LOEWS CORP
Form 10-Q
April 30, 2013
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

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

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2013**

**OR**

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

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period From _____ to _____**

**Commission File Number 1-6541**

# LOEWS CORPORATION

**(Exact name of registrant as specified in its charter)**

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

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

**(Address of principal executive offices) (Zip Code)**

**(212) 521-2000**

**(Registrant s telephone number, including area code)**

**NOT APPLICABLE**

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

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

Yes X No _____

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

Yes X No _____ Not Applicable _____

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

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

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

Yes _____ No X

| Class | Outstanding at April 22, 2013 |
|---|---|
| Common stock, $0.01 par value | 388,965,441 shares |

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**Loews Corporation and Subsidiaries**

**CONSOLIDATED CONDENSED BALANCE SHEETS**

**(Unaudited)**

**(Dollar amounts in millions, except per share data)**

| | **March 31, 2013** | December 31, 2012 |
|---|---|---|
| **Assets:** | | |
| Investments: | | |
| Fixed maturities, amortized cost of $38,668 and $38,324 | **$ 42,912** | $ 42,765 |
| Equity securities, cost of $709 and $893 | **691** | 898 |
| Limited partnership investments | **3,207** | 3,090 |
| Other invested assets, primarily mortgage loans | **473** | 460 |
| Short term investments | **5,901** | 5,835 |
| Total investments | **53,184** | 53,048 |
| Cash | **179** | 228 |
| Receivables | **9,605** | 9,366 |
| Property, plant and equipment | **14,204** | 13,935 |
| Goodwill | **993** | 996 |
| Other assets | **1,529** | 1,538 |
| Deferred acquisition costs of insurance subsidiaries | **641** | 598 |
| Separate account business | **279** | 312 |
| Total assets | **$ 80,614** | $ 80,021 |
| **Liabilities and Equity:** | | |
| Insurance reserves: | | |
| Claim and claim adjustment expense | **$ 24,511** | $ 24,763 |
| Future policy benefits | **11,469** | 11,475 |
| Unearned premiums | **3,759** | 3,610 |
| Policyholders funds | **154** | 157 |
| Total insurance reserves | **39,893** | 40,005 |
| Payable to brokers | **738** | 205 |
| Short term debt | **19** | 19 |
| Long term debt | **9,418** | 9,191 |
| Deferred income taxes | **895** | 840 |
| Other liabilities | **4,654** | 4,773 |
| Separate account business | **279** | 312 |

| | | |
|---|---|---|
| Total liabilities | **55,896** | 55,345 |
| Preferred stock, $0.10 par value: | | |
| Authorized 100,000,000 shares | | |
| Common stock, $0.01 par value: | | |
| Authorized 1,800,000,000 shares | | |
| Issued 392,242,941 and 392,054,766 shares | **4** | 4 |
| Additional paid-in capital | **3,589** | 3,595 |
| Retained earnings | **15,410** | 15,192 |
| Accumulated other comprehensive income | **566** | 678 |
| | **19,569** | 19,469 |
| Less treasury stock, at cost (2,344,500 and 249,600 shares) | **(102)** | (10) |
| Total shareholders equity | **19,467** | 19,459 |
| Noncontrolling interests | **5,251** | 5,217 |
| Total equity | **24,718** | 24,676 |
| Total liabilities and equity | **$ 80,614** | $ 80,021 |

*See accompanying Notes to Consolidated Condensed Financial Statements.*

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**Loews Corporation and Subsidiaries**

**CONSOLIDATED CONDENSED STATEMENTS OF INCOME**

**(Unaudited)**

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions, except per share data)** | | |
| **Revenues:** | | |
| Insurance premiums | **$ 1,764** | $ 1,649 |
| Net investment income | **641** | 726 |
| Investment gains (losses): | | |
| Other-than-temporary impairment losses | **(18)** | (15) |
| Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss) | | (12) |
| Net impairment losses recognized in earnings | **(18)** | (27) |
| Other net investment gains | **42** | 59 |
| Total investment gains | **24** | 32 |
| Contract drilling revenues | **700** | 755 |
| Other | **605** | 582 |
| Total | **3,734** | 3,744 |
| **Expenses:** | | |
| Insurance claims and policyholders benefits | **1,429** | 1,381 |
| Amortization of deferred acquisition costs | **328** | 295 |
| Contract drilling expenses | **375** | 397 |
| Other operating expenses | **982** | 819 |
| Interest | **108** | 111 |
| Total | **3,222** | 3,003 |
| Income before income tax | **512** | 741 |
| Income tax expense | **(114)** | (222) |
| Net income | **398** | 519 |
| Amounts attributable to noncontrolling interests | **(156)** | (152) |
| Net income attributable to Loews Corporation | **$ 242** | $ 367 |
| **Basic net income per share** | **$ 0.62** | $ 0.93 |
| **Diluted net income per share** | **$ 0.62** | $ 0.92 |

| | | |
|---|---|---|
| **Dividends per share** | **$ 0.0625** | $ 0.0625 |
| | | |
| **Weighted-average shares outstanding:** | | |
| Shares of common stock | **391.39** | 396.77 |
| Dilutive potential shares of common stock | **0.77** | 0.67 |
| | | |
| Total weighted-average shares outstanding assuming dilution | **392.16** | 397.44 |

*See accompanying Notes to Consolidated Condensed Financial Statements.*

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**Loews Corporation and Subsidiaries**

**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

**(Unaudited)**

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Net income | **$ 398** | $ 519 |
| Other comprehensive income (loss), after tax | | |
| Changes in: | | |
| Net unrealized gains on investments with other-than-temporary impairments | **14** | 40 |
| Net other unrealized gains (losses) on investments | **(62)** | 217 |
| Total unrealized gains (losses) on available-for-sale investments | **(48)** | 257 |
| Unrealized gains (losses) on cash flow hedges | **(21)** | 15 |
| Pension liability | **4** | 7 |
| Foreign currency | **(61)** | 21 |
| Other comprehensive income (loss) | **(126)** | 300 |
| Comprehensive income | **272** | 819 |
| Amounts attributable to noncontrolling interests | **(142)** | (183) |
| Total comprehensive income attributable to Loews Corporation | **$ 130** | $ 636 |

*See accompanying Notes to Consolidated Condensed Financial Statements.*

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**Loews Corporation and Subsidiaries**

**CONSOLIDATED CONDENSED STATEMENTS OF EQUITY**

**(Unaudited)**

| | | Loews Corporation Shareholders | | | | | |
|---|---|---|---|---|---|---|---|
| **(In millions)** | **Total** | **Common Stock** | **Additional Paid-in Capital** | **Retained Earnings** | **Accumulated Other Comprehensive Income** | **Common Stock Held in Treasury** | **Noncontrolling Interests** |
| Balance, January 1, 2012 | $ 23,203 | $ 4 | $ 3,494 | $ 14,890 | $ 384 | $ - | $ 4,431 |
| Net income | 519 | | | 367 | | | 152 |
| Other comprehensive income | 300 | | | | 269 | | 31 |
| Dividends paid | (133) | | | (25) | | | (108) |
| Issuance of equity securities by subsidiary | 222 | | 36 | | 1 | | 185 |
| Issuance of Loews common stock | 5 | | 5 | | | | |
| Stock-based compensation | 6 | | 5 | | | | 1 |
| Other | (1) | | (2) | | | | 1 |
| Balance, March 31, 2012 | $ 24,121 | $ 4 | $ 3,538 | $ 15,232 | $ 654 | $ - | $ 4,693 |
| **Balance, January 1, 2013** | **$ 24,676** | **$ 4** | **$ 3,595** | **$ 15,192** | **$ 678** | **$ (10)** | **$ 5,217** |
| **Net income** | **398** | | | **242** | | | **156** |
| **Other comprehensive loss** | **(126)** | | | | **(112)** | | **(14)** |
| **Dividends paid** | **(146)** | | | **(24)** | | | **(122)** |
| **Purchase of Loews treasury stock** | **(92)** | | | | | **(92)** | |
| **Issuance of Loews common stock** | **3** | | **3** | | | | |
| **Stock-based compensation** | **4** | | **(9)** | | | | **13** |
| **Other** | **1** | | | | | | **1** |
| **Balance, March 31, 2013** | **$ 24,718** | **$ 4** | **$ 3,589** | **$ 15,410** | **$ 566** | **$ (102)** | **$ 5,251** |

*See accompanying Notes to Consolidated Condensed Financial Statements.*

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**Loews Corporation and Subsidiaries**

**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| **Operating Activities:** | | |
| Net income | **$ 398** | $ 519 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities, net | **335** | 270 |
| Changes in operating assets and liabilities, net: | | |
| Receivables | **(68)** | 142 |
| Deferred acquisition costs | **(40)** | (15) |
| Insurance reserves | **79** | 99 |
| Other assets | **(3)** | (6) |
| Other liabilities | **(101)** | (187) |
| Trading securities | **8** | (494) |
| Net cash flow operating activities | **608** | 328 |
| **Investing Activities:** | | |
| Purchases of fixed maturities | **(2,720)** | (2,842) |
| Proceeds from sales of fixed maturities | **1,409** | 1,929 |
| Proceeds from maturities of fixed maturities | **866** | 683 |
| Purchases of equity securities | **(12)** | (12) |
| Proceeds from sales of equity securities | **51** | 19 |
| Purchases of limited partnership investments | **(41)** | (66) |
| Proceeds from sales of limited partnership investments | **58** | 97 |
| Purchases of property, plant and equipment | **(602)** | (238) |
| Dispositions | **5** | 41 |
| Change in short term investments | **375** | (88) |
| Other, net | **(22)** | (36) |
| Net cash flow investing activities | **(633)** | (513) |
| **Financing Activities:** | | |
| Dividends paid | **(24)** | (25) |
| Dividends paid to noncontrolling interests | **(122)** | (108) |
| Purchases of treasury shares | **(95)** | |
| Issuance of common stock | **3** | 5 |
| Proceeds from sale of subsidiary stock | **1** | 245 |
| Principal payments on debt | **(196)** | (331) |
| Issuance of debt | **420** | 370 |
| Other, net | **(4)** | (2) |

| | | |
|---|---|---|
| Net cash flow financing activities | **(17)** | 154 |
| Effect of foreign exchange rate on cash | **(7)** | 1 |
| Net change in cash | **(49)** | (30) |
| Cash, beginning of period | **228** | 129 |
| Cash, end of period | **$ 179** | $ 99 |

*See accompanying Notes to Consolidated Condensed Financial Statements.*

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**Loews Corporation and Subsidiaries**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Basis of Presentation**

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation ( CNA ), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. ( Diamond Offshore ), a 50.4% owned subsidiary); transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP ( Boardwalk Pipeline ), a 55% owned subsidiary); exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC ( HighMount ), a wholly owned subsidiary); and the operation of a chain of hotels (Loews Hotels Holding Corporation ( Loews Hotels ), a wholly owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

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

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

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

The Company presents basic and diluted net income per share on the Consolidated Condensed Statements of Income. Basic net income per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Stock appreciation rights ( SARs ) of 2.0 million and 2.2 million shares were not included in the diluted weighted average shares amount for the three months ended March 31, 2013 and 2012 due to the exercise price being greater than the average stock price.

**Impairment of Natural Gas and Oil Properties** For the three months ended March 31, 2013 and 2012, HighMount recorded a non-cash ceiling test impairment charge of $145 million and $44 million ($92 million and $28 million after tax) related to the carrying value of its natural gas and oil properties. The impairments were recorded within Other operating expenses and as credits to Accumulated depreciation, depletion and amortization. The 2013 write-down was attributable to reduced average natural gas liquids ( NGL ) and oil prices used in the ceiling test calculation and negative reserve revisions. Had the effects of HighMount s cash flow hedges not been considered in calculating the ceiling limitation, the impairments would have been $195 million and $69 million ($124 million and $44 million after tax) for the three months ended March 31, 2013 and 2012. As a result of the ceiling test impairment charge, HighMount performed a goodwill impairment test and no impairment charge was required.

**2. Investments**

Net investment income is as follows:

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Fixed maturity securities | **$ 499** | $ 516 |
| Short term investments | **2** | 3 |

| | | |
|---|---|---|
| Limited partnership investments | **146** | 143 |
| Equity securities | **3** | 4 |
| Income (loss) from trading portfolio (a) | **(3)** | 70 |
| Other | **6** | 4 |
| Total investment income | **653** | 740 |
| Investment expenses | **(12)** | (14) |
| Net investment income | **$ 641** | $ 726 |

(a) Includes net unrealized gains (losses) related to changes in fair value on trading securities still held of $(15) million and $36 million for the three months ended March 31, 2013 and 2012.

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Investment gains (losses) are as follows:

| Three Months Ended March 31 | 2013 | 2012 |
|---|---|---|
| **(In millions)** | | |
| Fixed maturity securities | **$ 32** | $ 30 |
| Equity securities | **(13)** | 1 |
| Derivative instruments | **2** | (1) |
| Short term investments and other | **3** | 2 |
| Investment gains (a) | **$ 24** | $ 32 |

(a) Includes gross realized gains of $46 million and $72 million and gross realized losses of $27 million and $41 million on available-for-sale securities for the three months ended March 31, 2013 and 2012.

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

| Three Months Ended March 31 | 2013 | 2012 |
|---|---|---|
| **(In millions)** | | |
| Fixed maturity securities available-for-sale: | | |
| Corporate and other bonds | **$ 3** | $ 10 |
| Asset-backed: | | |
| Residential mortgage-backed | | 14 |
| U.S. Treasury and obligations of government-sponsored enterprises | | 1 |
| Total fixed maturities available-for-sale | **3** | 25 |
| Equity securities available-for-sale: | | |
| Common stock | | 2 |
| Preferred stock | **15** | |
| Total equity securities available-for-sale | **15** | 2 |
| Net OTTI losses recognized in earnings | **$ 18** | $ 27 |

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

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

The Impairment Committee s assessment of whether an OTTI loss has occurred incorporates both quantitative and qualitative information. Fixed maturity securities that CNA intends to sell, or it more likely than not will be required to sell before recovery of amortized cost, are considered to be other-than-temporarily impaired and the entire difference between the amortized cost basis and fair value of the security is recognized as an OTTI loss in earnings. The remaining fixed maturity securities in an unrealized loss position are evaluated to determine if a credit loss exists. The factors considered by the Impairment Committee include: (i) the financial condition and near term prospects of the issuer, (ii) whether the debtor is current on interest and principal payments, (iii) credit ratings of the securities and (iv) general market conditions and industry or sector specific outlook. CNA also considers results and analysis of cash flow modeling for asset-backed securities, and when appropriate, other fixed maturity securities.

The focus of the analysis for asset-backed securities is on assessing the sufficiency and quality of underlying collateral and timing of cash flows based on scenario tests. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss is judged to exist and the asset-backed security is deemed to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is judged to be other-than-temporarily impaired for credit reasons and that shortfall, referred to as the credit

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component, is recognized as an OTTI loss in earnings. The difference between the adjusted amortized cost basis and fair value, referred to as the non-credit component, is recognized as OTTI in Other comprehensive income. In subsequent reporting periods, a change in intent to sell or further credit impairment on a security whose fair value has not deteriorated will cause the non-credit component originally recorded as OTTI in Other comprehensive income to be recognized as an OTTI loss in earnings.

CNA performs the discounted cash flow analysis using stressed scenarios to determine future expectations regarding recoverability. For asset-backed securities, significant assumptions enter into these cash flow projections including delinquency rates, probable risk of default, loss severity upon a default, over collateralization and interest coverage triggers and credit support from lower level tranches.

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

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

| March 31, 2013 | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Unrealized OTTI Losses (Gains) |
|---|---|---|---|---|---|
| **(In millions)** | | | | | |
| **Fixed maturity securities:** | | | | | |
| **Corporate and other bonds** | $ 19,747 | $ 2,562 | $ 18 | $22,291 | |
| **States, municipalities and political subdivisions** | 9,599 | 1,408 | 59 | 10,948 | |
| **Asset-backed:** | | | | | |
| **Residential mortgage-backed** | 5,518 | 235 | 70 | 5,683 | $ (49) |
| **Commercial mortgage-backed** | 1,853 | 147 | 10 | 1,990 | (3) |
| **Other asset-backed** | 932 | 23 | | 955 | |
| **Total asset-backed** | 8,303 | 405 | 80 | 8,628 | (52) |
| **U.S. Treasury and obligations of government-sponsored enterprises** | 170 | 11 | | 181 | |
| **Foreign government** | 528 | 24 | | 552 | |
| **Redeemable preferred stock** | 123 | 14 | 1 | 136 | |
| **Fixed maturities available-for-sale** | 38,470 | 4,424 | 158 | 42,736 | (52) |
| **Fixed maturities, trading** | 198 | | 22 | 176 | |
| **Total fixed maturities** | 38,668 | 4,424 | 180 | 42,912 | (52) |
| **Equity securities:** | | | | | |
| **Common stock** | 38 | 17 | | 55 | |
| **Preferred stock** | 139 | 7 | | 146 | |
| **Equity securities available-for-sale** | 177 | 24 | - | 201 | - |
| **Equity securities, trading** | 532 | 51 | 93 | 490 | |
| **Total equity securities** | 709 | 75 | 93 | 691 | - |
| **Total** | $ 39,377 | $ 4,499 | $ 273 | $43,603 | $ (52) |

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

The net unrealized gains on investments included in the tables above are recorded as a component of Accumulated Other Comprehensive Income ( AOCI ). When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. At March 31, 2013 and December 31, 2012, the net unrealized gains on investments included in AOCI were net of Shadow Adjustments of $1.3 billion and $1.4 billion. To the extent that unrealized gains on fixed income securities supporting certain products within CNA s Life & Group Non-Core segment would result in a premium deficiency if realized, a related decrease in Deferred acquisition costs, and/or increase in Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains (losses) through Other comprehensive income (Shadow Adjustments).

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

| | **Less than 12 Months** | | **12 Months or Longer** | | **Total** | |
|---|---|---|---|---|---|---|
| **March 31, 2013** | **Estimated Fair Value** | **Gross Unrealized Losses** | **Estimated Fair Value** | **Gross Unrealized Losses** | **Estimated Fair Value** | **Gross Unrealized Losses** |
| **(In millions)** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Fixed maturity securities:** | | | | | | |
| **Corporate and other bonds** | **$ 951** | **$ 13** | **$ 50** | **$ 5** | **$ 1,001** | **$ 18** |
| **States, municipalities and political subdivisions** | **683** | **16** | **121** | **43** | **804** | **59** |
| **Asset-backed:** | | | | | | |
| **Residential mortgage-backed** | **920** | **19** | **347** | **51** | **1,267** | **70** |
| **Commercial mortgage-backed** | **155** | **2** | **141** | **8** | **296** | **10** |
| **Total asset-backed** | **1,075** | **21** | **488** | **59** | **1,563** | **80** |
| **Redeemable preferred stock** | **34** | **1** | | | **34** | **1** |
| **Total** | **$ 2,743** | **$ 51** | **$ 659** | **$ 107** | **$ 3,402** | **$ 158** |

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| December 31, 2012 | Less than 12 Months Estimated Fair Value | Less than 12 Months Gross Unrealized Losses | 12 Months or Longer Estimated Fair Value | 12 Months or Longer Gross Unrealized Losses | Total Estimated Fair Value | Total Gross Unrealized Losses |
|---|---|---|---|---|---|---|
| (In millions) | | | | | | |
| Fixed maturity securities: | | | | | | |
| Corporate and other bonds | $ 846 | $ 13 | $ 108 | $ 8 | $ 954 | $ 21 |
| States, municipalities and political subdivisions | 254 | 5 | 165 | 39 | 419 | 44 |
| Asset-backed: | | | | | | |
| Residential mortgage-backed | 583 | 5 | 452 | 66 | 1,035 | 71 |
| Commercial mortgage-backed | 85 | 2 | 141 | 15 | 226 | 17 |
| Total asset-backed | 668 | 7 | 593 | 81 | 1,261 | 88 |
| U.S. Treasury and obligations of government- sponsored enterprises | 23 | 1 | | | 23 | 1 |
| Redeemable preferred stock | 28 | 1 | | | 28 | 1 |
| Total | $ 1,819 | $ 27 | $ 866 | $ 128 | $ 2,685 | $ 155 |

The amount of pretax net realized gains on available-for-sale securities reclassified out of AOCI into earnings was $19 million and $32 million for the three months ended March 31, 2013 and 2012.

Based on current facts and circumstances, the Company believes the unrealized losses presented in the table above are primarily attributable to broader economic conditions, changes in interest rates and credit spreads, market illiquidity and other market factors, but are not indicative of the ultimate collectibility of the current amortized cost of the securities. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at March 31, 2013.

The following table summarizes the activity for the three months ended March 31, 2013 and 2012 related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held at March 31, 2013 and 2012 for which a portion of an OTTI loss was recognized in Other comprehensive income.

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Beginning balance of credit losses on fixed maturity securities | **$ 95** | $ 92 |
| Additional credit losses for securities for which an OTTI loss was previously recognized | | 11 |
| Credit losses for securities for which an OTTI loss was not previously recognized | | 1 |
| Reductions for securities sold during the period | **(3)** | (4) |
| Ending balance of credit losses on fixed maturity securities | **$ 92** | $ 100 |

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**Contractual Maturity**

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

| | **March 31, 2013** | | December 3 1, 2012 | |
|---|---|---|---|---|
| | **Cost or Amortized Cost** | **Estimated Fair Value** | Cost or Amortized Cost | Estimated Fair Value |
| **(In millions)** | | | | |
| Due in one year or less | **$ 1,783** | **$ 1,819** | $ 1,648 | $ 1,665 |
| Due after one year through five years | **12,916** | **13,731** | 13,603 | 14,442 |
| Due after five years through ten years | **9,430** | **10,267** | 8,726 | 9,555 |
| Due after ten years | **14,341** | **16,919** | 14,164 | 16,942 |
| Total | **$ 38,470** | **$ 42,736** | $ 38,141 | $ 42,604 |

**Investment Commitments**

As of March 31, 2013, the Company had committed approximately $247 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

The Company invests in various privately placed debt securities, including bank loans, as part of its overall investment strategy and has committed to additional future purchases, sales and funding. As of March 31, 2013, the Company had commitments to purchase or fund additional amounts of $167 million and sell $210 million under the terms of such securities.

**3. Fair Value**

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

Level 1 Quoted prices for identical instruments in active markets.

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

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

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

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

methodologies and inputs the Company believes market participants would use to value the assets.

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

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

| March 31, 2013 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| (In millions) | | | | |
| Fixed maturity securities: | | | | |
| Corporate and other bonds | $ 28 | $ 21,980 | $ 283 | $ 22,291 |
| States, municipalities and political subdivisions | | 10,819 | 129 | 10,948 |
| Asset-backed: | | | | |
| Residential mortgage-backed | | 5,233 | 450 | 5,683 |
| Commercial mortgage-backed | | 1,813 | 177 | 1,990 |
| Other asset-backed | | 559 | 396 | 955 |
| Total asset-backed | | 7,605 | 1,023 | 8,628 |
| U.S. Treasury and obligations of government-sponsored enterprises | 155 | 26 | | 181 |
| Foreign government | 104 | 448 | | 552 |
| Redeemable preferred stock | 51 | 59 | 26 | 136 |
| Fixed maturities available-for-sale | 338 | 40,937 | 1,461 | 42,736 |
| Fixed maturities, trading | 4 | 65 | 107 | 176 |
| Total fixed maturities | $ 342 | $ 41,002 | $ 1,568 | $ 42,912 |
| Equity securities available-for-sale | $ 120 | $ 62 | $ 19 | $ 201 |
| Equity securities, trading | 487 | | 3 | 490 |
| Total equity securities | $ 607 | $ 62 | $ 22 | $ 691 |
| Short term investments | $ 5,448 | $ 397 | $ 5 | $ 5,850 |
| Other invested assets | | 48 | | 48 |
| Receivables | | 17 | 7 | 24 |
| Life settlement contracts | | | 95 | 95 |
| Separate account business | 11 | 266 | 2 | 279 |
| Payable to brokers | (379) | (18) | (5) | (402) |

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

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The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2013 and 2012:

| 2013 | Balance, January 1 | Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income | Included in OCI | Purchases | Sales | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Balance, March 31 | Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at March 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| (In millions) | | | | | | | | | | |
| **Fixed maturity securities:** | | | | | | | | | | |
| Corporate and other bonds | $ 219 | | $ 2 | $ 91 | $ (17) | $ (20) | $ 26 | $ (18) | $ 283 | $ (1) |
| States, municipalities and political subdivisions | 96 | $ (3) | | 85 | (47) | (2) | | | 129 | |
| Asset-backed: | | | | | | | | | | |
| Residential mortgage-backed | 413 | 3 | | 61 | | (11) | | (16) | 450 | |
| Commercial mortgage-backed | 129 | 1 | 5 | 73 | | (7) | | (24) | 177 | |
| Other asset-backed | 368 | 3 | 1 | 136 | (99) | (13) | | | 396 | |
| Total asset-backed | 910 | 7 | 6 | 270 | (99) | (31) | - | (40) | 1,023 | - |
| Redeemable preferred stock | 26 | | | | | | | | 26 | |
| Fixed maturities available-for-sale | 1,251 | 4 | 8 | 446 | (163) | (53) | 26 | (58) | 1,461 | (1) |
| Fixed maturities, trading | 89 | 1 | | 19 | (2) | | | | 107 | 1 |
| Total fixed maturities | $ 1,340 | $ 5 | $ 8 | $ 465 | $ (165) | $ (53) | $ 26 | $ (58) | $ 1,568 | $ - |
| Equity securities available-for-sale | $ 34 | $ (15) | $ 1 | | | | | $ (1) | $ 19 | $ (15) |
| Equity securities trading | 7 | (3) | | | $ (1) | | | | 3 | (3) |
| Total equity securities | $ 41 | $ (18) | $ 1 | $ - | $ (1) | $ - | $ - | $ (1) | $ 22 | $ (18) |
| Short term investments | $ 6 | | | | $ (1) | | | | $ 5 | |
| Other invested assets | 1 | | | | (1) | | | | - | |
| Life settlement contracts | 100 | $ 7 | | | | $ (12) | | | 95 | |
| Separate account business | 2 | | | | | | | | 2 | |
| Derivative financial instruments, net | 5 | 3 | $ (4) | | 1 | (3) | | | 2 | |

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| 2012 | Balance, January 1 | Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income | Included in OCI | Purchases | Sales | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Balance, March 31 | Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at March 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| (In millions) | | | | | | | | | | |
| Fixed maturity securities: | | | | | | | | | | |
| Corporate and other bonds | $ 482 | $ 3 | $ 4 | $ 78 | $ (86) | $ (19) | $ 33 | $ (10) | $ 485 | |
| States, municipalities and political subdivisions | 171 | | 2 | | | | | | 173 | |
| Asset-backed: | | | | | | | | | | |
| Residential mortgage-backed | 452 | 1 | (4) | 38 | | (7) | | (33) | 447 | |
| Commercial mortgage-backed | 59 | | 4 | 42 | | | | | 105 | |
| Other asset-backed | 343 | 4 | 4 | 176 | (77) | (25) | | (41) | 384 | |
| Total asset-backed | 854 | 5 | 4 | 256 | (77) | (32) | - | (74) | 936 | |
| Redeemable preferred stock | - | | | 53 | | | | | 53 | |
| Fixed maturities available-for-sale | 1,507 | 8 | 10 | 387 | (163) | (51) | 33 | (84) | 1,647 | |
| Fixed maturities, trading | 101 | (7) | | 7 | | | | | 101 | $ (7) |
| Total fixed maturities | $ 1,608 | $ 1 | $ 10 | $ 394 | $ (163) | $ (51) | $ 33 | $ (84) | $ 1,748 | $ (7) |
| Equity securities available-for-sale | $ 67 | | $ (3) | $ 11 | $ (1) | | | | $ 74 | $ (2) |
| Equity securities trading | 14 | $ (3) | | | | | | | 11 | (3) |
| Total equity securities | $ 81 | $ (3) | $ (3) | $ 11 | $ (1) | $ - | $ - | $ - | $ 85 | $ (5) |
| Short term investments | $ 27 | | | $ 12 | | $ (39) | | | $ - | |
| Other invested assets | 11 | | | | | | | | 11 | |
| Life settlement contracts | 117 | $ 3 | | | | (5) | | | 115 | $ (1) |
| Separate account business | 23 | | | | $ (19) | | | | 4 | |
| Derivative financial instruments, net | (15) | (6) | $ 13 | 1 | (5) | 4 | | | (8) | 1 |

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

| Major Category of Assets and Liabilities | Consolidated Condensed Statements of Income Line Items |
|---|---|
| Fixed maturity securities available-for-sale | Investment gains (losses) |
| Fixed maturity securities, trading | Net investment income |
| Equity securities available-for-sale | Investment gains (losses) |
| Equity securities, trading | Net investment income |

| | |
|---|---|
| Other invested assets | Investment gains (losses) and Net investment income |
| Derivative financial instruments held in a trading portfolio | Net investment income |
| Derivative financial instruments, other | Investment gains (losses) and Other revenues |
| Life settlement contracts | Other revenues |

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Securities shown in the Level 3 tables may be transferred in or out of Level 3 based on the availability of observable market information used to determine the fair value of the security. The availability of observable market information varies based on market conditions and trading volume and may cause securities to move in and out of Level 3 from reporting period to reporting period. There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2013 and 2012. The Company s policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

**Significant Unobservable Inputs**

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

| **March 31, 2013** | **Fair Value** | **Valuation Technique(s)** | **Unobservable Input(s)** | **Range (Weighted Average)** |
|---|---|---|---|---|
| | **(In millions)** | | | |
| **Assets** | | | | |
| **Fixed maturity securities** | | | | |
| | **$ 78** | **Discounted cash flow** | **Expected call date** | **3.0 4.6 years (4.0 years)** |
| | | | **Credit spread adjustment** | **0.02% 0.48% (0.17%)** |
| | **97** | **Market approach** | **Private offering price** | **$34.70 $122.09 ($102.97)** |
| **Equity securities** | **19** | **Market approach** | **Private offering price** | **$33.73 $3,970.99 per share ($1,114.32 per share)** |
| **Life settlement contracts** | | | | |
| | **95** | **Discounted cash flow** | **Discount rate risk premium** | **9%** |
| | | | **Mortality assumption** | **69% 883% (209.2%)** |
| December 31, 2012 | | | | |
| Assets | | | | |
| Fixed maturity securities | $ 121 | Discounted cash flow | Expected call date | 3.3 5.3 years (4.3 years) |
| | | | Credit spread adjustment | 0.02% 0.48% (0.17%) |
| | 72 | Market approach | Private offering price | $42.39 $102.32 ($100.11) |
| Equity securities | 34 | Market approach | Private offering price | $4.54 $3,842.00 per share ($571.17 per share) |
| Life settlement contracts | 100 | Discounted cash flow | Discount rate risk premium | 9% |
| | | | Mortality assumption | 69% 883% (208.9%) |

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

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**Financial Assets and Liabilities Not Measured at Fair Value**

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

The carrying amount, estimated fair value and the level of the fair value hierarchy of the Company s financial instrument assets and liabilities which are not measured at fair value on the Consolidated Condensed Balance Sheets are listed in the tables below. The carrying amounts reported on the Consolidated Condensed Balance Sheets for cash and short term investments not carried at fair value and certain other assets and liabilities approximate fair value due to the short term nature of these items.

| **March 31, 2013 (In millions)** | **Carrying Amount** | **Estimated Fair Value** | | | |
|---|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial Assets:** | | | | | |
| Other invested assets, primarily mortgage loans | **$ 425** | | | **$ 449** | **$ 449** |
| **Financial Liabilities:** | | | | | |
| Premium deposits and annuity contracts | **96** | | | **100** | **100** |
| Short term debt | **19** | | **$ 13** | **6** | **19** |
| Long term debt | **9,418** | | **10,216** | **350** | **10,566** |
| December 31, 2012 | | | | | |
| Financial Assets: | | | | | |
| Other invested assets, primarily mortgage loans | $ 401 | | | $ 418 | $ 418 |
| Financial Liabilities: | | | | | |
| Premium deposits and annuity contracts | 100 | | | 104 | 104 |
| Short term debt | 19 | | $ 13 | 6 | 19 |
| Long term debt | 9,191 | | 10,170 | 202 | 10,372 |

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**4. Derivative Financial Instruments**

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and may not be representative of the potential for gain or loss on these instruments.

| | **March 31, 2013** | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | **Contractual/ Notional** | **Estimated Fair Value** | | Contractual/ Notional | Estimated Fair Value | |
| | **Amount** | **Asset** | **(Liability)** | Amount | Asset | (Liability) |
| **(In millions)** | | | | | | |
| **With hedge designation:** | | | | | | |
| Interest rate risk: | | | | | | |
| Interest rate swaps | **$ 300** | | **$ (5)** | $ 300 | | $ (6) |
| Commodities: | | | | | | |
| Forwards short | **319** | **$ 20** | **(14)** | 288 | $ 39 | (3) |
| Foreign exchange: | | | | | | |
| Currency forwards short | **125** | **3** | **(1)** | 144 | 4 | |
| **Without hedge designation:** | | | | | | |
| Equity markets: | | | | | | |
| Options purchased | **972** | **19** | | 255 | 19 | |
| written | **866** | | **(13)** | 374 | | (11) |
| Equity swaps and warrants | | | | | | |
| long | **13** | **3** | | 14 | 6 | |
| Interest rate risk: | | | | | | |
| Credit default swaps | | | | | | |
| purchased protection | **73** | | **(3)** | 78 | | (2) |
| sold protection | **27** | | | 33 | | (2) |
| Foreign exchange: | | | | | | |
| Currency forwards long | **63** | **1** | | 404 | | (2) |
| short | **72** | | | 128 | | |

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

For derivative financial instruments without hedge designation, changes in the fair value of derivatives not held in a trading portfolio are reported in Investment gains (losses) and changes in the fair value of derivatives held for trading purposes are reported in Net investment income on the Consolidated Condensed Statements of Income. Gains of $2 million and losses of $1 million were included in Investment gains (losses) for the three months ended March 31, 2013 and 2012. Losses of $13 million and $4 million were included in Net investment income for the three months ended March 31, 2013 and 2012.

The Company s derivative financial instruments with cash flow hedge designation hedge variable price risk associated with the purchase and sale of natural gas and other energy-related products, exposure to foreign currency losses on future foreign currency expenditures, as well as risks attributable to changes in interest rates on long term debt. Losses of $18 million and gains of $34 million were recognized in OCI related to these cash flow hedges for the three months ended March 31, 2013 and 2012. Gains of $13 million and $9 million were reclassified from AOCI into

income for the three months ended March 31, 2013 and 2012. As of March 31, 2013, the estimated amount of net unrealized gains associated with these cash flow hedges that will be reclassified from AOCI into earnings during the next twelve months was $4 million. The net amounts recognized due to ineffectiveness were less than $1 million for the three months ended March 31, 2013 and 2012.

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**5. Claim and Claim Adjustment Expense Reserves**

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

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

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in CNA s results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of $39 million and $28 million for the three months ended March 31, 2013 and 2012. Catastrophe losses in the first quarter of 2013 related primarily to U.S. storms.

**Net Prior Year Development**

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

| **Three Months Ended March 31, 2013** | **CNA Specialty** | **CNA Commercial** | **Other** | **Total** |
|---|---|---|---|---|
| **(In millions)** | | | | |
| **Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development** | **$ (15)** | **$ (11)** | | **$ (26)** |
| **Pretax (favorable) unfavorable premium development** | **(8)** | **(10)** | **$ 5** | **(13)** |
| **Total pretax (favorable) unfavorable net prior year development** | **$ (23)** | **$ (21)** | **$ 5** | **$ (39)** |

Three Months Ended March 31, 2012

| | | | | |
|---|---|---|---|---|
| Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development | $ (6) | $ (14) | $ 2 | $ (18) |
| Pretax (favorable) unfavorable premium development | (9) | (17) | 1 | (25) |
| Total pretax (favorable) unfavorable net prior year development | $ (15) | $ (31) | $ 3 | $ (43) |

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For the three months ended March 31, 2013 and 2012, favorable premium development was recorded for CNA Commercial primarily due to premium adjustments on auditable policies arising from increased exposures.

**CNA Specialty**

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

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Medical professional liability | **$ (3)** | $ (6) |
| Other professional liability | **(1)** | 4 |
| Surety | **1** | 1 |
| Warranty | | (1) |
| Other | **(12)** | (4) |
| Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development | **$ (15)** | $ (6) |

**2013**

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

Other includes standard property and casualty coverages provided to CNA Specialty customers. Favorable development for other coverages was primarily due to better than expected loss emergence in property coverages in accident years 2010 and subsequent.

**2012**

Favorable development for medical professional liability was primarily due to reductions in the estimated frequency of large losses in accident years 2008 and prior.

**CNA Commercial**

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

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Commercial auto | **$ (5)** | |
| General liability | **(21)** | $ 8 |
| Workers compensation | **25** | (19) |
| Property and other | **(10)** | (3) |
| Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development | **$ (11)** | $ (14) |

**2013**

Favorable development in the general liability coverages was primarily due to better than expected loss emergence in accident years 2002 and prior.

Unfavorable development for workers compensation was primarily due to higher than expected large losses and increased severity in the state of California in accident year 2010.

**2012**

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

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**6. Accumulated Other Comprehensive Income ( AOCI )**

The table below presents the change in AOCI by component for the three months ended March 31, 2013.

| | | | Cash Flow Hedges | | | | | Total Accumulated |
|---|---|---|---|---|---|---|---|---|
| (In millions) | Unrealized Gains (Losses) On Investments | OTTI Gains (Losses) | Interest Rate Swaps | Commodity Hedges | Foreign Currency Forwards | Pension Liability | Foreign Currency Translation | Other Comprehensive Income (Loss) |
| Balance, January 1, 2013 | $ 1,233 | $ 18 | $ (9) | $ 24 | $ 1 | $ (732) | $ 143 | $ 678 |
| **Other comprehensive income (loss) before reclassifications, after tax of $29, $(7), $0, $6, $0, $0 and $0** | **(49)** | **14** | **1** | **(13)** | | | **(61)** | **(108)** |
| **Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $6, $0,$(1), $4, $1, $(3) and $0** | **(13)** | | **(1)** | **(7)** | **(1)** | **4** | | **(18)** |
| **Other comprehensive income (loss)** | **(62)** | **14** | **-** | **(20)** | **(1)** | **4** | **(61)** | **(126)** |
| **Amounts attributable to noncontrolling interests** | **5** | **(1)** | | **2** | **1** | **1** | **6** | **14** |
| **Balance, March 31, 2013** | **$ 1,176** | **$ 31** | **$ (9)** | **$ 6** | **$ 1** | **$ (727)** | **$ 88** | **$ 566** |

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

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

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**7. 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** | | **Other Postretirement Benefits** | |
|---|---|---|---|---|
| **Three Months Ended March 31** | **2013** | 2012 | **2013** | 2012 |
| **(In millions)** | | | | |
| Service cost | **$ 6** | $ 6 | | |
| Interest cost | **34** | 38 | **$ 1** | $ 1 |
| Expected return on plan assets | **(49)** | (47) | **(1)** | (1) |
| Amortization of unrecognized net loss | **14** | 11 | | |
| Amortization of unrecognized prior service benefit | | | **(6)** | (6) |
| Net periodic benefit cost | **$ 5** | $ 8 | **$ (6)** | $ (6) |

**8. Business Segments**

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

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

Diamond Offshore owns and operates offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. Diamond Offshore s fleet consists of 44 drilling rigs, including four new-build rigs which are under construction and two rigs being constructed utilizing the hulls of Diamond Offshore s existing mid-water floaters. On March 31, 2013, Diamond Offshore s drilling rigs were located offshore 12 countries in addition to the United States.

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

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

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

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

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

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

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| **Revenues (a):** | | |
| CNA Financial: | | |
| CNA Specialty | **$ 956** | $ 945 |
| CNA Commercial | **1,101** | 1,088 |
| Life and Group Non-Core | **363** | 350 |
| Other | **83** | 18 |
| Total CNA Financial | **2,503** | 2,401 |
| Diamond Offshore | **732** | 796 |
| Boardwalk Pipeline | **329** | 314 |
| HighMount | **68** | 76 |
| Loews Hotels | **94** | 80 |
| Corporate and other | **8** | 77 |
| Total | **$ 3,734** | $ 3,744 |
| **Income (loss) before income tax and noncontrolling interests (a):** | | |
| CNA Financial: | | |
| CNA Specialty | **$ 215** | $ 209 |
| CNA Commercial | **198** | 227 |
| Life and Group Non-Core | **(9)** | (37) |
| Other | **(40)** | (33) |
| Total CNA Financial | **364** | 366 |
| Diamond Offshore | **205** | 252 |

| | | |
|---|---|---|
| Boardwalk Pipeline | **99** | 92 |
| HighMount | **(139)** | (34) |
| Loews Hotels | | 7 |
| Corporate and other | **(17)** | 58 |
| Total | **$ 512** | $ 741 |

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| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| **Net income (loss) (a):** | | |
| CNA Financial: | | |
| CNA Specialty | **$ 128** | $ 125 |
| CNA Commercial | **115** | 131 |
| Life and Group Non-Core | **8** | (10) |
| Other | **(25)** | (20) |
| Total CNA Financial | **226** | 226 |
| Diamond Offshore | **82** | 87 |
| Boardwalk Pipeline | **33** | 35 |
| HighMount | **(88)** | (22) |
| Loews Hotels | | 4 |
| Corporate and other | **(11)** | 37 |
| Total | **$ 242** | $ 367 |

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

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **Revenues and Income before income tax and noncontrolling interests:** | | |
| CNA Financial: | | |
| CNA Specialty | **$ 3** | $ 8 |
| CNA Commercial | **4** | 11 |
| Life and Group Non-Core | **14** | 13 |
| Other | **3** | |
| Total | **$ 24** | $ 32 |
| **Net income:** | | |
| CNA Financial: | | |
| CNA Specialty | **$ 2** | $ 5 |
| CNA Commercial | **2** | 6 |
| Life and Group Non-Core | **8** | 7 |
| Other | **2** | 1 |
| Total | **$ 14** | $ 19 |

**9. Legal Proceedings**

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

**10. 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 March 31, 2013, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was $724 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 March 31, 2013, 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

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sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

**Offshore Rig Purchase Obligations**

Diamond Offshore has entered into four turnkey construction contracts with Hyundai Heavy Industries, Co. Ltd. for the construction of four dynamically positioned, ultra-deepwater drillships, the first two of which are expected to be delivered in the second and fourth quarters of 2013. Diamond Offshore expects the aggregate cost of the construction of its drillships, including commissioning, spares and project management costs, to be approximately $2.6 billion, of which approximately $650 million in contractual installment payments have been paid. These amounts are included in Construction in process within Property, plant and equipment in the Consolidated Condensed Balance Sheets. Diamond Offshore expects to pay a total of approximately $790 million as the two drillships are delivered in 2013.

In December of 2011 and August of 2012, Diamond Offshore entered into agreements for the construction of two moored semisubmersible deepwater rigs with expected completion dates in the third quarter of 2013 and the second quarter of 2014. The rigs will be constructed utilizing the hulls of two of Diamond Offshore s mid-water floaters and the aggregate cost of the two rigs, including commissioning, spares and project management costs, is estimated to be approximately $690 million, of which $121 million in contractual installment payments have been paid.

In February of 2013, Diamond Offshore entered into a vessel modification agreement for enhancements to a mid-water floater that will enable the rig to work in the North Sea. The contracted price with the shipyard is $29 million, of which $6 million has been paid. The total cost of the project is estimated to be approximately $120 million, including shipyard costs, owner-furnished equipment and labor, commissioning and spares, with an expected completion date in the first quarter of 2014.

**Boardwalk Pipeline**

Boardwalk Pipeline s future capital commitments are comprised of binding commitments under purchase orders for materials ordered but not received and firm commitments under binding construction service agreements. The commitments as of March 31, 2013 were approximately $130 million, all of which are expected to be settled within the next twelve months.

**Loews Hotels**

Loews Hotels has commitments aggregating approximately $285 million for development and renovation of hotel properties.

**11. Consolidating Financial Information**

The following schedules present the Company s consolidating balance sheet information at March 31, 2013 and December 31, 2012, and consolidating statements of income information for the three months ended March 31, 2013 and 2012. 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

| March 31, 2013 | CNA Financial | Diamond Offshore | Boardwalk Pipeline | HighMount | Loews Hotels | Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| (In millions) | | | | | | | | |
| **Assets:** | | | | | | | | |
| Investments | $ 47,593 | $ 1,433 | | $ 10 | $ 63 | $ 4,085 | | $ 53,184 |
| Cash | 123 | 24 | $ 4 | 7 | 10 | 11 | | 179 |
| Receivables | 8,861 | 489 | 87 | 48 | 25 | 101 | $ (6) | 9,605 |
| Property, plant and equipment | 295 | 4,973 | 7,250 | 1,055 | 585 | 46 | | 14,204 |
| Deferred income taxes | 46 | | | 794 | | | (840) | - |
| Goodwill | 115 | 20 | 271 | 584 | 3 | | | 993 |
| Investments in capital stocks of subsidiaries | | | | | | 17,094 | (17,094) | - |
| Other assets | 735 | 338 | 317 | 19 | 94 | 17 | 9 | 1,529 |
| Deferred acquisition costs of insurance subsidiaries | 641 | | | | | | | 641 |
| Separate account business | 279 | | | | | | | 279 |
| Total assets | $ 58,688 | $ 7,277 | $ 7,929 | $ 2,517 | $ 780 | $ 21,354 | $ (17,931) | $ 80,614 |
| **Liabilities and Equity:** | | | | | | | | |
| Insurance reserves | $ 39,893 | | | | | | | $ 39,893 |
| Payable to brokers | 325 | $ 1 | $ 5 | $ 14 | | $ 393 | | 738 |
| Short term debt | 13 | | | | $ 6 | | | 19 |
| Long term debt | 2,558 | 1,489 | 3,607 | 720 | 350 | 694 | | 9,418 |
| Deferred income taxes | | 492 | 635 | | 38 | 561 | $ (831) | 895 |
| Other liabilities | 3,254 | 643 | 379 | 122 | 23 | 239 | (6) | 4,654 |
| Separate account business | 279 | | | | | | | 279 |
| Total liabilities | 46,322 | 2,625 | 4,626 | 856 | 417 | 1,887 | (837) | 55,896 |
| Total shareholders equity | 11,129 | 2,357 | 1,586 | 1,661 | 361 | 19,467 | (17,094) | 19,467 |
| Noncontrolling interests | 1,237 | 2,295 | 1,717 | | 2 | | | 5,251 |
| Total equity | 12,366 | 4,652 | 3,303 | 1,661 | 363 | 19,467 | (17,094) | 24,718 |
| Total liabilities and equity | $ 58,688 | $ 7,277 | $ 7,929 | $ 2,517 | $ 780 | $ 21,354 | $ (17,931) | $ 80,614 |

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Loews Corporation

Consolidating Balance Sheet Information

| December 31, 2012 | CNA Financial | Diamond Offshore | Boardwalk Pipeline | HighMount | Loews Hotels | Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| (In millions) | | | | | | | | |
| Assets: | | | | | | | | |
| Investments | $ 47,636 | $ 1,435 | $ 1 | $ 8 | $ 33 | $ 3,935 | | $ 53,048 |
| Cash | 156 | 53 | 3 | 2 | 10 | 4 | | 228 |
| Receivables | 8,516 | 503 | 89 | 69 | 25 | 183 | $ (19) | 9,366 |
| Property, plant and equipment | 297 | 4,870 | 7,252 | 1,136 | 333 | 47 | | 13,935 |
| Deferred income taxes | 119 | | | 734 | | | (853) | - |
| Goodwill | 118 | 20 | 271 | 584 | 3 | | | 996 |
| Investments in capital stocks of subsidiaries | | | | | | 16,936 | (16,936) | - |
| Other assets | 730 | 366 | 330 | 22 | 84 | 4 | 2 | 1,538 |
| Deferred acquisition costs of insurance subsidiaries | 598 | | | | | | | 598 |
| Separate account business | 312 | | | | | | | 312 |
| Total assets | $ 58,482 | $ 7,247 | $ 7,946 | $ 2,555 | $ 488 | $ 21,109 | $ (17,806) | $ 80,021 |
| Liabilities and Equity: | | | | | | | | |
| Insurance reserves | $ 40,005 | | | | | | | $ 40,005 |
| Payable to brokers | 61 | | | $ 10 | | $ 134 | | 205 |
| Short term debt | 13 | | | | $ 6 | | | 19 |
| Long term debt | 2,557 | $ 1,489 | $ 3,539 | 710 | 203 | 693 | | 9,191 |
| Deferred income taxes | | 483 | 619 | | 37 | 552 | $ (851) | 840 |
| Other liabilities | 3,260 | 675 | 432 | 120 | 42 | 263 | (19) | 4,773 |
| Separate account business | 312 | | | | | | | 312 |
| Total liabilities | 46,208 | 2,647 | 4,590 | 840 | 288 | 1,642 | (870) | 55,345 |
| Total shareholders equity | 11,058 | 2,331 | 1,624 | 1,715 | 200 | 19,467 | (16,936) | 19,459 |
| Noncontrolling interests | 1,216 | 2,269 | 1,732 | | | | | 5,217 |
| Total equity | 12,274 | 4,600 | 3,356 | 1,715 | 200 | 19,467 | (16,936) | 24,676 |
| Total liabilities and equity | $ 58,482 | $ 7,247 | $ 7,946 | $ 2,555 | $ 488 | $ 21,109 | $ (17,806) | $ 80,021 |

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Loews Corporation

Consolidating Statement of Income Information

| Three Months Ended March 31, 2013 | CNA Financial | Diamond Offshore | Boardwalk Pipeline | HighMount | Loews Hotels | Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **(In millions)** | | | | | | | | |
| **Revenues:** | | | | | | | | |
| **Insurance premiums** | $ 1,764 | | | | | | | $ 1,764 |
| **Net investment income** | 633 | $ 1 | | | | $ 7 | | 641 |
| **Intercompany interest and dividends** | | | | | | 182 | $ (182) | - |
| **Investment gains** | 24 | | | | | | | 24 |
| **Contract drilling revenues** | | 700 | | | | | | 700 |
| **Other** | 82 | 31 | $ 329 | $ 68 | $ 94 | 1 | | 605 |
| **Total** | 2,503 | 732 | 329 | 68 | 94 | 190 | (182) | 3,734 |
| **Expenses:** | | | | | | | | |
| **Insurance claims and policyholders benefits** | 1,429 | | | | | | | 1,429 |
| **Amortization of deferred acquisition costs** | 328 | | | | | | | 328 |
| **Contract drilling expenses** | | 375 | | | | | | 375 |
| **Other operating expenses** | 340 | 144 | 190 | 202 | 91 | 15 | | 982 |
| **Interest** | 42 | 8 | 40 | 5 | 3 | 10 | | 108 |
| **Total** | 2,139 | 527 | 230 | 207 | 94 | 25 | - | 3,222 |
| **Income (loss) before income tax** | 364 | 205 | 99 | (139) | - | 165 | (182) | 512 |
| **Income tax (expense) benefit** | (113) | (36) | (22) | 51 | | 6 | | (114) |
| **Net income (loss)** | 251 | 169 | 77 | (88) | - | 171 | (182) | 398 |
| **Amounts attributable to noncontrolling interests** | (25) | (87) | (44) | | | | | (156) |
| **Net income (loss) attributable to Loews Corporation** | $ 226 | $ 82 | $ 33 | $ (88) | $ - | $ 171 | $ (182) | $ 242 |

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Loews Corporation

Consolidating Statement of Income Information

| Three Months Ended March 31, 2012 | CNA Financial | Diamond Offshore | Boardwalk Pipeline | HighMount | Loews Hotels | Corporate and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| (In millions) | | | | | | | | |
| Revenues: | | | | | | | | |
| Insurance premiums | $ 1,649 | | | | | | | $ 1,649 |
| Net investment income | 648 | $ 2 | | | | $ 76 | | 726 |
| Intercompany interest and dividends | | | | | | 170 | $ (170) | - |
| Investment gains | 32 | | | | | | | 32 |
| Contract drilling revenues | | 755 | | | | | | 755 |
| Other | 72 | 39 | $ 314 | $ 76 | $ 80 | 2 | (1) | 582 |
| Total | 2,401 | 796 | 314 | 76 | 80 | 248 | (171) | 3,744 |
| Expenses: | | | | | | | | |
| Insurance claims and policyholders benefits | 1,381 | | | | | | | 1,381 |
| Amortization of deferred acquisition costs | 295 | | | | | | | 295 |
| Contract drilling expenses | | 397 | | | | | | 397 |
| Other operating expenses | 317 | 132 | 181 | 107 | 71 | 12 | (1) | 819 |
| Interest | 42 | 15 | 41 | 3 | 2 | 10 | (2) | 111 |
| Total | 2,035 | 544 | 222 | 110 | 73 | 22 | (3) | 3,003 |
| Income (loss) before income tax | 366 | 252 | 92 | (34) | 7 | 226 | (168) | 741 |
| Income tax (expense) benefit | (115) | (73) | (22) | 12 | (3) | (21) | | (222) |
| Net income (loss) | 251 | 179 | 70 | (22) | 4 | 205 | (168) | 519 |
| Amounts attributable to noncontrolling interests | (25) | (92) | (35) | | | | | (152) |
| Net income (loss) attributable to Loews Corporation | $ 226 | $ 87 | $ 35 | $ (22) | $ 4 | $ 205 | $ (168) | $ 367 |

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**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, 2012. 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);
- transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP ( Boardwalk Pipeline ), a 55% owned subsidiary);
- exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC ( HighMount ), a wholly owned subsidiary); and
- operation of a chain of hotels (Loews Hotels Holding Corporation ( Loews Hotels ), a wholly owned subsidiary).

Unless the context otherwise requires, references in this Report to Loews Corporation, the Company, Parent Company, we, our, us or lik refer to the business of Loews Corporation excluding its subsidiaries.

**Consolidated Financial Results**

Net income for the first quarter of 2013 amounted to $242 million, or $0.62 per share as compared to $367 million, or $0.92 per share, in the first quarter of 2012. Net income in the first quarter of 2013 includes an after tax ceiling test impairment charge of $92 million at HighMount related to the carrying value of its natural gas and oil properties as compared to an impairment charge of $28 million in the prior year quarter. Excluding the non-cash ceiling test impairment charges, the decrease in net income is primarily due to reduced Parent Company investment income as a result of lower performance for the trading portfolio.

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CNA s earnings were essentially unchanged from the prior year primarily due to improved current year non-catastrophe underwriting results offset by lower investment income, higher catastrophe losses and decreased net favorable prior year development.

Diamond Offshore s earnings decreased due to lower utilization primarily from fewer revenue earning days due to increased rig surveys.

Book value per share increased to $49.93 at March 31, 2013 compared to $49.67 at December 31, 2012.

**Parent Company Structure**

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

**CRITICAL ACCOUNTING ESTIMATES**

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

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

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

- Insurance Reserves
- Reinsurance and Other Receivables
- Litigation
- Valuation of Investments and Impairment of Securities
- Long Term Care Products
- Payout Annuity Contracts
- Pension and Postretirement Benefit Obligations
- Valuation of HighMount s Proved Reserves
- Impairment of Long-Lived Assets
- Goodwill
- Income Taxes

Due to the inherent uncertainties involved with these types of judgments, actual results could differ significantly from estimates, which may have a material adverse impact on our results of operations or equity. See the Critical Accounting Estimates section and the Results of Operations by Business Segment CNA Financial Reserves Estimates and Uncertainties section of our MD&A included under Item 7 of our Form 10-K for the year ended December 31, 2012 for further information.

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**RESULTS OF OPERATIONS BY BUSINESS SEGMENT**

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

**CNA Financial**

The following table summarizes the results of operations for CNA for the three months ended March 31, 2013 and 2012 as presented in Note 11 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Revenues: | | |
| Insurance premiums | **$ 1,764** | $ 1,649 |
| Net investment income | **633** | 648 |
| Investment gains | **24** | 32 |
| Other | **82** | 72 |
| Total | **2,503** | 2,401 |
| Expenses: | | |
| Insurance claims and policyholders benefits | **1,429** | 1,381 |
| Amortization of deferred acquisition costs | **328** | 295 |
| Other operating expenses | **340** | 317 |
| Interest | **42** | 42 |
| Total | **2,139** | 2,035 |
| Income before income tax | **364** | 366 |
| Income tax expense | **(113)** | (115) |
| Amounts attributable to noncontrolling interests | **(25)** | (25) |
| Net income attributable to Loews Corporation | **$ 226** | $ 226 |

Net income for the three months ended March 31, 2013 was essentially flat compared to 2012. Insurance premiums increased $115 million and includes $64 million from Hardy, which was acquired in July of 2012. In addition, non-catastrophe current accident year underwriting results improved as compared to the prior year. These favorable impacts were offset by lower net investment income and investment gains, higher catastrophe losses and decreased favorable net prior year development. See the Investments section of this MD&A for further discussion of net realized investment results and net investment income.

**CNA Property and Casualty Insurance Operations**

CNA s property and casualty insurance operations consist of professional, financial, specialty property and casualty products and services and commercial insurance and risk management products.

In the evaluation of the results of the property and casualty businesses, CNA utilizes the loss ratio, the expense ratio, the dividend ratio and the combined ratio. These ratios are calculated using GAAP financial results. The loss ratio is the percentage of net incurred claim and claim adjustment expenses to net earned premiums. The expense ratio is the percentage of insurance underwriting and acquisition expenses, including the amortization of deferred acquisition costs, to net earned premiums. The dividend ratio is the ratio of policyholders dividends incurred to net earned premiums. The combined ratio is the sum of the loss, expense and dividend ratios.

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The following tables summarize the results of CNA s property and casualty operations for the three months ended March 31, 2013 and 2012.

| **Three Months Ended March 31, 2013**<br>**(In millions, except %)** | **CNA Specialty** | **CNA Commercial** | **Hardy** | **Total** |
|---|---|---|---|---|
| **Net written premiums** | **$ 803** | **$ 918** | **$ 55** | **$ 1,776** |
| **Net earned premiums** | **723** | **837** | **64** | **1,624** |
| **Net investment income** | **170** | **250** | **1** | **421** |
| **Net operating income (loss)** | **126** | **113** | **(7)** | **232** |
| **Net realized investment gains** | **2** | **2** | **1** | **5** |
| **Net income (loss)** | **128** | **115** | **(6)** | **237** |
| **Ratios:** | | | | |
| **Loss and loss adjustment expense** | **64.3%** | **71.7%** | **48.7%** | **67.5%** |
| **Expense** | **30.5** | **35.0** | **56.8** | **33.8** |
| **Dividend** | **0.2** | **0.1** | | **0.2** |
| **Combined** | **95.0%** | **106.8%** | **105.5%** | **101.5%** |

| Three Months Ended March 31, 2012 | CNA Specialty | CNA Commercial | Total |
|---|---|---|---|
| Net written premiums | $ 765 | $ 843 | $ 1,608 |
| Net earned premiums | 706 | 803 | 1,509 |
| Net investment income | 175 | 265 | 440 |
| Net operating income | 120 | 125 | 245 |
| Net realized investment gains | 5 | 6 | 11 |
| Net income | 125 | 131 | 256 |
| Ratios: | | | |
| Loss and loss adjustment expense | 66.3% | 70.7% | 68.6% |
| Expense | 31.3 | 35.1 | 33.3 |
| Dividend | (0.3) | 0.4 | 0.1 |
| Combined | 97.3% | 106.2% | 102.0% |

Net written premiums increased $168 million for the three months ended March 31, 2013 as compared with the same period in 2012. Net written premiums for 2013 included $55 million related to Hardy. Excluding Hardy, the increase in net written premiums was primarily driven by increased rate. Net earned premiums increased $115 million for the three months ended March 31, 2013 as compared with the same period in 2012, including $64 million related to Hardy. Excluding Hardy, the increase in net earned premiums was primarily driven by the increase in net written premiums over recent quarters.

CNA Specialty s average rate increased 7% for the three months ended March 31, 2013 as compared with an increase of 3% for the three months ended March 31, 2012, for policies that renewed in each period. Retention of 86% was achieved in each period. CNA Commercial s average rate increased 9% for the three months ended March 31, 2013, as compared with an increase of 5% for the three months ended March 31, 2012 for policies that renewed in each period. Retention of 78% and 77% was achieved in each period.

Net operating income decreased $13 million for the three months ended March 31, 2013 as compared with the same period in 2012. The decrease in net operating income was primarily due to lower net investment income and higher catastrophe losses for CNA Commercial. These unfavorable impacts were partially offset by improved underwriting results for CNA Specialty and improved non-catastrophe current accident year underwriting results for CNA Commercial. Catastrophe losses were $23 million (after tax and noncontrolling interests) for the three months ended March 31, 2013 as compared to catastrophe losses of $16 million (after tax and noncontrolling interests) for the same period in 2012.

CNA Specialty s combined ratio improved 2.3 points for the three months ended March 31, 2013 as compared with the same period in 2012. The loss ratio decreased 2.0 points, due to both higher favorable net prior year development and an improved current accident year loss ratio. The expense ratio improved 0.8 points for the three

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months ended March 31, 2013 as compared with the same period in 2012, primarily due to the impact of a higher net earned premium base.

CNA Commercial s combined ratio increased 0.6 points for the three months ended March 31, 2013 as compared with the same period in 2012. The loss ratio increased 1.0 point, primarily due to the impacts of higher catastrophe losses and decreased favorable net prior year development, partially offset by an improved current accident year non-catastrophe loss ratio.

Favorable net prior year development of $41 million and $46 million was recorded for the three months ended March 31, 2013 and 2012. Further information on net prior year development is included in Note 5 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

**Life & Group Non-Core and Other Operations**

Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. Other primarily includes certain CNA corporate expenses, including interest on corporate debt and the results of certain property and casualty business in run-off, including CNA Re and asbestos and environmental pollution ( A&EP ).

The following tables summarize the results of CNA s Life & Group Non-Core and Other operations for the three months ended March 31, 2013 and 2012.

| **Three Months Ended March 31, 2013** | **Life & Group Non-Core** | **Other** | **Total** |
|---|---|---|---|
| **(In millions)** | | | |
| **Net earned premiums** | **$ 141** | | **$ 141** |
| **Net investment income** | **204** | **$ 8** | **212** |
| **Net operating loss** | | **(20)** | **(20)** |
| **Net realized investment gains** | **8** | **1** | **9** |
| **Net income (loss)** | **8** | **(19)** | **(11)** |

Three Months Ended March 31, 2012

| | | | |
|---|---|---|---|
| Net earned premiums | $ 141 | | $ 141 |
| Net investment income | 198 | $ 10 | 208 |
| Net operating loss | (17) | (21) | (38) |
| Net realized investment gains | 7 | 1 | 8 |
| Net loss | (10) | (20) | (30) |

Net earned premiums, which relate primarily to the individual and group long term care businesses, were unchanged for the three months ended March 31, 2013 as compared with the same period in 2012. Premiums in the current period were affected by the lapsing of policies and rate increase actions in CNA s run-off individual long term care business.

Net loss decreased $19 million for the three months ended March 31, 2013 as compared with the same period in 2012. While this decrease reflects favorable mortality outcomes across all of CNA s life businesses, they were primarily attributable to favorable morbidity and persistency in CNA s long term care business.

**Diamond Offshore**

The ultra-deepwater and deepwater floater markets are generally strong, particularly in the ultra-deepwater segment where there are only a few uncontracted rigs available to work in 2013, inclusive of the expected 2013 newbuild deliveries. Regionally, the offshore basins of West Africa, Brazil and the Gulf of Mexico continue to be an area of significant ultra-deepwater and deepwater activity, where demand is strong with

potential for further growth, and in which dayrates are expected to remain steady throughout 2013. According to industry analysts, demand offshore Brazil is fueled primarily by aggressive exploration and development goals of Petróleo Brasileiro S.A. ( Petrobras ), as well as significant discoveries in the pre-salt and post-salt formations offshore Brazil. Similarly, pre-salt discoveries offshore Angola have led to a significant increase in deepwater demand in the area.

On the Outer Continental Shelf of the Gulf of Mexico, drilling activity has surpassed pre-Macondo levels, and industry analysts predict that the market will continue to strengthen in 2013 and beyond, particularly in the ultra-

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deepwater market. Demand in the U.S. GOM is tending more to newer deepwater and ultra-deepwater rigs due to new regulations, deeper waters and more challenging formations.

Despite the strong ultra-deepwater and deepwater markets, Diamond Offshore s ability to meet strong demand in the near term is limited due to its contracted backlog in 2013 (100% and 98% for its ultra-deepwater and deepwater fleets). In addition, the robust outlook for the ultra-deepwater and deepwater markets has led to a significant number of newbuild floater orders from established drilling contractors, as well as new entrants into the industry, which is expected to lead to increased competition. Based on recent industry analyst data, the total number of newbuild floaters on order or announced was reported to be in excess of 90 rigs, although newbuild orders have slowed in 2013 with only three orders having been placed in the first quarter of 2013. Excluding an estimated 29 rigs to be built on behalf of Petrobras, which is currently Diamond Offshore s most significant customer, 17% and 85% of the newbuilds scheduled for delivery in 2013 and 2014 are not yet contracted for future work, including two of Diamond Offshore s newbuild drillships and one of its semisubmersible rigs under construction, all of which are scheduled for delivery in 2014.

Market demand for mid-water floaters is generally stable. In both the U.K. and Norway sectors of the North Sea, the mid-water market is particularly strong, with record dayrates being achieved. The mid-water market in other regions remains mixed but relatively stable. In the Mediterranean region, demand remains solid, where recent gas discoveries have led to increased interest in the region. The Southeast Asia and Australia markets also remain steady with indications of possible strengthening.

Diamond Offshore has six actively-marketed jack-up rigs, four of which are currently operating in the Mexican waters of the Gulf of Mexico, where drilling activity remains stable and additional tendering activity is ongoing. Another jack-up rig is contracted under a two-year bareboat charter offshore Ecuador through August of 2014. Diamond Offshore s other jack-up rig is actively seeking work in the GOM, where contracts are generally well-to-well or short term in duration.

**Contract Drilling Backlog**

The following table reflects Diamond Offshore s contract drilling backlog as of April 25, 2013 and February 1, 2013 (the date reported in our Annual Report on Form 10-K for the year ended December 31, 2012). 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 92% - 98% during contracted periods, can be adversely impacted by downtime due to various operating factors including, but not limited to, weather conditions and unscheduled repairs and maintenance. Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. No revenue is generally earned during periods of downtime for regulatory surveys. Changes in Diamond Offshore s contract drilling backlog between periods are a function of the performance of work on term contracts, as well as the extension or modification of existing term contracts and the execution of additional contracts.

| **(In millions)** | **April 25, 2013** | February 1, 2013 |
|---|---|---|
| Floaters: | | |
| Ultra-Deepwater (a) | **$ 4,257** | $ 4,422 |
| Deepwater (b) | **1,143** | 1,229 |
| Mid-Water (c) | **2,436** | 2,649 |
| Total Floaters | **7,836** | 8,300 |
| Jack-ups | **249** | 272 |
| Total | **$ 8,085** | $ 8,572 |

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(a) As of April 25, 2013, for ultra-deepwater floaters includes (i) $1.2 billion attributable to contracted operations offshore Brazil for the years 2013 to 2015, and (ii) $1.8 billion attributable to future work for two drillships under construction for the years 2013 to 2019.
(b) As of April 25, 2013, for deepwater floaters includes (i) $503 million attributable to contracted operations offshore Brazil for the years 2013 to 2016 and (ii) $179 million for the years 2013 to 2014 attributable to future work for the *Ocean Onyx* which is under construction.
(c) As of April 25, 2013, for mid-water floaters includes $787 million attributable to contracted operations offshore Brazil for the years 2013 to 2015.

The following table reflects the amount of Diamond Offshore s contract drilling backlog by year as of April 25, 2013:

| Year Ended December 31 | Total | 2013 (a) | 2014 | 2015 | 2016 - 2019 |
|---|---|---|---|---|---|
| (In millions) | | | | | |
| **Floaters:** | | | | | |
| Ultra-Deepwater (b) | $ 4,257 | $ 764 | $ 1,156 | $ 1,099 | $ 1,238 |
| Deepwater (c) | 1,143 | 450 | 456 | 175 | 62 |
| Mid-Water (d) | 2,436 | 890 | 949 | 404 | 193 |
| Total Floaters | 7,836 | 2,104 | 2,561 | 1,678 | 1,493 |
| Jack-ups | 249 | 109 | 72 | 48 | 20 |
| Total | $ 8,085 | $ 2,213 | $ 2,633 | $ 1,726 | $ 1,513 |

(a) Represents a nine month period beginning April 1, 2013.
(b) As of April 25, 2013, for ultra-deepwater floaters includes (i) $395 million, $473 million and $324 million for the years 2013 to 2015 attributable to contracted operations offshore Brazil, and (ii) $14 million, $300 million and $361 million for the years 2013, 2014 and 2015, and $1.1 billion in the aggregate for the years 2016 to 2019 attributable to future work for two drillships under construction.
(c) As of April 25, 2013, for deepwater floaters includes $158 million, $149 million, $134 million and $62 million for the years 2013 to 2016, attributable to contracted operations offshore Brazil and (ii) $45 million and $134 million for the years 2013 and 2014 attributable to future work for the *Ocean Onyx* which is under construction.
(d) As of April 25, 2013, for mid-water floaters includes $366 million, $342 million and $79 million for the years 2013 to 2015 attributable to contracted operations offshore Brazil.

The following table reflects the percentage of rig days committed by year as of April 25, 2013. 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). Total available days have been calculated based on the expected final commissioning dates for rigs under construction.

| Year Ended December 31 | 2013 (a) (b) | 2014 (b) | 2015 | 2016 - 2019 |
|---|---|---|---|---|
| **Floaters:** | | | | |
| Ultra-Deepwater | 100% | 86% | 60% | 15% |
| Deepwater | 98% | 45% | 18% | 2% |
| Mid-Water | 75% | 50% | 18% | 2% |
| Total Floaters | 85% | 56% | 30% | 6% |
| Jack-ups | 69% | 39% | 20% | 5% |

(a) Represents a nine month period beginning April 1, 2013.

(b) As of April 25, 2013, includes approximately 1,060, 830, 70 and 70 currently known, scheduled shipyard, survey and mobilization days for 2013, 2014, 2015 and 2016.

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**Dayrate and Utilization Statistics**

| Three Months Ended March 31 | 2013 | 2012 |
|---|---|---|
| **Revenue earning days (a)** | | |
| Floaters: | | |
| Ultra-Deepwater | **526** | 620 |
| Deepwater | **423** | 400 |
| Mid-Water | **1,042** | 1,124 |
| Jack-ups (b) | **448** | 522 |
| **Utilization (c)** | | |
| Floaters: | | |
| Ultra-Deepwater | **73%** | 85% |
| Deepwater | **94%** | 88% |
| Mid-Water | **64%** | 65% |
| Jack-ups (d) | **71%** | 44% |
| **Average daily revenue (e)** | | |
| Floaters: | | |
| Ultra-Deepwater | **$ 360,400** | $ 364,000 |
| Deepwater | **389,100** | 358,900 |
| Mid-Water | **261,600** | 266,200 |
| Jack-ups | **85,200** | 86,700 |

(a) A revenue earning day is defined as a 24-hour period during which a rig earns a dayrate after commencement of operations and excludes mobilization, demobilization and contract preparation days.

(b) Revenue earning days for the quarter ended March 31, 2012 included approximately 87 days earned by Diamond Offshore s jack-up rigs during the period prior to being sold in 2012.

(c) Utilization is calculated as the ratio of total revenue earnings days divided by the total calendar days in the period for all rigs in Diamond Offshore s fleet (including cold stacked rigs).

(d) Utilization for Diamond Offshore s jack-up rigs would have been 68% for the quarter ended March 31, 2012, excluding revenue earning days and total calendar days associated with rigs that were sold in 2012.

(e) Average daily revenue is defined as contract drilling revenue (excluding revenue for mobilization, demobilization and contract preparation) per revenue earning day.

**Results of Operations**

The following table summarizes the results of operations for Diamond Offshore for the three months ended March 31, 2013 and 2012 as presented in Note 11 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

| Three Months Ended March 31 | 2013 | 2012 |
|---|---|---|
| **(In millions)** | | |
| Revenues: | | |
| Contract drilling revenues | **$ 700** | $ 755 |
| Net investment income | **1** | 2 |
| Other | **31** | 39 |

| | | |
|---|---|---|
| Total | **732** | 796 |
| | | |
| Expenses: | | |
| Contract drilling expenses | **375** | 397 |
| Other operating expenses | **144** | 132 |
| Interest | **8** | 15 |
| | | |
| Total | **527** | 544 |
| | | |
| Income before income tax | **205** | 252 |
| Income tax expense | **(36)** | (73) |
| Amounts attributable to noncontrolling interests | **(87)** | (92) |
| | | |
| Net income attributable to Loews Corporation | **$ 82** | $ 87 |

Contract drilling revenue decreased $55 million as compared to the first quarter of 2012, while contract drilling expense decreased $22 million during the same period. Contract drilling revenue for the first quarter of 2013 was

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negatively impacted by a decrease in revenue earning days earned by Diamond Offshore s ultra-deepwater, mid-water and jack-up fleets, partially offset by favorable revenue variances for its deepwater floaters. The decrease in contract drilling expense for the first quarter of 2013 reflects lower mobilization costs, partially offset by higher repair and inspection costs and additional labor costs associated with crews for the newbuild drillships.

Revenue generated by ultra-deepwater floaters decreased $53 million during the first quarter of 2013 as compared with 2012, primarily due to decreased utilization of $34 million, decreased amortized mobilization fees of $17 million and decreased average daily revenue of $2 million. Utilization decreased in the first quarter of 2013 primarily due to scheduled surveys and unplanned downtime for repairs. Amortized mobilization fees decreased in the first quarter of 2013 as compared with 2012 primarily due to the recognition of mobilization revenue in the 2012 period associated with the *Ocean Monarch s* mobilization to Vietnam and the *Ocean Rover s* demobilization from Indonesia to Malaysia.

Revenue generated by deepwater floaters increased $18 million during the first quarter of 2013 as compared with 2012, primarily due to higher average daily revenue of $13 million and increased utilization of $8 million, partially offset by lower amortized mobilization fees of $3 million. Average daily revenue increased in the first quarter of 2013 primarily due to the *Ocean Valiant* and *Ocean Victory* both working at significantly higher dayrates than those rigs earned during the first quarter of 2012. Revenue earning days increased during the first quarter of 2013 primarily due to fewer planned non-operating days for surveys and shipyard projects.

Revenue generated by mid-water floaters decreased $13 million during the first quarter of 2013 as compared with 2012, primarily due to decreased utilization of $22 million and lower average daily revenue of $5 million, partially offset by a $13 million increase in mobilization and contract preparation fees. Revenue earning days decreased in the first quarter of 2013 as compared with 2012, primarily due to an increase in planned downtime for shipyard projects and surveys, incremental unplanned downtime between contracts, partially offset by a reduction in mobilization days.

Revenue earned by jack-up rigs decreased $7 million for the first quarter of 2013 as compared with 2012, primarily due to the sale of six jack-up rigs. These rigs earned aggregate revenue of $5 million during the three months ended March 31, 2012.

Net income decreased $5 million for the three months ended March 31, 2013 as compared with the 2012 period reflecting the decline in revenue as discussed above, partially offset by the decrease in contract drilling expense as discussed above and lower income taxes. Net income for the three months ended March 31, 2012 also included a $9 million gain (after tax and noncontrolling interests) on the sale of a jack-up rig.

Diamond Offshore s effective tax rate decreased for the three months ended March 31, 2013 as compared with 2012. The lower effective tax rate in the current quarter is primarily due to a $28 million reduction in tax expense during the current quarter as a result of the American Taxpayer Relief Act of 2012 which was signed into law on January 2, 2013. The Act extends through 2013 several expired temporary business provisions, commonly referred to as extenders which were retroactively extended to the beginning of 2012.

**Boardwalk Pipeline**

Boardwalk Pipeline derives revenues primarily from the transportation and storage of natural gas and natural gas liquids ( NGLs ) and gathering and processing of natural gas for third parties. Transportation services consist of firm natural gas transportation, where 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 natural gas transportation, where the customer pays to transport gas only when capacity is available and used. Boardwalk Pipeline also offers firm natural gas storage services where 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 NGL contracts are generally fee-based and are dependent on actual volumes transported or stored, although in some cases minimum volume requirements apply. Boardwalk Pipeline is not in the business of buying and selling natural gas and NGLs other than for system management purposes, but changes in the level of natural gas and NGL prices may impact the volumes of gas transported and stored on its pipeline systems. Boardwalk Pipeline s operating costs and expenses typically do not vary significantly based upon the amount of products transported, with the exception of fuel consumed at its compressor stations.

Key drivers that influence the rates and terms of Boardwalk Pipeline s transportation contracts are the current and anticipated basis spreads - generally meaning the difference in the price of natural gas at receipt and delivery points

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on its natural gas pipeline systems - which influence how much customers are willing to pay to transport gas between those points. Basis differentials can be affected by, among other things, the availability and supply of natural gas, competition from other pipelines, including pipelines under development, available transportation and storage capacity, storage inventories, regulatory developments, weather and general market demand in markets served by Boardwalk Pipeline s pipeline systems. As new sources of natural gas have been identified and developed, including the Marcellus and the Utica Shales which are closer to the traditional high value markets served by interstate pipelines like Boardwalk Pipeline, and pipeline infrastructure has been developed to move the new sources of gas to market areas, changes in pricing dynamics between supply basins, pooling points and market areas have occurred. As a result of the new sources of supply and related pipeline infrastructure, basis spreads on Boardwalk Pipeline s pipeline systems have narrowed significantly over the past several years, reducing the transportation rates Boardwalk Pipeline can typically negotiate with its customers on contracts due for renewal for its firm transportation services.

As of March 31, 2013, a substantial portion of Boardwalk Pipeline s transportation capacity was contracted for under firm transportation agreements having a weighted-average remaining life of approximately 6.0 years. Each year a portion of Boardwalk Pipeline s firm transportation agreements expire and must be renewed or replaced. Due to the factors noted above, in recent years the rates Boardwalk Pipeline has been able to obtain under firm and interruptible transportation agreements has declined and the amount of capacity that Boardwalk Pipeline has been able to contract for under firm transportation agreements has also declined. The amount of Boardwalk Pipeline s transportation capacity under agreements which expires in 2013 is greater than in recent years. In light of the market conditions discussed above, Boardwalk Pipeline expects that transportation contracts renewed or entered into in 2013 will be at lower rates than current contracts and any remaining available capacity will be marketed and sold on a short term firm or interruptible basis, which will also be at lower rates. Boardwalk Pipeline expects that these circumstances will negatively affect transportation revenues and distributable cash flows in 2013.

The market for storage and PAL services is also impacted by the factors discussed above, as well as by natural gas price differentials between time periods, such as winter to summer (time period price spreads). Based on current forward pricing curves Boardwalk Pipeline believes that time period price spreads for 2013 may not be as favorable as they were in 2012. However, forward pricing curves change frequently as a result of a variety of market factors, including weather, levels of storage gas and available capacity, among others and as such may not be a reliable predictor of actual future events. Accordingly, Boardwalk Pipeline cannot predict its future revenues from interruptible storage and PAL services due to the uncertainty and volatility in market conditions discussed above.

In the first quarter of 2013, Boardwalk Pipeline announced that it is pursuing, with Williams Companies, Inc. ( Williams ), the joint development of an NGL pipeline, to be named the Bluegrass Pipeline, which would transport Marcellus and Utica mixed-NGL production from Pennsylvania, West Virginia and Ohio to growing petrochemical markets on the U.S. Gulf Coast. The project would include the development of pipeline, storage and fractionation assets and potentially a new liquefied petroleum gas export terminal. At this juncture, Boardwalk Pipeline is continuing to work through cost assessments, due diligence and other pre-development activities, as well as negotiating the terms of the joint venture and related agreements with Williams. There are a number of conditions that must be met for this project to be approved, including Boardwalk Pipeline completing negotiations and executing definitive joint venture and related agreements, executing customer contracts sufficient to support the project, receipt of regulatory approvals and approvals by the boards of both Boardwalk Pipeline and Williams.

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**Results of Operations**

The following table summarizes the results of operations for Boardwalk Pipeline for the three months ended March 31, 2013 and 2012 as presented in Note 11 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Revenues: | | |
| Other revenue, primarily operating | **$ 329** | $ 314 |
| Total | **329** | 314 |
| Expenses: | | |
| Operating | **190** | 181 |
| Interest | **40** | 41 |
| Total | **230** | 222 |
| Income before income tax | **99** | 92 |
| Income tax expense | **(22)** | (22) |
| Amounts attributable to noncontrolling interests | **(44)** | (35) |
| Net income attributable to Loews Corporation | **$ 33** | $ 35 |

Total revenues increased $15 million for the three months ended March 31, 2013, compared to the same period in 2012. This increase is primarily due to $19 million of revenues earned from Louisiana Midstream, acquired in October of 2012, an increase in fuel revenues of $7 million primarily due to higher natural gas prices and an increase in PAL revenues of $3 million due to improved market conditions at the time the transactions were entered into. The increase in revenues was partially offset by lower transportation revenues, excluding fuel, of $14 million resulting primarily from lower firm and interruptible revenues due to the market conditions and lower contract renewal rates discussed above.

Operating expenses increased $9 million for the three months ended March 31, 2013, compared to the same period in 2012. This increase is primarily due to $13 million of expenses incurred by Louisiana Midstream and increased fuel costs of $4 million due to higher natural gas prices, partially offset by lower general and administration costs of $5 million as a result of cost management activities.

Net income decreased $2 million for the three months ended March 31, 2013, compared with the 2012 period reflecting higher revenues offset by increased operating expenses as discussed above and amounts attributable to noncontrolling interests. The amount of income attributable to noncontrolling interests increased as a result of equity offerings in 2012 by Boardwalk Pipeline, decreasing the ownership percentage from 62% for the three months ended March 31, 2012 to 55% for the three months ended March 31, 2013.

**HighMount**

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

| | |
|---|---|
| *Bbl* | - Barrel (of oil or NGLs) |
| *Bcf* | - Billion cubic feet (of natural gas) |
| *Bcfe* | - Billion cubic feet of natural gas equivalent |
| *Mbbl* | - Thousand barrels (of oil or NGLs) |

*Mcf* - Thousand cubic feet (of natural gas)
*Mcfe* - Thousand cubic feet of natural gas equivalent
*MMBtu* - Million British thermal units

HighMount s revenues and profitability depend substantially on natural gas and oil prices and HighMount s ability to increase its natural gas and oil production. Natural gas and NGL prices remain at low levels due to an increase in the supply of natural gas and NGL resulting from new sources of supply recoverable from shale formations, primarily the result of technological advancements in horizontal drilling and hydraulic fracturing. As a result, HighMount continues to focus its capital investments primarily on potential oil producing properties, which led to a reduction in natural gas and NGL production and an increase in oil production. Revenues from the sale of

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oil, including the impact of hedges, amounted to 21% of HighMount s total revenues for the three months ended March 31, 2013 as compared to 10% of its total revenue for the three months ended March 31, 2012. Low natural gas and NGL prices, as well as higher drilling and completion costs of horizontal wells targeting oil reserves negatively impacted HighMount s net cash flow. The price HighMount realizes for its production is also affected by HighMount s hedging activities, as well as locational differences in market prices.

During the first quarter of 2013, HighMount recorded a ceiling test impairment charge, due to reduced average oil and NGL prices used in the ceiling test calculation and negative reserve revisions. Reserve revisions in the first quarter of 2013 were due to the continued deferral of well repair activity in the Sonora field given low natural gas and NGL prices and due to the Oklahoma Mississippian lime evaluation where HighMount is testing different horizontal target zones and hydraulic fracture designs resulting in some variability in well performance. As a result of the ceiling test impairment charge, HighMount performed a goodwill impairment test and no impairment charge was required.

HighMount s operating expenses consist 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 oil increase or decrease, but they are also affected by changes in production and state incentive programs, 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.

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**Production and Sales Statistics**

Presented below are production and sales statistics related to HighMount s operations for the three months ended March 31, 2013 and 2012:

| Three Months Ended March 31 | 2013 | 2012 |
|---|---|---|
| Gas production (Bcf) | **8.6** | 10.3 |
| Gas sales (Bcf) | **8.0** | 9.7 |
| Oil production/sales (Mbbls) | **158.3** | 81.0 |
| NGL production/sales (Mbbls) | **503.4** | 632.8 |
| Equivalent production (Bcfe) | **12.6** | 14.6 |
| Equivalent sales (Bcfe) | **12.0** | 14.0 |
| Average realized prices without hedging results: | | |
| Gas (per Mcf) | **$ 3.17** | $ 2.57 |
| NGL (per Bbl) | **31.03** | 45.54 |
| Oil (per Bbl) | **87.14** | 96.33 |
| Equivalent (per Mcfe) | **4.58** | 4.41 |
| Average realized prices with hedging results: | | |
| Gas (per Mcf) | **$ 4.10** | $ 4.22 |
| NGL (per Bbl) | **37.33** | 39.79 |
| Oil (per Bbl) | **90.60** | 95.00 |
| Equivalent (per Mcfe) | **5.50** | 5.28 |
| Average cost per Mcfe: | | |
| Production expenses | **$ 1.46** | $ 1.29 |
| Production and ad valorem taxes | **0.30** | 0.29 |
| General and administrative expenses | **0.86** | 0.71 |
| Depletion expense | **1.39** | 1.55 |

**Results of Operations**

The following table summarizes the results of operations for HighMount for the three months ended March 31, 2013 and 2012 as presented in Note 11 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

| Three Months Ended March 31 | 2013 | 2012 |
|---|---|---|
| **(In millions)** | | |
| Revenues: | | |
| Other revenue, primarily operating | **$ 68** | $ 76 |
| Total | **68** | 76 |
| Expenses: | | |
| Other operating expenses | | |
| Impairment of natural gas and oil properties | **145** | 44 |
| Operating | **57** | 63 |
| Interest | **5** | 3 |

| | | |
|---|---|---|
| Total | **207** | 110 |
| Loss before income tax benefit | **(139)** | (34) |
| Income tax benefit | **51** | 12 |
| Net loss attributable to Loews Corporation | **$ (88)** | $ (22) |

HighMount s operating revenues decreased $8 million for the three months ended March 31, 2013 as compared with 2012 primarily due to reduced sales volumes. Average prices realized per Mcfe were $5.50 for the three months ended March 31, 2013 compared to $5.28 in the 2012 period. HighMount sold 12.0 Bcfe for the three months ended March 31, 2013 compared to 14.0 Bcfe in 2012. The decrease in sales volume was primarily due to the continued reduction in capital spending on natural gas drilling since 2008.

HighMount had hedges in place as of March 31, 2013 that cover approximately 64.6% and 32.2% of total estimated 2013 and 2014 natural gas equivalent production at a weighted average price of $6.48 and $5.89 per Mcfe.

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For the three months ended March 31, 2013 and 2012, HighMount recorded a non-cash ceiling test impairment charge of $145 million and $44 million ($92 million and $28 million after tax) related to the carrying value of its natural gas and oil properties. The 2013 write-down was attributable to reduced average NGL and oil prices used in the ceiling test calculation and negative reserve revisions. The ceiling test calculation was based on average 12-month prices of $2.95 per MMBtu for natural gas, $37.16 per Bbl for NGLs and $92.63 per Bbl for oil. Had the effects of HighMount s cash flow hedges not been considered in calculating the ceiling limitation, the impairments would have been $195 million and $69 million ($124 million and $44 million after tax) for the three months ended March 31, 2013 and 2012.

Operating expenses were $57 million and $63 million for the three months ended March 31, 2013 and 2012. Production expenses and production and ad valorem taxes were $24 million for the three months ended March 31, 2013, compared to $25 million for the 2012 period. DD&A expenses were $22 million for the three months ended March 31, 2013, compared to $27 million in 2012. The decrease in DD&A expenses was due to reduced production volumes and lower depletion rate, primarily due to the impairment of natural gas and oil properties recorded in 2012.

**Loews Hotels**

The following table summarizes the results of operations for Loews Hotels for the three months ended March 31, 2013 and 2012, as presented in Note 11 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Revenues: | | |
| Other revenue, primarily operating | **$ 94** | $ 80 |
| Total | **94** | 80 |
| Expenses: | | |
| Other operating expenses | | |
| Operating | **92** | 74 |
| Depreciation | **8** | 7 |
| Equity income from joint ventures | **(9)** | (10) |
| Interest | **3** | 2 |
| Total | **94** | 73 |
| Income before income tax | **-** | 7 |
| Income tax expense | | (3) |
| Net income attributable to Loews Corporation | **$ -** | $ 4 |
| EBITDA | **$ 11** | $ 16 |

Earnings before interest, tax, depreciation and amortization ( EBITDA ) is an indicator of operating performance used by Loews Hotels to measure its ability to service debt, fund capital expenditures and expand its business. EBITDA is a non-GAAP financial measure that is not meant to replace net income as defined by GAAP. The following table reconciles EBITDA to Net income attributable to Loews Corporation for the three months ended March 31, 2013 and 2012.

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|

**(In millions)**

| | | |
|---|---|---|
| EBITDA | **$ 11** | $ 16 |
| Depreciation | **(8)** | (7) |
| Interest | **(3)** | (2) |
| Income tax expense | | (3) |
| Net income attributable to Loews Corporation | **$ -** | $ 4 |

Revenues and operating expenses for the three months ended March 31, 2013 include $13 million of cost reimbursements from joint venture and managed properties, relating mainly to payroll incurred on behalf of the owners of hotel properties managed by us.

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Revenues excluding reimbursables for the three months ended March 31, 2013 are essentially unchanged from the 2012 period. Revenues increased due to the addition of the Loews Madison Hotel and the Loews Boston Back Bay Hotel to the portfolio of owned properties during the first quarter of 2013. These increases were offset by a decrease in revenues due to the 2013 closure of the Loews Regency Hotel for renovation.

Revenue per available room ( RevPAR ) 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. RevPAR, occupancy rates and average room rates as discussed below are for owned hotels only. RevPAR decreased $2.16 to $153.15 for the three months ended March 31, 2013 as compared to the 2012 period, reflecting a decrease in occupancy rates, partially offset by an increase in average room rates. Occupancy rates decreased to 65.7% in the three months ended March 31, 2013, from 67.8% in the 2012 period. Average room rates increased by $4.10, or 1.8%, in the three months ended March 31, 2013, as compared to the 2012 period.

Operating expenses excluding reimbursables, as discussed above, increased $5 million for the three months ended March 31, 2013 as compared to the 2012 period, primarily due to expenses from the Loews Madison Hotel and the Loews Boston Back Bay Hotel, including acquisition and transition related costs, partially offset by a decrease in expenses due to the closure of the Loews Regency Hotel.

Net results decreased $4 million for the three months ended March 31, 2013 as compared to the 2012 period, primarily due to the increase in operating expenses discussed above.

**Corporate and Other**

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

The following table summarizes the results of operations for Corporate and Other for the three months ended March 31, 2013 and 2012, as presented in Note 11 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Revenues: | | |
| Net investment income | **$ 7** | $ 76 |
| Other | **1** | 2 |
| Total | **8** | 78 |
| Expenses: | | |
| Operating | **15** | 12 |
| Interest | **10** | 10 |
| Total | **25** | 22 |
| Income (loss) before income tax | **(17)** | 56 |
| Income tax (expense) benefit | **6** | (21) |
| Net income (loss) attributable to Loews Corporation | **$ (11)** | $ 35 |

Revenues decreased by $70 million for the three months ended March 31, 2013 as compared to the 2012 period. Investment income decreased primarily due to lower performance of equity based investments, partially offset by improved performance of fixed income investments in the trading portfolio.

Net results decreased by $46 million for the three months ended March 31, 2013 as compared to the 2012 period. This change was due primarily to the change in revenues discussed above and reduced corporate overhead expenses allocated to our subsidiaries.

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**LIQUIDITY AND CAPITAL RESOURCES**

**CNA Financial**

CNA s primary operating cash flow sources are premiums and investment income from its insurance subsidiaries. CNA s primary operating cash flow uses are payments for claims, policy benefits and operating expenses, including interest expense on corporate debt. Additionally, cash may be paid or received for income taxes.

For the three months ended March 31, 2013, net cash provided by operating activities was $191 million as compared with $312 million for the same period in 2012. Cash provided by operating activities in 2012 was favorably affected by a $75 million tax refund. Additionally, because cash receipts and cash payments resulting from purchases and sales of trading securities are reported as cash flows related to operating activities, during 2013 operating cash flows were decreased by $48 million as compared to a decrease of $6 million during 2012 related to trading activity.

Cash flows from investing activities include the purchase and disposition 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.

For the three months ended March 31, 2013, net cash used by investing activities was $161 million as compared with $287 million for the same period in 2012. The cash flow from investing activities is affected 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 may include proceeds from the issuance of debt and equity securities, outflows for stockholder dividends or repayment of debt and outlays to reacquire equity instruments.

For the three months ended March 31, 2013, net cash used by financing activities was $56 million as compared with $42 million for the same period in 2012. Net cash used by financing activities in both periods was primarily related to the payment of dividends to common stockholders.

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 and CNA does not expect this to change in the near term. There are currently no amounts outstanding under CNA s $250 million senior unsecured revolving credit facility.

**Diamond Offshore**

Cash and investments totaled $1.5 billion at March 31, 2013 and December 31, 2012. During the first three months of 2013, Diamond Offshore paid cash dividends totaling $122 million, consisting of aggregate regular cash dividends of $17 million and aggregate special cash dividends of $105 million. On April 24, 2013, Diamond Offshore declared a regular quarterly dividend of $0.125 per share and a special dividend of $0.75 per share.

Cash provided by operating activities for the three months ended March 31, 2013 decreased $74 million compared to the 2012 period, primarily due to lower earnings resulting from an aggregate reduction in average utilization of ultra-deepwater, mid-water and jack-up fleets, and higher cash income taxes paid.

Diamond Offshore is currently obligated under various agreements in connection with the construction of two semisubmersible rigs and four new ultra-deepwater drillships. Diamond Offshore estimates that the aggregate cost for the construction of the two semisubmersible rigs and the four new drillships, including commissioning, spares and project management, to be approximately $690 million and $2.6 billion. During the first three months of 2013, Diamond Offshore spent $160 million towards the construction of these four new drillships and the two semisubmersible rigs. In addition, Diamond Offshore spent approximately $24 million during the period related to its ongoing capital maintenance programs.

For 2013, Diamond Offshore has budgeted approximately $1.8 billion for capital expenditures of which approximately $1.3 billion will be spent towards the construction of its new drillships and semisubmersible rigs and approximately $120 million will be spent on the North Sea enhancement project for the *Ocean Patriot*. The remainder will be spent on Diamond Offshore s ongoing rig equipment enhancement/replacement program. Diamond Offshore expects to finance its 2013 capital expenditures through the use of existing cash balances and cash flows from operations.

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In addition, Diamond Offshore may, from time to time, issue debt or equity securities, or a combination thereof, to finance capital expenditures, the acquisition of assets and businesses or for general corporate purposes. Diamond Offshore s ability to access the capital markets by issuing debt or equity securities will be dependent on its results of operations, current financial condition, current market conditions and other factors beyond its control.

A substantial portion of Diamond Offshore s cash flows has been and is expected to continue to be invested in the enhancement of its drilling fleet. Diamond Offshore determines the amount of cash required to meet its capital commitments by evaluating its rig construction obligations, the need to upgrade rigs to meet specific customer requirements and its ongoing rig equipment enhancement and replacement programs. As a result of Diamond Offshore s intention to indefinitely reinvest the earnings of its wholly owned subsidiary, Diamond Offshore International Limited ( DOIL ), to finance its foreign activities, Diamond Offshore does not expect such earnings to be available for distribution to its stockholders or to finance its domestic activities. However, Diamond Offshore believes that the operating cash flows generated by and cash reserves of DOIL, and the operating cash flows available to and cash reserves of Diamond Offshore Drilling, Inc. will be sufficient to meet both its working capital requirements and its capital commitments over the next twelve months. Diamond Offshore will, however, continue to make periodic assessments based on industry conditions and will adjust capital spending programs if required.

**Boardwalk Pipeline**

At March 31, 2013 and December 31, 2012, cash and investments amounted to $4 million. Funds from operations for the three months ended March 31, 2013 amounted to $129 million, compared to $110 million in the 2012 period. For the three months ended March 31, 2013 and 2012, Boardwalk Pipeline s capital expenditures were $71 million and $26 million.

Boardwalk Pipeline s ability to access the capital markets for debt and equity financing under reasonable terms depends on its financial condition, credit ratings and market conditions. Boardwalk Pipeline anticipates that its existing capital resources, including the revolving credit facility and future cash flows generated from operations will be adequate to fund its operations, including its maintenance capital expenditures. Boardwalk Pipeline may seek to access the capital markets to fund some or all of its growth capital expenditures, acquisitions or for general corporate purposes, including to refinance all or a portion of its indebtedness, a significant amount of which matures in the next five years.

As of March 31, 2013, Boardwalk Pipeline had $370 million of loans outstanding under its revolving credit facility with a weighted-average interest rate of 1.3% and had no letters of credit issued. As of March 31, 2013, Boardwalk Pipeline was in compliance with all covenant requirements under the credit facility and had available borrowing capacity of $630 million.

Boardwalk Pipeline expects total capital expenditures to be approximately $350 million in 2013, including approximately $100 million for maintenance capital. The 2013 growth capital expenditures primarily relate to the Eagle Ford and Choctaw Brine Supply Expansion Projects discussed in the Annual Report on Form 10-K for the year ended December 31, 2012.

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**HighMount**

At March 31, 2013 and December 31, 2012, cash and investments amounted to $17 million and $10 million. Net cash flows provided by operating activities were $16 million and $31 million for the three months ended March 31, 2013 and 2012. Key drivers of net operating cash flows are commodity prices, production volumes and operating costs.

Cash used in investing activities for the three months ended March 31, 2013, was $68 million, compared to $67 million for the 2012 period. The primary driver of cash used in investing activities was capital spent developing HighMount s natural gas and oil reserves. HighMount spent $42 million and $46 million on capital expenditures for its drilling program in the three months ended March 31, 2013 and 2012. HighMount expects to spend approximately $270 million on capital expenditures in 2013 developing its natural gas and oil reserves, with a focus on oil drilling opportunities. Funds for capital expenditures and working capital requirements are expected to be provided from operating activities, the available capacity under the revolving credit facility and capital contributions from us.

At March 31, 2013, HighMount had $600 million of term loans outstanding and $120 million was outstanding under HighMount s $250 million revolving credit facility, of which approximately $20 million is available to borrow under existing covenants. 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 and a minimum ratio of net present value of its projected future cash flows from its proved natural gas and oil reserves to total debt. The calculation of net present value, performed at least annually, is based on commodity prices determined by the lenders. A change in commodity prices will impact HighMount s borrowing capacity under its credit agreement. Due to the current limited capacity of HighMount s credit agreement, we made a $49 million capital contribution to HighMount in the first quarter of 2013, which was used for capital expenditures. The credit agreement also contains customary restrictions or limitations on HighMount s ability to engage in certain transactions, including transactions with affiliates. At March 31, 2013, HighMount was in compliance with all of its covenants under the credit agreement.

**Loews Hotels**

Funds from operations continue to exceed operating requirements. Cash and investments totaled $73 million at March 31, 2013 as compared to $43 million at December 31, 2012.

Loews Hotels added two properties to its portfolio in 2013, the Loews Madison Hotel and the Loews Boston Back Bay Hotel. These acquisitions were funded with existing cash balances, debt and capital contributions by us.

Committed and planned capital expenditures for renovations, capital improvements and development of new properties are estimated to be approximately $170 million for the remainder of 2013. Funds for future capital expenditures, including acquisitions of new properties, renovations and working capital requirements are expected to be provided from operations, newly incurred debt, existing cash balances and advances or capital contributions from us.

**Corporate and Other**

Parent Company cash and investments, net of receivables and payables, at March 31, 2013 totaled $3.7 billion as compared to $3.9 billion at December 31, 2012. During the three months ended March 31, 2013, we made capital contributions of approximately $209 million to our subsidiaries, paid $92 million to fund treasury stock purchases and paid $24 million of cash dividends to our shareholders. These cash outflows were partially offset by the receipt of $182 million in interest and dividends from our subsidiaries.

As of March 31, 2013, there were 389,898,441 shares of Loews common stock outstanding. 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 months ended March 31, 2013, we purchased 2.1 million shares of Loews common stock at an aggregate cost of $92 million.

We have an effective Registration Statement on Form S-3 registering the future sale of an unlimited amount of our debt and equity securities. From time to time we consider issuance of Parent Company indebtedness under this registration statement.

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

We enter into short sales and invest in certain derivative instruments that are used for asset and liability management activities, income enhancements to our portfolio management strategy and to benefit from anticipated future movements in the underlying markets. If such movements do not occur as anticipated, then significant losses may occur. Monitoring procedures include senior management review of daily detailed reports of existing positions and valuation fluctuations to ensure that open positions are consistent with our portfolio strategy.

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

**Insurance**

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

**Net Investment Income**

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

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Fixed maturity securities | **$ 499** | $ 516 |
| Short term investments | **1** | 1 |
| Limited partnership investments | **131** | 130 |
| Equity securities | **3** | 4 |
| Trading portfolio | **5** | 7 |
| Other | **6** | 4 |
| Gross investment income | **645** | 662 |
| Investment expense | **(12)** | (14) |
| Net investment income | **$ 633** | $ 648 |

Net investment income for the three months ended March 31, 2013 decreased $15 million as compared with the same period in 2012. The decrease was primarily driven by lower fixed maturity securities income due to the effect of purchasing investments at lower interest rates, partially offset by a higher invested asset base.

The fixed maturity investment portfolio provided a pretax effective income yield of 5.2% and 5.5% for the three months ended March 31, 2013 and 2012. Tax-exempt municipal bonds generated $69 million of net investment income for the three months ended March 31, 2013 compared with $66 million of net investment income for the 2012 period.

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**Net Realized Investment Gains (Losses)**

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

| **Three Months Ended March 31** | **2013** | 2012 |
|---|---|---|
| **(In millions)** | | |
| Realized investment gains (losses): | | |
| Fixed maturity securities: | | |
| Corporate and other bonds | **$ 31** | $ 23 |
| States, municipalities and political subdivisions | **(2)** | 15 |
| Asset-backed | **3** | (12) |
| U.S. Treasury and obligations of government-sponsored enterprises | | 1 |
| Foreign government | | 3 |
| Total fixed maturity securities | **32** | 30 |
| Equity securities | **(13)** | 1 |
| Derivative securities | **2** | (1) |
| Short term investments and other | **3** | 2 |
| Total realized investment gains | **24** | 32 |
| Income tax expense | **(8)** | (11) |
| Amounts attributable to noncontrolling interests | **(2)** | (2) |
| Net realized investment gains attributable to Loews Corporation | **$ 14** | $ 19 |

Net realized investment results decreased $5 million for the three months ended March 31, 2013 as compared with the 2012 period. The decrease was primarily driven by lower realized gains on sales of securities partially offset by 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.

**Portfolio Quality**

CNA s fixed maturity portfolio consists primarily of high quality bonds, 91.4% and 91.6% of which were rated as investment grade (rated BBB- or higher) at March 31, 2013 and December 31, 2012. The classification between investment grade and non-investment grade is based on a ratings methodology that takes into account ratings from Standard & Poor s ( S&P ) and Moody s Investors Service, Inc. ( Moody s ) in that order of preference. If a security is not rated by these rating agencies, CNA formulates an internal rating. At March 31, 2013 and December 31, 2012, approximately 98% of the fixed maturity portfolio was rated by S&P or Moody s, or was issued or guaranteed by the U.S. Government, Government agencies or Government-sponsored enterprises.

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

| | **March 31, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| **(In millions of dollars)** | | | | |
| U.S. Government, Government agencies and Government-sponsored enterprises | **$ 4,230** | **9.9%** | $ 4,540 | 10.6% |
| AAA | **3,128** | **7.3** | 3,224 | 7.6 |

| | | | | |
|---|---|---|---|---|
| AA and A | **19,875** | **46.4** | 19,305 | 45.3 |
| BBB | **11,911** | **27.8** | 11,997 | 28.1 |
| Non-investment grade | **3,655** | **8.6** | 3,567 | 8.4 |
| Total | **$ 42,799** | **100.0%** | $ 42,633 | 100.0% |

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Non-investment grade fixed maturity securities, as presented in the table below, include high-yield securities rated below BBB- by bond 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 $3.4 billion at March 31, 2013 and December 31, 2012. The following table summarizes the ratings of this portfolio at fair value.

| | **March 31, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| **(In millions of dollars)** | | | | |
| BB | **$ 1,593** | **43.6%** | $ 1,529 | 42.9% |
| B | **1,087** | **29.7** | 1,075 | 30.1 |
| CCC-C | **757** | **20.7** | 724 | 20.3 |
| D | **218** | **6.0** | 239 | 6.7 |
| Total | **$ 3,655** | **100.0%** | $ 3,567 | 100.0% |

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

| **March 31, 2013** | **Estimated Fair value** | **%** | **Gross Unrealized Losses** | **%** |
|---|---|---|---|---|
| **(In millions of dollars)** | | | | |
| **U.S. Government, Government agencies and Government-sponsored enterprises** | **$ 864** | **25.4%** | **$ 50** | **31.6%** |
| **AAA** | **185** | **5.4** | **9** | **5.7** |
| **AA** | **600** | **17.6** | **50** | **31.6** |
| **A** | **412** | **12.1** | **6** | **3.8** |
| **BBB** | **774** | **22.8** | **25** | **15.8** |
| **Non-investment grade** | **567** | **16.7** | **18** | **11.5** |
| **Total** | **$ 3,402** | **100.0%** | **$ 158** | **100.0%** |

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

| **March 31, 2013** | **Estimated Fair value** | **%** | **Gross Unrealized Losses** | **%** |
|---|---|---|---|---|
| **(In millions of dollars)** | | | | |
| **Due in one year or less** | **$ 206** | **6.1%** | **$ 4** | **2.5%** |
| **Due after one year through five years** | **914** | **26.9** | **25** | **15.8** |
| **Due after five years through ten years** | **1,182** | **34.7** | **61** | **38.6** |
| **Due after ten years** | **1,100** | **32.3** | **68** | **43.1** |

| | | | | |
|---|---|---|---|---|
| **Total** | **$ 3,402** | **100.0%** | **$ 158** | **100.0%** |

**Duration**

A primary objective in the management of the investment portfolio is to optimize return relative to corresponding liabilities and respective liquidity needs. CNA s views on the current interest rate environment, tax regulations, asset class valuations, specific security issuer and broader industry segment conditions, and the domestic and global economic conditions, are some of the factors that enter into an investment decision. CNA also continually monitors exposure to issuers of securities held and broader industry sector exposures and may from time to time adjust such exposures based on its views of a specific issuer or industry sector.

A further consideration in the management of the investment portfolio is the characteristics of the corresponding liabilities and the ability to align the duration of the portfolio to those liabilities and to meet future liquidity needs, minimize interest rate risk and maintain a level of income sufficient to support the underlying insurance liabilities. For portfolios where future liability cash flows are determinable and typically long term in nature, CNA segregates

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investments for asset/liability management purposes. The segregated investments support the liabilities in Life & Group Non-Core including annuities, structured settlements and long term care products.

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

| | **March 31, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| | **Fair Value** | **Effective Duration (Years)** | Fair Value | Effective Duration (Years) |
| **(In millions of dollars)** | | | | |
| Investments supporting Life & Group Non-Core | **$ 15,723** | 11.1 | $ 15,590 | 11.3 |
| Other interest sensitive investments | **28,651** | 4.1 | 28,855 | 3.9 |
| Total | **$ 44,374** | 6.6 | $ 44,445 | 6.5 |

The investment portfolio is periodically analyzed for changes in duration and related price change risk. Additionally, CNA periodically reviews the sensitivity of the portfolio to the level of foreign exchange rates and other factors that contribute to market price changes. A summary of these risks and specific analysis on changes is included in the Quantitative and Qualitative Disclosures about Market Risk in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2012.

**Short Term Investments**

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

| | **March 31, 2013** | December 31, 2012 |
|---|---|---|
| **(In millions)** | | |
| Short term investments: | | |
| Commercial paper | **$ 345** | $ 751 |
| U.S. Treasury securities | **771** | 617 |
| Money market funds | **249** | 301 |
| Other | **190** | 163 |
| Total short term investments | **$ 1,555** | $ 1,832 |

**FORWARD-LOOKING STATEMENTS**

Investors are cautioned that certain statements contained in this Report as well as some statements in periodic press releases and some oral statements made by 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 fina 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.

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**

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 our Annual Report on

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Form 10-K for the year ended December 31, 2012, including the sufficiency of the reserves and the possibility for future increases, which would be reflected in the results of operations in the period that the need for such adjustment is determined;

the risk that the other parties to the transaction in which, subject to certain limitations, CNA ceded its legacy A&EP liabilities will not fully perform their obligations to CNA, the uncertainty in estimating loss reserves for A&EP liabilities and the possible continued exposure of CNA to liabilities for A&EP claims that are not covered under the terms of the transaction;

the performance of reinsurance companies under reinsurance contracts with CNA;

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 ability to obtain rate increases and decline or non-renew underpriced accounts, to achieve premium targets and profitability and to realize growth and retention estimates;

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;

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;

conditions in the capital and credit markets that may limit CNA s ability to raise significant amounts of capital on favorable terms, as well as restrictions on the ability or willingness of the Company to provide additional capital support to CNA;

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;

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 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;

regulatory limitations and restrictions, including limitations upon CNA s ability to receive dividends from its insurance subsidiaries imposed by regulatory authorities, including regulatory capital adequacy standards;

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;

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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; and

the occurrence of epidemics.

**Risks and uncertainties primarily affecting us and our energy subsidiaries**

the impact of changes in worldwide demand for oil and natural gas and oil and gas price fluctuations on E&P activity, including possible write-downs of the carrying value of natural gas and NGL properties and impairments of goodwill and reduced demand for offshore drilling services;

the effects of the Macondo well blowout;

timing and cost of completion of rig upgrades, construction projects and other capital projects, including delivery dates and drilling contracts;

changes in foreign and domestic oil and gas exploration, development and production activity;

risks of international operations, compliance with foreign laws and taxation policies and expropriation or nationalization of equipment and assets;

government policies regarding exploration and development of oil and gas reserves;

market conditions in the offshore oil and gas drilling industry, including utilization levels and dayrates;

timing and duration of required regulatory inspections for offshore oil and gas drilling rigs;

the risk of physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico;

the availability, cost limits and adequacy of insurance and indemnification;

the impact of new pipelines or new gas supply sources on competition and basis spreads on Boardwalk Pipeline s pipeline systems, which may impact its ability to maintain or replace expiring gas transportation and storage contracts and to sell short term capacity on its pipelines;

the costs of maintaining and ensuring the integrity and reliability of Boardwalk Pipeline s pipeline systems;

the impact of current and future environmental laws and regulations and exposure to environmental liabilities including matters related to global climate change;

regulatory issues affecting natural gas transmission, including ratemaking and other proceedings particularly affecting Boardwalk Pipeline s gas transmission subsidiaries;

the timing, cost, scope and financial performance of Boardwalk Pipeline s recent, current and future acquisitions and growth projects, including the expansion into new product lines and geographical areas; and

the development of additional natural gas reserves and changes in reserve estimates.

**Risks and uncertainties affecting us and our subsidiaries generally**

general economic and business conditions;

risks of war, military operations, other armed hostilities, terrorist acts or embargoes;

potential changes in accounting policies by the Financial Accounting Standards Board, the Securities and Exchange Commission or regulatory agencies for any of our subsidiaries industries which may cause us or our subsidiaries to revise their financial accounting and/or disclosures in the future, and which may change the way analysts measure our and our subsidiaries business or financial performance;

the impact of regulatory initiatives and compliance with governmental regulations, judicial rulings and jury verdicts;

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the results of financing efforts; by us and our subsidiaries, including any additional investments by us in our subsidiaries;

the ability of customers and suppliers to meet their obligations to us and our subsidiaries;

the consummation of contemplated transactions and agreements;

the successful integration, transition and management of acquired businesses;

the outcome of pending or future litigation, including any tobacco-related suits to which we are or may become a party;

possible casualty losses;

the availability of indemnification by Lorillard and its subsidiaries for any tobacco-related liabilities that we may incur as a result of tobacco-related lawsuits or otherwise, as provided in the Separation Agreement; and

potential future asset impairments.

Developments in any of these or other areas of risk and uncertainty, which are more fully described elsewhere in this Report and our other filings with the SEC, could cause our results to differ materially from results that have been or may be anticipated or projected. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of this Report and we expressly disclaim any obligation or undertaking to update these statements to reflect any change in our expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

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

There were no material changes in our market risk components for the three months ended March 31, 2013. See the Quantitative and Qualitative Disclosures about Market Risk included in Item 7A of our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2012 for further information. Additional information related to portfolio duration and market conditions is discussed in the Investments section of Management s Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2.

**Item 4. Controls and Procedures.**

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

The Company s principal executive officer ( CEO ) and principal financial officer ( CFO ) undertook an evaluation of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. The CEO and CFO have concluded that the Company s disclosure controls and procedures were effective as of March 31, 2013.

There were no changes in the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the foregoing evaluation that occurred during the quarter ended March 31, 2013 that have materially affected or that are reasonably likely to materially affect the Company s internal control over financial reporting.

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## PART II. OTHER INFORMATION

**Item 1. Legal Proceedings.**

None.

**Item 1A. Risk Factors.**

Our Annual Report on Form 10-K for the year ended December 31, 2012 includes a detailed discussion of certain material risk factors facing our company. No updates or additions have been made to such risk factors as of March 31, 2013.

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

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

(c) STOCK REPURCHASES

| Period | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced plans or programs | (d) Maximum number of shares (or approximate dollar value) of shares that may yet be purchased under the plans or programs (in millions) |
|---|---|---|---|---|
| January 1, 2013 - January 31, 2013 | N/A | N/A | N/A | N/A |
| February 1, 2013 - February 28, 2013 | 580,500 | $43.25 | N/A | N/A |
| March 1, 2013 - March 31, 2013 | 1,514,400 | $43.87 | N/A | N/A |

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**Item 6. Exhibits.**

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

*Filed herewith.

SIGNATURES

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

LOEWS CORPORATION
(Registrant)

Dated: April 30, 2013

By: /s/ Peter W. Keegan
PETER W. KEEGAN
Senior Vice President and

Chief Financial Officer
(Duly authorized officer

and principal financial

officer)