

LOEWS CORP
Form 10-Q
August 04, 2010
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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, 2010

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.)

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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 July 23, 2010
418,252,199 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)**

	June 30, 2010	December 31, 2009
(Dollar amounts in millions, except per share data)		
Assets:		
Investments:		
Fixed maturities, amortized cost of \$37,729 and \$35,824	\$ 38,897	\$ 35,816
Equity securities, cost of \$891 and \$943	935	1,007
Limited partnership investments	2,256	1,996
Short term investments	5,622	7,215
Total investments	47,710	46,034
Cash	91	190
Receivables	9,765	10,212
Property, plant and equipment	12,626	13,274
Deferred income taxes	561	627
Goodwill	856	856
Other assets	1,908	1,346
Deferred acquisition costs of insurance subsidiaries	1,095	1,108
Separate account business	447	423
Total assets	\$ 75,059	\$ 74,070
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	\$ 25,968	\$ 26,816
Future policy benefits	8,217	7,981
Unearned premiums	3,303	3,274
Policyholders funds	172	192
Total insurance reserves	37,660	38,263
Payable to brokers	308	540
Short term debt	247	10
Long term debt	8,809	9,475
Other liabilities	4,861	4,274
Separate account business	447	423
Total liabilities	52,332	52,985
Preferred stock, \$0.10 par value:		
Authorized 100,000,000 shares		

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Common stock, \$0.01 par value:		
Authorized	1,800,000,000 shares	
Issued	425,557,499 and 425,497,522 shares	4 4
Additional paid-in capital		3,749 3,637
Retained earnings		14,426 13,693
Accumulated other comprehensive income (loss)		295 (419)
		18,474 16,915
Less treasury stock, at cost (7,305,300 and 427,200 shares)		(269) (16)
Total shareholders' equity		18,205 16,899
Noncontrolling interests		4,522 4,186
Total equity		22,727 21,085
Total liabilities and equity		\$ 75,059 \$ 74,070

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions, except per share data)				
Revenues:				
Insurance premiums	\$ 1,608	\$ 1,656	\$ 3,223	\$ 3,328
Net investment income	526	735	1,143	1,182
Investment gains (losses):				
Other-than-temporary impairment losses	(58)	(484)	(148)	(1,098)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss)	1	89	31	89
Net impairment losses recognized in earnings	(57)	(395)	(117)	(1,009)
Other net investment gains	68	98	149	181
Total investment gains (losses)	11	(297)	32	(828)
Contract drilling revenues	812	923	1,656	1,779
Other	529	517	1,145	1,096
Total	3,486	3,534	7,199	6,557
Expenses:				
Insurance claims and policyholders' benefits	1,147	1,295	2,455	2,637
Amortization of deferred acquisition costs	345	349	687	698
Contract drilling expenses	349	306	654	600
Impairment of natural gas and oil properties				1,036
Other operating expenses	715	718	1,447	1,494
Interest	127	110	257	204
Total	2,683	2,778	5,500	6,669
Income (loss) before income tax	803	756	1,699	(112)
Income tax (expense) benefit	(262)	(197)	(535)	198
Net income	541	559	1,164	86
Amounts attributable to noncontrolling interests	(175)	(219)	(378)	(393)
Net income (loss) attributable to Loews Corporation	\$ 366	\$ 340	\$ 786	\$ (307)
Basic net income (loss) per share	\$ 0.88	\$ 0.78	\$ 1.87	\$ (0.70)
Diluted net income (loss) per share	\$ 0.87	\$ 0.78	\$ 1.87	\$ (0.70)

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Dividends per share	\$ 0.0625	\$ 0.0625	\$ 0.125	\$ 0.125
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Weighted-average shares outstanding:

Shares of common stock	418.64	435.07	420.69	435.09
Dilutive potential shares of common stock	0.74	0.56	0.79	

Total weighted-average shares outstanding assuming dilution	419.38	435.63	421.48	435.09
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See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(In millions)	2010	2009	2010	2009
Net income	\$ 541	\$ 559	\$ 1,164	\$ 86
Other comprehensive income (loss)				
Changes in:				
Net unrealized gains (losses) on investments with other- than-temporary impairments	17	(34)	42	(34)
Net other unrealized gains on investments	373	1,492	680	1,891
Total unrealized gains on available-for-sale investments	390	1,458	722	1,857
Unrealized gains (losses) on cash flow hedges	6	(12)	67	3
Foreign currency	16	77	6	70
Pension liability	2	1	4	
Other comprehensive income	414	1,524	799	1,930
Comprehensive income	955	2,083	1,963	2,016
Amounts attributable to noncontrolling interests	(219)	(377)	(464)	(600)
Total comprehensive income attributable to Loews Corporation	\$ 736	\$ 1,706	\$ 1,499	\$ 1,416

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENT OF EQUITY**

(Unaudited)

	Loews Corporation Shareholders						
	Total	Loews Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
(In millions)							
Balance, January 1, 2010	\$ 21,085	\$ 4	\$ 3,637	\$ 13,693	\$ (419)	\$ (16)	\$ 4,186
Sale of subsidiary common units	279		83		1		195
Net income	1,164			786			378
Other comprehensive income	799				713		86
Dividends paid	(356)			(53)			(303)
Purchase of Loews treasury stock	(253)					(253)	
Issuance of Loews common stock	1		1				
Stock-based compensation	11		9				2
Other	(3)		19				(22)
Balance, June 30, 2010	\$ 22,727	\$ 4	\$ 3,749	\$ 14,426	\$ 295	\$ (269)	\$ 4,522

See accompanying Notes to Consolidated Condensed Financial Statements.

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

Six Months Ended June 30	2010	2009
(In millions)		
Operating Activities:		
Net income	\$ 1,164	\$ 86
Adjustments to reconcile net income to net cash provided by operating activities, net	446	1,849
Changes in operating assets and liabilities, net:		
Reinsurance receivables	374	424
Other receivables	(40)	(382)
Deferred acquisition costs	13	(20)
Insurance reserves	(437)	(245)
Other liabilities	(27)	(246)
Trading securities	(589)	177
Other, net	(104)	9
Net cash flow operating activities	800	1,652
Investing Activities:		
Purchases of fixed maturities	(9,478)	(12,402)
Proceeds from sales of fixed maturities	6,388	11,083
Proceeds from maturities of fixed maturities	1,866	1,723
Purchases of equity securities	(62)	(240)
Proceeds from sales of equity securities	128	441
Purchases of property, plant and equipment	(473)	(1,380)
Sales of property, plant and equipment	591	7
Change in short term investments	1,058	(897)
Other, net	(170)	10
Net cash flow investing activities	\$ (152)	\$ (1,655)

See accompanying Notes to Consolidated Condensed Financial Statements.

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

Six Months Ended June 30	2010	2009
(In millions)		
Financing Activities:		
Dividends paid	\$ (53)	\$ (54)
Dividends paid to noncontrolling interests	(303)	(321)
Purchases of treasury shares	(266)	(32)
Purchases of treasury shares by subsidiary		(2)
Issuance of common stock	1	2
Proceeds from sale of subsidiary stock	333	
Principal payments on debt	(556)	(260)
Issuance of debt	125	666
Policyholders' investment contract net deposits (withdrawals)	(6)	(8)
Other, net	(20)	12
Net cash flow financing activities	(745)	3
Effect of foreign exchange rate on cash	(2)	5
Net change in cash	(99)	5
Cash, beginning of period	190	131
Cash, end of period	\$ 91	\$ 136

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**Loews Corporation and Subsidiaries****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****1. Basis of Presentation**

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary); exploration, production and marketing of natural gas and natural gas liquids (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary); the operation of interstate natural gas pipeline systems (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 66% owned subsidiary); and the operation of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary). In the first quarter of 2010 the Company sold 11.5 million common units of its subsidiary, Boardwalk Pipeline, for \$333 million, reducing the Company's ownership interest from 72% to 66%. Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) Loews as used herein means Net income (loss) attributable to Loews Corporation.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2010 and December 31, 2009 and the results of operations and comprehensive income for the three and six months ended June 30, 2010 and 2009 and changes in cash flows for the six months ended June 30, 2010 and 2009.

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

Reference is made to the Notes to Consolidated Financial Statements in the 2009 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

The Company presents basic and diluted earnings per share on the Consolidated Condensed Statements of Operations. Basic earnings per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Stock appreciation rights (SARs) of 2.6 and 2.5 million shares were not included in the diluted weighted average shares amount for the three and six months ended June 30, 2010 due to the exercise price being greater than the average stock price. For the three and six months ended June 30, 2009, 3.4 and 5.7 million shares, consisting solely of stock options and SARs, are not included in the diluted weighted average shares amount as their effects are antidilutive.

Sale of Assets On April 30, 2010, HighMount completed the sale of exploration and production assets located in the Antrim Shale in Michigan and on May 28, 2010, HighMount completed the sale of exploration and production assets located in the Black Warrior Basin in Alabama. These sales did not have a material impact on the Consolidated Condensed Statements of Operations. HighMount used the net proceeds from the sale, of approximately \$500 million, to reduce the outstanding debt under its term loans.

On July 7, 2010, Diamond Offshore completed the sale of one of its high performance, premium jack-up drilling rigs, the *Ocean Shield*, and will recognize a pretax gain of approximately \$30 million in the third quarter of 2010.

Accounting changes In June of 2009, the Financial Accounting Standards Board (FASB) issued updated accounting guidance which amended the requirements for determination of the primary beneficiary of a variable interest entity, required an ongoing assessment of whether an entity is the primary beneficiary and required enhanced interim and annual disclosures. The updated accounting guidance became effective for quarterly and annual reporting periods beginning after November 15, 2009, except for investment company type entities for which the requirements under this guidance have been deferred indefinitely. The adoption of this updated accounting guidance as of January 1, 2010 had no impact on the Company's financial condition or results of operations.

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New accounting pronouncements not yet adopted In March 2010, the FASB issued updated accounting guidance which amends the accounting and reporting requirements related to derivatives to provide clarifying language regarding when embedded credit derivative features, including those in synthetic collateralized debt and loan obligations, are considered embedded derivatives subject to potential bifurcation. The updated accounting guidance is effective for the first quarter beginning after June 15, 2010. The adoption of this updated accounting guidance is not expected to have a material impact on the Company's financial condition or results of operations.

2. Investments

(In millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Net investment income consisted of:				
Fixed maturity securities	\$ 519	\$ 487	\$ 1,029	\$ 962
Short term investments	7	13	14	24
Limited partnerships	7	159	87	89
Equity securities	9	14	19	28
Income (loss) from trading portfolio	(5)	72	16	98
Other	2	1	5	4
Total investment income	539	746	1,170	1,205
Investment expenses	(13)	(11)	(27)	(23)
Net investment income	\$ 526	\$ 735	\$ 1,143	\$ 1,182
Investment gains (losses) are as follows:				
Fixed maturity securities	\$ 66	\$ (392)	\$ 93	\$ (750)
Equity securities	(28)	64	(25)	(152)
Derivative instruments	(18)	33	(31)	64
Short term investments	1	(5)	4	9
Other	(10)	3	(9)	1
Investment gains (losses) (a)	\$ 11	\$ (297)	\$ 32	\$ (828)

(a) Includes gross realized gains of \$133, \$173, \$235 and \$281 and gross realized losses of \$95, \$501, \$167 and \$1,183 on available-for-sale securities for the three and six months ended June 30, 2010 and 2009.

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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		Six Months Ended	
	June 30,		June 30,	
(In millions)	2010	2009	2010	2009
Fixed maturity securities available-for-sale:				
Asset-backed securities:				
Residential mortgage-backed securities	\$ 11	\$ 119	\$ 37	\$ 268
Commercial mortgage-backed securities		165	2	181
Other asset-backed securities	2		2	31
Total asset-backed securities	13	284	41	480
States, municipalities and political subdivisions securities	6	15	20	15
Corporate and other bonds	24	94	42	284
Redeemable preferred stock				9
Total fixed maturities available-for-sale	43	393	103	788
Equity securities available-for-sale:				
Common stock	5	1	5	4
Preferred stock	9	1	9	217
Total equity securities available-for-sale	14	2	14	221
Net OTTI losses recognized in earnings	\$ 57	\$ 395	\$ 117	\$ 1,009

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

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

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

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CNA performs the discounted cash flow analysis using stressed scenarios to determine future expectations regarding recoverability. For asset-backed securities, significant assumptions enter into these cash flow projections including delinquency rates, probable risk of default, loss severity upon a default, over collateralization and interest coverage triggers, credit support from lower level tranches and impacts of rating agency downgrades. The discount rate utilized is either the yield at acquisition or, for lower rated structured securities, the current yield.

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

Prior to adoption of the updated accounting guidance related to OTTI in the second quarter of 2009, OTTI losses were not bifurcated between credit and non-credit components. The difference between fair value and amortized cost was recognized in earnings for all securities for which the Company did not expect to recover the amortized cost basis, or for which the Company did not have the ability and intent to hold until recovery of fair value to amortized cost.

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

June 30, 2010 (In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Months	12 Months or Greater	Estimated Fair Value	Unrealized OTTI Losses
Fixed maturity securities:						
U.S. Treasury securities and obligations of government agencies	\$ 146	\$ 19			\$ 165	
Asset-backed securities:						
Residential mortgage-backed securities	6,527	133	\$ 11	\$ 326	6,323	\$ 252
Commercial mortgage-backed securities	1,052	18	2	77	991	
Other asset-backed securities	733	17		17	733	
Total asset-backed securities	8,312	168	13	420	8,047	252
States, municipalities and political subdivisions securities	7,617	274	20	292	7,579	
Foreign government securities	577	15	1		591	
Corporate and other bonds	19,705	1,591	46	123	21,127	26
Redeemable preferred stock	48	4		1	51	
Fixed maturities available- for-sale	36,405	2,071	80	836	37,560	278
Fixed maturities, trading	1,324	28	2	13	1,337	
Total fixed maturities	37,729	2,099	82	849	38,897	278
Equity securities:						
Common stock	77	12	1		88	
Preferred stock	463	42	2	42	461	
Equity securities available-for-sale	540	54	3	42	549	
Equity securities, trading	351	86	21	30	386	
Total equity securities	891	140	24	72	935	

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Total	\$ 38,620	\$ 2,239	\$ 106	\$ 921	\$ 39,832	\$ 278
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December 31, 2009 (In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Months	12 Months or Greater	Estimated Fair Value	Unrealized OTTI Losses
Fixed maturity securities:						
U.S. Treasury securities and obligations of government agencies	\$ 184	\$ 16	\$ 1		\$ 199	
Asset-backed securities:						
Residential mortgage-backed securities	7,470	72	43	\$ 561	6,938	\$ 246
Commercial mortgage-backed securities	709	10	1	134	584	3
Other asset-backed securities	858	14	1	39	832	
Total asset-backed securities	9,037	96	45	734	8,354	249
States, municipalities and political subdivisions securities	7,280	203	30	329	7,124	
Foreign government securities	467	14	1	1	479	
Corporate and other bonds	18,410	1,107	44	244	19,229	26
Redeemable preferred stock	51	4		1	54	
Fixed maturities available- for-sale	35,429	1,440	121	1,309	35,439	275
Fixed maturities, trading	395	3		21	377	
Total fixed maturities	35,824	1,443	121	1,330	35,816	275
Equity securities:						
Common stock	61	14	1	1	73	
Preferred stock	572	40		41	571	
Equity securities available-for-sale	633	54	1	42	644	
Equity securities, trading	310	109	10	46	363	
Total equity securities	943	163	11	88	1,007	
Total	\$ 36,767	\$ 1,606	\$ 132	\$ 1,418	\$ 36,823	\$ 275

The amount of pretax net unrealized gains on available-for-sale securities reclassified out of Accumulated other comprehensive income (AOCI) into earnings was \$39 million and \$71 million for the three and six months ended June 30, 2010. The amount of pretax net unrealized losses on available-for-sale securities reclassified out of AOCI into earnings was \$328 million for the three months ended June 30, 2009.

Activity for the three and six months ended June 30, 2010 related to the pretax fixed maturity credit loss component reflected within Retained earnings for securities still held at June 30, 2010 was as follows:

(In millions)	Three Months	Six Months
	Ended June 30 , 2010	Ended June 30, 2010
Beginning balance of credit losses on fixed maturity securities	\$ 171	\$ 164

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Additional credit losses for which an OTTI loss was previously recognized	11	22
Credit losses for which an OTTI loss was not previously recognized	3	8
Reductions for securities sold during the period	(14)	(23)
Ending balance of credit losses on fixed maturity securities	\$ 171	\$ 171

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Activity for the three months ended June 30, 2009 related to the pretax fixed maturity credit loss component reflected within Retained earnings for securities still held at June 30, 2009 was as follows:

	Three Months Ended June 30, 2009
(In millions)	
Beginning balance of credit losses on fixed maturity securities	\$ 192
Additional credit losses for which an OTTI loss was previously recognized	21
Credit losses for which an OTTI loss was not previously recognized	84
Reductions for securities sold during the period	(36)
Reductions for securities the Company intends to sell or more likely than not will be required to sell	(49)
Ending balance of credit losses on fixed maturity securities	\$ 212

Based on current facts and circumstances, the Company has determined that no additional OTTI losses related to the securities in an unrealized loss position presented in the June 30, 2010 summary of fixed maturity and equity securities table above are required to be recorded. A discussion of some of the factors reviewed in making that determination is presented below.

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

Asset-Backed Securities

The fair value of total asset-backed holdings at June 30, 2010 was \$8,047 million which was comprised of 2,134 different asset-backed structured securities. The fair value of these securities does not tend to be influenced by the credit of the issuer but rather the characteristics and projected cash flows of the underlying collateral. Each security has deal-specific tranche structures, credit support that results from the unique deal structure, particular collateral characteristics and other distinct security terms. As a result, seemingly common factors such as delinquency rates and collateral performance affect each security differently. Of these securities, 175 have underlying collateral that is either considered sub-prime or Alt-A in nature. The exposure to sub-prime residential mortgage collateral and Alternative A residential mortgages that have lower than normal standards of loan documentation collateral is measured by the original deal structure.

Residential mortgage-backed securities include 232 structured securities in a gross unrealized loss position. In addition, there were 34 agency mortgage-backed pass-through securities which are guaranteed by agencies of the U.S. Government in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 10.4% of amortized cost.

Commercial mortgage-backed securities include 42 securities in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 12.7% of amortized cost. Other asset-backed securities include 19 securities in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 8.8% of amortized cost.

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

June 30, 2010 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
U.S. Government Agencies	\$ 47	\$ 42	\$ 5
AAA	1,697	1,571	126
AA	411	371	40
A	324	270	54
BBB	342	311	31
Non-investment grade and equity tranches	1,245	1,068	177
Total	\$ 4,066	\$ 3,633	\$ 433

The Company believes the unrealized losses are primarily attributable to broader economic conditions, liquidity concerns and wider than historical bid/ask spreads, and are not indicative of the quality of the underlying collateral. 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. Generally, non-investment grade securities consist of investments which were investment grade at the time of purchase but have subsequently been downgraded and primarily consist of holdings senior to the equity tranche. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of amortized cost and interest, collateral shortfalls, or substantial changes in future cash flow expectations; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at June 30, 2010.

States, Municipalities and Political Subdivisions Securities

The holdings in this portfolio consist of both tax-exempt and taxable special revenue and assessment bonds, representing 72.7% of the overall portfolio, followed by general obligation political subdivision bonds at 18.7% and state general obligation bonds at 8.6%.

The unrealized losses on the Company's investments in this portfolio are due to market conditions in certain sectors or states that continued to lag behind the broader municipal market performance. Yields for certain issuers and types of securities, such as zero coupon bonds, auction rate securities and tobacco securitizations, continue to be higher than historical norms relative to after tax returns on other fixed income alternatives. The holdings for all securities in this category include 240 securities in a gross unrealized loss position. The aggregate severity of the total gross unrealized losses was approximately 12.4% of amortized cost.

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

June 30, 2010 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
AAA	\$ 868	\$ 819	\$ 49
AA	708	588	120
A	438	416	22
BBB	481	362	119
Non-investment grade	22	20	2
Total	\$ 2,517	\$ 2,205	\$ 312

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The largest exposures at June 30, 2010 as measured by gross unrealized losses were special revenue bonds issued by several states backed by tobacco settlement funds with gross unrealized losses of \$110 million, and several separate issues of Puerto Rico sales tax revenue bonds with gross unrealized losses of \$85 million. All of these securities are rated investment grade.

The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of principal and interest; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at June 30, 2010.

Corporate and Other Bonds

The holdings in this category include 278 securities in a gross unrealized loss position. The aggregate severity of the gross unrealized losses was 5.7% of amortized cost.

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

June 30, 2010 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
Ratings distribution:			
AAA	\$ 36	\$ 33	\$ 3
AA	149	148	1
A	745	714	31
BBB	1,243	1,153	90
Non-investment grade	761	717	44
Total	\$ 2,934	\$ 2,765	\$ 169

The unrealized losses on corporate and other bonds, primarily in the financial sector of the portfolio, are attributable to the lingering impacts of the U.S. and European financial crisis over the past several years. Overall conditions in the corporate bond market have generally continued to improve during 2010, resulting in improvement in the Company's unrealized position. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Additionally, the Company believes that the unrealized losses were not due to factors regarding the ultimate collection of principal and interest; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at June 30, 2010.

The Company has invested in securities with characteristics of both debt and equity investments, often referred to as hybrid debt securities. Such securities are typically debt instruments issued with long or extendable maturity dates, may provide for the ability to defer interest payments without defaulting and are usually lower in the capital structure of the issuer than traditional bonds. The data in the table above includes financial industry sector hybrid debt securities with an aggregate fair value of \$496 million and an aggregate amortized cost of \$561 million.

Table of Contents**Contractual Maturity**

The following table summarizes available-for-sale fixed maturity securities by contractual maturity at June 30, 2010 and December 31, 2009. 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, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(In millions)				
Due in one year or less	\$ 2,096	\$ 2,056	\$ 1,240	\$ 1,219
Due after one year through five years	11,391	11,817	10,046	10,244
Due after five years through ten years	9,107	9,424	10,647	10,539
Due after ten years	13,811	14,263	13,496	13,437
Total	\$ 36,405	\$ 37,560	\$ 35,429	\$ 35,439

Investment Commitments

As of June 30, 2010, the Company had committed approximately \$237 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

The Company invests in various privately placed debt securities, including bank loans, as part of its overall investment strategy and has committed to additional future purchases and sales. The purchase and sale of these investments are recorded on the date that the legal agreements are finalized and cash settlements are made. As of June 30, 2010, the Company had commitments to purchase \$256 million and sell \$104 million of such investments.

3. Fair Value

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

Level 1 Quoted prices for identical instruments in active markets.

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

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

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

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the markets from which the data is gathered are active. As further validation of the Company's valuation process, the Company samples past fair value estimates and compares the valuations to actual transactions executed in the market on similar dates.

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

June 30, 2010 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of government agencies	\$ 96	\$ 69		\$ 165
Asset-backed securities:				
Residential mortgage-backed securities		5,664	\$ 659	6,323
Commercial mortgage-backed securities		896	95	991
Other asset-backed securities		427	306	733
Total asset-backed securities		6,987	1,060	8,047
States, municipalities and political subdivisions securities		7,040	539	7,579
Foreign government securities	92	499		591
Corporate and other bonds		20,409	718	21,127
Redeemable preferred stock	3	47	1	51
Fixed maturities available-for-sale	191	35,051	2,318	37,560
Fixed maturities, trading	1,037	109	191	1,337
Total fixed maturities	\$ 1,228	\$ 35,160	\$ 2,509	\$ 38,897
Equity securities available-for-sale	\$ 415	\$ 130	\$ 4	\$ 549
Equity securities, trading	386			386
Total equity securities	\$ 801	\$ 130	\$ 4	\$ 935
Short term investments	\$ 4,193	\$ 1,408	\$ 21	\$ 5,622
Receivables		83	13	96
Life settlement contracts			134	134
Separate account business	32	378	37	447
Payable to brokers	(88)	(97)	(9)	(194)
Discontinued operations investments, included in Other assets	8	124		132

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December 31, 2009 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of government agencies	\$ 145	\$ 54		\$ 199
Asset-backed securities:				
Residential mortgage-backed securities		6,309	\$ 629	6,938
Commercial mortgage-backed securities		461	123	584
Other asset-backed securities		484	348	832
Total asset-backed securities		7,254	1,100	8,354
States, municipalities and political subdivisions securities		6,368	756	7,124
Foreign government securities	139	340		479
Corporate and other bonds		18,620	609	19,229
Redeemable preferred stock	3	49	2	54
Fixed maturities available-for-sale	287	32,685	2,467	35,439
Fixed maturities, trading	102	78	197	377
Total fixed maturities	\$ 389	\$ 32,763	\$ 2,664	\$ 35,816
Equity securities available-for-sale	\$ 503	\$ 130	\$ 11	\$ 644
Equity securities, trading	363			363
Total equity securities	\$ 866	\$ 130	\$ 11	\$ 1,007
Short term investments	\$ 6,818	\$ 397		\$ 7,215
Receivables		53	\$ 2	55
Life settlement contracts			130	130
Separate account business	43	342	38	423
Payable to brokers	(87)	(135)	(50)	(272)
Discontinued operations investments, included in Other liabilities	19	106	16	141

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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 months ended June 30, 2010 and 2009:

	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)						Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities	
	Balance, April 1	Net Income	OCI	Issuances and Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Held at June 30
2010								
(In millions)								
Fixed maturity securities:								
Asset-backed securities:								
Residential mortgage-backed securities	\$ 679	\$ 2	\$ 3	\$ 13		\$ (38)	\$ 659	
Commercial mortgage-backed securities	112		2	11		(30)	95	
Other asset-backed securities	368		1	(18)		(45)	306	\$ (2)
Total asset-backed securities	1,159	2	6	6		(113)	1,060	(2)
States, municipalities and political subdivisions securities	737		4	(202)			539	
Corporate and other bonds	680	7	9	57	\$ 14	(49)	718	(3)
Redeemable preferred stock	4	6	(2)	(7)			1	
Fixed maturities available-for-sale	2,580	15	17	(146)	14	(162)	2,318	(5)
Fixed maturities, trading	216	2		(27)			191	1
Total fixed maturities	\$ 2,796	\$ 17	\$ 17	\$ (173)	\$ 14	\$ (162)	\$ 2,509	\$ (4)
Equity securities available-for-sale	\$ 8	\$ (1)		\$ (1)		\$ (2)	\$ 4	\$ (1)
Short term investments	1			20			21	
Life settlement contracts	131	7		(4)			134	5
Separate account business	40			(3)			37	
Discontinued operations investments	15					(15)		
Derivative financial instruments, net	(27)	(7)	\$ 28	10			4	

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	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)						Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities	
	Included in			Purchases, Sales,	Transfers	Transfers		
2009	Net Income	Included in	Issuances	and	into Level 3	out of	Balance,	Held at
	Balance,	(Loss)	OCI	Settlements		Level 3	June 30	June 30
	April 1					Level 3		
(In millions)								
Fixed maturity securities:								
Asset-backed securities:								
Residential mortgage-backed securities	\$ 743	\$ (6)	\$ 35	\$ (25)	\$ 71	\$ (10)	\$ 808	\$ (5)
Commercial mortgage-backed securities	158	(155)	155	(9)	26		175	(155)
Other asset-backed securities	252		10	(2)		(119)	141	
Total asset-backed securities	1,153	(161)	200	(36)	97	(129)	1,124	(160)
States, municipalities and political subdivisions securities	784		18	(17)			785	
Corporate and other bonds	809		47	(137)	16	(5)	730	(1)
Redeemable preferred stock	19					(18)	1	
Fixed maturities available-for-sale	2,765	(161)	265	(190)	113	(152)	2,640	(161)
Fixed maturities, trading	213	6		6	4		229	4
Total fixed maturities	\$ 2,978	\$ (155)	\$ 265	\$ (184)	\$ 117	\$ (152)	\$ 2,869	\$ (157)
Equity securities available-for-sale	\$ 210		\$ (1)				\$ 209	
Life settlement contracts	127	\$ 5		\$ (6)			126	
Separate account business	38		3	(3)			38	
Discontinued operations investments	13		1	(1)			13	
Derivative financial instruments, net	(58)	17	(2)	36			(7)	\$ (11)

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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 six months ended June 30, 2010 and 2009:

		Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)		Purchases, Sales, and Transfers into Level 3			Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at June 30	
2010	Balance, January 1	Included in Net Income	OCI	Issuances and Settlements	Transfers out of Level 3	Balance, June 30	Held at June 30	
Fixed maturity securities:								
Asset-backed securities:								
Residential mortgage-backed securities	\$ 629	\$ (8)	\$ 29	\$ 55	\$ (46)	\$ 659	\$ (10)	
Commercial mortgage-backed securities	123	(1)	(2)	6	\$ 7 (38)	95	(1)	
Other asset-backed securities	348	4	22	(23)	(45)	306	(2)	
Total asset-backed securities	1,100	(5)	49	38	7 (129)	1,060	(13)	
States, municipalities and political subdivisions securities	756		6	(223)		539		
Corporate and other bonds	609	9	38	112	23 (73)	718	(4)	
Redeemable preferred stock	2	6		(7)		1		
Fixed maturities available-for-sale	2,467	10	93	(80)	30 (202)	2,318	(17)	
Fixed maturities, trading	197	8		(14)		191	7	
Total fixed maturities	\$ 2,664	\$ 18	\$ 93	\$ (94)	\$ 30 \$ (202)	\$ 2,509	\$ (10)	
Equity securities available-for-sale	\$ 11	\$ (1)		\$ (1)	\$ 2 \$ (7)	\$ 4	\$ (1)	
Short term investments				20	1	21		
Life settlement contracts	130	17		(13)		134	7	
Separate account business	38			(1)		37		
Discontinued operations investments	16		\$ 1	(2)	(15)			
Derivative financial instruments, net	(48)	(15)	42	25		4		

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	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	OCI	Purchases, Sales, Issuances and Settlements into Level 3	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
(In millions)								
Fixed maturity securities:								
Asset-backed securities:								
Residential mortgage-backed securities	\$ 782	\$ (23)	\$ 36	\$ (48)	\$ 71	\$ (10)	\$ 808	\$ (12)
Commercial mortgage-backed securities	186	(165)	142	(14)	26		175	(165)
Other asset-backed securities	139	(30)	40	(42)	153	(119)	141	(31)
Total asset-backed securities	1,107	(218)	218	(104)	250	(129)	1,124	(208)
States, municipalities and political subdivisions securities	750		55	(20)			785	
Foreign government securities	6					(6)		
Corporate and other bonds	616	(5)	46	67	18	(12)	730	(7)
Redeemable preferred stock	13	(9)	8	7		(18)	1	(9)
Fixed maturities available-for-sale	2,492	(232)	327	(50)	268	(165)	2,640	(224)
Fixed maturities, trading	218	9		(2)	4		229	4
Total fixed maturities	\$ 2,710	\$ (223)	\$ 327	\$ (52)	\$ 272	\$ (165)	\$ 2,869	\$ (220)
Equity securities available-for-sale	\$ 210		\$ (1)				\$ 209	
Life settlement contracts	129	\$ 16		\$ (19)			126	\$ 2
Separate account business	38		4	(4)			38	
Discontinued operations investments	15			(2)			13	
Derivative financial instruments, net	(72)	35	(12)	42			(7)	(15)

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

Major Category of Assets and Liabilities	Consolidated Condensed Statements of Operations 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
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

Securities shown in the Level 3 tables may be transferred in or out based on the availability of observable market information used to verify pricing sources or used in pricing models. The availability of observable market information varies based on market conditions and trading volume and may cause securities to move in and out of Level 3 from reporting period to reporting period. The Company's policy is to recognize transfers between levels at the beginning of the reporting period.

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

Table of Contents**Fixed Maturity Securities**

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

Equity Securities

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

Derivative Financial Instruments

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

Short Term Investments

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

Life Settlement Contracts

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

Discontinued Operations Investments

Assets relating to CNA's discontinued operations include fixed maturity securities and short term investments. The valuation methodologies for these asset types have been described above.

Table of Contents**Separate Account Business**

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

Assets and Liabilities Not Measured at Fair Value

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

(In millions)	June 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial liabilities:				
Premium deposits and annuity contracts	\$ 101	\$ 103	\$ 105	\$ 106
Short term debt	247	247	10	10
Long term debt	8,809	9,086	9,475	9,574

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

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

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

4. Derivative Financial Instruments

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

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

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

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

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

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changes in the underlying price, rate or index. The policy also prohibits the use of borrowed funds, including funds obtained through securities lending, to engage in derivative transactions.

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

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

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

Foreign exchange rate risk arises from the possibility that changes in foreign currency exchange rates will impact the fair value of financial instruments denominated in a foreign currency. The Company's foreign transactions are primarily denominated in Australian dollars, Brazilian reais, British pounds, Canadian dollars and the European Monetary Unit. The Company typically manages this risk via asset/liability currency matching and through the use of foreign currency forwards. In May of 2009, Diamond Offshore began a hedging strategy and designated certain of its qualifying foreign currency forward exchange contracts as cash flow hedges.

In addition to the derivatives used for risk management purposes described above, the Company may also use derivatives for purposes of income enhancement. Income enhancement transactions are entered into with the intention of providing additional income or yield to a particular portfolio segment or instrument. Income enhancement transactions are limited in scope and primarily involve the sale of covered options in which the Company receives a premium in exchange for selling a call or put option.

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

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The tables below summarize open CDS contracts where the Company sold credit protection as of June 30, 2010 and December 31, 2009. The fair value of the contracts represents the amounts that the Company would receive at those dates to exit the derivative positions. The maximum amount of future payments assumes no residual value in the defaulted securities that the Company would receive as part of the contract terminations and is equal to the notional value of the CDS contracts.

June 30, 2010 (In millions)	Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years To Maturity
B-rated	\$ 1	\$ 8	2.6
Total	\$ 1	\$ 8	2.6
December 31, 2009			
B-rated		\$ 8	3.1
Total	\$	\$ 8	3.1

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to the instruments recognized on the Consolidated Condensed Balance Sheets. The Company attempts to mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives to multiple counterparties. The Company generally requires that all over-the-counter derivative contracts be governed by an International Swaps and Derivatives Association (ISDA) Master Agreement, and exchanges collateral under the terms of these agreements with its derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty. The Company does not offset its net derivative positions against the fair value of the collateral provided. The fair value of collateral provided by the Company was \$41 million at June 30, 2010 and \$7 million at December 31, 2009 and primarily consisted of cash and U.S. Treasury Bills. The fair value of cash collateral received from counterparties was \$1 million at June 30, 2010 and December 31, 2009.

The agreements governing HighMount's derivative instruments contain certain covenants, including a maximum debt to capitalization ratio reviewed quarterly. If HighMount does not comply with these covenants, the counterparties to the derivative instruments could terminate the agreements and request payment on those derivative instruments in net liability positions. The aggregate fair value of HighMount's derivative instruments that are in a liability position was \$99 million at June 30, 2010. HighMount was not required to post any collateral under the governing agreements. At June 30, 2010, HighMount was in compliance with all of its covenants under the derivatives agreements.

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

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

	June 30, 2010			December 31, 2009		
	Contractual/ Notional Amount	Estimated Asset	Fair Value (Liability)	Contractual/ Notional Amount	Estimated Asset	Fair Value (Liability)
(In millions)						
With hedge designation						
Interest rate risk:						
Interest rate swaps	\$ 1,095		\$ (92)	\$ 1,600		\$ (135)
Commodities:						
Forwards short	575	\$ 91	(6)	715	\$ 50	(39)
Foreign exchange:						
Currency forwards short	119		(4)	114	3	
Other				13	2	
Without hedge designation						
Equity markets:						
Options purchased	164	34		242	45	
Options written	232		(14)	282		(9)
Equity warrants	5					
Interest rate risk:						
Options on government securities short						
	635		(13)			
Interest rate swaps	5			9		
Credit default swaps purchased protection	35		(3)	116		(11)
Credit default swaps sold protection	8	1		8		
Futures long	610					
Futures short	2,839			132		
Commodities:						
Forwards long	11	1				
Forwards short	18	4				
Other	5			2		
Total	\$ 6,356	\$ 131	\$ (132)	\$ 3,233	\$ 100	\$ (194)

Derivatives without hedge designation For derivatives not held in a trading portfolio, new derivative transactions entered into totaled approximately \$610 million and \$714 million in notional value while derivative termination activity totaled approximately \$626 million and \$775 million during the three and six months ended June 30, 2010. This activity was primarily attributable to interest rate futures and forward commitments for mortgage-backed securities. During the three and six months ended June 30, 2009, new derivative transactions entered into totaled approximately \$4.4 billion and \$10.5 billion in notional value while derivative termination activity totaled approximately \$5.3 billion and \$11.4 billion. This activity was primarily attributable to interest rate futures, interest rate options and interest rate swaps.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Included in Net investment income:				
Equity risk:				
Equity options purchased	\$ 10	\$ (18)	\$ (3)	\$ (20)
Equity options written	(1)	25	5	30
Futures long	(4)	11	(3)	11
Futures short	1		(3)	
Foreign exchange:				
Currency forwards long	(2)	2	(2)	(6)
Currency forwards short	(1)		(1)	7
Currency options short	(4)		(2)	
Interest rate risk:				
Credit default swaps purchased protection		3		12
Credit default swaps sold protection		(2)		(8)
Options on government securities short		3		14
Futures long	(21)		(18)	5
Futures short	(3)			
Other	(1)	(4)	(2)	(5)
	(26)	20	(29)	40
Included in Investment gains (losses):				
Equity options written		4		15
Interest rate risk:				
Interest rate swaps	(18)	38	(44)	59
Credit default swaps purchased protection		(26)		(35)
Credit default swaps sold protection		8		2
Futures short		9		23
Commodity forwards short			13	
	(18)	33	(31)	64
Included in Other revenues:				
Currency options short		9		9
Total	\$ (44)	\$ 62	\$ (60)	\$ 113

Cash flow hedges A significant portion of the Company's hedge strategies represents cash flow hedges of the variable price risk associated with the purchase and sale of natural gas and other energy-related products. As of June 30, 2010, approximately 91.0 billion cubic feet of natural gas equivalents was hedged by qualifying cash flow hedges. The effective portion of these commodity hedges is reclassified from AOCI into earnings when the anticipated transaction affects earnings. Approximately 35% of these derivatives have settlement dates in 2010 and 50% have settlement dates in 2011. As of June 30, 2010, the estimated amount of net unrealized gains associated with commodity contracts that will be reclassified into earnings during the next twelve months was \$64 million. However, these amounts are likely to vary materially as a result of changes in market conditions. Diamond Offshore uses foreign currency forward exchange contracts to reduce exposure to foreign currency

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losses on future foreign currency expenditures. The effective portion of these hedges is reclassified from AOCI into earnings when the hedged transaction affects earnings or it is determined that the hedged transaction will not occur. As of June 30,

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2010, the estimated amount of net unrealized losses associated with these contracts that will be reclassified into earnings over the next twelve months was \$4 million. The Company also uses interest rate swaps to hedge its exposure to variable interest rates or risk attributable to changes in interest rates on long term debt. The effective portion of the hedges is amortized to interest expense over the term of the related notes. As of June 30, 2010, the estimated amount of net unrealized losses associated with interest rate swaps that will be reclassified into earnings during the next twelve months was \$51 million. However, this is likely to vary as a result of changes in the LIBOR rate. For the three and six months ended June 30, 2010 and 2009, the net amounts recognized due to ineffectiveness were less than \$1 million.

In the first quarter of 2010, HighMount determined that a portion of the expected underlying transactions related to its hedging activities were no longer probable of occurring and discontinued hedge accounting treatment for a portion of its interest rate cash flow hedges and its commodity price swaps. HighMount entered into definitive sales agreements for exploration and production assets in the Antrim Shale in Michigan in March 2010 and Black Warrior Basin in Alabama in April 2010. As a result, HighMount recognized losses of \$14 million and \$36 million in Investment gains (losses) in the Consolidated Condensed Statements of Operations for the three and six months ended June 30, 2010, reflecting the reclassification of net derivative losses from AOCI to earnings. These amounts are reflected in the table below.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Amount of gain (loss) recognized in OCI				
Commodities	\$ 13	\$ 11	\$ 117	\$ 103
Foreign exchange	(5)	6	(5)	6
Interest rate	(12)	13	(34)	4
Total	\$ (4)	\$ 30	\$ 78	\$ 113
Amount of gain (loss) reclassified from AOCI into income (loss)				
Commodities	\$ 18	\$ 65	\$ 48	\$ 139
Foreign exchange	(1)		1	
Interest rate	(33)	(17)	(79)	(31)
Total	\$ (16)	\$ 48	\$ (30)	\$ 108

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

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

The Company also enters into short sales as part of its portfolio management strategy. Short sales are commitments to sell a financial instrument not owned at the time of sale, usually done in anticipation of a price decline. Short sales of equity securities resulted in proceeds of \$64 million and \$66 million with fair value liabilities of \$61 million and \$78 million at June 30, 2010 and December 31, 2009. These positions are marked to market and

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investment gains or losses are included in Net investment income in the Consolidated Condensed Statements of Operations.

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 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 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.

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of \$48 million and \$88 million for the three and six months ended June 30, 2010 for events occurring in those periods. Catastrophe losses in 2010 related primarily to wind, thunderstorms and winter storms. CNA reported catastrophe losses, net of reinsurance, of \$43 million and \$56 million for the three and six months ended June 30, 2009 for events occurring in those periods. There can be no assurance that CNA's ultimate cost for catastrophes will not exceed current estimates.

The following provides discussion of the Company's Asbestos and Environmental Pollution (A&E) reserves.

A&E Reserves

CNA's property and casualty insurance subsidiaries have actual and potential exposures related to A&E claims.

The following table provides data related to CNA's A&E claim and claim adjustment expense reserves managed by its centralized A&E claims group.

(In millions)	June 30, 2010		December 31, 2009	
	Asbestos	Environmental Pollution	Asbestos	Environmental Pollution
Gross reserves	\$ 1,937	\$ 412	\$ 2,046	\$ 482
Ceded reserves	(875)	(174)	(909)	(196)
Net reserves	\$ 1,062	\$ 238	\$ 1,137	\$ 286

In connection with the pending transaction related to A&E reinsurance discussed in Note 11, CNA is also ceding A&E liabilities reflected by the carried reserves of certain assumed reinsurance run-off books of business not managed by the centralized A&E claims group. As of December 31, 2009 there were approximately \$68 million of net A&E claim and claim adjustment expense reserves within these assumed reinsurance run-off books of business. Additionally, CNA had approximately \$90 million of net undiscounted A&E reserves within its discontinued operations, which are included in Other liabilities on the Consolidated Condensed Balance Sheets on a discounted

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basis of \$61 million. The A&E liabilities in the table above along with these A&E liabilities will be ceded under the pending A&E reinsurance transaction.

Asbestos

The table below provides a reconciliation between CNA's beginning and ending net reserves for asbestos.

Six months ended June 30 (In millions)	2010	2009
Beginning net reserves	\$ 1,137	\$ 1,202
Paid claims, net of reinsurance recoveries	(75)	(89)
Ending net reserves	\$ 1,062	\$ 1,113

The ultimate cost of reported claims, and in particular A&E claims, is subject to a great many uncertainties, including future developments of various kinds that CNA does not control and that are difficult or impossible to foresee accurately. With respect to the litigation identified, pending rulings are critical to the evaluation of the ultimate cost to CNA. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

Some asbestos-related defendants have asserted that their insurance policies are not subject to aggregate limits on coverage. CNA has such claims from a number of insureds. Some of these claims involve insureds facing exhaustion of products liability aggregate limits in their policies, who have asserted that their asbestos-related claims fall within so-called "non-products" liability coverage contained within their policies rather than products liability coverage, and that the claimed "non-products" coverage is not subject to any aggregate limit. It is difficult to predict the ultimate size of any of the claims for coverage purportedly not subject to aggregate limits or predict to what extent, if any, the attempts to assert "non-products" claims outside the products liability aggregate will succeed. CNA's policies also contain other limits applicable to these claims and CNA has additional coverage defenses to certain claims. CNA has attempted to manage its asbestos exposure by aggressively seeking to settle claims on acceptable terms. There can be no assurance that any of these settlement efforts will be successful, or that any such claims can be settled on terms acceptable to CNA. Where CNA cannot settle a claim on acceptable terms, CNA aggressively litigates the claim. However, adverse developments with respect to such matters could have a material adverse effect on the Company's results of operations and/or equity.

Certain asbestos claim litigation in which CNA is currently engaged is described below:

A.P. Green: In February 2003, CNA announced it had resolved asbestos-related coverage litigation and claims involving A.P. Green Industries, A.P. Green Services and Bigelow Liptak Corporation. Under the agreement, CNA is required to pay \$70 million, net of reinsurance recoveries, over a ten year period commencing after the final approval of a bankruptcy plan of reorganization. The settlement received initial bankruptcy court approval in August 2003. The debtor's plan of reorganization includes an injunction to protect CNA from any future claims. The bankruptcy court issued an opinion in September 2007 recommending confirmation of that plan. In July 2008, the District Court affirmed the Bankruptcy Court's ruling. Several insurers have appealed that ruling to the Third Circuit Court of Appeals; that appeal was argued in May 2009. On June 15, 2010, the Court of Appeals entered an order to list the case for rehearing. No date has been set for rehearing.

Direct Action Case - Montana: In March 2002, a direct action was filed in Montana (*Pennock, et al. v. Maryland Casualty, et al.* First Judicial District Court of Lewis & Clark County, Montana) by eight individual plaintiffs (all employees of W.R. Grace & Co. (W.R. Grace)) and their spouses against CNA, Maryland Casualty and the State of Montana. This action alleges that the carriers failed to warn of or otherwise protect W.R. Grace employees from the dangers of asbestos at a W.R. Grace vermiculite mining facility in Libby, Montana. The Montana direct action is currently stayed because of W.R. Grace's pending bankruptcy. In April 2008, W.R. Grace announced a settlement in principle with the asbestos personal injury claimants committee subject to confirmation of a plan of reorganization by the bankruptcy court. The confirmation hearing was held in two phases. The first phase was held in June 2009. The second phase concluded in January 2010 and the bankruptcy court has taken the matter under advisement. The settlement in principle with the asbestos claimants has no present impact on the stay currently imposed on the

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Montana direct action and with respect to such claims, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include: (a) the unclear nature and scope of any alleged duties owed to people exposed to asbestos and the resulting uncertainty as to the potential pool of potential claimants; (b) the potential application of Statutes of Limitation to many of the claims which may be made depending on the nature and scope of the alleged duties; (c) the unclear nature of the required nexus between the acts of the defendants and the right of any particular claimant to recovery; (d) the diseases and damages claimed by such claimants; (e) the extent that such liability would be shared with other potentially responsible parties; and (f) the impact of bankruptcy proceedings on claims resolution. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

CNA is vigorously defending these and other cases and believes that it has meritorious defenses to the claims asserted. However, there are numerous factual and legal issues to be resolved in connection with these claims, and it is extremely difficult to predict the outcome or ultimate financial exposure represented by these matters. Adverse developments with respect to any of these matters could have a material adverse effect on CNA's business, insurer financial strength and debt ratings and the Company's results of operations and/or equity.

Environmental Pollution

The table below provides a reconciliation between CNA's beginning and ending net reserves for environmental pollution.

Six months ended June 30 (In millions)	2010	2009
Beginning net reserves	\$ 286	\$ 262
Paid claims, net of reinsurance recoveries	(48)	(22)
Ending net reserves	\$ 238	\$ 240

Net Prior Year Development

The following tables and discussion include the net prior year development recorded for CNA Specialty, CNA Commercial and Other Insurance. Favorable net prior year development of \$17 million and \$26 million was recorded in the Life & Group Non-Core segment for the three and six months ended June 30, 2010. Development in 2010 included favorable reserve development of \$24 million arising from a commutation of an assumed reinsurance agreement in the first quarter of 2010. For the three and six months ended June 30, 2009 for the Life & Group Non-Core segment, favorable net prior year development of \$5 million and unfavorable net prior year development \$6 million was recorded.

Three Month Comparison

Three Months Ended June 30, 2010 (In millions)	CNA Specialty	CNA Commercial	Other Insurance	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development:				
Core (Non-A&E)	\$ (125)	\$ (175)	\$ 1	\$ (299)
Pretax (favorable) unfavorable premium development	1	35	(2)	34
Total pretax favorable net prior year development	\$ (124)	\$ (140)	\$ (1)	\$ (265)

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Three Months Ended June 30, 2009	CNA Specialty	CNA Commercial	Other Insurance	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development:				
Core (Non-A&E)	\$ (35)	\$ (85)	\$ 4	\$ (116)
Pretax (favorable) unfavorable premium development	2	56	(2)	56
Total pretax (favorable) unfavorable net prior year development	\$ (33)	\$ (29)	\$ 2	\$ (60)

2010 Net Prior Year Development**CNA Specialty**

The favorable claim and allocated claim adjustment expense reserve development was primarily due to professional liability coverages as further discussed below.

Approximately \$51 million of favorable claim and allocated claim adjustment expense reserve development was recorded for medical professional liability coverages due to favorable incurred emergence, primarily in accident years 2007 and prior.

Favorable claim and allocated claim adjustment expense reserve development of approximately \$33 million was recorded for financial institutions and life agents coverages due to reduced frequency of large claims and favorable ceded recoveries, primarily in accident years 2007 and prior. Favorable development of \$18 million was recorded in architects and engineers coverages due to favorable incurred emergence and claims closing favorable to expectations, primarily in accident years 2007 and prior.

CNA Commercial

The favorable claim and allocated claim adjustment expense reserve development was primarily due to favorable experience in property, auto and international coverages as further discussed below.

Approximately \$98 million of favorable claim and allocated claim adjustment expense reserve development was recorded for property coverages. Favorable development of \$53 million was recorded in catastrophe coverages due to favorable incurred loss emergence, primarily in accident years 2008 and 2009. Favorable claim and allocated claim adjustment expense reserve development of approximately \$45 million was recorded for non-catastrophe related property coverages, primarily due to decreased severity in accident years 2009 and prior.

Approximately \$61 million of favorable claim and allocated claim adjustment expense reserve development was primarily due to decreased frequency and severity trends in commercial auto coverages in accident years 2009 and prior.

Approximately \$35 million of favorable claim and allocated claim adjustment expense reserve development was recorded in international commercial coverages. Approximately \$21 million of favorable development was recorded due to decreased frequency across several lines within an affiliate, primarily in accident years 2008 and prior. The remaining favorable development was primarily due to a commutation within CNA's European operations book of renewable energy business.

Approximately \$32 million of unfavorable claim and allocated claim adjustment expense reserve development was due to increased claim frequency in a portion of our primary casualty surplus lines book in accident years 2008 and 2009.

Approximately \$35 million of unfavorable premium development was recorded due to a change in ultimate premium estimates relating to retrospectively rated policies and return premium on auditable policies due to reduced exposures.

Table of Contents**2009 Net Prior Year Development****CNA Specialty**

Favorable claim and allocated claim adjustment expense reserve development of approximately \$25 million for medical professional liability was primarily due to better than expected frequency and severity in accident years 2005 and prior, including individual claims closing favorable to expectations.

Approximately \$8 million of favorable claim and allocated claim adjustment expense reserve development was recorded for professional liability coverages due primarily to favorable experience on a number of large claims, primarily related to financial institutions in accident years 2003 and prior.

CNA Commercial

Favorable claim and allocated claim adjustment expense reserve development was primarily due to experience in property coverages. Prior year catastrophe reserves decreased approximately \$33 million, driven by the favorable settlement of several claims primarily in accident years 2005 and 2007. An additional \$17 million of favorable claim and allocated claim adjustment expense reserve development was due to non-catastrophe related favorable loss emergence on large property coverages, primarily in accident years 2007 and 2008.

Approximately \$25 million of favorable claim and allocated claim adjustment expense reserve development was due to decreased frequency and severity trends related to construction defect exposures in accident years 2003 and prior.

Approximately \$40 million of adverse premium development was related to changes in estimated ultimate premium on retrospectively rated coverages. Additional adverse premium development was due to an estimated liability for an assessment related to a reinsurance association and less premium processing on auditable policies than expected.

Six Month Comparison

Six Months Ended June 30, 2010 (In millions)	CNA Specialty	CNA Commercial	Other Insurance	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development:				
Core (Non-A&E)	\$ (150)	\$ (203)	\$ 3	\$ (350)
Pretax (favorable) unfavorable premium development	(3)	56	(3)	50
Total pretax favorable net prior year development	\$ (153)	\$ (147)	\$	\$ (300)

Six Months Ended June 30, 2009

Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development:				
Core (Non-A&E)	\$ (64)	\$ (127)	\$ 5	\$ (186)
Pretax (favorable) unfavorable premium development	(3)	76	(3)	70
Total pretax (favorable) unfavorable net prior year development	\$ (67)	\$ (51)	\$ 2	\$ (116)

2010 Net Prior Year Development**CNA Specialty**

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The favorable claim and allocated claim adjustment expense reserve development was primarily due to professional liability coverages as discussed below.

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Approximately \$52 million of favorable claim and allocated claim adjustment expense reserve development was recorded for medical professional liability coverages primarily due to favorable incurred emergence, primarily in accident years 2007 and prior.

Favorable claim and allocated claim adjustment expense reserve development of approximately \$68 million was recorded for financial institutions, commercial governance and life agents coverages due to reduced frequency of large claims and favorable ceded recoveries, primarily in accident years 2007 and prior. Favorable development of \$28 million was recorded in architects and engineers coverages due to favorable incurred emergence and claims closing favorable to expectations, primarily in accident years 2007 and prior. This favorability was partially offset by unfavorable development of approximately \$28 million in employee practices liability driven by higher unemployment, primarily in accident years 2008 and 2009.

CNA Commercial

The favorable claim and allocated claim adjustment expense reserve development was primarily due to favorable experience in property, auto and international casualty coverages as discussed below.

Approximately \$116 million of favorable claim and allocated claim adjustment expense reserve development was recorded for property coverages. Favorable development of \$53 million was recorded in catastrophe coverages due to favorable incurred loss emergence, primarily in accident years 2008 and 2009. Favorable claim and allocated claim adjustment expense reserve development of approximately \$63 million was recorded for non-catastrophe related property coverages, primarily due to decreased severity in accident years 2009 and prior.

Approximately \$61 million of favorable claim and allocated claim adjustment expense reserve development was primarily due to decreased frequency and severity trends in commercial auto coverages in accident years 2009 and prior.

Approximately \$47 million of favorable claim and allocated claim adjustment expense reserve development was recorded in international commercial coverages. Approximately \$25 million of favorable development was recorded due to decreased frequency across several lines within an affiliate, primarily in accident years 2008 and prior. The remaining favorable development was primarily due to a commutation within the European affiliate's book of renewable energy business.

Approximately \$32 million of unfavorable claim and allocated claim adjustment expense reserve development was due to increased claim frequency in a portion of our primary casualty surplus lines book in accident years 2008 and 2009.

Approximately \$56 million of unfavorable premium development was recorded due to a change in ultimate premium estimates relating to retrospectively rated policies and return premium on auditable policies due to reduced exposures.

2009 Net Prior Year Development

CNA Specialty

Favorable claim and allocated claim adjustment expense reserve development of approximately \$25 million for medical professional liability was primarily due to better than expected frequency and severity in accident years 2005 and prior, including claims closing favorable to expectations.

Approximately \$28 million of favorable claim and allocated claim adjustment expense reserve development was recorded for professional liability coverages due primarily to favorable experience on a number of large claims related to financial institutions in accident years 2003 and prior and decreased frequency of large claims in accident years 2007 and prior.

An additional \$4 million of favorable claim and allocated claim adjustment expense reserve development was a result of favorable outcomes on claims relating to catastrophes in accident year 2005.

CNA Commercial

Favorable claim and allocated claim adjustment expense reserve development was primarily due to experience in property coverages. Prior year catastrophe reserves decreased approximately \$64 million, driven by the favorable settlement of several claims primarily in accident years 2005 and 2007, and favorable frequency and severity on

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claims relating to catastrophes in accident year 2008. An additional \$17 million of favorable claim and allocated claim adjustment expense reserve development was due to non-catastrophe related favorable loss emergence on large property coverages, primarily in accident years 2007 and 2008.

Approximately \$25 million of favorable claim and allocated claim adjustment expense reserve development was due to decreased frequency and severity trends related to construction defect exposures in accident years 2003 and prior.

Approximately \$40 million of adverse premium development was related to changes in estimated ultimate premium on retrospectively rated coverages. Additional adverse premium development was due to an estimated liability for an assessment related to a reinsurance association and less premium processing on auditable policies than expected.

6. Benefit Plans

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

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

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

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

The components of net periodic benefit cost are as follows:

	Pension Benefits			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
(In millions)				
Service cost	\$ 7	\$ 6	\$ 13	\$ 13
Interest cost	41	43	83	86
Expected return on plan assets	(44)	(39)	(88)	(78)
Amortization of unrecognized net loss	7	7	14	14
Net periodic benefit cost	\$ 11	\$ 17	\$ 22	\$ 35

	Other Postretirement Benefits			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009

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(In millions)

Service cost			\$ 1	\$ 1
Interest cost	\$ 3	\$ 3	6	6
Expected return on plan assets	(1)	(1)	(2)	(2)
Amortization of unrecognized net loss	1		2	1
Amortization of unrecognized prior service benefit	(6)	(6)	(12)	(12)
Regulatory asset decrease	2	2	3	3
Net periodic benefit cost	\$ (1)	\$ (2)	\$ (2)	\$ (3)

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7. Business Segments

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

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

CNA's non-core operations are managed in two segments: Life & Group Non-Core and Other Insurance. Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. Other Insurance primarily includes certain corporate expenses, including interest on corporate debt, and the results of certain property and casualty business primarily in run-off, including CNA Re. This segment also includes the results related to the centralized adjusting and settlement of A&E.

Diamond Offshore's business primarily consists of operating 47 offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. On June 30, 2010, Diamond Offshore's drilling rigs were located offshore twelve countries in addition to the United States. On July 7, 2010, Diamond Offshore completed the sale of one of its high performance, premium jack-up drilling rigs, the *Ocean Shield*.

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

Boardwalk Pipeline is engaged in the interstate transportation and storage of natural gas. This segment consists of three interstate natural gas pipeline systems originating in the Gulf Coast area and running north and east through Texas, Louisiana, Mississippi, Alabama, Florida, Arkansas, Tennessee, Kentucky, Indiana, Ohio, Illinois and Oklahoma.

Loews Hotels owns and/or operates 19 hotels, 17 of which are in the United States and two are in Canada. The Loews Atlanta Hotel, which is operated under a management contract, opened on April 1, 2010.

The Corporate and other segment consists primarily of corporate investment income, including investment gains (losses) from non-insurance subsidiaries, corporate interest expenses 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, 2009. In addition, CNA does not maintain a distinct investment portfolio for each of its insurance segments, and accordingly, allocation of assets to each segment is not performed. Therefore, 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) attributable to Loews Corporation by business segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Revenues (a):				
CNA Financial:				
CNA Specialty	\$ 875	\$ 787	\$ 1,741	\$ 1,477
CNA Commercial	981	954	2,054	1,790
Life and Group Non-Core	321	329	641	453
Other Insurance	56	26	112	14
Total CNA Financial	2,233	2,096	4,548	3,734
Diamond Offshore	823	957	1,685	1,843
HighMount	105	147	253	322
Boardwalk Pipeline	256	201	557	425
Loews Hotels	81	73	156	146
Corporate and other	(12)	60		87
Total	\$ 3,486	\$ 3,534	\$ 7,199	\$ 6,557

Income (loss) before income tax and noncontrolling interest (a):

CNA Financial:				
CNA Specialty	\$ 302	\$ 147	\$ 518	\$ 202
CNA Commercial	187	55	350	(32)
Life and Group Non-Core	(45)	(42)	(66)	(282)
Other Insurance	5	(27)	7	(87)
Total CNA Financial	449	133	809	(199)
Diamond Offshore	320	520	725	971
HighMount	18	46	75	(960)
Boardwalk Pipeline	53	18	141	69
Loews Hotels	6	6	5	(23)
Corporate and other	(43)	33	(56)	30
Total	\$ 803	\$ 756	\$ 1,699	\$ (112)

Net income (loss) - Loews (a):

CNA Financial:				
CNA Specialty	\$ 170	\$ 84	\$ 293	\$ 119
CNA Commercial	100	41	200	(3)
Life and Group Non-Core	(17)	(15)	(20)	(146)
Other Insurance	6	(11)	11	(41)
Total CNA Financial	259	99	484	(71)
Diamond Offshore	104	181	240	344
HighMount	5	29	37	(612)

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Boardwalk Pipeline	21	8	59	30
Loews Hotels	4	3	3	(15)
Corporate and other	(27)	20	(37)	17
Total	\$ 366	\$ 340	\$ 786	\$ (307)

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenues and Income (loss) before income tax and noncontrolling interest:				
CNA Financial:				
CNA Specialty	\$ 32	\$ (83)	\$ 45	\$ (192)
CNA Commercial	(13)	(183)	8	(369)
Life & Group Non-Core	(1)	13	(5)	(177)
Other Insurance	11	(44)	15	(91)
Total CNA Financial	29	(297)	63	(829)
Corporate and other	(18)		(31)	1
Total	\$ 11	\$ (297)	\$ 32	\$ (828)

Net income (loss) - Loews:

CNA Financial:				
CNA Specialty	\$ 19	\$ (51)	\$ 27	\$ (114)
CNA Commercial	(12)	(110)		(218)
Life & Group Non-Core		8	(4)	(103)
Other Insurance	5	(25)	8	(53)
Total CNA Financial	12	(178)	31	(488)
Corporate and other	(11)		(19)	
Total	\$ 1	\$ (178)	\$ 12	\$ (488)

8. Legal Proceedings

In August 2005, CNA and certain insurance subsidiaries were joined as defendants, along with other insurers and brokers, in multidistrict litigation pending in the United States District Court for the District of New Jersey, *In re Insurance Brokerage Antitrust Litigation*, Civil No. 04-5184 (FSH). The plaintiffs allege bid rigging and improprieties in the payment of contingent commissions in connection with the sale of insurance that violated federal and state antitrust laws, the federal Racketeer Influenced and Corrupt Organizations (RICO) Act and state common law. After discovery, the District Court dismissed the federal antitrust claims and the RICO claims, and declined to exercise supplemental jurisdiction over the state law claims. The plaintiffs have appealed the dismissal of their complaint to the Third Circuit Court of Appeals. The parties have filed their briefs on the appeal. Oral argument was held in April 2009, and the Court took the matter under advisement. CNA believes it has meritorious defenses to this action and intends to defend the case vigorously.

The extent of losses beyond any amounts that may be accrued are not readily determinable at this time. However, based on facts and circumstances presently known, in the opinion of management, an unfavorable outcome will not materially affect the equity of the Company, although results of operations may be adversely affected.

CNA is also a party to litigation and claims related to A&E cases arising in the ordinary course of business. See Note 5 for further discussion.

The Company has been named as a defendant in the following three cases alleging substantial damages based on alleged health effects caused by smoking cigarettes or exposure to tobacco smoke, all of which also name a former subsidiary, Lorillard, Inc. or one of its subsidiaries, as a defendant. In *Cypret vs. The American Tobacco Company, Inc. et al.* (1998, Circuit Court, Jackson County, Missouri), the Company would contest jurisdiction and make use of all available defenses in the event it receives personal service of this action. In *Clalit vs. Philip Morris, Inc.*,

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et al. (1998, Jerusalem District Court of Israel), the court initially permitted plaintiff to serve the Company outside the jurisdiction but it cancelled the leave of service in response to the Company's application, and plaintiff's appeal is pending. In *Young vs. The American Tobacco Company, Inc.* *et al.* (1997, Civil District Court, Orleans Parish, Louisiana), the Company filed an exception for lack of personal jurisdiction during 2000, which remains pending.

The Company does not believe it is a proper defendant in any tobacco related cases and as a result, does not believe the outcome will have a material affect on its results of operations or equity. Further, pursuant to the Separation Agreement dated May 7, 2008 between the Company and Lorillard Inc. and its subsidiaries, Lorillard, Inc. and its subsidiaries have agreed to indemnify and hold the Company harmless from all costs and expenses based

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upon or arising out of the operation or conduct of Lorillard's business, including among other things, smoking and health claims and litigation such as the three cases described above. Please read Item 1. Business - Separation of Lorillard and Note 19. Legal Proceedings of the Notes to the Consolidated Financial Statements in the Form 10-K for the year ended December 31, 2009 for additional information.

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

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

9. Commitments and Contingencies

Guarantees

In the course of selling business entities and assets to third parties, CNA has agreed to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets being sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such indemnification provisions generally survive for periods ranging from nine months following the applicable closing date to the expiration of the relevant statutes of limitation. As of June 30, 2010, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was \$819 million.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of June 30, 2010, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser's ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

10. Consolidating Financial Information

The following schedules present the Company's consolidating balance sheet information at June 30, 2010 and December 31, 2009, and consolidating statements of operations information for the six months ended June 30, 2010 and 2009. 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

June 30, 2010 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	\$ 43,213	\$ 768	\$ 107	\$ 83	\$ 34	\$ 3,505		\$ 47,710
Cash	72	8	3	2	2	4		91
Receivables	8,792	694	122	28	37	195	\$ (103)	9,765
Property, plant and equipment	289	4,308	1,306	6,332	355	36		12,626
Deferred income taxes	879		568				(886)	561
Goodwill	86	20	584	163	3			856
Investments in capital stocks of subsidiaries						16,143	(16,143)	
Other assets	747	730	20	370	27	14		1,908
Deferred acquisition costs of insurance subsidiaries	1,095							1,095
Separate account business	447							447
Total assets	\$ 55,620	\$ 6,528	\$ 2,710	\$ 6,978	\$ 458	\$ 19,897	\$ (17,132)	\$ 75,059
Liabilities and Equity:								
Insurance reserves	\$ 37,660							\$ 37,660
Payable to brokers	93	\$ 4	\$ 113			\$ 98		308
Short term debt					\$ 72	175		247
Long term debt	2,254	1,487	1,100	\$ 3,226	150	692	\$ (100)	8,809
Deferred income taxes		550		371	46	469	(1,436)	
Other liabilities	2,815	805	90	399	11	194	547	4,861
Separate account business	447							447
Total liabilities	43,269	2,846	1,303	3,996	279	1,628	(989)	52,332
Total shareholders equity	10,772	1,869	1,407	1,852	179	18,269	(16,143)	18,205
Noncontrolling interests	1,579	1,813		1,130				4,522
Total equity	12,351	3,682	1,407	2,982	179	18,269	(16,143)	22,727
Total liabilities and equity	\$ 55,620	\$ 6,528	\$ 2,710	\$ 6,978	\$ 458	\$ 19,897	\$ (17,132)	\$ 75,059

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Loews Corporation

Consolidating Balance Sheet Information

December 31, 2009 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	\$ 41,996	\$ 739	\$ 80	\$ 46	\$ 61	\$ 3,112		\$ 46,034
Cash	140	39	3	4	2	2		190
Receivables	9,104	794	97	110	27	202	\$ (122)	10,212
Property, plant and equipment	304	4,442	1,778	6,348	362	40		13,274
Deferred income taxes	1,368		636				(1,377)	627
Goodwill	86	20	584	163	3			856
Investments in capital stocks of subsidiaries						15,276	(15,276)	
Other assets	712	220	47	343	19	5		1,346
Deferred acquisition costs of insurance subsidiaries	1,108							1,108
Separate account business	423							423
Total assets	\$ 55,241	\$ 6,254	\$ 3,225	\$ 7,014	\$ 474	\$ 18,637	\$ (16,775)	\$ 74,070
Liabilities and Equity:								
Insurance reserves	\$ 38,263							\$ 38,263
Payable to brokers	253		\$ 196			\$ 91		540
Short term debt		\$ 4			\$ 6			10
Long term debt	2,303	1,487	1,600	\$ 3,100	218	867	\$ (100)	9,475
Deferred income taxes		539		369	38	431	(1,377)	
Other liabilities	2,889	560	112	416	38	281	(22)	4,274
Separate account business	423							423
Total liabilities	44,131	2,590	1,908	3,885	300	1,670	(1,499)	52,985
Total shareholders equity	9,674	1,864	1,317	2,179	174	16,967	(15,276)	16,899
Noncontrolling interests	1,436	1,800		950				4,186
Total equity	11,110	3,664	1,317	3,129	174	16,967	(15,276)	21,085
Total liabilities and equity	\$ 55,241	\$ 6,254	\$ 3,225	\$ 7,014	\$ 474	\$ 18,637	\$ (16,775)	\$ 74,070

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Loews Corporation

Consolidating Statement of Operations Information

Six Months Ended June 30, 2010 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	\$ 3,223							\$ 3,223
Net investment income	1,111	\$ 2				\$ 30		1,143
Intercompany interest and dividends						435	\$ (435)	
Investment gains (losses)	63		\$ (31)					32
Contract drilling revenues		1,656						1,656
Other	151	27	253	\$ 557	\$ 156	1		1,145
Total	4,548	1,685	222	557	156	466	(435)	7,199
Expenses:								
Insurance claims and policyholders' benefits	2,455							2,455
Amortization of deferred acquisition costs	687							687
Contract drilling expenses		654						654
Other operating expenses	524	262	141	341	146	33		1,447
Interest	73	44	37	75	5	27	(4)	257
Total	3,739	960	178	416	151	60	(4)	5,500
Income (loss) before income tax	809	725	44	141	5	406	(431)	1,699
Income tax (expense) benefit	(249)	(229)	(26)	(36)	(2)	7		(535)
Net income (loss)	560	496	18	105	3	413	(431)	1,164
Amounts attributable to noncontrolling interests	(76)	(256)		(46)				(378)
Net income (loss) attributable to Loews Corporation	\$ 484	\$ 240	\$ 18	\$ 59	\$ 3	\$ 413	\$ (431)	\$ 786

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Loews Corporation

Consolidating Statement of Operations Information

Six Months Ended June 30, 2009 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	\$ 3,328							\$ 3,328
Net investment income	1,095	\$ 2				\$ 85		1,182
Intercompany interest and dividends						471	\$ (471)	
Investment gains (losses)	(829)	1						(828)
Contract drilling revenues		1,779						1,779
Other	140	62	\$ 322	\$ 425	\$ 146	1		1,096
Total	3,734	1,844	322	425	146	557	(471)	6,557
Expenses:								
Insurance claims and policyholders' benefits	2,637							2,637
Amortization of deferred acquisition costs	698							698
Contract drilling expenses		600						600
Impairment of natural gas and oil properties			1,036					1,036
Other operating expenses	537	260	207	296	164	30		1,494
Interest	61	12	39	60	5	27		204
Total	3,933	872	1,282	356	169	57		6,669
Income (loss) before income tax	(199)	972	(960)	69	(23)	500	(471)	(112)
Income tax (expense) benefit	137	(263)	348	(20)	8	(12)		198
Net income (loss)	(62)	709	(612)	49	(15)	488	(471)	86
Amounts attributable to noncontrolling interests	(9)	(365)		(19)				(393)
Net income (loss) attributable to Loews Corporation	\$ (71)	\$ 344	\$ (612)	\$ 30	\$ (15)	\$ 488	\$ (471)	\$ (307)

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11. Subsequent Event

On July 14, 2010, CNA entered into an agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., under which CNA's legacy A&E liabilities will be ceded to NICO.

Under the terms of the transaction, effective January 1, 2010 CNA will cede approximately \$1.6 billion of net A&E liabilities to NICO under a retroactive reinsurance agreement with an aggregate limit of \$4.0 billion. The aggregate reinsurance limit will also cover credit risk on existing third party reinsurance related to these liabilities.

CNA will pay to NICO a reinsurance premium of \$2.0 billion and also transfer to NICO the right to collect billed third party reinsurance receivables with a net book value of approximately \$200 million. To secure its obligations, NICO will deposit \$2.2 billion in a collateral trust for the benefit of CNA. In addition, Berkshire Hathaway Inc. will guarantee 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 will assume responsibility for claims handling and collection from third party reinsurers related to CNA's A&E claims.

The closing of this transaction is subject to the receipt of required regulatory approvals and the satisfaction of other closing conditions. The closing is expected to occur in the third quarter of 2010 at which time the Company expects to recognize a loss of approximately \$340 million, after tax and noncontrolling interest.

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, 2009. This MD&A is comprised of the following sections:

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OVERVIEW	

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

commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary);

operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary);

exploration, production and marketing of natural gas, natural gas liquids and, to a lesser extent, oil (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary);

operation of interstate natural gas transmission pipeline systems (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 66% owned subsidiary); and

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

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Consolidated Financial Results

Net income for the second quarter of 2010 amounted to \$366 million, or \$0.87 per share, compared to net income of \$340 million, or \$0.78 per share, in the 2009 second quarter. Net income for the six months ended June 30, 2010 was \$786 million, or \$1.87 per share compared to a net loss of \$307 million, or \$0.70 per share, in the prior year period.

Income before investment gains (losses) for the 2010 second quarter was \$365 million compared to \$518 million in the 2009 second quarter. The decrease of \$153 million primarily reflects lower net investment income at CNA due to reduced limited partnership income, partially offset by favorable prior year development; decreased earnings at Diamond Offshore reflecting lower dayrates and utilization; and less favorable results from the Company's trading portfolio.

Net income included net investment gains of \$1 million (after tax and noncontrolling interest) in the second quarter of 2010 compared to net investment losses of \$178 million in the comparable prior year period. Net investment gains in the second quarter of 2010 were driven by net trading activity and significantly lower other-than-temporary impairment (OTTI) losses at CNA of \$33 million (after tax and noncontrolling interest) in 2010 compared to \$231 million in the comparable prior year period.

In the first six months of 2010, income before investment gains (losses) improved over the comparable prior year period due to the absence of a non-cash impairment charge of \$1.0 billion (\$660 million after tax) related to the carrying value of HighMount's natural gas and oil properties included in the prior year period. This charge reflected declines in commodity prices. Excluding the prior year charge, results for the first six months of 2010 were lower due to the reasons discussed in the three months comparison above.

Net income improved in 2010 and included net investment gains of \$12 million (after tax and noncontrolling interest) in the first six months of 2010 compared to net investment losses of \$488 million in the comparable prior year period. Net investment gains in the first six months of 2010 reflected OTTI losses at CNA of \$68 million (after tax and noncontrolling interest) compared to \$590 million in the comparable prior year period.

Book value per share increased to \$43.53 at June 30, 2010, compared to \$41.80 at March 31, 2010 and \$39.76 at December 31, 2009.

Parent Company Structure

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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Pension and Postretirement Benefit Obligations

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Impairment of Long-lived Assets

Goodwill

Income Taxes

Due to the inherent uncertainties involved with these types of judgments, actual results could differ significantly from estimates, which may have a material adverse impact on our results of operations or equity. See the Critical Accounting Estimates section and the Results of Operations by Business Segment - CNA Financial - Reserves - Estimates and Uncertainties section of our MD&A included under Item 7 of our Form 10-K for the year ended December 31, 2009 for further information.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

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

CNA Financial

The following table summarizes the results of operations for CNA for the three and six months ended June 30, 2010 and 2009 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
(In millions)				
Revenues:				
Insurance premiums	\$ 1,608	\$ 1,656	\$ 3,223	\$ 3,328
Net investment income	521	675	1,111	1,095
Investment gains (losses)	29	(297)	63	(829)
Other revenue	75	62	151	140
Total	2,233	2,096	4,548	3,734
Expenses:				
Insurance claims and policyholder benefits	1,147	1,295	2,455	2,637
Amortization of deferred acquisition costs	345	349	687	698

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Other operating	255	289	524	537
Interest	37	30	73	61
Total	1,784	1,963	3,739	3,933
Income (loss) before income tax	449	133	809	(199)
Income tax (expense) benefit	(146)	(12)	(249)	137
Net income (loss)	303	121	560	(62)
Amounts attributable to noncontrolling interests	(44)	(22)	(76)	(9)
Net income (loss) attributable to Loews Corporation	\$ 259	\$ 99	\$ 484	\$ (71)

Three Months Ended June 30, 2010 Compared to 2009

Net income improved \$160 million for the three months ended June 30, 2010 as compared to the same period in 2009. This improvement was driven by significantly improved net investment gains of \$326 million (\$190 million after tax and noncontrolling interest) partially offset by decreased net investment income of \$154 million. See the Investments section of this MD&A for further discussion of net realized investment results and net investment income. Favorable net prior year development of \$265 million and \$60 million was recorded for the three months ended June 30, 2010 and 2009. Further information on net prior year development for the three months ended June 30, 2010 and 2009 is included in Note 5 of the Consolidated Condensed Financial Statements included under Item 1. Net earned premiums decreased \$48 million for the three months ended June 30, 2010 as compared with the same period in 2009, driven by a \$40 million decrease in CNA Commercial. See the CNA Segment Results section of this MD&A for further discussion.

Table of Contents***Six Months Ended June 30, 2010 Compared to 2009***

Net results improved \$555 million for the six months ended June 30, 2010 as compared to the same period in 2009. This improvement was driven by significantly improved net investment gains of \$892 million (\$522 million after tax and noncontrolling interest). See the Investments section of this MD&A for further discussion of net realized investment results and net investment income. Favorable net prior year development of \$300 million and \$116 million was recorded for the six months ended June 30, 2010 and 2009. Further information on net prior year development for the six months ended June 30, 2010 and 2009 is included in Note 5 of the Consolidated Condensed Financial Statements included under Item 1. Net earned premiums decreased \$105 million for the six months ended June 30, 2010 as compared with the same period in 2009, driven by an \$87 million decrease in CNA Commercial. See the CNA Segment Results section of this MD&A for further discussion.

CNA has commenced a program to significantly transform its IT organization and delivery model. CNA anticipates that the total costs for this program will be approximately \$41 million, of which \$29 million was incurred through the second quarter of 2010. When the results of this program are fully operational, CNA anticipates annual savings based on its current level of IT spending. A significant portion of the annual savings is anticipated to be achieved in 2011 with full annual savings in 2012. Some or all of these estimated savings may be invested in IT or other enhancements necessary to support CNA's business strategies.

Loss Portfolio Transfer Reinsurance Agreement

On July 14, 2010, CNA entered into an agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., under which CNA's legacy asbestos and environmental pollution (A&E) liabilities will be ceded to NICO. Under the terms of the transaction, effective January 1, 2010 CNA will cede approximately \$1.6 billion of net A&E liabilities to NICO under a retroactive reinsurance agreement with an aggregate limit of \$4.0 billion. CNA will pay to NICO a reinsurance premium of \$2.0 billion and also transfer to NICO the right to collect billed third party reinsurance receivables with a net book value of approximately \$200 million. To secure its obligations, NICO will deposit \$2.2 billion in a collateral trust for CNA's benefit. In addition, Berkshire Hathaway Inc. will guarantee 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. The closing is subject to regulatory approvals and closing conditions, and is expected to occur in the third quarter of 2010 at which time the Company expects to recognize a loss of approximately \$340 million, after tax and noncontrolling interest.

CNA Segment Results

CNA utilizes the net operating income financial measure to monitor its operations. Net operating income is calculated by excluding from net income (loss) after tax and noncontrolling interest the 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. See further discussion regarding how CNA manages its business in Note 7 of the Consolidated Condensed Financial Statements included under Item 1. In evaluating the results of the CNA Specialty and CNA Commercial segments, 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.

Table of Contents**CNA Specialty**

The following table summarizes the results of operations for CNA Specialty:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions, except %)				
Net written premiums	\$ 647	\$ 655	\$ 1,303	\$ 1,327
Net earned premiums	665	668	1,319	1,327
Net investment income	125	157	272	242
Net operating income	151	135	266	233
Net realized investment gains (losses)	19	(51)	27	(114)
Net income	170	84	293	119
Ratios:				
Loss and loss adjustment expense Expense	48.2%	60.4%	54.8%	60.2%
Dividend	30.3	29.0	30.6	28.9
Combined	79.0%	89.8%	85.7%	89.5%

Three Months Ended June 30, 2010 Compared to 2009

Net written premiums for CNA Specialty decreased \$8 million for the three months ended June 30, 2010 as compared with the same period in 2009. The decrease in net written premiums was driven by our architects & engineers and CNA HealthPro lines of business, as current economic and competitive market conditions have led to decreased insured exposures and lower rates. These conditions may continue to put ongoing pressure on premium and income levels and the expense ratio. Net earned premiums decreased \$3 million as compared with the same period in 2009, consistent with the trend of lower net written premiums.

CNA Specialty's average rate decreased 2% for the three months ended June 30, 2010 and 2009 for the policies that renewed during those periods. Retention rates of 85% and 84% were achieved for those policies that were available for renewal in each period.

Net income improved \$86 million for the three months ended June 30, 2010 as compared with the same period in 2009. This improvement was primarily due to improved net realized investment results and improved net operating income. See the Investments section of this MD&A for further discussion of the net realized investment results and net investment income.

Net operating income improved \$16 million for the three months ended June 30, 2010 as compared with the same period in 2009. This improvement was primarily due to increased favorable net prior year development, partially offset by lower net investment income and increased expenses.

The combined ratio improved 10.8 points for the three months ended June 30, 2010 as compared with the same period in 2009. The loss ratio improved 12.2 points primarily due to 13.5 points of increased favorable net prior year development. The expense ratio increased 1.3 points, primarily related to higher underwriting expenses and higher commission rates.

Favorable net prior year development of \$124 million was recorded for the three months ended June 30, 2010, compared to favorable net prior year development of \$33 million for the same period in 2009. Further information on CNA Specialty's net prior year development for the three months ended June 30, 2010 and 2009 is included in Note 5 of the Condensed Consolidated Financial Statements included under Item 1.

Six Months Ended June 30, 2010 Compared to 2009

Net written premiums for CNA Specialty decreased \$24 million and net earned premiums decreased \$8 million for the six months ended June 30, 2010 as compared to the same period in 2009, due primarily to the same reasons discussed above in the three month comparison.

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CNA Specialty's average rate decreased 2% for the six months ended June 30, 2010 and 2009 for the policies that renewed during those periods. Retention rates of 87% and 85% were achieved for those policies that were available for renewal in each period.

Net income improved \$174 million for the six months ended June 30, 2010 as compared with the same period in 2009. This improvement was due primarily to the same reasons discussed above in the three month comparison.

Net operating income improved \$33 million for the six months ended June 30, 2010 as compared with the same period in 2009, primarily due to increased favorable net prior year development and increased net investment income, partially offset by increased expenses.

The combined ratio improved 3.8 points for the six months ended June 30, 2010 as compared with the same period in 2009. The loss ratio improved 5.4 points primarily due to 6.4 points of increased favorable net prior year development. The expense ratio increased 1.7 points primarily related to higher underwriting expenses and higher commission rates. Underwriting expenses were unfavorably impacted by IT Transformation costs. See the CNA Consolidated section of this MD&A for further discussion of IT Transformation costs.

Favorable net prior year development of \$153 million was recorded for the six months ended June 30, 2010 compared to favorable net prior year development of \$67 million for the same period in 2009. Further information on CNA Specialty's net prior year development for the six months ended June 30, 2010 and 2009 is included in Note 5 of the Condensed Consolidated Financial Statements included under Item 1.

The following table summarizes the gross and net carried reserves for CNA Specialty:

(In millions)	June 30, 2010	December 31, 2009
Gross Case Reserves	\$ 2,329	\$ 2,208
Gross IBNR Reserves	4,587	4,714
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 6,916	\$ 6,922
Net Case Reserves	\$ 1,918	\$ 1,781
Net IBNR Reserves	3,990	4,085
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 5,908	\$ 5,866

CNA Commercial

The following table summarizes the results of operations for CNA Commercial:

(In millions, except %)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net written premiums	\$ 838	\$ 940	\$ 1,667	\$ 1,860
Net earned premiums	797	837	1,613	1,700
Net investment income	181	283	399	427
Net operating income	112	151	200	215
Net realized investment losses	(12)	(110)		(218)
Net income (loss)	100	41	200	(3)

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Ratios:				
Loss and loss adjustment expense	60.7%	71.2%	67.4%	71.2%
Expense	36.7	33.6	36.1	33.6
Dividend	0.8	(0.2)	0.4	0.1
Combined	98.2%	104.6%	103.9%	104.9%

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Three Months Ended June 30, 2010 Compared to 2009

Net written premiums for CNA Commercial decreased \$102 million for the three months ended June 30, 2010 as compared with the same period in 2009. Premiums written were unfavorably impacted by decreased insured exposures and decreased new business as a result of competitive market conditions. Current economic conditions have led to decreased insured exposures, such as in the construction industry due to smaller payrolls and reduced project volume. These conditions may continue to put ongoing pressure on premium and income levels and the expense ratio. Net earned premiums decreased \$40 million for the three months ended June 30, 2010 as compared with the same period in 2009, consistent with the trend of lower net written premiums.

CNA Commercial's average rate increased 2% for the three months ended June 30, 2010, as compared to flat rates for the three months ended June 30, 2009 for policies that renewed in each period. Retention rates of 79% and 80% were achieved for those policies that were available for renewal in each period.

Net income improved \$59 million for the three months ended June 30, 2010 as compared with the same period in 2009. This improvement was due to improved net realized investment results, partially offset by lower net operating income. See the Investments section of this MD&A for further discussion of net realized investment results and net investment income.

Net operating income decreased \$39 million for the three months ended June 30, 2010 as compared with the same period in 2009. This decrease was primarily driven by significantly lower net investment income and decreased current accident year underwriting results, partially offset by increased favorable net prior year development.

The combined ratio improved 6.4 points for the three months ended June 30, 2010 as compared with the same period in 2009. The loss ratio improved 10.5 points, primarily due to 13.5 points of increased favorable net prior year development, partially offset by increased catastrophe losses and the impact of a higher current accident year non-catastrophe loss ratio. Catastrophe losses were \$45 million, or 5.7 points of the loss ratio, for the three months ended June 30, 2010, as compared to \$40 million, or 4.8 points of the loss ratio, for the same period in 2009.

The expense ratio increased 3.1 points for the three months ended June 30, 2010 as compared with the same period in 2009, primarily related to higher underwriting expenses and the lower net earned premium base.

The dividend ratio increased 1.0 point for the three months ended June 30, 2010 as compared with the same period in 2009. The dividend ratio for the three months ended June 30, 2009 was impacted by favorable dividend development related to workers' compensation coverages.

Favorable net prior year development of \$140 million was recorded for the three months ended June 30, 2010, compared to favorable net prior year development of \$29 million for the same period in 2009. Further information on CNA Commercial net prior year development for the three months ended June 30, 2010 and 2009 is included in Note 5 of the Consolidated Condensed Financial Statements included under Item 1.

Six Months Ended June 30, 2010 Compared to 2009

Net written premiums for CNA Commercial decreased \$193 million and net earned premiums decreased \$87 million for the six months ended June 30, 2010 as compared with the same period in 2009, primarily due to the same reasons discussed above in the three month comparison.

CNA Commercial's average rate increased 1% for the six months ended June 30, 2010, as compared to a decrease of 1% for the six months ended June 30, 2009 for policies that renewed in each period. Retention rates of 79% and 82% were achieved for those policies that were available for renewal in each period.

Net results improved \$203 million for the six months ended June 30, 2010 as compared with the same period in 2009, primarily due to the same reasons discussed above in the three month comparison.

Net operating income decreased \$15 million for the six months ended June 30, 2010 as compared with the same period in 2009. This decrease was primarily driven by decreased current accident year underwriting results, including higher catastrophe losses, and lower net investment income. These unfavorable items were partially offset by increased favorable net prior year development.

The combined ratio improved 1.0 point for the six months ended June 30, 2010 as compared with the same period in 2009. The loss ratio improved 3.8 points, primarily due to 6.1 points of increased favorable net prior year development, partially offset by increased catastrophe losses and the impact of a higher current accident year non-catastrophe loss

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ratio. Catastrophe losses were \$83 million, or 5.2 points of the loss ratio, for the six months ended June 30, 2010, as compared to \$52 million, or 3.1 points of the loss ratio, for the same period in 2009.

The expense ratio increased 2.5 points for the six months ended June 30, 2010 as compared with the same period in 2009, primarily due to the reasons discussed above in the three month comparison. Underwriting expenses were unfavorably impacted by IT Transformation costs. See the CNA Consolidated section of this MD&A for further discussion of IT Transformation costs.

Favorable net prior year development of \$147 million was recorded for the six months ended June 30, 2010, compared to favorable net prior year development of \$51 million for the same period in 2009. Further information on CNA Commercial net prior year development for the six months ended June 30, 2010 and 2009 is included in Note 5 of the Condensed Consolidated Financial Statements included under Item 1.

The following table summarizes the gross and net carried reserves for CNA Commercial:

(In millions)	June 30, 2010	December 31, 2009
Gross Case Reserves	\$ 6,462	\$ 6,510
Gross IBNR Reserves	6,113	6,495
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 12,575	\$ 13,005
Net Case Reserves	\$ 5,255	\$ 5,269
Net IBNR Reserves	5,274	5,580
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 10,529	\$ 10,849

Life & Group Non-Core

The following table summarizes the results of operations for Life & Group Non-Core.

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net earned premiums	\$ 146	\$ 148	\$ 291	\$ 298
Net investment income	174	168	349	327
Net operating loss	(17)	(23)	(16)	(43)
Net realized investment gains (losses)		8	(4)	(103)
Net loss	(17)	(15)	(20)	(146)

Three Months Ended June 30, 2010 Compared to 2009

Net earned premiums for Life & Group Non-Core decreased \$2 million for the three months ended June 30, 2010 as compared with the same period in 2009. Net earned premiums relate primarily to the individual and group long term care businesses.

Net loss increased \$2 million for the three months ended June 30, 2010 as compared with the same period in 2009. This was primarily due to less favorable performance on our pension deposit business and decreased net realized investment results, largely offset by the favorable period over period impact of a \$25 million after tax and noncontrolling legal accrual recorded in the second quarter of 2009 related to a previously held

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limited partnership investment. See the Investments section of this MD&A for further discussion of net realized investment results.

Certain of the separate account investment contracts related to CNA's pension deposit business guarantee principal and an annual minimum rate of interest, for which CNA recorded an additional pretax liability in Policyholders' funds during 2008 based on the results of the investments supporting this business at that time. During the second quarter of 2009, CNA decreased this pretax liability by \$31 million based on improved results from these investments. During the second quarter of 2010, CNA decreased this pretax liability by an additional \$6 million based on the results from these investments.

Table of Contents**Six Months Ended June 30, 2010 Compared to 2009**

Net earned premiums for Life & Group Non-Core decreased \$7 million for the six months ended June 30, 2010 as compared with the same period in 2009.

Net loss decreased \$126 million for the six months ended June 30, 2010 as compared with the same period in 2009. This improvement was primarily due to improved net realized investment results. See the Investments section of this MD&A for further discussion of net realized investment results. In addition, the favorable period over period impact of the 2009 legal accrual as discussed above in the three month comparison and the impact of favorable reserve development arising from a commutation of an assumed reinsurance agreement also contributed to the improvement. Partially offsetting these favorable impacts were unfavorable results in CNA's long term care business.

Other Insurance

The following table summarizes the results of operations for the Other Insurance segment, including A&E and intrasegment eliminations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Net investment income	\$ 41	\$ 67	\$ 91	\$ 100
Net operating income	1	14	3	12
Net realized investment gains (losses)	5	(25)	8	(53)
Net income (loss)	6	(11)	11	(41)

Three Months Ended June 30, 2010 Compared to 2009

Net results improved \$17 million for the three months ended June 30, 2010 as compared with the same period in 2009 primarily due to improved net realized investment results, partially offset by lower net investment income. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Favorable net prior year development of \$1 million was recorded for the three months ended June 30, 2010, compared to unfavorable net prior year development of \$2 million for the same period of 2009. Further information on Other Insurance net prior year development for the three months ended June 30, 2010 and 2009 is included in Note 5 of the Consolidated Condensed Financial Statements included under Item 1.

Six Months Ended June 30, 2010 Compared to 2009

Net results improved \$52 million for the six months ended June 30, 2010 as compared with the same period in 2009, primarily due to improved net realized investment results, partially offset by higher interest expense and lower net investment income. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

There was no net prior year development recorded for the six months ended June 30, 2010. Unfavorable net prior year development of \$2 million was recorded for the same period of 2009. Further information on Other Insurance net prior year development for the six months ended June 30, 2010 and 2009 is included in Note 5 of the Consolidated Condensed Financial Statements included under Item 1.

The following table summarizes the gross and net carried reserves for the Other Insurance segment:

	June 30, 2010	December 31, 2009
(In millions)		

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Gross Case Reserves	\$ 1,497	\$ 1,548
Gross IBNR Reserves	2,246	2,458
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 3,743	\$ 4,006
Net Case Reserves	\$ 967	\$ 972
Net IBNR Reserves	1,347	1,515
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 2,314	\$ 2,487

Table of Contents**Diamond Offshore****Recent Developments**

On April 20, 2010, the Macondo well being drilled by BP plc in the U.S. Gulf of Mexico (GOM), experienced a blowout and immediately began flowing oil into the GOM. Efforts to permanently plug and abandon the well and contain the spill are ongoing at the time of this report.

In the aftermath of this event, on May 30, 2010, the U.S. government imposed a moratorium on certain drilling activities in water deeper than 500 feet in the GOM and subsequently implemented enhanced safety requirements applicable to all drilling activity in the GOM, including drilling activities in water shallower than 500 feet. On June 22, 2010, the U.S. District Court for the Eastern District of Louisiana granted a temporary injunction which immediately prohibited enforcement of the moratorium. The U.S. government appealed the ruling and the District Court's decision and requested that the U.S. Court of Appeals for the Fifth Circuit stay the injunction pending appeal. The Fifth Circuit denied the government's stay motion. While the appeal is pending, the government has rescinded the moratorium and ordered a new suspension through November 30, 2010, subject to modifications by the government under certain circumstances, of drilling activities using subsea blowout preventers (BOPs), or surface BOPs on floating facilities. Further proceedings with respect to the moratorium and the new suspension are pending. Diamond Offshore currently has six rigs (three floaters and three jack-ups) under contract in the GOM.

The practical effects in the GOM of the uncertainty caused by the drilling moratorium and the suspension have been a freeze on nearly all floater activity and, given a dramatically slower permitting process, a reduction of jack-up activity. It has been reported that the industry currently has 32 floating rigs in the GOM that have been impacted by the suspension, of which Diamond Offshore has three semisubmersible rigs under contract. All three of these rigs have subsea BOPs. Two other of Diamond Offshore's semisubmersible rigs, the *Ocean Confidence* and the *Ocean Endeavor*, formerly working in the GOM, are mobilizing to international locations. Diamond Offshore is working towards compliance with the various new regulations put in place since May 30, 2010. However, the overall regulatory environment in the GOM remains very fluid, with frequent changes. Diamond Offshore is not able to predict the outcome of the various legal proceedings, whether enforcement of the moratorium will be permanently enjoined, whether the suspension will remain in place, or whether the government will seek to implement additional restrictions on or prohibitions of drilling activities in the GOM; and Diamond Offshore is not able to predict the impact of these events on its operations.

Given the continuing uncertainty with respect to drilling activity in the GOM, Diamond Offshore's customers may seek to move rigs to locations outside of the GOM, perform activities which are allowed under the enhanced safety requirements and not prohibited by the moratorium or the suspension, or attempt to terminate the contracts pursuant to their respective force majeure provisions. These agreements generally provide for a force majeure dayrate that extends for a specified period of time and varies from contract to contract. Several customers have either asserted force majeure, including with respect to the *Ocean Monarch*, or indicated that they may assert force majeure under their relevant contracts. Diamond Offshore is assessing each situation on an individual basis as it arises.

In an effort to preserve its contract revenue backlog, Diamond Offshore has reached agreements with two of its customers to mobilize two of its high-specification floaters to international locations. The *Ocean Endeavor* is mobilizing to Egypt under a term contract ending June 30, 2011, plus an option period. This new contract for the *Ocean Endeavor* will help Diamond Offshore preserve backlog, and will allow the previous operator of the rig to satisfy certain contractual obligations. The new contract, combined with a \$31 million early termination fee paid by the previous operator of the rig, is expected to generate combined maximum total revenue of approximately \$100 million.

The *Ocean Confidence* is mobilizing to the Republic of Congo under a restructured term agreement with the current operator. Under the agreement, the original contract in the GOM has been suspended and restructured into a one-year commitment in the GOM that is expected to recommence when Diamond Offshore's customer is satisfied that it can obtain the necessary permits and can meet any new regulatory requirements. The new international contract is a three-well commitment, plus an option for additional work, and includes an obligation for the customer to mobilize the rig to and from the Republic of Congo. The remaining one-year GOM commitment and new international commitment are expected to generate combined maximum total revenue of approximately \$234 million.

Diamond Offshore is continuing to actively seek international opportunities to keep its rigs employed. However, Diamond Offshore can provide no assurance that it will be successful in its efforts to employ the remaining impacted rigs in the GOM in the near term or that the force majeure assertions will ultimately be resolved in its favor.

In addition, given the uncertainty with respect to drilling activity in the GOM, Diamond Offshore elected to cold stack its intermediate rig *Ocean Voyager* when it rolled off contract in June 2010.

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Maximum contract revenue as stated above assumes 100% rig utilization. Generally, rig utilization rates approach 95%-98% during contracted periods; however, utilization rates can be adversely impacted by additional downtime due to unscheduled repairs, maintenance and weather.

Outside the GOM, the global economy remained relatively flat in the second quarter of 2010, with oil prices averaging in the mid \$70s. Dayrates Diamond Offshore receives for new contracts are no longer at the peak levels achieved at the height of the most recent up-cycle. Given the unpredictable economic environment, the demand for Diamond Offshore's services and the dayrates it is able to command could soften further. This volatility and uncertainty is being further exacerbated by the uncertainty in the GOM. If Diamond Offshore, or others, move rigs out of the GOM to international locations, the increased supply of available rigs entering the international market, coupled with un-contracted new-build rigs scheduled for delivery this year and next, could create downward pressure on dayrates unless demand improves sufficiently to absorb the new supply.

In addition to the contracts for the *Ocean Endeavor* and *Ocean Confidence* discussed above, Diamond Offshore signed six new contracts during the second quarter of 2010 totaling approximately \$137 million in backlog and ranging in length from one well to one year. At the end of the second quarter of 2010, Diamond Offshore's contract backlog was approximately \$8.2 billion, of which its contracts in the GOM represented approximately \$795 million, or 10% of its total contract backlog.

Contract Drilling Backlog

The following table reflects Diamond Offshore's contract drilling backlog as of July 22, 2010 and February 1, 2010 (the date reported in our Annual Report on Form 10-K for the year ended December 31, 2009). Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding one half of any potential rig performance bonuses. 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 be different than the amounts and periods shown in the tables below due to various factors. Utilization rates, which generally approach 95% - 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 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.

	July 22, 2010	February 1, 2010
(In millions)		
High specification floaters (a)	\$ 4,705	\$ 4,177
Intermediate semisubmersible rigs (b)	3,322	4,030
Jack-ups (c)	139	249
Total	\$ 8,166	\$ 8,456

- (a) Contract drilling backlog as of July 22, 2010 for Diamond Offshore's high specification floaters includes (i) \$3.1 billion attributable to contracted operations offshore Brazil for the remainder of 2010 and for the years 2011 to 2016, and (ii) \$724 million attributable to contracted operations in the GOM for the remainder of 2010 and for the years 2011 to 2013.
- (b) Contract drilling backlog as of July 22, 2010 for Diamond Offshore's intermediate semisubmersible rigs includes (i) \$2.6 billion attributable to contracted operations offshore Brazil for the remainder of 2010 and for the years 2011 to 2015, and (ii) \$64 million attributable to contracted operations in the GOM for the remainder of 2010 and for the year 2011.
- (c) Contract drilling backlog as of July 22, 2010 for Diamond Offshore's jack-ups includes (i) \$49 million attributable to contracted operations offshore Brazil for the remainder of 2010 and for the year 2011, and (ii) \$7 million attributable to contracted operations in the GOM for the remainder of 2010.

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The following table reflects the amount of Diamond Offshore's contract drilling backlog by year as of July 22, 2010.

Year Ended December 31 (In millions)	Total	2010 (a)	2011	2012	2013 - 2016
High specification floaters (b)	\$ 4,705	\$ 855	\$ 1,619	\$ 914	\$ 1,317
Intermediate semisubmersible rigs (c)	3,322	723	996	860	743
Jack-ups (d)	139	70	69		
Total	\$ 8,166	\$ 1,648	\$ 2,684	\$ 1,774	\$ 2,060

(a) Represents a six-month period beginning July 1, 2010.

(b) Contract drilling backlog as of July 22, 2010 for Diamond Offshore's high specification floaters includes (i) \$392 million, \$803 million and \$667 million for the remainder of 2010 and for the years 2011 and 2012 and \$1.3 billion in the aggregate for the years 2013 to 2016, attributable to contracted operations offshore Brazil, and (ii) \$123 million, \$386 million, \$183 million and \$32 million for the remainder of 2010 and for the years 2011, 2012 and 2013, attributable to contracted operations in the GOM.

(c) Contract drilling backlog as of July 22, 2010 for Diamond Offshore's intermediate semisubmersible rigs includes (i) \$371 million, \$764 million and \$732 million for the remainder of 2010 and for the years 2011 and 2012, and \$687 million in the aggregate for the years 2013 to 2016, attributable to contracted operations offshore Brazil, and (ii) \$28 million and \$36 million for the remainder of 2010 and for the year 2011, attributable to contracted operations in the GOM.

(d) Contract drilling backlog as of July 22, 2010 for Diamond Offshore's jack-ups includes (i) \$4 million and \$45 million for the remainder of 2010 and for the year 2011 attributable to contracted operations offshore Brazil, and (ii) \$7 million for the remainder of 2010 attributable to contracted operations in the GOM.

The following table reflects the percentage of rig days committed by year as of July 22, 2010. 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 multiplied by the number of days in a particular year).

Year Ended December 31	2010 (a) (b)	2011 (b)	2012	2013 - 2016
High specification floaters	96%	80%	47%	18%
Intermediate semisubmersible rigs	80%	55%	44%	10%
Jack-ups	33%	11%		

(a) Represents a six month period beginning July 1, 2010.

(b) Includes approximately 647 and 410 scheduled shipyard, survey and mobilization days for 2010 and 2011.

Results of Operations

The following table summarizes the results of operations for Diamond Offshore for the three and six months ended June 30, 2010 and 2009 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				

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Contract drilling	\$ 812	\$ 923	\$ 1,656	\$ 1,779
Net investment income	1	1	2	2
Investment gains				1
Other revenue	10	33	27	62
Total	823	957	1,685	1,844
Expenses:				
Contract drilling	349	306	654	600
Other operating	132	120	262	260
Interest	22	11	44	12
Total	503	437	960	872
Income before income tax	320	520	725	972
Income tax expense	(104)	(147)	(229)	(263)
Net income	216	373	496	709
Amounts attributable to noncontrolling interests	(112)	(192)	(256)	(365)
Net income attributable to Loews Corporation	\$ 104	\$ 181	\$ 240	\$ 344

Table of Contents***Three Months Ended June 30, 2010 Compared to 2009***

During the second quarter of 2010, the relatively flat global economy continued to impact Diamond Offshore's industry despite an improvement in oil prices from the comparable period in the prior year. Although Diamond Offshore's contracted revenue backlog enabled it to partially mitigate the impact of these market conditions, operating revenues decreased \$111 million, or 12%, to \$812 million for the second quarter of 2010, as compared to \$923 million in the corresponding period in 2009. The decrease in revenue was primarily related to a decrease in dayrates, combined with an overall decrease in average utilization from 80% during the second quarter of 2009 to 76% for the second quarter of 2010.

Revenues from intermediate semisubmersible and jack-up rigs decreased \$117 million for the three months ended June 30, 2010, as compared to the corresponding period of the prior year, due primarily to decreased dayrates of \$63 million and decreased utilization of \$49 million. Revenues were unfavorably impacted by a decrease in the recognition of mobilization fees of \$5 million.

Revenues from high specification floaters increased \$6 million to \$340 million for the three months ended June 30, 2010, as compared to \$334 million in the corresponding period of the prior year. The increase primarily reflects increased utilization of \$20 million and increased mobilization fees of \$8 million, partially offset by decreased dayrates of \$22 million.

Net income decreased \$77 million, or 43% for the three months ended June 30, 2010, as compared to the corresponding period of the prior year, mainly due to decreased revenue as noted above. Contract drilling expense increased \$43 million, to \$349 million for the second quarter of 2010, compared to \$306 million for the comparable period in 2009. This increase is primarily due to higher amortized mobilization expenses and higher operating costs due to more of Diamond Offshore's rigs exiting the GOM to operate internationally, where the operating cost structure is generally higher than that of the GOM. Depreciation expense increased \$15 million during the second quarter of 2010, compared to the same period in 2009 due to a higher depreciable asset base, including the 2009 acquisitions of the *Ocean Courage* and *Ocean Valor*. Interest expense increased \$11 million in the second quarter of 2010, compared to the same period in 2009, due to additional expense related to the issuance of 5.9% senior notes in May of 2009 and 5.7% senior notes in October of 2009.

Six Months Ended June 30, 2010 Compared to 2009

Throughout the first half of 2010, the weak global economy continued to impact Diamond Offshore's industry despite an improvement in oil prices from the comparable period in the prior year. Although Diamond Offshore's contracted revenue backlog enabled it to partially mitigate the impact of these market conditions, operating revenues decreased \$123 million, or 7%, for the six months ended June 30, 2010, as compared to the corresponding period in 2009. The decrease in revenue was primarily related to a decrease in dayrates, combined with an overall decrease in average utilization from 81% during the first half of 2009 to 79% for the first half of 2010.

Revenues from intermediate semisubmersible and jack-up rigs decreased \$201 million for the six months ended June 30, 2010, as compared to the corresponding period of the prior year, due primarily to decreased dayrates of \$83 million and decreased utilization of \$118 million.

Revenues from high specification floaters increased \$78 million for the six months ended June 30, 2010, as compared to the corresponding period of the prior year. The increase primarily reflects increased utilization of \$50 million, increased dayrates of \$12 million and increased recognition of mobilization fees of \$16 million.

Net income decreased \$104 million, or 30% for the six months ended June 30, 2010, as compared to the corresponding period of the prior year, mainly due to decreased revenue as noted above. Contract drilling expense increased \$54 million, to \$654 million for the six months ended June 30, 2010, compared to \$600 million for the comparable period in 2009. This increase is primarily due to higher amortized mobilization expenses and higher operating costs due to more rigs operating internationally where the operating cost structure is generally higher than that of the GOM. The first half of 2010 also includes normal operating costs for the *Ocean Courage* which began operating early in the first quarter of 2010. Depreciation expense increased \$28 million during the first half of 2010, compared to the same period in 2009 due to a higher depreciable asset base, including the 2009 acquisitions of the *Ocean Courage* and *Ocean Valor*. Interest expense increased \$32 million for the six months ended June 30, 2010, compared to the same period in 2009, due to additional expense related to the issuance of 5.9% senior notes in May of 2009 and 5.7% senior notes in October of 2009.

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Diamond Offshore's effective tax rate increased for the six months ended June 30, 2010, as compared to the corresponding period in the prior year. The higher effective tax rate in the current quarter is a result of differences in the mix of domestic and international pretax earnings and losses, as well as the mix of international tax jurisdictions in which Diamond Offshore operates. Also contributing to the higher effective tax rate in the current period was the expiration on December 31, 2009 of a tax law provision which allowed Diamond Offshore to defer recognition of certain foreign earnings for U.S. income tax purposes. The United States Congress currently has a bill pending to extend this tax law provision for an additional year which, if passed, is expected to be retroactive to January 1, 2010 and would allow Diamond Offshore to defer recognition of certain foreign earnings for U.S. income tax purposes. However, Diamond Offshore's estimated annual effective tax rate for the six months ended June 30, 2010 reflects applicable tax law as of June 30, 2010 as the pending legislation has not been enacted.

HighMount

We use the following terms throughout this discussion of HighMount's results of operations, with equivalent volumes computed with oil and natural gas liquids (NGLs) quantities converted to Mcf, on an energy equivalent ratio of one barrel to six Mcf:

<i>Bbl</i>	- Barrel (of oil or NGLs)
<i>Bcf</i>	- Billion cubic feet (of natural gas)
<i>Bcfe</i>	- Billion cubic feet of natural gas equivalent
<i>Mbbl</i>	- Thousand barrels (of oil or NGLs)
<i>Mcf</i>	- Thousand cubic feet (of natural gas)
<i>Mcfe</i>	- Thousand cubic feet of natural gas equivalent
<i>MMBtu</i>	- Million British thermal units

HighMount's operating revenues and future growth depend substantially on natural gas and NGL prices and HighMount's ability to increase its production. In recent years, there has been significant price volatility in natural gas and NGL prices due to a variety of factors HighMount cannot control or predict. These factors, which include weather conditions, political and economic events, technological advancements, and competition from other energy sources, impact supply and demand for natural gas, which determines the pricing. In addition, the price HighMount realizes for its gas production is affected by HighMount's hedging activities as well as locational differences in market prices. Production volumes are dependent upon HighMount's ability to realize attractive returns on its capital investment program which is primarily affected by commodity prices, capital and operating costs.

During 2009 and the first half of 2010 natural gas prices remained low due largely to increased onshore natural gas production, plentiful levels of working gas in storage and reduced demand. Drilling costs and operating cost decreased during the second half of 2009 and remained relatively low in the first half of 2010. In light of the current low price environment, HighMount continued its limited drilling program. Reduced drilling activity and low natural gas prices negatively impact production volumes and revenues.

HighMount's operating expense consists primarily of production expenses, production and ad valorem taxes, as well as depreciation, depletion and amortization (DD&A) expenses. Production expenses represent costs incurred to operate and maintain wells, related equipment and facilities and transportation costs. Production and ad valorem taxes increase or decrease primarily when prices of natural gas and NGLs increase or decrease, but they are also affected by changes in production, as well as appreciated property values. HighMount calculates depletion using the units-of-production method, which depletes the capitalized costs and future development costs associated with evaluated properties based on the ratio of production volumes for the current period to total remaining reserve volumes for the evaluated properties. HighMount's depletion expense is affected by its capital spending program and projected future development costs, as well as reserve changes resulting from drilling programs, well performance and revisions due to changing commodity prices.

Sale of Assets

On April 30, 2010, HighMount completed the sale of exploration and production assets located in the Antrim Shale in Michigan to a subsidiary of Linn Energy, LLC for approximately \$330 million, subject to adjustment, and on May 28, 2010, HighMount completed the sale of exploration and production assets located in the Black Warrior Basin in Alabama to a subsidiary of Walter Energy for approximately \$210 million, subject to adjustment. The Michigan and Alabama properties represented approximately 17% in aggregate of HighMount's total proved reserves prior to the sales. These sales did not have a material impact on the Consolidated Condensed Statements of Operations. HighMount's remaining natural gas exploration and production operations are primarily located in the Permian Basin in Texas.

Table of Contents**Production and Sales Statistics**

Presented below are production and sales statistics related to HighMount's operations for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Gas production (Bcf)	15.0	20.3	32.6	40.0
Gas sales (Bcf)	14.0	18.6	30.2	36.7
Oil production/sales (Mbbls)	67.9	107.1	128.8	209.9
NGL production/sales (Mbbls)	738.2	891.6	1,472.6	1,812.3
Equivalent production (Bcfe)	19.8	26.4	42.2	52.2
Equivalent sales (Bcfe)	18.8	24.6	39.8	48.8
Average realized prices, without hedging results:				
Gas (per Mcf)	\$ 3.90	\$ 3.31	\$ 4.61	\$ 3.73
NGL (per Bbl)	38.52	24.31	41.16	22.46
Oil (per Bbl)	71.08	54.04	72.55	46.71
Equivalent (per Mcfe)	4.67	3.62	5.26	3.84
Average realized prices, with hedging results:				
Gas (per Mcf)	\$ 5.19	\$ 6.40	\$ 6.25	\$ 7.03
NGL (per Bbl)	33.20	24.31	33.81	27.75
Oil (per Bbl)	71.08	54.04	72.55	46.71
Equivalent (per Mcfe)	5.42	5.96	6.23	6.51
Average cost per Mcfe:				
Production expenses	\$ 1.14	\$ 1.14	\$ 1.11	\$ 1.15
Production and ad valorem taxes	0.42	0.38	0.39	0.42
General and administrative expenses	0.77	0.63	0.65	0.61
Depletion expense	0.87	0.87	0.88	1.11

Results of Operations

The following table summarizes the results of operations for HighMount for the three and six months ended June 30, 2010 and 2009 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Revenues:				
Other revenue, primarily operating	\$ 105	\$ 147	\$ 253	\$ 322
Investment losses	(18)		(31)	
Total	87	147	222	322
Expenses:				
Impairment of natural gas and oil properties				1,036
Operating	69	81	141	207

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Interest	18	20	37	39
Total	87	101	178	1,282
Income (loss) before income tax		46	44	(960)
Income tax (expense) benefit	(6)	(17)	(26)	348
Net income (loss) attributable to Loews Corporation	\$ (6)	\$ 29	\$ 18	\$ (612)

Table of Contents***Three Months Ended June 30, 2010 Compared to 2009***

HighMount's operating revenues decreased by \$42 million to \$105 million in the second quarter of 2010, compared to \$147 million for the second quarter of 2009. Operating revenues decreased by \$24 million due to the sale of HighMount's assets in Michigan and Alabama. Permian Basin operating revenues decreased by \$19 million to \$94 million compared to \$113 million in the second quarter of 2009 on sales volumes of 16.6 Bcfe in 2010 compared to 19.6 Bcfe in 2009. Average prices realized per Mcfe for Permian Basin sales were \$5.55 in the second quarter of 2010 compared to \$5.68 in the second quarter of 2009. The decrease in Permian Basin sales volume is primarily due to the reduction in HighMount's drilling activity.

In February of 2010, HighMount determined that a portion of the expected underlying transactions related to its hedging activities were no longer probable of occurring and discontinued hedge accounting treatment for a portion of its interest rate cash flow hedges and its commodity price swaps. Results for the three months ended June 30, 2010 include a pretax loss of \$4 million for the mark-to-market valuation of these instruments. As a result of the sale of assets, during the second quarter of 2010 HighMount recognized a pretax loss of \$14 million from the reclassification of net derivative losses from AOCI to earnings. Derivative gains and losses not accounted for as hedge transactions are recorded as investment gains (losses) in the Consolidated Condensed Statement of Operations.

HighMount had hedges in place as of June 30, 2010 that cover approximately 79% and 60% of total estimated 2010 and 2011 natural gas equivalent production at a weighted average price of \$6.26 and \$6.32 per Mcfe.

Operating expenses primarily consist of production expenses, production and ad valorem taxes, general and administrative costs and DD&A. Operating expenses decreased by \$12 million to \$69 million for the second quarter of 2010, compared to \$81 million for the second quarter of 2009. The decline in operating expenses reflects a \$9 million decrease related to the sale of HighMount's assets in Michigan and Alabama, and lower DD&A expenses.

DD&A expenses in the second quarter of 2010 declined to \$22 million from \$29 million in 2009. DD&A expenses included depletion of natural gas and NGL properties of \$17 million and \$23 million for the three months ended June 30, 2010 and 2009. DD&A expenses decreased due to reduced production volumes and the sale of HighMount's assets in Michigan and Alabama. HighMount's depletion rate was \$0.87 per Mcfe in both periods.

Six Months Ended June 30, 2010 Compared to 2009

HighMount's operating revenues decreased by \$69 million to \$253 million in the first six months of 2010, compared to \$322 million the first six months of 2009. Operating revenues decreased by \$19 million due to the sale of HighMount's assets in Michigan and Alabama. Permian Basin operating revenues decreased by \$51 million to \$205 million compared to \$256 million in 2009 on sales volumes of 33.2 Bcfe in 2010 compared to 40.4 Bcfe in 2009. Average prices realized per Mcfe for Permian Basin sales were \$6.09 in 2010 compared to \$6.26 in 2009. The decrease in Permian Basin sales volume is primarily due to the reduction in HighMount's drilling activity.

In February of 2010, HighMount determined that a portion of the expected underlying transactions related to its hedging activities were no longer probable of occurring and discontinued hedge accounting treatment for a portion of its interest rate cash flow hedges and its commodity price swaps. Results for the six months ended June 30, 2010, include a pretax gain of \$5 million for the mark-to-market valuation of these instruments. As a result of the sale of assets, in 2010 HighMount recognized a pretax loss of \$36 million from the reclassification of net derivative losses from AOCI to earnings. Derivative gains and losses not accounted for as hedge transactions are recorded as investment gains (losses) in the Consolidated Condensed Statements of Operations.

In the first quarter of 2009, HighMount recorded a non-cash ceiling test impairment charge of \$1,036 million (\$660 million after tax) related to the carrying value of its natural gas and oil properties. The write-down was the result of declines in commodity prices. Had the effects of HighMount's cash flow hedges not been considered in calculating the ceiling limitation, the impairment would have been \$1,230 million (\$784 million after tax). No such impairment was required during 2010.

Operating expenses decreased by \$66 million to \$141 million in the first six months of 2010, compared to \$207 million in the first six months of 2009. In the first quarter of 2009, HighMount incurred non-recurring operating expenses of \$32 million related to lease early termination rights and a tubular inventory impairment charge. The decline in operating expenses also includes an \$11 million decrease related to the sale of HighMount's assets in Michigan and Alabama.

DD&A expenses declined to \$48 million from \$69 million for the first six months of 2009. DD&A expenses included depletion of natural gas and NGL properties of \$37 million and \$58 million for the six months ended June 30, 2010 and

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2009. DD&A expenses decreased due to reduced production volumes and the sale of HighMount's assets in Michigan and Alabama. HighMount's depletion rate per Mcfe decreased by \$0.23 per Mcfe to \$0.88 per Mcfe in 2010, compared to \$1.11 per Mcfe in 2009. The decrease in the depletion rate is primarily due to impairments of natural gas and oil properties recorded in March 2009.

Boardwalk Pipeline

Boardwalk Pipeline derives revenues primarily from the interstate transportation and storage of natural gas for third parties. Transportation services consist of firm transportation, whereby the customer pays a capacity reservation charge to reserve pipeline capacity at certain receipt and delivery points along pipeline systems, plus a commodity and fuel charge on the volume of natural gas actually transported, and interruptible transportation, whereby the customer pays to transport gas only when capacity is available and used. Boardwalk Pipeline offers firm storage services in which the customer reserves and pays for a specific amount of storage capacity, including injection and withdrawal rights, and interruptible storage and parking and lending (PAL) services where the customer receives and pays for capacity only when it is available and used. Some PAL agreements are paid for at inception of the service and revenues for these agreements are recognized as service is provided over the term of the agreement.

Boardwalk Pipeline's ability to market available interstate transportation and storage capacity is impacted by demand for natural gas, competition from other pipelines, natural gas price volatility, the price differential between receipt and delivery points on pipeline systems (basis spreads), economic conditions and numerous other factors beyond Boardwalk Pipeline's control. Boardwalk Pipeline competes with numerous interstate and intrastate pipelines, including several pipeline projects which have recently been placed in service or are in the process of being developed. Additionally, significant new sources of natural gas have recently been identified throughout the United States which have created changes in pricing dynamics between supply basins, pooling points and market areas. As a result of the increase in overall pipeline capacity and the new sources of supply, the price differentials on Boardwalk Pipeline's pipeline systems have narrowed.

Given current market conditions, marketing Boardwalk Pipeline's currently available capacity and renewing expiring contracts have become more difficult. Boardwalk Pipeline's ability to renew some of its expiring contracts at favorable rates, and the revenues from interruptible and short term firm transportation services, have been negatively impacted by these trends. Capacity that Boardwalk Pipeline has available on a short term basis will decrease as long term capacity commitments on the recently completed pipeline expansion projects increase over the next twelve to eighteen months. However, some of Boardwalk Pipeline's capacity will continue to be available for sale on a short term firm or interruptible basis and each year a portion of Boardwalk Pipeline's existing contracts expire. The revenues Boardwalk Pipeline will be able to earn from that available capacity and from renewals of expiring contracts will be heavily dependent upon basis spreads. It is not possible to accurately predict future basis spreads.

Growth Projects

During 2010, Boardwalk Pipeline placed in service the remaining compression facilities associated with the Gulf Crossing Pipeline and the Fayetteville and Greenville Laterals which increased the peak-day delivery capacities of those projects. With the exception of post-construction activities such as right-of-way restoration, the East Texas Pipeline, Southeast Expansion, Gulf Crossing Project and Fayetteville and Greenville Laterals (pipeline expansion projects) are complete.

In 2009, while completing the requirements to operate its pipeline expansion projects at higher than normal operating pressures under special permits issued by the Pipeline and Hazardous Materials Safety Administration (PHMSA), Boardwalk Pipeline discovered anomalies in certain pipeline segments on each of the pipeline expansion projects. In December of 2009, Boardwalk Pipeline received authority from PHMSA to operate the East Texas Pipeline, Southeast Expansion and Gulf Crossing Project at higher than normal operating pressures. Boardwalk Pipeline continues to seek authority from PHMSA to operate the Fayetteville Lateral at higher than normal operating pressures. If Boardwalk Pipeline is not able to operate the Fayetteville Lateral at higher than normal operating pressures, transportation revenues for that project will not grow as planned as the volume commitments under firm contracts increase. In that event, Boardwalk Pipeline could also incur additional costs for system upgrades to increase capacity to meet contracted volume commitments on that project.

Set forth below is information with respect to the status of Boardwalk Pipeline's announced growth projects.

Haynesville Project. The Haynesville Project consists of adding compression to the East Texas Pipeline in Louisiana, which will add approximately 0.6 billion cubic feet (Bcf) per day of peak-day transmission capacity with delivery capabilities from the DeSoto, Louisiana area to the Perryville, Louisiana area. Boardwalk Pipeline has received Federal Energy Regulatory Commission (FERC) approval for this expansion, which it anticipates will be in service in the

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fourth quarter of 2010. Customers have contracted for substantially all of the firm capacity on this project at a weighted-average contract life of approximately 12.2 years.

Clarence Compression Project. The Clarence Compression Project, which also targets production from the Haynesville Shale, will add approximately 0.1 Bcf per day of peak-day transmission capacity. This project will receive gas from the Holly Field area in Northwest Louisiana, and deliver to a third-party pipeline interconnect near Olla, Louisiana. Customers have contracted for approximately 0.1 Bcf per day of capacity with a weighted-average contract life of approximately 11.0 years. The compression is expected to be in service, subject to FERC approval, in late 2011.

Results of Operations

The following table summarizes the results of operations for Boardwalk Pipeline for the three and six months ended June 30, 2010 and 2009 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Revenues:				
Other revenue, primarily operating	\$ 256	\$ 201	\$ 557	\$ 425
Total	256	201	557	425
Expenses:				
Operating	165	150	341	296
Interest	38	33	75	60
Total	203	183	416	356
Income before income tax	53	18	141	69
Income tax expense	(13)	(5)	(36)	(20)
Net income	40	13	105	49
Amounts attributable to noncontrolling interests	(19)	(5)	(46)	(19)
Net income attributable to Loews Corporation	\$ 21	\$ 8	\$ 59	\$ 30

Three Months Ended June 30, 2010 Compared to 2009

Total revenues increased \$55 million to \$256 million for the second quarter of 2010, compared to \$201 million for the 2009 period. Gas transportation revenues increased \$60 million and fuel retained increased \$6 million, primarily due to the pipeline expansion projects. These increases were partially offset by a \$10 million decrease in interruptible and short-term firm transportation services due to lower basis spreads between delivery points on Boardwalk Pipeline's pipeline system.

Operating expenses increased \$15 million to \$165 million for the second quarter of 2010, compared to \$150 million for the 2009 period. This increase was primarily driven by a \$13 million increase in fuel consumed due to the pipeline expansion projects and higher natural gas prices. There was a \$3 million increase in depreciation and property taxes due to a larger asset base from the pipeline expansion projects and an increase of \$3 million in maintenance activities. An impairment loss of \$2 million was recognized in the second quarter of 2010 on certain gathering assets in the Overton Field area in northeast Texas that are expected to be sold in the third quarter of 2010 for a nominal amount. The 2009 period was unfavorably impacted by \$4 million of pipeline investigation and retirement costs related to the East Texas Pipeline. Interest expense increased \$5 million in the second quarter of 2010 to \$38 million due to higher debt levels.

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Net income increased \$13 million to \$21 million in the second quarter of 2010, compared to \$8 million in the second quarter of 2009 due to higher revenues from transportation services primarily from the pipeline expansion projects, partially offset by increased operating expenses associated with those projects and increased interest expense. In 2009, gas transportation revenues and throughput were negatively impacted due to operating the pipeline expansion projects at reduced operating pressures and portions of the pipeline expansion projects being shut down for periods of time following the discovery and remediation of anomalies in certain joints of pipe.

Six Months Ended June 30, 2010 Compared to 2009

Total revenues increased \$132 million to \$557 million for the first half of 2010, compared to \$425 million for the 2009 period. Gas transportation revenues increased \$127 million and fuel retained increased \$19 million, primarily due to the

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pipeline expansion projects. These increases were partially offset by \$16 million of lower interruptible and short-term firm transportation services resulting from lower basis spreads between delivery points on Boardwalk Pipeline's pipeline system. PAL revenues increased \$3 million due to favorable summer to summer natural gas price spreads.

Operating expenses increased \$45 million to \$341 million for the first half of 2010, compared to \$296 million for the 2009 period. This increase was primarily driven by a \$27 million increase in fuel consumed due to the pipeline expansion projects. There was an \$11 million increase in depreciation and property taxes due to a larger asset base from the pipeline expansion projects. There was a \$6 million increase in administrative and general expense due to a legal settlement, increases in outside services and unit-based compensation driven by an increase in the price of Boardwalk Pipeline's common units. The 2009 period was unfavorably impacted by \$4 million of pipeline investigation and retirement costs related to the East Texas Pipeline. Interest expense increased \$15 million in the first half of 2010 to \$75 million due to higher debt levels in 2010 and lower capitalized interest due to the completion of Boardwalk Pipeline's pipeline expansion projects.

Net income increased \$29 million to \$59 million in the first half of 2010, compared to \$30 million in the first half of 2009 due to higher revenues from transportation services primarily from the pipeline expansion projects, partially offset by increased operating expenses related to increases in depreciation and property taxes associated with those projects and increased interest expense. In 2009, gas transportation revenues and throughput were negatively impacted due to operating the pipeline expansion projects at reduced operating pressures and portions of the pipeline expansion projects being shut down for periods of time following the discovery and remediation of anomalies in certain joints of pipe.

Loews Hotels

The following table summarizes the results of operations for Loews Hotels for the three and six months ended June 30, 2010 and 2009 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Revenues:				
Other revenue, primarily operating	\$ 81	\$ 73	\$ 156	\$ 146
Total	81	73	156	146
Expenses:				
Operating	72	64	146	164
Interest	3	3	5	5
Total	75	67	151	169
Income (loss) before income tax	6	6	5	(23)
Income tax (expense) benefit	(2)	(3)	(2)	8
Net income (loss) attributable to Loews Corporation	\$ 4	\$ 3	\$ 3	\$ (15)

Revenues increased by \$8 million and \$10 million or 11.0% and 6.8% for the three and six months ended June 30, 2010 as compared to the corresponding periods of 2009. Net income increased by \$1 million and \$18 million for the three and six months ended June 30, 2010 as compared to the corresponding periods in 2009.

Revenue per available room increased \$13.61 and \$10.36 to \$152.82 and \$148.75 for the three and six months ended June 30, 2010 as compared to the corresponding periods of 2009. Occupancy rates increased to 73.6% and 69.5% in the three and six months ended June 30, 2010 from 69.8% and 66.1% in the corresponding periods of 2009. Average room rates increased by \$8.32 and \$4.88, or 4.2% and 2.3% in the three and six months ended June 30, 2010 compared to the corresponding periods in 2009.

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Revenue per available room is an industry measure of the combined effect of occupancy rates and average room rates on room revenues. Other hotel operating revenues primarily include guest charges for food and beverages.

During the six months ended June 30, 2009, Loews Hotels wrote down its entire investment in the Loews Lake Las Vegas, resulting in a pretax impairment charge of \$27 million recorded in operating expenses.

Table of Contents**Corporate and Other**

Corporate operations consist primarily of investment income at the Parent Company, corporate interest expense and other corporate administrative costs.

The following table summarizes the results of operations for Corporate and Other for the three and six months ended June 30, 2010 and 2009 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In millions)				
Revenues:				
Net investment income	\$ 4	\$ 59	\$ 30	\$ 85
Other revenue	2	1	1	1
Total	6	60	31	86
Expenses:				
Operating	22	14	33	30
Interest	9	13	23	27
Total	31	27	56	57
Income (loss) before income tax	(25)	33	(25)	29
Income tax (expense) benefit	9	(13)	7	(12)
Net income (loss) attributable to Loews Corporation	\$ (16)	\$ 20	\$ (18)	\$ 17

Revenues decreased by \$54 million and \$55 million for the three and six months ended June 30, 2010 as compared to the corresponding periods of 2009. These declines were due primarily to decreases in the trading portfolio as a result of the lower performance of equity investments in 2010 as compared to the corresponding period of the prior year.

There was a net loss of \$16 million and \$18 million for the three and six months ended June 30, 2010 as compared to net income of \$20 million and \$17 million in the corresponding periods of 2009. These declines were due primarily to the reduction in revenues discussed above.

LIQUIDITY AND CAPITAL RESOURCES**CNA Financial**

CNA's principal operating cash flow sources are premiums and investment income from our insurance subsidiaries. CNA's primary operating cash flow uses are payments for claims, policy benefits and operating expenses.

For the six months ended June 30, 2010, net cash provided by operating activities was \$581 million as compared with \$287 million for the same period in 2009. Because cash receipts and cash payments resulting from purchases and sales of trading securities are reported as cash flows related to operating activities, operating cash flows were reduced by \$142 million in 2009 related to net cash outflows which increased the size of the trading portfolio held at June 30, 2009. During 2010, operating cash flows were increased by \$153 million related to net cash inflows primarily from sales of trading securities.

Cash flows from investing activities include the purchase and sale of available-for-sale financial instruments. Additionally, cash flows from investing activities may include the purchase and sale of businesses, land, buildings, equipment and other assets not generally held for resale.

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For the six months ended June 30, 2010, net cash used by investing activities was \$523 million as compared with \$220 million for the same period in 2009. Investing cash flows related principally to purchases and sales of fixed maturity securities and short term investments. The cash flow from investing activities is impacted by various factors such as the anticipated payment of claims, financing activity, asset/liability management and individual security buy and sell decisions made in the normal course of portfolio management.

Cash flows from financing activities include proceeds from the issuance of debt and equity securities, outflows for dividends or repayment of debt, outlays to reacquire equity instruments, and deposits and withdrawals related to investment contract products issued by CNA.

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For the six months ended June 30, 2010, net cash used by financing activities was \$124 million as compared with \$59 million for the same period in 2009. Net cash used by financing activities in 2010 was primarily related to the payment of dividends on the 2008 Senior Preferred Stock to Loews. Additionally, CNA repaid \$50 million of an outstanding credit facility during the second quarter of 2010.

CNA believes that its present cash flows from operations, investing activities and financing activities are sufficient to fund its current and expected working capital and debt obligation needs. As discussed in Note 11 of the Notes to Consolidated Condensed Financial Statements included under Item 1, CNA entered into an agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., under which CNA's legacy A&E liabilities will be ceded to NICO. Under the terms of the agreement CNA will pay to NICO a reinsurance premium of \$2.0 billion. CNA expects to have sufficient funds to satisfy the required premium payment through existing cash, short term holdings, and expected cash flow from operations and the investment portfolio.

Diamond Offshore

Cash and investments totaled \$776 million at June 30, 2010 compared to \$778 million at December 31, 2009. In the first six months of 2010, Diamond Offshore paid cash dividends totaling \$490 million, consisting of special cash dividends of \$455 million and regular quarterly cash dividends of \$35 million. On July 21, 2010, Diamond Offshore declared a special dividend of \$0.75 per share and a regular quarterly dividend of \$0.125 per share.

Diamond Offshore's cash flows from operations are impacted by the ability of its customers to weather instability in the U.S. and global economies and restrictions in the credit market, as well as the volatility in energy prices. In general, before working for a customer with whom Diamond Offshore has not had a prior business relationship and/or whose financial stability may be uncertain Diamond Offshore performs a credit review on that company. Based on that analysis, Diamond Offshore may require that the customer present a letter of credit, prepay or provide other credit enhancements. If a potential customer is unable to obtain an adequate level of credit, it may preclude Diamond Offshore from doing business with that potential customer.

Cash provided by operating activities during the first six months of 2010 was \$694 million, compared to \$705 million in 2009. The decrease in cash flows from operations in 2010 is primarily due to a decrease in earnings resulting from an aggregate reduction in average utilization of and dayrates earned by Diamond Offshore's fleet and increased mobilization costs, offset by a decrease in net cash required to satisfy working capital requirements in 2010 compared to 2009. Diamond Offshore's working capital requirements used \$235 million less cash to satisfy its working capital requirements during the first half of 2010 compared to 2009. The decrease in cash required to satisfy working capital requirements is primarily due to a decrease in Diamond Offshore's outstanding accounts receivable balances at June 30, 2010 compared to 2009.

On July 7, 2010, Diamond Offshore completed the sale of one of its high performance, premium jack-up drilling rigs, the *Ocean Shield*, for a total selling price of \$186 million.

Diamond Offshore has budgeted approximately \$485 million on capital expenditures for 2010 associated with its ongoing rig equipment replacement and enhancement programs, equipment required for its long-term international contracts and other corporate requirements. In addition, Diamond Offshore expects to spend approximately \$70 million in 2010 towards the commissioning and outfitting for service of the recently acquired *Ocean Courage* and *Ocean Valor*. During the second quarter of 2010, Diamond Offshore spent approximately \$222 million towards these programs. Diamond Offshore expects to finance its 2010 capital expenditures through the use of its existing cash balances or internally generated funds. From time to time, however, Diamond Offshore may also make use of its credit facility to finance capital expenditures.

As of June 30, 2010, there were no loans outstanding under Diamond Offshore's \$285 million credit facility; however, \$24 million in letters of credit were issued and outstanding under the credit facility.

Diamond Offshore's liquidity and capital requirements are primarily a function of its working capital needs, capital expenditures and debt service requirements. Diamond Offshore determines the amount of cash required to meet its capital commitments by evaluating the need to upgrade rigs to meet specific customer requirements and by evaluating its ongoing rig equipment replacement and enhancement programs, including water depth and drilling capability upgrades. It is the opinion of Diamond Offshore's management that its operating cash flows and cash reserves will be sufficient to meet both its working capital requirements and its capital commitments over the next twelve months; however, Diamond Offshore will continue to make periodic assessments based on industry conditions and will adjust capital spending programs if required.

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HighMount

At June 30, 2010 and December 31, 2009, cash and investments amounted to \$110 million and \$83 million. Net cash flows provided by operating activities were \$81 million and \$151 million in the six months ended June 30, 2010 and 2009. Key drivers of net operating cash flows are commodity prices, production volumes and operating costs.

Cash provided by investing activities for the six months ended June 30, 2010 was \$447 million, compared to cash used in investing activities of \$150 million in 2009. Cash provided by investing activities for the six months ended June 30, 2010 includes the net proceeds from the sale of HighMount's assets in Michigan and Alabama of approximately \$500 million. The primary driver of cash used in investing activities was capital spent developing HighMount's natural gas and oil reserves. HighMount spent \$58 million and \$83 million on capital expenditures for its drilling program in the six months ended June 30, 2010 and 2009. In 2010, funds for capital expenditures and working capital requirements are expected to be provided from existing cash balances and operating activities.

HighMount used the net proceeds from the sale of its assets in Michigan and Alabama to reduce the outstanding debt under its term loans. At June 30, 2010, the outstanding borrowings under the term loans were \$1.1 billion. At June 30, 2010, no borrowings were outstanding under HighMount's revolving credit facility, however, \$4 million in letters of credit were issued. The available capacity under the facility is \$366 million.

HighMount's credit agreement governing its term loans and revolving credit facility contains financial covenants typical for these types of agreements, including a maximum debt to capitalization ratio. The credit agreement also contains customary restrictions or limitations on HighMount's ability to enter or engage in certain transactions, including transactions with affiliates. At June 30, 2010, HighMount was in compliance with all of its covenants under the credit agreement.

Boardwalk Pipeline

At June 30, 2010 and December 31, 2009, cash and investments amounted to \$85 million and \$50 million. Funds from operations for the six months ended June 30, 2010 amounted to \$252 million, compared to \$168 million in 2009. For the six months ended June 30, 2010 and 2009, Boardwalk Pipeline's capital expenditures were \$131 million and \$497 million. Boardwalk Pipeline expects to fund its remaining 2010 capital expenditures through its operating cash flows.

As of June 30, 2010, Boardwalk Pipeline had \$679 million of loans outstanding under its revolving credit facility with a weighted-average interest rate on the borrowings of 0.6% and had no letters of credit issued. At June 30, 2010, Boardwalk Pipeline was in compliance with all covenant requirements under its credit facility and had available borrowing capacity of \$271 million.

Loews Hotels

Cash and investments totaled \$36 million at June 30, 2010, as compared to \$63 million at December 31, 2009. In March of 2010, Loews Hotels funded \$10 million for a loan guarantee and \$10 million related to a development project commitment. Funds for capital expenditures and working capital requirements are expected to be provided from existing cash balances, operations and advances or capital contributions from us.

Corporate and Other

Parent Company cash and investments, net of receivables and payables, at June 30, 2010 totaled \$3.4 billion, as compared to \$3.0 billion at December 31, 2009. The increase in net cash and investments is primarily due to proceeds of \$333 million from the sale of 11.5 million Boardwalk Pipeline common units and \$435 million in interest and dividends from our subsidiaries. These cash inflows were partially offset by the purchase of treasury stock for \$253 million and \$53 million of dividends paid to our shareholders.

Depending on market and other conditions, we may purchase shares of our and our subsidiaries' outstanding common stock in the open market or otherwise. During the three and six months ended June 30, 2010, we purchased 1.5 million and 6.9 million shares of Loews common stock at an aggregate cost of \$56 million and \$253 million. As of June 30, 2010, there were 418.3 million shares of Loews common stock outstanding.

We have an effective Registration Statement on Form S-3 registering the future sale of an unlimited amount of our debt and equity securities.

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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.

INVESTMENTS

Investment activities of non-insurance companies include investments in fixed income securities, equity securities including short sales, derivative instruments and short term investments, and are carried at fair value. Securities that are considered part of our trading portfolio, short sales and certain derivative instruments are marked to market and reported as Net investment income in the Consolidated Condensed Statements of Income.

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 counter parties. We occasionally require collateral from our derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty.

We do not believe that any of the derivative instruments we use are unusually complex, nor do the use of these instruments, in our opinion, result in a higher degree of risk. Please read Note 2 and Note 4 of the Notes to Consolidated Condensed Financial Statements included under Item 1 for additional information with respect to investments and derivative instruments, including recognized gains and losses on these instruments.

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:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Fixed maturity securities	\$ 519	\$ 487	\$ 1,029	\$ 962
Short term investments	5	11	11	21
Limited partnerships	(4)	165	68	95
Equity securities	9	14	19	28
Trading portfolio	2	8	6	8
Other	3	1	5	4
Gross investment income	534	686	1,138	1,118
Investment expense	(13)	(11)	(27)	(23)
Net investment income	\$ 521	\$ 675	\$ 1,111	\$ 1,095

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Net investment income for the three months ended June 30, 2010 decreased \$154 million as compared with the same period in 2009. The decrease was primarily driven by unfavorable results in our limited partnership investments, partially offset by an investment shift from lower yielding short term assets to higher yielding long term bonds. Limited partnership investments generally present greater volatility, higher illiquidity and greater risk than fixed income investments.

Net investment income for the six months ended June 30, 2010 increased \$16 million as compared with the same period in 2009. The increase was primarily driven by an investment shift from lower yielding short term assets to higher

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yielding long term bonds. The increase was partially offset by a decrease in limited partnership income, as discussed above.

The fixed maturity investment portfolio and short term investments provided a pretax effective income yield of 5.2% and 5.1% for the six months ended June 30, 2010 and 2009. Tax-exempt municipal bonds generated \$68 million and \$146 million of net investment income for the three and six months ended June 30, 2010 compared with \$104 million and \$205 million of net investment income for the same periods in 2009.

Net Realized Investment Gains (Losses)

The components of CNA's net realized investment results are presented in the following table:

	Three Months Ended		Six Months Ended	
	June 30,	2009	June 30,	2009
	2010	2009	2010	2009
(In millions)				
Realized investment gains (losses):				
Fixed maturity securities:				
U.S. Treasury securities and obligations of government agencies	\$ 4	\$ (6)	\$ 4	\$ (27)
Asset-backed securities	15	(307)	10	(499)
States, municipalities and political subdivisions securities	11	18	8	55
Foreign government securities	(1)	8	1	26
Corporate and other bonds	30	(105)	63	(296)
Redeemable preferred stock	7		7	(9)
Total fixed maturity securities	66	(392)	93	(750)
Equity securities	(28)	64	(25)	(152)
Derivative securities		33		64
Short term investments	1	(5)	4	8
Other	(10)	3	(9)	1
Total realized investment gains (losses)	29	(297)	63	(829)
Income tax (expense) benefit	(16)	98	(28)	285
Net realized investment gains (losses)	13	(199)	35	(544)
Amounts attributable to noncontrolling interests	(1)	21	(4)	56
Net realized investment gains (losses) attributable to Loews Corporation	\$ 12	\$ (178)	\$ 31	\$ (488)

Net realized investment results improved \$190 million and \$519 million for the three and six months ended June 30, 2010 compared with the same periods in 2009. The improved results were driven by significantly lower OTTI losses recognized in earnings. Further information on CNA's realized gains and losses, including CNA's OTTI losses and impairment decision process is set forth in Note 2 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

CNA's fixed maturity portfolio consists primarily of high quality bonds, 90% of which were rated as investment grade (rated BBB- or higher) at June 30, 2010 and December 31, 2009. The classification between investment grade and non-investment grade is based on a ratings methodology that takes into account ratings from the three major providers, Standard & Poor's (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings in that order of preference. If a security is not rated by any of the three, CNA formulates an internal rating. For securities with credit support from third party guarantees, the rating reflects the greater of the underlying rating of the issuer or the insured rating.

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The following table summarizes the ratings of CNA's fixed maturity portfolio at carrying value:

(In millions of dollars)	June 30, 2010		December 31, 2009	
U.S. Government and Agencies	\$ 3,394	9.0%	\$ 3,705	10.4%
Other AAA rated	5,235	13.9	5,855	16.5
AA and A rated	14,289	38.0	12,464	35.0
BBB rated	10,844	28.9	10,122	28.4
Non-investment grade	3,803	10.2	3,466	9.7
Total	\$ 37,565	100.0%	\$ 35,612	100.0%

Non-investment grade fixed maturity securities, as presented in the table below, include high-yield securities rated below BBB- by rating agencies and other unrated securities that, according to CNA's analysis, are below investment grade. Non-investment grade securities generally involve a greater degree of risk than investment grade securities. The amortized cost of CNA's non-investment grade fixed maturity bond portfolio was \$3,903 million and \$3,637 million at June 30, 2010 and December 31, 2009. The following table summarizes the ratings of this portfolio at carrying value.

(In millions of dollars)	June 30, 2010		December 31, 2009	
BB	\$ 1,390	36.5%	\$ 1,352	39.0%
B	1,306	34.3	1,255	36.2
CCC-C	1,023	26.9	761	22.0
D	84	2.3	98	2.8
Total	\$ 3,803	100.0%	\$ 3,466	100.0%

Included within the fixed maturity portfolio are securities that contain credit support from third party guarantees from mono-line insurers. At June 30, 2010, \$432 million of the carrying value of the fixed maturity portfolio had a third party guarantee that increased the underlying average rating of those securities from AA- to AA+. Of this amount, over 98% was within the states, municipalities and political subdivisions securities sector.

At June 30, 2010 and December 31, 2009, approximately 98% and 99% of the fixed maturity portfolio was issued by the U.S. Government and Agencies or was rated by S&P or Moody's. The remaining bonds were rated by other rating agencies or internally.

The carrying value of fixed maturity and equity securities that are either subject to trading restrictions or trade in illiquid private placement markets at June 30, 2010 was \$223 million, which represents approximately 0.5% of CNA's total investment portfolio. These securities were in a net unrealized gain position of \$6 million at June 30, 2010.

The following table provides the composition of available-for-sale fixed maturity securities in a gross unrealized loss position at June 30, 2010 by maturity profile. Securities not due at a single date are allocated based on weighted average life.

Percent of Market Value	Percent of Unrealized Loss
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Due in one year or less	12.0%	8.0%
Due after one year through five years	16.0	12.0
Due after five years through ten years	26.0	27.0
Due after ten years	46.0	53.0
Total	100.0%	100.0%

Duration

A primary objective in the management of the fixed maturity and equity portfolios is to optimize return relative to underlying 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

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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 underlying liabilities and the ability to align the duration of the portfolio to those liabilities 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 liabilities primarily in the Life & Group Non-Core segment including annuities, structured benefit settlements and long term care products.

The effective durations of fixed income securities, short term investments, non-redeemable preferred stocks and interest rate derivatives are presented in the table below. CNA's short term investments are net of securities lending collateral and account payable and receivable amounts for securities purchased and sold, but not yet settled.

	June 30, 2010		December 31, 2009	
	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
(In millions of dollars)				
Segregated investments	\$ 11,267	11.0	\$ 10,376	11.2
Other interest sensitive investments	29,924	4.2	29,665	4.0
Total	\$ 41,191	6.1	\$ 40,041	5.8

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 Form 10-K for the year ended December 31, 2009.

Short Term Investments

The carrying value of the components of the short term investment portfolio is presented in the following table:

	June 30, 2010	December 31, 2009
(In millions)		
Short term investments available-for-sale:		
Commercial paper	\$ 1,275	\$ 185
U.S. Treasury securities	1,259	3,025
Money market funds	144	179
Other	362	560
Total short term investments	\$ 3,040	\$ 3,949

There was no cash collateral held related to securities lending at June 30, 2010 or December 31, 2009.

Table of Contents**Asset-backed and Sub-prime Mortgage Exposure**

The following table provides detail of the Company's exposure to asset-backed and sub-prime mortgage related securities:

June 30, 2010 (In millions)	Security Type			Total
	RMBS (a)	CMBS (b)	Other ABS (c)	
U.S. government agencies	\$ 3,198	\$ 31		\$ 3,229
AAA	1,458	394	\$ 595	2,447
AA	246	218	52	516
A	165	236	29	430
BBB	244	82	67	393
Non-investment grade and equity tranches	1,193	30	58	1,281
Total fair value	\$ 6,504	\$ 991	\$ 801	\$ 8,296
Total amortized cost	\$ 6,714	\$ 1,052	\$ 801	\$ 8,567
Sub-prime (included above)				
Fair value	\$ 527			\$ 527
Amortized cost	594			594
Alt-A (included above)				
Fair value	\$ 694			\$ 694
Amortized cost	755			755

(a) Residential mortgage-backed securities (RMBS)

(b) Commercial mortgage-backed securities (CMBS)

(c) Other asset-backed securities (Other ABS)

The exposure to sub-prime residential mortgage (sub-prime) collateral and Alternative A residential mortgages that have lower than normal standards of loan documentation (Alt-A) collateral is measured by the original deal structure. Of the securities with sub-prime exposure, approximately 68% were rated investment grade, while 82% of the Alt-A securities were rated investment grade. At June 30, 2010, \$7 million of the carrying value of the sub-prime and Alt-A securities carried a third-party guarantee.

Pretax OTTI losses of \$16 million for securities with sub-prime and Alt-A exposure were included in the \$41 million of pretax OTTI losses related to asset-backed securities recognized in earnings on the Consolidated Condensed Statements of Operations for the six months ended June 30, 2010. Continued deterioration in the underlying collateral beyond our current expectations may cause us to reconsider and recognize additional OTTI losses in earnings. See Note 2 of the Notes to Consolidated Condensed Financial Statements included under Item 1 for additional information related to unrealized losses on asset-backed securities.

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

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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 our officials and our subsidiaries during presentations about us, 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, which may be provided by management are also forward-looking statements as defined by the Act.

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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. These risks and uncertainties include, among others:

Risks and uncertainties primarily affecting us and our insurance subsidiaries

conditions in the capital and credit markets, including continuing uncertainty and instability in these markets, as well as the overall economy, and their impact on the returns, types, liquidity and valuation of CNA's investments;

the impact of competitive products, policies and pricing and the competitive environment in which CNA operates, including changes in CNA's book of business;

product and policy availability and demand and market responses, including the level of CNA's ability to obtain rate increases and decline or non-renew under priced accounts, to achieve premium targets and profitability and to realize growth and retention estimates;

development of claims and the impact on loss reserves, including changes in claim settlement policies;

the performance of reinsurance companies under reinsurance contracts with CNA;

regulatory limitations, impositions and restrictions upon CNA, including the effects of assessments and other surcharges for guaranty funds and second-injury funds, other mandatory pooling arrangements and future assessments levied on insurance companies and other financial industry participants under the Emergency Economic Stabilization Act of 2008 recoupment provisions, as well as the new federal financial regulatory reform of the insurance industry established by the Dodd-Frank Wall Street Reform and Consumer Protection Act;

increased operating costs and underwriting losses arising from the Patient Protection and Affordable Care Act and the related amendments in the Health Care and Education Reconciliation Act, as well as health care reform proposals at the state level;

weather and other natural physical events, including the severity and frequency of storms, hail, snowfall and other winter conditions, natural disasters such as hurricanes and earthquakes, as well as climate change, including effects on weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain and snow;

regulatory requirements imposed by coastal state regulators in the wake of hurricanes or other natural disasters, including limitations on the ability to exit markets or to non-renew, cancel or change terms and conditions in policies, as well as mandatory assessments to fund any shortfalls arising from the inability of quasi-governmental insurers to pay claims;

man-made disasters, including the possible occurrence of terrorist attacks and the effect of the absence or insufficiency of applicable terrorism legislation on coverages;

the unpredictability of the nature, targets, severity or frequency of potential terrorist events, as well as the uncertainty as to CNA's ability to contain its terrorism exposure effectively, notwithstanding the extension through December 31, 2014 of the Terrorism Risk Insurance

Act of 2002;

the occurrence of epidemics;

mass tort claims, including bodily injury claims related to welding rods, benzene, lead and noise induced hearing loss claims, as well as claims relating to various medical products including pharmaceuticals;

regulatory limitations and restrictions, including limitations upon CNA's ability to receive dividends from its insurance subsidiaries imposed by state regulatory agencies and minimum risk-based capital standards established by the National Association of Insurance Commissioners;

the risks and uncertainties associated with CNA's loss reserves as outlined under Results of Operations by Business Segment CNA Financial Reserves Estimates and Uncertainties in the MD&A portion of our Annual Report Form 10-K for the year ended December 31, 2009, including the sufficiency of the reserves and the possibility for future increases;

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the possibility of changes in CNA's ratings by ratings agencies, including the inability to access certain markets or distribution channels, and the required collateralization of future payment obligations as a result of such changes, and changes in rating agency policies and practices;

the effects of failures in the financial services industry, as well as irregularities in financial reporting and other corporate governance matters, on the markets for directors and officers, and errors and omissions coverages, as well as on capital and credit markets;

general economic and business conditions, including recessionary conditions that may decrease the size and number of CNA's insurance customers and create additional losses to CNA's lines of business, especially those that provide management and professional liability insurance, as well as surety bonds, to businesses engaged in real estate, financial services and professional services, and inflationary pressures on medical care costs, construction costs and other economic sectors that increase the severity of claims; and