

LOEWS CORP  
Form 10-Q  
October 31, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 30, 2016**

**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**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**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)**

**13-2646102**  
**(I.R.S. Employer**  
**Identification No.)**

**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

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

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  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

Class  
Common stock, \$0.01 par value

Outstanding at October 21, 2016  
336,959,362 shares

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED BALANCE SHEETS****(Unaudited)**

|                                                            | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|------------------------------------------------------------|-------------------------------|------------------------------|
| <b>(Dollar amounts in millions, except per share data)</b> |                               |                              |
| <b>Assets:</b>                                             |                               |                              |
| Investments:                                               |                               |                              |
| Fixed maturities, amortized cost of \$38,810 and \$37,407  | <b>\$ 42,894</b>              | \$ 39,701                    |
| Equity securities, cost of \$581 and \$824                 | <b>586</b>                    | 752                          |
| Limited partnership investments                            | <b>3,293</b>                  | 3,313                        |
| Other invested assets, primarily mortgage loans            | <b>719</b>                    | 824                          |
| Short term investments                                     | <b>4,893</b>                  | 4,810                        |
| <b>Total investments</b>                                   | <b>52,385</b>                 | 49,400                       |
| Cash                                                       | <b>344</b>                    | 440                          |
| Receivables                                                | <b>7,853</b>                  | 8,041                        |
| Property, plant and equipment                              | <b>15,200</b>                 | 15,477                       |
| Goodwill                                                   | <b>347</b>                    | 351                          |
| Other assets                                               | <b>1,760</b>                  | 1,699                        |
| Deferred acquisition costs of insurance subsidiaries       | <b>619</b>                    | 598                          |
| <b>Total assets</b>                                        | <b>\$ 78,508</b>              | \$ 76,006                    |
| <b>Liabilities and Equity:</b>                             |                               |                              |
| Insurance reserves:                                        |                               |                              |
| Claim and claim adjustment expense                         | <b>\$ 22,672</b>              | \$ 22,663                    |
| Future policy benefits                                     | <b>11,219</b>                 | 10,152                       |
| Unearned premiums                                          | <b>3,862</b>                  | 3,671                        |
| <b>Total insurance reserves</b>                            | <b>37,753</b>                 | 36,486                       |
| Payable to brokers                                         | <b>451</b>                    | 567                          |
| Short term debt                                            | <b>185</b>                    | 1,040                        |
| Long term debt                                             | <b>10,737</b>                 | 9,520                        |
| Deferred income taxes                                      | <b>735</b>                    | 382                          |

|                                                 |                  |           |
|-------------------------------------------------|------------------|-----------|
| Other liabilities                               | <b>5,241</b>     | 5,201     |
| <b>Total liabilities</b>                        | <b>55,102</b>    | 53,196    |
| Commitments and contingent liabilities          |                  |           |
| Preferred stock, \$0.10 par value:              |                  |           |
| Authorized 100,000,000 shares                   |                  |           |
| Common stock, \$0.01 par value:                 |                  |           |
| Authorized 1,800,000,000 shares                 |                  |           |
| Issued 339,951,927 and 339,897,547 shares       | <b>3</b>         | 3         |
| Additional paid-in capital                      | <b>3,207</b>     | 3,184     |
| Retained earnings                               | <b>15,031</b>    | 14,731    |
| Accumulated other comprehensive income (loss)   | <b>144</b>       | (357)     |
|                                                 | <b>18,385</b>    | 17,561    |
| Less treasury stock, at cost (2,992,565 shares) | <b>(115)</b>     |           |
| Total shareholders' equity                      | <b>18,270</b>    | 17,561    |
| Noncontrolling interests                        | <b>5,136</b>     | 5,249     |
| <b>Total equity</b>                             | <b>23,406</b>    | 22,810    |
| Total liabilities and equity                    | <b>\$ 78,508</b> | \$ 76,006 |

*See accompanying Notes to Consolidated Condensed Financial Statements.*

**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF INCOME****(Unaudited)**

|                                                  | <b>Three Months Ended<br/>September 30,</b> |                | <b>Nine Months Ended<br/>September 30,</b> |                |
|--------------------------------------------------|---------------------------------------------|----------------|--------------------------------------------|----------------|
|                                                  | <b>2016</b>                                 | <b>2015</b>    | <b>2016</b>                                | <b>2015</b>    |
| <b>(In millions, except per share data)</b>      |                                             |                |                                            |                |
| <b>Revenues:</b>                                 |                                             |                |                                            |                |
| Insurance premiums                               | \$ 1,767                                    | \$ 1,751       | \$ 5,196                                   | \$ 5,173       |
| Net investment income                            | 561                                         | 321            | 1,570                                      | 1,419          |
| Investment gains (losses):                       |                                             |                |                                            |                |
| Other-than-temporary impairment losses           | (18)                                        | (56)           | (56)                                       | (99)           |
| Other net investment gains                       | 63                                          | 6              | 74                                         | 57             |
| Total investment gains (losses)                  | 45                                          | (50)           | 18                                         | (42)           |
| Contract drilling revenues                       | 340                                         | 599            | 1,141                                      | 1,816          |
| Other revenues                                   | 574                                         | 548            | 1,842                                      | 1,716          |
| Total                                            | 3,287                                       | 3,169          | 9,767                                      | 10,082         |
| <b>Expenses:</b>                                 |                                             |                |                                            |                |
| Insurance claims and policyholders' benefits     | 1,202                                       | 1,200          | 3,949                                      | 4,008          |
| Amortization of deferred acquisition costs       | 314                                         | 319            | 926                                        | 936            |
| Contract drilling expenses                       | 187                                         | 276            | 598                                        | 971            |
| Other operating expenses (Note 4)                | 898                                         | 898            | 3,416                                      | 3,026          |
| Interest                                         | 130                                         | 128            | 403                                        | 393            |
| Total                                            | 2,731                                       | 2,821          | 9,292                                      | 9,334          |
| Income before income tax                         | 556                                         | 348            | 475                                        | 748            |
| Income tax expense                               | (163)                                       | (66)           | (171)                                      | (170)          |
| Net income                                       | 393                                         | 282            | 304                                        | 578            |
| Amounts attributable to noncontrolling interests | (66)                                        | (100)          | 60                                         | (117)          |
| Net income attributable to Loews Corporation     | \$ 327                                      | \$ 182         | \$ 364                                     | \$ 461         |
| <b>Basic and diluted net income per share</b>    | <b>\$ 0.97</b>                              | <b>\$ 0.50</b> | <b>\$ 1.08</b>                             | <b>\$ 1.25</b> |



**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

|  | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|--|---------------------------------------------|-------------|--------------------------------------------|-------------|
|  | <b>2016</b>                                 | <b>2015</b> | <b>2016</b>                                | <b>2015</b> |

**(In millions)**

|                                                                                    |               |               |               |               |
|------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Net income                                                                         | <b>\$ 393</b> | <b>\$ 282</b> | <b>\$ 304</b> | <b>\$ 578</b> |
| Other comprehensive income (loss), after tax                                       |               |               |               |               |
| Changes in:                                                                        |               |               |               |               |
| Net unrealized gains (losses) on investments with other-than-temporary impairments | <b>3</b>      | <b>2</b>      | <b>7</b>      | <b>(3)</b>    |
| Net other unrealized gains (losses) on investments                                 | <b>42</b>     | <b>(39)</b>   | <b>591</b>    | <b>(292)</b>  |
| Total unrealized gains (losses) on available-for-sale investments                  | <b>45</b>     | <b>(37)</b>   | <b>598</b>    | <b>(295)</b>  |
| Unrealized gains on cash flow hedges                                               | <b>1</b>      | <b>1</b>      | <b>2</b>      | <b>5</b>      |
| Pension liability                                                                  | <b>7</b>      | <b>4</b>      | <b>20</b>     | <b>51</b>     |
| Foreign currency                                                                   | <b>(24)</b>   | <b>(53)</b>   | <b>(58)</b>   | <b>(100)</b>  |
| Other comprehensive income (loss)                                                  | <b>29</b>     | <b>(85)</b>   | <b>562</b>    | <b>(339)</b>  |
| Comprehensive income                                                               | <b>422</b>    | <b>197</b>    | <b>866</b>    | <b>239</b>    |
| Amounts attributable to noncontrolling interests                                   | <b>(70)</b>   | <b>(91)</b>   | <b>(1)</b>    | <b>(82)</b>   |
| Total comprehensive income attributable to Loews Corporation                       | <b>\$ 352</b> | <b>\$ 106</b> | <b>\$ 865</b> | <b>\$ 157</b> |

*See accompanying Notes to Consolidated Condensed Financial Statements.*



**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF EQUITY****(Unaudited)**

|                                                                         | <b>Loews Corporation Shareholders</b> |               |                   |                  |                    |                 |                       |
|-------------------------------------------------------------------------|---------------------------------------|---------------|-------------------|------------------|--------------------|-----------------|-----------------------|
|                                                                         |                                       | <b>Common</b> | <b>Additional</b> |                  | <b>Accumulated</b> | <b>Common</b>   |                       |
|                                                                         | <b>Total</b>                          | <b>Stock</b>  | <b>Paid-in</b>    | <b>Retained</b>  | <b>Other</b>       | <b>Stock</b>    | <b>Noncontrolling</b> |
|                                                                         |                                       |               | <b>Capital</b>    | <b>Earnings</b>  | <b>Income</b>      | <b>Held in</b>  | <b>Interests</b>      |
|                                                                         |                                       |               |                   |                  | <b>(Loss)</b>      | <b>Treasury</b> |                       |
| <b>(In millions)</b>                                                    |                                       |               |                   |                  |                    |                 |                       |
| Balance,<br>January 1, 2015                                             | \$ 24,650                             | \$ 4          | \$ 3,481          | \$ 15,515        | \$ 280             | \$ -            | \$ 5,370              |
| Net income                                                              | 578                                   |               |                   | 461              |                    |                 | 117                   |
| Other<br>comprehensive<br>loss                                          | (339)                                 |               |                   |                  | (304)              |                 | (35)                  |
| Dividends paid                                                          | (207)                                 |               |                   | (69)             |                    |                 | (138)                 |
| Issuance of<br>equity securities<br>by subsidiary                       | 115                                   |               | (2)               |                  | 1                  |                 | 116                   |
| Purchases of<br>subsidiary stock<br>from<br>noncontrolling<br>interests | (31)                                  |               | 5                 |                  |                    |                 | (36)                  |
| Purchases of<br>Loews treasury<br>stock                                 | (633)                                 |               |                   |                  |                    | (633)           |                       |
| Issuance of<br>Loews common<br>stock                                    | 7                                     |               | 7                 |                  |                    |                 |                       |
| Stock-based<br>compensation                                             | 19                                    |               | 17                |                  |                    |                 | 2                     |
| Other                                                                   | (6)                                   |               | (18)              | (1)              |                    |                 | 13                    |
| Balance,<br>September 30,<br>2015                                       | \$ 24,153                             | \$ 4          | \$ 3,490          | \$ 15,906        | \$ (23)            | \$ (633)        | \$ 5,409              |
|                                                                         | <b>\$ 22,810</b>                      | <b>\$ 3</b>   | <b>\$ 3,184</b>   | <b>\$ 14,731</b> | <b>\$ (357)</b>    | <b>\$ -</b>     | <b>\$ 5,249</b>       |

|                                                                                    |                  |             |                 |                  |               |                 |                 |              |  |
|------------------------------------------------------------------------------------|------------------|-------------|-----------------|------------------|---------------|-----------------|-----------------|--------------|--|
| <b>Balance,<br/>January 1,<br/>2016</b>                                            |                  |             |                 |                  |               |                 |                 |              |  |
| <b>Net income</b>                                                                  | <b>304</b>       |             |                 | <b>364</b>       |               |                 |                 | <b>(60)</b>  |  |
| <b>Other<br/>comprehensive<br/>income</b>                                          | <b>562</b>       |             |                 |                  | <b>501</b>    |                 |                 | <b>61</b>    |  |
| <b>Dividends paid</b>                                                              | <b>(177)</b>     |             |                 | <b>(63)</b>      |               |                 |                 | <b>(114)</b> |  |
| <b>Purchases of<br/>subsidiary<br/>stock from<br/>noncontrolling<br/>interests</b> | <b>(9)</b>       |             | <b>3</b>        |                  |               |                 |                 | <b>(12)</b>  |  |
| <b>Purchases of<br/>Loews treasury<br/>stock</b>                                   | <b>(115)</b>     |             |                 |                  |               |                 | <b>(115)</b>    |              |  |
| <b>Stock-based<br/>compensation</b>                                                | <b>35</b>        |             | <b>33</b>       |                  |               |                 |                 | <b>2</b>     |  |
| <b>Other</b>                                                                       | <b>(4)</b>       |             | <b>(13)</b>     |                  | <b>(1)</b>    |                 |                 | <b>10</b>    |  |
| <b>Balance,<br/>September 30,<br/>2016</b>                                         | <b>\$ 23,406</b> | <b>\$ 3</b> | <b>\$ 3,207</b> | <b>\$ 15,031</b> | <b>\$ 144</b> | <b>\$ (115)</b> | <b>\$ 5,136</b> |              |  |

*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****2016****2015****(In millions)****Operating Activities:**

|                                                                                              |        |        |
|----------------------------------------------------------------------------------------------|--------|--------|
| Net income                                                                                   | \$ 304 | \$ 578 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities, net | 1,676  | 1,370  |
| Changes in operating assets and liabilities, net:                                            |        |        |
| Receivables                                                                                  | (165)  | 31     |
| Deferred acquisition costs                                                                   | (24)   | 11     |
| Insurance reserves                                                                           | 464    | 195    |
| Other assets                                                                                 | (80)   | (81)   |
| Other liabilities                                                                            | 9      | (108)  |
| Trading securities                                                                           | (468)  | 199    |
| Net cash flow operating activities                                                           | 1,716  | 2,195  |

**Investing Activities:**

|                                                        |         |         |
|--------------------------------------------------------|---------|---------|
| Purchases of fixed maturities                          | (7,472) | (7,055) |
| Proceeds from sales of fixed maturities                | 4,239   | 3,590   |
| Proceeds from maturities of fixed maturities           | 2,263   | 3,101   |
| Purchases of limited partnership investments           | (324)   | (120)   |
| Proceeds from sales of limited partnership investments | 207     | 156     |
| Purchases of property, plant and equipment             | (1,264) | (1,447) |
| Dispositions                                           | 277     | 28      |
| Change in short term investments                       | 104     | 298     |
| Other, net                                             | 124     | (138)   |
| Net cash flow investing activities                     | (1,846) | (1,587) |

**Financing Activities:**

|                                                             |       |       |
|-------------------------------------------------------------|-------|-------|
| Dividends paid                                              | (63)  | (69)  |
| Dividends paid to noncontrolling interests                  | (114) | (138) |
| Purchases of subsidiary stock from noncontrolling interests | (8)   | (29)  |
| Purchases of Loews treasury stock                           | (115) | (617) |

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|                                           |               |               |
|-------------------------------------------|---------------|---------------|
| Issuance of Loews common stock            |               | 7             |
| Proceeds from sale of subsidiary stock    |               | 114           |
| Principal payments on debt                | (2,882)       | (1,761)       |
| Issuance of debt                          | 3,226         | 1,851         |
| Other, net                                | (2)           | 4             |
| <b>Net cash flow financing activities</b> | <b>42</b>     | <b>(638)</b>  |
| Effect of foreign exchange rate on cash   | (8)           | (6)           |
| <b>Net change in cash</b>                 | <b>(96)</b>   | <b>(36)</b>   |
| Cash, beginning of period                 | 440           | 364           |
| <b>Cash, end of period</b>                | <b>\$ 344</b> | <b>\$ 328</b> |

*See accompanying Notes to Consolidated Condensed Financial Statements.*

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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 53% owned subsidiary); transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP ( Boardwalk Pipeline ), a 51% owned subsidiary); and the operation of a chain of hotels (Loews Hotels Holding Corporation ( Loews Hotels ), a wholly owned subsidiary). 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 attributable to Loews Corporation as used herein means Net income attributable to Loews Corporation shareholders.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of September 30, 2016 and December 31, 2015, results of operations and comprehensive income for the three and nine months ended September 30, 2016 and 2015 and changes in shareholders' equity and cash flows for the nine months ended September 30, 2016 and 2015. 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. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The Company presents basic and diluted net income per share on the Consolidated Condensed Statements of Income. Basic net income 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 net income 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. Shares attributable to employee stock-based compensation awards of 3.3 million, 5.8 million, 4.7 million and 4.5 million shares were not included in the diluted weighted average shares amounts for the three and nine months ended September 30, 2016 and 2015 because the effect would have been antidilutive.

**Accounting changes** In April of 2015, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The updated accounting guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, rather than as a deferred asset. As required, the Company's Consolidated Condensed Balance Sheet has been retrospectively adjusted to reflect the effect of the adoption of the updated accounting guidance, which resulted in a decrease of \$23 million in Other assets and Long term debt at December 31, 2015.

**Recently issued ASUs** In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new accounting guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new accounting guidance provides a five-step analysis of transactions to determine when and how revenue is recognized and requires enhanced disclosures

about revenue. In August of 2015, the FASB formally amended the effective date of this update to annual reporting periods beginning after December 15, 2017, including interim periods, and it can be adopted either retrospectively or with a cumulative effect adjustment at the date of adoption. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated financial statements.

In May of 2015, the FASB issued ASU 2015-09, Financial Services – Insurance (Topic 944): Disclosures about Short-Duration Contracts. The updated accounting guidance requires enhanced disclosures to provide additional information about insurance liabilities for short-duration contracts. The guidance is effective for annual periods

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beginning after December 15, 2015 and for interim periods beginning after December 15, 2016. The Company is currently evaluating the effect the updated guidance will have on its financial statement disclosures, but expects to provide additional incurred and paid claims development information by accident year, quantitative information about claim frequency and the history of claims duration for significant lines of business within the annual financial statements.

In January of 2016, the FASB issued ASU 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated accounting guidance requires changes to the reporting model for financial instruments. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements, and expects the primary change to be the requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The updated guidance requires lessees to recognize lease assets and lease liabilities for most operating leases. In addition, the updated guidance requires that lessors separate lease and nonlease components in a contract in accordance with the new revenue guidance in ASU 2014-09. The updated guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the effect the updated guidance will have on its consolidated financial statements.

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The updated accounting guidance requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income. The guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements, and expects the primary changes to be the use of the expected credit loss model for the mortgage loan portfolio and reinsurance receivables and the presentation of credit losses within the available-for-sale fixed maturities portfolio through an allowance method rather than as a direct write-down. The expected credit loss model will require a financial asset to be presented at the net amount expected to be collected. The allowance method for available-for-sale debt securities will allow the Company to record reversals of credit losses if the estimate of credit losses declines.

**2. Investments**

Net investment income is as follows:

|                                          | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|------------------------------------------|---------------------------|-------------|--------------------------|-------------|
|                                          | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|                                          | <b>2016</b>               | <b>2015</b> | <b>2016</b>              | <b>2015</b> |
| <b>(In millions)</b>                     |                           |             |                          |             |
| Fixed maturity securities                | \$ 457                    | \$ 449      | \$ 1,352                 | \$ 1,344    |
| Limited partnership investments          | 91                        | (122)       | 98                       | 88          |
| Short term investments                   | 3                         | 4           | 8                        | 7           |
| Equity securities                        | 1                         | 3           | 8                        | 9           |
| Income (loss) from trading portfolio (a) | 11                        | (5)         | 113                      | (9)         |

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|                         |               |        |                 |          |
|-------------------------|---------------|--------|-----------------|----------|
| Other                   | <b>12</b>     | 9      | <b>34</b>       | 26       |
| Total investment income | <b>575</b>    | 338    | <b>1,613</b>    | 1,465    |
| Investment expenses     | <b>(14)</b>   | (17)   | <b>(43)</b>     | (46)     |
| Net investment income   | <b>\$ 561</b> | \$ 321 | <b>\$ 1,570</b> | \$ 1,419 |

- (a) Includes net unrealized gains (losses) related to changes in fair value on trading securities still held of \$8, \$(59), \$63 and \$(71) for the three and nine months ended September 30, 2016 and 2015.



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Investment gains (losses) are as follows:

|                                  | Three Months Ended    |         | Nine Months Ended     |         |
|----------------------------------|-----------------------|---------|-----------------------|---------|
|                                  | September 30,<br>2016 | 2015    | September 30,<br>2016 | 2015    |
| <b>(In millions)</b>             |                       |         |                       |         |
| Fixed maturity securities        | \$ 47                 | \$ (29) | \$ 34                 | \$ (29) |
| Equity securities                | (3)                   | (18)    | (5)                   | (19)    |
| Derivative instruments           | 1                     | (1)     | (12)                  | 9       |
| Short term investments and other |                       | (2)     | 1                     | (3)     |
| Investment gains (losses) (a)    | \$ 45                 | \$ (50) | \$ 18                 | \$ (42) |

(a) Includes gross realized gains of \$68, \$23, \$157 and \$93 and gross realized losses of \$24, \$70, \$128 and \$141 on available-for-sale securities for the three and nine months ended September 30, 2016 and 2015.

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

|                                                     | Three Months Ended    |       | Nine Months Ended     |       |
|-----------------------------------------------------|-----------------------|-------|-----------------------|-------|
|                                                     | September 30,<br>2016 | 2015  | September 30,<br>2016 | 2015  |
| <b>(In millions)</b>                                |                       |       |                       |       |
| Fixed maturity securities available-for-sale:       |                       |       |                       |       |
| Corporate and other bonds                           | \$ 14                 | \$ 36 | \$ 43                 | \$ 52 |
| States, municipalities and political subdivisions   |                       |       |                       | 18    |
| Asset-backed:                                       |                       |       |                       |       |
| Residential mortgage-backed                         |                       | 1     | 1                     | 7     |
| Other asset-backed                                  |                       |       | 3                     | 1     |
| Total asset-backed                                  | -                     | 1     | 4                     | 8     |
| Total fixed maturities available-for-sale           | 14                    | 37    | 47                    | 78    |
| Equity securities available-for-sale - common stock | 4                     | 19    | 9                     | 20    |
| Short term investments                              |                       |       |                       | 1     |
| Net OTTI losses recognized in earnings              | \$ 18                 | \$ 56 | \$ 56                 | \$ 99 |



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

| September 30, 2016                                                | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Unrealized OTTI Losses (Gains) |
|-------------------------------------------------------------------|------------------------|------------------------|-------------------------|----------------------|--------------------------------|
| <b>(In millions)</b>                                              |                        |                        |                         |                      |                                |
| <b>Fixed maturity securities:</b>                                 |                        |                        |                         |                      |                                |
| Corporate and other bonds                                         | \$ 17,985              | \$1,867                | \$ 36                   | \$ 19,816            | \$ (1)                         |
| States, municipalities and political subdivisions                 | 11,566                 | 1,937                  | 2                       | 13,501               | (27)                           |
| <b>Asset-backed:</b>                                              |                        |                        |                         |                      |                                |
| Residential mortgage-backed                                       | 5,174                  | 206                    | 15                      | 5,365                | (24)                           |
| Commercial mortgage-backed                                        | 2,064                  | 88                     | 8                       | 2,144                |                                |
| Other asset-backed                                                | 948                    | 12                     | 1                       | 959                  |                                |
| <b>Total asset-backed</b>                                         | <b>8,186</b>           | <b>306</b>             | <b>24</b>               | <b>8,468</b>         | <b>(24)</b>                    |
| U.S. Treasury and obligations of government-sponsored enterprises | 68                     | 8                      |                         | 76                   |                                |
| Foreign government                                                | 415                    | 23                     |                         | 438                  |                                |
| Redeemable preferred stock                                        | 18                     | 2                      |                         | 20                   |                                |
| <b>Fixed maturities available-for-sale</b>                        | <b>38,238</b>          | <b>4,143</b>           | <b>62</b>               | <b>42,319</b>        | <b>(52)</b>                    |
| <b>Fixed maturities trading</b>                                   | <b>572</b>             | <b>4</b>               | <b>1</b>                | <b>575</b>           |                                |
| <b>Total fixed maturities</b>                                     | <b>38,810</b>          | <b>4,147</b>           | <b>63</b>               | <b>42,894</b>        | <b>(52)</b>                    |
| <b>Equity securities:</b>                                         |                        |                        |                         |                      |                                |
| Common stock                                                      | 15                     | 6                      | 1                       | 20                   |                                |
| Preferred stock                                                   | 93                     | 5                      | 2                       | 96                   |                                |
| <b>Equity securities available-for-sale</b>                       | <b>108</b>             | <b>11</b>              | <b>3</b>                | <b>116</b>           | <b>-</b>                       |
| <b>Equity securities trading</b>                                  | <b>473</b>             | <b>81</b>              | <b>84</b>               | <b>470</b>           |                                |
| <b>Total equity securities</b>                                    | <b>581</b>             | <b>92</b>              | <b>87</b>               | <b>586</b>           |                                |
| <b>Total</b>                                                      | <b>\$ 39,391</b>       | <b>\$4,239</b>         | <b>\$ 150</b>           | <b>\$ 43,480</b>     | <b>\$ (52)</b>                 |

December 31, 2015

(In millions)

|                                   |           |          |        |           |  |
|-----------------------------------|-----------|----------|--------|-----------|--|
| <b>Fixed maturity securities:</b> |           |          |        |           |  |
| Corporate and other bonds         | \$ 17,097 | \$ 1,019 | \$ 347 | \$ 17,769 |  |

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|                                                                   |           |          |        |           |         |
|-------------------------------------------------------------------|-----------|----------|--------|-----------|---------|
| States, municipalities and political subdivisions                 | 11,729    | 1,453    | 8      | 13,174    | \$ (4)  |
| Asset-backed:                                                     |           |          |        |           |         |
| Residential mortgage-backed                                       | 4,935     | 154      | 17     | 5,072     | (37)    |
| Commercial mortgage-backed                                        | 2,154     | 55       | 12     | 2,197     |         |
| Other asset-backed                                                | 923       | 6        | 8      | 921       |         |
| Total asset-backed                                                | 8,012     | 215      | 37     | 8,190     | (37)    |
| U.S. Treasury and obligations of government-sponsored enterprises | 62        | 5        |        | 67        |         |
| Foreign government                                                | 334       | 13       | 1      | 346       |         |
| Redeemable preferred stock                                        | 33        | 2        |        | 35        |         |
| Fixed maturities available-for-sale                               | 37,267    | 2,707    | 393    | 39,581    | (41)    |
| Fixed maturities, trading                                         | 140       |          | 20     | 120       |         |
| Total fixed maturities                                            | 37,407    | 2,707    | 413    | 39,701    | (41)    |
| Equity securities:                                                |           |          |        |           |         |
| Common stock                                                      | 46        | 3        | 1      | 48        |         |
| Preferred stock                                                   | 145       | 7        | 3      | 149       |         |
| Equity securities available-for-sale                              | 191       | 10       | 4      | 197       | -       |
| Equity securities, trading                                        | 633       | 56       | 134    | 555       |         |
| Total equity securities                                           | 824       | 66       | 138    | 752       | -       |
| Total                                                             | \$ 38,231 | \$ 2,773 | \$ 551 | \$ 40,453 | \$ (41) |

The net unrealized gains on investments included in the tables above are recorded as a component of Accumulated other comprehensive income ( AOCI ). When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. To the extent that unrealized gains on fixed income securities supporting certain products within CNA's Life & Group Non-Core business would result in a premium deficiency if

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realized, a related increase in Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through Other comprehensive income ( Shadow Adjustments ). As of September 30, 2016 and December 31, 2015, the net unrealized gains on investments included in AOCI were correspondingly reduced by Shadow Adjustments of \$1.5 billion and \$996 million.

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

|                                                                   | Less than<br>12 Months  |                               | 12 Months<br>or Longer  |                               | Total                   |                               |
|-------------------------------------------------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|
|                                                                   | Estimated<br>Fair Value | Gross<br>Unrealized<br>Losses | Estimated<br>Fair Value | Gross<br>Unrealized<br>Losses | Estimated<br>Fair Value | Gross<br>Unrealized<br>Losses |
| <b>September 30, 2016</b>                                         |                         |                               |                         |                               |                         |                               |
| <b>(In millions)</b>                                              |                         |                               |                         |                               |                         |                               |
| <b>Fixed maturity securities:</b>                                 |                         |                               |                         |                               |                         |                               |
| Corporate and other bonds                                         | \$ 617                  | \$ 10                         | \$ 338                  | \$ 26                         | \$ 955                  | \$ 36                         |
| States, municipalities and political subdivisions                 | 163                     | 2                             | 9                       |                               | 172                     | 2                             |
| <b>Asset-backed:</b>                                              |                         |                               |                         |                               |                         |                               |
| Residential mortgage-backed                                       | 273                     | 6                             | 212                     | 9                             | 485                     | 15                            |
| Commercial mortgage-backed                                        | 391                     | 7                             | 96                      | 1                             | 487                     | 8                             |
| Other asset-backed                                                | 153                     | 1                             | 17                      |                               | 170                     | 1                             |
| <b>Total asset-backed</b>                                         | <b>817</b>              | <b>14</b>                     | <b>325</b>              | <b>10</b>                     | <b>1,142</b>            | <b>24</b>                     |
| U.S. Treasury and obligations of government-sponsored enterprises | 2                       |                               |                         |                               | 2                       |                               |
| Foreign government                                                | 16                      |                               |                         |                               | 16                      |                               |
| <b>Total fixed maturity securities</b>                            | <b>1,615</b>            | <b>26</b>                     | <b>672</b>              | <b>36</b>                     | <b>2,287</b>            | <b>62</b>                     |
| Common stock                                                      |                         | 1                             |                         |                               |                         | 1                             |
| Preferred stock                                                   | 15                      | 2                             |                         |                               | 15                      | 2                             |
| <b>Total</b>                                                      | <b>\$ 1,630</b>         | <b>\$ 29</b>                  | <b>\$ 672</b>           | <b>\$ 36</b>                  | <b>\$ 2,302</b>         | <b>\$ 65</b>                  |

December 31, 2015

(In millions)

Fixed maturity securities:

|                                      |          |        |        |       |          |        |
|--------------------------------------|----------|--------|--------|-------|----------|--------|
| Corporate and other bonds            | \$ 4,882 | \$ 302 | \$ 174 | \$ 45 | \$ 5,056 | \$ 347 |
| States, municipalities and political | 338      | 8      | 75     |       | 413      | 8      |

subdivisions

|                                                                    |                 |               |               |              |                 |               |
|--------------------------------------------------------------------|-----------------|---------------|---------------|--------------|-----------------|---------------|
| Asset-backed:                                                      |                 |               |               |              |                 |               |
| Residential mortgage-backed                                        | 963             | 9             | 164           | 8            | 1,127           | 17            |
| Commercial mortgage-backed                                         | 652             | 10            | 96            | 2            | 748             | 12            |
| Other asset-backed                                                 | 552             | 8             | 5             |              | 557             | 8             |
| <b>Total asset-backed</b>                                          | <b>2,167</b>    | <b>27</b>     | <b>265</b>    | <b>10</b>    | <b>2,432</b>    | <b>37</b>     |
| U.S. Treasury and obligations of government- sponsored enterprises | 4               |               |               |              | 4               |               |
| Foreign government                                                 | 54              | 1             |               |              | 54              | 1             |
| Redeemable preferred stock                                         | 3               |               |               |              | 3               |               |
| <b>Total fixed maturity securities</b>                             | <b>7,448</b>    | <b>338</b>    | <b>514</b>    | <b>55</b>    | <b>7,962</b>    | <b>393</b>    |
| Common stock                                                       | 3               | 1             |               |              | 3               | 1             |
| Preferred stock                                                    | 13              | 3             |               |              | 13              | 3             |
| <b>Total</b>                                                       | <b>\$ 7,464</b> | <b>\$ 342</b> | <b>\$ 514</b> | <b>\$ 55</b> | <b>\$ 7,978</b> | <b>\$ 397</b> |

Based on current facts and circumstances, the Company believes the unrealized losses presented in the table above are not indicative of the ultimate collectibility of the current amortized cost of the securities, but rather are attributable to changes in interest rates, credit spreads and other factors. The Company has no current intent to sell securities with unrealized losses, 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 as of September 30, 2016.

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The following table presents the activity related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held as of September 30, 2016 and 2015 for which a portion of an OTTI loss was recognized in Other comprehensive income.

|                                                                                                        | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |       |
|--------------------------------------------------------------------------------------------------------|-------------------------------------|-------|------------------------------------|-------|
|                                                                                                        | 2016                                | 2015  | 2016                               | 2015  |
| <b>(In millions)</b>                                                                                   |                                     |       |                                    |       |
| Beginning balance of credit losses on fixed maturity securities                                        | \$ 41                               | \$ 59 | \$ 53                              | \$ 62 |
| Reductions for securities sold during the period                                                       | (2)                                 | (2)   | (14)                               | (5)   |
| Reductions for securities the Company intends to sell or more likely than not will be required to sell | (1)                                 |       | (1)                                |       |
| Ending balance of credit losses on fixed maturity securities                                           | \$ 38                               | \$ 57 | \$ 38                              | \$ 57 |

**Contractual Maturity**

The following table presents available-for-sale fixed maturity securities by contractual maturity.

|                                        | September 30, 2016           |                            | December 31, 2015            |                            |
|----------------------------------------|------------------------------|----------------------------|------------------------------|----------------------------|
|                                        | Cost or<br>Amortized<br>Cost | Estimated<br>Fair<br>Value | Cost or<br>Amortized<br>Cost | Estimated<br>Fair<br>Value |
| Due in one year or less                | \$ 1,665                     | \$ 1,710                   | \$ 1,574                     | \$ 1,595                   |
| Due after one year through five years  | 9,052                        | 9,584                      | 7,738                        | 8,082                      |
| Due after five years through ten years | 14,659                       | 15,625                     | 14,652                       | 14,915                     |
| Due after ten years                    | 12,862                       | 15,400                     | 13,303                       | 14,989                     |
| <b>Total</b>                           | <b>\$ 38,238</b>             | <b>\$ 42,319</b>           | <b>\$ 37,267</b>             | <b>\$ 39,581</b>           |

Actual maturities may differ from contractual maturities because certain securities may be called or prepaid. Securities not due at a single date are allocated based on weighted average life.

**Table of Contents****Derivative Financial Instruments**

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. 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. Gross estimated fair values of derivative positions are currently presented in Equity securities, Receivables and Payable to brokers on the Consolidated Condensed Balance Sheets.

|                                                 | September 30, 2016       |       |                      | December 31, 2015         |       |                      |
|-------------------------------------------------|--------------------------|-------|----------------------|---------------------------|-------|----------------------|
|                                                 | Contractual/<br>Notional |       | Estimated Fair Value | Contractual /<br>Notional |       | Estimated Fair Value |
|                                                 | Amount                   | Asset | (Liability)          | Amount                    | Asset | (Liability)          |
| <b>(In millions)</b>                            |                          |       |                      |                           |       |                      |
| <b>Without hedge designation:</b>               |                          |       |                      |                           |       |                      |
| Equity markets:                                 |                          |       |                      |                           |       |                      |
| Options purchased                               | \$ 391                   | \$ 22 |                      | \$ 501                    | \$ 16 |                      |
| written                                         | 229                      |       | \$ (9)               | 614                       |       | \$ (28)              |
| Futures long                                    |                          |       |                      | 312                       |       | (1)                  |
| short                                           | 106                      |       | (1)                  |                           |       |                      |
| Interest rate risk:                             |                          |       |                      |                           |       |                      |
| Futures long                                    |                          |       |                      | 63                        |       |                      |
| Foreign exchange:                               |                          |       |                      |                           |       |                      |
| Currency forwards long                          |                          |       |                      | 133                       | 2     |                      |
| short                                           |                          |       |                      | 152                       |       |                      |
| Currency options long                           | 250                      |       |                      | 550                       | 7     |                      |
| Commodities:                                    |                          |       |                      |                           |       |                      |
| Futures long                                    | 68                       | 1     |                      |                           |       |                      |
| Embedded derivative on funds withheld liability | 175                      |       | (8)                  | 179                       | 5     |                      |

**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.

Prices may fall within Level 1, 2 or 3 depending upon the methodology and inputs used to estimate fair value for each specific security. In general, the Company seeks to price securities using third party pricing services. Securities not priced by pricing services are submitted to independent brokers for valuation and, if those are not available, internally developed pricing models are used to value assets using a methodology and inputs the Company believes market participants would use to value the assets. Prices obtained from third-party pricing services or brokers are not adjusted by the Company.

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The Company performs control procedures over information obtained from pricing services and brokers to ensure prices received represent a reasonable estimate of fair value and to confirm representations regarding whether inputs are observable or unobservable. Procedures include: (i) the review of pricing service or broker pricing methodologies, (ii) back-testing, where past fair value estimates are compared to actual transactions executed in the market on similar dates, (iii) exception reporting, where period-over-period changes in price are reviewed and challenged with the pricing service or broker based on exception criteria, (iv) detailed analysis, where the Company performs an independent analysis of the inputs and assumptions used to price individual securities and (v) pricing validation, where prices received are compared to prices independently estimated by the Company.

The fair values of CNA's life settlement contracts are included in Other assets on the Consolidated Condensed Balance Sheets. 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 presented in the following tables:

| September 30, 2016                                                       | Level 1  | Level 2   | Level 3 | Total     |
|--------------------------------------------------------------------------|----------|-----------|---------|-----------|
| <b>(In millions)</b>                                                     |          |           |         |           |
| <b>Fixed maturity securities:</b>                                        |          |           |         |           |
| <b>Corporate and other bonds</b>                                         |          | \$ 19,555 | \$ 261  | \$ 19,816 |
| <b>States, municipalities and political subdivisions</b>                 |          | 13,500    | 1       | 13,501    |
| <b>Asset-backed:</b>                                                     |          |           |         |           |
| <b>Residential mortgage-backed</b>                                       |          | 5,286     | 79      | 5,365     |
| <b>Commercial mortgage-backed</b>                                        |          | 2,120     | 24      | 2,144     |
| <b>Other asset-backed</b>                                                |          | 916       | 43      | 959       |
| <b>Total asset-backed</b>                                                |          | 8,322     | 146     | 8,468     |
| <b>U.S. Treasury and obligations of government-sponsored enterprises</b> | \$ 76    |           |         | 76        |
| <b>Foreign government</b>                                                |          | 438       |         | 438       |
| <b>Redeemable preferred stock</b>                                        | 20       |           |         | 20        |
| <b>Fixed maturities available-for-sale</b>                               | 96       | 41,815    | 408     | 42,319    |
| <b>Fixed maturities trading</b>                                          |          | 569       | 6       | 575       |
| <b>Total fixed maturities</b>                                            | \$ 96    | \$ 42,384 | \$ 414  | \$ 42,894 |
| <b>Equity securities available-for-sale</b>                              | \$ 97    |           | \$ 19   | \$ 116    |
| <b>Equity securities trading</b>                                         | 469      |           | 1       | 470       |
| <b>Total equity securities</b>                                           | \$ 566   | \$ -      | \$ 20   | \$ 586    |
| <b>Short term investments</b>                                            | \$ 3,902 | \$ 911    |         | \$ 4,813  |
| <b>Other invested assets</b>                                             | 54       | 5         |         | 59        |

|                                  |              |              |              |
|----------------------------------|--------------|--------------|--------------|
| <b>Life settlement contracts</b> |              | <b>\$ 67</b> | <b>67</b>    |
| <b>Payable to brokers</b>        | <b>(215)</b> |              | <b>(215)</b> |

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| December 31, 2015                                                 | Level 1  | Level 2   | Level 3 | Total     |
|-------------------------------------------------------------------|----------|-----------|---------|-----------|
| (In millions)                                                     |          |           |         |           |
| <b>Fixed maturity securities:</b>                                 |          |           |         |           |
| Corporate and other bonds                                         |          | \$ 17,601 | \$ 168  | \$ 17,769 |
| States, municipalities and political subdivisions                 |          | 13,172    | 2       | 13,174    |
| <b>Asset-backed:</b>                                              |          |           |         |           |
| Residential mortgage-backed                                       |          | 4,938     | 134     | 5,072     |
| Commercial mortgage-backed                                        |          | 2,175     | 22      | 2,197     |
| Other asset-backed                                                |          | 868       | 53      | 921       |
| Total asset-backed                                                |          | 7,981     | 209     | 8,190     |
| U.S. Treasury and obligations of government-sponsored enterprises | \$ 66    | 1         |         | 67        |
| Foreign government                                                |          | 346       |         | 346       |
| Redeemable preferred stock                                        | 35       |           |         | 35        |
| Fixed maturities available-for-sale                               | 101      | 39,101    | 379     | 39,581    |
| Fixed maturities trading                                          |          | 35        | 85      | 120       |
| Total fixed maturities                                            | \$ 101   | \$ 39,136 | \$ 464  | \$ 39,701 |
| Equity securities available-for-sale                              | \$ 177   |           | \$ 20   | \$ 197    |
| Equity securities trading                                         | 554      |           | 1       | 555       |
| Total equity securities                                           | \$ 731   | \$ -      | \$ 21   | \$ 752    |
| Short term investments                                            | \$ 3,600 | \$ 1,134  |         | \$ 4,734  |
| Other invested assets                                             | 102      | 44        |         | 146       |
| Receivables                                                       |          | 9         | \$ 3    | 12        |
| Life settlement contracts                                         |          |           | 74      | 74        |
| Payable to brokers                                                | (196)    |           |         | (196)     |

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The following tables 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, 2016 and 2015:

|                                                   | Net Realized Gains<br>(Losses) and Net Change<br>in Unrealized Gains<br>(Losses) |             |             |              |             |                |                                 |                                |                          | Unrealized<br>Gains<br>(Losses)<br>Recognized<br>Net<br>Income<br>on<br>Level<br>3 Assets<br>and<br>Liabilities<br>Held at<br>September<br>30 |
|---------------------------------------------------|----------------------------------------------------------------------------------|-------------|-------------|--------------|-------------|----------------|---------------------------------|--------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   | Balance,<br>July<br>1                                                            | Net Income  | OCI         | Purchases    | Sales       | Settlements    | Transfers<br>into<br>Level<br>3 | Transfers<br>out of<br>Level 3 | Balance,<br>September 30 | Balance,<br>September 30                                                                                                                      |
| (in millions)                                     |                                                                                  |             |             |              |             |                |                                 |                                |                          |                                                                                                                                               |
| <b>Fixed maturity securities:</b>                 |                                                                                  |             |             |              |             |                |                                 |                                |                          |                                                                                                                                               |
| Corporate and other bonds                         | \$ 242                                                                           | \$ 1        | \$ 7        | \$ 16        |             | \$ (5)         |                                 |                                | \$ 261                   |                                                                                                                                               |
| States, municipalities and political subdivisions | 2                                                                                |             |             |              |             | (1)            |                                 |                                | 1                        |                                                                                                                                               |
| <b>Asset-backed:</b>                              |                                                                                  |             |             |              |             |                |                                 |                                |                          |                                                                                                                                               |
| Residential mortgage-backed                       | 134                                                                              |             | (1)         | 5            |             | (1)            |                                 | \$ (58)                        | 79                       |                                                                                                                                               |
| Commercial mortgage-backed                        | 11                                                                               |             |             | 23           |             | (8)            |                                 | (2)                            | 24                       |                                                                                                                                               |
| Other asset-backed                                | 45                                                                               |             |             | 34           |             |                |                                 | (36)                           | 43                       |                                                                                                                                               |
| <b>Total asset-backed</b>                         | <b>190</b>                                                                       | <b>-</b>    | <b>(1)</b>  | <b>62</b>    | <b>\$ -</b> | <b>(9)</b>     | <b>\$ -</b>                     | <b>(96)</b>                    | <b>146</b>               | <b>\$ -</b>                                                                                                                                   |
| <b>Fixed maturities available-for-sale</b>        | <b>434</b>                                                                       | <b>1</b>    | <b>6</b>    | <b>78</b>    |             | <b>(15)</b>    |                                 | <b>(96)</b>                    | <b>408</b>               |                                                                                                                                               |
| <b>Fixed maturities trading</b>                   | <b>6</b>                                                                         |             |             |              |             |                |                                 |                                | <b>6</b>                 | <b>(1)</b>                                                                                                                                    |
| <b>Total fixed maturities</b>                     | <b>\$ 440</b>                                                                    | <b>\$ 1</b> | <b>\$ 6</b> | <b>\$ 78</b> | <b>\$ -</b> | <b>\$ (15)</b> | <b>\$ -</b>                     | <b>\$ (96)</b>                 | <b>\$ 414</b>            | <b>\$ (1)</b>                                                                                                                                 |

|                                             |       |        |      |        |      |      |      |      |      |      |       |        |
|---------------------------------------------|-------|--------|------|--------|------|------|------|------|------|------|-------|--------|
| equity securities<br>available-for-sale     | \$ 19 | \$ (1) | \$ 1 |        |      |      |      |      |      |      | \$ 19 | \$ (2) |
| equity securities<br>trading                | 2     |        |      | \$ (1) |      |      |      |      |      |      | 1     | (1)    |
| total equity<br>securities                  | \$ 21 | \$ (1) | \$ 1 | \$ (1) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 20    | \$ (3) |
| life settlement<br>contracts                | \$ 67 |        |      |        |      |      |      |      |      |      | \$ 67 |        |
| derivative<br>financial<br>instruments, net | 1     | \$ (1) |      |        |      |      |      |      |      |      | -     |        |

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| 2015                                              | Balance,<br>July 1 | Net Realized<br>Gains<br>(Losses) and Net Change<br>in Unrealized<br>Gains<br>(Losses)<br>Included in<br>Net Income | Included in<br>OCI | Purchases | Sales   | Settlements | Transfers<br>into<br>Level<br>3 | Transfers<br>out<br>of<br>Level<br>3 | Balance,<br>September 30 | Unrealized<br>Gains<br>(Losses)<br>Recognized in<br>Net Income<br>on Level 3<br>Assets and<br>Liabilities<br>Held at<br>September 30 |
|---------------------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------|--------------------|-----------|---------|-------------|---------------------------------|--------------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| (In millions)                                     |                    |                                                                                                                     |                    |           |         |             |                                 |                                      |                          |                                                                                                                                      |
| Fixed maturity securities:                        |                    |                                                                                                                     |                    |           |         |             |                                 |                                      |                          |                                                                                                                                      |
| Corporate and other bonds                         | \$ 141             |                                                                                                                     |                    | \$ 27     | \$ (1)  | \$ (11)     |                                 | \$ (3)                               | \$ 153                   |                                                                                                                                      |
| States, municipalities and political subdivisions | 85                 |                                                                                                                     |                    |           |         |             |                                 | (24)                                 | 61                       |                                                                                                                                      |
| Asset-backed:                                     |                    |                                                                                                                     |                    |           |         |             |                                 |                                      |                          |                                                                                                                                      |
| Residential mortgage-backed                       | 207                | \$ 2                                                                                                                | \$ (2)             | 4         |         | (7)         |                                 |                                      | 204                      |                                                                                                                                      |
| Commercial mortgage-backed                        | 87                 | 5                                                                                                                   | (4)                | 8         |         | (15)        |                                 | (10)                                 | 71                       |                                                                                                                                      |
| Other asset-backed                                | 490                |                                                                                                                     | (6)                | 43        | (20)    | (32)        |                                 | (4)                                  | 471                      |                                                                                                                                      |
| Total asset-backed                                | 784                | 7                                                                                                                   | (12)               | 55        | (20)    | (54)        | \$ -                            | (14)                                 | 746                      | \$ -                                                                                                                                 |
| Fixed maturities available-for-sale               | 1,010              | 7                                                                                                                   | (12)               | 82        | (21)    | (65)        |                                 | (41)                                 | 960                      |                                                                                                                                      |
| Fixed maturities trading                          | 89                 | (2)                                                                                                                 |                    |           | (1)     |             |                                 |                                      | 86                       | \$ (2)                                                                                                                               |
| Total fixed maturities                            | \$ 1,099           | \$ 5                                                                                                                | \$ (12)            | \$ 82     | \$ (22) | \$ (65)     | \$ -                            | \$ (41)                              | \$ 1,046                 | \$ (2)                                                                                                                               |
| Equity securities available-for-sale              | \$ 16              |                                                                                                                     | \$ (1)             |           |         |             |                                 |                                      | \$ 15                    |                                                                                                                                      |
| Equity securities trading                         | 1                  | \$ 1                                                                                                                |                    |           | \$ (2)  |             |                                 |                                      | -                        | \$ 1                                                                                                                                 |
| Total equity securities                           | \$ 17              | \$ 1                                                                                                                | \$ (1)             | \$ -      | \$ (2)  | \$ -        | \$ -                            | \$ -                                 | \$ 15                    | \$ 1                                                                                                                                 |

|                           |    |    |    |   |    |     |    |    |    |   |
|---------------------------|----|----|----|---|----|-----|----|----|----|---|
| Life settlement contracts | \$ | 75 | \$ | 5 | \$ | (6) | \$ | 74 | \$ | 2 |
|---------------------------|----|----|----|---|----|-----|----|----|----|---|



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| 2016                                                     | Balance,<br>January | Net Realized<br>Gains<br>(Losses) and Net<br>Change<br>in Unrealized<br>Gains<br>(Losses)<br>Included in |              |               |                 |                | Transfers<br>into<br>Level<br>3 | Transfers<br>out of<br>Level 3 | Balance,<br>September 30 | Unrealized<br>Gains<br>(Losses)<br>Recognized in<br>Net<br>Income<br>on Level<br>3 Assets<br>and<br>Liabilities<br>Held at<br>September<br>30 |
|----------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------|--------------|---------------|-----------------|----------------|---------------------------------|--------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|                                                          |                     | Net Income                                                                                               | OCI          | Purchases     | Sales           | Settlements    |                                 |                                |                          |                                                                                                                                               |
| <b>(In millions)</b>                                     |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
| <b>Fixed maturity securities:</b>                        |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
| <b>Corporate and other bonds</b>                         |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | \$ 168              | \$ 1                                                                                                     | \$ 14        | \$ 163        | \$ (36)         | \$ (15)        |                                 | \$ (34)                        | \$ 261                   |                                                                                                                                               |
| <b>States, municipalities and political subdivisions</b> |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | 2                   |                                                                                                          |              |               |                 | (1)            |                                 |                                | 1                        |                                                                                                                                               |
| <b>Asset-backed:</b>                                     |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
| <b>Residential mortgage-backed</b>                       |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | 134                 | 2                                                                                                        | (2)          | 15            |                 | (10)           |                                 | (60)                           | 79                       |                                                                                                                                               |
| <b>Commercial mortgage-backed</b>                        |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | 22                  |                                                                                                          |              | 32            |                 | (17)           | \$ 3                            | (16)                           | 24                       |                                                                                                                                               |
| <b>Other asset-backed</b>                                |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | 53                  |                                                                                                          | 2            | 69            | (25)            | (1)            | 2                               | (57)                           | 43                       |                                                                                                                                               |
| <b>Total asset-backed</b>                                | <b>209</b>          | <b>2</b>                                                                                                 | <b>-</b>     | <b>116</b>    | <b>(25)</b>     | <b>(28)</b>    | <b>5</b>                        | <b>(133)</b>                   | <b>146</b>               | <b>\$ -</b>                                                                                                                                   |
| <b>Fixed maturities available-for-sale</b>               |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | 379                 | 3                                                                                                        | 14           | 279           | (61)            | (44)           | 5                               | (167)                          | 408                      |                                                                                                                                               |
| <b>Fixed maturities trading</b>                          |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | 85                  | 5                                                                                                        |              | 2             | (86)            |                |                                 |                                | 6                        | 3                                                                                                                                             |
| <b>Total fixed maturities</b>                            | <b>\$ 464</b>       | <b>\$ 8</b>                                                                                              | <b>\$ 14</b> | <b>\$ 281</b> | <b>\$ (147)</b> | <b>\$ (44)</b> | <b>\$ 5</b>                     | <b>\$ (167)</b>                | <b>\$ 414</b>            | <b>\$ 3</b>                                                                                                                                   |
| <b>Equity securities available-for-sale</b>              |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | \$ 20               | \$ (1)                                                                                                   |              |               |                 |                |                                 |                                | \$ 19                    | \$ (2)                                                                                                                                        |
| <b>Equity securities trading</b>                         |                     |                                                                                                          |              |               |                 |                |                                 |                                |                          |                                                                                                                                               |
|                                                          | 1                   | 1                                                                                                        |              |               | \$ (1)          |                |                                 |                                | 1                        |                                                                                                                                               |

|                                              |       |       |      |      |        |         |      |      |       |        |
|----------------------------------------------|-------|-------|------|------|--------|---------|------|------|-------|--------|
| <b>Total equity securities</b>               | \$ 21 | \$ -  | \$ - | \$ - | \$ (1) | \$ -    | \$ - | \$ - | \$ 20 | \$ (2) |
| <b>Life settlement contracts</b>             | \$ 74 | \$ 10 |      |      |        | \$ (17) |      |      | \$ 67 | \$ 2   |
| <b>Derivative financial instruments, net</b> | 3     | (4)   |      |      | \$ (2) |         | \$ 3 |      | -     | (3)    |

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|                                                   | Balance, January 1, 2015 | Net Income | OCI    | Purchases | Sales    | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Balance, September 30, 2015 | 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                         | \$ 162                   | \$ (1)     | \$ (1) | \$ 39     | \$ (13)  | \$ (32)     | \$ 37                  | \$ (38)                  | \$ 153                      |                                                                                                           |
| States, municipalities and political subdivisions | 94                       | 1          |        |           |          | (10)        |                        | (24)                     | 61                          |                                                                                                           |
| Asset-backed:                                     |                          |            |        |           |          |             |                        |                          |                             |                                                                                                           |
| Residential mortgage-backed                       | 189                      | 4          | (4)    | 76        |          | (28)        |                        | (33)                     | 204                         |                                                                                                           |
| Commercial mortgage-backed                        | 83                       | 7          | (4)    | 23        |          | (17)        | 17                     | (38)                     | 71                          |                                                                                                           |
| Other asset-backed                                | 655                      | 3          | 4      | 125       | (254)    | (52)        |                        | (10)                     | 471                         | \$(1)                                                                                                     |
| Total asset-backed                                | 927                      | 14         | (4)    | 224       | (254)    | (97)        | 17                     | (81)                     | 746                         | (1)                                                                                                       |
| Fixed maturities available-for-sale               | 1,183                    | 14         | (5)    | 263       | (267)    | (139)       | 54                     | (143)                    | 960                         | (1)                                                                                                       |
| Fixed maturities trading                          | 90                       | (2)        |        |           | (2)      |             |                        |                          | 86                          | (2)                                                                                                       |
| Total fixed maturities                            | \$ 1,273                 | \$ 12      | \$ (5) | \$ 263    | \$ (269) | \$ (139)    | \$ 54                  | \$ (143)                 | \$ 1,046                    | \$(3)                                                                                                     |
|                                                   | \$ 16                    |            | \$(1)  |           |          |             |                        |                          | \$ 15                       |                                                                                                           |

Equity securities  
available-for-sale

Equity securities

|         |   |      |  |        |  |  |  |  |  |   |      |
|---------|---|------|--|--------|--|--|--|--|--|---|------|
| trading | 1 | \$ 1 |  | \$ (2) |  |  |  |  |  | - | \$ 1 |
|---------|---|------|--|--------|--|--|--|--|--|---|------|

Total equity

|            |       |      |        |      |        |      |      |      |      |       |      |
|------------|-------|------|--------|------|--------|------|------|------|------|-------|------|
| securities | \$ 17 | \$ 1 | \$ (1) | \$ - | \$ (2) | \$ - | \$ - | \$ - | \$ - | \$ 15 | \$ 1 |
|------------|-------|------|--------|------|--------|------|------|------|------|-------|------|

Life settlement

|           |       |       |  |  |         |  |  |  |  |       |      |
|-----------|-------|-------|--|--|---------|--|--|--|--|-------|------|
| contracts | \$ 82 | \$ 22 |  |  | \$ (30) |  |  |  |  | \$ 74 | \$ 1 |
|-----------|-------|-------|--|--|---------|--|--|--|--|-------|------|

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) and Net investment income    |
| 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                                         |

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Securities may be transferred in or out of levels within the fair value hierarchy based on the availability of observable market information and quoted prices used to determine the fair value of the security. The availability of observable market information and quoted prices varies based on market conditions and trading volume. During the three and nine months ended September 30, 2016 there were no transfers between Level 1 and Level 2. During the three and nine months ended September 30, 2015, there were \$10 million of transfers from Level 2 to Level 1 and no transfers from Level 1 to Level 2. The Company's policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

## **Valuation Methodologies and Inputs**

The following section describes the valuation methodologies and relevant inputs 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 and exchange traded bonds and redeemable preferred stock, valued using quoted market prices. Level 2 securities include most other fixed maturity securities as the significant inputs are observable in the marketplace. All classes of Level 2 fixed maturity securities are valued using a methodology based on information generated by market transactions involving identical or comparable assets, a discounted cash flow methodology or a combination of both when necessary. Common inputs for all classes of fixed maturity securities include prices from recently executed transactions of similar securities, marketplace quotes, benchmark yields, spreads off benchmark yields, interest rates and U.S. Treasury or swap curves. Specifically for asset-backed securities, key inputs include prepayment and default projections based on past performance of the underlying collateral and current market data. Fixed maturity securities are primarily 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 private placement debt securities whose fair value is determined using internal models with inputs that are not market observable.

### *Equity Securities*

Level 1 equity 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 and other pricing models utilizing market observable inputs. Level 3 securities are primarily priced using broker/dealer quotes and 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 primarily include currency forwards valued using observable market forward rates. Over-the-counter derivatives, principally interest rate swaps, total return swaps, commodity 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*

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 market observable. Fixed maturity securities purchased within one year of maturity are valued consistent with fixed maturity securities discussed above. Short term investments as presented in the tables above differ from the amounts presented in the Consolidated Condensed Balance Sheets because certain short term investments, such as time deposits, are not measured at fair value.

**Table of Contents***Other Invested Assets*

Level 1 securities include exchange traded open-end funds valued using quoted market prices.

*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.

**Significant Unobservable Inputs**

The following tables present quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurement of Level 3 assets. Valuations for assets and liabilities not presented in the tables below are primarily based on broker/dealer quotes for which there is a lack of transparency as to inputs used to develop the valuations. The quantitative detail of unobservable inputs from these broker quotes is neither provided nor reasonably available to the Company.

| <b>September 30,<br/>2016</b>    | <b>Estimated<br/>Fair Value</b> | <b>Valuation<br/>Techniques</b> | <b>Unobservable<br/>Inputs</b>    | <b>Range<br/>(Weighted<br/>Average)</b> |
|----------------------------------|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------------|
| (In millions)                    |                                 |                                 |                                   |                                         |
| <b>Fixed maturity securities</b> | <b>\$ 211</b>                   | <b>Discounted cash flow</b>     | <b>Credit spread</b>              | <b>2% 40% (6%)</b>                      |
| <b>Life settlement contracts</b> | <b>67</b>                       | <b>Discounted cash flow</b>     | <b>Discount rate risk premium</b> | <b>9%</b>                               |
|                                  |                                 |                                 | <b>Mortality assumption</b>       | <b>55% 1,676% (162%)</b>                |

December 31,  
2015

|                                  |               |                             |                                   |                          |
|----------------------------------|---------------|-----------------------------|-----------------------------------|--------------------------|
| <b>Fixed maturity securities</b> | <b>\$ 138</b> | <b>Discounted cash flow</b> | <b>Credit spread</b>              | <b>3% 184% (6%)</b>      |
| <b>Life settlement contracts</b> | <b>74</b>     | <b>Discounted cash flow</b> | <b>Discount rate risk premium</b> | <b>9%</b>                |
|                                  |               |                             | <b>Mortality assumption</b>       | <b>55% 1,676% (164%)</b> |

For fixed maturity securities, an increase to the credit spread assumptions would result in a lower fair value measurement. For life settlement contracts, an increase in the discount rate risk premium or decrease in the mortality assumption would result in a lower fair value measurement.





**Table of Contents****Financial Assets and Liabilities Not Measured at Fair Value**

The carrying amount, estimated fair value and the level of the fair value hierarchy of the Company's financial assets and liabilities which are not measured at fair value on the Consolidated Condensed Balance Sheets are presented in the following tables. The carrying amounts and estimated fair values of short term debt and long term debt exclude capital lease obligations. The carrying amounts reported on the Consolidated Condensed Balance Sheets for cash and short term investments not carried at fair value and certain other assets and liabilities approximate fair value due to the short term nature of these items.

| September 30, 2016<br>(In millions)             | Carrying<br>Amount | Estimated Fair Value |         |         | Total  |
|-------------------------------------------------|--------------------|----------------------|---------|---------|--------|
|                                                 |                    | Level 1              | Level 2 | Level 3 |        |
| <b>Assets:</b>                                  |                    |                      |         |         |        |
| Other invested assets, primarily mortgage loans | \$ 629             |                      |         | \$ 654  | \$ 654 |
| <b>Liabilities:</b>                             |                    |                      |         |         |        |
| Short term debt                                 | 185                |                      | \$ 182  | 3       | 185    |
| Long term debt                                  | 10,722             |                      | 10,428  | 646     | 11,074 |

December 31, 2015

|                                                 |        |  |          |        |        |
|-------------------------------------------------|--------|--|----------|--------|--------|
| <b>Assets:</b>                                  |        |  |          |        |        |
| Other invested assets, primarily mortgage loans | \$ 678 |  |          | \$ 688 | \$ 688 |
| <b>Liabilities:</b>                             |        |  |          |        |        |
| Short term debt                                 | 1,038  |  | \$ 1,050 | 2      | 1,052  |
| Long term debt                                  | 9,507  |  | 8,538    | 595    | 9,133  |

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

The fair value of mortgage loans, included in Other invested assets, was based on the present value of the expected future cash flows discounted at the current interest rate for similar financial instruments, adjusted for specific loan risk.

Fair value of debt was based on observable market prices when available. When observable market prices were not available, the fair value of debt was based on observable market prices of comparable instruments adjusted for differences between the observed 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. Property, Plant and Equipment****Diamond Offshore***Sale of Assets*

In February of 2016, Diamond Offshore entered into a ten-year agreement with a subsidiary of GE Oil & Gas ( GE ) to provide services with respect to certain blowout preventer and related well control equipment on four newly-built drillships. Such services include management of maintenance, certification and reliability with respect to such equipment. In connection with the contractual services agreement with GE, Diamond Offshore will sell the well control equipment to a GE affiliate and subsequently lease back such equipment pursuant to separate ten-year operating leases. During the nine months ended September 30, 2016, Diamond Offshore completed three sale and leaseback transactions and received \$158 million in proceeds, which was less than the carrying value of the

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equipment. The resulting difference was recorded as prepaid rent with no gain or loss recognized on the transactions, and will be amortized over the terms of the operating leases. Future commitments under the operating leases and contractual services agreements are estimated to aggregate approximately \$491 million over the term of the agreements. Diamond Offshore expects to complete the remaining sale and leaseback transaction in the fourth quarter of 2016.

*Asset Impairments*

During the second quarter of 2016, in response to the continuing decline in industry-wide utilization for semisubmersible rigs, further exacerbated by additional and more frequent contract cancellations by customers, declining dayrates, as well as the results of a third-party strategic review of Diamond Offshore's long-term business plan completed in the second quarter of 2016, Diamond Offshore reassessed its projections for a recovery in the offshore drilling market. As a result, Diamond Offshore concluded that an expected market recovery is now likely further in the future than had previously been estimated. Consequently, Diamond Offshore believes its cold-stacked rigs, as well as those rigs expected to be cold-stacked in the near term after they come off contract, will likely remain cold-stacked for an extended period of time. Diamond Offshore also believes that the re-entry costs for these rigs will be higher than previously estimated, negatively impacting the undiscounted, probability-weighted cash flow projections utilized in its impairment analysis. In addition, in response to the declining market, Diamond Offshore also reduced anticipated market pricing and expected utilization of these rigs after reactivation. In the second quarter of 2016, Diamond Offshore evaluated 15 of its drilling rigs with indications that their carrying amounts may not be recoverable. Based on updated assumptions and analyses, Diamond Offshore determined that the carrying values of eight of these rigs, consisting of three ultra-deepwater, three deepwater and two mid-water semisubmersible rigs, were impaired.

Diamond Offshore estimated the fair value of the eight impaired rigs using an income approach. The fair value of each rig was estimated based on a calculation of the rig's discounted future net cash flows over its remaining economic life, which utilized significant unobservable inputs, including, but not limited to, assumptions related to estimated dayrate revenue, rig utilization, estimated reactivation and regulatory survey costs, as well as estimated proceeds that may be received on ultimate disposition of the rig. The fair value estimates were representative of Level 3 fair value measurements due to the significant level of estimation involved and the lack of transparency as to the inputs used. During the second quarter of 2016, Diamond Offshore recognized an impairment loss of \$672 million (\$263 million after tax and noncontrolling interests).

In the third quarter of 2016, Diamond Offshore evaluated nine of its drilling rigs with indications that their carrying amounts may not be recoverable. Based on its assumptions and analyses, Diamond Offshore determined that the carrying values of these rigs were not impaired. If market fundamentals in the offshore oil and gas industry deteriorate further, Diamond Offshore may be required to recognize additional impairment losses in future periods.

Diamond Offshore recognized aggregate impairment losses of \$2 million (\$1 million after tax and noncontrolling interests) and \$361 million (\$159 million after tax and noncontrolling interests) for the three and nine months ended September 30, 2015. See Note 6 of the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for further discussion of Diamond Offshore's 2015 asset impairments.

**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 claim 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,

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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 CNA's results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of \$16 million and \$14 million for the three months ended September 30, 2016 and 2015 and \$137 million and \$103 million for the nine months ended September 30, 2016 and 2015. Catastrophe losses in 2016 resulted primarily from U.S. weather-related events and the Fort McMurray wildfires.

**Net Prior Year Development**

The following tables and discussion present net prior year development.

**Three Months Ended September 30, 2016****(In millions)**

|                                                                                                                       | <b>Specialty</b> | <b>Commercial</b> | <b>International</b> | <b>Total</b> |
|-----------------------------------------------------------------------------------------------------------------------|------------------|-------------------|----------------------|--------------|
| <b>Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development</b> | \$ (112)         | \$ (5)            | \$ (15)              | \$ (132)     |
| <b>Pretax (favorable) unfavorable premium development</b>                                                             |                  | (3)               | (2)                  | (5)          |
| <b>Total pretax (favorable) unfavorable net prior year development</b>                                                | \$ (112)         | \$ (8)            | \$ (17)              | \$ (137)     |

**Three Months Ended September 30, 2015**

|                                                                                                                       |          |         |         |          |
|-----------------------------------------------------------------------------------------------------------------------|----------|---------|---------|----------|
| <b>Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development</b> | \$ (130) | \$ (11) | \$ (34) | \$ (175) |
| <b>Pretax (favorable) unfavorable premium development</b>                                                             | (2)      | (5)     | 2       | (5)      |
| <b>Total pretax (favorable) unfavorable net prior year development</b>                                                | \$ (132) | \$ (16) | \$ (32) | \$ (180) |

**Nine Months Ended September 30, 2016**

|                                                                                                                       |          |         |         |          |
|-----------------------------------------------------------------------------------------------------------------------|----------|---------|---------|----------|
| <b>Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development</b> | \$ (211) | \$ (37) | \$ (34) | \$ (282) |
| <b>Pretax (favorable) unfavorable premium development</b>                                                             | (18)     | (7)     | (2)     | (27)     |
| <b>Total pretax (favorable) unfavorable net prior year development</b>                                                | \$ (229) | \$ (44) | \$ (36) | \$ (309) |

## Nine Months Ended September 30, 2015

|                                                                                                                |          |         |         |          |
|----------------------------------------------------------------------------------------------------------------|----------|---------|---------|----------|
| Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development | \$ (141) |         | \$ (46) | \$ (187) |
| Pretax (favorable) unfavorable premium development                                                             | (10)     | \$ (17) | 16      | (11)     |
| <b>Total pretax (favorable) unfavorable net prior year development</b>                                         | \$ (151) | \$ (17) | \$ (30) | \$ (198) |

**Table of Contents****Specialty**

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

|                                                       | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|-------------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                                       | <b>2016</b>                                 | <b>2015</b> | <b>2016</b>                                | <b>2015</b> |
| <b>(In millions)</b>                                  |                                             |             |                                            |             |
| Medical professional liability                        | \$ 13                                       | \$ (19)     | \$ (17)                                    | \$ (11)     |
| Other professional liability and management liability | (48)                                        | (37)        | (98)                                       | (41)        |
| Surety                                                | (63)                                        | (70)        | (63)                                       | (69)        |
| Warranty                                              | 2                                           |             | 7                                          | 1           |
| Other                                                 | (16)                                        | (4)         | (40)                                       | (21)        |
| Total pretax (favorable) unfavorable development      | \$ (112)                                    | \$ (130)    | \$ (211)                                   | \$ (141)    |

**Three Months****2016**

Unfavorable development for medical professional liability was primarily due to higher than expected frequency in accident years 2014 and 2015 in aging services. Increased claims on a specific hospital policy in accident years 2014 and 2015 was also an unfavorable contributor, although more than offset by favorable development relative to expectations in accident years 2013 and prior.

Favorable development in other professional liability and management liability was primarily related to lower than expected frequency of claims and favorable outcomes on specific claims for accident years 2010 through 2014.

Favorable development in surety coverages was primarily due to lower than expected frequency of large losses in accident years 2014 and prior.

Favorable development for other coverages was due to better than expected claim frequency in commercial lines coverages provided to Specialty customers in accident years 2010 through 2015.

**2015**

Favorable development in medical professional liability was related to lower than expected severity in accident years 2008 through 2013.

Favorable development in other professional liability and management liability was related to better than expected large loss emergence in financial institutions in accident years 2012 and prior. Additional favorable development related to lower than expected severity in accident years 2009 through 2013 for directors and officers liability.

Favorable development for surety coverages was primarily due to lower than expected frequency of large losses in accident years 2013 and prior.

*Nine Months*

**2016**

Favorable development for medical professional liability was primarily due to lower than expected severities for individual healthcare professionals, allied facilities and hospitals in accident years 2011 and prior. This was partially offset by unfavorable development in accident years 2012 and 2013 related to higher than expected large loss emergence in hospitals and higher than expected frequency and severity in accident years 2014 and 2015 in CNA's aging services business.

Favorable development in other professional liability and management liability was primarily related to favorable settlements on closed claims in accident years 2011 through 2013 in professional services. Additional favorable development related to lower than expected frequency of claims and favorable outcomes on specific claims in accident years 2010 through 2014 in professional services. This was partially offset by unfavorable development



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related to a specific financial institutions claim in accident year 2014, higher severities in accident year 2015 and deterioration on credit crises-related claims in accident year 2009.

Favorable development in surety coverages was primarily due to lower than expected frequency of large losses in accident years 2014 and prior.

Favorable development for other coverages provided to Specialty customers was due to better than expected claim frequency in property coverages in accident year 2015 and commercial lines coverages in accident years 2010 through 2015.

**2015**

Overall, favorable development for medical professional liability was related to lower than expected severity in accident years 2008 through 2013. Unfavorable development was recorded related to increased claim frequency in the aging services business for accident years 2013 and 2014.

Overall, favorable development in other professional liability and management liability related to better than expected large loss emergence in financial institutions in accident years 2012 and prior. Additional favorable development related to lower than expected severity in accident years 2009 through 2013 for directors and officers liability and lower than expected severity in accident years 2010 and prior for professional services. Unfavorable development was related to increased claim frequency on public company management liability in accident years 2012 through 2014.

Favorable development for surety coverages was primarily due to lower than expected frequency of large losses in accident years 2013 and prior.

Favorable development for other coverages was due to better than expected claim frequency in property coverages provided to Specialty customers in accident year 2014.

**Commercial**

The following table and discussion present further detail of the development recorded for the Commercial segment:

|                                                  | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|--------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                                  | <b>2016</b>                                 | <b>2015</b> | <b>2016</b>                                | <b>2015</b> |
| <b>(In millions)</b>                             |                                             |             |                                            |             |
| Commercial auto                                  | \$ (12)                                     |             | \$ (47)                                    | \$ 7        |
| General liability                                | 14                                          | \$ 3        | (38)                                       | 8           |
| Workers compensation                             | (6)                                         | (1)         | 48                                         | 22          |
| Property and other                               | (1)                                         | (13)        |                                            | (37)        |
| Total pretax (favorable) unfavorable development | \$ (5)                                      | \$ (11)     | \$ (37)                                    | \$ -        |

*Three Months*

**2016**

Favorable development for commercial auto was primarily due to lower than expected severities in accident years 2012 through 2015.

Unfavorable development for general liability was primarily due to an increase in reported claims prior to the closing of the three year window set forth by the Minnesota Child Victims Act in accident years 2006 and prior.

Favorable development for workers compensation was primarily driven by lower than expected frequencies in accident years 2009 through 2014, partially offset by the estimated impact of recent Florida court rulings in accident years 2008 through 2015.

**Table of Contents****2015**

Favorable development for property and other was primarily due to better than expected loss emergence on catastrophe events in accident year 2014.

***Nine Months*****2016**

Favorable development for commercial auto was primarily due to favorable settlements on claims in accident years 2010 through 2014 and lower than expected severities in accident years 2012 through 2015.

Favorable development for general liability was primarily due to better than expected claim settlements in accident years 2012 through 2014 and better than expected severity on umbrella claims in accident years 2010 through 2013. This was partially offset by unfavorable development related to an increase in reported claims prior to the closing of the three year window set forth by the Minnesota Child Victims Act in accident years 2006 and prior.

Unfavorable development for workers compensation was primarily due to higher than expected severity for Defense Base Act contractors and the estimated impact of recent Florida court rulings in accident years 2008 through 2015. This was partially offset by favorable development related to lower than expected frequencies related to accident years 2009 through 2014.

Unfavorable development for property and other was primarily due to higher than expected severity from a 2015 catastrophe event. This was offset by favorable development primarily due to better than expected loss frequency in accident years 2013 through 2015.

**2015**

Unfavorable development for workers compensation was primarily due to higher than expected severity related to Defense Base Act contractors in accident years 2008 through 2013.

Favorable development for property and other was primarily due to better than expected loss emergence from 2012 and 2014 catastrophe events and better than expected frequency of large claims in accident year 2014.

The nine months also included unfavorable loss development related to an extra contractual obligation loss and losses associated with premium development.

**International**

The following table and discussion present further detail of the development recorded for the International segment:

| <b>Three Months Ended</b> |      | <b>Nine Months Ended</b> |      |
|---------------------------|------|--------------------------|------|
| <b>September 30,</b>      |      | <b>September 30,</b>     |      |
| <b>2016</b>               | 2015 | <b>2016</b>              | 2015 |

**(In millions)**

|                                                  |    |      |    |      |    |      |    |      |
|--------------------------------------------------|----|------|----|------|----|------|----|------|
| Medical professional liability                   | \$ | (2)  | \$ | (8)  | \$ | (3)  | \$ | (8)  |
| Other professional liability                     |    | (1)  |    | (11) |    | 16   |    | (16) |
| Liability                                        |    | (2)  |    | (5)  |    | (21) |    | (12) |
| Property & marine                                |    | (9)  |    | (5)  |    | (16) |    | (19) |
| Other                                            |    | (1)  |    | (5)  |    | (10) |    | 9    |
| Total pretax (favorable) unfavorable development | \$ | (15) | \$ | (34) | \$ | (34) | \$ | (46) |

***Three Months*****2016**

Favorable development for other professional liability was primarily due to favorable settlements on claims in accident years 2013 and prior. This was largely offset by higher than expected unfavorable large loss emergence in accident years 2014 and 2015.

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Favorable development for property and marine was primarily due to favorable emergence of expected losses on a specific claim relating to the December 2015 United Kingdom ( U.K. ) Floods.

**2015**

Favorable development in medical professional liability was due to better than expected loss emergence on accident years 2011 to 2013.

Favorable development in other professional liability was due to better than expected large loss emergence in accident years 2011 and prior.

Favorable development in liability was due to better than expected large loss emergence in accident years 2012 and prior.

Favorable development in property and marine was due to better than expected individual large loss emergence and favorable settlements on large claims in accident years 2013 and 2014.

***Nine Months***

**2016**

Unfavorable development for other professional liability was primarily due to higher than expected large loss emergence in accident years 2011 through 2015, partially offset by favorable settlements on claims in accident years 2013 and prior.

Favorable development for liability was primarily due to better than expected severity in accident years 2013 and prior.

Favorable development for property and marine was primarily due to favorable emergence of expected losses on a specific claim relating to the December 2015 U.K. Floods.

Favorable development for other coverages was primarily due to better than expected severity in auto liability in accident years 2011 through 2015.

**2015**

Favorable development in medical professional liability was due to better than expected loss emergence on accident years 2011 to 2013.

Favorable development in other professional liability was due to better than expected large loss emergence in accident years 2011 and prior.

Favorable development in liability was due to better than expected large loss emergence in accident years 2012 and prior.

Favorable development in property and marine was due to better than expected individual large loss emergence and favorable settlements on large claims in accident years 2013 and 2014.

Unfavorable development in other is due to higher than expected large losses in financial institutions and political risk, primarily in accident year 2014.

#### **Asbestos and Environmental Pollution ( A&EP ) Reserves**

In 2010, Continental Casualty Company ( CCC ) 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 through a loss portfolio transfer (loss portfolio transfer or LPT ). At the effective date of the transaction, 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. 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 LPT 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

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billion and transferred to NICO billed third party reinsurance receivables related to A&EP claims with a net book value of \$215 million, resulting in total consideration of \$2.2 billion.

Through December 31, 2013, CNA recognized \$0.9 billion of additional amounts ceded under the LPT. As a result, the cumulative amounts ceded under the LPT exceeded the \$2.2 billion consideration paid, resulting in the NICO LPT moving into a gain position, requiring deferred retroactive reinsurance accounting treatment. This deferred gain is recognized in earnings in proportion to actual paid recoveries under the LPT. Over the life of the contract, there is no economic impact as long as any additional losses incurred are within the limit of the LPT. In a period in which a change in the estimate of ceded incurred losses is recognized, the change to the deferred gain is cumulatively recognized in earnings as if the revised estimate was available at the effective date of the LPT.

The following table presents the impact of the loss portfolio transfer on the Consolidated Condensed Statements of Income.

|                                                                        | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|------------------------------------------------------------------------|-------------------------------------|--------|------------------------------------|--------|
|                                                                        | 2016                                | 2015   | 2016                               | 2015   |
| <b>(In millions)</b>                                                   |                                     |        |                                    |        |
| Net A&EP adverse development before consideration of LPT               | \$ -                                | \$ -   | \$ 200                             | \$ 150 |
| Provision for uncollectible third party reinsurance on A&EP            |                                     |        |                                    |        |
| Additional amounts ceded under LPT                                     | -                                   | -      | 200                                | 150    |
| Retroactive reinsurance benefit recognized                             | (12)                                | (4)    | (94)                               | (75)   |
| Pretax impact of unrecognized deferred retroactive reinsurance benefit | \$ (12)                             | \$ (4) | \$ 106                             | \$ 75  |

CNA completed its reserve review of A&EP reserves in the first quarter of 2016. Based upon CNA's review, net unfavorable development prior to cessions to the LPT of \$200 million was recognized. The unfavorable development was driven by an increase in anticipated future expenses associated with determination of coverage, higher anticipated payouts associated with a limited number of historical accounts having significant asbestos exposures and higher than expected severity on pollution claims. This unfavorable development was ceded to NICO under the LPT, however CNA's reported earnings were negatively affected due to the application of retroactive reinsurance accounting, as only a portion of the additional amounts ceded under the LPT were recognized in that quarter. All amounts recognized related to the LPT are recorded within Insurance claims and policyholders' benefits in the Consolidated Condensed Statement of Income.

As of September 30, 2016 and December 31, 2015, the cumulative amounts ceded under the LPT were \$2.8 billion and \$2.6 billion. The unrecognized deferred retroactive reinsurance benefit was \$347 million and \$241 million as of September 30, 2016 and December 31, 2015.

NICO established a collateral trust account as security for its obligations to CNA. The fair value of the collateral trust account was \$2.5 billion and \$2.8 billion as of September 30, 2016 and December 31, 2015. 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****6. Income Taxes**

The components of U.S. and foreign income before income tax and a reconciliation between the federal income tax expense at statutory rates and the actual income tax expense is as follows:

|                                                                                                    | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|----------------------------------------------------------------------------------------------------|-------------------------------------|--------|------------------------------------|--------|
|                                                                                                    | 2016                                | 2015   | 2016                               | 2015   |
| <b>(In millions)</b>                                                                               |                                     |        |                                    |        |
| Income (loss) before income tax:                                                                   |                                     |        |                                    |        |
| U.S.                                                                                               | \$ 638                              | \$ 188 | \$ 535                             | \$ 454 |
| Foreign                                                                                            | (82)                                | 160    | (60)                               | 294    |
| Total                                                                                              | \$ 556                              | \$ 348 | \$ 475                             | \$ 748 |
| Income tax expense at statutory rate                                                               | \$ 194                              | \$ 122 | \$ 166                             | \$ 262 |
| Increase (decrease) in income tax expense resulting from:                                          |                                     |        |                                    |        |
| Exempt investment income                                                                           | (28)                                | (34)   | (92)                               | (92)   |
| Foreign related tax differential                                                                   | 2                                   | (27)   | 102                                | (32)   |
| Amortization of deferred charges associated with intercompany rig sales to other tax jurisdictions |                                     | 1      |                                    | 42     |
| Taxes related to domestic affiliate                                                                | 1                                   | 5      | 2                                  | (1)    |
| Partnership earnings not subject to taxes                                                          | (9)                                 | (6)    | (37)                               | (26)   |
| Unrecognized tax benefit                                                                           | (2)                                 | (4)    | 8                                  | 1      |
| Other                                                                                              | 5                                   | 9      | 22                                 | 16     |
| Income tax expense                                                                                 | \$ 163                              | \$ 66  | \$ 171                             | \$ 170 |

The effective tax rate is impacted by the change in the relative components of earnings or losses generated in foreign tax jurisdictions with lower tax rates.

As of September 30, 2016, a valuation allowance of \$61 million was established for the future tax benefit of foreign tax credits in the U.S. which Diamond Offshore no longer expects to be able to realize prior to their expiration.

**7. Debt****CNA Financial**

In the first quarter of 2016, CNA completed a public offering of \$500 million aggregate principal amount of 4.5% senior notes due March 1, 2026 and used the net proceeds to repay the entire \$350 million outstanding principal amount of its 6.5% senior notes due August 15, 2016.

### **Diamond Offshore**

In the first quarter of 2016, Diamond Offshore cancelled its commercial paper program and repaid the \$287 million in commercial paper outstanding at December 31, 2015 with proceeds from Eurodollar loans under its revolving credit agreement. As of September 30, 2016, there was \$182 million outstanding under the revolving credit agreement.

### **Boardwalk Pipeline**

In May of 2016, Boardwalk Pipeline completed a public offering of \$550 million aggregate principal amount of 6.0% senior notes due June 1, 2026 and used the proceeds to reduce borrowings under its revolving credit facility.

### **Loews**

In March of 2016, the Company completed a public offering of \$500 million aggregate principal amount of 3.8% senior notes due April 1, 2026 and repaid in full the entire \$400 million aggregate principal amount of its 5.3% senior notes at maturity.

**Table of Contents****8. Shareholders Equity****Accumulated other comprehensive income (loss)**

The tables below display the changes in Accumulated other comprehensive income ( AOCI ) by component for the three and nine months ended September 30, 2015 and 2016:

|                                                                                                                                        | OTTI<br>Gains<br>(Losses) | Unrealized<br>Gains (Losses)<br>on Investments | Cash Flow<br>Hedges | Pension<br>Liability | Foreign<br>Currency<br>Translation | Total<br>Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) |
|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------|---------------------|----------------------|------------------------------------|--------------------------------------------------------------------|
| (In millions)                                                                                                                          |                           |                                                |                     |                      |                                    |                                                                    |
| Balance, July 1,<br>2015                                                                                                               | \$ 28                     | \$ 619                                         | \$ (3)              | \$ (598)             | \$ 7                               | \$ 53                                                              |
| Other<br>comprehensive<br>income (loss)<br>before<br>reclassifications,<br>after tax of \$(1),<br>\$38, \$0, \$(1) and<br>\$0          | 2                         | (70)                                           |                     | (1)                  | (53)                               | (122)                                                              |
| Reclassification<br>of losses from<br>accumulated other<br>comprehensive<br>income, after tax<br>of \$0, \$(17), \$0,<br>\$(2) and \$0 |                           | 31                                             | 1                   | 5                    |                                    | 37                                                                 |
| Other<br>comprehensive<br>income (loss)                                                                                                | 2                         | (39)                                           | 1                   | 4                    | (53)                               | (85)                                                               |
| Amounts<br>attributable to<br>noncontrolling<br>interests                                                                              |                           | 4                                              | (1)                 | 1                    | 5                                  | 9                                                                  |
| Balance,<br>September 30,<br>2015                                                                                                      | \$ 30                     | \$ 584                                         | \$ (3)              | \$ (593)             | \$ (41)                            | \$ (23)                                                            |

|                                                                                                                                   |              |               |               |                 |                 |               |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|---------------|-----------------|-----------------|---------------|
| <b>Balance, July 1, 2016</b>                                                                                                      | <b>\$ 28</b> | <b>\$ 838</b> | <b>\$ (2)</b> | <b>\$ (639)</b> | <b>\$ (106)</b> | <b>\$ 119</b> |
| <b>Other comprehensive income (loss) before reclassifications, after tax of \$(4), \$(32), \$0, \$0 and \$0</b>                   | <b>7</b>     | <b>69</b>     |               |                 | <b>(24)</b>     | <b>52</b>     |
| <b>Reclassification of (gains) losses from accumulated other comprehensive income, after tax of \$2, \$13, \$0, \$(4) and \$0</b> | <b>(4)</b>   | <b>(27)</b>   | <b>1</b>      | <b>7</b>        |                 | <b>(23)</b>   |
| <b>Other comprehensive income (loss) attributable to noncontrolling interests</b>                                                 | <b>3</b>     | <b>42</b>     | <b>1</b>      | <b>7</b>        | <b>(24)</b>     | <b>29</b>     |
| <b>Balance, September 30, 2016</b>                                                                                                | <b>\$ 30</b> | <b>\$ 876</b> | <b>\$ (2)</b> | <b>\$ (632)</b> | <b>\$ (128)</b> | <b>\$ 144</b> |

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|                                                                                                                                          | OTTI Gains<br>(Losses) | Unrealized<br>Gains (Losses)<br>on Investments | Cash Flow<br>Hedges | Pension<br>Liability | Foreign<br>Currency<br>Translation | Total<br>Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------------------------------|---------------------|----------------------|------------------------------------|-----------------------------------------------------------------|
| (In millions)                                                                                                                            |                        |                                                |                     |                      |                                    |                                                                 |
| Balance,<br>January 1, 2015                                                                                                              | \$ 32                  | \$ 846                                         | \$ (6)              | \$ (641)             | \$ 49                              | \$ 280                                                          |
| Other<br>comprehensive<br>income (loss)<br>before<br>reclassifications,<br>after tax of \$1,<br>\$162, \$1, \$(19)<br>and \$0            | (3)                    | (321)                                          | (2)                 | 36                   | (100)                              | (390)                                                           |
| Reclassification<br>of losses from<br>accumulated other<br>comprehensive<br>income, after tax<br>of \$0, \$(22), \$(2),<br>\$(9) and \$0 |                        | 29                                             | 7                   | 15                   |                                    | 51                                                              |
| Other<br>comprehensive<br>income (loss)                                                                                                  | (3)                    | (292)                                          | 5                   | 51                   | (100)                              | (339)                                                           |
| Issuance of equity<br>securities by<br>subsidiary                                                                                        |                        |                                                |                     | 1                    |                                    | 1                                                               |
| Amounts<br>attributable to<br>noncontrolling<br>interests                                                                                | 1                      | 30                                             | (2)                 | (4)                  | 10                                 | 35                                                              |
| Balance,<br>September 30,<br>2015                                                                                                        | \$ 30                  | \$ 584                                         | \$ (3)              | \$ (593)             | \$ (41)                            | \$ (23)                                                         |
| <b>Balance,<br/>January 1, 2016</b>                                                                                                      | <b>\$ 24</b>           | <b>\$ 347</b>                                  | <b>\$ (3)</b>       | <b>\$ (649)</b>      | <b>\$ (76)</b>                     | <b>\$ (357)</b>                                                 |
| <b>Other<br/>comprehensive<br/>income (loss)<br/>before</b>                                                                              | <b>9</b>               | <b>608</b>                                     |                     |                      | <b>(58)</b>                        | <b>559</b>                                                      |

|                                                                                                                                                                    |              |               |               |                 |                 |  |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|---------------|-----------------|-----------------|--|---------------|
| <b>reclassifications,<br/>after tax of \$(5),<br/>\$(304), \$0, \$0<br/>and \$0</b>                                                                                |              |               |               |                 |                 |  |               |
| <b>Reclassification<br/>of (gains) losses<br/>from<br/>accumulated<br/>other<br/>comprehensive<br/>income, after tax<br/>of \$1, \$12, \$0,<br/>\$(11) and \$0</b> | <b>(2)</b>   | <b>(17)</b>   | <b>2</b>      | <b>20</b>       |                 |  | <b>3</b>      |
| <b>Other<br/>comprehensive<br/>income (loss)</b>                                                                                                                   | <b>7</b>     | <b>591</b>    | <b>2</b>      | <b>20</b>       | <b>(58)</b>     |  | <b>562</b>    |
| <b>Amounts<br/>attributable to<br/>noncontrolling<br/>interests</b>                                                                                                | <b>(1)</b>   | <b>(62)</b>   | <b>(1)</b>    | <b>(3)</b>      | <b>6</b>        |  | <b>(61)</b>   |
| <b>Balance,<br/>September 30,<br/>2016</b>                                                                                                                         | <b>\$ 30</b> | <b>\$ 876</b> | <b>\$ (2)</b> | <b>\$ (632)</b> | <b>\$ (128)</b> |  | <b>\$ 144</b> |

Amounts reclassified from AOCI shown above are reported in Net income as follows:

| Major Category of AOCI                   | Affected Line Item                            |
|------------------------------------------|-----------------------------------------------|
| OTTI gains (losses)                      | Investment gains (losses)                     |
| Unrealized gains (losses) on investments | Investment gains (losses)                     |
| Cash flow hedges                         | Other revenues and Contract drilling expenses |
| Pension liability                        | Other operating expenses                      |

**Table of Contents****Subsidiary Equity Transactions**

Loews purchased 0.3 million shares of CNA common stock at an aggregate cost of \$8 million during the nine months ended September 30, 2016. The Company's percentage ownership interest in CNA remained unchanged as a result of these transactions, at 90%. The Company's purchase price of the shares was lower than the carrying value of its investment in CNA, resulting in an increase to Additional paid-in capital ( APIC ) of \$3 million.

**Treasury Stock**

The Company repurchased 3.0 million and 16.3 million shares of Loews common stock at aggregate costs of \$115 million and \$633 million during the nine months ended September 30, 2016 and 2015.

**9. Benefit Plans**

The Company has several non-contributory defined benefit plans and postretirement benefit plans covering eligible employees and retirees.

The following table presents the components of net periodic benefit cost for the plans:

|                                       | <b>Pension Benefits</b>                     |        |                                            |        |
|---------------------------------------|---------------------------------------------|--------|--------------------------------------------|--------|
|                                       | <b>Three Months Ended<br/>September 30,</b> |        | <b>Nine Months Ended<br/>September 30,</b> |        |
|                                       | <b>2016</b>                                 | 2015   | <b>2016</b>                                | 2015   |
| <b>(In millions)</b>                  |                                             |        |                                            |        |
| Service cost                          | <b>\$ 2</b>                                 | \$ 2   | <b>\$ 6</b>                                | \$ 10  |
| Interest cost                         | <b>33</b>                                   | 31     | <b>97</b>                                  | 95     |
| Expected return on plan assets        | <b>(45)</b>                                 | (48)   | <b>(133)</b>                               | (145)  |
| Amortization of unrecognized net loss | <b>11</b>                                   | 9      | <b>34</b>                                  | 32     |
| Settlement charge                     | <b>1</b>                                    | 2      | <b>3</b>                                   | 2      |
| Net periodic benefit cost             | <b>\$ 2</b>                                 | \$ (4) | <b>\$ 7</b>                                | \$ (6) |

|                      | <b>Other Postretirement Benefits</b>        |      |                                            |      |
|----------------------|---------------------------------------------|------|--------------------------------------------|------|
|                      | <b>Three Months Ended<br/>September 30,</b> |      | <b>Nine Months Ended<br/>September 30,</b> |      |
|                      | <b>2016</b>                                 | 2015 | <b>2016</b>                                | 2015 |
| <b>(In millions)</b> |                                             |      |                                            |      |

|                                                    |      |        |        |        |
|----------------------------------------------------|------|--------|--------|--------|
| Service cost                                       | \$ 1 | \$ 1   | \$ 1   | \$ 1   |
| Interest cost                                      | 1    | 1      | 2      | 2      |
| Expected return on plan assets                     | (1)  | (1)    | (3)    | (3)    |
| Amortization of unrecognized prior service benefit | (1)  | (3)    | (3)    | (8)    |
| Amortization of unrecognized net loss              |      |        |        | 1      |
| Net periodic benefit cost                          | \$ - | \$ (2) | \$ (3) | \$ (7) |

## 10. Business Segments

The Company's segments are CNA Financial's core property and casualty commercial insurance operations which include Specialty, Commercial and International; CNA's Other Non-Core operations; Diamond Offshore; Boardwalk Pipeline; Loews Hotels; and Corporate and other. The Company's reportable segments are primarily based on its individual operating subsidiaries. Each of the principal operating subsidiaries is 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. For additional disclosures regarding the composition of the Company's segments see Note 20 of the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.



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The following tables present the Company's consolidated revenues and income (loss) by business segment:

|                        | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|------------------------|-------------------------------------|----------|------------------------------------|-----------|
|                        | 2016                                | 2015     | 2016                               | 2015      |
| <b>(In millions)</b>   |                                     |          |                                    |           |
| <b>Revenues (a):</b>   |                                     |          |                                    |           |
| CNA Financial:         |                                     |          |                                    |           |
| Property and Casualty: |                                     |          |                                    |           |
| Specialty              | \$ 946                              | \$ 846   | \$ 2,739                           | \$ 2,667  |
| Commercial             | 913                                 | 767      | 2,591                              | 2,545     |
| International          | 229                                 | 216      | 658                                | 642       |
| Other Non-Core         | 345                                 | 324      | 996                                | 978       |
| Total CNA Financial    | 2,433                               | 2,153    | 6,984                              | 6,832     |
| Diamond Offshore       | 350                                 | 608      | 1,211                              | 1,867     |
| Boardwalk Pipeline     | 306                                 | 296      | 961                                | 925       |
| Loews Hotels           | 161                                 | 146      | 513                                | 452       |
| Corporate and other    | 37                                  | (34)     | 98                                 | 6         |
| Total                  | \$ 3,287                            | \$ 3,169 | \$ 9,767                           | \$ 10,082 |

**Income (loss) before income tax and noncontrolling interests (a):**

|                        |        |        |        |        |
|------------------------|--------|--------|--------|--------|
| CNA Financial:         |        |        |        |        |
| Property and Casualty: |        |        |        |        |
| Specialty              | \$ 306 | \$ 248 | \$ 736 | \$ 661 |
| Commercial             | 186    | 83     | 427    | 391    |
| International          | 33     | 23     | 16     | 71     |
| Other Non-Core         | (49)   | (120)  | (355)  | (410)  |
| Total CNA Financial    | 476    | 234    | 824    | 713    |
| Diamond Offshore       | 36     | 139    | (538)  | (42)   |
| Boardwalk Pipeline     | 46     | 48     | 210    | 163    |
| Loews Hotels           | 4      | 1      | 17     | 25     |
| Corporate and other    | (6)    | (74)   | (38)   | (111)  |
| Total                  | \$ 556 | \$ 348 | \$ 475 | \$ 748 |

**Net income (loss) (a):**

## CNA Financial:

## Property and Casualty:

|                     |        |        |        |        |
|---------------------|--------|--------|--------|--------|
| Specialty           | \$ 180 | \$ 147 | \$ 437 | \$ 394 |
| Commercial          | 110    | 49     | 252    | 231    |
| International       | 22     | 9      | 9      | 37     |
| Other Non-Core      | (4)    | (44)   | (141)  | (167)  |
| Total CNA Financial | 308    | 161    | 557    | 495    |
| Diamond Offshore    | 7      | 47     | (240)  | (34)   |
| Boardwalk Pipeline  | 14     | 18     | 62     | 55     |
| Loews Hotels        | 3      | 2      | 7      | 15     |
| Corporate and other | (5)    | (46)   | (22)   | (70)   |
| Total               | \$ 327 | \$ 182 | \$ 364 | \$ 461 |

**Table of Contents**

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

|                                                                                   | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|-----------------------------------------------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                                                                   | 2016                                | 2015    | 2016                               | 2015    |
| <b>Revenues and Income (loss) before income tax and noncontrolling interests:</b> |                                     |         |                                    |         |
| CNA Financial:                                                                    |                                     |         |                                    |         |
| Property and Casualty:                                                            |                                     |         |                                    |         |
| Specialty                                                                         | \$ 9                                | \$ (22) | \$ 2                               | \$ (18) |
| Commercial                                                                        | 12                                  | (29)    | 2                                  | (23)    |
| International                                                                     | 6                                   | (1)     | 14                                 | 1       |
| Other Non-Core                                                                    | 18                                  | 2       | 12                                 | (2)     |
| Total CNA Financial                                                               | 45                                  | (50)    | 30                                 | (42)    |
| Corporate and other                                                               |                                     |         | (12)                               |         |
| Total                                                                             | \$ 45                               | \$ (50) | \$ 18                              | \$ (42) |

**Net income (loss):**

|                        |       |         |       |         |
|------------------------|-------|---------|-------|---------|
| CNA Financial:         |       |         |       |         |
| Property and Casualty: |       |         |       |         |
| Specialty              | \$ 5  | \$ (14) | \$ 1  | \$ (11) |
| Commercial             | 7     | (16)    | 1     | (13)    |
| International          | 4     |         | 10    | 1       |
| Other Non-Core         | 11    | 1       | 4     | 5       |
| Total CNA Financial    | 27    | (29)    | 16    | (18)    |
| Corporate and other    |       |         | (4)   |         |
| Total                  | \$ 27 | \$ (29) | \$ 12 | \$ (18) |

**11. Legal Proceedings****CNA Financial**

In September 2016, a class action lawsuit was filed against CCC, Continental Assurance Company ( CAC ), CNA, the Investment Committee of the CNA 401(k) Plus Plan, The Northern Trust Company and John Does 1-10 ( Defendants ) over the CNA 401(k) Plus Plan. The complaint alleges that Defendants breached fiduciary duties to the CNA 401(k) Plus Plan and caused prohibited transactions in violation of The Employee Retirement Income Security Act of 1974 when the CNA Fixed Income Fund s annuity contract with CAC was canceled. The plaintiff alleges he and a proposed

class of the CNA 401(k) Plus Plan participants who had invested in the Fixed Income Fund suffered lower returns in their CNA 401(k) Plus Plan investments as a consequence of these alleged violations and seeks relief on behalf of the putative class. CNA has only recently begun evaluating the lawsuit as this litigation is in its preliminary stages, and as of yet no class has been certified. CCC and the other Defendants are contesting the case and the Company currently is unable to predict the final outcome or the impact on its financial condition, results of operations or cash flows. As of September 30, 2016, the likelihood of loss is reasonably possible, but the amount of loss, if any, cannot be estimated at this stage of the litigation.

### **Other Litigation**

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

## **12. Commitments and Contingencies**

### **CNA Financial**

In the course of selling business entities and assets to third parties, CNA agreed to guarantee the performance of certain obligations of a previously owned subsidiary and to indemnify purchasers for losses arising out of breaches of representations and warranties with respect to the business entities or assets sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such guarantee and indemnification agreements in effect for sales of business entities, assets and third party loans may include provisions that survive

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indefinitely. As of September 30, 2016, the aggregate amount related to quantifiable guarantees was \$375 million and the aggregate amount related to indemnification agreements was \$258 million. Should CNA be required to make payments under the guarantee, it would have the right to seek reimbursement in certain cases from an affiliate of a previously owned subsidiary.

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, 2016, 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. Certain provisions of the indemnification agreements survive indefinitely while others survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

CNA also provided guarantees, if the primary obligor fails to perform, to holders of structured settlement annuities provided by a previously owned subsidiary. As of September 30, 2016, the potential amount of future payments CNA could be required to pay under these guarantees was approximately \$1.9 billion, which will be paid over the lifetime of the annuitants. CNA does not believe any payment is likely under these guarantees, as CNA is the beneficiary of a trust that must be maintained at a level that approximates the discounted reserves for these annuities.

**13. Consolidating Financial Information**

The following schedules present the Company's consolidating balance sheet information at September 30, 2016 and December 31, 2015, and consolidating statements of income information for the nine months ended September 30, 2016 and 2015. 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.

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Loews Corporation

Consolidating Balance Sheet Information

| September 30,<br>2016                                            | CNA<br>Financial | Diamond<br>Offshore | Boardwalk<br>Pipeline | Loews<br>Hotels | Corporate<br>and Other | Eliminations       | Total            |
|------------------------------------------------------------------|------------------|---------------------|-----------------------|-----------------|------------------------|--------------------|------------------|
| <b>(In millions)</b>                                             |                  |                     |                       |                 |                        |                    |                  |
| <b>Assets:</b>                                                   |                  |                     |                       |                 |                        |                    |                  |
| Investments                                                      | \$ 46,980        | \$ 76               | \$ 105                | \$ 98           | \$ 5,126               |                    | \$ 52,385        |
| Cash                                                             | 290              | 5                   | 7                     | 18              | 24                     |                    | 344              |
| Receivables                                                      | 7,389            | 278                 | 93                    | 25              | 138                    | \$ (70)            | 7,853            |
| Property,<br>plant and<br>equipment                              | 281              | 5,820               | 7,954                 | 1,102           | 43                     |                    | 15,200           |
| Deferred<br>income taxes                                         | 241              |                     |                       | 3               | 58                     | (302)              | -                |
| Goodwill                                                         | 110              |                     | 237                   |                 |                        |                    | 347              |
| Investments in<br>capital stocks<br>of subsidiaries              |                  |                     |                       |                 | 15,250                 | (15,250)           | -                |
| Other assets                                                     | 924              | 231                 | 319                   | 268             | 4                      | 14                 | 1,760            |
| Deferred<br>acquisition<br>costs of<br>insurance<br>subsidiaries | 619              |                     |                       |                 |                        |                    | 619              |
| <b>Total assets</b>                                              | <b>\$ 56,834</b> | <b>\$ 6,410</b>     | <b>\$ 8,715</b>       | <b>\$ 1,514</b> | <b>\$ 20,643</b>       | <b>\$ (15,608)</b> | <b>\$ 78,508</b> |

**Liabilities and  
Equity:**

|                          |           |        |          |      |        |          |           |
|--------------------------|-----------|--------|----------|------|--------|----------|-----------|
| Insurance<br>reserves    | \$ 37,753 |        |          |      |        |          | \$ 37,753 |
| Payable to<br>brokers    | 234       |        |          |      | \$ 217 |          | 451       |
| Short term<br>debt       | 1         | \$ 182 |          | \$ 2 |        |          | 185       |
| Long term<br>debt        | 2,713     | 1,981  | \$ 3,627 | 642  | 1,774  |          | 10,737    |
| Deferred<br>income taxes | 3         | 164    | 807      | 49   |        | \$ (288) | 735       |

|                                     |                  |                 |                 |                 |                  |                    |                  |
|-------------------------------------|------------------|-----------------|-----------------|-----------------|------------------|--------------------|------------------|
| <b>Other liabilities</b>            | <b>3,960</b>     | <b>451</b>      | <b>546</b>      | <b>72</b>       | <b>282</b>       | <b>(70)</b>        | <b>5,241</b>     |
| <b>Total liabilities</b>            | <b>44,664</b>    | <b>2,778</b>    | <b>4,980</b>    | <b>765</b>      | <b>2,273</b>     | <b>(358)</b>       | <b>55,102</b>    |
| <b>Total shareholders equity</b>    | <b>10,915</b>    | <b>1,936</b>    | <b>1,552</b>    | <b>747</b>      | <b>18,370</b>    | <b>(15,250)</b>    | <b>18,270</b>    |
| <b>Noncontrolling interests</b>     | <b>1,255</b>     | <b>1,696</b>    | <b>2,183</b>    | <b>2</b>        |                  |                    | <b>5,136</b>     |
| <b>Total equity</b>                 | <b>12,170</b>    | <b>3,632</b>    | <b>3,735</b>    | <b>749</b>      | <b>18,370</b>    | <b>(15,250)</b>    | <b>23,406</b>    |
| <b>Total liabilities and equity</b> | <b>\$ 56,834</b> | <b>\$ 6,410</b> | <b>\$ 8,715</b> | <b>\$ 1,514</b> | <b>\$ 20,643</b> | <b>\$ (15,608)</b> | <b>\$ 78,508</b> |

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Loews Corporation

## Consolidating Balance Sheet Information

| December 31,<br>2015 | CNA<br>Financial | Diamond<br>Offshore | Boardwalk<br>Pipeline | Loews<br>Hotels | Corporate<br>and Other | Eliminations | Total |
|----------------------|------------------|---------------------|-----------------------|-----------------|------------------------|--------------|-------|
|----------------------|------------------|---------------------|-----------------------|-----------------|------------------------|--------------|-------|

(In millions)

**Assets:**

|                                                                  |                  |                 |                 |                 |                  |                    |                  |
|------------------------------------------------------------------|------------------|-----------------|-----------------|-----------------|------------------|--------------------|------------------|
| Investments                                                      | \$ 44,699        | \$ 117          |                 | \$ 81           | \$ 4,503         |                    | \$ 49,400        |
| Cash                                                             | 387              | 13              | \$ 4            | 12              | 24               |                    | 440              |
| Receivables                                                      | 7,384            | 409             | 93              | 35              | 96               | \$ 24              | 8,041            |
| Property, plant<br>and equipment                                 | 333              | 6,382           | 7,712           | 1,003           | 47               |                    | 15,477           |
| Deferred<br>income taxes                                         | 662              |                 |                 | 3               | 68               | (733)              | -                |
| Goodwill                                                         | 114              |                 | 237             |                 |                  |                    | 351              |
| Investments in<br>capital stocks<br>of subsidiaries              |                  |                 |                 |                 | 15,129           | (15,129)           | -                |
| Other assets                                                     | 848              | 233             | 319             | 282             |                  | 17                 | 1,699            |
| Deferred<br>acquisition<br>costs of<br>insurance<br>subsidiaries | 598              |                 |                 |                 |                  |                    | 598              |
| <b>Total assets</b>                                              | <b>\$ 55,025</b> | <b>\$ 7,154</b> | <b>\$ 8,365</b> | <b>\$ 1,416</b> | <b>\$ 19,867</b> | <b>\$ (15,821)</b> | <b>\$ 76,006</b> |

**Liabilities and  
Equity:**

|                          |           |        |          |      |        |          |           |
|--------------------------|-----------|--------|----------|------|--------|----------|-----------|
| Insurance<br>reserves    | \$ 36,486 |        |          |      |        |          | \$ 36,486 |
| Payable to<br>brokers    | 358       |        |          |      | \$ 209 |          | 567       |
| Short term<br>debt       | 351       | \$ 287 |          | \$ 2 | 400    |          | 1,040     |
| Long term<br>debt        | 2,213     | 1,980  | \$ 3,458 | 590  | 1,279  |          | 9,520     |
| Deferred<br>income taxes | 5         | 276    | 766      | 47   |        | \$ (712) | 382       |
|                          | 3,883     | 496    | 510      | 70   | 222    | 20       | 5,201     |



Other liabilities

|                              |           |          |          |          |           |             |           |
|------------------------------|-----------|----------|----------|----------|-----------|-------------|-----------|
| Total liabilities            | 43,296    | 3,039    | 4,734    | 709      | 2,110     | (692)       | 53,196    |
| Total shareholders equity    | 10,516    | 2,195    | 1,517    | 705      | 17,757    | (15,129)    | 17,561    |
| Noncontrolling interests     | 1,213     | 1,920    | 2,114    | 2        |           |             | 5,249     |
| Total equity                 | 11,729    | 4,115    | 3,631    | 707      | 17,757    | (15,129)    | 22,810    |
| Total liabilities and equity | \$ 55,025 | \$ 7,154 | \$ 8,365 | \$ 1,416 | \$ 19,867 | \$ (15,821) | \$ 76,006 |

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Loews Corporation

Consolidating Statement of Income Information

| Nine Months Ended<br>September 30, 2016          | CNA<br>Financial | Diamond<br>Offshore | Boardwalk<br>Pipeline | Loews<br>Hotels | Corporate<br>and<br>Other | Eliminations | Total        |
|--------------------------------------------------|------------------|---------------------|-----------------------|-----------------|---------------------------|--------------|--------------|
| <b>(In millions)</b>                             |                  |                     |                       |                 |                           |              |              |
| <b>Revenues:</b>                                 |                  |                     |                       |                 |                           |              |              |
| Insurance premiums                               | \$ 5,196         |                     |                       |                 |                           |              | \$ 5,196     |
| Net investment income                            | 1,461            | \$ 1                |                       |                 | \$ 108                    |              | 1,570        |
| Intercompany interest<br>and dividends           |                  |                     |                       |                 | 706                       | \$ (706)     | -            |
| Investment gains<br>(losses)                     | 30               | (12)                |                       |                 |                           |              | 18           |
| Contract drilling<br>revenues                    |                  | 1,141               |                       |                 |                           |              | 1,141        |
| Other revenues                                   | 297              | 69                  | \$ 961                | \$ 513          | 2                         |              | 1,842        |
| <b>Total</b>                                     | <b>6,984</b>     | <b>1,199</b>        | <b>961</b>            | <b>513</b>      | <b>816</b>                | <b>(706)</b> | <b>9,767</b> |
| <b>Expenses:</b>                                 |                  |                     |                       |                 |                           |              |              |
| Insurance claims and<br>policyholders benefits   | 3,949            |                     |                       |                 |                           |              | 3,949        |
| Amortization of<br>deferred acquisition<br>costs | 926              |                     |                       |                 |                           |              | 926          |
| Contract drilling<br>expenses                    |                  | 598                 |                       |                 |                           |              | 598          |
| Other operating<br>expenses                      | 1,158            | 1,082               | 615                   | 479             | 82                        |              | 3,416        |
| Interest                                         | 127              | 69                  | 136                   | 17              | 54                        |              | 403          |
| <b>Total</b>                                     | <b>6,160</b>     | <b>1,749</b>        | <b>751</b>            | <b>496</b>      | <b>136</b>                | <b>-</b>     | <b>9,292</b> |
| Income (loss) before<br>income tax               | 824              | (550)               | 210                   | 17              | 680                       | (706)        | 475          |
| Income tax (expense)<br>benefit                  | (203)            | 78                  | (44)                  | (10)            | 8                         |              | (171)        |
| <b>Net income (loss)</b>                         | <b>621</b>       | <b>(472)</b>        | <b>166</b>            | <b>7</b>        | <b>688</b>                | <b>(706)</b> | <b>304</b>   |

|                                                            |               |                 |              |             |               |                 |           |            |
|------------------------------------------------------------|---------------|-----------------|--------------|-------------|---------------|-----------------|-----------|------------|
| <b>Amounts attributable to noncontrolling interests</b>    | <b>(64)</b>   | <b>228</b>      | <b>(104)</b> |             |               |                 |           | <b>60</b>  |
| <b>Net income (loss) attributable to Loews Corporation</b> | <b>\$ 557</b> | <b>\$ (244)</b> | <b>\$ 62</b> | <b>\$ 7</b> | <b>\$ 688</b> | <b>\$ (706)</b> | <b>\$</b> | <b>364</b> |

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Loews Corporation

Consolidating Statement of Income Information

| Nine Months Ended<br>September 30, 2015 | CNA<br>Financial | Diamond<br>Offshore | Boardwalk<br>Pipeline | Loews<br>Hotels | Corporate<br>and Other | Eliminations | Total |
|-----------------------------------------|------------------|---------------------|-----------------------|-----------------|------------------------|--------------|-------|
|-----------------------------------------|------------------|---------------------|-----------------------|-----------------|------------------------|--------------|-------|

(In millions)

**Revenues:**

|                                        |              |              |            |            |            |              |               |
|----------------------------------------|--------------|--------------|------------|------------|------------|--------------|---------------|
| Insurance premiums                     | \$ 5,173     |              |            |            |            |              | \$ 5,173      |
| Net investment income                  | 1,412        | \$ 2         | \$ 1       |            | \$ 4       |              | 1,419         |
| Intercompany interest and<br>dividends |              |              |            |            | 733        | \$ (733)     | -             |
| Investment losses                      | (42)         |              |            |            |            |              | (42)          |
| Contract drilling revenues             |              | 1,816        |            |            |            |              | 1,816         |
| Other revenues                         | 289          | 49           | 924        | \$ 452     | 2          |              | 1,716         |
| <b>Total</b>                           | <b>6,832</b> | <b>1,867</b> | <b>925</b> | <b>452</b> | <b>739</b> | <b>(733)</b> | <b>10,082</b> |

**Expenses:**

|                                                |              |              |            |            |            |          |              |
|------------------------------------------------|--------------|--------------|------------|------------|------------|----------|--------------|
| Insurance claims and<br>policyholders benefits | 4,008        |              |            |            |            |          | 4,008        |
| Amortization of deferred<br>acquisition costs  | 936          |              |            |            |            |          | 936          |
| Contract drilling expenses                     |              | 971          |            |            |            |          | 971          |
| Other operating expenses                       | 1,058        | 867          | 628        | 412        | 61         |          | 3,026        |
| Interest                                       | 117          | 71           | 134        | 15         | 56         |          | 393          |
| <b>Total</b>                                   | <b>6,119</b> | <b>1,909</b> | <b>762</b> | <b>427</b> | <b>117</b> | <b>-</b> | <b>9,334</b> |

|                                                     |       |      |      |      |     |       |       |
|-----------------------------------------------------|-------|------|------|------|-----|-------|-------|
| Income (loss) before<br>income tax                  | 713   | (42) | 163  | 25   | 622 | (733) | 748   |
| Income tax (expense)<br>benefit                     | (162) | (6)  | (33) | (10) | 41  |       | (170) |
| Net income (loss)                                   | 551   | (48) | 130  | 15   | 663 | (733) | 578   |
| Amounts attributable to<br>noncontrolling interests | (56)  | 14   | (75) |      |     |       | (117) |

|                                                           |        |         |       |       |        |          |        |
|-----------------------------------------------------------|--------|---------|-------|-------|--------|----------|--------|
| Net income (loss)<br>attributable to Loews<br>Corporation | \$ 495 | \$ (34) | \$ 55 | \$ 15 | \$ 663 | \$ (733) | \$ 461 |
|-----------------------------------------------------------|--------|---------|-------|-------|--------|----------|--------|



**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, 2015. This MD&A is comprised of the following sections:

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| <b>OVERVIEW</b>                                  |                     |

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 53% owned subsidiary);

transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP ( Boardwalk Pipeline ), a 51% owned subsidiary); and

operation of a chain 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 like terms refer to the business of Loews Corporation excluding its subsidiaries.

### **Consolidated Financial Results**

Net income for the three months ended September 30, 2016 was \$327 million, or \$0.97 per share, compared to net income of \$182 million, or \$0.50 per share, in the prior year period. Net income for the nine months ended September 30, 2016 was \$364 million, or \$1.08 per share, compared to \$461 million, or \$1.25 per share, in the prior year period.

Results include asset impairment charges at Diamond Offshore of \$267 million (after tax and noncontrolling interests) for the nine months ended September 30, 2016 and \$159 million (after tax and noncontrolling interests) for the nine months ended September 30, 2015.

Book value per share increased to \$54.22 at September 30, 2016 from \$51.67 at December 31, 2015.

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***Three Months Ended September 30, 2016 Compared to 2015***

Net income attributable to Loews Corporation for the three months ended September 30, 2016 increased \$145 million as compared to the prior year period due to higher earnings at CNA and improved results from the parent company investment portfolio. These increases were partially offset by lower earnings at Diamond Offshore and Boardwalk Pipeline.

CNA's earnings increased due to higher net investment income driven by limited partnership investments as well as realized investment gains in the third quarter of 2016 compared to losses in the prior year period. These increases were partially offset by lower favorable net prior year reserve development and higher underwriting expenses, which included certain non-recurring costs related to information technology and employee termination costs.

Diamond Offshore's earnings decreased due to a substantial reduction in the number of rigs operating as compared to the year ago period and significant unscheduled rig downtime, partially offset by lower depreciation expense resulting mainly from the asset impairment charges incurred in prior periods.

Boardwalk Pipeline's earnings were lower due to a non-recurring franchise tax refund received in last year's third quarter. Excluding the tax refund, Boardwalk Pipeline's earnings were higher due to revenues from new growth projects recently placed in service and an increase in storage and parking and lending revenues, partially offset by an increase in interest expense.

Loews Hotels' earnings increased primarily due to higher earnings from joint venture properties.

Income generated by the parent company investment portfolio improved due to higher income from limited partnership investments and equity securities.

***Nine Months Ended September 30, 2016 Compared to 2015***

Net income attributable to Loews Corporation for the nine months ended September 30, 2016 decreased primarily due to lower earnings at Diamond Offshore partially offset by improved results at CNA, Boardwalk Pipeline and from the parent company investment portfolio.

CNA's earnings increased due to higher net investment income driven by limited partnership investments, realized investment gains in 2016 as compared to losses in 2015, and higher favorable net prior year reserve development, partially offset by higher underwriting expenses.

Diamond Offshore's earnings decreased primarily due to increased asset impairment charges. Excluding these impairment charges, year-over-year earnings decreased as a result of a substantial reduction in the number of operating rigs, partially offset by revenue earned by newbuild drillships and lower depreciation expense as a result of the asset impairment charges.

Boardwalk Pipeline's earnings increased due to new rates in effect following the Gulf South rate case, the return to service of the Evangeline pipeline, and growth projects recently placed in service.

Loews Hotels' results decreased primarily due to an impairment charge related to a joint venture property.

Income generated by the parent company investment portfolio improved due to higher income from equity securities.



## **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.

**Table of Contents****CRITICAL ACCOUNTING ESTIMATES**

Certain accounting estimates require us to make judgments that affect the amounts reflected in the Consolidated Condensed Financial Statements. Such estimates and judgments necessarily involve varying, and possibly significant, degrees of uncertainty. Accordingly, certain amounts currently recorded in the financial statements will likely be adjusted in the future based on new available information and changes in other facts and circumstances. 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 Annual Report on Form 10-K for the year ended December 31, 2015 for further information.

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT**

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

**CNA Financial Overview**

The following table summarizes the results of operations for CNA for the three and nine months ended September 30, 2016 and 2015 as presented in Note 13 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report. For further discussion of Net investment income and Net realized investment results, see the Investments section of this MD&A.

|                                              | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|----------------------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                                              | 2016                                | 2015         | 2016                               | 2015         |
| <b>(In millions)</b>                         |                                     |              |                                    |              |
| <b>Revenues:</b>                             |                                     |              |                                    |              |
| Insurance premiums                           | \$ 1,767                            | \$ 1,751     | \$ 5,196                           | \$ 5,173     |
| Net investment income                        | 524                                 | 354          | 1,461                              | 1,412        |
| Investment gains (losses)                    | 45                                  | (50)         | 30                                 | (42)         |
| Other revenues                               | 97                                  | 98           | 297                                | 289          |
| <b>Total</b>                                 | <b>2,433</b>                        | <b>2,153</b> | <b>6,984</b>                       | <b>6,832</b> |
| <b>Expenses:</b>                             |                                     |              |                                    |              |
| Insurance claims and policyholders' benefits | 1,202                               | 1,200        | 3,949                              | 4,008        |
| Amortization of deferred acquisition costs   | 314                                 | 319          | 926                                | 936          |
| Other operating expenses                     | 402                                 | 361          | 1,158                              | 1,058        |
| Interest                                     | 39                                  | 39           | 127                                | 117          |
| <b>Total</b>                                 | <b>1,957</b>                        | <b>1,919</b> | <b>6,160</b>                       | <b>6,119</b> |
| <b>Income before income tax</b>              | <b>476</b>                          | <b>234</b>   | <b>824</b>                         | <b>713</b>   |

|                                                  |        |        |        |        |
|--------------------------------------------------|--------|--------|--------|--------|
| Income tax expense                               | (132)  | (55)   | (203)  | (162)  |
| Net income                                       | 344    | 179    | 621    | 551    |
| Amounts attributable to noncontrolling interests | (36)   | (18)   | (64)   | (56)   |
| Net income attributable to Loews Corporation     | \$ 308 | \$ 161 | \$ 557 | \$ 495 |

***Three Months Ended September 30, 2016 Compared to 2015***

Net income increased \$147 million for the three months ended September 30, 2016 as compared with the same period in 2015. The increase was primarily due to higher net investment income and investment gains driven by increased limited partnership returns, higher net realized investment gains on sales of securities and lower other than temporary impairment ( OTTI ) losses. In addition, there were improved results in the long term care business. These increases were partially offset by lower favorable net prior year reserve development of \$137 million for the three months ended September 30, 2016 as compared to \$180 million in 2015 and higher underwriting expenses.

In the third quarter of 2016, CNA completed a comprehensive organization review intended to improve effectiveness and efficiency. Termination costs associated with headcount reductions increased third quarter expenses, primarily underwriting expenses, as well as unallocated loss adjustment expenses by an aggregate amount of \$11 million. The annual savings from this reduction of salaries and related costs is estimated to be approximately \$50 million. CNA expects this reduction in expenses to contribute to a half of a point reduction in its 2017 property and casualty expense ratio.

**Table of Contents*****Nine Months Ended September 30, 2016 Compared to 2015***

Net income increased \$62 million for the nine months ended September 30, 2016 as compared with the same period in 2015 primarily due to higher favorable net prior year development of \$309 million for the nine months ended September 30, 2016 as compared to \$198 million in 2015. Net income also increased due to higher investment gains driven by higher net realized investment gains on sales of securities and lower OTTI losses recognized in earnings and improved results in the long term care business. Results in 2016 and 2015 were negatively affected by a \$74 million (after tax and noncontrolling interests) charge and a \$49 million (after tax and noncontrolling interests) charge related to the application of retroactive reinsurance accounting to adverse reserve development ceded under the 2010 asbestos and environmental pollution ( A&EP ) loss portfolio transfer, as further discussed in Note 5 of the Notes to Consolidated Condensed Financial Statements included under Item 1. Net income also decreased due to higher underwriting expenses, a higher level of large losses and catastrophe losses and \$17 million of costs associated with the organization review discussed in the three month comparison above.

**CNA SEGMENT RESULTS**

CNA utilizes the net operating income (loss) financial measure to monitor its operations. Net operating income (loss) is calculated by excluding from net income (loss) the after tax and noncontrolling interests effects of (i) net realized investment gains or losses, (ii) income or loss from discontinued operations and (iii) any cumulative effects of changes in accounting guidance. The calculation of net operating income excludes net realized investment gains or losses because net realized investment gains or losses are largely discretionary, except for some losses related to OTTI, and are generally driven by economic factors that are not necessarily consistent with key drivers of underwriting performance, and are therefore not considered an indication of trends in insurance operations. Net operating income (loss) is deemed to be a non-GAAP financial measure. Unless the context otherwise requires, references to net operating income (loss), net realized investment results and net income (loss) reflect amounts attributable to Loews Corporation shareholders.

Three of CNA's business segments: Specialty, Commercial and International, are aggregated and reported as CNA's property and casualty insurance operations; CNA's Life & Group Non-Core and Corporate & Other Non-Core operations are aggregated and reported as Other Non-Core.

**CNA Property and Casualty Insurance Operations**

In evaluating the results of the property and casualty businesses, CNA utilizes the loss ratio, the expense ratio, the dividend ratio and the combined ratio. These ratios are calculated using GAAP financial results. The loss ratio is the percentage of net incurred claim and claim adjustment expenses to net earned premiums. The expense ratio is the percentage of insurance underwriting and acquisition expenses, including the amortization of deferred acquisition costs, to net earned premiums. The dividend ratio is the ratio of policyholders' dividends incurred to net earned premiums. The combined ratio is the sum of the loss, expense and dividend ratios. In addition, CNA also utilizes rate, retention and new business in evaluating operating trends. Rate represents the average change in price on policies that renew excluding exposure change. Retention represents the percentage of premium dollars renewed in comparison to the expiring premium dollars from policies available to renew. New business represents premiums from policies written with new customers and additional policies written with existing customers.

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The following tables summarize the results of CNA's property and casualty insurance operations for the three and nine months ended September 30, 2016 and 2015:

| Three Months Ended September 30, 2016        | Specialty    | Commercial    | International | Total         |
|----------------------------------------------|--------------|---------------|---------------|---------------|
| <b>(In millions, except %)</b>               |              |               |               |               |
| Net written premiums                         | \$ 733       | \$ 684        | \$ 207        | \$ 1,624      |
| Net earned premiums                          | 704          | 719           | 210           | 1,633         |
| Net investment income                        | 140          | 175           | 13            | 328           |
| Net operating income                         | 175          | 102           | 18            | 295           |
| Net realized investment gains                | 5            | 8             | 4             | 17            |
| Net income                                   | 180          | 110           | 22            | 312           |
| <b>Other performance metrics:</b>            |              |               |               |               |
| Loss and loss adjustment expense ratio       | 46.8%        | 62.2%         | 55.4%         | 54.7%         |
| Expense ratio                                | 32.5         | 37.1          | 37.8          | 35.2          |
| Dividend ratio                               | 0.6          | 0.5           |               | 0.5           |
| <b>Combined ratio</b>                        | <b>79.9%</b> | <b>99.8%</b>  | <b>93.2%</b>  | <b>90.4%</b>  |
| <b>Rate</b>                                  | <b>0%</b>    | <b>0%</b>     | <b>(1)%</b>   | <b>0%</b>     |
| <b>Retention</b>                             | <b>87</b>    | <b>83</b>     | <b>70</b>     | <b>83</b>     |
| <b>New business (a)</b>                      | <b>\$ 66</b> | <b>\$ 135</b> | <b>\$ 67</b>  | <b>\$ 268</b> |
| <b>Three Months Ended September 30, 2015</b> |              |               |               |               |
| Net written premiums                         | \$ 707       | \$ 642        | \$ 180        | \$ 1,529      |
| Net earned premiums                          | 706          | 705           | 203           | 1,614         |
| Net investment income                        | 76           | 82            | 13            | 171           |
| Net operating income                         | 161          | 65            | 9             | 235           |
| Net realized investment losses               | (14)         | (16)          |               | (30)          |
| Net income                                   | 147          | 49            | 9             | 205           |
| <b>Other performance metrics:</b>            |              |               |               |               |
| Loss and loss adjustment expense ratio       | 43.5%        | 60.6%         | 52.4%         | 52.1%         |
| Expense ratio                                | 30.8         | 35.2          | 38.0          | 33.5          |
| Dividend ratio                               | 0.1          |               |               | 0.1           |
| <b>Combined ratio</b>                        | <b>74.4%</b> | <b>95.8%</b>  | <b>90.4%</b>  | <b>85.7%</b>  |
| <b>Rate</b>                                  | <b>1%</b>    | <b>1%</b>     | <b>(1)%</b>   | <b>1%</b>     |
| <b>Retention</b>                             | <b>87</b>    | <b>76</b>     | <b>75</b>     | <b>80</b>     |
| <b>New business (a)</b>                      | <b>\$ 67</b> | <b>\$ 135</b> | <b>\$ 23</b>  | <b>\$ 225</b> |



**Table of Contents****Nine Months Ended September 30,  
2016**

|                                      | <b>Specialty</b> | <b>Commercial</b> | <b>International</b> | <b>Total</b>    |
|--------------------------------------|------------------|-------------------|----------------------|-----------------|
| <b>(In millions, except %)</b>       |                  |                   |                      |                 |
| <b>Net written premiums</b>          | <b>\$ 2,108</b>  | <b>\$ 2,172</b>   | <b>\$ 637</b>        | <b>\$ 4,917</b> |
| <b>Net earned premiums</b>           | <b>2,088</b>     | <b>2,103</b>      | <b>605</b>           | <b>4,796</b>    |
| <b>Net investment income</b>         | <b>380</b>       | <b>465</b>        | <b>38</b>            | <b>883</b>      |
| <b>Net operating income (loss)</b>   | <b>436</b>       | <b>251</b>        | <b>(1)</b>           | <b>686</b>      |
| <b>Net realized investment gains</b> | <b>1</b>         | <b>1</b>          | <b>10</b>            | <b>12</b>       |
| <b>Net income</b>                    | <b>437</b>       | <b>252</b>        | <b>9</b>             | <b>698</b>      |

**Other performance metrics:**

|                                               |              |               |               |              |
|-----------------------------------------------|--------------|---------------|---------------|--------------|
| <b>Loss and loss adjustment expense ratio</b> | <b>52.6%</b> | <b>64.6%</b>  | <b>65.2%</b>  | <b>59.4%</b> |
| <b>Expense ratio</b>                          | <b>32.0</b>  | <b>36.7</b>   | <b>38.2</b>   | <b>34.9</b>  |
| <b>Dividend ratio</b>                         | <b>0.3</b>   | <b>0.4</b>    |               | <b>0.3</b>   |
| <b>Combined ratio</b>                         | <b>84.9%</b> | <b>101.7%</b> | <b>103.4%</b> | <b>94.6%</b> |

|                         |               |               |               |               |
|-------------------------|---------------|---------------|---------------|---------------|
| <b>Rate</b>             | <b>1%</b>     | <b>0%</b>     | <b>(1)%</b>   | <b>0%</b>     |
| <b>Retention</b>        | <b>87</b>     | <b>84</b>     | <b>76</b>     | <b>84</b>     |
| <b>New business (a)</b> | <b>\$ 192</b> | <b>\$ 418</b> | <b>\$ 189</b> | <b>\$ 799</b> |

**Nine Months Ended September 30,  
2015**

|                                               |                 |                 |               |                 |
|-----------------------------------------------|-----------------|-----------------|---------------|-----------------|
| <b>Net written premiums</b>                   | <b>\$ 2,077</b> | <b>\$ 2,118</b> | <b>\$ 641</b> | <b>\$ 4,836</b> |
| <b>Net earned premiums</b>                    | <b>2,075</b>    | <b>2,086</b>    | <b>601</b>    | <b>4,762</b>    |
| <b>Net investment income</b>                  | <b>365</b>      | <b>455</b>      | <b>40</b>     | <b>860</b>      |
| <b>Net operating income</b>                   | <b>405</b>      | <b>244</b>      | <b>36</b>     | <b>685</b>      |
| <b>Net realized investment gains (losses)</b> | <b>(11)</b>     | <b>(13)</b>     | <b>1</b>      | <b>(23)</b>     |
| <b>Net income</b>                             | <b>394</b>      | <b>231</b>      | <b>37</b>     | <b>662</b>      |

**Other performance metrics:**

|                                               |              |               |              |              |
|-----------------------------------------------|--------------|---------------|--------------|--------------|
| <b>Loss and loss adjustment expense ratio</b> | <b>55.5%</b> | <b>66.5%</b>  | <b>55.9%</b> | <b>60.4%</b> |
| <b>Expense ratio</b>                          | <b>30.9</b>  | <b>35.4</b>   | <b>37.6</b>  | <b>33.7</b>  |
| <b>Dividend ratio</b>                         | <b>0.2</b>   | <b>0.2</b>    |              | <b>0.2</b>   |
| <b>Combined ratio</b>                         | <b>86.6%</b> | <b>102.1%</b> | <b>93.5%</b> | <b>94.3%</b> |

|                         |               |               |              |               |
|-------------------------|---------------|---------------|--------------|---------------|
| <b>Rate</b>             | <b>1%</b>     | <b>2%</b>     | <b>(1)%</b>  | <b>1%</b>     |
| <b>Retention</b>        | <b>86</b>     | <b>77</b>     | <b>77</b>    | <b>80</b>     |
| <b>New business (a)</b> | <b>\$ 206</b> | <b>\$ 422</b> | <b>\$ 83</b> | <b>\$ 711</b> |

- (a) International includes Hardy new business of \$40 million and \$107 million for the three and nine months ended September 30, 2016. Prior year amounts are not included for Hardy.



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**Table of Contents*****Three Months Ended September 30, 2016 Compared to 2015***

Net written premiums increased \$95 million for the three months ended September 30, 2016 as compared with the same period in 2015. Net written premiums increased for Commercial and Specialty, driven by higher retention and new business in middle markets in Commercial and growth in warranty and surety and continued steady retention in Specialty. Excluding the effect of foreign currency exchange rates and timing of reinsurance purchases, net written premiums increased 15% in International. The majority of the growth in International came from middle market products in the United Kingdom ( U.K. ) and Continental Europe and from product lines which are now being delivered across all of the international platforms, such as healthcare and technology. The increase in net earned premiums was consistent with the trend in net written premiums.

Net operating income increased \$60 million for the three months ended September 30, 2016 as compared with the same period in 2015. The increase in net operating income was primarily due to an increase in net investment income in Specialty and Commercial and improved net accident year non-catastrophe underwriting results and lower foreign exchange losses in International. These increases were partially offset by lower favorable net prior year reserve development in Specialty and International, higher underwriting costs in Specialty and higher net loss and loss adjustment expenses and an increase in underwriting expenses in Commercial. Catastrophe losses were \$10 million (after tax and noncontrolling interests) for the three months ended September 30, 2016 as compared to catastrophe losses of \$9 million (after tax and noncontrolling interests) for the same period in 2015.

Favorable net prior year development of \$137 million and \$180 million was recorded for the three months ended September 30, 2016 and 2015. For the three months ended September 30, 2016 and 2015, Specialty recorded favorable net prior year development of \$112 million and \$132 million, Commercial recorded favorable net prior year development of \$8 million and \$16 million and International recorded favorable net prior year development of \$17 million and \$32 million. Further information on net prior year development is included in Note 5 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Specialty's combined ratio increased 5.5 points for the three months ended September 30, 2016 as compared with the same period in 2015. The loss ratio increased 3.3 points due to lower favorable net prior year reserve development and a higher non-catastrophe current accident year loss ratio. The expense ratio increased 1.7 points for the three months ended September 30, 2016 as compared with the same period in 2015. Approximately half of this increase was due to non-recurring underwriting expenses related to the transition to a new service provider for CNA's information technology ( IT ) infrastructure and costs resulting from the organization review discussed above. The remainder was driven by higher IT spending primarily related to new underwriting platforms.

Commercial's combined ratio increased 4.0 points for the three months ended September 30, 2016 as compared with the same period in 2015. The loss ratio increased 1.6 points due to an increase in the current accident year loss ratio and lower favorable net prior year development. The expense ratio increased 1.9 points for the three months ended September 30, 2016 as compared with the same period in 2015, primarily due to non-recurring underwriting expenses related to the transition to a new IT service provider and costs resulting from the organization review. The expense ratio also increased due to higher IT spending primarily related to a new underwriting platform.

International's combined ratio increased 2.8 points for the three months ended September 30, 2016 as compared with the same period in 2015. The loss ratio increased 3.0 points due to lower favorable net prior year reserve development partially offset by an improved non-catastrophe current accident year loss ratio. The expense ratio improved 0.2 points for the three months ended September 30, 2016 as compared with the same period in 2015.

***Nine Months Ended September 30, 2016 Compared to 2015***

Net written premiums increased \$81 million for the nine months ended September 30, 2016 as compared with the same period in 2015. The increase was driven by higher retention in Commercial and growth in warranty and surety, continued steady retention and positive rate in Specialty. Excluding the effect of foreign currency exchange rates net written premiums increased 4% for International. The increase in net earned premiums for Commercial and Specialty was consistent with the trend in net written premiums and after excluding the effect of premium development, the decrease for International was consistent with the trend in net written premiums.

Net operating income was flat for the nine months ended September 30, 2016 as compared with the same period in 2015 primarily due to higher favorable net prior year reserve development in Specialty and Commercial and higher net investment income in Specialty, offset by higher underwriting expenses in Specialty and Commercial and a higher level of catastrophe and large losses in International. Catastrophe losses were \$85 million (after tax and noncontrolling interests) for the nine months ended September 30, 2016 as compared to catastrophe losses of \$61 million (after tax and noncontrolling interests) for the same period in 2015.

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Favorable net prior year development of \$309 million and \$198 million was recorded for the nine months ended September 30, 2016 and 2015. For the nine months ended September 30, 2016 and 2015, Specialty recorded favorable net prior year development of \$229 million and \$151 million, Commercial recorded favorable net prior year development of \$44 million and \$17 million and International recorded favorable net prior year development of \$36 million and \$30 million. Further information on net prior year development is included in Note 5 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Specialty's combined ratio improved 1.7 points for the nine months ended September 30, 2016 as compared with the same period in 2015. The loss ratio improved 2.9 points primarily due to higher favorable net prior year reserve development, partially offset by a higher current accident year loss ratio. The expense ratio increased 1.1 points for the nine months ended September 30, 2016 as compared with the same period in 2015 primarily due to non-recurring underwriting expenses related to the transition to a new IT service provider and costs resulting from the organization review. The expense ratio also increased due to higher IT spending primarily related to new underwriting platforms.

Commercial's combined ratio improved 0.4 points for the nine months ended September 30, 2016 as compared with the same period in 2015. The loss ratio improved 1.9 points, due to favorable net prior year reserve development. The expense ratio increased 1.3 points for the nine months ended September 30, 2016 as compared with the same period in 2015, primarily due to non-recurring underwriting expenses related to the transition to a new IT service provider and costs resulting from the organization review. The expense ratio also increased due to higher IT spending primarily related to a new underwriting platform.

International's combined ratio increased 9.9 points for the nine months ended September 30, 2016 as compared with the same period in 2015. The loss ratio increased 9.3 points primarily due to an increase in the current accident year loss ratio driven by catastrophe losses and large losses related to political risk, property and financial institutions. The expense ratio increased 0.6 points for the nine months ended September 30, 2016 as compared with the same period in 2015, primarily due to higher underwriting expenses.

**Referendum on the United Kingdom's Membership in the European Union**

On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the European Union ( E.U. ), commonly referred to as Brexit. As a result of the referendum, it is currently expected that the British government will formally commence the process to leave the E.U. and begin negotiating the terms of treaties that will govern the U.K.'s future relationship with the E.U. in the first quarter of 2017. Although the terms of any future treaties are unknown, changes in CNA's international operating platform may be required to allow CNA to continue to write business in the E.U. after the completion of Brexit. As a result of these changes, the complexity and cost of regulatory compliance of CNA's European business is likely to increase.

**Other Non-Core Operations**

Other Non-Core primarily includes the results of CNA's long term care business that is in run-off, which is part of Life & Group Non-Core, and also includes certain corporate expenses, including interest on corporate debt, and the results of property and casualty business in run-off, including CNA Re and A&EP, which is part of Other.

The following tables summarize the results of CNA's Other Non-Core operations for the three and nine months ended September 30, 2016 and 2015:

| <b>Three Months Ended September 30, 2016</b><br>(In millions) | <b>Life &amp; Group<br/>Non-Core</b> | <b>Other</b> | <b>Other<br/>Non-Core</b> |
|---------------------------------------------------------------|--------------------------------------|--------------|---------------------------|
| <b>Net earned premiums</b>                                    | <b>\$ 134</b>                        |              | <b>\$ 134</b>             |
| <b>Net investment income</b>                                  | <b>192</b>                           | <b>\$ 4</b>  | <b>196</b>                |
| <b>Net operating income (loss)</b>                            | <b>6</b>                             | <b>(20)</b>  | <b>(14)</b>               |
| <b>Net realized investment gains</b>                          | <b>9</b>                             | <b>1</b>     | <b>10</b>                 |
| <b>Net income (loss)</b>                                      | <b>15</b>                            | <b>(19)</b>  | <b>(4)</b>                |

## Three Months Ended September 30, 2015

|                               |        |      |        |
|-------------------------------|--------|------|--------|
| Net earned premiums           | \$ 137 |      | \$ 137 |
| Net investment income         | 182    | \$ 1 | 183    |
| Net operating loss            | (27)   | (18) | (45)   |
| Net realized investment gains | 1      |      | 1      |
| Net loss                      | (26)   | (18) | (44)   |

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| Nine Months Ended September 30, 2016<br>(In millions) | Life & Group<br>Non-Core | Other | Other<br>Non-Core |
|-------------------------------------------------------|--------------------------|-------|-------------------|
| Net earned premiums                                   | \$ 401                   |       | \$ 401            |
| Net investment income                                 | 567                      | \$ 11 | 578               |
| Net operating loss                                    |                          | (145) | (145)             |
| Net realized investment gains                         | 3                        | 1     | 4                 |
| Net income (loss)                                     | 3                        | (144) | (141)             |

## Nine Months Ended September 30, 2015

|                               |        |       |        |
|-------------------------------|--------|-------|--------|
| Net earned premiums           | \$ 412 |       | \$ 412 |
| Net investment income         | 540    | \$ 12 | 552    |
| Net operating loss            | (64)   | (108) | (172)  |
| Net realized investment gains | 5      |       | 5      |
| Net loss                      | (59)   | (108) | (167)  |

**Three Months Ended September 30, 2016 Compared to 2015**

The net loss decreased \$40 million for the three months ended September 30, 2016 as compared with the same period in 2015. The loss was generally in line with expectations, as the impact of favorable morbidity was partially offset by unfavorable persistency in the long term care business.

Due to the recognition of the premium deficiency and resetting of actuarial assumptions in the fourth quarter of 2015, the operating results for CNA's long term care business in 2016 now reflect the variance between actual experience and the expected results contemplated in CNA's best estimate reserves as of December 31, 2015. In 2015, results of CNA's long term care business reflected variances between actual experience and actuarial assumptions that were locked-in at policy issuance. As a result of the reserve assumption unlocking, the 2016 and 2015 results for the long term care business are not comparable.

**Nine Months Ended September 30, 2016 Compared to 2015**

The net loss decreased \$26 million for the nine months ended September 30, 2016 as compared with the same period in 2015 primarily due to the results of the long term care business which were generally consistent with CNA's reset assumptions. Results in 2016 and 2015 were negatively affected by a \$74 million (after tax and noncontrolling interests) charge and a \$49 million (after tax and noncontrolling interests) charge related to the application of retroactive reinsurance accounting to adverse reserve development ceded under the 2010 A&EP loss portfolio transfer, as further discussed in Note 5 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

**Diamond Offshore****Market Overview**

Diamond Offshore provides contract drilling services worldwide with a fleet of 24 offshore drilling rigs. Diamond Offshore's current fleet consists of four drillships, 19 semisubmersibles and one jack-up rig. Diamond Offshore has four additional jack-up rigs being marketed for sale. In October of 2016, Diamond Offshore sold one of two retired semisubmersible rigs for scrap and expects to complete the sale of the remaining retired rig by the end of 2016. The *Ocean GreatWhite* is expected to be available for customer acceptance shortly.

Oil prices, which had fallen to a 12-year low of less than \$30 per barrel in January of 2016, rebounded into the low \$50 per barrel range by the end of the third quarter of 2016, but continue to exhibit day-to-day volatility due to multiple factors, including fluctuations in the current and expected level of global oil inventories. As a result, overall fundamentals in the offshore oil and gas industry have not improved, and, in some markets, have deteriorated further. Despite the increase in oil prices during the third quarter of 2016, industry reports indicate that utilization for floaters continues to fall and cancelation of contracts for deepwater rigs has persisted. Prospective customers for contract drilling services are currently formulating their 2017 capital spending programs, and it is unlikely that capital spending for exploration and development will exceed 2016 levels, assuming commodity prices remain at current levels. Customer inquiries for rig availability and new tenders have continued to decline in 2016, as compared

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to prior years, although recently there has been a slight increase in rig tendering activity, primarily for projects commencing in 2018 and later.

The oversupply of drilling rigs in the floater markets continues to persist. Industry analysts report that 65 floater rigs have been cold stacked since the beginning of 2016 and an additional 17 floaters have been scrapped year-to-date, with an additional three units estimated to be scrapped by year end. Despite these events, the number of available rigs continues to grow as contracted rigs come off contract and newly-built rigs are delivered. As of the date of this report, industry data indicates that there are approximately 36 competitive, or non-owner-operated, newbuild floaters on order, of which only three rigs are reported to be contracted for future work. Of the 36 rigs on order, nine and 16 rigs are scheduled for delivery in the remainder of 2016 and in 2017. The remaining 11 rigs are scheduled for delivery between 2018 and 2020. Industry analysts predict that delivery dates may shift further as newbuild owners negotiate with their respective shipyards.

Competition for the limited number of drilling jobs continues to be intense. In some cases, dayrates have been negotiated at break-even levels, or below, to provide for the recovery of a portion of operating costs for rigs that would otherwise be uncontracted or cold stacked. In addition, customer discussions indicate a preference for hot rigs rather than the reactivation of cold-stacked rigs. This preference incentivizes the drilling contractor to contract rigs at lower rates to maintain the rigs in an active state and allow for at least partial cost recovery. Industry analysts have predicted that the offshore contract drilling market may remain depressed with further declines in dayrates and utilization likely into 2017.

As a result of the continuing and worsening market conditions for the offshore drilling industry and continued pessimistic outlook for the near term, certain of Diamond Offshore's customers, as well as those of its competitors, have attempted to renegotiate or terminate existing drilling contracts. Such renegotiations could include requests to lower the contract dayrate, lowering of a dayrate in exchange for additional contract term, shortening the term on one contracted rig in exchange for additional term on another rig, early termination of a contract in exchange for a lump sum payout and many other possibilities. In addition to the potential for renegotiations, some of Diamond Offshore's drilling contracts permit the customer to terminate the contract early after specified notice periods, usually resulting in a requirement for the customer to pay a contractually specified termination amount, which may not fully compensate Diamond Offshore for the loss of the contract. As a result of these depressed market conditions, certain customers have also utilized such contract clauses to seek to renegotiate or terminate a drilling contract or claim that Diamond Offshore has breached provisions of its drilling contracts in order to avoid their obligations to Diamond Offshore under circumstances where Diamond Offshore believes it is in compliance with the contracts.

Particularly during depressed market conditions, the early termination of a contract may result in a rig being idle for an extended period of time, which could adversely affect Diamond Offshore's business. When a customer terminates a contract prior to the contract's scheduled expiration, Diamond Offshore's contract backlog is also adversely impacted.

The continuation of these conditions for an extended period could result in more of Diamond Offshore's rigs being without contracts and/or cold stacked or scrapped and could further materially and adversely affect its business. When Diamond Offshore cold stacks or expects to scrap a rig, Diamond Offshore evaluates the rig for impairment. Diamond Offshore currently expects that these adverse market conditions will continue for the foreseeable future. As of October 1, 2016, ten rigs in Diamond Offshore's fleet were cold stacked and an additional four jack-up rigs are currently being marketed for sale. Diamond Offshore has two retired semisubmersible rigs, which it expects to sell for scrap value in the fourth quarter of 2016.

Diamond Offshore's results of operations and cash flows for the three and nine months ended September 30, 2016 have been negatively impacted by the continuing and worsening market conditions in the offshore drilling industry, as

discussed above. For further discussion see Note 4 of the Notes to Consolidated Condensed Financial Statements in Item 1 of this report.

### **Contract Drilling Backlog**

The following table reflects Diamond Offshore's contract drilling backlog as of October 1, 2016 (based on contract information known at that time) and February 16, 2016 (based on contract information known at that time, as reported in our Annual Report on Form 10-K for the year ended December 31, 2015). Contract drilling backlog as presented below includes only firm commitments (typically represented by signed contracts) and is calculated by multiplying the contracted operating dayrate by the firm contract period. Diamond Offshore's calculation also assumes full utilization of its drilling equipment for the contract period (excluding scheduled shipyard and survey days); however, the amount of actual revenue earned and the actual periods during which revenues are earned will



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be different than the amounts and periods shown in the tables below due to various factors. Utilization rates, which generally approach 92% - 98% during contracted periods, can be adversely impacted by downtime due to various operating factors including, but not limited to, weather conditions and unscheduled repairs and maintenance. Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. No revenue is generally earned during periods of downtime for regulatory surveys. Changes in Diamond Offshore's contract drilling backlog between periods are generally a function of the performance of work on term contracts, as well as the extension or modification of existing term contracts and the execution of additional contracts. In addition, under certain circumstances, Diamond Offshore's customers may seek to terminate or renegotiate its contracts, which could adversely affect its reported backlog.

In October of 2016, BP notified Diamond Offshore that they would no longer pursue a drilling campaign in the Great Australian Bight where the *Ocean GreatWhite* was to be the primary drilling rig for the campaign. BP has confirmed that its decision will not impact the contract for the rig. BP is exploring alternative locations for the *Ocean GreatWhite*.

In August of 2016, Diamond Offshore's subsidiary received notice of termination of its drilling contract from Petróleo Brasileiro S.A., (Petrobras), the customer for the *Ocean Valor*. In August of 2016, Diamond Offshore filed a lawsuit in Brazil, claiming that Petrobras' purported termination of the contract was unlawful and requesting an injunction to prohibit the contract termination. In September of 2016, a Brazilian court issued a preliminary injunction, suspending Petrobras' purported termination of the contract and ordering that the contract remain in effect until the end of the term or further court order. Petrobras has appealed the granting of the injunction. The drilling contract provides for a dayrate of approximately \$455,000 and was estimated to conclude in accordance with its terms in October of 2018. The rig is currently on standby earning a reduced dayrate. Diamond Offshore does not believe that Petrobras had a valid or lawful basis for terminating the contract, and intends to continue to defend its rights under the contract; however, litigation is inherently unpredictable, and there can be no assurance as to the ultimate outcome of this matter.

|                              | October 1,<br>2016 | February 16,<br>2016 |
|------------------------------|--------------------|----------------------|
| <b>(In millions)</b>         |                    |                      |
| Ultra-Deepwater Floaters (a) | \$ 3,614           | \$ 4,415             |
| Deepwater Floaters           | 258                | 375                  |
| Other Rigs (b)               | 210                | 405                  |
| Total                        | \$ 4,082           | \$ 5,195             |

(a) Ultra-deepwater floaters includes (i) \$641 million for the years 2017 to 2020 attributable to future work for the semisubmersible *Ocean GreatWhite*, which is contracted to BP and (ii) \$306 million from 2016 to 2018 attributable to contracted work for the *Ocean Valor* under the contract that Petrobras has attempted to terminate and is currently in effect pursuant to an injunction granted by a Brazilian court.

(b) Includes mid-water floater and jack-up rigs.

The following table reflects the amount of Diamond Offshore's contract drilling backlog by year as of October 1, 2016:

| <b>Year Ended December 31</b>       | <b>Total</b>    | <b>2016 (a)</b> | <b>2017</b>     | <b>2018</b>     | <b>2019 - 2020</b> |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| <b>(In millions)</b>                |                 |                 |                 |                 |                    |
| <b>Ultra-Deepwater Floaters (b)</b> | <b>\$ 3,614</b> | <b>\$ 243</b>   | <b>\$ 1,187</b> | <b>\$ 1,129</b> | <b>\$ 1,055</b>    |
| <b>Deepwater Floaters</b>           | <b>258</b>      | <b>68</b>       | <b>181</b>      | <b>9</b>        |                    |
| <b>Other Rigs (c)</b>               | <b>210</b>      | <b>57</b>       | <b>153</b>      |                 |                    |
| <b>Total</b>                        | <b>\$ 4,082</b> | <b>\$ 368</b>   | <b>\$ 1,521</b> | <b>\$ 1,138</b> | <b>\$ 1,055</b>    |

(a) Represents a three-month period beginning October 1, 2016.

(b) Ultra-deepwater floaters includes (i) \$213 million and \$214 million for the years 2017 and 2018 and \$214 million in the aggregate for the years 2019 to 2020, attributable to future work for the *Ocean GreatWhite*, which is contracted to BP and (ii) \$38 million, \$149 million and \$119 million for the years 2016, 2017 and 2018 attributable to contracted work for the *Ocean Valor* under the contract that Petrobras has attempted to terminate and is currently in effect pursuant to an injunction granted by a Brazilian court.

(c) Includes mid-water floater and jack-up rigs.

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The following table reflects the percentage of rig days committed by year as of October 1, 2016. The percentage of rig days committed is calculated as the ratio of total days committed under contracts, as well as scheduled shipyard, survey and mobilization days for all rigs in Diamond Offshore's fleet, to total available days (number of rigs, including cold-stacked rigs, multiplied by the number of days in a particular year).

| <b>Year Ended December 31</b>   | <b>2016 (a)</b> | <b>2017</b> | <b>2018</b> | <b>2019 2020</b> |
|---------------------------------|-----------------|-------------|-------------|------------------|
| <b>Rig Days Committed (b)</b>   |                 |             |             |                  |
| <b>Ultra-Deepwater Floaters</b> | <b>53%</b>      | <b>59%</b>  | <b>57%</b>  | <b>27%</b>       |
| <b>Deepwater Floaters</b>       | <b>44%</b>      | <b>37%</b>  | <b>2%</b>   |                  |
| <b>Other Rigs (c)</b>           | <b>18%</b>      | <b>14%</b>  |             |                  |

(a) Represents a three-month period beginning October 1, 2016.

(b) Includes no currently known, scheduled shipyard days for surveys and extended maintenance projects for the remainder of 2016 or for the year 2017.

(c) Includes mid-water floater and jack-up rigs.

**Results of Operations**

The following table summarizes the results of operations for Diamond Offshore for the three and nine months ended September 30, 2016 and 2015 as presented in Note 13 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

|                            | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |              |
|----------------------------|---------------------------------------------|-------------|--------------------------------------------|--------------|
|                            | <b>2016</b>                                 | <b>2015</b> | <b>2016</b>                                | <b>2015</b>  |
| <b>(In millions)</b>       |                                             |             |                                            |              |
| <b>Revenues:</b>           |                                             |             |                                            |              |
| Contract drilling revenues | \$ 340                                      | \$ 599      | \$ 1,141                                   | \$ 1,816     |
| Net investment income      | 1                                           | 1           | 1                                          | 2            |
| Investment losses          |                                             |             | (12)                                       |              |
| Other revenues             | 9                                           | 8           | 69                                         | 49           |
| <b>Total</b>               | <b>350</b>                                  | <b>608</b>  | <b>1,199</b>                               | <b>1,867</b> |
| <b>Expenses:</b>           |                                             |             |                                            |              |
| Contract drilling expenses | 187                                         | 276         | 598                                        | 971          |
| Other operating expenses   |                                             |             |                                            |              |
| Impairment of assets       |                                             | 2           | 680                                        | 361          |
| Other expenses             | 108                                         | 169         | 402                                        | 506          |

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|                                                     |             |       |                 |         |
|-----------------------------------------------------|-------------|-------|-----------------|---------|
| Interest                                            | <b>19</b>   | 22    | <b>69</b>       | 71      |
| <b>Total</b>                                        | <b>314</b>  | 469   | <b>1,749</b>    | 1,909   |
| Income (loss) before income tax                     | <b>36</b>   | 139   | <b>(550)</b>    | (42)    |
| Income tax (expense) benefit                        | <b>(22)</b> | (28)  | <b>78</b>       | (6)     |
| Amounts attributable to noncontrolling interests    | <b>(7)</b>  | (64)  | <b>228</b>      | 14      |
| Net income (loss) attributable to Loews Corporation | <b>\$ 7</b> | \$ 47 | <b>\$ (244)</b> | \$ (34) |

***Three Months Ended September 30, 2016 Compared to 2015***

Contract drilling revenue decreased \$259 million for the three months ended September 30, 2016 as compared with the 2015 period, primarily due to continued low demand for contract drilling services, resulting in a decrease in revenue earning days.

Revenue generated by ultra-deepwater floaters decreased \$159 million for the three months ended September 30, 2016 as compared with the 2015 period, primarily as a result of decreased utilization of \$146 million and lower average daily revenue of \$13 million. Revenue earning days in the third quarter of 2016 decreased as compared with the third quarter of 2015, primarily due to fewer revenue earning days for rigs under contract during the 2015 period that have subsequently been cold stacked, the *Ocean Clipper*, which was sold in November 2015, the *Ocean BlackRhino*, which is currently between contracts and unplanned downtime for contracted rigs, including downtime associated with an unplanned retrieval of a blowout preventer on one of Diamond Offshore's drillships. The decrease in revenue earning days was partially offset by increased revenue earning days for the *Ocean BlackLion*, which was placed in service in the third quarter of 2015. Average daily revenue decreased during the third quarter of 2016 as compared with the prior year period, primarily due to a lower dayrate earned by the *Ocean Courage*.

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Revenue generated by deepwater floaters decreased \$71 million for the three months ended September 30, 2016 as compared with the 2015 period, primarily due to decreased utilization of \$58 million combined with lower average daily revenue of \$13 million. Revenue earning days decreased for the third quarter of 2016 primarily due to incremental downtime associated with cold-stacked rigs that had previously operated during the third quarter of 2015 and the *Ocean Valiant*, which completed its contract in August of 2016 and is now preparing for its next contract, partially offset by incremental revenue earning days for the *Ocean Apex*, which began operating under contract in the second quarter of 2016. Average daily revenue decreased during the third quarter of 2016 primarily due to a lower dayrate earned by the *Ocean Valiant*.

Revenue generated by mid-water floaters decreased \$13 million for the three months ended September 30, 2016 as compared with the 2015 period, primarily due to decreased utilization of \$17 million, partially offset by higher average daily revenue of \$4 million. Revenue earnings days decreased in the third quarter of 2016 due to the absence of revenue earning days for rigs that have been retired, partially offset by the absence of planned downtime associated with the *Ocean Guardian*'s survey during the prior year quarter. Since the first quarter of 2015, Diamond Offshore has sold ten mid-water floaters, reducing the mid-water fleet to five drilling rigs, three of which are currently cold stacked, and two rigs that are under contract until various times in 2017. One additional mid-water rig, the *Ocean Quest*, has been retired and is expected to be sold in the fourth quarter of 2016.

Revenue generated by jack-up rigs decreased \$16 million for the three months ended September 30, 2016 as compared with the 2015 period. Diamond Offshore had no jack-up rigs under contract during the third quarter of 2016, compared to two rigs under contract in the third quarter of 2015. The *Ocean Scepter* is scheduled to commence operations under a new contract in Mexico, beginning in the first quarter of 2017. Diamond Offshore's four remaining jack-up rigs are being marketed for sale.

Contract drilling expense for ultra-deepwater floaters decreased \$32 million during the three months ended September 30, 2016 as compared with the 2015 period, primarily due to reduced costs for cold-stacked ultra-deepwater rigs, including the retired *Ocean Clipper* and the deferral of costs associated with contract preparation activities for the *Ocean BlackRhino*. Contract drilling expense in the third quarter of 2016 reflected lower costs associated with labor and personnel of \$32 million, mobilization of rigs of \$16 million, repairs and maintenance of \$3 million and other of \$13 million. Cost reductions in the third quarter of 2016 were partially offset by incremental contract drilling expense for the *Ocean BlackLion* of \$21 million and costs associated with the operating leases and service agreements related to the sale and leaseback transactions discussed in Note 4 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report.

Contract drilling expense incurred by deepwater floaters decreased \$31 million during the three months ended September 30, 2016 as compared with the 2015 period, primarily due to reduced operating costs for cold-stacked deepwater rigs of \$35 million, partially offset by incremental contract drilling expense for three active rigs.

Contract drilling expense for mid-water floaters decreased \$18 million during the three months ended September 30, 2016 as compared with the 2015 period, primarily due to reduced operating costs for cold-stacked and retired mid-water rigs of \$16 million.

Contract drilling expense for the jack-up fleet decreased \$11 million during the three months ended September 30, 2016 as compared with the 2015 period. Diamond Offshore had no jack-up rigs under contract during the third quarter of 2016, compared to two rigs under contract in the third quarter of 2015.

Net income decreased \$40 million for the three months ended September 30, 2016 as compared with the 2015 period, primarily due to the decreases in revenues and expenses as discussed above, including the negative effect of lower

utilization of the fleet. These decreases were partially offset by lower depreciation expense and the absence of a \$20 million impairment charge in 2015 to write-off all goodwill associated with the Company's investment in Diamond Offshore.

***Nine Months Ended September 30, 2016 Compared to 2015***

Contract drilling revenue decreased \$675 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily as a result of fewer revenue earning days across the entire fleet combined with the negative effect of lower average daily revenue earned by deepwater floaters.

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Revenue generated by ultra-deepwater floaters decreased \$186 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily as a result of decreased utilization of \$184 million. Revenue earning days decreased primarily due to fewer revenue earning days for rigs that had operated during the first nine months of 2015 and are now cold stacked, as well as the *Ocean Clipper*, which was sold in late 2015. The aggregate decrease in revenue earning days was partially offset by incremental revenue earning days for the *Ocean BlackLion*, which began operating under contract after the third quarter of 2015, and the *Ocean Monarch*, which was warm stacked during the 2015 period.

Revenue generated by deepwater floaters decreased \$264 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily due to decreased utilization of \$192 million and lower average daily revenue of \$72 million. Revenue earning days decreased primarily due to the cold stacking of three rigs that had operated during the first nine months of 2015, partially offset by incremental revenue earning days for rigs with contracts that commenced in the middle of the second quarter of 2015 and in 2016. Average daily revenue decreased as a result of lower amortized mobilization and contract preparation fees combined with lower dayrates earned by the *Ocean Valiant* and *Ocean Apex* during 2016.

Revenue generated by mid-water floaters decreased \$182 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily due to decreased utilization of \$194 million, partially offset by higher average daily revenue of \$12 million. Comparing the periods, only three of the mid-water floaters operated during both periods.

Revenue generated by jack-up rigs decreased \$43 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily due to the cold stacking of four rigs that operated under contract during the 2015 period and an early contract termination for the *Ocean Scepter* in 2016.

Contract drilling expense for ultra-deepwater floaters, excluding the newbuild drillships, decreased \$97 million, during the nine months ended September 30, 2016 as compared with the 2015 period, reflecting lower expenses for labor and personnel of \$79 million, maintenance and inspections of \$32 million, mobilization of \$23 million, freight of \$8 million and other rig operating and overhead costs of \$27 million. These reductions in contract drilling expense were primarily due to lower costs for cold-stacked rigs and the retired *Ocean Clipper*, as well as cost reduction initiatives implemented in 2015. Incremental contract drilling expense for four drillships operating in the Gulf of Mexico was \$72 million.

Contract drilling expense incurred by deepwater floaters decreased \$99 million during the nine months ended September 30, 2016 as compared with the 2015 period, primarily due to a net reduction in costs associated with labor and personnel of \$41 million, mobilization of rigs of \$21 million, repairs and maintenance of \$15 million, shorebase support and overhead of \$10 million and other operating costs of \$13 million, primarily as a result of the cold stacking of rigs.

Contract drilling expense for mid-water floaters decreased \$135 million in the nine months ended September 30, 2016 as compared with the 2015 period, reflecting lower costs for labor and personnel of \$65 million, maintenance and repairs of \$15 million, shorebase support and overhead of \$16 million, mobilization of \$8 million, inspections of \$5 million and other of \$27 million.

Contract drilling expense for the jack-up fleet decreased \$40 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily due to the cold stacking of four rigs that operated under contract during the 2015 period and an early contract termination for the *Ocean Scepter* in 2016.

Net results decreased \$210 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily reflecting the impact of a \$267 million asset impairment charge (after tax and noncontrolling interests) for the nine months ended September 30, 2016, as compared with the 2015 period when Diamond Offshore recorded a \$159 million asset impairment charge (after tax and noncontrolling interests). Results were also impacted by the decrease in revenues and expenses as discussed above. In addition, during 2016 Diamond Offshore sold its investment in privately-held corporate bonds for a total recognized loss of \$12 million (\$4 million after tax and noncontrolling interests). Results were partially offset by a decrease in depreciation expense and the absence of a \$20 million impairment charge in 2015 to write-off all goodwill associated with the Company's investment in Diamond Offshore. In addition, results in 2016 reflect the recognition of \$40 million in demobilization revenue and \$15 million in net reimbursable revenue related to the *Ocean Endeavor*'s demobilization from the Black Sea.



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**Table of Contents****Boardwalk Pipeline****Market Overview**

The transportation rates that Boardwalk Pipeline is able to charge customers are heavily influenced by longer-term market trends, affecting the amount and geographical location of natural gas production and demand for gas by end users such as power plants, petrochemical facilities and liquefied natural gas ( LNG ) export facilities. Changes in certain longer term trends such as the development of gas production from the Marcellus and Utica production areas located in the northeastern U.S. and changes to related pipeline infrastructure have resulted in a sustained narrowing of basis differentials corresponding to traditional flow patterns on Boardwalk Pipeline's natural gas pipeline systems (generally south to north and west to east). On portions of Boardwalk Pipeline's natural gas pipeline systems, the effect has been a reduction of transportation rates and an adverse impact on other contract terms that Boardwalk Pipeline can negotiate with its customers for available transportation capacity and for some contracts due for renewal for Boardwalk Pipeline's transportation services.

Each year, a portion of Boardwalk Pipeline's firm natural gas transportation and storage contracts expire and need to be renewed or replaced. Over the past several years, Boardwalk Pipeline has renewed many expiring contracts at lower rates and for shorter terms than in the past, or not at all. Boardwalk Pipeline expects this trend to continue, and therefore, Boardwalk Pipeline may not be able to sell all of its available capacity, extend expiring contracts with existing customers or obtain replacement contracts at attractive rates or for a similar term as the expiring contracts. These sustained conditions have had, and Boardwalk Pipeline expects will continue to have, a materially adverse effect on Boardwalk Pipeline's revenues, earnings and distributable cash flows.

Natural gas producers account for a significant portion of Boardwalk Pipeline's revenues, with approximately 50% of its 2015 revenues generated from contracts with natural gas producers. During 2015, the price of oil and natural gas continued to decline as a result of increasing gas supplies, mainly from shale production areas in the U.S., which has adversely impacted the businesses of certain of Boardwalk Pipeline's producer customers, including those that have contracted with Boardwalk Pipeline for capacity on some of its growth projects. Although oil and natural gas prices have recovered slightly from the lows seen earlier in 2016, they remain lower than before the decline began. If natural gas prices remain low, or decline further, for a sustained period of time, the businesses of Boardwalk Pipeline's producer customers will be further adversely affected, which could reduce the demand for Boardwalk Pipeline's services, result in the non-renewal of contracted capacity, or renewal at lower rates or on less attractive terms, or lead some customers, particularly customers that are experiencing financial difficulties, to default on their obligations to Boardwalk Pipeline or seek to terminate or renegotiate existing contracts. Should any such customers file for bankruptcy protection, they may also seek to have their contracts with Boardwalk Pipeline rejected in the bankruptcy proceeding.

A majority of Boardwalk Pipeline's customers are rated investment-grade by at least one of the major credit rating agencies, however, the ratings of several of Boardwalk Pipeline's oil and gas producer customers, including some of those supporting its growth projects, have been downgraded in the past year. The downgrades further restrict liquidity for those customers and may result in nonperformance of their contractual obligations, including failure to make future payments or, for customers supporting Boardwalk Pipeline's growth projects, failure to post required letters of credit or other collateral as construction progresses.

Boardwalk Pipeline is currently engaged in a number of growth projects having an aggregate estimated cost of approximately \$1.2 billion. During the second and third quarters of 2016, several growth projects were placed into service at an aggregate cost which was approximately \$30 million lower than the \$350 million originally expected. The remainder of the projects are subject to the risk that they may not be completed, may be impacted by significant

cost overruns or may be materially changed prior to completion as a result of future developments or circumstances that Boardwalk Pipeline cannot predict at this time.

In early 2016, a customer on Boardwalk Pipeline's Northern Supply Access project, which had contracted for 100,000 million British thermal units per day ( MMBtu/d ) of capacity, filed for bankruptcy protection and rejected Boardwalk Pipeline's transportation contract. Boardwalk Pipeline has an unsecured claim in the bankruptcy proceedings for an amount that was determined by agreement between Boardwalk Pipeline and that customer. As a result of the 100,000 MMBtu/d reduction in customer volume commitments resulting from the bankruptcy, Boardwalk Pipeline has reduced the scope of this project by 100,000 MMBtu/d, reducing capacity to 284,000 MMBtu/d and reducing the estimated capital cost from \$310 million to \$230 million. In April 2016, another customer that contracted for 30,000 MMBtu/d of capacity on this project failed to increase its letter of credit in default of its obligations under a credit support agreement. In October 2016, the default was remedied. The transportation agreement with this customer remains in place.

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In October of 2014, Boardwalk Pipeline's Gulf South subsidiary filed a rate case with the Federal Energy Regulatory Commission (FERC) pursuant to Section 4 of the Natural Gas Act (Docket No. RP15-65), requesting, among other things, a reconfiguration of the transportation rate zones on the Gulf South system and, in general, an increase in its tariff rates for those customers whose agreements are at maximum tariff rates. An uncontested settlement was reached with Gulf South's customers and the FERC, which became final effective March 1, 2016. In April 2016, Gulf South settled a \$17 million rate refund liability through a combination of cash payments and invoice credits. Also, as a result of the rate case, Gulf South implemented a fuel tracker which went into effect April 1, 2016. All issues associated with the rate case have been resolved.

**Results of Operations**

The following table summarizes the results of operations for Boardwalk Pipeline for the three and nine months ended September 30, 2016 and 2015 as presented in Note 13 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

|                                                     | <b>Three Months Ended<br/>September 30,</b> |              | <b>Nine Months Ended<br/>September 30,</b> |              |
|-----------------------------------------------------|---------------------------------------------|--------------|--------------------------------------------|--------------|
|                                                     | <b>2016</b>                                 | <b>2015</b>  | <b>2016</b>                                | <b>2015</b>  |
| <b>(In millions)</b>                                |                                             |              |                                            |              |
| <b>Revenues:</b>                                    |                                             |              |                                            |              |
| Other revenue, primarily operating                  | \$ 306                                      | \$ 296       | \$ 961                                     | \$ 925       |
| <b>Total</b>                                        | <b>306</b>                                  | <b>296</b>   | <b>961</b>                                 | <b>925</b>   |
| <b>Expenses:</b>                                    |                                             |              |                                            |              |
| Operating                                           | 212                                         | 205          | 615                                        | 628          |
| Interest                                            | 48                                          | 43           | 136                                        | 134          |
| <b>Total</b>                                        | <b>260</b>                                  | <b>248</b>   | <b>751</b>                                 | <b>762</b>   |
| Income before income tax                            | 46                                          | 48           | 210                                        | 163          |
| Income tax expense                                  | (9)                                         | (12)         | (44)                                       | (33)         |
| Amounts attributable to noncontrolling interests    | (23)                                        | (18)         | (104)                                      | (75)         |
| <b>Net income attributable to Loews Corporation</b> | <b>\$ 14</b>                                | <b>\$ 18</b> | <b>\$ 62</b>                               | <b>\$ 55</b> |

**Three Months Ended September 30, 2016 Compared to 2015**

Total revenues increased \$10 million for the three months ended September 30, 2016 as compared with the 2015 period. Excluding proceeds from a business interruption claim of \$3 million in 2015 and items offset in fuel and transportation expense, primarily retained fuel, operating revenues increased \$18 million. The increase was primarily due to growth projects recently placed into service. In addition, storage and parking and lending (PAL) revenues were

higher by \$6 million primarily from the effects of favorable market conditions on time period price spreads.

Operating expenses increased \$7 million for the three months ended September 30, 2016 as compared with the 2015 period. Excluding receipt of a franchise tax refund of \$10 million in 2015 and items offset in operating revenues, operating costs and expenses increased \$2 million primarily due to an increase in employee-related costs partially offset by lower maintenance activities. Interest expense increased \$5 million primarily due to higher average debt balances and higher average interest rates compared with the 2015 period.

Net income for the three months ended September 30, 2016 decreased \$4 million as compared with the 2015 period, primarily due to the franchise tax refund received in 2015 and higher interest expense in 2016 partially offset by the impact of higher revenues as discussed above.

***Nine Months Ended September 30, 2016 Compared to 2015***

Total revenues increased \$36 million for the nine months ended September 30, 2016 as compared with the 2015 period. Excluding proceeds received from the settlement of a legal claim of \$13 million in 2016, the receipt of business interruption proceeds of \$9 million in 2015 and items offset in fuel and transportation expense, primarily retained fuel, operating revenues increased \$55 million. The increase was driven by an increase in transportation revenues of \$53 million, which resulted from growth projects recently placed into service, incremental revenues from the Gulf South rate case and the return to service of the Evangeline pipeline in mid-2015, partially offset by the effects of market conditions on contract renewals discussed above. Storage and PAL revenues were higher by \$13 million primarily from the effects of favorable market conditions on time period price spreads. Boardwalk Pipeline s

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gathering and processing revenues were unfavorably impacted by \$4 million related to its Flag City processing plant and a \$3 million decrease in net fuel.

Operating expenses decreased \$13 million for the nine months ended September 30, 2016 as compared with the 2015 period. Excluding receipt of a franchise tax refund of \$10 million in 2015 and items offset in operating revenues, operating costs and expenses increased \$4 million primarily due to higher employee related costs, partially offset by decreases in maintenance activities and depreciation expense.

Net income for the nine months ended September 30, 2016 increased \$7 million as compared with the 2015 period, primarily due to higher revenues partially offset by higher employee related costs and the franchise tax refund received in 2015 as discussed above.

**Loews Hotels**

The following table summarizes the results of operations for Loews Hotels for the three and nine months ended September 30, 2016 and 2015 as presented in Note 13 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

|                                                     | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|-----------------------------------------------------|-------------------------------------|--------|------------------------------------|--------|
|                                                     | 2016                                | 2015   | 2016                               | 2015   |
| <b>(In millions)</b>                                |                                     |        |                                    |        |
| <b>Revenues:</b>                                    |                                     |        |                                    |        |
| Operating revenue                                   | \$ 132                              | \$ 127 | \$ 426                             | \$ 394 |
| Revenues related to reimbursable expenses           | 29                                  | 19     | 87                                 | 58     |
| <b>Total</b>                                        | <b>161</b>                          | 146    | <b>513</b>                         | 452    |
| <b>Expenses:</b>                                    |                                     |        |                                    |        |
| Operating                                           | 120                                 | 118    | 372                                | 353    |
| Reimbursable expenses                               | 29                                  | 19     | 87                                 | 58     |
| Depreciation                                        | 17                                  | 14     | 47                                 | 39     |
| Equity income from joint ventures                   | (15)                                | (11)   | (27)                               | (38)   |
| Interest                                            | 6                                   | 5      | 17                                 | 15     |
| <b>Total</b>                                        | <b>157</b>                          | 145    | <b>496</b>                         | 427    |
| Income before income tax                            | 4                                   | 1      | 17                                 | 25     |
| Income tax (expense) benefit                        | (1)                                 | 1      | (10)                               | (10)   |
| <b>Net income attributable to Loews Corporation</b> | <b>\$ 3</b>                         | \$ 2   | <b>\$ 7</b>                        | \$ 15  |

Income before income tax increased \$3 million for the three months ended September 30, 2016 as compared with the 2015 period, primarily due to increased equity income from joint venture properties. Operating revenues and expenses were impacted by the acquisition of a hotel in January of 2016.

Income before income tax decreased \$8 million for the nine months ended September 30, 2016 as compared with the 2015 period. Operating revenues and expenses were impacted by the acquisition of one hotel during the first nine months of 2016 and two hotels during 2015. In addition, results in 2016 were impacted by a \$13 million impairment of an equity interest in a joint venture hotel property.

Net income increased \$1 million and decreased \$8 million for the three and nine months ended September 30, 2016 as compared with the 2015 periods, due to the changes discussed above. Results for the nine months in 2016 were also impacted by an increase in the effective tax rate due to a higher state tax provision for the increased ratio of Florida based income.

**Table of Contents****Corporate and Other**

Corporate and Other operations consist primarily of investment income at the Parent Company, corporate interest expenses and other corporate administrative costs. Investment income includes earnings on cash and short term investments held at the Parent Company to meet current and future liquidity needs, as well as results of limited partnership investments and the trading portfolio.

The following table summarizes the results of operations for Corporate and Other for the three and nine months ended September 30, 2016 and 2015 as presented in Note 13 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

|                                            | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|--------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                            | 2016                                | 2015    | 2016                               | 2015    |
| <b>(In millions)</b>                       |                                     |         |                                    |         |
| <b>Revenues:</b>                           |                                     |         |                                    |         |
| Net investment income (loss)               | \$ 36                               | \$ (35) | \$ 108                             | \$ 4    |
| Other revenues                             | 1                                   | 1       | 2                                  | 2       |
| Total                                      | 37                                  | (34)    | 110                                | 6       |
| <b>Expenses:</b>                           |                                     |         |                                    |         |
| Operating                                  | 25                                  | 21      | 82                                 | 61      |
| Interest                                   | 18                                  | 19      | 54                                 | 56      |
| Total                                      | 43                                  | 40      | 136                                | 117     |
| Loss before income tax                     | (6)                                 | (74)    | (26)                               | (111)   |
| Income tax benefit                         | 1                                   | 28      | 8                                  | 41      |
| Net loss attributable to Loews Corporation | \$ (5)                              | \$ (46) | \$ (18)                            | \$ (70) |

Net investment income increased by \$71 million for the three months ended September 30, 2016 as compared with the 2015 period, primarily due to improved performance of limited partnership investments and equity based investments in the trading portfolio. Net investment income increased by \$104 million for the nine months ended September 30, 2016 as compared with the 2015 period, primarily due to improved performance of equity based investments and fixed income investments in the trading portfolio, partially offset by lower results from limited partnership investments.

Operating expenses increased \$4 million and \$21 million for the three and nine months ended September 30, 2016 as compared with the 2015 periods primarily due to expenses related to the 2016 Incentive Compensation Plan, which was approved by shareholders on May 10, 2016 and increased corporate overhead expenses.

The net loss decreased \$41 million and \$52 million for the three and nine months ended September 30, 2016 as compared with the 2015 periods primarily due to the changes discussed above.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Parent Company**

Parent Company cash and investments, net of receivables and payables, at September 30, 2016 totaled \$5.0 billion, as compared to \$4.3 billion at December 31, 2015. During the nine months ended September 30, 2016, we received \$706 million in dividends from our subsidiaries, including a special dividend from CNA of \$485 million. Cash outflows included the payment of \$115 million to fund treasury stock purchases, \$8 million to purchase shares of CNA, \$63 million of cash dividends to our shareholders and net cash contributions of approximately \$35 million to Loews Hotels. As a holding company we depend on dividends from our subsidiaries and returns on our investment portfolio to fund our obligations. We are not responsible for the liabilities and obligations of our subsidiaries and there are no Parent Company guarantees.

In March of 2016, we completed a public offering of \$500 million aggregate principal amount of 3.8% senior notes due April 1, 2026 and repaid in full the entire \$400 million aggregate principal amount of our 5.3% senior notes at maturity. The net remaining proceeds are being used for general corporate purposes.



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As of September 30, 2016, there were 336,959,362 shares of Loews common stock outstanding. Depending on market and other conditions, we may purchase our shares and shares of our subsidiaries' outstanding common stock in the open market or otherwise. During the nine months ended September 30, 2016, we purchased 3.0 million shares of Loews common stock and 0.3 million shares of CNA common stock.

In March of 2016, Moody's Investment Services, Inc. (Moody's) downgraded our unsecured debt rating from A2 to A3 and the outlook remains stable. Our current unsecured debt ratings are A+ for S&P Global Ratings (S&P) and A for Fitch Ratings, Inc., with a stable outlook for both. We have an effective Registration Statement on Form S-3 registering the future sale of an unlimited amount of our debt and equity securities.

We continue to pursue conservative financial strategies while seeking opportunities for responsible growth. These include the expansion of existing businesses, full or partial acquisitions and dispositions, and opportunities for efficiencies and economies of scale.

### **Subsidiaries**

CNA's cash provided by operating activities was \$1.1 billion for the nine months ended September 30, 2016 as compared with \$1.0 billion for the same period in 2015. Cash provided by operating activities reflected increased receipts relating to the returns on invested capital for limited partnerships and lower income taxes paid, partially offset by lower net premiums collected and higher net claim and expense payments.

CNA declared and paid dividends of \$2.75 per share of its common stock, including a special dividend of \$2.00 per share during the nine months ended September 30, 2016. On October 28, 2016, CNA's Board of Directors declared a quarterly dividend of \$0.25 per share, payable November 30, 2016 to shareholders of record on November 14, 2016. CNA's declaration and payment of future dividends is at the discretion of its Board of Directors and will depend on many factors, including CNA's earnings, financial condition, business needs and regulatory constraints. The payment of dividends by CNA's insurance subsidiaries without prior approval of the insurance department of each subsidiary's domiciliary jurisdiction is generally limited by formula. Dividends in excess of these amounts are subject to prior approval by the respective insurance regulator.

Dividends from the Continental Casualty Company (CCC), a subsidiary of CNA, are subject to the insurance holding company laws of the State of Illinois, the domiciliary state of CCC. Under these laws, ordinary dividends, or dividends that do not require prior approval by the Illinois Department of Insurance (Department), are determined based on the greater of the prior year's statutory net income or 10% of statutory surplus as of the end of the prior year, as well as the timing and amount of dividends paid in the preceding twelve months. Additionally, ordinary dividends may only be paid from earned surplus, which is calculated by removing unrealized gains from unassigned surplus. As of September 30, 2016, CCC was in a positive earned surplus position. The maximum allowable dividend CCC could pay during 2016 that would not be subject to the Department's prior approval is \$1.1 billion, less dividends paid during the preceding twelve months measured at that point in time. CCC paid dividends of \$100 million during the three months ended December 31, 2015 and \$665 million during the nine months ended September 30, 2016. As of September 30, 2016, CCC is able to pay approximately \$314 million of dividends that would not be subject to prior approval of the Department. The actual level of dividends paid in any year is determined after an assessment of available dividend capacity, holding company liquidity and cash needs as well as the impact the dividends will have on the statutory surplus of the applicable insurance company.

Diamond Offshore's cash provided by operating activities for the nine months ended September 30, 2016 increased \$25 million as compared with the 2015 period, primarily due to a net decrease in cash payments for contract drilling and general and administrative expenses, including personnel-related, repairs and maintenance and other rig operating

costs of \$499 million, partially offset by lower cash receipts from contract drilling services of \$490 million. The decline in both cash receipts and cash payments related to the performance of contract drilling services reflects the continued decline in contract drilling activity during the nine months ended September 30, 2016 as well as the positive results of Diamond Offshore's continuing efforts to control costs.

For 2016, Diamond Offshore has budgeted approximately \$625 million for capital expenditures, including construction costs for the *Ocean GreatWhite* and ongoing capital maintenance and replacement programs. Shipyard construction of the *Ocean GreatWhite*, a 10,000 foot dynamically positioned, harsh environment semisubmersible drilling rig has been completed and in June of 2016 Diamond Offshore made the final payment of \$403 million. The *Ocean GreatWhite* was delivered by the shipyard in mid-July of 2016.

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During the nine months ended September 30, 2016, Diamond Offshore completed three sale and leaseback transactions and received \$158 million in proceeds, which was less than the carrying value of the equipment. The resulting difference was recorded as prepaid rent with no gain or loss recognized on the transactions. For further information about these transactions, see Note 4 of the Notes to Consolidated Condensed Financial Statements in Item 1 of this report.

As of September 30, 2016, Diamond Offshore had \$182 million in borrowings outstanding under its credit agreement and is in compliance with all covenant requirements thereunder. As of October 27, 2016, Diamond Offshore had \$222 million in borrowings outstanding and an additional \$1.3 billion available under its credit agreement to provide short term liquidity for payment obligations.

In February of 2016, Moody's downgraded Diamond Offshore's senior unsecured credit rating to Ba2 from Baa2, with a stable outlook, and also downgraded its short-term credit rating to sub-prime. In July of 2016, S&P downgraded Diamond Offshore's senior unsecured credit rating to BBB from BBB+ with a negative outlook. Market conditions and other factors, many of which are outside of Diamond Offshore's control, could cause its credit ratings to be lowered. A downgrade in Diamond Offshore's credit ratings could adversely impact its cost of issuing additional debt and the amount of additional debt that it could issue, and could further restrict access to capital markets and Diamond Offshore's ability to raise additional debt. As a consequence, Diamond Offshore may not be able to issue additional debt in amounts and/or with terms that it considers to be reasonable. One or more of these occurrences could limit Diamond Offshore's ability to pursue other business opportunities.

Diamond Offshore will make periodic assessments of its capital spending programs based on industry conditions and will make adjustments if it determines they are required. Diamond Offshore, may, from time to time, issue debt or equity securities, or a combination thereof, to finance capital expenditures, the acquisition of assets and businesses or for general corporate purposes. Diamond Offshore's ability to access the capital markets by issuing debt or equity securities will be dependent on its results of operations, current financial condition, current credit ratings, current market conditions and other factors beyond its control.

Boardwalk Pipeline's cash provided by operating activities increased \$24 million for the nine months ended September 30, 2016 compared to the 2015 period, primarily due to increased net income, excluding the effects of non-cash items such as depreciation and amortization, partially offset by timing of accruals and the Gulf South rate refund.

For the nine months ended September 30, 2016 and 2015, Boardwalk Pipeline declared and paid distributions to its common unitholders of record of \$0.30 per common unit and an amount to the general partner on behalf of its 2% general partner interest. In October of 2016, the Partnership declared a quarterly cash distribution to unitholders of record of \$0.10 per common unit.

For the nine months ended September 30, 2016 and 2015, Boardwalk Pipeline's capital expenditures were \$432 million and \$241 million, consisting of a combination of growth and maintenance capital. Boardwalk Pipeline expects total capital expenditures to be approximately \$700 million in 2016, primarily related to growth projects and pipeline system maintenance expenditures. Boardwalk Pipeline expects to finance remaining 2016 growth capital expenditures through existing capital resources, including Boardwalk Pipeline's cash on hand, revolving credit facility, and cash flows from operating activities.

As of October 28, 2016, Boardwalk Pipeline had no outstanding borrowings under its revolving credit facility and had available the full borrowing capacity of \$1.5 billion. During the third quarter of 2016, Boardwalk Pipeline extended the maturity date of the revolving credit facility by one year to May 26, 2021. Boardwalk Pipeline has in place a

subordinated loan agreement with a subsidiary of the Company under which it could borrow up to \$300 million. During the third quarter of 2016, the borrowing period of the subordinated loan agreement was extended by two years to December 31, 2018. As of September 30, 2016 and October 28, 2016 Boardwalk Pipeline had no outstanding borrowings under the subordinated loan agreement. In addition, Boardwalk Pipeline has entered a new equity distribution agreement under its shelf registration statement filed in December of 2015, which will allow it to issue equity from time to time under an at-the-market program. Based on the current forecast and planned projects, Boardwalk Pipeline does not anticipate the need to issue equity for the remainder of 2016.

**Table of Contents****INVESTMENTS**

Investment activities of non-insurance subsidiaries primarily include investments in fixed income securities, including short term investments. The Parent Company portfolio also includes equity securities, including short sales and derivative instruments, and investments in limited partnerships. These types of investments generally present greater volatility, less liquidity and greater risk than fixed income investments and are included within the Corporate and Other segment.

We enter into short sales and invest in certain derivative instruments that are used for asset and liability management activities, income enhancements to our portfolio management strategy and 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 our portfolio strategy.

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized change in fair value of the derivative instruments recognized in the Consolidated Condensed Balance Sheets. We mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives to multiple counterparties. We occasionally require collateral from our derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty.

**Insurance**

CNA maintains a large portfolio of fixed maturity and equity securities, including large amounts of corporate and government issued debt securities, residential and commercial mortgage-backed securities, and other asset-backed securities and investments in limited partnerships which pursue a variety of long and short investment strategies across a broad array of asset classes. CNA's investment portfolio supports its obligation to pay future insurance claims and provides investment returns which are an important part of CNA's overall profitability.

**Net Investment Income**

The significant components of CNA's Net investment income are presented in the following table:

|                                  | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|----------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                  | <b>2016</b>                                 | <b>2015</b> | <b>2016</b>                                | <b>2015</b> |
| <b>(In millions)</b>             |                                             |             |                                            |             |
| Fixed maturity securities:       |                                             |             |                                            |             |
| Taxable                          | \$ 354                                      | \$ 346      | \$ 1,048                                   | \$ 1,040    |
| Tax-exempt                       | 103                                         | 103         | 304                                        | 304         |
| Total fixed maturity securities  | 457                                         | 449         | 1,352                                      | 1,344       |
| Limited partnership investments  | 65                                          | (93)        | 97                                         | 69          |
| Other, net of investment expense | 2                                           | (2)         | 12                                         | (1)         |

|                                                                                |        |        |          |          |
|--------------------------------------------------------------------------------|--------|--------|----------|----------|
| Net investment income before tax                                               | \$ 524 | \$ 354 | \$ 1,461 | \$ 1,412 |
| Net investment income after tax and noncontrolling interests                   | \$ 333 | \$ 238 | \$ 940   | \$ 911   |
| Effective income yield for the fixed maturity securities portfolio, before tax | 4.8%   | 4.8%   | 4.8%     | 4.8%     |
| Effective income yield for the fixed maturity securities portfolio, after tax  | 3.4%   | 3.5%   | 3.4%     | 3.5%     |

Net investment income after tax and noncontrolling interests for the three months ended September 30, 2016 increased \$95 million as compared with the same period in 2015. The increase was driven by limited partnership investments, which returned 2.6% as compared with (3.2)% for the same period in 2015.

Net investment income after tax and noncontrolling interests for the nine months ended September 30, 2016 increased \$29 million as compared with the same period in 2015. The increase was driven by limited partnership investments, which returned 3.8% as compared with 2.2% in the prior year period.

**Table of Contents****Net Realized Investment Gains (Losses)**

The components of CNA's Net realized investment gains (losses) are presented in the following table:

|                                                                          | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|--------------------------------------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                                                          | 2016                                | 2015    | 2016                               | 2015    |
| <b>(In millions)</b>                                                     |                                     |         |                                    |         |
| Realized investment gains (losses):                                      |                                     |         |                                    |         |
| Fixed maturity securities:                                               |                                     |         |                                    |         |
| Corporate and other bonds                                                | \$ 18                               | \$ (27) | \$ 10                              | \$ (11) |
| States, municipalities and political subdivisions                        | 20                                  | (7)     | 23                                 | (27)    |
| Asset-backed                                                             | 5                                   | 5       | 5                                  | 8       |
| U.S. Treasury and obligations of government-sponsored enterprises        | 3                                   |         | 5                                  |         |
| Foreign government                                                       | 1                                   |         | 3                                  | 1       |
| Total fixed maturity securities                                          | 47                                  | (29)    | 46                                 | (29)    |
| Equity securities                                                        | (3)                                 | (18)    | (5)                                | (19)    |
| Derivative instruments                                                   | 1                                   | (1)     | (12)                               | 9       |
| Short term investments and other                                         |                                     | (2)     | 1                                  | (3)     |
| Total realized investment gains (losses)                                 | 45                                  | (50)    | 30                                 | (42)    |
| Income tax (expense) benefit                                             | (15)                                | 18      | (12)                               | 22      |
| Amounts attributable to noncontrolling interests                         | (3)                                 | 3       | (2)                                | 2       |
| Net realized investment gains (losses) attributable to Loews Corporation | \$ 27                               | \$ (29) | \$ 16                              | \$ (18) |

Net realized investment results improved \$56 million for the three months ended September 30, 2016 as compared with the same period in 2015, driven by higher net realized investment gains on sales of securities reflecting the overall net unrealized gain position within the portfolio and lower OTTI losses recognized in earnings.

Net realized investment results improved \$34 million for the nine months ended September 30, 2016 as compared with the same period in 2015, driven by higher net realized investment gains on sales of securities reflecting the overall net unrealized gain position within the portfolio and lower OTTI losses recognized in earnings, partially offset by derivative results.

Further information on CNA's realized gains and losses, including OTTI losses, is set forth in Note 2 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

**Portfolio Quality**

The following table presents the estimated fair value and net unrealized gains (losses) of CNA's fixed maturity securities by rating distribution:

|                                                                              | September 30, 2016      |                                        | December 31, 2015       |                                        |
|------------------------------------------------------------------------------|-------------------------|----------------------------------------|-------------------------|----------------------------------------|
|                                                                              | Estimated<br>Fair Value | Net<br>Unrealized<br>Gains<br>(Losses) | Estimated<br>Fair Value | Net<br>Unrealized<br>Gains<br>(Losses) |
| <b>(In millions)</b>                                                         |                         |                                        |                         |                                        |
| U.S. Government, Government agencies and<br>Government-sponsored enterprises | \$ 4,422                | \$ 166                                 | \$ 3,910                | \$ 101                                 |
| AAA                                                                          | 1,893                   | 180                                    | 1,938                   | 123                                    |
| AA                                                                           | 9,015                   | 1,186                                  | 8,919                   | 900                                    |
| A                                                                            | 10,292                  | 1,283                                  | 10,044                  | 904                                    |
| BBB                                                                          | 13,326                  | 1,098                                  | 11,595                  | 307                                    |
| Non-investment grade                                                         | 3,373                   | 168                                    | 3,166                   | (16)                                   |
| <b>Total</b>                                                                 | <b>\$ 42,321</b>        | <b>\$4,081</b>                         | <b>\$ 39,572</b>        | <b>\$ 2,319</b>                        |



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As of September 30, 2016 and December 31, 2015, only 2% and 1% of CNA's fixed maturity portfolio was rated internally.

The following table presents available-for-sale fixed maturity securities in a gross unrealized loss position by ratings distribution:

| September 30, 2016                              | Estimated<br>Fair Value | Gross<br>Unrealized<br>Losses |
|-------------------------------------------------|-------------------------|-------------------------------|
| <b>(In millions)</b>                            |                         |                               |
| <b>U.S. Government, Government agencies and</b> |                         |                               |
| <b>Government-sponsored enterprises</b>         | \$ 62                   | \$ 1                          |
| <b>AAA</b>                                      | 116                     | 2                             |
| <b>AA</b>                                       | 196                     | 2                             |
| <b>A</b>                                        | 304                     | 5                             |
| <b>BBB</b>                                      | 828                     | 18                            |
| <b>Non-investment grade</b>                     | 781                     | 34                            |
| <b>Total</b>                                    | <b>\$ 2,287</b>         | <b>\$ 62</b>                  |

The following table presents the maturity profile for these available-for-sale fixed maturity securities. Securities not due to mature on a single date are allocated based on weighted average life:

| September 30, 2016                            | Estimated<br>Fair Value | Gross<br>Unrealized<br>Losses |
|-----------------------------------------------|-------------------------|-------------------------------|
| <b>(In millions)</b>                          |                         |                               |
| <b>Due in one year or less</b>                | \$ 121                  | \$ 1                          |
| <b>Due after one year through five years</b>  | 585                     | 13                            |
| <b>Due after five years through ten years</b> | 999                     | 26                            |
| <b>Due after ten years</b>                    | 582                     | 22                            |
| <b>Total</b>                                  | <b>\$ 2,287</b>         | <b>\$ 62</b>                  |

**Duration**

A primary objective in the management of the investment portfolio is to optimize return relative to corresponding liabilities and respective liquidity needs. CNA's views on the current interest rate environment, tax regulations, asset class valuations, specific security issuer and broader industry segment conditions and the domestic and global

economic conditions, are some of the factors that enter into an investment decision. CNA also continually monitors exposure to issuers of securities held and broader industry sector exposures and may from time to time adjust such exposures based on its views of a specific issuer or industry sector.

A further consideration in the management of the investment portfolio is the characteristics of the corresponding liabilities and the ability to align the duration of the portfolio to those liabilities and to meet future liquidity needs, minimize interest rate risk and maintain a level of income sufficient to support the underlying insurance liabilities. For portfolios where future liability cash flows are determinable and typically long term in nature, CNA segregates investments for asset/liability management purposes. The segregated investments support the long term care and structured settlement liabilities in the Life & Group Non-Core business.

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The effective durations of fixed maturity securities and short term investments are presented in the following table. Amounts presented are net of accounts payable and receivable amounts for securities purchased and sold, but not yet settled.

|                                              | September 30, 2016   |                            | December 31, 2015    |                            |
|----------------------------------------------|----------------------|----------------------------|----------------------|----------------------------|
|                                              | Estimated Fair Value | Effective Duration (Years) | Estimated Fair Value | Effective Duration (Years) |
| <b>(In millions of dollars)</b>              |                      |                            |                      |                            |
| Investments supporting Life & Group Non-Core | \$ 16,407            | 8.6                        | \$ 14,879            | 9.6                        |
| Other interest sensitive investments         | 27,239               | 4.1                        | 26,435               | 4.3                        |
| <b>Total</b>                                 | <b>\$ 43,646</b>     | <b>5.8</b>                 | <b>\$ 41,314</b>     | <b>6.2</b>                 |

The duration of the total fixed income portfolio is in line with portfolio targets. The duration of the assets supporting the Life & Group Non-Core business has declined, reflective of increases in expected bond call activity in CNA's municipal bond portfolio and the low interest rate environment.

The investment portfolio is periodically analyzed for changes in duration and related price change risk. Additionally, CNA periodically reviews the sensitivity of the portfolio to the level of foreign exchange rates and other factors that contribute to market price changes. A summary of these risks and specific analysis on changes is included in the Quantitative and Qualitative Disclosures about Market Risk in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015.

**Short Term Investments**

The carrying values of the components of CNA's Short term investments are presented in the following table:

|                                     | September 30, 2016 | December 31, 2015 |
|-------------------------------------|--------------------|-------------------|
| <b>(In millions)</b>                |                    |                   |
| Short term investments:             |                    |                   |
| Commercial paper                    | \$ 841             | \$ 998            |
| U.S. Treasury securities            | 374                | 411               |
| Money market funds                  | 75                 | 60                |
| Other                               | 133                | 191               |
| <b>Total short term investments</b> | <b>\$ 1,423</b>    | <b>\$ 1,660</b>   |

## **ACCOUNTING STANDARDS UPDATE**

For a discussion of accounting standards updates that have been adopted or will be adopted in the future, please read Note 1 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

## **FORWARD-LOOKING STATEMENTS**

Investors are cautioned that certain statements contained in this Report as well as some statements in periodic press releases and some oral statements made by us and our subsidiaries and our and their officials during presentations are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words expect, intend, plan, anticipate, estimate, believe, will be, will continue, will likely result, and similar expressions. In addition, any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries are also forward-looking statements as defined by the Act.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those anticipated or projected. See Forward-Looking Statements and Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015 for further discussion of factors that may affect the forward-looking statements. The following information describes an

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addition to the Forward-Looking Statements and should be read in conjunction with the Forward-Looking Statements disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the E.U., commonly referred to as Brexit. As a result of the referendum, it is currently expected that the British government will formally commence the process to leave the E.U. and begin negotiating the terms of treaties that will govern the U.K.'s future relationship with the E.U. in the first quarter of 2017. Although the terms of any future treaties are unknown, changes in CNA's international operating platform may be required to allow it to continue to write business in the E.U. after the completion of Brexit. As a result of these changes, the complexity and cost of regulatory compliance of CNA's European business is likely to increase.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

There were no material changes in our market risk components for the nine months ended September 30, 2016. See the Quantitative and Qualitative Disclosures about Market Risk included in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015 for further information. Additional information related to portfolio duration and market conditions is discussed in the Investments section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2.

### **Item 4. Controls and Procedures.**

The Company maintains a system of disclosure controls and procedures which are designed to ensure that information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the Exchange Act), including this report, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to the Company's management on a timely basis to allow decisions regarding required disclosure.

The Company's principal executive officer (CEO) and principal financial officer (CFO) undertook an evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. The CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016.

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the foregoing evaluation that occurred during the quarter ended September 30, 2016 that have materially affected or that are reasonably likely to materially affect the Company's internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

Information on our legal proceedings is set forth in Note 11 to the Consolidated Condensed Financial Statements included under Part I, Item 1.

**Item 1A. Risk Factors.**

Our Annual Report on Form 10-K for the year ended December 31, 2015 includes a detailed discussion of certain risk factors facing our company. No updates or additions have been made to such risk factors as of September 30, 2016.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Items 2 (a) and (b) are inapplicable.

**(c) STOCK REPURCHASES**

| Period                                    | (a) Total number<br>of shares<br>purchased | (b) Average<br>price paid per<br>share | (c) Total number of<br>shares purchased as<br>part of publicly<br>announced plans or<br>programs | (d) Maximum number of shares<br>(or approximate dollar value)<br>of shares that may yet be<br>purchased under the plans or<br>programs (in millions) |
|-------------------------------------------|--------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| July 1, 2016 -<br>July 31, 2016           | 284,614                                    | \$40.00                                | N/A                                                                                              | N/A                                                                                                                                                  |
| August 1, 2016 -<br>August 31, 2016       | N/A                                        | N/A                                    | N/A                                                                                              | N/A                                                                                                                                                  |
| September 1, 2016 -<br>September 30, 2016 | 155,358                                    | \$39.97                                | N/A                                                                                              | N/A                                                                                                                                                  |

**Table of Contents****Item 6. Exhibits.**

| <b>Description of Exhibit</b>                                                                                                                                | <b>Exhibit Number</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Certification by the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)                                                    | 31.1*                 |
| Certification by the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)                                                    | 31.2*                 |
| Certification by the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002) | 32.1*                 |
| Certification by the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002) | 32.2*                 |
| XBRL Instance Document                                                                                                                                       | 101.INS *             |
| XBRL Taxonomy Extension Schema                                                                                                                               | 101.SCH *             |
| XBRL Taxonomy Extension Calculation Linkbase                                                                                                                 | 101.CAL *             |
| XBRL Taxonomy Extension Definition Linkbase                                                                                                                  | 101.DEF *             |
| XBRL Taxonomy Label Linkbase                                                                                                                                 | 101.LAB *             |
| XBRL Taxonomy Extension Presentation Linkbase                                                                                                                | 101.PRE *             |

\*Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

LOEWS CORPORATION  
(Registrant)

Dated: October 31, 2016

By: /s/ David B. Edelson  
DAVID B. EDELSON  
Senior Vice President and  
Chief Financial Officer  
(Duly authorized officer  
and principal financial  
officer)