CNA FINANCIAL CORP
Form 424B3
August 03, 2006
Table of Contents

The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission and is effective. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-127544

Subject to Completion

Preliminary Prospectus Supplement dated August 2, 2006

PROSPECTUS SUPPLEMENT

(To prospectus dated September 14, 2005)

$

CNA Financial Corporation

$ % Notes due 2011

$ % Notes due 2016

We will pay interest on the notes on February and August of each year, beginning on February , 2007. The 2011 notes will mature on August , 2011, and the 2016 notes will mature on August , 2016. We may redeem any or all of the notes at any time at a make whole redemption price as described in this prospectus supplement.

The notes represent our unsecured and unsubordinated debt and rank equally with all our other unsecured and unsubordinated indebtedness. The notes will be issued only in registered form in denominations of $2,000 and integral multiples of $1,000.

Investing in the notes involves risks. See Risk Factors beginning on page S-6 and on page 9 of our Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated herein by reference.

	Per 2011 Note	Total	Per 2016 Note	Total
Public offering price (1)	%	$	%	$
Underwriting discount	%	$	%	$

Proceeds, before expenses, to CNA Financial Corporation	%	$	%	$

(1) Plus accrued interest from August , 2006, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company, Clearstream or Euroclear, as the case may be, on or about August , 2006.

Joint Book-Running Managers

CITIGROUP **LEHMAN BROTHERS**

The date of this prospectus supplement is August , 2006.

Table of Contents

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

All references to CNA, we, our, or us in this prospectus supplement or the accompanying prospectus are to CNA Financial Corporation.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters. The second part, the prospectus, gives more general information about us and the notes offered hereby. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of the notes in this prospectus supplement differs from the description of the notes in the accompanying prospectus, you should rely on the information in this prospectus supplement. You should rely only on the information contained in, or incorporated by reference in, this prospectus supplement and the accompanying prospectus. Neither we nor any underwriter has authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. The information which appears in this prospectus supplement, the accompanying prospectus and any document incorporated by reference may only be accurate as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since the date of such information.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. Our Securities and Exchange Commission filings are available to the public over the Internet at the Securities and Exchange Commission s web site at http://www.sec.gov. You may also read and copy any document we file at the Securities and Exchange Commission s public reference room at 100 F. Street, N.E., Washington, D.C. 20549. You can call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room.

Our common stock is listed on the New York Stock Exchange, the Chicago Stock Exchange and NYSE Arca (formerly known as the Pacific Exchange). You also can find copies of our Securities and Exchange Commission filings at the offices of these stock exchanges at the addresses listed below:

New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005;

Chicago Stock Exchange, Inc., 440 South LaSalle Street, Chicago, Illinois 60603; and

NYSE Arca, Inc., 100 South Wacker Drive, Suite 1800, Chicago, Illinois 60606.

The Securities and Exchange Commission allows us to disclose certain information to you in this prospectus supplement by referring you to documents previously filed with the Securities and Exchange Commission that include such information. This process is generally referred to as incorporating by reference. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the Securities and Exchange Commission will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the Securities and Exchange Commission under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until this offering is terminated.

Our annual report on Form 10-K for the year ended December 31, 2005;

Our quarterly report on Form 10-Q for the quarter ended March 31, 2006;

Our quarterly report on Form 10-Q for the quarter ended June 30, 2006; and

Our current reports on Form 8-K dated February 8, 2006 (filed on February 13, 2006), dated February 8, 2006 (filed on February 14, 2006), dated February 12, 2006 (filed on February 16, 2006, with respect to Item 4.02(a) only, and as amended by our current report on Form 8-K/A dated February 12, 2006 (filed on April 4, 2006)), dated March 6, 2006 (filed on March 8, 2006), dated April 19, 2006 (filed on April 19, 2006) and dated August 1, 2006 (filed on August 1, 2006).

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

Office of the General Counsel

CNA Financial Corporation

333 South Wabash Avenue

Chicago, Illinois 60604

(312) 822-5000

Table of Contents

THE COMPANY

We are a global insurance organization serving businesses and individuals with a broad range of commercial property and casualty insurance products and insurance-related services. We are primarily focused on small and mid-size businesses, and architects, engineers, lawyers, healthcare professionals, financial intermediaries and corporate directors and officers. In 2005, we wrote approximately $8 billion of annual net premiums. We are the country s seventh largest commercial insurance writer and the 14th largest property casualty company, based on 2004 statutory net written premiums (the latest information for which rankings are available). Our common stock is listed on the New York Stock Exchange, the Chicago Stock Exchange and NYSE Arca (formerly known as the Pacific Exchange) and also trades on the Philadelphia Stock Exchange. The trading symbol for our common stock is CNA. As of June 30, 2006, Loews Corporation (Loews) owned approximately 91% of our outstanding common stock and 100% of our Series H Cumulative Preferred Stock. As discussed under Retirement of Series H Cumulative Preferred Stock, we expect to use a portion of the proceeds of this offering as partial consideration for the repurchase of the Series H Cumulative Preferred Stock from Loews.

Table of Contents

THE OFFERING

Issuer	CNA Financial Corporation.
Notes offered	$ aggregate principal amount of % Notes due 2011.
	$ aggregate principal amount of % Notes due 2016.
	The 2011 notes and the 2016 notes will each constitute a new series of securities. The 2011 notes and the 2016 notes will constitute separate series under the indenture governing the notes.
Maturity date	2011 notes: August , 2011.
	2016 notes: August , 2016.
Interest rate	2011 notes: % per year.
	2016 notes: % per year.
Interest payment dates	2011 notes: February and August of each year, beginning February , 2007. Interest on the 2011 notes will accrue from August , 2006.
	2016 notes: February and August of each year, beginning February , 2007. Interest on the 2016 notes will accrue from August , 2006.
Ranking	The notes will be our unsecured, unsubordinated obligations and will rank equally in right of payment with all our other unsubordinated debt. The notes will be effectively junior to the debt and other liabilities of our subsidiaries. See Description of Notes.
Optional redemption	We may redeem some or all of the notes at any time at the respective make-whole redemption prices discussed under the caption Description of Notes Optional Redemption.
Form and denomination	The notes will be issued in fully registered form in denominations of $2,000 and in integral multiples of $1,000.
Further issues	We may from time to time, without the consent of the holders of the notes, issue additional senior debt securities having the same ranking and the same interest rate, maturity and other

	terms as the notes of either series offered hereby except for the issue price and issue date and, in some cases, the first interest payment date. See Description of Notes Further Issuances.
Use of proceeds	We estimate that the net proceeds, after deducting the underwriter s discounts and commissions but before deducting other estimated offering expenses payable by us, from the offering will be approximately $. We intend to use the proceeds of this offering as partial consideration for the repurchase of the Series H Cumulative Preferred Stock from Loews. See Use of Proceeds.

Table of Contents

RISK FACTORS

Our business faces significant risks. The risks described below and in our Annual Report on Form 10-K for the year ended December 31, 2005 may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. You should carefully consider and evaluate all of the information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, including the risk factors listed below, before deciding whether to invest in our notes.

Risks related to the offering

Loews owns a majority of our common stock and has the power to elect our board of directors and influence our affairs.

Loews beneficially owned approximately 91% of our outstanding common stock as of June 30, 2006 and, on a pro forma basis after giving effect to the issuance of common stock in the public offering and to Loews in a private placement, Loews will beneficially own approximately 89% of our outstanding common stock. As a result, Loews has the ability to elect our entire board of directors and determine the outcome of other matters submitted to our shareholders, such as the approval of significant transactions, and otherwise to influence our affairs.

We may not be able to complete the repurchase of our Series H Cumulative Preferred Stock.

We have agreed to repurchase all of our outstanding Series H Cumulative Preferred Stock from Loews, with part of the net proceeds of this offering to be used as a portion of the consideration for such repurchase. The repurchase of the Series H Cumulative Preferred Stock is conditioned upon our completion of this offering and a public offering of our common stock, each of which will be used to fund a portion of the consideration for such repurchase. This offering is not conditioned upon the completion of the proposed repurchase. There can be no assurance that such public offering of our common stock will be completed and, therefore, the Series H Cumulative Preferred Stock may remain outstanding. If the conditions to the repurchase of the Series H Cumulative Preferred Stock are not satisfied or waived, we expect to use the net proceeds of this offering for other purposes. There can be no assurance that any such alternative use of the proceeds of this offering would result in benefits to our shareholders to the same extent as the proposed repurchase of the Series H Cumulative Preferred Stock.

You cannot be sure that an active trading market will develop for the notes.

The notes are new issues of securities and there are no established trading markets for the notes. We do not intend to apply to list the notes for trading on any securities exchange or to arrange for quotation on any automated dealer quotation system.

As a result of this and the other factors listed below, an active trading market for the notes may not develop, in which case the market price and liquidity of the notes may be adversely affected.

In addition, you may not be able to sell your notes at a particular time or at a price favorable to you. Future trading prices of the notes will depend on many factors, including:

- our operating performance and financial condition;
- our prospects or the prospects for companies in our industry generally;
- the interest of securities dealers in making a market in the notes;
- the market for similar securities;
- prevailing interest rates; and

the risk factors described in Item 1A of our annual report on Form 10-K for the year ended December 31, 2005.

We have been advised by the underwriters that they intend to make a market for the notes, but they have no obligation to do so and may discontinue market-making at any time without providing any notice.

Table of Contents

FORWARD-LOOKING STATEMENTS

Each of this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference in this prospectus supplement and the accompanying prospectus contain a number of forward-looking statements which relate to anticipated future events rather than actual present conditions or historical events. You can identify forward-looking statements because generally they include words such as believes, expects, intends, anticipates, estimates, and similar expressions. Forward-looking statements in this report include any and all statements regarding expected developments in our insurance business, including losses and loss reserves for asbestos, environmental pollution and mass tort claims which are more uncertain, and therefore more difficult to estimate than loss reserves respecting traditional property and casualty exposures; the impact of routine ongoing insurance reserve reviews we are conducting; our expectations concerning our revenues, earnings, expenses and investment activities; expected cost savings and other results from our expense reduction and restructuring activities; and our proposed actions in response to trends in our business. Forward-looking statements, by their nature, are subject to a variety of inherent risks and uncertainties that could cause actual results to differ materially from the results projected in the forward-looking statement. We cannot control many of these risks and uncertainties. Some examples of these risks and uncertainties are:

- general economic and business conditions, including inflationary pressures on medical care costs, construction costs and other economic sectors that increase the severity of claims;
- changes in financial markets such as fluctuations in interest rates, long-term periods of low interest rates, credit conditions and currency, commodity and stock prices;
- the effects of corporate bankruptcies, such as Enron and WorldCom, on capital markets, and on the markets for directors and officers and errors and omissions coverages;
- changes in foreign or domestic political, social and economic conditions;
- regulatory initiatives and compliance with governmental regulations, judicial decisions, including interpretation of policy provisions, decisions regarding coverage and theories of liability, trends in litigation and the outcome of any litigation involving us, and rulings and changes in tax laws and regulations;
- effects upon insurance markets and upon industry business practices and relationships of current litigation, investigations and regulatory activity by the New York State Attorney General s office and other authorities concerning contingent commission arrangements with brokers and bid solicitation activities;
- legal and regulatory activities with respect to certain non-traditional and finite-risk insurance products, and possible resulting changes in accounting and financial reporting in relation to such products, including our restatement of financial results in May of 2005 and our relationship with an affiliate, Accord Re Ltd., as disclosed in connection with that restatement;
- regulatory limitations, impositions and restrictions upon us, including the effects of assessments and other surcharges for guaranty funds and second-injury funds and other mandatory pooling arrangements;
- the impact of competitive products, policies and pricing and the competitive environment in which we operate, including changes in our book of business;

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

development of claims and the impact on loss reserves, including changes in claim settlement policies;

the effectiveness of current initiatives by claims management to reduce loss and expense ratios through more efficacious claims handling techniques;

the performance of reinsurance companies under reinsurance contracts with us;

Table of Contents

results of financing efforts, including the availability of bank credit facilities;

changes in our composition of operating segments;

weather and other natural physical events, including the severity and frequency of storms, hail, snowfall and other winter conditions, as well as of natural disasters such as hurricanes and earthquakes;

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

the unpredictability of the nature, targets, severity or frequency of potential terrorist events, as well as the uncertainty as to our ability to contain our terrorism exposure effectively, notwithstanding the extension until 2007 of the Terrorism Risk Insurance Act of 2002;

the occurrence of epidemics;

exposure to liabilities due to claims made by insureds and others relating to asbestos remediation and health-based asbestos impairments, as well as exposure to liabilities for environmental pollution, mass tort, construction defect claims and exposure to liabilities due to claims made by insureds and others relating to lead-based paint;

whether a national privately financed trust to replace litigation of asbestos claims with payments to claimants from the trust will be established or approved through federal legislation, or, if established and approved, whether it will contain funding requirements in excess of our established loss reserves or carried loss reserves;

the sufficiency of our loss reserves and the possibility of future increases in reserves;

regulatory limitations and restrictions, including limitations upon our ability to receive dividends from our insurance subsidiaries imposed by state regulatory agencies and minimum risk-based capital standards established by the National Association of Insurance Commissioners;

the risks and uncertainties associated with our loss reserves as outlined in the Reserves Estimates and Uncertainties section of the Management s Discussion and Analysis of Financial Condition and Results of Operations section of our quarterly report on Form 10-Q for the quarter ended June 30, 2006;

the level of success in integrating acquired businesses and operations, and in consolidating, or selling existing ones;

the possibility of further changes in our ratings by ratings agencies, including the inability to access certain markets or distribution channels and the required collateralization of future payment obligations as a result of such changes, and changes in rating agency policies and practices; and the actual closing of contemplated transactions and agreements.

Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date of the statement, even if our expectations or any related events or circumstances change.

Table of Contents

RETIREMENT OF SERIES H CUMULATIVE PREFERRED STOCK

On December 19, 2002, we sold 7,500 shares of our Series H Cumulative Preferred Stock to Loews Corporation, the holder of approximately 91% of our outstanding common stock as of June 30, 2006, for $750 million. The Series H Cumulative Preferred Stock accrues cumulative dividends at a rate of 8% per year, compounded annually.

The Series H Cumulative Preferred Stock is senior to our common stock as to the payment of dividends and amounts payable upon any liquidation, dissolution or winding up. No dividends may be declared on our common stock until all cumulative dividends on the Series H Cumulative Preferred Stock have been paid. We may not issue any equity securities ranking senior to or on parity with the Series H Cumulative Preferred Stock without the consent of the holders of a majority of the outstanding shares of Series H Cumulative Preferred Stock. The Series H Cumulative Preferred Stock is non-voting and is not convertible into any other securities. The Series H Cumulative Preferred Stock may be redeemed for cash upon the mutual agreement of us and the holders of a majority of the outstanding shares of the Series H Cumulative Preferred Stock at a redemption price equal to the liquidation preference ($750 million), plus all unpaid dividends accrued through the date of redemption. Loews owns all of the outstanding shares of the Series H Cumulative Preferred Stock.

On August 1, 2006, we entered into a Series H Cumulative Preferred Stock Retirement Agreement with Loews in which we agreed to repurchase all of the shares of Series H Cumulative Preferred Stock held by Loews for cash at a price equal to the liquidation preference plus all unpaid dividends accrued through the closing date, or approximately $995 million assuming that the repurchase closes on August 8, 2006. The consideration for the Series H Cumulative Preferred Stock will be financed with a portion of the net proceeds of this offering, the issuance by us of 7 million shares of our common stock in a public offering, and issuance by us of approximately 7.86 million shares of our common stock in a private placement to Loews. We expect to receive net proceeds of approximately $500 million on a combined basis from the public and private offerings of our common stock. On August 1, 2006, we entered into an agreement with the underwriters with respect to the public offering of

7 million shares of our common stock, which is subject to usual closing conditions. We will retire all of the Series H Cumulative Preferred Stock following the repurchase from Loews. For a discussion of the risk that the repurchase of Series H Cumulative Preferred Stock may not be completed, see Risk Factors We may not be able to complete the repurchase of our Series H Cumulative Preferred Stock.

At the closing of the repurchase, we will enter into a Registration Rights Agreement with Loews under which it can require us to file up to three registration statements that would permit it to sell up to approximately 7.86 million shares of our common stock that it holds in public offerings, regardless of how they were acquired. Under the agreement, Loews also will have the right to request the inclusion of those shares in certain registration statements that we may file in the future.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of consolidated earnings to fixed charges for the periods indicated. For purposes of computing this ratio, earnings consist of income from continuing operations before income taxes and minority interests in consolidated subsidiaries, plus fixed charges. Earnings also exclude undistributed income of equity investees. Fixed charges consist of interest on debt, interest credited to policyholders and that portion of operating lease rental expense which is deemed to be an interest factor for such rentals.

	Six Months Ended June 30,		Year Ended December 31,				
	2006	**2005**	**2005**	**2004**	**2003**	**2002**	**2001**
Ratio of earnings to fixed charges	7.3x	5.7x	1.5x	2.9x	(a)	2.3x	(a)

(a) For the years ended December 31, 2003 and 2001, earnings were insufficient to cover fixed charges by $2,395 million and $2,257 million, respectively.

USE OF PROCEEDS

We intend to use the proceeds of this offering, which after paying underwriting discounts and transaction expenses we expect to be approximately $ million, as partial consideration for the repurchase of the Series H Cumulative Preferred Stock from Loews. The balance of the consideration to be paid to Loews will be financed with net proceeds of approximately $500 million from issuing 7 million shares of our common stock in a public offering and approximately 7.86 million shares of our common stock in a private offering to Loews at the per share price paid by the underwriters to us for the shares being offered in the public offering. See Retirement of Series H Cumulative Preferred Stock.

To the extent the proceeds of this offering are not used as described above, the proceeds of this offering will be used for general corporate purposes.

Table of Contents

CAPITALIZATION

The following table shows our consolidated capitalization as of June 30, 2006:

- on a historical basis; and
- as adjusted to give effect to this offering and the use of the net proceeds therefrom and other funds to repurchase our Series H Cumulative Preferred Stock from Loews. See Use of Proceeds.

You should read this table in conjunction with our consolidated financial statements and related notes which are incorporated by reference in this prospectus supplement.

	June 30, 2006 Actual	As Adjusted
	(in millions of dollars)	
Short-term debt:		
Current portions of long-term debt	$ 250	$
Long-term debt (net of unamortized discount):		
Credit facility CNA Surety, due June 30, 2008	$ 20	$
Debenture CNA Surety, face amount of $31, due April 29, 2034	31	
Senior notes:		
6.750%, face amount of $250, due November 15, 2006	250	
6.450%, face amount of $150, due January 15, 2008	149	
6.600%, face amount of $200, due December 15, 2008	199	
8.375%, face amount of $70, due August 15, 2012	69	
5.850%, face amount of $549, due December 15, 2014	546	
6.950%, face amount of $150, due January 15, 2018	149	
%, face amount of $, due August , 2011		
%, face amount of $, due August , 2016		
Debenture, CNAF, 7.250%, face amount of $243, due November 15, 2023	241	
Other debt, 1.000%-6.600%, due through 2019	25	
Total debt	$ 1,679	$
Less: current portion of long-term debt	(250)	
Total long-term debt	$ 1,429	$
Stockholders equity:		
Preferred stock (12,500,000 shares authorized) Series H Issue (no par value; $100,000 stated value, 7,500 shares issued and outstanding, actual; no shares issued and outstanding, as adjusted)	$ 750	$
Common stock ($2.50 par value; 500,000,000 shares authorized; 258,177,285 shares issued and 256,007,095 outstanding, actual; shares issued and outstanding, as adjusted)	645	
Additional paid-in capital	1,703	
Retained earnings	6,089	
Accumulated other comprehensive loss	(127)	
Treasury stock (2,170,190 shares, actual and as adjusted), at cost	(67)	
Notes receivable for the issuance of common stock	(58)	
Total stockholders equity	$ 8,935	$
Total capitalization	$ 10,614	$

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

Our selected consolidated financial data presented below as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been derived from our audited consolidated financial statements.

The selected consolidated financial information as of and for the six months ended June 30, 2006 and 2005 are unaudited and have been derived from our unaudited condensed consolidated financial statements and include all adjustments (consisting of normal recurring adjustments), which are, in our opinion, necessary for a fair presentation of our financial position at those dates and results of operations for those periods. Our results of operations for the six months ended June 30, 2006 will not necessarily be indicative of our results for the year.

You should read this selected consolidated financial information in conjunction with our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2005, and the unaudited condensed consolidated financial statements in our Quarterly Report on Form 10-Q for the period ended June 30, 2006, each of which is incorporated by reference in this prospectus supplement and the accompanying prospectus, and Management s Discussion and Analysis of Financial Condition and Results of Operations for those periods, which are contained in those documents.

	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,				
(in millions, except per share data and ratios)	2006	2005	2005	2004	2003	2002	2001
Results of Operations							
Revenues	$ 4,913	$ 4,934	$ 9,862	$ 9,924	$ 11,715	$ 12,293	$ 13,097
Income (loss) from continuing operations	$ 476	$ 466	$ 243	$ 446	$ (1,419)	$ 263	$ (1,550)
Income (loss) from discontinued operations, net of tax	(8)	9	21	(21)	2	(43)	6
Cumulative effects of changes in accounting principles, net of tax						(57)	(61)