LOEWS CORP
Form 10-Q
May 04, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

OR

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

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From __________ to __________

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

Yes __X__ No ______

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

Yes __X__ No ______ Not Applicable ______

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

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

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

Yes ______ No __X__

Class	Outstanding at April 28, 2010
Common stock, $0.01 par value	418,496,799 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

	March 31, 2010	December 31, 2009
(Dollar amounts in millions, except per share data)		
Assets:		
Investments:		
Fixed maturities, amortized cost of $37,591 and $35,824	**$ 38,104**	$ 35,816
Equity securities, cost of $938 and $943	**1,047**	1,007
Limited partnership investments	**2,164**	1,996
Short term investments	**6,187**	7,215
Total investments	**47,502**	46,034
Cash	**135**	190
Receivables	**10,000**	10,212
Property, plant and equipment	**13,249**	13,274
Deferred income taxes	**869**	627
Goodwill	**856**	856
Other assets	**1,693**	1,346
Deferred acquisition costs of insurance subsidiaries	**1,109**	1,108
Separate account business	**442**	423
Total assets	**$ 75,855**	$ 74,070
Liabilities and Equity:		

Insurance reserves:		
Claim and claim adjustment expense	**$ 26,559**	$ 26,816
Future policy benefits	**8,090**	7,981
Unearned premiums	**3,283**	3,274
Policyholders funds	**177**	192
Total insurance reserves	**38,109**	38,263
Payable to brokers	**662**	540
Short term debt	**62**	10
Long term debt	**9,549**	9,475
Other liabilities	**5,038**	4,274
Separate account business	**442**	423
Total liabilities	**53,862**	52,985
Preferred stock, $0.10 par value:		
Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 425,547,829 and 425,497,522 shares	**4**	4
Additional paid-in capital	**3,745**	3,637
Retained earnings	**14,085**	13,693
Accumulated other comprehensive loss	**(75)**	(419)
	17,759	16,915
Less treasury stock, at cost (5,814,800 and 427,200 shares)	**(213)**	(16)
Total shareholders equity	**17,546**	16,899
Noncontrolling interests	**4,447**	4,186
Total equity	**21,993**	21,085
Total liabilities and equity	**$ 75,855**	$ 74,070

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

Three Months Ended March 31 **(In millions, except per share data)**	**2010**	2009
Revenues:		
Insurance premiums	**$ 1,615**	$ 1,672
Net investment income	**617**	447
Investment gains (losses):		
Other-than-temporary impairment losses	**(90)**	(614)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income	**30**	
Net impairment losses recognized in earnings	**(60)**	(614)
Other net investment gains	**81**	83
Total investment gains (losses)	**21**	(531)
Contract drilling revenues	**844**	856
Other	**616**	579
Total	**3,713**	3,023
Expenses:		
Insurance claims and policyholders benefits	**1,308**	1,342
Amortization of deferred acquisition costs	**342**	349
Contract drilling expenses	**305**	294
Impairment of natural gas and oil properties		1,036
Other operating expenses	**732**	776
Interest	**130**	94
Total	**2,817**	3,891
Income (loss) before income tax	**896**	(868)
Income tax (expense) benefit	**(273)**	395
Net income (loss)	**623**	(473)
Amounts attributable to noncontrolling interests	**(203)**	(174)
Net income (loss) attributable to Loews Corporation	**$ 420**	$ (647)
Basic and diluted net income (loss) per share	**$ 0.99**	$ (1.49)
Dividends per share	**$ 0.0625**	$ 0.0625
Weighted-average shares outstanding:		
Shares of common stock	**422.77**	435.12

Dilutive potential shares of common stock	**0.87**	
Total weighted-average shares outstanding assuming dilution	**423.64**	435.12

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

Three Months Ended March 31 (In millions)	2010	2009
Net income (loss)	$ 623	$ (473)
Other comprehensive income (loss)		
Changes in:		
Net unrealized gains on investments with other-than-temporary impairments	25	
Net other unrealized gains on investments	307	399
Total unrealized gains on available-for-sale investments	332	399
Unrealized gains on cash flow hedges	61	15
Foreign currency	(10)	(7)
Pension liability	2	(1)
Other comprehensive income	385	406
Comprehensive income (loss)	1,008	(67)
Amounts attributable to noncontrolling interests	(245)	(223)
Total comprehensive income (loss) attributable to Loews Corporation	$ 763	$ (290)

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENT OF EQUITY

(Unaudited)

	Loews Corporation Shareholders						
	Total	Loews Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
(In millions)							
Balance, January 1, 2010	$ 21,085	$ 4	$ 3,637	$ 13,693	$ (419)	$ (16)	$ 4,186
Sale of subsidiary common units	279		83		1		195
Net income	623			420			203
Other comprehensive income	385				343		42
Dividends paid	(192)			(26)			(166)
Purchase of Loews treasury stock	(197)					(197)	
Issuance of Loews common stock	1		1				
Stock-based compensation	6		5				1
Other	3		19	(2)			(14)
Balance, March 31, 2010	$ 21,993	$ 4	$ 3,745	$ 14,085	$ (75)	$ (213)	$ 4,447

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Three Months Ended March 31	2010	2009
(In millions)		
Operating Activities:		
Net income (loss)	$ 623	$ (473)
Adjustments to reconcile net income (loss) to net cash provided by operating activities, net	175	1,360
Changes in operating assets and liabilities, net:		
Reinsurance receivables	254	16
Other receivables	(4)	76
Deferred acquisition costs	(1)	(7)
Insurance reserves	(135)	(139)
Other liabilities	(42)	(133)
Trading securities	(584)	457
Other, net	8	(19)
Net cash flow operating activities	294	1,138
Investing Activities:		
Purchases of fixed maturities	(5,351)	(7,079)
Proceeds from sales of fixed maturities	2,737	7,046
Proceeds from maturities of fixed maturities	846	827
Purchases of equity securities	(42)	(134)
Proceeds from sales of equity securities	25	146
Purchases of property, plant and equipment	(212)	(567)
Change in collateral on loaned securities and derivatives	1	45
Change in short term investments	1,628	(1,457)
Other, net	(43)	65
Net cash flow investing activities	$ (411)	$ (1,108)

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Three Months Ended March 31	**2010**	2009
(In millions)		
Financing Activities:		
Dividends paid	**$ (26)**	$ (27)
Dividends paid to noncontrolling interests	**(166)**	(161)
Purchases of treasury shares	**(188)**	
Issuance of common stock	**1**	1
Proceeds from sale of subsidiary stock	**333**	
Principal payments on debt	**(1)**	(10)
Issuance of debt	**125**	171
Policyholders investment contract net deposits (withdrawals)	**(2)**	(7)
Other, net	**(12)**	12
Net cash flow financing activities	**64**	(21)
Effect of foreign exchange rate on cash	**(2)**	(2)
Net change in cash	**(55)**	7
Cash, beginning of period	**190**	131
Cash, end of period	**$ 135**	$ 138

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

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

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

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 2009 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

The Company presents basic and diluted earnings per share on the Consolidated Condensed Statements of Operations. Basic earnings per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Stock options and stock appreciation rights (SARs) of 2.4 million shares were not included in the diluted weighted average shares amount for the three months ended March 31, 2010 due to the exercise price being greater than the average stock price. For the three months ended March 31, 2009, 5.6 million of common equivalent shares, consisting solely of stock options and SARs, are not included in the diluted weighted average shares amount as their effects are antidilutive.

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

New accounting pronouncements not yet adopted In March of 2009, the FASB issued updated accounting guidance which amends the accounting and reporting requirements related to derivatives to provide clarifying language regarding when embedded credit derivative features, including those in collateralized debt obligations (CDOs) and synthetic CDOs, are considered embedded derivatives subject to potential bifurcation. The updated accounting guidance is effective for the first quarter beginning after June 15, 2010. The Company is currently assessing the impact this updated accounting guidance will have on its financial condition and results of operations.

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2. Investments

Three Months Ended March 31 **(In millions)**	**2010**	2009
Net investment income consisted of:		
Fixed maturity securities	**$ 510**	$ 475
Short term investments	**7**	11
Limited partnerships	**80**	(70)
Equity securities	**10**	14
Income from trading portfolio	**21**	26
Other	**3**	3
Total investment income	**631**	459
Investment expenses	**(14)**	(12)
Net investment income	**$ 617**	$ 447
Investment gains (losses) are as follows:		
Fixed maturity securities	**$ 27**	$ (358)
Equity securities	**3**	(216)
Derivative instruments	**(13)**	31
Short term investments	**3**	14
Other	**1**	(2)
Investment gains (losses) (a)	**$ 21**	$ (531)

(a) Includes gross realized gains of $102 and $108 and gross realized losses of $72 and $682 on available-for-sale securities for the three months ended March 31, 2010 and 2009.

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

Three Months Ended March 31 **(In millions)**	**2010**	2009
Fixed maturity securities available-for-sale:		
Asset-backed securities:		
Residential mortgage-backed securities	**$ 26**	$ 149
Commercial mortgage-backed securities	**2**	16
Other asset-backed securities		31
Total asset-backed securities	**28**	196
States, municipalities and political subdivisions-tax-exempt securities	**14**	
Corporate and other taxable bonds	**18**	190
Redeemable preferred stock		9
Total fixed maturities available-for-sale	**60**	395

Equity securities available-for-sale:		
Common stock		3
Preferred stock		216
Total equity securities available-for-sale	**-**	219
Net OTTI losses recognized in earnings	**$ 60**	$ 614

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

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

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

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

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

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

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

March 31, 2010	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Months	Gross Unrealized Losses 12 Months or Greater	Estimated Fair Value	Unrealized OTTI Losses
(In millions)						
Fixed maturity securities:						
U.S. Treasury securities and obligations of government agencies	**$ 165**	**$ 16**	**$ 1**		**$ 180**	
Asset-backed securities:						
Residential mortgage-backed securities	**7,304**	**83**	**43**	**$ 406**	**6,938**	**$ 265**
Commercial mortgage-backed securities	**820**	**13**	**3**	**101**	**729**	
Other asset-backed securities	**811**	**17**	**1**	**18**	**809**	
Total asset-backed securities	**8,935**	**113**	**47**	**525**	**8,476**	**265**
States, municipalities and political subdivisions-tax-exempt securities	**6,458**	**191**	**24**	**316**	**6,309**	
Corporate and other taxable bonds	**21,518**	**1,276**	**35**	**131**	**22,628**	**26**
Redeemable preferred stock	**51**	**9**			**60**	
Fixed maturities available- for-sale	**37,127**	**1,605**	**107**	**972**	**37,653**	**291**
Fixed maturities, trading	**464**	**2**		**15**	**451**	
Total fixed maturities	**37,591**	**1,607**	**107**	**987**	**38,104**	**291**
Equity securities:						
Common stock	**79**	**15**		**2**	**92**	
Preferred stock	**572**	**49**		**32**	**589**	
Equity securities available-for-sale	**651**	**64**	**-**	**34**	**681**	**-**
Equity securities, trading	**287**	**114**	**9**	**26**	**366**	
Total equity securities	**938**	**178**	**9**	**60**	**1,047**	**-**
Total	**$ 38,529**	**$ 1,785**	**$ 116**	**$ 1,047**	**$ 39,151**	**$ 291**
December 31, 2009						
Fixed maturity securities:						
U.S. Treasury securities and obligations of government agencies	$ 184	$ 16	$ 1		$ 199	
Asset-backed securities:						
Residential mortgage-backed securities	7,470	72	43	$ 561	6,938	$ 246
Commercial mortgage-backed securities	709	10	1	134	584	3
Other asset-backed securities	858	14	1	39	832	
Total asset-backed securities	9,037	96	45	734	8,354	249
States, municipalities and political subdivisions-tax-exempt securities	7,142	201	25	325	6,993	

Corporate and other taxable bonds	19,015	1,123	50	249	19,839	26
Redeemable preferred stock	51	4		1	54	
Fixed maturities available-for-sale	35,429	1,440	121	1,309	35,439	275
Fixed maturities, trading	395	3		21	377	
Total fixed maturities	35,824	1,443	121	1,330	35,816	275
Equity securities:						
Common stock	61	14	1	1	73	
Preferred stock	572	40		41	571	
Equity securities available-for-sale	633	54	1	42	644	-
Equity securities, trading	310	109	10	46	363	
Total equity securities	943	163	11	88	1,007	-
Total	$ 36,767	$ 1,606	$ 132	$ 1,418	$ 36,823	$ 275

The amount of pretax net unrealized gains on available-for-sale securities reclassified out of Accumulated other comprehensive income (AOCI) into earnings was $32 million for the three months ended March 31, 2010.

Activity for the three months ended March 31, 2010 related to the pretax fixed maturity credit loss component reflected within Retained earnings for securities still held at March 31, 2010 was as follows:

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(In millions)	Three Months Ended March 31, 2010
Beginning balance of credit losses on fixed maturity securities	**$ 164**
Additional credit losses for which an OTTI loss was previously recognized	**11**
Additional credit losses for which an OTTI loss was not previously recognized	**5**
Reductions for securities sold during the period	**(9)**
Ending balance of credit losses on fixed maturity securities	**$ 171**

Based on current facts and circumstances, the Company has determined that no additional OTTI losses related to the securities in an unrealized loss position presented in the March 31, 2010 summary of fixed maturity and equity securities table above are required to be recorded. A discussion of some of the factors reviewed in making that determination is presented below.

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

Asset-Backed Securities

The fair value of total asset-backed holdings at March 31, 2010 was $8,476 million which was comprised of 2,142 different asset-backed structured securities. The fair value of these securities does not tend to be influenced by the credit of the issuer but rather the characteristics and projected cash flows of the underlying collateral. Each security has deal-specific tranche structures, credit support that results from the unique deal structure, particular collateral characteristics and other distinct security terms. As a result, seemingly common factors such as delinquency rates and collateral performance affect each security differently. Of these securities, 202 have underlying collateral that is either considered sub-prime or Alt-A in nature. The exposure to sub-prime residential mortgage collateral and Alternative A residential mortgages that have lower than normal standards of loan documentation collateral is measured by the original deal structure.

Residential mortgage-backed securities include 270 structured securities in a gross unrealized loss position. In addition, there were 60 agency mortgage-backed pass-through securities which are guaranteed by agencies of the U.S. Government in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 8.8% of amortized cost.

Commercial mortgage-backed securities include 35 securities in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 16.4% of amortized cost. Other asset-backed securities include 40 securities in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 6.5% of amortized cost.

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

March 31, 2010 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
U.S. Government Agencies	$ 1,568	$ 1,549	$ 19
AAA	1,933	1,752	181
AA	485	420	65
A	302	243	59
BBB	436	392	44
Non-investment grade and equity tranches	1,330	1,126	204
Total	$ 6,054	$ 5,482	$ 572

The Company believes the unrealized losses are primarily attributable to broader economic conditions, liquidity concerns and wider than historical bid/ask spreads, and are not indicative of the quality of the underlying collateral. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Generally, non-investment grade securities consist of investments which were investment grade at the time of purchase but have subsequently been downgraded and primarily consist of holdings senior to the equity tranche. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of principal and interest, collateral shortfalls, or substantial changes in future cash flow expectations; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at March 31, 2010.

States, Municipalities and Political Subdivisions Tax-Exempt Securities

The tax-exempt portfolio consists primarily of special revenue and assessment bonds, representing 82.8% of the overall portfolio, followed by general obligation political subdivision bonds at 12.7% and state general obligation bonds at 4.5%.

The unrealized losses on the Company s investments in tax-exempt municipal securities are due to market conditions in certain sectors or states that continued to lag behind the broader municipal market recovery. Market conditions in the tax-exempt sector continued to improve in the first quarter of 2010. However, yields for certain issuers and types of securities, such as zero coupon bonds, auction rate and tobacco securitizations, continue to be higher than historical norms relative to after tax returns on other fixed income alternatives. The holdings for all tax-exempt securities in this category include 313 securities in a gross unrealized loss position. The aggregate severity of the total gross unrealized losses was approximately 11.6% of amortized cost.

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

March 31, 2010 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
AAA	$ 1,195	$ 1,130	$ 65
AA	801	666	135
A	424	402	22
BBB	480	363	117
Non-investment grade	21	20	1
Total	$ 2,921	$ 2,581	$ 340

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The largest exposures at March 31, 2010 as measured by gross unrealized losses were special revenue bonds issued by several states backed by tobacco settlement funds with gross unrealized losses of $105 million, and several separate issues of Puerto Rico sales tax revenue bonds with gross unrealized losses of $79 million. All of these securities are rated investment grade.

The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of principal and interest; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at March 31, 2010.

Corporate and Other Taxable Bonds

The holdings in this category include 489 securities in a gross unrealized loss position. The aggregate severity of the gross unrealized losses was 3.4% of amortized cost.

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

March 31, 2010	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
(In millions)			
Ratings distribution:			
AAA	$ 322	$ 316	$ 6
AA	791	785	6
A	1,368	1,332	36
BBB	1,691	1,617	74
Non-investment grade	680	636	44
Total	$ 4,852	$ 4,686	$ 166

The unrealized losses on corporate and other taxable bonds are attributable to lingering impacts of the broader credit market deterioration primarily in the financial sector of the portfolio. Overall conditions in the corporate bond market have continued to improve in the first quarter of 2010, resulting in improvement in the Company s unrealized position. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Additionally, the Company believes that the unrealized losses were not due to factors regarding the ultimate collection of principal and interest; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at March 31, 2010.

The Company has invested in securities with characteristics of both debt and equity investments, often referred to as hybrid debt securities. Such securities are typically debt instruments issued with long or extendable maturity dates, may provide for the ability to defer interest payments without defaulting and are usually lower in the capital structure of the issuer than traditional bonds. The data in the table above includes financial industry sector hybrid debt securities with an aggregate fair value of $670 million and an aggregate amortized cost of $700 million.

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Contractual Maturity

The following table summarizes available-for-sale fixed maturity securities by contractual maturity at March 31, 2010 and December 31, 2009. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties. Securities not due at a single date are allocated based on weighted average life.

	March 31, 2010		December 31, 2009	
(In millions)	**Amortized Cost**	**Estimated Fair Value**	Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 1,333**	**$ 1,325**	$ 1,240	$ 1,219
Due after one year through five years	**11,371**	**11,679**	10,046	10,244
Due after five years through ten years	**10,469**	**10,567**	10,647	10,539
Due after ten years	**13,954**	**14,082**	13,496	13,437
Total	**$ 37,127**	**$ 37,653**	$ 35,429	$ 35,439

Investment Commitments

As of March 31, 2010, the Company had committed approximately $243 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 loans as part of its overall investment strategy and has committed to additional future purchases and sales. The purchase and sale of these investments are recorded on the date that the legal agreements are finalized and cash settlements are made. As of March 31, 2010, the Company had commitments to purchase $337 million and sell $110 million of various bank loans.

3. Fair Value

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

Level 1 Quoted prices for identical instruments in active markets.

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

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

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

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

March 31, 2010 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of government agencies	$ 130	$ 50		$ 180
Asset-backed securities:				
Residential mortgage-backed securities		6,259	$ 679	6,938
Commercial mortgage-backed securities		617	112	729
Other asset-backed securities		441	368	809
Total asset-backed securities	-	7,317	1,159	8,476
States, municipalities and political subdivisions-tax-exempt securities		5,572	737	6,309
Corporate and other taxable bonds	118	21,830	680	22,628
Redeemable preferred stock	3	53	4	60
Fixed maturities available-for-sale	251	34,822	2,580	37,653
Fixed maturities, trading	147	88	216	451
Total fixed maturities	$ 398	$ 34,910	$ 2,796	$ 38,104
Equity securities available-for-sale	$ 526	$ 147	$ 8	$ 681
Equity securities, trading	366			366
Total equity securities	$ 892	$ 147	$ 8	$ 1,047
Short term investments	$ 5,676	$ 510	$ 1	$ 6,187
Receivables		126	2	128
Life settlement contracts			131	131
Separate account business	44	358	40	442
Payable to brokers	(71)	(146)	(29)	(246)
Discontinued operations investments, included in Other assets	14	110	15	139

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December 31, 2009	Level 1	Level 2	Level 3	Total
(In millions)				
Fixed maturity securities:				
U.S. Treasury securities and obligations of government agencies	$ 145	$ 54		$ 199
Asset-backed securities:				
Residential mortgage-backed securities		6,309	$ 629	6,938
Commercial mortgage-backed securities		461	123	584
Other asset-backed securities		484	348	832
Total asset-backed securities		7,254	1,100	8,354
States, municipalities and political subdivisions-tax-exempt securities		6,237	756	6,993
Corporate and other taxable bonds	139	19,091	609	19,839
Redeemable preferred stock	3	49	2	54
Fixed maturities available-for-sale	287	32,685	2,467	35,439
Fixed maturities, trading	102	78	197	377
Total fixed maturities	$ 389	$ 32,763	$ 2,664	$ 35,816
Equity securities available-for-sale	$ 503	$ 130	$ 11	$ 644
Equity securities, trading	363			363
Total equity securities	$ 866	$ 130	$ 11	$ 1,007
Short term investments	$ 6,818	$ 397		$ 7,215
Receivables		53	$ 2	55
Life settlement contracts			130	130
Separate account business	43	342	38	423
Payable to brokers	(87)	(135)	(50)	(272)
Discontinued operations investments, included in Other liabilities	19	106	16	141

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The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2010 and 2009:

2010	Beginning Balance	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases, Sales, Issuances and Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, March 31	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at March 31
(In millions)								
Fixed maturity securities:								
Asset-backed securities:								
Residential mortgage-backed securities	$ 629	$ (10)	$ 26	$ 42		$ (8)	$ 679	$ (11)
Commercial mortgage-backed securities	123	(1)	(4)	(5)	$ 7	(8)	112	(2)
Other asset-backed securities	348	4	21	(5)			368	
Total asset-backed securities	1,100	(7)	43	32	7	(16)	1,159	(13)
States, municipalities and political subdivisions-tax-exempt securities	756		2	(21)			737	
Corporate and other taxable bonds	609	2	29	55	9	(24)	680	
Redeemable preferred stock	2		2				4	
Fixed maturities available-for-sale	2,467	(5)	76	66	16	(40)	2,580	(13)
Fixed maturities, trading	197	6		13			216	6
Total fixed maturities	$ 2,664	$ 1	$ 76	$ 79	$ 16	$ (40)	$ 2,796	$ (7)
Equity securities available-for-sale	$ 11				$ 2	$ (5)	$ 8	
Short term investments					1		1	
Life settlement contracts	130	$ 10		$ (9)			131	$ 3
Separate account business	38			2			40	
Discontinued operations investments	16		$ 1	(2)			15	
	(48)	(8)	14	15			(27)	

Derivative financial instruments, net

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2009	Beginning Balance	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses): Included in Net Income (Loss)	Included in OCI	Purchases, Sales, Issuances and Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, March 31	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at March 31
(In millions)								
Fixed maturity securities:								
Asset-backed securities:								
Residential mortgage-backed securities	$ 782	$ (17)	$ 1	$ (23)			$ 743	$ (19)
Commercial mortgage-backed securities	186	(10)	(13)	(5)			158	(9)
Other asset-backed securities	139	(30)	30	(40)	$ 153		252	(32)
Total asset-backed securities	1,107	(57)	18	(68)	153		1,153	(60)
States, municipalities and political subdivisions-tax-exempt securities	750		37	(3)			784	
Corporate and other taxable bonds	622	(5)	(1)	204	2	$ (13)	809	(6)
Redeemable preferred stock	13	(9)	8	7			19	(9)
Fixed maturities available-for-sale	2,492	(71)	62	140	155	(13)	2,765	(75)
Fixed maturities, trading	218	3		(8)			213	
Total fixed maturities	$ 2,710	$ (68)	$ 62	$ 132	$ 155	$ (13)	$ 2,978	$ (75)
Equity securities available-for-sale	$ 210						$ 210	
Life settlement contracts	129	$ 11		$ (13)			127	$ 2
Separate account business	38		$ 1	(1)			38	
Discontinued operations investments	15		(1)	(1)			13	
Derivative financial instruments, net	(72)	18	(10)	6			(58)	24

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

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

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

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

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

Fixed Maturity Securities

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

Equity Securities

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

Derivative Financial Instruments

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

Short Term Investments

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

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Life Settlement Contracts

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

Discontinued Operations Investments

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

Separate Account Business

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

Assets and Liabilities Not Measured at Fair Value

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

	March 31, 2010		December 31, 2009	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
(In millions)				
Financial liabilities:				
Premium deposits and annuity contracts	**$ 104**	**$ 105**	$ 105	$ 106
Short term debt	**62**	**62**	10	10
Long term debt	**9,549**	**9,836**	9,475	9,574

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

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

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

4. Derivative Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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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.

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

March 31, 2010	**Fair Value of Credit Default Swaps**	**Maximum Amount of Future Payments under Credit Default Swaps**	**Weighted Average Years To Maturity**
(In millions)			
B	**$ 1**	**$ 8**	**2.9**
Total	**$ 1**	**$ 8**	**2.9**
December 31, 2009			
B		$ 8	3.1
Total		$ 8	3.1

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to the instruments recognized on the Consolidated Condensed Balance Sheets. The Company attempts to mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives to multiple counterparties. The Company generally requires that all over-the-counter derivative contracts be governed by an International Swaps and Derivatives Association (ISDA) Master Agreement, and exchanges collateral under the terms of these agreements with its derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty. The Company does not offset its net derivative positions against the fair value of the collateral provided. The fair value of collateral provided by the Company was $13 million at March 31, 2010 and $7 million at December 31, 2009 and primarily consisted of cash and U.S. Treasury Bills. The fair value of cash collateral received from counterparties was $2 million at March 31, 2010 and $1 million at December 31, 2009.

The agreements governing HighMount s derivative instruments contain certain covenants, including a maximum debt to capitalization ratio reviewed quarterly. If HighMount does not comply with these covenants, the counterparties to the derivative instruments could terminate the agreements and request payment on those derivative instruments in net liability positions. The aggregate fair value of HighMount s derivative instruments that are in a liability position was $161 million at March 31, 2010. HighMount was not required to post any collateral under the governing agreements. At March 31, 2010, HighMount was in compliance with all of its covenants under the derivatives agreements.

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

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

	March 31, 2010			December 31, 2009		
	Contractual/ Notional Amount	**Estimated Fair Value Asset**	**(Liability)**	Contractual/ Notional Amount	Estimated Fair Value Asset	(Liability)
(In millions)						
With hedge designation						
Interest rate risk:						
Interest rate swaps	**$ 1,095**		**$ (94)**	$ 1,600		