

LOEWS CORP
Form 10-Q
May 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 1-6541

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

13-2646102
(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

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submit and post such files).

Yes No Not Applicable X

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 24, 2009
Common stock, \$0.01 par value	435,185,470 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

	March 31, 2009	December 31, 2008
(Dollar amounts in millions, except per share data)		
Assets:		
Investments:		
Fixed maturities, amortized cost of \$33,523 and \$34,767	\$ 28,755	\$ 29,451
Equity securities, cost of \$1,083 and \$1,402	1,001	1,185
Limited partnership investments	1,768	1,781
Other investments	4	4
Short term investments	7,563	6,029
Total investments	39,091	38,450
Cash	138	131
Receivables	11,334	11,672
Property, plant and equipment	12,160	12,892
Deferred income taxes	3,145	2,928
Goodwill and other intangible assets	875	875
Other assets	1,416	1,413
Deferred acquisition costs of insurance subsidiaries	1,132	1,125
Separate account business	376	384
Total assets	\$ 69,667	\$ 69,870
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	\$ 27,243	\$ 27,593
Future policy benefits	7,634	7,529
Unearned premiums	3,461	3,405
Policyholders' funds	253	243
Total insurance reserves	38,591	38,770
Payable to brokers	869	679
Collateral on loaned securities and derivatives	51	6
Short term debt	18	71
Long term debt	8,402	8,187
Reinsurance balances payable	344	316
Other liabilities	4,120	4,322
Separate account business	376	384
Total liabilities	52,771	52,735
Preferred stock, \$0.10 par value:		
Authorized – 100,000,000 shares		

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Common stock, \$0.01 per value:

Authorized – 1,800,000,000 shares		
Issued and outstanding – 435,159,670 and 435,091,667 shares	4	4
Additional paid-in capital	3,896	3,340
Earnings retained in the business	12,700	13,375
Accumulated other comprehensive income (loss)	(3,229)	(3,586)
Total shareholders' equity	13,371	13,133
Noncontrolling interests	3,525	4,002
Total equity	16,896	17,135
Total liabilities and equity	\$ 69,667	\$ 69,870

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended March 31 (In millions, except per share data)	2009	2008
Revenues:		
Insurance premiums	\$ 1,672	\$ 1,812
Net investment income	447	479
Investment losses	(531)	(51)
Contract drilling revenues	856	770
Other	579	602
Total	3,023	3,612
Expenses:		
Insurance claims and policyholders' benefits	1,342	1,389
Amortization of deferred acquisition costs	349	368
Contract drilling expenses	294	285
Impairment of natural gas and oil properties	1,036	
Other operating expenses	776	619
Interest	94	89
Total	3,891	2,750
Income (loss) before income tax	(868)	862
Income tax (expense) benefit	395	(253)
Income (loss) from continuing operations	(473)	609
Discontinued operations, net		253
Net income (loss)	(473)	862
Deduct amounts attributable to noncontrolling interests	(174)	(200)
Net income (loss) attributable to Loews Corporation	\$ (647)	\$ 662
Net income (loss) attributable to:		
Loews common stock:		
Income (loss) from continuing operations	\$ (647)	\$ 409
Discontinued operations, net		146
Loews common stock	(647)	555
Former Carolina Group stock - discontinued operations, net		107
Total	\$ (647)	\$ 662
Basic and diluted net income (loss) per Loews common share:		
Income (loss) from continuing operations	\$ (1.49)	\$ 0.77
Discontinued operations, net		0.28
Net income (loss)	\$ (1.49)	\$ 1.05
Basic and diluted net income per former Carolina Group share:		
Discontinued operations, net	\$ -	\$ 0.98
Basic weighted average number of shares outstanding:		
Loews common stock	435.12	529.70

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Former Carolina Group stock	-	108.47
Diluted weighted average number of shares outstanding:		
Loews common stock	435.12	530.90
Former Carolina Group stock	-	108.61

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

Three Months Ended March 31 (In millions)	2009	2008
Net income (loss)	\$ (473)	\$ 862
Other comprehensive income (loss)		
Changes in:		
Unrealized gains (losses) on investments	399	(856)
Unrealized gains (losses) on cash flow hedges	15	(135)
Foreign currency	(7)	(19)
Pension liability	(1)	(7)
Other comprehensive income (loss)	406	(1,017)
Comprehensive income (loss)	(67)	(155)
Deduct amounts attributable to noncontrolling interests	(223)	(101)
Total comprehensive income (loss) attributable to Loews Corporation	\$ (290)	\$ (256)

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF EQUITY
(Unaudited)

	Loews Corporation Shareholders								
	Comprehensive Income		Former LiveCarolina	Additional Group	Earnings Retained in the Business	Accumulated Other Comprehensive Income	Common Stock Held	Noncontrolling Interests	
	Total	(Loss)	Stock	Stock Capital	Paid-in	Business	(Loss) Treasury	Interests	
(In millions, except per share data)									
Balance, January 1, 2008, as reported	\$ 21,489		\$ 5	\$ 1	\$ 3,967	\$ 13,691	\$ (65)	\$ (8)	\$ 3,898
Adjustment to initially apply FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion"	13				57	(50)			6
Balance, January 1, 2008, as restated	21,502		5	1	4,024	13,641	(65)	(8)	3,904
Purchase of subsidiary shares from noncontrolling interests	(95)								(95)
Comprehensive income (loss):									
Net income	\$ 862	\$ 862				662			200
Other comprehensive loss	(1,017)	(1,017)					(918)		(99)
Comprehensive loss	\$ (155)	\$ (155)							
Dividends paid	(200)					(82)			(118)
Issuance of Loews common stock	1				1				
Stock-based compensation	6				5				1
Other	(1)					(2)			1
Balance, March 31, 2008	\$ 21,058		\$ 5	\$ 1	\$ 4,030	\$ 14,219	\$ (983)	\$ (8)	\$ 3,794
Balance, January 1, 2009, as reported	\$ 17,122		\$ 4	\$ -	\$ 3,283	\$ 13,425	\$ (3,586)	\$ -	\$ 3,996
Adjustment to initially apply FASB Staff Position No. APB 14-1	13				57	(50)			6
Balance, January 1, 2009, as restated	17,135		4	-	3,340	13,375	(3,586)	-	4,002
Adjustment to initially apply Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements"					536				(536)
Balance, January 1, 2009, as adjusted	17,135		4	-	3,876	13,375	(3,586)	-	3,466
Purchase of subsidiary shares from noncontrolling interests	(2)				15				(17)
Comprehensive loss:									
Net loss	\$ (473)	\$ (473)				(647)			174
Other comprehensive income	406	406					357		49
Comprehensive loss	\$ (67)	\$ (67)							
Dividends paid	(188)					(27)			(161)
Issuance of Loews common stock	1				1				

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Stock-based compensation	5	4	1
Other	12	(1)	13
Balance, March 31, 2009	\$ 16,896	\$ 4 \$ - \$ 3,896 \$ 12,700	\$ (3,229) \$ - \$ 3,525

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months Ended March 31 (In millions)	2009	2008
Operating Activities:		
Net income (loss)	\$ (473)	\$ 862
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities, net	1,360	32
Changes in operating assets and liabilities, net:		
Reinsurance receivables	16	140
Other receivables	76	(117)
Federal income tax	26	164
Prepaid reinsurance premiums	(17)	(22)
Deferred acquisition costs	(7)	3
Insurance reserves	(139)	(41)
Reinsurance balances payable	28	(5)
Other liabilities	(161)	(346)
Trading securities	457	421
Other, net	(19)	(106)
Net cash flow operating activities - continuing operations	1,147	985
Net cash flow operating activities - discontinued operations	(9)	502
Net cash flow operating activities - total	1,138	1,487
Investing Activities:		
Purchases of fixed maturities	(7,079)	(11,231)
Proceeds from sales of fixed maturities	7,046	10,262
Proceeds from maturities of fixed maturities	827	1,038
Purchases of equity securities	(134)	(56)
Proceeds from sales of equity securities	146	28
Purchases of property, plant and equipment	(567)	(839)
Change in collateral on loaned securities and derivatives	45	815
Change in short term investments	(1,457)	(1,170)
Change in other investments	56	(128)
Other, net		8
Net cash flow investing activities - continuing operations	(1,117)	(1,273)
Net cash flow investing activities - discontinued operations, including proceeds from dispositions	9	43
Net cash flow investing activities - total	(1,108)	(1,230)

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months Ended March 31 (In millions)	2009	2008
Financing Activities:		
Dividends paid	\$ (27)	\$ (82)
Dividends paid to noncontrolling interests	(161)	(118)
Purchases of treasury shares by subsidiary		(70)
Issuance of common stock	1	1
Principal payments on debt	(10)	(304)
Issuance of debt	171	385
Receipts of investment contract account balances	1	1
Return of investment contract account balances	(8)	(14)
Excess tax benefits from share-based payment arrangements		1
Other	12	
Net cash flow financing activities - continuing operations	(21)	(200)
Net cash flow financing activities - discontinued operations		
Net cash flow financing activities - total	(21)	(200)
Effect of foreign exchange rate on cash - continuing operations	(2)	(1)
Net change in cash	7	56
Net cash transactions from:		
Continuing operations to discontinued operations		556
Discontinued operations to continuing operations		(556)
Cash, beginning of period	131	160
Cash, end of period	\$ 138	\$ 216
Cash, end of period:		
Continuing operations	\$ 138	\$ 207
Discontinued operations		9
Total	\$ 138	\$ 216

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (“CNA”), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (“Diamond Offshore”), a 50.4% owned subsidiary); exploration, production and marketing of natural gas and natural gas liquids (HighMount Exploration & Production LLC (“HighMount”), a wholly owned subsidiary); the operation of interstate natural gas transmission pipeline systems including integrated storage facilities (Boardwalk Pipeline Partners, LP (“Boardwalk Pipeline”), a 74% owned subsidiary); and the operation 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) –Loews” as used herein means Net income (loss) attributable to Loews Corporation.

In June of 2008, the Company disposed of its entire ownership interest in its wholly owned subsidiary, Lorillard, Inc. (“Lorillard”). Accordingly, amounts related to Lorillard have been reclassified and are reported as Discontinued Operations. See Note 13 and the Company’s 2008 Annual Report on Form 10-K.

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, 2009 and December 31, 2008 and the results of operations, comprehensive income (loss) and changes in cash flows for the three months ended March 31, 2009 and 2008.

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

Reference is made to the Notes to Consolidated Financial Statements in the 2008 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

Accounting changes – In December of 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 160, “Noncontrolling Interests in Consolidated Financial Statements.” SFAS No. 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as a component of equity in the Consolidated Financial Statements. Therefore, the Noncontrolling interest in the equity section includes the appropriate reclassification of balances for CNA, Diamond Offshore and Boardwalk Pipeline formerly recognized as Minority interest liability on the Consolidated Balance Sheets. Moreover, SFAS No. 160 requires that transactions between an entity and noncontrolling interests be treated as equity transactions. Prior to the adoption of SFAS No. 160, the Company recorded a gain on the sale of common equity of a subsidiary equal to the amount of proceeds received in excess of the carrying value of the units sold. Upon adoption of SFAS No. 160, the Company’s deferred gains related to the issuances of Boardwalk Pipeline common units (\$536 million at January 1, 2009) were recognized in Additional paid-in capital, which previously were included in minority interest liability in the Consolidated Condensed Balance Sheets.

In February of 2008, the FASB issued FASB Staff Position (“FSP”) No. FAS 157-2, “Effective Date of SFAS No. 157,” which delayed the effective date of SFAS No. 157, “Fair Value Measurements,” for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until the fiscal year beginning after November 15, 2008. As of January 1, 2009, the Company adopted the provisions of SFAS No. 157 as it relates to reporting units and

indefinite-lived intangible assets measured at fair value for the purposes of impairment testing and asset retirement obligations. The adoption of these provisions had no impact on the Company's financial condition or results of operations.

In March of 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's

financial position, financial performance and cash flows. The Company's adoption of SFAS No. 161 had no impact on its financial condition or results of operations. See Note 4.

In May of 2008, the FASB issued FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants." FSP No. APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. As required, the Company's Consolidated Condensed Financial Statements have been retrospectively adjusted to reflect the effect of adoption of FSP No. APB 14-1. The adoption of FSP No. APB 14-1 increased Property, plant and equipment \$16 million, Total assets \$13 million and Total equity \$13 million and decreased Deferred income taxes \$3 million at January 1, 2009 and 2008. The adoption of FSP No. APB 14-1 had no effect on previously stated basic and diluted earnings per share.

New accounting pronouncements not yet adopted –In April of 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," which amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," to require disclosures about fair value of financial instruments in interim as well as annual financial statements. FSP No. FAS 107-1 and APB 28-1 is effective for interim and fiscal periods beginning after June 15, 2009. The Company's adoption of this standard will not impact the financial condition or results of operations of the Company.

In April of 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which amends the criteria for the recognition of other-than-temporary impairment ("OTTI") losses for debt securities and requires that credit losses be recognized in earnings and losses resulting from factors other than credit of the issuer be recognized in other comprehensive income. Prior to adoption, all OTTI losses are recorded in earnings in the period of recognition. This FSP also expands and increases the frequency of existing disclosures. FSP No. FAS 115-2 and FAS 124-2 is effective for interim and annual periods ending after June 15, 2009, and requires a cumulative effect adjustment of initially applying the FSP as an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. The Company is currently assessing the impact FSP No. FAS 115-2 and FAS 124-2 will have on its financial condition and results of operations.

In April of 2009, the FASB issued FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," which requires entities to assess whether certain factors exist that indicate that the volume and level of market activity for an asset or liability have decreased or that transactions are not orderly. If, after evaluating those factors, the evidence indicates there has been a significant decrease in the volume and level of activity in relation to normal market activity, observed transactional values or quoted prices may not be determinative of fair value and adjustment to the observed transactional values or quoted prices may be necessary to estimate fair value. FSP No. FAS 157-4 is effective for interim and annual periods ending after June 15, 2009. The Company is currently assessing the impact FSP No. FAS 157-4 will have on its financial condition and results of operations.

2. Investments

Three Months Ended March 31 (In millions)	2009	2008
Net investment income consisted of:		
Fixed maturity securities	\$ 475	\$ 518
Short term investments	11	53
Limited partnerships	(70)	(39)
Equity securities	14	5
Trading portfolio	26	(52)
Other	3	12
Total investment income	459	497
Investment expenses	(12)	(18)
Net investment income	\$ 447	\$ 479

Investment gains (losses) are as follows:

Fixed maturities	\$ (358)	\$ (2)
Equity securities	(216)	(15)
Derivative instruments	31	(44)
Short term investments	14	2
Other	(2)	8
Investment losses	(531)	(51)
Income tax benefit	186	18
Add amounts attributable to noncontrolling interests	35	4
Investment losses, net - Loews	\$ (310)	\$ (29)

OTTI losses of \$614 million were recorded primarily in the non-redeemable preferred securities, asset-backed bonds and corporate and other taxable bonds sectors for the three months ended March 31, 2009. This compared to OTTI losses of \$86 million recorded primarily in the asset-backed bond sector for the three months ended March 31, 2008.

The OTTI losses were driven primarily by further deterioration in certain sectors of the investment portfolio, the continued disruption of the financial and credit markets and CNA's change in outlook of economic conditions for the three months ended March 31, 2009. These circumstances were evidenced by rating agency downgrades and deterioration of underlying collateral in certain asset-backed securities.

An investment is impaired if the fair value of the investment is less than its cost adjusted for accretion, amortization and OTTI losses, otherwise defined as an unrealized loss. When an investment 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 has occurred for an investment. 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 analyzing 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. 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, (iv) whether the debtor is current on interest and principal payments and (v) general market conditions and industry or sector specific outlook.

As part of the Impairment Committee's review of impaired asset-backed securities it also considers results and analysis of cash flow modeling. The focus of this analysis is on assessing the sufficiency and quality of the underlying collateral and timing of cash flows based on various scenario tests. This additional data provides the Impairment Committee with additional context to evaluate current market conditions to determine if the impairment is temporary in nature.

For securities considered to be other-than-temporarily impaired, the security is adjusted to fair value and the resulting losses are recognized in Investment gains (losses) on the Consolidated Condensed Statements of Operations.

CNA's assertion to hold until a recovery in value takes into account a view on the estimated recovery horizon which in some cases may include maturity. Given the prolonged nature of the current market downturn, the duration and severity of the unrealized losses has progressed well beyond historical norms. The Company will continue to monitor these unrealized losses and will assess all facts and circumstances as they become known which may result in changes to the conclusions reached based on current facts and circumstances and additional OTTI losses.

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

March 31, 2009 (In millions)	Amortized Cost	Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 12 Months	12 Months or Greater	
Fixed maturity securities:					
U.S. government and obligations					
of government agencies	\$ 1,056	\$ 62	\$ 21		\$ 1,097
Asset-backed securities	9,113	48	409	\$ 1,465	7,287
States, municipalities and political					
subdivisions-tax exempt	9,268	119	186	730	8,471
Corporate and other debt	13,683	222	827	1,524	11,554
Redeemable preferred stocks	69	1	12	6	52
Fixed maturities available-for-sale	33,189	452	1,455	3,725	28,461
Fixed maturities, trading	334	1	15	26	294
Total fixed maturities	33,523	453	1,470	3,751	28,755
Equity securities:					
Equity securities available-for-sale	786	203	5	255	729
Equity securities, trading	297	66	49	42	272
Total equity securities	1,083	269	54	297	1,001
Short term investments:					
Short term investments available-for-sale	5,955	4	3		5,956
Short term investments, trading	1,607				1,607
Total short term investments	7,562	4	3	-	7,563
Total	\$ 42,168	\$ 726	\$ 1,527	\$ 4,048	\$ 37,319

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December 31, 2008 (In millions)	Amortized Cost	Unrealized Gains	Gross Unrealized Losses Less Than 12 Months	12 Months or Greater	Fair Value
Fixed maturity securities:					
U.S. government and obligations of government agencies	\$ 2,862	\$ 69	\$ 1		\$ 2,930
Asset-backed securities	9,670	24	961	\$ 969	7,764
States, municipalities and political subdivisions-tax exempt	8,557	90	609	623	7,415
Corporate and other debt	12,993	275	1,164	1,374	10,730
Redeemable preferred stocks	72	1	23	3	47
Fixed maturities available-for-sale	34,154	459	2,758	2,969	28,886
Fixed maturities, trading	613	1	19	30	565
Total fixed maturities	34,767	460	2,777	2,999	29,451
Equity securities:					
Equity securities available-for-sale	1,018	195	16	324	873
Equity securities, trading	384	52	78	46	312
Total equity securities	1,402	247	94	370	1,185
Short term investments:					
Short term investments available-for-sale	4,999	11	3		5,007
Short term investments, trading	1,022				1,022
Total short term investments	6,021	11	3	-	6,029
Total	\$ 42,190	\$ 718	\$ 2,874	\$ 3,369	\$ 36,665

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The following table summarizes the aggregate fair value and gross unrealized loss by length of time for available-for-sale fixed maturity securities, preferred stocks and common stocks that have been continuously in an unrealized loss position at March 31, 2009 and December 31, 2008.

	March 31, 2009		December 31, 2008	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
(In millions)				
Available-for-sale fixed maturity securities:				
Investment grade:				
0-6 months	\$ 3,324	\$ 257	\$ 6,749	\$ 681
7-11 months	5,313	821	6,159	1,591
12-24 months	6,752	2,561	3,549	1,803
Greater than 24 months	1,623	479	1,778	509
Total investment grade available-for-sale	17,012	4,118	18,235	4,584
Non-investment grade:				
0-6 months	369	76	853	290
7-11 months	756	289	374	173
12-24 months	1,235	668	1,078	647
Greater than 24 months	9	11	12	7
Total non-investment grade available-for-sale	2,369	1,044	2,317	1,117
Total fixed maturity securities available-for-sale	19,381	5,162	20,552	5,701
Redeemable and non-redeemable preferred stocks:				
0-6 months	34	12	39	26
7-11 months	7	4	43	12
12-24 months	312	258	497	324
Total redeemable and non-redeemable preferred stocks available-for-sale	353	274	579	362
Available-for-sale equity securities:				
0-6 months	4	1	5	1
7-11 months	1			
12-24 months	9	3	9	3
Greater than 24 months	3		3	
Total equity securities available-for-sale	17	4	17	4
Total fixed maturity and equity securities available-for-sale	\$ 19,751	\$ 5,440	\$ 21,148	\$ 6,067

At March 31, 2009, the fair value of the available-for-sale fixed maturity securities was \$28,461 million, representing 72.8% of the total investment portfolio. The gross unrealized loss for any single issuer, other than those specific issuers discussed within the tax-exempt securities unrealized loss discussion below, was less than 0.3% of the carrying value of CNA's total fixed maturity portfolio. The total fixed maturity portfolio gross unrealized losses included 2,103 securities which were, in aggregate, approximately 21.0% below amortized cost.

The gross unrealized losses on equity securities, consisting of common and non-redeemable preferred stocks, were \$260 million, including 150 securities which were, in aggregate, approximately 45.0% below cost.

The classification between investment grade and non-investment grade is based on a ratings methodology that takes into account ratings from the three major providers, Standard & Poors ("S&P"), Moody's Investor Services, Inc. ("Moody's") and Fitch Ratings ("Fitch") in that order of preference. If a security is not rated by any of the three,

the Company formulates an internal rating. For securities with credit support from third party guarantees, the rating reflects the greater of the underlying rating of the issuer or the insured rating.

Based on current facts and circumstances, the Company has determined that the securities presented in the above unrealized gain/loss tables were temporarily impaired when evaluated at March 31, 2009 and December 31, 2008, and therefore no related realized losses were recorded. A discussion of some of the factors reviewed in making that determination as of March 31, 2009 is presented below.

The market disruption that emerged in 2008 generally continued into the first quarter of 2009. While the government has initiated programs intended to stabilize and improve markets and the economy, the impact of these programs remains uncertain. Certain sectors of the financial markets began to show signs of improvement during the first quarter of 2009 while other sectors continued to lag. As a result, the Company incurred realized losses in its investment portfolio primarily driven by the continuing credit issues attributable to the asset-backed and financial sectors, which have adversely impacted its results of operations.

Asset-Backed Securities

The unrealized losses on the Company's investments in asset-backed securities are due to a combination of factors related to the market disruption caused by credit concerns that began with the sub-prime issue, but then also extended into other collateral supporting securities in the Company's portfolio.

The majority of the holdings in this category are collateralized mortgage obligations ("CMOs"), typically collateralized with prime residential mortgages, and corporate asset-backed structured securities ("ABS"). The holdings in these sectors include 471 securities in a gross unrealized loss position aggregating \$1,873 million. The aggregate severity of the unrealized loss was approximately 24.8% of amortized cost. The contractual cash flows on the asset-backed structured securities are passed through, but may be structured into classes of preference. The securities in this category are modeled in order to evaluate the risks of default on the performance of the underlying collateral. Within this analysis multiple factors are analyzed including probable risk of default, loss severity upon a default, payment delinquency, over collateralization and interest coverage triggers, credit support from lower-rated tranches and rating agency actions amongst others. Securities are modeled against base-case and reasonable stress scenarios of probable default activity, given current market conditions, and then analyzed for potential impact to the Company's particular holdings. The structured securities held are generally secured by over collateralization or default protection provided by subordinated tranches. OTTI losses of \$196 million were recorded on asset-backed securities for the three months ended March 31, 2009. These losses were primarily attributable to adverse changes in the experience of certain underlying collateral and the resulting future expected default and recovery assumptions in the cash flow models.

The remainder of the holdings in this category includes mortgage-backed securities guaranteed by an agency of the U.S. Government. There were 195 agency mortgage-backed pass-through securities and 1 agency CMO in an unrealized loss position aggregating \$1 million as of March 31, 2009. The cumulative unrealized losses on these securities were approximately 1.0% of amortized cost. These securities do not tend to be influenced by the credit of the issuer but rather the characteristics and projected cash flows of the underlying collateral. For the three months ended March 31, 2009, there were no OTTI losses recorded for mortgage-backed securities guaranteed by an agency of the U.S. Government.

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

March 31, 2009 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Loss
AAA	\$ 5,541	\$ 4,519	\$ 1,022
AA	643	354	289
A	434	185	249
BBB	320	225	95
Non-investment grade	609	390	219
Total	\$ 7,547	\$ 5,673	\$ 1,874

The Company believes the decline in fair value is primarily attributable to broader deteriorating market conditions, liquidity concerns and wider than historical bid/ask spreads brought about as a result of portfolio liquidations and is not indicative of the quality of the underlying collateral. Because the Company has the ability and intent to hold these investments until an anticipated recovery of fair value, which may be maturity, the Company considers these investments to be temporarily impaired at March 31, 2009.

States, Municipalities and Political Subdivisions – Tax-Exempt Securities

The unrealized losses on the Company's investments in tax-exempt municipal securities are due to overall market conditions, changes in credit spreads, and to a lesser extent, changes in interest rates. Market conditions in the tax-exempt sector have improved during the first quarter of 2009; however, yields continue to be higher than expected relative to after tax returns on alternative classes. The holdings in this category include 676 securities. The aggregate severity of the total unrealized losses was approximately 14.1% of amortized cost.

The ratings distribution of tax-exempt securities in an unrealized loss position are as follows:

March 31, 2009 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Loss
AAA	\$ 1,968	\$ 1,813	\$ 155
AA	2,494	2,294	200
A	1,113	904	209
BBB	907	555	352
Total	\$ 6,482	\$ 5,566	\$ 916

The portfolio consists primarily of special revenue and assessment bonds, representing 79.0% of the overall portfolio, followed by general obligation political subdivision bonds at 13.0%, and state general obligation bonds at 8.0%.

The largest exposures at March 31, 2009 as measured by unrealized losses were special revenue bonds issued by several states backed by tobacco settlement funds with unrealized losses of \$332 million and several separate issues of Puerto Rico Sales Tax revenue bonds with unrealized losses of \$104 million. All of these securities are investment grade. Based on the Company's current evaluation of these securities and its ability and intent to hold them until an anticipated recovery in value, the Company does not consider these to be other-than-temporarily impaired at March

31, 2009. There were no OTTI losses recorded for tax-exempt municipal securities for the three months ended March 31, 2009.

Corporate and Other Taxable Bonds

The holdings in this category include 754 securities in a gross unrealized loss position aggregating \$2,351 million. The aggregate severity of the unrealized losses was approximately 23.9% of amortized cost.

The corporate and other taxable bonds in an unrealized loss position across industry sectors and by ratings distribution are as follows:

March 31, 2009 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Loss
Communications	\$ 1,498	\$ 1,230	\$ 268
Consumer, Cyclical	1,251	931	320
Consumer, Non-cyclical	971	810	161
Energy	1,061	880	181
Financial	2,345	1,495	850
Industrial	760	589	171
Utilities	1,171	952	219
Other	764	583	181
Total	\$ 9,821	\$ 7,470	\$ 2,351

March 31, 2009 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Loss
AAA	\$ 130	\$ 102	\$ 28
AA	201	170	31
A	2,078	1,682	396
BBB	4,608	3,538	1,070
Non-investment grade	2,804	1,978	826
Total	\$ 9,821	\$ 7,470	\$ 2,351

The Company has invested in securities with characteristics of both debt and equity investments, often referred to as hybrid debt securities. Such securities are typically debt instruments issued with long or extendable maturity dates, may provide for the ability to defer interest payments without defaulting and are usually lower in the capital structure of the issuer than traditional bonds. The financial industry sector presented above includes hybrid debt securities with an aggregate fair value of \$456 million and an aggregate amortized cost of \$928 million.

The decline in fair value was primarily attributable to deterioration and volatility in the broader credit markets throughout 2008 that resulted in widening of credit spreads over risk free rates well beyond historical norms and macro conditions in certain sectors that the market viewed as out of favor. These conditions generally continued into 2009 but have improved slightly from the lows in 2008. The Company monitors the financial performance of the corporate bond issuers for potential factors that may cause a change in outlook and addresses securities that are deemed to be OTTI. Because these declines were not related to any issuer specific credit events, and because the Company has the ability and intent to hold these investments until an anticipated recovery of fair value, which may be maturity, the Company considers these investments to be temporarily impaired at March 31, 2009. For the three

months ended March 31, 2009, OTTI losses of \$190 million were recorded on corporate and other taxable bonds.

Preferred Stock

The unrealized losses on the Company's investments in preferred stock were caused by similar factors as those that affected the Company's corporate bond portfolio. Approximately 83.0% of the gross unrealized losses in this

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category come from securities issued by financial institutions, 11.0% from utilities and 6.0% from entities in the communications sector. The holdings in this category include 27 securities in a gross unrealized loss position aggregating \$274 million, with 93.0% of these unrealized losses attributable to non-redeemable preferred stocks.

Preferred stocks by ratings distribution are as follows:

March 31, 2009 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Loss
A	\$ 142	\$ 68	\$ 74
BBB	452	258	194
Non-investment grade	33	27	6
Total	\$ 627	\$ 353	\$ 274

The Company believes the holdings in this category have been adversely impacted by significant credit spread widening brought on by a combination of factors in the capital markets. The majority of securities in this category are related to the banking and mortgage industries and are experiencing what the Company believes to be temporarily depressed valuations. The Company monitors this sector for all relevant news and believes, given current facts and circumstances, the remaining issuers in this sector with unrealized losses will recover in value. Because the Company has the ability and intent to hold these investments until an anticipated recovery of fair value, the Company considers these investments to be temporarily impaired at March 31, 2009. This evaluation was made on the basis that these securities possess characteristics similar to debt securities and maintain their ability to pay dividends. For the three months ended March 31, 2009, there were OTTI losses of \$225 million recorded on preferred stock including \$188 million related to a major U.S. financial institution. The ratings of several preferred stock issues of this institution were downgraded to below investment grade during the first quarter of 2009.

Investment Commitments

As of March 31, 2009, the Company had committed approximately \$277 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 multiple bank loan participations as part of its overall investment strategy and has committed to additional future purchases and sales. The purchase and sale of these investments are recorded on the date that the legal agreements are finalized and cash settlement is made. As of March 31, 2009, the Company had commitments to purchase \$22 million and sell \$32 million of various bank loan participations. When loan participation purchases are settled and recorded they may contain both funded and unfunded amounts. An unfunded loan represents an obligation by the Company to provide additional amounts under the terms of the loan participation. The funded portions are reflected on the Consolidated Condensed Balance Sheets, while any unfunded amounts are not recorded until a draw is made under the loan facility. As of March 31, 2009, the Company had obligations on unfunded bank loan participations in the amount of \$10 million.

3. Fair Value

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

- Level 1 – Quoted prices for identical instruments in active markets.

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

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

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

The fair values of CNA's life settlement contracts investments are included in Other assets. The fair values of discontinued operations investments are included in Other liabilities. Assets and liabilities measured at fair value on a recurring basis are summarized in the tables below:

March 31, 2009 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities	\$ 284	\$ 25,493	\$ 2,978	\$ 28,755
Equity securities	702	89	210	1,001
Short term investments	6,667	896		7,563
Receivables		195	13	208
Life settlement contracts			127	127
Separate account business	35	303	38	376
Payable to brokers	(161)	(217)	(71)	(449)
Discontinued operations investments	78	55	13	146
December 31, 2008				
Fixed maturity securities	\$ 2,358	\$ 24,383	\$ 2,710	\$ 29,451
Equity securities	881	94	210	1,185
Short term investments	5,421	608		6,029
Receivables		182	40	222
Life settlement contracts			129	129
Separate account business	40	306	38	384
Payable to brokers	(168)	(260)	(112)	(540)
Discontinued operations investments	83	59	15	157

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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):

	Fixed Maturity Securities	Equity Securities	Short Term Investments	Life Settlement Contracts	Separate Account Business	Discontinued Operations Investments	Derivative Financial Instruments, Net
(In millions)							
Balance, January 1, 2009	\$ 2,710	\$ 210		\$ 129	\$ 38	\$ 15	\$ (72)
Total net realized gains (losses) and net change in Unrealized gains (losses) on investments:							
Included in Net income (loss)	(68)			11			18
Included in Accumulated other comprehensive income (loss)	62				1	(1)	(10)
Purchases, sales, issuances and settlements	132			(13)	(1)	(1)	6
Net transfers in (out) of Level 3	142						
Balance, March 31, 2009	\$ 2,978	\$ 210	\$ -	\$ 127	\$ 38	\$ 13	\$ (58)
Balance, January 1, 2008	\$ 2,909	\$ 199	\$ 85	\$ 115	\$ 30	\$ 42	\$ (19)
Total net realized gains (losses) and net change in Unrealized gains (losses) on investments:							
Included in Net income (loss)	(43)	(2)		18			(31)
Included in Accumulated other comprehensive income (loss)	(215)	(1)					12
Purchases, sales, issuances and settlements	1			(15)	(3)	(1)	(52)
Net transfers in (out) of Level 3	(181)				20		
Balance, March 31, 2008	\$ 2,471	\$ 196	\$ 85	\$ 118	\$ 47	\$ 41	\$ (90)

The tables below summarize gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in Net income (loss) for Level 3 assets and liabilities measured at fair value on a recurring basis:

Three Months Ended March 31, 2009	Fixed Maturity Securities	Equity Securities	Life Settlement Contracts	Derivative Financial Instruments, Net	Total
(In millions)					
Net investment income	\$ 5				\$ 5
Investment gains (losses)		(73)		\$ 6	(67)

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Other revenues			\$	11	12	23
Total	\$	(68)	\$	-	\$	(39)

Three Months Ended March 31,
2008

Net investment loss	\$	(2)			\$	(2)
Investment losses		(41)	\$	(2)	\$	(65)
Other revenues			\$	18	(9)	9
Total	\$	(43)	\$	(2)	\$	(58)

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The tables below summarize changes in unrealized gains or losses recorded in Net income (loss) for Level 3 assets and liabilities measured at fair value on a recurring basis still held at March 31, 2009 and 2008.

Three Months Ended March 31, 2009 (In millions)	Fixed Maturity Securities	Equity Securities	Life Settlement Contracts	Derivative Financial Instruments, Net	Total
Investment gains (losses)	\$ (75)			\$ 24	\$ (51)
Other revenues			\$ 2		2
Total	\$ (75)	\$ -	\$ 2	\$ 24	\$ (49)
Three Months Ended March 31, 2008					
Net investment loss	\$ (4)				\$ (4)
Investment losses	(43)	\$ (2)		\$ (84)	(129)
Other revenues			\$ 4		4
Total	\$ (47)	\$ (2)	\$ 4	\$ (84)	\$ (129)

Securities transferred into Level 3 for the three months ended March 31, 2009 relate primarily to structured securities with underlying auto loan collateral, included within fixed maturity securities. These were previously valued using observable prices for similar securities, but due to decreased market activity, fair value is determined by cash flow models using market observable and unobservable inputs. Unobservable inputs include estimates of future cash flows and the maturity assumption.

4. Derivative Financial Instruments

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

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

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

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

CNA's use of derivatives is limited by statutes and regulations promulgated by the various regulatory bodies to which it is subject, and by its own derivative policy. The derivative policy limits the authorization to initiate derivative transactions to certain personnel. Derivatives entered into for hedging, regardless of the choice to designate hedge

accounting, shall have a maturity that effectively correlates to the underlying hedged asset or liability. The policy prohibits the use of derivatives containing greater than one-to-one leverage with respect to changes in the underlying price, rate or index. The policy also prohibits the use of borrowed funds, including funds obtained through securities lending, to engage in derivative transactions.

The Company has exposure to economic losses due to interest rate risk arising from changes in the level or volatility of interest rates. The Company attempts to mitigate its exposure to interest rate risk through portfolio management, which includes rebalancing its existing portfolios of assets and liabilities, as well as changing the characteristics of investments to be purchased or sold in the future. In addition, various derivative financial instruments are used to modify the interest rate risk exposures of certain assets and liabilities. These strategies

include the use of interest rate swaps, interest rate caps and floors, options, futures, forwards and commitments to purchase securities. These instruments are generally used to lock interest rates or market values, to shorten or lengthen durations of fixed maturity securities or investment contracts, or to hedge (on an economic basis) interest rate risks associated with investments and variable rate debt. The Company infrequently designates these types of instruments as hedges against specific assets or liabilities.

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

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

Foreign exchange rate risk arises from the possibility that changes in foreign currency exchange rates will impact the fair value of financial instruments denominated in a foreign currency. The Company's foreign transactions are primarily denominated in Australian dollars, Brazilian reais, British pounds, Canadian dollars and the European Monetary Unit. The Company typically manages this risk via asset/liability currency matching and through the use of foreign currency futures and forwards. The Company infrequently designates these types of instruments as hedges against specific assets or liabilities.

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

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

At March 31, 2009, the Company had \$146 million notional value of outstanding CDS contracts where the Company sold credit protection. The maximum payment related to these CDS contracts is \$146 million assuming there is no residual value in the defaulted securities that the Company would receive as part of the contract terminations. The current fair value of these contracts is a liability of \$74 million which represents the amount that the Company would have to pay to exit these derivative positions.

The table below summarizes credit default swap contracts where the Company sold credit protection. The largest single reference obligation in the table below represents 20.5% of the total notional value and is rated BB.

March 31, 2009 (In millions of dollars)	Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years To Maturity
AAA/AA/A	\$ (13)	\$ 38	18.0
BBB		25	0.7
BB	(27)	30	8.0
B	(1)	8	3.9
CCC and lower	(33)	45	4.2
Total	\$ (74)	\$ 146	8.0

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to the instruments recognized on the Consolidated Balance Sheets. The Company attempts to mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives to multiple counterparties. The Company generally requires that all over-the-counter derivative contracts be governed by an International Swaps and Derivatives Association (“ISDA”) Master Agreement, and exchanges collateral under the terms of these agreements with its derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty. The Company does not offset its net derivative positions against the fair value of the collateral provided. The fair value of collateral provided by the Company was \$73 million at March 31, 2009 and primarily consisted of cash and U.S. Treasury Bills. The fair value of cash collateral received from counterparties was \$10 million at March 31, 2009.

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

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. Equity options purchased are included in Equity securities, and all other derivative assets are reported as Receivable from brokers. Derivative liabilities are included in Payable to brokers on the Consolidated Condensed Balance Sheets. Embedded derivative instruments subject to bifurcation are reported together with the host contract, at fair value. 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	Contractual/ Notional Amount	2009 Estimated Fair Value Asset	(Liability)
(In millions)			
With hedge designation			
Interest rate risk:			
Interest rate swaps	\$ 1,600	\$	(176)
Commodities:			
Forwards – short	404	\$ 168	(2)
Without hedge designation			
Equity markets:			
Options – purchased	178	67	
– written	226		(52)
Currency forwards – short	102		(13)
Interest rate risk:			
Commitments to purchase government and municipal securities	156		
Interest rate swaps	1,009		(22)
Credit default swaps – purchased protection	390	34	(1)
– sold protection	146		(74)
Other	45	6	(1)
Total	\$ 4,256	\$ 275	\$ (341)

Derivatives without hedge designation – For derivatives not held in a trading portfolio, new derivative transactions entered into totaled approximately \$6.1 billion in notional value while derivative termination activity totaled approximately \$6.1 billion during the three months ended March 31, 2009. The activity during the quarter was primarily attributable to interest rate swaps, interest rate futures and interest rate options.

A summary of the recognized gains (losses) related to derivative financial instruments without hedge designation follows. The derivatives held for trading purposes were carried at fair value with the related gains and losses included within Net investment income on the Consolidated Condensed Statements of Operations.

Three Months Ended March 31 (In millions)	2009
Included in Net investment income:	
Equity options – written	\$ 5
Currency forwards – long	(8)
– short	7
Interest rate risk:	
Credit default swaps – purchased protection	9
– sold protection	(6)
Options on government securities – short	11
Futures – long	5
Other	(3)
Included in Investment gains (losses):	
Equity options – written	11
Interest rate risk:	
Interest rate swaps	21
Credit default swaps – purchased protection	(9)
– sold protection	(6)
Futures – short	14
Total	\$ 51

Cash flow hedges – A significant portion of the Company’s hedge strategies represents cash flow hedges of the variable price risk associated with the purchase and sale of natural gas and other energy-related products. As of March 31, 2009, approximately 47.2 billion cubic feet of natural gas equivalents was hedged by qualifying cash flow hedges. These derivatives have settlement dates in 2009 and 2010. The Company and certain of its subsidiaries also use interest rate swaps to hedge its exposure to variable interest rates or risk attributable to changes in interest rates on long term debt. Any ineffectiveness is recorded currently in Investment gains (losses) in the Consolidated Condensed Statements of Operations. The effective portion of the hedges is amortized to interest expense over the term of the related notes. For the three months ended March 31, 2009, the net amounts recognized due to ineffectiveness were less than \$1 million.

The following table summarizes the effective portion of the net derivative gains or losses included in Accumulated other comprehensive income (loss) (“AOCI”) and the amount reclassified into Net income (loss) for derivatives designated as cash flow hedges:

Three Months Ended March 31, 2009 (In Millions)	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Net income (loss)	Amount of Gain (Loss) Reclassified from AOCI into Net income (loss)

		O t h e r	
Commodities	\$	92 revenues	\$ 74
Interest rate risks		(9) Interest	(14)
Total	\$	83	\$ 60

The Company also enters into short sales as part of its portfolio management strategy. Short sales are commitments to sell a financial instrument not owned at the time of sale, usually done in anticipation of a price decline. These sales resulted in proceeds of \$124 million with fair value liabilities of \$108 million at March 31, 2009. These positions are marked to market and investment gains or losses are included in the Consolidated Condensed Statements of Operations.

5. Earnings Per Share

Companies with complex capital structures are required to present basic and diluted earnings per share. Basic earnings per share excludes dilution and is computed by dividing net income (loss) attributable to each class of common stock by the weighted average number of common shares of each class of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Prior to the disposal of its entire ownership interest in Lorillard, the Company had two classes of common stock: former Carolina Group stock, a tracking stock intended to reflect the economic performance of a group of the Company's assets and liabilities, called the former Carolina Group, principally consisting of Lorillard, Inc. and Loews common stock, representing the economic performance of the Company's remaining assets, including the interest in the former Carolina Group not represented by former Carolina Group stock.

The attribution of income (loss) to each class of common stock for the three months ended March 31, 2009 and 2008 was as follows:

Three Months Ended March 31 (In millions, except %)	2009	2008
Loews common stock:		
Consolidated net income (loss) - Loews	\$ (647)	\$ 662
Less income attributable to former Carolina Group stock		107
Income (loss)	\$ (647)	\$ 555
Former Carolina Group stock:		
Income available to former Carolina Group stock		\$ 171
Weighted average economic interest of the former Carolina Group		62.4%
Income attributable to former Carolina Group stock	\$ -	\$ 107

The following is a reconciliation of basic weighted shares outstanding to diluted weighted shares:

Three Months Ended March 31 (In millions)	2009	2008
Loews common stock:		
Weighted average shares outstanding-basic	435.12	529.70
Stock options and stock appreciation rights (a)		1.20
Weighted average shares outstanding-diluted	435.12	530.90
Former Carolina Group stock:		
Weighted average shares outstanding-basic		108.47
Stock options and stock appreciation rights		0.14
Weighted average shares outstanding-diluted	-	108.61

(a) For the three months ended March 31, 2009, common equivalent shares, consisting solely of stock options and stock appreciation rights (“SARs”), are excluded from the calculation of diluted net loss per share as their effects are antidilutive.

Certain options and SARs were not included in the diluted weighted shares amount due to the exercise price being greater than the average stock price for the respective periods. The number of weighted average shares not included in the diluted computations is as follows:

Three Months Ended March 31	2009	2008
Loews common stock	5,602,771	1,173,372
Former Carolina Group stock		201,841

6. Receivables

	March 31, 2009	December 31, 2008
(In millions)		
Reinsurance	\$ 7,545	\$ 7,761
Other insurance	2,031	2,039
Receivable from brokers	632	936
Accrued investment income	389	360
Federal income taxes	420	382
Other	977	844
Total	11,994	12,322
Less: allowance for doubtful accounts on reinsurance receivables	365	366
allowance for other doubtful accounts	295	284
Receivables	\$ 11,334	\$ 11,672

7. Property, Plant and Equipment

	March 31, 2009	December 31, 2008
(In millions)		
Land	\$ 70	\$ 70
Buildings and building equipment	633	635
Offshore drilling equipment	5,809	5,668
Machinery and equipment	1,288	1,375
Pipeline equipment	6,151	3,978
Natural gas and oil proved and unproved properties	3,432	3,345
Construction in process	286	2,210
Leaseholds and leasehold improvements	76	75
Total	17,745	17,356
Less accumulated depreciation, depletion and amortization	5,585	4,464
Property, plant and equipment	\$ 12,160	\$ 12,892

HighMount Impairment of Natural Gas and Oil Properties

At March 31, 2009, HighMount recorded a non-cash ceiling test impairment charge of \$1,036 million (\$660 million after tax) related to its carrying value of natural gas and oil properties. The impairment was recorded as a credit to

Accumulated depreciation, depletion and amortization. The write-down was the result of declines in commodity prices at March 31, 2009. Had the effects of HighMount's cash flow hedges not been considered in calculating the ceiling limitation, the impairment would have been \$1,230 million (\$784 million after tax).

Boardwalk Pipeline Expansion Projects

In the first quarter of 2009, Boardwalk Pipeline placed in service the remaining pipeline assets associated with the Southeast Expansion project. Boardwalk Pipeline also placed in service the Gulf Crossing Project and Fayetteville and Greenville Laterals. Due to these expansion projects being placed in service, approximately \$2.1 billion was transferred from Construction in process to Pipeline equipment. The assets will generally be depreciated over a term of 35 years.

8. Claim and Claim Adjustment Expense Reserves

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

Establishing claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the cost of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement amount can be. Accordingly, short-tail claims, such as property damage claims, tend to be more reasonably estimable than long-tail claims, such as general liability and professional liability claims. Adjustments to prior year reserve estimates, if necessary, are reflected in the results of operations in the period that the need for such adjustments is determined.

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of \$13 million and \$53 million for the three months ended March 31, 2009 and 2008 for events occurring in those periods. Catastrophe losses in the first quarter of 2009 related primarily to tornadoes, floods and winter storms. There can be no assurance that CNA's ultimate cost for catastrophes will not exceed current estimates.

The following provides discussion of CNA's asbestos and environmental pollution ("A&E") reserves.

A&E Reserves

CNA's property and casualty insurance subsidiaries have actual and potential exposures related to A&E claims. The following table provides data related to CNA's A&E claim and claim adjustment expense reserves.

	March 31, 2009		December 31, 2008	
	Asbestos	Environmental Pollution	Asbestos	Environmental Pollution
(In millions)				
Gross reserves	\$ 2,020	\$ 376	\$ 2,112	\$ 392
Ceded reserves	(869)	(128)	(910)	(130)

Net reserves	\$	1,151	\$	248	\$	1,202	\$	262
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Asbestos

There was no asbestos-related net claim and claim adjustment reserve development recorded for the three months ended March 31, 2009. CNA recorded \$2 million of unfavorable asbestos-related net claim and claim adjustment expense reserve development for the three months ended March 31, 2008. CNA paid asbestos-related claims, net of reinsurance recoveries, of \$51 million and \$49 million for the three months ended March 31, 2009 and 2008.

The ultimate cost of reported claims, and in particular A&E claims, is subject to a great many uncertainties, including future developments of various kinds that CNA does not control and that are difficult or impossible to foresee accurately. With respect to the litigation identified below in particular, numerous factual and legal issues remain unresolved. Rulings on those issues by the courts are critical to the evaluation of the ultimate cost to CNA. The outcome of the litigation cannot be predicted with any reliability. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

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

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

On February 13, 2003, CNA announced it had resolved asbestos-related coverage litigation and claims involving A.P. Green Industries, A.P. Green Services and Bigelow–Liptak Corporation. Under the agreement, CNA is required to pay \$70 million, net of reinsurance recoveries, over a ten year period commencing after the final approval of a bankruptcy plan of reorganization. The settlement received initial bankruptcy court approval on August 18, 2003. The debtor’s plan of reorganization includes an injunction to protect CNA from any future claims. The bankruptcy court issued an opinion on September 24, 2007 recommending confirmation of that plan. On July 25, 2008, the District Court affirmed the Bankruptcy Court’s ruling. Several insurers have appealed that ruling to the Third Circuit Court of Appeals; that appeal is pending at this time.

CNA is engaged in insurance coverage litigation in New York State Court, filed in 2003, with a defendant class of underlying plaintiffs who have asbestos bodily injury claims against the former Robert A. Keasbey Company (“Keasbey”) (Continental Casualty Co. v. Employers Ins. of Wausau et al., No. 601037/03 (N.Y. County)). Keasbey, a currently dissolved corporation, was a seller and installer of asbestos-containing insulation products in New York and New Jersey. Thousands of plaintiffs have filed bodily injury claims against Keasbey. However, under New York court rules, asbestos claims are not cognizable unless they meet certain minimum medical impairment standards. Since 2002, when these court rules were adopted, only a small portion of such claims have met medical impairment criteria under New York court rules and as to the remaining claims, Keasbey’s involvement at a number of work sites is a highly contested issue.

CNA issued Keasbey primary policies for 1970-1987 and excess policies for 1971-1978. CNA has paid an amount substantially equal to the policies' aggregate limits for products and completed operations claims in the confirmed CNA policies. Claimants against Keasbey allege, among other things, that CNA owes coverage under sections of the policies not subject to the aggregate limits, an allegation CNA vigorously contests in the lawsuit. In the litigation, CNA and the claimants seek declaratory relief as to the interpretation of various policy provisions.

On December 30, 2008, a New York appellate court entered a unanimous decision in favor of CNA on multiple alternative grounds including findings that claims arising out of Keasbey's asbestos insulating activities are included within the products hazard/completed operations coverage, which has been exhausted; and that the defendant claimant class is subject to the affirmative defenses that CNA may have had against Keasbey, barring all coverage claims. The parties have the right to seek further appellate review of the decision.

CNA has insurance coverage disputes related to asbestos bodily injury claims against a bankrupt insured, Burns & Roe Enterprises, Inc. (“Burns & Roe”). These disputes are currently part of coverage litigation (stayed in view of the bankruptcy) and an adversary proceeding in *In re: Burns & Roe Enterprises, Inc.*, pending in the U.S. Bankruptcy Court for the District of New Jersey, No. 00-41610. Burns & Roe provided engineering and related services in connection with construction projects. At the time of its bankruptcy filing, on December 4, 2000, Burns & Roe asserted that it faced approximately 11,000 claims alleging bodily injury resulting from exposure to asbestos as a result of construction projects in which Burns & Roe was involved. CNA allegedly provided primary liability coverage to Burns & Roe from 1956-1969 and 1971-1974, along with certain project-specific policies from 1964-1970. In September of 2007, CNA entered into an agreement with Burns & Roe, the Official Committee of Unsecured Creditors appointed by the Bankruptcy Court and the Future Claims Representative (the “Addendum”), which provides that claims allegedly covered by CNA policies will be adjudicated in the tort system, with any coverage disputes related to those claims to be decided in coverage litigation. With the approval of the Bankruptcy Court, Burns & Roe included the Addendum as part of its Fourth Amended Plan (the “Plan”), which was confirmed on February 23, 2009. On March 5, 2009, Fireman’s Fund Insurance Co. filed a motion to clarify and modify the confirmation order. It is not possible to predict with any reliability when the Fourth Amended Plan will become effective or when the Trust created under the Fourth Amended Plan will begin processing asbestos claims. With respect to both confirmation of the Plan and coverage issues, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include, among others: (i) whether CNA has any further responsibility to compensate claimants against Burns & Roe under its policies and, if so, under which; (ii) whether CNA’s responsibilities under its policies extend to a particular claimant’s entire claim or only to a limited percentage of the claim; (iii) whether CNA’s responsibilities under its policies are limited by the occurrence limits or other provisions of the policies; (iv) whether certain exclusions, including professional liability exclusions, in some of CNA’s policies apply to exclude certain claims; (v) the extent to which claimants can establish exposure to asbestos materials as to which Burns & Roe has any responsibility; (vi) the legal theories which must be pursued by such claimants to establish the liability of Burns & Roe and whether such theories can, in fact, be established; (vii) the diseases and damages alleged by such claimants; (viii) the extent that any liability of Burns & Roe would be shared with other potentially responsible parties; (ix) whether any party will appeal the confirmation of the Plan, which includes the Addendum, and if so whether confirmation will be affirmed; and (x) the impact of bankruptcy proceedings on claims and coverage issue resolution. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

Suits have also been initiated directly against the CNA companies and numerous other insurers in two jurisdictions: Texas and Montana. Approximately 80 lawsuits were filed in Texas beginning in 2002, against two CNA companies and numerous other insurers and non-insurer corporate defendants asserting liability for failing to warn of the dangers of asbestos (e.g. *Boson v. Union Carbide Corp.*, (Nueces County, Texas)). During 2003, several of the Texas suits were dismissed and while certain of the Texas courts’ rulings were appealed, plaintiffs later dismissed their appeals. A different Texas court, however, denied similar motions seeking dismissal. After that court denied a related challenge to jurisdiction, the insurers transferred the case, among others, to a state multi-district litigation court in Harris County charged with handling asbestos cases. In February 2006, the insurers petitioned the appellate court in Houston for an order of mandamus, requiring the multi-district litigation court to dismiss the case on jurisdictional and substantive grounds. On February 29, 2008, the appellate court denied the insurers’ mandamus petition on procedural grounds, but did not reach a decision on the merits of the petition. Instead, the appellate court allowed to stand the multi-district litigation court’s determination that the case remained on its inactive docket and that no further action can be taken unless qualifying reports are filed or the filing of such reports is waived. With respect to the cases that are still pending in Texas, in June 2008, plaintiffs in the only active case dropped the remaining CNA company from that suit, leaving only inactive cases against CNA companies. In those inactive cases, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include: (i) the speculative nature and unclear scope of any alleged duties owed to individuals exposed to asbestos and the resulting uncertainty as to the potential pool of potential claimants; (ii) the fact that imposing such

duties on all insurer and non-insurer corporate defendants would be unprecedented and, therefore, the legal boundaries of recovery are difficult to estimate; (iii) the fact that many of the claims brought to date are barred by the Statute of Limitations and it is unclear whether future claims would also be barred; (iv) the unclear nature of the required nexus between the acts of the defendants and the right of any particular claimant to recovery; and (v) the existence of hundreds of co-defendants in some of the suits and the applicability of the legal theories pled by the claimants to thousands of potential defendants. Accordingly, the extent of losses beyond any amounts that may be accrued is not readily determinable at this time.

On March 22, 2002, a direct action was filed in Montana (Pennock, et al. v. Maryland Casualty, et al. First Judicial District Court of Lewis & Clark County, Montana) by eight individual plaintiffs (all employees of W.R. Grace & Co. ("W.R. Grace")) and their spouses against CNA, Maryland Casualty and the State of Montana. This action alleges that the carriers failed to warn of or otherwise protect W.R. Grace employees from the dangers of

asbestos at a W.R. Grace vermiculite mining facility in Libby, Montana. The Montana direct action is currently stayed because of W.R. Grace's pending bankruptcy. On April 7, 2008, W.R. Grace announced a settlement in principle with the asbestos personal injury claimants committee subject to confirmation of a plan of reorganization by the bankruptcy court. The confirmation hearing is currently scheduled to begin in June 2009. The settlement in principle with the asbestos claimants has no present impact on the stay currently imposed on the Montana direct action and with respect to such claims, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include: (i) the unclear nature and scope of any alleged duties owed to people exposed to asbestos and the resulting uncertainty as to the potential pool of potential claimants; (ii) the potential application of Statutes of Limitation to many of the claims which may be made depending on the nature and scope of the alleged duties; (iii) the unclear nature of the required nexus between the acts of the defendants and the right of any particular claimant to recovery; (iv) the diseases and damages claimed by such claimants; (v) the extent that such liability would be shared with other potentially responsible parties; and (vi) the impact of bankruptcy proceedings on claims resolution. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

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

Environmental Pollution

There was no environmental pollution net claim and claim adjustment reserve development recorded for the three months ended March 31, 2009 or 2008. CNA paid environmental pollution-related claims, net of reinsurance recoveries, of \$14 million and \$19 million for the three months ended March 31, 2009 and 2008.

Net Prior Year Development

The net prior year development presented below includes premium development due to its direct relationship to claim and allocated claim adjustment expense reserve development. The net prior year development presented below includes the impact of commutations, but excludes the impact of increases or decreases in the allowance for uncollectible reinsurance.

Three Months Ended March 31, 2009 (In millions)	Standard Lines	Specialty Lines	Other Insurance	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development:				
Core (Non-A&E)	\$ (30)	\$ (41)	\$ 1	\$ (70)
A&E				
Pretax (favorable) unfavorable net prior year development before impact of premium development	(30)	(41)	1	(70)
Pretax (favorable) unfavorable premium development	17	(2)	(1)	14

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Total pretax (favorable) unfavorable net prior year development	\$	(13)	\$	(43)	\$	-	\$	(56)
Three Months Ended March 31, 2008								
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development:								
Core (Non-A&E)	\$	(35)	\$	17	\$	3	\$	(15)
A&E						2		2
Pretax (favorable) unfavorable net prior year development before impact of premium development		(35)		17		5		(13)
Pretax (favorable) unfavorable premium development		9		(19)		(1)		(11)
Total pretax (favorable) unfavorable net prior year development	\$	(26)	\$	(2)	\$	4	\$	(24)

2009 Net Prior Year Development

Standard Lines

The favorable claim and allocated claim adjustment expense reserve development was primarily due to experience in property coverages, including \$31 million resulting from favorable frequency and severity on claims relating to catastrophes in accident year 2008.

Specialty Lines

The favorable claim and allocated claim adjustment expense reserve development was primarily due to experience in liability coverages. This favorable development was the result of decreased frequency of large claims in accident years 2007 and prior.

An additional \$7 million of favorable claim and allocated claim adjustment expense reserve development was a result of favorable outcomes on claims relating to catastrophes in accident years 2005 and 2008.

2008 Net Prior Year Development

Standard Lines

Approximately \$20 million of favorable claim and allocated claim adjustment expense reserve development was recorded in property coverages. This favorable development was due to lower than expected frequency in accident year 2007 and favorable outcomes on several individual claims in accident years 2006 and prior.

Approximately \$23 million of favorable claim and allocated claim adjustment expense reserve development was recorded in general liability due to favorable outcomes on individual claims causing lower severity in accident years 2003 and prior.

Approximately \$24 million of unfavorable claim and allocated claim adjustment expense reserve development was recorded in excess workers' compensation due to higher than expected frequency and severity in accident years 2003 and prior. This is a result of continued claim cost inflation in older accident years, driven by increasing medical inflation and advances in medical care.

Specialty Lines

Approximately \$10 million of favorable premium development was recorded due to a change in ultimate premiums within a foreign affiliate's property and financial lines. This was offset by approximately \$9 million of related unfavorable claim and allocated claim adjustment expense reserve development.

9. 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.

Net periodic benefit cost components:

Three Months Ended March 31 (In millions)	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Service cost	\$ 7	\$ 8	\$ 1	\$ 1
Interest cost	43	40	3	3
Expected return on plan assets	(39)	(48)	(1)	(1)
Amortization of net loss	1	1	1	
Amortization of prior service cost			(6)	(5)
Actuarial loss	6	1		
Regulatory asset decrease			1	1
Net periodic benefit cost	\$ 18	\$ 2	\$ (1)	\$ (1)

10. Business Segments

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

CNA's business primarily consists of commercial property and casualty insurance. Its reportable segments are Standard Lines, Specialty Lines, Life and Group Non-Core, and Other Insurance.

Diamond Offshore's business primarily consists of operating 45 offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. On March 31, 2009, 17 of these rigs were located in the Gulf of Mexico region with the remainder operating in Brazil, the North Sea, Australia and various other foreign markets.

HighMount's business consists primarily of natural gas exploration and production operations located in the Permian Basin in Texas, the Antrim Shale in Michigan and the Black Warrior Basin in Alabama.

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

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

The Corporate and other segment consists primarily of corporate investment income, corporate interest expenses and other corporate administrative costs.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In addition, CNA does not maintain a distinct investment portfolio for each of its insurance segments, and accordingly, allocation of assets to each segment is not performed. Therefore, net investment income and investment gains (losses) are allocated based on each segment's carried insurance reserves, as adjusted.

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

Three Months Ended March 31 (In millions)	2009	2008
Revenues (a):		
CNA Financial:		
Standard Lines	\$ 665	\$ 945
Specialty Lines	861	1,049
Life and Group Non-Core	124	237
Other Insurance	(12)	51
Total CNA Financial	1,638	2,282
Diamond Offshore	886	792
HighMount	175	189
Boardwalk Pipeline	224	213
Loews Hotels	73	97
Corporate and other	27	39
Total	\$ 3,023	\$ 3,612
Income (loss) before income tax (a):		
CNA Financial:		
Standard Lines	\$ (100)	\$ 114
Specialty Lines	68	191
Life and Group Non-Core	(240)	(36)
Other Insurance	(60)	(3)
Total CNA Financial	(332)	266
Diamond Offshore	451	405
HighMount	(1,006)	75
Boardwalk Pipeline	51	89
Loews Hotels	(29)	18
Corporate and other	(3)	9
Total	\$ (868)	\$ 862
Net income (loss) - Loews (a):		
CNA Financial:		
Standard Lines	\$ (50)	\$ 76
Specialty Lines	41	107
Life and Group Non-Core	(131)	(12)
Other Insurance	(30)	
Total CNA Financial	(170)	171
Diamond Offshore	163	136
HighMount	(641)	47
Boardwalk Pipeline	22	39
Loews Hotels	(18)	11
Corporate and other	(3)	5

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Income (loss) from continuing operations	(647)	409
Discontinued operations		253
Total	\$ (647)	\$ 662

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(a) Investment gains (losses) included in Revenues, Income (loss) before income tax and Net income (loss) attributable to Loews Corporation are as follows:

Three Months Ended March 31	2009	2008
Revenues and Income (loss) before income tax:		
CNA Financial:		
Standard Lines	\$ (179)	\$ (16)
Specialty Lines	(116)	(9)
Life and Group Non-Core	(190)	(17)
Other Insurance	(47)	(9)
Total CNA Financial	(532)	(51)
Corporate and other	1	
Total	\$ (531)	\$ (51)
Net income (loss) - Loews:		
CNA Financial:		
Standard Lines	\$ (105)	\$ (10)
Specialty Lines	(66)	(5)
Life and Group Non-Core	(111)	(10)
Other Insurance	(28)	(4)
Total	\$ (310)	\$ (29)

11. Legal Proceedings

California Long Term Care Litigation

Shaffer v. Continental Casualty Company, et al., U.S. District Court, Central District of California, CV06-2235 RGK, is a class action on behalf of certain California individual long term health care policyholders, alleging that CCC and CNA knowingly or negligently used unrealistic actuarial assumptions in pricing these policies. On January 8, 2008, CCC, CNA and the plaintiffs entered into a binding agreement settling the case on a nationwide basis for the policy forms potentially affected by the allegations of the complaint. Following a fairness hearing, the Court entered an order approving the settlement. This order was appealed to the Ninth Circuit Court of Appeals. The appeal has been fully briefed. No oral argument has yet been scheduled. CNA believes it has meritorious defenses to this appeal and intends to defend the appeal vigorously. The agreement did not have a material impact on the Company's results of operations, however it still remains subject to the favorable resolution of the appeal.

Insurance Brokerage Antitrust Litigation

On August 1, 2005, CNA and several of its insurance subsidiaries were joined as defendants, along with other insurers and brokers, in multidistrict litigation pending in the United States District Court for the District of New Jersey, In re Insurance Brokerage Antitrust Litigation, Civil No. 04-5184 (FSH). The plaintiffs allege bid rigging and improprieties in the payment of contingent commissions in connection with the sale of insurance that violated federal and state antitrust laws, the federal Racketeer Influenced and Corrupt Organizations ("RICO") Act and state common law. After discovery, the District Court dismissed the federal antitrust claims and the RICO claims, and declined to exercise supplemental jurisdiction over the state law claims. The plaintiffs have appealed the dismissal of their complaint to the Third Circuit Court of Appeals. The parties have filed their briefs on the appeal. Oral argument was held on April 21,

2009, and the Court took the matter under advisement. CNA believes it has meritorious defenses to this action and intends to defend the case vigorously.

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

Global Crossing Limited Litigation

CCC has been named as a defendant in an action brought by the bankruptcy estate of Global Crossing Limited (“Global Crossing”) in the United States Bankruptcy Court for the Southern District of New York, Global Crossing Estate Representative, for itself and as the Liquidating Trustee of the Global Crossing Liquidating Trust v. Gary

Winnick, et al., Case No. 04 Civ. 2558 (“GEL”). In the complaint, plaintiff seeks damages from CCC and the other defendants for alleged fraudulent transfers and alleged breaches of fiduciary duties arising from actions taken by Global Crossing while CCC was a shareholder of Global Crossing. The parties have executed a settlement agreement, which provides for a dismissal with prejudice of all claims against CCC. The settlement is subject to entry by the Court of an order barring all claims against CCC under certain conditions and subject to certain limitations. The settlement approximates the amount accrued at March 31, 2009.

A&E Reserves

CNA is also a party to litigation and claims related to A&E cases arising in the ordinary course of business. See Note 8 for further discussion.

TOBACCO RELATED

The Company has been named as a defendant in the following three cases alleging substantial damages based on alleged health effects caused by smoking cigarettes or exposure to tobacco smoke, all of which also name a former subsidiary, Lorillard, Inc., or one of its subsidiaries, as a defendant. In *Cypret vs. The American Tobacco Company, Inc. et al.* (1998, Circuit Court, Jackson County, Missouri), the Company would contest jurisdiction and make use of all available defenses in the event it receives personal service of this action. In *Clalit vs. Philip Morris, Inc., et al.* (1998, Jerusalem District Court of Israel), the court initially permitted plaintiff to serve the Company outside the jurisdiction but it cancelled the leave of service in response to the Company’s application, and plaintiff’s appeal is pending. In *Young vs. The American Tobacco Company, Inc. et al.* (1997, Civil District Court, Orleans Parish, Louisiana), the Company filed an exception for lack of personal jurisdiction during 2000, which remains pending. In a fourth case that had been pending against the Company, *Cochran vs. R.J. Reynolds Tobacco Company, et al.* (2002, Circuit Court, George County, Mississippi), the plaintiff and the defendants stipulated to a dismissal without prejudice during March 2009.

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

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

OTHER LITIGATION

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

12. 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, 2009, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was \$873 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, 2009, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser's ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and

undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

In connection with the issuance of preferred securities by CNA Surety Capital Trust I (“Issuer Trust”), CNA Surety, a 62% owned and consolidated subsidiary of CNA, has also guaranteed the dividend payments and redemption of the preferred securities issued by the Issuer Trust. The maximum amount of undiscounted future payments CNA could make under the guarantee is approximately \$66 million, consisting of annual dividend payments of approximately \$1 million through April 2034 and the redemption value of \$30 million. Because payment under the guarantee would only be required if CNA does not fulfill its obligations under the debentures held by the Issuer Trust, CNA has not recorded any additional liabilities related to this guarantee. There has been no change in the underlying assets of the trust and CNA does not believe that a payment is likely under this guarantee.

Boardwalk Pipeline Purchase Commitments

Boardwalk Pipeline is engaged in several major expansion projects that will require the investment of significant capital resources. As of March 31, 2009, Boardwalk Pipeline had purchase commitments of \$163 million primarily related to its expansion projects.

13. Discontinued Operations

The results of discontinued operations are as follows:

Three Months Ended March 31 (In millions)	2009	2008
Revenues:		
Net investment income	\$ 1	\$ 12
Manufactured products		921
Investment gains		1
Total (a)	1	934
Expenses:		
Insurance related expenses	1	4
Cost of manufactured products sold		555
Other operating expenses		100
Interest		1
Total	1	660
Income before income tax	-	274
Income tax expense		(101)
Results of discontinued operations	-	173
Gain on disposal (after tax of \$44)		80
Net income from discontinued operations - Loews	\$ -	\$ 253

(a) Lorillard’s revenues and pretax income amounted to 99.7% and 100.0% of the total discontinued operations for the three months ended March 31, 2008.

Net liabilities of discontinued operations included in Other liabilities in the Consolidated Condensed Balance Sheets are as follows:

March 31, December 31,

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	2009	2008
(In millions)		
Assets:		
Investments	\$ 146	\$ 157
Receivables	6	6
Other assets	1	1
Total assets	153	164
Liabilities:		
Insurance reserves	154	162
Other liabilities	7	8
Total liabilities	161	170
Net liabilities of discontinued operations (a)	\$ (8)	\$ (6)

(a) The net liabilities of CNA's discontinued operations totaling \$8 million and \$6 million as of March 31, 2009 and December 31, 2008 are included in Other liabilities in the Consolidated Condensed Balance Sheets. CNA's accounting and reporting for discontinued operations is in accordance with APB No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." In accordance with APB No. 30, CNA's assets and liabilities of discontinued operations are presented net in Other liabilities. At March 31, 2009 and December 31, 2008, the insurance reserves are net of discounts of \$74 million and \$75 million, respectively.

Lorillard

As discussed in Note 1, in June of 2008, the Company disposed of its entire ownership interest in Lorillard. See Note 2 of the Notes to Consolidated Financial Statements in the Company's 2008 Annual Report on Form 10-K.

CNA

CNA has discontinued operations, which consist of run-off insurance and reinsurance operations acquired in its merger with the Continental Corporation in 1995. The remaining run-off business is administered by Continental Reinsurance Corporation International, Ltd., a wholly owned Bermuda subsidiary. The business consists of facultative property and casualty, treaty excess casualty and treaty pro-rata reinsurance with underlying exposure to a diverse, multi-line domestic and international book of business encompassing property, casualty and marine liabilities.

The income (loss) from discontinued operations reported above related to CNA primarily represents the net investment income, realized investment gains and losses, foreign currency transaction gains and losses, effects of the accretion of the loss reserve discount and re-estimation of the ultimate claim and claim adjustment expense reserve of the discontinued operations.

Bulova

The Company sold Bulova Corporation ("Bulova") for approximately \$263 million in January of 2008. The Company recorded a pretax gain of approximately \$126 million, \$82 million after tax, for the three months ended March 31, 2008.

14. Consolidating Financial Information

The following schedules present the Company's consolidating balance sheet information at March 31, 2009 and December 31, 2008, and consolidating statements of operations information for the three months ended March 31, 2009 and 2008. 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, the discontinued operations of Lorillard and Bulova 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.

Loews Corporation
Consolidating Balance Sheet Information

March 31, 2009 (In millions)	CNA Financial	Diamond Offshore	HighMoun	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	\$ 35,441	\$ 779	\$ 28	\$ 108	\$ 59	\$ 2,676		\$ 39,09
Cash	94	32	1	8	2	1		13
Receivables	9,984	787	217	129	43	176	\$ (2)	11,33
Property, plant and equipment	326	3,480	1,789	6,173	349	43		12,16
Deferred income taxes	3,451		666				(972)	3,14
Goodwill and other intangible assets	105	20	584	163	3			87
Investments in capital stocks of subsidiaries						12,029	(12,029)	
Other assets	806	210	57	304	27	12		1,41
Deferred acquisition costs of insurance subsidiaries	1,132							1,13
Separate account business	376							37
Total assets	\$ 51,715	\$ 5,308	\$ 3,342	\$ 6,885	\$ 483	\$ 14,937	\$ (13,003)	\$ 69,66
Liabilities and Equity:								
Insurance reserves	\$ 38,591							\$ 38,59
Payable to brokers	268	\$ 213	\$ 193		\$ 1	\$ 194		86
Collateral on loaned securities	41			\$ 10				5
Short term debt					18			1
Long term debt	2,058	504	1,715	3,051	208	866		8,40
Reinsurance balances payable	344							34
Deferred income taxes		461		120	51	340	\$ (972)	
Other liabilities	2,610	663	148	484	16	201	(2)	4,12
Separate account business	376							37
Total liabilities	44,288	1,841	2,056	3,665	294	1,601	(974)	52,77
Total shareholders' equity	6,443	1,766	1,286	2,380	189	13,336	(12,029)	13,37
Noncontrolling interests	984	1,701		840				3,52
Total equity	7,427	3,467	1,286	3,220	189	13,336	(12,029)	16,89
Total liabilities and equity	\$ 51,715	\$ 5,308	\$ 3,342	\$ 6,885	\$ 483	\$ 14,937	\$ (13,003)	\$ 69,66

Loews Corporation
Consolidating Balance Sheet Information

December 31, 2008 (In millions)	CNA Financial	Diamond Offshore	High Mountain	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	\$ 34,980	\$ 701	\$ 46	\$ 313	\$ 70	\$ 2,340		\$ 38,450
Cash	85	36	1	2	2	5		131
Receivables	10,290	575	225	92	23	482	\$ (15)	11,677
Property, plant and equipment	327	3,429	2,771	5,972	350	43		12,892
Deferred income taxes	3,532		306				(910)	2,928
Goodwill and other intangible assets	105	20	584	163	3			875
Investments in capital stocks of subsidiaries						11,973	(11,973)	
Other assets	796	210	79	275	48	6	(1)	1,415
Deferred acquisition costs of insurance subsidiaries	1,125							1,125
Separate account business	384							384
Total assets	\$ 51,624	\$ 4,971	\$ 4,012	\$ 6,817	\$ 496	\$ 14,849	\$ (12,899)	\$ 69,870
Liabilities and Equity:								
Insurance reserves	\$ 38,771						\$ (1)	\$ 38,770
Payable to brokers	124	\$ 37	\$ 191		\$ 1	\$ 326		679
Collateral on loaned securities	6							6
Short term debt					71			71
Long term debt	2,058	504	1,715	\$ 2,889	155	866		8,187
Reinsurance balances payable	316							316
Deferred income taxes		453		103	46	308	(910)	
Other liabilities	2,732	579	188	571	12	255	(15)	4,332
Separate account business	384							384
Total liabilities	44,391	1,573	2,094	3,563	285	1,755	(926)	52,731
Total shareholders' equity	6,281	1,732	1,918	1,870	211	13,094	(11,973)	13,133
Noncontrolling interests	952	1,666		1,384				4,002
Total equity	7,233	3,398	1,918	3,254	211	13,094	(11,973)	17,137
Total liabilities and equity	\$ 51,624	\$ 4,971	\$ 4,012	\$ 6,817	\$ 496	\$ 14,849	\$ (12,899)	\$ 69,870

Loews Corporation
Consolidating Statement of Operations Information

Three Months Ended March 31, 2009 (In millions)	CNA Financial		Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
	Revenues:								
Insurance premiums	\$ 1,672								\$ 1,672
Net investment income	420	\$ 1					\$ 26		447
Intercompany interest and dividends							235	\$(235)	-
Investment gains (losses)	(532)	1							(531)
Contract drilling revenues			856						856
Other	78	29	\$ 175	\$ 224	\$ 73				579
Total	1,638	887	175	224	73	261	(235)	3,023	
Expenses:									
Insurance claims and policyholders' benefits	1,342								1,342
Amortization of deferred acquisition costs	349								349
Contract drilling expenses			294						294
Impairment of natural gas and oil properties				1,036					1,036
Other operating expenses	248	140	126	146	100	16			776
Interest	31	1	19	27	2	14			94
Total	1,970	435	1,181	173	102	30	-	3,891	
Income (loss) before income tax	(332)	452	(1,006)	51	(29)	231	(235)	(868)	
Income tax (expense) benefit	149	(116)	365	(15)	11	1		395	
Net income (loss)	(183)	336	(641)	36	(18)	232	(235)	(473)	
(Deduct) add amounts attributable to noncontrolling interests	13	(173)		(14)				(174)	
Net income (loss) attributable to Loews Corporation	\$ (170)	\$ 163	\$ (641)	\$ 22	\$ (18)	\$ 232	\$(235)	\$ (647)	

Loews Corporation
Consolidating Statement of Operations Information

Three Months Ended March 31, 2008 (In millions)	CNA Financial	Diamond Offshore	HighMoun	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	\$ 1,813						\$ (1)	\$ 1,812
Net investment income	434	\$ 4		\$ 1		\$ 40		479
Intercompany interest and dividends						501	(501)	-
Investment losses	(51)							(51)
Contract drilling revenues			770					770
Other	86	18	\$ 189	212	\$ 97			602
Total	2,282	792	189	213	97	541	(502)	3,612
Expenses:								
Insurance claims and policyholders' benefits	1,389							1,389
Amortization of deferred acquisition costs	368							368
Contract drilling expenses			285					285
Other operating expenses	225	101	96	105	76	17	(1)	619
Interest	34	1	18	19	3	14		89
Total	2,016	387	114	124	79	31	(1)	2,750
Income before income tax	266	405	75	89	18	510	(501)	862
Income tax expense	(64)	(125)	(28)	(25)	(7)	(4)		(253)
Income from continuing operations	202	280	47	64	11	506	(501)	609
Discontinued operations, net	(1)					254		253
Net income	201	280	47	64	11	760	(501)	862
Deduct amounts attributable to noncontrolling interests	(31)	(144)		(25)				(200)
Net income attributable to Loews Corporation	\$ 170	\$ 136	\$ 47	\$ 39	\$ 11	\$ 760	\$ (501)	\$ 662

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, 2008. This MD&A is comprised of the following sections:

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OVERVIEW

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

- commercial property and casualty insurance (CNA Financial Corporation (“CNA”), a 90% owned subsidiary);
- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (“Diamond Offshore”), a 50.4% owned subsidiary);
- exploration, production and marketing of natural gas, natural gas liquids and, to a lesser extent, oil (HighMount Exploration & Production LLC (“HighMount”), a wholly owned subsidiary);

- operation of interstate natural gas transmission pipeline systems including integrated storage facilities (Boardwalk Pipeline Partners, LP (“Boardwalk Pipeline”), a 74% owned subsidiary); and
- operation of hotels (Loews Hotels Holding Corporation (“Loews Hotels”), a wholly owned subsidiary).

Unless the context otherwise requires, references in this report to “Loews Corporation,” “the Company,” “we,” “our,” “us” like terms refer to the business of Loews Corporation excluding its subsidiaries.

Consolidated Financial Results

Net income (loss) and earnings (loss) per share information attributable to Loews common stock and former Carolina Group stock is summarized in the table below.

Three Months Ended March 31 (In millions, except per share data)	2009	2008
Net income (loss) attributable to Loews common stock:		
Income (loss) from continuing operations	\$ (647)	\$ 409
Discontinued operations, net		146
Net income (loss) attributable to Loews common stock	(647)	555
Net income attributable to former Carolina Group stock - Discontinued operations		107
Net income (loss) attributable to Loews Corporation	\$ (647)	\$ 662
Net income (loss) per share:		
Loews common stock:		
Income (loss) from continuing operations	\$ (1.49)	\$ 0.77
Discontinued operations, net		0.28
Loews common stock	\$ (1.49)	\$ 1.05
Former Carolina Group stock - Discontinued operations	\$ -	\$ 0.98