LOEWS CORP
Form 10-Q
July 30, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____________ to _____________

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

Yes X No ____

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

Yes X No ____ Not Applicable ____

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

Large accelerated filer X Accelerated filer ____ Non-accelerated filer ____ Smaller reporting company ____

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

Yes ____ No X

Class	Outstanding at July 19, 2013
Common stock, $0.01 par value	387,316,565 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

	June 30, 2013	December 31, 2012
(Dollar amounts in millions, except per share data)		
Assets:		
Investments:		
Fixed maturities, amortized cost of $39,114 and $38,324	**$ 41,595**	$ 42,765
Equity securities, cost of $903 and $893	**856**	898
Limited partnership investments	**3,317**	3,090
Other invested assets, primarily mortgage loans	**473**	460
Short term investments	**6,091**	5,835
Total investments	**52,332**	53,048
Cash	**166**	228
Receivables	**9,519**	9,366
Property, plant and equipment	**14,525**	13,935
Goodwill	**989**	996
Other assets	**1,618**	1,538
Deferred acquisition costs of insurance subsidiaries	**650**	598
Separate account business	**247**	312
Total assets	**$ 80,046**	$ 80,021
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	**$ 24,339**	$ 24,763
Future policy benefits	**10,787**	11,475
Unearned premiums	**3,869**	3,610
Policyholders funds	**133**	157
Total insurance reserves	**39,128**	40,005
Payable to brokers	**520**	205
Short term debt	**33**	19
Long term debt	**10,039**	9,191
Deferred income taxes	**749**	840
Other liabilities	**4,688**	4,773
Separate account business	**247**	312

Total liabilities	**55,404**	55,345
Preferred stock, $0.10 par value:		
Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 392,282,321 and 392,054,766 shares	**4**	4
Additional paid-in capital	**3,643**	3,595
Retained earnings	**15,654**	15,192
Accumulated other comprehensive income	**37**	678
	19,338	19,469
Less treasury stock, at cost (4,276,200 and 249,600 shares)	**(187)**	(10)
Total shareholders equity	**19,151**	19,459
Noncontrolling interests	**5,491**	5,217
Total equity	**24,642**	24,676
Total liabilities and equity	**$ 80,046**	$ 80,021

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions, except per share data)				
Revenues:				
Insurance premiums	**$ 1,800**	$ 1,668	**$ 3,564**	$ 3,317
Net investment income	**579**	386	**1,220**	1,112
Investment gains (losses):				
Other-than-temporary impairment losses	**(16)**	(12)	**(34)**	(27)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss)		(11)		(23)
Net impairment losses recognized in earnings	**(16)**	(23)	**(34)**	(50)
Other net investment gains	**2**	43	**44**	102
Total investment gains (losses)	**(14)**	20	**10**	52
Contract drilling revenues	**745**	726	**1,445**	1,481
Other	**615**	588	**1,220**	1,170
Total	**3,725**	3,388	**7,459**	7,132
Expenses:				
Insurance claims and policyholders benefits	**1,521**	1,348	**2,950**	2,729
Amortization of deferred acquisition costs	**335**	309	**663**	604
Contract drilling expenses	**369**	405	**744**	802
Other operating expenses (Note 1)	**807**	1,001	**1,789**	1,820
Interest	**112**	111	**220**	222
Total	**3,144**	3,174	**6,366**	6,177
Income before income tax	**581**	214	**1,093**	955
Income tax expense	**(169)**	(16)	**(283)**	(238)
Net income	**412**	198	**810**	717
Amounts attributable to noncontrolling interests	**(143)**	(142)	**(299)**	(294)
Net income attributable to Loews Corporation	**$ 269**	$ 56	**$ 511**	$ 423
Basic net income per share	**$ 0.69**	$ 0.14	**$ 1.31**	$ 1.07

Diluted net income per share	**$ 0.69**	$ 0.14	**$ 1.31**	$ 1.06
Dividends per share	**$ 0.0625**	$ 0.0625	**$ 0.125**	$ 0.125
Weighted-average shares outstanding:				
Shares of common stock	**388.79**	396.40	**390.08**	396.59
Dilutive potential shares of common stock	**0.83**	0.73	**0.80**	0.71
Total weighted-average shares outstanding assuming dilution	**389.62**	397.13	**390.88**	397.30

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions)				
Net income	**$ 412**	$ 198	**$ 810**	$ 717
Other comprehensive income (loss), after tax				
Changes in:				
Net unrealized gains (losses) on investments with other-than-temporary impairments	**(8)**	(3)	**6**	37
Net other unrealized gains (losses) on investments	**(585)**	120	**(647)**	337
Total unrealized gains (losses) on available-for-sale investments	**(593)**	117	**(641)**	374
Unrealized gains (losses) on cash flow hedges	**10**	(2)	**(11)**	13
Pension liability	**5**	4	**9**	11
Foreign currency	**(13)**	(19)	**(74)**	2
Other comprehensive income (loss)	**(591)**	100	**(717)**	400
Comprehensive income (loss)	**(179)**	298	**93**	1,117
Amounts attributable to noncontrolling interests	**(83)**	(150)	**(225)**	(333)
Total comprehensive income (loss) attributable to Loews Corporation	**$ (262)**	$ 148	**$ (132)**	$ 784

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

(Unaudited)

			Loews Corporation Shareholders				
(In millions)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
Balance, January 1, 2012	$ 23,203	$ 4	$ 3,494	$ 14,890	$ 384	$ -	$ 4,431
Net income	717			423			294
Other comprehensive income	400				361		39
Dividends paid	(266)			(50)			(216)
Issuance of equity securities by subsidiary	222		36		1		185
Purchase of Loews treasury stock	(51)					(51)	
Issuance of Loews common stock	5		5				
Stock-based compensation	11		10				1
Other	-		(2)				2
Balance, June 30, 2012	$ 24,241	$ 4	$ 3,543	$ 15,263	$ 746	$ (51)	$ 4,736
Balance, January 1, 2013	**$ 24,676**	**$ 4**	**$ 3,595**	**$ 15,192**	**$ 678**	**$ (10)**	**$ 5,217**
Net income	**810**			**511**			**299**
Other comprehensive loss	**(717)**				**(643)**		**(74)**
Dividends paid	**(292)**			**(49)**			**(243)**
Issuance of equity securities by subsidiary	**337**		**51**		**2**		**284**
	(177)					**(177)**	

Purchase of Loews treasury stock							
Issuance of Loews common stock	**3**		**3**				
Stock-based compensation	**7**		**(6)**				**13**
Other	**(5)**						**(5)**
Balance, June 30, 2013	**$ 24,642**	**$ 4**	**$ 3,643**	**$ 15,654**	**$ 37**	**$ (187)**	**$ 5,491**

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30	2013	2012
(In millions)		
Operating Activities:		
Net income	$ 810	$ 717
Adjustments to reconcile net income to net cash provided (used) by operating activities, net	613	673
Changes in operating assets and liabilities, net:		
Receivables	(180)	257
Deferred acquisition costs	(43)	(17)
Insurance reserves	198	121
Other assets	(70)	(81)
Other liabilities	54	(87)
Trading securities	(879)	(477)
Net cash flow operating activities	503	1,106
Investing Activities:		
Purchases of fixed maturities	(5,656)	(5,169)
Proceeds from sales of fixed maturities	3,143	3,303
Proceeds from maturities of fixed maturities	1,820	1,566
Purchases of equity securities	(33)	(27)
Proceeds from sales of equity securities	60	61
Purchases of limited partnership investments	(203)	(83)
Proceeds from sales of limited partnership investments	169	115
Purchases of property, plant and equipment	(1,150)	(869)
Dispositions	24	151
Change in short term investments	616	(116)
Other, net	(83)	(90)
Net cash flow investing activities	(1,293)	(1,158)
Financing Activities:		
Dividends paid	(49)	(50)
Dividends paid to noncontrolling interests	(243)	(216)
Purchases of treasury shares	(180)	(51)
Issuance of common stock	3	5
Proceeds from sale of subsidiary stock	370	246
Principal payments on debt	(742)	(1,246)
Issuance of debt	1,598	1,375
Other, net	(23)	(4)

Net cash flow financing activities		**734**		59
Effect of foreign exchange rate on cash		**(6)**		
Net change in cash		**(62)**		7
Cash, beginning of period		**228**		129
Cash, end of period	**$**	**166**	$	136

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 50.4% 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 53% owned subsidiary); exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC (HighMount), a wholly 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 (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2013 and December 31, 2012 and the results of operations and comprehensive income for the three and six months ended June 30, 2013 and 2012 and changes in shareholders equity and cash flows for the six months ended June 30, 2013 and 2012.

Net income for the second quarter and first half of each of the years is not necessarily indicative of net income for that entire year.

Reference is made to the Notes to Consolidated Financial Statements in the 2012 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

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. Stock appreciation rights (SARs) of 1.4 million, 1.9 million, 1.7 million and 2.3 million shares were not included in the diluted weighted average shares amount for the three and six months ended June 30, 2013 and 2012 due to the exercise price being greater than the average stock price.

Bluegrass Project In the second quarter of 2013, Boardwalk Pipeline executed an agreement with the Williams Companies, Inc. (Williams) to continue the development process for the Bluegrass Project, a project that would transport natural gas liquids from the Marcellus and Utica shale plays to the petrochemical and export complex in the U.S. Gulf Coast region, and related fractionation and storage facilities. In connection with the transaction, Boardwalk Pipeline and Boardwalk Pipelines Holding Corp. (BPHC), a wholly owned subsidiary of the Company, have entered into separate joint venture arrangements for purposes of funding the project. Boardwalk Pipeline and BPHC have contributed a total of $25 million to the project as of June 30, 2013. The approval of funding any additional capital for the project is dependent on, among other conditions, execution of customer contracts sufficient to support the project and the parties receipt of all necessary board and regulatory approvals.

Impairment of Natural Gas and Oil Properties Results for the six months ended June 30, 2013, include a first quarter non-cash ceiling test impairment charge of $145 million ($92 million after tax) related to the carrying value of HighMount s natural gas and oil properties. For the three and six months ended June 30, 2012, HighMount recorded non-cash ceiling test impairment charges of $222 million and $266 million ($142 million and $170 million after tax). The impairments were recorded within Other operating expenses and as credits to Accumulated depreciation, depletion and amortization. The 2013 write-down was primarily attributable to reduced average natural gas liquids (NGL) and oil prices used in the ceiling test calculations and negative reserve revisions. Had the effects of HighMount s cash flow hedges not been considered in calculating the ceiling limitation, the impairments

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would have been $195 million ($124 million after tax) for 2013, and $266 million and $335 million ($170 million and $214 million after tax) for the three and six months ended June 30, 2012. In periods which HighMount took ceiling test impairment charges, HighMount performed a goodwill impairment test. HighMount also performed its annual goodwill impairment test as of April 30, 2013 and 2012. No impairment charges were required as a result of either the annual or interim period testing.

2. Investments

Net investment income is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions)				
Fixed maturity securities	**$ 498**	$ 505	**$ 997**	$ 1,021
Short term investments	**1**	4	**3**	7
Limited partnership investments	**84**	(43)	**230**	100
Equity securities	**3**	2	**6**	6
Income (loss) from trading portfolio (a)	**1**	(74)	**(2)**	(4)
Other	**6**	7	**12**	11
Total investment income	**593**	401	**1,246**	1,141
Investment expenses	**(14)**	(15)	**(26)**	(29)
Net investment income	**$ 579**	$ 386	**$ 1,220**	$ 1,112

(a) Includes net unrealized gains (losses) related to changes in fair value on trading securities still held of $(30), $(90), $(43) and $(60) for the three and six months ended June 30, 2013 and 2012.

Investment gains (losses) are as follows:

Fixed maturity securities	**$ (5)**	$ 17	**$ 27**	$ 47
Equity securities	**(2)**		**(15)**	1
Derivative instruments	**(5)**	(1)	**(3)**	(2)
Short term investments and other	**(2)**	4	**1**	6
Investment gains (losses) (a)	**$ (14)**	$ 20	**$ 10**	$ 52

(a) Includes gross realized gains of $42, $51, $88 and $123 and gross realized losses of $49, $34, $76 and $75 on available-for-sale securities for the three and six months ended June 30, 2013 and 2012.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions)				
Fixed maturity securities available-for-sale:				
Corporate and other bonds	**$ 5**	$ 6	**$ 8**	$ 16
Asset-backed:				
Residential mortgage-backed	**3**	15	**3**	29
Other asset-backed	**1**		**1**	
Total asset-backed	**4**	15	**4**	29
U.S. Treasury and obligations of government-sponsored enterprises				1
Total fixed maturities available-for-sale	**9**	21	**12**	46
Equity securities available-for-sale:				
Common stock	**2**	2	**2**	4
Preferred stock	**5**		**20**	
Total equity securities available-for-sale	**7**	2	**22**	4
Net OTTI losses recognized in earnings	**$ 16**	$ 23	**$ 34**	$ 50

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

June 30, 2013	**Cost or Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Unrealized OTTI Losses (Gains)**
(In millions)					
Fixed maturity securities:					
Corporate and other bonds	**$ 20,079**	**$ 1,826**	**$ 147**	**$21,758**	
States, municipalities and political subdivisions	**10,098**	**814**	**173**	**10,739**	
Asset-backed:					
Residential mortgage-backed	**5,031**	**153**	**88**	**5,096**	**$ (37)**
Commercial mortgage-backed	**1,941**	**95**	**27**	**2,009**	**(3)**
Other asset-backed	**933**	**16**	**2**	**947**	
Total asset-backed	**7,905**	**264**	**117**	**8,052**	**(40)**
U.S. Treasury and obligations of government-sponsored enterprises	**167**	**9**		**176**	

Foreign government	**528**	**17**	**1**	**544**	
Redeemable preferred stock	**121**	**13**	**2**	**132**	
Fixed maturities available-for-sale	**38,898**	**2,943**	**440**	**41,401**	**(40)**
Fixed maturities, trading	**216**		**22**	**194**	
Total fixed maturities	**39,114**	**2,943**	**462**	**41,595**	**(40)**
Equity securities:					
Common stock	**47**	**10**		**57**	
Preferred stock	**138**	**4**		**142**	
Equity securities available-for-sale	**185**	**14**	**-**	**199**	**-**
Equity securities, trading	**718**	**71**	**132**	**657**	
Total equity securities	**903**	**85**	**132**	**856**	**-**
Total	**$ 40,017**	**$ 3,028**	**$ 594**	**$42,451**	**$ (40)**

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December 31, 2012	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities:					
Corporate and other bonds	$ 19,530	$ 2,698	$ 21	$ 22,207	
States, municipalities and political subdivisions	9,372	1,455	44	10,783	
Asset-backed:					
Residential mortgage-backed	5,745	246	71	5,920	$ (28)
Commercial mortgage-backed	1,692	147	17	1,822	(3)
Other asset-backed	929	23		952	
Total asset-backed	8,366	416	88	8,694	(31)
U.S. Treasury and obligations of government-sponsored enterprises	172	11	1	182	
Foreign government	588	25		613	
Redeemable preferred stock	113	13	1	125	
Fixed maturities available-for-sale	38,141	4,618	155	42,604	(31)
Fixed maturities, trading	183		22	161	
Total fixed maturities	38,324	4,618	177	42,765	(31)
Equity securities:					
Common stock	38	14		52	
Preferred stock	190	7		197	
Equity securities available-for-sale	228	21	-	249	-
Equity securities, trading	665	80	96	649	
Total equity securities	893	101	96	898	-
Total	$ 39,217	$ 4,719	$ 273	$ 43,663	$ (31)

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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. At June 30, 2013 and December 31, 2012, the net unrealized gains on investments included in AOCI were net of Shadow Adjustments of $794 million and $1.4 billion. To the extent that unrealized gains on fixed income securities supporting certain products within CNA s Life & Group Non-Core Segment would result in a premium deficiency if realized, a related decrease in Deferred acquisition costs, and/or increase in Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains (losses) through Other comprehensive income (Shadow Adjustments).

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

	Less than 12 Months		12 Months or Longer		Total	
June 30, 2013	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
(In millions)						
Fixed maturity securities:						
Corporate and other bonds	**$ 3,478**	**$ 143**	**$ 33**	**$ 4**	**$ 3,511**	**$ 147**
States, municipalities and political subdivisions	**2,075**	**130**	**119**	**43**	**2,194**	**173**
Asset-backed:						
Residential mortgage-backed	**1,462**	**33**	**321**	**55**	**1,783**	**88**
Commercial mortgage-backed	**593**	**23**	**79**	**4**	**672**	**27**
Other asset-backed	**235**	**2**			**235**	**2**
Total asset-backed	**2,290**	**58**	**400**	**59**	**2,690**	**117**
Foreign government	**65**	**1**			**65**	**1**
Redeemable preferred stock	**39**	**2**			**39**	**2**
Total	**$ 7,947**	**$ 334**	**$ 552**	**$ 106**	**$ 8,499**	**$ 440**
December 31, 2012						
Fixed maturity securities:						
Corporate and other bonds	$ 846	$ 13	$ 108	$ 8	$ 954	$ 21
States, municipalities and political subdivisions	254	5	165	39	419	44
Asset-backed:						
Residential mortgage-backed	583	5	452	66	1,035	71
Commercial mortgage-backed	85	2	141	15	226	17
Total asset-backed	668	7	593	81	1,261	88
U.S. Treasury and obligations of government-sponsored enterprises	23	1			23	1
Redeemable preferred stock	28	1			28	1

Total	$ 1,819	$ 27	$ 866	$ 128	$ 2,685	$ 155

The amount of pretax net realized gains (losses) on available-for-sale securities reclassified out of AOCI into earnings was $(7) million, $15 million, $12 million and $47 million for the three and six months ended June 30, 2013 and 2012.

Based on current facts and circumstances, the Company believes the unrealized losses presented in the table above are primarily attributable to broader economic conditions, changes in interest rates and credit spreads, market illiquidity and other market factors, but are not indicative of the ultimate collectibility of the current amortized cost of the securities. The investments with longer duration, primarily included within the states, municipalities and political subdivision asset category, were more significantly impacted by changes in market interest rates. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at June 30, 2013.

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The following table summarizes the activity for the three and six months ended June 30, 2013 and 2012 related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held at June 30, 2013 and 2012 for which a portion of an OTTI loss was recognized in Other comprehensive income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions)				
Beginning balance of credit losses on fixed maturity securities	**$ 92**	$ 100	**$ 95**	$ 92
Additional credit losses for securities for which an OTTI loss was previously recognized	**1**	10	**1**	21
Credit losses for securities for which an OTTI loss was not previously recognized		1		2
Reductions for securities sold during the period	**(4)**	(4)	**(7)**	(8)
Reductions for securities the Company intends to sell or more likely than not will be required to sell		(8)		(8)
Ending balance of credit losses on fixed maturity securities	**$ 89**	$ 99	**$ 89**	$ 99

Contractual Maturity

The following table summarizes available-for-sale fixed maturity securities by contractual maturity at June 30, 2013 and December 31, 2012. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties. Securities not due at a single date are allocated based on weighted average life.

	June 30, 2013		December 31, 2012	
	Cost or Amortized Cost	**Estimated Fair Value**	Cost or Amortized Cost	Estimated Fair Value
(In millions)				
Due in one year or less	**$ 2,105**	**$ 2,153**	$ 1,648	$ 1,665
Due after one year through five years	**11,450**	**12,078**	13,603	14,442
Due after five years through ten years	**10,613**	**10,981**	8,726	9,555
Due after ten years	**14,730**	**16,189**	14,164	16,942
Total	**$ 38,898**	**$ 41,401**	$ 38,141	$ 42,604

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Investment Commitments

As of June 30, 2013, the Company had committed approximately $372 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

The Company invests in various privately placed debt securities, including bank loans, as part of its overall investment strategy and has committed to additional future purchases, sales and funding. As of June 30, 2013, the Company had commitments to purchase or fund additional amounts of $160 million and sell $150 million under the terms of such securities.

3. Fair Value

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

Level 1 Quoted prices for identical instruments in active markets.

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

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

The type of financial instruments being measured and the methodologies and inputs used at June 30, 2013 were consistent with those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2012.

Prices may fall within Level 1, 2 or 3 depending upon the methodologies 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 methodologies 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.

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 changes in price, period-over-period, are reviewed and challenged with the pricing service or broker based on exception criteria, (iv) detailed analysis, where the Company independently validates information regarding inputs and assumptions for individual securities and (v) pricing validation, where prices received are compared to prices independently estimated by the Company.

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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 summarized in the tables below:

June 30, 2013	Level 1	Level 2	Level 3	Total
(In millions)				
Fixed maturity securities:				
Corporate and other bonds	$ 30	$ 21,526	$ 202	$ 21,758
States, municipalities and political subdivisions		10,599	140	10,739
Asset-backed:				
Residential mortgage-backed		4,668	428	5,096
Commercial mortgage-backed		1,844	165	2,009
Other asset-backed		560	387	947
Total asset-backed		7,072	980	8,052
U.S. Treasury and obligations of government-sponsored enterprises	147	29		176
Foreign government	98	446		544
Redeemable preferred stock	49	58	25	132
Fixed maturities available-for-sale	324	39,730	1,347	41,401
Fixed maturities, trading	47	60	87	194
Total fixed maturities	$ 371	$ 39,790	$ 1,434	$ 41,595
Equity securities available-for-sale	$ 134	$ 52	$ 13	$ 199
Equity securities, trading	655		2	657
Total equity securities	$ 789	$ 52	$ 15	$ 856
Short term investments	$ 5,617	$ 423		$ 6,040
Other invested assets		36		36
Receivables		29	$ 8	37
Life settlement contracts			91	91
Separate account business	6	239	2	247
Payable to brokers	(135)	(16)	(3)	(154)

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December 31, 2012	Level 1	Level 2	Level 3	Total
(In millions)				
Fixed maturity securities:				
Corporate and other bonds	$ 6	$ 21,982	$ 219	$ 22,207
States, municipalities and political subdivisions		10,687	96	10,783
Asset-backed:				
Residential mortgage-backed		5,507	413	5,920
Commercial mortgage-backed		1,693	129	1,822
Other asset-backed		584	368	952
Total asset-backed		7,784	910	8,694
U.S. Treasury and obligations of government-sponsored enterprises	158	24		182
Foreign government	140	473		613
Redeemable preferred stock	40	59	26	125
Fixed maturities available-for-sale	344	41,009	1,251	42,604
Fixed maturities, trading		72	89	161
Total fixed maturities	$ 344	$ 41,081	$ 1,340	$ 42,765
Equity securities available-for-sale	$ 117	$ 98	$ 34	$ 249
Equity securities, trading	642		7	649
Total equity securities	$ 759	$ 98	$ 41	$ 898
Short term investments	$ 4,990	$ 799	$ 6	$ 5,795
Other invested assets		58	1	59
Receivables		32	11	43
Life settlement contracts			100	100
Separate account business	4	306	2	312
Payable to brokers	(95)	(11)	(6)	(112)

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The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2013 and 2012:

2013	Balance, April 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 283	$ 1	$ (3)	$ 13	$ (54)	$ (6)		$ (32)	$ 202	$ (1)
States, municipalities and political subdivisions	129		4	37	(32)	(3)	$ 5		140	
Asset-backed:										
Residential mortgage-backed	450	(1)	(1)	50	(10)	(21)	4	(43)	428	(2)
Commercial mortgage-backed	177		4	5		(2)	21	(40)	165	
Other asset-backed	396		(3)	38	(33)	(11)			387	(1)
Total asset-backed	1,023	(1)	-	93	(43)	(34)	25	(83)	980	(3)
Redeemable preferred stock	26		(1)						25	
Fixed maturities available-for-sale	1,461	-	-	143	(129)	(43)	30	(115)	1,347	(4)
Fixed maturities, trading	107				(20)				87	
Total fixed maturities	$ 1,568	$ -	$ -	$ 143	$ (149)	$ (43)	$ 30	$ (115)	$ 1,434	$ (4)
Equity securities available-for-sale	$ 19	$ (5)	$ (1)						$ 13	$ (5)
Equity securities trading	3	(1)							2	(2)
Total equity securities	$ 22	$ (6)	$ (1)	$ -	$ -	$ -	$ -	$ -	$ 15	$ (7)

Short term investments	**$ 5**				**$ (5)**		**$ -**	
Life settlement contracts	**95**	**$ 4**				**$ (8)**	**91**	**$ (1)**
Separate account business	**2**						**2**	
Derivative financial instruments, net	**2**	**2**	**$ 2**	**$ 1**	**(1)**	**(1)**	**5**	

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2012	Balance, April 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 485	$ 3	$ 2	$ 68	$ (26)	$ (13)	$ 9	$ (40)	$ 488	
States, municipalities and political subdivisions	173		1			(85)			89	
Asset-backed:										
Residential mortgage-backed	447	1	(18)	22		(9)			443	
Commercial mortgage-backed	105	2	4	87	(12)	(4)		(16)	166	
Other asset-backed	384	2	(1)	182	(99)	(34)			434	
Total asset-backed	936	5	(15)	291	(111)	(47)	-	(16)	1,043	
Redeemable preferred stock	53				(26)				27	
Fixed maturities available-for-sale	1,647	8	(12)	359	(163)	(145)	9	(56)	1,647	
Fixed maturities, trading	101				(3)			(4)	94	
Total fixed maturities	$ 1,748	$ 8	$ (12)	$ 359	$ (166)	$ (145)	$ 9	$ (60)	$ 1,741	$ -
Equity securities available-for-sale	$ 74		$ 19	$ 15	$ (15)				$ 93	$ (1)
Equity securities trading	11	$ (2)							9	(2)
Total equity securities	$ 85	$ (2)	$ 19	$ 15	$ (15)	$ -	$ -	$ -	$ 102	$ (3)
Short term investments	$ -			$ 4					$ 4	
Other invested assets	11								11	

Life settlement contracts	115	$ 20			$ (19)	116	$ 3
Separate account business	4			$ (1)		3	
Derivative financial instruments, net	(8)	1	$ 21	(1)	(1)	12	

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2013	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 219	$ 1	$ (1)	$ 104	$ (71)	$ (26)	$ 26	$ (50)	$ 202	$ (2)
States, municipalities and political subdivisions	96	(3)	4	122	(79)	(5)	5		140	
Asset-backed:										
Residential mortgage-backed	413	2	(1)	111	(10)	(32)	4	(59)	428	(2)
Commercial mortgage-backed	129	1	9	78		(9)	21	(64)	165	
Other asset-backed	368	3	(2)	174	(132)	(24)			387	(1)
Total asset-backed	910	6	6	363	(142)	(65)	25	(123)	980	(3)
Redeemable preferred stock	26		(1)						25	
Fixed maturities available-for-sale	1,251	4	8	589	(292)	(96)	56	(173)	1,347	$ (5)
Fixed maturities, trading	89	1		19	(22)				87	1
Total fixed maturities	$ 1,340	$ 5	$ 8	$ 608	$ (314)	$ (96)	$ 56	$ (173)	$ 1,434	$ (4)
Equity securities available-for-sale	$ 34	$ (20)						$ (1)	$ 13	$ (20)
Equity securities trading	7	(5)							2	(5)
Total equity securities	$ 41	$ (25)	$ -	$ -	$ -	$ -	$ -	$ (1)	$ 15	$ (25)
Short term investments	$ 6				$ (6)				$ -	
Other invested assets	1				(1)				-	

Life settlement contracts	**100**	**$ 11**			**$ (20)**	**91**	**$ 1**
Separate account business	**2**					**2**	
Derivative financial instruments, net	**5**	**5**	**$ (2)**	**$ 1**	**(4)**	**5**	**1**

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		Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)								Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities
2012	Balance, January 1	Included in Net Income	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 482	$ 6	$ 6	$ 146	$ (112)	$ (32)	$ 42	$ (50)	$ 488	
States, municipalities and political subdivisions	171		3			(85)			89	
Asset-backed:										
Residential mortgage-backed	452	2	(22)	60		(16)		(33)	443	
Commercial mortgage-backed	59	2	8	129	(12)	(4)		(16)	166	
Other asset-backed	343	6	3	358	(176)	(59)		(41)	434	
Total asset-backed	854	10	(11)	547	(188)	(79)	-	(90)	1,043	
Redeemable preferred stock	-			53	(26)				27	
Fixed maturities available-for-sale	1,507	16	(2)	746	(326)	(196)	42	(140)	1,647	
Fixed maturities, trading	101	(7)		1	(1)				94	$ (7)
Total fixed maturities	$ 1,608	$ 9	$ (2)	$ 747	$ (327)	$ (196)	$ 42	$ (140)	$ 1,741	$ (7)
Equity securities available-for-sale	$ 67		$ 16	$ 26	$ (16)				$ 93	$ (3)
Equity securities trading	14	$ (5)							9	(4)
Total equity securities	$ 81	$ (5)	$ 16	$ 26	$ (16)	$ -	$ -	$ -	$ 102	$ (7)
Short term investments	$ 27			$ 16		$ (39)			$ 4	
Other invested assets	11								11	

Life settlement contracts	117	$ 23			(24)	116	$ 3
Separate account business	23			$ (20)		3	
Derivative financial instruments, net	(15)	(4)	$ 34	(6)	3	12	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 shown in the Level 3 tables may be transferred in or out of Level 3 based on the availability of observable market information used to determine the fair value of the security. The availability of observable market information varies based on market conditions and trading volume and may cause securities to move in and out of Level 3 from reporting period to reporting period. There were no transfers between Level 1 and Level 2 during the three or six months ended June 30, 2013 and 2012. The Company s policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

Significant Unobservable Inputs

The table below presents quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurements of Level 3 assets. Valuations for assets and liabilities not presented in the table 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.

June 30, 2013	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
	(In millions)			
Assets				
Fixed maturity securities	**$ 106**	**Discounted cash flow**	**Expected call date**	**1.6 - 3.5 years (3.1 years)**
			Credit spread	**1.95% -7.95%(2.67%)**
	83	**Market approach**	**Private offering price**	**$36.32 -$113.76($101.70)**
Equity securities	**13**	**Market approach**	**Private offering price**	**$33.73 - $4,017.00 per share ($936.89 per share)**
Life settlement contracts	**91**	**Discounted cash flow**	**Discount rate risk premium**	**9%**
			Mortality assumption	**69% - 883%(209.2%)**
December 31, 2012				
Assets				
Fixed maturity securities	$ 121	Discounted cash flow	Expected call date	3.3 5.3 years (4.3 years)
			Credit spread adjustment	0.02% 0.48%(0.17%)
	72	Market approach	Private offering price	$42.39 $102.32($100.11)
Equity securities	34	Market approach	Private offering price	$4.54 $3,842.00 per share ($571.17 per share)
Life settlement contracts	100	Discounted cash flow	Discount rate risk premium	9%
			Mortality assumption	69% 883%(208.9%)

For fixed maturity securities, an increase to the expected call date assumption and credit spread adjustment or decrease in the private offering price would result in a lower fair value measurement. For equity securities, an increase in the private offering price would result in a higher 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.

Financial Assets and Liabilities Not Measured at Fair Value

The methods and assumptions used to estimate the fair value for financial assets and liabilities not measured at fair value were consistent with those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2012.

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

	Carrying	Estimated Fair Value			
June 30, 2013	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
(In millions)					
Financial Assets:					
Other invested assets, primarily mortgage loans	**$ 437**			**$ 449**	**$ 449**
Financial Liabilities:					
Premium deposits and annuity contracts	**75**			**76**	**76**
Short term debt	**33**		**$ 13**	**20**	**33**
Long term debt	**10,039**		**10,444**	**334**	**10,778**
December 31, 2012					
Financial Assets:					
Other invested assets, primarily mortgage loans	$ 401			$ 418	$ 418
Financial Liabilities:					
Premium deposits and annuity contracts	100			104	104
Short term debt	19		$ 13	6	19
Long term debt	9,191		10,170	202	10,372

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4. 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.

	June 30, 2013			December 31, 2012		
	Contractual/ Notional	**Estimated Fair Value**		Contractual/ Notional	Estimated Fair Value	
	Amount	**Asset**	**(Liability)**	Amount	Asset	(Liability)
(In millions)						
With hedge designation:						
Interest rate risk:						
Interest rate swaps	**$ 300**	**$ 1**	**$ (4)**	$ 300		$ (6)
Commodities:						
Forwards short	**295**	**29**	**(3)**	288	$ 39	(3)
Foreign exchange:						
Currency forwards short	**222**	**1**	**(10)**	144	4	
Without hedge designation:						
Equity markets:						
Options purchased	**1,010**	**37**		255	19	
written	**606**		**(33)**	374		(11)
Equity swaps and warrants						
long	**18**	**13**		14	6	
Interest rate risk:						
Credit default swaps						
purchased protection	**63**		**(2)**	78		(2)
sold protection	**18**			33		(2)
Foreign exchange:						
Currency forwards long	**75**			404		(2)
short	**273**	**6**		128		

Gross estimated fair values of derivative positions are currently presented in Equity securities, Receivables and Payable to brokers on the Consolidated Condensed Balance Sheets. There would be no significant difference in the balance included in such accounts if the estimated fair values were presented net for the periods ended June 30, 2013 and December 31, 2012.

For derivative financial instruments without hedge designation, changes in the fair value of derivatives not held in a trading portfolio are reported in Investment gains (losses) and changes in the fair value of derivatives held for trading purposes are reported in Net investment income on the Consolidated Condensed Statements of Income. Losses of $5 million and $1 million for the three months ended June 30, 2013 and 2012 and losses of $3 million and $2 million for the six months ended June 30, 2013 and 2012 were included in Investment gains (losses). Losses of $3 million and gains of $5 million for three months ended June 30, 2013 and 2012 and losses of $16 million and gains of $1 million for the six months ended June 30, 2013 and 2012 were included in Net investment income.

The Company s derivative financial instruments with cash flow hedge designation hedge variable price risk associated with the purchase and sale of natural gas and other energy-related products, exposure to foreign currency losses on future foreign currency expenditures, as well as risks attributable to changes in interest rates on long term debt. Gains of $19 million and $15 million were recognized in OCI related to these cash flow hedges for the three months ended June 30, 2013 and 2012. Gains of $1 million and $49 million were recognized in OCI related to these cash flow hedges for the six months ended June 30, 2013 and 2012. For the three months ended June 30, 2013 and 2012, the amount of gains reclassified from AOCI into income were $6 million and $18 million. For the six months ended June 30, 2013 and 2012, the amount of gains reclassified from AOCI into income were $19 million and $27 million. As of June 30, 2013, the estimated amount of net unrealized gains associated with these cash flow hedges that will be reclassified from AOCI into earnings during the next twelve months was $10 million. The net amounts recognized due to ineffectiveness were less than $1 million for the three and six months ended June 30, 2013 and 2012.

5. Claim and Claim Adjustment Expense Reserves

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

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

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in CNA s results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of $65 million and $68 million for the three months ended June 30, 2013 and 2012 and $104 million and $96 million for the six months ended June 30, 2013 and 2012. Catastrophe losses in 2013 related primarily to U.S. storms.

Net Prior Year Development

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

Three Months Ended June 30, 2013	**CNA Specialty**	**CNA Commercial**	**Other**	**Total**
(In millions)				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (41)**	**$ 27**	**$ 9**	**$ (5)**
Pretax (favorable) unfavorable premium development	**(5)**	**(5)**	**2**	**(8)**
Total pretax (favorable) unfavorable net prior year development	**$ (46)**	**$ 22**	**$ 11**	**$ (13)**

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Three Months Ended June 30, 2012	CNA Specialty	CNA Commercial	Other	Total
(In millions)				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (35)	$ (13)	$ (4)	$ (52)
Pretax (favorable) unfavorable premium development	(5)	(19)	1	(23)
Total pretax (favorable) unfavorable net prior year development	$ (40)	$ (32)	$ (3)	$ (75)
Six Months Ended June 30, 2013				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (56)**	**$ 16**	**$ 9**	**$ (31)**
Pretax (favorable) unfavorable premium development	**(13)**	**(15)**	**7**	**(21)**
Total pretax (favorable) unfavorable net prior year development	**$ (69)**	**$ 1**	**$ 16**	**$ (52)**
Six Months Ended June 30, 2012				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (41)	$ (27)	$ (2)	$ (70)
Pretax (favorable) unfavorable premium development	(14)	(36)	2	(48)
Total pretax (favorable) unfavorable net prior year development	$ (55)	$ (63)	$ -	$ (118)

For the three and six months ended June 30, 2012, favorable premium development was recorded for CNA Commercial primarily due to premium adjustments on auditable policies arising from increased exposures.

CNA Specialty

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2013	2012	**2013**	2012

(In millions)

Medical professional liability	**$ (17)**	$ (9)	**$ (20)**	$ (15)
Other professional liability	**(23)**	(6)	**(24)**	(2)
Surety	**1**		**2**	1
Warranty				(1)
Other	**(2)**	(20)	**(14)**	(24)
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (41)**	$ (35)	**$ (56)**	$ (41)

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Three Month Comparison

2013

Favorable development for medical professional liability was primarily due to a decrease in incurred loss severity in accident years 2009 and prior.

Overall, favorable development for other professional liability was related to better than expected loss emergence in accident years 2007 through 2009. Unfavorable development was recorded in accident years 2010 through 2012 related to an increase in severity.

2012

Favorable development for medical professional liability was primarily due to a decrease in incurred loss severity in accident years 2008 through 2010.

Other includes standard property and casualty coverages provided to CNA Specialty customers. Favorable development for other coverages was primarily due to favorable loss emergence in property and workers   compensation coverages in accident years 2005 and subsequent.

Six Month Comparison

2013

Overall, favorable development for medical professional liability reflects favorable experience in accident years 2009 and prior. Unfavorable development was recorded for accident years 2010 and 2011 due to higher than expected large loss activity.

Overall, favorable development for other professional liability was related to better than expected loss emergence in accident years 2007 through 2009. Unfavorable development was recorded in accident years 2010 through 2012 related to an increase in severity.

Favorable development for other coverages was primarily due to better than expected loss emergence in property coverages in accident years 2010 and subsequent.

2012

Favorable development for medical professional liability was primarily due to a decrease in incurred loss severity in accident years 2008 through 2010 and reductions in the estimated frequency of large losses in accident years 2008 and prior.

Favorable development for other coverages was primarily due to favorable loss emergence in property and workers   compensation coverages in accident years 2005 and subsequent.

CNA Commercial

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions)				
Commercial auto	**$ 2**	$ 2	**$ (3)**	$ 2

General liability	**15**	(13)	**(6)**	(5)
Workers compensation	**45**	8	**70**	(11)
Property and other	**(35)**	(10)	**(45)**	(13)
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ 27**	$ (13)	**$ 16**	$ (27)

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Three Month Comparison

2013

Unfavorable development for general liability coverages was primarily related to increased incurred loss severity in accident years 2010 through 2012.

Unfavorable development for workers compensation was primarily in response to legislation enacted during 2013 related to the New York Fund for Reopened Cases. The law change necessitated an increase in reserves as re-opened workers compensation claims can no longer be turned over to the state for handling and payment after December 31, 2013.

Favorable development for property and other coverages was primarily related to favorable outcomes on litigated catastrophe claims in accident years 2005 and 2010 and favorable loss emergence on non-catastrophe losses in accident year 2012.

2012

Favorable development for general liability coverages was primarily related to favorable loss emergence in accident years 2005 and prior.

Favorable development for property and marine coverages was due to a favorable outcome on an individual claim in accident year 2005 and favorable loss emergence in non-catastrophe losses in accident year 2010.

Six Month Comparison

2013

Overall, favorable development for general liability coverages was primarily related to better than expected loss emergence in accident years 2002 and prior. Unfavorable development was recorded in accident years 2010 through 2012 primarily related to increased incurred loss severity.

Unfavorable development for workers compensation was recorded in response to legislation in New York as discussed above. Additional unfavorable development was primarily due to higher than expected large losses and increased severity in the state of California in accident year 2010.

Favorable development for property and other coverages was primarily related to favorable outcomes on litigated catastrophe claims in accident years 2005 and 2010 and favorable loss emergence on non-catastrophe losses in accident year 2012.

2012

Overall, favorable development for workers compensation reflects favorable experience in accident years 2001 and prior. Unfavorable development was recorded in accident year 2010 related to increased medical severity and in accident year 2011 related to favorable premium development.

Favorable development for property and marine coverages was due to a favorable outcome on an individual claim in accident year 2005 and favorable loss emergence in non-catastrophe losses in accident year 2010.

6. Debt

In May of 2013, the Company completed a public offering of $500 million aggregate principal amount of 2.6% senior notes due May 15, 2023 and $500 million aggregate principal amount of 4.1% senior notes due May 15, 2043. The Company received net proceeds of approximately $983 million, after deducting the underwriters discounts and commissions and offering expenses of $17 million, which will be amortized over the life of the notes. The proceeds for this offering are expected to be used for general corporate purposes.

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7. Shareholders Equity

Accumulated other comprehensive income

The tables below present the changes in Accumulated other comprehensive income (AOCI) by component for the three and six months ended June 30, 2013:

			Cash Flow Hedges					Total Accumulated Other Comprehensive Income (Loss)
	Unrealized Gains (Losses) On Investments	OTTI Gains (Losses)	Interest Rate Swaps	Commodity Hedges	Foreign Currency Forwards	Pension Liability	Foreign Currency Translation	
(In millions)								
Balance, April 1, 2013	**$ 1,176**	**$ 31**	**$ (9)**	**$ 6**	**$ 1**	**$ (727)**	**$ 88**	**$ 566**
Other comprehensive income (loss) before reclassifications, after tax of $317, $4, $(1), $(8), $4, $0 and $0	**(589)**	**(8)**	**2**	**18**	**(6)**		**(13)**	**(596)**
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $(3), $0, $0, $2, $0, $(2) and $0	**4**			**(3)**	**(1)**	**5**		**5**
Issuance of equity securities by subsidiary						**2**		**2**
Other comprehensive income (loss)	**(585)**	**(8)**	**2**	**15**	**(7)**	**7**	**(13)**	**(589)**
Amounts attributable to noncontrolling interests	**59**			**(3)**	**3**	**(1)**	**2**	**60**
Balance, June 30, 2013	**$ 650**	**$ 23**	**$ (7)**	**$ 18**	**$ (3)**	**$ (721)**	**$ 77**	**$ 37**
Balance, January 1, 2013	**$ 1,233**	**$ 18**	**$ (9)**	**$ 24**	**$ 1**	**$ (732)**	**$ 143**	**$ 678**
Other comprehensive income (loss) before reclassifications, after tax of $346, $(3), $(1), $(2), $4, $0 and $0	**(638)**	**6**	**3**	**5**	**(6)**		**(74)**	**(704)**
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $3, $0, $(1), $6, $1, $(5)	**(9)**		**(1)**	**(10)**	**(2)**	**9**		**(13)**

and $0								
Issuance of equity securities by subsidiary						**2**		**2**
Other comprehensive income (loss)	**(647)**	**6**	**2**	**(5)**	**(8)**	**11**	**(74)**	**(715)**
Amounts attributable to noncontrolling interests	**64**	**(1)**		**(1)**	**4**		**8**	**74**
Balance, June 30, 2013	**$ 650**	**$ 23**	**$ (7)**	**$ 18**	**$ (3)**	**$ (721)**	**$ 77**	**$ 37**

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

Major Category of AOCI	Affected Line Item
Unrealized gains (losses) on investments	Investment gains (losses)
OTTI gains (losses)	Investment gains (losses)
Cash flow hedges	
Interest rate swaps	Interest expense
Commodity hedges	Other revenues
Foreign currency forwards	Contract drilling expenses
Pension liability	Other operating expenses

Subsidiary Equity Transactions

In May of 2013, Boardwalk Pipeline sold 12.7 million common units in a public offering and received net proceeds of $377 million, including an $8 million contribution from the Company to maintain its 2% general partner interest. The Company s percentage ownership interest in Boardwalk Pipeline declined as a result of this transaction, from 55% to 53%. The issuance price of the common units exceeded the Company s carrying value, resulting in an increase to Additional paid-in capital of $51 million and an increase to AOCI of $2 million.

Treasury Stock

The Company purchased 4.0 million and 1.3 million shares of Loews common stock at aggregate costs of $177 million and $51 million during the six months ended June 30, 2013 and 2012.

8. Benefit Plans

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

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

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

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

The components of net periodic benefit cost are as follows:

	Pension Benefits	
	Three Months Ended June 30,	**Six Months Ended June 30,**

(In millions)	2013	2012	2013	2012
Service cost	**$ 6**	$ 6	**$ 12**	$ 12
Interest cost	**33**	37	**67**	75
Expected return on plan assets	**(50)**	(46)	**(99)**	(93)
Amortization of unrecognized net loss	**14**	12	**28**	23
Net periodic benefit cost	**$ 3**	$ 9	**$ 8**	$ 17

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	Other Postretirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions)				
Interest cost	**$ 1**	$ 2	**$ 2**	$ 3
Expected return on plan assets	**(1)**	(1)	**(2)**	(2)
Amortization of unrecognized prior service benefit	**(7)**	(7)	**(13)**	(13)
Net periodic benefit cost	**$ (7)**	$ (6)	**$ (13)**	$ (12)

9. Business Segments

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

CNA s results are reported in four business segments: CNA Specialty, CNA Commercial, Life & Group Non-Core and Other. CNA Specialty provides a broad array of professional, financial and specialty property and casualty products and services, primarily through insurance brokers and managing general underwriters. CNA Commercial includes property and casualty coverages sold to small businesses and middle market entities and organizations primarily through an independent agency distribution system. CNA Commercial also includes commercial insurance and risk management products sold to large corporations primarily through insurance brokers. Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. Other includes the operations of Hardy Underwriting Bermuda Limited (Hardy) since its acquisition date of July 2, 2012, corporate expenses, including interest on corporate debt, and the results of certain property and casualty business primarily in run-off, including CNA Re and asbestos and environmental pollution. Hardy is a specialized Lloyd s of London underwriter primarily of short-tail exposures in marine and aviation, non-marine property, specialty lines and property treaty reinsurance.

Diamond Offshore owns and operates offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. Diamond Offshore s fleet consists of 45 drilling rigs, including five new-build rigs which are under construction and two rigs being constructed utilizing the hulls of Diamond Offshore s existing mid-water floaters. On June 30, 2013, Diamond Offshore s drilling rigs were located offshore 12 countries in addition to the United States.

Boardwalk Pipeline is engaged in the interstate transportation and storage of natural gas and natural gas liquids (NGLs) and gathering and processing of natural gas. This segment consists of interstate natural gas pipeline systems originating in the Gulf Coast region, Oklahoma and Arkansas, and extending north and east through the midwestern states of Tennessee, Kentucky, Illinois, Indiana and Ohio, natural gas storage facilities in four states and NGL pipelines and storage facilities in Louisiana, with approximately 14,410 miles of pipeline.

HighMount is engaged in the exploration, production and marketing of natural gas and oil (including condensate and NGLs), primarily located in the Permian Basin in West Texas as well as the Mississippian Lime in Oklahoma and the Texas Panhandle regions.

Loews Hotels operates a chain of 19 hotels, 17 of which are in the United States and two are in Canada.

The Corporate and other segment consists primarily of corporate investment income, corporate interest expense and other unallocated expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. In addition, CNA does not maintain a distinct investment portfolio for every insurance segment, and accordingly, allocation of assets to each segment is not performed. Therefore, a significant portion of net investment income and investment gains (losses) are allocated based on each segment s carried insurance reserves, as adjusted.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
(In millions)				
Revenues (a):				
CNA Financial:				
CNA Specialty	**$ 954**	$ 896	**$ 1,910**	$ 1,841
CNA Commercial	**1,104**	984	**2,205**	2,072
Life & Group Non-Core	**346**	360	**709**	710
Other	**89**	6	**172**	24
Total CNA Financial	**2,493**	2,246	**4,996**	4,647
Diamond Offshore	**760**	793	**1,492**	1,589
Boardwalk Pipeline	**304**	277	**633**	591
HighMount	**66**	69	**134**	145
Loews Hotels	**101**	94	**195**	174
Corporate and other	**1**	(91)	**9**	(14)
Total	**$ 3,725**	$ 3,388	**$ 7,459**	$ 7,132
Income (loss) before income tax and noncontrolling interests (a):				
CNA Financial:				
CNA Specialty	**$ 220**	$ 166	**$ 435**	$ 375
CNA Commercial	**161**	99	**359**	326
Life & Group Non-Core	**(78)**	(14)	**(87)**	(51)
Other	**(25)**	(18)	**(65)**	(51)
Total CNA Financial	**278**	233	**642**	599
Diamond Offshore	**257**	246	**462**	498
Boardwalk Pipeline	**67**	66	**166**	158
HighMount	**9**	(217)	**(130)**	(251)
Loews Hotels	**2**	11	**2**	18
Corporate and other	**(32)**	(125)	**(49)**	(67)
Total	**$ 581**	$ 214	**$ 1,093**	$ 955
Net income (loss) (a):				
CNA Financial:				
CNA Specialty	**$ 129**	$ 100	**$ 257**	$ 225
CNA Commercial	**94**	59	**209**	190
Life & Group Non-Core	**(33)**	5	**(25)**	(5)

Other	**(15)**	(13)	**(40)**	(33)
Total CNA Financial	**175**	151	**401**	377
Diamond Offshore	**87**	94	**169**	181
Boardwalk Pipeline	**22**	25	**55**	60
HighMount	**5**	(139)	**(83)**	(161)
Loews Hotels	**1**	6	**1**	10
Corporate and other	**(21)**	(81)	**(32)**	(44)
Total	**$ 269**	$ 56	**$ 511**	$ 423

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(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 June 30,		Six Months Ended June 30,	
	2013	2012	**2013**	2012
Revenues and Income (loss) before income tax and noncontrolling interests:				
CNA Financial:				
CNA Specialty	**$ (6)**	$ 8	**$ (3)**	$ 16
CNA Commercial	**(12)**	13	**(8)**	24
Life & Group Non-Core		4	**14**	17
Other	**4**	(3)	**7**	(3)
Total CNA Financial	**(14)**	22	**10**	54
Corporate and other		(2)		(2)