1,798
Deferred acquisition costs of insurance subsidiaries	1,079							1,079
Separate account business	450							450
Total assets	$ 55,280	$ 6,737	$ 2,748	$ 6,958	$ 474	$ 20,487	$ (16,407)	$ 76,277
Liabilities and Equity:								
Insurance reserves	$ 37,590							$ 37,590
Payable to brokers	239		$ 115	$ 2		$ 329		685
Short term debt	400				$ 72	175		647
Long term debt	2,251	$ 1,487	1,100	3,252	148	692	$ (100)	8,830
Deferred income taxes		533		410	54	523	(958)	562
Other liabilities	2,877	831	93	372	21	248	(35)	4,407
Separate account business	450							450
Total liabilities	43,807	2,851	1,308	4,036	295	1,967	(1,093)	53,171
Total shareholders equity	9,838	1,972	1,440	1,815	179	18,520	(15,314)	18,450
Noncontrolling interests	1,635	1,914		1,107				4,656
Total equity	11,473	3,886	1,440	2,922	179	18,520	(15,314)	23,106
Total liabilities and equity	$ 55,280	$ 6,737	$ 2,748	$ 6,958	$ 474	$ 20,487	$ (16,407)	$ 76,277

Table of Contents

Loews Corporation

Consolidating Statement of Income Information

Nine Months Ended September 30, 2011 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	$ 4,942							$ 4,942
Net investment income	1,531	$ 4			$ 1	$ (23)		1,513
Intercompany interest and dividends						467	$ (467)	
Investment gains	14	1						15
Contract drilling revenues		2,520						2,520
Other	215	58	$ 297	$ 843	250	(1)	(4)	1,658
Total	6,702	2,583	297	843	251	443	(471)	10,648
Expenses:								
Insurance claims and policyholders benefits	4,131							4,131
Amortization of deferred acquisition costs	1,051							1,051
Contract drilling expenses		1,142						1,142
Other operating expenses	733	406	183	569	231	49	(4)	2,167
Interest	142	60	36	133	7	34	(6)	406
Total	6,057	1,608	219	702	238	83	(10)	8,897
Income before income tax	645	975	78	141	13	360	(461)	1,751
Income tax (expense) benefit	(201)	(229)	(28)	(35)	(5)	34		(464)
Net income	444	746	50	106	8	394	(461)	1,287
Amounts attributable to noncontrolling interests	(58)	(383)		(50)				(491)
Net income attributable to Loews Corporation	$ 386	$ 363	$ 50	$ 56	$ 8	$ 394	$ (461)	$ 796

44

Table of Contents

Loews Corporation

Consolidating Statement of Income Information

Nine Months Ended September 30, 2010 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	$ 4,868							$ 4,868
Net investment income	1,692	$ 2			$ 1	$ 102		1,797
Intercompany interest and dividends						582	$ (582)	
Investment gains (losses)	125		$ (31)					94
Contract drilling revenues		2,405						2,405
Other	226	111	351	$ 821	229	(2)		1,736
Total	6,911	2,518	320	821	230	682	(582)	10,900
Expenses:								
Insurance claims and policyholders benefits	3,798							3,798
Amortization of deferred acquisition costs	1,038							1,038
Contract drilling expenses		1,009						1,009
Other operating expenses	1,319	420	197	513	219	46		2,714
Interest	113	66	49	112	7	43	(6)	384
Total	6,268	1,495	246	625	226	89	(6)	8,943
Income before income tax	643	1,023	74	196	4	593	(576)	1,957
Income tax expense	(185)	(336)	(37)	(51)	(3)	(7)		(619)
Income from continuing operations	458	687	37	145	1	586	(576)	1,338
Discontinued operations, net	(21)							(21)
Net income	437	687	37	145	1	586	(576)	1,317
Amounts attributable to noncontrolling interests	(76)	(354)		(65)				(495)
Net income attributable to Loews Corporation	$ 361	$ 333	$ 37	$ 80	$ 1	$ 586	$ (576)	$ 822

45

Table of Contents

11. Subsequent Event

In October of 2011, a subsidiary of Boardwalk Pipeline and Boardwalk Pipelines Holding Corp. (BPHC), our wholly owned subsidiary, entered into an agreement to create a joint venture, Boardwalk HP Storage Company, LLC (Boardwalk Storage). BPHC holds the Company s general partner and limited partner ownership interests in Boardwalk Pipeline. Simultaneously with the joint venture creation, Boardwalk Storage entered into a definitive agreement to acquire seven salt dome natural gas storage caverns in Mississippi for $550 million.

Boardwalk Storage plans to fund the acquisition with proceeds from a new $200 million five year bank loan and will receive equity contributions of $280 million from BPHC for an 80% equity ownership interest and Boardwalk Pipeline will contribute $70 million for a 20% equity ownership interest. The acquisition is expected to close in the fourth quarter of 2011 subject to customary closing conditions.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with our Consolidated Condensed Financial Statements included in Item 1 of this Report, Risk Factors included in Part II, Item 1A of this Report, and the Consolidated Financial Statements, Risk Factors, and MD&A included in our Annual Report on Form 10-K for the year ended December 31, 2010. This MD&A is comprised of the following sections:

OVERVIEW

We are a holding company. Our subsidiaries are engaged in the following lines of business:

- commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary);
- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary);
- exploration, production and marketing of natural gas, natural gas liquids (predominantly ethane and propane) and, to a lesser extent, oil (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary);
- operation of interstate natural gas transmission pipeline systems (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 64% owned subsidiary); and

operation of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary).
Unless the context otherwise requires, references in this report to Loews Corporation, the Company, Parent Company, we, our, us or lik refer to the business of Loews Corporation excluding its subsidiaries.

Consolidated Financial Results

Net income for the third quarter of 2011 amounted to $162 million, or $0.40 per share, as compared to $36 million, or $0.09 per share, in the comparable period of 2010. Net income for the nine months ended September 30, 2011 amounted to $796 million, or $1.95 per share, as compared to $822 million, or $1.96 per share, in the comparable period of 2010.

Table of Contents

The increase in net income for the third quarter is primarily due to a $328 million charge at CNA in 2010 related to the previously reported Loss Portfolio Transfer transaction under which CNA ceded legacy asbestos and environmental pollution (A&EP) liabilities to National Indemnity Company. Excluding that charge, net income decreased due to lower investment income primarily from decreased limited partnership results and higher natural catastrophe losses at CNA in 2011 as compared to 2010. In addition, Parent Company investment income decreased due to lower performance of equity investments. These declines were partially offset by higher earnings at Diamond Offshore.

Excluding the charge related to the Loss Portfolio Transfer transaction, results for the first nine months of 2011 decreased primarily due to the reasons discussed above in the three month comparison and a lower level of favorable net prior year development recorded by CNA in 2011 than in 2010.

Book value per share increased to $47.75 at September 30, 2011, compared to $46.81 at June 30, 2011 and $44.51 at December 31, 2010.

Parent Company Structure

We are a holding company and derive substantially all of our cash flow from our subsidiaries. We rely upon our invested cash balances and distributions from our subsidiaries to generate the funds necessary to meet our obligations and to declare and pay any dividends to our shareholders. The ability of our subsidiaries to pay dividends is subject to, among other things, the availability of sufficient earnings and funds in such subsidiaries, applicable state laws, including in the case of the insurance subsidiaries of CNA, laws and rules governing the payment of dividends by regulated insurance companies and compliance with covenants in their respective loan agreements. Claims of creditors of our subsidiaries will generally have priority as to the assets of such subsidiaries over our claims and those of our creditors and shareholders.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated condensed financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. Actual results could differ from those estimates.

The consolidated condensed financial statements and accompanying notes have been prepared in accordance with GAAP, applied on a consistent basis. We continually evaluate the accounting policies and estimates used to prepare the consolidated condensed financial statements. In general, our estimates are based on historical experience, evaluation of current trends, information from third party professionals and various other assumptions that we believe are reasonable under the known facts and circumstances.

We consider the accounting policies discussed below to be critical to an understanding of our consolidated condensed financial statements as their application places the most significant demands on our judgment.

- Insurance Reserves
- Reinsurance and Other Receivables
- Litigation
- Valuation of Investments and Impairment of Securities
- Long Term Care Products
- Payout Annuity Contracts

Pension and Postretirement Benefit Obligations

Valuation of HighMount s Proved Reserves

Impairment of Long-lived Assets

Goodwill

Income Taxes

Due to the inherent uncertainties involved with these types of judgments, actual results could differ significantly from estimates, which may have a material adverse impact on our results of operations or equity. See the Critical Accounting Estimates section and the Results of Operations by Business Segment CNA Financial Reserves Estimates and Uncertainties section of our MD&A included under Item 7 of our Form 10-K for the year ended December 31, 2010 for further information.

Table of Contents

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

Unless the context otherwise requires, references to net operating income (loss), net realized investment results, net income (loss) and net results reflect amounts attributable to Loews Corporation.

CNA Financial

The following table summarizes the results of operations for CNA for the three and nine months ended September 30, 2011 and 2010 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2011**	2010	**2011**	2010
Revenues:				
Insurance premiums	**$ 1,732**	$ 1,645	**$ 4,942**	$ 4,868
Net investment income	**394**	581	**1,531**	1,692
Investment gains (losses)	**(27)**	62	**14**	125
Other revenue	**77**	75	**215**	226
Total	**2,176**	2,363	**6,702**	6,911
Expenses:				
Insurance claims and policyholders benefits	**1,400**	1,343	**4,131**	3,798
Amortization of deferred acquisition costs	**356**	351	**1,051**	1,038
Other operating	**250**	795	**733**	1,319
Interest	**43**	40	**142**	113
Total	**2,049**	2,529	**6,057**	6,268
Income (loss) before income tax	**127**	(166)	**645**	643
Income tax (expense) benefit	**(49)**	64	**(201)**	(185)
Net income (loss) from continuing operations	**78**	(102)	**444**	458