LOEWS CORP
Form 10-Q
August 01, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

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

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ____________ to ____________

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

Yes X No ____

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

Yes X No ____ Not Applicable ____

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

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

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

Yes ____ No X

Class	Outstanding at July 22, 2016
Common stock, $0.01 par value	337,106,639 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Dollar amounts in millions, except per share data)	June 30, 2016	December 31, 2015
Assets:		
Investments:		
Fixed maturities, amortized cost of $38,285 and $37,407	$ 42,307	$ 39,701
Equity securities, cost of $642 and $824	667	752
Limited partnership investments	3,355	3,313
Other invested assets, primarily mortgage loans	696	824
Short term investments	5,334	4,810
Total investments	52,359	49,400
Cash	348	440
Receivables	8,616	8,041
Property, plant and equipment	15,126	15,477
Goodwill	348	351
Other assets	1,766	1,699
Deferred acquisition costs of insurance subsidiaries	620	598
Total assets	$ 79,183	$ 76,006
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	$ 22,975	$ 22,663
Future policy benefits	11,140	10,152
Unearned premiums	3,865	3,671
Total insurance reserves	37,980	36,486
Payable to brokers	1,310	567
Short term debt	330	1,040
Long term debt	10,735	9,520
Deferred income taxes	604	382

Other liabilities	**5,193**	5,201
Total liabilities	**56,152**	53,196
Commitments and contingent liabilities		
Preferred stock, $0.10 par value:		
Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 339,941,534 and 339,897,547 shares	**3**	3
Additional paid-in capital	**3,197**	3,184
Retained earnings	**14,724**	14,731
Accumulated other comprehensive income (loss)	**119**	(357)
	18,043	17,561
Less treasury stock, at cost (2,552,593 shares)	**(98)**	
Total shareholders equity	**17,945**	17,561
Noncontrolling interests	**5,086**	5,249
Total equity	**23,031**	22,810
Total liabilities and equity	**$ 79,183**	$ 76,006

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
(In millions, except per share data)				
Revenues:				
Insurance premiums	**$ 1,730**	$ 1,735	**$ 3,429**	$ 3,422
Net investment income	**587**	510	**1,009**	1,098
Investment gains (losses):				
Other-than-temporary impairment losses	**(15)**	(31)	**(38)**	(43)
Other net investment gains	**16**	29	**11**	51
Total investment gains (losses)	**1**	(2)	**(27)**	8
Contract drilling revenues	**357**	617	**801**	1,217
Other revenues	**632**	575	**1,268**	1,168
Total	**3,307**	3,435	**6,480**	6,913
Expenses:				
Insurance claims and policyholders benefits	**1,339**	1,469	**2,747**	2,808
Amortization of deferred acquisition costs	**305**	314	**612**	617
Contract drilling expenses	**198**	344	**411**	695
Other operating expenses (Note 4)	**1,611**	879	**2,518**	2,128
Interest	**130**	134	**273**	265
Total	**3,583**	3,140	**6,561**	6,513
Income (loss) before income tax	**(276)**	295	**(81)**	400
Income tax expense	**(12)**	(48)	**(8)**	(104)
Net income (loss)	**(288)**	247	**(89)**	296
Amounts attributable to noncontrolling interests	**223**	(77)	**126**	(17)
Net income (loss) attributable to Loews Corporation	**$ (65)**	$ 170	**$ 37**	$ 279
Basic and diluted net income (loss) per share	**$ (0.19)**	$ 0.46	**$ 0.11**	$ 0.75

Dividends per share	**$ 0.0625**	$ 0.0625	**$ 0.125**	$ 0.125
Weighted average shares outstanding:				
Shares of common stock	**338.72**	369.61	**338.91**	371.21
Dilutive potential shares of common stock		0.36	**0.19**	0.36
Total weighted average shares outstanding assuming dilution	**338.72**	369.97	**339.10**	371.57

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 June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Net income (loss)	**$ (288)**	$ 247	**$ (89)**	$ 296
Other comprehensive income (loss), after tax				
Changes in:				
Net unrealized gains (losses) on investments with other-than-temporary impairments	**(1)**	(4)	**4**	(5)
Net other unrealized gains (losses) on investments	**321**	(363)	**549**	(253)
Total unrealized gains (losses) on available-for-sale investments	**320**	(367)	**553**	(258)
Unrealized gains on cash flow hedges		1	**1**	4
Pension liability	**5**	43	**13**	47
Foreign currency	**(48)**	49	**(34)**	(47)
Other comprehensive income (loss)	**277**	(274)	**533**	(254)
Comprehensive income (loss)	**(11)**	(27)	**444**	42
Amounts attributable to noncontrolling interests	**191**	(48)	**69**	9
Total comprehensive income (loss) attributable to Loews Corporation	**$ 180**	$ (75)	**$ 513**	$ 51

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

(Unaudited)

	Loews Corporation Shareholders						
(In millions)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
Balance, January 1, 2015	$ 24,650	$ 4	$ 3,481	$ 15,515	$ 280	$ -	$ 5,370
Net income	296			279			17
Other comprehensive loss	(254)				(228)		(26)
Dividends paid	(156)			(46)			(110)
Issuance of equity securities by subsidiary	115		(2)		1		116
Purchases of subsidiary stock from noncontrolling interests	(26)		3				(29)
Purchases of Loews treasury stock	(305)					(305)	
Issuance of Loews common stock	7		7				
Stock-based compensation	12		12				
Other	(7)		(18)	(1)			12
Balance, June 30, 2015	$ 24,332	$ 4	$ 3,483	$ 15,747	$ 53	$ (305)	$ 5,350
Balance, January 1, 2016	**$ 22,810**	**$ 3**	**$ 3,184**	**$ 14,731**	**$ (357)**	**$ -**	**$ 5,249**

Net income (loss)	**(89)**			**37**			**(126)**
Other comprehensive income	**533**				**476**		**57**
Dividends paid	**(136)**			**(42)**			**(94)**
Purchases of subsidiary stock from noncontrolling interests	**(9)**		**3**				**(12)**
Purchases of Loews treasury stock	**(98)**					**(98)**	
Stock-based compensation	**24**		**23**				**1**
Other	**(4)**		**(13)**	**(2)**			**11**
Balance, June 30, 2016	**$ 23,031**	**$ 3**	**$ 3,197**	**$ 14,724**	**$ 119**	**$ (98)**	**$ 5,086**

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30	2016	2015
(In millions)		
Operating Activities:		
Net income (loss)	$ (89)	$ 296
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities, net	1,389	803
Changes in operating assets and liabilities, net:		
Receivables	(429)	(243)
Deferred acquisition costs	(25)	(8)
Insurance reserves	666	451
Other assets	(87)	(102)
Other liabilities	(106)	(120)
Trading securities	(548)	10
Net cash flow operating activities	771	1,087
Investing Activities:		
Purchases of fixed maturities	(4,874)	(5,029)
Proceeds from sales of fixed maturities	3,070	2,859
Proceeds from maturities of fixed maturities	1,247	2,304
Purchases of limited partnership investments	(280)	(78)
Proceeds from sales of limited partnership investments	124	85
Purchases of property, plant and equipment	(974)	(1,227)
Dispositions	274	20
Change in short term investments	148	119
Other, net	148	(87)
Net cash flow investing activities	(1,117)	(1,034)
Financing Activities:		
Dividends paid	(42)	(46)
Dividends paid to noncontrolling interests	(94)	(110)
Purchases of subsidiary stock from noncontrolling interests	(8)	(24)
Purchases of Loews treasury stock	(86)	(287)

Issuance of Loews common stock		7
Proceeds from sale of subsidiary stock		114
Principal payments on debt	**(2,352)**	(1,329)
Issuance of debt	**2,843**	1,503
Other, net	**(1)**	6
Net cash flow financing activities	**260**	(166)
Effect of foreign exchange rate on cash	**(6)**	(2)
Net change in cash	**(92)**	(115)
Cash, beginning of period	**440**	364
Cash, end of period	**$ 348**	$ 249

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 53% owned subsidiary); transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 51% owned subsidiary); and the operation of a chain of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the Company s financial position as of June 30, 2016 and December 31, 2015, results of operations and comprehensive income for the three and six months ended June 30, 2016 and 2015 and changes in shareholders equity and cash flows for the six months ended June 30, 2016 and 2015. Net income (loss) for the second quarter and first half of each of the years is not necessarily indicative of net income (loss) for that entire year. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2015.

The Company presents basic and diluted net income (loss) per share on the Consolidated Condensed Statements of Income. Basic net income (loss) per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Shares attributable to employee stock-based compensation plans of 4.7 million, 3.7 million, 5.1 million and 3.6 million shares were not included in the diluted weighted average shares amounts for the three and six months ended June 30, 2016 and 2015 because the effect would have been antidilutive.

Accounting changes In April of 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The updated accounting guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, rather than as a deferred asset. As required, the Company s Consolidated Condensed Balance Sheet has been retrospectively adjusted to reflect the effect of the adoption of the updated accounting guidance, which resulted in a decrease of $23 million in Other assets and Long term debt at December 31, 2015.

Recently issued ASUs In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new accounting guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new accounting guidance provides a five-step analysis of transactions to determine when and how revenue is recognized and requires enhanced disclosures about revenue. In August of 2015, the FASB formally amended the effective date of this update to annual reporting periods beginning after December 15, 2017, including interim periods, and it can be adopted either retrospectively or with a cumulative effect adjustment at the date of adoption. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated financial statements.

In May of 2015, the FASB issued ASU 2015-09, Financial Services Insurance (Topic 944): Disclosures about Short-Duration Contracts. The updated accounting guidance requires enhanced disclosures to provide additional information about insurance liabilities for short-duration contracts. The guidance is effective for annual periods

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beginning after December 15, 2015 and for interim periods beginning after December 15, 2016. The Company is currently evaluating the effect the updated guidance will have on its financial statement disclosures, but expects to provide additional incurred and paid claims development information by accident year, quantitative information about claim frequency and the history of claims duration for significant lines of business within the annual financial statements.

In January of 2016, the FASB issued ASU 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated accounting guidance requires changes to the reporting model for financial instruments. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements, and expects the primary change to be the requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income (loss).

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The updated guidance requires lessees to recognize lease assets and lease liabilities for most operating leases. In addition, the updated guidance requires that lessors separate lease and nonlease components in a contract in accordance with the new revenue guidance in ASU 2014-09. The updated guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the effect the updated guidance will have on its consolidated financial statements.

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The updated accounting guidance requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income (loss). The guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements, and expects the primary changes to be the use of the expected credit loss model for the mortgage loan portfolio and reinsurance receivables and the presentation of credit losses within the available-for-sale fixed maturities portfolio through an allowance method rather than as a direct write-down. The expected credit loss model will require a financial asset to be presented at the net amount expected to be collected. The allowance method for available-for-sale debt securities will allow the Company to record reversals of credit losses when the estimate of credit losses declines.

2. Investments

Net investment income is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Fixed maturity securities	**$ 449**	$ 452	**$ 895**	$ 895
Limited partnership investments	**47**	50	**7**	210
Short term investments	**2**		**5**	3
Equity securities	**4**	3	**7**	6

Income (loss) from trading portfolio (a)	**87**	11	**102**	(4)
Other	**13**	9	**22**	17
Total investment income	**602**	525	**1,038**	1,127
Investment expenses	**(15)**	(15)	**(29)**	(29)
Net investment income	**$ 587**	$ 510	**$ 1,009**	$ 1,098

(a) Includes net unrealized gains (losses) related to changes in fair value on trading securities still held of $60, $(10), $81 and $(17) for the three and six months ended June 30, 2016 and 2015.

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Investment gains (losses) are as follows:

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Fixed maturity securities	**$ 4**	$ (12)	**$ (13)**	
Equity securities	**3**	(1)	**(2)**	$ (1)
Derivative instruments	**(6)**	11	**(13)**	10
Short term investments and other			**1**	(1)
Investment gains (losses) (a)	**$ 1**	$ (2)	**$ (27)**	$ 8

(a) Includes gross realized gains of $44, $36, $89 and $70 and gross realized losses of $37, $49, $104 and $71 on available-for-sale securities for the three and six months ended June 30, 2016 and 2015.

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

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Fixed maturity securities available-for-sale:				
Corporate and other bonds	**$ 13**	$ 11	**$ 29**	$ 16
States, municipalities and political subdivisions		13		18
Asset-backed:				
Residential mortgage-backed	**1**	5	**1**	6
Other asset-backed	**1**	1	**3**	1
Total asset-backed	**2**	6	**4**	7
Total fixed maturities available-for-sale	**15**	30	**33**	41
Equity securities available-for-sale - common stock			**5**	1
Short term investments		1		1
Net OTTI losses recognized in earnings	**$ 15**	$ 31	**$ 38**	$ 43

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

June 30, 2016	**Cost or Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Unrealized OTTI Losses (Gains)**
(In millions)					
Fixed maturity securities:					
Corporate and other bonds	**$ 17,613**	**$ 1,684**	**$ 93**	**$ 19,204**	**$ (1)**
States, municipalities and political subdivisions	**11,661**	**2,114**	**2**	**13,773**	**(25)**
Asset-backed:					
Residential mortgage-backed	**4,994**	**215**	**20**	**5,189**	**(21)**
Commercial mortgage-backed	**2,080**	**91**	**8**	**2,163**	
Other asset-backed	**928**	**8**	**5**	**931**	
Total asset-backed	**8,002**	**314**	**33**	**8,283**	**(21)**
U.S. Treasury and obligations of government-sponsored enterprises	**81**	**11**		**92**	
Foreign government	**438**	**22**		**460**	
Redeemable preferred stock	**33**	**2**		**35**	
Fixed maturities available-for-sale	**37,828**	**4,147**	**128**	**41,847**	**(47)**
Fixed maturities trading	**457**	**4**	**1**	**460**	
Total fixed maturities	**38,285**	**4,151**	**129**	**42,307**	**(47)**
Equity securities:					
Common stock	**20**	**5**	**2**	**23**	
Preferred stock	**97**	**6**	**3**	**100**	
Equity securities available-for-sale	**117**	**11**	**5**	**123**	**-**
Equity securities trading	**525**	**108**	**89**	**544**	
Total equity securities	**642**	**119**	**94**	**667**	**-**
Total	**$ 38,927**	**$ 4,270**	**$ 223**	**$ 42,974**	**$ (47)**

December 31, 2015					
(In millions)					
Fixed maturity securities:					
Corporate and other bonds	$ 17,097	$ 1,019	$ 347	$ 17,769	

States, municipalities and political subdivisions	11,729	1,453	8	13,174	$ (4)
Asset-backed:					
Residential mortgage-backed	4,935	154	17	5,072	(37)
Commercial mortgage-backed	2,154	55	12	2,197	
Other asset-backed	923	6	8	921	
Total asset-backed	8,012	215	37	8,190	(37)
U.S. Treasury and obligations of government-sponsored enterprises	62	5		67	
Foreign government	334	13	1	346	
Redeemable preferred stock	33	2		35	
Fixed maturities available-for-sale	37,267	2,707	393	39,581	(41)
Fixed maturities, trading	140		20	120	
Total fixed maturities	37,407	2,707	413	39,701	(41)
Equity securities:					
Common stock	46	3	1	48	
Preferred stock	145	7	3	149	
Equity securities available-for-sale	191	10	4	197	-
Equity securities, trading	633	56	134	555	
Total equity securities	824	66	138	752	-
Total	$ 38,231	$ 2,773	$ 551	$ 40,453	$ (41)

The net unrealized gains on investments included in the tables above are recorded as a component of Accumulated other comprehensive income (AOCI). When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. To the extent that unrealized gains on fixed income securities supporting certain products within CNA s Life & Group Non-Core business would result in a premium deficiency if

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realized, a related increase in Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through Other comprehensive income (Shadow Adjustments). As of June 30, 2016 and December 31, 2015, the net unrealized gains on investments included in AOCI were correspondingly reduced by Shadow Adjustments of $1.5 billion and $996 million.

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

	Less than 12 Months		12 Months or Longer		Total	
June 30, 2016	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
(In millions)						
Fixed maturity securities:						
Corporate and other bonds	**$ 1,032**	**$ 43**	**$ 562**	**$ 50**	**$ 1,594**	**$ 93**
States, municipalities and political subdivisions	**68**	**2**	**10**		**78**	**2**
Asset-backed:						
Residential mortgage-backed	**293**	**8**	**234**	**12**	**527**	**20**
Commercial mortgage-backed	**386**	**7**	**118**	**1**	**504**	**8**
Other asset-backed	**306**	**5**	**5**		**311**	**5**
Total asset-backed	**985**	**20**	**357**	**13**	**1,342**	**33**
Foreign government	**8**		**5**		**13**	
Total fixed maturity securities	**2,093**	**65**	**934**	**63**	**3,027**	**128**
Common stock	**4**	**2**			**4**	**2**
Preferred stock	**23**	**3**			**23**	**3**
Total	**$ 2,120**	**$ 70**	**$ 934**	**$ 63**	**$ 3,054**	**$ 133**
December 31, 2015						
(In millions)						
Fixed maturity securities:						
Corporate and other bonds	$ 4,882	$ 302	$ 174	$ 45	$ 5,056	$ 347
States, municipalities and political subdivisions	338	8	75		413	8
Asset-backed:						
Residential mortgage-backed	963	9	164	8	1,127	17

Commercial mortgage-backed	652	10	96	2	748	12
Other asset-backed	552	8	5		557	8
Total asset-backed	2,167	27	265	10	2,432	37
U.S. Treasury and obligations of government-sponsored enterprises	4				4	
Foreign government	54	1			54	1
Redeemable preferred stock	3				3	
Total fixed maturity securities	7,448	338	514	55	7,962	393
Common stock	3	1			3	1
Preferred stock	13	3			13	3
Total	$ 7,464	$ 342	$ 514	$ 55	$ 7,978	$ 397

Based on current facts and circumstances, the Company believes the unrealized losses presented in the table above are not indicative of the ultimate collectibility of the current amortized cost of the securities, but rather are attributable to changes in interest rates, credit spreads and other factors. The Company has no current intent to sell securities with unrealized losses, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded as of June 30, 2016.

The following table presents the activity related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held as of June 30, 2016 and 2015 for which a portion of an OTTI loss was recognized in Other comprehensive income.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Beginning balance of credit losses on fixed maturity securities	**$ 48**	$ 61	**$ 53**	$ 62
Reductions for securities sold during the period	**(7)**	(2)	**(12)**	(3)
Ending balance of credit losses on fixed maturity securities	**$ 41**	$ 59	**$ 41**	$ 59

Contractual Maturity

The following table presents available-for-sale fixed maturity securities by contractual maturity.

	June 30, 2016		December 31, 2015	
	Cost or Amortized Cost	**Estimated Fair Value**	Cost or Amortized Cost	Estimated Fair Value
(In millions)				
Due in one year or less	**$ 1,817**	**$ 1,855**	$ 1,574	$ 1,595
Due after one year through five years	**8,616**	**9,114**	7,738	8,082
Due after five years through ten years	**14,583**	**15,466**	14,652	14,915
Due after ten years	**12,812**	**15,412**	13,303	14,989
Total	**$ 37,828**	**$ 41,847**	$ 37,267	$ 39,581

Actual maturities may differ from contractual maturities because certain securities may be called or prepaid. Securities not due at a single date are allocated based on weighted average life.

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Derivative Financial Instruments

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and may not be representative of the potential for gain or loss on these instruments. Gross estimated fair values of derivative positions are currently presented in Equity securities, Receivables and Payable to brokers on the Consolidated Condensed Balance Sheets.

	June 30, 2016			December 31, 2015		
	Contractual/ Notional	**Estimated Fair Value**		Contractual/ Notional	Estimated Fair Value	
	Amount	**Asset**	**(Liability)**	Amount	Asset	(Liability)
(In millions)						
Without hedge designation:						
Equity markets:						
Options purchased	**$ 229**	**$ 24**		$ 501	$ 16	
written	**198**		**$ (10)**	614		$ (28)
Futures long				312		(1)
short	**51**		**(1)**			
Interest rate risk:						
Futures long				63		
Foreign exchange:						
Currency forwards long				133	2	
short				152		
Currency options long	**250**	**1**		550	7	
Commodities:						
Futures long	**62**		**(1)**			
Swaps short	**50**					
Embedded derivative on funds withheld liability	**177**		**(8)**	179	5	

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.

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

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

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

June 30, 2016	Level 1	Level 2	Level 3	Total
(In millions)				
Fixed maturity securities:				
Corporate and other bonds		$ 18,962	$ 242	$ 19,204
States, municipalities and political subdivisions		13,771	2	13,773
Asset-backed:				
Residential mortgage-backed		5,055	134	5,189
Commercial mortgage-backed		2,152	11	2,163
Other asset-backed		886	45	931
Total asset-backed		8,093	190	8,283
U.S. Treasury and obligations of government-sponsored enterprises	$ 91	1		92
Foreign government		460		460
Redeemable preferred stock	35			35
Fixed maturities available-for-sale	126	41,287	434	41,847
Fixed maturities trading		454	6	460
Total fixed maturities	$ 126	$ 41,741	$ 440	$ 42,307
Equity securities available-for-sale	$ 104		$ 19	$ 123
Equity securities trading	542		2	544
Total equity securities	$ 646	$ -	$ 21	$ 667
Short term investments	$ 4,289	$ 950		$ 5,239
Other invested assets	53	5		58

Receivables		**$ 1**	**1**
Life settlement contracts		**67**	**67**
Payable to brokers	**(657)**		**(657)**

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December 31, 2015	Level 1	Level 2	Level 3	Total
(In millions)				
Fixed maturity securities:				
Corporate and other bonds		$ 17,601	$ 168	$ 17,769
States, municipalities and political subdivisions		13,172	2	13,174
Asset-backed:				
Residential mortgage-backed		4,938	134	5,072
Commercial mortgage-backed		2,175	22	2,197
Other asset-backed		868	53	921
Total asset-backed		7,981	209	8,190
U.S. Treasury and obligations of government-sponsored enterprises	$ 66	1		67
Foreign government		346		346
Redeemable preferred stock	35			35
Fixed maturities available-for-sale	101	39,101	379	39,581
Fixed maturities trading		35	85	120
Total fixed maturities	$ 101	$ 39,136	$ 464	$ 39,701
Equity securities available-for-sale	$ 177		$ 20	$ 197
Equity securities trading	554		1	555
Total equity securities	$ 731	$ -	$ 21	$ 752
Short term investments	$ 3,600	$ 1,134		$ 4,734
Other invested assets	102	44		146
Receivables		9	$ 3	12
Life settlement contracts			74	74
Payable to brokers	(196)			(196)

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The following tables present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2016 and 2015:

2016	Balance, April 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 193	$ 1	$ 3	$ 94	$ (20)	$ (7)		$ (22)	$ 242	
States, municipalities and political subdivisions	2								2	
Asset-backed:										
Residential mortgage-backed	128	1	(1)	10		(4)			134	
Commercial mortgage- backed	27					(9)	$ 3	(10)	11	
Other asset-backed	50		2	35	(25)	(1)		(16)	45	
Total asset-backed	205	1	1	45	(25)	(14)	3	(26)	190	$ -
Fixed maturities available-for-sale	400	2	4	139	(45)	(21)	3	(48)	434	
Fixed maturities trading	3	4			(1)				6	4
Total fixed maturities	$ 403	$ 6	$ 4	$ 139	$ (46)	$ (21)	$ 3	$ (48)	$ 440	$ 4

Equity securities available-for-sale	**$ 19**								**$ 19**	
Equity securities trading	**-**	**$ 1**		**$ 1**					**2**	**$ 1**
Total equity securities	**$ 19**	**$ 1**	**$ -**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 21**	**$ 1**
Life settlement contracts	**$ 72**	**$ 6**				**$ (11)**			**$ 67**	**$ (3)**
Derivative financial instruments, net		**(2)**					**$ 3**		**1**	**(3)**

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2015	Balance, April 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 186	$ (2)	$ (1)			$ (7)		$ (35)	$ 141	$ (3)
States, municipalities and political subdivisions	86					(1)			85	
Asset-backed:										
Residential mortgage-backed	232	1	(2)			(11)		(13)	207	
Commercial mortgage-backed	64	1	(1)	$ 9		(1)	$ 17	(2)	87	
Other asset-backed	553	2	1	47	$ (90)	(17)		(6)	490	
Total asset-backed	849	4	(2)	56	(90)	(29)	17	(21)	784	-
Fixed maturities available-for-sale	1,121	2	(3)	56	(90)	(37)	17	(56)	1,010	(3)
Fixed maturities trading	89								89	
Total fixed maturities	$ 1,210	$ 2	$ (3)	$ 56	$ (90)	$ (37)	$ 17	$ (56)	$ 1,099	$ (3)
Equity securities available-for-sale	$ 13		$ 3						$ 16	
Equity securities trading	1								1	
Total equity securities	$ 14	$ -	$ 3	$ -	$ -	$ -	$ -	$ -	$ 17	$ -
Life settlement contracts	$ 79	$ 4				$ (8)			$ 75	$ (2)

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2016	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 168		$ 7	$ 147	$ (36)	$ (10)		$ (34)	$ 242	
States, municipalities and political subdivisions	2								2	
Asset-backed:										
Residential mortgage-backed	134	$ 2	(1)	10		(9)		(2)	134	
Commercial mortgage-backed	22			9		(9)	$ 3	(14)	11	
Other asset-backed	53		2	35	(25)	(1)	2	(21)	45	
Total asset-backed	209	2	1	54	(25)	(19)	5	(37)	190	$ -
Fixed maturities available-for-sale	379	2	8	201	(61)	(29)	5	(71)	434	
Fixed maturities trading	85	5		2	(86)				6	4
Total fixed maturities	$ 464	$ 7	$ 8	$ 203	$ (147)	$ (29)	$ 5	$ (71)	$ 440	$ 4
Equity securities available-for-sale	$ 20		$ (1)						$ 19	
	1	$ 1		$ 1	$ (1)				2	$ 1

Equity securities trading										
Total equity securities	**$ 21**	**$ 1**	**$ (1)**	**$ 1**	**$ (1)**	**$ -**	**$ -**	**$ -**	**$ 21**	**$ 1**
Life settlement contracts	**$ 74**	**$ 10**				**$ (17)**			**$ 67**	**$ (3)**
Derivative financial instruments, net	**3**	**(3)**			**$ (2)**		**$ 3**		**1**	**(3)**

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2015	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at June 30
(In millions)										
Fixed maturity securities:										
Corporate and other bonds	$ 162	$ (1)	$ (1)	$ 12	$ (12)	$ (21)	$ 37	$ (35)	$ 141	$ (3)
States, municipalities and political subdivisions	94	1				(10)			85	
Asset-backed:										
Residential mortgage-backed	189	2	(2)	72		(21)		(33)	207	
Commercial mortgage-backed	83	2		15		(2)	17	(28)	87	
Other asset-backed	655	3	10	82	(234)	(20)		(6)	490	
Total asset-backed	927	7	8	169	(234)	(43)	17	(67)	784	-
Fixed maturities available-for-sale	1,183	7	7	181	(246)	(74)	54	(102)	1,010	(3)
Fixed maturities trading	90				(1)				89	
Total fixed maturities	$ 1,273	$ 7	$ 7	$ 181	$ (247)	$ (74)	$ 54	$ (102)	$ 1,099	$ (3)
Equity securities available-for-sale	$ 16								$ 16	
Equity securities trading	1								1	

Total equity securities	$ 17	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17	$ -
Life settlement contracts	$ 82	$ 17				$ (24)			$ 75	$ (1)

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 Income Line Items
Fixed maturity securities available-for-sale	Investment gains (losses)
Fixed maturity securities, trading	Net investment income
Equity securities available-for-sale	Investment gains (losses)
Equity securities, trading	Net investment income
Other invested assets	Investment gains (losses) and Net investment income
Derivative financial instruments held in a trading portfolio	Net investment income
Derivative financial instruments, other	Investment gains (losses) and Other revenues
Life settlement contracts	Other revenues

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Securities may be transferred in or out of levels within the fair value hierarchy based on the availability of observable market information and quoted prices used to determine the fair value of the security. The availability of observable market information and quoted prices varies based on market conditions and trading volume. During the three and six months ended June 30, 2016 and 2015 there were no transfers between Level 1 and Level 2. The Company s policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

Valuation Methodologies and Inputs

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

Fixed Maturity Securities

Level 1 securities include highly liquid and exchange traded bonds and redeemable preferred stock, valued using quoted market prices. Level 2 securities include most other fixed maturity securities as the significant inputs are observable in the marketplace. All classes of Level 2 fixed maturity securities are valued using a methodology based on information generated by market transactions involving identical or comparable assets, a discounted cash flow methodology or a combination of both when necessary. Common inputs for all classes of fixed maturity securities include prices from recently executed transactions of similar securities, marketplace quotes, benchmark yields, spreads off benchmark yields, interest rates and U.S. Treasury or swap curves. Specifically for asset-backed securities, key inputs include prepayment and default projections based on past performance of the underlying collateral and current market data. Fixed maturity securities are primarily 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. Level 3 securities also include private placement debt securities whose fair value is determined using internal models with inputs that are not market observable.

Equity Securities

Level 1 equity securities include publicly traded securities valued using quoted market prices. Level 2 securities are primarily non-redeemable preferred stocks and common stocks valued using pricing for similar securities, recently executed transactions and other pricing models utilizing market observable inputs. Level 3 securities are primarily priced using broker/dealer quotes and 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 primarily include currency forwards valued using observable market forward rates. Over-the-counter derivatives, principally interest rate swaps, total return swaps, commodity 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

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 primarily includes commercial paper, for which all inputs are market observable. Fixed maturity securities purchased within one year of maturity are valued consistent with fixed maturity securities discussed above. Short term investments as presented in the tables above differ from the amounts presented in the Consolidated Condensed Balance Sheets because certain short term investments, such as time deposits, are not measured at fair value.

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Other Invested Assets

Level 1 securities include exchange traded open-end funds valued using quoted market prices.

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.

Significant Unobservable Inputs

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

June 30, 2016	**Estimated Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
	(In millions)			
Fixed maturity securities	**$ 226**	**Discounted cash flow**	**Credit spread**	**1% 40% (6%)**
Life settlement contracts	**67**	**Discounted cash flow**	**Discount rate risk premium**	**9%**
			Mortality assumption	**55% 1,676% (162%)**
December 31, 2015				
Fixed maturity securities	$ 138	Discounted cash flow	Credit spread	3% 184% (6%)
Life settlement contracts	74	Discounted cash flow	Discount rate risk premium	9%
			Mortality assumption	55% 1,676% (164%)

For fixed maturity securities, an increase to the credit spread assumptions would result in a lower fair value measurement. For life settlement contracts, an increase in the discount rate risk premium or decrease in the mortality assumption would result in a lower fair value measurement.

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Financial Assets and Liabilities Not Measured at Fair Value

The carrying amount, estimated fair value and the level of the fair value hierarchy of the Company s financial assets and liabilities which are not measured at fair value on the Consolidated Condensed Balance Sheets are presented in the following tables. The carrying amounts and estimated fair values of short term debt and long term debt exclude capital lease obligations. The carrying amounts reported on the Consolidated Condensed Balance Sheets for cash and short term investments not carried at fair value and certain other assets and liabilities approximate fair value due to the short term nature of these items.

June 30, 2016	**Carrying Amount**	**Estimated Fair Value Level 1**	**Level 2**	**Level 3**	**Total**
(In millions)					
Assets:					
Other invested assets, primarily mortgage loans	**$ 610**			**$ 638**	**$ 638**
Liabilities:					
Short term debt	**329**		**$ 327**	**2**	**329**
Long term debt	**10,721**		**10,267**	**648**	**10,915**
December 31, 2015					
Assets:					
Other invested assets, primarily mortgage loans	$ 678			$ 688	$ 688
Liabilities:					
Short term debt	1,038		$ 1,050	2	1,052
Long term debt	9,507		8,538	595	9,133

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

The fair value of mortgage loans, included in Other invested assets, was based on the present value of the expected future cash flows discounted at the current interest rate for similar financial instruments, adjusted for specific loan risk.

Fair value of debt was based on observable market prices when available. When observable market prices were not available, the fair value of debt was based on observable market prices of comparable instruments adjusted for differences between the observed 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. Property, Plant and Equipment

Diamond Offshore

Sale of Assets

In February of 2016, Diamond Offshore entered into a ten-year agreement with a subsidiary of GE Oil & Gas (GE) to provide services with respect to certain blowout preventer and related well control equipment on four newly-built drillships. Such services include management of maintenance, certification and reliability with respect to such equipment. In connection with the contractual services agreement with GE, Diamond Offshore will sell the well control equipment to a GE affiliate and subsequently lease back such equipment pursuant to separate ten-year operating leases. During the six months ended June 30, 2016, Diamond Offshore executed three sale and leaseback transactions and received $158 million in proceeds, which was less than the carrying value of the equipment. The resulting difference was recorded as prepaid rent with no gain or loss recognized on the transactions, and will be amortized over the terms of the operating leases. Future commitments under the operating leases and contractual services agreements are estimated to aggregate approximately $491 million over the term of the agreements. Diamond Offshore expects to complete the remaining sale and leaseback transaction in the third quarter of 2016.

Asset Impairments

During the second quarter of 2016, in response to the continuing decline in industry-wide utilization for semisubmersible rigs, further exacerbated by additional and more frequent contract cancelations by customers, declining dayrates, as well as the results of a third-party strategic review of Diamond Offshore s long-term business plan completed in the second quarter of 2016, Diamond Offshore reassessed its projections for a recovery in the offshore drilling market. As a result, Diamond Offshore concluded that an expected market recovery is now likely further in the future than had previously been estimated. Consequently, Diamond Offshore believes its cold-stacked rigs, as well as those rigs expected to be cold-stacked in the near term after they come off contract, will likely remain cold-stacked for an extended period of time. Diamond Offshore also believes that the re-entry costs for these rigs will be higher than previously estimated, negatively impacting the undiscounted, projected probability-weighted cash flow projections utilized in its impairment analysis. In addition, in response to the declining market, Diamond Offshore also reduced anticipated market pricing and expected utilization of these rigs after reactivation. In the second quarter of 2016, Diamond Offshore evaluated 15 of its drilling rigs with indications that their carrying amounts may not be recoverable. Based on updated assumptions and analyses, Diamond Offshore determined that the carrying values of eight of these rigs, consisting of three ultra-deepwater, three deepwater and two mid-water semisubmersible rigs, were impaired.

Diamond Offshore estimated the fair value of the eight impaired rigs using an income approach. The fair value of each rig was estimated based on a calculation of the rig s discounted future net cash flows over its remaining economic life, which utilized significant unobservable inputs, including, but not limited to, assumptions related to estimated dayrate revenue, rig utilization, estimated reactivation and regulatory survey costs, as well as estimated proceeds that may be received on ultimate disposition of the rig. The fair value estimates were representative of Level 3 fair value measurements due to the significant level of estimation involved and the lack of transparency as to the inputs used. During the second quarter of 2016, Diamond Offshore recognized an impairment loss of $672 million ($263 million after tax and noncontrolling interests).

As of June 30, 2016, there were seven rigs in Diamond Offshore s drilling fleet for which there were no indications that their carrying amounts may not be recoverable and, thus, were not evaluated for impairment at this time. If market fundamentals in the offshore oil and gas industry deteriorate further, Diamond Offshore may be required to recognize additional impairment losses in future periods.

During the first quarter of 2015, Diamond Offshore evaluated 17 of its drilling rigs with indications that their carrying amounts may not be recoverable. Based on this evaluation, Diamond Offshore determined that seven mid-water semisubmersibles as well as an older drillship were impaired and an impairment loss was recognized aggregating $359 million ($158 million after tax and noncontrolling interests) for the six months ended June 30, 2015.

See Note 6 of the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2015 for further discussion of Diamond Offshore s 2015 asset impairments.

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5. Claim and Claim Adjustment Expense Reserves

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

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

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in CNA s results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of $85 million and $60 million for the three months ended June 30, 2016 and 2015 and $121 million and $89 million for the six months ended June 30, 2016 and 2015. Catastrophe losses in 2016 resulted primarily from U.S. weather-related events and the Fort McMurray wildfires.

Net Prior Year Development

The following tables and discussion present net prior year development.

Three Months Ended June 30, 2016	**Specialty**	**Commercial**	**International**	**Total**
(In millions)				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (65)**	**$ (18)**	**$ (15)**	**$ (98)**
Pretax (favorable) unfavorable premium development	**(7)**	**(2)**	**1**	**(8)**
Total pretax (favorable) unfavorable net prior year development	**$ (72)**	**$ (20)**	**$ (14)**	**$ (106)**

Three Months Ended June 30, 2015

Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$	(13)	$	16	$	(8)	$	(5)
Pretax (favorable) unfavorable premium development		(2)		(11)		(2)		(15)
Total pretax (favorable) unfavorable net prior year development	$	(15)	$	5	$	(10)	$	(20)

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Six Months Ended June 30, 2016	Specialty	Commercial	International	Total
(In millions)				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (99)	$ (32)	$ (19)	$ (150)
Pretax (favorable) unfavorable premium development	(18)	(4)		(22)
Total pretax (favorable) unfavorable net prior year development	$ (117)	$ (36)	$ (19)	$ (172)

Six Months Ended June 30, 2015				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (11)	$ 11	$ (12)	$ (12)
Pretax (favorable) unfavorable premium development	(8)	(12)	14	(6)
Total pretax (favorable) unfavorable net prior year development	$ (19)	$ (1)	$ 2	$ (18)

Specialty

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Medical professional liability	**$ (23)**	$ (6)	**$ (30)**	$ 8
Other professional liability and management liability	**(41)**	(1)	**(50)**	(4)
Surety				1
Warranty	**3**	1	**5**	1
Other	**(4)**	(7)	**(24)**	(17)
	$ (65)	$ (13)	**$ (99)**	$ (11)

Total pretax (favorable) unfavorable
development

Three Months

2016

Favorable development in medical professional liability was due to lower than expected severity for individual healthcare professionals and allied facilities for accident years 2014 and prior.

Favorable development in other professional liability and management liability was primarily related to lower than expected frequency of claims in accident years 2010 through 2015, mainly driven by professional services. This was partially offset by unfavorable development in accident year 2015 related to an increase in management liability frequency of larger claims.

2015

Overall, favorable development in medical professional liability was primarily due to lower than expected severity for individual healthcare professionals and allied facilities in accident years 2009 through 2012. Unfavorable development was recorded related to increased claim frequency in the aging services business in accident years 2009 and 2010.

Favorable development of $38 million was recorded in other professional liability and management liability related to lower than expected severity for professional services primarily in accident years 2010 and prior. Unfavorable development of $37 million was recorded primarily related to increased claim frequency on public company management liability in accident years 2012 through 2014.

Favorable development for other coverages was primarily due to better than expected claim frequency in property coverages provided to Specialty customers in accident year 2014.

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Six Months

2016

Favorable development for medical professional liability was primarily due to lower than expected severities for individual healthcare professionals, allied facilities, and hospitals in accident years 2011 and prior. This was partially offset by unfavorable development in accident years 2012 and 2013 related to higher than expected large loss emergence in hospitals and higher than expected severity in accident years 2014 and 2015 in the aging services business.

Favorable development in other professional liability and management liability was primarily related to lower than expected frequency of claims in accident years 2010 through 2015, mainly driven by professional services. Additional favorable development was related to favorable outcomes on larger claims in 2013 and prior in professional services. This was partially offset by unfavorable development in accident years 2014 and 2015 related to an increase in management liability frequency of larger claims.

Favorable development for other coverages was due to better than expected claim frequency in property coverages provided to Specialty customers in accident year 2015.

2015

Overall, unfavorable development for medical professional liability was primarily related to increased claim frequency in the aging services business for accident years 2009 through 2014, partially offset by lower than expected severity in accident years 2010 and prior. Additional favorable development was due to lower than expected severity for individual healthcare professionals and allied facilities in accident years 2009 through 2012.

Favorable development of $41 million was recorded in other professional liability and management liability primarily related to lower than expected severity in accident years 2010 and prior for professional services. Unfavorable development of $37 million was recorded primarily related to increased claim frequency on public company management liability in accident years 2012 through 2014.

Favorable development for other coverages was primarily due to better than expected claim frequency in property coverages provided to Specialty customers in accident year 2014.

Commercial

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2016	2015	**2016**	2015
(In millions)				
Commercial auto	**$ (20)**	$ 7	**$ (35)**	$ 7

General liability		**(37)**		1		**(52)**		5
Workers compensation		**50**		24		**54**		23
Property and other		**(11)**		(16)		**1**		(24)
Total pretax (favorable) unfavorable development	**$**	**(18)**	$	16	**$**	**(32)**	$	11

Three Months

2016

Favorable development for commercial auto was primarily due to favorable settlements on claims in accident years 2010 through 2014.

Favorable development for general liability was primarily due to better than expected claim settlements in accident years 2012 through 2014 and better than expected severity on umbrella claims in accident years 2010 through 2013.

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Unfavorable development for workers compensation was due to a reduction in estimated recoveries on war hazard claims for Defense Base Act contractors, which was partially offset by favorable development related to lower than expected frequencies for the small and middle market businesses in accident years 2009 through 2014.

Favorable development for property and other was primarily due to better than expected loss emergence in accident years 2013 through 2015.

2015

In the aggregate, the unfavorable loss development of $16 million was driven by an extra contractual obligation loss and losses associated with premium development. The reserve development discussed below was largely offsetting.

Unfavorable development for workers compensation was primarily due to higher than expected severity related to Defense Base Act contractors in accident years 2008 through 2013.

Favorable development for property and other was primarily due to better than expected loss emergence from 2012 catastrophe events and better than expected claim frequency of large claims in accident year 2014.

Six Months

2016

Favorable development for commercial auto was primarily due to favorable settlements on claims in accident years 2010 through 2014.

Favorable development for general liability was primarily due to better than expected claim settlements in accident years 2012 through 2014 and better than expected severity on umbrella claims in accident years 2010 through 2013.

Unfavorable development for workers compensation was due to a reduction in estimated recoveries on war hazard claims for Defense Base Act contractors, which was partially offset by favorable development related to lower than expected frequencies for the small and middle market businesses in accident years 2009 through 2014.

Unfavorable development for property and other was primarily due to higher than expected severity from a 2015 catastrophe event. Favorable development was primarily due to better than expected loss emergence in accident years 2013 through 2015.

2015

In addition to the favorable property development noted in the three month discussion, there was additional favorable development for property related to better than expected loss emergence from 2014 catastrophe events.

International

The following table and discussion present further detail of the development recorded for the International segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Medical professional liability	**$ (1)**		**$ (1)**	
Other professional liability	**18**	$ (5)	**17**	$ (5)
Liability	**(19)**	(2)	**(19)**	(7)
Property & marine	**(3)**	(8)	**(7)**	(14)
Other	**(10)**	7	**(9)**	14
Total pretax (favorable) unfavorable development	**$ (15)**	$ (8)	**$ (19)**	$ (12)

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Three Months

2016

Unfavorable development for other professional liability was primarily due to higher than expected large loss emergence in accident years 2011 through 2015.

Favorable development for liability was primarily due to better than expected severity in accident years 2013 and prior.

Favorable development for other coverages was primarily due to better than expected severity in auto liability in accident years 2011 through 2015.

2015

Favorable development in property and marine was due to better than expected emergence in accident years 2012 through 2014.

Unfavorable development in other is due to large losses in financial institutions and political risk primarily in accident year 2014.

Six Months

2016

Unfavorable development for other professional liability was primarily due to higher than expected large loss emergence in accident years 2011 through 2015.

Favorable development for liability was primarily due to better than expected severity in accident years 2013 and prior.

Favorable development for other coverages was primarily due to better than expected severity in auto liability in accident years 2011 through 2015.

2015

Favorable development in property and marine was due to better than expected emergence in accident years 2012 through 2014.

Unfavorable development in other is due to large losses in financial institutions and political risk primarily in accident year 2014.

Asbestos and Environmental Pollution (A&EP) Reserves

In 2010, Continental Casualty Company (CCC) together with several of CNA s insurance subsidiaries completed a transaction with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., under which substantially all of CNA s legacy A&EP liabilities were ceded to NICO through a loss portfolio transfer (loss portfolio transfer or LPT). At the effective date of the transaction, CNA ceded approximately $1.6 billion of net A&EP claim and allocated claim adjustment expense reserves to NICO under a retroactive reinsurance agreement with an aggregate limit of $4.0 billion. The $1.6 billion of claim and allocated claim adjustment expense reserves ceded to NICO was net of $1.2 billion of ceded claim and allocated claim adjustment expense reserves under existing third party reinsurance contracts. The NICO LPT aggregate reinsurance limit also covers credit risk on the existing third party reinsurance related to these liabilities. CNA paid NICO a reinsurance premium of $2.0 billion and transferred to NICO billed third party reinsurance receivables related to A&EP claims with a net book value of $215 million, resulting in total consideration of $2.2 billion.

Through December 31, 2013, CNA recognized $0.9 billion of additional amounts ceded under the LPT. As a result, the cumulative amounts ceded under the LPT exceeded the $2.2 billion consideration paid, resulting in the NICO LPT moving into a gain position, requiring deferred retroactive reinsurance accounting treatment. This deferred gain is recognized in earnings in proportion to actual paid recoveries under the LPT. Over the life of the contract, there is no economic impact as long as any additional losses incurred are within the limit of the LPT. In a

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period in which a change in the estimate of ceded incurred losses is recognized, the change to the deferred gain is cumulatively recognized in earnings as if the revised estimate was available at the effective date of the LPT.

The following table presents the impact of the loss portfolio transfer on the Consolidated Condensed Statements of Income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Net A&EP adverse development before consideration of LPT	**$ -**	$ 150	**$ 200**	$ 150
Provision for uncollectible third party reinsurance on A&EP				
Additional amounts ceded under LPT	**-**	150	**200**	150
Retroactive reinsurance benefit recognized	**$ (9)**	(66)	**(82)**	(71)
Pretax impact of unrecognized deferred retroactive reinsurance benefit	**$ (9)**	$ 84	**$ 118**	$ 79

CNA completed its reserve review of A&EP reserves in the first quarter of 2016. Based upon CNA s review, net unfavorable development prior to cessions to the LPT of $200 million was recognized. The unfavorable development was driven by an increase in anticipated future expenses associated with determination of coverage, higher anticipated payouts associated with a limited number of historical accounts having significant asbestos exposures and higher than expected severity on pollution claims. This unfavorable development was ceded to NICO under the LPT, however CNA s reported earnings were negatively affected due to the application of retroactive reinsurance accounting, as only a portion of the additional amounts ceded under the LPT were recognized that quarter. All amounts recognized related to the LPT are recorded within Insurance claims and policyholders benefits in the Consolidated Condensed Statement of Income.

As of June 30, 2016 and December 31, 2015, the cumulative amounts ceded under the LPT were $2.8 billion and $2.6 billion. The unrecognized deferred retroactive reinsurance benefit was $359 million and $241 million as of June 30, 2016 and December 31, 2015.

NICO established a collateral trust account as security for its obligations to CNA. The fair value of the collateral trust account was $2.6 billion and $2.8 billion as of June 30, 2016 and December 31, 2015. In addition, Berkshire Hathaway Inc. guaranteed the payment obligations of NICO up to the full aggregate reinsurance limit as well as certain of NICO s performance obligations under the trust agreement. NICO is responsible for claims handling and billing and collection from third-party reinsurers related to CNA s A&EP claims.

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6. Income Taxes

The components of U.S. and foreign income before income tax and a reconciliation between the federal income tax expense at statutory rates and the actual income tax expense is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Income (loss) before income tax:				
U.S.	**$ (142)**	$ 129	**$ (103)**	$ 266
Foreign	**(134)**	166	**22**	134
Total	**$ (276)**	$ 295	**$ (81)**	$ 400
Income tax expense (benefit) at statutory rate	**$ (97)**	$ 103	**$ (28)**	$ 140
Increase (decrease) in income tax expense resulting from:				
Exempt investment income	**(33)**	(29)	**(64)**	(58)
Foreign related tax differential	**63**	(32)	**23**	(5)
Valuation allowance	**77**		**77**	
Amortization of deferred charges associated with intercompany rig sales to other tax jurisdictions		4		41
Taxes related to domestic affiliate	**(2)**	4	**1**	(6)
Partnership earnings not subject to taxes	**(11)**	(7)	**(28)**	(20)
Unrecognized tax benefit	**5**	2	**10**	5
Other	**10**	3	**17**	7
Income tax expense	**$ 12**	$ 48	**$ 8**	$ 104

The effective tax rate is impacted by the change in the relative components of earnings or losses generated in foreign tax jurisdictions with lower tax rates.

In the second quarter of 2016, a valuation allowance of $77 million was established for the future tax benefit of foreign tax credits in the U.S. which Diamond Offshore no longer expects to be able to realize prior to their expiration.

7. Debt

CNA Financial

In the first quarter of 2016, CNA completed a public offering of $500 million aggregate principal amount of 4.5% senior notes due March 1, 2026 and used the net proceeds to repay the entire $350 million outstanding principal amount of its 6.5% senior notes due August 15, 2016.

Diamond Offshore

In the first quarter of 2016, Diamond Offshore cancelled its commercial paper program and repaid the $287 million in commercial paper outstanding at December 31, 2015 with proceeds from Eurodollar loans under its revolving credit agreement. As of June 30, 2016, there was $327 million outstanding under the revolving credit agreement.

Boardwalk Pipeline

In May of 2016, Boardwalk Pipeline completed a public offering of $550 million aggregate principal amount of 6.0% senior notes due June 1, 2026 and used the proceeds to reduce borrowings under its revolving credit facility.

Loews

In March of 2016, the Company completed a public offering of $500 million aggregate principal amount of 3.8% senior notes due April 1, 2026 and repaid in full the entire $400 million aggregate principal amount of its 5.3% senior notes at maturity.

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8. Shareholders Equity

Accumulated other comprehensive income (loss)

The tables below display the changes in Accumulated other comprehensive income (AOCI) by component for the three and six months ended June 30, 2015 and 2016:

	OTTI Gains (Losses)	Unrealized Gains (Losses) on Investments	Cash Flow Hedges	Pension Liability	Foreign Currency Translation	Total Accumulat Other Comprehens Income (Loss)
millions)						
ance, April 1, 5	$ 31	$ 944	$ (3)	$ (636)	$ (38)	$ 298
er prehensive ome (loss) ore assifications, r tax of $2, 5, $0, $(18) $0	(4)	(370)		37	49	(288
lassification osses from umulated other prehensive ome, after tax 0, $(5), $0, and $0		7	1	6		14
er prehensive ome (loss)	(4)	(363)	1	43	49	(274
ounts butable to controlling rests	1	38	(1)	(5)	(4)	29
ance, June 30, 5	$ 28	$ 619	$ (3)	$ (598)	$ 7	$ 53

ance, April 1, 6	$	29	$	554	$	(2)	$	(643)	$	(64)	$	(126
er nprehensive ome (loss) ore assifications, r tax of $1, 54), $0, $0 $0		(1)		322						(48)		273
lassification gains) losses n umulated er nprehensive ome, after tax 0, $6, $0, $(4) $0				(1)				5				4
er nprehensive ome (loss)		(1)		321		-		5		(48)		277
ounts ibutable to controlling rests				(37)				(1)		6		(32
ance, June 2016	$	28	$	838	$	(2)	$	(639)	$	(106)	$	119

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millions)	OTTI Gains (Losses)	Unrealized Gains (Losses) on Investments	Cash Flow Hedges	Pension Liability	Foreign Currency Translation	Total Accumulat Other Comprehens Income (Loss)
ance, January 015	$ 32	$ 846	$ (6)	$ (641)	$ 49	$ 280
er prehensive ome (loss) ore assifications, r tax of $2, 4, $1, $(18) $0	(5)	(251)	(2)	37	(47)	(268
lassification gains) losses n accumulated er prehensive ome, after tax 0, $(5), $(2), and $0		(2)	6	10		14
er prehensive ome (loss)	(5)	(253)	4	47	(47)	(254
ance of equity urities by sidiary				1		1
ounts butable to controlling rests	1	26	(1)	(5)	5	26
ance, June 30, 5	$ 28	$ 619	$ (3)	$ (598)	$ 7	$ 53
ance, uary 1, 2016	**$ 24**	**$ 347**	**$ (3)**	**$ (649)**	**$ (76)**	**$ (357**
er prehensive ome (loss)	**2**	**539**			**(34)**	**507**

ore assifications, r tax of $(1), 72), $0, $0 $0						
lassification osses from umulated er nprehensive ome, after tax (1), $(1), $0, and $0	**2**	**10**	**1**	**13**		**26**
er nprehensive ome (loss)	**4**	**549**	**1**	**13**	**(34)**	**533**
ounts ibutable to controlling rests		**(58)**		**(3)**	**4**	**(57**
ance, June 2016	**$ 28**	**$ 838**	**$ (2)**	**$ (639)**	**$ (106)**	**$ 119**

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

Major Category of AOCI	Affected Line Item
OTTI gains (losses)	Investment gains (losses)
Unrealized gains (losses) on investments	Investment gains (losses)
Cash flow hedges	Other revenues and Contract drilling expenses
Pension liability	Other operating expenses

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Subsidiary Equity Transactions

Loews purchased 0.3 million shares of CNA common stock at an aggregate cost of $8 million during the six months ended June 30, 2016. The Company s percentage ownership interest in CNA remained unchanged as a result of these transactions, at 90%. The Company s purchase price of the shares was lower than the carrying value of its investment in CNA, resulting in an increase to Additional paid-in capital (APIC) of $3 million.

Treasury Stock

The Company repurchased 2.6 million and 7.6 million shares of Loews common stock at aggregate costs of $98 million and $305 million during the six months ended June 30, 2016 and 2015.

9. Benefit Plans

The Company has several non-contributory defined benefit plans and postretirement benefit plans covering eligible employees and retirees.

The following table provides the components of net periodic benefit cost for the plans:

	Pension Benefits			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2016	2015	**2016**	2015
(In millions)				
Service cost	**$ 2**	$ 4	**$ 4**	$ 8
Interest cost	**32**	32	**64**	64
Expected return on plan assets	**(44)**	(49)	**(88)**	(97)
Amortization of unrecognized net loss	**12**	12	**23**	23
Settlement charge	**1**		**2**	
Net periodic benefit cost	**$ 3**	$ (1)	**$ 5**	$ (2)

	Other Postretirement Benefits			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2016	2015	**2016**	2015
(In millions)				

Interest cost			**$ 1**	$ 1
Expected return on plan assets	**$ (1)**	$ (1)	**(2)**	(2)
Amortization of unrecognized prior service benefit	**(1)**	(3)	**(2)**	(5)
Amortization of unrecognized net loss		1		1
Net periodic benefit cost	**$ (2)**	$ (3)	**$ (3)**	$ (5)

10. Business Segments

The Company s segments are CNA Financial s core property and casualty commercial insurance operations which include Specialty, Commercial and International; CNA s Other Non-Core operations; Diamond Offshore; Boardwalk Pipeline; Loews Hotels; and Corporate and other. The Company s reportable segments are primarily based on its individual operating subsidiaries. Each of the principal operating subsidiaries 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, are included in the Corporate and other segment. For additional disclosures regarding the composition of the Company s segments see Note 20 of the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2015.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Revenues (a):				
CNA Financial:				
Property and Casualty:				
Specialty	**$ 928**	$ 904	**$ 1,793**	$ 1,821
Commercial	**876**	883	**1,678**	1,778
International	**214**	220	**429**	426
Other Non-Core	**330**	320	**651**	654
Total CNA Financial	**2,348**	2,327	**4,551**	4,679
Diamond Offshore	**390**	632	**861**	1,259
Boardwalk Pipeline	**308**	299	**655**	629
Loews Hotels	**189**	167	**352**	306
Corporate and other	**72**	10	**61**	40
Total	**$ 3,307**	$ 3,435	**$ 6,480**	$ 6,913
Income (loss) before income tax and noncontrolling interests (a):				
CNA Financial:				
Property and Casualty:				
Specialty	**$ 250**	$ 206	**$ 430**	$ 413
Commercial	**146**	122	**241**	308
International	**(27)**	35	**(17)**	48
Other Non-Core	**(79)**	(198)	**(306)**	(290)
Total CNA Financial	**290**	165	**348**	479
Diamond Offshore	**(657)**	106	**(574)**	(181)
Boardwalk Pipeline	**65**	38	**164**	115
Loews Hotels	**4**	14	**13**	24
Corporate and other	**22**	(28)	**(32)**	(37)
Total	**$ (276)**	$ 295	**$ (81)**	$ 400

Net income (loss) (a):				
CNA Financial:				
Property and Casualty:				
Specialty	**$ 150**	$ 124	**$ 257**	$ 247
Commercial	**86**	72	**142**	182
International	**(21)**	19	**(13)**	28
Other Non-Core	**(26)**	(91)	**(137)**	(123)
Total CNA Financial	**189**	124	**249**	334
Diamond Offshore	**(290)**	45	**(247)**	(81)
Boardwalk Pipeline	**17**	12	**48**	37
Loews Hotels	**1**	8	**4**	13
Corporate and other	**18**	(19)	**(17)**	(24)
Total	**$ (65)**	$ 170	**$ 37**	$ 279

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
Revenues and Income (loss) before income tax and noncontrolling interests:				
CNA Financial:				
Property and Casualty:				
Specialty	**$ 4**		**$ (7)**	$ 4
Commercial	**8**	$ 2	**(10)**	6
International	**4**	1	**8**	2
Other Non-Core	**(3)**	(5)	**(6)**	(4)
Total CNA Financial	**13**	(2)	**(15)**	8
Corporate and other	**(12)**		**(12)**	
Total	**$ 1**	$ (2)	**$ (27)**	$ 8
Net income (loss):				
CNA Financial:				
Property and Casualty:				
Specialty	**$ 3**	$ 1	**$ (4)**	$ 3
Commercial	**4**		**(6)**	3
International	**3**		**6**	1
Other Non-Core	**(4)**	2	**(7)**	4
Total CNA Financial	**6**	3	**(11)**	11
Corporate and other	**(4)**		**(4)**	
Total	**$ 2**	$ 3	**$ (15)**	$ 11

11. Legal Proceedings

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

12. Commitments and Contingencies

CNA Financial

In the course of selling business entities and assets to third parties, CNA agreed to guarantee the performance of certain obligations of a previously owned subsidiary and to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such guarantee and indemnification agreements in effect for sales of business entities, assets and third party loans may include provisions that survive indefinitely. As of June 30, 2016, the aggregate amount related to quantifiable guarantees was $375 million and the aggregate amount related to indemnification agreements was $259 million. Should CNA be required to make payments under the guarantee, it would have the right to seek reimbursement in certain cases from an affiliate of a previously owned subsidiary.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of June 30, 2016, 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. Certain provisions of the indemnification agreements survive indefinitely while others survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

CNA also provided guarantees, if the primary obligor fails to perform, to holders of structured settlement annuities provided by a previously owned subsidiary. As of June 30, 2016, the potential amount of future payments CNA could be required to pay under these guarantees was approximately $2.0 billion, which will be paid over the lifetime of the annuitants. CNA does not believe any payment is likely under these guarantees, as CNA is the beneficiary of a trust that must be maintained at a level that approximates the discounted reserves for these annuities.

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13. Consolidating Financial Information

The following schedules present the Company s consolidating balance sheet information at June 30, 2016 and December 31, 2015, and consolidating statements of income information for the six months ended June 30, 2016 and 2015. These schedules present the individual subsidiaries of the Company and their contribution to the Consolidated Condensed Financial Statements. Amounts presented will not necessarily be the same as those in the individual financial statements of the Company s subsidiaries due to adjustments for purchase accounting, income taxes and noncontrolling interests. In addition, many of the Company s subsidiaries use a classified balance sheet which also leads to differences in amounts reported for certain line items.

The Corporate and other column primarily reflects the parent company s investment in its subsidiaries, invested cash portfolio and corporate long term debt. The elimination adjustments are for intercompany assets and liabilities, interest and dividends, the parent company s investment in capital stocks of subsidiaries, and various reclasses of debit or credit balances to the amounts in consolidation. Purchase accounting adjustments have been pushed down to the appropriate subsidiary.

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Loews Corporation

Consolidating Balance Sheet Information

June 30, 2016	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)							
Assets:							
Investments	$ 46,549	$ 90	$ 150	$ 93	$ 5,477		$ 52,359
Cash	289	14	13	13	19		348
Receivables	7,799	328	74	37	399	$ (21)	8,616
Property, plant and equipment	269	5,849	7,865	1,099	44		15,126
Deferred income taxes	314			3	58	(375)	-
Goodwill	111		237				348
Investments in capital stocks of subsidiaries					15,232	(15,232)	-
Other assets	930	225	317	272	7	15	1,766
Deferred acquisition costs of insurance subsidiaries	620						620
Total assets	$ 56,881	$ 6,506	$ 8,656	$ 1,517	$ 21,236	$ (15,613)	$ 79,183
Liabilities and Equity:							
Insurance reserves	$ 37,980						$ 37,980
Payable to brokers	448				$ 862		1,310
Short term debt	1	$ 327		$ 2			330
Long term debt	2,711	1,980	$ 3,626	644	1,774		10,735
Deferred income taxes	2	115	799	48		$ (360)	604

Other liabilities	**3,878**	**467**	**509**	**67**	**293**	**(21)**	**5,193**
Total liabilities	**45,020**	**2,889**	**4,934**	**761**	**2,929**	**(381)**	**56,152**
Total shareholders equity	**10,638**	**1,928**	**1,550**	**754**	**18,307**	**(15,232)**	**17,945**
Noncontrolling interests	**1,223**	**1,689**	**2,172**	**2**			**5,086**
Total equity	**11,861**	**3,617**	**3,722**	**756**	**18,307**	**(15,232)**	**23,031**
Total liabilities and equity	**$ 56,881**	**$ 6,506**	**$ 8,656**	**$ 1,517**	**$ 21,236**	**$ (15,613)**	**$ 79,183**

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Loews Corporation

Consolidating Balance Sheet Information

December 31, 2015	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)							
Assets:							
Investments	$ 44,699	$ 117		$ 81	$ 4,503		$ 49,400
Cash	387	13	$ 4	12	24		440
Receivables	7,384	409	93	35	96	$ 24	8,041
Property, plant and equipment	333	6,382	7,712	1,003	47		15,477
Deferred income taxes	662			3	68	(733)	-
Goodwill	114		237				351
Investments in capital stocks of subsidiaries					15,129	(15,129)	-
Other assets	848	233	319	282		17	1,699
Deferred acquisition costs of insurance subsidiaries	598						598
Total assets	$ 55,025	$ 7,154	$ 8,365	$ 1,416	$ 19,867	$ (15,821)	$ 76,006
Liabilities and Equity:							
Insurance reserves	$ 36,486						$ 36,486
Payable to brokers	358				$ 209		567
Short term debt	351	$ 287		$ 2	400		1,040
Long term debt	2,213	1,980	$ 3,458	590	1,279		9,520
Deferred income taxes	5	276	766	47		$ (712)	382
	3,883	496	510	70	222	20	5,201

Other liabilities							
Total liabilities	43,296	3,039	4,734	709	2,110	(692)	53,196
Total shareholders equity	10,516	2,195	1,517	705	17,757	(15,129)	17,561
Noncontrolling interests	1,213	1,920	2,114	2			5,249
Total equity	11,729	4,115	3,631	707	17,757	(15,129)	22,810
Total liabilities and equity	$ 55,025	$ 7,154	$ 8,365	$ 1,416	$ 19,867	$ (15,821)	$ 76,006

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Loews Corporation

Consolidating Statement of Income Information

Six Months Ended June 30, 2016	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)							
Revenues:							
Insurance premiums	$ 3,429						$ 3,429
Net investment income	937				$ 72		1,009
Intercompany interest and dividends					632	$ (632)	-
Investment losses	(15)	$ (12)					(27)
Contract drilling revenues		801					801
Other revenues	200	60	$ 655	$ 352	1		1,268
Total	4,551	849	655	352	705	(632)	6,480
Expenses:							
Insurance claims and policyholders benefits	2,747						2,747
Amortization of deferred acquisition costs	612						612
Contract drilling expenses		411					411
Other operating expenses	756	974	403	328	57		2,518
Interest	88	50	88	11	36		273
Total	4,203	1,435	491	339	93	-	6,561
Income (loss) before income tax	348	(586)	164	13	612	(632)	(81)
Income tax (expense) benefit	(71)	100	(35)	(9)	7		(8)
Net income (loss)	277	(486)	129	4	619	(632)	(89)
	(28)	235	(81)				126

Amounts attributable to noncontrolling interests														
Net income (loss) attributable to Loews Corporation	**$**	**249**	**$**	**(251)**	**$**	**48**	**$**	**4**	**$**	**619**	**$**	**(632)**	**$**	**37**

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Loews Corporation

Consolidating Statement of Income Information

Six Months Ended June 30, 2015	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)							
Revenues:							
Insurance premiums	$ 3,422						$ 3,422
Net investment income	1,058	$ 1			$ 39		1,098
Intercompany interest and dividends					650	$ (650)	-
Investment gains	8						8
Contract drilling revenues		1,217					1,217
Other revenues	191	41	$ 629	$ 306	1		1,168
Total	4,679	1,259	629	306	690	(650)	6,913
Expenses:							
Insurance claims and policyholders benefits	2,808						2,808
Amortization of deferred acquisition costs	617						617
Contract drilling expenses		695					695
Other operating expenses	697	696	423	272	40		2,128
Interest	78	49	91	10	37		265
Total	4,200	1,440	514	282	77	-	6,513
Income (loss) before income tax	479	(181)	115	24	613	(650)	400
Income tax (expense) benefit	(107)	22	(21)	(11)	13		(104)
Net income (loss)	372	(159)	94	13	626	(650)	296
Amounts attributable to noncontrolling interests	(38)	78	(57)				(17)
Net income (loss) attributable to Loews	$ 334	$ (81)	$ 37	$ 13	$ 626	$ (650)	$ 279

Corporation

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with our Consolidated Condensed Financial Statements included in Item 1 of this Report, Risk Factors included in Part II, Item 1A of this Report, and the Consolidated Financial Statements, Risk Factors, and MD&A included in our Annual Report on Form 10-K for the year ended December 31, 2015. 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 53% owned subsidiary);
- transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 51% owned subsidiary); and
- operation of a chain of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary).

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

Consolidated Financial Results

Net loss for the three months ended June 30, 2016 was $65 million, or $0.19 per share, compared to net income of $170 million, or $0.46 per share, in the prior year period. Net income for the six months ended June 30, 2016 was $37 million, or $0.11 per share, compared to $279 million, or $0.75 per share, in the prior year period.

Results include asset impairment charges at Diamond Offshore Drilling, Inc. of $267 million (after tax and noncontrolling interests) for the three and six months ended June 30, 2016 and $158 million (after tax and noncontrolling interests) for the six months ended June 30, 2015.

Book value per share excluding accumulated other comprehensive income (AOCI) increased to $52.84 at June 30, 2016 from $52.72 at December 31, 2015.

Three Months Ended June 30, 2016 Compared to 2015

Results for the three months ended June 30, 2016 decreased $235 million as compared to the prior year due to an asset impairment charge at Diamond Offshore partially offset by higher earnings at CNA and improved results from the parent company investment portfolio due to higher income from equity securities.

CNA s earnings increased due to the impact of a $49 million charge (after tax and noncontrolling interests) in 2015 related to the 2010 retroactive reinsurance agreement to cede its legacy asbestos and environmental pollution liabilities (loss portfolio transfer or LPT). CNA s earnings also benefited from increased favorable net prior year development.

Diamond Offshore s earnings decreased due to an asset impairment charge of $680 million ($267 million after tax and noncontrolling interests) related to the carrying value of Diamond Offshore s drilling rigs. Absent this charge, Diamond Offshore s earnings declined due to a substantial reduction in the number of rigs operating as compared to the year ago period partially offset by lower depreciation expense resulting mainly from the asset impairment charges recorded in 2015.

Boardwalk Pipeline s earnings increased partially due to new rates in effect following the Gulf South rate case and proceeds received from a one-time legal settlement. Additionally, the Evangeline pipeline, which was placed into service in mid-2015, and new growth projects contributed to earnings.

Loews Hotels earnings decreased due to an impairment charge related to a joint venture property.

Six Months Ended June 30, 2016 Compared to 2015

Net income for the six months ended June 30, 2016 decreased primarily due to lower earnings at CNA and Diamond Offshore partially offset by higher earnings at Boardwalk Pipeline and improved results from the parent company investment portfolio due to higher income from equity securities.

CNA s earnings decreased due to lower net investment income driven by limited partnership investment results, realized investment losses in 2016 as compared to gains in 2015 and a higher LPT charge in 2016 as compared to the prior year period. These items were partially offset by increased favorable net prior year development.

Diamond Offshore s earnings decreased due to increased asset impairment charges. Excluding these impairment charges, year-over-year earnings decreased as a result of a substantial reduction in the number of operating rigs partially offset by revenue earned by newbuild drillships and lower depreciation expense as a result of the asset impairment charges recorded in 2015.

The change in Boardwalk Pipeline s and Loews Hotels results are primarily due to the reasons discussed above in the three month comparison.

Parent Company Structure

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

CRITICAL ACCOUNTING ESTIMATES

Certain accounting estimates require us to make judgments that affect the amounts reflected in the Consolidated Condensed Financial Statements. Such estimates and judgments necessarily involve varying, and possibly significant, degrees of uncertainty. Accordingly, certain amounts currently recorded in the financial statements will likely be adjusted in the future based on new available information and changes in other facts and circumstances. See the Critical Accounting Estimates section and the Results of Operations by Business Segment CNA Financial Reserves Estimates and Uncertainties section of our MD&A included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2015 for further information.

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RESULTS OF OPERATIONS BY BUSINESS SEGMENT

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

CNA Financial

The following table summarizes the results of operations for CNA for the three and six months ended June 30, 2016 and 2015 as presented in Note 13 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report. For further discussion of Net investment income and Net realized investment results, see the Investments section of this MD&A.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	**2016**	2015
(In millions)				
Revenues:				
Insurance premiums	**$ 1,730**	$ 1,735	**$ 3,429**	$ 3,422
Net investment income	**502**	500	**937**	1,058
Investment gains (losses)	**13**	(2)	**(15)**	8
Other revenues	**103**	94	**200**	191
Total	**2,348**	2,327	**4,551**	4,679
Expenses:				
Insurance claims and policyholders benefits	**1,339**	1,469	**2,747**	2,808
Amortization of deferred acquisition costs	**305**	314	**612**	617
Other operating expenses	**376**	340	**756**	697
Interest	**38**	39	**88**	78
Total	**2,058**	2,162	**4,203**	4,200
Income before income tax	**290**	165	**348**	479
Income tax expense	**(80)**	(27)	**(71)**	(107)
Net income	**210**			