LOEWS CORP
Form 10-Q
October 30, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

OR

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

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

Yes ___X___ No _____

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

Yes ___X___ No _____ Not Applicable _____

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

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

Emerging growth company ____

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

_____

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

Yes _____ No X

Class	Outstanding at October 20, 2017
Common stock, $0.01 par value	336,631,152 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Dollar amounts in millions, except per share data)	**September 30, 2017**	December 31, 2016
Assets:		
Investments:		
Fixed maturities, amortized cost of $39,230 and $38,947	**$ 42,507**	$ 41,494
Equity securities, cost of $592 and $571	**610**	549
Limited partnership investments	**3,201**	3,220
Other invested assets, primarily mortgage loans	**825**	683
Short term investments	**4,991**	4,765
Total investments	**52,134**	50,711
Cash	**416**	327
Receivables	**7,792**	7,644
Property, plant and equipment	**15,475**	15,230
Goodwill	**648**	346
Other assets	**2,419**	1,736
Deferred acquisition costs of insurance subsidiaries	**643**	600
Total assets	**$ 79,527**	$ 76,594
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	**$ 22,209**	$ 22,343
Future policy benefits	**11,040**	10,326
Unearned premiums	**4,060**	3,762
Total insurance reserves	**37,309**	36,431
Payable to brokers	**324**	150
Short term debt	**194**	110
Long term debt	**11,239**	10,668
Deferred income taxes	**905**	636
Other liabilities	**5,195**	5,238
Total liabilities	**55,166**	53,233
Commitments and contingent liabilities		
Preferred stock, $0.10 par value:		

Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 336,753,017 and 336,621,358 shares	**3**	3
Additional paid-in capital	**3,181**	3,187
Retained earnings	**15,811**	15,196
Accumulated other comprehensive income (loss)	**32**	(223)
	19,027	18,163
Less treasury stock, at cost (123,500 shares)	**(6)**	
Total shareholders equity	**19,021**	18,163
Noncontrolling interests	**5,340**	5,198
Total equity	**24,361**	23,361
Total liabilities and equity	**$ 79,527**	$ 76,594

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

(In millions, except per share data)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenues:				
Insurance premiums	**$ 1,806**	$ 1,767	**$ 5,185**	$ 5,196
Net investment income	**557**	561	**1,639**	1,570
Investment gains (losses):				
Other-than-temporary impairment losses	**(5)**	(18)	**(9)**	(56)
Other net investment gains	**21**	63	**102**	74
Total investment gains	**16**	45	**93**	18
Contract drilling revenues	**357**	340	**1,113**	1,141
Other revenues	**785**	574	**2,150**	1,842
Total	**3,521**	3,287	**10,180**	9,767
Expenses:				
Insurance claims and policyholders benefits	**1,480**	1,202	**4,053**	3,949
Amortization of deferred acquisition costs	**309**	314	**926**	926
Contract drilling expenses	**198**	187	**598**	598
Other operating expenses (Note 5)	**1,047**	898	**2,978**	3,416
Interest	**223**	130	**504**	403
Total	**3,257**	2,731	**9,059**	9,292
Income before income tax	**264**	556	**1,121**	475
Income tax expense	**(52)**	(163)	**(240)**	(171)
Net income	**212**	393	**881**	304
Amounts attributable to noncontrolling interests	**(55)**	(66)	**(198)**	60
Net income attributable to Loews Corporation	**$ 157**	$ 327	**$ 683**	$ 364
Basic net income per share	**$ 0.46**	$ 0.97	**$ 2.03**	$ 1.08
Diluted net income per share	**$ 0.46**	$ 0.97	**$ 2.02**	$ 1.08
Dividends per share	**$ 0.0625**	$ 0.0625	**$ 0.1875**	$ 0.1875
Weighted average shares outstanding:				
Shares of common stock	**336.91**	337.18	**336.90**	338.33

Dilutive potential shares of common stock	**0.88**	0.44	**0.83**	0.28
Total weighted average shares outstanding assuming dilution	**337.79**	337.62	**337.73**	338.61

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Net income	**$ 212**	$ 393	**$ 881**	$ 304
Other comprehensive income (loss), after tax				
Changes in:				
Net unrealized gains (losses) on investments with other-than-temporary impairments	**1**	3	**(3)**	7
Net other unrealized gains on investments	**23**	42	**167**	591
Total unrealized gains on available-for-sale investments	**24**	45	**164**	598
Unrealized gains on cash flow hedges	**1**	1	**1**	2
Pension liability	**11**	7	**26**	20
Foreign currency translation	**41**	(24)	**94**	(58)
Other comprehensive income	**77**	29	**285**	562
Comprehensive income	**289**	422	**1,166**	866
Amounts attributable to noncontrolling interests	**(64)**	(70)	**(228)**	(1)
Total comprehensive income attributable to Loews Corporation	**$ 225**	$ 352	**$ 938**	$ 865

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

(Unaudited)

		Loews Corporation Shareholders					
(In millions)	**Total**	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock Held in Treasury**	**Noncontrolling Interests**
Balance, January 1, 2016	$ 22,810	$ 3	$ 3,184	$ 14,731	$ (357)	$ -	$ 5,249
Net income	304			364			(60)
Other comprehensive income	562				501		61
Dividends paid	(177)			(63)			(114)
Purchases of subsidiary stock from noncontrolling interests	(9)		3				(12)
Purchases of Loews treasury stock	(115)					(115)	
Stock-based compensation	35		33				2
Other	(4)		(13)	(1)			10
Balance, September 30, 2016	$ 23,406	$ 3	$ 3,207	$ 15,031	$ 144	$ (115)	$ 5,136
Balance, January 1, 2017	**$ 23,361**	**$ 3**	**$ 3,187**	**$ 15,196**	**$ (223)**	**$ -**	**$ 5,198**
Net income	**881**			**683**			**198**
Other comprehensive income	**285**				**255**		**30**
Dividends paid	**(180)**			**(63)**			**(117)**
Purchases of Loews treasury stock	**(6)**					**(6)**	
Stock-based compensation	**24**		**(8)**				**32**
Other	**(4)**		**2**	**(5)**			**(1)**
Balance, September 30, 2017	**$ 24,361**	**$ 3**	**$ 3,181**	**$ 15,811**	**$ 32**	**$ (6)**	**$ 5,340**

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30 **(In millions)**	**2017**	2016
Operating Activities:		
Net income	**$ 881**	$ 304
Adjustments to reconcile net income to net cash provided (used) by operating activities, net	**959**	1,676
Changes in operating assets and liabilities, net:		
Receivables	**19**	(165)
Deferred acquisition costs	**(34)**	(24)
Insurance reserves	**248**	464
Other assets	**(85)**	(80)
Other liabilities	**(116)**	9
Trading securities	**(62)**	(468)
Net cash flow operating activities	**1,810**	1,716
Investing Activities:		
Purchases of fixed maturities	**(6,877)**	(7,472)
Proceeds from sales of fixed maturities	**4,167**	4,239
Proceeds from maturities of fixed maturities	**2,635**	2,263
Purchases of limited partnership investments	**(85)**	(324)
Proceeds from sales of limited partnership investments	**179**	207
Purchases of property, plant and equipment	**(735)**	(1,185)
Acquisitions	**(1,218)**	(79)
Dispositions	**68**	277
Change in short term investments	**(85)**	104
Other, net	**(136)**	124
Net cash flow investing activities	**(2,087)**	(1,846)
Financing Activities:		
Dividends paid	**(63)**	(63)
Dividends paid to noncontrolling interests	**(117)**	(114)
Purchases of subsidiary stock from noncontrolling interests		(8)
Purchases of Loews treasury stock	**(6)**	(115)
Principal payments on debt	**(2,249)**	(2,882)
Issuance of debt	**2,808**	3,226
Other, net	**(16)**	(2)

Net cash flow financing activities	**357**	42
Effect of foreign exchange rate on cash	**9**	(8)
Net change in cash	**89**	(96)
Cash, beginning of period	**327**	440
Cash, end of period	**$ 416**	$ 344

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (CNA), a 89% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 53% owned subsidiary); transportation and storage of natural gas and natural gas liquids (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 51% owned subsidiary); the operation of a chain of hotels (Loews Hotels Holding Corporation (Loews Hotels & Co), a wholly owned subsidiary); and the manufacture of rigid plastic packaging solutions (Consolidated Container Company LLC, a 99% owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company s financial position as of September 30, 2017 and December 31, 2016, results of operations and comprehensive income for the three and nine months ended September 30, 2017 and 2016 and changes in shareholders equity and cash flows for the nine months ended September 30, 2017 and 2016. Net income (loss) for the third quarter and first nine months of each of the years is not necessarily indicative of net income (loss) for that entire year. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2016.

The Company presents basic and diluted net income (loss) per share on the Consolidated Condensed Statements of Income. Basic net income (loss) per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. 0.4 million and 3.3 million shares for the three months ended September 30, 2017 and 2016 and 0.4 million and 4.7 million shares for the nine months ended September 30, 2017 and 2016 attributable to employee stock-based compensation awards were not included in the diluted weighted average shares outstanding amounts because the effect would have been antidilutive.

Accounting changes In March of 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The updated accounting guidance simplifies the accounting for share-based payment award transactions, including income tax consequences and classification on the statement of cash flows. As of January 1, 2017, the Company adopted the updated accounting guidance and began recognizing excess tax benefits or deficiencies on vesting or settlement of awards as an income tax benefit or expense within net income and the related cash flows classified within operating activities. The change impacted the amount and timing of income tax expense recognition as well as the calculation of diluted earnings per share. The accounting change did not have a material effect on the consolidated financial statements.

Recently issued ASUs In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new accounting guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new accounting guidance provides a five-step analysis of transactions to determine when and how revenue is recognized and requires enhanced disclosures about revenue. The guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and may be adopted either retrospectively or on a modified basis, with a cumulative effect adjustment to the opening balance sheet at the date of adoption. The Company expects to adopt this updated guidance using the modified retrospective method. The standard excludes from its scope the accounting for insurance contracts, financial instruments and certain other agreements that are subject to other guidance in the FASB Accounting Standards Codification, which limits the impact of this change in accounting for the Company. Upon adoption, the Company

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expects that revenue on CNA s warranty products and services will be recognized more slowly than under the current revenue recognition pattern. The Company also expects that Other revenues and operating expenses will increase significantly for CNA s warranty products to reflect the gross amount paid by consumers to the auto dealers that act as CNA s agents. While the Company continues to evaluate the effect the guidance will have on its consolidated financial statements, the Company expects the adoption of the updated guidance will not have a material effect on its results of operations or financial position.

In January of 2016, the FASB issued ASU 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated accounting guidance requires changes to the reporting model for financial instruments. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company expects the primary change to be the requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Upon adoption, the Company will recognize an adjustment for the cumulative amount of unrealized investment gains and losses related to available-for-sale equity securities within the opening balances of Retained earnings and Accumulated other comprehensive income (loss). The Company expects the adoption of the updated guidance will not have a material effect on its consolidated financial statements.

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

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

In October of 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. The updated guidance amends the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017. The Company is currently evaluating its historical intra-group transactions for the possible effect of the updated guidance. The Company expects to adopt this updated guidance using the modified retrospective approach with a cumulative effect adjustment to the opening balance of Retained earnings with an offset to a deferred income tax liability.

2. Acquisition of Consolidated Container Company

On May 22, 2017, the Company completed the previously announced acquisition of CCC Acquisition Holdings, Inc. for $1.2 billion, subject to closing adjustments. CCC Acquisition Holdings, Inc., through its wholly owned subsidiary, Consolidated Container Company LLC (Consolidated Container), is a rigid plastic packaging and recycled resins

manufacturer that provides packaging solutions to end markets such as beverage, food and household chemicals through a network of manufacturing locations across North America. The results of Consolidated Container are included in the Consolidated Condensed Financial Statements since the acquisition date in the Corporate segment. For the three months ended September 30, 2017 and for the period since the acquisition date, Consolidated Container s revenues were $202 million and $293 million and net income was not significant. For the year ended December 31, 2016, Consolidated Container reported total revenues of $788 million.

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The acquisition was funded with approximately $620 million of parent company cash and debt financing proceeds at Consolidated Container of $600 million, as discussed in Note 7. The following table summarizes the preliminary allocation of the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value as of the acquisition date and is subject to change within the measurement period. The primary areas that are not yet finalized relate to working capital at closing and determination of tax bases of net assets acquired.

(In millions)

Cash	**$ 5**
Property, plant and equipment	**391**
Goodwill	**300**
Other assets:	
Inventory	**57**
Customer relationships	**459**
Trade name	**43**
Other	**122**
Deferred income taxes	**(17)**
Other liabilities:	
Accounts payable	**(52)**
Pension liability	**(27)**
Other	**(58)**
	$ 1,223

Customer relationships were valued using an income approach, which values the intangible asset at the present value of the related incremental after tax cash flows. The customer relationships intangible asset will be amortized over a useful life of 21 years. The trade name was valued using an income approach, which values the intangible asset based on an estimate of cost savings, or a relief from royalty. The trade name will be amortized over a useful life of 10 years. Goodwill includes value associated with the assembled workforce and Consolidated Container s future growth and profitability. The assets acquired and liabilities assumed as part of the acquisition did not result in a step up of tax basis and approximately $94 million of goodwill is deductible for tax purposes.

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3. Investments

Net investment income is as follows:

(In millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Fixed maturity securities	**$ 455**	$ 457	**$ 1,367**	$ 1,352
Limited partnership investments	**67**	91	**206**	98
Short term investments	**5**	3	**13**	8
Equity securities	**1**	1	**4**	8
Income from trading portfolio (a)	**34**	11	**67**	113
Other	**10**	12	**26**	34
Total investment income	**572**	575	**1,683**	1,613
Investment expenses	**(15)**	(14)	**(44)**	(43)
Net investment income	**$ 557**	$ 561	**$ 1,639**	$ 1,570

(a) Net unrealized gains (losses) related to changes in fair value on trading securities still held were $22 and $8 for the three months ended September 30, 2017 and 2016 and $35 and $63 for the nine months ended September 30, 2017 and 2016.

Investment gains (losses) are as follows:

(In millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Fixed maturity securities	**$ 16**	$ 47	**$ 92**	$ 34
Equity securities		(3)		(5)
Derivative instruments	**(1)**	1	**(3)**	(12)
Short term investments and other	**1**		**4**	1
Investment gains (a)	**$ 16**	$ 45	**$ 93**	$ 18

(a) Gross realized gains on available-for-sale securities were $34 and $68 for the three months ended September 30, 2017 and 2016 and $140 and $157 for the nine months ended September 30, 2017 and 2016. Gross realized losses on available-for-sale securities were $18 and $24 for the three months ended September 30, 2017 and 2016 and $48 and $128 for the nine months ended September 30, 2017 and 2016.

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

(In millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Fixed maturity securities available-for-sale:				
Corporate and other bonds	**$ 4**	$ 14	**$ 8**	$ 43
Asset-backed:				
Residential mortgage-backed	**1**		**1**	1
Other asset-backed				3
Total asset-backed	**1**	-	**1**	4
Total fixed maturities available-for-sale	**5**	14	**9**	47
Equity securities available-for-sale - common stock		4		9
Net OTTI losses recognized in earnings	**$ 5**	$ 18	**$ 9**	$ 56

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

September 30, 2017 (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	**$ 17,965**	**$ 1,645**	**$ 26**	**$ 19,584**	
States, municipalities and political subdivisions	**12,462**	**1,501**	**7**	**13,956**	**$ (14)**
Asset-backed:					
Residential mortgage-backed	**4,906**	**127**	**28**	**5,005**	**(28)**
Commercial mortgage-backed	**1,858**	**55**	**13**	**1,900**	
Other asset-backed	**1,047**	**18**	**4**	**1,061**	
Total asset-backed	**7,811**	**200**	**45**	**7,966**	**(28)**
U.S. Treasury and obligations of government-sponsored enterprises	**115**	**3**	**3**	**115**	
Foreign government	**439**	**10**	**4**	**445**	
Redeemable preferred stock	**18**	**2**		**20**	
Fixed maturities available-for-sale	**38,810**	**3,361**	**85**	**42,086**	**(42)**
Fixed maturities trading	**420**	**2**	**1**	**421**	
Total fixed maturities	**39,230**	**3,363**	**86**	**42,507**	**(42)**
Equity securities:					
Common stock	**16**	**7**	**1**	**22**	
Preferred stock	**102**	**5**		**107**	
Equity securities available-for-sale	**118**	**12**	**1**	**129**	**-**
Equity securities trading	**474**	**86**	**79**	**481**	
Total equity securities	**592**	**98**	**80**	**610**	**-**
Total	**$ 39,822**	**$ 3,461**	**$ 166**	**$ 43,117**	**$ (42)**

December 31, 2016					
Fixed maturity securities:					
Corporate and other bonds	$ 17,711	$ 1,323	$ 76	$ 18,958	$ (1)
States, municipalities and political subdivisions	12,060	1,213	33	13,240	(16)
Asset-backed:					
Residential mortgage-backed	5,004	120	51	5,073	(28)
Commercial mortgage-backed	2,016	48	24	2,040	
Other asset-backed	1,022	8	5	1,025	
Total asset-backed	8,042	176	80	8,138	(28)
U.S. Treasury and obligations of government-sponsored enterprises	83	10		93	
Foreign government	435	13	3	445	
Redeemable preferred stock	18	1		19	
Fixed maturities available-for-sale	38,349	2,736	192	40,893	(45)

Fixed maturities trading	598	3		601	
Total fixed maturities	38,947	2,739	192	41,494	(45)
Equity securities:					
Common stock	13	6		19	
Preferred stock	93	2	4	91	
Equity securities available-for-sale	106	8	4	110	-
Equity securities trading	465	60	86	439	
Total equity securities	571	68	90	549	-
Total	$ 39,518	$ 2,807	$ 282	$ 42,043	$ (45)

The net unrealized gains on investments included in the tables above are recorded as a component of Accumulated other comprehensive income (AOCI). When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. To the extent that unrealized gains on fixed income securities supporting certain long term care products would result in a premium deficiency if realized, a related increase in

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Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through Other comprehensive income (Shadow Adjustments). As of September 30, 2017 and December 31, 2016, the net unrealized gains on investments included in AOCI were correspondingly reduced by Shadow Adjustments of $1.2 billion and $909 million (after tax and noncontrolling interests).

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

	Less than 12 Months		12 Months or Longer		Total	
September 30, 2017 (In millions)	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
Fixed maturity securities:						
Corporate and other bonds	**$ 1,216**	**$ 21**	**$ 91**	**$ 5**	**$ 1,307**	**$ 26**
States, municipalities and political subdivisions	**583**	**6**	**56**	**1**	**639**	**7**
Asset-backed:						
Residential mortgage-backed	**1,522**	**25**	**106**	**3**	**1,628**	**28**
Commercial mortgage-backed	**378**	**6**	**138**	**7**	**516**	**13**
Other asset-backed	**129**	**4**	**10**		**139**	**4**
Total asset-backed	**2,029**	**35**	**254**	**10**	**2,283**	**45**
U.S. Treasury and obligations of government-sponsored enterprises	**67**	**3**	**6**		**73**	**3**
Foreign government	**191**	**4**	**5**		**196**	**4**
Total fixed maturity securities	**4,086**	**69**	**412**	**16**	**4,498**	**85**
Equity securities:						
Common stock	**2**	**1**			**2**	**1**
Preferred stock	**16**				**16**	**-**
Total equity securities	**18**	**1**	**-**	**-**	**18**	**1**
Total	**$ 4,104**	**$ 70**	**$ 412**	**$ 16**	**$ 4,516**	**$ 86**

December 31, 2016

Fixed maturity securities:						
Corporate and other bonds	$ 2,615	$ 61	$ 254	$ 15	$ 2,869	$ 76
States, municipalities and political subdivisions	959	32	23	1	982	33
Asset-backed:						
Residential mortgage-backed	2,136	44	201	7	2,337	51
Commercial mortgage-backed	756	22	69	2	825	24
Other asset-backed	398	5	24		422	5
Total asset-backed	3,290	71	294	9	3,584	80
U.S. Treasury and obligations of government-sponsored enterprises	5				5	-
Foreign government	108	3			108	3

Total fixed maturity securities	6,977	167	571	25	7,548	192
Equity securities	12		13	4	25	4
Total	$ 6,989	$ 167	$ 584	$ 29	$ 7,573	$ 196

Based on current facts and circumstances, the Company believes the unrealized losses presented in the September 30, 2017 securities in a gross unrealized loss position table above are not indicative of the ultimate collectibility of the current amortized cost of the securities, but rather are attributable to changes in interest rates, credit spreads and other factors. The Company has no current intent to sell securities with unrealized losses, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded as of September 30, 2017.

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The following table presents the activity related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held as of September 30, 2017 and 2016 for which a portion of an OTTI loss was recognized in Other comprehensive income.

(In millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Beginning balance of credit losses on fixed maturity securities	**$ 30**	$ 41	**$ 36**	$ 53
Reductions for securities sold during the period	**(2)**	(2)	**(8)**	(14)
Reductions for securities the Company intends to sell or more likely than not will be required to sell		(1)		(1)
Ending balance of credit losses on fixed maturity securities	**$ 28**	$ 38	**$ 28**	$ 38

Contractual Maturity

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

(In millions)	September 30, 2017 Cost or Amortized Cost	September 30, 2017 Estimated Fair Value	December 31, 2016 Cost or Amortized Cost	December 31, 2016 Estimated Fair Value
Due in one year or less	**$ 1,374**	**$ 1,404**	$ 1,779	$ 1,828
Due after one year through five years	**7,931**	**8,293**	7,566	7,955
Due after five years through ten years	**15,853**	**16,574**	15,892	16,332
Due after ten years	**13,652**	**15,815**	13,112	14,778
Total	**$ 38,810**	**$ 42,086**	$ 38,349	$ 40,893

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

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Derivative Financial Instruments

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

	September 30, 2017			December 31, 2016		
	Contractual/ Notional Amount	**Estimated Fair Value Asset**	**(Liability)**	Contractual/ Notional Amount	Estimated Fair Value Asset	(Liability)
(In millions)						
With hedge designation:						
Interest rate swaps	**$ 500**					
Without hedge designation:						
Equity markets:						
Options purchased	**267**	**$ 15**		$ 223	$ 14	
written	**296**		**$ (8)**	267		$ (8)
Futures short	**249**		**(1)**	225	1	
Commodity futures long	**39**			42		
Embedded derivative on funds withheld liability	**170**		**(1)**	174	3	

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 methodology and inputs used to estimate fair value for each specific security. In general, the Company seeks to price securities using third party pricing services. Securities not priced by pricing services are submitted to independent brokers for valuation and, if those are not available, internally

developed pricing models are used to value assets using a methodology and inputs the Company believes market participants would use to value the assets. Prices obtained from third-party pricing services or brokers are not adjusted by the Company.

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 may include: (i) the review of pricing service methodologies or broker pricing qualifications, (ii) back-testing, where past fair value estimates are compared to actual transactions executed in the market on similar dates, (iii) exception reporting, where period-over-period changes in price are reviewed and challenged with the pricing service or broker based on exception criteria, (iv) detailed analysis, where the Company

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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.

Assets and liabilities measured at fair value on a recurring basis are presented in the following tables:

September 30, 2017 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
Corporate and other bonds		$ 19,465	$ 119	$ 19,584
States, municipalities and political subdivisions		13,955	1	13,956
Asset-backed:				
Residential mortgage-backed		4,829	176	5,005
Commercial mortgage-backed		1,876	24	1,900
Other asset-backed		915	146	1,061
Total asset-backed		7,620	346	7,966
U.S. Treasury and obligations of government-sponsored enterprises	$ 115			115
Foreign government		445		445
Redeemable preferred stock	20			20
Fixed maturities available-for-sale	135	41,485	466	42,086
Fixed maturities trading	9	407	5	421
Total fixed maturities	$ 144	$ 41,892	$ 471	$ 42,507
Equity securities available-for-sale	$ 110		$ 19	$ 129
Equity securities trading	479		2	481
Total equity securities	$ 589	$ -	$ 21	$ 610
Short term investments	$ 4,019	$ 876		$ 4,895
Other invested assets	61	5		66
Payable to brokers	(9)			(9)

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December 31, 2016 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
Corporate and other bonds		$ 18,828	$ 130	$ 18,958
States, municipalities and political subdivisions		13,239	1	13,240
Asset-backed:				
Residential mortgage-backed		4,944	129	5,073
Commercial mortgage-backed		2,027	13	2,040
Other asset-backed		968	57	1,025
Total asset-backed		7,939	199	8,138
U.S. Treasury and obligations of government-sponsored enterprises	$ 93			93
Foreign government		445		445
Redeemable preferred stock	19			19
Fixed maturities available-for-sale	112	40,451	330	40,893
Fixed maturities trading		595	6	601
Total fixed maturities	$ 112	$ 41,046	$ 336	$ 41,494
Equity securities available-for-sale	$ 91		$ 19	$ 110
Equity securities trading	438		1	439
Total equity securities	$ 529	$ -	$ 20	$ 549
Short term investments	$ 3,833	$ 853		$ 4,686
Other invested assets	55	5		60
Receivables	1			1
Life settlement contracts			$ 58	58
Payable to brokers	(44)			(44)

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The following tables present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2017 and 2016:

2017 (In millions)	Balance, July 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at September 30
Fixed maturity securities:										
Corporate and other bonds	$ 100	$ 1	$ 1	$ 13		$ (11)	$ 15		$ 119	
States, municipalities and political subdivisions	1								1	
Asset-backed:										
Residential mortgage-backed	123	1	1			(7)	58		176	
Commercial mortgage-backed	13		(1)	12		(2)	2		24	
Other asset-backed	82	(1)	1	27		(4)	41		146	
Total asset-backed	218	-	1	39	$ -	(13)	101	$ -	346	$ -
Fixed maturities available-for-sale	319	1	2	52		(24)	116		466	
Fixed maturities trading	5								5	
Total fixed maturities	$ 324	$ 1	$ 2	$ 52	$ -	$ (24)	$ 116	$ -	$ 471	$ -
Equity securities available-for-sale	$ 19								$ 19	
Equity securities trading	1			$ 1					2	
Total equity securities	$ 20	$ -	$ -	$ 1	$ -	$ -	$ -	$ -	$ 21	$ -
Life settlement contracts	$ 1				$ (1)				$ -	

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2016 (In millions)	Balance, July 1	Net Realized Gains (Losses) Included in Net Income	Net Change in Unrealized Gains (Losses) Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
Fixed maturity securities:										
Corporate and other bonds	$ 242	$ 1	$ 7	$ 16		$ (5)			$ 261	
States, municipalities and political subdivisions	2					(1)			1	
Asset-backed:										
Residential mortgage-backed	134		(1)	5		(1)		$ (58)	79	
Commercial mortgage-backed	11			23		(8)		(2)	24	
Other asset-backed	45			34				(36)	43	
Total asset-backed	190	-	(1)	62	$ -	(9)	$ -	(96)	146	$ -
Fixed maturities available-for-sale	434	1	6	78		(15)		(96)	408	
Fixed maturities trading	6								6	(1)
Total fixed maturities	$ 440	$ 1	$ 6	$ 78	$ -	$ (15)	$ -	$ (96)	$ 414	$ (1)
Equity securities available-for-sale	$ 19	$ (1)	$ 1						$ 19	$ (2)
Equity securities trading	2			$ (1)					1	(1)
Total equity securities	$ 21	$ (1)	$ 1	$ (1)	$ -	$ -	$ -	$ -	$ 20	$ (3)
Life settlement contracts	$ 67								$ 67	
Derivative financial instruments, net	1	$ (1)							-	

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2017 (In millions)	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income (Loss)	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at September 30
Fixed maturity securities:										
Corporate and other bonds	$ 130	$ 1	$ 2	$ 18	$ (1)	$ (36)	$ 15	$ (10)	$ 119	
States, municipalities and political subdivisions	1								1	
Asset-backed:										
Residential mortgage-backed	129	3	4			(18)	58		176	
Commercial mortgage-backed	13		(1)	12		(2)	2		24	
Other asset-backed	57	(2)	1	78		(6)	93	(75)	146	
Total asset-backed	199	1	4	90	-	(26)	153	(75)	346	$ -
Fixed maturities available-for-sale	330	2	6	108	(1)	(62)	168	(85)	466	
Fixed maturities trading	6	(1)							5	(1)
Total fixed maturities	$ 336	$ 1	$ 6	$ 108	$ (1)	$ (62)	$ 168	$ (85)	$ 471	$ (1)
Equity securities available-for-sale	$ 19		$ 2	$ 1	$ (3)				$ 19	
Equity securities trading	1			1					2	
Total equity securities	$ 20	$ -	$ 2	$ 2	$ (3)	$ -	$ -	$ -	$ 21	$ -
Life settlement contracts	$ 58	$ 6			$ (59)	$ (5)			$ -	
Derivative financial instruments, net	-	1			(1)				-	

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2016 (In millions)	Balance, January	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, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
Fixed maturity securities:										
Corporate and other bonds	$ 168	$ 1	$ 14	$ 163	$ (36)	$ (15)		$ (34)	$ 261	
States, municipalities and political subdivisions	2					(1)			1	
Asset-backed:										
Residential mortgage-backed	134	2	(2)	15		(10)		(60)	79	
Commercial mortgage-backed	22			32		(17)	$ 3	(16)	24	
Other asset-backed	53		2	69	(25)	(1)	2	(57)	43	
Total asset-backed	209	2	-	116	(25)	(28)	5	(133)	146	$ -
Fixed maturities available-for-sale	379	3	14	279	(61)	(44)	5	(167)	408	
Fixed maturities trading	85	5		2	(86)				6	3
Total fixed maturities	$ 464	$ 8	$ 14	$ 281	$ (147)	$ (44)	$ 5	$ (167)	$ 414	$ 3
Equity securities available-for-sale	$ 20	$ (1)							$ 19	$ (2)
Equity securities trading	1	1			$ (1)				1	
Total equity securities	$ 21	$ -	$ -	$ -	$ (1)	$ -	$ -	$ -	$ 20	$ (2)
Life settlement contracts	$ 74	$ 10				$ (17)			$ 67	$ 2
Derivative financial instruments, net	3	(4)			$ (2)		$ 3		-	(3)

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

Major Category of Assets and Liabilities

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

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Securities may be transferred in or out of levels within the fair value hierarchy based on the availability of observable market information and quoted prices used to determine the fair value of the security. The availability of observable market information and quoted prices varies based on market conditions and trading volume. During the three and nine months ended September 30, 2017 and 2016 there were no transfers between Level 1 and Level 2. The Company s policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

Valuation Methodologies and Inputs

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

Fixed Maturity Securities

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

Equity Securities

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

Derivative Financial Instruments

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

Short Term Investments

Securities that are actively traded or have quoted prices are classified as Level 1. These securities include money market funds and treasury bills. Level 2 primarily includes commercial paper, for which all inputs are market observable. Fixed maturity securities purchased within one year of maturity are 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 Condensed Balance Sheets because certain short term investments, such as time deposits, are not measured at fair value.

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Other Invested Assets

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

Life Settlement Contracts

CNA accounts for its investment in life settlement contracts using the fair value method. Historically, the fair value of life settlement contracts was 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.

The entire portfolio of life settlement contracts was determined to be held for sale as of December 31, 2016 as CNA reached an agreement on terms to sell the portfolio. As such, CNA adjusted the fair value to the estimated sales proceeds less cost to sell. The definitive Purchase and Sale Agreement (PSA) related to the portfolio was executed on March 7, 2017 (sale date). In connection therewith, the life settlement contracts and related sale proceeds were placed in escrow until the buyer was recognized as the owner and beneficiary of each individual life settlement contract by the life insurance company that issued the policy. All of the contracts have been released from escrow as of September 30, 2017. CNA derecognized the released contracts and recorded the consideration, including a note receivable, which is payable over three years and is carried at amortized cost less any valuation allowance. The note receivable of $45 million is included within Other assets on the September 30, 2017 Consolidated Condensed Balance Sheet and interest income is accreted to the principal balance of the note.

The fair value of CNA s investments in life settlement contracts were $0 million and $58 million as of September 30, 2017 and December 31, 2016, and are included in Other assets on the Consolidated Condensed Balance Sheets. Despite the sale, the contracts were classified as Level 3 as there is not an active market for life settlement contracts. The cash receipts and payments related to the life settlement contracts prior to the sale date are included in operating activities on the Consolidated Condensed Statements of Cash Flows. Cash receipts related to the sale of the life settlement contracts as well as principal payments on the note receivable are included in investing activities.

Significant Unobservable Inputs

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

September 30, 2017	Estimated Fair Value (In millions)	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Fixed maturity securities	**$ 139**	**Discounted**	**Credit spread**	**1% 12% (3%)**

			cash flow			
December 31, 2016						
			Discounted			
Fixed maturity securities	$ 106	cash flow	Credit spread	2%	40% (4%)	

For fixed maturity securities, an increase to the credit spread assumptions would result in a lower fair value measurement.

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Financial Assets and Liabilities Not Measured at Fair Value

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

	Carrying	Estimated Fair Value			
September 30, 2017 (In millions)	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:					
Other invested assets, primarily mortgage loans	**$ 722**			**$ 731**	**$ 731**
Liabilities:					
Short term debt	**191**		**$ 152**	**41**	**193**
Long term debt	**11,222**		**10,316**	**1,216**	**11,532**
December 31, 2016					
Assets:					
Other invested assets, primarily mortgage loans	$ 591			$ 594	$ 594
Liabilities:					
Short term debt	107		$ 104	3	107
Long term debt	10,655		10,150	646	10,796

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

The fair values of mortgage loans, included in Other invested assets, 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.

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

5. Property, Plant and Equipment

Diamond Offshore

Asset Impairments

During the third quarter of 2017, Diamond Offshore evaluated six drilling rigs with indicators of impairment. Based on its assumptions and analyses, Diamond Offshore determined that the carrying values of these rigs were not

impaired. If market fundamentals in the offshore oil and gas industry deteriorate further or a market recovery is delayed, additional impairment losses may be required to be recognized in future periods.

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During the second quarter of 2017, Diamond Offshore evaluated seven drilling rigs with indicators of impairment. Due to the continued deterioration of market fundamentals in the contract drilling industry, as well as newly-available market projections, which indicated that a full market recovery is likely to occur further in the future than had previously been estimated, Diamond Offshore determined that the carrying values of one ultra-deepwater and one deepwater semisubmersible rig were impaired.

Diamond Offshore estimated the fair value of the rigs impaired in 2017 using an income approach, whereby the fair value of each rig was estimated based on a calculation of the rig s future net cash flows. These calculations utilized significant unobservable inputs, including estimated proceeds that may be received on ultimate disposition of the rig, and are representative of Level 3 fair value measurements due to the significant level of estimation involved and lack of transparency as to the inputs used. During the second quarter of 2017, Diamond Offshore recorded an asset impairment charge of $72 million ($23 million after tax and noncontrolling interests), which is included in Other operating expenses on the Consolidated Condensed Statements of Income.

Diamond Offshore recorded aggregate asset impairment charges of $672 million ($263 million after tax and noncontrolling interests), which is included in Other operating expenses on the Consolidated Condensed Statements of Income for the nine months ended September 30, 2016. See Note 6 of the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2016 for further discussion of Diamond Offshore s 2016 asset impairments.

Boardwalk Pipeline

Sale of Assets

In May of 2017, Boardwalk Pipeline sold a processing plant and related assets, for approximately $64 million, including customary adjustments. The sale resulted in a loss of $47 million ($15 million after tax and noncontrolling interests) and is included in Other operating expenses on the Consolidated Condensed Statements of Income.

6. 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 incurred but not reported (IBNR) claims 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 claim reserving trends and 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 $269 million and $16 million for the three months ended September 30, 2017 and 2016 and $342 million and $137 million for the nine months ended September 30, 2017 and 2016. Net catastrophe losses for the three and nine months ended September 30, 2017 included $149 million related to Hurricane Harvey, $95 million related to Hurricane Irma and $20 million related to Hurricane Maria. The remaining catastrophe losses in 2017 related primarily to U.S. weather-related events. Catastrophe-related reinsurance reinstatement premium was $6 million for the three and nine months ended September 30, 2017. Catastrophe losses in 2016 resulted primarily from U.S. weather-related events and the Fort McMurray wildfires.

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Liability for Unpaid Claim and Claim Adjustment Expenses Rollforward

The following table presents a reconciliation between beginning and ending claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves of non-core operations.

Nine Months Ended September 30 (In millions)	**2017**	2016
Reserves, beginning of year:		
Gross	**$ 22,343**	$ 22,663
Ceded	**4,094**	4,087
Net reserves, beginning of year	**18,249**	18,576
Net incurred claim and claim adjustment expenses:		
Provision for insured events of current year	**3,949**	3,799
Decrease in provision for insured events of prior years	**(284)**	(332)
Amortization of discount	**138**	134
Total net incurred (a)	**3,803**	3,601
Net payments attributable to:		
Current year events	**(560)**	(591)
Prior year events	**(3,401)**	(3,209)
Total net payments	**(3,961)**	(3,800)
Foreign currency translation adjustment and other	**110**	39
Net reserves, end of period	**18,201**	18,416
Ceded reserves, end of period	**4,008**	4,256
Gross reserves, end of period	**$ 22,209**	$ 22,672

(a) Total net incurred above does not agree to Insurance claims and policyholders benefits as reflected in the Consolidated Condensed 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, which are not reflected in the table above.

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 table and discussion present net prior year development:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2017	2016	**2017**	2016

(In millions)

Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (115)**	$ (132)	**$ (227)**	$ (282)
Pretax (favorable) unfavorable premium development	**(19)**	(5)	**(2)**	(27)
Total pretax (favorable) unfavorable net prior year development	**$ (134)**	$ (137)	**$ (229)**	$ (309)

Premium development can occur in the property and casualty business when there is a change in exposure on auditable policies or when premium accruals differ from processed premium. Audits on policies usually occur in a period after the expiration date of the policy. See Note 11 for further information on the premium development for the Small Business multi-peril package product and workers compensation policies for the three and nine months ended September 30, 2017.

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The following table and discussion present details of the net prior year claim and allocated claim adjustment expense reserve development (development):

(In millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Medical professional liability	**$ 1**	$ 13	**$ 5**	$ (17)
Other professional liability and management liability	**(27)**	(48)	**(96)**	(98)
Surety	**(82)**	(63)	**(82)**	(63)
Commercial auto	**(14)**	(12)	**(40)**	(47)
General liability	**7**	14	**6**	(38)
Workers compensation	**7**	(6)	**(39)**	48
Other	**(7)**	(30)	**19**	(67)
Total pretax (favorable) unfavorable development	**$ (115)**	$ (132)	**$ (227)**	$ (282)

Three Months

2017

Favorable development in other professional and management liability was primarily due to lower than expected claim frequency in accident years 2012 through 2015, primarily for professional liability products.

Favorable development in surety coverages was primarily due to lower than expected frequency of large losses in accident years 2015 and prior.

Favorable development for commercial auto was primarily due to lower than expected severity in accident years 2015 and 2016, as well as a large favorable recovery on a claim in accident year 2012.

Unfavorable development in workers compensation reflects the recognition of loss estimates related to favorable premium development as well as an adverse arbitration ruling related to reinsurance recoverables from older accident years.

Favorable development for other coverages reflects better than expected emergence in Canadian run-off business in accident years 2014 and prior.

2016

Unfavorable development for medical professional liability was primarily due to higher than expected frequency in accident years 2014 and 2015 in aging services. Increased claims on a specific hospital policy in accident years 2014 and 2015 was also an unfavorable contributor, although more than offset by favorable development relative to expectations in accident years 2013 and prior.

Favorable development in other professional liability and management liability was primarily related to lower than expected frequency of claims and favorable outcomes on specific claims for accident years 2010 through 2014.

Favorable development in surety coverages was primarily due to lower than expected frequency of large losses in accident years 2014 and prior.

Favorable development for commercial auto was primarily due to lower than expected severities in accident years 2012 through 2015.

Unfavorable development for general liability was primarily due to an increase in reported claims prior to the closing of the three year window set forth by the Minnesota Child Victims Act in accident years 2006 and prior.

Favorable development for workers compensation was primarily driven by lower than expected frequencies in accident years 2009 through 2014, partially offset by the estimated impact of recent Florida court rulings in accident years 2008 through 2015.

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Favorable development for other coverages was primarily due to better than expected claim frequency in commercial lines coverages provided to customers in accident years 2010 through 2015, favorable settlements on claims in accident years 2013 and prior and favorable emergence of expected losses on a specific claim relating to the December 2015 United Kingdom (U.K.) floods for property and marine. This favorable development was partially offset by higher than expected unfavorable large loss emergence in accident years 2014 and 2015.

Nine Months

2017

Favorable development in other professional liability and management liability was primarily due to favorable settlements on closed claims and a lower frequency of large losses for accident years 2011 through 2016 for professional and management liability, lower than expected claim frequency in accident years 2012 through 2015 for professional liability and lower than expected severity in accident years 2014 through 2016 for professional liability.

Favorable development in surety coverages was primarily due to lower than expected frequency of large losses in accident years 2015 and prior.

Favorable development for commercial auto was primarily due to lower than expected severity in accident years 2013 through 2016, as well as a large favorable recovery on a claim in accident year 2012.

Favorable development for workers compensation was primarily related to decreases in frequency and severity in recent accident years, partially attributable to California reforms related to decreases in medical costs. This was partially offset by unfavorable development related to an adverse arbitration ruling on reinsurance recoverables from older accident years as well as the recognition of loss estimates associated with favorable premium development.

Favorable development for other coverages was primarily due to better than expected emergence in the Canadian run-off business in accident years 2014 and prior, as well as several favorable settlements relating to large claims in the Europe Professional Indemnity portfolio. Additional favorable development related to better than expected frequency in accident years 2014 through 2016 for property and marine. This was partially offset by unfavorable development related to higher than expected severity in accident year 2015 arising from the management liability business and higher than expected severity in accident year 2016 for property and other and adverse large claims experience in the Hardy Political Risks portfolio, relating largely to accident year 2016 for other coverages.

2016

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

Favorable development in other professional liability and management liability was primarily related to favorable settlements on closed claims in accident years 2011 through 2013 in professional services. Additional favorable development related to lower than expected frequency of claims and favorable outcomes on specific claims in accident years 2010 through 2014 in professional services. This was partially offset by unfavorable development related to a specific financial institutions claim in accident year 2014, higher severities in accident year 2015 and deterioration on credit crises-related claims in accident year 2009.

Favorable development in surety coverages was primarily due to lower than expected frequency of large losses in accident years 2014 and prior.

Favorable development for commercial auto was primarily due to favorable settlements on claims in accident years 2010 through 2014 and lower than expected severities in accident years 2012 through 2015.

Favorable development for general liability was primarily due to better than expected claim settlements in accident years 2012 through 2014 and better than expected severity on umbrella claims in accident years 2010 through 2013. This was partially offset by unfavorable development related to an increase in reported claims prior to the closing of the three year window set forth by the Minnesota Child Victims Act in accident years 2006 and prior.

Unfavorable development for workers compensation was primarily due to higher than expected severity for Defense Base Act contractors and the estimated impact of recent Florida court rulings in accident years 2008 through

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2015. This was partially offset by favorable development related to lower than expected frequencies related to accident years 2009 through 2014.

Favorable development for other coverages was primarily due to better than expected claim frequency in property coverages in accident year 2015 and commercial lines coverages in accident years 2010 through 2015, better than expected loss frequency in accident years 2013 through 2015 for property and other, favorable settlements on claims in accident years 2013 and prior, better than expected severity in accident years 2013 and prior for liability, favorable emergence of expected losses on a specific claim relating to the December 2015 U.K. floods for property and marine and better than expected severity in accident years 2011 through 2015 for auto liability. This favorable development was partially offset by higher than expected severity from a 2015 catastrophe event for property and other and higher than expected large loss emergence in accident years 2011 through 2015.

Asbestos and Environmental Pollution (A&EP) Reserves

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

Subsequent to the effective date of the LPT, CNA recognized adverse prior year development on its A&EP reserves which resulted in additional amounts ceded under the LPT. As a result, the cumulative amounts ceded under the LPT exceeded the $2.2 billion consideration paid, resulting in the NICO LPT moving into a gain position, requiring retroactive reinsurance accounting. Under retroactive reinsurance accounting, this gain is deferred and only recognized in earnings in proportion to actual paid recoveries under the LPT. Over the life of the contract, there is no economic impact as long as any additional losses incurred are within the limit of the LPT. In a period in which CNA recognizes a change in the estimate of A&EP reserves that increases the amounts ceded under the LPT, the proportion of actual paid recoveries to total ceded losses is impacted and the change in the deferred gain is recognized in earnings as if the revised estimate of ceded losses was available at the effective date of the LPT. The effect of the deferred retroactive reinsurance benefit is recorded in Insurance claims and policyholders benefits in the Consolidated Condensed Statements of Income.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016

Net A&EP adverse development before consideration of LPT	**$ -**	$ -	**$ 60**	$ 200
Retroactive reinsurance benefit recognized	**(17)**	(12)	**(60)**	(94)
Pretax impact of A&EP reserve development and the LPT	**$ (17)**	$ (12)	**$ -**	$ 106

Based upon CNA s annual A&EP reserve review, net unfavorable prior year development of $60 million and $200 million was recognized before consideration of cessions to the LPT for the nine months ended September 30, 2017 and 2016. The 2017 unfavorable development was driven by modestly higher anticipated payouts on claims from known sources of asbestos exposure. The 2016 unfavorable development was driven by an increase in anticipated future expenses associated with determination of coverage, higher anticipated payouts associated with a limited number of historical accounts having significant asbestos exposures and higher than expected severity on pollution claims. While this unfavorable development was ceded to NICO under the LPT, CNA s reported earnings in both periods were negatively affected due to the application of retroactive reinsurance accounting.

As of September 30, 2017 and December 31, 2016, the cumulative amounts ceded under the LPT were $2.9 billion and $2.8 billion. The unrecognized deferred retroactive reinsurance benefit was $334 million as of September 30, 2017 and December 31, 2016.

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NICO established a collateral trust account as security for its obligations to CNA. The fair value of the collateral trust account was $2.9 billion and $2.8 billion as of September 30, 2017 and December 31, 2016. In addition, Berkshire Hathaway Inc. guaranteed the payment obligations of NICO up to the 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.

7. Debt

CNA Financial

In the third quarter of 2017, CNA completed a public offering of $500 million aggregate principal amount of its 3.5% senior notes due August 15, 2027 and used a portion of the net proceeds to redeem the entire $350 million outstanding principal amount of its 7.4% senior notes due November 15, 2019. The redemption of the $350 million senior notes resulted in a loss of $42 million ($24 million after tax and noncontrolling interests) and is included in Interest expense on the Consolidated Condensed Statements of Income for the three and nine months ended September 30, 2017.

Diamond Offshore

In the third quarter of 2017, Diamond Offshore completed a public offering of $500 million aggregate principal amount of its 7.9% senior notes due August 15, 2025 and used the net proceeds together with cash on hand to redeem the entire $500 million outstanding principal amount of its 5.9% senior notes due May 1, 2019. The redemption of this debt resulted in a loss of $35 million ($11 million after tax and noncontrolling interests) and is included in Interest expense on the Consolidated Condensed Statements of Income for the three and nine months ended September 30, 2017.

Boardwalk Pipeline

In the first quarter of 2017, Boardwalk Pipeline completed a public offering of $500 million aggregate principal amount of its 4.5% senior notes due July 15, 2027 and used the net proceeds to repay the entire $275 million outstanding principal amount of its 6.3% senior notes due August 15, 2017 and to fund growth capital expenditures.

Consolidated Container

In the second quarter of 2017, Consolidated Container entered into a credit agreement providing for a $605 million term loan and a five year $125 million asset based lending facility (ABL facility) in conjunction with the acquisition discussed in Note 2. The term loan is a variable rate facility which bears interest at a floating rate equal to the London Interbank Offered Rate (LIBOR) plus an applicable margin of 3.5%, subject to a 1.0% floor. The term loan matures on May 22, 2024 and requires annual principal amortization of 1.0% of the original loan amount beginning December 31, 2017. Consolidated Container recorded approximately $19 million of debt issuance costs, which will be amortized over the terms of the facilities. Consolidated Container entered into interest rate swaps for a notional amount of $500 million to hedge its cash flow exposure to the variable rate debt. These swaps effectively fix the interest rate on the hedged portion of the term loan at approximately 5.6%. As of September 30, 2017, Consolidated Container had no borrowings outstanding under its ABL facility.

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8. Shareholders Equity

Accumulated other comprehensive income (loss)

The tables below present the changes in AOCI by component for the three and nine months ended September 30, 2016 and 2017:

(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, July 1, 2016	$ 28	$ 838	$ (2)	$ (639)	$ (106)	$ 119
Other comprehensive income (loss) before reclassifications, after tax of $(4), $(32), $0, $0 and $0	7	69			(24)	52
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $2, $13, $0, $(4) and $0	(4)	(27)	1	7		(23)
Other comprehensive income (loss)	3	42	1	7	(24)	29
Amounts attributable to noncontrolling interests	(1)	(4)	(1)		2	(4)
Balance, September 30, 2016	$ 30	$ 876	$ (2)	$ (632)	$ (128)	$ 144
Balance, July 1, 2017	**$ 23**	**$ 705**	**$ (2)**	**$ (632)**	**$ (130)**	**$ (36)**
Other comprehensive income (loss) before reclassifications, after tax of $0, $(20), $0, $0 and $0	**1**	**35**	**(2)**		**41**	**75**
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $0, $4, $0, $(6) and $0		**(12)**	**3**	**11**		**2**
Other comprehensive income	**1**	**23**	**1**	**11**	**41**	**77**
Amounts attributable to noncontrolling interests		**(3)**	**(1)**	**(1)**	**(4)**	**(9)**
Balance, September 30, 2017	**$ 24**	**$ 725**	**$ (2)**	**$ (622)**	**$ (93)**	**$ 32**

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(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, 2016	$ 24	$ 347	$ (3)	$ (649)	$ (76)	$ (357)
Other comprehensive income (loss) before reclassifications, after tax of $(5), $(304), $0, $0 and $0	9	608			(58)	559
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $1, $12, $0, $(11) and $0	(2)	(17)	2	20		3
Other comprehensive income (loss)	7	591	2	20	(58)	562
Amounts attributable to noncontrolling interests	(1)	(62)	(1)	(3)	6	(61)
Balance, September 30, 2016	$ 30	$ 876	$ (2)	$ (632)	$ (128)	$ 144
Balance, January 1, 2017	**$ 27**	**$ 576**	**$ (2)**	**$ (646)**	**$ (178)**	**$ (223)**
Other comprehensive income (loss) before reclassifications, after tax of $0, $(130), $0, $0 and $0		**228**	**(3)**		**94**	**319**
Reclassification of (gains) losses from accumulated other comprehensive income, after tax of $1, $28, $0, $(13) and $0	**(3)**	**(61)**	**4**	**26**		**(34)**
Other comprehensive income (loss)	**(3)**	**167**	**1**	**26**	**94**	**285**
Amounts attributable to noncontrolling interests		**(18)**	**(1)**	**(2)**	**(9)**	**(30)**
Balance, September 30, 2017	**$ 24**	**$ 725**	**$ (2)**	**$ (622)**	**$ (93)**	**$ 32**

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	Other revenues, Interest expense and Contract drilling expenses
Pension liability	Other operating expenses

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Treasury Stock

The Company repurchased 0.1 million and 3.0 million shares of Loews common stock at aggregate costs of $6 million and $115 million during the nine months ended September 30, 2017 and 2016.

9. Benefit Plans

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

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

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016
Service cost	**$ 2**	$ 2	**$ 6**	$ 6
Interest cost	**30**	33	**89**	97
Expected return on plan assets	**(43)**	(45)	**(129)**	(133)
Amortization of unrecognized net loss	**10**	11	**32**	34
Settlement charge	**7**	1	**10**	3
Net periodic benefit cost	**$ 6**	$ 2	**$ 8**	$ 7

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016
Service cost		$ 1		$ 1
Interest cost	**$ 1**	1	**$ 2**	2
Expected return on plan assets	**(1)**	(1)	**(3)**	(3)
Amortization of unrecognized prior service benefit	**(1)**	(1)	**(2)**	(3)
Net periodic benefit cost	**$ (1)**	$ -	**$ (3)**	$ (3)

10. Legal Proceedings

CNA Financial

In September of 2016, a class action lawsuit was filed against CCC, Continental Assurance Company (CAC), CNA, the Investment Committee of the CNA 401(k) Plus Plan (Plan), The Northern Trust Company and John Does 1-10

(collectively Defendants) related to the Plan. The complaint alleges that Defendants breached fiduciary duties to the Plan and caused prohibited transactions in violation of the Employee Retirement Income Security Act of 1974 when the Plan s Fixed Income Fund s annuity contract with CAC was canceled. The plaintiff alleges he and a proposed class of the Plan participants who had invested in the Fixed Income Fund suffered lower returns in their Plan investments as a consequence of these alleged violations and seeks relief on behalf of the putative class. CCC and the other defendants are contesting the case and no class has been certified. The Plan trustees have provided notice to their fiduciary coverage insurance carriers. Progress on the litigation has been limited as the parties are currently in mediation.

Based on information currently available and CNA s assessment of the mediation, CNA has recorded its best estimate of probable loss, however, it is reasonably possible that the ultimate liability may differ from that amount given the inherent uncertainty involved in this matter. After consideration of available insurance coverage, the Company does not believe that the ultimate resolution of this matter will have a material impact on its condensed consolidated financial statements; however, the timing of recognition of any additional loss, if any, and insurance recovery, if any, may differ.

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Other Litigation

The Company and its subsidiaries are parties to other 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.

11. Commitments and Contingencies

CNA Guarantees

In the course of selling business entities and assets to third parties, CNA agreed to guarantee the performance of certain obligations of previously owned subsidiaries and to indemnify purchasers for losses arising out of breaches of representations and warranties with respect to the business entities or assets sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such guarantee and indemnification agreements in effect for sales of business entities, assets and third party loans may include provisions that survive indefinitely. As of September 30, 2017, the aggregate amount related to quantifiable guarantees was $375 million and the aggregate amount related to quantifiable indemnification agreements was $254 million. In certain cases, should CNA be required to make payments under any such guarantee, it would have the right to seek reimbursement from an affiliate of a previously owned subsidiary.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of September 30, 2017, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser s ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. Certain provisions of the indemnification agreements survive indefinitely while others survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

CNA also provided guarantees, if the primary obligor fails to perform, to holders of structured settlement annuities provided by a previously owned subsidiary. As of September 30, 2017, the potential amount of future payments CNA could be required to pay under these guarantees was approximately $1.8 billion, which will be paid over the lifetime of the annuitants. CNA does not believe any payment is likely under these guarantees, as CNA is the beneficiary of a trust that must be maintained at a level that approximates the discounted reserves for these annuities.

CNA Small Business Premium Rate Adjustment

In prior quarters, CNA identified rating errors related to its multi-peril package product and workers compensation policies within its Small Business unit and CNA determined that it would voluntarily issue premium refunds along with interest on affected policies. After the rating errors were identified, written and earned premium have been reported net of any impact from the premium rate adjustments. There was no premium development impact for the three months ended September 30, 2017 and $37 million of adverse premium development was recognized as a result of the rating errors for the nine months ended September 30, 2017. CNA s pretax income was reduced by $1 million and $7 million for the three and nine months ended September 30, 2017 for interest due to policyholders on the premium rate adjustments.

The policyholder refunds for the multi-package product were issued in the quarter ended September 30, 2017. The estimated refund liability for the workers compensation policies as of September 30, 2017 was $61 million including

interest. Any fines or penalties related to the foregoing are reasonably possible, but are not expected to be material to the Company s financial statements.

12. Segments

The Company has five reportable segments comprised of four individual operating subsidiaries, CNA, Diamond Offshore, Boardwalk Pipeline and Loews Hotels & Co; and the Corporate segment. Each of the 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. The operations of Consolidated Container since the acquisition date are included in the Corporate segment. For additional disclosures regarding the composition of the Company s segments, see Note 20 of the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2016.

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The following tables present the reportable segments of the Company and their contribution to the Consolidated Condensed Statements of Income. 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.

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Statements of Income by segment are presented in the following tables.

Three Months Ended September 30, 2017 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	Total
Revenues:						
Insurance premiums	$ 1,806					$ 1,806
Net investment income	509				$ 48	557
Investment gains	16					16
Contract drilling revenues		$ 357				357
Other revenues	110	11	$ 301	$ 162	201	785
Total	2,441	368	301	162	249	3,521
Expenses:						
Insurance claims and policyholders benefits	1,480					1,480
Amortization of deferred acquisition costs	309					309
Contract drilling expenses		198				198
Other operating expenses	379	109	191	147	221	1,047
Interest	83	64	41	7	28	223
Total	2,251	371	232	154	249	3,257
Income (loss) before income tax	190	(3)	69	8	-	264
Income tax (expense) benefit	(44)	14	(18)	(4)		(52)
Net income	146	11	51	4	-	212
Amounts attributable to noncontrolling interests	(16)	(5)	(34)			(55)
Net income attributable to Loews Corporation	$ 130	$ 6	$ 17	$ 4	$ -	$ 157

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Three Months Ended September 30, 2016 (In millions)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	Total
Revenues:						
Insurance premiums	$ 1,767					$ 1,767
Net investment income	524	$ 1			$ 36	561
Investment gains	45					45
Contract drilling revenues		340				340
Other revenues	97	9	$ 306	$ 161	1	574
Total	2,433	350	306	161	37	3,287
Expenses:						
Insurance claims and policyholders benefits	1,202					1,202
Amortization of deferred acquisition costs	314					314
Contract drilling expenses		187				187
Other operating expenses	402	108	212	151	25	898
Interest	39	19	48	6	18	130
Total	1,957	314	260	157	43	2,731
Income (loss) before income tax	476	36	46	4	(6)	556
Income tax (expense) benefit	(132)	(22)	(9)	(1)	1	(163)
Net income (loss)	344	14	37	3	(5)	393
Amounts attributable to noncontrolling interests	(36)	(7)	(23)			(66)
Net income (loss) attributable to Loews Corporation	$ 308	$ 7	$ 14	$ 3	$ (5)	$ 327

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ths Ended September 30, 2017 ns)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	T
:						
e premiums	$ 5,185					$
tment income	1,529	$ 1			$ 109	
nt gains	93					
drilling revenues		1,113				
enues	329	30	$ 987	$ 510	294	
	7,136	1,144	987	510	403	
:						
e claims and policyholders benefits	4,053					
tion of deferred acquisition costs	926					
drilling expenses		598				
erating expenses	1,086	414	646	443	389	
	166	119	131	20	68	
	6,231	1,131	777	463	457	
oss) before income tax	905	13	210	47	(54)	
x (expense) benefit	(226)	35	(46)	(23)	20	
e (loss)	679	48	164	24	(34)	
attributable to noncontrolling interests	(71)	(23)	(104)			
e (loss) attributable to Loews Corporation	$ 608	$ 25	$ 60	$ 24	$ (34)	$

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ths Ended September 30, 2016 ns)	CNA Financial	Diamond Offshore	Boardwalk Pipeline	Loews Hotels & Co	Corporate	To
premiums	$ 5,196					$
ment income	1,461	$ 1			$ 108	
t gains (losses)	30	(12)				
drilling revenues		1,141				
enues	297	69	$ 961	$ 513	2	
	6,984	1,199	961	513	110	
claims and policyholders benefits	3,949					
ion of deferred acquisition costs	926					
drilling expenses		598				
rating expenses	1,158	1,082	615	479	82	
	127	69	136	17	54	
	6,160	1,749	751	496	136	
oss) before income tax	824	(550)	210	17	(26)	
x (expense) benefit	(203)	78	(44)	(10)	8	
e (loss)	621	(472)	166	7	(18)	
attributable to noncontrolling interests	(64)	228	(104)			
e (loss) attributable to Loews Corporation	$ 557	$ (244)	$ 62	$ 7	$ (18)	$

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

Management s discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with our Consolidated Condensed Financial Statements included under Item 1 of this Report, Risk Factors included under Part II, Item 1A of this Report, and the Consolidated Financial Statements, Risk Factors, and MD&A included in our Annual Report on Form 10-K for the year ended December 31, 2016. This MD&A is comprised of the following sections:

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OVERVIEW

We are a holding company and have five reportable segments comprised of four individual operating subsidiaries, CNA Financial Corporation (CNA), Diamond Offshore Drilling, Inc. (Diamond Offshore), Boardwalk Pipeline Partners, LP (Boardwalk Pipeline) and Loews Hotels Holding Corporation (Loews Hotels & Co); and our Corporate segment. The results of operations of Consolidated Container Company LLC since the acquisition date are included in the Corporate segment. Each of our operating subsidiaries is headed by a chief executive officer who is responsible for the operation of its business and has the duties and authority commensurate with that position.

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 13 of the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2016) 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.

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.

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RESULTS OF OPERATIONS

Consolidated Financial Results

The following table summarizes net income (loss) attributable to Loews Corporation by segment and net income (loss) per share attributable to Loews Corporation for the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	**2017**	2016	**2017**	2016
CNA Financial	**$ 130**	$ 308	**$ 608**	$ 557
Diamond Offshore	**6**	7	**25**	(244)
Boardwalk Pipeline	**17**	14	**60**	62
Loews Hotels & Co	**4**	3	**24**	7
Corporate		(5)	**(34)**	(18)
Net income attributable to Loews Corporation	**$ 157**	$ 327	**$ 683**	$ 364
Basic net income per share	**$ 0.46**	$ 0.97	**$ 2.03**	$ 1.08
Diluted net income per share	**$ 0.46**	$ 0.97	**$ 2.02**	$ 1.08

Net income attributable to Loews Corporation for the three months ended September 30, 2017 was $157 million, or $0.46 per share, compared to $327 million, or $0.97 per share in the 2016 period. Net income attributable to Loews Corporation for the nine months ended September 30, 2017 was $683 million, or $2.02 per share, compared to $364 million, or $1.08 per share, in the 2016 period.

Net income for the three months ended September 30, 2017 included several significant items. In the third quarter of 2017, the Company incurred $170 million of net catastrophe losses at CNA as compared to $10 million in 2016, and a loss of $35 million in the aggregate on the early redemption of debt at CNA and Diamond Offshore. Excluding these significant items, earnings increased $25 million as compared to the prior year period mainly due to higher earnings at CNA, Diamond Offshore and improved results from the parent company investment portfolio.

Net income for the nine months ended September 30, 2017 included the aggregate debt redemption loss discussed above, net catastrophe losses at CNA of $213 million in 2017 as compared with $85 million in 2016, a loss on the sale of a processing facility at Boardwalk Pipeline of $15 million in 2017 and asset impairment charges at Diamond Offshore of $23 million in 2017 as compared with $267 million in 2016. Excluding these items, earnings increased $253 million mainly due to higher earnings at CNA, Diamond Offshore and Loews Hotels & Co.

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

Acquisition of Consolidated Container Company

On May 22, 2017, we completed the acquisition of CCC Acquisition Holdings, Inc. for $1.2 billion, subject to closing adjustments. CCC Acquisition Holdings, Inc., through its wholly owned subsidiary, Consolidated Container Company LLC (Consolidated Container), is a rigid plastic packaging and recycled resins manufacturer and provides packaging solutions to end markets such as beverage, food and household chemicals through a network of manufacturing locations across North America.

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CNA Financial

The following table summarizes the results of operations for CNA for the three and nine months ended September 30, 2017 and 2016 as presented in Note 12 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report. For further discussion of Net investment income and Net realized investment results, see the Investments section of this MD&A.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016
Revenues:				
Insurance premiums	**$ 1,806**	$ 1,767	**$ 5,185**	$ 5,196
Net investment income	**509**	524	**1,529**	1,461
Investment gains	**16**	45	**93**	30
Other revenues	**110**	97	**329**	297
Total	**2,441**	2,433	**7,136**	6,984
Expenses:				
Insurance claims and policyholders benefits	**1,480**	1,202	**4,053**	3,949
Amortization of deferred acquisition costs	**309**	314	**926**	926
Other operating expenses	**379**	402	**1,086**	1,158
Interest	**83**	39	**166**	127
Total	**2,251**	1,957	**6,231**	6,160
Income before income tax	**190**	476	**905**	824
Income tax expense	**(44)**	(132)	**(226)**	(203)
Net income	**146**	344	**679**	621
Amounts attributable to noncontrolling interests	**(16)**	(36)	**(71)**	(64)
Net income attributable to Loews Corporation	**$ 130**	$ 308	**$ 608**	$ 557

Three Months Ended September 30, 2017 Compared to 2016

Net income decreased $178 million for the three months ended September 30, 2017 as compared with the 2016 period, driven by significantly higher net catastrophe losses in the current year period, a loss of $24 million (after tax and noncontrolling interests) on the early redemption of debt in 2017 and lower net realized investment results. These decreases were partially offset by improved non-catastrophe current accident year underwriting results. Favorable net prior year development of $134 million and $137 million was recorded in the three months ended September 30, 2017 and 2016. Further information on net prior year development is included in Note 6 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Nine Months Ended September 30, 2017 Compared to 2016

Net income increased $51 million for the nine months ended September 30, 2017 as compared with the 2016 period primarily due to lower adverse prior year reserve development recorded under the 2010 asbestos and environmental pollution (A&EP) loss portfolio transfer, improved non-catastrophe current accident year underwriting results, higher net investment income and improved net realized investment results. These increases were partially offset by

significantly higher net catastrophe losses in the current year period, lower favorable net prior year loss reserve development and a loss of $24 million (after tax and noncontrolling interests) on the early redemption of debt in 2017. Favorable net prior year development of $229 million and $309 million was recorded in the nine months ended September 30, 2017 and 2016.

CNA s Core and Non-Core Operations

CNA s core business is its property and casualty insurance operations that include its Specialty, Commercial and International lines of business. CNA s non-core operations include its long term care business that is in run-off, certain corporate expenses, including interest on CNA s corporate debt, and certain property and casualty businesses in run-off, including CNA Re and A&EP. 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. We believe the presentation of CNA as one reportable segment is appropriate in accordance with applicable accounting standards on segment reporting. However, for purposes of this discussion and analysis of the results of operations, we provide greater detail with

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respect to CNA s core and non-core operations to enhance the reader s understanding and to provide further transparency into key drivers of CNA s financial results.

In assessing CNA s insurance operations, the Company utilizes the net operating income (loss) financial measure. Net operating income (loss) is calculated by excluding from net income (loss) the after tax and noncontrolling interests effects of (i) net realized investment gains or losses, (ii) income or loss from discontinued operations and (iii) any cumulative effects of changes in accounting guidance. The calculation of net operating income excludes net realized investment gains or losses because net realized investment gains or losses are largely discretionary, except for some losses related to other than temporary impairments (OTTI), and are generally driven by economic factors that are not necessarily consistent with key drivers of underwriting performance, and are therefore not considered an indication of trends in insurance operations. Net operating income (loss) is deemed to be a non-GAAP financial measure and management believes this measure is useful to investors as management uses this measure to assess financial performance.

Property and Casualty Operations

In evaluating the results of the property and casualty operations, 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. In addition, CNA also utilizes renewal premium change, rate, retention and new business in evaluating operating trends. Renewal premium change represents the estimated change in average premium on policies that renew, including rate and exposure changes. Rate represents the average change in price on policies that renew excluding exposure change. Exposure represents the measure of risk used in the pricing of the insurance product. Retention represents the percentage of premium dollars renewed in comparison to the expiring premium dollars from policies available to renew. Rate, renewal premium change and retention presented for the prior year is updated to reflect subsequent activity on policies written in the period. New business represents premiums from policies written with new customers and additional policies written with existing customers.

The following tables summarize the results of CNA s property and casualty operations for the three and nine months ended September 30, 2017 and 2016:

Three Months Ended September 30, 2017 (In millions, except %)	**Specialty**	**Commercial**	**International**	**Total**
Net written premiums	**$ 705**	**$ 687**	**$ 207**	**$ 1,599**
Net earned premiums	**703**	**741**	**226**	**1,670**
Net investment income	**134**	**161**	**13**	**308**
Net operating income (loss)	**161**	**22**	**(34)**	**149**
Net realized investment gains	**2**	**2**	**4**	**8**
Net income (loss)	**163**	**24**	**(30)**	**157**
Other performance metrics:				
Loss and loss adjustment expense ratio	**50.8%**	**82.4%**	**88.4%**	**69.9%**

Expense ratio	**31.3**	**34.3**	**37.5**	**33.5**
Dividend ratio	**0.2**	**0.5**		**0.3**
Combined ratio	**82.3%**	**117.2%**	**125.9%**	**103.7%**
Rate	**(1)%**	**0%**	**1%**	**0%**
Renewal premium change	**0**	**2**	**4**	**2**
Retention	**89**	**85**	**73**	**85**
New business	**$ 64**	**$ 137**	**$ 69**	**$ 270**

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Three Months Ended September 30, 2016 (In millions, except %)	Specialty	Commercial	International	Total
Net written premiums	$ 733	$ 684	$ 207	$ 1,624
Net earned premiums	704	719	210	1,633
Net investment income	140	175	13	328
Net operating income	175	102	18	295
Net realized investment gains	5	8	4	17
Net income	180	110	22	312
Other performance metrics:				
Loss and loss adjustment expense ratio	46.8%	62.2%	55.4%	54.7%
Expense ratio	32.5	37.1	37.8	35.2
Dividend ratio	0.6	0.5		0.5
Combined ratio	79.9%	99.8%	93.2%	90.4%
Rate	0%	(3)%	(1)%	(1)%
Renewal premium change	2	5	(1)	3
Retention	88	84	74	84
New business	$ 66	$ 135	$ 67	$ 268

Nine Months Ended September 30, 2017

Net written premiums	**$ 2,100**	**$ 2,169**	**$ 664**	**$ 4,933**
Net earned premiums	**2,056**	**2,097**	**629**	**4,782**
Net investment income	**407**	**482**	**38**	**927**
Net operating income (loss)	**420**	**210**	**(7)**	**623**
Net realized investment gains	**15**	**20**	**13**	**48**
Net income	**435**	**230**	**6**	**671**
Other performance metrics:				
Loss and loss adjustment expense ratio	**55.5%**	**70.1%**	**70.6%**	**63.9%**
Expense ratio	**31.8**	**35.3**	**37.2**	**34.0**
Dividend ratio	**0.1**	**0.5**		**0.3**
Combined ratio	**87.4%**	**105.9%**	**107.8%**	**98.2%**
Rate	**0%**	**0%**	**0%**	**0%**
Renewal premium change	**2**	**1**	**1**	**1**
Retention	**89**	**86**	**78**	**86**
New business	**$ 187**	**$ 429**	**$ 207**	**$ 823**

Nine Months Ended September 30, 2016

Net written premiums	$ 2,108	$ 2,172	$ 637	$ 4,917
Net earned premiums	2,088	2,103	605	4,796
Net investment income	380	465	38	883
Net operating income (loss)	436	251	(1)	686
Net realized investment gains	1	1	10	12
Net income	437	252	9	698

Other performance metrics:				
Loss and loss adjustment expense ratio	52.6%	64.6%	65.2%	59.4%
Expense ratio	32.0	36.7	38.2	34.9
Dividend ratio	0.3	0.4		0.3
Combined ratio	84.9%	101.7%	103.4%	94.6%
Rate	1%	(2)%	(1)%	(1)%
Renewal premium change	2	4	(1)	2
Retention	88	84	78	85
New business	$ 192	$ 418	$ 189	$ 799

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Three Months Ended September 30, 2017 Compared to 2016

Total net written premiums decreased $25 million for the three months ended September 30, 2017 as compared with the 2016 period. Net written premiums for Specialty decreased $28 million, partially offset by a $3 million increase for Commercial and net written premiums were consistent for International for the three months ended September 30, 2017 as compared with the 2016 period. The decrease for Specialty was largely driven by the timing of certain renewals. Renewal premium change was flat. Retention remained strong at 89% and new business was at relatively consistent levels. The increase for Commercial was driven by higher new business within Middle Markets, as well as strong retention and positive renewal premium change. The change in net earned premiums was consistent with the trend in net written premiums.

Total net operating income decreased $146 million for the three months ended September 30, 2017 as compared with the 2016 period. The decrease in net operating income was primarily due to significantly higher net catastrophe losses in the current year period partially offset by improved non-catastrophe current accident year underwriting results. Catastrophe losses were $170 million including $4 million from reinsurance reinstatement premium (after tax and noncontrolling interests) for the three months ended September 30, 2017 compared to $10 million (after tax and noncontrolling interests) in the 2016 period.

Favorable net prior year development of $134 million and $137 million was recorded for the three months ended September 30, 2017 and 2016. For the three months ended September 30, 2017 and 2016, Specialty recorded favorable net prior year development of $112 million for each period, Commercial recorded favorable net prior year development of $18 million and $8 million and International recorded favorable net prior year development of $4 million and $17 million. Further information on net prior year development is included in Note 6 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Specialty s combined ratio increased 2.4 points for the three months ended September 30, 2017 as compared with the 2016 period. The loss ratio increased 4.0 points driven by higher net catastrophe losses which were $38 million, or 5.4 points of the loss ratio, for the three months ended September 30, 2017 as compared with $1 million, or 0.2 points of the loss ratio, for the 2016 period. The loss ratio, excluding catastrophes and development, improved 1.3 points. Specialty s expense ratio improved 1.2 points for the three months ended September 30, 2017 as compared with the 2016 period reflecting both CNA s ongoing efforts to improve productivity and the actions undertaken in last year s third and fourth quarters to reduce expenses.

Commercial s combined ratio increased 17.4 points for the three months ended September 30, 2017 as compared with the 2016 period. The loss ratio increased 20.2 points driven by higher net catastrophe losses partially offset by improved non-catastrophe current accident year underwriting results. Net catastrophe losses were $173 million, or 23.9 points of the loss ratio, for the three months ended September 30, 2017, as compared with $12 million, or 1.6 points of the loss ratio, for the 2016 period. The loss ratio, excluding catastrophes and development, improved 1.2 points. The expense ratio improved 2.8 points for the three months ended September 30, 2017 as compared with the 2016 period reflecting both CNA s ongoing efforts to improve productivity and the actions undertaken in last year s third and fourth quarters to reduce expenses.

International s combined ratio increased 32.7 points for the three months ended September 30, 2017 as compared with the 2016 period. The loss ratio increased 33.0 points driven by higher net catastrophe losses and lower favorable net prior year loss reserve development. Net catastrophe losses were $58 million, or 27.5 points of the loss ratio, for the three months ended September 30, 2017 as compared with $3 million, or 1.5 points of the loss ratio, for the 2016 period. The loss ratio, excluding catastrophes and development, was 0.5 points higher than the prior year period. International s expense ratio improved 0.3 points.

Nine Months Ended September 30, 2017 Compared to 2016

Total net written premiums increased $16 million for the nine months ended September 30, 2017 as compared with the 2016 period. Net written premiums for International increased $27 million for the nine months ended September 30, 2017 as compared with the 2016 period due to higher new business and positive renewal premium change. Net written premiums for Specialty decreased $8 million for the nine months ended September 30, 2017 as compared with the 2016 period driven by lower new business. Net written premiums for Commercial decreased $3 million for the nine months ended September 30, 2017 as compared with the 2016 period, due to unfavorable premium development driven by a premium rate adjustment within its Small Business unit as discussed in Note 11 to the Consolidated Condensed Financial Statements under Item 1. This was partially offset by higher new business within Middle Markets, strong retention and positive renewal premium change. The change in net earned premiums was consistent with the trend in net written premiums.

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Total net operating income decreased $63 million for the nine months ended September 30, 2017 as compared with the 2016 period. The decrease in net operating income was due to significantly higher net catastrophe losses in the current year period and lower favorable net prior year loss reserve development, partially offset by improved non-catastrophe current accident year underwriting results and higher net investment income. In addition, results reflect the favorable period over period effect of foreign currency exchange. Catastrophe losses were $213 million including $4 million from reinsurance reinstatement premium (after tax and noncontrolling interests) for the nine months ended September 30, 2017 as compared to catastrophe losses of $85 million (after tax and noncontrolling interests) for the 2016 period.

Favorable net prior year development of $229 million and $309 million was recorded for the nine months ended September 30, 2017 and 2016. For the nine months ended September 30, 2017 and 2016, Specialty recorded favorable net prior year development of $176 million and $229 million. Commercial recorded favorable net prior year loss reserve development of $65 million and unfavorable premium development of $27 million for the nine months ended September 30, 2017 as compared with favorable net prior year loss reserve development of $37 million and favorable premium development of $7 million for the 2016 period. International recorded favorable net prior year development of $15 million and $36 million for the nine months ended September 30, 2017 and 2016. Further information on net prior year development is included in Note 6 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Specialty s combined ratio increased 2.5 points for the nine months ended September 30, 2017 as compared with the 2016 period. The loss ratio increased 2.9 points primarily due to lower favorable net prior year loss reserve development and higher net catastrophe losses. Net catastrophe losses were $47 million, or 2.3 points of the loss ratio, for the nine months ended September 30, 2017 as compared with $14 million, or 0.7 points of the loss ratio, for the 2016 period. The loss ratio, excluding catastrophes and development, improved 1.0 point. Specialty s expense ratio improved 0.2 points for the nine months ended September 30, 2017 as compared with the 2016 period.

Commercial s combined ratio increased 4.2 points for the nine months ended September 30, 2017 as compared with the 2016 period. The loss ratio increased 5.5 points primarily driven by higher net catastrophe losses which were $235 million, or 11.1 points of the loss ratio, for the nine months ended September 30, 2017, as compared with $95 million, or 4.6 points of the loss ratio, for the 2016 period. The loss ratio, excluding catastrophes and development, improved 0.9 points. Excluding the impact of the Small Business premium rate adjustment the expense ratio improved 2.6 points reflecting both CNA s ongoing efforts to improve productivity and the actions undertaken in last year s third and fourth quarters to reduce expenses.

International s combined ratio increased 4.4 points for the nine months ended September 30, 2017 as compared with the 2016 period. The loss ratio increased 5.4 points primarily due to lower favorable net prior year loss reserve development and higher net catastrophe losses. Net catastrophe losses were $60 million, or 10.3 points of the loss ratio, for the nine months ended September 30, 2017 as compared with $28 million, or 4.7 points of the loss ratio, for the 2016 period. The loss ratio, excluding catastrophes and development, improved 4.5 points. International s expense ratio improved 1.0 point primarily due to higher net earned premiums.

Non-Core Operations

The following table summarizes the results of CNA s non-core operations for the three and nine months ended September 30, 2017 and 2016:

(In millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net earned premiums	**$ 136**	$ 134	**$ 404**	$ 401
Net investment income	**201**	196	**602**	578
Net operating loss	**(29)**	(14)	**(71)**	(145)
Net realized investment gains	**2**	10	**8**	4
Net loss	**(27)**	(4)	**(63)**	(141)

Three Months Ended September 30, 2017 Compared to 2016

The net loss was $27 million for the three months ended September 30, 2017, an increase of $23 million as compared with the 2016 period. This increase was driven by a loss of $24 million (after tax and noncontrolling interests) on the early redemption of debt in 2017, as discussed in Note 7 of the Notes to Consolidated Condensed Financial Statements

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included under Item 1. The long term care business continued to produce results generally in line with the 2015 reset assumptions.

Nine Months Ended September 30, 2017 Compared to 2016

The net loss was $63 million for the nine months ended September 30, 2017, an improvement of $78 million as compared with the 2016 period. This improvement was primarily driven by lower adverse prior year reserve development in 2017 for A&EP under the loss portfolio transfer, as further discussed in Note 6 of the Notes to Consolidated Condensed Financial Statements included under Item 1. In addition, the improvement also reflects favorable morbidity partially offset by unfavorable persistency in the long term care business and a loss of $24 million (after tax and noncontrolling interests) on the early redemption of debt in 2017.

Diamond Offshore

Overview

Overall fundamentals in the offshore oil and gas industry have not yet improved from those described in the Results of Operations Diamond Offshore section of our MD&A included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016. Volatility in oil price is attributable to multiple factors, including fluctuations in the current and expected level of global oil inventories and estimates of global oil demand, production cuts by the Organization of the Petroleum Exporting Countries (which have been extended until the end of the first quarter of 2018) and the impact of hurricanes and tropical storms in the U.S. Gulf of Mexico. In addition, some U.S. shale producers have resumed drilling and production activities due to their ability to quickly and more inexpensively bring oil reserves to production and therefore benefit from modestly-improved commodity prices. This has prevented crude oil prices from rising through typical supply and demand economics to a more sustainable level for offshore exploration and development. As a result, capital spending for offshore exploration and development continued to decline in 2017, with annual capital spending estimated by some industry analysts to be up to 20% lower than reduced 2016 capital spending levels. If these market estimates are realized, it would represent three consecutive years of decline in offshore spending.

Some industry analysts have predicted that the downturn is leveling off; however, the offshore drilling market has been slow to recover and is not yet at the recovery stage. Customer inquiries and new tenders have increased during 2017, compared to 2016, but are for offshore drilling opportunities in 2018 and beyond. Competition among offshore drillers remains intense as rig supply exceeds demand, despite the cold stacking and retirement or scrapping of over 100 rigs since 2014. Additionally, based on industry data as of the date of this Report, more than 30 floater rigs currently remain on order, with scheduled deliveries from 2017 through 2021. The majority of these rigs are not currently contracted for future work, which further increases competition. Some industry analysts have predicted that demand for drilling rigs in the offshore market will slowly improve, but utilization growth may not be significant enough to impact dayrates for some time.

Contract Drilling Backlog

Diamond Offshore s contract drilling backlog was $2.6 billion and $3.6 billion as of October 1, 2017 (based on information available at that time) and January 1, 2017 (the date reported in our Annual Report on Form 10-K for the year ended December 31, 2016). The contract drilling backlog by year as of October 1, 2017 is $0.3 billion in 2017 (for the three-month period beginning October 1, 2017), $1.2 billion in 2018, $0.9 billion in 2019 and $0.2 billion in 2020.

Contract drilling backlog includes $38 million and $119 million for 2017 and 2018 attributable to contracted work for the *Ocean Valor* under a contract that Petróleo Brasileiro S.A. (Petrobras) has attempted to terminate, which is currently in effect pursuant to an injunction granted by a Brazilian court. Petrobras appealed the granting of the injunction, but in March of 2017, the court ruled against Petrobras appeal and upheld the injunction. As a result of the favorable ruling, both the injunction and the *Ocean Valor* contract remain in effect. Petrobras has filed an appeal of the ruling to the Superior Court of Justice. Diamond Offshore intends to continue to defend its rights under the contract, which is estimated to conclude in accordance with its terms in October of 2018. However, litigation is inherently unpredictable, and there can be no assurance as to the ultimate outcome of this matter. The rig is currently on standby earning a reduced dayrate.

Contract drilling backlog includes only firm commitments (typically represented by signed contracts) and is calculated by multiplying the contracted operating dayrate by the firm contract period. 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

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earned will be different than the amounts and periods stated above due to various factors affecting utilization such as weather conditions and unscheduled repairs and maintenance. Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. Changes in Diamond Offshore s contract drilling backlog between periods are generally a function of the performance of work on term contracts, as well as the extension or modification of existing term contracts and the execution of additional contracts. In addition, under certain circumstances, Diamond Offshore s customers may seek to terminate or renegotiate its contracts, which could adversely affect its reported backlog.

Results of Operations

The following table summarizes the results of operations for Diamond Offshore for the three and nine months ended September 30, 2017 and 2016 as presented in Note 12 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016
Revenues:				
Contract drilling revenues	**$ 357**	$ 340	**$ 1,113**	$ 1,141
Net investment income		1	**1**	1
Investment losses				(12)
Other revenues	**11**	9	**30**	69
Total	**368**	350	**1,144**	1,199
Expenses:				
Contract drilling expenses	**198**	187	**598**	598
Other operating expenses				
Impairment of assets			**72**	680
Other expenses	**109**	108	**342**	402
Interest	**64**	19	**119**	69
Total	**371**	314	**1,131**	1,749
Income (loss) before income tax	**(3)**	36	**13**	(550)
Income tax (expense) benefit	**14**	(22)	**35**	78
Amounts attributable to noncontrolling interests	**(5)**	(7)	**(23)**	228
Net income (loss) attributable to Loews Corporation	**$ 6**	$ 7	**$ 25**	$ (244)

Three Months Ended September 30, 2017 Compared to 2016

Contract drilling revenue increased $17 million for the three months ended September 30, 2017 as compared with the 2016 period, primarily due to incremental revenue earning days for rigs of $73 million, partially offset by lower overall average daily revenue earned of $56 million. The increase was driven by incremental revenue earning days for the *Ocean GreatWhite* and the *Ocean BlackRhino*, neither of which was operating under contract during the third quarter of 2016, and the *Ocean Scepter*, which returned to service under a new contract offshore Mexico in early 2017. These increases were partially offset by a lower dayrate earned by the *Ocean Monarch* under a new contract that commenced in the second quarter of 2017, the cold stacking of the *Ocean Victory* in the second quarter of 2017 after

completion of its contract in Trinidad and the warm stacking of the *Ocean Guardian* between contracts for much of the third quarter of 2017.

Contract drilling expense increased $11 million for the three months ended September 30, 2017 as compared with the 2016 period, primarily due to incremental operating costs for the *Ocean GreatWhite* of $9 million, which began operating during the first quarter of 2017, and the *Ocean BlackRhino* of $17 million and *Ocean Scepter* of $5 million, both of which operated during the third quarter of 2017, compared to the third quarter of 2016 when they did not operate. These increases were partially offset by a net reduction in other rig operating and overhead costs of $20 million, primarily due to the cold stacking of the *Ocean Victory*, the sale of six retired rigs subsequent to the third quarter of 2016 and favorable results from cost control measures that were initiated in prior periods.

Interest expense increased $45 million for the three months ended September 30, 2017 as compared with the 2016 period, primarily due to a $35 million loss related to the redemption of debt in 2017, as discussed in Note 7 of the Notes to Consolidated Condensed Financial Statements included under Item 1, and the absence of interest capitalized during construction of the *Ocean GreatWhite* in the 2016 period of $8 million.

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Net income decreased $1 million for the three months ended September 30, 2017 as compared with the 2016 period, primarily due to the changes discussed above, combined with the impact of a net income tax benefit of $14 million resulting from a mix of domestic and international earnings and losses before tax, inclusive of the loss related to the redemption of debt recognized in the third quarter of 2017.

Nine Months Ended September 30, 2017 Compared to 2016

Contract drilling revenue decreased $28 million for the nine months ended September 30, 2017 as compared with the 2016 period, primarily due to lower average daily revenue earned by multiple rigs in the fleet, partially offset by the favorable impact of incremental revenue earning days. The decrease was driven by the absence of $40 million in demobilization revenue recognized in 2016 for the *Ocean Endeavor,* combined with the effect of lower dayrates earned under new contracts for both the *Ocean Monarch* and *Ocean BlackRhino*, a lower dayrate being earned by the *Ocean Valiant* under its current contract in the North Sea that commenced in the fourth quarter of 2016, the completion of the final contract for the *Ocean Ambassador* in March of 2016 prior to the rig being sold and fewer revenue earning days for the *Ocean Guardian* and the cold-stacked *Ocean Victory*. These decreases are partially offset by incremental revenue earning days for the *Ocean GreatWhite* and the *Ocean BlackRhino,* which was warm-stacked for much of the prior year period, and incremental revenue earning days for active deepwater floaters.

Contract drilling expense was flat for the nine months ended September 30, 2017 as compared with the 2016 period. Interest expense increased $50 million for the nine months ended September 30, 2017 as compared with the 2016 period, primarily due to a $35 million loss related to the redemption of debt in 2017 and the absence of $15 million in capitalized interest for construction projects during the 2016 period.

Net results increased $269 million for the nine months ended September 30, 2017 as compared with the 2016 period, primarily due to a lower impairment loss recognized in the 2017 period of $23 million (after taxes and noncontrolling interests) as compared with $267 million (after taxes and noncontrolling interests) in the 2016 period and reduced depreciation expense, primarily due to a lower depreciable asset base in 2017, compared to the first nine months of 2016, as a result of asset impairments recognized in 2016 and 2017. The results were also impacted by the absence of a $12 million ($4 million after tax and noncontrolling interests) loss on an investment in privately-held corporate bonds sold in the 2016 period. These favorable variances were partially offset by decreased revenue and higher interest expense, as discussed above. Net results were also impacted by a net income tax benefit resulting from a mix of domestic and international earnings and losses before tax, inclusive of the impairment losses recognized in 2017 and 2016 and a loss related to the redemption of debt recognized in the 2017 period.

Boardwalk Pipeline

Firm Transportation Contracts and Growth Projects

Each year a portion of Boardwalk Pipeline s firm transportation agreements expire and need to be renewed or replaced as reported in the Results of Operations Boardwalk Pipeline section of our MD&A included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016. In the third quarter of 2017, Boardwalk Pipeline executed an agreement regarding capacity on its Fayetteville and Greenville Laterals with Southwestern Energy Company (Southwestern), the largest customer on those laterals. The agreement, which remains subject to Federal Energy Regulatory Commission approval, reduces contracted volumes (or the amount of capacity under contract) on the Fayetteville Lateral for the remaining contract term and commits Southwestern to new firm transportation agreements on the Fayetteville and Greenville Laterals that begin January 1, 2021, some of which expire on December 31, 2030, and to an interim agreement on the Greenville Lateral from April of 2019 through 2020. The agreement also provides Boardwalk Pipeline the opportunity to transport natural gas produced from committed

properties in the Fayetteville and Moorefield shales that are connected to the Fayetteville Lateral through 2030. Although the transaction will result in a reduction of firm transportation reservation revenues of approximately $70 million from 2017 to 2020, including reductions in 2018 and 2019 of approximately $44 million and $15 million, it provides longer-term revenue generation by adding ten-years of firm transportation service commitments on both laterals and offers additional commodity fee revenue upside from Southwestern s volume commitment.

Approximate projected revenues from capacity reservation and minimum bill charges under committed firm transportation agreements in place as of September 30, 2017 are $1.1 billion for 2017 and $955 million for 2018. The amount for 2018 decreased approximately $20 million from the amount disclosed in the Results of Operations Boardwalk Pipeline section of our MD&A included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016, due to a reduction for the Southwestern transaction, a reduction for the sale of the Flag City processing plant in May of 2017 and an increase for contracts entered into since December 31, 2016. The approximate projected revenues from capacity reservation and minimum bill charges under committed firm transportation agreements does not include additional revenues Boardwalk Pipeline has recognized and may receive

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under firm transportation agreements based on actual utilization of the contracted pipeline capacity, any expected revenues for periods after the expiration dates of the existing agreements, execution of precedent agreements associated with growth projects or other events that occurred or will occur subsequent to September 30, 2017.

Partially as a result of the increase in overall gas supplies, demand markets, primarily in the Gulf Coast area, are growing due to new natural gas export facilities, power plants and petrochemical facilities and increased exports to Mexico. These developments have resulted in significant growth projects for Boardwalk Pipeline, several of which were placed into service over the past twelve months. Boardwalk Pipeline has an additional $1.2 billion of growth projects under development that are expected to be placed into service through 2020, and through September 30, 2017, Boardwalk Pipeline has invested $556 million of capital in these projects. These new projects have lengthy planning and construction periods. As a result, these projects will not contribute to Boardwalk Pipeline s earnings and cash flows until they are placed into service over the next several years.

Results of Operations

The following table summarizes the results of operations for Boardwalk Pipeline for the three and nine months ended September 30, 2017 and 2016 as presented in Note 12 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016
Revenues:				
Other revenue, primarily operating	**$ 301**	$ 306	**$ 987**	$ 961
Total	**301**	306	**987**	961
Expenses:				
Operating	**191**	212	**646**	615
Interest	**41**	48	**131**	136
Total	**232**	260	**777**	751
Income before income tax	**69**	46	**210**	210
Income tax expense	**(18)**	(9)	**(46)**	(44)
Amounts attributable to noncontrolling interests	**(34)**	(23)	**(104)**	(104)
Net income attributable to Loews Corporation	**$ 17**	$ 14	**$ 60**	$ 62

Three Months Ended September 30, 2017 Compared to 2016

Total revenues decreased $5 million for the three months ended September 30, 2017 as compared with the 2016 period. Excluding items offset in fuel and transportation expense, primarily retained fuel, operating revenues increased $7 million. The increase was driven by an increase in transportation revenues of $15 million, which resulted from growth projects recently placed into service, partially offset by contract expirations and lower parking and lending and storage revenues of $5 million due to unfavorable market conditions.

Operating expenses decreased $21 million for the three months ended September 30, 2017 as compared with the 2016 period. Excluding items offset in operating revenues, operating expenses decreased $10 million primarily due to the

sale of a processing plant, as discussed in Note 5 to the Consolidated Condensed Financial Statements under Item 1 and a decrease in employee costs. Interest expense decreased $7 million primarily due to lower average debt levels at lower interest rates and higher capitalized interest from growth projects.

Net income increased $3 million for the three months ended September 30, 2017 as compared with the 2016 period, primarily due to the changes discussed above.

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Nine Months Ended September 30, 2017 Compared to 2016

Total revenues increased $26 million for the nine months ended September 30, 2017 as compared with the 2016 period. Excluding the $13 million of income from the settlement of a legal matter in the 2016 period and items offset in fuel and transportation expense, primarily retained fuel, operating revenues increased $52 million. The increase was driven by an increase in transportation revenues of $50 million, which resulted primarily from growth projects recently placed into service.

Operating expenses increased $31 million for the nine months ended September 30, 2017 as compared with the 2016 period. Excluding items offset in operating revenues and the $47 million loss on the sale of a processing plant, operating expenses decreased $7 million. Interest expense decreased $5 million primarily due to higher capitalized interest from growth projects.

Net income decreased $2 million for the nine months ended September 30, 2017 as compared with the 2016 period, primarily due to the changes discussed above.

Loews Hotels & Co

The following table summarizes the results of operations for Loews Hotels & Co for the three and nine months ended September 30, 2017 and 2016 as presented in Note 12 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In millions)	**2017**	2016	**2017**	2016
Revenues:				
Operating revenue	**$ 137**	$ 132	**$ 427**	$ 426
Revenues related to reimbursable expenses	**25**	29	**83**	87
Total	**162**	161	**510**	513
Expenses:				
Operating	**124**	120	**375**	372
Reimbursable expenses	**25**	29	**83**	87
Depreciation	**15**	17	**46**	47
Equity income from joint ventures	**(17)**	(15)	**(61)**	(27)
Interest	**7**	6	**20**	17
Total	**154**	157	**463**	496
Income before income tax	**8**	4	**47**	17
Income tax expense	**(4)**	(1)	**(23)**	(10)
Net income attributable to Loews Corporation	**$ 4**	$ 3	**$ 24**	$ 7

Operating revenues increased $5 million and $1 million and operating expenses increased $4 million and $3 million for the three and nine months ended September 30, 2017 as compared with the 2016 periods primarily due to an increase in revenue and expenses upon completion of renovations at the Loews Miami Beach Hotel.

Equity income from joint ventures increased $2 million and $34 million for the three and nine months ended September 30, 2017 as compared with the 2016 periods. The increase for the nine month period was primarily due to the $25 million gain on the sale of an equity interest in the Loews Don CeSar Hotel, a joint venture hotel property, in February of 2017, the absence of a $13 million impairment charge related to an equity interest in a joint venture hotel property in the 2016 period, the opening of a new joint venture hotel in the third quarter of 2016 and the 400-room expansion of a joint venture hotel in the second quarter of 2017. These increases were partially offset by a $15 million impairment charge in 2017 related to an equity interest in a joint venture hotel property.

Net income increased $1 million and $17 million for the three and nine months ended September 30, 2017 as compared with the 2016 periods primarily due to the changes discussed above.

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Corporate

Corporate operations consist primarily of investment income at the Parent Company, operating results of Consolidated Container from the May 22, 2017 acquisition date, corporate interest expenses and other corporate administrative costs. Investment income includes earnings on cash and short term investments held at the Parent Company 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 for the three and nine months ended September 30, 2017 and 2016 as presented in Note 12 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016
Revenues:				
Net investment income	**$ 48**	$ 36	**$ 109**	$ 108
Other revenues	**201**	1	**294**	2
Total	**249**	37	**403**	110
Expenses:				
Operating	**221**	25	**389**	82
Interest	**28**	18	**68**	54
Total	**249**	43	**457**	136
Loss before income tax	**-**	(6)	**(54)**	(26)
Income tax benefit		1	**20**	8
Net loss attributable to Loews Corporation	**$ -**	$ (5)	**$ (34)**	$ (18)

Net investment income increased $12 million for the three months ended September 30, 2017 as compared with the 2016 period, primarily due to improved performance from equity based investments in the trading portfolio, partially offset by lower results from limited partnership investments. Net investment income increased $1 million for the nine months ended September 30, 2017 as compared with the 2016 period, primarily due to improved performance from limited partnership investments, partially offset by lower results from equity based investments in the trading portfolio.

Other revenues increased $200 million and $292 million for the three and nine months ended September 30, 2017 as compared with the 2016 periods, primarily due to $202 million and $293 million of revenue from Consolidated Container s operations for the three months ended September 30, 2017 and for the period since the acquisition date.

Operating expenses increased $196 million for the three months ended September 30, 2017 as compared with the 2016 period, primarily due to $192 million of expenses for Consolidated Container s operations for the three months ended September 30, 2017. Operating expenses increased $307 million for the nine months ended September 30, 2017 as compared with the 2016 period, primarily due to $281 million of expenses, inclusive of expenses resulting from purchase accounting, for Consolidated Container s operations for the period since the acquisition date. In addition, operating expenses increased due to the timing of compensation accruals and costs related to the acquisition of Consolidated Container, partially offset by the absence of prior year expenses related to the implementation of the

2016 Incentive Compensation Plan. Interest expense increased $10 million and $14 million for the three and nine months ended September 30, 2017 as compared with the 2016 periods, primarily due to interest expense associated with Consolidated Container s $605 million term loan from the date of acquisition of Consolidated Container.

Net results improved $5 million for the three months ended September 30, 2017 and decreased $16 million for the nine months ended September 30, 2017 as compared with the 2016 periods, primarily due to the changes discussed above.

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LIQUIDITY AND CAPITAL RESOURCES

Parent Company

Parent Company cash and investments, net of receivables and payables, at September 30, 2017 totaled $5.1 billion, as compared with $5.0 billion at December 31, 2016. During the nine months ended September 30, 2017, we received $719 million in dividends from our subsidiaries, including a special dividend from CNA of $485 million. Cash outflows included the payment of $620 million to fund the acquisition of Consolidated Container, which was in addition to approximately $600 million of debt financing proceeds at the subsidiary level as discussed in Note 7 to the Consolidated Condensed Financial Statements under Item 1. In addition, cash outflows included the payment of $63 million of cash dividends to our shareholders and $6 million to fund treasury stock purchases. As a holding company we depend on dividends from our subsidiaries and returns on our investment portfolio to fund our obligations. We are not responsible for the liabilities and obligations of our subsidiaries and there are no Parent Company guarantees.

As of October 20, 2017, there were 336,631,152 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 nine months ended September 30, 2017, we purchased 0.1 million shares of Loews common stock. We have an effective Registration Statement on Form S-3 on file with the Securities and Exchange Commission (SEC) registering the future sale of an unlimited amount of our debt and equity securities.

In April of 2017, Fitch Ratings, Inc. affirmed our unsecured debt rating at A, with the rating outlook revised to negative from stable and in June of 2017, S&P Global Ratings (S&P) lowered our corporate credit and senior debt ratings from A+ to A with a stable outlook. Our current unsecured debt rating is A3 for Moody s Investors Service, Inc. (Moody s), with a stable outlook. Should one or more rating agencies downgrade our credit ratings from current levels, or announce that they have placed us under review for a potential downgrade, our cost of capital could increase and our ability to raise new capital could be adversely affected.

We continue to pursue conservative financial strategies while seeking opportunities for responsible growth. Future uses of our cash may include investing in our subsidiaries, new acquisitions, dividends and/or repurchases of our and our subsidiaries outstanding common stock.

Subsidiaries

CNA s cash provided by operating activities was $894 million for the nine months ended September 30, 2017 as compared with $1.1 billion for the 2016 period. Cash provided by operating activities reflected higher net claim payments and a lower level of distributions on limited partnerships partially offset by an increase in premiums collected and lower salaries and related expenses paid.

CNA declared and paid dividends of $2.80 per share on its common stock, including a special dividend of $2.00 per share during the nine months ended September 30, 2017. On October 27, 2017, CNA s Board of Directors declared a quarterly dividend of $0.30 per share on its common stock, payable November 29, 2017 to shareholders of record on November 13, 2017. CNA s declaration and payment of future dividends is at the discretion of its Board of Directors and will depend on many factors, including CNA s earnings, financial condition, business needs and regulatory constraints.

Dividends from the Continental Casualty Company (CCC), a subsidiary of CNA, 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 Illinois Department of Insurance (Department), are determined based on the greater of the prior year s statutory net income or 10% of statutory surplus as of the end of the prior year, as well as the timing and amount of dividends paid in the preceding twelve months. Additionally, ordinary dividends may only be paid from earned surplus, which is calculated by removing unrealized gains from unassigned surplus. As of September 30, 2017, CCC was in a positive earned surplus position. The maximum allowable dividend CCC could pay during 2017 that would not be subject to the Department s prior approval is approximately $1.1 billion, less dividends paid during the preceding twelve months measured at that point in time. CCC paid dividends of $100 million during the three months ended December 31, 2016 and $855 million during the nine months ended September 30, 2017. As of September 30, 2017, CCC is able to pay approximately $120 million of dividends that would not be subject to prior approval of the Department. 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.

CNA believes that its present cash flows from operating, investing and financing activities are sufficient to fund its current and expected working capital and debt obligation needs.

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Diamond Offshore s cash provided by operating activities for the nine months ended September 30, 2017 decreased $125 million compared to the 2016 period, primarily due to lower cash receipts from contract drilling services of $193 million, partially offset by a net decrease in cash payments for contract drilling expenses, including personnel-related, repairs and maintenance and other rig operating costs of $72 million. The decline in both cash receipts and cash payments related to the performance of contract drilling services reflects continuing depressed market conditions in the offshore drilling industry, as well as positive results of Diamond Offshore s continuing focus on controlling costs.

For 2017, Diamond Offshore has budgeted approximately $125 million for capital expenditures. Diamond Offshore has no other purchase obligations for major rig upgrades at September 30, 2017.

As of September 30, 2017, Diamond Offshore had no outstanding borrowings under its credit agreement and was in compliance with all covenant requirements thereunder. As of October 26, 2017, Diamond Offshore had $1.5 billion available under its credit agreement to provide liquidity for payment obligations.

In October of 2017, S&P downgraded Diamond Offshore s corporate credit rating to B+ from BB- with a negative outlook. In July of 2017, Moody s downgraded Diamond Offshore s corporate credit rating to Ba3 with a negative outlook from Ba2 with a stable outlook. Market conditions and other factors, many of which are outside of Diamond Offshore s control, could cause its credit ratings to be lowered. Any downgrade in Diamond Offshore s credit ratings could adversely impact its cost of issuing additional debt and the amount of additional debt that it could issue, and could further restrict its access to capital markets and its ability to raise funds by issuing additional debt. As a consequence, Diamond Offshore may not be able to issue additional debt in amounts and/or with terms that it considers to be reasonable. One or more of these occurrences could limit Diamond Offshore s ability to pursue other business opportunities.

Diamond Offshore will make periodic assessments of its capital spending programs based on industry conditions and will make adjustments if it determines they are 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 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 credit ratings, current market conditions and other factors beyond its control.

Boardwalk Pipeline s cash provided by operating activities increased $49 million for the nine months ended September 30, 2017 compared to the 2016 period primarily due to the change in net income, excluding the effects of non-cash items such as depreciation, amortization and the loss on the sale of operating assets. The increase also reflects the settlement of the Gulf South rate refund in the 2016 period.

In the third quarters of 2017 and 2016, Boardwalk Pipeline declared and paid quarterly distributions to its common unitholders of record of $0.10 per common unit and an amount to the general partner on behalf of its 2% general partner interest. In October of 2017, Boardwalk Pipeline declared a quarterly cash distribution to unitholders of record of $0.10 per common unit.

As of September 30, 2017, Boardwalk Pipeline had $285 million of outstanding borrowings under its revolving credit facility. In July of 2017, Boardwalk Pipeline extended the maturity date of its revolving credit facility by one year to May 26, 2022. Boardwalk Pipeline has in place a subordinated loan agreement with a subsidiary of the Company under which it could borrow up to $300 million until December 31, 2018. As of October 27, 2017, Boardwalk Pipeline had no outstanding borrowings under the subordinated loan agreement.

For the nine months ended September 30, 2017 and 2016, Boardwalk Pipeline s capital expenditures were $496 million and $432 million, consisting of a combination of growth and maintenance capital expenditures. Boardwalk Pipeline expects total capital expenditures to be approximately $790 million in 2017, primarily related to growth projects and pipeline system maintenance.

Boardwalk Pipeline anticipates that its existing capital resources, including its revolving credit facility, subordinated loan agreement and cash flows from operating activities, will be adequate to fund its operations for 2017. Boardwalk Pipeline may seek to access the capital markets to fund some or all capital expenditures for growth projects, acquisitions or for general business purposes. Boardwalk Pipeline s ability to access the capital markets for equity and debt financing under reasonable terms depends on its financial condition, credit ratings and market conditions.

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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.

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 reports of existing positions and valuation fluctuations to seek to ensure that open positions are consistent with our portfolio strategy.

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

Insurance

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

Net Investment Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2017**	2016	**2017**	2016
Fixed maturity securities:				
Taxable	**$ 349**	$ 354	**$ 1,047**	$ 1,048
Tax-exempt	**106**	103	**320**	304
Total fixed maturity securities	**455**	457	**1,367**	1,352
Limited partnership investments	**51**	65	**157**	97
Other, net of investment expense	**3**	2	**5**	12
Net investment income before tax	**$ 509**	$ 524	**$ 1,529**	$ 1,461
Net investment income after tax and noncontrolling interests	**$ 325**	$ 333	**$ 981**	$ 940

Effective income yield for the fixed maturity securities portfolio, before tax	**4.7%**	4.8%	**4.7%**	4.8%
Effective income yield for the fixed maturity securities portfolio, after tax	**3.4%**	3.4%	**3.4%**	3.4%

Net investment income after tax and noncontrolling interests for the three months ended September 30, 2017 decreased $8 million as compared with the 2016 period. The decrease was driven by limited partnership investments, which returned 2.2% in 2017 as compared with 2.6% in the 2016 period. Income from fixed maturity securities, after tax and noncontrolling interests, for the three months ended September 30, 2017 increased $2 million as compared with the 2016 period, primarily due to an increase in the invested asset base.

Net investment income after tax and noncontrolling interests for the nine months ended September 30, 2017 increased $41 million as compared with the 2016 period. The increase was driven by limited partnership investments, which returned 6.8% in 2017 as compared with 3.8% in the prior year period. Income from fixed maturity securities,

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after tax and noncontrolling interests, for the nine months ended September 30, 2017 increased $13 million as compared with the 2016 period, primarily due to an increase in the invested asset base.

Net Realized Investment Gains (Losses)

The components of CNA s Net realized investment gains (losses) are presented in the following table:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In millions)	**2017**	2016	**2017**	2016
Realized investment gains (losses):				
Fixed maturity securities:				
Corporate and other bonds	**$ 13**	$ 18	**$ 81**	$ 10
States, municipalities and political subdivisions	**4**	20	**14**	23
Asset-backed	**(2)**	5	**(7)**	5
U.S. Treasury and obligations of government-sponsored enterprises		3	**3**	5
Foreign government	**1**	1	**1**	3
Total fixed maturity securities	**16**	47	**92**	46
Equity securities		(3)		(5)
Derivative securities	**(1)**	1	**(3)**	(12)
Short term investments and other	**1**		**4**	1
Total realized investment gains	**16**	45	**93**	30
Income tax expense	**(4)**	(15)	**(30)**	(12)
Amounts attributable to noncontrolling interests	**(2)**	(3)	**(7)**	(2)
Net realized investment gains attributable to Loews Corporation	**$ 10**	$ 27	**$ 56**	$ 16

Net realized investment gains decreased $17 million for the three months ended September 30, 2017 as compared with the 2016 period, driven by lower net realized gains on sales of securities partially offset by lower OTTI losses recognized in earnings. Net realized investment gains increased $40 million for the nine months ended September 30, 2017 as compared with the 2016 period, driven by lower OTTI losses recognized in earnings. Further information on CNA s realized gains and losses, including OTTI losses, is set forth in Note 3 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Portfolio Quality

The following table presents the estimated fair value and net unrealized gains of CNA s fixed maturity securities by rating distribution:

	September 30, 2017	December 31, 2016
	Net Unrealized	Net Unrealized

(In millions)	Estimated Fair Value	Gains (Losses)	Estimated Fair Value	Gains (Losses)
U.S. Government, Government agencies and Government-sponsored enterprises	**$ 4,386**	**$ 43**	$ 4,212	$ 32
AAA	**1,899**	**143**	1,881	110
AA	**9,136**	**911**	8,911	750
A	**9,876**	**957**	9,866	832
BBB	**13,730**	**1,051**	12,802	664
Non-investment grade	**3,063**	**171**	3,233	156
Total	**$ 42,090**	**$ 3,276**	$ 40,905	$ 2,544

As of September 30, 2017 and December 31, 2016, only 2% of CNA s fixed maturity portfolio was rated internally.

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

September 30, 2017 (In millions)	Estimated Fair Value	Gross Unrealized Losses
U.S. Government, Government agencies and Government-sponsored enterprises	$ 1,531	$ 27
AAA	277	7
AA	665	10
A	562	10
BBB	1,015	21
Non-investment grade	448	10
Total	$ 4,498	$ 85

The following table presents 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:

September 30, 2017 (In millions)	Estimated Fair Value	Gross Unrealized Losses
Due in one year or less	$ 53	$ 2
Due after one year through five years	742	16
Due after five years through ten years	2,812	53
Due after ten years	891	14
Total	$ 4,498	$ 85

Duration

A primary objective in the management of CNA s 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 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 CNA s 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 long term care and structured settlement liabilities in non-core operations.

The effective durations of CNA s fixed maturity securities and short term investments are presented in the following table. Amounts presented are net of payable and receivable amounts for securities purchased and sold, but not yet settled.

	September 30, 2017		December 31, 2016	
(In millions of dollars)	**Estimated Fair Value**	**Effective Duration (Years)**	Estimated Fair Value	Effective Duration (Years)
Investments supporting non-core operations	**$ 16,580**	**8.6**	$ 15,724	8.7
Other interest sensitive investments	**26,849**	**4.4**	26,669	4.6
Total	**$ 43,429**	**6.0**	$ 42,393	6.1

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The investment portfolio is periodically analyzed for changes in duration and related price risk. Additionally, CNA periodically reviews the sensitivity of the portfolio to the level of foreign exchange rates and other factors that contribute to market price changes. A summary of these risks and specific analysis on changes is included in the Quantitative and Qualitative Disclosures about Market Risk under Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016.

Short Term Investments

The carrying value of the components of CNA s Short term investments are presented in the following table:

(In millions)	**September 30, 2017**	December 31, 2016
Short term investments:		
Commercial paper	**$ 658**	$ 733
U.S. Treasury securities	**436**	433
Money market funds	**44**	44
Other	**315**	197
Total short term investments	**$ 1,453**	$ 1,407

CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require us to make estimates and judgments that affect the amounts reflected in the Consolidated Condensed Financial Statements. Such estimates and judgments necessarily involve varying, and possibly significant, degrees of uncertainty. Accordingly, certain amounts currently recorded in the financial statements will likely be adjusted in the future based on new available information and changes in other facts and circumstances. See the Critical Accounting Estimates and the Insurance Reserves sections of our MD&A included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016 for further information.

ACCOUNTING STANDARDS UPDATE

For a discussion of accounting standards updates that have been adopted or will be adopted in the future, please see Note 1 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this Report as well as some statements in other SEC filings and periodic press releases and some oral statements made by us and our subsidiaries and our and their officials during presentations may constitute 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 does not directly relate to any historical or current fact and may project, indicate or imply future results, events, performance or achievements. Such statements may contain the words expect, intend, plan, anticipate, estimate, believe, v continue, will likely result, and similar expressions. In addition, any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries 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.

Developments in any of the risks or uncertainties facing us or our subsidiaries, including those described under Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016, Part II, Item 1A, Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and in 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 they are made 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.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There were no material changes in our market risk components as of September 30, 2017. See the Quantitative and Qualitative Disclosures about Market Risk included under Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016 and Item 3 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. Additional information related to portfolio duration and market conditions is discussed in the Investments section of Management s Discussion and Analysis of Financial Condition and Results of Operations included under Part I, Item 2.

Item 4. 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 to the Securities and Exchange Commission under the Exchange Act, including this Report, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed 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 management, including the Company s principal executive officer (CEO) and principal financial officer (CFO), concluded an evaluation of the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this Report and, based on that evaluation, the CEO and CFO have concluded that the Company s controls and procedures were effective as of September 30, 2017.

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) that occurred during the quarter ended September 30, 2017 that have materially affected or that are reasonably likely to materially affect the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Information on our legal proceedings is set forth in Notes 10 and 11 to the Consolidated Condensed Financial Statements included under Part I, Item 1.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 include detailed discussions of certain risk factors facing the company. No updates or additions have been made to such risk factors as of September 30, 2017.

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

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

(c) STOCK REPURCHASES

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares (or approximate dollar value) of shares that may yet be purchased under the plans or programs (in millions)
July 1, 2017 - July 31, 2017	None	N/A	N/A	N/A
August 1, 2017 - August 31, 2017	None	N/A	N/A	N/A
September 1, 2017 - September 30, 2017	None	N/A	N/A	N/A

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Item 6. Exhibits.

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

*Filed herewith.

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SIGNATURES

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

LOEWS CORPORATION
(Registrant)

Dated: October 30, 2017

By: /s/ David B. Edelson
DAVID B. EDELSON
Senior Vice President and
Chief Financial Officer
(Duly authorized officer
and principal financial
officer)