LOEWS CORP
Form 10-K
February 24, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2013

OR

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

OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Loews Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ___X___ No _____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes _____ No ___X___

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ___X___ No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X].

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

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

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

Yes _____ No ___X___

The aggregate market value of voting and non-voting common equity held by non-affiliates as of the last business day of the registrant s most recently completed second fiscal quarter was approximately $13,578,000,000.

As of February 14, 2014, there were 387,403,380 shares of Loews common stock outstanding.

Documents Incorporated by Reference:

Portions of the Registrant s definitive proxy statement intended to be filed by Registrant with the Commission prior to April 30, 2014 are incorporated by reference into Part III of this Report.

Table of Contents

LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON

FORM 10-K FILED WITH THE

SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 2013

Item No.		Page No.
	PART I	
1	Business	
	CNA Financial Corporation	3
	Diamond Offshore Drilling, Inc.	8
	Boardwalk Pipeline Partners, LP	12
	HighMount Exploration & Production LLC	15
	Loews Hotels Holding Corporation	21
	Executive Officers of the Registrant	22
	Available Information	23
1A	Risk Factors	23
1B	Unresolved Staff Comments	46
2	Properties	46
3	Legal Proceedings	46
4	Mine Safety Disclosures	46
	PART II	
5	Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	47
6	Selected Financial Data	49
7	Management s Discussion and Analysis of Financial Condition and Results of Operations	50
7A	Quantitative and Qualitative Disclosures about Market Risk	98
8	Financial Statements and Supplementary Data	102
9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	182
9A	Controls and Procedures	182
9B	Other Information	182
	PART III	

Certain information called for by Part III (Items 10, 11, 12, 13 and 14) has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

15 Exhibits and Financial Statement Schedules 183

Table of Contents

PART I

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

Item 1. Business.

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

- commercial property and casualty insurance (CNA Financial Corporation, a 90% owned subsidiary);
- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a 50.4% owned subsidiary);
- transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP, a 53% owned subsidiary);
- exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC, a wholly owned subsidiary); and
- operation of a chain of hotels (Loews Hotels Holding Corporation, a wholly owned subsidiary).

Please read information relating to our major business segments from which we derive revenue and income contained in Note 21 of the Notes to Consolidated Financial Statements, included under Item 8.

CNA FINANCIAL CORPORATION

CNA Financial Corporation (together with its subsidiaries, CNA) was incorporated in 1967 and is an insurance holding company. CNA s property and casualty and remaining life & group insurance operations are primarily conducted by Continental Casualty Company (CCC), incorporated in 1897, and The Continental Insurance Company (CIC), organized in 1853, and certain other affiliates. CIC became a subsidiary of CNA in 1995 as a result of the acquisition of The Continental Corporation (Continental). CNA accounted for 67.2%, 65.6% and 63.4% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

CNA s insurance products primarily include commercial property and casualty coverages, including surety. CNA s services include risk management, information services, warranty and claims administration. CNA s products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups.

CNA s property and casualty field structure consists of 49 underwriting locations across the United States. In addition, there are five centralized processing operations which handle policy processing, billing and collection activities, and also act as call centers to optimize service. The claims structure consists of two regional claim centers designed to efficiently handle the high volume of low severity claims including property damage, liability, and workers

compensation medical only claims, and 16 principal claim offices handling the more complex claims. In addition, CNA has underwriting and claim capabilities in Canada and Europe.

CNA Specialty

CNA Specialty includes the following business groups:

Management & Professional Liability: Management & Professional Liability provides management and professional liability insurance and risk management services and other specialized property and casualty coverages in the United States. This group provides professional liability coverages to various professional firms, including architects, real estate agents, small and mid-sized accounting firms, law firms and other professional firms. Management & Professional Liability also provides directors and officers (D&O), employment practices, fiduciary and fidelity coverages. Specific areas of focus include small and mid-size firms, public as well as privately

Table of Contents

held firms and not-for-profit organizations, where tailored products for these client segments are offered. Products within Management & Professional Liability are distributed through brokers, independent agents and managing general underwriters. Management & Professional Liability, through CNA HealthPro, also offers insurance products to serve the health care industry. Products include professional and general liability as well as associated standard property and casualty coverages, and are distributed on a national basis through brokers, independent agents and managing general underwriters. Key customer segments include aging services, allied medical facilities, life sciences, dentists, doctors, hospitals, and nurses and other medical practitioners.

International: International provides similar management and professional liability insurance and other specialized property and casualty coverages, through similar distribution channels, in Canada and Europe.

Surety: Surety offers small, medium and large contract and commercial surety bonds. CNA Surety provides surety and fidelity bonds in all 50 states through a network of independent agencies. On June 10, 2011, CNA completed the acquisition of the noncontrolling interests of CNA Surety.

Warranty and Alternative Risks: Warranty and Alternative Risks provides extended service contracts and related products that provide protection from the financial burden associated with mechanical breakdown and other related losses, primarily for vehicles and portable electronic communication devices.

CNA Commercial

CNA Commercial s property products include standard and excess property coverages, as well as marine coverage, and boiler and machinery. Casualty products include standard casualty insurance products such as workers compensation, general and product liability, commercial auto and umbrella coverages. Most insurance programs are provided on a guaranteed cost basis; however, CNA also offers specialized loss-sensitive insurance programs to those customers viewed as higher risk and less predictable in exposure.

These property and casualty products are offered as part of CNA s *Small Business, Commercial* and *International* insurance groups. CNA s Small Business insurance group serves its smaller commercial accounts and the Commercial insurance group serves CNA s middle markets and its larger risks. In addition, CNA Commercial provides total risk management services relating to claim and information services to the large commercial insurance marketplace, through a wholly owned subsidiary, CNA ClaimPlus, Inc., a third party administrator. CNA also provides specialized insurance to customers who are generally viewed as higher risk and less predictable in exposure than those covered by standard insurance markets. The International insurance group primarily consists of the commercial product lines of CNA s operations in Europe and Canada. During the fourth quarter of 2011, CNA sold its 50% ownership interest in First Insurance Company of Hawaii (FICOH).

Hardy

Hardy Underwriting Bermuda Limited (Hardy) is a specialized Lloyd s of London (Lloyd s) underwriter. Through Lloyd s Syndicate 382, Hardy underwrites primarily short-tail exposures in the following coverages: *Marine & Aviation* provides coverage for a variety of large risks including energy, cargo and specie, marine hull and general aviation. *Non-Marine Property* comprises direct and facultative property, including construction insurance of industrial and commercial risks (heavy industry, general manufacturing and commercial property portfolios), together with residential and small commercial risks. *Property Treaty Reinsurance* offers catastrophe reinsurance on an excess of loss basis, proportional treaty and excess of loss coverages and crop reinsurance. *Specialty Lines* offers coverage for a variety of risks including political violence, accident and health and financial institutions.

Life & Group Non-Core

Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. CNA continues to service its existing individual long term care commitments, its payout annuity business and its pension deposit business. CNA also retains a block of group reinsurance and life settlement contracts. These businesses are being managed as a run-off operation. CNA s group long term care business, while considered non-core, continues to accept new employees in existing groups.

Table of Contents

Other

Other primarily includes certain CNA corporate expenses, including interest on CNA corporate debt, and the results of certain property and casualty business in run-off, including CNA Re and asbestos and environmental pollution (A&EP).

Direct Written Premiums by Geographic Concentration

Set forth below is the distribution of CNA s direct written premiums by geographic concentration.

Year Ended December 31	2013	2012	2011
California	**9.2%**	9.5%	9.4%
Texas	**8.0**	7.4	6.7
New York	**7.3**	7.1	6.7
Illinois	**5.9**	6.5	4.9
Florida	**5.9**	5.8	6.1
New Jersey	**3.7**	3.5	3.5
Pennsylvania	**3.7**	3.4	3.4
Canada	**3.1**	3.0	3.0
All other states, countries or political subdivisions	**53.2**	53.8	56.3
	100.0%	100.0%	100.0%

Approximately 8.9%, 9.2% and 8.8% of CNA s direct written premiums were derived from outside of the United States for the years ended December 31, 2013, 2012 and 2011.

Property and Casualty Claim and Claim Adjustment Expenses

The following loss reserve development table illustrates the change over time of reserves established for property and casualty claim and claim adjustment expenses at the end of the preceding ten calendar years for CNA s property and casualty insurance companies. The table excludes CNA s life insurance subsidiaries, and as such, the carried reserves will not agree to the Consolidated Financial Statements included under Item 8. The first section shows the reserves as originally reported at the end of the stated year. The second section, reading down, shows the cumulative amounts paid as of the end of successive years with respect to the originally reported reserve liability. The third section, reading down, shows re-estimates of the originally recorded reserves as of the end of each successive year, which is the result of CNA s property and casualty insurance subsidiaries expanded awareness of additional facts and circumstances that pertain to the unsettled claims. The last section compares the latest re-estimated reserves to the reserves originally established, and indicates whether the original reserves were adequate or inadequate to cover the estimated costs of unsettled claims.

Table of Contents

The loss reserve development table is cumulative and, therefore, ending balances should not be added since the amount at the end of each calendar year includes activity for both the current and prior years.

Schedule of Loss Reserve Development

ar Ended cember 31	2003	2004	2005	2006	2007	2008	2009	2010(a)	2011	2012(b)	**201**
millions of lars)											
ginally orted gross erves for paid claim claim ustment enses	31,284	31,204	30,694	29,459	28,415	27,475	26,712	25,412	24,228	24,696	**24,01**
ginally orted ceded overable	13,847	13,682	10,438	8,078	6,945	6,213	5,524	6,060	4,967	5,075	**4,91**
ginally orted net erves for paid claim claim ustment enses	17,437	17,522	20,256	21,381	21,470	21,262	21,188	19,352	19,261	19,621	**19,10**
mulative paid as of:											
e year later	4,382	2,651	3,442	4,436	4,308	3,930	3,762	3,472	4,277	4,588	
o years r	6,104	4,963	7,022	7,676	7,127	6,746	6,174	6,504	7,459	-	
ee years r	7,780	7,825	9,620	9,822	9,102	8,340	8,374	8,822	-	-	
ur years r	10,085	9,914	11,289	11,312	10,121	9,863	10,038	-	-	-	
e years r	11,834	11,261	12,465	11,973	11,262	11,115	-	-	-	-	
years later	12,988	12,226	12,917	12,858	12,252	-	-	-	-	-	
ven years r	13,845	12,551	13,680	13,670	-	-	-	-	-	-	
ht years r	14,073	13,245	14,409	-	-	-	-	-	-	-	

e years r	14,713	13,916	-	-	-	-	-	-	-	-	
n years later	15,337	-	-	-	-	-	-	-	-	-	
t reserves estimated as											
d of initial r	17,437	17,522	20,256	21,381	21,470	21,262	21,188	19,352	19,261	19,621	**19,10**
e year later	17,671	18,513	20,588	21,601	21,463	21,021	20,643	18,923	19,081	19,506	
o years r	19,120	19,044	20,975	21,706	21,259	20,472	20,237	18,734	18,946	-	
ee years r	19,760	19,631	21,408	21,609	20,752	20,014	20,012	18,514	-	-	
ur years r	20,425	20,212	21,432	21,286	20,350	19,784	19,758	-	-	-	
e years r	21,060	20,301	21,326	20,982	20,155	19,597	-	-	-	-	
years later	21,217	20,339	21,060	20,815	20,021	-	-	-	-	-	
ven years r	21,381	20,142	20,926	20,755	-	-	-	-	-	-	
ht years r	21,199	20,023	20,900	-	-	-	-	-	-	-	
e years r	21,100	20,054	-	-	-	-	-	-	-	-	
n years later	21,135	-	-	-	-	-	-	-	-	-	
al net ficiency) undancy	(3,698)	(2,532)	(644)	626	1,449	1,665	1,430	838	315	115	
conciliation gross estimated erves:											
t reserves estimated	21,135	20,054	20,900	20,755	20,021	19,597	19,758	18,514	18,946	19,506	
estimated ed overable	15,852	14,706	12,025	9,697	8,293	7,252	6,593	7,093	5,850	5,531	
al gross estimated erves	36,987	34,760	32,925	30,452	28,314	26,849	26,351	25,607	24,796	25,037	
al gross ficiency) undancy	(5,703)	(3,556)	(2,231)	(993)	101	626	361	(195)	(568)	(341)	

ficiency) undancy ated to:										
bestos	(177)	(123)	(113)	(112)	(107)	(79)	-	-	-	-
vironmental lution	(209)	(209)	(159)	(159)	(159)	(76)	-	-	-	-
al asbestos										
ironmental lution	(386)	(332)	(272)	(271)	(266)	(155)	-	-	-	-
re on-asbestos										
ironmental lution)	(3,312)	(2,200)	(372)	897	1,715	1,820	1,430	838	315	115
al net ficiency) undancy	(3,698)	(2,532)	(644)	626	1,449	1,665	1,430	838	315	115

(a) Effective January 1, 2010, CNA ceded its net asbestos and environmental pollution claim and allocated claim adjustment expense reserves under a retroactive reinsurance agreement as further discussed in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

(b) On July 2, 2012, CNA acquired Hardy. As a result of this acquisition, net reserves were increased by $291 million.

Table of Contents

Please read information relating to CNA s property and casualty claim and claim adjustment expense reserves and reserve development set forth under Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), and in Notes 1 and 9 of the Notes to Consolidated Financial Statements, included under Item 8.

Investments

Please read Item 7, MD&A Investments and Notes 1, 3, 4 and 5 of the Notes to Consolidated Financial Statements, included under Item 8.

Other

Competition: The property and casualty insurance industry is highly competitive both as to rate and service. CNA competes with a large number of stock and mutual insurance companies and other entities for both distributors and customers. Insurers compete on the basis of factors including products, price, services, ratings and financial strength. CNA must continuously allocate resources to refine and improve its insurance products and services.

There are approximately 2,800 individual companies that sell property and casualty insurance in the United States. Based on 2012 statutory net written premiums, CNA is the eighth largest commercial insurance writer and the 13th largest property and casualty insurance organization in the United States.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision. Each domestic and foreign jurisdiction has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, prescribing the form and content of statutory financial reports, and regulating capital adequacy and the type, quality and amount of investments permitted. Such regulatory powers also extend to premium rate regulations, which require that rates not be excessive, inadequate or unfairly discriminatory. In addition to regulation of dividends by insurance subsidiaries, intercompany transfers of assets may be subject to prior notice or approval by insurance regulators, depending on the size of such transfers and payments in relation to the financial position of the insurance subsidiaries making the transfer or payment.

Hardy is also supervised by the Council of Lloyd s, which is the franchisor for all Lloyd s operations. The Council of Lloyd s has wide discretionary powers to regulate Lloyd s underwriting, such as establishing the capital requirements for syndicate participation. In addition, the annual business plans of each syndicate are subject to the review and approval of the Lloyd s Franchise Board, which is responsible for business planning and monitoring for all syndicates.

The European Union s executive body, the European Commission, is implementing new capital adequacy and risk management regulations called Solvency II that would apply to CNA s European operations. In addition, global regulators, including the United States National Association of Insurance Commissioners, are working with the International Association of Insurance Supervisors (IAIS) to consider changes to insurance company supervision. Among the areas being addressed are company and group capital requirements, group supervision and enterprise risk management. It is not currently clear to what extent or how the activities of the IAIS will impact CNA or U.S. insurance regulation.

Domestic insurers are also required by the state insurance regulators to provide coverage to insureds who would not otherwise be considered eligible by the insurers. Each state dictates the types of insurance and the level of coverage that must be provided to such involuntary risks. CNA s share of these involuntary risks is mandatory and generally a function of its respective share of the voluntary market by line of insurance in each state.

Further, insurance companies are subject to state guaranty fund and other insurance-related assessments. Guaranty fund assessments are levied by the state departments of insurance to cover claims of insolvent insurers. Other insurance-related assessments are generally levied by state agencies to fund various organizations including disaster relief funds, rating bureaus, insurance departments, and workers compensation second injury funds, or by industry organizations that assist in the statistical analysis and ratemaking process.

Table of Contents

Although the federal government does not currently directly regulate the business of insurance, federal legislative and regulatory initiatives can impact the insurance industry. These initiatives and legislation include proposed federal oversight of certain insurers; tort reform proposals; proposals addressing natural catastrophe exposures; terrorism risk mechanisms; federal financial services reforms; and various tax proposals affecting insurance companies. Any of the foregoing regulatory limitations, impositions and restrictions may result in significant burdens on CNA.

Various legislative and regulatory efforts to reform the tort liability system have, and will continue to, impact CNA s industry. Although there has been some tort reform with positive impact to the insurance industry, new causes of action and theories of damages continue to be proposed in state court actions or by federal or state legislatures that continue to expand liability for insurers and their policyholders.

Properties: The Chicago location houses CNA s principal executive offices. CNA s subsidiaries own or lease office space in various cities throughout the United States and in other countries. The following table sets forth certain information with respect to CNA s principal office locations:

Location	Size (square feet)	Principal Usage
333 S. Wabash Avenue Chicago, Illinois	639,553	Principal executive offices of CNA
2405 Lucien Way Maitland, Florida	113,084	Property and casualty insurance offices
125 S. Broad Street New York, New York	71,847	Property and casualty insurance offices
101 S. Reid Street Sioux Falls, South Dakota	61,631	Property and casualty insurance offices
4150 N. Drinkwater Boulevard Scottsdale, Arizona	56,281	Property and casualty insurance offices
401 Penn Street Reading, Pennsylvania	56,009	Property and casualty insurance offices
10375 Park Meadows Drive Littleton, Colorado	42,968	Property and casualty insurance offices
675 Placentia Avenue Brea, California	41,340	Property and casualty insurance offices
700 N. Pearl Street Dallas, Texas	37,870	Property and casualty insurance offices
1249 S. River Road Cranbury, New Jersey	36,946	Property and casualty insurance offices

CNA leases its office space described above except for the building in Chicago, Illinois, which is owned.

DIAMOND OFFSHORE DRILLING, INC.

Diamond Offshore Drilling, Inc. (Diamond Offshore) is engaged, through its subsidiaries, in the business of operating drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in the exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. Diamond

Offshore accounted for 19.4%, 21.1% and 23.6% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

Rigs: Diamond Offshore owns 45 offshore drilling rigs, consisting of 33 semisubmersible rigs, seven jack-ups and five dynamically positioned drillships, three of which are under construction with deliveries scheduled for the second and third quarters of 2014 and the first quarter of 2015. Diamond Offshore s semisubmersible fleet also includes the *Ocean Apex*, a moored semisubmersible rig which is under construction and expected to be delivered in the third quarter of 2014, a mid-water floater which is being modified to work in the North Sea, to be completed in the second quarter of 2014 and a dynamically positioned, ultra-deepwater harsh environment semisubmersible

Table of Contents

drilling rig, under construction, expected to be delivered in the first quarter of 2016. Diamond Offshore s diverse fleet enables it to offer a broad range of services worldwide in both the floater market (ultra-deepwater, deepwater and mid-water) and the non-floater, or jack-up market.

A floater rig is a type of mobile offshore drilling unit that floats and does not rest on the seafloor. This asset class includes self-propelled drillships and semisubmersible rigs. Semisubmersible rigs consist of an upper working and living deck resting on vertical columns connected to lower hull members. Such rigs operate in a semi-submerged position, remaining afloat, off bottom, in a position in which the lower hull is approximately 55 feet to 90 feet below the water line and the upper deck protrudes well above the surface. Semisubmersible rigs hold position while drilling by use of a series of small propulsion units or thrusters that provide dynamic positioning (DP) to keep the rig on location, or with anchors tethered to the seabed. Although DP semisubmersibles are self-propelled, such rigs may be moved long distances with the assistance of tug boats. Non-DP, or moored, semisubmersible rigs require tug boats or the use of a heavy lift vessel to move between locations.

A drillship is an adaptation of a maritime vessel which is designed and constructed to carry out drilling operations by means of a substructure with a moon pool centrally located in the hull. Drillships are typically self-propelled and are positioned over a drillsite through the use of either an anchoring system or a DP system similar to those used on semisubmersible rigs.

Diamond Offshore s floater fleet (semisubmersibles and drillships) can be further categorized based on the nominal water depth for each class of rig as follows:

Category	Rated Water Depth (a) (in feet)	Number of Units in Fleet
Ultra-Deepwater	7,501 to 12,000	13 (b)
Deepwater	5,000 to 7,500	7 (c)
Mid-Water	400 to 4,999	18

(a) Rated water depth for semisubmersibles and drillships reflects the maximum water depth in which a floating rig has been designed to operate. However, individual rigs are capable of drilling, or have drilled, in marginally greater water depths depending on various conditions (such as salinity of the ocean, weather and sea conditions).
(b) Includes three drillships and one harsh environment semisubmersible rig under construction.
(c) Includes one rig under construction utilizing the hull of one of Diamond Offshore s existing mid-water floaters.

Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the ocean floor. Diamond Offshore s jack-ups are used for drilling in water depths from 20 feet to 350 feet. The water depth limit of a particular rig is able to operate is principally determined by the length of the rig s legs. The rig hull includes the drilling equipment, jacking system, crew quarters, loading and unloading facilities, storage areas for bulk and liquid materials, heliport and other related equipment. A jack-up rig is towed to the drillsite with its hull riding in the sea, as a vessel, with its legs retracted. Once over a drillsite, the legs are lowered until they rest on the seabed and jacking continues with the legs penetrating the seabed until they are firm and stable, and resistance is sufficient to elevate the hull above the surface of the water. After completion of drilling operations, the hull is lowered until it rests in the water and then the legs are retracted for relocation to another drillsite. All of Diamond Offshore s jack-up rigs are equipped with a cantilever system that enables the rig to extend its drilling package over the aft end of the rig.

Fleet Enhancements and Additions: Diamond Offshore s long term strategy is to upgrade its fleet to meet customer demand for advanced, efficient and high-tech rigs by acquiring or building new rigs when possible to do so at attractive prices, and otherwise by enhancing the capabilities of its existing rigs at a lower cost and reduced construction period than newbuild construction would require. Since 2009, commencing with the acquisition of two newbuild, ultra-deepwater semisubmersible rigs, Diamond Offshore has committed over $5 billion towards upgrading its fleet. The *Ocean Onyx*, one of its two newest deepwater semisubmersible rigs, was completed in late 2013 and commenced drilling operations under a one-year contract in the Gulf of Mexico (GOM) in early 2014. The *Ocean BlackHawk*, the first of four new ultra-deepwater drillships, is currently mobilizing to the GOM and is expected to begin working under contract in the second quarter of 2014. Diamond Offshore also has six other construction/enhancement projects underway including:

Table of Contents

three dynamically positioned, ultra-deepwater drillships with expected completion dates in the second and third quarters of 2014 and the first quarter of 2015 at an aggregate cost of approximately $1.9 billion;

a dynamically positioned, ultra-deepwater harsh environment semisubmersible drilling rig with an expected completion date in the first quarter of 2016 at an estimated cost of approximately $755 million;

a deepwater semisubmersible rig with an expected completion date in the third quarter of 2014 at an estimated cost of approximately $370 million; and

enhancements to a mid-water semisubmersible rig that will enable the rig to work in the North Sea with an expected completion date in the second quarter of 2014 at an estimated cost of approximately $120 million.

Diamond Offshore will evaluate further rig acquisition and enhancement opportunities as they arise. However, Diamond Offshore can provide no assurance whether, or to what extent, it will continue to make rig acquisitions or enhancements to its fleet.

Markets: The principal markets for Diamond Offshore s contract drilling services are the following:

South America, principally offshore Brazil and Trinidad and Tobago;

Australia and Southeast Asia, including Malaysia, Indonesia and Vietnam;

the Middle East;

Europe, principally in the United Kingdom (U.K.) and Norway;

East and West Africa;

the Mediterranean; and

the Gulf of Mexico, including the U.S. and Mexico.

Diamond Offshore actively markets its rigs worldwide. From time to time Diamond Offshore s fleet operates in various other markets throughout the world.

Diamond Offshore believes its presence in multiple markets is valuable in many respects. For example, Diamond Offshore believes that its experience with safety and other regulatory matters in the U.K. has been beneficial in Australia and other international areas in which Diamond Offshore operates, while production experience it has gained through its Brazilian and North Sea operations has potential application worldwide. Additionally, Diamond Offshore

believes its performance for a customer in one market area enables it to better understand that customer s needs and better serve that customer in different market areas or other geographic locations.

Drilling Contracts: Diamond Offshore s contracts to provide offshore drilling services vary in their terms and provisions. Diamond Offshore typically obtains its contracts through a competitive bid process, although it is not unusual for Diamond Offshore to be awarded drilling contracts following direct negotiations. Drilling contracts generally provide for a basic fixed dayrate regardless of whether or not such drilling results in a productive well. Drilling contracts may also provide for reductions in rates during periods when the rig is being moved or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other circumstances. Under dayrate contracts, Diamond Offshore generally pays the operating expenses of the rig, including wages and the cost of incidental supplies. Historically, dayrate contracts have accounted for the majority of Diamond Offshore s revenues. In addition, from time to time, Diamond Offshore s dayrate contracts may also provide for the ability to earn an incentive bonus from its customer based upon performance.

Table of Contents

The duration of a dayrate drilling contract is generally tied to the time required to drill a single well or a group of wells, which Diamond Offshore refers to as a well-to-well contract, or a fixed period of time, in what Diamond Offshore refers to as a term contract. Many drilling contracts may be terminated by the customer in the event the drilling rig is destroyed or lost or if drilling operations are suspended for an extended period of time as a result of a breakdown of equipment or, in some cases, due to other events beyond the control of either party to the contract. Certain of Diamond Offshore s contracts also permit the customer to terminate the contract early by giving notice, and in most circumstances, this requires the payment of an early termination fee by the customer. The contract term in many instances may also be extended by the customer exercising options for the drilling of additional wells or for an additional length of time, generally at competitive market rates and mutually agreeable terms at the time of the extension.

Customers: Diamond Offshore provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. During 2013, 2012 and 2011, Diamond Offshore performed services for 39, 35 and 52 different customers. During 2013, 2012 and 2011, one of Diamond Offshore s customers in Brazil, Petróleo Brasileiro S.A. (Petrobras), (a Brazilian multinational energy company that is majority-owned by the Brazilian government), accounted for 34%, 33% and 35% of Diamond Offshore s annual total consolidated revenues. OGX Petróleo e Gás Ltda. (OGX), (a privately owned Brazilian oil and natural gas company that filed for bankruptcy in October of 2013), accounted for 2%, 12% and 14% of Diamond Offshore s annual total consolidated revenues in each of the years ended December 31, 2013, 2012 and 2011. No other customer accounted for 10% or more of Diamond Offshore s annual total consolidated revenues during 2013, 2012 or 2011.

Brazil is one of the most active floater markets in the world today. Currently, the greatest concentration of Diamond Offshore s operating assets is offshore Brazil, where it has ten rigs contracted. Diamond Offshore s contract backlog attributable to its expected operations offshore Brazil is $953 million, $537 million and $62 million for the years 2014, 2015 and 2016.

Competition: Despite consolidation in previous years, the offshore contract drilling industry remains highly competitive with numerous industry participants, none of which at the present time has a dominant market share. The industry may also experience additional consolidation in the future, which could create other large competitors. Some of Diamond Offshore s competitors may have greater financial or other resources than Diamond Offshore. Diamond Offshore competes with offshore drilling contractors that together have approximately 600 mobile rigs available worldwide.

The offshore contract drilling industry is influenced by a number of factors, including global economies and demand for oil and natural gas, current and anticipated prices of oil and natural gas, expenditures by oil and gas companies for exploration and development of oil and natural gas and the availability of drilling rigs.

Drilling contracts are traditionally awarded on a competitive bid basis. Price is typically the primary factor in determining which qualified contractor is awarded a job. Customers may also consider rig availability and location, a drilling contractor s operational and safety performance record, and condition and suitability of equipment. Diamond Offshore believes it competes favorably with respect to these factors.

Diamond Offshore competes on a worldwide basis, but competition may vary significantly by region at any particular time. Competition for offshore rigs generally takes place on a global basis, as these rigs are highly mobile and may be moved, at a cost that may be substantial, from one region to another. It is characteristic of the offshore contract drilling industry to move rigs from areas of low utilization and dayrates to areas of greater activity and relatively higher dayrates. Significant new rig construction and upgrades of existing drilling units could also intensify price competition.

Governmental Regulation: Diamond Offshore s operations are subject to numerous international, foreign, U.S., state and local laws and regulations that relate directly or indirectly to its operations, including regulations controlling the discharge of materials into the environment, requiring removal and clean-up under some circumstances, or otherwise relating to the protection of the environment, and may include laws or regulations pertaining to climate change, carbon emissions or energy use.

Table of Contents

Operations Outside the United States: Diamond Offshore s operations outside the U.S. accounted for approximately 89%, 94% and 90% of its total consolidated revenues for the years ended December 31, 2013, 2012 and 2011.

Properties: Diamond Offshore owns an office building in Houston, Texas, where its corporate headquarters are located, offices and other facilities in New Iberia, Louisiana, Aberdeen, Scotland, Macae, Brazil and Ciudad del Carmen, Mexico. Additionally, Diamond Offshore currently leases various office, warehouse and storage facilities in Louisiana, Australia, Indonesia, Norway, Malaysia, Singapore, Egypt, Angola, Vietnam, Thailand, Cameroon, Trinidad and Tobago and the U.K. to support its offshore drilling operations.

BOARDWALK PIPELINE PARTNERS, LP

Boardwalk Pipeline Partners, LP (Boardwalk Pipeline) is engaged in integrated natural gas and natural gas liquids (NGLs) transportation and storage and natural gas gathering and processing. Boardwalk Pipeline accounted for 8.2%, 8.1% and 8.1% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

We own approximately 53% of Boardwalk Pipeline comprised of 125,586,133 common units and a 2% general partner interest. A wholly owned subsidiary of ours, Boardwalk Pipelines Holding Corp. (BPHC) is the general partner and holds all of Boardwalk Pipeline s incentive distribution rights which entitle the general partner to an increasing percentage of the cash that is distributed by Boardwalk Pipeline in excess of $0.4025 per unit per quarter.

Boardwalk Pipeline owns and operates approximately 14,195 miles of interconnected natural gas pipelines directly serving customers in 13 states and indirectly serving customers throughout the northeastern and southeastern United States through numerous interconnections with unaffiliated pipelines. Boardwalk Pipeline also owns approximately 255 miles of NGL pipelines in Louisiana. In 2013, its pipeline systems transported approximately 2.4 trillion cubic feet (Tcf) of natural gas and approximately 7.5 million barrels (MMbbls) of NGLs. Average daily throughput on Boardwalk Pipeline s natural gas pipeline systems during 2013 was approximately 6.6 billion cubic feet (Bcf). Boardwalk Pipeline s natural gas storage facilities are comprised of 14 underground storage fields located in four states with aggregate working gas capacity of approximately 207.0 Bcf and Boardwalk Pipeline s NGL storage facilities consist of eight salt dome storage caverns located in Louisiana with an aggregate storage capacity of approximately 17.6 MMbbls. Boardwalk Pipeline also owns two salt dome caverns for use in providing brine supply services and to support the NGL storage operations.

The pipeline and storage systems of Boardwalk Pipeline consist of the following:

The Gulf Crossing pipeline system, which originates in Texas and proceeds into Louisiana, operates approximately 360 miles of natural gas pipeline. The pipeline system has a peak-day delivery capacity of 1.7 Bcf per day and average daily throughput for the year ended December 31, 2013 was 1.2 Bcf per day.

The Gulf South pipeline system runs approximately 7,200 miles along the Gulf Coast in the states of Texas, Louisiana, Mississippi, Alabama and Florida. Gulf South has two natural gas storage facilities with 83.0 Bcf of working gas storage capacity. The pipeline system has a peak-day delivery capacity of 6.9 Bcf per day and average daily throughput for the year ended December 31, 2013 was 2.5 Bcf per day.

The Texas Gas pipeline system originates in Louisiana, East Texas and Arkansas and runs for approximately 6,100 miles north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana, and into Ohio, with smaller diameter lines extending into Illinois. The pipeline system has a peak-day delivery capacity of 4.6 Bcf per day and average daily throughput for the year ended December 31, 2013 was 2.6 Bcf per day. Texas Gas owns nine natural gas storage fields with 84.0 Bcf of working gas storage capacity.

Field Services operates natural gas gathering, compression, treating and processing infrastructure primarily in south Texas with approximately 420 miles of pipeline.

Table of Contents

Petal Gas Storage, LLC (formerly referred to as Boardwalk HP Storage Company, LLC) (Petal) owns and operates eight salt dome natural gas storage caverns in Mississippi, with 46.0 Bcf of total storage capacity, of which approximately 29.0 Bcf is working gas capacity. Petal also operates approximately 100 miles of pipeline which connects its facilities with several major natural gas pipelines, including Gulf South. Average daily throughput for the pipeline system for the year ended December 31, 2013 was 0.2 Bcf per day. Petal also owns undeveloped land which is suitable for up to five additional storage caverns.

Louisiana Midstream s storage services provide approximately 57.8 MMbbls of salt dome storage capacity, including approximately 11.0 Bcf of working natural gas storage capacity and approximately 17.6 MMbbls of salt dome NGL storage capacity, significant brine supply infrastructure including two salt dome caverns and approximately 270 miles of pipeline assets, including an extensive ethylene distribution system.

Boardwalk Pipeline s current growth projects and investments include the following:

Southeast Market Expansion: The Southeast Market Expansion project is an interconnection between Boardwalk Pipeline s Gulf South pipeline and Petal facilities, additional compression facilities and approximately 70 miles of additional pipeline, adding 0.5 Bcf per day of peak-day transmission capacity. The project, which was approved by the Federal Energy Regulatory Commission (FERC), is expected to be placed in service in the fourth quarter of 2014 and will cost approximately $300 million. The Southeast Market Expansion project is fully contracted with a weighted average contract life of approximately 10 years.

Ohio to Louisiana Access Project: Boardwalk Pipeline s Ohio to Louisiana Access Project would provide long term firm natural gas transportation from the Marcellus and Utica production areas to Louisiana. This project does not add additional capacity to Boardwalk Pipeline s natural gas pipeline systems, but will reverse the traditional flow of natural gas from northbound to southbound on a portion of its Texas Gas system. The project is supported by firm transportation contracts for 0.6 Bcf of capacity per day with producers and end-users with a weighted average contract life of approximately 13 years. The project is expected to cost approximately $115 million and is expected to be placed into service in the first half of 2016, subject to FERC approval.

Bluegrass Project: In 2013, Boardwalk Pipeline executed a series of agreements with the Williams Companies, Inc. (Williams) to develop the Bluegrass Project, a joint venture project that would develop a pipeline to transport NGLs from the Marcellus and Utica shale plays to the petrochemical and export complex in the Lake Charles, Louisiana area, and the construction of related fractionation, storage and liquefied petroleum gas (LPG) terminal export facilities.

The proposed project would include constructing a new pipeline that would initially provide producers with 200,000 barrels per day of mixed NGLs take-away capacity in Ohio, West Virginia and Pennsylvania to an interconnect with the Texas Gas pipeline in Kentucky. Capacity could be increased to 400,000 barrels per day to meet market demand, primarily by adding additional liquids pumping capacity. From the interconnect with Texas Gas to Louisiana, a portion of the Texas Gas pipeline (Texas Gas Loop Line) would be converted from natural gas service to NGLs service. The proposed project would also include constructing a new large-scale fractionation plant, expanding NGLs storage facilities in Louisiana, constructing a new pipeline connecting these facilities to the converted Texas Gas Loop Line and constructing a new export LPG terminal and related facilities on the Gulf Coast to provide customers access to international markets.

Boardwalk Pipeline and Williams are engaged in comprehensive project development activities including project design, cost estimating, economic and risk analysis, permitting, other legal and regulatory approvals and right-of-way acquisition. Boardwalk Pipeline and Williams are also continuing ongoing discussions with potential customers

regarding commitments for pipeline, fractionation, storage and export services to support this project. As of December 31, 2013, Boardwalk Pipeline and BPHC have contributed a total of $79 million to the project for pre-construction development costs.

Table of Contents

Approval and completion of this project is subject to, among other conditions, execution of customer contracts sufficient to support the project, acquisition of right-of-way along the pipeline route, and the parties receipt of all necessary approvals, including board approvals and regulatory approvals, such as antitrust clearance under the Hart-Scott-Rodino Antitrust Improvements Act and approvals by the FERC, among others. Before the Texas Gas Loop Line can be converted to NGLs service, abandonment authority must be received from FERC. The abandonment application was filed with FERC in May of 2013 and Boardwalk Pipeline estimates the abandonment process will take at least twelve months. In addition, each of the parties has the right, under certain circumstances, to withdraw from the project or from portions of the project, in which case the project may be terminated, only portions of the project may be completed, or the parties respective ownership interests in the project may change. Boardwalk Pipeline and Williams are continuing to evaluate all aspects of the project, including the anticipated date the project would be placed in service if it is completed.

Customers: Boardwalk Pipeline serves a broad mix of customers, including producers of natural gas, local distribution companies, marketers, electric power generators, industrial users and interstate and intrastate pipelines, located throughout the Gulf Coast, Midwest and Northeast regions of the U.S.

Competition: Boardwalk Pipeline competes with numerous other pipelines that provide transportation, storage and other services at many locations along its pipeline systems. Boardwalk Pipeline also competes with pipelines that are attached to new natural gas supply sources that are being developed closer to some of its traditional natural gas market areas. In addition, regulators continuing efforts to increase competition in the natural gas industry have increased the natural gas transportation options of Boardwalk Pipeline s traditional customers. As a result of regulators policies, capacity segmentation and capacity release have created an active secondary market which increasingly competes with Boardwalk Pipeline s natural gas pipeline services. Further, natural gas competes with other forms of energy available to Boardwalk Pipeline s customers, including electricity, coal, fuel oils and alternative fuel sources.

The principal elements of competition among pipelines are available capacity, rates, terms of service, access to gas supplies, flexibility and reliability of service. In many cases, the elements of competition, in particular flexibility, terms of service and reliability, are key differentiating factors between competitors. This is especially the case with capacity being sold on a longer term basis. Boardwalk Pipeline is focused on finding opportunities to enhance its competitive profile in these areas by increasing the flexibility of its pipeline systems to meet the demands of customers, such as power generators and industrial users, and is continually reviewing its services and terms of service to offer customers enhanced service options.

Seasonality: Boardwalk Pipeline s revenues can be affected by weather, natural gas price levels, basis spreads and time period price spreads and natural gas price volatility. Weather impacts natural gas demand for heating needs and power generation, which in turn influences the short term value of transportation and storage across Boardwalk Pipeline s pipeline systems. Colder than normal winters can result in an increase in the demand for natural gas for heating needs and warmer than normal summers can impact cooling needs, both of which typically result in increased pipeline transportation revenues and throughput. While traditionally peak demand for natural gas occurs during the winter months driven by heating needs, the increased use of natural gas for cooling needs during the summer months has partially reduced the seasonality of revenues. In 2013, approximately 53% of Boardwalk Pipeline s revenue was recognized in the first and fourth quarters of the year.

Governmental Regulation: FERC regulates Boardwalk Pipeline s natural gas operating subsidiaries under the Natural Gas Act (NGA) of 1938 and the Natural Gas Policy Act (NGPA) of 1978. FERC regulates, among other things, the rates and charges for the transportation and storage of natural gas in interstate commerce and the extension, enlargement or abandonment of facilities under its jurisdiction. Where required, Boardwalk Pipeline s natural gas interstate subsidiaries hold certificates of public convenience and necessity issued by FERC covering certain of their

facilities, activities and services. The maximum rates that may be charged by Boardwalk Pipeline s subsidiaries operating under FERC s jurisdiction, for all aspects of the natural gas transportation services it provides, are established through FERC s cost-of-service rate-making process. The maximum rates that may be charged by Boardwalk Pipeline for storage services on Texas Gas, with the exception of services associated with a portion of the working gas capacity on that system, are established through FERC s cost-of-service rate-making process. Key determinants in FERC s cost-of-service rate-making process are the costs of providing service, the volumes of gas being transported, the rate design, the allocation of costs between services, the capital structure and the rate of return

Table of Contents

a pipeline is permitted to earn. FERC has authorized Boardwalk Pipeline to charge market-based rates for its firm and interruptible storage services for the majority of its storage facilities. None of Boardwalk Pipeline s FERC-regulated entities has an obligation to file a new rate case.

Boardwalk Pipeline is also regulated by the U.S. Department of Transportation (DOT) through the Pipeline and Hazardous Materials Safety Administration (PHMSA) under the Natural Gas Pipeline Safety Act of 1968, as amended by Title I of the Pipeline Safety Act of 1979 (NGPSA) and the Hazardous Liquids Pipeline Safety Act of 1979 (HLPSA), which regulates safety requirements in the design, construction, operation and maintenance of interstate natural gas and NGL pipeline facilities. Boardwalk Pipeline has received authority from PHMSA to operate certain natural gas pipeline assets under special permits that will allow it to operate those assets at higher than normal operating pressures of up to 0.80 of the pipe s Specified Minimum Yield Strength (SMYS). Operating at higher than normal operating pressures will allow each of these pipelines to transport all of the volumes Boardwalk Pipeline has contracted for with its customers. PHMSA retains discretion whether to grant or maintain authority for Boardwalk Pipeline to operate these natural gas pipeline assets at higher pressures. PHMSA has also developed regulations that require transportation pipeline operators to implement integrity management programs to comprehensively evaluate certain high risk areas along their pipelines and take additional measures to protect pipeline segments located in highly populated areas. The NGPSA and HLPSA were most recently amended by the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (2011 Act) in 2012, with the 2011 Act requiring increased maximum civil penalties for certain violations to $200,000 per violation per day, and an increased total cap of $2 million. In addition, the 2011 Act reauthorized the federal pipeline safety programs of PHMSA through September 30, 2015, and directs the Secretary of Transportation to undertake a number of reviews, studies and reports, some of which may result in more stringent safety controls or additional natural gas and hazardous liquids pipeline safety rulemaking. A number of the provisions of the 2011 Act have the potential to cause owners and operators of pipeline facilities to incur significant capital expenditures and/or operating costs.

Boardwalk Pipeline s operations are also subject to extensive federal, state, and local laws and regulations relating to protection of the environment. Such laws and regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases, discharges and emissions of various substances into the environment. Environmental regulations also require that Boardwalk Pipeline s facilities, sites and other properties be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of corrective or remedial obligations and the issuance of orders enjoining performance of some or all of Boardwalk Pipeline s operations. While Boardwalk Pipeline believes that they are in substantial compliance with existing environmental laws and regulations and that continued compliance with existing requirements will not materially affect them, there is no assurance that the current regulatory standards will not become more onerous in the future, resulting in more significant costs to maintain compliance or increased exposure to significant liabilities.

Properties: Boardwalk Pipeline is headquartered in approximately 108,000 square feet of leased office space located in Houston, Texas. Boardwalk Pipeline also leases approximately 60,000 square feet of office space in Owensboro, Kentucky. Boardwalk Pipeline s operating subsidiaries own their respective pipeline systems in fee. However, substantial portions of these systems are constructed and maintained on property owned by others pursuant to rights-of-way, easements, permits, licenses or consents.

HIGHMOUNT EXPLORATION & PRODUCTION LLC

HighMount Exploration & Production, LLC (HighMount) is engaged in the exploration, production and marketing of natural gas and oil (including condensate and NGLs). HighMount accounted for 1.7%, 2.0% and 2.5% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011.

HighMount s proved reserves and production are primarily located in the Sonora field, a tight sands gas formation within the Permian Basin in West Texas. HighMount holds mineral rights on over 500,000 net acres in the Permian Basin, with approximately 6,000 producing wells. In addition, HighMount has working interests in undeveloped oil and gas properties located on approximately 67,000 net acres in Oklahoma which contain primarily oil reserves.

Table of Contents

HighMount s interests in developed and undeveloped acreage, wellbores and well facilities generally take the form of working interests in leases that have varying terms. HighMount s interests in these properties are, in many cases, held jointly with third parties and may be subject to royalty, overriding royalty, carried, net profits and other similar interests and contractual arrangements with other parties as is customary in the oil and gas industry. HighMount also owns and operates approximately 3,200 miles of gathering lines and operates over 58,000 horsepower of compression which are used to transport natural gas and NGLs principally from HighMount s producing wells to processing plants and pipelines owned by third parties.

We use the following terms throughout this discussion of HighMount s business, with equivalent volumes computed with oil and NGL quantities converted to Mcf, on an energy equivalent ratio of one barrel to six Mcf:

Average price	-	Average price during the twelve-month period, prior to the date of the estimate, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements with customers, excluding escalations based upon future conditions
Bbl	-	Barrel (of oil or NGLs)
Bcf	-	Billion cubic feet (of natural gas)
Bcfe	-	Billion cubic feet of natural gas equivalent
Developed acreage	-	Acreage assignable to productive wells
Gross acres	-	Total acres in which HighMount owns a working interest
Gross wells	-	Total number of wells in which HighMount owns a working interest
Mcf	-	Thousand cubic feet (of natural gas)
Mcfe	-	Thousand cubic feet of natural gas equivalent
MMBbl	-	Million barrels (of oil or NGLs)
MMBtu	-	Million British thermal units
MMcf	-	Million cubic feet (of natural gas)
MMcfe	-	Million cubic feet of natural gas equivalent
Net acres	-	The sum of all gross acres covered by a lease or other arrangement multiplied by the working interest owned by HighMount in such gross acreage
Net wells	-	The sum of all gross wells multiplied by the working interest owned by HighMount in such wells
NGL	-	Natural Gas Liquids largely ethane and propane as well as some heavier hydrocarbons
Productive wells	-	Producing wells and wells mechanically capable of production
Proved reserves	-	Quantities of natural gas, NGLs and oil which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be recoverable in the future from known reservoirs under existing economic conditions, operating methods and government regulations
Proved developed reserves	-	Proved reserves which can be expected to be recovered through existing wells with existing equipment, infrastructure and operating methods
Proved undeveloped reserves	-	Proved reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required
Tcf	-	Trillion cubic feet (of natural gas)
Tcfe	-	Trillion cubic feet of natural gas equivalent
Undeveloped acreage	-	Acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas

As of December 31, 2013, HighMount owned 719.3 Bcfe of net proved reserves, of which 92.7% were classified as proved developed reserves. HighMount s estimated total proved reserves consist of 514.5 Bcf of natural gas, 30.7 MMBbls of NGLs, and 3.4 MMBbls of oil and condensate. HighMount produced approximately 133 MMcfe per day of net natural gas, NGLs and oil during 2013. HighMount holds leasehold or drilling rights in 0.7 million net acres, of which 0.5 million is developed acreage and the balance is held for future exploration and development drilling opportunities. HighMount participated in the drilling of 60 wells during 2013, of which 57 (or 95.0%) are productive wells.

Table of Contents

Recent Developments: The growth in recent years in the production of natural gas and natural gas liquids from new supply areas across the United States, some of which are closer to traditional high value end markets and are less expensive to produce than HighMount s production, continues to depress the prices of those commodities. This trend is expected to continue for the foreseeable future as production from basins such as the Marcellus Shale and Utica Shale is forecasted to increase significantly over the next several years. As a result of these prevailing low commodity prices, it is not currently economical for HighMount to drill new natural gas wells in the Sonora field. In 2012, HighMount ceased drilling new gas wells and is now solely pursuing a strategy of seeking to develop resource plays expected to be rich in oil, which has not experienced the dramatic price declines of natural gas and natural gas liquids.

In 2011, HighMount acquired acreage in Oklahoma with non-proven oil resources in the Mississippian Lime and Woodford Shale formations. More recently, HighMount has been seeking to develop oil reserves in the Wolfcamp zone of its Sonora acreage. HighMount has drilled a number of exploratory wells in these plays using various horizontal drilling, fracturing and well completion techniques, which are far more expensive to drill than its traditional vertical natural gas wells in the Sonora field. HighMount is not currently drilling new wells on its Oklahoma properties and has one drilling rig working in the Wolfcamp area. To date, these exploratory wells have not yielded sufficient quantities of oil to support commercial development of these properties. Further study and refinement of drilling techniques will be required in order to determine whether there is an economic development opportunity.

In light of these developments, HighMount recorded a goodwill impairment charge of $584 million ($382 million after tax) in 2013. See the Results of Operations by Business Segment section of this MD&A and Note 8 of the Notes to Consolidated Financial Statements included under Item 8 for additional information.

Reserves: HighMount s reserves represent its share of reserves based on its net revenue interest in each property. Estimated reserves as of December 31, 2013 are based upon studies for each of HighMount s properties prepared by HighMount staff engineers and are the responsibility of management. Calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with Securities and Exchange Commission (SEC) guidelines.

HighMount employs various internal controls to validate the reserve estimation process. The main internal controls include (i) detailed reviews of reserve-related information by reserve engineering and executive management, (ii) reserve audits performed by an independent third party reserve auditor, (iii) segregation of duties, and (iv) system reconciliation or automated interface between various systems used in the reserve estimation process.

HighMount employs a team of reservoir engineers that specialize in HighMount s areas of operation. The reservoir engineering team reports to HighMount s Chief Operating Officer. The compensation of HighMount s reservoir engineers is not dependent on the quantity of reserves booked. HighMount s lead evaluator has over seven years of petroleum engineering experience, most of which have been in the reservoir engineering and reserve fields. He is a member in good standing of and has held leadership roles in the Society of Petroleum Engineers.

HighMount s reserves estimates for 2013 have been independently audited by Netherland, Sewell & Associates, Inc. (NSAI), a worldwide leader of petroleum property analysis for industry and financial organizations and governmental agencies. NSAI was founded in 1961 and performs consulting services under Texas Board of Professional Engineers Registration No. F-2699. The technical person primarily responsible for NSAI s audit and audit letter has over 30 years of industry experience and has been practicing consulting petroleum engineering at NSAI since 1989.

Table of Contents

The following table sets forth HighMount s proved reserves at December 31, 2013, based on average 2013 prices of $3.67 per MMBtu for natural gas, $35.39 per Bbl for NGLs and $96.94 per Bbl for oil. Approximately 99% of HighMount s proved reserves are located in the Permian Basin in Texas and approximately 1% of proved reserves are located in Oklahoma.

	Natural Gas (MMcf)	NGLs (Bbls)	Oil (Bbls)	Natural Gas Equivalents (MMcfe)
Proved developed	**484,922**	**27,571,435**	**2,761,873**	**666,922**
Proved undeveloped	**29,574**	**3,143,804**	**654,870**	**52,366**
Total proved	**514,496**	**30,715,239**	**3,416,743**	**719,288**

HighMount reviews its proved reserves during the fourth quarter of each year. During 2013, HighMount produced 48 Bcfe and recorded negative net reserve revisions of 79 Bcfe due to a reclassification of proved undeveloped reserves to the non-proved category due to variability in well performance primarily in the Mississippian Lime and reduction in drilling plans, driven by continued low natural gas and NGL prices. Estimated net quantities of proved natural gas and oil reserves at December 31, 2013, 2012 and 2011 and changes in the reserves during 2013, 2012 and 2011 are shown in Note 15 of the Notes to Consolidated Financial Statements included under Item 8.

HighMount s Sonora natural gas-producing properties typically have relatively long reserve lives and high well completion success rates. Based on December 31, 2013 proved reserves and HighMount s average production from these properties during 2013, the average reserve-to-production index of HighMount s proved reserves is 15 years.

In order to replenish reserves as they are depleted by production, and to increase reserves, and if determined to be economical, HighMount develops its existing acreage by drilling new wells and, where available, employing new technologies and drilling strategies designed to enhance production from existing wells. In addition, HighMount may seek to acquire additional acreage in its core areas of operation, as well as other locations where its management has identified an opportunity. As noted above, HighMount is not currently drilling new natural gas wells and is pursuing a limited drilling program seeking to develop additional oil reserves.

During 2013, 2012 and 2011, HighMount engaged in the drilling activity presented in the following table:

Year Ended December 31	**2013**		2012		2011	
	Gross	**Net**	Gross	Net	Gross	Net
Development Wells						
Productive Wells	**57**	**45.3**	83	78.5	46	46.0
Dry Wells	**3**	**3.0**	8	8.0	5	5.0
Total Development Wells	**60**	**48.3**	91	86.5	51	51.0

Exploratory Wells						
Productive Wells					10	9.5
Dry Wells					2	2.0
Total Exploratory Wells					12	11.5
Total Completed Wells	**60**	**48.3**	91	86.5	63	62.5

In addition, at December 31, 2013, HighMount had 14 (13.8 net) wells in progress.

As of December 31, 2013, HighMount had working interests in approximately 6,000 gross producing wells (approximately 5,700 net producing wells) located primarily in the Permian Basin. In addition, HighMount had royalty interests in approximately 249 wells located in the Permian Basin. Wells located in the Permian Basin have a typical well depth in the range of 6,000 to 9,000 feet.

Table of Contents

Acreage: As of December 31, 2013, HighMount owned interests in 1,055,799 gross (657,354 net) acres in the United States which is comprised of 615,282 gross (474,947 net) developed acres, and 440,517 gross (182,407 net) undeveloped acres.

Leases covering 18,956, 45,804 and 8,150 of HighMount s net acreage will expire during the years ended December 31, 2014, 2015 and 2016, if production is not established or HighMount takes no other action to extend the terms.

Production and Sales: Please see the Production and Sales statistics table for additional information included in the MD&A under Item 7.

HighMount utilizes its own marketing and sales personnel to market the natural gas and oil that it produces to large energy companies and intrastate pipelines and gathering companies. Production is typically sold and delivered directly to a pipeline at liquid pooling points or at the tailgates of various processing plants, where it then enters a pipeline system. Permian Basin natural gas sales prices are primarily at a Houston Ship Channel Index.

To manage the risk of fluctuations in prevailing commodity prices, HighMount enters into commodity and basis swaps and other derivative instruments.

Competition: HighMount competes with other oil and gas companies in all aspects of its business, including acquisition of producing properties and leases and obtaining goods, services and labor, including drilling rigs and well completion services. HighMount also competes in the marketing of produced natural gas and oil. Some of HighMount s competitors have substantially larger financial and other resources than HighMount. Factors that affect HighMount s ability to acquire producing properties include available funds, available information about the property and standards established by HighMount for minimum projected return on investment. Natural gas and oil also compete with alternative fuel sources, including heating oil and coal.

Governmental Regulation: All of HighMount s operations are conducted onshore in the United States. The U.S. oil and gas industry, and HighMount s operations, are subject to regulation at the federal, state and local level. Such regulation includes requirements with respect to, among other things: permits to drill and to conduct other operations; provision of financial assurances (such as bonds) covering drilling and well operations; the location of wells; the method of drilling and completing wells; the surface use and restoration of properties upon which wells are drilled; the plugging and abandoning of wells; the marketing, transportation and reporting of production; the valuation and payment of royalties; the size of drilling and spacing units (regarding the density of wells which may be drilled in a particular area); the unitization or pooling of natural gas and oil properties; maximum rates of production from natural gas and oil wells; venting or flaring of natural gas; and the ratability of production and the operation of gathering systems and related assets.

HighMount uses hydraulic fracturing to stimulate the production of oil and natural gas. In recent years, concerns have been raised that the fracturing process may, among other things, contaminate underground sources of drinking water. The conference committee report for The Department of the Interior, Environment, and Related Agencies Appropriations Act for Fiscal Year 2010 requested the United States Environmental Protection Agency (EPA) to conduct a study of hydraulic fracturing, particularly the relationship between hydraulic fracturing and drinking water. In December of 2012 the EPA issued a progress report of the projects the EPA is conducting as part of the study. A final draft report is expected to be released for public comment and peer review in 2014. Several bills have been introduced in Congress seeking federal regulation of hydraulic fracturing, which has historically been regulated at the state level, though none of the proposed legislation has been passed into law. HighMount believes that similar bills will continue to be introduced in Congress and a number of federal agencies are analyzing, or have been requested to

review, a variety of environmental issues associated with hydraulic fracturing; however, HighMount cannot predict whether any such bill will be passed into law or, if passed, the substance of any such new law.

The Federal Energy Policy Act of 2005 amended the NGA to prohibit natural gas market manipulation by any entity, directed the FERC to facilitate market transparency in the sale or transportation of physical natural gas and significantly increased the penalties for violations of the NGA of 1938, the NGPA of 1978, or FERC regulations or orders thereunder. In addition, HighMount owns and operates gas gathering lines and related facilities which are regulated by the DOT and state agencies with respect to safety and operating conditions.

Table of Contents

HighMount s operations are also subject to federal, state and local laws and regulations concerning the discharge of contaminants into the environment, the generation, storage, transportation and disposal of contaminants, and the protection of public health, natural resources, wildlife and the environment. In most instances, the regulatory requirements relate to the handling and disposal of drilling and production waste products, water and air pollution control procedures, and the remediation of petroleum-product contamination. In addition, HighMount s operations may require it to obtain permits for, among other things, air emissions, discharges into surface waters, and the construction and operation of underground injection wells or surface pits to dispose of produced saltwater and other non-hazardous oilfield wastes. HighMount could be required, without regard to fault or the legality of the original disposal, to remove or remediate previously disposed wastes, to suspend or cease operations in contaminated areas or to perform remedial well plugging operations or cleanups to prevent future contamination.

In September of 2009, the EPA adopted regulations under the Clean Air Act requiring the monitoring and reporting of annual greenhouse gas (GHG) emissions by certain large U.S. GHG emitters. Affected companies are required to monitor their GHG emissions and report to the EPA. Oil and gas exploration and production companies that emit more than 25,000 metric tons of GHG per year from any facility (as defined in the regulations), including HighMount, are required to monitor and report emissions for facilities that meet the emissions threshold. HighMount filed its GHG report in March of 2013 for the 2012 reporting year.

Properties: In addition to its interests in oil and gas producing properties, HighMount leases an aggregate of approximately 56,300 square feet of office space in Houston, Texas, which includes its corporate headquarters, and approximately 83,800 square feet of office space in Oklahoma City, Oklahoma. HighMount also leases other surface rights and office, warehouse and storage facilities necessary to operate its business. In addition to leased properties, HighMount also owns a 44,000 square foot office building in Sonora, Texas, and a 1,500 square foot office building in Morrison, Oklahoma.

Table of Contents

LOEWS HOTELS HOLDING CORPORATION

The subsidiaries of Loews Hotels Holding Corporation (Loews Hotels), our wholly owned subsidiary, presently operate a chain of 18 primarily upper, upscale hotels. Each hotel in the chain is managed by Loews Hotels. Seven of these hotels are owned by Loews Hotels, seven are owned by joint ventures in which Loews Hotels has a significant equity interest and four are managed for unaffiliated owners. Loews Hotels earnings are derived from the operation of its wholly owned hotels, its share of earnings in joint venture hotels and hotel management fees earned from both joint venture and managed hotels. Loews Hotels accounted for 2.5%, 2.7% and 2.4% of our consolidated total revenue for the years ended December 31, 2013, 2012 and 2011. The hotels are described below.

Name and Location	Number of Rooms
Owned (a):	
Loews Annapolis Hotel, Annapolis, Maryland	220
Loews Coronado Bay, San Diego, California (b)	440
Loews Miami Beach Hotel, Miami Beach, Florida	790
Loews Philadelphia Hotel, Philadelphia, Pennsylvania	585
Loews Regency Hotel, New York, New York (c)	379
Loews Vanderbilt Hotel, Nashville, Tennessee	340
Loews Hotel Vogue, Montreal, Canada	140
Joint Venture/Managed:	
The Don CeSar, a Loews Hotel, St. Pete Beach, Florida	347
Hard Rock Hotel, at Universal Orlando, Orlando, Florida	650
Loews Boston Hotel, Boston, Massachusetts	225
Loews Hollywood Hotel, Hollywood, California	632
Loews Madison Hotel, Washington, D.C.	356
Loews Portofino Bay Hotel, at Universal Orlando, Orlando, Florida	750
Loews Royal Pacific Resort, at Universal Orlando, Orlando, Florida	1,000
Management Contract:	
Loews Atlanta Hotel, Atlanta, Georgia	414
Loews New Orleans Hotel, New Orleans, Louisiana	285
Loews Santa Monica Beach Hotel, Santa Monica, California	340
Loews Ventana Canyon, Tucson, Arizona	400

(a) In February of 2014, the Loews LeConcorde Hotel in Quebec City, Canada was closed.
(b) The hotel has a land lease expiring in 2034.
(c) The hotel has a land lease expiring in 2036 with a renewal option for 24 years.
Under Construction: In 2013, Loews Hotels is a 50% partner in a joint venture which is constructing Cabana Bay Beach Resort, an 1,800 guestroom hotel at Universal Orlando, Florida. The first phase is expected to open early in 2014. Construction continues on the Loews Chicago Hotel, a 400 guestroom hotel which Loews Hotels agreed to purchase, upon completion of development expected to occur early in 2015.

21

Table of Contents

Competition: Competition from other hotels and lodging facilities is vigorous in all areas in which Loews Hotels operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. Loews Hotels properties also compete with facilities offering similar services in locations other than those in which its hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. Because of the competitive nature of the industry, hotels must continually make expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

EMPLOYEE RELATIONS

Including our operating subsidiaries as described below, we employed approximately 18,175 persons at December 31, 2013. We, and our subsidiaries, have experienced satisfactory labor relations.

CNA employed approximately 7,035 persons.

Diamond Offshore employed approximately 5,500 persons, including international crew personnel furnished through independent labor contractors.

Boardwalk Pipeline employed approximately 1,200 persons, approximately 110 of whom are union members covered under collective bargaining units.

HighMount employed approximately 400 persons.

Loews Hotels employed approximately 3,780 persons, approximately 1,100 of whom are union members covered under collective bargaining units.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
David B. Edelson	Senior Vice President	54	2005
Gary W. Garson	Senior Vice President, General Counsel and Secretary	67	1988
Peter W. Keegan	Senior Vice President and Chief Financial Officer	69	1997
Richard W. Scott	Senior Vice President and Chief Investment Officer	60	2009
Kenneth I. Siegel	Senior Vice President	56	2009
Andrew H. Tisch	Office of the President, Co-Chairman of the Board and Chairman of the Executive Committee	64	1985
James S. Tisch	Office of the President, President and Chief Executive Officer	61	1981
Jonathan M. Tisch	Office of the President and Co-Chairman of the Board	60	1987

Andrew H. Tisch and James S. Tisch are brothers and are cousins of Jonathan M. Tisch. None of the other officers or directors of Registrant is related to any other.

All of our executive officers except for Kenneth I. Siegel have been engaged actively and continuously in our business for more than the past five years. Prior to joining us in 2009, Mr. Siegel was employed as a Managing Director in the Mergers & Acquisitions Department at Barclays Capital Inc. and previously in a similar capacity at Lehman Brothers.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

Table of Contents

AVAILABLE INFORMATION

Our website address is www.loews.com. We make available, free of charge, through the website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after these reports are electronically filed with or furnished to the SEC. Copies of our Code of Business Conduct and Ethics, Corporate Governance Guidelines, Audit Committee charter, Compensation Committee charter and Nominating and Governance Committee charter have also been posted and are available on our website.

Item 1A. RISK FACTORS.

Our business faces many risks. We have described below some of the more significant risks which we and our subsidiaries face. There may be additional risks that we do not yet know of or that we do not currently perceive to be significant that may also impact our business or the business of our subsidiaries.

Each of the risks and uncertainties described below could lead to events or circumstances that have a material adverse effect on our business, results of operations, cash flows, financial condition or equity and/or the business, results of operations, financial condition or equity of one or more of our subsidiaries.

You should carefully consider and evaluate all of the information included in this Report and any subsequent reports we may file with the SEC or make available to the public before investing in any securities issued by us. Our subsidiaries, CNA Financial Corporation, Diamond Offshore Drilling, Inc. and Boardwalk Pipeline Partners, LP, are public companies and file reports with the SEC. You are also cautioned to carefully review and consider the information contained in the reports filed by those subsidiaries before investing in any of their securities.

Risks Related to Us and Our Subsidiary, CNA Financial Corporation

If CNA determines that its recorded insurance reserves are insufficient to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, CNA may need to increase its insurance reserves which would result in a charge to CNA s earnings.

CNA maintains insurance reserves to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, including the estimated cost of the claims adjudication process, for reported and unreported claims and for future policy benefits. Insurance reserves are not an exact calculation of liability but instead are complex estimates derived by CNA, generally utilizing a variety of reserve estimation techniques from numerous assumptions and expectations about future events, many of which are highly uncertain, such as estimates of claims severity, frequency of claims, mortality, morbidity, discount rates, inflation, claims handling, case reserving policies and procedures, underwriting and pricing policies, changes in the legal and regulatory environment and the lag time between the occurrence of an insured event and the time of its ultimate settlement. Mortality is the relative incidence of death. Morbidity is the frequency and severity of illness, sickness and diseases contracted. Many of these uncertainties are not precisely quantifiable and require significant judgment on CNA s part. As trends in underlying claims develop, particularly in so-called long-tail or long duration coverages, CNA is sometimes required to add to its reserves. This is called unfavorable net prior year development and results in a charge to earnings in the amount of the added reserves, recorded in the period the change in estimate is made. These charges can be substantial.

CNA is also subject to the uncertain effects of emerging or potential claims and coverage issues that arise as industry practices and legal, judicial, social, economic and other environmental conditions change. These issues have had, and may continue to have, a negative effect on CNA s business by either extending coverage beyond the original

underwriting intent or by increasing the number or size of claims, resulting in further increases in CNA s reserves. The effects of these and other unforeseen emerging claim and coverage issues are extremely difficult to predict. Examples of emerging or potential claims and coverage issues include:

uncertainty in future medical costs in workers compensation. In particular, medical cost inflation could be greater than expected due to new treatments, drugs and devices; increased health care utilization; and/or the future costs of health care facilities. In addition, the relationship between workers compensation and

Table of Contents

- government and private health care providers could change, potentially shifting costs to workers compensation;
- increased uncertainty related to medical professional liability, medical products liability and workers compensation coverages resulting from the Patient Protection and Affordable Care Act;
- significant class action litigation; and
- mass tort claims, including bodily injury claims related to benzene, lead, noise induced hearing loss, injuries from various medical products including pharmaceuticals and various other chemical and radiation exposure claims.

In light of the many uncertainties associated with establishing the estimates and making the assumptions necessary to establish reserve levels, CNA reviews and changes its reserve estimates in a regular and ongoing process as experience develops and further claims are reported and settled. If estimated reserves are insufficient for any reason, the required increase in reserves would be recorded as a charge against earnings in the period in which reserves are determined to be insufficient. These charges could be substantial.

CNA s key assumptions used to determine reserves for long term care products and payout annuity contracts could vary significantly from actual experience.

CNA s reserves for long term care products are based on key assumptions including morbidity, mortality, policy persistency (the percentage of policies remaining in force) and discount rate. These assumptions are critical bases for reserve estimates and, while monitored consistently, are inherently uncertain due to the limited historical data and industry data available to CNA, as only a small portion of the long term care policies which have been written to date are in claims paying status, and the potential changing trends in morbidity and mortality over time. Assumptions relating to mortality and discount rate also form the basis for reserve determination for payout annuity products.

A prolonged period during which interest rates remain at levels lower than those anticipated in CNA s reserving would result in shortfalls in investment income on assets supporting CNA s obligations under long term care policies and payout annuity contracts, which may also require changes to its reserves. This risk is more significant for long term care products because the long potential duration of the policy obligations exceeds the duration of the supporting investment assets. If estimated reserves are insufficient for any reason, including changes in assumptions, the required increase in reserves would be recorded as a charge against earnings in the period in which reserves are determined to be insufficient. These charges could be substantial.

Catastrophe losses are unpredictable and could result in material losses.

Catastrophe losses are an inevitable part of CNA s business. Various events can cause catastrophe losses. These events can be natural or man-made, and may include hurricanes, windstorms, earthquakes, hail, severe winter weather, fires, floods, riots, strikes, civil commotion and acts of terrorism. The frequency and severity of these catastrophe events are inherently unpredictable. In addition, longer-term natural catastrophe trends may be changing and new types of catastrophe losses may be developing due to climate change, a phenomenon that has been associated with extreme weather events linked to rising temperatures, and includes effects on global weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain, hail and snow.

The extent of CNA s losses from catastrophes is a function of the total amount of its insured exposures in the affected areas, the frequency and severity of the events themselves, the level of reinsurance assumed and ceded and reinsurance reinstatement premiums, if any. As in the case of catastrophe losses generally, it can take a long time for the ultimate cost to CNA to be finally determined, as a multitude of factors contribute to such costs, including evaluation of general liability and pollution exposures, additional living expenses, infrastructure disruption, business interruption and reinsurance collectibility. Reinsurance coverage for terrorism events is provided only in limited circumstances, especially in regard to unconventional terrorism acts, such as nuclear, biological, chemical or radiological attacks. As a result, catastrophe losses are particularly difficult to estimate. Additionally, the U.S. government currently provides financial protection through the Terrorism Risk Insurance Program Reauthorization

Table of Contents

Act, which is set to expire December 31, 2014. Should that act expire without reauthorization or be reauthorized under materially different terms, CNA s net exposure to a significant terrorist event could increase.

CNA has exposure related to A&EP claims, which could result in material losses.

CNA s property and casualty insurance subsidiaries have exposures related to A&EP claims. CNA s experience has been that establishing claim and claim adjustment expense reserves for casualty coverages relating to A&EP claims is subject to uncertainties that are greater than those presented by other claims. Additionally, traditional actuarial methods and techniques employed to estimate the ultimate cost of claims for more traditional property and casualty exposures are less precise in estimating claim and claim adjustment expense reserves for A&EP. As a result, estimating the ultimate cost of both reported and unreported A&EP claims is subject to a higher degree of variability.

On August 31, 2010, CNA completed a retroactive reinsurance transaction under which substantially all of its legacy A&EP liabilities were ceded to National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., subject to an aggregate limit of $4.0 billion (Loss Portfolio Transfer). If the other parties to the Loss Portfolio Transfer do not fully perform their obligations, CNA s liabilities for A&EP claims covered by the Loss Portfolio Transfer exceed the aggregate limit of $4.0 billion, or CNA determines it has exposures to A&EP claims not covered by the Loss Portfolio Transfer, CNA may need to increase its recorded net reserves which would result in a charge against CNA s earnings. These charges could be substantial.

CNA s premium writings and profitability are affected by the availability and cost of reinsurance.

CNA purchases reinsurance to help manage its exposure to risk. Under CNA s ceded reinsurance arrangements, another insurer assumes a specified portion of CNA s exposure in exchange for a specified portion of policy premiums. Market conditions determine the availability and cost of the reinsurance protection CNA purchases, which affects the level of its business and profitability, as well as the level and types of risk CNA retains. If CNA is unable to obtain sufficient reinsurance at a cost it deems acceptable, CNA may be unwilling to bear the increased risk and would reduce the level of its underwriting commitments.

CNA may not be able to collect amounts owed to it by reinsurers which could result in higher net incurred losses.

CNA has significant amounts recoverable from reinsurers which are reported as receivables on its balance sheets and are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves. The ceding of insurance does not, however, discharge CNA s primary liability for claims. As a result, CNA is subject to credit risk relating to its ability to recover amounts due from reinsurers. In the past, certain of CNA s reinsurance carriers have experienced credit downgrades by rating agencies within the term of CNA s contractual relationship. Such action increases the likelihood that CNA will not be able to recover amounts due. In addition, reinsurers could dispute amounts which CNA believes are due to it. If the amounts CNA collects from reinsurers are less than the amount recorded for any of the foregoing reasons, its net incurred losses will be higher.

CNA may not be able to collect amounts owed to it by policyholders who hold deductible policies which could result in higher net incurred losses.

A portion of CNA s business is written under deductible policies. Under these policies, CNA is obligated to pay the related insurance claims and are reimbursed by the policyholder to the extent of the deductible, which may be significant. As a result CNA is exposed to credit risk to the policyholder. If CNA is not able to collect the amounts due from policyholders, its incurred losses will be higher.

CNA may incur significant realized and unrealized investment losses and volatility in net investment income arising from changes in the financial markets.

CNA s investment portfolio is exposed to various risks, such as interest rate, credit, equity and currency risks, many of which are unpredictable. Financial markets are highly sensitive to changes in economic conditions, monetary policies, domestic and international geopolitical issues and many other factors. Changes in financial

Table of Contents

markets including fluctuations in interest rates, credit, equity and currency prices, and many other factors beyond CNA s control can adversely affect the value of its investments and the realization of investment income.

CNA has significant holdings in fixed maturity investments that are sensitive to changes in interest rates. A decline in interest rates may reduce the returns earned on new fixed maturity investments, thereby reducing CNA s net investment income, while an increase in interest rates may reduce the value of its existing fixed maturity investments. The value of CNA s fixed maturity investments is also subject to risk that certain investments may default or become impaired due to deterioration in the financial condition of issuers of the investments CNA holds. Any such impairments which CNA deems to be other-than-temporary would result in a charge to its earnings.

In addition, CNA invests a portion of its assets in equity securities and limited partnerships which are subject to greater market volatility than its fixed maturity investments. Limited partnership investments generally provide a lower level of liquidity than fixed maturity or equity investments and therefore may also limit CNA s ability to withdraw assets. As a result of all of these factors, CNA may not earn an adequate return on its investments, may incur losses on the disposition of its investments, and may be required to write-down the value of its investments.

CNA s valuation of investments and impairment of securities requires significant judgment which is inherently uncertain.

CNA exercises significant judgment in analyzing and validating fair values, which are primarily provided by third parties, for securities in its investment portfolio including those that are not regularly traded in active markets. CNA also exercises significant judgment in determining whether the impairment of particular investments is temporary or other-than-temporary. The valuation of residential and commercial mortgage and other asset backed securities can be particularly sensitive to fairly small changes in collateral performance. Due to the inherent uncertainties involved with these judgments, CNA may incur unrealized losses and conclude that other-than-temporary write-downs of its investments are required.

CNA is subject to capital adequacy requirements and, if it is unable to maintain or raise sufficient capital to meet these requirements, regulatory agencies may restrict or prohibit CNA from operating its business.

Insurance companies such as CNA are subject to capital adequacy standards set by regulators to help identify companies that merit further regulatory attention. These standards apply specified risk factors to various asset, premium and reserve components of statutory capital and surplus reported in CNA s statutory basis of accounting financial statements. Current rules, including those promulgated by insurance regulators and specialized markets such as Lloyd s, require companies to maintain statutory capital and surplus at a specified minimum level determined using the applicable regulatory capital adequacy formula. If CNA does not meet these minimum requirements, CNA may be restricted or prohibited from operating its business. If CNA is required to record a material charge against earnings in connection with a change in estimates or the occurrence of an event or if it incurs significant losses related to its investment portfolio, CNA may violate these minimum capital adequacy requirements unless it is able to raise sufficient additional capital. CNA may be limited in its ability to raise significant amounts of capital on favorable terms or at all.

CNA s insurance subsidiaries, upon whom CNA depends for dividends in order to fund its working capital needs, are limited by insurance regulators in their ability to pay dividends.

CNA is a holding company and is dependent upon dividends, loans and other sources of cash from its subsidiaries in order to meet its obligations. Ordinary dividend payments or dividends that do not require prior approval by the insurance subsidiaries domiciliary insurance regulator are generally limited to amounts determined by formula which

varies by jurisdiction. The formula for the majority of domestic states is the greater of 10% of the prior year statutory surplus or the prior year statutory net income, less the aggregate of all dividends paid during the twelve months prior to the date of payment. Some jurisdictions including certain domestic states, however, have an additional stipulation that dividends cannot exceed the prior year s earned surplus. If CNA is restricted, by regulatory rule or otherwise, from paying or receiving intercompany dividends, CNA may not be able to fund its working capital needs and debt service requirements from available cash. As a result, CNA would need to look to other sources of capital which may be more expensive or may not be available at all.

Table of Contents

Rating agencies may downgrade their ratings of CNA and thereby adversely affect its ability to write insurance at competitive rates or at all.

Ratings are an important factor in establishing the competitive position of insurance companies. CNA s insurance company subsidiaries, as well as CNA s public debt, are rated by rating agencies, namely, A.M. Best Company (A.M. Best), Moody s Investors Service, Inc. (Moody s) and Standard & Poor s (S&P). Ratings reflect the rating agen opinions of an insurance company s or insurance holding company s financial strength, capital adequacy, operating performance, strategic position and ability to meet its obligations to policyholders and debt holders.

Due to the intense competitive environment in which CNA operates, the uncertainty in determining reserves and the potential for CNA to take material unfavorable net prior year development in the future, and possible changes in the methodology or criteria applied by the rating agencies, the rating agencies may take action to lower CNA s ratings in the future. The severity of the impact on CNA s business is dependent on the level of downgrade and, for certain products, which rating agency takes the rating action. Among the adverse effects in the event of such downgrades would be the inability to obtain a material volume of business from certain major insurance brokers, the inability to sell a material volume of CNA s insurance products to certain markets, and the required collateralization of certain future payment obligations or reserves.

In addition, it is possible that a lowering of our corporate debt ratings by certain of the rating agencies could result in an adverse impact on CNA s ratings, independent of any change in CNA s circumstances.

Risks Related to Us and Our Subsidiary, Diamond Offshore Drilling, Inc.

Diamond Offshore s business depends on the level of activity in the oil and gas industry, which is significantly affected by volatile oil and gas prices.

Diamond Offshore s business depends on the level of activity in offshore oil and gas exploration, development and production in markets worldwide. Worldwide demand for oil and gas, oil and gas prices, market expectations of potential changes in these prices and a variety of political and economic factors significantly affect this level of activity. However, higher or lower commodity demand and prices do not necessarily translate into increased or decreased drilling activity since Diamond Offshore s customers project development time, reserve replacement needs, as well as expectations of future commodity demand and prices all combine to affect demand for Diamond Offshore s rigs. In addition, the level of offshore drilling activity may be adversely affected if operators reduce or defer new investment in offshore projects or reallocate their drilling budgets away from offshore drilling in favor of shale plays or other land-based energy markets, which could reduce demand for Diamond Offshore s rigs and newbuilds. Oil and gas prices have been, and are expected to continue to be, extremely volatile and are affected by numerous factors beyond Diamond Offshore s control, including:

- worldwide demand for oil and gas;
- the level of economic activity in energy-consuming markets;
- the worldwide economic environment or economic trends, such as recessions;

the ability of the Organization of Petroleum Exporting Countries, commonly called OPEC, to set and maintain production levels and pricing;

the level of production in non-OPEC countries;

the worldwide political and military environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities in the Middle East, other oil-producing regions or other geographic areas or further acts of terrorism in the United States or elsewhere;

civil unrest;

Table of Contents

the cost of exploring for, producing and delivering oil and gas;

the discovery rate of new oil and gas reserves;

the rate of decline of existing and new oil and gas reserves;

available pipeline and other oil and gas transportation and refining capacity;

the ability of oil and gas companies to raise capital;

weather conditions;

natural disasters or incidents resulting from operating hazards inherent in offshore drilling, such as oil spills;

the policies of various governments regarding exploration and development of their oil and gas reserves;

development and exploitation of alternative fuels or energy sources;

competition for customers drilling budgets from land-based energy markets around the world;

laws and regulations relating to environmental or energy security matters, including those addressing the risks of global climate change;

domestic and foreign tax policy; and

advances in exploration and development technology.

Diamond Offshore s business involves numerous operating hazards which could expose it to significant losses and significant damage claims. Diamond Offshore is not fully insured against all of these risks and its contractual indemnity provisions may not fully protect Diamond Offshore.

Diamond Offshore s operations are subject to the significant hazards inherent in drilling for oil and gas offshore, such as blowouts, reservoir damage, loss of production, loss of well control, unstable or faulty sea floor conditions, fires and natural disasters such as hurricanes. The occurrence of any of these types of events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury or death to rig personnel, damage to producing or potentially productive oil and gas formations, and oil spillage, oil leaks, well blowouts and extensive uncontrolled fires, any of which could cause significant environmental damage. In addition, offshore drilling

operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of suppliers or subcontractors to perform or supply goods or services or personnel shortages.

Diamond Offshore s drilling contracts with its customers provide for varying levels of indemnity and allocation of liabilities between its customers and Diamond Offshore with respect to the hazards and risks inherent in, and damages or losses arising out of, its operations, and Diamond Offshore may not be fully protected. Diamond Offshore s contracts with its customers generally provide that Diamond Offshore and its customers each assume liability for their respective personnel and property. Diamond Offshore s contracts also generally provide that its customers assume most of the responsibility for and indemnify Diamond Offshore against loss, damage or other liability resulting from, among other hazards and risks, pollution originating from the well and subsurface damage or loss, while Diamond Offshore typically retains responsibility for and indemnifies its customers against pollution originating from the rig. However, in certain drilling contracts Diamond Offshore may not be fully indemnified by its customers for damage to their property and/or the property of their other contractors. In certain contracts Diamond Offshore may assume liability for losses or damages (including punitive damages) resulting from pollution or contamination caused by negligent or willful acts of commission or omission by Diamond Offshore, its suppliers and/or subcontractors, generally subject to negotiated caps on a per occurrence basis and/or on an aggregate basis for the term of the contract. In some cases, suppliers or subcontractors who provide equipment or services to

Table of Contents

Diamond Offshore may seek to limit their liability resulting from pollution or contamination. Diamond Offshore s contracts are individually negotiated, and the levels of indemnity and allocation of liabilities in them can vary from contract to contract depending on market conditions, particular customer requirements and other factors existing at the time a contract is negotiated.

Additionally, the enforceability of indemnification provisions in Diamond Offshore s contracts may be limited or prohibited by applicable law or may not be enforced by courts having jurisdiction, and Diamond Offshore could be held liable for substantial losses or damages and for fines and penalties imposed by regulatory authorities. The indemnification provisions of Diamond Offshore s contracts may be subject to differing interpretations, and the laws or courts of certain jurisdictions may enforce such provisions while other laws or courts may find them to be unenforceable, void or limited by public policy considerations, including when the cause of the underlying loss or damage is Diamond Offshore s gross negligence or willful misconduct, when punitive damages are attributable to Diamond Offshore or when fines or penalties are imposed directly against Diamond Offshore. The law with respect to the enforceability of indemnities varies from jurisdiction to jurisdiction and is unsettled under certain laws that are applicable to Diamond Offshore s contracts. Current or future litigation in particular jurisdictions, whether or not Diamond Offshore is a party, may impact the interpretation and enforceability of indemnification provisions in its contracts. There can be no assurance that Diamond Offshore s contracts with its customers, suppliers and subcontractors will fully protect it against all hazards and risks inherent in its operations. There can also be no assurance that those parties with contractual obligations to indemnify Diamond Offshore will be financially able to do so or will otherwise honor their contractual obligations.

Diamond Offshore maintains liability insurance, which includes coverage for environmental damage; however, because of contractual provisions and policy limits, Diamond Offshore s insurance coverage may not adequately cover its losses and claim costs. In addition, pollution and environmental risks are generally not fully insurable when they are determined to be the result of criminal acts. Also, Diamond Offshore does not typically purchase loss-of-hire insurance to cover lost revenues when a rig is unable to work. Moreover, insurance costs across the industry have increased following the Macondo incident and, in the future, certain insurance coverage is likely to become more costly and may become less available or not available at all.

Diamond Offshore believes that the policy limit under its marine liability insurance is within the range that is customary for companies of its size in the offshore drilling industry and is appropriate for its business. However, if an accident or other event occurs that exceeds Diamond Offshore s coverage limits or is not an insurable event under its insurance policies, or is not fully covered by contractual indemnity, it could have a material adverse effect on its results of operations, financial condition and cash flows. There can be no assurance that Diamond Offshore will continue to carry the insurance it currently maintains, that its insurance will cover all types of losses or that Diamond Offshore will be able to maintain adequate insurance in the future at rates it considers to be reasonable or that Diamond Offshore will be able to obtain insurance against some risks.

Diamond Offshore s industry is highly competitive and cyclical, with intense price competition.

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which at the present time has a dominant market share. Some of Diamond Offshore s competitors may have greater financial or other resources than it does. The drilling industry has experienced consolidation in the past and may experience additional consolidation, which could create additional large competitors. Drilling contracts are traditionally awarded on a competitive bid basis. Price is typically the primary factor in determining which qualified contractor is awarded a job; however, rig availability and location, a drilling contractor s safety record and the quality and technical capability of service and equipment may also be considered.

Diamond Offshore s industry has historically been cyclical. There have been periods of lower demand, excess rig supply and low dayrates, followed by periods of high demand, short rig supply and high dayrates. Diamond Offshore cannot predict the timing or duration of such business cycles. Periods of lower demand or excess rig supply intensify the competition in the industry and often result in periods of low utilization. During these periods, Diamond Offshore s existing rigs and newbuilds may not obtain contracts for future work and may be idle for long periods of time or may be able to obtain work only under contracts with lower dayrates or less favorable terms. Additionally, prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on certain of Diamond Offshore s drilling rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

Table of Contents

Significant new rig construction and upgrades of existing drilling rigs could also intensify price competition. Based on analyst reports, Diamond Offshore believes that there are approximately 100 floaters on order and scheduled for delivery between 2014 and 2016, with approximately 32% of these rigs scheduled for delivery in 2014. The resulting increases in rig supply could be sufficient to depress rig utilization and intensify price competition from both existing competitors, as well as new entrants into the offshore drilling market. Not all of the rigs currently under construction have been contracted for future work, which may further intensify price competition as scheduled delivery dates occur. The majority of the floaters on order are dynamically positioned drilling rigs, which further increases competition with Diamond Offshore s fleet in certain circumstances, depending on customer requirements. In Brazil, Petrobras, which accounted for approximately 34% of Diamond Offshore s consolidated revenues in 2013 and, as of February 5, 2014, accounted for approximately $1.0 billion and $500 million of contract drilling backlog in 2014 and in the aggregate for the years 2015 and 2016 and to which 10 of Diamond Offshore s floaters are currently contracted, has announced plans to construct locally 28 new ultra-deepwater drilling units to be delivered beginning in 2015. These new drilling rigs, if built, would increase rig supply and could intensify price competition in Brazil as well as other markets as they enter the market, would compete with, and could displace, both Diamond Offshore s deepwater and ultra-deepwater floaters coming off contract as well as its newbuilds coming to market and could materially adversely affect Diamond Offshore s utilization rates, particularly in Brazil.

Diamond Offshore may not be able to renew or replace expiring contracts for its existing rigs or obtain contracts for its uncontracted newbuilds.

Diamond Offshore has a number of customer contracts that will expire in 2014 and 2015. Additionally, certain of its newbuilds that are expected to come to market during 2014 are contracted on a short term basis or are currently uncontracted. Although Diamond Offshore will seek to secure contracts for these units before construction is completed, its ability to renew or replace expiring contracts or obtain new contracts, and the terms of any such contracts, will depend on various factors, including market conditions and the specific needs of its customers. Given the highly competitive and historically cyclical nature of the industry, Diamond Offshore may be required to renew or replace expiring contracts or obtain new contracts at dayrates that are below, and potentially substantially below, existing dayrates, or may be unable to secure contracts for these units.

Diamond Offshore can provide no assurance that its current backlog of contract drilling revenue will be ultimately realized.

As of February 5, 2014, Diamond Offshore s contract drilling backlog was approximately $6.8 billion for contracted future work extending, in some cases, until 2019. Generally, contract backlog only includes future revenues under firm commitments; however, from time to time, Diamond Offshore may report anticipated commitments for which definitive agreements have not yet been, but are expected to be, executed. Diamond Offshore can provide no assurance that it will be able to perform under these contracts due to events beyond its control or that Diamond Offshore will be able to ultimately execute a definitive agreement in cases where one does not currently exist. In addition, Diamond Offshore can provide no assurance that its customers will be able to or willing to fulfill their contractual commitments. Diamond Offshore s inability to perform under its contractual obligations or to execute definitive agreements, or its customers inability or unwillingness to fulfill their contractual commitments, may have a material adverse effect on Diamond Offshore s business.

Diamond Offshore relies heavily on a relatively small number of customers and the loss of a significant customer and/or a dispute that leads to the loss of a customer could have a material adverse impact on its financial results.

Diamond Offshore provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. In 2013, Diamond Offshore s five largest customers in the

aggregate accounted for 54% of its consolidated revenues. Diamond Offshore expects Petrobras, which accounted for approximately 34% of Diamond Offshore s consolidated revenues in 2013, to continue to be a significant customer in 2014. Diamond Offshore s contract drilling backlog, as of February 5, 2014, includes $1.0 billion, or 36%, in 2014 and $500 million in aggregate for the years 2015 and 2016, which is attributable to contracts with Petrobras for operations offshore Brazil. Petrobras has announced plans to construct locally, 28 new ultra-deepwater drilling units to be delivered beginning in 2015. These new drilling units, if built, would compete with, and could displace, Diamond Offshore s deepwater and ultra-deepwater floaters coming off contract and could

Table of Contents

materially adversely affect utilization rates, particularly in Brazil. In addition, if Petrobras or another significant customer experiences liquidity constraints or other financial difficulties, it could materially adversely affect Diamond Offshore s utilization rates in Brazil or other markets and also displace demand for its other drilling rigs and newbuilds as the resulting excess supply enters the market. While it is normal for Diamond Offshore s customer base to change over time as work programs are completed, the loss of, or a significant reduction in the number of rigs contracted with, any major customer may have a material adverse effect on Diamond Offshore s business.

The terms of Diamond Offshore s drilling contracts may limit its ability to attain profitability in a declining market or to benefit from increasing dayrates in an improving market.

The duration of offshore drilling contracts is generally determined by customer requirements and, to a lesser extent, the respective management strategies of the offshore drilling contractors. In periods of decreasing demand for offshore rigs, drilling contractors generally prefer longer term contracts to preserve dayrates at existing levels and ensure utilization, while customers prefer shorter contracts that allow them to more quickly obtain the benefit of lower dayrates. Conversely, in periods of rising demand for offshore rigs, contractors typically prefer shorter contracts that allow them to more quickly profit from increasing dayrates, while customers with reasonably definite drilling programs typically prefer longer term contracts to maintain dayrate prices at a consistent level. Diamond Offshore may be exposed to decreasing dayrates if any of its rigs are working under short term contracts during a declining market. Likewise, if any of its rigs are committed under long term contracts during an improving market, Diamond Offshore may be unable to enjoy the benefit of rising dayrates for the duration of those contracts. Exposure to falling dayrates in a declining market or the inability to fully benefit from increasing dayrates in an improving market through shorter term contracts may limit Diamond Offshore s profitability.

Contracts for Diamond Offshore s drilling rigs are generally fixed dayrate contracts, and increases in Diamond Offshore s operating costs could adversely affect the profitability on those contracts.

Diamond Offshore s contracts for its drilling rigs provide for the payment of a fixed dayrate per rig operating day, although some contracts do provide for a limited escalation in dayrate due to increased operating costs incurred by Diamond Offshore. Many of Diamond Offshore s operating costs, such as labor costs, are unpredictable and fluctuate based on events beyond Diamond Offshore s control. In addition, equipment repair and maintenance expenses fluctuate depending on the type of activity the rig is performing, the age and condition of the equipment and general market factors impacting relevant parts, components and services. The gross margin that Diamond Offshore realizes on these fixed dayrate contracts will fluctuate based on variations in Diamond Offshore s operating costs over the terms of the contracts. In addition, for contracts with dayrate escalation clauses, Diamond Offshore may be unable to fully recover increased or unforeseen costs from its customers.

Diamond Offshore s drilling contracts may be terminated due to events beyond its control.

Diamond Offshore s customers may terminate some of their term drilling contracts if the drilling rig is destroyed or lost or if Diamond Offshore has to suspend drilling operations for a specified period of time as a result of a breakdown of major equipment or, in some cases, due to other events beyond the control of either party. In addition, some of Diamond Offshore s drilling contracts permit the customer to terminate the contract after specified notice periods by tendering contractually specified termination amounts. These termination payments may not fully compensate Diamond Offshore for the loss of a contract. In some cases, because of depressed market conditions, restricted credit markets, economic downturns or other factors beyond Diamond Offshore s control, its customers may repudiate or otherwise fail to perform their obligations under Diamond Offshore s contracts with them. Any recovery Diamond Offshore might obtain in these cases may not fully compensate it for the loss of the contract. In any case, the early termination of a contract may result in a rig being idle for an extended period of time, which could have a material

adverse effect on Diamond Offshore s financial condition, results of operations and cash flows. If Diamond Offshore s customers cancel some of their contracts or if Diamond Offshore elects to terminate in the event that a customer fails to perform, and are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are disputed or suspended for an extended period of time or if a number of Diamond Offshore s contracts are renegotiated, it could materially and adversely affect Diamond Offshore s financial condition, results of operations and cash flows.

Table of Contents

Significant portions of Diamond Offshore s operations are conducted outside the United States and involve additional risks not associated with domestic operations.

Diamond Offshore operates in various regions throughout the world which may expose it to political and other uncertainties, including risks of:

war, riot, civil disturbances and acts of terrorism;

piracy or assaults on property or personnel;

kidnapping of personnel;

seizure, expropriation, nationalization, deprivation, malicious damage, or other loss of possession or use of property or equipment;

renegotiation or nullification of existing contracts;

disputes and legal proceedings in international jurisdictions;

changing social, political and economic conditions;

imposition of wage and price controls, trade barriers or import-export quotas;

foreign and domestic monetary policies;

the inability to repatriate income or capital;

difficulties in collecting accounts receivable and longer collection periods;

fluctuations in currency exchange rates;

regulatory or financial requirements to comply with foreign bureaucratic actions;

travel limitations or operational problems caused by public health threats;

difficulties in supplying, repairing or replacing equipment or transporting personnel in remote locations;

difficulties in obtaining visas or work permits for employees on a timely basis; and

changing taxation policies and confiscatory or discriminatory taxation.

Diamond Offshore is subject to the U.S. Treasury Department s Office of Foreign Assets Control and other U.S. laws and regulations governing its international operations in addition to worldwide anti-bribery laws. In addition, international contract drilling operations are subject to various laws and regulations in countries in which Diamond Offshore operates, including laws and regulations relating to:

the equipping and operation of drilling rigs;

import - export quotas or other trade barriers;

repatriation of foreign earnings or capital;

oil and gas exploration and development;

local content requirements;

taxation of offshore earnings and earnings of expatriate personnel; and

use and compensation of local employees and suppliers by foreign contractors.

Table of Contents

Some foreign governments favor or effectively require the awarding of drilling contracts to local contractors, require use of a local agent or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect Diamond Offshore s ability to compete in those regions. It is difficult to predict what governmental regulations may be enacted in the future that could adversely affect the international offshore drilling industry. The actions of foreign governments may materially and adversely affect Diamond Offshore s ability to compete.

In addition, the shipment of goods, including the movement of a drilling rig across international borders, subjects Diamond Offshore to extensive trade laws and regulations. Diamond Offshore s import activities are governed by unique customs laws and regulations that differ in each of the countries in which Diamond Offshore operates and often impose record keeping and reporting obligations. The laws and regulations concerning import/export activity and record keeping and reporting requirements are complex and change frequently. These laws and regulations may be enacted, amended enforced and/or interpreted in a manner that could materially and adversely impact Diamond Offshore s operations. Shipments can be delayed and denied export or entry for a variety of reasons, some of which may be outside of Diamond Offshore s control. Shipping delays or denials could cause unscheduled downtime for rigs. Failure to comply with these laws and regulations could result in criminal and civil penalties, economic sanctions, seizure of shipments and/or the contractual withholding of monies owed to Diamond Offshore, among other things.

Diamond Offshore may enter into drilling contracts that exposes it to greater risks than it normally assumes.

From time to time, Diamond Offshore may enter into drilling contracts with national oil companies, government-controlled entities or others that expose it to greater risks than it normally assumes, such as exposure to greater environmental or other liability and more onerous termination provisions giving the customer a right to terminate without cause or upon little or no notice. Upon termination, these contracts may not result in a payment to Diamond Offshore, or if a termination payment is required, it may not fully compensate Diamond Offshore for the loss of a contract. In addition, the early termination of a contract may result in a rig being idle for an extended period of time. While Diamond Offshore believes that the financial terms of these contracts and its operating safeguards in place mitigate these risks, it can provide no assurance that the increased risk exposure will not have a material negative impact on future operations or financial results.

Fluctuations in exchange rates and nonconvertibility of currencies could result in losses.

Due to Diamond Offshore s international operations, Diamond Offshore may experience currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies or where it does not effectively hedge an exposure to a foreign currency. Diamond Offshore may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. Diamond Offshore can provide no assurance that financial hedging arrangements will effectively hedge any foreign currency fluctuation losses that may arise.

Diamond Offshore may be required to accrue additional tax liability on certain of its foreign earnings.

Certain of Diamond Offshore s international rigs are owned and operated, directly or indirectly, by Diamond Offshore International Limited (DOIL), a wholly owned Cayman Islands subsidiary of Diamond Offshore. It is Diamond Offshore s intention to indefinitely reinvest future earnings of DOIL and its foreign subsidiaries to finance foreign activities. Diamond Offshore does not expect to provide for U.S. taxes on any future earnings generated by DOIL, except to the extent that these earnings are immediately subjected to U.S. federal income tax. Should a future distribution be made from any unremitted earnings of this subsidiary, Diamond Offshore may be required to record additional U.S. income taxes.

33

Table of Contents

Rig conversions, upgrades or newbuilds may be subject to delays and cost overruns.

From time to time, Diamond Offshore adds new capacity through conversions or upgrades to existing rigs or through new construction, such as its three ultra-deepwater drillships and its harsh environment, ultra-deepwater semisubmersible rig under construction and its construction of the *Ocean Apex*. Projects of this type are subject to risks of delay or cost overruns inherent in any large construction project resulting from numerous factors, including the following:

shortages of equipment, materials or skilled labor;

work stoppages;

unscheduled delays in the delivery of ordered materials and equipment;

unanticipated cost increases or change orders;

weather interferences or storm damage;

difficulties in obtaining necessary permits or in meeting permit conditions;

design and engineering problems;

disputes with shipyards or suppliers;

availability of suppliers to recertify equipment for enhanced regulations;

customer acceptance delays;

shipyard failures or unavailability; and

failure or delay of third party service providers, civil unrest and labor disputes.

Failure to complete a rig upgrade or new construction on time, or failure to complete a rig conversion or new construction in accordance with its design specifications may, in some circumstances, result in the delay, renegotiation or cancellation of a drilling contract, resulting in a loss of contract drilling backlog and revenue to Diamond Offshore. If a drilling contract is terminated under these circumstances, Diamond Offshore may not be able to secure a

replacement contract with equally favorable terms.

Diamond Offshore relies on third-party suppliers, manufacturers and service providers to secure equipment, components and parts used in rig operations, conversions, upgrades and construction.

Diamond Offshore s reliance on third-party suppliers, manufacturers and service providers to provide equipment and services exposes it to volatility in the quality, price and availability of such items. Certain components, parts and equipment that are used in Diamond Offshore s operations may be available only from a small number of suppliers, manufacturers or service providers. The failure of one or more third-party suppliers, manufacturers or service providers to provide equipment, components, parts or services, whether due to capacity constraints, production or delivery disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment, is beyond Diamond Offshore s control and could materially disrupt its operations or result in the delay, renegotiation or cancellation of a drilling contract, thereby causing a loss of contract drilling backlog and/or revenue as well as an increase in operating costs.

Table of Contents

Diamond Offshore has elected to self-insure for physical damage to rigs and equipment caused by named windstorms in the GOM.

Because the amount of insurance coverage available to Diamond Offshore has been limited, and the cost for such coverage is substantial, Diamond Offshore has elected to self-insure for physical damage to rigs and equipment caused by named windstorms in the GOM. This results in a higher risk of losses, which could be material, that are not covered by third party insurance contracts.

Risks Related to Us and Our Subsidiary, Boardwalk Pipeline Partners, LP

Boardwalk Pipeline may not have sufficient available cash to continue making distributions to unitholders at the current distribution rate or at all.

The amount of cash Boardwalk Pipeline has available to distribute to its unitholders, including us, principally depends upon the amount of cash it generates from its operations and financing activities and the amount of cash it requires, or determines to use, for other purposes, all of which fluctuate from quarter to quarter based on a number of factors. Many of these factors are beyond the control of Boardwalk Pipeline. Some of the factors that influence the amount of cash Boardwalk Pipeline has available for distribution in any quarter include:

- fluctuations in cash generated by its operations, including as a result of the seasonality of its business, customer payment issues, general business conditions and market conditions, which impact, for example, contract renewals, basis spreads, time period price spreads, market rates, and supply and demand for natural gas and its services;
- the level of capital expenditures it makes or anticipates making, including for expansion and growth projects;
- the amount of cash necessary to meet its current or anticipated debt service requirements and other liabilities;
- fluctuations in working capital needs;
- its ability to borrow funds and/or access capital markets on acceptable terms to fund operations or capital expenditures, including acquisitions; restrictions contained in its debt agreements; and
- the cost and form of payment for pending or anticipated acquisitions and growth or expansion projects and the timing and commercial success of any such initiatives.

There is no guarantee that unitholders will receive quarterly distributions from Boardwalk Pipeline. Boardwalk Pipeline s distributions are determined each quarter by its board of directors based on the board s consideration of its financial position, earnings, cash flow, current and future business needs and other relevant factors at that time. In February of 2014, Boardwalk Pipeline declared a quarterly distribution of $0.10 per unit, which was less than the quarterly distributions of $0.5325 per unit that Boardwalk Pipeline has declared and paid in recent periods. Boardwalk Pipeline may reduce or eliminate distributions at any time it determines that its cash reserves are insufficient or are

otherwise required to fund current or anticipated future operations, capital expenditures, acquisitions, growth or expansion projects, debt repayment or other business needs.

Boardwalk Pipeline may not be able to replace expiring gas transportation and storage contracts at attractive rates or on a long term basis and may not be able to sell short term services at attractive rates or at all due to narrower basis differentials which adversely affect the value of its transportation services and narrowing of price spreads between time periods and reduced volatility which adversely affect Boardwalk Pipeline s storage services.

New sources of natural gas continue to be identified and developed in the U.S., including the Marcellus and Utica shale plays which are closer to the traditional high value markets Boardwalk Pipeline serves than the supply basins connected to its facilities. As a result, pipeline infrastructure has been and continues to be developed to move gas and NGLs from these supply basins to market areas, resulting in changes in pricing dynamics between supply basins, pooling points and market areas. Additionally, these new supplies of natural gas have reduced production or slowed production growth from supply areas connected to Boardwalk Pipeline s pipelines and have caused some of

Table of Contents

the gas production that is supplied to Boardwalk Pipeline s system to be diverted to other market areas. These factors have adversely affected, and are expected to continue to adversely affect, the value of Boardwalk Pipeline s transportation and storage services and have lowered the volumes Boardwalk Pipeline has transported on its pipelines, as further discussed below.

Transportation Services:

A key market driver that influences the rates and terms of Boardwalk Pipeline s transportation contracts is the current and anticipated basis differentials - generally meaning the difference in the price of natural gas at receipt and delivery points on Boardwalk Pipeline s natural gas pipelines - which influence how much customers are willing to pay to transport gas between those points. Basis differentials can be affected by, among other things, the availability and supply of natural gas, the proximity of supply areas to end use markets, competition from other pipelines, including pipelines under development, available transportation and storage capacity, storage inventories, regulatory developments, weather and general market demand in markets served by Boardwalk Pipeline s pipeline systems. As a result of the new sources of supply and related pipeline infrastructure discussed above, basis differentials on Boardwalk Pipeline s pipeline systems have narrowed significantly in recent years, reducing the transportation rates and other contract terms Boardwalk Pipeline can negotiate with its customers for available transportation capacity and for contracts due for renewal for its firm transportation services. The narrowing of basis differentials has also adversely affected the rates Boardwalk Pipeline is able to charge for its interruptible and short term firm transportation services.

Each year, a portion of Boardwalk Pipeline s firm natural gas transportation contracts expire and need to be renewed or replaced. For the reasons discussed above and elsewhere in this Report, in recent periods Boardwalk Pipeline has renewed many expiring contracts at lower rates and for shorter terms than in the past, which has materially adversely impacted its transportation revenues. Boardwalk Pipeline expects this trend to continue and therefore may not be able to sell its available capacity, extend expiring contracts with existing customers or obtain replacement contracts at attractive rates or for the same term as the expiring contracts, which would continue to adversely affect its business.

In 2008 and 2009, Boardwalk Pipeline placed into service a number of large new pipelines and expansions of its system, including its East Texas Pipeline, Southeast Expansion, Gulf Crossing Pipeline and Fayetteville and Greenville Laterals. These projects were supported by firm transportation agreements with anchor shippers, typically having a term of ten years and pricing and other terms negotiated based on then current market conditions, which included wider basis spreads and, correspondingly, higher transportation rates than those prevailing in the current market. As a result, in 2018 and 2019, Boardwalk Pipeline will have significantly more contract expirations than other years. Boardwalk Pipeline cannot predict what market conditions will prevail at the time such contracts expire and what pricing and other terms may be available in the marketplace for renewal or replacement of such contracts. If Boardwalk Pipeline is unable to renew or replace these and other expiring contracts when they expire, or if the terms of any such renewal or replacement contracts are not as favorable as the expiring agreements, Boardwalk Pipeline s revenues and cash flows could be materially adversely affected.

Storage and PAL Services:

Boardwalk Pipeline owns and operates substantial natural gas storage facilities. The market for the storage and PAL services that it offers is also impacted by the factors discussed above, as well as natural gas price differentials between time periods, such as winter to summer (time period price spreads), and the volatility in time period price spreads. Recently, the market conditions described above have caused time period price spreads to narrow considerably and price volatility of natural gas to decline significantly, reducing the rates Boardwalk Pipeline can charge for its storage and PAL services and adversely impacting the value of these services. These market conditions together with

regulatory changes in the financial services industry have also caused a number of gas marketers, which have traditionally been large consumers of Boardwalk Pipeline s storage and PAL services, to exit the market, further impacting the market for those services.

Boardwalk Pipeline expects the conditions described above to continue in 2014 and cannot give assurances they will not continue beyond 2014. These market factors and conditions adversely impact revenues, earnings and distributable cash flow, and could impact Boardwalk Pipeline on a long term basis.

Table of Contents

Boardwalk Pipeline may not be successful in executing its strategy to grow and diversify its business.

Boardwalk Pipeline relies primarily on the revenues generated from its long-haul natural gas transportation and storage services. As a result, negative developments in these services have significantly greater impact on its financial condition and results of operations than if Boardwalk Pipeline maintained more diverse assets. Boardwalk Pipeline is pursuing a strategy of growing and diversifying its business through acquisition and development of assets in complementary areas of the midstream energy sector, such as liquids transportation and storage assets, among others. Boardwalk Pipeline may not be successful in acquiring or developing such assets or may do so on terms that ultimately are not profitable.

In pursuing its growth and diversification strategy, Boardwalk Pipeline has been pursuing development (together with a joint venture partner) of a large capital project, the Bluegrass Project, consisting of a pipeline that would deliver NGLs from the Marcellus and Utica shale production areas of Pennsylvania, Ohio and West Virginia to end use markets in the Gulf Coast area, and constructing new fractionation, liquids storage and export facilities located in the Gulf Coast region. Boardwalk Pipeline continues to have ongoing discussions with potential customers regarding commitments that would support constructing this project and has not made any external commitments to proceed with the project. Boardwalk Pipeline may incur substantial costs in developing this or other projects or otherwise pursuing growth and diversification opportunities; however, Boardwalk Pipeline can give no assurance that any such project will be completed, in whole or in part, or, if completed, that any such project or acquisition will be on attractive terms or generate a positive return.

Changes in the prices of natural gas and NGLs impacts supply of and demand for those commodities, which impacts Boardwalk Pipeline s business.

The prices of natural gas and NGLs fluctuate in response to changes in supply and demand, market uncertainty and a variety of additional factors, including:

- worldwide economic conditions;
- weather conditions, seasonal trends and hurricane disruptions;
- the relationship between the available supplies and the demand for natural gas and NGLs;
- new supply sources;
- the availability of adequate transportation capacity;
- storage inventory levels;
- the price and availability of oil and other forms of energy;

the effect of energy conservation measures;

the nature and extent of, and changes in, governmental regulation, new regulations adopted by the EPA for example greenhouse gas legislation and taxation; and

the anticipated future prices of natural gas, oil and other commodities.

It is difficult to predict future changes in natural gas and NGL prices. However, the economic environment that has existed over the last several years generally indicates a bias toward continued downward pressure on natural gas prices. Sustained low natural gas prices could negatively impact producers, including those directly connected to Boardwalk Pipeline s pipelines that have contracted for capacity with them which could adversely impact revenues, earnings and distributable cash flow.

Table of Contents

Conversely, future increases in the price of natural gas could make alternative energy sources more competitive and reduce demand for natural gas. A reduced level of demand for natural gas could reduce the utilization of capacity on Boardwalk Pipeline s systems, reduce the demand for its services and could result in the non-renewal of contracted capacity as contracts expire and affect its midstream businesses.

Changes in the pipeline safety laws and regulations requiring substantial changes to existing integrity management programs or safety technologies could subject Boardwalk Pipeline to increased capital and operating costs and require it to use more comprehensive and stringent safety controls.

Boardwalk Pipeline s pipelines are subject to regulation by PHMSA of the DOT under the NGPSA with respect to natural gas and the HLPSA with respect to NGLs, both as amended. The NGPSA and HLPSA govern the design, installation, testing, construction, operation, replacement and management of natural gas and NGLs pipeline facilities. These amendments have resulted in the adoption of rules, through PHMSA, that require transportation pipeline operators to implement integrity management programs, including more frequent inspections, correction of identified anomalies and other measures to ensure pipeline safety in high consequence areas, such as high population areas, areas unusually sensitive to environmental damage and commercially navigable waterways. These regulations have resulted in an overall increase in maintenance costs. Due to recent highly publicized incidents on certain pipelines in the U.S., it is possible that PHMSA may develop more stringent regulations. Boardwalk Pipeline could incur significant additional costs if new or more stringent pipeline safety requirements are implemented.

The 2011 Act was enacted and signed into law in early 2012. Under the 2011 Act, maximum civil penalties for certain violations have been increased to $200,000 per violation per day, and from a total cap of $1 million to $2 million. In addition, the 2011 Act reauthorized the federal pipeline safety programs of PHMSA through September 30, 2015, and directs the Secretary of Transportation to undertake a number of reviews, studies and reports, some of which may result in additional natural gas and hazardous liquids pipeline safety rulemaking in 2014 or soon thereafter. A number of the provisions of the 2011 Act have the potential to cause owners and operators of pipeline facilities to incur significant capital expenditures and/or operating costs.

Further, Boardwalk Pipeline has entered into firm transportation contracts with shippers which utilize the design capacity of certain of its pipeline assets, assuming that Boardwalk Pipeline operates those pipeline assets at higher than normal operating pressures (up to 0.80 of the pipeline s SMYS). Boardwalk Pipeline has authority from PHMSA to operate those pipeline assets at such higher pressures, however PHMSA retains discretion to withdraw or modify this authority. If PHMSA were to withdraw or materially modify such authority, Boardwalk Pipeline may not be able to transport all of its contracted quantities of natural gas on its pipeline assets and could incur significant additional costs to re-obtain such authority or to develop alternate ways to meet its contractual obligations.

Boardwalk Pipeline s natural gas transportation and storage operations are subject to extensive regulation by FERC, including rules and regulations related to the rates it can charge for its services and its ability to construct or abandon facilities. FERC s rate-making policies could limit its ability to recover the full cost of operating its pipelines, including earning a reasonable return.

Boardwalk Pipeline s natural gas transportation and storage operations are subject to extensive regulation by FERC, including the types and terms of services it may offer to customers, construction of new facilities, creation, modification or abandonment of services or facilities, recordkeeping and relationships with affiliated companies. FERC action in any of these areas could adversely affect Boardwalk Pipeline s ability to compete for business, construct new facilities, offer new services or recover the full cost of operating its pipelines. This regulatory oversight can result in longer lead times to develop and complete any future project than competitors that are not subject to FERC s regulations. FERC can also deny Boardwalk Pipeline the right to remove certain facilities from service.

FERC also regulates the rates Boardwalk Pipeline can charge for its natural gas transportation and storage operations. For Boardwalk Pipeline s cost-based services, FERC establishes both the maximum and minimum rates it can charge. The basic elements that FERC considers are the costs of providing service, the volumes of gas being transported, the rate design, the allocation of costs between services, the capital structure and the rate of return a pipeline is permitted to earn. Boardwalk Pipeline may not be able to recover all of its costs, including certain costs associated with pipeline integrity, through existing or future rates.

Table of Contents

FERC can challenge the existing rates on any of Boardwalk Pipeline s pipelines. Such a challenge against them could adversely affect its ability to charge rates that would cover future increases in its costs or even to continue to collect rates to maintain its current revenue levels that are designed to permit a reasonable opportunity to recover current costs and depreciation and earn a reasonable return.

If any of Boardwalk Pipeline s pipelines under FERC jurisdiction were to file a rate case, or if they have to defend their rates in a proceeding commenced by FERC, Boardwalk Pipeline would be required, among other things, to establish that the inclusion of an income tax allowance in its cost of service is just and reasonable. Under current FERC policy, since it is a limited partnership and does not pay U.S. federal income taxes, this would require it to show that its unitholders (or their ultimate owners) are subject to federal income taxation. To support such a showing, Boardwalk Pipeline s general partner may elect to require owners of its units to re-certify their status as being subject to U.S. federal income taxation on the income generated by Boardwalk Pipeline or may attempt to provide other evidence. Boardwalk Pipeline can provide no assurance that the evidence it might provide to FERC will be sufficient to establish that its unitholders (or their ultimate owners) are subject to U.S. federal income tax liability on the income generated by Boardwalk Pipeline s jurisdictional pipelines. If Boardwalk Pipeline is unable to make such a showing, FERC could disallow a substantial portion of the income tax allowance included in the determination of the maximum rates that may be charged by its pipelines, which could result in a reduction of such maximum rates from current levels.

Investments that Boardwalk Pipeline makes, whether through acquisitions, growth projects or joint ventures, that appear to be accretive may nevertheless reduce its distributable cash flows.

Boardwalk Pipeline s growth depends on its ability to grow and diversify its business by among other things, investing in assets through acquisitions or joint ventures and organic growth projects. Its ability to grow, diversify and increase distributable cash flows will depend, in part, on its ability to close and execute on accretive acquisitions and projects. Any such transaction involves potential risks that may include, among other things:

- the diversion of management s and employees attention from other business concerns;
- inaccurate assumptions about volume, revenues and project costs, including potential synergies;
- a decrease in liquidity as a result of Boardwalk Pipeline using available cash or borrowing capacity to finance the acquisition or project;
- a significant increase in interest expense or financial leverage if Boardwalk Pipeline incurs additional debt to finance the acquisition or project;
- inaccurate assumptions about the overall costs of equity or debt;
- an inability to hire, train or retain qualified personnel to manage and operate the acquired business and assets or the developed assets;

unforeseen difficulties operating in new product areas or new geographic areas; and

changes in regulatory requirements or delays of regulatory approvals.

Additionally, acquisitions contain the following risks:

an inability to integrate successfully the businesses it acquires;

the assumption of unknown liabilities for which Boardwalk Pipeline is not indemnified, for which its indemnity is inadequate or for which its insurance policies may exclude from coverage;

limitations on rights to indemnity from the seller; and

customer or key employee losses of an acquired business.

Table of Contents

There is no certainty that Boardwalk Pipeline will be able to complete these acquisitions or projects on schedule, on budget or at all.

Boardwalk Pipeline is exposed to credit risk relating to nonperformance by its customers.

Credit risk relates to the risk of loss resulting from the nonperformance by a customer of its contractual obligations. Boardwalk Pipeline s exposure generally relates to receivables for services provided, future performance under firm agreements and volumes of gas or other products owed by customers for imbalances or product loaned by it to them under certain of its services. For Boardwalk Pipeline s FERC-regulated business, Boardwalk Pipeline s tariffs only allow it to require limited credit support in the event that its transportation customers are unable to pay for its services. If any of its significant customers have credit or financial problems which result in a delay or failure to pay for services provided by them or contracted for with them, or to repay the product they owe them, it could have a material adverse effect on Boardwalk Pipeline s business. In addition, as contracts expire, the credit or financial failure of any of its customers could also result in the non-renewal of contracted capacity, which could have a material adverse effect on its business.

Boardwalk Pipeline depends on certain key customers for a significant portion of its revenues. The loss of any of these key customers could result in a decline in its revenues.

Boardwalk Pipeline relies on a limited number of customers for a significant portion of revenues. Its largest customer in terms of revenue, Devon Gas Services, LP, represented over 11% of its 2013 revenues. Boardwalk Pipeline s top ten customers comprised approximately 46% of its revenues in 2013. Boardwalk Pipeline may be unable to negotiate extensions or replacements of contracts with key customers on favorable terms which could materially reduce its contracted transportation volumes and the rates it can charge for its services.

Risks Related to Us and Our Subsidiary, HighMount Exploration & Production LLC

HighMount may not be able to replace reserves and sustain production. Replacing reserves is risky and uncertain and requires significant capital expenditures.

HighMount s success depends largely upon its ability to find, develop or acquire additional reserves that are economically recoverable. HighMount s investment opportunities have shifted since 2011 from drilling vertical gas wells to produce gas reserves to more expensive exploratory horizontal wells testing and evaluating non-proven oil resources. The shift from drilling predictable vertical gas wells in mature fields to drilling exploratory horizontal oil wells creates greater uncertainty regarding HighMount s ability to replenish or grow its reserves. Unless HighMount replaces its reserves that are depleted by production, negative reserve revisions, or otherwise, through successful development, exploration or acquisition, its proved reserves, and therefore its asset base, will decline over time. HighMount may not be able to successfully find and produce reserves economically in the future or acquire proved reserves at acceptable costs. HighMount makes a substantial amount of capital expenditures for the acquisition, exploration and development of reserves and some of those efforts have not, and may in the future not, lead to the successful development of additional reserves, which could result in additional impairment charges, as discussed below, which could be material. HighMount s net cash flows have been negatively impacted by reduced natural gas and NGL prices as well as increased drilling costs of developing HighMount s oil reserves. If HighMount s cash flow from operations is not sufficient to fund its capital expenditure budget, there can be no assurance that financing will be available or available at favorable terms to meet those requirements.

Estimates of natural gas and oil reserves are uncertain and inherently imprecise.

Estimating the volume of proved natural gas and oil reserves is a complex process and is not an exact science because of numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. The process also requires certain economic assumptions, such as oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, these estimates are inherently imprecise.

Table of Contents

Actual future production, commodity prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable reserves most likely will vary from HighMount s estimates. Any significant variance could materially affect the quantities and present value of HighMount s reserves. In addition, HighMount may adjust estimates of proved reserves upward or downward to reflect production history, results of exploration and development drilling, prevailing commodity prices and prevailing development expenses.

The timing of both the production and the expenses from the development and production of natural gas and oil properties will affect both the timing of actual future net cash flows from proved reserves and their present value. In addition, the 10% discount factor, used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most accurate representation of their value.

HighMount may be required to take additional write-downs of the carrying values of its properties.

HighMount may be required, under full cost accounting rules, to further write-down the carrying value of its natural gas and oil properties or to impair its other assets, such as its pipeline assets. A number of factors could result in a write-down, including continued low commodity prices, a substantial downward adjustment to estimated proved reserves, a substantial increase in estimated development costs, or additional unsuccessful exploration results. It is difficult to predict future changes in gas prices. However, the abundance of natural gas supply discoveries over the last few years would generally indicate a bias toward downward pressure on prices. HighMount utilizes the full cost method of accounting for its exploration and development activities. Under full cost accounting, HighMount is required to perform a ceiling test each quarter. The ceiling test is an impairment test and generally establishes a maximum, or ceiling, of the book value of HighMount s natural gas properties that is equal to the expected after tax present value (discounted at the required rate of 10%) of the future net cash flows from proved reserves, including the effect of cash flow hedges, calculated using the average first day of the month price for the preceding 12-month period.

If the net book value of HighMount s exploration and production (E&P) properties (reduced by any related net deferred income tax liability) exceeds its ceiling limitation, HighMount will impair or write-down the book value of its E&P properties. HighMount recorded ceiling test impairment charges of $291 million and $680 million ($186 million and $433 million after tax) for the years ended December 31, 2013 and 2012. The 2013 write-downs were primarily attributable to negative reserve revisions due to variability in well performance where HighMount is testing different horizontal target zones and hydraulic fracture designs and due to reduced average NGL prices used in the ceiling test calculations. The 2012 write-downs were the result of declines in natural gas and NGL prices. A write-down may not be reversed in future periods, even though higher natural gas and oil prices may subsequently increase the ceiling. Depending on the magnitude of any future impairment, a ceiling test write-down could significantly reduce HighMount s income, or produce a loss.

Natural gas, oil and other commodity prices are volatile.

The commodity price HighMount receives for its production heavily influences its revenue, profitability, access to capital and future rate of growth. If the current low price environment for natural gas continues, HighMount s results of operations will be lower as well. HighMount is subject to risks due to frequent and possibly substantial fluctuations in commodity prices. NGL prices generally fluctuate on a basis that correlates to fluctuations in crude oil prices. In the past, the prices of natural gas and crude oil have been extremely volatile, and HighMount expects this volatility to continue. The markets and prices for natural gas and oil depend upon factors beyond HighMount s control. These factors include, among others, economic and market conditions, domestic production and import levels, storage levels, basis differentials, weather, government regulations and taxation. Lower commodity prices may reduce the amount of natural gas and oil that HighMount can produce economically.

HighMount engages in commodity price hedging activities.

The extent of HighMount s commodity price risk is related to the effectiveness and scope of HighMount s hedging activities. To the extent HighMount hedges its commodity price risk, HighMount will forego the benefits it would otherwise experience if commodity prices or interest rates were to change in its favor. Furthermore, because HighMount has entered into derivative transactions related to only a portion of its natural gas and oil production, HighMount will continue to have direct commodity price risk on the unhedged portion. HighMount s actual future

Table of Contents

production may be significantly higher or lower than HighMount estimates at the time it enters into derivative transactions for that period.

As a result, HighMount s hedging activities may not be as effective as HighMount intends in reducing the volatility of its cash flows, and in certain circumstances may actually increase the volatility of cash flows. In addition, even though HighMount s management monitors its hedging activities, these activities can result in substantial losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the applicable hedging arrangement or if the hedging arrangement is imperfect or ineffective.

Risks Related to Us and Our Subsidiaries Generally

In addition to the specific risks and uncertainties faced by our subsidiaries, as discussed above, we and all of our subsidiaries face risks and uncertainties related to, among other things, terrorism, hurricanes and other natural disasters, competition, government regulation, dependence on key executives and employees, litigation, dependence on information technology and compliance with environmental laws.

Acts of terrorism could harm us and our subsidiaries.

Future terrorist attacks and the continued threat of terrorism in this country or abroad, as well as possible retaliatory military and other action by the United States and its allies, could have a significant impact on the assets and businesses of certain of our subsidiaries. CNA issues coverages that are exposed to risk of loss from a terrorism act. Terrorist acts or the threat of terrorism, including increased political, economic and financial market instability and volatility in the price of oil and gas, could affect the market for Diamond Offshore s drilling services, Boardwalk Pipeline s transportation, gathering and storage services and HighMount s exploration and production activities. In addition, future terrorist attacks could lead to reductions in business travel and tourism which could harm Loews Hotels. While our subsidiaries take steps that they believe are appropriate to secure their assets, there is no assurance that they can completely secure them against a terrorist attack or obtain adequate insurance coverage for terrorist acts at reasonable rates.

Our subsidiaries are subject to extensive federal, state and local governmental regulations.

The businesses operated by our subsidiaries are impacted by current and potential federal, state and local governmental regulations which impose or might impose a variety of restrictions and compliance obligations on those companies. Governmental regulations can also change materially in ways that could adversely affect those companies. Risks faced by our subsidiaries related to governmental regulation include the following:

CNA. The insurance industry is subject to comprehensive and detailed regulation and supervision. Most insurance regulations are designed to protect the interests of CNA s policyholders and third party claimants rather than its investors. Each jurisdiction in which CNA does business has established supervisory agencies that regulate its business, generally at the state level. Any changes in federal regulation could also impose significant burdens on CNA. In addition, the Lloyd s marketplace sets rules under which its members, including CNA s Hardy syndicate operate. These rules and regulations include the following:

standards of solvency, including risk-based capital measurements;

restrictions on the nature, quality and concentration of investments;

restrictions on CNA s ability to withdraw from unprofitable lines of insurance or unprofitable market areas;

the required use of certain methods of accounting and reporting;

the establishment of reserves for unearned premiums, losses and other purposes;

potential assessments for funds necessary to settle covered claims against impaired, insolvent or failed private or quasi-governmental insurers;

Table of Contents

licensing of insurers and agents;

approval of policy forms;

limitations on the ability of CNA s insurance subsidiaries to pay dividends to us; and

limitations on the ability to non-renew, cancel, increase rates or change terms and conditions in policies.

Regulatory powers also extend to premium rate regulations which require that rates not be excessive, inadequate or unfairly discriminatory. CNA may also be required by the jurisdictions in which it does business to provide coverage to persons who would not otherwise be considered eligible. Each jurisdiction dictates the types of insurance and the level of coverage that must be provided to such involuntary risks. CNA s share of these involuntary risks is mandatory and is generally a function of its respective share of the voluntary market by line of insurance in each jurisdiction.

Diamond Offshore. The offshore drilling industry is dependent on demand for services from the oil and gas exploration industry and, accordingly, is affected by changing tax and other laws relating to the energy business generally. Diamond Offshore may be required to make significant capital expenditures for additional equipment to comply with governmental laws and regulations. It is also possible that these laws and regulations may in the future add significantly to Diamond Offshore s operating costs or result in a reduction in revenues associated with downtime required to install such equipment, or may otherwise significantly limit drilling activity.

In the aftermath of the 2010 Macondo well blowout and the subsequent investigation into the causes of the event, new rules have been implemented for oil and gas operations in the GOM and in many of the international locations in which Diamond Offshore operates, including new standards for well design, casing and cementing and well control procedures, as well as rules requiring operators to systematically identify risks and establish safeguards against those risks through a comprehensive safety and environmental management system (SEMS). New regulations may continue to be announced, including rules regarding drilling systems and equipment, such as blowout preventer and well control systems and lifesaving systems as well as rules regarding employee training, engaging personnel in safety management and requiring third party audits of SEMS programs. Such new regulations could require modifications or enhancements to existing systems and equipment, or require new equipment, and could increase Diamond Offshore s operating costs and cause downtime for its rigs if it is required to take any of them out of service between scheduled surveys or inspections, or if it is required to extend scheduled surveys or inspections, to meet any such new requirements. Diamond Offshore is not able to predict the likelihood, nature or extent of additional rulemaking, nor is it able to predict the future impact of these events on operations. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of Diamond Offshore s operations, and enhanced permitting requirements, as well as escalating costs borne by its customers, could reduce exploration activity in the GOM and therefore demand for its services.

Governments in some countries are increasingly active in regulating and controlling the ownership of concessions, the exploration for oil and gas and other aspects of the oil and gas industry. The modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or developmental drilling for oil and gas for economic, environmental or other reasons could materially and adversely affect Diamond Offshore s operations by limiting drilling opportunities.

Boardwalk Pipeline. Boardwalk Pipeline s natural gas transportation and storage operations are subject to extensive regulation by FERC and PHMSA of the DOT among other federal and state authorities. In addition to FERC rules and

regulations related to the rates Boardwalk Pipeline can charge for its services, federal regulations extend to pipeline safety, operating terms and conditions of service, the types of services Boardwalk Pipeline may offer, construction or abandonment of facilities, accounting and record keeping, and relationships and transactions with affiliated companies. These regulations can adversely impact Boardwalk Pipeline s ability to compete for business, construct new facilities, including by increasing the lead times to develop projects, offer new services, or recover the full cost of operating its pipelines.

Table of Contents

HighMount. All of HighMount s operations are conducted onshore in the United States. The U.S. oil and gas industry, and HighMount s operations, are subject to regulation at the federal, state and local level. Such regulation includes requirements with respect to, among other things: permits to drill and to conduct other operations; provision of financial assurances (such as bonds) covering drilling and well operations; the location of wells; the method of drilling and completing wells; the surface use and restoration of properties upon which wells are drilled; the plugging and abandoning of wells; the marketing, transportation and reporting of production; the valuation and payment of royalties; the size of drilling and spacing units (regarding the density of wells which may be drilled in a particular area); the unitization or pooling of natural gas and oil properties; maximum rates of production from natural gas and oil wells; venting or flaring of natural gas; and the ratability of production and the operation of gathering systems and related assets. Changes in these regulations, which HighMount cannot predict, could be harmful to HighMount s business and results of operations.

Hydraulic fracturing is a technique commonly used by oil and gas exploration companies, including HighMount, to stimulate the production of oil and natural gas by injecting fluids and sand into underground wells at high pressures, causing fractures or fissures in the geological formation which allow oil and gas to flow more freely. In recent years, concerns have been raised that the fracturing process and disposal of drilling fluids may contaminate underground sources of drinking water. The conference committee report for The Department of the Interior, Environment, and Related Agencies Appropriations Act for Fiscal Year 2010 requested the EPA to conduct a study of hydraulic fracturing, particularly the relationship between hydraulic fracturing and drinking water. In December of 2012 the EPA issued a progress report of the projects the EPA is conducting as part of the study. A final draft report is expected to be released for public comment and peer review in 2014. Several bills were introduced in the 111th and 112th Congresses seeking federal regulation of hydraulic fracturing, which has historically been regulated at the state level, though none of the proposed legislation was passed into law. Similar bills may be introduced in the current Congress and a number of federal agencies are analyzing, or have been requested to review, a variety of environmental issues associated with hydraulic fracturing. If hydraulic fracturing is banned or significantly restricted by federal regulation or otherwise, it could impair HighMount s ability to economically drill new wells, which would reduce its production, revenues and profitability.

HighMount owns and operates gas gathering lines and related facilities which are regulated by the DOT and state agencies with respect to safety and operating conditions. PHMSA has established minimum federal safety standards for certain gas gathering lines. PHMSA has indicated that changes to the current regulatory framework are needed to address gas exploration and production activities. If implemented, the new changes could impact HighMount s ability to transport some of its natural gas or cause HighMount to incur additional costs.

Our subsidiaries face significant risks related to compliance with environmental laws.

Our subsidiaries have extensive obligations and financial exposure related to compliance with federal, state and local environmental laws, many of which have become increasingly stringent in recent years and may in some cases impose strict liability, which could be substantial, rendering a person liable for environmental damage without regard to negligence or fault on the part of that person. For example, Diamond Offshore could be liable for damages and costs incurred in connection with oil spills related to its operations, including for conduct of or conditions caused by others. HighMount is subject to extensive environmental regulation in the conduct of its business, particularly related to the handling and disposal of drilling and production waste products, water and air pollution control procedures, and the remediation of petroleum-product contamination. Boardwalk Pipeline is also subject to laws and regulations, including requiring the acquisition of permits or other approvals to conduct regulated activities, restricting the manner in which it disposes of waste, requiring remedial action to remove or mitigate contamination resulting from a spill or other release, requiring capital expenditures to comply with pollution control requirements.

We are subject to physical and financial risks associated with climate change.

As awareness of climate change issues increases, governments around the world are beginning to address the matter. This may result in new environmental regulations that may unfavorably impact us, our subsidiaries and their suppliers and customers. We and our subsidiaries may be exposed to risks related to new laws or regulations pertaining to climate change, carbon emissions or energy use that could decrease the use of oil or natural gas, thus reducing demand for hydrocarbon-based fuel and related services provided by our energy subsidiaries. Governments

Table of Contents

also may pass laws or regulations encouraging or mandating the use of alternative energy sources, such as wind power and solar energy, which may reduce demand for oil and natural gas. In addition, changing global weather patterns have been associated with extreme weather events and could change longer-term natural catastrophe trends, including increasing the frequency and severity of hurricanes and other natural disasters which could increase future catastrophe losses at CNA and damage to property, disruption of business and higher operating costs at Diamond Offshore, Boardwalk Pipeline, HighMount and Loews Hotels.

There is currently no federal regulation that limits GHG emissions in the U.S. However, several bills were introduced in Congress in recent years that would regulate U.S. GHG emissions under a cap and trade system. Although these bills were not passed into law, some regulation of that type may be enacted in the U.S. in the near future. In addition, in 2009 the EPA adopted regulations under the Clean Air Act requiring the monitoring and reporting of annual GHG emissions by operators of facilities that emit more than 25,000 metric tons of GHG per year, which includes Boardwalk Pipeline and HighMount. Numerous states and several regional multi-state climate initiatives have announced or adopted plans to regulate GHG emissions, though the state programs vary widely. The establishment of a GHG reporting system and registry may be a first step toward broader regulation of GHG emissions. Compliance with future laws and regulations could impose significant costs on affected companies or adversely affect the demand for and the cost to produce and transport hydrocarbon-based fuel, which would adversely affect the businesses of our energy subsidiaries.

Any significant interruption in the operation of critical computer systems could materially disrupt operations.

We and our subsidiaries have become more reliant on technology to help increase efficiency in our businesses. We are dependent upon operational and financial computer systems to process the data necessary to conduct almost all aspects of our businesses. Any failure of our or our subsidiaries computer systems, or those of our or their customers, vendors or others with whom we and they do business, could materially disrupt business operations. Computer and other business facilities and systems could become unavailable or impaired from a variety of causes, including among others, storms and other natural disasters, terrorist attacks, utility outages or complications encountered as existing systems are replaced or upgraded. In addition, it has been reported that unknown entities or groups have mounted so-called cyber attacks on businesses and other organizations solely to disable or disrupt computer systems, disrupt operations and, in some cases, steal data. Any cyber attacks that affect our or our subsidiaries facilities could have a material adverse effect on our and their business or reputation.

Loss of key vendor relationships or failure of a vendor to protect personal information could result in a materially adverse effect on our operations.

We and our subsidiaries rely on services and products provided by many vendors in the United States and abroad. These include, for example, vendors of computer hardware, software and services, as well as other critical materials and services. If one or more key vendors becomes unable to continue to provide products or services, or fails to protect our proprietary information, including in some cases personal information of employees, customers or hotel guests, we and our subsidiaries may experience a material adverse effect on our or their business or reputation.

We could incur impairment charges related to the carrying value of the long-lived assets and goodwill of our subsidiaries.

Our subsidiaries regularly evaluate their long-lived assets and goodwill for impairment whenever events or changes in circumstances indicate the carrying value of these assets may not be recoverable. Most notably, we could incur impairment charges related to the carrying value of offshore drilling equipment at Diamond Offshore, natural gas and oil properties at HighMount, pipeline and storage assets at Boardwalk Pipeline and hotel properties owned by Loews

Hotels.

We test goodwill for impairment on an annual basis or when events or changes in circumstances indicate that a potential impairment exists. The goodwill impairment test requires us to identify reporting units and estimate each unit s fair value as of the testing date. We calculate the fair value of our reporting units (each of our principal operating subsidiaries) based on estimates of future discounted cash flows, which reflect management s judgments and assumptions regarding the appropriate risk-adjusted discount rate, future industry conditions and operations and other factors. Asset impairment evaluations are, by nature, highly subjective. The use of different estimates and

Table of Contents

assumptions could result in materially different carrying values of our assets which could impact the need to record an impairment charge and the amount of any charge taken.

We are a holding company and derive substantially all of our income and 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 holders of our common stock. Our subsidiaries are separate and independent legal entities and have no obligation, contingent or otherwise, to make funds available to us, whether in the form of loans, dividends or otherwise. The ability of our subsidiaries to pay dividends to us is also 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 their 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 our creditors and shareholders.

We could have liability in the future for tobacco-related lawsuits.

As a result of our ownership of Lorillard, Inc. (Lorillard) prior to the separation of Lorillard from us in 2008 (the Separation), from time to time we have been named as a defendant in tobacco-related lawsuits and could be named as a defendant in additional tobacco-related suits, notwithstanding the completion of the Separation. In the Separation Agreement entered into between us and Lorillard and its subsidiaries in connection with the Separation, Lorillard and each of its subsidiaries has agreed to indemnify us for liabilities related to Lorillard s tobacco business, including liabilities that we may incur for current and future tobacco-related litigation against us. An adverse decision in a tobacco-related lawsuit against us could, if the indemnification is deemed for any reason to be unenforceable or any amounts owed to us thereunder are not collectible, in whole or in part, have a material adverse effect on our financial condition, results of operations and equity. We do not expect that the Separation will alter the legal exposure of either entity with respect to tobacco-related claims. We do not believe that we have any liability for tobacco-related claims, and we have never been held liable for any such claims.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters is located in approximately 136,000 square feet of leased office space in New York City. Information relating to our subsidiaries properties is contained under Item 1.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

None.

46

Table of Contents

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol L. The following table sets forth the reported high and low sales prices in each calendar quarter:

	2013		2012	
	High	**Low**	High	Low
First Quarter	**$ 44.78**	**$ 41.06**	$ 40.16	$ 37.02
Second Quarter	**47.10**	**42.59**	41.80	38.14
Third Quarter	**47.94**	**44.03**	42.86	39.04
Fourth Quarter	**49.43**	**46.10**	43.36	39.57

The following graph compares annual total return of our Common Stock, the Standard & Poor s 500 Composite Stock Index (S&P 500 Index) and our Peer Group (Loews Peer Group) for the five years ended December 31, 2013. The graph assumes that the value of the investment in our Common Stock, the S&P 500 Index and the Loews Peer Group was $100 on December 31, 2008 and that all dividends were reinvested.

	2008	2009	2010	2011	2012	**2013**
Loews Common Stock	100.00	129.84	139.97	136.28	148.43	**176.69**
S&P 500 Index	100.00	126.46	145.51	148.59	172.37	**228.19**
Loews Peer Group (a)	100.00	128.27	142.73	150.43	170.78	**218.59**

(a) The Loews Peer Group consists of the following companies that are industry competitors of our principal operating subsidiaries: Ace Limited, W.R. Berkley Corporation, Cabot Oil & Gas Corporation, The Chubb Corporation, Energy Transfer Partners L.P., Ensco plc, The Hartford Financial Services Group, Inc., Kinder Morgan Energy Partners, L.P., Noble Corporation, Range Resources Corporation, Spectra Energy Corp, Transocean Ltd. and The Travelers Companies, Inc.

Table of Contents

Dividend Information

We have paid quarterly cash dividends on Loews common stock in each year since 1967. Regular dividends of $0.0625 per share of Loews common stock were paid in each calendar quarter of 2013 and 2012.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides certain information as of December 31, 2013 with respect to our equity compensation plans under which our equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders (a)	6,476,391	$ 38.50	6,838,923
Equity compensation plans not approved by security holders (b)	N/A	N/A	N/A

(a) Reflects stock options and stock appreciation rights awarded under the Loews Corporation 2000 Stock Option Plan.
(b) We do not have equity compensation plans that have not been approved by our shareholders.

Approximate Number of Equity Security Holders

We have approximately 1,090 holders of record of our common stock.

Common Stock Repurchases

We repurchased our common stock in 2013 as follows:

Period	Total number of shares purchased	Average price paid per share

January 1, 2013	March 31, 2013	2,094,900	$43.70
April 1, 2013	June 30, 2013	1,931,700	44.06
July 1, 2013	September 30, 2013	918,200	45.49
October 1, 2013	December 31, 2013	0	N/A

Table of Contents

Item 6. Selected Financial Data.

The following table presents selected financial data. The table should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data of this Form 10-K.

Year Ended December 31	**2013**	2012	2011	2010	2009
(In millions, except per share data)					
Results of Operations:					
Revenues	**$ 15,053**	$ 14,552	$ 14,129	$ 14,615	$ 14,117
Income before income tax	**$ 1,429**	$ 1,399	$ 2,226	$ 2,902	$ 1,728
Income from continuing operations	**$ 1,069**	$ 1,110	$ 1,694	$ 2,008	$ 1,384
Discontinued operations, net				(20)	(2)
Net income	**1,069**	1,110	1,694	1,988	1,382
Amounts attributable to noncontrolling interests	**(474)**	(542)	(632)	(699)	(819)
Net income attributable to Loews Corporation	**$ 595**	$ 568	$ 1,062	$ 1,289	$ 563
Net income attributable to Loews Corporation:					
Income from continuing operations	**$ 595**	$ 568	$ 1,062	$ 1,308	$ 565
Discontinued operations, net				(19)	(2)
Net income	**$ 595**	$ 568	$ 1,062	$ 1,289	$ 563
Diluted Net Income Per Share:					
Income from continuing operations	**$ 1.53**	$ 1.43	$ 2.62	$ 3.11	$ 1.31
Discontinued operations, net				(0.04)	(0.01)
Net income	**$ 1.53**	$ 1.43	$ 2.62	$ 3.07	$ 1.30
Financial Position:					
Investments	**$ 52,973**	$ 53,048	$ 49,028	$ 48,907	$ 46,034
Total assets	**79,939**	80,021	75,268	76,198	73,990

Debt	**10,846**	9,210	9,001	9,477	9,485
Shareholders equity	**19,458**	19,459	18,772	18,386	16,833
Cash dividends per share	**0.25**	0.25	0.25	0.25	0.25
Book value per share	**50.25**	49.67	47.33	44.35	39.60
Shares outstanding	**387.21**	391.81	396.59	414.55	425.07

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s discussion and analysis of financial condition and results of operations is comprised of the following sections:

	Page No.
Overview	
Consolidated Financial Results	51
Parent Company Structure	52
Critical Accounting Estimates	52
Results of Operations by Business Segment	55
CNA Financial	55
Diamond Offshore	68
Boardwalk Pipeline	75
HighMount	78
Loews Hotels	82
Corporate and Other	84
Liquidity and Capital Resources	85
CNA Financial	85
Diamond Offshore	86
Boardwalk Pipeline	88
HighMount	89
Loews Hotels	89
Corporate and Other	89
Contractual Obligations	90
Investments	90
Forward-Looking Statements	95

Table of Contents

OVERVIEW

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

- commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary);
- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary);
- transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 53% owned subsidiary);
- exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary); and
- operation of a chain of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary).

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

The following discussion should be read in conjunction with Item 1A, Risk Factors, and Item 8, Financial Statements and Supplementary Data of this Form 10-K.

Consolidated Financial Results

Consolidated net income for the year ended December 31, 2013 was $595 million, or $1.53 per share, compared to $568 million, or $1.43 per share, in 2012.

Results for the years ended December 31, 2013 and 2012 include the following significant items (after tax and noncontrolling interests):

- a ceiling test impairment charge at HighMount related to the carrying value of its natural gas and oil properties of $186 million in 2013 and $433 million in 2012;
- goodwill impairment charges of $398 million in 2013 primarily related to HighMount reflecting the continued low market prices for natural gas and natural gas liquids and recent history of negative reserve revisions; and
- a $111 million charge in 2013 related to CNA s retroactive reinsurance agreement to cede its legacy asbestos and environmental pollution liabilities to National Indemnity, a subsidiary of Berkshire Hathaway, Inc. (Loss

Portfolio Transfer or LPT). Under retroactive reinsurance accounting, amounts ceded through the LPT in excess of the consideration paid result in a deferred gain that is recognized in income over future periods. During the fourth quarter of 2013, the cumulative amounts ceded under the LPT exceeded the consideration paid, resulting in the recognition of an accounting loss.

Income before ceiling test and goodwill impairment charges, the impact of the LPT charge and net investment gains was $1.3 billion in 2013 as compared to $968 million in 2012. This increase is primarily due to higher earnings at CNA and increased investment income at the Parent Company due to improved performance of equities and limited partnership investments. These increases were partially offset by lower earnings at Diamond Offshore.

CNA s earnings increased primarily from improved non-catastrophe current accident year underwriting results, higher investment income and lower catastrophe losses. These increases were partially offset by a lower level of favorable net prior year development in 2013 as compared to 2012. The prior year catastrophe losses included $171 million (after tax and noncontrolling interests) related to Storm Sandy.

Table of Contents

Diamond Offshore s earnings decreased primarily due to lower utilization including downtime for scheduled surveys and shipyard projects and a $27 million charge (after noncontrolling interests) for an uncertain tax position related to Egyptian operations. In addition, Diamond Offshore s earnings in 2012 included a gain of $32 million (after tax and noncontrolling interests) from the sale of six jack-up rigs.

Book value per share increased to $50.25 at December 31, 2013 from $49.67 at December 31, 2012. Book value per share excluding Accumulated other comprehensive income (AOCI) increased to $49.38 at December 31, 2013 from $47.94 at December 31, 2012.

Parent Company Structure

We are a holding company and derive substantially all of our cash flow from our subsidiaries. We rely upon our invested cash balances and distributions from our subsidiaries to generate the funds necessary to meet our obligations and to declare and pay any dividends to our shareholders. The ability of our subsidiaries to pay dividends is subject to, among other things, the availability of sufficient earnings and funds in such subsidiaries, applicable state laws, including in the case of the insurance subsidiaries of CNA, laws and rules governing the payment of dividends by regulated insurance companies (see Note 14 of the Notes to Consolidated Financial Statements included under Item 8) and compliance with covenants in their respective loan agreements. Claims of creditors of our subsidiaries will generally have priority as to the assets of such subsidiaries over our claims and those of our creditors and shareholders.

CRITICAL ACCOUNTING ESTIMATES

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

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

We consider the accounting policies discussed below to be critical to an understanding of our Consolidated Financial Statements as their application places the most significant demands on our judgment. Due to the inherent uncertainties involved with these types of judgments, actual results could differ significantly from estimates, which may have a material adverse impact on our results of operations or equity.

Insurance Reserves

Insurance reserves are established for both short and long-duration insurance contracts. Short-duration contracts are primarily related to property and casualty insurance policies where the reserving process is based on actuarial estimates of the amount of loss, including amounts for known and unknown claims. Long-duration contracts include long term care products and payout annuity contracts and are estimated using actuarial estimates about mortality, morbidity and persistency as well as assumptions about expected investment returns. The reserve for unearned premiums on property and casualty contracts represents the portion of premiums written related to the unexpired terms of coverage. The reserving process is discussed in further detail in the Reserves Estimates and Uncertainties section

below.

Reinsurance and Other Receivables

An exposure exists with respect to the collectibility of ceded property and casualty and life reinsurance to the extent that any reinsurer is unable to meet its obligations or disputes the liabilities CNA has ceded under reinsurance agreements. An allowance for doubtful accounts on reinsurance receivables is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, CNA s past experience and current economic

Table of Contents

conditions. Further information on CNA s reinsurance receivables is included in Note 17 of the Notes to Consolidated Financial Statements included under Item 8.

Additionally, an exposure exists with respect to the collectibility of amounts due from customers on other receivables. An allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due currently or in the future, management s experience and current economic conditions.

If actual experience differs from the estimates made by management in determining the allowances for doubtful accounts on reinsurance and other receivables, net receivables as reflected on our Consolidated Balance Sheets may not be collected. Therefore, our results of operations and/or equity could be materially adversely impacted.

Litigation

We and our subsidiaries are involved in various legal proceedings that have arisen during the ordinary course of business. We evaluate the facts and circumstances of each situation, and when management determines it necessary, a liability is estimated and recorded. Please read Note 19 of the Notes to Consolidated Financial Statements included under Item 8.

Valuation of Investments and Impairment of Securities

We classify fixed maturity securities and equity securities as either available-for-sale or trading which are both carried at fair value. Fair value represents the price that would be received in a sale of an asset in an orderly transaction between market participants on the measurement date, the determination of which requires us to make a significant number of assumptions and judgments. Securities with the greatest level of subjectivity around valuation are those that rely on inputs that are significant to the estimated fair value and that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs are based on assumptions consistent with what we believe other market participants would use to price such securities. Further information on fair value measurements is included in Note 4 of the Notes to Consolidated Financial Statements included under Item 8.

CNA s investment portfolio is subject to market declines below amortized cost that may be other-than-temporary and therefore result in the recognition of impairment losses in earnings. Factors considered in the determination of whether or not a decline is other-than-temporary include a current intention or need to sell the security or an indication that a credit loss exists. Significant judgment exists regarding the evaluation of the financial condition and expected near-term and long term prospects of the issuer, the relevant industry conditions and trends, and whether CNA expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. CNA has an Impairment Committee which reviews the investment portfolio on at least a quarterly basis, with ongoing analysis as new information becomes available. Further information on CNA s process for evaluating impairments is included in Note 1 of the Notes to Consolidated Financial Statements included under Item 8.

Long Term Care Products and Payout Annuity Contracts

Future policy benefit reserves for CNA s life and group products are based on certain assumptions including morbidity, mortality, policy persistency and discount rates. The adequacy of the reserves is contingent on actual experience related to these key assumptions, which were generally established at time of issue. If actual experience differs from these assumptions, the reserves may not be adequate, requiring CNA to add to reserves.

A prolonged period during which interest rates remain at levels lower than those anticipated in CNA s reserving discount rate assumption could result in shortfalls in investment income on assets supporting CNA s obligations under long term care policies and payout annuity contracts, which may also require changes to CNA s reserves.

These changes to CNA s reserves could materially adversely impact our results of operations and equity. The reserving process is discussed in further detail in the Reserves Estimates and Uncertainties section below.

Table of Contents

Pension and Postretirement Benefit Obligations

We make a significant number of assumptions in order to estimate the liabilities and costs related to our pension and postretirement benefit obligations under our benefit plans. The assumptions that have the most impact on pension costs are the discount rate and the expected long term rate of return on plan assets. These assumptions are evaluated relative to current market factors such as inflation, interest rates and fiscal and monetary policies. Changes in these assumptions can have a material impact on pension obligations and pension expense.

In determining the discount rate assumption, we utilized current market information and liability information, including a discounted cash flow analysis of our pension and postretirement obligations. In particular, the basis for our discount rate selection was the yield on indices of highly rated fixed income debt securities with durations comparable to that of our plan liabilities. The yield curve was applied to expected future retirement plan payments to adjust the discount rate to reflect the cash flow characteristics of the plans. The yield curves and indices evaluated in the selection of the discount rate are comprised of high quality corporate bonds that are rated AA by an accepted rating agency.

Further information on our pension and postretirement benefit obligations is included in Note 16 of the Notes to Consolidated Financial Statements included under Item 8.

Valuation of HighMount s Proved Reserves

HighMount follows the full cost method of accounting for natural gas and oil exploration and production activities. Under the full cost method, all direct costs of property acquisition, exploration and development activities are capitalized and subsequently depleted using the units-of-production method. The depletable base of costs includes estimated future costs to be incurred in developing proved natural gas and oil reserves, as well as capitalized asset retirement costs, net of projected salvage values. Capitalized costs in the depletable base are subject to a ceiling test. The test limits capitalized amounts to a ceiling, the present value of estimated future net revenues to be derived from the production of proved natural gas and oil reserves, using calculated average prices adjusted for any cash flow hedges in place. If net capitalized costs exceed the ceiling test at the end of any quarterly period, then a write-down of the assets must be recognized in that period. A write-down may not be reversed in future periods, even though higher natural gas and oil prices may subsequently increase the ceiling. For the years ended December 31, 2013 and 2012, HighMount recognized impairment charges of $291 million and $680 million ($186 million and $433 million after tax) related to the carrying value of natural gas and oil properties, as discussed further in Note 7 of the Notes to Consolidated Financial Statements included under Item 8. In addition, gains or losses on the sale or other disposition of natural gas and oil properties are not recognized unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves.

HighMount s estimate of proved reserves requires a high degree of judgment and is dependent on factors such as historical data, engineering estimates of proved reserve quantities, estimates of the amount and timing of future expenditures to develop the proved reserves, and estimates of future production from the proved reserves. HighMount s estimated proved reserves are based upon studies for each of its properties prepared by HighMount staff engineers. Calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with SEC guidelines. Determination of proved reserves is based on, among other things, (i) a pricing mechanism for oil and gas reserves which uses an average 12-month price; (ii) a limitation on the classification of reserves as proved undeveloped to locations scheduled to be drilled within five years; and (iii) a 10% discount factor used in calculating discounted future net cash flows.

The process to estimate reserves is imprecise, and estimates are subject to revision. If there is a significant variance in any of HighMount s estimates or assumptions in the future and revisions to the value of HighMount s proved reserves are necessary, related depletion expense and the calculation of the ceiling test would be affected and recognition of natural gas and oil property impairments could occur. Given the volatility of natural gas and oil prices, it is possible that HighMount s estimate of discounted future net cash flows from proved natural gas and oil reserves that is used to calculate the ceiling could materially change in the near term.

Table of Contents

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses a probability-weighted cash flow analysis to test property and equipment for impairment based on relevant market data. If an asset is determined to be impaired, a loss is recognized to reduce the carrying amount to the fair value of the asset. Management s cash flow assumptions are an inherent part of our asset impairment evaluation and the use of different assumptions could produce results that differ from the reported amounts.

Goodwill

Goodwill is required to be evaluated on an annual basis and whenever, in management s judgment, there is a significant change in circumstances that would be considered a triggering event. Management must apply judgment in assessing qualitatively whether events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Factors such as a reporting unit s planned future operating results, long term growth outlook and industry and market conditions are considered. Judgment is also applied in determining the estimated fair value of reporting units assets and liabilities for purposes of performing quantitative goodwill impairment tests. Management uses all available information to make these fair value determinations, including the present values of expected future cash flows using discount rates commensurate with the risks involved in the assets and observed market multiples.

A ceiling test impairment charge at HighMount is considered a triggering event that requires a goodwill impairment analysis. This analysis resulted in HighMount recording a goodwill impairment charge of $584 million ($382 million after tax), see the Results of Operations by Business Segment section of this MD&A and Note 8 of the Notes to Consolidated Financial Statements included under Item 8 for additional information.

Income Taxes

Deferred income taxes are recognized for temporary differences between the financial statement and tax return bases of assets and liabilities. Any resulting future tax benefits are recognized to the extent that realization of such benefits is more likely than not, and a valuation allowance is established for any portion of a deferred tax asset that management believes may not be realized. The assessment of the need for a valuation allowance requires management to make estimates and assumptions about future earnings, reversal of existing temporary differences and available tax planning strategies. If actual experience differs from these estimates and assumptions, the recorded deferred tax asset may not be fully realized resulting in an increase to income tax expense in our results of operations. In addition, the ability to record deferred tax assets in the future could be limited resulting in a higher effective tax rate in that future period.

The Company has not established deferred tax liabilities for certain of its foreign earnings as it intends to indefinitely reinvest those earnings to finance foreign activities. However, if these earnings become subject to U.S. federal tax, any required provision could have a material impact on our financial results.

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

On February 10, 2014, CNA entered into a definitive agreement to sell the majority of its run-off annuity and pension deposit business. Further information on the sale is included in Note 23 of the Notes to Consolidated Financial Statements included under Item 8.

Table of Contents

Reserves Estimates and Uncertainties

The level of reserves CNA maintains represents its best estimate, as of a particular point in time, of what the ultimate settlement and administration of claims will cost based on CNA s assessment of facts and circumstances known at that time. Reserves are not an exact calculation of liability but instead are complex estimates that CNA derives, generally utilizing a variety of actuarial reserve estimation techniques, from numerous assumptions and expectations about future events, both internal and external, many of which are highly uncertain. As noted below, CNA reviews its reserves for each segment of its business periodically and any such review could result in the need to increase reserves in amounts which could be material and could adversely impact its results of operations, equity, business and insurer financial strength and corporate debt ratings. Further information on reserves is provided in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

Property and Casualty Claim and Claim Adjustment Expense Reserves

CNA maintains loss reserves to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, including the estimated cost of the claims adjudication process, for claims that have been reported but not yet settled (case reserves) and claims that have been incurred but not reported (IBNR). Claim and claim adjustment expense reserves are reflected as liabilities and are included on the Consolidated Balance Sheets under the heading Insurance Reserves. Adjustments to prior year reserve estimates, if necessary, are reflected in results of operations in the period that the need for such adjustments is determined. The carried case and IBNR reserves as of each balance sheet date are provided in the discussion that follows and in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

CNA is subject to the uncertain effects of emerging or potential claims and coverage issues that arise as industry practices and legal, judicial, social, economic and other environmental conditions change. These issues have had, and may continue to have, a negative effect on CNA s business by either extending coverage beyond the original underwriting intent or by increasing the number or size of claims. Examples of emerging or potential claims and coverage issues include:

- uncertainty in future medical costs in workers compensation. In particular, medical cost inflation could be greater than expected due to new treatments, drugs and devices; increased health care utilization; and/or the future costs of health care facilities. In addition, the relationship between workers compensation and government and private health care providers could change, potentially shifting costs to workers compensation;

- increased uncertainty related to medical professional liability, medical products liability and workers compensation coverages resulting from the Patient Protection and Affordable Care Act;

- significant class action litigation; and

- mass tort claims, including bodily injury claims related to benzene, lead, noise induced hearing loss, injuries from various medical products including pharmaceuticals and various other chemical and radiation exposure claims.

The impact of these and other unforeseen emerging or potential claims and coverage issues is difficult to predict and could materially adversely affect the adequacy of CNA s claim and claim adjustment expense reserves and could lead to future reserve additions.

CNA s property and casualty insurance subsidiaries also have actual and potential exposures related to asbestos and environmental pollution (A&EP) claims. CNA s experience has been that establishing reserves for casualty coverages relating to A&EP claims and the related claim adjustment expenses are subject to uncertainties that are greater than those presented by other claims. Additionally, traditional actuarial methods and techniques employed to estimate the ultimate cost of claims for more traditional property and casualty exposures are less precise in estimating claim and claim adjustment reserves for A&EP. As a result, estimating the ultimate cost of both reported and unreported A&EP claims is subject to a higher degree of variability.

Table of Contents

To mitigate the risks posed by CNA s exposure to A&EP claims and claim adjustment expenses, as further discussed in Note 9 of the Notes to Consolidated Financial Statements included under Item 8, on August 31, 2010, CNA completed a transaction with NICO, a subsidiary of Berkshire Hathaway Inc., under which substantially all of CNA s legacy A&EP liabilities were ceded to NICO effective January 1, 2010 (Loss Portfolio Transfer).

The Loss Portfolio Transfer is a retroactive reinsurance contract. During 2013 the cumulative amounts ceded under the Loss Portfolio Transfer exceeded the consideration paid, resulting in a $189 million deferred retroactive reinsurance gain. This deferred benefit will be recognized in earnings in future periods in proportion to actual recoveries under the Loss Portfolio Transfer. Over the life of the contract, there is no economic impact as long as any additional losses are within the limit under the contract.

Establishing Property & Casualty Reserve Estimates

In developing claim and claim adjustment expense (loss or losses) reserve estimates, CNA s actuaries perform detailed reserve analyses that are staggered throughout the year. The data is organized at a product level. A product can be a line of business covering a subset of insureds such as commercial automobile liability for small or middle market customers, it can encompass several lines of business provided to a specific set of customers such as dentists, or it can be a particular type of claim such as construction defect. Every product is reviewed at least once during the year. The analyses generally review losses gross of ceded reinsurance and apply the ceded reinsurance terms to the gross estimates to establish estimates net of reinsurance. In addition to the detailed analyses, CNA reviews actual loss emergence for all products each quarter.

The detailed analyses use a variety of generally accepted actuarial methods and techniques to produce a number of estimates of ultimate loss. CNA s actuaries determine a point estimate of ultimate loss by reviewing the various estimates and assigning weight to each estimate given the characteristics of the product being reviewed. The reserve estimate is the difference between the estimated ultimate loss and the losses paid to date. The difference between the estimated ultimate loss and the case incurred loss (paid loss plus case reserve) is IBNR. IBNR calculated as such includes a provision for development on known cases (supplemental development) as well as a provision for claims that have occurred but have not yet been reported (pure IBNR).

Most of CNA s business can be characterized as long-tail. For long-tail business, it will generally be several years between the time the business is written and the time when all claims are settled. CNA s long-tail exposures include commercial automobile liability, workers compensation, general liability, medical professional liability, other professional liability and management liability coverages, assumed reinsurance run-off and products liability. Short-tail exposures include property, commercial automobile physical damage, marine and warranty. CNA Specialty and CNA Commercial contain both long-tail and short-tail exposures. Hardy contains primarily short-tail exposures. Other contains long-tail exposures.

Various methods are used to project ultimate loss for both long-tail and short-tail exposures including, but not limited to, the following:

paid development;

incurred development;

loss ratio;

Bornhuetter-Ferguson using paid loss;

Bornhuetter-Ferguson using incurred loss;

frequency times severity; and

stochastic modeling.

Table of Contents

The paid development method estimates ultimate losses by reviewing paid loss patterns and applying them to accident or policy years with further expected changes in paid loss. Selection of the paid loss pattern may require consideration of several factors including the impact of inflation on claims costs, the rate at which claims professionals make claim payments and close claims, the impact of judicial decisions, the impact of underwriting changes, the impact of large claim payments and other factors. Claim cost inflation itself may require evaluation of changes in the cost of repairing or replacing property, changes in the cost of medical care, changes in the cost of wage replacement, judicial decisions, legislative changes and other factors. Because this method assumes that losses are paid at a consistent rate, changes in any of these factors can impact the results. Since the method does not rely on case reserves, it is not directly influenced by changes in the adequacy of case reserves.

For many products, paid loss data for recent periods may be too immature or erratic for accurate predictions. This situation often exists for long-tail exposures. In addition, changes in the factors described above may result in inconsistent payment patterns. Finally, estimating the paid loss pattern subsequent to the most mature point available in the data analyzed often involves considerable uncertainty for long-tail products such as workers compensation.

The incurred development method is similar to the paid development method, but it uses case incurred losses instead of paid losses. Since the method uses more data (case reserves in addition to paid losses) than the paid development method, the incurred development patterns may be less variable than paid patterns. However, selection of the incurred loss pattern typically requires analysis of all of the same factors described above. In addition, the inclusion of case reserves can lead to distortions if changes in case reserving practices have taken place, and the use of case incurred losses may not eliminate the issues associated with estimating the incurred loss pattern subsequent to the most mature point available.

The loss ratio method multiplies earned premiums by an expected loss ratio to produce ultimate loss estimates for each accident or policy year. This method may be useful for immature accident or policy periods or if loss development patterns are inconsistent, losses emerge very slowly, or there is relatively little loss history from which to estimate future losses. The selection of the expected loss ratio typically requires analysis of loss ratios from earlier accident or policy years or pricing studies and analysis of inflationary trends, frequency trends, rate changes, underwriting changes, and other applicable factors.

The Bornhuetter-Ferguson method using paid loss is a combination of the paid development method and the loss ratio method. This method normally determines expected loss ratios similar to the approach used to estimate the expected loss ratio for the loss ratio method and typically requires analysis of the same factors described above. This method assumes that future losses will develop at the expected loss ratio level. The percent of paid loss to ultimate loss implied from the paid development method is used to determine what percentage of ultimate loss is yet to be paid. The use of the pattern from the paid development method typically requires consideration of the same factors listed in the description of the paid development method. The estimate of losses yet to be paid is added to current paid losses to estimate the ultimate loss for each year. For long-tail lines, this method will react very slowly if actual ultimate loss ratios are different from expectations due to changes not accounted for by the expected loss ratio calculation.

The Bornhuetter-Ferguson method using incurred loss is similar to the Bornhuetter-Ferguson method using paid loss except that it uses case incurred losses. The use of case incurred losses instead of paid losses can result in development patterns that are less variable than paid patterns. However, the inclusion of case reserves can lead to distortions if changes in case reserving have taken place, and the method typically requires analysis of the same factors that need to be reviewed for the loss ratio and incurred development methods.

The frequency times severity method multiplies a projected number of ultimate claims by an estimated ultimate average loss for each accident or policy year to produce ultimate loss estimates. Since projections of the ultimate

number of claims are often less variable than projections of ultimate loss, this method can provide more reliable results for products where loss development patterns are inconsistent or too variable to be relied on exclusively. In addition, this method can more directly account for changes in coverage that impact the number and size of claims. However, this method can be difficult to apply to situations where very large claims or a substantial number of unusual claims result in volatile average claim sizes. Projecting the ultimate number of claims may require analysis of several factors including the rate at which policyholders report claims to CNA, the impact of judicial decisions, the impact of underwriting changes and other factors. Estimating the ultimate average loss may require analysis of

Table of Contents

the impact of large losses and claim cost trends based on changes in the cost of repairing or replacing property, changes in the cost of medical care, changes in the cost of wage replacement, judicial decisions, legislative changes and other factors.

Stochastic modeling produces a range of possible outcomes based on varying assumptions related to the particular product being modeled. For some products, CNA uses models which rely on historical development patterns at an aggregate level, while other products are modeled using individual claim variability assumptions supplied by the claims department. In either case, multiple simulations are run and the results are analyzed to produce a range of potential outcomes. The results will typically include a mean and percentiles of the possible reserve distribution which aid in the selection of a point estimate.

For many exposures, especially those that can be considered long-tail, a particular accident or policy year may not have a sufficient volume of paid losses to produce a statistically reliable estimate of ultimate losses. In such a case, CNA s actuaries typically assign more weight to the incurred development method than to the paid development method. As claims continue to settle and the volume of paid loss increases, the actuaries may assign additional weight to the paid development method. For most of CNA s products, even the incurred losses for accident or policy years that are early in the claim settlement process will not be of sufficient volume to produce a reliable estimate of ultimate losses. In these cases, CNA will not assign any weight to the paid and incurred development methods. CNA will use the loss ratio, Bornhuetter-Ferguson and frequency times severity methods. For short-tail exposures, the paid and incurred development methods can often be relied on sooner primarily because CNA s history includes a sufficient number of years to cover the entire period over which paid and incurred losses are expected to change. However, CNA may also use the loss ratio, Bornhuetter-Ferguson and frequency times severity methods for short-tail exposures.

For other more complex products where the above methods may not produce reliable indications, CNA uses additional methods tailored to the characteristics of the specific situation.

Periodic Reserve Reviews

The reserve analyses performed by CNA s actuaries result in point estimates. Each quarter, the results of the detailed reserve reviews are summarized and discussed with CNA s senior management to determine the best estimate of reserves. This group considers many factors in making this decision. The factors include, but are not limited to, the historical pattern and volatility of the actuarial indications, the sensitivity of the actuarial indications to changes in paid and incurred loss patterns, the consistency of claims handling processes, the consistency of case reserving practices, changes in CNA s pricing and underwriting, pricing and underwriting trends in the insurance market, and legal, judicial, social and economic trends.

CNA s recorded reserves reflect its best estimate as of a particular point in time based upon known facts, consideration of the factors cited above and its judgment. The carried reserve may differ from the actuarial point estimate as the result of CNA s consideration of the factors noted above as well as the potential volatility of the projections associated with the specific product being analyzed and other factors impacting claims costs that may not be quantifiable through traditional actuarial analysis. This process results in management s best estimate which is then recorded as the loss reserve.

Currently, CNA s recorded reserves are modestly higher than the actuarial point estimate. For CNA Commercial, CNA Specialty and Hardy, the difference between CNA s reserves and the actuarial point estimate is primarily driven by uncertainty with respect to immature accident years, claim cost inflation, changes in claims handling, changes to the tort environment which may adversely impact claim costs and the effects from the economy. For CNA s legacy A&EP liabilities, the difference between CNA s reserves and the actuarial point estimate is primarily driven by the potential

tail volatility of run-off exposures.

The key assumptions fundamental to the reserving process are often different for various products and accident or policy years. Some of these assumptions are explicit assumptions that are required of a particular method, but most of the assumptions are implicit and cannot be precisely quantified. An example of an explicit assumption is the pattern employed in the paid development method. However, the assumed pattern is itself based on several implicit assumptions such as the impact of inflation on medical costs and the rate at which claim professionals close claims.

Table of Contents

As a result, the effect on reserve estimates of a particular change in assumptions typically cannot be specifically quantified, and changes in these assumptions cannot be tracked over time.

CNA s recorded reserves are management s best estimate. In order to provide an indication of the variability associated with CNA s net reserves, the following discussion provides a sensitivity analysis that shows the approximate estimated impact of variations in significant factors affecting CNA s reserve estimates for particular types of business. These significant factors are the ones that CNA believes could most likely materially impact the reserves. This discussion covers the major types of business for which CNA believes a material deviation to its reserves is reasonably possible. There can be no assurance that actual experience will be consistent with the current assumptions or with the variation indicated by the discussion. In addition, there can be no assurance that other factors and assumptions will not have a material impact on CNA s reserves.

Within CNA Specialty, CNA believes a material deviation to its net reserves is reasonably possible for professional liability and management liability products and Surety products. This includes professional liability coverages provided to various professional firms, including architects, real estate agents, small and mid-sized accounting firms, law firms and other professional firms. This also includes D&O, employment practices, fiduciary, fidelity and surety coverages, as well as insurance products serving the health care delivery system. The most significant factor affecting reserve estimates for these products is claim severity. Claim severity is driven by the cost of medical care, the cost of wage replacement, legal fees, judicial decisions, legislative changes and other factors. Underwriting and claim handling decisions such as the classes of business written and individual claim settlement decisions can also impact claim severity. If the estimated claim severity increases by 9%, CNA estimates that the net reserves would increase by approximately $550 million. If the estimated claim severity decreases by 3%, CNA estimates that net reserves would decrease by approximately $200 million. CNA s net reserves for these products were approximately $5.9 billion at December 31, 2013.

Within CNA Commercial, the two types of business for which CNA believes a significant deviation to its net reserves is reasonably possible are workers compensation and general liability.

For CNA Commercial workers compensation, since many years will pass from the time the business is written until all claim payments have been made, claim cost inflation on claim payments is the most significant factor affecting workers compensation reserve estimates. Workers compensation claim cost inflation is driven by the cost of medical care, the cost of wage replacement, expected claimant lifetimes, judicial decisions, legislative changes and other factors. If estimated workers compensation claim cost inflation increases by 100 basis points for the entire period over which claim payments will be made, CNA estimates that its net reserves would increase by approximately $400 million. If estimated workers compensation claim cost inflation decreases by 100 basis points for the entire period over which claim payments will be made, CNA estimates that its net reserves would decrease by approximately $400 million. Net reserves for CNA Commercial workers compensation were approximately $4.6 billion at December 31, 2013.

For CNA Commercial general liability, the most significant factor affecting reserve estimates is claim severity. Claim severity is driven by changes in the cost of repairing or replacing property, the cost of medical care, the cost of wage replacement, judicial decisions, legislation and other factors. If the estimated claim severity for general liability increases by 6%, CNA estimates that its net reserves would increase by approximately $200 million. If the estimated claim severity for general liability decreases by 3%, CNA estimates that its net reserves would decrease by approximately $100 million. Net reserves for CNA Commercial general liability were approximately $3.7 billion at December 31, 2013.

Given the factors described above, it is not possible to quantify precisely the ultimate exposure represented by claims and related litigation. As a result, CNA regularly reviews the adequacy of its reserves and reassesses its reserve estimates as historical loss experience develops, additional claims are reported and settled and additional information becomes available in subsequent periods.

In light of the many uncertainties associated with establishing the estimates and making the assumptions necessary to establish reserve levels, CNA reviews its reserve estimates on a regular basis and makes adjustments in the period that the need for such adjustments is determined. These reviews have resulted in CNA s identification of information and trends that have caused CNA to change its reserves in prior periods and could lead to the

Table of Contents

identification of a need for additional material increases or decreases in claim and claim adjustment expense reserves, which could materially affect our results of operations and equity and CNA s business and insurer financial strength and corporate debt ratings positively or negatively. See the Ratings section of this MD&A for further information regarding CNA s financial strength and corporate debt ratings.

The following table summarizes gross and net carried reserves for CNA s property and casualty operations:

December 31	**2013**	2012
(In millions)		
Gross Case Reserves	**$ 8,374**	$ 8,771
Gross IBNR Reserves	**9,350**	9,824
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 17,724**	$ 18,595
Net Case Reserves	**$ 7,541**	$ 7,811
Net IBNR Reserves	**8,486**	8,786
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 16,027**	$ 16,597

The following table summarizes the gross and net carried reserves for certain property and casualty business in run-off, including CNA Re and A&EP:

December 31	**2013**	2012
(In millions)		
Gross Case Reserves	**$ 1,140**	$ 1,207
Gross IBNR Reserves	**2,167**	1,955
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 3,307**	$ 3,162
Net Case Reserves	**$ 283**	$ 292
Net IBNR Reserves	**184**	220
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 467**	$ 512

Life & Group Non-Core Policyholder Reserves

CNA calculates and maintains reserves for policyholder claims and benefits for Life & Group Non-Core based on actuarial assumptions. The determination of these reserves is fundamental to its financial results and requires management to make assumptions about expected investment and policyholder experience over the life of the contract. Since many of these contracts may be in force for several decades, these assumptions are subject to significant estimation risk.

The actuarial assumptions represent management s best estimates at the date the contract was issued plus a margin for adverse deviation. Actuarial assumptions include estimates of morbidity, mortality, policy persistency, discount rates and expenses over the life of the contracts. Under GAAP, these assumptions are locked in throughout the life of the contract unless a premium deficiency develops. The impact of differences between the actuarial assumptions and actual experience is reflected in results of operations each period.

Annually, management assesses the adequacy of its GAAP reserves by product group by performing premium deficiency testing. In this test, reserves computed using best estimate assumptions as of the date of the test without provisions for adverse deviation are compared to the recorded reserves. If reserves determined based on management s current best estimate assumptions are greater than the existing net GAAP reserves (i.e. reserves net of any Deferred acquisition costs asset), the existing net GAAP reserves would be increased to the greater amount. Any such increase would be reflected in CNA s results of operations in the period in which the need for such adjustment is determined, and could materially adversely affect CNA s results of operations, equity and business and insurer financial strength and corporate debt ratings.

Table of Contents

Payout Annuity Reserves

CNA s payout annuity reserves consist primarily of single premium group and structured settlement annuities. The annuity payments are generally fixed and are either for a specified period or contingent on the survival of the payee. These reserves are discounted except for reserves for loss adjustment expenses on structured settlements not funded by annuities in its property and casualty insurance companies. In 2012 and 2011, CNA recognized a premium deficiency on its payout annuity reserves. Therefore, the actuarial assumptions established at time of issue have been unlocked and updated to management s then current best estimate. The actuarial assumptions that management believes are subject to the most variability are discount rate and mortality.

The table below summarizes the estimated pretax impact on CNA s results of operations from various hypothetical revisions to its assumptions. CNA has assumed that revisions to such assumptions would occur in each policy type, age and duration within each policy group. Although such hypothetical revisions are not currently required or anticipated, CNA believes they could occur based on past variances in experience and its expectations of the ranges of future experience that could reasonably occur.

CNA s current GAAP payout annuity reserves contain a level of margin in excess of management s current best estimates. Any required increase in the net GAAP reserves resulting from the hypothetical revisions in the table below would first reduce the margin before they would affect results of operations. The estimated impacts to results of operations in the table below are after consideration of the existing margin.

December 31, 2013 **(In millions of dollars)**	**Estimated Reduction to Pretax Income**
Hypothetical revisions	
Discount rate:	
50 basis point decline	**$ 106**
100 basis point decline	**247**
Mortality:	
5% decline	**5**
10% decline	**31**

Any actual adjustment would be dependent on the specific policies affected and, therefore, may differ from the estimates summarized above.

Long Term Care Reserves

Long term care policies provide benefits for nursing home, assisted living and home health care subject to various daily and lifetime caps. Policyholders must continue to make periodic premium payments to keep the policy in force. Generally CNA has the ability to increase policy premiums, subject to state regulatory approval.

CNA s long term care reserves consist of an active life reserve, a liability for due and unpaid claims, claims in the course of settlement and incurred but not reported claims. The active life reserve represents the present value of expected future benefit payments and expenses less expected future premium.

The actuarial assumptions that management believes are subject to the most variability are discount rate, morbidity, and persistency, which can be affected by policy lapses and death. There is limited historical data and industry data available to CNA for these reserves, as only a small portion of the long term care policies which have been written to date are in claims paying status and trends in morbidity and mortality change over time. As a result, CNA s long term care reserves may be subject to material increase if these trends develop adversely to its expectations.

The table below summarizes the estimated pretax impact on CNA s results of operations from various hypothetical revisions to its assumptions. CNA has assumed that revisions to such assumptions would occur in each policy type, age and duration within each policy group. Although such hypothetical revisions are not currently

Table of Contents

required or anticipated, CNA believes they could occur based on past variances in experience and its expectations of the ranges of future experience that could reasonably occur.

CNA s current GAAP long term care reserves contain a level of margin in excess of management s current best estimates. Any required increase in the net GAAP reserves resulting from the hypothetical revisions in the table below would first reduce the margin before they would affect results of operations. The estimated impacts to results of operations in the table below are after consideration of the existing margin.

December 31, 2013 (In millions of dollars)	Estimated Reduction to Pretax Income
Hypothetical revisions	
Discount rate:	
50 basis point decline	**$ 305**
100 basis point decline	**1,041**
Morbidity:	
5% increase	**188**
10% increase	**724**
Persistency:	
5% decline in voluntary lapse and mortality	**18**
10% decline in voluntary lapse and mortality	**418**

Any actual adjustment would be dependent on the specific policies affected and, therefore, may differ from the estimates summarized above.

The following table summarizes the Life & Group Non-Core policyholder reserves:

December 31, 2013 (In millions)	Claim and claim adjustment expenses	Future policy benefits	Policyholders funds	Separate account business	Total
Long term care	**$ 1,889**	**$ 7,329**			**$ 9,218**
Payout annuities	**613**	**1,990**			**2,603**
Institutional markets	**1**	**9**	**$ 57**	**$ 181**	**248**
Other	**37**	**4**			**41**
Total	**2,540**	**9,332**	**57**	**181**	**12,110**
Shadow adjustments (a)	**83**	**406**			**489**
Ceded reserves	**435**	**733**	**35**		**1,203**
Total gross reserves	**$ 3,058**	**$ 10,471**	**$ 92**	**$ 181**	**$ 13,802**

December 31, 2012

Long term care	$ 1,683	$ 6,879			$ 8,562
Payout annuities	637	2,008			2,645
Institutional markets	1	12	$ 100	$ 312	425
Other	45	4			49
Total	2,366	8,903	100	312	11,681
Shadow adjustments (a)	162	1,812			1,974
Ceded reserves	478	760	34		1,272
Total gross reserves	$ 3,006	$ 11,475	$ 134	$ 312	$ 14,927

(a) To the extent that unrealized gains on fixed income securities supporting long term care products and payout annuity contracts would result in a premium deficiency if those gains were realized, a related decrease in Deferred acquisition costs and/or increase in Insurance reserves are recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through Other comprehensive income (Shadow Adjustments). The Shadow Adjustments presented above do not include $342 million and $369 million related to Deferred acquisition costs at December 31, 2013 and 2012.

Table of Contents

Results of Operations

The following table summarizes the results of operations for CNA for the years ended December 31, 2013, 2012 and 2011 as presented in Note 22 of the Notes to Consolidated Financial Statements included under Item 8.

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues:			
Insurance premiums	**$ 7,271**	$ 6,882	$ 6,603
Net investment income	**2,450**	2,282	2,054
Investment gains (losses)	**27**	60	(19)
Other	**365**	323	325
Total	**10,113**	9,547	8,963
Expenses:			
Insurance claims and policyholders benefits	**5,947**	5,896	5,489
Amortization of deferred acquisition costs	**1,362**	1,274	1,176
Other operating expenses	**1,318**	1,327	1,234
Interest	**166**	170	185
Total	**8,793**	8,667	8,084
Income before income tax	**1,320**	880	879
Income tax expense	**(378)**	(247)	(244)
Amounts attributable to noncontrolling interests	**(95)**	(63)	(78)
Net income attributable to Loews Corporation	**$ 847**	$ 570	$ 557

2013 Compared with 2012

Net income increased $277 million in 2013 as compared with 2012. Net investment income increased $168 million, primarily driven by a significant increase in limited partnership results. These increases were partially offset by a decrease of $33 million ($19 million after tax and noncontrolling interests) in investment gains. See the Investments section of this MD&A for further discussion of net realized investment results and net investment income. Insurance premiums increased $389 million, including an increase of $241 million related to Hardy, which was acquired in July of 2012. Insurance claims and policyholders benefits increased $51 million, primarily due to the impact of a $111 million (after tax and noncontrolling interests) deferred gain under retroactive reinsurance accounting and lower aggregate favorable net prior year development, partially offset by lower catastrophe impacts. Further information on net prior year development for 2013 and 2012 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

2012 Compared with 2011

Net income increased $13 million in 2012 as compared with 2011. Net investment income increased $228 million, driven by significantly favorable limited partnership results. In addition, investment gains (losses) increased $79 million ($45 million after tax and noncontrolling interests). See the Investments section of this MD&A for further discussion of net realized investment results and net investment income. Insurance premiums also increased $279 million, including the acquisition of Hardy. Insurance claims and policyholders benefits increased $407 million, primarily due to higher catastrophe impacts, including $171 million (after tax and noncontrolling interests) from Storm Sandy, and decreased aggregate favorable net prior year development. Further information on net prior year development for 2012 and 2011 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

CNA Property and Casualty Insurance Operations

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

Table of Contents

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

The following table summarizes the results of CNA s property and casualty operations for the years ended December 31, 2013, 2012 and 2011.

Year Ended December 31, 2013	**CNA Specialty**	**CNA Commercial**	**Hardy**	**Total**
(In millions, except %)				
Net written premiums	**$ 3,091**	**$ 3,312**	**$ 396**	**$ 6,799**
Net earned premiums	**3,004**	**3,350**	**361**	**6,715**
Net investment income	**657**	**927**	**4**	**1,588**
Net operating income	**635**	**421**	**9**	**1,065**
Net realized investment gains (losses)	**(1)**	**(8)**	**1**	**(8)**
Net income	**634**	**413**	**10**	**1,057**
Ratios:				
Loss and loss adjustment expense	**56.7%**	**73.9%**	**44.8%**	**64.6%**
Expense	**30.0**	**34.2**	**48.6**	**33.1**
Dividend	**0.2**	**0.2**		**0.2**
Combined	**86.9%**	**108.3%**	**93.4%**	**97.9%**

Year Ended December 31, 2012

Net written premiums	$ 2,924	$ 3,373	$ 117	$ 6,414
Net earned premiums	2,898	3,306	120	6,324
Net investment income	592	854	3	1,449
Net operating income (loss)	453	250	(21)	682
Net realized investment gains	12	23		35
Net income (loss)	465	273	(21)	717
Ratios:				
Loss and loss adjustment expense	63.2%	77.9%	60.3%	70.8%
Expense	31.5	35.3	57.2	34.0
Dividend	0.1	0.3		0.2

Combined	94.8%	113.5%	117.5%	105.0%

Year Ended December 31, 2011

Net written premiums	$ 2,872	$ 3,350	$ 6,222
Net earned premiums	2,796	3,240	6,036
Net investment income	500	763	1,263
Net operating income	465	333	798
Net realized investment gains (losses)	(3)	10	7
Net income	462	343	805
Ratios:			
Loss and loss adjustment expense	59.3%	70.9%	65.5%
Expense	30.7	34.6	32.9
Dividend	(0.1)	0.3	0.1
Combined	89.9%	105.8%	98.5%

Table of Contents

2013 Compared with 2012

Net written premiums increased $385 million in 2013 as compared with 2012, including an increase of $279 million related to Hardy. Excluding Hardy, the increase in net written premiums was primarily driven by increased rate, partially offset by previous underwriting actions taken in certain business classes in CNA Commercial. Net earned premiums increased $391 million in 2013 as compared with 2012, including $241 million related to Hardy. Excluding Hardy, the increase in net earned premiums was consistent with increases in net written premiums.

The CNA Specialty average rate increased 6% in 2013 as compared with an increase of 5% in 2012 for the policies that renewed in each period. Retention of 85% and 86% was achieved in each period. The CNA Commercial average rate increased 8% in 2013 as compared with an increase of 7% in 2012 for the policies that renewed in each period. Retention of 74% and 77% was achieved in each period. Hardy s average rate decreased 2% in 2013 as compared with an increase of 1% for 2012 for the policies that renewed in each period. Retention of 70% and 68% was achieved in each period.

Net operating income increased $383 million in 2013 as compared to 2012, primarily due to improved underwriting results, higher net investment income and a settlement benefit of $28 million (after tax and noncontrolling interests) in 2013 for CNA Commercial. These favorable impacts were partially offset by unfavorable net prior year development in 2013 for CNA Commercial. Catastrophe losses were $100 million (after tax and noncontrolling interests) in 2013 as compared to $243 million (after tax and noncontrolling interests) in 2012.

The combined ratio improved 7.1 points in 2013 as compared to 2012. The loss ratio improved 6.2 points in 2013 as compared to 2012, primarily due to an improved current accident year non-catastrophe loss ratio and decreased catastrophe losses in CNA Commercial and Hardy. The expense ratio improved by 0.9 points, primarily due to a higher net earned premium base in CNA Specialty and Hardy, the impact of lower underwriting expenses in CNA Specialty and decreased expenses including favorable changes in estimates of insurance assessment liabilities in CNA Commercial.

Favorable net prior year development decreased by $84 million, from $239 million in 2012 to $155 million in 2013. Further information on net prior year development is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

2012 Compared with 2011

Net written premiums increased $192 million in 2012 as compared with 2011. Net written premiums for 2012 included $117 million related to Hardy and for 2011 included $128 million related to First Insurance Company of Hawaii (FICOH). Excluding Hardy and FICOH, the increase in net written premiums was primarily driven by positive rate achievement, partially offset by lower new business levels in certain lines in CNA Specialty. Net earned premiums increased $288 million in 2012 as compared with 2011, including $120 million related to Hardy during 2012 and $125 million related to FICOH during 2011. Excluding Hardy and FICOH, the increase in net earned premiums was consistent with increases in net written premiums and the impact of favorable premium development in CNA Commercial in 2012 as compared to unfavorable premium development in 2011.

The CNA Specialty average rate increased 5% in 2012 as compared to flat average rate in 2011 for the policies that renewed in each period. Retention of 86% and 87% was achieved in each period. The CNA Commercial average rate increased 7% in 2012 as compared with an increase of 2% in 2011 for the policies that renewed in each period. Retention of 77% and 78% was achieved in each period.

Net operating income decreased $116 million in 2012 as compared to 2011. The decrease in net operating income was primarily due to lower favorable net prior year development, higher catastrophe losses for CNA Commercial and decreased current accident year underwriting results in CNA Specialty. These unfavorable impacts were partially offset by higher net investment income and the inclusion of the Surety business on a wholly owned basis in 2012 for CNA Specialty. Catastrophe losses were $243 million (after tax and noncontrolling interests) in 2012 as compared to $130 million (after tax and noncontrolling interests) in 2011.

Table of Contents

The combined ratio increased 6.5 points in 2012 as compared to 2011. The loss ratio increased 5.3 points in 2012 as compared to 2011, primarily due to higher catastrophe losses in CNA Commercial, lower favorable net prior year development and a higher current accident year loss ratio. The expense ratio increased by 1.1 points, primarily due to the favorable impact of recoveries in 2011 on insurance receivables written off in prior years in CNA Commercial and increased acquisition and underwriting expenses in CNA Specialty.

Favorable net prior year development decreased by $189 million, from $428 million in 2011 to $239 million in 2012. Further information on net prior year development is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

Life & Group Non-Core and Other Operations

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

On February 10, 2014, CNA entered into a definitive agreement to sell the majority of its run-off annuity and pension deposit business. Further information on the sale is included in Note 23 of the Notes to Consolidated Financial Statements included under Item 8.

The following table summarizes the results of CNA s Life & Group Non-Core and Other operations for the years ended December 31, 2013, 2012 and 2011.

Year Ended December 31, 2013 **(In millions)**	**Life & Group Non-Core**	**Other**	**Total**
Net earned premiums	**$ 559**		**$ 559**
Net investment income	**830**	**$ 32**	**862**
Net operating loss	**(52)**	**(182)**	**(234)**
Net realized investment gains	**21**	**3**	**24**
Net loss	**(31)**	**(179)**	**(210)**
Year Ended December 31, 2012			
Net earned premiums	$ 560		$ 560
Net investment income	801	$ 32	833
Net loss	(81)	(66)	(147)
Year Ended December 31, 2011			
Net earned premiums	$ 569		$ 569

Net investment income	759	$	32	791
Net operating loss	(187)		(44)	(231)
Net realized investment losses	(4)		(13)	(17)
Net loss	(191)		(57)	(248)

2013 Compared with 2012

Net loss increased $63 million in 2013 as compared with 2012, primarily driven by the impact of a $111 million (after tax and noncontrolling interests) deferred gain under retroactive reinsurance accounting related to the Loss Portfolio Transfer, as further discussed in Note 9 of the Notes to Consolidated Financial Statements included under Item 8. The results were partially offset by $40 million (after tax and noncontrolling interests) of expenses in 2012 due to unlocking actuarial reserve assumptions on CNA s payout annuity business and long term care reserve strengthening. In 2013, payout annuity reserves were determined to be adequate, therefore no unlocking of actuarial assumptions was required.

Table of Contents

CNA s long term care business was positively impacted in 2013 by the effect of rate increase actions. The favorable impact of rate increase actions was more than offset by unfavorable morbidity.

2012 Compared with 2011

Net earned premiums, which relate primarily to the individual and group long term care businesses, decreased $9 million in 2012 as compared with 2011, primarily due to lapsing of policies in CNA s individual long term care business, which is in run-off, partially offset by increased premiums resulting from rate increase actions related to this business.

Net loss decreased $101 million in 2012 as compared with 2011. The results include expenses of $22 million (after tax and noncontrolling interests) in 2012 and $104 million (after tax and noncontrolling interests) in 2011 related to CNA s payout annuity business, due to unlocking actuarial reserve assumptions. The initial reserving assumptions for these contracts were determined at issuance, including a margin for adverse deviation, and were locked in throughout the life of the contract unless a premium deficiency developed. The increase to the related reserves in 2012 related to anticipated adverse changes in discount rates, which reflected the low interest rate environment and CNA s view of expected future investment yields. The increase in 2011 related to anticipated adverse changes in mortality and discount rates. Additionally, long term care claim reserves were increased $18 million (after tax and noncontrolling interests) in 2012 and $30 million (after tax and noncontrolling interests) in 2011.

The decrease in net loss was also driven by improved results in Life & Group Non-Core life settlement contracts business and the impact of unfavorable performance in 2011 on its remaining pension deposit business.

Diamond Offshore

Diamond Offshore s pretax income is primarily a function of contract drilling revenue earned less contract drilling expenses incurred or recognized. The two most significant variables affecting Diamond Offshore s revenues are dayrates for rigs and rig utilization rates, each of which is a function of rig supply and demand in the marketplace. These factors are not within Diamond Offshore s control and are difficult to predict. Revenue from dayrate drilling contracts are generally recognized as services are performed, consequently, when a rig is idle, no dayrate is earned and revenue will decrease as a result. Revenues can also be affected as a result of the acquisition or disposal of rigs, rig mobilizations, required surveys and shipyard projects. In connection with certain drilling contracts, Diamond Offshore may receive fees for the mobilization of equipment. In addition, some of Diamond Offshore s drilling contracts require downtime before the start of the contract to prepare the rig to meet customer requirements for which it may be compensated.

Diamond Offshore s pretax income is also a function of varying levels of operating expenses. Operating expenses generally are not affected by changes in dayrates, and short term reductions in utilization do not necessarily result in lower operating expenses. For instance, if a rig is to be idle for a short period of time, few decreases in operating expenses may actually occur since the rig is typically maintained in a prepared or warm stacked state with a full crew. In addition, when a rig is idle, Diamond Offshore is responsible for certain operating expenses such as rig fuel and supply boat costs, which are typically costs of the operator when a rig is under contract. However, if the rig is to be idle for an extended period of time, Diamond Offshore may reduce the size of a rig s crew and take steps to cold stack the rig, which lowers expenses and partially offsets the impact on pretax income.

Operating expenses represent all direct and indirect costs associated with the operation and maintenance of Diamond Offshore s drilling equipment. The principal components of Diamond Offshore s operating costs are, among other things, direct and indirect costs of labor and benefits, repairs and maintenance, freight, regulatory inspections, boat

and helicopter rentals and insurance. Labor and repair and maintenance costs represent the most significant components of Diamond Offshore s operating expenses. In general, labor costs increase primarily due to higher salary levels, rig staffing requirements and costs associated with labor regulations in the geographic regions in which Diamond Offshore s rigs operate. In addition, the costs associated with training new and seasoned employees can be significant. Diamond Offshore expects its labor and training costs to increase in 2014 as a result of increased hiring and training activities as it continues the process of crewing its remaining drillships and semisubmersible rigs under construction. Costs to repair and maintain equipment fluctuate depending upon the type

Table of Contents

of activity the drilling rig is performing, as well as the age and condition of the equipment and the regions in which Diamond Offshore s rigs are working.

Pretax income is negatively impacted when Diamond Offshore performs certain regulatory inspections, which it refers to as a 5-year survey, or special survey, that are due every five years for each of Diamond Offshore s rigs. Operating revenue decreases because these special surveys are generally performed during scheduled downtime in a shipyard. Operating expenses increase as a result of these special surveys due to the cost to mobilize the rigs to a shipyard, inspection costs incurred and repair and maintenance costs which are recognized as incurred. Repair and maintenance activities may result from the special survey or may have been previously planned to take place during this mandatory downtime. The number of rigs undergoing a 5-year survey will vary from year to year, as well as from quarter to quarter.

In addition, pretax income may also be negatively impacted by intermediate surveys, which are performed at interim periods between 5-year surveys. Intermediate surveys are generally less extensive in duration and scope than a 5-year survey. Although an intermediate survey may require some downtime for the drilling rig, it normally does not require dry-docking or shipyard time, except for rigs located in the United Kingdom (U.K.) and Norwegian sectors of the North Sea.

During 2014, six of Diamond Offshore s rigs will require 5-year surveys and another three rigs will complete surveys that commenced in 2013. These nine rigs are expected to be out of service for approximately 380 days in the aggregate. Diamond Offshore also expects to spend an additional approximately 670 days during 2014 for intermediate surveys, the mobilization of rigs, contract acceptance testing and extended maintenance projects, including contract preparation work for the *Ocean Endeavor* (approximately 162 days) and North Sea enhancements for the *Ocean Patriot* (approximately 165 days). The service-life-extension project for the *Ocean Confidence* is expected to commence late in the first quarter of 2014, and the rig will be out of service for the balance of the year (approximately 290 days). Diamond Offshore can provide no assurance as to the exact timing and/or duration of downtime associated with regulatory inspections, planned rig mobilizations and other shipyard projects.

Diamond Offshore is self-insured for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico. If a named windstorm in the U.S. Gulf of Mexico causes significant damage to Diamond Offshore s rigs or equipment, it could have a material adverse effect on its financial condition, results of operations and cash flows. Under its insurance policy that expires on May 1, 2014, Diamond Offshore carries physical damage insurance for certain losses other than those caused by named windstorms in the U.S. Gulf of Mexico for which its deductible for physical damage is $25 million per occurrence. Diamond Offshore does not typically retain loss-of-hire insurance policies to cover its rigs.

In addition, under its current insurance policy, Diamond Offshore carries marine liability insurance covering certain legal liabilities, including coverage for certain personal injury claims, with no exclusions for pollution and/or environmental risk. Diamond Offshore believes that the policy limit for its marine liability insurance is within the range that is customary for companies of its size in the offshore drilling industry and is appropriate for Diamond Offshore s business. Diamond Offshore s deductibles for marine liability coverage, including for personal injury claims, are $10 million for the first occurrence and vary in amounts ranging between $5 million and, if aggregate claims exceed certain thresholds, up to $100 million for each subsequent occurrence, depending on the nature, severity and frequency of claims which might arise during the policy year.

Recent Developments

The ultra-deepwater market has weakened, with an increasing number of rigs competing for fewer available jobs, resulting in a downward trend in recent contract dayrate fixtures and shorter term contracts executed. The most active ultra-deepwater floater markets remain primarily within the offshore basins of West Africa, Brazil and the Gulf of Mexico. However, there has been limited tendering activity thus far in 2014 and the outlook is uncertain for the remainder of 2014. If this trend continues, ultra-deepwater floaters could experience lower utilization, or idle time, and realize lower margins. Many industry analysts predict that there will be an oversupply of floaters in the ultra-deepwater market by the end of 2014.

Table of Contents

The market for deepwater floaters has also weakened and is characterized by intermittent demand, and multiple existing rigs face pockets of idle time throughout 2014 while newbuilds may have challenges securing work. Dayrate fixtures are also moderating in this market and are projected by industry analysts to continue softening in 2014. This market has also seen limited tendering activity in 2014 with an uncertain outlook for the balance of the year.

Strength in the mid-water market also varies significantly by region. In both the U.K. and Norwegian sectors of the North Sea, the mid-water market is showing some signs of weakening, in the form of moderating or decreasing dayrates in part due to an increase in the availability of sublet opportunities being offered for some term contracted rigs. Increasing operator interest in frontier markets across Southeast Asia and South America, including Myanmar, Peru, Nicaragua, Trinidad and Tobago, and Colombia, indicates possible future strengthening in those regions, although opportunities in these areas are not expected to emerge quickly. In the Gulf of Mexico, demand for mid-water rigs is limited, while in Brazil, demand has moderated.

Since 2010, there have been a significant number of orders for newbuild ultra-deepwater and deepwater floaters by established drilling contractors as well as new entrants to the industry. Currently, there are approximately 100 newbuild floater rigs that have been announced, including an estimated 28 rigs potentially to be built on behalf of Petróleo Brasileiro S.A. Excluding these customer-ordered rigs, 31 of the 57 newbuilds scheduled for delivery in 2014 through 2015 are not yet contracted for future work, including two of Diamond Offshore s four rigs expected to be delivered in 2014 and 2015. The offshore drilling industry has been challenged by the addition of these newbuild rigs, which has increased competition and has resulted in downward pressure on dayrates. The influx of newbuilds into the market, combined with established rigs coming off contract in 2014 and 2015, is expected to continue to weaken the ultra-deepwater and deepwater floater markets.

The offshore drilling industry continues to be challenged by growing regulatory demands and more complex customer specifications, which could disadvantage some lower specification rigs. Additionally, customer focus on completing existing projects, possible reduction or deferral of new investment, reallocation of budgets away from offshore projects and particular customer requirements in certain markets could displace, or reduce demand and result in the migration of some ultra-deepwater rigs to work in deepwater, and likewise, some deepwater rigs to compete against mid-water rigs. Various rigs across all segments could experience lower utilization or idle time and lower specification rigs could be cold stacked or scrapped.

Contract Drilling Backlog

The following table reflects Diamond Offshore s contract drilling backlog as of February 5, 2014, October 23, 2013 (the date reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013) and February 1, 2013 (the date reported in our Annual Report on Form 10-K for the year ended December 31, 2012). Contract drilling backlog as presented below includes only firm commitments (typically represented by signed contracts) and is calculated by multiplying the contracted operating dayrate by the firm contract period and adding one-half of any potential rig performance bonuses. Diamond Offshore s calculation also assumes full utilization of its drilling equipment for the contract period (excluding scheduled shipyard and survey days); however, the amount of actual revenue earned and the actual periods during which revenues are earned will be different than the amounts and periods shown in the tables below due to various factors. Utilization rates, which generally approach 92% 98% during contracted periods, can be adversely impacted by downtime due to various operating factors including, but not limited to, weather conditions and unscheduled repairs and maintenance. Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. No revenue is generally earned during periods of downtime for regulatory surveys. Changes in Diamond Offshore s contract drilling backlog between periods are a function of the performance of work on term contracts, as well as the extension or modification of existing term contracts and the execution of additional contracts.

70

Table of Contents

(In millions)	**February 5, 2014**	October 23, 2013	February 1, 2013
Floaters:			
Ultra-Deepwater (a)	**$ 4,111**	$ 4,306	$ 4,422
Deepwater (b)	**794**	862	1,229
Mid-Water (c)	**1,744**	1,997	2,649
Total Floaters	**6,649**	7,165	8,300
Jack-ups	**180**	188	272
Total	**$ 6,829**	$ 7,353	$ 8,572

(a) As of February 5, 2014, for ultra-deepwater floaters includes (i) $823 million attributable to contracted operations offshore Brazil for the years 2014 and 2015, (ii) $1.8 billion attributable to future work for two newbuild drillships, one of which is under construction, for the years 2014 to 2019 and (iii) $641 million attributable to future work for the ultra-deepwater semisubmersible rig under construction for the years 2016 to 2019.
(b) As of February 5, 2014, for deepwater floaters includes (i) $308 million attributable to contracted operations offshore Brazil for the years 2014 to 2016 and (ii) $36 million for the years 2014 and 2015 attributable to future work for the *Ocean Apex*, which is under construction.
(c) As of February 5, 2014, for mid-water floaters includes $421 million attributable to contracted operations offshore Brazil for the years 2014 and 2015.

The following table reflects the amount of Diamond Offshore s contract drilling backlog by year as of February 5, 2014:

Year Ended December 31	**Total**	**2014**	**2015**	**2016**	**2017**	**2019**
(In millions)						
Floaters:						
Ultra-Deepwater (a)	**$ 4,111**	**$ 971**	**$ 1,198**	**$ 499**	**$ 1,443**	
Deepwater (b)	**794**	**516**	**216**	**62**		
Mid-Water (c)	**1,744**	**999**	**471**	**159**	**115**	
Total Floaters	**6,649**	**2,486**	**1,885**	**720**	**1,558**	
Jack-ups	**180**	**110**	**48**	**22**		
Total	**$ 6,829**	**$ 2,596**	**$ 1,933**	**$ 742**	**$ 1,558**	

(a)

As of February 5, 2014, for ultra-deepwater floaters includes (i) $499 million and $324 million for the years 2014 and 2015, attributable to contracted operations offshore Brazil, (ii) $174 million, $361 million and $362 million for the years 2014 to 2016, and $909 million in the aggregate for the years 2017 to 2019, attributable to future work for two newbuild drillships, one of which is under construction and (iii) $107 million for the year 2016 and $534 million in the aggregate for the years 2017 to 2019 attributable to future work for the ultra-deepwater semisubmersible rig under construction.

(b) As of February 5, 2014, for deepwater floaters includes (i) $112 million, $134 million and $62 million for the years 2014 to 2016, attributable to contracted operations offshore Brazil and (ii) $29 million and $7 million for the years 2014 and 2015 attributable to future work for the *Ocean Apex,* which is under construction.

(c) As of February 5, 2014, for mid-water floaters includes $342 million and $79 million for the years 2014 and 2015, attributable to contracted operations offshore Brazil.

Table of Contents

The following table reflects the percentage of rig days committed by year as of February 5, 2014. The percentage of rig days committed is calculated as the ratio of total days committed under contracts, as well as scheduled shipyard, survey and mobilization days for all rigs in Diamond Offshore s fleet, to total available days (number of rigs multiplied by the number of days in a particular year). Total available days have been calculated based on the expected final commissioning dates for rigs under construction.

Year Ended December 31	2014 (a)	2015 (a)	2016 (a)	2017	2019
Floaters:					
Ultra-Deepwater	87%	62%	26%	19%	
Deepwater	58%	21%	7%		
Mid-Water	59%	26%	6%	1%	
Total Floaters	67%	37%	13%	7%	
Jack-ups	53%	20%	9%		

(a) As of February 5, 2014, includes approximately 1,570, 270 and 215 currently known, scheduled shipyard days for rig commissioning, contract preparation, surveys and extended maintenance projects, as well as rig mobilization days for 2014, 2015 and 2016.

Dayrate and Utilization Statistics

Year Ended December 31	**2013**	2012	2011
Revenue earning days (a)			
Floaters:			
Ultra-Deepwater	**2,392**	2,475	2,387
Deepwater	**1,530**	1,605	1,718
Mid-Water	**4,186**	4,639	5,254
Jack-ups (b)	**1,949**	1,753	2,218
Utilization (c)			
Floaters:			
Ultra-Deepwater	**82%**	85%	82%
Deepwater	**84%**	88%	94%
Mid-Water	**64%**	68%	72%
Jack-ups (d)	**76%**	53%	47%
Average daily revenue (e)			
Floaters:			
Ultra-Deepwater	**$ 344,200**	$ 354,900	$ 342,900
Deepwater	**403,100**	368,800	416,500

Mid-Water	**275,700**	263,600	269,600
Jack-ups	**88,600**	90,200	81,900

(a) A revenue earning day is defined as a 24-hour period during which a rig earns a dayrate after commencement of operations and excludes mobilization, demobilization and contract preparation days.
(b) Revenue earning days for the years ended December 31, 2012 and 2011 included approximately 87 days and 720 days, earned by Diamond Offshore s jack-up rigs during the respective periods prior to being sold in 2012.
(c) Utilization is calculated as the ratio of total revenue earning days divided by the total calendar days in the period for all rigs in Diamond Offshore s fleet (including cold stacked rigs).
(d) Utilization for Diamond Offshore s jack-up rigs would have been 87% and 59% for the years ended December 31, 2012 and 2011, excluding revenue earning days and total calendar days associated with rigs that were sold in 2012.
(e) Average daily revenue is defined as contract drilling revenue (excluding revenue for mobilization, demobilization and contract preparation) per revenue earning day.

Table of Contents

Results of Operations

The following table summarizes the results of operations for Diamond Offshore for the years ended December 31, 2013, 2012 and 2011 as presented in Note 22 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues:			
Contract drilling revenues	**$ 2,844**	$ 2,936	$ 3,254
Net investment income	**1**	5	7
Investment gains			1
Other	**81**	131	73
Total	**2,926**	3,072	3,335
Expenses:			
Contract drilling expenses	**1,573**	1,537	1,549
Other operating expenses	**554**	572	535
Interest	**25**	46	73
Total	**2,152**	2,155	2,157
Income before income tax	**774**	917	1,178
Income tax expense	**(245)**	(223)	(250)
Amounts attributable to noncontrolling interests	**(272)**	(357)	(477)
Net income attributable to Loews Corporation	**$ 257**	$ 337	$ 451

2013 Compared with 2012

Contract drilling revenue decreased $92 million in 2013 as compared with 2012, while contract drilling expense increased $36 million during the same period. Contract drilling revenue was negatively impacted by a decrease in revenue earned by Diamond Offshore s ultra-deepwater and mid-water fleets, partially offset by favorable revenue variances for its deepwater and jack-up rigs. The increase in contract drilling expense reflects higher labor and personnel related costs primarily as a result of mid-2013 pay increases and costs associated with additional crews for Diamond Offshore s new rigs expected to be delivered in 2014 and for the *Ocean Onyx* delivered in the fourth quarter of 2013, higher repairs and maintenance and inspection costs, partially offset by decreased mobilization and freight costs.

Revenue generated by ultra-deepwater floaters decreased $48 million in 2013 as compared with 2012, due to lower average daily revenue of $25 million, a decrease in amortized mobilization revenue of $18 million and decreased utilization of $30 million, partially offset by $25 million of revenue recognized in connection with a settlement agreement entered into with a customer. The settlement agreement related to amounts due to Diamond Offshore

during 2013 for which revenue of $56 million was not recognized due to the financial condition of the customer. The decrease in average daily revenue is primarily due to a contract extension for the *Ocean Rover* at a significantly lower dayrate than previously earned. Amortized mobilization fees decreased primarily due to the recognition of mobilization revenue in the 2012 period associated with the *Ocean Monarch s* mobilization to Vietnam. The decrease in revenue earning days is primarily due to incremental unplanned downtime, partially offset by a reduction in downtime for shipyard projects and inspection.

Revenue generated by deepwater floaters increased $19 million in 2013 as compared with 2012, as a result of higher average daily revenue of $52 million, partially offset by a decrease in utilization of $28 million and lower amortized mobilization revenue of $5 million. Average daily revenue increased in 2013 primarily due to the *Ocean Valiant* and *Ocean Victory* both working at significantly higher dayrates than those rigs earned in 2012. The decline in revenue earning days is due to incremental unscheduled downtime for repairs, scheduled shipyard projects and mobilization of the *Ocean America*.

Table of Contents

Revenue generated by mid-water floaters decreased $77 million in 2013 as compared with 2012, as a result of decreased utilization of $119 million and a reduction in amortized mobilization and contract preparation fees of $8 million, partially offset by higher average daily revenue of $50 million. Revenue earning days decreased primarily due to an increase in planned downtime for shipyard inspections and projects, cold-stacking of a rig, and 136 fewer days for the *Ocean Quest* and *Ocean Lexington* for which the associated revenue of $61 million was not recognized due to the financial condition of two of Diamond Offshore s customers and since collection of the amounts due was not reasonably assured, partially offset by fewer days for the mobilization of rigs. The increase in average daily revenue is primarily due to new contracts and contract renewals for four rigs at higher dayrates than previously earned.

Revenue generated by jack-up rigs increased $14 million in 2013 as compared with 2012, primarily due to utilization of a rig which was warm stacked in 2012 earning $26 million of revenue in 2013, partially offset by the absence of revenue attributable to six jack-up rigs that Diamond Offshore sold in 2012. These rigs earned aggregate revenue of $5 million in 2012. Revenues in 2013 were further reduced by scheduled downtime for repairs for two jack-up rigs.

Net income decreased $80 million in 2013 as compared with 2012 reflecting the decline in revenue, increase in contract drilling expense and recognition of bad debt expense of $23 million, partially offset by lower interest expense. The decrease in interest expense is primarily due to an increase in interest capitalized on eligible construction projects in 2013, partially offset by incremental interest expense for the senior unsecured notes issued in 2013 and interest expense associated with uncertain tax positions in the Mexico tax jurisdiction. Net income for 2012 also included a $32 million gain (after tax and noncontrolling interests) on the sale of six jack-up rigs and an impairment loss of $19 million (after tax and noncontrolling interests) recognized on three mid-water floaters.

Diamond Offshore s effective tax rate for 2013 increased as compared with 2012. The higher effective tax rate in 2013 is primarily the result of differences in the mix of Diamond Offshore s domestic and international pretax earnings and losses, as well as the international jurisdictions in which Diamond Offshore operates and a $57 million ($27 million after noncontrolling interests) charge related to an uncertain tax position for Egyptian operations. The increase in the effective rate is partially offset by the recognition of the impact of The American Taxpayer Relief Act of 2012, which reduced 2013 income tax expense by $28 million ($13 million after noncontrolling interests). The Act, which was signed into law on January 2, 2013, extended through 2013 several expired temporary business provisions, commonly referred to as extenders which were retroactively extended to the beginning of 2012.

As Diamond Offshore s rigs frequently operate in different tax jurisdictions as they move from contract to contract, its effective tax rate can fluctuate substantially and its historical effective tax rates may not be sustainable and could increase materially.

2012 Compared with 2011

Contract drilling revenue decreased $318 million and net income decreased $114 million in 2012 as compared with 2011. Contract drilling revenue for 2012 was negatively impacted by a decrease in both revenue earning days and average daily revenue earned by Diamond Offshore s deepwater and mid-water floaters, partially offset by favorable revenue variances for its ultra-deepwater floaters. Contract drilling expense decreased $12 million primarily due to a decrease in expense for mid-water floaters and jack-ups due to the movement of certain rigs to other operating regions with lower cost structures, lower repair and inspection costs, as well as the absence of operating costs in 2012 for the recently sold jack-up rigs. The decrease in contract drilling expense was partially offset by an increase in costs associated with ultra-deepwater and deepwater floaters, primarily due to higher personnel related, inspection and shorebase support costs in 2012.

Revenue generated by ultra-deepwater floaters increased $61 million in 2012 as compared with 2011, primarily due to increased average daily revenue of $30 million and increased utilization of $30 million due to higher revenue earning days. The increase in average daily revenue was primarily due to higher dayrates earned by the *Ocean Monarch* operating internationally during 2012 compared with the rig operating in the GOM in 2011. The increase in revenue earning days was primarily due to downtime associated with the *Ocean Monarch* in 2011, partially offset by a decrease in revenue earning days in 2012 for other ultra-deepwater rigs as a result of scheduled surveys and shipyard projects as well as unscheduled downtime for repairs in 2012.

Table of Contents

Revenue generated by deepwater floaters decreased $135 million in 2012 as compared with 2011, primarily due to a $76 million decrease in average daily revenue, a $47 million decrease in utilization as a result of fewer revenue earning days and a $12 million decrease in amortized mobilization fees. The decline in average daily revenue during 2012 was primarily due to the completion of the *Ocean Valiant s* contract in Angola in December of 2011 which was at a significantly higher dayrate than the rig earned during 2012. The decrease in utilization during 2012 was primarily due to higher incremental downtime for shipyard projects and inspections as compared with 2011.

Revenue generated by mid-water floaters decreased $207 million in 2012 as compared with 2011, primarily due to a $166 million decrease in utilization, a $28 million decrease in average daily revenue and a $13 million decrease in amortized mobilization fees. Revenue earning days decreased by 615, primarily attributable to planned downtime for mobilization and shipyard projects, unplanned downtime for repairs, the warm stacking of rigs between contracts and additional days a rig was cold-stacked.

Revenue generated by jack-up rigs decreased $37 million in 2012 as compared with 2011, primarily due to the sale of six jack-up rigs in 2012, three of which operated during 2011.

Net income decreased in 2012 as compared with 2011 reflecting a decline in revenue and a $19 million impairment loss (after tax and noncontrolling interests) on three mid-water floaters which were expected to be disposed of in 2013. Net income for 2012 included a $32 million gain (after tax and noncontrolling interests) on the sale of six jack-up rigs. In addition, interest expense decreased $27 million in 2012 as compared with 2011 primarily due to incremental interest costs capitalized during 2012 related to the continuing rig construction projects.

Diamond Offshore s annual effective tax rate for 2012 increased as compared with 2011. The higher effective tax rate in 2012 was primarily the result of differences in the mix of Diamond Offshore s domestic and international pretax earnings and losses, the mix of international tax jurisdictions in which Diamond Offshore operates and the impact of a tax law provision that expired at the end of 2011. This provision allowed Diamond Offshore to defer recognition of certain foreign earnings for U.S. tax purposes during 2011, which deferral was unavailable in 2012. Diamond Offshore s 2011 tax expense also included the reversal of $15 million of U.S. income tax expense, originally recognized in 2010, related to Diamond Offshore s intention at that time to repatriate certain foreign earnings which changed in 2011 subsequent to its decision to build new drillships overseas.

Boardwalk Pipeline

Boardwalk Pipeline derives revenues primarily from the transportation and storage of natural gas and natural gas liquids (NGLs) and gathering and processing of natural gas for third parties. Transportation services consist of firm natural gas transportation, where the customer pays a capacity reservation charge to reserve pipeline capacity at certain receipt and delivery points along pipeline systems, plus a commodity and fuel charge on the volume of natural gas actually transported, and interruptible natural gas transportation, where the customer pays to transport gas only when capacity is available and used. Boardwalk Pipeline offers firm natural gas storage services in which the customer reserves and pays for a specific amount of storage capacity, including injection and withdrawal rights, and interruptible storage and parking and lending (PAL) services where the customer receives and pays for capacity only when it is available and used. Boardwalk Pipeline s NGL contracts are generally fee-based and are dependent on actual volumes transported or stored, although in some cases minimum volume requirements apply. Boardwalk Pipeline s NGL storage rates are market based rates and contracts are typically fixed price arrangements with escalation clauses. Boardwalk Pipeline is not in the business of buying and selling natural gas and NGLs other than for system management purposes, but changes in the level of natural gas and NGL prices may impact the volumes of gas transported and stored on its pipeline systems. Boardwalk Pipeline s operating costs and expenses typically do not vary significantly based upon the amount of products transported, with the exception of fuel consumed at its compressor

stations.

Market Conditions and Contract Renewals

Boardwalk Pipeline provides natural gas transportation services to customers that are directly connected to its pipeline system and, through interconnects with third party pipelines, to customers that are not directly connected to Boardwalk Pipeline s system. Transportation rates that Boardwalk Pipeline can charge customers it serves through interconnects with third party pipelines are heavily influenced by current and anticipated basis differentials. Basis

Table of Contents

differentials, generally the difference in the price of natural gas at receipt and delivery points across Boardwalk Pipeline s natural gas pipeline system, influence how much customers are willing to pay to transport gas between those points. Basis differentials can be affected by, among other things, the availability and supply of natural gas, the proximity of supply areas to end use markets, competition from other pipelines, including pipelines under development, available transportation and storage capacity, storage inventories, regulatory developments, weather and general market demand in markets served by Boardwalk Pipeline s pipeline systems. New sources of natural gas continue to be identified and developed in the U.S., including the Marcellus and the Utica shale plays, which are closer to the traditional high value markets that Boardwalk Pipeline serves than the supply basins connected to Boardwalk Pipeline s facilities. As a result, pipeline infrastructure has been and continues to be developed to move natural gas and NGLs from these supply basins to market areas, resulting in changes in pricing dynamics between supply basins, pooling points and market areas. Additionally, these new supplies of natural gas have reduced production or slowed production growth from supply areas connected to Boardwalk Pipeline s pipelines and have caused some of the gas production that is supplied to Boardwalk Pipeline s system to be diverted to other market areas. As a result of the new sources of supply and related pipeline infrastructure discussed above, basis differentials on Boardwalk Pipeline s pipeline systems have narrowed significantly in recent years, reducing the transportation rates and other contract terms Boardwalk Pipeline can negotiate with its customers for available transportation capacity and for contracts due for renewal for its interruptible and firm transportation services.

A substantial portion of Boardwalk Pipeline s transportation capacity is contracted for under firm transportation agreements. Each year a portion of Boardwalk Pipeline s firm transportation agreements expire and needs to be renewed or replaced. Due to the factors noted above, in recent periods Boardwalk Pipeline has renewed many expiring contracts at lower rates and for shorter terms than in the past, which has materially adversely impacted its firm and interruptible transportation revenues. In light of the market conditions discussed above, natural gas transportation contracts that Boardwalk Pipeline has renewed or entered into in 2013 and in recent years have been at lower rates, and any remaining available capacity generally has been marketed and sold at lower rates under short term firm or interruptible contracts, or in some cases not sold at all. As a result, capacity reservation charges under firm transportation agreements for the year ended December 31, 2013 were lower by $45 million than they were for 2012. Boardwalk Pipeline expects this trend to continue and therefore may not be able to sell its available capacity, extend expiring contracts with existing customers or obtain replacement contracts at attractive rates or for the same term as the expiring contracts, all of which would continue to adversely impact its transportation revenues, earnings and distributable cash flows and could impact Boardwalk Pipeline on a long term basis.

More recently, Boardwalk Pipeline has seen the value of its storage and PAL services adversely impacted by the factors discussed above, which have contributed to a narrowing of natural gas price differentials between time periods, such as winter to summer (time period price spreads), and the price volatility of natural gas to decline significantly, reducing the rates Boardwalk Pipeline can charge for its storage and PAL services. Based on the current forward pricing curve, which is backwardated, time period price spreads for 2013 have significantly deteriorated from the 2012 levels and Boardwalk Pipeline expects such conditions to persist. In recent months, Boardwalk Pipeline has seen the deterioration of storage spreads accelerate and that trend is expected to continue into 2014. These market conditions, together with regulatory changes in the financial services industry, have also caused a number of gas marketers, which have traditionally been large consumers of Boardwalk Pipeline s storage and PAL services, to exit the market, further negatively impacting the market for those services. A reduced need for storage as supply increases, narrowing time period price spreads and fewer market participants has caused, and could continue to cause demand for Boardwalk Pipeline s storage and PAL services to decline on a long term basis.

In February of 2014, Boardwalk Pipeline declared a quarterly distribution of $0.10 per unit, which was less than the quarterly distributions of $0.5325 per unit that have been declared and paid in recent prior periods, which reflects the market conditions described above and the resulting cumulative impact on Boardwalk Pipeline s business from the

decline in transportation and storage revenues. Boardwalk Pipeline intends to use the increase in cash that is not distributed to unitholders to fund growth and/or to repay indebtedness. We have offered Boardwalk Pipeline up to $300 million of subordinated loans to fund growth, if it is needed. Boardwalk Pipeline intends to use those sources of capital to fund its growth and reduce its leverage (including its Debt-to-EBITDA ratio) in lieu of issuing additional limited partnership units which would be dilutive to unitholders. Boardwalk Pipeline cannot give assurances that it will complete future growth projects or acquisitions or, if completed, that they will be accretive to its earnings and cash flow, that Boardwalk Pipeline will be successful in reducing its leverage, or that Boardwalk

Table of Contents

Pipeline will not issue and sell additional limited partnership units to fund its growth or for other partnership purposes.

Results of Operations

The following table summarizes the results of operations for Boardwalk Pipeline for the years ended December 31, 2013, 2012 and 2011 as presented in Note 22 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues:			
Other revenue, primarily operating	**$ 1,231**	$ 1,187	$ 1,144
Net investment income	**1**		
Investment losses		(3)	
Total	**1,232**	1,184	1,144
Expenses:			
Operating	**776**	717	760
Impairment of goodwill	**52**		
Interest	**163**	166	173
Total	**991**	883	933
Income before income tax	**241**	301	211
Income tax expense	**(56)**	(70)	(57)
Amounts attributable to noncontrolling interests	**(107)**	(122)	(77)
Net income attributable to Loews Corporation	**$ 78**	$ 109	$ 77

2013 Compared with 2012

Total revenues increased $48 million for 2013 as compared with 2012. This increase is primarily due to $63 million of revenues earned from Boardwalk Louisiana Midstream LLC (Louisiana Midstream), acquired in October of 2012, a $30 million gain from the sale of storage gas and an increase in fuel revenues of $9 million primarily due to higher natural gas prices. The increase in revenues was partially offset by the market conditions discussed above, resulting in lower transportation revenues, excluding fuel, of $53 million and $4 million of reduced storage and PAL revenues.

Operating expenses increased $59 million for 2013, compared to 2012. This increase is primarily due to $38 million of expenses incurred by Louisiana Midstream, higher depreciation and property taxes of $9 million due to an increase in the asset base and increased fuel costs of $6 million due to higher natural gas prices.

Boardwalk Pipeline recognized a goodwill impairment charge of $52 million ($16 million after tax and noncontrolling interests) for the year ended December 31, 2013, representing the carrying value of goodwill related to its reporting

unit which included goodwill associated with the acquisition of Petal Gas Storage, LLC (formerly referred to as Boardwalk HP Storage Company, LLC) (Petal) in December of 2011. The fair value of the reporting unit declined from the amount determined in 2012 primarily due to the recent narrowing of time period price spreads and reduced volatility which negatively affects the value of Boardwalk Pipeline s storage and PAL services and the cumulative effect of reduced basis spreads on the value of Boardwalk Pipeline s transportation services.

Net income decreased $31 million for 2013 as compared with 2012 reflecting higher revenues offset by increased expenses as discussed above. The percentage of income attributable to noncontrolling interests increased as a result of equity offerings in 2012 and 2013 by Boardwalk Pipeline, decreasing our ownership percentage from 59% in 2012 to 54% in 2013.

Table of Contents

2012 Compared with 2011

Total revenues increased $40 million in 2012 as compared with 2011, primarily due to $63 million of revenues earned by Petal and Louisiana Midstream and higher PAL and storage revenues of $14 million resulting from improved market conditions. The increase in revenues was partially offset by a decrease in retained fuel of $34 million primarily due to lower natural gas prices.

Operating expenses decreased $43 million in 2012 as compared with 2011. The primary drivers of the decrease were charges incurred in 2011 including a $29 million impairment charge associated with Boardwalk Pipeline s materials and supplies, an expense of $5 million representing an insurance deductible associated with replacing compressor assets and $4 million of gas losses associated with the Bistineau storage facility. In addition, in the 2012 period there were lower fuel costs of $21 million due to lower natural gas prices, lower general and administrative expenses of $16 million as a result of cost management activities and lower operation and maintenance expenses of $11 million primarily from lower maintenance project costs and outside services. These decreases were partially offset by $38 million of expenses incurred by Petal and Louisiana Midstream and $9 million of asset impairment charges. The 2011 period included a gain of $9 million from the sale of storage gas. Interest expense decreased $7 million for 2012, primarily from a charge recorded in 2011 on the early extinguishment of debt, partially offset by increased debt levels and higher average interest rates.

HighMount

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

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

HighMount s revenues and profitability depend substantially on natural gas and oil prices and HighMount s ability to increase its natural gas and oil production. Natural gas and NGL prices remain at low levels due to an increase in the supply of natural gas and NGL resulting from new sources of supply recoverable from shale formations, primarily the result of technological advancements in horizontal drilling and hydraulic fracturing. As a result, it has become uneconomical for HighMount to drill new natural gas wells which has led it to change its capital investments strategy from natural gas production to exploration and development of potential oil producing properties. HighMount has drilled a number of exploratory wells on its properties in the Mississippian Lime and Woodford Shale plays in Oklahoma and in the Wolfcamp zone of its Sonora acreage. Exploration of potential oil producing properties, including drilling and completion of horizontal wells, carries more risk and is significantly more expensive than drilling traditional vertical natural gas-producing wells. HighMount is not currently drilling new wells on its Oklahoma properties and has one drilling rig working in the Wolfcamp area. To date, these exploratory wells have not yielded sufficient quantities of oil to support commercial development of these properties. Further study and refinement of drilling techniques will be required in order to determine whether there is an economic development opportunity. HighMount has incurred substantial ceiling test and other impairment charges as a result of the market conditions and drilling efforts discussed above and could incur significant additional impairment charges in the future

if these conditions continue or HighMount s efforts to develop sufficient new proved reserves are not successful.

Table of Contents

The focus on exploring oil producing properties has led to a reduction in natural gas and NGL production and an increase in oil production. Natural gas production at HighMount has declined from 45.4 Bcf in 2011 to 33.0 Bcf in 2013. Revenues from the sale of oil, including the impact of hedges, amounted to 20% of HighMount s total revenues for the year ended December 31, 2013 as compared to 15% and 7% of its total revenue for the years ended December 31, 2012 and 2011. The price HighMount realizes for its production is also affected by HighMount s hedging activities, as well as locational differences in market prices.

HighMount s operating expenses consist primarily of production expenses, production and ad valorem taxes, as well as depreciation, depletion and amortization (DD&A) expenses. Production expenses represent costs incurred to operate and maintain wells, related equipment and facilities and transportation costs and contain a significant fixed cost component. Production expenses per Mcfe increased primarily as a result of lower natural gas and NGL production that has absorbed HighMount s fixed costs. HighMount s increased focus on oil production also contributed to the increase in production cost per Mcfe due to HighMount s oil projects generally requiring a higher cost to produce per equivalent unit than HighMount s gas projects. Production and ad valorem taxes increase or decrease primarily when prices of natural gas and oil increase or decrease, but they are also affected by changes in production and state incentive programs, as well as appreciated property values. HighMount calculates depletion using the units-of-production method, which depletes the capitalized costs and future development costs associated with evaluated properties based on the ratio of production volumes for the current period to total remaining reserve volumes for the evaluated properties. HighMount s depletion expense is affected by its capital spending program and projected future development costs, as well as reserve changes resulting from drilling programs, well performance and revisions due to changing commodity prices.

Production and Sales Statistics

Presented below are production and sales statistics related to HighMount s operations for 2013, 2012 and 2011:

Year Ended December 31	**2013**	2012	2011
Gas production (Bcf)	**33.0**	39.1	45.4
Gas sales (Bcf)	**30.6**	36.6	42.7
NGL production/sales (Mbbls)	**2,002.2**	2,357.2	2,693.7
Oil production/sales (Mbbls)	**563.6**	501.0	282.2
Equivalent production (Bcfe)	**48.4**	56.2	63.3
Equivalent sales (Bcfe)	**46.0**	53.7	60.6
Average realized prices without hedging results:			
Gas (per Mcf)	**$ 3.53**	$ 2.67	$ 3.94
NGL (per Bbl)	**31.84**	37.35	52.70
Oil (per Bbl)	**93.18**	86.29	89.43
Equivalent (per Mcfe)	**4.87**	4.26	5.54
Average realized prices with hedging results:			
Gas (per Mcf)	**$ 4.23**	$ 4.24	$ 5.84
NGL (per Bbl)	**36.05**	38.36	39.60

Oil (per Bbl)	**92.97**	91.41	89.43
Equivalent (per Mcfe)	**5.52**	5.42	6.30
Average cost per Mcfe:			
Production expenses	**$ 1.66**	$ 1.33	$ 1.20
Production and ad valorem taxes	**0.27**	0.23	0.39
General and administrative expenses	**0.86**	0.76	0.68
Depletion expense	**1.13**	1.45	1.18

Table of Contents

Results of Operations

The following table summarizes the results of operations for HighMount for the years ended December 31, 2013, 2012 and 2011 as presented in Note 22 of the Notes to Consolidated Financial Statements included in Item 8.

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues:			
Other revenue, primarily operating	**$ 260**	$ 297	$ 390
Investment losses	**(1)**		(34)
Total	**259**	297	356
Expenses:			
Impairment of goodwill	**584**		
Other operating expenses			
Impairment of natural gas and oil properties	**291**	680	
Operating	**252**	239	245
Interest	**17**	14	46
Total	**1,144**	933	291
Income (loss) before income tax	**(885)**	(636)	65
Income tax (expense) benefit	**311**	229	(24)
Net income (loss) attributable to Loews Corporation	**$ (574)**	$ (407)	$ 41

For the years ended December 31, 2013 and 2012, HighMount recorded ceiling test impairment charges of $291 million and $680 million ($186 million and $433 million after tax). The 2013 write-downs were primarily attributable to negative reserve revisions due to variability in well performance where HighMount is testing different horizontal target zones and hydraulic fracture designs and due to reduced average NGL prices used in the ceiling test calculations. The 2012 write-downs were the result of declines in natural gas and NGL prices. The December 31, 2013 ceiling test calculation was based on average 2013 prices of $3.67 per MMBtu for natural gas, $35.39 per Bbl for NGLs and $96.94 per Bbl for oil. The December 31, 2012 ceiling test calculation was based on average 2012 prices of $2.76 MMBtu for natural gas, $41.11 per Bbl for NGLs and $94.71 per Bbl for oil. Low natural gas and NGL prices, which are not anticipated to improve in the near term, and high drilling and completion costs of horizontal wells targeting oil reserves, compared to traditional vertical gas wells, as well as lower than anticipated production from recently completed wells, have adversely impacted HighMount s results of operations and cash flows. The continuation of these factors could result in ceiling test impairment charges in future periods, which may be material.

Recognition of a ceiling test impairment charge is considered a triggering event for purposes of assessing any potential impairment of goodwill. The quantitative goodwill impairment analysis is a two-step process. The first step compares HighMount s estimated fair value to its carrying value. Due to the continued low market prices for natural gas and NGLs, the recent history of quarterly ceiling test write-downs during 2012 and 2013 and potential for future

impairments, and negative reserve revisions recognized during 2013, HighMount reassessed its goodwill impairment analysis. To determine fair value, HighMount used a market approach which required significant estimates and assumptions. These estimates and assumptions primarily included, but were not limited to, earnings before interest, tax, depreciation and amortization, production and reserves, control premium, discount rates and required capital expenditures. These valuation techniques were based on analysis of comparable public companies, adjusted for HighMount s growth profile. In the first step, HighMount determined that its carrying value exceeded its fair value requiring HighMount to perform the second step and to estimate the fair value of its assets and liabilities. The carrying value of goodwill is limited to the amount that HighMount s estimated fair value exceeds the fair value of assets and liabilities. As a result, HighMount recorded a goodwill impairment charge of $584 million ($382 million after tax) for the year ended December 31, 2013, consisting of all of its remaining goodwill.

Table of Contents

2013 Compared with 2012

HighMount s operating revenues decreased $37 million for 2013 as compared with 2012 primarily due to reduced natural gas and NGL sales volumes and reduced NGL sales prices. HighMount sold 46.0 Bcfe in 2013 compared to 53.7 Bcfe in 2012. The decrease in sales volume was primarily due to the discontinued drilling of conventional vertical natural gas wells in recent years, as well as reduced maintenance of existing producing wells.

HighMount had hedges in place as of December 31, 2013 that covered approximately 59.9% and 20.9% of its total estimated 2014 and 2015 natural gas equivalent production at a weighted average price of $5.52 and $4.24 per Mcfe.

Operating expenses increased by $13 million for 2013 as compared with 2012 primarily as a result of an impairment charge of $34 million related to HighMount s gathering pipelines in the Permian Basin due to low natural gas and NGL prices and decreased production, partially offset by lower DD&A expenses due to the impairment of natural gas and oil properties recorded in 2013 and 2012.

2012 Compared with 2011

HighMount s operating revenues decreased $93 million in 2012 as compared with 2011 due to decreased natural gas and NGL prices and sales volumes. Average prices realized per Mcfe were $5.42 in 2012 compared to $6.30 in 2011. HighMount sold 53.7 Bcfe in 2012 compared to 60.6 Bcfe in 2011. The decrease in sales volume was primarily due to the continued reduction in capital spending on natural gas drilling since 2008.

HighMount had hedges in place as of December 31, 2012 that covered approximately 59.5% and 26.6% of its total estimated 2013 and 2014 natural gas equivalent production at a weighted average price of $6.27 and $5.39 per Mcfe.

Operating expenses were $239 million and $245 million in 2012 and 2011. Production expenses and production and ad valorem taxes were $98 million in 2012 as compared with $109 million in 2011. DD&A expenses were $101 million in 2012 as compared with $94 million in 2011. The increase in DD&A expenses was primarily due to negative reserve revisions in 2011 and projected future development activity focused on developing oil reserves.

In connection with refinancing its $1.1 billion variable rate term loans, a pretax loss of $34 million was recorded in the fourth quarter of 2011, reflecting derivative losses from termination of interest rate hedge activities. Interest expense decreased $32 million in 2012 as compared with 2011 due to a lower outstanding debt balance in 2012.

Table of Contents

Loews Hotels

The following table summarizes the results of operations for Loews Hotels for the years ended December 31, 2013, 2012 and 2011 as presented in Note 22 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues:			
Other revenue, primarily operating	**$ 380**	$ 396	$ 336
Net investment income		1	1
Total	**380**	397	337
Expenses:			
Other operating expenses			
Operating	**356**	366	306
Depreciation	**32**	30	29
Equity income from joint ventures	**(13)**	(24)	(24)
Interest	**9**	11	9
Total	**384**	383	320
Income (loss) before income tax	**(4)**	14	17
Income tax (expense) benefit	**1**	(7)	(4)
Net income (loss) attributable to Loews Corporation	**$ (3)**	$ 7	$ 13
EBITDA	**$ 37**	$ 55	$ 55

Earnings before interest, tax, depreciation and amortization (EBITDA) is an indicator of operating performance used by Loews Hotels to measure its ability to service debt, fund capital expenditures and expand its business. EBITDA is a non-GAAP financial measure that is not meant to replace net income as defined by GAAP. The following table reconciles EBITDA to Net income attributable to Loews Corporation for the years ended December 31, 2013, 2012 and 2011.

Year Ended December 31	**2013**	2012	2011
(In millions)			
EBITDA	**$ 37**	$ 55	$ 55

Depreciation	**(32)**	(30)	(29)
Interest	**(9)**	(11)	(9)
Income tax (expense) benefit	**1**	(7)	(4)
Net income (loss) attributable to Loews Corporation	**$ (3)**	$ 7	$ 13

Results of operations for 2013 as compared to 2012 include the impact of the 2013 closure of the Loews Regency Hotel for renovation and the addition of the Loews Madison Hotel and the Loews Boston Hotel in 2013 to the portfolio of owned hotels for approximately six months. In July of 2013, partial equity interests in the Loews Madison Hotel and the Loews Boston Hotel were sold. Results for 2012 include the Loews Hollywood Hotel for approximately five months prior to a partial equity interest sale in November of 2012. Upon the sale of the equity interests, Loews Hotels share of earnings for these hotels is included in Equity income from joint ventures.

Table of Contents

Revenues and operating expenses for 2013 and 2012 include $57 million and $27 million of cost reimbursements from joint venture and managed properties, relating mainly to payroll incurred on behalf of the owners of hotel properties managed by Loews Hotels.

2013 Compared with 2012

Revenues excluding reimbursables decreased by $47 million in 2013 as compared to 2012, primarily due to the 2013 closure of the Loews Regency Hotel.

Revenue per available room (RevPAR) is an industry measure of the combined effect of occupancy rates and average room rates on room revenues. Other hotel operating revenues, not included in RevPAR, primarily include guest charges for food and beverages. RevPAR, occupancy rates and average room rates as discussed below are for owned and joint venture hotels. RevPAR decreased $5.41 to $168.67 for 2013 as compared to 2012 reflecting a decrease in occupancy and average room rates. Occupancy rates decreased to 75.2% in 2013 from 76.3% in 2012. Average room rates decreased by $3.60, or 1.6%, in 2013 as compared to 2012. Excluding the Loews Regency Hotel which was closed for renovation throughout 2013, RevPAR increased $3.76 for 2013 as compared to 2012, reflecting an increase in average room rates.

Operating expenses excluding reimbursables decreased $40 million for 2013 as compared to 2012, primarily due to the closure of the Loews Regency Hotel, partially offset by higher corporate expenses related to hotels recently acquired and under development. In addition, expenses were reduced by $3 million and $7 million in 2013 and 2012 related to recoveries of a loan guarantee payment.

Equity earnings from joint venture properties decreased in 2013 as compared to 2012, primarily due to the impact of renovations and the development of joint venture properties.

2012 Compared with 2011

Revenues excluding reimbursables increased by $33 million in 2012 as compared to 2011, primarily due to the addition of the Loews Hollywood Hotel in 2012 and higher RevPAR.

Owned and joint venture hotels RevPAR increased $8.93 to $174.08 in 2012 as compared to 2011 reflecting improving occupancy and average room rates; occupancy rates increased to 76.3% in 2012 from 73.6% in 2011; and average room rates increased by $3.65, or 1.6%, in 2012 as compared to 2011.

Operating expenses excluding reimbursables increased $33 million in 2012 as compared to 2011, primarily due to expenses from the Loews Hollywood Hotel and $13 million of costs related to the 2013 closure of the Loews Regency Hotel for renovation, partially offset by $7 million related to the partial recovery of a loan guarantee payment.

Table of Contents

Corporate and Other

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

The following table summarizes the results of operations for Corporate and Other for the years ended December 31, 2013, 2012 and 2011 as presented in Note 22 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues:			
Net investment income	**$ 141**	$ 61	$ 1
Other	**2**	1	(2)
Total	**143**	62	(1)
Expenses:			
Operating	**98**	106	87
Interest	**62**	40	44
Total	**160**	146	131
Loss before income tax	**(17)**	(84)	(132)
Income tax benefit	**7**	29	47
Net loss attributable to Loews Corporation	**$ (10)**	$ (55)	$ (85)

2013 Compared with 2012

Net investment income increased by $80 million in 2013 as compared to 2012, primarily due to improved performance of the equity and fixed income investments in the trading portfolio and improved performance of limited partnership investments for 2013.

Interest expense increased $22 million for 2013, primarily due to a May of 2013 public offering of $500 million aggregate principal amount of 2.6% senior notes due May 15, 2023 and $500 million aggregate principal amount of 4.1% senior notes due May 15, 2043.

Net results improved $45 million for 2013 as compared to 2012, primarily due to the change in revenues and expenses discussed above.

2012 Compared with 2011

Net investment income increased by $60 million for 2012 as compared to 2011, primarily due to improved performance of equity and fixed income investments in the trading portfolio, partially offset by lower performance of limited partnership investments for 2012.

Net results improved $30 million for 2012 as compared to 2011. These changes were due primarily to the change in revenues discussed above, partially offset by an increase in corporate overhead expenses and reduced corporate overhead allocated to our subsidiaries.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

CNA Financial

Cash Flows

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

For 2013, net cash provided by operating activities was $1.2 billion as compared with $1.3 billion for 2012. Tax payments were $129 million in 2013 as compared to tax recoveries of $29 million in 2012. Additionally, increased premium receipts were partially offset by increased claim payments.

Net cash provided by operating activities was $1.7 billion in 2011. Cash flows resulting from reinsurance contract commutations are reported as operating activities. Operating cash flows were increased by $547 million in 2011 related to net cash inflows from commutations.

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

Net cash used by investing activities was $898 million for 2013, as compared with $934 million and $1.1 billion for 2012 and 2011. The cash flow from investing activities is impacted by various factors such as the anticipated payment of claims, financing activity, asset/liability management and individual security buy and sell decisions made in the normal course of portfolio management.

Cash flows from financing activities may include proceeds from the issuance of debt and equity securities, outflows for shareholder dividends or repayment of debt and outlays to reacquire equity instruments. Net cash used by financing activities was $264 million, $239 million and $644 million for 2013, 2012 and 2011.

Liquidity

CNA believes that its present cash flows from operations, investing activities and financing activities are sufficient to fund its current and expected working capital and debt obligation needs and CNA does not expect this to change in the near term. There are currently no amounts outstanding under CNA s $250 million senior unsecured revolving credit facility and no borrowings outstanding through CNA s membership in the Federal Home Loan Bank of Chicago (FHLBC).

CNA has an effective Registration Statement on Form S-3 registering the future sale of an unlimited amount of its debt and equity securities.

Dividends

Dividends of $0.80 per share of CNA s common stock were declared and paid in 2013. On February 7, 2014, CNA s Board of Directors declared a quarterly dividend of $0.25 per share and a special dividend of $1.00 per share, payable March 12, 2014 to shareholders of record on February 24, 2014. The declaration and payment of future dividends is at the discretion of CNA s Board of Directors and will depend on many factors, including CNA s earnings, financial

condition, business needs, and regulatory constraints.

Ratings

Ratings are an important factor in establishing the competitive position of insurance companies. CNA s insurance company subsidiaries are rated by major rating agencies and these ratings reflect the rating agency s opinion of the insurance company s financial strength, operating performance, strategic position and ability to meet its obligations to policyholders. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or

Table of Contents

withdrawn at any time by the issuing organization. Each agency s rating should be evaluated independently of any other agency s rating. One or more of these agencies could take action in the future to change the ratings of CNA s insurance subsidiaries.

The table below reflects the various group ratings issued by A.M. Best Company (A.M. Best), Moody s Investors Service, Inc. (Moody s) and Standard & Poor s (S&P) for the property and casualty and life companies. The table also includes the ratings for CNA senior debt.

	Insurance Financial Strength Ratings			Corporate Debt Ratings
	Property & Casualty		Life	CNA
	CCC Group	Western Group	CAC	Senior Debt
A.M. Best	A	A	A-	bbb
Moody s	A3	Not rated	Not rated	Baa2
S&P	A	A	Not rated	BBB

A.M. Best, Moody s and S&P each maintain a stable outlook on CNA. In June of 2013, S&P upgraded CNA s property and casualty insurance financial strength ratings to A and upgraded the credit rating on the senior debt of CNA to BBB. In December 2013, Moody s revised their outlook on CNA s financial strength rating to stable from positive.

Hardy benefits from the collective financial strength of the Lloyd s market, which is rated A+ by S&P and A by A.M. Best. The outlook by both rating agencies is positive.

Diamond Offshore

Cash and investments totaled $2.1 billion at December 31, 2013, compared to $1.5 billion at December 31, 2012. In 2013, Diamond Offshore paid cash dividends totaling $490 million, consisting of aggregate regular cash dividends of $69 million and aggregate special cash dividends of $421 million. On February 5, 2014, Diamond Offshore declared a regular quarterly dividend of $0.125 per share and a special dividend of $0.75 per share.

Cash provided by operating activities in 2013 was $1.1 billion, compared to $1.3 billion in 2012, a decrease of $245 million compared to the 2012 period, primarily due to lower earnings.

Table of Contents

Diamond Offshore is currently obligated under various agreements in connection with the construction of three ultra-deepwater drillships, an ultra-deepwater floater, a deepwater floater, and a North Sea enhancement project. The *Ocean Onyx* and the *Ocean BlackHawk* were delivered in December of 2013 and January of 2014 and the final installments on these construction contracts aggregating $403 million were paid in January of 2014. The following is a summary of Diamond Offshore s remaining construction projects as of February 5, 2014:

(In millions)	Expected Delivery (a)	Total Project Cost (b)	Project Expenditures to date (c)
New rig construction:			
Ultra-deepwater drillships:			
Ocean BlackHornet	Q2 2014	$ 635	$ 204
Ocean BlackRhino	Q3 2014	645	189
Ocean BlackLion	Q1 2015	655	171
Ultra-deepwater floater:			
Ocean GreatWhite	Q1 2016	755	190
Deepwater floater:			
Ocean Apex	Q3 2014	370	269
Enhancement project:			
Mid-water floater *Ocean Patriot*	Q2 2014	120	50

(a) Represents expected delivery date of vessel from shipyard and does not include additional non-operating days for commissioning, contract preparation and mobilization to initial area of operation, which will occur prior to the rig being placed in service.
(b) Total project costs include contractual payments for shipyard construction, commissioning, capital spares and project management costs and does not include capitalized interest.
(c) Represents total project expenditures from inception of project to February 5, 2014, excluding project-to-date capitalized interest.

For 2014, Diamond Offshore has budgeted approximately $2.1 billion for capital expenditures of which approximately $1.5 billion and $82 million are expected to be spent on current rig construction projects and the *Ocean Patriot* North Sea enhancement project and approximately $184 million is expected to be spent on a service life extension project for the *Ocean Confidence*. The remainder will be spent on Diamond Offshore s ongoing rig equipment enhancement/replacement program. Diamond Offshore expects to finance its 2014 capital expenditures through the use of existing cash balances and cash flows from operations.

In November of 2013, Diamond Offshore completed a public offering of $250 million aggregate principal amount of 3.5% senior notes due November 1, 2023 and $750 million aggregate principal amount of 4.9% senior notes due November 1, 2043. Diamond Offshore intends to use the net proceeds of $988 million from this offering for general corporate purposes, including the redemption, repurchase or retirement of $250 million principal amount of its 5.2%

senior notes due September 1, 2014 and $250 million principal amount of its 4.9% senior notes due July 1, 2015.

As a result of Diamond Offshore s intention to indefinitely reinvest the earnings of its wholly owned subsidiary, Diamond Offshore International Limited (DOIL), to finance its foreign activities, Diamond Offshore does not expect such earnings to be available for distribution to its stockholders or to finance its domestic activities. Diamond Offshore believes that the operating cash flows generated by and cash reserves of DOIL, and the operating cash flows available to and cash reserves of Diamond Offshore will be sufficient to meet both its working capital requirements and its capital commitments. However, in light of the significant cash requirements of Diamond Offshore s capital expansion program in 2014 and 2015, Diamond Offshore may make use of its credit facility to finance its capital expenditures, working capital requirements and to maintain a certain level of cash reserves. Diamond Offshore will continue to make periodic assessments based on its capital spending programs and industry conditions and will adjust capital spending programs if required. Diamond Offshore, may, from time to time, issue debt or equity securities, or a combination thereof, to finance capital expenditures, the acquisition of assets and

Table of Contents

businesses or for general corporate purposes. Diamond Offshore s ability to access the capital markets by issuing debt or equity securities will be dependent on its results of operations, current financial condition, current market conditions and other factors beyond its control.

Boardwalk Pipeline

At December 31, 2013 and 2012, cash and investments amounted to $29 million and $4 million. Funds from operations for the year ended December 31, 2013 amounted to $534 million, compared to $576 million in 2012. In 2013 and 2012, Boardwalk Pipeline s capital expenditures were $295 million and $227 million. During 2012, Boardwalk Pipeline purchased from us the remaining 80% interest in Petal for $285 million and acquired Louisiana Midstream for $620 million. These acquisitions were funded using cash from operations, borrowings under Boardwalk Pipeline s revolving credit facility and debt and equity offerings. For the years ended December 31, 2013 and 2012, Boardwalk Pipeline paid cash distributions of $534 million and $479 million to its partners.

In May of 2013, Boardwalk Pipeline sold 12.7 million common units in a public offering and received net proceeds of $377 million, including an $8 million contribution from us to maintain our 2% general partner interest.

As of December 31, 2013, Boardwalk Pipeline had $175 million of borrowings outstanding under its revolving credit facility with a weighted average interest rate of 1.3% and had no letters of credit issued. As of December 31, 2013, Boardwalk Pipeline was in compliance with all covenant requirements under the credit facility.

Boardwalk Pipeline incurs substantial costs for ongoing maintenance of its pipeline systems and related facilities, including those incurred for pipeline integrity management activities, equipment overhauls, general upkeep and repairs. The Pipeline and Hazardous Materials Safety Administration (PHMSA) has developed regulations that require transportation pipeline operators to implement integrity management programs to comprehensively evaluate certain areas along pipelines and take additional measures to protect pipeline segments located in highly populated areas. These regulations have resulted in an overall increase in Boardwalk Pipeline s ongoing maintenance costs. Due to recent widely-known incidents that have occurred on certain pipelines in the U.S., it is possible that PHMSA may develop more stringent regulations. Boardwalk Pipeline could incur significant additional costs if new or more stringently interpreted pipeline safety requirements are implemented.

In 2013, Boardwalk Pipeline executed a series of agreements with the Williams Companies, Inc. to develop the Bluegrass Project, a joint venture project that would transport NGLs from the Marcellus and Utica shale plays to the petrochemical and export complex in the Lake Charles, Louisiana area, and the construction of related fractionation, storage and liquefied petroleum gas terminal export facilities. In connection with the transaction, Boardwalk Pipeline and Boardwalk Pipelines Holding Corp. (BPHC), a wholly owned subsidiary of ours, have entered into separate joint venture arrangements for purposes of funding the project. Boardwalk Pipeline and BPHC have contributed a total of $79 million to the project as of December 31, 2013. Approval and completion of the project is subject to, among other conditions, execution of customer contracts sufficient to support the project, acquisition of right-of-way along the pipeline route, and the parties receipt of all necessary approvals, including board approvals and regulatory approvals, such as antitrust clearance under the Hart-Scott-Rodino Antitrust Improvements Act and approvals by the FERC, among others.

Boardwalk Pipeline expects total capital expenditures to be approximately $420 million in 2014, including approximately $90 million for maintenance capital, $249 million related to the Southeast Market Expansion and $23 million related to the Ohio Louisiana Access Project. In 2013, total capital expenditures were $295 million, of which $70 million was recorded as maintenance capital.

Boardwalk Pipeline s ability to access the capital markets for debt and equity financing under reasonable terms depends on its financial condition, credit ratings and market conditions. Boardwalk Pipeline anticipates that its existing capital resources, including the revolving credit facility and future cash flows generated from operations will be adequate to fund its operations, including maintenance capital expenditures. To help fund growth in 2014, we have offered to provide Boardwalk Pipeline with up to $300 million in subordinated debt if it is required. Although Boardwalk Pipeline anticipates that its existing capital resources including the subordinated loan will be adequate to fund its current growth projects, Boardwalk Pipeline may seek to access the capital markets to fund some or all capital expenditures for future growth projects or acquisitions, or to repay or refinance all or a portion of its indebtedness, a significant amount of which matures in the next five years.

Table of Contents

HighMount

At December 31, 2013 and 2012, cash and investments amounted to $29 million and $10 million. Net cash flows provided by operating activities were $104 million and $151 million in 2013 and 2012. Key drivers of net operating cash flows are commodity prices, production volumes and operating costs.

Cash used in investing activities in 2013 was $224 million, compared to $336 million in 2012. Cash used in investing activities in 2013 is net of proceeds received from the sale of HighMount s assets in the Texas Panhandle of approximately $33 million. In accordance with the full cost method of accounting, proceeds from the sale were accounted for as a reduction of capitalized costs, and recorded as a credit to Accumulated depreciation, depletion and amortization. The primary driver of cash used in investing activities is capital spent developing HighMount s natural gas and oil reserves. Funds for capital expenditures and working capital requirements are expected to be provided primarily from operating activities and capital contributions from us.

HighMount s credit agreement contains financial covenants typical for these types of agreements, including a maximum debt to capitalization ratio and a minimum ratio of the net present value of its projected future cash flows from its proved natural gas and oil reserves to total debt. The calculation of net present value, performed at year-end, is based on commodity prices determined by the lenders and HighMount s proved reserves at the time of measurement. A decline in commodity prices can reduce HighMount s borrowing capacity requiring repayment of a portion of its term loans. Due to the current limited capacity of HighMount s credit agreement, we made $210 million of capital contributions to HighMount in 2013 to fund repayment of $110 million under HighMount s revolving loan and $100 million under its term loans. In addition, during 2013, we made $139 million of capital contributions to HighMount for capital expenditures focused on the exploration and development of oil producing properties. The credit agreement also contains customary restrictions or limitations on HighMount s ability to engage in certain transactions, including transactions with affiliates. HighMount currently has $480 million of term loans outstanding and is in compliance with all of its covenants under the credit agreement.

Loews Hotels

Loews Hotels added two properties to its portfolio in 2013, the Loews Madison Hotel and the Loews Boston Hotel. These acquisitions were initially funded with existing cash balances, debt and capital contributions by us. Subsequently, Loews Hotels sold half of its equity interests in both properties.

Cash and investments totaled $53 million at December 31, 2013, as compared to $43 million at December 31, 2012. Funds for future capital expenditures, including acquisitions of new properties, renovations and working capital requirements are expected to be provided from operations, newly incurred debt, existing cash balances and advances or capital contributions from us.

Corporate and Other

Parent Company cash and investments, net of receivables and payables, at December 31, 2013 totaled $4.7 billion, as compared to $3.9 billion at December 31, 2012. In May of 2013, we received net proceeds of $983 million, after deducting the underwriters discounts, commissions and offering expenses, in connection with a public offering of $500 million aggregate principal amount of 2.6% senior notes due May 15, 2023 and $500 million aggregate principal amount of 4.1% senior notes due May 15, 2043. In addition, during 2013, we received $736 million in interest and dividends from our subsidiaries. These inflows were partially offset by the payment of $228 million to fund treasury stock purchases, the payment of $97 million of cash dividends to our shareholders and capital contributions of approximately $680 million to our subsidiaries.

On October 9, 2013, all of the 22.9 million class B units of Boardwalk Pipeline were converted by us into common units on a one-for-one basis, pursuant to the terms of the Boardwalk Pipeline partnership agreement. After the conversion we held 125.6 million common units.

As of December 31, 2013, there were 387,210,096 shares of Loews common stock outstanding. Depending on market and other conditions, we may purchase our shares and shares of our subsidiaries outstanding common stock in the open market or otherwise. During the year ended December 31, 2013, we purchased 4.9 million shares of Loews common stock.

Table of Contents

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

We continue to pursue conservative financial strategies while seeking opportunities for responsible growth. These include the expansion of existing businesses, full or partial acquisitions and dispositions, and opportunities for efficiencies and economies of scale.

Off-Balance Sheet Arrangements

At December 31, 2013 and 2012, we did not have any off-balance sheet arrangements.

Contractual Obligations

Our contractual payment obligations are as follows:

		Payments Due by Period			
December 31, 2013	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
(In millions)					
Debt (a)	**$ 15,912**	**$ 1,379**	**$ 3,335**	**$ 2,008**	**$ 9,190**
Operating leases	**383**	**66**	**113**	**77**	**127**
Claim and claim adjustment expense reserves (b)	**25,630**	**5,939**	**7,458**	**3,816**	**8,417**
Future policy benefits reserves (c)	**37,749**	**205**	**583**	**826**	**36,135**
Policyholders funds reserves (c)	**86**	**30**	**5**	**(1)**	**52**
Rig construction contracts	**2,089**	**1,254**	**835**		
Purchase and other obligations	**343**	**135**	**180**	**17**	**11**
Total (d)	**$ 82,192**	**$ 9,008**	**$ 12,509**	**$ 6,743**	**$ 53,932**

(a) Includes estimated future interest payments.

(b) Claim and claim adjustment expense reserves are not discounted and represent CNA s estimate of the amount and timing of the ultimate settlement and administration of gross claims based on its assessment of facts and circumstances known as of December 31, 2013. See the Reserves - Estimates and Uncertainties section of this MD&A for further information.

(c) Future policy benefits and policyholders funds reserves are not discounted and represent CNA s estimate of the ultimate amount and timing of the settlement of benefits based on its assessment of facts and circumstances known as of December 31, 2013. Future policy benefit reserves of $673 million and policyholders fund reserves of $34 million related to business which has been 100% ceded to unaffiliated parties in connection with the sale of CNA s individual life business in 2004 are not included. Additional information on future policy benefits and policyholders funds reserves is included in Note 1 of the Notes to Consolidated Financial Statements included

under Item 8.

(d) Does not include expected contribution of approximately $64 million to the Company s pension and postretirement plans in 2014.

Further information on our commitments, contingencies and guarantees is provided in the Notes to Consolidated Financial Statements included under Item 8.

INVESTMENTS

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

Table of Contents

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

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

Insurance

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

Net Investment Income

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

Year Ended December 31	**2013**	2012	2011
(In millions)			
Fixed maturity securities	**$ 1,998**	$ 2,022	$ 2,011
Short term investments	**3**	5	8
Limited partnership investments	**451**	251	48
Equity securities	**12**	12	20
Trading portfolio	**17**	24	9
Other	**25**	24	16
Gross investment income	**2,506**	2,338	2,112
Investment expense	**(56)**	(56)	(58)
Net investment income	**$ 2,450**	$ 2,282	$ 2,054

Net investment income increased $168 million for 2013 as compared with 2012. The increase was primarily driven by a significant increase in limited partnership investment income, partially offset by a decrease in fixed maturity securities income. Limited partnership results were positively impacted by more favorable equity market returns. The decrease in fixed maturity securities income was due to the effect of reinvesting at lower market interest rates, partially offset by a higher invested asset base.

Net investment income increased $228 million for 2012 as compared with 2011. The increase was primarily driven by a significant increase in limited partnership investment income, increased trading portfolio income and an increase in fixed maturity securities income. The increase in fixed maturity securities income was driven by a higher invested asset base and a favorable net impact of changes in estimates of prepayments for asset-backed securities. These favorable impacts were partially offset by the effect of investing at lower market interest rates.

The fixed maturity investment portfolio provided a pretax effective income yield of 5.1%, 5.3% and 5.5% for the years ended December 31, 2013, 2012, and 2011. Tax-exempt municipal bonds generated $317 million, $274 million and $240 million of net investment income for the years ended December 31, 2013, 2012 and 2011.

Table of Contents

Net Realized Investment Gains (Losses)

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

Year Ended December 31	**2013**	2012	2011
(In millions)			
Realized investment gains (losses):			
Fixed maturity securities:			
Corporate and other bonds	**$ 55**	$ 106	$ 48
States, municipalities and political subdivisions	**36**	(4)	5
Asset-backed	**(39)**	(26)	(82)
U.S. Treasury and obligations of government-sponsored enterprises		3	1
Foreign government	**4**	4	3
Redeemable preferred stock	**(1)**		3
Total fixed maturity securities	**55**	83	(22)
Equity securities	**(22)**	(23)	(1)
Derivative securities	**(9)**	(2)	
Short term investments and other	**3**	2	4
Total realized investment gains (losses)	**27**	60	(19)
Income tax (expense) benefit	**(9)**	(21)	8
Amounts attributable to noncontrolling interests	**(2)**	(4)	1
Net realized investment gains (losses) attributable to Loews Corporation	**$ 16**	$ 35	$ (10)

Net realized investment gains decreased $19 million for 2013 as compared with 2012, driven by lower net realized investment gains on sales of securities, partially offset by lower other-than-temporary impairment (OTTI) losses recognized in earnings. Net realized investment gains increased $45 million for 2012 as compared with 2011. Further information on CNA s realized gains and losses, including CNA s OTTI losses and impairment decision process, is set forth in Notes 1 and 3 of the Notes to Consolidated Financial Statements included under Item 8.

Portfolio Quality

CNA s fixed maturity portfolio consists primarily of high quality bonds, 92.1% and 91.6% of which were rated as investment grade (rated BBB- or higher) at December 31, 2013 and 2012. The classification between investment grade and non-investment grade is based on a ratings methodology that takes into account ratings from S&P and Moody s, in that order of preference. If a security is not rated by these agencies, CNA formulates an internal rating. At December 31, 2013 and 2012, approximately 99% and 98% of the fixed maturity portfolio was rated by S&P or Moody s, or was issued or guaranteed by the U.S. Government, Government agencies or Government-sponsored enterprises.

92

Table of Contents

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

December 31	**2013**		2012	
(In millions of dollars)				
U.S. Government, Government agencies and Government-sponsored enterprises	**$ 3,683**	**8.9%**	$ 4,540	10.6%
AAA	**2,776**	**6.7**	3,224	7.6
AA and A	**20,353**	**49.4**	19,305	45.3
BBB	**11,171**	**27.1**	11,997	28.1
Non-investment grade	**3,250**	**7.9**	3,567	8.4
Total	**$ 41,233**	**100.0%**	$ 42,633	100.0%

Non-investment grade fixed maturity securities, as presented in the table below, include high-yield securities rated below BBB- by bond rating agencies and other unrated securities that, according to CNA s analysis, are below investment grade. Non-investment grade securities generally involve a greater degree of risk than investment grade securities. The amortized cost of CNA s non-investment grade fixed maturity bond portfolio was $3.1 billion and $3.4 billion at December 31, 2013 and 2012. The following table summarizes the ratings of this portfolio at fair value:

December 31	**2013**		2012	
(In millions of dollars)				
BB	**$ 1,393**	**42.9%**	$ 1,529	42.9%
B	**967**	**29.8**	1,075	30.1
CCC - C	**649**	**20.0**	724	20.3
D	**241**	**7.3**	239	6.7
Total	**$ 3,250**	**100.0%**	$ 3,567	100.0%

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

December 31, 2013	**Estimated Fair Value**	**%**	**Gross Unrealized Losses**	**%**
(In millions of dollars)				

U.S. Government, Government agencies and Government-sponsored enterprises	**$ 1,244**	**12.8%**	**$ 78**	**14.8%**
AAA	**711**	**7.3**	**33**	**6.3**
AA	**2,282**	**23.5**	**192**	**36.4**
A	**2,302**	**23.7**	**94**	**17.8**
BBB	**2,526**	**26.0**	**104**	**19.7**
Non-investment grade	**648**	**6.7**	**27**	**5.0**
Total	**$ 9,713**	**100.0%**	**$ 528**	**100.0%**

Table of Contents

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

December 31, 2013	Estimated Fair Value	%	Gross Unrealized Losses	%
(In millions of dollars)				
Due in one year or less	$ 186	1.9%	$ 2	0.4%
Due after one year through five years	1,252	12.9	32	6.1
Due after five years through ten years	4,326	44.5	186	35.2
Due after ten years	3,949	40.7	308	58.3
Total	$ 9,713	100.0%	$ 528	100.0%

Duration

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

A further consideration in the management of the investment portfolio is the characteristics of the corresponding liabilities and the ability to align the duration of the portfolio to those liabilities and to meet future liquidity needs, minimize interest rate risk and maintain a level of income sufficient to support the underlying insurance liabilities. For portfolios where future liability cash flows are determinable and typically long term in nature, CNA segregates investments for asset/liability management purposes. The segregated investments support the liabilities in Life & Group Non-Core including annuities, structured settlements and long term care products.

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

	December 31, 2013		December 31, 2012	
	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
(In millions of dollars)				

Investments supporting Life & Group					
Non-Core	**$**	**15,009**	**11.3**	$ 15,590	11.3
Other interest sensitive investments		**27,766**	**4.4**	28,855	3.9
Total	**$**	**42,775**	**6.9**	$ 44,445	6.5

The investment portfolio is periodically analyzed for changes in duration and related price change risk. Additionally, CNA periodically reviews the sensitivity of the portfolio to the level of foreign exchange rates and other factors that contribute to market price changes. A summary of these risks and specific analysis on changes is included in Item 7A Quantitative and Qualitative Disclosures about Market Risk included herein.

Table of Contents

Short Term Investments

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

December 31	**2013**	2012
(In millions)		
Short term investments:		
Commercial paper	**$ 549**	$ 751
U.S. Treasury securities	**636**	617
Money market funds	**94**	301
Other	**128**	163
Total short term investments	**$ 1,407**	$ 1,832

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this Report as well as some statements in periodic press releases and some oral statements made by our officials and our subsidiaries during presentations about us, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words expect, intend, plan, anticipate, esti believe, will be, will continue, will likely result, and similar expressions. In addition, any statement concerning fu financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries, which may be provided by management are also forward-looking statements as defined by the Act.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those anticipated or projected. These risks and uncertainties include, among others:

Risks and uncertainties primarily affecting us and our insurance subsidiaries

the risks and uncertainties associated with CNA s loss reserves, as outlined under Results of Operations by Business Segment CNA Financial Reserves Estimates and Uncertainties in this MD&A, including the sufficiency of the reserves and the possibility for future increases, which would be reflected in the results of operations in the period that the need for such adjustment is determined;

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

the performance of reinsurance companies under reinsurance contracts with CNA;

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

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

general economic and business conditions, including recessionary conditions that may decrease the size and number of CNA s insurance customers and create additional losses to CNA s lines of business, especially those that provide management and professional liability insurance, as well as surety bonds, to businesses

Table of Contents

engaged in real estate, financial services and professional services, and inflationary pressures on medical care costs, construction costs and other economic sectors that increase the severity of claims;

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

conditions in the capital and credit markets that may limit CNA s ability to raise significant amounts of capital on favorable terms;

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

regulatory limitations, impositions and restrictions upon CNA, including the effects of assessments and other surcharges for guaranty funds and second-injury funds, other mandatory pooling arrangements and future assessments levied on insurance companies;

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

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

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

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

the unpredictability of the nature, targets, severity or frequency of potential terrorist events, as well as the uncertainty as to CNA s ability to contain its terrorism exposure effectively; and

the occurrence of epidemics.

Risks and uncertainties primarily affecting us and our energy subsidiaries

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

the effects of the Macondo well blowout;

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

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

risks of international operations, compliance with foreign laws and taxation policies and seizure, expropriation, nationalization, deprivation, malicious damage or other loss of possession or use of equipment and assets;

Table of Contents

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

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

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

the worldwide political and military environment, including for example, in oil-producing regions and locations where Diamond Offshore s offshore drilling rigs are operating or are under construction;

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

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

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

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

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

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

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

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

Risks and uncertainties affecting us and our subsidiaries generally

general economic and business conditions;

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

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

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

the results of financing efforts; by us and our subsidiaries, including any additional investments by us in our subsidiaries and the ability of us and our subsidiaries to access bank and capital markets to refinance indebtedness and fund capital needs;

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

the successful negotiation, consummation and completion of contemplated transactions, projects and agreements, including obtaining necessary regulatory approvals, and the timing cost, scope and financial performance of any such transactions, projects and agreements;

the successful integration, transition and management of acquired businesses;

Table of Contents

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

possible casualty losses;

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

potential future asset impairments.

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are a large diversified holding company. As such, we and our subsidiaries have significant amounts of financial instruments that involve market risk. Our measure of market risk exposure represents an estimate of the change in fair value of our financial instruments. Changes in the trading portfolio are recognized in the Consolidated Statements of Income. Market risk exposure is presented for each class of financial instrument held by us at December 31, assuming immediate adverse market movements of the magnitude described below. We believe that the various rates of adverse market movements represent a measure of exposure to loss under hypothetically assumed adverse conditions. The estimated market risk exposure represents the hypothetical loss to future earnings and does not represent the maximum possible loss nor any expected actual loss, even under adverse conditions, because actual adverse fluctuations would likely differ. In addition, since our investment portfolio is subject to change based on our portfolio management strategy as well as in response to changes in the market, these estimates are not necessarily indicative of the actual results which may occur.

Exposure to market risk is managed and monitored by senior management. Senior management approves our overall investment strategy and has responsibility to ensure that the investment positions are consistent with that strategy with an acceptable level of risk. We may manage risk by buying or selling instruments or entering into offsetting positions.

Interest Rate Risk We have exposure to interest rate risk arising from changes in the level or volatility of interest rates. We attempt to mitigate our exposure to interest rate risk by utilizing instruments such as interest rate swaps, commitments to purchase securities, options, futures and forwards. We monitor our sensitivity to interest rate changes by revaluing financial assets and liabilities using a variety of different interest rates. The Company uses duration and convexity at the security level to estimate the change in fair value that would result from a change in each security s yield. Duration measures the price sensitivity of an asset to changes in the yield rate. Convexity measures how the duration of the asset changes with interest rates. The duration and convexity analysis takes into account the unique characteristics (e.g., call and put options and prepayment expectations) of each security, in determining the hypothetical change in fair value. The analysis is performed at the security level and is aggregated up to the asset category level.

The evaluation is performed by applying an instantaneous change in the yield rates by varying magnitudes on a static balance sheet to determine the effect such a change in rates would have on the recorded market value of our investments and the resulting effect on shareholders equity. The analysis presents the sensitivity of the market value of our financial instruments to selected changes in market rates and prices which we believe are reasonably possible over a one year period.

Table of Contents

The sensitivity analysis estimates the change in the fair value of our interest sensitive assets and liabilities that were held on December 31, 2013 and 2012 due to an instantaneous change in the yield of the security at the end of the period of 100 basis points, with all other variables held constant.

The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Accordingly, the analysis may not be indicative of, is not intended to provide, and does not provide a precise forecast of the effect of changes of market interest rates on our earnings or shareholders equity. Further, the computations do not contemplate any actions we could undertake in response to changes in interest rates.

Our debt is denominated in U.S. Dollars and has been primarily issued at fixed rates, therefore, interest expense would not be impacted by interest rate shifts. The impact of a 100 basis point increase in interest rates on fixed rate debt would result in a decrease in market value of $616 million and $498 million at December 31, 2013 and 2012. The impact of a 100 basis point decrease would result in an increase in market value of $698 million and $543 million at December 31, 2013 and 2012. HighMount has entered into interest rate swaps for a notional amount of $300 million to hedge its exposure to fluctuations in LIBOR on a portion of its $500 million variable rate credit facility. These swaps effectively fix the interest rate at an effective rate of 3.6%. At December 31, 2013, the impact of a 100 basis point increase in interest rates on variable rate debt would increase interest expense by approximately $6 million on an annual basis.

Equity Price Risk We have exposure to equity price risk as a result of our investment in equity securities and equity derivatives. Equity price risk results from changes in the level or volatility of equity prices which affect the value of equity securities or instruments that derive their value from such securities or indexes. Equity price risk was measured assuming an instantaneous 25% decrease in the underlying reference price or index from its level at December 31, 2013 and 2012, with all other variables held constant. A model was developed to analyze the observed changes in the value of limited partnerships held by the Company over a multiple year period along with the corresponding changes in various equity indices. The result of the model allowed us to estimate the change in value of limited partnerships when equity markets decline by 25%.

Foreign Exchange Rate Risk Foreign exchange rate risk arises from the possibility that changes in foreign currency exchange rates will impact the value of financial instruments. We have foreign exchange rate exposure when we buy or sell foreign currencies or financial instruments denominated in a foreign currency, which is reduced through the use of forward contracts. Our foreign transactions are primarily denominated in Australian dollars, Canadian dollars, British pounds, Brazilian reais, European Monetary Unit, Mexican pesos and Norwegian kroner. The sensitivity analysis assumes an instantaneous 20% decrease in the foreign currency exchange rates versus the U.S. dollar from their levels at December 31, 2013 and 2012, with all other variables held constant.

Commodity Price Risk We have exposure to price risk as a result of our investments in commodities. Commodity price risk results from changes in the level or volatility of commodity prices that impact instruments which derive their value from such commodities. Commodity price risk was measured assuming an instantaneous increase of 20% from their levels at December 31, 2013 and 2012. The impact of a change in commodity prices on the Company s non-trading commodity-based financial derivative instruments at a point in time is not necessarily representative of the results that will be realized when such contracts are ultimately settled. Net losses from commodity derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the underlying hedged transaction, such as revenue from sales.

Credit Risk We are exposed to credit risk relating to the risk of loss resulting from the nonperformance by a customer of its contractual obligations. Although nearly all of the Company s customers pay for its services on a timely basis,

the Company actively monitors the credit exposure to its customers. Certain of the Company s subsidiaries may perform credit reviews of customers and may require customers to provide cash collateral, post a letter of credit, prepay for services or provide other credit enhancements.

Table of Contents

The following tables present our market risk by category (equity prices, interest rates, foreign exchange rates and commodity prices) on the basis of those entered into for trading purposes and other than trading purposes.

Trading portfolio:

Category of risk exposure:	**Fair Value Asset (Liability)**		**Market Risk**	
December 31	**2013**	2012	**2013**	2012
(In millions)				
Equity prices (1):				
Equity securities long	**$ 645**	$ 630	**$ (161)**	$ (158)
short	**(17)**	(7)	**4**	2
Options purchased	**41**	19	**155**	23
written	**(23)**	(14)	**(55)**	(42)
Interest rate (2):				
Fixed maturities long	**123**	161	**(3)**	5
short		(77)		(7)
Short term investments	**3,261**	2,526		
Other derivatives	**(3)**	(3)	**(3)**	(3)

Note: The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of (1) a decrease in equity prices of 25% and (2) an increase in yield rates of 100 basis points. Adverse changes on options which differ from those presented above would not necessarily result in a proportionate change to the estimated market risk exposure.

Table of Contents

Other than trading portfolio:

Category of risk exposure:	**Fair Value Asset (Liability)**		**Market Risk**	
December 31	**2013**	2012	**2013**	2012
(In millions)				
Equity prices (1):				
Equity securities:				
General accounts (a)	**$ 185**	$ 249	**$ (46)**	$ (62)
Limited partnership investments	**3,420**	3,090	**(447)**	(295)
Interest rate (2):				
Fixed maturities (a)	**41,197**	42,604	**(2,808)**	(2,818)
Short term investments (a)	**3,539**	3,309	**(2)**	(3)
Other invested assets, primarily mortgage loans	**515**	418	**(24)**	(18)
Interest rate swaps (b)	**(4)**	(6)	**7**	10
Other derivatives		(3)		
Separate accounts:				
Fixed maturities	**149**	288	**(2)**	(4)
Short term investments	**28**	21		
Foreign exchange (3):				
Forwards short	**1**	4	**(20)**	(27)
Other invested assets	**54**	59	**(7)**	(11)
Commodities (4):				
Forwards short (b)	**1**	36	**(38)**	(48)

Note: The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of (1) a decrease in equity prices of 25%, (2) an increase in yield rates of 100 basis points, (3) a decrease in the foreign currency exchange rates versus the U.S. dollar of 20% and (4) an increase in commodity prices of 20%.

(a) Certain securities are denominated in foreign currencies. An assumed 20% decline in the underlying exchange rates would result in an aggregate foreign currency exchange rate risk of $(482) and $(490) at December 31, 2013 and 2012.

(b) The market risk at December 31, 2013 and 2012 will generally be offset by recognition of the underlying hedged transaction.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Financial Statements and Supplementary Data are comprised of the following sections:

	Page No.
Management s Report on Internal Control Over Financial Reporting	103
Reports of Independent Registered Public Accounting Firm	104
Consolidated Balance Sheets	106
Consolidated Statements of Income	108
Consolidated Statements of Comprehensive Income	109
Consolidated Statements of Equity	110
Consolidated Statements of Cash Flows	112
Notes to Consolidated Financial Statements:	114
1. Summary of Significant Accounting Policies	114
2. Acquisitions/Divestiture	123
3. Investments	124
4. Fair Value	129
5. Derivative Financial Instruments	137
6. Receivables	138
7. Property, Plant and Equipment	138
8. Goodwill	140
9. Claim and Claim Adjustment Expense Reserves	141
10. Leases	148
11. Income Taxes	148
12. Debt	152
13. Shareholders Equity	155
14. Statutory Accounting Practices	156
15. Supplemental Natural Gas and Oil Information (Unaudited)	157
16. Benefit Plans	161
17. Reinsurance	168
18. Quarterly Financial Data (Unaudited)	170
19. Legal Proceedings	170
20. Commitments and Contingencies	171
21. Business Segments	172
22. Consolidating Financial Information	175
23. Subsequent Event	181

Table of Contents

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for us. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

There are inherent limitations to the effectiveness of any control system, however well designed, including the possibility of human error and the possible circumvention or overriding of controls. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Management must make judgments with respect to the relative cost and expected benefits of any specific control measure. The design of a control system also is based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that a control will be effective under all potential future conditions. As a result, even an effective system of internal control over financial reporting can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework (1992)*. Based on this assessment, our management believes that, as of December 31, 2013, our internal control over financial reporting was effective.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the Company s internal control over financial reporting. The report of Deloitte & Touche LLP follows this Report.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Loews Corporation

New York, NY

We have audited the internal control over financial reporting of Loews Corporation and subsidiaries (the Company) as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management s report on internal control over financial reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2013 of the Company and our report dated February 24, 2014 expressed an unqualified opinion on those consolidated financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

New York, NY
February 24, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Loews Corporation

New York, NY

We have audited the accompanying consolidated balance sheets of Loews Corporation and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedules listed in the Index at Item 15. These consolidated financial statements and financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Loews Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2014 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, NY
February 24, 2014

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

Assets:

December 31	**2013**	2012
(Dollar amounts in millions, except per share data)		
Investments:		
Fixed maturities, amortized cost of $39,426 and $38,324	**$ 41,320**	$ 42,765
Equity securities, cost of $881 and $893	**871**	898
Limited partnership investments	**3,420**	3,090
Other invested assets, primarily mortgage loans	**562**	460
Short term investments	**6,800**	5,835
Total investments	**52,973**	53,048
Cash	**295**	228
Receivables	**9,361**	9,366
Property, plant and equipment	**14,498**	13,935
Goodwill	**357**	996
Other assets	**1,650**	1,538
Deferred acquisition costs of insurance subsidiaries	**624**	598

Separate account business	**181**	312
Total assets	**$ 79,939**	$ 80,021

See Notes to Consolidated Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

Liabilities and Equity:

December 31	**2013**	2012
(Dollar amounts in millions, except per share data)		
Insurance reserves:		
Claim and claim adjustment expense	**$ 24,089**	$ 24,763
Future policy benefits	**10,471**	11,475
Unearned premiums	**3,718**	3,610
Policyholders funds	**116**	157
Total insurance reserves	**38,394**	40,005
Payable to brokers	**143**	205
Short term debt	**840**	19
Long term debt	**10,006**	9,191
Deferred incomes taxes	**716**	840
Other liabilities	**4,753**	4,773
Separate account business	**181**	312
Total liabilities	**55,033**	55,345

Commitments and contingent liabilities

Shareholders equity:		
Preferred stock, $0.10 par value:		
Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 387,210,096 and 392,054,766 shares	**4**	4
Additional paid-in capital	**3,607**	3,595
Retained earnings	**15,508**	15,192
Accumulated other comprehensive income	**339**	678

	19,458	19,469
Less treasury stock, at cost (249,600 shares)	**-**	(10)
Total shareholders equity	**19,458**	19,459
Noncontrolling interests	**5,448**	5,217
Total equity	**24,906**	24,676
Total liabilities and equity	**$ 79,939**	$ 80,021

See Notes to Consolidated Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31	**2013**	2012	2011
(In millions, except per share data)			
Revenues:			
Insurance premiums	**$ 7,271**	$ 6,882	$ 6,603
Net investment income	**2,593**	2,349	2,063
Investment gains (losses):			
Other-than-temporary impairment losses	**(76)**	(129)	(175)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss)	**(2)**	(25)	(41)
Net impairment losses recognized in earnings	**(78)**	(154)	(216)
Other net investment gains	**104**	211	164
Total investment gains (losses)	**26**	57	(52)
Contract drilling revenues	**2,844**	2,936	3,254
Other	**2,319**	2,328	2,261
Total	**15,053**	14,552	14,129
Expenses:			
Insurance claims and policyholders benefits	**5,947**	5,896	5,489
Amortization of deferred acquisition costs	**1,362**	1,274	1,176
Contract drilling expenses	**1,573**	1,537	1,549
Other operating expenses (Note 7)	**3,664**	4,006	3,167
Impairment of goodwill	**636**		
Interest	**442**	440	522
Total	**13,624**	13,153	11,903
Income before income tax	**1,429**	1,399	2,226
Income tax expense	**(360)**	(289)	(532)
Net income	**1,069**	1,110	1,694
Amounts attributable to noncontrolling interests	**(474)**	(542)	(632)
Net income attributable to Loews Corporation	**$ 595**	$ 568	$ 1,062
Basic net income per common share	**$ 1.53**	$ 1.44	$ 2.62

Diluted net income per common share	**$ 1.53**	$ 1.43	$ 2.62
Dividends per share	**$ 0.25**	$ 0.25	$ 0.25
Basic weighted average number of shares outstanding	**388.64**	395.12	404.53
Diluted weighted average number of shares outstanding	**389.51**	395.87	405.32

See Notes to Consolidated Financial Statements

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31	**2013**	2012	2011
(In millions)			
Net income	**$ 1,069**	$ 1,110	$ 1,694
Other comprehensive income (loss), after tax			
Changes in:			
Net unrealized gains on investments with other-than-temporary impairments	**6**	84	10
Net other unrealized gains (losses) on investments	**(679)**	339	362
Total unrealized gains (losses) on available-for-sale investments	**(673)**	423	372
Unrealized gains (losses) on cash flow hedges	**(23)**	(8)	39
Pension liability	**329**	(132)	(238)
Foreign currency	**(11)**	39	(14)
Other comprehensive income (loss)	**(378)**	322	159
Comprehensive income	**691**	1,432	1,853
Amounts attributable to noncontrolling interests	**(437)**	(575)	(648)
Total comprehensive income attributable to Loews Corporation	**$ 254**	$ 857	$ 1,205

See Notes to Consolidated Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF EQUITY

		Loews Corporation Shareholders					
	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
(In millions)							
Balance, January 1, 2011	$ 23,028	$ 4	$ 3,667	$ 14,500	$ 230	$ (15)	$ 4,642
Net income	1,694			1,062			632
Other comprehensive income	159				143		16
Dividends paid	(500)			(101)			(399)
Acquisition of CNA Surety noncontrolling interests	(475)		(59)		17		(433)
Disposition of FICOH ownership interest	(155)				(7)		(148)
Issuance of equity securities by subsidiary	152		28		1		123
Purchase of Loews treasury stock	(718)					(718)	
Retirement of treasury stock	-		(164)	(569)		733	
Issuance of Loews common stock	4		4				
Stock-based compensation	22		19				3
Other	(8)		(1)	(2)			(5)
Balance, December 31,	23,203	4	3,494	14,890	384	-	4,431

2011							
Net income	1,110			568			542
Other comprehensive income	322				289		33
Dividends paid	(549)			(99)			(450)
Issuance of equity securities by subsidiary	774		115		5		654
Purchase of Loews treasury stock	(222)					(222)	
Retirement of treasury stock	-		(47)	(165)		212	
Issuance of Loews common stock	13		13				
Stock-based compensation	23		20				3
Other	2			(2)			4
Balance, December 31, 2012	$ 24,676	$ 4	$ 3,595	$ 15,192	$ 678	$ (10)	$ 5,217

See Notes to Consolidated Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF EQUITY

		Loews Corporation Shareholders					
(In millions)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock Held in Treasury	Noncontrolling Interests
Balance, December 31, 2012	$ 24,676	$ 4	$ 3,595	$ 15,192	$ 678	$ (10)	$ 5,217
Net income	1,069			595			474
Other comprehensive loss	(378)				(341)		(37)
Dividends paid	(597)			(97)			(500)
Issuance of equity securities by subsidiary	337		51		2		284
Purchase of Loews treasury stock	(218)					(218)	
Retirement of treasury stock	-		(48)	(180)		228	
Issuance of Loews common stock	5		5				
Stock-based compensation	18		3				15
Other	(6)		1	(2)			(5)
Balance, December 31, 2013	$ 24,906	$ 4	$ 3,607	$ 15,508	$ 339	$ -	$ 5,448

See Notes to Consolidated Financial Statements.

111

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31	**2013**	2012	2011
(In millions)			
Operating Activities:			
Net income	**$ 1,069**	$ 1,110	$ 1,694
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Investment (gains) losses	**(26)**	(57)	52
Undistributed (earnings) losses	**(380)**	(103)	74
Amortization of investments	**(24)**	(50)	(64)
Depreciation, depletion and amortization	**871**	905	833
Impairment of goodwill	**636**		
Impairment of natural gas and oil properties	**291**	680	
Provision for deferred income taxes	**6**	(22)	268
Other non-cash items	**83**	55	52
Changes in operating assets and liabilities, net:			
Receivables	**87**	327	1,085
Deferred acquisition costs	**2**	(16)	(1)
Insurance reserves	**(68)**	430	(237)
Other assets	**(19)**	74	181
Other liabilities	**470**	(73)	(326)
Trading securities	**(901)**	(406)	354
Net cash flow operating activities	**2,097**	2,854	3,965
Investing Activities:			
Purchases of fixed maturities	**(11,197)**	(10,299)	(12,168)
Proceeds from sales of fixed maturities	**6,869**	6,123	7,591
Proceeds from maturities of fixed maturities	**3,271**	3,699	3,055
Purchases of equity securities	**(77)**	(54)	(72)
Proceeds from sales of equity securities	**103**	86	178
Purchases of limited partnership investments	**(323)**	(372)	(303)
Proceeds from sales of limited partnership investments	**204**	227	143
Purchases of property, plant and equipment	**(1,737)**	(1,405)	(1,335)
Acquisitions	**(235)**	(987)	(548)
Dispositions	**182**	221	222
Change in short term investments	**(101)**	(192)	1,461
Other, net	**(257)**	(142)	(127)

Net cash flow investing activities	**(3,298)**	(3,095)	(1,903)

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31	**2013**	2012	2011
(In millions)			
Financing Activities:			
Dividends paid	**$ (97)**	$ (99)	$ (101)
Dividends paid to noncontrolling interests	**(500)**	(450)	(399)
Acquisition of CNA Surety noncontrolling interests			(475)
Purchases of treasury shares	**(228)**	(212)	(732)
Issuance of common stock	**5**	13	4
Proceeds from sale of subsidiary stock	**370**	849	172
Principal payments on debt	**(1,494)**	(2,910)	(2,832)
Issuance of debt	**3,255**	3,152	2,321
Other, net	**(40)**	(7)	(11)
Net cash flow financing activities	**1,271**	336	(2,053)
Effect of foreign exchange rate on cash	**(3)**	4	
Net change in cash	**67**	99	9
Cash, beginning of year	**228**	129	120
Cash, end of year	**$ 295**	$ 228	$ 129

See Notes to Consolidated Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of presentation Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary); transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 53% owned subsidiary); exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids), (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary); and the operation of a chain of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term N income (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

Principles of consolidation The Consolidated Financial Statements include all subsidiaries and intercompany accounts and transactions have been eliminated. The equity method of accounting is used for investments in associated companies in which the Company generally has an interest of 20% to 50%.

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

Investments The Company classifies its fixed maturity securities and equity securities as either available-for-sale or trading, and as such, they are carried at fair value. Short term investments are carried at fair value. Changes in fair value of trading securities are reported within Net investment income on the Consolidated Statements of Income. Changes in fair value related to available-for-sale securities are reported as a component of Other comprehensive income. The cost of fixed maturity securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, which are included in Net investment income on the Consolidated Statements of Income. Losses may be recognized within the Consolidated Statements of Income when a decline in value is determined by the Company to be other-than-temporary.

To the extent that unrealized gains on fixed income securities supporting long term care products and payout annuity contracts would result in a premium deficiency if those gains were realized, a related decrease in Deferred acquisition costs and/or increase in Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through Other comprehensive income (Shadow Adjustments). Shadow Adjustments decreased $880 million (after tax and noncontrolling interests) and increased $710 million (after tax and noncontrolling interests) for the years ended December 31, 2013 and 2012. At December 31, 2013 and 2012, net unrealized gains on investments included in Accumulated other comprehensive income (AOCI) were correspondingly reduced by $478 million and $1.4 billion (after tax and noncontrolling interests).

For asset-backed securities included in fixed maturity securities, the Company recognizes income using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future

payments. The amortized cost of high credit quality securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the securities. Such adjustments are reflected in Net investment income on the Consolidated Statements of Income. Interest income on lower rated securities is determined using the prospective yield method.

The Company s carrying value of investments in limited partnerships is its share of the net asset value of each partnership, as determined by the General Partner. Certain partnerships for which results are not available on a timely basis are reported on a lag, primarily three months or less. These investments are accounted for under the

Table of Contents

equity method and changes in net asset values are recorded within Net investment income on the Consolidated Statements of Income.

Investments in derivative securities are carried at fair value with changes in fair value reported as a component of Investment gains (losses), Income (loss) from trading portfolio, or Other comprehensive income (loss), depending on their hedge designation. A derivative is typically defined as an instrument whose value is derived from an underlying instrument, index or rate, has a notional amount, requires little or no initial investment and can be net settled. Derivatives include, but are not limited to, the following types of investments: interest rate swaps, interest rate caps and floors, put and call options, warrants, futures, forwards, commitments to purchase securities, credit default swaps and combinations of the foregoing. Derivatives embedded within non-derivative instruments (such as call options embedded in convertible bonds) must be split from the host instrument when the embedded derivative is not clearly and closely related to the host instrument.

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

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

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

The focus of the analysis for asset-backed securities is on assessing the sufficiency and quality of underlying collateral and timing of cash flows based on scenario tests. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss is judged to exist and the asset-backed security is deemed to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is judged to be other-than-temporarily impaired for credit reasons and that shortfall, referred to as the credit component, is recognized as an OTTI loss in earnings. The difference between the adjusted amortized cost basis and fair value, referred to as the non-credit component, is recognized as OTTI in Other comprehensive income. In subsequent reporting periods, a change in intent to sell or further credit impairment on a security whose fair value has not deteriorated will cause the non-credit component originally recorded as OTTI in Other comprehensive income to be recognized as an OTTI loss in earnings.

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

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

Table of Contents

period of time sufficient to allow for an anticipated recovery in value and (iv) general market conditions and industry or sector specific outlook.

Joint venture investments The Company has 20% to 50% interests in operating joint ventures related to the Bluegrass Project as discussed in Note 2 and hotel properties that are accounted for under the equity method. The Company s investment in these entities was $242 million and $67 million for the years ended December 31, 2013 and 2012 and reported in Other assets on the Company s Consolidated Balance Sheets. Equity income for these investments was $12 million, $24 million and $24 million for the years ended December 31, 2013, 2012 and 2011 and reported in Other operating expenses on the Company s Consolidated Statements of Income. Some of these investments are variable interest entities (VIE) as defined in the accounting guidance because the entities will require additional funding from each equity owner throughout the development and construction phase and are accounted for under the equity method since the Company is not the primary beneficiary. The maximum exposure to loss for the VIE investments is $336 million, consisting of the amount of the investment and debt guarantees.

The following tables present summarized financial information for these joint ventures:

Year Ended December 31	**2013**	2012
(In millions)		
Total assets	**$ 1,336**	$ 672
Total liabilities	**954**	625

Year Ended December 31	**2013**	2012	2011
Revenues	**$ 349**	$ 294	$ 284
Net income	**7**	32	29

Hedging The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedging transactions. The Company also formally assesses (both at the hedge s inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative for which hedge accounting has been designated is not (or ceases to be) highly effective, the Company discontinues hedge accounting prospectively. See Note 5 for additional information on the Company s use of derivatives.

Securities lending activities The Company lends securities for the purpose of enhancing income or to finance positions to unrelated parties who have been designated as primary dealers by the Federal Reserve Bank of New York. Borrowers of these securities must deposit and maintain collateral with the Company of no less than 100% of the fair value of the securities loaned. U.S. Government securities and cash are accepted as collateral. The Company maintains effective control over loaned securities and, therefore, continues to report such securities as investments on the Consolidated Balance Sheets.

Securities lending is typically done on a matched-book basis where the collateral is invested to substantially match the term of the loan. This matching of terms tends to limit risk. In accordance with the Company s lending agreements, securities on loan are returned immediately to the Company upon notice. Collateral is not reflected as an asset of the Company. There was no collateral held at December 31, 2013 and 2012.

Revenue recognition Premiums on property and casualty insurance contracts are recognized in proportion to the underlying risk insured which principally are earned ratably over the duration of the policies. Premiums on long term care contracts are earned ratably over the policy year in which they are due. The reserve for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Table of Contents

Insurance receivables include balances due currently or in the future, including amounts due from insureds related to losses under high deductible policies, and are presented at unpaid balances, net of an allowance for doubtful accounts. Amounts are considered past due based on policy payment terms. That allowance is determined based on periodic evaluations of aged receivables, management s experience and current economic conditions. Insurance receivables and any related allowance are written off after collection efforts are exhausted or a negotiated settlement is reached.

Property and casualty contracts that are retrospectively rated contain provisions that result in an adjustment to the initial policy premium depending on the contract provisions and loss experience of the insured during the experience period. For such contracts, CNA estimates the amount of ultimate premiums that it may earn upon completion of the experience period and recognizes either an asset or a liability for the difference between the initial policy premium and the estimated ultimate premium. CNA adjusts such estimated ultimate premium amounts during the course of the experience period based on actual results to date. The resulting adjustment is recorded as either a reduction of or an increase to the earned premiums for the period.

Contract drilling revenue from dayrate drilling contracts is recognized as services are performed. In connection with such drilling contracts, Diamond Offshore may receive fees (either lump-sum or dayrate) for the mobilization of equipment. These fees are earned as services are performed over the initial term of the related drilling contracts. Absent a contract, mobilization costs are recognized currently. From time to time, Diamond Offshore may receive fees from its customers for capital improvements to their rigs. Diamond Offshore defers such fees received and recognizes these fees into revenue on a straight-line basis over the period of the related drilling contract. Diamond Offshore capitalizes the costs of such capital improvements and depreciates them over the estimated useful life of the improvement.

Revenues from transportation and storage services are recognized in the period the service is provided based on contractual terms and the related transported and stored volumes. The majority of Boardwalk Pipeline s operating subsidiaries are subject to Federal Energy Regulatory Commission (FERC) regulations and, accordingly, certain revenues collected may be subject to possible refunds to its customers. An estimated refund liability is recorded considering regulatory proceedings, advice of counsel and estimated total exposure.

HighMount s natural gas and oil production revenue is recognized based on actual volumes of natural gas and oil sold to purchasers. Sales require delivery of the product to the purchaser, passage of title and probability of collection of purchaser amounts owed. Natural gas and oil production revenue is reported net of royalties. HighMount uses the sales method of accounting for gas imbalances. An imbalance is created when the volumes of gas sold by HighMount pertaining to a property do not equate to the volumes produced to which HighMount is entitled based on its interest in the property. An asset or liability is recognized to the extent that HighMount has an imbalance in excess of the remaining reserves on the underlying properties.

Claim and claim adjustment expense reserves Claim and claim adjustment expense reserves, except reserves for structured settlements not associated with asbestos and environmental pollution (A&EP), workers compensation lifetime claims, and accident and health claims are not discounted and are based on (i) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations; (ii) estimates of incurred but not reported losses; (iii) estimates of losses on assumed reinsurance; (iv) estimates of future expenses to be incurred in the settlement of claims; (v) estimates of salvage and subrogation recoveries and (vi) estimates of amounts due from insureds related to losses under high deductible policies. Management considers current conditions and trends as well as past CNA and industry experience in establishing these estimates. The effects of inflation, which can be significant, are implicitly considered in the reserving process and are part of the recorded reserve balance. Ceded claim and claim adjustment expense reserves are reported as a component of Receivables on the Consolidated Balance Sheets.

Claim and claim adjustment expense reserves are presented net of anticipated amounts due from insureds related to losses under deductible policies of $1.3 billion as of December 31, 2013 and 2012. A significant portion of these amounts are supported by collateral. CNA also has an allowance for uncollectible deductible amounts, which is presented as a component of the allowance for doubtful accounts included in Receivables on the Consolidated Balance Sheets.

Table of Contents

Structured settlements have been negotiated for certain property and casualty insurance claims. Structured settlements are agreements to provide fixed periodic payments to claimants. Certain structured settlements are funded by annuities purchased from Continental Assurance Company (CAC), a wholly owned and consolidated subsidiary of CNA, for which the related annuity obligations are reported in Future policy benefits reserves. Obligations for structured settlements not funded by annuities are included in claim and claim adjustment expense reserves and carried at present values determined using interest rates ranging from 7.1% to 9.7% at December 31, 2013 and 2012. At December 31, 2013 and 2012, the discounted reserves for unfunded structured settlements were $580 million and $602 million, net of discount of $969 million and $1.0 billion.

Workers compensation lifetime claim reserves are calculated using mortality assumptions determined through statutory regulation and economic factors. Accident and health claim reserves are calculated using mortality and morbidity assumptions based on CNA and industry experience. Workers compensation lifetime claim reserves and accident and health claim reserves are discounted at interest rates ranging from 3.0% to 6.8% at December 31, 2013 and 3.0% to 6.5% at December 31, 2012. At December 31, 2013 and 2012, such discounted reserves totaled $2.4 billion and $2.2 billion, net of discount of $617 million and $837 million.

Future policy benefits reserves Reserves for long term care products and payout annuity contracts are computed using the net level premium method, which incorporates actuarial assumptions as to morbidity, mortality, persistency, discount rate and expenses. Expense assumptions include the estimated effects of expenses to be incurred beyond the premium paying period. Actuarial assumptions generally vary by plan, age at issue and policy duration. The initial assumptions are determined at issuance, include a margin for adverse deviation, and are locked in throughout the life of the contract unless a premium deficiency develops. If a premium deficiency emerges, the assumptions are unlocked and deferred acquisition costs, if any, and the future policy benefit reserves are adjusted. Interest rates for long term care products range from 4.5% to 7.9% at December 31, 2013 and from 5.0% to 7.4% at December 31, 2012. Interest rates for payout annuity contracts range from 5.0% to 8.7% at December 31, 2013 and 2012. In 2012, CNA unlocked assumptions related to its payout annuity contracts due to anticipated adverse changes in discount rates, which reflected the then current low interest rate environment and its view of expected investment yields, resulting in loss recognition which increased insurance liabilities by $33 million.

Policyholders funds reserves Policyholders funds reserves primarily include reserves for investment contracts without life contingencies. For these contracts, policyholder liabilities are generally equal to the accumulated policy account values, which consist of an accumulation of deposit payments plus credited interest, less withdrawals and amounts assessed through the end of the period.

Guaranty fund and other insurance-related assessments Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the entity to pay an imposed or probable assessment has occurred. Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of Other liabilities on the Consolidated Balance Sheets. As of December 31, 2013 and 2012, the liability balances were $143 million. As of December 31, 2013 and 2012, included in Other assets on the Consolidated Balance Sheets were $1 million and $2 million of related assets for premium tax offsets. This asset is limited to the amount that is able to be offset against premium tax on future premium collections from business written or committed to be written.

Reinsurance Reinsurance accounting allows for contractual cash flows to be reflected as premiums and losses. To qualify for reinsurance accounting, reinsurance agreements must include risk transfer. To meet risk transfer requirements, a reinsurance contract must include both insurance risk, consisting of underwriting and timing risk, and a reasonable possibility of a significant loss for the assuming entity.

Reinsurance receivables related to paid losses are presented at unpaid balances. Reinsurance receivables related to unpaid losses are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves. Reinsurance receivables are reported net of an allowance for doubtful accounts on the Consolidated Balance Sheets. The cost of reinsurance is primarily accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies or over the reinsurance contract period. The ceding of insurance does not discharge the primary liability of CNA.

Table of Contents

CNA has established an allowance for doubtful accounts on reinsurance receivables which relates to both amounts already billed on ceded paid losses as well as ceded reserves that will be billed when losses are paid in the future. The allowance for doubtful accounts on reinsurance receivables is estimated on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management s experience and current economic conditions. Reinsurer financial strength ratings are updated and reviewed on an annual basis or sooner if CNA becomes aware of significant changes related to a reinsurer. Because billed receivables generally approximate 5% or less of total reinsurance receivables, the age of the reinsurance receivables related to paid losses is not a significant input into the allowance analysis. Changes in the allowance for doubtful accounts on reinsurance receivables are presented as a component of Insurance claims and policyholders benefits on the Consolidated Statements of Income.

Amounts are considered past due based on the reinsurance contract terms. Reinsurance receivables related to paid losses and any related allowance are written off after collection efforts have been exhausted or a negotiated settlement is reached with the reinsurer. Reinsurance receivables related to paid losses from insolvent insurers are written off when the settlement due from the estate can be reasonably estimated. At the time reinsurance receivables related to paid losses are written off, any required adjustment to reinsurance receivables related to unpaid losses is recorded as a component of Insurance claims and policyholders benefits on the Consolidated Statements of Income.

Reinsurance contracts that do not effectively transfer the economic risk of loss on the underlying policies are recorded using the deposit method of accounting, which requires that premium paid or received by the ceding company or assuming company be accounted for as a deposit asset or liability. CNA had $3 million recorded as deposit assets at December 31, 2013 and 2012, and $130 million and $125 million recorded as deposit liabilities at December 31, 2013 and 2012. Income on reinsurance contracts accounted for under the deposit method is recognized using an effective yield based on the anticipated timing of payments and the remaining life of the contract. When the anticipated timing of payments changes, the effective yield is recalculated to reflect actual payments to date and the estimated timing of future payments. The deposit asset or liability is adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract.

Deferred acquisition costs Acquisition costs include commissions, premium taxes and certain underwriting and policy issuance costs which are incremental direct costs of successful contract acquisitions. Deferred acquisition costs related to long term care contracts issued prior to January 1, 2004 include costs which vary with and are primarily related to the acquisition of business.

Acquisition costs related to property and casualty business are deferred and amortized ratably over the period the related premiums are earned.

Deferred acquisition costs related to long term care contracts are amortized over the premium-paying period of the related policies using assumptions consistent with those used for computing future policy benefit reserves for such contracts. Assumptions are made at the date of policy issuance or acquisition and are consistently applied during the lives of the contracts. Deviations from estimated experience are included in results of operations when they occur. For these contracts, the amortization period is typically the estimated life of the policy. At December 31, 2013 and 2012, deferred acquisition costs were presented net of Shadow Adjustments of $342 million and $369 million.

CNA evaluates deferred acquisition costs for recoverability. Anticipated investment income is considered in the determination of the recoverability of deferred acquisition costs. Adjustments, if necessary, are recorded in current results of operations.

Deferred acquisition costs are presented net of ceding commissions and other ceded acquisition costs. Unamortized deferred acquisition costs relating to contracts that have been substantially changed by a modification in benefits,

features, rights or coverages that were not anticipated in the original contract are not deferred and are included as a charge to operations in the period during which the contract modification occurred.

Investments in life settlement contracts and related revenue recognition Prior to 2002, CNA purchased investments in life settlement contracts. A life settlement contract is a contract between the owner of a life insurance policy (the policy owner) and a third party investor (investor). Under a life settlement contract, CNA obtained the ownership and beneficiary rights of an underlying life insurance policy.

Table of Contents

CNA accounts for its investments in life settlement contracts using the fair value method. Under the fair value method, each life settlement contract is carried at its fair value at the end of each reporting period. The change in fair value, life insurance proceeds received and periodic maintenance costs, such as premiums, necessary to keep the underlying policy in force, are recorded in Other revenues on the Consolidated Statements of Income.

The fair value of CNA s investments in life settlement contracts were $88 million and $100 million at December 31, 2013 and 2012, and are included in Other assets on the Consolidated Balance Sheets. The cash receipts and payments related to life settlement contracts are included in Cash flows from operating activities on the Consolidated Statements of Cash Flows.

The following table details the values for life settlement contracts. The determination of fair value is discussed in Note 4.

(Dollar amounts in millions)	Number of Life Settlement Contracts	Fair Value of Life Settlement Contracts	Face Amount of Life Insurance Policies
Estimated maturity during:			
2014	60	$ 13	$ 39
2015	60	11	35
2016	50	9	32
2017	50	8	29
2018	40	7	26
Thereafter	364	40	217
Total	624	$ 88	$ 378

CNA uses an actuarial model to estimate the aggregate face amount of life insurance that is expected to mature in each future year and the corresponding fair value. This model projects the likelihood of the insured s death for each inforce policy based upon CNA s estimated mortality rates, which may vary due to the relatively small size of the portfolio of life settlement contracts. The number of life settlement contracts presented in the table above is based upon the average face amount of inforce policies estimated to mature in each future year.

The increase (decrease) in fair value recognized for the years ended December 31, 2013, 2012 and 2011 on contracts still being held was $(2) million, $11 million and $5 million. The gains recognized during the years ended December 31, 2013, 2012 and 2011 on contracts that settled were $15 million, $42 million and $28 million.

Separate Account Business Separate account assets and liabilities represent contract holder funds related to investment and annuity products for which the policyholder assumes substantially all the risk and reward. The assets are segregated into accounts with specific underlying investment objectives and are legally segregated from CNA. All assets of the separate account business are carried at fair value with an equal amount recorded for separate account liabilities. Fee income accruing to CNA related to separate accounts is primarily included within Other revenues on the Consolidated Statements of Income.

A number of separate account pension deposit contracts guarantee principal and an annual minimum rate of interest. If aggregate contract value in the separate account exceeds the fair value of the related assets, an additional Policyholders funds liability is established. Certain of these contracts are subject to a fair value adjustment if terminated by the policyholder.

Goodwill Goodwill represents the excess of purchase price over fair value of net assets of acquired entities. Goodwill is tested for impairment annually or when certain triggering events require additional tests. Subsequent reversal of a goodwill impairment charge is not permitted. See Note 8 for additional information on goodwill.

Property, plant and equipment Property, plant and equipment is carried at cost less accumulated depreciation, depletion and amortization (DD&A). Depreciation is computed principally by the straight-line method over the estimated useful lives of the various classes of properties. Leaseholds and leasehold improvements are depreciated

Table of Contents

or amortized over the terms of the related leases (including optional renewal periods where appropriate) or the estimated lives of improvements, if less than the lease term.

The principal service lives used in computing provisions for depreciation are as follows:

	Years
Pipeline equipment	30 to 50
Offshore drilling equipment	15 to 30
Other	3 to 40

HighMount follows the full cost method of accounting for natural gas and oil exploration and production activities. Under the full cost method, all direct costs of property acquisition, exploration and development activities are capitalized. These capitalized costs are subject to a quarterly ceiling test. Under the ceiling test, amounts capitalized are limited to the present value of estimated future net revenues to be derived from the anticipated production of proved natural gas and oil reserves, assuming an average price during the twelve month period adjusted for cash flow hedges in place, and limiting the classification of proved undeveloped reserves to locations scheduled to be drilled within five years. If net capitalized costs exceed the ceiling test at the end of any quarterly period, then a permanent write-down of the assets must be recognized in that period. A write-down may not be reversed in future periods, even though higher natural gas and oil prices may subsequently increase the ceiling. Approximately 4.9% (unaudited) of HighMount s total proved reserves as of December 31, 2013 are hedged by qualifying cash flow hedges, for which hedge adjusted prices were used to calculate estimated future net revenue. Future cash flows associated with settling asset retirement obligations that have been accrued in the Consolidated Balance Sheets are excluded from HighMount s calculations of discounted cash flows under the full cost ceiling test.

Depletion of natural gas and oil producing properties is computed using the units-of-production method. Under the full cost method, the base of costs subject to depletion also includes estimated future costs to be incurred in developing proved natural gas and oil reserves, as well as capitalized asset retirement costs, net of projected salvage values. The costs of investments in unproved properties including associated exploration-related costs are initially excluded from the depletable base. As the unproved properties are evaluated, a ratable portion of the capitalized costs is periodically reclassified to the depletable base, determined on a property by property basis, over the terms of underlying leases. Once a property has been completely evaluated, any remaining capitalized costs are then transferred to the depletable base. In addition, proceeds from the sale or other disposition of natural gas and oil properties are accounted for as reductions of capitalized cost, unless the sale would significantly alter the relationship between capitalized costs and proved reserves, in which case, a gain or loss is recognized.

Impairment of long-lived assets The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets and intangibles with finite lives, under certain circumstances, are reported at the lower of carrying amount or fair value. Assets to be disposed of and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value less cost to sell.

Income taxes The Company and its eligible subsidiaries file a consolidated tax return. Deferred income taxes are recognized for temporary differences between the financial statement and tax return bases of assets and liabilities, based on enacted tax rates and other provisions of the tax law. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not, and a valuation allowance is established for any portion of a deferred tax asset that management believes may not be realized.

The Company recognizes uncertain tax positions that it has taken or expects to take on a tax return. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. See Note 11 for additional information on the provision for income taxes.

Pension and postretirement benefits The Company recognizes the overfunded or underfunded status of its defined benefit plans in Other assets or Other liabilities in the Consolidated Balance Sheets. Changes in funded status related to prior service costs and credits and actuarial gains and losses are recognized in the year in which the

Table of Contents

changes occur through Accumulated other comprehensive income (loss). The Company measures its benefit plan assets and obligations at December 31. Annual service cost, interest cost, expected return on plan assets, amortization of prior service costs and credits and amortization of actuarial gains and losses are recognized in the Consolidated Statements of Income.

Stock based compensation The Company records compensation expense upon issuance of share-based payment awards for all awards it grants, modifies or cancels primarily on a straight-line basis over the requisite service period, generally three to four years. The share-based payment awards are valued using the Black-Scholes option pricing model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the valuation of these awards. These assumptions include the term that the awards are expected to be outstanding, an estimate of the volatility of the underlying stock price, applicable risk-free interest rates and the dividend yield of the Company s stock.

The Company recognized compensation expense that decreased net income by $11 million for the year ended December 31, 2013. For the years ended December 31, 2012 and 2011, the Company recognized compensation expense that decreased net income by $13 million and $12 million. Several of the Company s subsidiaries also maintain their own stock option plans. The amounts reported above include the Company s share of expense related to its subsidiaries plans.

Net income Per Share Companies with complex capital structures are required to present basic and diluted net income per share. Basic net income per share excludes dilution and is computed by dividing net income 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.

For each of the years ended December 31, 2013, 2012 and 2011, approximately 0.9 million, 0.8 million and 0.8 million potential shares attributable to exercises under the Loews Corporation Stock Option Plan were included in the calculation of diluted net income per share. For those same periods, approximately 1.5 million, 2.6 million and 2.0 million Stock Appreciation Rights (SARs) were not included in the calculation of diluted net income per share due to the exercise price being greater than the average stock price.

Foreign currency Foreign currency translation gains and losses are reflected in Shareholders equity as a component of Accumulated other comprehensive income (loss). The Company s foreign subsidiaries balance sheet accounts are translated at the exchange rates in effect at each reporting date and income statement accounts are translated at the average exchange rates. Foreign currency transaction losses of $3 million, gains of $10 million and losses of $5 million for the years ended December 31, 2013, 2012 and 2011 were included in the Consolidated Statements of Income.

Regulatory accounting The majority of Boardwalk Pipeline s operating subsidiaries are regulated by FERC. GAAP for regulated entities requires Texas Gas Transmission, LLC (Texas Gas), a wholly owned subsidiary of Boardwalk Pipeline, to report certain assets and liabilities consistent with the economic effect of the manner in which independent third party regulators establish rates. Accordingly, certain costs and benefits are capitalized as regulatory assets and liabilities in order to provide for recovery from or refund to customers in future periods. Regulatory accounting is not applicable to Boardwalk Pipeline s other FERC regulated entities.

Supplementary cash flow information Cash payments made for interest on long term debt, net of capitalized interest, amounted to $415 million, $450 million and $526 million for the years ended December 31, 2013, 2012 and 2011. Cash payments for federal, foreign, state and local income taxes amounted to $183 million, $120 million and

$322 million for the years ended December 31, 2013, 2012 and 2011. Investing activities exclude $43 million, $35 million and $14 million of accrued capital expenditures for the years ended December 31, 2013, 2012 and 2011.

Table of Contents

Note 2. Acquisitions/Divestiture

CNA Financial

On July 2, 2012, CNA acquired Hardy Underwriting Bermuda Limited (Hardy), a specialized Lloyd s of London (Lloyd s) underwriter. Through Lloyd s Syndicate 382, Hardy underwrites primarily short-tail exposures in marine and aviation, non-marine property, specialty lines and property treaty reinsurance. Hardy has business operations in the United Kingdom, Bermuda, Bahrain, Guernsey and Singapore. For the year ended December 31, 2011, Hardy reported gross written premiums of $430 million. The purchase price for Hardy was $231 million and resulted in CNA recording $55 million of identifiable indefinite-lived intangible assets, $81 million of identifiable finite-lived intangible assets and $35 million of goodwill.

In November of 2011, CNA completed the sale of its 50% ownership interest in First Insurance Company of Hawaii (FICOH) and received $165 million in net proceeds. This sale did not have a significant impact on the Company s results of operations.

On June 10, 2011, CNA completed the acquisition of all of the publicly traded shares of common stock of CNA Surety Corporation (CNA Surety) for $475 million. Prior to the acquisition, CNA owned approximately 61% of the outstanding common stock of CNA Surety.

Boardwalk Pipeline

In 2013, Boardwalk Pipeline executed a series of agreements with the Williams Companies, Inc. (Williams) to develop the Bluegrass Project, a joint venture project that would develop a pipeline to transport natural gas liquids from the Marcellus and Utica shale plays to the petrochemical and export complex in the Lake Charles, Louisiana area, and the construction of related fractionation, storage and liquefied petroleum gas terminal export facilities. In connection with the transaction, Boardwalk Pipeline and Boardwalk Pipelines Holding Corp. (BPHC), a wholly owned subsidiary of the Company, have entered into separate joint venture arrangements for purposes of funding the project. Boardwalk Pipeline and BPHC have contributed a total of $79 million to the project as of December 31, 2013. Approval and completion of the project is subject to, among other conditions, execution of customer contracts sufficient to support the project, acquisition of right-of-way along the pipeline route, and the parties receipt of all necessary approvals, including board approvals and regulatory approvals, such as antitrust clearance under the Hart-Scott-Rodino Antitrust Improvements Act and approvals by the FERC, among others.

On October 1, 2012, a joint venture between Boardwalk Pipeline and BPHC acquired Boardwalk Louisiana Midstream LLC, a company that provides salt dome storage, pipeline transportation, fractionation and brine supply services, from PL Logistics LLC for approximately $620 million. The acquisition was funded with proceeds from a $225 million five-year variable rate term loan and equity contributions by BPHC of $269 million for a 65% equity interest and of $148 million by Boardwalk Pipeline for a 35% equity interest. The joint venture recorded $25 million of identifiable finite-lived intangible assets and $52 million of goodwill. On October 15, 2012, Boardwalk Pipeline acquired BPHC s 65% equity interest in the joint venture for $269 million, which did not result in any significant adjustments to the Consolidated Financial Statements.

In December of 2011, Petal Gas Storage, LLC (formerly referred to as Boardwalk HP Storage Company, LLC) (Petal) acquired seven salt dome natural gas storage caverns and associated assets in Mississippi for approximately $550 million. Petal funded the acquisition with proceeds from a $200 million five-year variable rate term loan and equity contributions from BPHC and Boardwalk Pipeline. BPHC contributed $280 million for an 80% interest in Petal and Boardwalk Pipeline contributed $70 million for a 20% interest. Petal recorded $52 million of goodwill and $14

million of identifiable finite-lived intangible assets. In February of 2012, Boardwalk Pipeline acquired BPHC s 80% interest in Petal for $285 million, which did not result in any significant adjustments to the Consolidated Financial Statements.

HighMount

In the fourth quarter of 2011, HighMount acquired working interests in oil and gas properties located in Oklahoma. The purchase price was approximately $106 million in cash and was included primarily in the cost of unproved properties within Property, plant and equipment in the Consolidated Balance Sheets.

Table of Contents

Note 3. Investments

Net investment income is as follows:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Fixed maturity securities	**$ 1,998**	$ 2,022	$ 2,011
Short term investments	**5**	12	16
Limited partnership investments	**519**	283	97
Equity securities	**12**	12	20
Income (loss) from trading portfolio (a)	**90**	52	(39)
Other	**25**	24	16
Total investment income	**2,649**	2,405	2,121
Investment expenses	**(56)**	(56)	(58)
Net investment income	**$ 2,593**	$ 2,349	$ 2,063

(a) Includes net unrealized gains (losses) related to changes in fair value on trading securities still held of $(2), $6 and $(58) for the years ended December 31, 2013, 2012 and 2011.

As of December 31, 2013, the Company held no non-income producing fixed maturity securities. As of December 31, 2012, the Company held nine non-income producing fixed maturity securities aggregating $1 million of fair value. As of December 31, 2013 and 2012, no investments in a single issuer exceeded 10% of shareholders equity other than investments in securities issued by the U.S. Treasury and obligations of government-sponsored enterprises.

Investment gains (losses) are as follows:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Fixed maturity securities	**$ 55**	$ 83	$ (22)
Equity securities	**(22)**	(23)	(1)
Derivative instruments	**(10)**	(5)	(34)
Short term investments and other	**3**	2	5
Investment gains (losses) (a)	**$ 26**	$ 57	$ (52)

(a) Includes gross realized gains of $214, $251 and $299 and gross realized losses of $181, $191 and $322 on available-for-sale securities for the years ended December 31, 2013, 2012 and 2011.

Table of Contents

Net change in unrealized gains (losses) on available-for-sale investments is as follows:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Fixed maturity securities	**$ (2,541)**	$ 1,871	$ 1,442
Equity securities	**(15)**	5	(2)
Other		(1)	(3)
Total net change in unrealized gains on available-for-sale investments	**$ (2,556)**	$ 1,875	$ 1,437

The components of OTTI losses recognized in earnings by asset type are as follows:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Fixed maturity securities available-for-sale:			
Corporate and other bonds	**$ 22**	$ 27	$ 95
States, municipalities and political subdivisions		34	
Asset-backed:			
Residential mortgage-backed	**19**	50	105
Other asset-backed	**2**		6
Total asset-backed	**21**	50	111
U.S. Treasury and obligations of government-sponsored enterprises		1	
Total fixed maturities available-for-sale	**43**	112	206
Equity securities available-for-sale:			
Common stock	**8**	6	8
Preferred stock	**26**	36	1
Total equity securities available-for-sale	**34**	42	9
Short term investments	**1**		1
Net OTTI losses recognized in earnings	**$ 78**	$ 154	$ 216

Table of Contents

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

December 31, 2013 (In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities:					
Corporate and other bonds	**$ 19,352**	**$ 1,645**	**$ 135**	**$ 20,862**	
States, municipalities and political subdivisions	**11,281**	**548**	**272**	**11,557**	
Asset-backed:					
Residential mortgage-backed	**4,940**	**123**	**92**	**4,971**	**$ (37)**
Commercial mortgage-backed	**1,995**	**90**	**22**	**2,063**	**(3)**
Other asset-backed	**945**	**13**	**3**	**955**	
Total asset-backed	**7,880**	**226**	**117**	**7,989**	**(40)**
U.S. Treasury and obligations of government-sponsored enterprises	**139**	**6**	**1**	**144**	
Foreign government	**531**	**15**	**3**	**543**	
Redeemable preferred stock	**92**	**10**		**102**	
Fixed maturities available-for-sale	**39,275**	**2,450**	**528**	**41,197**	**(40)**
Fixed maturities, trading	**151**		**28**	**123**	
Total fixed maturities	**39,426**	**2,450**	**556**	**41,320**	**(40)**
Equity securities:					
Common stock	**36**	**9**		**45**	
Preferred stock	**143**	**1**	**4**	**140**	
Equity securities available-for-sale	**179**	**10**	**4**	**185**	**-**
Equity securities, trading	**702**	**119**	**135**	**686**	
Total equity securities	**881**	**129**	**139**	**871**	**-**
Total	**$ 40,307**	**$ 2,579**	**$ 695**	**$ 42,191**	**$ (40)**

December 31, 2012

Fixed maturity securities:					
Corporate and other bonds	$ 19,530	$ 2,698	$ 21	$ 22,207	
	9,372	1,455	44	10,783	

States, municipalities and political subdivisions					
Asset-backed:					
Residential mortgage-backed	5,745	246	71	5,920	$ (28)
Commercial mortgage-backed	1,692	147	17	1,822	(3)
Other asset-backed	929	23		952	
Total asset-backed	8,366	416	88	8,694	(31)
U.S. Treasury and obligations of government-sponsored enterprises	172	11	1	182	
Foreign government	588	25		613	
Redeemable preferred stock	113	13	1	125	
Fixed maturities available-for-sale	38,141	4,618	155	42,604	(31)
Fixed maturities, trading	183		22	161	
Total fixed maturities	38,324	4,618	177	42,765	(31)
Equity securities:					
Common stock	38	14		52	
Preferred stock	190	7		197	
Equity securities available-for-sale	228	21	-	249	-
Equity securities, trading	665	80	96	649	
Total equity securities	893	101	96	898	-
Total	$ 39,217	$ 4,719	$ 273	$ 43,663	$ (31)

Table of Contents

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

December 31, 2013	Less than 12 Months		12 Months or Longer		Total	
	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	**$ 3,592**	**$ 129**	**$ 72**	**$ 6**	**$ 3,664**	**$ 135**
States, municipalities and political subdivisions	**3,251**	**197**	**129**	**75**	**3,380**	**272**
Asset-backed:						
Residential mortgage-backed	**1,293**	**29**	**343**	**63**	**1,636**	**92**
Commercial mortgage-backed	**640**	**22**			**640**	**22**
Other asset-backed	**269**	**3**			**269**	**3**
Total asset-backed	**2,202**	**54**	**343**	**63**	**2,545**	**117**
U.S. Treasury and obligations of government-sponsored enterprises	**13**	**1**			**13**	**1**
Foreign government	**111**	**3**			**111**	**3**
Total fixed maturity securities	**9,169**	**384**	**544**	**144**	**9,713**	**528**
Preferred stock	**87**	**4**			**87**	**4**
Total	**$ 9,256**	**$ 388**	**$ 544**	**$ 144**	**$ 9,800**	**$ 532**

December 31, 2012						
Fixed maturity securities:						
Corporate and other bonds	$ 846	$ 13	$ 108	$ 8	$ 954	$ 21
States, municipalities and political subdivisions	254	5	165	39	419	44
Asset-backed:						
Residential mortgage-backed	583	5	452	66	1,035	71
Commercial mortgage-backed	85	2	141	15	226	17
Total asset-backed	668	7	593	81	1,261	88
U.S. Treasury and obligations of government-sponsored enterprises	23	1			23	1

Redeemable preferred stock	28	1			28	1
Total	$ 1,819	$ 27	$ 866	$ 128	$ 2,685	$ 155

Based on current facts and circumstances, the Company believes the unrealized losses presented in the table above are primarily attributable to broader economic conditions, changes in interest rates and credit spreads, market illiquidity and other market factors, but are not indicative of the ultimate collectibility of the current amortized cost of the securities. The investments with longer duration, primarily included within the states, municipalities and political subdivision asset category, were more significantly impacted by changes in market interest rates. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at December 31, 2013.

Table of Contents

The following table summarizes the activity for the years ended December 31, 2013, 2012 and 2011 related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held at December 31, 2013, 2012 and 2011 for which a portion of an OTTI loss was recognized in Other comprehensive income.

Year Ended December 31	**2013**	2012	2011
(In millions)			
Beginning balance of credit losses on fixed maturity securities	**$ 95**	$ 92	$ 141
Additional credit losses for securities for which an OTTI loss was previously recognized	**2**	23	39
Credit losses for securities for which an OTTI loss was not previously recognized		2	11
Reductions for securities sold during the period	**(23)**	(14)	(67)
Reductions for securities the Company intends to sell or more likely than not will be required to sell		(8)	(32)
Ending balance of credit losses on fixed maturity securities	**$ 74**	$ 95	$ 92

Contractual Maturity

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

December 31	**2013**		2012	
	Cost or Amortized Cost	**Estimated Fair Value**	Cost or Amortized Cost	Estimated Fair Value
(In millions)				
Due in one year or less	**$ 2,420**	**$ 2,455**	$ 1,648	$ 1,665
Due after one year through five years	**9,496**	**10,068**	13,603	14,442
Due after five years through ten years	**11,667**	**11,954**	8,726	9,555
Due after ten years	**15,692**	**16,720**	14,164	16,942
Total	**$ 39,275**	**$ 41,197**	$ 38,141	$ 42,604

Limited Partnerships

The carrying value of limited partnerships as of December 31, 2013 and 2012 was approximately $3.4 billion and $3.1 billion which includes undistributed earnings of $1.2 billion and $828 million. Limited partnerships comprising 73.6% of the total carrying value are reported on a current basis through December 31, 2013 with no reporting lag, 12.8% are reported on a one month lag and the remainder are reported on more than a one month lag. As of December 31, 2013 and 2012, the Company had 93 and 86 active limited partnership investments. The number of limited partnerships held and the strategies employed provide diversification to the limited partnership portfolio and the overall invested asset portfolio.

Of the limited partnerships held, 79.2% and 84.1% at December 31, 2013 and 2012, employ hedge fund strategies that generate returns through investing in securities that are marketable while engaging in various management techniques primarily in public fixed income and equity markets. These hedge fund strategies include both long and short positions in fixed income, equity and derivative instruments. The hedge fund strategies may seek to generate gains from mispriced or undervalued securities, price differentials between securities, distressed investments, sector rotation or various arbitrage disciplines. Within hedge fund strategies, approximately 53.7% were equity related, 28.7% pursued a multi-strategy approach, 12.8% were focused on distressed investments and 4.8% were fixed income related at December 31, 2013.

Table of Contents

Limited partnerships representing 17.8% and 13.0% at December 31, 2013 and 2012 were invested in private debt and equity. The remaining were invested in various other partnerships including real estate. The ten largest limited partnership positions held totaled $1.7 billion and $1.6 billion as of December 31, 2013 and 2012. Based on the most recent information available regarding the Company s percentage ownership of the individual limited partnerships, the carrying value reflected on the Consolidated Balance Sheets represents approximately 4.1% of the aggregate partnership equity at December 31, 2013 and 2012, and the related income reflected on the Consolidated Statements of Income represents approximately 3.7%, 3.3% and 3.9% of the changes in total partnership equity for the years ended December 31, 2013, 2012 and 2011.

While the Company generally does not invest in highly leveraged partnerships, there are risks which may result in losses due to short-selling, derivatives or other speculative investment practices. The use of leverage increases volatility generated by the underlying investment strategies.

The Company s limited partnership investments contain withdrawal provisions that generally limit liquidity for a period of thirty days up to one year and in some cases do not permit withdrawals until the termination of the partnership. Typically, withdrawals require advance written notice of up to 90 days.

Investment Commitments

As of December 31, 2013, the Company had committed approximately $381 million to future capital calls from various third party limited partnership investments in exchange for an ownership interest in the related partnerships.

The Company invests in various privately placed debt securities, including bank loans, as part of its overall investment strategy and has committed to additional future purchases, sales and funding. As of December 31, 2013, the Company had commitments to purchase or fund additional amounts of $151 million and sell $145 million under the terms of such securities.

Investments on Deposit

Securities with carrying values of approximately $3.3 billion and $3.6 billion were deposited by CNA s insurance subsidiaries under requirements of regulatory authorities and others as of December 31, 2013 and 2012.

Cash and securities with carrying values of approximately $353 million and $4 million were deposited with financial institutions as collateral for letters of credit as of December 31, 2013 and 2012. In addition, cash and securities were deposited in trusts with financial institutions to secure reinsurance and other obligations with various third parties. The carrying values of these deposits were approximately $294 million and $277 million as of December 31, 2013 and 2012.

Note 4. 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 methodologies and inputs used to estimate fair value for each specific security. In general, the Company seeks to price securities using third party pricing services. Securities not priced by pricing services are submitted to independent brokers for valuation and, if those are not available, internally developed pricing models are used to value assets using methodologies and inputs the Company believes

Table of Contents

market participants would use to value the assets. Prices obtained from third party pricing services or brokers are not adjusted by the Company.

The Company performs control procedures over information obtained from pricing services and brokers to ensure prices received represent a reasonable estimate of fair value and to confirm representations regarding whether inputs are observable or unobservable. Procedures include (i) the review of pricing service or broker pricing methodologies, (ii) back-testing, where past fair value estimates are compared to actual transactions executed in the market on similar dates, (iii) exception reporting, where changes in price, period-over-period, are reviewed and challenged with the pricing service or broker based on exception criteria, (iv) detailed analysis, where the Company 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 Balance Sheets. Equity options purchased are included in Equity securities, and all other derivative assets are included in Receivables. Derivative liabilities are included in Payable to brokers. Assets and liabilities measured at fair value on a recurring basis are summarized in the tables below:

December 31, 2013	Level 1	Level 2	Level 3	Total
(In millions)				
Fixed maturity securities:				
Corporate and other bonds	$ 33	$ 20,625	$ 204	$ 20,862
States, municipalities and political subdivisions		11,486	71	11,557
Asset-backed:				
Residential mortgage-backed		4,640	331	4,971
Commercial mortgage-backed		1,912	151	2,063
Other asset-backed		509	446	955
Total asset-backed		7,061	928	7,989
U.S. Treasury and obligations of government-sponsored enterprises	116	28		144
Foreign government	81	462		543
Redeemable preferred stock	45	57		102
Fixed maturities available-for-sale	275	39,719	1,203	41,197
Fixed maturities, trading		43	80	123
Total fixed maturities	$ 275	$ 39,762	$ 1,283	$ 41,320
Equity securities available-for-sale	$ 126	$ 48	$ 11	$ 185
Equity securities, trading	678		8	686
Total equity securities	$ 804	$ 48	$ 19	$ 871

Short term investments	**$ 6,162**	**$ 563**		**$ 6,725**
Other invested assets		**54**		**54**
Receivables		**5**	**$ 2**	**7**
Life settlement contracts			**88**	**88**
Separate account business	**9**	**171**	**1**	**181**
Payable to brokers	**(40)**	**(7)**	**(5)**	**(52)**

Table of Contents

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

Table of Contents

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

	Balance, January 1	Included in Net Income	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, December 31	Unrealiz Gains (Losses Recognize Net Income on Leve 3 Assets a Liabiliti Held at December
	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)									
millions)										
d maturity rities:										
porate and r bonds	$ 219	$ 3		$ 123	$ (97)	$ (44)	$ 51	$ (51)	$ 204	$ (2)
es, icipalities political divisions	96	(2)	$ 4	122	(79)	(61)	18	(27)	71	
t-backed:										
dential tgage-backed	413	4	(14)	116	(10)	(75)	4	(107)	331	(3)
mercial tgage-backed	129		11	107	(3)	(11)	21	(103)	151	
er t-backed	368	5	(4)	314	(197)	(35)		(5)	446	(2)
l t-backed	910	9	(7)	537	(210)	(121)	25	(215)	928	(5)
eemable erred stock	26	(1)				(25)			-	

d maturities lable-for-sale	**1,251**		**9**		**(3)**		**782**		**(386)**		**(251)**		**94**		**(293)**		**1,203**		**(7)**	
d maturities, ing	**89**		**(4)**				**19**		**(24)**								**80**		**(4)**	
l fixed urities	**$ 1,340**		**$ 5**		**$ (3)**		**$ 801**		**$ (410)**		**$ (251)**		**$ 94**		**$ (293)**		**$ 1,283**		**$ (11)**	
ity securities lable-for-sale	**$ 34**		**$ (27)**		**$ 3**		**$ 2**								**$ (1)**		**$ 11**		**$ (27)**	
ity securities, ing	**7**		**(5)**				**6**										**8**		**(5)**	
l equity rities	**$ 41**		**$ (32)**		**$ 3**		**$ 8**		**$ -**		**$ -**		**$ -**		**$ (1)**		**$ 19**		**$ (32)**	
rt term stments	**$ 6**								**$ (6)**								**$ -**			
er invested ts	**1**								**(1)**								**-**			
settlement racts	**100**		**$ 13**								**$ (25)**						**88**		**$ (2)**	
arate account ness	**2**						**$ 1**		**(2)**								**1**			
vative ncial ruments, net	**5**		**8**		**$ (9)**		**(2)**		**1**		**(6)**						**(3)**		**1**	

Table of Contents

	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, December 31	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at December 31
illions)										
d maturity rities:										
orate and bonds	$ 482	$ 6	$ 4	$ 230	$ (135)	$ (88)	$ 45	$ (325)	$ 219	$ (3)
s, cipalities olitical ivisions	171			14		(89)			96	
t-backed:										
dential gage-backed	452	(14)	2	97		(40)		(84)	413	(18)
mercial gage-backed	59	8	14	165	(12)	(28)	13	(90)	129	
r -backed	343	11	8	615	(365)	(128)		(116)	368	
l -backed	854	5	24	877	(377)	(196)	13	(290)	910	(18)
eemable rred stock	-		(1)	53	(26)				26	
d maturities able-for-sale	1,507	11	27	1,174	(538)	(373)	58	(615)	1,251	(21)
d maturities, ng	101	(6)		1	(7)				89	(6)

l fixed rities	$ 1,608	$ 5	$ 27	$ 1,175	$ (545)	$ (373)	$ 58	$ (615)	$ 1,340	$ (27)
ty securities able-for-sale	$ 67	$ (36)	$ 6	$ 27	$ (16)			$ (14)	$ 34	$ (38)
ty securities, ng	14	(6)			(1)				7	(6)
l equity rities	$ 81	$ (42)	$ 6	$ 27	$ (17)	$ -	$ -	$ (14)	$ 41	$ (44)
t term stments	$ 27			$ 23	$ (4)	$ (41)	$ 1		$ 6	
r invested s	11					(10)			1	
settlement racts	117	$ 53				(70)			100	$ 11
rate account ness	23				(21)				2	
vative cial uments, net	(15)	(4)	$ 30		(6)				5	(1)

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

Major Category of Assets and Liabilities	Consolidated 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

Table of Contents

Securities shown in the Level 3 tables may be transferred in or out of Level 3 based on the availability of observable market information used to determine the fair value of the security. The availability of observable market information varies based on market conditions and trading volume and may cause securities to move in and out of Level 3 from reporting period to reporting period. There were no transfers between Level 1 and Level 2 during the year ended December 31, 2013. There were $106 million of transfers from Level 2 to Level 1 and $72 million of transfers from Level 1 to Level 2 during the year ended December 31, 2012. 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

Fixed maturity securities are valued using methodologies that model information generated by market transactions involving identical or comparable assets, as well as discounted cash flow methodologies. Common inputs include: prices from recently executed transactions of similar securities, broker/dealer 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.

Level 1 securities include exchange traded bonds, highly liquid U.S. and foreign government 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. Securities are generally assigned to Level 3 in cases where broker/dealer quotes are significant inputs to the valuation and there is a lack of transparency as to whether these quotes are based on information that is observable in the marketplace. Level 3 securities also include tax-exempt auction rate certificates and private placement debt securities. Fair value of auction rate securities is determined utilizing a pricing model with three primary inputs. The interest rate and spread inputs are observable from like instruments while the expected call date assumption is unobservable due to the uncertain nature of principal prepayments prior to maturity and the credit spread adjustment that is security specific. Fair value of certain private placement debt securities 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, broker/dealer quotes and other pricing models utilizing market observable inputs. Level 3 securities are priced using internal models with inputs that are not market observable.

Derivative Financial Instruments

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

based on information that is observable in the marketplace.

Table of Contents

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 classified consistent with fixed maturity securities discussed above. Short term investments as presented in the tables above differ from the amounts presented in the Consolidated Balance Sheets because certain short term investments, such as time deposits, are not measured at fair value.

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.

Separate Account Business

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

Significant Unobservable Inputs

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

December 31, 2013	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)	
	(In millions)				
Assets					
Fixed maturity securities	**$ 142**	**Discounted cash flow**	**Credit spread**	**1.74%**	**19.90% (3.98%)**
Equity securities	**10**	**Market approach**	**Private offering price**	**$360.12 per share ($1,147.95 per share)**	**$4,267.66 per share**
Life settlement	**88**	**Discounted cash flow**	**Discount rate risk premium**		**9%**

contracts					
			Mortality assumption	**70%**	**743%(191.6%)**
December 31, 2012					
Assets					
Fixed maturity securities	$ 121	Discounted cash flow	Expected call date	3.3	5.3 years (4.3 years)
			Credit spread adjustment	0.02%	0.48%(0.17%)
	72	Market approach	Private offering price	$42.39	$102.32($100.11)
Equity securities	34	Market approach	Private offering price	$4.54	$3,842.00 per share ($571.17 per share)
Life settlement contracts	100	Discounted cash flow	Discount rate risk premium		9%
			Mortality assumption	69%	883%(208.9%)

Table of Contents

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

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 instrument assets and liabilities which are not measured at fair value on the Consolidated Balance Sheets are listed in the tables below. 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 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.

December 31, 2013 (In millions)	**Carrying Amount**	**Estimated Fair Value Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Other invested assets, primarily mortgage loans	**$ 508**			**$ 515**	**$ 515**
Financial liabilities:					
Premium deposits and annuity contracts	**57**			**58**	**58**
Short term debt	**838**		**$ 852**	**20**	**872**
Long term debt	**9,995**		**10,387**	**182**	**10,569**
December 31, 2012					
Financial assets:					
Other invested assets, primarily mortgage loans	$ 401			$ 418	$ 418
Financial liabilities:					
Premium deposits and annuity contracts	100			104	104
Short term debt	19		$ 13	6	19
Long term debt	9,191		10,170	202	10,372

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

The fair values of mortgage loans were 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.

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

Fair value of debt was based on observable market prices when available. When observable market prices were not available, the fair value for 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.

Table of Contents

Note 5. Derivative Financial Instruments

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

The Company enters into interest rate swaps, futures and commitments to purchase securities to manage interest rate risk. Credit derivatives such as credit default swaps are entered into to modify the credit risk inherent in certain investments. Forward contracts, futures, swaps and options are used primarily to manage foreign currency and commodity price risk.

In addition to the derivatives used for risk management purposes described above, the Company may also use derivatives for purposes of income enhancement. Income enhancement transactions include but are not limited to interest rate swaps, call options, put options, credit default swaps, index futures and foreign currency forwards. See Note 4 for information regarding the fair value of derivative instruments.

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. 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.

December 31	**2013**			2012		
	Contractual/ Notional Amount	**Estimated Fair Value**		Contractual/ Notional Amount	Estimated Fair Value	
(In millions)		**Asset**	**(Liability)**		Asset	(Liability)
With hedge designation:						
Interest rate risk:						
Interest rate swaps	**$ 300**		**$ (4)**	$ 300		$ (6)
Commodities:						
Forwards short	**191**	**$ 5**	**(4)**	288	$ 39	(3)
Foreign exchange:						
Currency forwards short	**114**	**2**	**(1)**	144	4	
Without hedge designation:						
Equity markets:						
Options purchased	**1,561**	**41**		255	19	
written	**729**		**(23)**	374		(11)
Equity swaps and warrants long	**17**	**9**		14	6	
Interest rate risk:						
Credit default swaps						

purchased protection		**50**	**(3)**	78	(2)
sold protection		**25**		33	(2)
Foreign exchange:					
Currency forwards	long	**55**		404	(2)
	short	**113**		128	

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

Table of Contents

For derivative financial instruments without hedge designation, changes in the fair value of derivatives not held in a trading portfolio are reported in Investment gains (losses) and changes in the fair value of derivatives held for trading purposes are reported in Net investment income on the Consolidated Statements of Income. Losses of $10 million, $5 million and $34 million were recorded in Investment gains (losses) for the years ended December 31, 2013, 2012 and 2011. Losses of $26 million, $19 million and $14 million were included in Net investment income for the years ended December 31, 2013, 2012 and 2011.

The Company s derivative financial instruments with cash flow hedge designation hedge variable price risk associated with the purchase and sale of natural gas and other energy-related products, exposure to foreign currency losses on future foreign currency expenditures, as well as risks attributable to changes in interest rates on long term debt. Losses of $19 million and gains of $43 million and $33 million were recognized in OCI related to these cash flow hedges for the years ended December 31, 2013, 2012 and 2011. Gains of $19 million and $54 million and losses of $28 million were reclassified from AOCI into income for the years ended December 31, 2013, 2012 and 2011. As of December 31, 2013, the estimated amount of net unrealized losses associated with these cash flow hedges that will be reclassified from AOCI into earnings during the next twelve months was $6 million. For each of the years ended December 31, 2013, 2012 and 2011, the net amounts recognized due to ineffectiveness were less than $1 million.

Note 6. Receivables

December 31	**2013**	2012
(In millions)		
Reinsurance	**$ 6,088**	$ 6,231
Insurance	**2,063**	1,983
Receivable from brokers	**239**	159
Accrued investment income	**448**	437
Federal income taxes	**34**	51
Other, primarily customer accounts	**818**	717
Total	**9,690**	9,578
Less: allowance for doubtful accounts on reinsurance receivables	**71**	73
allowance for other doubtful accounts	**258**	139
Receivables	**$ 9,361**	$ 9,366

Note 7. Property, Plant and Equipment

December 31	**2013**	2012
(In millions)		
Pipeline equipment (net of accumulated DD&A of $1,404 and $1,168)	**$ 7,232**	$ 7,148
Offshore drilling equipment (net of accumulated DD&A of $3,727 and $3,347)	**3,750**	3,824

Natural gas and oil proved and unproved properties (net of accumulated DD&A of $3,128 and $2,813)	**772**	893
Other (net of accumulated DD&A of $825 and $874)	**812**	815
Construction in process	**1,932**	1,255
Property, plant and equipment, net	**$ 14,498**	$ 13,935

Table of Contents

DD&A expense and capital expenditures are as follows:

Year Ended December 31	**2013**		2012		2011	
	DD&A	**Capital Expend.**	DD&A	Capital Expend.	DD&A	Capital Expend.
(In millions)						
CNA Financial	**$ 72**	**$ 90**	$ 71	$ 98	$ 70	$ 85
Diamond Offshore	**389**	**987**	394	721	399	783
Boardwalk Pipeline	**275**	**305**	256	247	231	142
HighMount	**75**	**270**	101	346	94	324
Loews Hotels	**32**	**369**	30	30	29	19
Corporate and other	**6**	**4**	7	10	10	19
Total	**$ 849**	**$ 2,025**	$ 859	$ 1,452	$ 833	$ 1,372

Capitalized interest related to the construction and upgrade of qualifying assets amounted to approximately $99 million, $55 million and $31 million for the years ended December 31, 2013, 2012 and 2011.

Offshore Drilling Equipment

Purchase of Assets

In 2013 and 2012, Diamond Offshore recorded $128 million and $251 million in Construction in process for four new ultra-deepwater drillships. In addition, Diamond Offshore recorded $354 million and $235 million in Construction in process for two new deepwater floaters in 2013 and 2012. The rigs are being constructed utilizing the hulls of two of Diamond Offshore s mid-water floaters. In 2013, Diamond Offshore also recorded $195 million in Construction in process for the construction of a harsh environment semisubmersible drilling rig, with an expected completion date in the first quarter of 2016.

Sale of Assets

In 2012, Diamond Offshore sold six jack-up rigs for total proceeds of $132 million, resulting in a pretax gain of approximately $76 million, recorded in Other revenues.

Asset Impairment

In 2012, Diamond Offshore decided to actively market for sale three mid-water rigs and one jack-up rig. Diamond Offshore recorded an impairment charge of $62 million related to the three mid-water rigs. The fair value for each rig was measured using an expected present value technique that utilized significant unobservable inputs, representing a Level 3 fair value measurement, which included assumptions for estimated proceeds that may be received on disposition of the rig and estimated costs to sell. At December 31, 2013 and 2012, the carrying value of these rigs amounted to $8 million and $12 million.

Natural Gas and Oil Proved and Unproved Properties

Impairment of Natural Gas and Oil Properties

In 2013 and 2012, HighMount recorded ceiling test impairment charges of $291 million and $680 million ($186 million and $433 million after tax) related to the carrying value of its natural gas and oil properties. The impairments were recorded within Other operating expenses and as credits to Accumulated DD&A. The 2013 write-downs were primarily attributable to negative reserve revisions due to variability in well performance where HighMount is testing different horizontal target zones and hydraulic fracture designs and due to reduced average NGL prices used in the ceiling test calculations. The write-downs in 2012 were the result of significant declines in natural gas and NGL prices. Had the effects of HighMount s cash flow hedges not been considered in calculating the ceiling limitation, the impairments would have been $301 million and $737 million ($192 million and $469 million after tax) for the years ended December 31, 2013 and 2012.

Table of Contents

Costs Not Being Amortized

HighMount excludes from amortization the cost of unproved properties, the cost of exploratory wells in progress and major development projects in progress. Natural gas and oil property and equipment costs not being amortized as of December 31, 2013, are as follows, by the year in which such costs were incurred:

(In millions)	Total	2013	2012	2011	Prior
Acquisition costs	$ 148	$ 8	$ 1	$ 28	$ 111
Exploration costs	76	70	1	3	2
Capitalized interest	35	7	7	8	13
Total excluded costs	$ 259	$ 85	$ 9	$ 39	$ 126

Note 8. Goodwill

(In millions)	Total	CNA Financial	Diamond Offshore	Boardwalk Pipeline	HighMount	Loews Hotels
Balance, December 31, 2011	$ 908	$ 86	$ 20	$ 215	$ 584	$ 3
Acquisitions	91	35		56		
Other adjustments	(3)	(3)				
Balance, December 31, 2012	996	118	20	271	584	3
Impairments	**(636)**			**(52)**	**(584)**	
Other adjustments	**(3)**	**1**		**(4)**		
Balance, December 31, 2013	**$ 357**	**$ 119**	**$ 20**	**$ 215**	**$ -**	**$ 3**

Based upon the completion of its annual goodwill impairment testing in 2013, Boardwalk Pipeline determined in the first step of the two-step quantitative goodwill impairment analysis that the carrying value of its reporting unit which included goodwill associated with the Petal acquisition as discussed in Note 2, exceeded its fair value. The fair value of the reporting unit declined from the amount determined in 2012 primarily due to the recent narrowing of time period price spreads and reduced volatility which negatively affects the value of Boardwalk Pipeline s storage and PAL services and the cumulative effect of reduced basis spreads on the value of Boardwalk Pipeline s transportation

services. The fair value measurement of the reporting unit was derived based on judgments and assumptions which Boardwalk Pipeline believes market participants would use in assessing the fair value of the reporting unit. These judgments and assumptions which utilized significant unobservable inputs, representing a Level 3 fair value measurement, included the valuation premise, use of a discounted cash flow model to estimate fair value and inputs to the valuation model. The inputs included, but were not limited to, forecasted operating results and the long term natural gas outlook for growth in demand. Due to the results of the first step, Boardwalk Pipeline performed the second step to compare the fair value of the reporting unit to the fair value of the reporting unit s assets and liabilities. As a result, Boardwalk Pipeline recognized a goodwill impairment charge of $52 million ($16 million after tax and noncontrolling interests) for the year ended December 31, 2013, representing the carrying value of the goodwill for the reporting unit.

Table of Contents

Recognition of a ceiling test impairment charge is considered a triggering event for purposes of assessing any potential impairment of goodwill at HighMount under a two-step process. The first step compares HighMount s estimated fair value to its carrying value. Due to the continued low market prices for natural gas and NGLs, the recent history of quarterly ceiling test write-downs during 2012 and 2013 and potential for future impairments, and negative reserve revisions recognized during 2013, HighMount reassessed its goodwill impairment analysis. To determine fair value, HighMount used a market approach which required significant estimates and assumptions and utilized significant unobservable inputs, representing a Level 3 fair value measurement. These estimates and assumptions primarily included, but were not limited to, earnings before interest, tax, depreciation and amortization, production and reserves, control premium, discount rates and required capital expenditures. These valuation techniques were based on analysis of comparable public companies, adjusted for HighMount s growth profile. In the first step, HighMount determined that its carrying value exceeded its fair value requiring HighMount to perform the second step and to estimate the fair value of its assets and liabilities. The carrying value of goodwill is limited to the amount that HighMount s estimated fair value exceeds the fair value of assets and liabilities. As a result, HighMount recorded a goodwill impairment charge of $584 million ($382 million after tax) for the year ended December 31, 2013, consisting of all of its remaining goodwill.

Based on the results of the annual impairment tests for all other reporting units, the Company concluded that the fair values of all other reporting units significantly exceeded their carrying values, no other goodwill impairment existed at December 31, 2013.

Note 9. 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 $169 million, $391 million and $222 million for the years ended December 31, 2013, 2012 and 2011. Catastrophe losses in 2012 included Storm Sandy.

141

Table of Contents

The table below provides a reconciliation between beginning and ending claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves of the life company:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Reserves, beginning of year:			
Gross	**$ 24,763**	$ 24,303	$ 25,496
Ceded	**5,126**	5,020	6,122
Net reserves, beginning of year	**19,637**	19,283	19,374
Change in net reserves due to acquisition (disposition) of subsidiaries		291	(277)
Net incurred claim and claim adjustment expenses:			
Provision for insured events of current year	**5,114**	5,273	4,904
Decrease in provision for insured events of prior years	**(115)**	(182)	(429)
Amortization of discount	**154**	145	135
Total net incurred (a)	**5,153**	5,236	4,610
Net payments attributable to:			
Current year events	**(981)**	(988)	(1,029)
Prior year events	**(4,588)**	(4,280)	(3,473)
Total net payments	**(5,569)**	(5,268)	(4,502)
Foreign currency translation adjustment and other	**(104)**	95	78
Net reserves, end of year	**19,117**	19,637	19,283
Ceded reserves, end of year	**4,972**	5,126	5,020
Gross reserves, end of year	**$ 24,089**	$ 24,763	$ 24,303

(a) Total net incurred above does not agree to Insurance claims and policyholders benefits as reflected in the Consolidated Statements of Income due to amounts related to retroactive reinsurance deferred gain accounting, uncollectible reinsurance and loss deductible receivables, and benefit expenses related to future policy benefits and

policyholders funds, which are not reflected in the table above.

The changes in provision for insured events of prior years (net prior year claim and claim adjustment expense reserve development) were as follows:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Property and casualty reserve development	**$ (115)**	$ (180)	$ (429)
Life reserve development in life company		(2)	
Total	**$ (115)**	$ (182)	$ (429)

Table of Contents

The following tables summarize the gross and net carried reserves:

December 31, 2013	CNA Specialty	CNA Commercial	Life & Group Non-Core	Other	Total
(In millions)					
Gross Case Reserves	**$ 2,270**	**$ 5,829**	**$ 2,748**	**$ 1,415**	**$ 12,262**
Gross IBNR Reserves	**4,419**	**4,820**	**310**	**2,278**	**11,827**
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 6,689**	**$ 10,649**	**$ 3,058**	**$ 3,693**	**$ 24,089**
Net Case Reserves	**$ 2,024**	**$ 5,358**	**$ 2,352**	**$ 442**	**$ 10,176**
Net IBNR Reserves	**4,142**	**4,269**	**271**	**259**	**8,941**
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 6,166**	**$ 9,627**	**$ 2,623**	**$ 701**	**$ 19,117**
December 31, 2012					
Gross Case Reserves	$ 2,292	$ 6,146	$ 2,690	$ 1,540	$ 12,668
Gross IBNR Reserves	4,456	5,180	316	2,143	12,095
Total Gross Carried Claim and Claim Adjustment Expense Reserves	$ 6,748	$ 11,326	$ 3,006	$ 3,683	$ 24,763
Net Case Reserves	$ 2,008	$ 5,611	$ 2,253	$ 484	$ 10,356
Net IBNR Reserves	4,104	4,600	275	302	9,281
Total Net Carried Claim and Claim Adjustment Expense Reserves	$ 6,112	$ 10,211	$ 2,528	$ 786	$ 19,637

Net Prior Year Development

Changes in estimates of claim and allocated claim adjustment expense reserves and premium accruals, net of reinsurance, for prior years are defined as net prior year development. These changes can be favorable or unfavorable. The following tables and discussion include the net prior year development recorded for CNA Specialty, CNA Commercial and Other segments for the years ended December 31, 2013, 2012 and 2011.

Table of Contents

Favorable net prior year development of $9 million, $11 million and $29 million was recorded in the Life & Group Non-Core segment for the years ended December 31, 2013, 2012 and 2011.

Year Ended December 31, 2013	**CNA Specialty**	**CNA Commercial**	**Other**	**Total**
(In millions)				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (230)**	**$ 104**	**$ 8**	**$ (118)**
Pretax (favorable) unfavorable premium development	**(17)**	**(9)**	**(16)**	**(42)**
Total pretax (favorable) unfavorable net prior year development	**$ (247)**	**$ 95**	**$ (8)**	**$ (160)**
Year Ended December 31, 2012				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (135)	$ (46)	$ (24)	$ (205)
Pretax (favorable) unfavorable premium development	(15)	(35)	4	(46)
Total pretax (favorable) unfavorable net prior year development	$ (150)	$ (81)	$ (20)	$ (251)
Year Ended December 31, 2011				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (217)	$ (204)	$ (2)	$ (423)
Pretax (favorable) unfavorable premium development	(28)	21	(1)	(8)
Total pretax (favorable) unfavorable net prior year development	$ (245)	$ (183)	$ (3)	$ (431)

For the year ended December 31, 2013, favorable premium development for Other is primarily due to a commutation recorded at Hardy.

For the year ended December 31, 2012, favorable premium development was recorded for CNA Commercial primarily due to premium adjustments on auditable policies arising from increased exposures.

For the year ended December 31, 2011, favorable premium development was recorded for CNA Specialty primarily due to changes in estimates of exposures in medical professional liability tail coverages. Unfavorable premium development for CNA Commercial was recorded due to a reduction of ultimate premium estimates relating to retrospectively rated policies, partially offset by premium adjustments on auditable policies due to increased exposures.

Table of Contents

CNA Specialty

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

Year Ended December 31	**2013**	2012	2011
(In millions)			
Medical professional liability	**$ (35)**	$ (32)	$ (92)
Other professional liability and management liability	**(101)**	(22)	(78)
Surety	**(74)**	(63)	(47)
Warranty	**(3)**	(5)	(13)
Other	**(17)**	(13)	13
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (230)**	$ (135)	$ (217)

2013

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

Overall, favorable development for other professional liability and management liability was related to better than expected loss emergence in accident years 2010 and prior. Unfavorable development was recorded in accident year 2011 related to an increase in severity in management liability.

Favorable development for surety coverages was primarily due to better than expected large loss emergence in accident years 2011 and prior.

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

2012

Favorable development for medical professional liability was primarily due to better than expected loss emergence in accident years 2008 and prior.

Overall, favorable development for other professional liability and management liability was primarily due to better than expected loss emergence in accident years 2003 through 2007. Unfavorable development was recorded in CNA s lawyer coverages in accident years 2010 and 2011 primarily due to increased frequency and severity.

Favorable development for surety coverages was primarily due to better than expected loss emergence in accident years 2010 and prior.

Overall, favorable development for other coverages was primarily due to favorable loss emergence in property and workers compensation coverages in accident years 2005 and subsequent. Unfavorable development was recorded in accident year 2009 primarily due to an unfavorable outcome on an individual general liability claim.

2011

Favorable development for medical professional liability was primarily due to favorable case incurred emergence in nurses, physicians, excess institutions and primary institutions in accident years 2008 and prior.

Table of Contents

Favorable development for other professional liability and management liability was driven by better than expected loss emergence in the life agents, accountants, and architects & engineers business in accident years 2008 and prior. In addition, favorable development in CNA s European book of business was primarily due to favorable outcomes on several large losses in financial directors and officers and errors and omissions coverages in accident years 2003 and prior.

Favorable development for surety coverages was primarily due to a decrease in the estimated loss on a large national contractor in accident year 2005 and better than expected loss emergence in accident years 2009 and prior.

Favorable development in warranty was driven by favorable policy year experience on an aggregate stop loss policy covering CNA s non-insurance warranty subsidiary.

Unfavorable development for other coverages was primarily due to increased frequency of large claims in auto and workers compensation coverages in accident years 2009 and 2010.

CNA Commercial

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

Year Ended December 31	**2013**	2012	2011
(In millions)			
Commercial auto	**$ 15**	$ 27	$ (98)
General liability	**59**	(64)	(39)
Workers compensation	**92**	15	36
Property and other	**(62)**	(24)	(103)
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ 104**	$ (46)	$ (204)

2013

Unfavorable development for commercial auto coverages was primarily due to higher than expected frequency in accident years 2011 and 2012 and large loss emergence in accident years 2009 and 2010.

Unfavorable development for general liability coverages was primarily related to increased incurred loss severity in accident years 2010 through 2012.

Unfavorable development for workers compensation includes CNA s response to legislation enacted during 2013 related to the New York Fund for Reopened Cases. The law change necessitated an increase in reserves as re-opened workers compensation claims can no longer be turned over to the state for handling and payment after December 31, 2013. Additional unfavorable development was recorded in accident year 2012 related to increased frequency and severity on claims related to Defense Base Act contractors and in accident year 2010 due to higher than expected large losses and increased severity in the state of California.

Favorable development for property and other coverages was primarily related to favorable outcomes on litigated catastrophe claims in accident years 2005 and 2010 as well as favorable loss emergence in non-catastrophe losses in accident years 2010 through 2012.

2012

Unfavorable development for commercial auto coverages was primarily due to higher than expected loss emergence in accident years 2007 and subsequent and higher than expected frequency in accident year 2011.

Table of Contents

Overall, favorable development for general liability coverages was primarily due to better than expected loss emergence in accident years 2006 and subsequent related to umbrella business and 2003 and prior related to large account business. Unfavorable development was recorded in accident years 2009 through 2011 related to several large losses.

Overall, unfavorable development for workers compensation was primarily due to increased medical severity in accident years 2010 and 2011 and the recognition of losses related to favorable premium development in accident year 2011. Favorable development was recorded in accident years 2001 and prior reflecting favorable experience.

Overall, favorable development for property and other coverages was due to a favorable outcome on an individual claim in accident year 2005 and favorable loss emergence in non-catastrophe losses in accident years 2009 and 2010. Unfavorable development was recorded in accident year 2011 related to several large losses.

2011

Favorable development for commercial auto coverages was due to lower than expected severity on bodily injury claims and favorable claim emergence on umbrella policies in accident years 2006 and prior.

Favorable development in the general liability coverages was primarily due to favorable claim emergence in accident years 2007 and prior related to both primary and umbrella liability coverages.

Unfavorable development for workers compensation was related to increased medical severity in accident year 2010.

Overall, favorable development for property and other coverages was due to decreased frequency of large losses in commercial multi-peril coverages primarily in accident year 2010, favorable loss emergence related to catastrophe claims in accident year 2008 and favorable loss emergence related to non-catastrophe claims in accident years 2010 and prior. This development amount also included unfavorable development related to unallocated claim adjustment expenses.

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 (Loss Portfolio Transfer or LPT). Under the terms of the NICO 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 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.

The following table displays the impact of the Loss Portfolio Transfer on the Consolidated Statements of Income.

Year Ended December 31	**2013**	2012	2011

(In millions)

Net A&EP adverse development before consideration of LPT	**$ 363**	$ 261	$ 84
Provision for uncollectible third party reinsurance on A&EP	**140**		
Additional amounts ceded under LPT	**503**	261	84
Retroactive reinsurance benefit recognized	**(314)**	(261)	(84)
Pretax impact of unrecognized deferred retroactive reinsurance benefit	**$ 189**	$ -	$ -

Table of Contents

During 2013, 2012 and 2011, unfavorable development was recorded for accident years 2000 and prior related to A&EP claims due to an increase in ultimate claim severity and higher than anticipated claim reporting, as well as increased defense costs. Additionally, in 2013 CNA recognized a provision for uncollectible third party reinsurance which increased the expected recovery from NICO.

The Loss Portfolio Transfer is a retroactive reinsurance contract. In the event that the cumulative claim and allocated claim adjustment expenses ceded under the Loss Portfolio Transfer exceed the consideration paid, the resulting gain from such excess is deferred. A portion of the deferred gain is cumulatively recognized in earnings in the period such excess arises as if the revised estimate was available at the inception date of the Loss Portfolio Transfer.

In the fourth quarter of 2013, the cumulative amounts ceded under the Loss Portfolio Transfer of $2.5 billion exceeded the $2.2 billion consideration paid, resulting in a $189 million deferred retroactive reinsurance gain in Insurance claims and policyholders benefits on the Consolidated Statements of Income. This deferred benefit will be recognized in earnings in future periods in proportion to actual recoveries under the Loss Portfolio Transfer. Over the life of the contract, there is no economic impact as long as any additional losses are within the limit under the contract.

NICO established a collateral trust account as security for its obligations to CNA. The fair value of the collateral trust account at December 31, 2013 was $3.1 billion. 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.

Note 10. Leases

Leases cover office facilities, machinery and computer equipment. The Company s hotels in some instances are constructed on leased land. Rent expense amounted to $92 million, $96 million and $91 million for the years ended December 31, 2013, 2012 and 2011. The table below presents the future minimum lease payments to be made under non-cancelable operating leases along with lease and sublease minimum receipts to be received on owned and leased properties.

	Future Minimum Lease	
Year Ended December 31	**Payments**	**Receipts**
(In millions)		
2014	$ 66	$ 2
2015	60	
2016	53	
2017	42	
2018	35	
Thereafter	127	
Total	$ 383	$ 2

Note 11. Income Taxes

The Company and its eligible subsidiaries file a consolidated federal income tax return. The Company has entered into a separate tax allocation agreement with CNA, a majority-owned subsidiary in which its ownership exceeds 80%. The agreement provides that the Company will: (i) pay to CNA the amount, if any, by which the Company s consolidated federal income tax is reduced by virtue of inclusion of CNA in the Company s return or (ii) be paid by CNA an amount, if any, equal to the federal income tax that would have been payable by CNA if it had filed a separate consolidated return. The agreement may be canceled by either of the parties upon thirty days written notice.

For 2011 through 2013, the Internal Revenue Service (IRS) has accepted the Company into the Compliance Assurance Process (CAP), which is a voluntary program for large corporations. Under CAP, the IRS conducts a real-time audit and works contemporaneously with the Company to resolve any issues prior to the filing of the tax

Table of Contents

return. The Company believes this approach should reduce tax-related uncertainties, if any. Although the outcome of tax audits is always uncertain, the Company believes that any adjustments resulting from audits will not have a material impact on its results of operations, financial position and cash flows. The Company and/or its subsidiaries also file income tax returns in various state, local and foreign jurisdictions. These returns, with few exceptions, are no longer subject to examination by the various taxing authorities before 2009.

Diamond Offshore, which is not included in the Company s consolidated federal income tax return, files income tax returns in the U.S. federal, various state and foreign jurisdictions. The examination of Diamond Offshore s 2010 federal income tax return was completed during 2013. Tax years that remain subject to examination by the various other jurisdictions include years 2003 to 2012.

The current and deferred components of income tax expense (benefit) are as follows:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Income tax expense (benefit):			
Federal:			
Current	**$ 171**	$ 183	$ 127
Deferred	**15**	(18)	246
State and city:			
Current	**19**	19	10
Deferred	**(8)**	(5)	14
Foreign	**163**	110	135
Total	**$ 360**	$ 289	$ 532

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:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Income before income tax:			
U.S.	**$ 1,097**	$ 911	$ 1,466
Foreign	**332**	488	760
Total	**$ 1,429**	$ 1,399	$ 2,226
Income tax expense at statutory rate	**$ 500**	$ 490	$ 779

Increase (decrease) in income tax expense resulting from:			
Exempt investment income	**(99)**	(86)	(76)
Foreign related tax differential	**(117)**	(152)	(203)
Amortization of deferred charges associated with intercompany rig sales to other tax jurisdictions	**31**	31	30
Taxes related to domestic affiliate	**19**	25	55
Partnership earnings not subject to taxes	**(38)**	(43)	(27)
Unrecognized tax benefit (expense)	**66**	6	(8)
Other (a)	**(2)**	18	(18)
Income tax expense	**$ 360**	$ 289	$ 532

(a) Includes state and local taxes, retroactive tax law changes, adjustments to prior year estimates and other non-deductible expenses.

Provision has been made for the expected U.S. federal income tax liabilities applicable to undistributed earnings of subsidiaries, except for certain subsidiaries for which the Company intends to invest the undistributed earnings indefinitely to finance foreign activities, or recover such undistributed earnings tax-free. The determination of the amount of the unrecognized deferred tax liability on approximately $2.4 billion of undistributed earnings related to foreign subsidiaries is not practicable.

Table of Contents

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding tax carryforwards and interest and penalties, is as follows:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Balance at January 1	**$ 67**	$ 63	$ 75
Additions based on tax positions related to the current year	**2**	4	1
Additions for tax positions related to a prior year	**31**	5	
Reductions for tax positions related to a prior year	**(7)**	(5)	(5)
Lapse of statute of limitations	**(2)**		(8)
Balance at December 31	**$ 91**	$ 67	$ 63

At December 31, 2013, 2012 and 2011, $76 million, $48 million and $41 million of unrecognized tax benefits related to Diamond Offshore would affect the effective tax rate if recognized.

The Company recognizes interest accrued related to: (i) unrecognized tax benefits in Interest expense and (ii) tax refund claims in Other revenues on the Consolidated Statements of Income. The Company recognizes penalties in Income tax expense on the Consolidated Statements of Income. Interest amounts recorded by the Company were insignificant for the years ended December 31, 2013, 2012 and 2011. The Company recorded income tax expense of $38 million for the year ended December 31, 2013 and income tax benefit of $1 million and $3 million for the years ended December 31, 2012 and 2011 related to penalties.

During 2013, Diamond Offshore received a notification from the Egyptian tax authorities proposing a $1.2 billion increase in taxable income for the years 2006 to 2008. Diamond Offshore disagrees with the tax audit findings and intends to pursue all legal remedies available. A charge to income tax expense of $57 million, inclusive of $31 million of penalties, was recorded due to the inherent uncertainties associated with Egyptian income tax law.

The following table summarizes deferred tax assets and liabilities:

December 31	**2013**	2012
(In millions)		
Deferred tax assets:		
Insurance reserves:		
Property and casualty claim and claim adjustment expense reserves	**$ 289**	$ 352
Unearned premium reserves	**178**	162
Receivables	**53**	62
Employee benefits	**319**	524
Life settlement contracts	**46**	45
Deferred retroactive reinsurance benefit	**66**	

Net loss and tax credits carried forward	**81**	178
Basis differential in investment in subsidiary	**23**	26
Goodwill	**221**	33
Other	**186**	172
Deferred tax assets	**1,462**	1,554
Deferred tax liabilities:		
Deferred acquisition costs	**(232)**	(238)
Net unrealized gains	**(359)**	(733)
Property, plant and equipment	**(786)**	(691)
Basis differential in investment in subsidiary	**(564)**	(565)
Other liabilities	**(198)**	(167)
Deferred tax liabilities	**(2,139)**	(2,394)
Net deferred tax liability (a)	**$ (677)**	$ (840)

Table of Contents

(a) Includes $39 million of deferred tax assets reflected in Other assets in our Consolidated Balance Sheet at December 31, 2013.

As of December 31, 2013, the Company has federal tax credit carryforwards of $42 million, which have an indefinite life and foreign operating loss carryforwards with a tax effect of approximately $18 million, of which $17 million have an indefinite life with the remaining benefits expiring between 2021 and 2023.

Although realization of deferred tax assets is not assured, management believes it is more likely than not that the recognized deferred tax assets will be realized through recoupment of ordinary and capital taxes paid in prior carryback years and through future earnings, reversal of existing temporary differences and available tax planning strategies.

The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013. The act extends, through 2013, several expired or expiring temporary business provisions, commonly referred to as extenders , which are retroactively extended to the beginning of 2012. As required by GAAP, the effects of new legislation are recognized when signed into law. The Company reduced 2013 tax expense by $28 million as a result of recognizing the 2012 effect of the extenders.

Table of Contents

Note 12. Debt

December 31	**2013**	2012
(In millions)		
Loews Corporation (Parent Company):		
Senior:		
5.3% notes due 2016 (effective interest rate of 5.4%) (authorized, $400)	**$ 400**	$ 400
2.6% notes due 2023 (effective interest rate of 2.8%) (authorized, $500)	**500**	
6.0% notes due 2035 (effective interest rate of 6.2%) (authorized, $300)	**300**	300
4.1% notes due 2043 (effective interest rate of 4.3%) (authorized, $500)	**500**	
CNA Financial:		
Senior:		
5.9% notes due 2014 (effective interest rate of 6.0%) (authorized, $549)	**549**	549
6.5% notes due 2016 (effective interest rate of 6.6%) (authorized, $350)	**350**	350
7.0% notes due 2018 (effective interest rate of 7.1%) (authorized, $150)	**150**	150
7.4% notes due 2019 (effective interest rate of 7.5%) (authorized, $350)	**350**	350
5.9% notes due 2020 (effective interest rate of 6.0%) (authorized, $500)	**500**	500
5.8% notes due 2021 (effective interest rate of 5.9%) (authorized, $400)	**400**	400
7.3% debentures due 2023 (effective interest rate of 7.3%) (authorized, $250)	**243**	243
Variable rate note due 2036 (effective interest rate of 3.5% and 3.7%)	**30**	30
Other senior debt (effective interest rates approximate 2.9%)		13
Diamond Offshore:		
Senior:		
5.2% notes due 2014 (effective interest rate of 5.2%) (authorized, $250)	**250**	250
4.9% notes due 2015 (effective interest rate of 5.0%) (authorized, $250)	**250**	250
5.9% notes due 2019 (effective interest rate of 6.0%) (authorized, $500)	**500**	500
3.5% notes due 2023 (effective interest rate of 3.6%) (authorized, $250)	**250**	
5.7% notes due 2039 (effective interest rate of 5.8%) (authorized, $500)	**500**	500
4.9% notes due 2043 (effective interest rate of 5.0%) (authorized, $750)	**750**	
Boardwalk Pipeline:		
Senior:		
Variable rate revolving credit facility due 2017 (effective interest rate of 1.3%)	**175**	302
Variable rate term loan due 2017 (effective interest rate of 1.9% and 2.0%)	**225**	225
4.6% notes due 2015 (effective interest rate of 5.1%) (authorized, $250)	**250**	250
5.1% notes due 2015 (effective interest rate of 5.2%) (authorized, $275)	**275**	275
5.9% notes due 2016 (effective interest rate of 6.0%) (authorized, $250)	**250**	250
5.5% notes due 2017 (effective interest rate of 5.6%) (authorized, $300)	**300**	300
6.3% notes due 2017 (effective interest rate of 6.4%) (authorized, $275)	**275**	275
5.2% notes due 2018 (effective interest rate of 5.4%) (authorized, $185)	**185**	185
5.8% notes due 2019 (effective interest rate of 5.9%) (authorized, $350)	**350**	350
4.5% notes due 2021 (effective interest rate of 5.0%) (authorized, $440)	**440**	440
4.0% notes due 2022 (effective interest rate of 4.4%) (authorized, $300)	**300**	300
3.4% notes due 2023 (effective interest rate of 3.5%) (authorized, $300)	**300**	300
7.3% debentures due 2027 (effective interest rate of 8.1%) (authorized, $100)	**100**	100

Capital lease obligation		**10**		
HighMount:				
Senior:				
Variable rate credit facility due 2016 (effective interest rate of 3.4%)		**500**		710
Capital lease obligation		**2**		
Loews Hotels:				
Senior debt, principally mortgages (effective interest rates approximate 3.9%)		**202**		209
		10,911		9,256
Less unamortized discount		**65**		46
Debt	**$**	**10,846**	$	9,210

Table of Contents

December 31, 2013	Principal	Unamortized Discount	Net	Short Term Debt	Long Term Debt
(In millions)					
Loews Corporation	$ 1,700	$ 22	$ 1,678		$ 1,678
CNA Financial	2,572	12	2,560	$ 549	2,011
Diamond Offshore	2,500	20	2,480	250	2,230
Boardwalk Pipeline	3,435	11	3,424		3,424
HighMount	502		502	21	481
Loews Hotels	202		202	20	182
Total	$ 10,911	$ 65	$ 10,846	$ 840	$ 10,006

At December 31, 2013, the aggregate of long term debt maturing in each of the next five years is approximately as follows: $840 million in 2014, $948 million in 2015, $1.5 billion in 2016, $977 million in 2017, $337 million in 2018 and $6.3 billion thereafter. Long term debt is generally redeemable in whole or in part at the greater of the principal amount or the net present value of scheduled payments discounted at the specified treasury rate plus a margin.

Corporate and Other

In May of 2013, the Company completed a public offering of $500 million aggregate principal amount of 2.6% senior notes due May 15, 2023 and $500 million aggregate principal amount of 4.1% senior notes due May 15, 2043. The Company received net proceeds of $983 million, after deducting the underwriters discounts and commissions and offering expenses of $17 million, which will be amortized over the life of the notes. The proceeds for this offering will be used for general corporate purposes.

CNA Financial

In 2013, CNA became a member of the Federal Home Loan Bank of Chicago (FHLBC). FHLBC membership provides participants with access to additional sources of liquidity through various programs and services. As a requirement of membership in the FHLBC, CNA acquired $16 million of FHLBC stock giving it access to approximately $330 million of additional liquidity. As of December 31, 2013, CNA has no outstanding borrowings from the FHLBC.

CNA has a $250 million revolving credit agreement. The credit agreement, which matures on April 19, 2016, bears interest at London Interbank Offered Rate (LIBOR) plus an applicable margin. At CNA s election the commitments under the unsecured credit facility may be increased from time to time up to an additional aggregate amount of $100 million, and two one-year extensions are available prior to first and second anniversary of the closing. As of December 31, 2013, there were no borrowings under the credit facility and CNA was in compliance with all covenants.

Table of Contents

Diamond Offshore

In November of 2013, Diamond Offshore completed a public offering of $250 million aggregate principal amount of 3.5% senior notes due November 1, 2023 and $750 million aggregate principal amount of 4.9% senior notes due November 1, 2043. Diamond Offshore intends to use the net proceeds of $988 million from this offering for general corporate purposes, including the redemption, repurchase or retirement of $250 million principal amount of its 5.2% senior notes due September 1, 2014 and $250 million principal amount of its 4.9% senior notes due July 1, 2015.

Diamond Offshore has a $750 million revolving credit agreement with a maturity date of September 28, 2018. The credit agreement bears interest at Diamond Offshore s option on either an alternate base rate or Eurodollar rate, as defined in the credit agreement, plus an applicable margin. As of December 31, 2013, there were no borrowings under the credit facility and Diamond Offshore was in compliance with all covenants.

Boardwalk Pipeline

Boardwalk Pipeline has a revolving credit agreement with aggregate lending commitments of $1.0 billion. The credit agreement has a maturity date of April 27, 2017. As of December 31, 2013 and 2012, Boardwalk Pipeline had $175 million and $302 million of borrowings outstanding under the revolving credit facility with a weighted average interest rate on the borrowings of 1.3% and had no letters of credit issued. As of December 31, 2013, Boardwalk Pipeline was in compliance with all covenants under the credit facility and had available borrowing capacity of $825 million.

HighMount

HighMount has a credit agreement governing its term loan and a $250 million revolving credit facility. The credit agreement, which matures on December 1, 2016, bears interest at LIBOR plus an applicable margin. As of December 31, 2013, there were no borrowings under the revolving credit facility. HighMount s credit agreement contains financial covenants typical for these agreements, including a maximum debt to capitalization ratio and a minimum ratio of the net present value of its projected future cash flows from its proved natural gas and oil reserves to total debt. Due to the decline in proved natural gas and oil reserves and the resulting limited capacity under the credit agreement, HighMount repaid $210 million of its debt in 2013. As of December 31, 2013, HighMount was in compliance with all covenants.

Table of Contents

Note 13. Shareholders Equity

Accumulated other comprehensive income

The tables below display the changes in Accumulated other comprehensive income (AOCI) by component for the years ended December 31, 2011, 2012 and 2013:

(In millions)	OTTI Gains (Losses)	Unrealized Gains (Losses) on Investments	Cash Flow Hedges	Pension Liability	Foreign Currency Translation	Total Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2011	$ (65)	$ 607	$ (18)	$ (415)	$ 121	$ 230
Other comprehensive income (loss) before reclassifications, after tax of $23, $(211), $(13), $126 and $0	(44)	377	20	(241)	(14)	98
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $(29), $8, $(10), $0 and $0	54	(15)	19	3		61
Other comprehensive income (loss)	10	362	39	(238)	(14)	159
Acquisition of CNA Surety noncontrolling interests and disposition of FICOH ownership interest		2		8		10
Issuance of equity securities by subsidiary				1		1
Amounts attributable to noncontrolling interests	(2)	(42)	4	23	1	(16)
Balance, December 31, 2011	(57)	929	25	(621)	108	384
Other comprehensive income (loss) before reclassifications, after tax of $(54), $(151), $(17), $76 and $0	102	281	26	(145)	39	303
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $10, $(31), $20, $(8) and $0	(18)	58	(34)	13		19
Other comprehensive income (loss)	84	339	(8)	(132)	39	322
Issuance of equity securities by subsidiary				5		5

Amounts attributable to noncontrolling interests	(9)	(35)	(1)	16	(4)	(33)
Balance, December 31, 2012	18	1,233	16	(732)	143	678
Other comprehensive income (loss) before reclassifications, after tax of $(3), $354, $7, $(165) and $0	**6**	**(658)**	**(12)**	**307**	**(11)**	**(368)**
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $0, $10, $8, $(12) and $0		**(21)**	**(11)**	**22**		**(10)**
Other comprehensive income (loss)	**6**	**(679)**	**(23)**	**329**	**(11)**	**(378)**
Issuance of equity securities by subsidiary				**2**		**2**
Amounts attributable to noncontrolling interests	**(1)**	**68**		**(31)**	**1**	**37**
Balance, December 31, 2013	**$ 23**	**$ 622**	**$ (7)**	**$ (432)**	**$ 133**	**$ 339**

Table of Contents

Amounts reclassified from AOCI shown above are reported in Net income 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	Interest expense, Other revenues and Contract drilling expenses
Pension liability	Other operating expenses

Common Stock Dividends

Dividends of $0.25 per share on the Company s common stock were declared and paid in 2013, 2012 and 2011.

There are no restrictions on the Company s retained earnings or net income with regard to payment of dividends. However, as a holding company, Loews relies upon invested cash balances and distributions from its subsidiaries to generate the funds necessary to declare and pay any dividends to holders of its common stock. The ability of the Company s subsidiaries to pay dividends is subject to, among other things, the availability of sufficient earnings and funds in such subsidiaries, compliance with covenants in their respective loan agreements and 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. See Note 14 for a discussion of the regulatory restrictions on CNA s availability to pay dividends.

Subsidiary Equity Transactions

In May of 2013, Boardwalk Pipeline sold 12.7 million common units in a public offering and received net proceeds of $377 million, including an $8 million contribution from the Company to maintain its 2% general partner interest. The Company s percentage ownership interest in Boardwalk Pipeline declined as a result of this transaction, from 55% to 53%. The issuance price of the common units exceeded the Company s carrying value, resulting in an increase to Additional paid-in capital (APIC) of $51 million and an increase to AOCI of $2 million.

Treasury Stock

The Company repurchased 4.9 million, 5.6 million and 18.2 million shares of Loews common stock at aggregate costs of $218 million, $222 million and $718 million during the years ended December 31, 2013, 2012 and 2011. Upon retirement, treasury stock is eliminated through a reduction to common stock, APIC and retained earnings.

Note 14. Statutory Accounting Practices

CNA s insurance subsidiaries are domiciled in various jurisdictions. These subsidiaries prepare statutory financial statements in accordance with accounting practices prescribed or permitted by the respective jurisdictions insurance regulators. Domestic prescribed statutory accounting practices are set forth in a variety of publications of the National Association of Insurance Commissioners (NAIC) as well as state laws, regulations and general administrative rules. These statutory accounting principles vary in certain respects from GAAP. In converting from statutory accounting principles to GAAP, the more significant adjustments include deferral of policy acquisition costs and the inclusion of net unrealized holding gains or losses in shareholders equity relating to certain fixed maturity securities.

The payment of dividends by CNA s insurance subsidiaries without prior approval of the insurance department of each subsidiary s domiciliary jurisdiction is generally limited by formula. Dividends in excess of these amounts are subject to prior approval by the respective insurance regulator.

Dividends from CCC are subject to the insurance holding company laws of the State of Illinois, the domiciliary state of CCC. Under these laws, ordinary dividends, or dividends that do not require prior approval by the Department, may be paid only from earned surplus, which is calculated by removing unrealized gains from unassigned surplus. As of December 31, 2013, CCC is in a positive earned surplus position, enabling CCC to pay approximately $715 million of dividend payments during 2014 that would not be subject to the Department s prior

Table of Contents

approval. The actual level of dividends paid in any year is determined after an assessment of available dividend capacity, holding company liquidity and cash needs as well as the impact the dividends will have on the statutory surplus of the applicable insurance company.

Combined statutory capital and surplus and net income (loss), determined in accordance with accounting practices prescribed or permitted by insurance and/or other regulatory authorities for the Combined Continental Casualty Companies and the life company, were as follows:

	Statutory Capital and Surplus		Statutory Net Income (Loss)		
	December 31		Year Ended December 31		
	2013 (b)	2012	**2013 (b)**	2012	2011
(In millions)					
Combined Continental Casualty Companies (a)	**$ 11,137**	$ 9,998	**$ 913**	$ 391	$ 954
Life company	**597**	556	**48**	44	29

(a) Represents the combined statutory surplus of CCC and its subsidiaries, including the life company.
(b) Information derived from the statutory-basis financial statements to be filed with insurance regulators.
CNA s domestic insurance subsidiaries are subject to risk-based capital (RBC) requirements. RBC is a method developed by the NAIC to determine the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The formula for determining the amount of RBC specifies various factors, weighted based on the perceived degree of risk, which are applied to certain financial balances and financial activity. The adequacy of a company s actual capital is evaluated by a comparison to the RBC results, as determined by the formula. Companies below minimum RBC requirements are classified within certain levels, each of which requires specified corrective action.

The statutory capital and surplus presented above for CCC was approximately 265% and 240% of company action level RBC at December 31, 2013 and 2012. Company action level RBC is the level of RBC which triggers a heightened level of regulatory supervision. The statutory capital and surplus of CCC s foreign insurance subsidiaries, which is not significant to the overall statutory capital and surplus, also met or exceeded their respective regulatory and other capital requirements.

The Hardy insurance entities are not owned by CCC, therefore their regulatory capital is not included in the Statutory Capital and Surplus of the Combined Continental Casualty Companies presented in the table above. At December 31, 2013, Hardy s capital requirement included $148 million of capital provided by CCC which is included in Combined Continental Casualty Companies Statutory Capital and Surplus above.

Note 15. Supplemental Natural Gas and Oil Information (Unaudited)

Users of this information should be aware that the process of estimating quantities of proved natural gas, NGLs and crude oil reserves is very complex, requiring significant subjective decisions in the evaluation of all available

geological, engineering and economic data for each reservoir. The data for a given reservoir may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. As a result, revisions to existing reserve estimates may occur from time to time. Although every reasonable effort is made to ensure reserve estimates reported represent the most accurate assessments possible, the subjective decisions and variances in available data for various reservoirs make these estimates generally less precise than other estimates included in the financial statement disclosures.

Proved reserves represent quantities of natural gas, NGLs and oil which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be recoverable in the future from known reservoirs under existing economic conditions, operating methods and government regulations. Proved developed reserves are proved reserves which can be expected to be recovered through existing wells with existing equipment, infrastructure and operating methods.

Table of Contents

Estimates of reserves as of December 31, 2013, 2012 and 2011 are based upon studies for each of HighMount s properties prepared by HighMount staff engineers. Calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with SEC guidelines. HighMount s reserve estimates for 2013 were audited by Netherland, Sewell & Associates, Inc., (NSAI). NSAI is an independent third party petroleum engineering consulting firm, and the audit was performed in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. All proved reserves are located in the United States.

Reserves

Estimated net quantities of proved natural gas and oil (including condensate and NGLs) reserves at December 31, 2013, 2012 and 2011 and changes in the reserves during 2013, 2012 and 2011 are shown in the schedule below:

Proved Developed and Undeveloped Reserves	**Natural Gas (Bcf)**	**NGLs and Oil (thousands of barrels)**	**Natural Gas Equivalents (Bcfe)**
January 1, 2011	945	59,195	1,300
Changes in reserves:			
Extensions, discoveries and other additions	26	3,556	48
Revisions of previous estimates (a)	(107)	(7,540)	(152)
Production	(45)	(2,976)	(63)
Sales of reserves in place		(11)	
Purchases of reserves in place		167	1
December 31, 2011	819	52,391	1,134
Changes in reserves:			
Extensions, discoveries and other additions (b)	22	8,960	75
Revisions of previous estimates (c)	(244)	(13,902)	(328)
Production	(39)	(2,858)	(56)
Sales of reserves in place			
Purchases of reserves in place			
December 31, 2012	558	44,591	825
Changes in reserves:			
Extensions, discoveries and other additions		**765**	**6**
Revisions of previous estimates (d)	**(11)**	**(8,643)**	**(63)**
Production	**(33)**	**(2,566)**	**(48)**
Sales of reserves in place		**(15)**	**(1)**
Purchases of reserves in place			
December 31, 2013	**514**	**34,132**	**719**

Proved developed reserves at:			
December 31, 2011	623	37,951	851
December 31, 2012	491	33,781	694
December 31, 2013	**485**	**30,333**	**667**

Table of Contents

(a) During 2011, HighMount reduced its proved developed and proved undeveloped reserves by 152 Bcfe as a result of recent higher decline rates of producing wells and economic factors such as lower gas prices and higher operating expenses.
(b) During 2012, HighMount converted 27 Bcfe from probable reserves to proved developed and converted another 48 Bcfe from probable reserves to proved undeveloped as a result of new drilling activity.
(c) During 2012, HighMount reclassified 199 Bcfe of proved undeveloped reserves to a non-proved category as a result of economic factors such as lower gas prices and higher operating expenses. Lower gas prices also resulted in an 80 Bcfe reduction in proved developed reserves due to wells reaching their economic limit sooner than previously anticipated. Additionally, HighMount reduced its proved developed reserves by 49 Bcfe as a result of higher production declines on its producing wells, partly due to the suspension of uneconomic maintenance and recompletion work.
(d) During 2013, HighMount reclassified 79 Bcfe of proved undeveloped reserves to a non-proved category due to variability in well performance and reduction in drilling plans as a result of continued low natural gas and NGL prices. Additionally, HighMount reduced its proved developed reserves by 73 Bcfe primarily as a result of higher production declines on its gas-producing wells, partly due to the suspension of uneconomic maintenance and recompletion work. Higher gas prices resulted in an 89 Bcfe increase in proved developed reserves due to wells reaching their economic limit later than previously anticipated.

Capitalized Costs

The aggregate amounts of costs capitalized for natural gas and oil producing activities, and related aggregate amounts of accumulated depletion follow:

December 31	**2013**	2012	2011
(In millions)			
Subject to depletion	**$ 3,641**	$ 3,497	$ 3,002
Costs excluded from depletion	**259**	209	384
Gross natural gas, NGL and oil properties	**3,900**	3,706	3,386
Less accumulated depletion	**3,128**	2,813	2,056
Net natural gas, NGL and oil properties	**$ 772**	$ 893	$ 1,330

The following costs were incurred in natural gas and oil producing activities:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Acquisition of properties:			
Proved			$ 12
Unproved	**$ 18**	$ 16	128

Subtotal	**18**	16	140
Exploration costs	**16**	6	11
Development costs (a)	**222**	308	159
Total	**$ 256**	$ 330	$ 310

(a) Development costs incurred for proved undeveloped reserves were $17, $14 and $25 in 2013, 2012 and 2011.

Table of Contents

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Natural Gas and Oil Reserves

The following table represents a calculation of the standardized measure of discounted future net cash flows relating to proved natural gas and oil reserve quantities that HighMount owns:

December 31	**2013**	2012	2011
(In millions)			
Future cash inflows (a) (b)	**$ 2,819**	$ 3,405	$ 5,688
Less:			
Future production costs	**1,392**	1,446	1,969
Future development costs	**131**	359	636
Future income tax expense		6	456
Future cash flows	**1,296**	1,594	2,627
Less annual discount (10% a year)	**813**	948	1,725
Standardized measure of discounted future net cash flows	**$ 483**	$ 646	$ 902

(a) 2013, 2012 and 2011 amounts exclude the effect of derivative instruments designated as hedges of future sales of production at year end.
(b) The following prices were used in the determination of standardized measure:

December 31	**2013**	2012	2011
Gas (per million British thermal units)	**$ 3.67**	$ 2.76	$ 4.12
NGL (per barrel)	**35.39**	41.11	55.18
Oil (per barrel)	**96.94**	94.71	96.19

In the foregoing determination of future cash inflows, sales prices for natural gas and oil represent average prices determined as an unweighted arithmetic average of the first-day-of-the-month price for each month, changed for contractual arrangements with customers. Future costs of developing and producing the proved natural gas and oil reserves reported at the end of each year shown were based on costs determined at each such year end, assuming the continuation of existing economic conditions. Future income taxes were computed by applying the appropriate year end or future statutory tax rate to future pretax net cash flows, less the tax basis of the properties involved, and giving effect to tax deductions, permanent differences and tax credits.

It is not intended that the FASB s standardized measure of discounted future net cash flows represent the fair market value of HighMount s proved reserves. HighMount cautions that the disclosures shown are based on estimates of proved reserve quantities and future production schedules which are inherently imprecise and subject to revision and the 10% discount rate. In addition, costs and prices as of the measurement date are used in the determinations, and no value was assigned to probable or possible reserves.

160

Table of Contents

Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Natural Gas and Oil Reserves

The following table is a summary of changes between the total standardized measure of discounted future net cash flows at the beginning and end of each year:

Year Ended December 31	**2013**	2012	2011
(In millions)			
Standardized measure, beginning of period	**$ 646**	$ 902	$ 957
Changes in the year resulting from:			
Sales and transfers of natural gas and oil produced during the year, less production costs	**(169)**	(213)	(291)
Net changes in prices and development costs	**103**	(644)	164
Extensions, discoveries and other additions, less production and development costs	**50**	183	82
Previously estimated development costs incurred during the period	**17**	14	25
Revisions of previous quantity estimates	**(163)**	181	(173)
Net changes in purchases and sales of proved reserves in place	**(32)**		3
Accretion of discount	**61**	100	107
Income taxes	**(37)**	131	20
Net changes in production rates and other	**7**	(8)	8
Standardized measure, end of period	**$ 483**	$ 646	$ 902

Note 16. Benefit Plans

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

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

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

The Company funds certain of these benefit plans, and accrues postretirement benefits during the active service of those employees who would become eligible for such benefits when they retire. The Company uses December 31 as the measurement date for its plans.

Table of Contents

Weighted average assumptions used to determine benefit obligations:

	Pension Benefits			Other Postretirement Benefits		
December 31	**2013**	2012	2011	**2013**	2012	2011
Discount rate	**4.4%**	3.6%	4.5%	**4.2%**	3.5%	4.3%
Expected long term rate of return on plan assets	**7.5%**	7.5% to 7.8%	7.5% to 8.0%	**5.3%**	5.3%	5.3%
Rate of compensation increase	**3.5% to 5.5%**	3.5% to 5.5%	4.0% to 5.5%			

Weighted average assumptions used to determine net periodic benefit cost:

	Pension Benefits			Other Postretirement Benefits		
Year Ended December 31	**2013**	2012	2011	**2013**	2012	2011
Discount rate	**3.9%**	4.5%	5.3%	**3.5%**	4.4%	5.0%
Expected long term rate of return on plan assets	**7.5% to 7.8%**	7.5% to 8.0%	7.5% to 8.0%	**5.3%**	5.3%	4.6%
Rate of compensation increase	**3.5% to 5.5%**	4.0% to 5.5%	4.0% to 5.5%			

The expected long term rate of return for plan assets is determined based on widely-accepted capital market principles, long term return analysis for global fixed income and equity markets as well as the active total return oriented portfolio management style. Long term trends are evaluated relative to market factors such as inflation, interest rates and fiscal and monetary policies, in order to assess the capital market assumptions as applied to the plan. Consideration of diversification needs and rebalancing is maintained.

Assumed health care cost trend rates:

December 31	**2013**	2012	2011
Health care cost trend rate assumed for next year	**4.0% to 8.5%**	4.0% to 8.5%	4.0% to 8.5%
	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%

Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			
Year that the rate reaches the ultimate trend rate	**2014-2022**	2013-2021	2012-2020

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. An increase or decrease in the assumed health care cost trend rate of 1% in each year would not have a significant impact on the Company s service and interest cost as of December 31, 2013. An increase of 1% in each year would increase the Company s accumulated postretirement benefit obligation as of December 31, 2013 by $2 million and a decrease of 1% in each year would decrease the Company s accumulated postretirement benefit obligation as of December 31, 2013 by $4 million.

Net periodic benefit cost components:

	Pension Benefits			**Other Postretirement Benefits**		
Year Ended December 31	**2013**	2012	2011	**2013**	2012	2011
(In millions)						
Service cost	**$ 22**	$ 24	$ 24	**$ 1**	$ 1	$ 2
Interest cost	**136**	151	164	**4**	5	6
Expected return on plan assets	**(198)**	(188)	(188)	**(5)**	(4)	(3)
Amortization of unrecognized net loss	**54**	47	29	**1**		1
Amortization of unrecognized prior service benefit				**(25)**	(25)	(27)
Regulatory asset decrease						4
Settlement/Curtailment	**5**					
Net periodic benefit cost	**$ 19**	$ 34	$ 29	**$ (24)**	$ (23)	$ (17)

Table of Contents

The following provides a reconciliation of benefit obligations and plan assets:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	**2013**	2012
(In millions)				
Change in benefit obligation:				
Benefit obligation at January 1	**$ 3,700**	$ 3,393	**$ 122**	$ 118
Service cost	**22**	24	**1**	1
Interest cost	**136**	151	**4**	5
Plan participants contributions			**6**	6
Amendments/Curtailments	**(13)**		**(2)**	
Actuarial (gain) loss	**(313)**	303	**(13)**	8
Benefits paid from plan assets	**(178)**	(190)	**(17)**	(16)
Settlements	**(19)**			
Foreign exchange	**1**	19		
Benefit obligation at December 31	**3,336**	3,700	**101**	122
Change in plan assets:				
Fair value of plan assets at January 1	**2,672**	2,435	**87**	82
Actual return on plan assets	**340**	269	**(2)**	8
Company contributions	**98**	141	**7**	7
Plan participants contributions			**6**	6
Benefits paid from plan assets	**(178)**	(190)	**(17)**	(16)
Settlements	**(19)**			
Foreign exchange	**1**	17		
Fair value of plan assets at December 31	**2,914**	2,672	**81**	87
Funded status	**$ (422)**	$ (1,028)	**$ (20)**	$ (35)
Amounts recognized in the Consolidated Balance Sheets consist of:				
Other assets	**$ 9**		**$ 31**	$ 27
Other liabilities	**(431)**	$ (1,028)	**(51)**	(62)
Net amount recognized	**$ (422)**	$ (1,028)	**$ (20)**	$ (35)

Amounts recognized in Accumulated other comprehensive income (loss), not yet recognized in net periodic (benefit) cost:				
Prior service cost (credit)	**$ (6)**	$ 3	**$ (117)**	$ (140)
Net actuarial loss	**831**	1,348	**18**	24
Net amount recognized	**$ 825**	$ 1,351	**$ (99)**	$ (116)
Information for plans with projected and accumulated benefit obligations in excess of plan assets:				
Projected benefit obligation	**$ 3,229**	$ 3,700		
Accumulated benefit obligation	**3,160**	3,509	**$ 51**	$ 62
Fair value of plan assets	**2,914**	2,672		

Table of Contents

The accumulated benefit obligation for all defined benefit pension plans was $3.3 billion and $3.6 billion at December 31, 2013 and 2012.

The Company employs a total return approach whereby a mix of equity and fixed maturity securities are used to maximize the long term return of plan assets for a prudent level of risk and to manage cash flows according to plan requirements. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established after careful consideration of the plan liabilities, plan funded status and corporate financial conditions. The investment portfolio contains a diversified blend of fixed maturity, equity and short term securities. Alternative investments, including limited partnerships, are used to enhance risk adjusted long term returns while improving portfolio diversification. At December 31, 2013, the Company had committed $108 million to future capital calls from various third party limited partnership investments in exchange for an ownership interest in the related partnerships. Investment risk is monitored through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews.

The table below presents the estimated amounts to be recognized from Accumulated other comprehensive income into net periodic cost (benefit) during 2014.

	Pension Benefits	Other Postretirement Benefits
(In millions)		
Amortization of net actuarial loss	$ 30	$ 1
Amortization of prior service credit	(1)	(26)
Total estimated amounts to be recognized	$ 29	$ (25)

The table below presents the estimated future minimum benefit payments at December 31, 2013.

Expected future benefit payments	Pension Benefits	Other Postretirement Benefits
(In millions)		
2014	$ 221	$ 9
2015	218	9
2016	225	9
2017	231	9
2018	235	8
Thereafter	1,181	35
	$ 2,311	$ 79

In 2014, it is expected that contributions of approximately $59 million will be made to pension plans and $5 million to postretirement health care and life insurance benefit plans.

Table of Contents

Pension plan assets measured at fair value on a recurring basis are summarized below.

December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
(In millions)				
Fixed maturity securities:				
Corporate and other bonds		**$ 505**	**$ 15**	**$ 520**
States, municipalities and political subdivisions		**73**		**73**
Asset-backed		**254**		**254**
Total fixed maturities	**$ -**	**832**	**15**	**847**
Equity securities	**527**	**117**	**8**	**652**
Short term investments	**49**	**49**		**98**
Fixed income mutual funds	**100**			**100**
Limited partnerships:				
Hedge funds		**705**	**352**	**1,057**
Private equity			**125**	**125**
Total limited partnerships	**-**	**705**	**477**	**1,182**
Other assets		**35**		**35**
Total	**$ 676**	**$ 1,738**	**$ 500**	**$ 2,914**

December 31, 2012				
Fixed maturity securities:				
Corporate and other bonds		$ 436	$ 11	$ 447
States, municipalities and political subdivisions		91		91
Asset-backed		269		269
Total fixed maturities	$ -	796	11	807
Equity securities	424	102	5	531
Short term investments	41	82		123
Fixed income mutual funds	110			110
Limited partnerships:				
Hedge funds		591	391	982
Private equity			69	69
Total limited partnerships	-	591	460	1,051
Other assets		40		40
Investment contracts with insurance company			10	10
Total	$ 575	$ 1,611	$ 486	$ 2,672

The limited partnership investments are recorded at fair value, which represents the plans share of the net asset value of each partnership. The share of the net asset value of each partnership is determined by the General Partner and is based upon the fair value of the underlying investments, which are valued using varying market approaches. Level 2 includes limited partnership investments which can be redeemed at net asset value in 90 days or less. Level 3 includes limited partnership investments with withdrawal provisions greater than 90 days, or for which withdrawals are not permitted until the termination of the partnership. Within hedge fund strategies, approximately 58% are equity related, 36% pursue a multi-strategy approach and 6% are focused on distressed investments at December 31, 2013.

The fair value of the guaranteed investment contracts is an estimate of the amount that would be received in an orderly sale to a market participant at the measurement date. The amount the plan would receive from the contract holder if the contracts were terminated is the primary input and is unobservable. The guaranteed investment contracts are therefore classified as Level 3 investments.

For a discussion of the valuation methodologies used to measure fixed maturity securities, equities and short term investments, see Note 4.

Table of Contents

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

2013 **(In millions)**	**Balance at January 1,**	**Actual Return on Assets Still Held at December 31,**	**Actual Return on Assets Sold During the Year**	**Net Purchases, Sales, and Settlements**	**Net Transfers In (Out) of Level 3**	**Balance at December 31,**
Fixed maturity securities:						
Corporate and other bonds	**$ 11**	**$ (1)**		**$ 5**		**$ 15**
Equity securities	**5**	**3**				**8**
Limited partnerships:						
Hedge funds	**391**	**62**		**(85)**	**$ (16)**	**352**
Private equity	**69**	**2**	**$ (1)**	**55**		**125**
Total limited partnerships	**460**	**64**	**(1)**	**(30)**	**(16)**	**477**
Investment contracts with insurance company	**10**			**(10)**		**-**
Total	**$ 486**	**$ 66**	**$ (1)**	**$ (35)**	**$ (16)**	**$ 500**

2012						
Fixed maturity securities:						
Corporate and other bonds	$ 10	$ 1				$ 11
Equity securities	5					5
Limited partnerships:						
Hedge funds	355	45	$ 3	$ (12)		391
Private equity	73	8		(12)		69
Total limited partnerships	428	53	3	(24)	$ -	460
Investment contracts with insurance company	10					10

Total	$ 453	$ 54	$ 3	$ (24)	$ -	$ 486

Other postretirement benefits plan assets measured at fair value on a recurring basis are summarized below.

December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
(In millions)				
Fixed maturity securities:				
Corporate and other bonds		**$ 17**		**$ 17**
States, municipalities and political subdivisions		**38**		**38**
Asset-backed		**20**		**20**
Total fixed maturities	**$ -**	**75**	**$ -**	**75**
Short term investments	**3**			**3**
Fixed income mutual funds	**3**			**3**
Total	**$ 6**	**$ 75**	**$ -**	**$ 81**

December 31, 2012

Fixed maturity securities:				
Corporate and other bonds		$ 20		$ 20
States, municipalities and political subdivisions		38		38
Asset-backed		21		21
Total fixed maturities	$ -	79	$ -	79
Short term investments	4			4
Fixed income mutual funds	4			4
Total	$ 8	$ 79	$ -	$ 87

Table of Contents

There were no Level 3 assets at December 31, 2013 and 2012.

Savings Plans The Company and its subsidiaries have several contributory savings plans which allow employees to make regular contributions based upon a percentage of their salaries. Matching contributions are made up to specified percentages of employees contributions. The contributions by the Company and its subsidiaries to these plans amounted to $123 million, $117 million and $100 million for the years ended December 31, 2013, 2012 and 2011.

Stock Option Plans In 2012, shareholders approved the amended and restated Loews Corporation 2000 Stock Option Plan (the Loews Plan). The aggregate number of shares of Loews common stock for which options or SARs may be granted under the Loews Plan increased from 12,000,000 shares to 18,000,000 shares, and the maximum number of shares of Loews common stock with respect to which options or SARs may be granted to any individual in any calendar year is 1,200,000 shares. The exercise price per share may not be less than the fair market value of the common stock on the date of grant. Generally, options and SARs vest ratably over a four-year period and expire in ten years.

A summary of the stock option and SAR transactions for the Loews Plan follows:

	2013		2012	
	Number of Awards	**Weighted Average Exercise Price**	Number of Awards	Weighted Average Exercise Price
Awards outstanding, January 1	**6,535,150**	**$ 36.963**	6,624,609	$ 34.447
Granted	**903,975**	**44.408**	970,800	39.605
Exercised	**(871,155)**	**32.542**	(985,359)	22.517
Canceled	**(91,579)**	**43.975**	(74,900)	38.701
Awards outstanding, December 31	**6,476,391**	**38.497**	6,535,150	36.963
Awards exercisable, December 31	**4,496,245**	**$ 37.282**	4,566,021	$ 36.521

The following table summarizes information about the Company s stock options and SARs outstanding in connection with the Loews Plan at December 31, 2013:

	Awards Outstanding			**Awards Exercisable**	
Range of exercise prices	**Number of Shares**	**Weighted Average Remaining Contractual**	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**

Life

$10.01-20.00	**154,803**	**0.1**	**$ 18.865**	**154,803**	**$ 18.865**
20.01-30.00	**723,172**	**3.4**	**24.773**	**723,172**	**24.773**
30.01-40.00	**2,761,766**	**5.6**	**36.796**	**1,924,554**	**36.224**
40.01-50.00	**2,645,775**	**6.4**	**44.265**	**1,502,841**	**44.801**
50.01-60.00	**190,875**	**3.1**	**51.080**	**190,875**	**51.080**

In 2013, the Company awarded SARs totaling 903,975 shares. In accordance with the Loews Plan, the Company has the ability to settle SARs in shares or cash and has the intention to settle in shares. The SARs balance at December 31, 2013 was 5,906,074 shares. There were 6,838,923 shares and 7,129,900 shares available for grant as of December 31, 2013 and 2012.

Table of Contents

The weighted average remaining contractual terms of awards outstanding and exercisable as of December 31, 2013, were 5.5 years and 4.4 years. The aggregate intrinsic values of awards outstanding and exercisable at December 31, 2013 were $64 million and $50 million. The total intrinsic value of awards exercised was $11 million, $18 million and $6 million for the years ended 2013, 2012 and 2011. The total fair value of shares vested was $7 million, $11 million and $11 million for the years ended 2013, 2012 and 2011.

The Company recorded stock-based compensation expense of $7 million, $8 million and $10 million related to the Loews Plan for the years ended December 31, 2013, 2012 and 2011. The related income tax benefits recognized were $2 million, $3 million and $4 million. At December 31, 2013, the compensation cost related to nonvested awards not yet recognized was $9 million, and the weighted average period over which it is expected to be recognized is 2.3 years.

The fair value of granted options and SARs for the Loews Plan were estimated at the grant date using the Black-Scholes pricing model with the following assumptions and results:

Year Ended December 31	**2013**	2012	2011
Expected dividend yield	**0.6%**	0.6%	0.6%
Expected volatility	**16.3%**	19.0%	24.1%
Weighted average risk-free interest rate	**1.1%**	0.8%	1.7%
Expected holding period (in years)	**5.0**	5.0	5.0
Weighted average fair value of awards	**$ 6.75**	$ 6.53	$ 8.92

Note 17. Reinsurance

CNA cedes insurance to reinsurers to limit its maximum loss, provide greater diversification of risk, minimize exposures on larger risks and to exit certain lines of business. The ceding of insurance does not discharge the primary liability of CNA. A credit exposure exists with respect to property and casualty and life reinsurance ceded to the extent that any reinsurer is unable to meet its obligations or to the extent that the reinsurer disputes the liabilities assumed under reinsurance agreements. Property and casualty reinsurance coverages are tailored to the specific risk characteristics of each product line and CNA s retained amount varies by type of coverage. Reinsurance contracts are purchased to protect specific lines of business such as property and workers compensation. Corporate catastrophe reinsurance is also purchased for property and workers compensation exposure. Currently most reinsurance contracts are purchased on an excess of loss basis. CNA also utilizes facultative reinsurance in certain lines. In addition, CNA assumes reinsurance, primarily through Hardy and as a member of various reinsurance pools and associations.

The following table summarizes the amounts receivable from reinsurers:

December 31	**2013**	2012
(In millions)		
Reinsurance receivables related to insurance reserves:		

Ceded claim and claim adjustment expenses	**$ 4,972**	$ 5,126
Ceded future policy benefits	**733**	759
Ceded policyholders funds	**35**	35
Reinsurance receivables related to paid losses	**348**	311
Reinsurance receivables	**6,088**	6,231
Less allowance for doubtful accounts	**71**	73
Reinsurance receivables, net of allowance for doubtful accounts	**$ 6,017**	$ 6,158

CNA has established an allowance for doubtful accounts on reinsurance receivables. CNA reviews the allowance quarterly and adjusts the allowance as necessary to reflect changes in estimates of uncollectible balances. The allowance may also be reduced related to write-offs of reinsurance receivable balances.

Table of Contents

CNA attempts to mitigate its credit risk related to reinsurance by entering into reinsurance arrangements with reinsurers that have credit ratings above certain levels and by obtaining collateral. On a limited basis, CNA may enter into reinsurance agreements with reinsurers that are not rated, primarily captive reinsurers. The primary methods of obtaining collateral are through reinsurance trusts, letters of credit and funds withheld balances. Such collateral was approximately $3.9 billion and $3.7 billion at December 31, 2013 and 2012.

CNA s largest recoverables from a single reinsurer at December 31, 2013, including prepaid reinsurance premiums, were approximately $2.9 billion from subsidiaries of Berkshire Hathaway Group, $850 million from subsidiaries of Swiss Re Group and $350 million from subsidiaries of the Hartford Insurance Group. The recoverable from the Berkshire Hathaway Group includes amounts related to third party reinsurance for which NICO has assumed the credit risk under the terms of the Loss Portfolio Transfer as discussed in Note 9.

The effects of reinsurance on earned premiums are shown in the following table:

(In millions)	**Direct**	**Assumed**	**Ceded**	**Net**	**Assumed/ Net %**
Year Ended December 31, 2013					
Property and casualty	**$ 9,063**	**$ 258**	**$ 2,609**	**$ 6,712**	**3.8%**
Accident and health	**512**	**48**	**1**	**559**	**8.6**
Life	**49**		**49**		
Earned premiums	**$ 9,624**	**$ 306**	**$ 2,659**	**$ 7,271**	**4.2%**
Year Ended December 31, 2012					
Property and casualty	$ 8,354	$ 197	$ 2,229	$ 6,322	3.1%
Accident and health	514	47	1	560	8.4
Life	51		51		
Earned premiums	$ 8,919	$ 244	$ 2,281	$ 6,882	3.5%
Year Ended December 31, 2011					
Property and casualty	$ 7,858	$ 95	$ 1,919	$ 6,034	1.6%
Accident and health	521	50	2	569	8.8
Life	55		55		
Earned premiums	$ 8,434	$ 145	$ 1,976	$ 6,603	2.2%

Included in the direct and ceded earned premiums for the years ended December 31, 2013, 2012 and 2011 are $2.2 billion, $1.8 billion and $1.5 billion related to property business that is 100% reinsured under a significant third party captive program. The third party captives that participate in this program are affiliated with the non-insurance company policyholders, therefore this program provides a means for the policyholders to self-insure this property risk. CNA receives and retains a ceding commission.

Life and accident and health premiums are primarily from long duration contracts; property and casualty premiums are primarily from short duration contracts.

Insurance claims and policyholders benefits reported on the Consolidated Statements of Income are net of reinsurance recoveries of $1.5 billion, $1.5 billion and $1.3 billion for the years ended December 31, 2013, 2012 and 2011, including $712 million, $814 million and $790 million related to the significant third party captive program discussed above.

Table of Contents

The impact of reinsurance on life insurance inforce is shown in the following table:

December 31	Direct	Assumed	Ceded	Net
(In millions)				
2013	**$ 5,127**	**-**	**$ 5,118**	**$ 9**
2012	5,713	-	5,702	11
2011	6,528	-	6,515	13

As of December 31, 2013 and 2012, CNA has ceded $1.1 billion of claim and claim adjustment expense reserves, future policy benefits and policyholders funds as a result of business operations sold in prior years. Subject to certain exceptions, the purchasers assumed the third party reinsurance credit risk of the sold business.

Note 18. Quarterly Financial Data (Unaudited)

2013 Quarter Ended	Dec. 31	Sept. 30	June 30	March 31
(In millions, except per share data)				
Total revenues	**$ 3,890**	**$ 3,704**	**$ 3,725**	**$ 3,734**
Net income (loss) (a)	**(198)**	**282**	**269**	**242**
Per share-basic and diluted	**(0.51)**	**0.73**	**0.69**	**0.62**

2012 Quarter Ended

Total revenues	$ 3,705	$ 3,715	$ 3,388	$ 3,744
Net income (loss) (b)	(32)	177	56	367
Per share-basic	(0.08)	0.45	0.14	0.93
Per share-diluted	(0.08)	0.45	0.14	0.92

The sum of the quarterly per share amounts may not equal per share amounts reported for year-to-date periods. This is due to changes in the number of weighted average shares outstanding and the effects of rounding for each period.

(a) Net income (loss) for the fourth quarter of 2013 includes a ceiling test impairment charge of $52 million at HighMount related to the carrying value of its natural gas and oil properties, a $398 million goodwill impairment charge and the impact of a $111 million deferred gain under retroactive reinsurance accounting at CNA.

(b) Net income (loss) for the fourth quarter of 2012 includes a ceiling test impairment charge of $97 million at HighMount related to the carrying value of its natural gas and oil properties and catastrophe impacts incurred, net of reinsurance and including reinstatement premiums of $171 million recorded at CNA related to Storm Sandy.

Note 19. 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.

Table of Contents

Note 20. Commitments and Contingencies

Guarantees

In the course of selling business entities and assets to third parties, CNA has agreed to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets being sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such indemnification agreements may include provisions that survive indefinitely. As of December 31, 2013, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was $702 million.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of December 31, 2013, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser s ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

Offshore Rig Purchase Obligations

Diamond Offshore is financially obligated under three turnkey construction contracts with Hyundai Heavy Industries, Co. Ltd. (Hyundai) for the construction of three dynamically positioned, ultra-deepwater drillships with expected delivery dates in the second and third quarters of 2014 and the first quarter of 2015. Diamond Offshore expects the aggregate cost of the construction of its drillships to be approximately $1.9 billion. The remaining contractual payments aggregating $1.2 billion due to Hyundai will be paid when the remaining drillships are delivered.

Diamond Offshore is also financially obligated under an agreement for the construction of a moored semisubmersible rig with an expected completion date in the third quarter of 2014. The aggregate cost of the rig, including commissioning, spares and project management costs, is estimated to be approximately $370 million. Remaining contractual payments of $54 million are payable during 2014 as construction milestones are met.

Diamond Offshore entered into a vessel modification agreement for enhancements to a mid-water floater that will enable the rig to work in the North Sea, with an expected completion date in the second quarter of 2014. The total cost of the project is estimated to be approximately $120 million, including shipyard costs, owner-furnished equipment and labor, commissioning and capital spares. Remaining contractual payments of $10 million are payable during 2014 as construction milestones are met.

Diamond Offshore entered into a construction contract with Hyundai for the construction of a dynamically positioned, ultra-deepwater harsh environment semisubmersible drilling rig, expected to be delivered in the first quarter of 2016. The total cost of the rig including capital spares, commissioning and shipyard supervision is estimated to be approximately $755 million. The remaining contractual payment of $440 million is due upon delivery of the rig.

Boardwalk Pipeline

Boardwalk Pipeline s future capital commitments are comprised of binding commitments under purchase orders for materials ordered but not received and firm commitments under binding construction service agreements. The commitments as of December 31, 2013 were approximately $85 million, all of which are expected to be settled within

the next twelve months.

Table of Contents

Loews Hotels

Loews Hotels has commitments aggregating approximately $175 million for the development and renovation of hotel properties.

Note 21. Business Segments

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

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

Diamond Offshore owns and operates offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. Diamond Offshore s fleet consists of 45 drilling rigs, including four newbuild rigs which are under construction and one rig being constructed utilizing the hull of one of Diamond Offshore s existing mid-water floaters. On December 31, 2013, Diamond Offshore s drilling rigs were located offshore 12 countries in addition to the United States.

Boardwalk Pipeline is engaged in the interstate transportation and storage of natural gas and NGLs and gathering and processing of natural gas. This segment consists of interstate natural gas pipeline systems originating in the Gulf Coast region, Oklahoma and Arkansas, and extending north and east through the midwestern states of Tennessee, Kentucky, Illinois, Indiana and Ohio, natural gas storage facilities in four states and NGL pipelines and storage facilities in Louisiana, with approximately 14,450 miles of pipeline.

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

Loews Hotels operates a chain of 18 hotels, 17 of which are in the United States and one is in Canada.

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. In addition, CNA does not maintain a distinct investment portfolio for every insurance segment, and accordingly, allocation of assets to each segment is not performed. Therefore, a significant portion of net

investment income and investment gains (losses) are allocated based on each segment s carried insurance reserves, as adjusted.

Table of Contents

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

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues (a):			
CNA Financial:			
CNA Specialty	**$ 3,915**	$ 3,742	$ 3,512
CNA Commercial	**4,360**	4,238	4,073
Life & Group Non-Core	**1,424**	1,395	1,334
Other	**414**	172	44
Total CNA Financial	**10,113**	9,547	8,963
Diamond Offshore	**2,926**	3,072	3,334
Boardwalk Pipeline	**1,232**	1,187	1,144
HighMount	**260**	297	390
Loews Hotels	**380**	397	337
Corporate and other	**142**	52	(39)
Total	**$ 15,053**	$ 14,552	$ 14,129
Income (loss) before income tax and noncontrolling interests (a)(b):			
CNA Financial:			
CNA Specialty	**$ 1,069**	$ 788	$ 805
CNA Commercial	**705**	451	591
Life & Group Non-Core	**(152)**	(222)	(386)
Other	**(302)**	(137)	(131)
Total CNA Financial	**1,320**	880	879
Diamond Offshore	**774**	917	1,177
Boardwalk Pipeline	**241**	304	211
HighMount	**(884)**	(636)	99
Loews Hotels	**(4)**	14	17
Corporate and other	**(18)**	(80)	(157)
Total	**$ 1,429**	$ 1,399	$ 2,226
Net income (loss) (a)(b):			
CNA Financial:			

CNA Specialty	**$ 634**	$ 465	$ 462
CNA Commercial	**413**	273	343
Life & Group Non-Core	**(31)**	(81)	(191)
Other	**(169)**	(87)	(57)
Total CNA Financial	**847**	570	557
Diamond Offshore	**257**	337	451
Boardwalk Pipeline	**78**	111	77
HighMount	**(573)**	(407)	62
Loews Hotels	**(3)**	7	13
Corporate and other	**(11)**	(50)	(98)
Total	**$ 595**	$ 568	$ 1,062

Table of Contents

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

Year Ended December 31	**2013**	2012	2011
Revenues and Income (loss) before income tax and noncontrolling interests:			
CNA Financial:			
CNA Specialty	**$ (3)**	$ 22	$ (5)
CNA Commercial	**(13)**	39	14
Life & Group Non-Core	**37**		(8)
Other	**6**	(1)	(20)
Total CNA Financial	**27**	60	(19)
Corporate and other	**(1)**	(3)	(33)
Total	**$ 26**	$ 57	$ (52)
Net income (loss):			
CNA Financial:			
CNA Specialty	**$ (1)**	$ 12	$ (3)
CNA Commercial	**(8)**	23	10
Life & Group Non-Core	**21**		(4)
Other	**4**		(13)
Total CNA Financial	**16**	35	(10)
Corporate and other	**(1)**	(2)	(21)
Total	**$ 15**	$ 33	$ (31)

(b) Income taxes and interest expense are as follows:

Year Ended December 31	**2013**		2012		2011	
	Income Taxes	**Interest Expense**	Income Taxes	Interest Expense	Income Taxes	Interest Expense
CNA Financial:						
CNA Specialty	**$ 364**		$ 271		$ 279	$ 1

CNA Commercial	**245**		148		206	
Life & Group Non-Core	**(118)**	**$ 5**	(132)	$ 23	(173)	23
Other	**(113)**	**161**	(40)	147	(68)	161
Total CNA Financial	**378**	**166**	247	170	244	185
Diamond Offshore	**245**	**25**	223	46	250	73
Boardwalk Pipeline	**56**	**163**	70	166	57	173
HighMount	**(311)**	**17**	(229)	14	36	46
Loews Hotels	**(1)**	**9**	7	11	4	9
Corporate and other	**(7)**	**62**	(29)	33	(59)	36
Total	**$ 360**	**$ 442**	$ 289	$ 440	$ 532	$ 522

Table of Contents

Note 22. Consolidating Financial Information

The following schedules present the Company s consolidating balance sheet information at December 31, 2013 and 2012, and consolidating statements of income information for the years ended December 31, 2013, 2012 and 2011. These schedules present the individual subsidiaries of the Company and their contribution to the consolidated 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.

Table of Contents

Loews Corporation

Consolidating Balance Sheet Information

December 31, 2013	CNA Financial	Diamond Offshore	Boardwalk Pipeline	HighMount	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Assets:								
Investments	$ 46,107	$ 2,061		$ 28	$ 43	$ 4,734		$ 52,973
Cash	195	36	$ 29	1	10	24		295
Receivables	8,666	498	97	143	28	74	$ (145)	9,361
Property, plant and equipment	282	5,472	7,296	974	430	44		14,498
Deferred income taxes	244			517	3		(764)	-
Goodwill	119	20	215		3			357
Investments in capital stocks of subsidiaries						17,264	(17,264)	-
Other assets	741	305	360	15	183	7	39	1,650
Deferred acquisition costs of insurance subsidiaries	624							624
Separate account business	181							181
Total assets	$ 57,159	$ 8,392	$ 7,997	$ 1,678	$ 700	$ 22,147	$ (18,134)	$ 79,939
Liabilities and Equity:								
Insurance reserves	$ 38,394							$ 38,394
Payable to brokers	85	$ 1		$ 9		$ 48		143
Short term debt	549	250		21	$ 20			840
	2,011	2,230	$ 3,424	481	182	1,678		10,006

Long term debt								
Deferred income taxes		**516**	**689**		**41**	**195**	**$ (725)**	**716**
Other liabilities	**3,323**	**734**	**427**	**121**	**23**	**690**	**(565)**	**4,753**
Separate account business	**181**							**181**
Total liabilities	**44,543**	**3,731**	**4,540**	**632**	**266**	**2,611**	**(1,290)**	**55,033**
Total shareholders equity	**11,354**	**2,362**	**1,570**	**1,046**	**434**	**19,536**	**(16,844)**	**19,458**
Noncontrolling interests	**1,262**	**2,299**	**1,887**					**5,448**
Total equity	**12,616**	**4,661**	**3,457**	**1,046**	**434**	**19,536**	**(16,844)**	**24,906**
Total liabilities and equity	**$ 57,159**	**$ 8,392**	**$ 7,997**	**$ 1,678**	**$ 700**	**$ 22,147**	**$ (18,134)**	**$ 79,939**

Table of Contents

Loews Corporation

Consolidating Balance Sheet Information

December 31, 2012	CNA Financial	Diamond Offshore	Boardwalk Pipeline	HighMount	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Assets:								
Investments	$ 47,636	$ 1,435	$ 1	$ 8	$ 33	$ 3,935		$ 53,048
Cash	156	53	3	2	10	4		228
Receivables	8,516	503	89	69	25	183	$ (19)	9,366
Property, plant and equipment	297	4,870	7,252	1,136	333	47		13,935
Deferred income taxes	119			734			(853)	-
Goodwill	118	20	271	584	3			996
Investments in capital stocks of subsidiaries						16,936	(16,936)	-
Other assets	730	366	330	22	84	4	2	1,538
Deferred acquisition costs of insurance subsidiaries	598							598
Separate account business	312							312
Total assets	$ 58,482	$ 7,247	$ 7,946	$ 2,555	$ 488	$ 21,109	$ (17,806)	$ 80,021
Liabilities and Equity:								
Insurance reserves	$ 40,005							$ 40,005
Payable to brokers	61			$ 10		$ 134		205
Short term debt	13				$ 6			19
Long term debt	2,557	$ 1,489	$ 3,539	710	203	693		9,191

Deferred income taxes		483	619		37	552	$ (851)	840
Other liabilities	3,260	675	432	120	42	263	(19)	4,773
Separate account business	312							312
Total liabilities	46,208	2,647	4,590	840	288	1,642	(870)	55,345
Total shareholders equity	11,058	2,331	1,624	1,715	200	19,467	(16,936)	19,459
Noncontrolling interests	1,216	2,269	1,732					5,217
Total equity	12,274	4,600	3,356	1,715	200	19,467	(16,936)	24,676
Total liabilities and equity	$ 58,482	$ 7,247	$ 7,946	$ 2,555	$ 488	$ 21,109	$ (17,806)	$ 80,021

Table of Contents

Loews Corporation

Consolidating Statement of Income Information

Year Ended December 31, 2013 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	High Mount	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	$ 7,271							$ 7,271
Net investment income	2,450	$ 1	$ 1			$ 141		2,593
Intercompany interest and dividends						736	$ (736)	-
Investment gains (losses)	27			$ (1)				26
Contract drilling revenues		2,844						2,844
Other	365	81	1,231	260	$ 380	2		2,319
Total	10,113	2,926	1,232	259	380	879	(736)	15,053
Expenses:								
Insurance claims and policyholders benefits	5,947							5,947
Amortization of deferred acquisition costs	1,362							1,362
Contract drilling expenses		1,573						1,573
Other operating expenses	1,318	554	776	543	375	98		3,664
Impairment of goodwill			52	584				636
Interest	166	25	163	17	9	62		442
Total	8,793	2,152	991	1,144	384	160	-	13,624
Income (loss) before income tax	1,320	774	241	(885)	(4)	719	(736)	1,429
Income tax (expense) benefit	(378)	(245)	(56)	311	1	7		(360)
Net income (loss)	942	529	185	(574)	(3)	726	(736)	1,069
Amounts attributable to noncontrolling interests	(95)	(272)	(107)					(474)
Net income (loss) attributable to Loews Corporation	$ 847	$ 257	$ 78	$ (574)	$ (3)	$ 726	$ (736)	$ 595

178

Table of Contents

Loews Corporation

Consolidating Statement of Income Information

Year Ended December 31, 2012	CNA Financial	Diamond Offshore	Boardwalk Pipeline	High Mount	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Revenues:								
Insurance premiums	$ 6,882							$ 6,882
Net investment income	2,282	$ 5			$ 1	$ 61		2,349
Intercompany interest and dividends						683	$ (683)	-
Investment gains (losses)	60		$ (3)					57
Contract drilling revenues		2,936						2,936
Other	323	131	1,187	$ 297	396	1	(7)	2,328
Total	9,547	3,072	1,184	297	397	745	(690)	14,552
Expenses:								
Insurance claims and policyholders benefits	5,896							5,896
Amortization of deferred acquisition costs	1,274							1,274
Contract drilling expenses		1,537						1,537
Other operating expenses	1,327	572	717	919	372	106	(7)	4,006
Interest	170	46	166	14	11	40	(7)	440
Total	8,667	2,155	883	933	383	146	(14)	13,153
Income (loss) before income tax	880	917	301	(636)	14	599	(676)	1,399
Income tax (expense) benefit	(247)	(223)	(70)	229	(7)	29		(289)
Net income (loss)	633	694	231	(407)	7	628	(676)	1,110
Amounts attributable to noncontrolling interests	(63)	(357)	(122)					(542)
Net income (loss) attributable to Loews Corporation	$ 570	$ 337	$ 109	$ (407)	$ 7	$ 628	$ (676)	$ 568

179

Table of Contents

Loews Corporation

Consolidating Statement of Income Information

Year Ended December 31, 2011 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	HighMount	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	$ 6,603							$ 6,603
Net investment income	2,054	$ 7			$ 1	$ 1		2,063
Intercompany interest and dividends						624	$ (624)	-
Investment gains (losses)	(19)	1		$ (34)				(52)
Contract drilling revenues		3,254						3,254
Other	325	73	$ 1,144	390	336	(2)	(5)	2,261
Total	8,963	3,335	1,144	356	337	623	(629)	14,129
Expenses:								
Insurance claims and policyholders benefits	5,489							5,489
Amortization of deferred acquisition costs	1,176							1,176
Contract drilling expenses		1,549						1,549
Other operating expenses	1,234	535	760	245	311	87	(5)	3,167
Interest	185	73	173	46	9	44	(8)	522
Total	8,084	2,157	933	291	320	131	(13)	11,903
Income before income tax	879	1,178	211	65	17	492	(616)	2,226
Income tax (expense) benefit	(244)	(250)	(57)	(24)	(4)	47		(532)
Net income	635	928	154	41	13	539	(616)	1,694
Amounts attributable to noncontrolling interests	(78)	(477)	(77)					(632)
Net income attributable to Loews Corporation	$ 557	$ 451	$ 77	$ 41	$ 13	$ 539	$ (616)	$ 1,062

180

Table of Contents

Note 23. Subsequent Event

On February 10, 2014, CNA entered into a definitive agreement to sell the majority of its run-off annuity and pension deposit business through the sale of the common stock of CAC and a 100% coinsurance agreement on a separate small block of annuity business outside of CAC.

The business being sold is currently reported within Life & Group Non-Core. As of December 31, 2013, gross insurance reserves for this business were approximately $3.4 billion. Results for this business were net income (after noncontrolling interests) of approximately $28 million and $7 million for the years ended December 31, 2013 and 2012 and a net loss of approximately $111 million for the year ended December 31, 2011.

The sale is subject to regulatory approvals and other customary closing conditions and is expected to close in the first half of 2014. An impairment loss of approximately $200 million (after tax and noncontrolling interests) will be recorded in the first quarter of 2014. This business will be reported as discontinued operations in the first quarter of 2014.

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) which is designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the federal securities laws, including this Report is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company under the Exchange Act is accumulated and communicated to the Company s management on a timely basis to allow decisions regarding required disclosure.

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

Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and the implementing rules of the Securities and Exchange Commission, the Company included a report of management s assessment of the design and effectiveness of its internal controls as part of this Annual Report on Form 10-K for the year ended December 31, 2013. The independent registered public accounting firm of the Company reported on the effectiveness of internal control over financial reporting as of December 31, 2013. Management s report and the independent registered public accounting firm s report are included in Item 8 of this Report under the captions entitled Management s Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm and are incorporated herein by reference.

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

Item 9B. Other Information.

None.

PART III

Except as set forth below and under Executive Officers of the Registrant in Part I of this Report, the information called for by Part III (Items 10, 11, 12, 13 and 14) has been omitted as Registrant intends to include such information in its definitive Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year.

182

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. Financial Statements:

The financial statements above appear under Item 8. The following additional financial data should be read in conjunction with those financial statements. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

	Page Number
2. Financial Statement Schedules:	
Loews Corporation and Subsidiaries:	
Schedule I Condensed financial information of Registrant as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011	189
Schedule II Valuation and qualifying accounts for the years ended December 31, 2013, 2012 and 2011	191
Schedule V Supplemental information concerning property and casualty insurance operations as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011	192

Description	Exhibit Number
3. Exhibits:	
(3) Articles of Incorporation and By-Laws	
Restated Certificate of Incorporation of the Registrant, dated August 11, 2009, incorporated herein by reference to Exhibit 3.1 to Registrant s Report on Form 10-Q for the quarter ended September 30, 2009	3.01
By-Laws of the Registrant as amended through October 9, 2007, incorporated herein by reference to Exhibit 3.1 to Registrant s Report on Form 10-Q filed October 31, 2007	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long term debt, pursuant to Item 601(b)(4)(iii) of Regulation S-K	
(10) Material Contracts	

Loews Corporation Deferred Compensation Plan amended and restated as of January 1, 2008, incorporated herein by reference to Exhibit 10.01 to Registrant s Report on Form 10-K for the year ended December 31, 2008	10.01+

Table of Contents

Description	Exhibit Number
Loews Corporation Incentive Compensation Plan for Executive Officers, as amended through October 30, 2009, incorporated herein by reference to Exhibit 10.02 to Registrant s Report on Form 10-K for the year ended December 31, 2009	10.02+
Loews Corporation Amended and Restated Stock Option Plan, incorporated herein by reference to Exhibit A to Registrant s Proxy Statement filed with the Commission on March 26, 2012	10.03+
Separation Agreement, dated as of May 7, 2008, by and among Registrant, Lorillard, Inc., Lorillard Tobacco Company, Lorillard Licensing Company LLC, One Park Media Services, Inc. and Plisa, S.A., incorporated herein by reference to Exhibit 10.1 to the Registrant s Report on Form 10-Q for the quarter ended June 30, 2008	10.04
Amended and Restated Employment Agreement dated as of February 14, 2012 between Registrant and Andrew H. Tisch, incorporated herein by reference to Exhibit 10.05 to Registrant s Report on Form 10-K for the year ended December 31, 2011	10.05+
Amendment dated as of February 15, 2013 to Amended and Restated Employment Agreement between Registrant and Andrew H. Tisch, incorporated herein by reference to Exhibit 10.06 to Registrant s Report on Form 10-K for the year ended December 31, 2012	10.06+
Amendment dated as of February 13, 2014 to Amended and Restated Employment Agreement between Registrant and Andrew H. Tisch	10.07*+
Supplemental Retirement Agreement dated January 1, 2002 between Registrant and Andrew H. Tisch, incorporated herein by reference to Exhibit 10.30 to Registrant s Report on Form 10-K for the year ended December 31, 2001	10.08+
Amendment No. 1 dated January 1, 2003 to Supplemental Retirement Agreement between Registrant and Andrew H. Tisch, incorporated herein by reference to Exhibit 10.33 to Registrant s Report on Form 10-K for the year ended December 31, 2002	10.09+
Amendment No. 2 dated January 1, 2004 to Supplemental Retirement Agreement between Registrant and Andrew H. Tisch, incorporated herein by reference to Exhibit 10.27 to Registrant s Report on Form 10-K for the year ended December 31, 2003	10.10+
Amended and Restated Employment Agreement dated as of February 14, 2012 between Registrant and James S. Tisch, incorporated herein by reference to Exhibit 10.09 to Registrant s Report on Form 10-K for the year ended December 31, 2011	10.11+
Amendment dated as of February 15, 2013 to Amended and Restated Employment Agreement between Registrant and James S. Tisch, incorporated herein by reference to Exhibit 10.11 to Registrant s Report on Form 10-K for the year ended December 31, 2012	10.12+
	10.13*+

Amendment dated as of February 13, 2014 to Amended and Restated Employment Agreement between Registrant and James S. Tisch	
Supplemental Retirement Agreement dated January 1, 2002 between Registrant and James S. Tisch, incorporated herein by reference to Exhibit 10.31 to Registrant s Report on Form 10-K for the year ended December 31, 2001	10.14+
Amendment No. 1 dated January 1, 2003 to Supplemental Retirement Agreement between Registrant and James S. Tisch, incorporated herein by reference to Exhibit 10.35 to Registrant s Report on Form 10-K for the year ended December 31, 2002	10.15+

Table of Contents

Description	Exhibit Number
Amendment No. 2 dated January 1, 2004 to Supplemental Retirement Agreement between Registrant and James S. Tisch, incorporated herein by reference to Exhibit 10.34 to Registrant s Report on Form 10-K for the year ended December 31, 2003	10.16+
Amended and Restated Employment Agreement dated as of February 14, 2012 between Registrant and Jonathan M. Tisch, incorporated herein by reference to Exhibit 10.13 to Registrant s Report on Form 10-K for the year ended December 31, 2011	10.17+
Amendment dated as of February 15, 2013 to Amended and Restated Employment Agreement between Registrant and Jonathan M. Tisch, incorporated herein by reference to Exhibit 10.16 to Registrant s Report on Form 10-K for the year ended December 31, 2012	10.18+
Amendment dated as of February 13, 2014 to Amended and Restated Employment Agreement between Registrant and Jonathan M. Tisch	10.19*+
Supplemental Retirement Agreement dated January 1, 2002 between Registrant and Jonathan M. Tisch, incorporated herein by reference to Exhibit 10.32 to Registrant s Report on Form 10-K for the year ended December 31, 2001	10.20+
Amendment No. 1 dated January 1, 2003 to Supplemental Retirement Agreement between Registrant and Jonathan M. Tisch, incorporated herein by reference to Exhibit 10.37 to Registrant s Report on Form 10-K for the year ended December 31, 2002	10.21+
Amendment No. 2 dated January 1, 2004 to Supplemental Retirement Agreement between Registrant and Jonathan M. Tisch, incorporated herein by reference to Exhibit 10.41 to Registrant s Report on Form 10-K for the year ended December 31, 2003	10.22+
Supplemental Retirement Agreement dated March 24, 2000 between Registrant and Peter W. Keegan, incorporated herein by reference to Exhibit 10.01 to Registrant s Report on Form 10-Q for the quarter ended March 31, 2000	10.23+
First Amendment to Supplemental Retirement Agreement dated June 30, 2001 between Registrant and Peter W. Keegan, incorporated herein by reference to Exhibit 10 to Registrant s Report on Form 10-Q for the quarter ended March 31, 2002	10.24+
Second Amendment to Supplemental Retirement Agreement dated March 25, 2003 between Registrant and Peter W. Keegan and Third Amendment to Supplemental Retirement Agreement dated March 31, 2004 between Registrant and Peter W. Keegan, incorporated herein by reference to Exhibit 10.44 to Registrant s Report on Form 10-K for the year ended December 31, 2005	10.25+
Fourth Amendment to Supplemental Retirement Agreement dated December 6, 2005 between Registrant and Peter W. Keegan, incorporated herein by reference to Exhibit 10.1 to Registrant s Report on Form 8-K filed December 7, 2005	10.26+

Form of Stock Option Certificate for grants to executive officers and other employees and to non-employee directors pursuant to the Loews Corporation Amended and Restated Stock Option Plan, incorporated herein by reference to Exhibit 10.27 to Registrant s Report on Form 10-K for the year ended December 31, 2009	10.27+
Form of Award Certificate for grants of stock appreciation rights to executive officers and other employees pursuant to the Loews Corporation Amended and Restated Stock Option Plan, incorporated herein by reference to Exhibit 10.28 to Registrant s Report on Form 10-K for the year ended December 31, 2009	10.28+

Table of Contents

	Description	Exhibit Number
	Lease agreement dated November 20, 2001 between 61st & Park Ave. Corp. and Preston R. Tisch and Joan Tisch, incorporated herein by reference to Exhibit 10.1 to Registrant s Report on Form 10-Q filed August 4, 2009	10.29
(21)	Subsidiaries of the Registrant	
	List of subsidiaries of the Registrant	21.01*
(23)	Consent of Experts and Counsel	
	Consent of Deloitte & Touche LLP	23.01*
	Consent of Netherland, Sewell & Associates, Inc.	23.02*
	Audit Report of Netherland, Sewell & Associates, Inc., Independent Petroleum Consultants	23.03*
(31)	Rule 13a-14(a)/15d-14(a) Certifications	
	Certification by the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.01*
	Certification by the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.02*
(32)	Section 1350 Certifications	
	Certification by the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.01*
	Certification by the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.02*
(100)	XBRL - Related Documents	
	XBRL Instance Document	101.INS*
	XBRL Taxonomy Extension Schema	101.SCH*
	XBRL Taxonomy Extension Calculation Linkbase	101.CAL*
	XBRL Taxonomy Extension Definition Linkbase	101.DEF*
	XBRL Taxonomy Label Linkbase	101.LAB*
	XBRL Taxonomy Extension Presentation Linkbase	101.PRE*

*Filed herewith.

[+]Management contract or compensatory plan or arrangement.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOEWS CORPORATION

Dated: February 24, 2014 By /s/ Peter W. Keegan
(Peter W. Keegan, Senior Vice President and Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: February 24, 2014 By /s/ James S. Tisch
(James S. Tisch, President, Chief Executive Officer and Director)

Dated: February 24, 2014 By /s/ Peter W. Keegan
(Peter W. Keegan, Senior Vice President and Chief Financial Officer)

Dated: February 24, 2014 By /s/ Mark S. Schwartz
(Mark S. Schwartz, Vice President and Chief Accounting Officer)

Dated: February 24, 2014 By /s/ Lawrence S. Bacow
(Lawrence S. Bacow, Director)

Dated: February 24, 2014 By /s/ Ann E. Berman
(Ann E. Berman, Director)

Dated: February 24, 2014 By /s/ Joseph L. Bower

(Joseph L. Bower, Director)

Table of Contents

Dated:	February 24, 2014	By	/s/ Charles M. Diker **(Charles M. Diker, Director)**
Dated:	February 24, 2014	By	/s/ Jacob A. Frenkel **(Jacob A. Frenkel, Director)**
Dated:	February 24, 2014	By	/s/ Paul J. Fribourg **(Paul J. Fribourg, Director)**
Dated:	February 24, 2014	By	/s/ Walter L. Harris **(Walter L. Harris, Director)**
Dated:	February 24, 2014	By	/s/ Philip A. Laskawy **(Philip A. Laskawy, Director)**
Dated:	February 24, 2014	By	/s/ Ken Miller **(Ken Miller, Director)**
Dated:	February 24, 2014	By	/s/ Gloria R. Scott **(Gloria R. Scott, Director)**
Dated:	February 24, 2014	By	/s/ Andrew H. Tisch **(Andrew H. Tisch, Director)**
Dated:	February 24, 2014	By	/s/ Jonathan M. Tisch **(Jonathan M. Tisch, Director)**
Dated:	February 24, 2014	By	/s/ Anthony Welters **(Anthony Welters, Director)**

Table of Contents

SCHEDULE I

Condensed Financial Information of Registrant

LOEWS CORPORATION

BALANCE SHEETS

ASSETS

December 31	**2013**	2012
(In millions)		
Current assets, principally investment in short term instruments	**$ 3,350**	$ 2,556
Investments in securities	**1,330**	1,332
Investments in capital stocks of subsidiaries, at equity	**17,264**	16,936
Other assets	**33**	34
Total assets	**$ 21,977**	$ 20,858

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities	**$ 91**	$ 67
Long term debt	**1,678**	693
Deferred income tax and other	**750**	639
Total liabilities	**2,519**	1,399
Shareholders equity	**19,458**	19,459
Total liabilities and shareholders equity	**$ 21,977**	$ 20,858

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Year Ended December 31	**2013**	2012	2011
(In millions)			
Revenues:			
Equity in income of subsidiaries (a)	**$ 664**	$ 653	$ 1,193
Interest and other	**83**	51	(17)

Total	**747**	704	1,176
Expenses:			
Administrative	**91**	101	81
Interest	**62**	40	44
Total	**153**	141	125
Income before income tax	**594**	563	1,051
Income tax benefit	**1**	5	11
Net income	**595**	568	1,062
Equity in other comprehensive income (loss) of subsidiaries	**(341)**	289	143
Total comprehensive income	**$ 254**	$ 857	$ 1,205

Table of Contents

SCHEDULE I

(Continued)

Condensed Financial Information of Registrant

LOEWS CORPORATION

STATEMENTS OF CASH FLOWS

Year Ended December 31	**2013**	2012	2011
(In millions)			
Operating Activities:			
Net income	**$ 595**	$ 568	$ 1,062
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Undistributed (earnings) losses of affiliates	**58**	14	(571)
Provision for deferred income taxes	**(376)**	67	(21)
Changes in operating assets and liabilities, net:			
Receivables	**(1)**	2	(37)
Accounts payable and accrued liabilities	**511**	(42)	(3)
Trading securities	**(787)**	(396)	420
Other, net	**(59)**	(13)	16
	(59)	200	866
Investing Activities:			
Investments in and advances to subsidiaries	**(669)**	262	(848)
Change in investments, primarily short term	**111**	(158)	1,003
Other	**(3)**	(10)	(18)
	(561)	94	137
Financing Activities:			
Dividends paid	**(97)**	(99)	(101)
Issuance of common stock	**5**	13	4
Purchases of treasury shares	**(228)**	(212)	(732)
Principal payments on debt			(175)
Issuance of debt	**983**		
Other	**1**	4	1

	664		(294)		(1,003)
Net change in cash	**44**				
Cash, beginning of year					
Cash, end of year	**$ 44**	$	-	$	-

(a) Cash dividends paid to the Company by affiliates amounted to $736, $676 and $616 for the years ended December 31, 2013, 2012 and 2011.

Table of Contents

SCHEDULE II

LOEWS CORPORATION AND SUBSIDIARIES

Valuation and Qualifying Accounts

Column A	Column B	Column C Additions		Column D	Column E
Description	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**Charged to Other Accounts**	**Deductions**	**Balance at End of Period**
(In millions)					
		For the Year Ended December 31, 2013			
Deducted from assets:					
Allowance for doubtful accounts	**$ 213**	**$ 23**	**$ 140**	**$ 47**	**$ 329**
Total	**$ 213**	**$ 23**	**$ 140**	**$ 47**	**$ 329**
		For the Year Ended December 31, 2012			
Deducted from assets:					
Allowance for doubtful accounts	$ 241	$ 1	$ 9	$ 38	$ 213
Total	$ 241	$ 1	$ 9	$ 38	$ 213
		For the Year Ended December 31, 2011			
Deducted from assets:					
Allowance for doubtful accounts	$ 404	$ 6	$ 69	$ 238	$ 241
Total	$ 404	$ 6	$ 69	$ 238	$ 241

Table of Contents

SCHEDULE V

LOEWS CORPORATION AND SUBSIDIARIES

Supplemental Information Concerning Property and Casualty Insurance Operations

Consolidated Property and Casualty Operations

December 31	**2013**	2012
(In millions)		
Deferred acquisition costs	**$ 624**	$ 598
Reserves for unpaid claim and claim adjustment expenses	**24,015**	24,696
Discount deducted from claim and claim adjustment expense reserves above (based on interest rates ranging from 3.0% to 9.7%)	**1,586**	1,850
Unearned premiums	**3,718**	3,610

Year Ended December 31	**2013**	2012	2011
(In millions)			
Net written premiums	**$ 7,348**	$ 6,964	$ 6,798
Net earned premiums	**7,271**	6,881	6,603
Net investment income	**2,240**	2,074	1,845
Incurred claim and claim adjustment expenses related to current year	**5,113**	5,266	4,901
Incurred claim and claim adjustment expenses related to prior years	**(115)**	(180)	(429)
Amortization of deferred acquisition costs	**1,362**	1,274	1,176
Paid claim and claim adjustment expenses	**5,566**	5,257	4,499