

LOEWS CORP
Form 10-K
February 23, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-2646102
(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)

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

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

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

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

Yes X No

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

Yes No X

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

Yes X No

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

Yes X No

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

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

Large accelerated filer X Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

The aggregate market value of voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$10,445,000,000.

As of February 1, 2011, there were 413,706,490 shares of Loews common stock outstanding.

Documents Incorporated by Reference:

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Portions of the Registrant's definitive proxy statement intended to be filed by Registrant with the Commission prior to April 30, 2011 are incorporated by reference into Part III of this Report.

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FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION
For the Year Ended December 31, 2010

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PART I

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

Item 1. Business.

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

commercial property and casualty insurance (CNA Financial Corporation, a 90% owned subsidiary);

operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a 50.4% owned subsidiary);

exploration, production and marketing of natural gas and natural gas liquids (HighMount Exploration & Production LLC, a wholly owned subsidiary);

operation of interstate natural gas transmission pipeline systems (Boardwalk Pipeline Partners, LP, a 66% owned subsidiary); and

operation of hotels (Loews Hotels Holding Corporation, a wholly owned subsidiary).

Please read information relating to our major business segments from which we derive revenue and income contained in Note 22 of the Notes to Consolidated Financial Statements, included under Item 8.

CNA FINANCIAL CORPORATION

CNA Financial Corporation (together with its subsidiaries, CNA) was incorporated in 1967 and is an insurance holding company. CNA's property and casualty insurance operations are conducted by Continental Casualty Company (CCC), incorporated in 1897, and The Continental Insurance Company (CIC), organized in 1853, and certain other affiliates. CIC became a subsidiary of CNA in 1995 as a result of the acquisition of The Continental Corporation (Continental). CNA accounted for 63.0%, 60.0% and 58.9% of our consolidated total revenue for the years ended December 31, 2010, 2009 and 2008.

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

CNA's core business, commercial property and casualty insurance operations, is reported in two business segments: CNA Specialty and CNA Commercial. CNA's non-core businesses are managed in two business segments: Life & Group Non-Core and Other Insurance. Each segment is managed separately due to differences in their product lines and markets.

CNA's property and casualty field structure consists of 44 underwriting locations across the country. There are three centralized processing operations which handle policy processing, billing and collection activities, and also act as call centers to optimize service. The claims structure consists of a centralized claim center designed to efficiently handle the high volume of low severity claims including property damage, liability, and workers' compensation medical only claims, and 15 principal claim office locations around the country handling the more complex claims.

CNA Specialty

CNA Specialty provides professional liability and other coverages through property and casualty products and services, both domestically and abroad, through a network of brokers, independent agencies and managing general underwriters. CNA Specialty provides solutions for managing the risks of its clients, including architects, lawyers, accountants, health care professionals, financial intermediaries and public and private

companies. Product offerings also include surety and fidelity bonds and vehicle warranty services.

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CNA Specialty includes the following business groups:

Professional & Management Liability: Professional & Management Liability provides management and professional liability insurance and risk management services and other specialized property and casualty coverages in the United States. This group provides professional liability coverages to various professional firms, including architects, real estate agents, small and mid-sized accounting firms, law firms and technology firms. Professional & Management Liability also provides directors and officers, employment practices, fiduciary and fidelity coverages. Specific areas of focus include small and mid-size firms as well as privately held firms and not-for-profit organizations, where tailored products for this client segment are offered. Products within Professional & Management Liability are distributed through brokers, agents and managing general underwriters. Professional & Management Liability, through CNA HealthPro, also offers insurance products to serve the health care delivery system. Products include professional liability and associated standard property and casualty coverages, and are distributed on a national basis through brokers, agents and managing general underwriters. Key customer segments include long term care facilities, allied health care providers, life sciences, dental professionals and mid-size and large health care facilities.

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

Surety: Surety consists primarily of CNA Surety Corporation (CNA Surety) and its insurance subsidiaries and offers small, medium and large contract and commercial surety bonds. CNA Surety provides surety and fidelity bonds in all 50 states through a combined network of independent agencies. CNA owns approximately 61% of CNA Surety.

Warranty and Alternative Risks: Warranty and Alternative Risks provides extended service contracts and related products that provide protection from the financial burden associated with mechanical breakdown and other related losses, primarily for vehicles and portable electronic communication devices. These products are distributed through and administered by CNA's wholly owned subsidiary, CNA National Warranty Corporation, or through third party administrators.

CNA Commercial

CNA Commercial works with an independent agency distribution system and a network of brokers to market a broad range of property and casualty insurance products and services to small, middle-market and large businesses and organizations domestically and abroad. Property products include standard and excess property coverages, as well as marine coverage, and boiler and machinery. Casualty products include standard casualty insurance products such as workers' compensation, general and product liability, commercial auto and umbrella coverages. Most insurance programs are provided on a guaranteed cost basis; however, CNA also offers specialized loss-sensitive insurance programs to those customers viewed as higher risk and less predictable in exposure.

These property and casualty products are offered as part of CNA's *Business*, *Commercial* and *International* insurance groups. CNA's *Business* insurance group serves its smaller commercial accounts and the *Commercial* insurance group serves CNA's middle markets and its larger risks. In addition, CNA Commercial provides total risk management services relating to claim and information services to the large commercial insurance marketplace, through a wholly owned subsidiary, CNA ClaimPlus, Inc., a third party administrator. The *International* insurance group primarily consists of the commercial product lines of CNA's operations in Europe, Canada, as well as Hawaii.

Also included in CNA Commercial is *CNA Select Risk* (*Select Risk*), which includes CNA's excess and surplus lines coverages. *Select Risk* provides specialized insurance for selected commercial risks on both an individual customer and program basis. Customers insured by *Select Risk* are generally viewed as higher risk and less predictable in exposure than those covered by standard insurance markets. *Select Risk*'s products are distributed throughout the United States through specialist producers, program agents and brokers.

Life & Group Non-Core

The Life & Group Non-Core segment primarily includes the results of the life and group lines of business that are in run-off. CNA continues to service its existing individual long term care commitments, its payout annuity business and its

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pension deposit business. CNA also retains a block of group reinsurance and life settlement contracts. These businesses are being managed as a run-off operation. CNA's group long term care business, while considered non-core, continues to be actively marketed. During 2008, CNA exited the indexed group annuity portion of its pension deposit business.

Other Insurance

Other Insurance primarily includes certain CNA corporate expenses, including interest on CNA corporate debt, and the results of certain property and casualty business in run-off, including CNA Re and asbestos and environmental pollution (A&EP). In 2010, CNA ceded substantially all of its legacy A&EP liabilities under the Loss Portfolio Transfer, as further discussed in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

Please read Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations by Business Segment CNA Financial for information with respect to each segment.

Direct Written Premiums by Geographic Concentration

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

Year Ended December 31	2010	2009	2008
California	9.3%	9.1%	9.2%
New York	6.8	6.8	6.9
Texas	6.5	6.6	6.2
Florida	6.1	6.2	6.5
Illinois	4.0	3.8	3.8
Missouri	4.0	3.6	3.1
New Jersey	3.5	3.7	3.8
Pennsylvania	3.4	3.2	3.3
All other states, countries or political subdivisions (a)	56.4	57.0	57.2
	100.0%	100.0%	100.0%

(a) No other individual state, country or political subdivision accounts for more than 3.0% of direct written premiums.

Approximately 6.9%, 7.0% and 7.4% of CNA's direct written premiums were derived from outside of the United States for the years ended December 31, 2010, 2009 and 2008. Premiums from any one individual foreign country were not material to aggregate direct written premiums.

Property and Casualty Claim and Claim Adjustment Expenses

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

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The loss reserve development table is cumulative and, therefore, ending balances should not be added since the amount at the end of each calendar year includes activity for both the current and prior years. The development amounts in the table below include the impact of commutations, but exclude the impact of the allowance for doubtful accounts on reinsurance receivables.

Year Ended December 31 (In millions of dollars)	Schedule of Loss Reserve Development										
	2000	2001(a)	2002(b)	2003	2004	2005	2006	2007	2008	2009	2010(c)
Originally reported gross reserves for unpaid claim and claim adjustment expenses	26,510	29,649	25,719	31,284	31,204	30,694	29,459	28,415	27,475	26,712	25,412
Originally reported ceded recoverable	7,333	11,703	10,490	13,847	13,682	10,438	8,078	6,945	6,213	5,524	6,060
Originally reported net reserves for unpaid claim and claim adjustment expenses	19,177	17,946	15,229	17,437	17,522	20,256	21,381	21,470	21,262	21,188	19,352
Cumulative net paid as of:											
One year later	7,686	5,981	5,373	4,382	2,651	3,442	4,436	4,308	3,930	3,762	-
Two years later	11,992	10,355	8,768	6,104	4,963	7,022	7,676	7,127	6,746	-	-
Three years later	15,291	12,954	9,747	7,780	7,825	9,620	9,822	9,102	-	-	-
Four years later	17,333	13,244	10,870	10,085	9,914	11,289	11,312	-	-	-	-
Five years later	17,775	13,922	12,814	11,834	11,261	12,465	-	-	-	-	-
Six years later	18,970	15,493	14,320	12,988	12,226	-	-	-	-	-	-
Seven years later	20,297	16,769	15,291	13,845	-	-	-	-	-	-	-
Eight years later	21,382	17,668	16,022	-	-	-	-	-	-	-	-
Nine years later	22,187	18,286	-	-	-	-	-	-	-	-	-
Ten years later	22,826	-	-	-	-	-	-	-	-	-	-
Net reserves re-estimated as of:											
End of initial year	19,177	17,946	15,229	17,437	17,522	20,256	21,381	21,470	21,262	21,188	19,352
One year later	21,502	17,980	17,650	17,671	18,513	20,588	21,601	21,463	21,021	20,643	-
Two years later	21,555	20,533	18,248	19,120	19,044	20,975	21,706	21,259	20,472	-	-
Three years later	24,058	21,109	19,814	19,760	19,631	21,408	21,609	20,752	-	-	-
Four years later	24,587	22,547	20,384	20,425	20,212	21,432	21,286	-	-	-	-
Five years later	25,594	22,983	21,076	21,060	20,301	21,326	-	-	-	-	-
Six years later	26,023	23,603	21,769	21,217	20,339	-	-	-	-	-	-
Seven years later	26,585	24,267	21,974	21,381	-	-	-	-	-	-	-
Eight years later	27,207	24,548	22,168	-	-	-	-	-	-	-	-
Nine years later	27,510	24,765	-	-	-	-	-	-	-	-	-
Ten years later	27,702	-	-	-	-	-	-	-	-	-	-
Total net (deficiency) redundancy	(8,525)	(6,819)	(6,939)	(3,944)	(2,817)	(1,070)	95	718	790	545	-
Reconciliation to gross re-estimated reserves:											
Net reserves re-estimated	27,702	24,765	22,168	21,381	20,339	21,326	21,286	20,752	20,472	20,643	-
Re-estimated ceded recoverable	11,397	16,911	16,279	14,639	13,507	10,846	8,541	7,180	6,168	5,559	-
Total gross re-estimated reserves	39,099	41,676	38,447	36,020	33,846	32,172	29,827	27,932	26,640	26,202	-
Total gross (deficiency) redundancy	(12,589)	(12,027)	(12,728)	(4,736)	(2,642)	(1,478)	(368)	483	835	510	-
Net (deficiency) redundancy related to:											
Asbestos	(1,590)	(818)	(827)	(177)	(123)	(113)	(112)	(107)	(79)	-	-
Environmental pollution	(635)	(288)	(282)	(209)	(209)	(159)	(159)	(159)	(76)	-	-
Total asbestos and environmental pollution	(2,225)	(1,106)	(1,109)	(386)	(332)	(272)	(271)	(266)	(155)	-	-
Core (Non-asbestos and environmental pollution)	(6,300)	(5,713)	(5,830)	(3,558)	(2,485)	(798)	366	984	945	545	-

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Total net (deficiency) redundancy	(8,525)	(6,819)	(6,939)	(3,944)	(2,817)	(1,070)	95	718	790	545	-
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- (a) Effective January 1, 2001, CNA established a new life insurance company, CNA Group Life Assurance Company (CNAGLA). Further, on January 1, 2001, \$1.1 billion of reserves were transferred from CCC to CNAGLA.
- (b) Effective October 31, 2002, CNA sold CNA Reinsurance Company Limited. As a result of the sale, net reserves were reduced by \$1.3 billion.
- (c) Effective January 1, 2010, CNA ceded approximately \$1.5 billion of net asbestos and environmental pollution (A&EP) claim and allocated claim adjustment expense reserves relating to its continuing operations under a retroactive reinsurance agreement with an aggregate limit of \$4.0 billion, as further discussed in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

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

Investments

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

Other

Competition: The property and casualty insurance industry is highly competitive both as to rate and service. CNA competes with stock and mutual insurance companies, reinsurance companies and other entities for both producers and customers. CNA must continuously allocate resources to refine and improve its insurance products and services.

Rates among insurers vary according to the types of insurers and methods of operation. CNA competes for business not only on the basis of rate, but also on the basis of availability of coverage desired by customers, financial strength, ratings and quality of service, including claim adjustment services.

There are approximately 2,400 individual companies that sell property and casualty insurance in the United States. Based on 2009 statutory net written premiums, CNA is the seventh largest commercial insurance writer and the 13th largest property and casualty insurance organization in the United States.

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

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

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

Although the federal government does not directly regulate the business of insurance, federal legislative and regulatory initiatives can impact the insurance industry in a variety of ways. These initiatives and legislation include tort reform proposals; proposals addressing natural catastrophe exposures; terrorism risk mechanisms; federal financial services reforms; various tax proposals affecting insurance companies; and possible regulatory limitations, impositions and restrictions arising from the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as the Patient Protection and Affordable Care Act, both enacted in 2010.

Various legislative and regulatory efforts to reform the tort liability system have, and will continue to, impact CNA's industry. Although there has been some tort reform with positive impact to the insurance industry, new causes of action and theories of damages continue to be proposed in state court actions or by federal or state legislatures that continue to expand liability for insurers and their policyholders. For example, some state legislatures have from time to time considered legislation addressing direct action against insurers related to bad faith claims. As a result of this

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unpredictability in the law, insurance underwriting is expected to continue to be difficult in commercial lines, professional liability and other specialty coverages.

The Dodd-Frank Wall Street Reform and Consumer Protection Act expands the federal presence in insurance oversight and may increase the regulatory requirements to which CNA may be subject. The Act's requirements include streamlining the state-based regulation of reinsurance and nonadmitted insurance (property or casualty insurance placed from insurers that are eligible to accept insurance, but are not licensed to write insurance in a particular state). The Act also establishes a new Federal Insurance Office within the U.S. Department of the Treasury with powers over all lines of insurance except health insurance, certain long term care insurance and crop insurance, to, among other things, monitor aspects of the insurance industry, identify issues in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the overall financial system, coordinate federal policy on international insurance matters and preempt state insurance measures under certain circumstances. The Act calls for numerous studies and contemplates further regulation.

The Patient Protection and Affordable Care Act and the related amendments in the Health Care and Education Reconciliation Act may increase CNA's operating costs and underwriting losses. This landmark legislation may lead to numerous changes in the health care industry that could create additional operating costs for CNA, particularly with respect to workers' compensation and long term care products. These costs might arise through the increased use of health care services by claimants or the increased complexities in health care bills that could require additional levels of review. In addition, due to the expected number of new participants in the health care system and the potential for additional malpractice claims, CNA may experience increased underwriting risk in the lines of business that provide management and professional liability insurance to individuals and businesses engaged in the health care industry. The lines of business that provide professional liability insurance to attorneys, accountants and other professionals who advise clients regarding the health care reform legislation may also experience increased underwriting risk due to the complexity of the legislation.

Properties: The Chicago location owned by CCC, a wholly owned subsidiary of CNA, houses CNA's principal executive offices. CNA owns or leases office space in various cities throughout the United States and in other countries. The following table sets forth certain information with respect to CNA's principal office locations:

Location	Size (square feet)	Principal Usage
333 S. Wabash Avenue Chicago, Illinois	763,322	Principal executive offices of CNA
401 Penn Street Reading, Pennsylvania	190,677	Property and casualty insurance offices
2405 Lucien Way Maitland, Florida	116,948	Property and casualty insurance offices
40 Wall Street New York, New York	114,096	Property and casualty insurance offices
1100 Ward Avenue Honolulu, Hawaii	104,478	Property and casualty insurance offices
101 S. Phillips Avenue Sioux Falls, South Dakota	83,616	Property and casualty insurance offices
600 N. Pearl Street Dallas, Texas	65,752	Property and casualty insurance offices

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1249 S. River Road	50,366	Property and casualty insurance offices
Cranbury, New Jersey		
4267 Meridian Parkway	46,903	Data center
Aurora, Illinois		
675 Placentia Avenue	46,571	Property and casualty insurance offices

Brea, California
CNA leases its office space described above except for the Chicago, Illinois building, the Reading, Pennsylvania building, and the Aurora, Illinois building, which are owned.

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Diamond Offshore Drilling, Inc. (Diamond Offshore), is engaged, through its subsidiaries, in the business of owning and operating drilling rigs that are used in the drilling of offshore oil and gas wells on a contract basis for companies engaged in exploration and production of hydrocarbons. Diamond Offshore owns 46 offshore rigs. Diamond Offshore accounted for 23.0%, 25.9% and 26.3% of our consolidated total revenue for the years ended December 31, 2010, 2009 and 2008.

Rigs: Diamond Offshore owns and operates 32 semisubmersible rigs, consisting of 13 high specification and 19 intermediate rigs. Semisubmersible rigs consist of an upper working and living deck resting on vertical columns connected to lower hull members. Such rigs operate in a semi-submerged position, remaining afloat, off bottom, in a position in which the lower hull is approximately 55 feet to 90 feet below the water line and the upper deck protrudes well above the surface. Semisubmersible rigs are typically anchored in position and remain stable for drilling in the semi-submerged floating position due in part to their wave transparency characteristics at the water line. Semisubmersible rigs can also be held in position through the use of a computer controlled thruster (dynamic-positioning) system to maintain the rig's position over a drillsite. Five semisubmersible rigs in Diamond Offshore's fleet have this capability.

Diamond Offshore's high specification semisubmersible rigs are generally capable of working in water depths of 4,000 feet or greater or in harsh environments and have other advanced features, as compared to intermediate semisubmersible rigs. Five high specification rigs have nominal water depth capability of 10,000 feet; one of 8,000 feet; one of 7,000 feet; five of 5,500 to 5,250 feet; and one of 4,000 feet. As of January 24, 2011, six of Diamond Offshore's 13 high specification semisubmersible rigs were located offshore Brazil, and two were located in the U.S. Gulf of Mexico (GOM). Of Diamond Offshore's remaining high specification semisubmersible rigs, one was located offshore each of Angola, Egypt, Indonesia and the Republic of Congo and one was in a shipyard in Singapore.

Diamond Offshore's intermediate semisubmersible rigs generally work in maximum water depths up to 3,999 feet. As of January 24, 2011, Diamond Offshore had 19 intermediate semisubmersible rigs in various locations around the world. Nine of these semisubmersible rigs were operating in the South America region, including eight offshore Brazil and one offshore the Falkland Islands; three were located in the North Sea; two were located offshore Australia; one was located offshore Vietnam and one was cold stacked in Malaysia. Diamond Offshore's remaining three intermediate semisubmersible rigs are located in the GOM, where two have been cold stacked.

Diamond Offshore has one high specification drillship, the *Ocean Clipper*, which was located offshore Brazil as of January 24, 2011. Drillships, which are typically self-propelled, are positioned over a drillsite through the use of either an anchoring system or a dynamic-positioning system similar to those used on certain semisubmersible rigs. Deepwater drillships compete in many of the same markets as do high specification semisubmersible rigs.

Diamond Offshore has 13 jack-up drilling rigs. Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the ocean floor until a foundation is established to support the drilling platform. The rig hull includes the drilling rig, jacking system, crew quarters, loading and unloading facilities, storage areas for bulk and liquid materials, heliport and other related equipment. Diamond Offshore's jack-up rigs are used for drilling in water depths from 20 feet to 350 feet. The water depth limit of a particular rig is principally determined by the length of the rig's legs. A jack-up rig is towed to the drillsite with its hull riding in the sea, as a vessel, with its legs retracted. Once over a drillsite, the legs are lowered until they rest on the seabed and jacking continues with the legs penetrating the seabed until resistance is sufficient to elevate the hull above the surface of the water. After completion of drilling operations, the hull is lowered until it rests in the water and then the legs are retracted for relocation to another drillsite.

As of January 24, 2011, six of Diamond Offshore's 13 jack-up rigs were located in the GOM, of which four rigs have been cold stacked, consisting of two mat-supported cantilevered rigs, one mat-supported slot rig and one independent-leg, cantilevered rig. Of Diamond Offshore's seven remaining jack-up rigs, all of which are independent-leg cantilevered rigs, two each were located offshore Egypt and Mexico, and one was located offshore each of Brazil and Montenegro. Diamond Offshore's remaining jack-up rig was en route to Thailand.

Fleet Upgrades: Diamond Offshore's long term strategy has been to economically upgrade its fleet to meet customer demand for advanced, efficient, high-tech rigs, particularly deepwater semisubmersible rigs, in order to maximize the utilization of, and dayrates earned by, the rigs in its fleet. In December 2010 and January 2011, Diamond Offshore

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entered into separate turnkey contracts with Hyundai Heavy Industries Co. Ltd., (Hyundai), for the construction of two dynamically positioned, ultra-deepwater drillships with deliveries scheduled for late in the second and fourth quarters of 2013. Diamond Offshore expects total cost for the sister drillships, including commissioning, spares and project management, to aggregate approximately \$1.2 billion. In addition, Diamond Offshore has also obtained from Hyundai a fixed-price option for the purchase of a third drillship, which it has the right to exercise at any time before the end of the first quarter of 2011.

In June 2009 and September 2009, Diamond Offshore acquired two new-build deepwater, dynamically positioned, semisubmersible drilling rigs, the *Ocean Courage* and the *Ocean Valor*. Including Diamond Offshore's rig acquisitions in 2009 and its two recent drillship orders, Diamond Offshore has purchased, ordered or upgraded seven rigs with capabilities in 10,000 feet of water over the last four years.

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

South America, principally offshore Brazil and the Falkland Islands;

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

the Middle East, including Kuwait, Qatar and Saudi Arabia;

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

West Africa, including Angola and the Republic of Congo;

The Mediterranean Basin, including Egypt; and

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

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

Diamond Offshore believes its presence in multiple markets is valuable in many respects. For example, Diamond Offshore believes that its experience with safety and other regulatory matters in the U.K. has been beneficial in Australia and other international areas in which Diamond Offshore operates, while production experience it has gained through Brazilian and North Sea operations has potential application worldwide. Additionally, Diamond Offshore believes its performance for a customer in one market segment or area enables it to better understand that customer's needs and better serve that customer in different market segments or other geographic locations.

Diamond Offshore's contracts to provide offshore drilling services vary in their terms and provisions. Diamond Offshore typically obtains its contracts through competitive bidding, although it is not unusual for Diamond Offshore to be awarded drilling contracts without competitive bidding. Drilling contracts generally provide for a basic drilling rate on a fixed dayrate basis regardless of whether or not such drilling results in a productive well. Drilling contracts may also provide for lower rates during periods when the rig is being moved or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond the control of Diamond Offshore. Under dayrate contracts, Diamond Offshore generally pays operating expenses of the rig, including wages and the cost of incidental supplies. Historically, dayrate contracts have accounted for the majority of Diamond Offshore's revenues. In addition, from time to time, Diamond Offshore's dayrate contracts may also provide for the ability to earn an incentive bonus from its customer based upon performance.

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well or a group of wells, which Diamond Offshore refers to as a well-to-well contract, or a fixed term, which Diamond Offshore refers to as a term contract, and may be terminated by the customer in the event the drilling rig is destroyed or lost or if drilling operations are suspended for an extended period of time

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as a result of a breakdown of equipment or, in some cases, due to other events beyond the control of either party to the contract. In addition, certain of Diamond Offshore's contracts permit the customer to terminate the contract early by giving notice, and in most circumstances may require the payment of an early termination fee by the customer. The contract term in many instances may also be extended by the

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customer exercising options for the drilling of additional wells or for an additional length of time, generally at competitive market rates and mutually agreeable terms at the time of the extension.

Customers: Diamond Offshore provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. During 2010, 2009 and 2008, Diamond Offshore performed services for 46, 47 and 49 different customers. During 2010, 2009 and 2008, one of Diamond Offshore's two customers in Brazil, Petróleo Brasileiro S.A., or Petrobras, (a Brazilian multinational energy company that is majority-owned by the Brazilian government), accounted for 24.0%, 15.0% and 13.0% of Diamond Offshore's annual total consolidated revenues. OGX Petróleo e Gás Ltda., (OGX) (a privately owned Brazilian oil and natural gas company) accounted for 14.0% of Diamond Offshore's annual total consolidated revenues in 2010. No other customer accounted for 10.0% or more of Diamond Offshore's annual total consolidated revenues during 2010, 2009 or 2008.

Brazil is the most active floater market in the world today. As of the date of this report, the greatest concentration of Diamond Offshore's operating assets outside the United States is offshore Brazil, where 16 rigs in its fleet are currently working. Diamond Offshore's contract backlog attributable to its expected operations offshore Brazil is \$1.6 billion, \$1.5 billion and \$987 million for the years 2011, 2012 and 2013, and \$1.0 billion in the aggregate for the years 2014 to 2016. Please see MD&A under Item 7 for additional information.

Competition: The offshore contract drilling industry is highly competitive with numerous industry participants, none of which at the present time has a dominant market share. The drilling industry has experienced consolidation in recent years and may experience additional consolidation, which could create additional large competitors. Some of Diamond Offshore's competitors may have greater financial or other resources than Diamond Offshore. Diamond Offshore competes with offshore drilling contractors that together have more than 730 mobile rigs available worldwide.

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

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

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

Operations Outside the United States: Diamond Offshore's operations outside the U.S. accounted for approximately 80.9%, 66.0% and 59.3% of its total consolidated revenues for the years ended December 31, 2010, 2009 and 2008.

Properties: Diamond Offshore owns an eight-story office building containing approximately 170,000 net rentable square feet on approximately 6.2 acres of land located in Houston, Texas, where its corporate headquarters is located, two buildings totaling 39,000 square feet and 20 acres of land in New Iberia, Louisiana, for its offshore drilling warehouse and storage facility, a 13,000-square foot building and five acres of land in Aberdeen, Scotland, for its North Sea operations, two buildings totaling 77,200 square feet and 11 acres of land in Macae, Brazil, for its South American operations and two buildings totaling 20,000 square feet and two acres of land in Ciudad del Carmen, Mexico, for its Mexican operations. Additionally, Diamond Offshore currently leases various office, warehouse and storage facilities in Louisiana, Australia, Brazil, Indonesia, Norway, Malaysia, Singapore, Egypt, Angola, Republic of Congo, Vietnam and the U.K. to support its offshore drilling operations.

HIGHMOUNT EXPLORATION & PRODUCTION LLC

HighMount is engaged in the exploration, production and marketing of natural gas, natural gas liquids (predominantly ethane and propane) and, to a small extent, oil, primarily in the Permian Basin in Texas. HighMount holds interests in

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developed and undeveloped acreage, wellbores and well facilities, which generally take the form of working interests in leases that have varying terms. HighMount's interests in these properties are, in many cases, held jointly with third parties and may be subject to royalty, overriding royalty, carried, net profits, working and other similar interests and contractual arrangements with other parties as is customary in the oil and gas industry. HighMount also owns or has interests in gathering systems which transport natural gas and natural gas liquids (NGLs), principally from its producing wells, to processing plants and pipelines owned by third parties. HighMount accounted for 2.9%, 4.4% and 5.8% of our consolidated total revenue for the years ended December 31, 2010, 2009 and 2008.

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

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

In addition, as used in this discussion of HighMount's business, gross wells refers to the total number of wells in which HighMount owns a working interest and net wells refers to the sum of each of the gross wells multiplied by the percentage working interest owned by HighMount in such well. Gross acres refers to the total number of acres with respect to which HighMount owns or leases a mineral interest and net acres is the sum of each unit of gross acres covered by a lease or other arrangement multiplied by HighMount's percentage ownership interest in such gross acreage.

As of December 31, 2010, HighMount owned 1.3 Tcfe of net proved reserves, of which 78.2% were classified as proved developed reserves. HighMount's estimated total proved reserves consist of 944.9 Bcf of natural gas, 56.0 MMBbls of NGLs, and 3.2 MMBbls of oil and condensate. HighMount produced approximately 211 MMcfe per day of natural gas, NGLs and oil during 2010. HighMount holds leasehold or drilling rights in 0.7 million net acres, of which 0.4 million is developed acreage and the balance is held for future exploration and development drilling opportunities. HighMount participated in the drilling of 238 wells during 2010, of which 227 (or 95.4%) are productive wells.

Sale of Assets: On April 30, 2010, HighMount completed the sale of substantially all exploration and production assets located in the Antrim Shale in Michigan and on May 28, 2010, HighMount completed the sale of substantially all exploration and production assets located in the Black Warrior Basin in Alabama. The Michigan and Alabama properties

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represented approximately 17% in aggregate of HighMount's total proved reserves as of December 31, 2009. HighMount used the net proceeds from the sales, of approximately \$500 million, to reduce the outstanding debt under its term loans.

Reserves: HighMount's reserves disclosed in this Report represent its share of reserves based on its net revenue interest in each property. Estimated reserves as of December 31, 2010 are based upon studies for each of HighMount's properties prepared by HighMount staff engineers and are the responsibility of management. Calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with Securities and Exchange Commission (SEC) guidelines.

HighMount implements various internal controls to assure objectivity of the reserve estimation process. The main internal controls include (a) detailed reviews of reserve-related information at various levels of the organization—Reserve Engineering and Executive Management, (b) reserve audit performed by an independent third party reserve auditor, (c) segregation of duties and (d) system reconciliation or automated interface between various systems used in the reserve estimation process.

HighMount employs a team of reservoir engineers that specialize in HighMount's area of operation. The reservoir engineering team is separate from HighMount's operating division and reports to HighMount's Chief Operating Officer. The compensation of HighMount's reservoir engineers is not dependent on the quantity of reserves booked. HighMount's lead evaluator has over twenty five years of oil and gas engineering experience, nine of those in the reservoir discipline. He has a registered professional engineering license from the State of Oklahoma and is a member in good standing of the Society of Petroleum Engineers.

Ryder Scott Company, L.P., an independent third party petroleum engineering consulting firm, has audited HighMount's reserve estimates in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. Ryder Scott's lead reservoir engineer responsible for the reserve audit has more than thirty years of experience in the field of estimation and evaluation of petroleum reserves and resources. He has the professional qualifications of a Reserve Estimator and a Reserve Auditor set forth in Article III of the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. He earned a Bachelor of Science degree in Chemical Engineering at the University of Notre Dame in 1975 and a Masters of Business Administration at the University of Texas at Austin in 1998. He is a licensed Professional Engineer in the State of Texas. He is also a member of the Society of Petroleum Engineers, the Texas Independent Producers and Royalty Owners Association, and the Houston's Producers Forum.

The following table sets forth HighMount's proved reserves at December 31, 2010, based on average 2010 prices of \$4.38 per MMBtu for natural gas, \$43.75 per Bbl for NGLs and \$79.43 per Bbl for oil. Substantially all proved reserves were located in the Permian Basin.

	Natural Gas (MMcf)	NGLs (Bbls)	Oil (Bbls)	Natural Gas Equivalents (MMcfe)
Proved developed	741,206	43,453,508	2,350,313	1,016,029
Proved undeveloped	203,656	12,575,070	816,310	284,004
Total proved	944,862	56,028,578	3,166,623	1,300,033

During 2010, total proved reserves declined 664 Bcfe, due to sales of assets, negative revisions of proved reserves and production. The sales of HighMount's assets, primarily in Michigan and Alabama, reduced proved reserves by 364 Bcfe. HighMount reviews its proved reserves on an annual basis. Based on recent higher decline rates of producing wells, HighMount reduced its estimate of proved reserves by 223 Bcfe, net of additions. During 2010, HighMount produced 77 Bcfe.

During 2010, HighMount's proved undeveloped reserves decreased by 100 Bcfe, largely due to the sale of HighMount's assets in Michigan and Alabama, totaling 80 Bcfe, as discussed above, and reserve revisions. As a result of HighMount's reduced pace of activity, drilling plans for a significant portion of HighMount's proved undeveloped reserves extended beyond five years. Due to the five year limitation on proved undeveloped reserves, HighMount reclassified 208 Bcfe of proved undeveloped reserves to the non-proved category. Subsequently, 238 Bcfe of probable

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reserves were promoted to the proved undeveloped category, as these pertain to locations HighMount expects to drill during the next five years. During 2010, HighMount also converted 8 Bcfe from proved undeveloped reserves to proved developed reserves through drilling. The remaining revisions are a result of anticipated lower reserves for each proved undeveloped location.

Estimated net quantities of proved natural gas and oil (including condensate and NGLs) reserves at December 31, 2010, 2009 and 2008 and changes in the reserves during 2010, 2009 and 2008 are shown in Note 15 of the Notes to Consolidated Financial Statements included under Item 8.

HighMount's properties typically have relatively long reserve lives, high well completion success rates and predictable production profiles. Based on December 31, 2010 proved reserves and HighMount's average production from these properties during 2010, the average reserve-to-production index of HighMount's proved reserves is 19 years.

In order to replenish reserves as they are depleted by production, and to increase reserves, HighMount further develops its existing acreage by drilling new wells and, where available, employing new technologies and drilling strategies designed to enhance production from existing wells. HighMount seeks to opportunistically acquire additional acreage in its core areas of operation, as well as other locations where its management has identified an opportunity.

During the years ended December 31, 2010, 2009 and 2008, HighMount engaged in the drilling activity presented in the following table. All wells drilled during 2010, 2009 and 2008 disclosed in the table below were development wells.

Year Ended December 31	2010		2009		2008	
	Gross	Net	Gross	Net	Gross	Net
Productive Wells						
Permian Basin	215	212.5	100	98.5	369	363.5
Other (a)	12	8.8	54	32.2	120	65.6
Total Productive Wells	227	221.3	154	130.7	489	429.1
Dry Wells						
Permian Basin	11	11.0	5	5.0	9	9.0
Total Dry Wells	11	11.0	5	5.0	9	9.0
Total Completed Wells	238	232.3	159	135.7	498	438.1
Wells in Progress						
Permian Basin	29	28.8	67	66.9	32	31.9
Other (a)			13	10.0	3	1.2
Total Wells in Progress	29	28.8	80	76.9	35	33.1

(a) Represents wells drilled in the Antrim Shale in Michigan and the Black Warrior Basin in Alabama, which were sold in 2010. In addition, at December 31, 2010, HighMount had two exploratory wells still under evaluation.

Acreage: As of December 31, 2010, HighMount owned interests in 591,063 gross developed acres (446,928 net developed acres) and 529,776 gross undeveloped acres (274,557 net undeveloped acres) primarily in the Permian Basin.

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

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

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

Wells: As of December 31, 2010, HighMount had an interest in 6,134 gross producing wells (5,800 net producing wells) located in the Permian Basin. Wells located in the Permian Basin have a typical well depth in the range of 6,000 to 9,000 feet.

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

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

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

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

In September 2009, the United States Environmental Protection Agency (EPA) adopted regulations under the Clean Air Act requiring the monitoring and reporting of annual greenhouse gas (GHG) emissions by certain large U.S. GHG emitters. Affected companies are required to monitor their GHG emissions and report to the EPA beginning in March 2011. Oil and gas exploration and production companies that emit less than 25,000 metric tons of GHG per year from any facility (as defined in the regulations), including HighMount, are not required to monitor or report emissions at this time. However, the EPA has indicated it will issue a proposed rule for comment as it pertains to Oil and Gas Systems.

Properties: In addition to its interests in oil and gas producing properties, HighMount leases an aggregate of approximately 62,000 square feet of office space in Houston, Texas, which includes its corporate headquarters, and approximately 92,000 square feet of office space in Oklahoma City, Oklahoma. HighMount also leases other surface rights and office, warehouse and storage facilities necessary to operate its business.

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BOARDWALK PIPELINE PARTNERS, LP

Boardwalk Pipeline Partners, LP (Boardwalk Pipeline) is engaged in the interstate transportation and storage of natural gas. Boardwalk Pipeline accounted for 7.7%, 6.4% and 6.4% of our consolidated total revenue for the years ended December 31, 2010, 2009 and 2008.

We own approximately 66% of Boardwalk Pipeline comprised of 102,719,466 common units, 22,866,667 class B units and a 2% general partner interest. A wholly owned subsidiary of ours (BPHC) is the general partner and holds all of Boardwalk Pipeline s incentive distribution rights which entitle the general partner to an increasing percentage of the cash that is distributed by Boardwalk Pipeline in excess of \$0.4025 per unit per quarter.

Boardwalk Pipeline owns and operates three interstate natural gas pipelines, with approximately 14,200 miles of interconnected pipelines, directly serving customers in 12 states and indirectly serving customers throughout the northeastern and southeastern United States through numerous interconnections with unaffiliated pipelines. In 2010, its pipeline systems transported approximately 2.5 trillion cubic feet (Tcf) of gas. Average daily throughput on Boardwalk Pipeline s pipeline systems during 2010 was approximately 6.8 billion cubic feet (Bcf). Boardwalk Pipeline s natural gas storage facilities are comprised of 11 underground storage fields located in four states with aggregate working gas capacity of approximately 167.0 Bcf.

Boardwalk Pipeline conducts all of its operations through its three operating subsidiaries:

Gulf Crossing Pipeline Company LLC (Gulf Crossing): The Gulf Crossing pipeline system, which originates in Texas and proceeds into Louisiana, operates approximately 360 miles of natural gas pipeline. The pipeline system has a peak-day delivery capacity of 1.7 Bcf per day and average daily throughput for the year ended December 31, 2010 was 1.3 Bcf per day.

Gulf South Pipeline Company, L.P. (Gulf South): The Gulf South pipeline system runs approximately 7,700 miles along the Gulf Coast in the states of Texas, Louisiana, Mississippi, Alabama and Florida. Gulf South has two natural gas storage facilities with 83.0 Bcf of working gas storage capacity. The pipeline system has a peak-day delivery capacity of 6.8 Bcf per day and average daily throughput for the year ended December 31, 2010 was 4.1 Bcf per day.

Texas Gas Transmission, LLC (Texas Gas): The Texas Gas pipeline system originates in Louisiana, East Texas and Arkansas and runs for approximately 6,110 miles north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana, and into Ohio, with smaller diameter lines extending into Illinois. The pipeline system has a peak-day delivery capacity of 4.8 Bcf per day and average daily throughput for the year ended December 31, 2010 was 3.0 Bcf per day. Texas Gas owns nine natural gas storage fields, of which it owns the majority of the working and base gas, with 84.0 Bcf of working gas storage capacity.

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

Competition: Boardwalk Pipeline competes with other pipelines to maintain current business levels and to serve new demand and markets. Boardwalk Pipeline also competes with other pipelines for contracts with producers that would support new growth opportunities. The principal elements of competition among pipelines are available capacity, rates, terms of service, access to gas supplies, flexibility and reliability of service. Due to the construction of new pipeline systems in the U.S. over the past several years, as well as pipelines currently under development, competition has become stronger in Boardwalk Pipeline s market areas. Many of these new pipelines are in areas outside Boardwalk Pipeline s service area and are closer to end-users than Boardwalk Pipeline s pipeline systems. In addition, regulators continuing efforts to increase competition in the natural gas industry have increased the natural gas transportation options of Boardwalk Pipeline s traditional customers. As a result of the regulators policies, segmentation and capacity release have created an active secondary market which increasingly competes with Boardwalk Pipeline s services. Additionally, natural gas competes with other forms of energy available to Boardwalk Pipeline s customers, including electricity, coal, fuel oils and other alternative fuel sources.

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The new pipeline infrastructure mentioned above is supporting the development across the U.S. of unconventional natural gas supply basins, such as gas shales and tight sand formations. The new sources of natural gas have created changes in pricing dynamics between supply basins, pooling points and market areas. As a result of the increase in overall pipeline capacity and the new sources of supply, in 2009 the price differentials between physical locations (basis spreads) on Boardwalk Pipeline's pipeline systems began to narrow. This trend continued into 2010. Basis spreads have impacted, and will continue to impact, the rates Boardwalk Pipeline has been able to negotiate with its customers on contracts due for renewal for firm transportation services, as well as the rates Boardwalk Pipeline is able to charge for interruptible and short term firm transportation services. Capacity that Boardwalk Pipeline has available on a short term basis has decreased as long term capacity commitments on the recently completed pipeline expansion projects have increased in accordance with the contracts supporting those projects. However, some of Boardwalk Pipeline's capacity will continue to be available for sale on a short term firm or interruptible basis and each year a portion of Boardwalk Pipeline's existing contracts expire. The revenues Boardwalk Pipeline will be able to earn from that available capacity and from renewals of expiring contracts will be heavily dependent upon basis spreads.

Seasonality: Boardwalk Pipeline's revenues can be affected by weather and natural gas price levels and volatility. Weather impacts natural gas demand for heating needs and power generation, which in turn influences the short term value of transportation and storage across Boardwalk Pipeline's pipeline systems. Colder than normal winters can result in an increase in the demand for natural gas for heating needs and warmer than normal summers can impact cooling needs, both of which typically result in increased pipeline transportation revenues and throughput. While traditionally peak demand for natural gas occurs during the winter months driven by heating needs, the increased use of natural gas for cooling needs during the summer months has partially reduced the seasonality of revenues over time. During 2010, approximately 53.9% of Boardwalk Pipeline's revenue was recognized in the first and fourth quarters of the year.

Governmental Regulation: FERC regulates Boardwalk Pipeline's operating subsidiaries under the NGA of 1938 and the NGA of 1978. FERC regulates, among other things, the rates and charges for the transportation and storage of natural gas in interstate commerce and the extension, enlargement or abandonment of facilities under its jurisdiction. Where required, Boardwalk Pipeline's operating subsidiaries hold certificates of public convenience and necessity issued by FERC covering certain of their facilities, activities and services. The maximum rates that may be charged by Boardwalk Pipeline for all aspects of the gas transportation services it provides are established through FERC's cost-of-service rate-making process. The maximum rates that may be charged by Boardwalk Pipeline for storage services on Texas Gas, with the exception of services associated with a portion of the working gas capacity on that system, are also established through FERC's cost-of-service rate-making process. Key determinants in FERC's cost-of-service rate-making process are the costs of providing service, the volumes of gas being transported, the rate design, the allocation of costs between services, the capital structure and the rate of return a pipeline is permitted to earn. FERC has authorized Gulf South to charge market-based rates for its firm and interruptible storage. Texas Gas is authorized to charge market-based rates for the firm and interruptible storage services associated with approximately 8.3 Bcf of its storage capacity. Neither Gulf South nor Texas Gas has an obligation to file a new rate case. Gulf Crossing has an obligation to file either a rate case or a cost-and-revenue study by the end of the first quarter of 2012 to justify its rates.

Boardwalk Pipeline is also regulated by the DOT under the Natural Gas Pipeline Safety Act of 1968, as amended by Title I of the Pipeline Safety Act of 1979, which regulates safety requirements in the design, construction, operation and maintenance of interstate natural gas pipelines. Boardwalk Pipeline has received authority from the Pipeline and Hazardous Materials Safety Administration (PHMSA), an agency of DOT, to operate certain pipeline assets under special permits that will allow it to operate those assets at higher than normal operating pressures of up to 0.80 of the pipe's Specified Minimum Yield Strength (SMYS). Operating at the higher than normal operating pressures will allow each of these pipelines to transport all of the volumes Boardwalk Pipeline has contracted for with its customers. PHMSA retains discretion whether to grant or maintain authority for Boardwalk Pipeline to operate these pipelines at higher pressures.

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

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

LOEWS HOTELS HOLDING CORPORATION

The subsidiaries of Loews Hotels Holding Corporation (Loews Hotels), our wholly owned subsidiary, presently operate the following 18 hotels. Loews Hotels accounted for 2.1%, 2.0% and 2.9% of our consolidated total revenue for the years ended December 31, 2010, 2009 and 2008.

Name and Location	Number of Rooms	Owned, Leased or Managed
Loews Annapolis Hotel Annapolis, Maryland	220	Owned
Loews Atlanta Hotel Atlanta, Georgia	414	Management contract
Loews Coronado Bay San Diego, California	440	Land lease expiring 2034
Loews Denver Hotel Denver, Colorado	185	Owned
The Don CeSar, a Loews Hotel St. Pete Beach, Florida	347	Management contract (a)
Hard Rock Hotel, at Universal Orlando Orlando, Florida	650	Management contract (b)
Loews Lake Las Vegas Henderson, Nevada	493	Management contract
Loews Le Concorde Hotel Quebec City, Canada	405	Land lease expiring 2069
Loews Miami Beach Hotel Miami Beach, Florida	790	Owned
Loews New Orleans Hotel New Orleans, Louisiana	285	Management contract
Loews Philadelphia Hotel Philadelphia, Pennsylvania	585	Owned
Loews Portofino Bay Hotel, at Universal Orlando Orlando, Florida	750	Management contract (b)
Loews Regency Hotel New York, New York	350	Land lease expiring 2013, with renewal option for 47 years
Loews Royal Pacific Resort at Universal Orlando Orlando, Florida	1,000	Management contract (b)
Loews Santa Monica Beach Hotel Santa Monica, California	340	Management contract, with
Loews Vanderbilt Hotel Nashville, Tennessee	340	renewal option for 5 years Owned
Loews Ventana Canyon Tucson, Arizona	400	Management contract
Loews Hotel Vogue Montreal, Canada	140	Owned

(a) A Loews Hotels subsidiary is a 20% owner of the hotel, which is being operated by Loews Hotels pursuant to a management contract.

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- (b) A Loews Hotels subsidiary is a 50% owner of these hotels located at the Universal Orlando theme park, through a joint venture with Universal Studios and the Rank Group. The hotels are on land leased by the joint venture and are operated by Loews Hotels pursuant to a management contract.

The hotels owned by Loews Hotels are subject to mortgage indebtedness totaling approximately \$220 million at December 31, 2010 with interest rates ranging from 2.5% to 6.3%, and maturing between 2011 and 2028. In addition, certain hotels are held under leases which are subject to formula derived rental increases, with rentals aggregating approximately \$6 million for the year ended December 31, 2010.

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

EMPLOYEE RELATIONS

Including our operating subsidiaries as described below, we employed approximately 18,400 persons at December 31, 2010. We, and our subsidiaries, have experienced satisfactory labor relations.

CNA employed approximately 8,000 persons.

Diamond Offshore employed approximately 5,300 persons, including international crew personnel furnished through independent labor contractors.

HighMount employed approximately 400 persons.

Boardwalk Pipeline employed approximately 1,100 persons, approximately 115 of whom are included in collective bargaining units.

Loews Hotels employed approximately 3,400 persons, approximately 800 of whom are union members covered under collective bargaining agreements.

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Name	Position and Offices Held	Age	First Became Officer
David B. Edelson	Senior Vice President	51	2005
Gary W. Garson	Senior Vice President, General Counsel and Secretary	64	1988
Herbert C. Hofmann	Senior Vice President	68	1979
Peter W. Keegan	Senior Vice President and Chief Financial Officer	66	1997
Richard W. Scott	Senior Vice President and Chief Investment Officer	57	2010
Kenneth I. Siegel	Senior Vice President	53	2009
Andrew H. Tisch	Office of the President, Co-Chairman of the Board and Chairman of the Executive Committee	61	1985
James S. Tisch	Office of the President, President and Chief Executive Officer	58	1981
Jonathan M. Tisch	Office of the President and Co-Chairman of the Board	57	1987

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

All of our executive officers except for Kenneth I. Siegel and Richard W. Scott have been engaged actively and continuously in our business for more than the past five years. Prior to joining us, Mr. Siegel was employed as a Managing Director in the Mergers & Acquisitions Department at Lehman Brothers Holdings Inc. and in 2009 at Barclays Capital Inc. in a similar capacity. Prior to joining us, Mr. Scott was employed at American International Group, Inc. for more than five years, serving in various senior investment positions, including Chief Investment Officer Insurance Portfolio Management.

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

AVAILABLE INFORMATION

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

Item 1A. RISK FACTORS.

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

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

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

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Risks Related to Us and Our Subsidiary, CNA Financial Corporation

If CNA determines that its recorded loss reserves are insufficient to cover its estimated ultimate unpaid liability for claims, CNA may need to increase its loss reserves.

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

CNA is also subject to the uncertain effects of emerging or potential claims and coverage issues that arise as industry practices and legal, judicial, social and other environmental conditions change. These issues have had, and may continue to have, a negative effect on CNA's business by either extending coverage beyond the original underwriting intent or by increasing the number or size of claims, resulting in further increases in CNA's reserves which can have a material adverse effect on its results of operations and equity. The effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. Examples of emerging or potential claims and coverage issues include:

- the effects of recessionary economic conditions, which have resulted in an increase in the number and size of claims due to corporate failures; these claims include both directors and officers ("D&O") and errors and omissions ("E&O") insurance claims;

- class action litigation relating to claims handling and other practices; and

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

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

CNA has exposure related to asbestos and environmental pollution ("A&EP") claims, which could result in additional losses.

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

On August 31, 2010, CNA completed a retroactive reinsurance transaction under which substantially all of its legacy A&EP liabilities were ceded to National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., subject to an aggregate limit of \$4.0 billion ("Loss Portfolio Transfer"). If the other parties to the Loss Portfolio Transfer do not fully perform their obligations, CNA's liabilities for A&EP claims covered by the Loss Portfolio Transfer exceed the aggregate limit of \$4.0 billion, or CNA determines it has exposures to A&EP claims not covered by the Loss

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Portfolio Transfer, CNA may need to increase its recorded reserves which would result in a charge against CNA's earnings. These charges could be substantial.

Catastrophe losses are unpredictable.

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

The extent of CNA's losses from catastrophes is a function of both the total amount of its insured exposures in the affected areas and the frequency and severity of the events themselves. In addition, as in the case of catastrophe losses generally, it can take a long time for the ultimate cost to CNA to be finally determined. As CNA's claim experience develops on a particular catastrophe, CNA may be required to adjust its reserves, or take unfavorable development, to reflect revised estimates of the total cost of claims.

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

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

CNA may not be able to collect amounts owed to it by reinsurers.

CNA has significant amounts recoverable from reinsurers which are reported as receivables in its balance sheets and are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves. The ceding of insurance does not, however, discharge CNA's primary liability for claims. As a result, CNA is subject to credit risk relating to its ability to recover amounts due from reinsurers. Certain of CNA's reinsurance carriers have experienced deteriorating financial condition or have been downgraded by rating agencies. In addition, reinsurers could dispute amounts which CNA believes are due to it. If CNA is not able to collect the amounts due from reinsurers, its incurred losses will be higher.

CNA's key assumptions used to determine reserves and deferred acquisition costs for its long term care product offerings could vary significantly from actual experience.

CNA's reserves and deferred acquisition costs for its long term care product offerings are based on certain key assumptions including morbidity, which is the frequency and severity of illness, sickness and diseases contracted, policy persistency, which is the percentage of policies remaining in force, interest rates and future health care cost trends. If actual experience differs from these assumptions, the deferred acquisition cost asset may not be fully realized and the reserves may not be adequate, requiring CNA to add to reserves, or take unfavorable development.

CNA has incurred and may continue to incur significant realized and unrealized investment losses and volatility in net investment income arising from volatility in the capital and credit markets.

CNA's portfolio is exposed to various risks, such as interest rate, credit and currency risks, many of which are unpredictable. Investment returns are an important part of CNA's overall profitability. General economic conditions, 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, including the short and long term effects of losses in relation to asset-backed securities, and many other factors beyond CNA's control can adversely affect the value of its investments and the realization of investment income. Further, CNA invests a portion of its assets in equity securities and limited partnerships which are subject to greater market volatility than its fixed income investments. Limited partnership

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investments generally present greater market volatility, higher illiquidity, and greater risk than fixed income investments. As a result of all of these factors, CNA may not realize an adequate return on its investments, may incur losses on sales of its investments, and may be required to write-down the value of its investments.

CNA's valuation of investments and impairment of securities requires significant judgment.

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

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

Insurance companies such as CNA are subject to risk-based capital standards set by state regulators to help identify companies that merit further regulatory attention. These standards apply specified risk factors to various asset, premium and reserve components of CNA's statutory capital and surplus reported in CNA's statutory basis of accounting financial statements. Current rules require companies to maintain statutory capital and surplus at a specified minimum level determined using the risk-based capital formula. If CNA does not meet these minimum requirements, state regulators may restrict or prohibit it from operating its business. If CNA is required to record a material charge against earnings in connection with a change in estimates or circumstances or if it incurs significant unrealized losses related to its investment portfolio, CNA may violate these minimum capital adequacy requirements unless it is able to raise sufficient additional capital. Examples of events leading CNA to record a material charge against earnings include impairment of its investments or unexpectedly poor claims experience.

While we have provided CNA with substantial amounts of capital in prior years. We may be restricted in our ability or may not be willing to provide additional capital support to CNA in the future. If CNA is in need of additional capital, CNA may be required to secure this funding from sources other than us. CNA may be limited in its ability to raise significant amounts of capital on favorable terms or at all.

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

CNA is a holding company and is dependent upon dividends, loans and other sources of cash from its subsidiaries in order to meet its obligations. Ordinary dividend payments or dividends that do not require prior approval by the insurance subsidiaries' domiciliary state departments of insurance are generally limited to amounts determined by formula which varies by state. The formula for the majority of the states is the greater of 10.0% of the prior year statutory surplus or the prior year statutory net income, less the aggregate of all dividends paid during the twelve months prior to the date of payment. Some states, however, have an additional stipulation that dividends cannot exceed the prior year's earned surplus. If CNA is restricted, by regulatory rule or otherwise, from paying or receiving inter-company dividends, CNA may not be able to fund its working capital needs and debt service requirements from available cash. As a result, CNA would need to look to other sources of capital which may be more expensive or may not be available at all.

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

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

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Due to the intense competitive environment in which CNA operates, the uncertainty in determining reserves and the potential for CNA to take material unfavorable development in the future, and possible changes in the methodology or criteria applied by the rating agencies, the rating agencies may take action to lower CNA's ratings in the future. If CNA's property and casualty insurance financial strength ratings are downgraded below current levels, CNA's business and results of operations could be materially adversely affected. The severity of the impact on CNA's business is dependent on the level of downgrade and, for certain products, which rating agency takes the rating action. Among the adverse effects in the event of such downgrades would be the inability to obtain a material volume of business from certain major insurance brokers, the inability to sell a material volume of CNA's insurance products to certain markets, and the required collateralization of certain future payment obligations or reserves.

In addition, it is possible that a lowering of our corporate debt ratings by certain of the rating agencies could result in an adverse impact on CNA's ratings, independent of any change in CNA's circumstances. CNA has entered into several settlement agreements and assumed reinsurance contracts that require collateralization of future payment obligations and assumed reserves if its ratings or other specific criteria fall below certain thresholds. The ratings triggers are generally more than one level below CNA's current ratings.

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

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

Diamond Offshore's business depends on the level of activity in offshore oil and gas exploration, development and production in markets worldwide. Worldwide demand for oil and gas, oil and gas prices, market expectations of potential changes in these prices and a variety of political and economic factors significantly affect this level of activity. However, higher or lower commodity demand and prices do not necessarily translate into increased or decreased drilling activity since Diamond Offshore's customers' project development time, reserve replacement needs, as well as expectations of future commodity demand and prices all combine to affect demand for Diamond Offshore's rigs. Oil and gas prices have been, and are expected to continue to be, extremely volatile and are affected by numerous factors beyond Diamond Offshore's control, including:

worldwide demand for oil and gas;

the level of economic activity in energy-consuming markets;

the worldwide economic environment or economic trends, such as recessions;

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

the level of production in non-OPEC countries;

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

civil unrest;

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

the discovery rate of new oil and gas reserves;

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

available pipeline and other oil and gas transportation capacity;

the ability of oil and gas companies to raise capital;

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weather conditions in the United States and elsewhere;

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

development and exploitation of alternative fuels;

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

domestic and foreign tax policy; and

advances in exploration and development technology.

The aftermath of the moratorium on offshore drilling in the U.S. Gulf of Mexico and new regulations adopted as a result of the investigation into the Macondo well blowout could negatively impact Diamond Offshore.

On April 20, 2010, the Macondo well (operated by BP p.l.c. and drilled by Transocean Ltd) in the GOM experienced a blowout and immediately began flowing oil into the GOM (the Macondo incident). Efforts to permanently plug and abandon the well and contain the spill were successfully completed in September 2010. In the near-term aftermath of the Macondo incident, on May 30, 2010, the U.S. government imposed a six-month moratorium on certain drilling activities in water deeper than 500 feet in the GOM and subsequently implemented enhanced safety requirements applicable to all drilling operations in the GOM, including operations in water shallower than 500 feet. On October 12, 2010, the U.S. government lifted the moratorium subject to compliance with enhanced safety requirements including those set forth in Notices to Lessees (NTL) 2010-N05 and 2010-N06, both of which were implemented during the drilling ban. Currently, all operations in the GOM are required to comply with the Interim Final Rule to Enhance Safety Measures for Energy Development on the Outer Continental Shelf (Drilling Safety Rule) and the Workplace Safety Rule on Safety and Environmental Management Systems, both of which were issued on September 30, 2010, as well as NTL 2010-N10 (known as the Compliance and Review NTL). Diamond Offshore continues to evaluate these new measures to ensure that its rigs and equipment are in full compliance, where applicable. Additional requirements could be forthcoming based on further recommendations by regulatory agencies investigating the Macondo incident, as well as restructuring within the Department of the Interior and the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). Diamond Offshore is not able to predict the likelihood, nature or extent of additional rulemaking, nor is Diamond Offshore able to predict when the BOEMRE will issue drilling permits to Diamond Offshore s customers. Diamond Offshore is not able to predict the future impact of these events on its operations. Even with the drilling ban lifted, requirements regarding certain deepwater drilling activities may remain uncertain until the BOEMRE resumes its regular permitting of those activities.

The current and future regulatory environment in the GOM could result in a number of rigs being, or becoming available to be, moved to locations outside of the GOM, which could potentially put downward pressure on global dayrates and adversely affect Diamond Offshore s ability to contract its floating rigs that are currently not contracted or coming off contract. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of Diamond Offshore s operations, and escalating costs borne by its customers, along with permitting delays, could reduce exploration activity in the GOM and therefore demand for Diamond Offshore s services. In addition, insurance costs across the industry are expected to increase as a result of the Macondo incident, and in the future certain insurance coverage is likely to become more costly, and may become less available or not available at all.

Diamond Offshore s industry is cyclical.

Diamond Offshore s industry has historically been cyclical. There have been periods of lower demand, excess rig supply and low dayrates followed by periods of high demand, short rig supply and high dayrates. Diamond Offshore cannot predict the timing or duration of such business cycles. Periods of excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. In response to a contraction in demand for its services, Diamond Offshore has cold stacked seven of its rigs as of the date of this report. Diamond Offshore also may be required to idle additional rigs or to enter into lower rate contracts. Prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on certain of Diamond Offshore s drilling rigs if future cash

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flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

Significant new rig construction and upgrades of existing drilling rigs could intensify price competition.

As of the date of this report, based on analyst reports, Diamond Offshore believes that there are approximately 50 jack-up rigs and 50 floaters on order and scheduled for delivery between 2011 and 2013. The resulting increases in rig supply could be sufficient to further depress rig utilization and intensify price competition from both existing competitors, as well as new entrants into the offshore drilling market. As of the date of this report, not all of the rigs currently under construction have been contracted for future work, which may further intensify price competition as scheduled delivery dates occur. The majority of the floaters on order are dynamically-positioned drilling rigs, which further increases competition with Diamond Offshore's fleet in certain circumstances, depending on customer requirements.

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

As of February 1, 2011, Diamond Offshore's contract drilling backlog was approximately \$6.6 billion for contracted future work extending, in some cases, until 2016. Generally, contract backlog only includes future revenues under firm commitments; however, from time to time, Diamond Offshore may report anticipated commitments for which definitive agreements have not yet been, but are expected to be, executed. Diamond Offshore can provide no assurance that it will be able to perform under these contracts due to events beyond its control or that Diamond Offshore will be able to ultimately execute a definitive agreement in cases where one does not currently exist. In addition, Diamond Offshore can provide no assurance that its customers will be able to or willing to fulfill their contractual commitments. Diamond Offshore's inability to perform under its contractual obligations or to execute definitive agreements or its customers' inability to fulfill their contractual commitments may have a material adverse effect on Diamond Offshore's business.

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

Diamond Offshore provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. However, the number of potential customers has decreased in recent years as a result of mergers among the major international oil companies and large independent oil companies. In 2010, Diamond Offshore's five largest customers in the aggregate accounted for approximately 56.0% of its consolidated revenues. Diamond Offshore expects Petrobras, which accounted for approximately 24.0% of Diamond Offshore's consolidated revenues in 2010 and OGX, which accounted for approximately 14.0% of Diamond Offshore's consolidated revenues in 2010, to continue to be significant customers in 2011. Diamond Offshore's contract drilling backlog, as of the date of this report, includes \$1.7 billion, or 61.0% of its contracted backlog for 2011, which is attributable to contracts with Petrobras and OGX for operations offshore Brazil in 2011. While it is normal for Diamond Offshore's customer base to change over time as work programs are completed, the loss of any major customer may have a material adverse effect on Diamond Offshore's business.

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

The duration of offshore drilling contracts is generally determined by customer requirements and, to a lesser extent, the respective management strategies of the offshore drilling contractors. In periods of decreasing demand for offshore rigs, drilling contractors generally prefer longer term contracts, but often at flat or slightly lower dayrates, to preserve dayrates at existing levels and ensure utilization, while customers prefer shorter contracts that allow them to more quickly obtain the benefit of lower dayrates. Conversely, in periods of rising demand for offshore rigs, contractors typically prefer shorter contracts that allow them to more quickly profit from increasing dayrates. In contrast, during these periods customers with reasonably definite drilling programs typically prefer longer term contracts to maintain dayrate prices at a consistent level. An inability to obtain longer term contracts in a declining market or to fully benefit from increasing dayrates in an improving market through shorter term contracts may limit Diamond Offshore's profitability.

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

Diamond Offshore's contracts for its drilling rigs provide for the payment of a fixed dayrate per rig operating day, although some contracts do provide for a limited escalation in dayrate due to increased operating costs incurred by Diamond Offshore. Many of Diamond Offshore's operating costs, such as labor costs, are unpredictable and fluctuate based on events beyond Diamond Offshore's control. The gross margin that Diamond Offshore realizes on these fixed dayrate contracts will fluctuate based on variations in Diamond Offshore's operating costs over the terms of the contracts. In addition, for contracts with dayrate escalation clauses, Diamond Offshore may be unable to recover increased or unforeseen costs from its customers.

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

Diamond Offshore's customers may terminate some of their drilling contracts if the drilling rig is destroyed or lost or if Diamond Offshore has to suspend drilling operations for a specified period of time as a result of a breakdown of major equipment or, in some cases, due to other events beyond the control of either party. In addition, some of Diamond Offshore's drilling contracts permit the customer to terminate the contract after specified notice periods by tendering contractually specified termination amounts. These termination payments may not fully compensate Diamond Offshore for the loss of a contract. In addition, the early termination of a contract may result in a rig being idle for an extended period of time. During periods of depressed market conditions, Diamond Offshore may be subject to an increased risk of its customers seeking to repudiate their contracts. Diamond Offshore's customers' ability to perform their obligations under drilling contracts may also be adversely affected by restricted credit markets and the economic downturn.

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

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

Diamond Offshore maintains liability insurance, which includes coverage for environmental damage; however, because of contractual provisions and policy limits, its insurance coverage may not adequately cover Diamond Offshore's losses and claim costs. In addition, pollution and environmental risks are generally not fully insurable when they are determined to be the result of criminal acts. Also, Diamond Offshore does not typically purchase loss-of-hire insurance to cover lost revenues when a rig is unable to work.

Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services or personnel shortages.

Generally Diamond Offshore's contracts with its customers contain contractual rights to indemnity from its customer for, among other things, pollution originating from the well, while Diamond Offshore retains responsibility for pollution originating from the rig. However, Diamond Offshore's contractual rights to indemnification may be unenforceable or limited due to negligent or willful acts of commission or omission by Diamond Offshore, its subcontractors and/or suppliers and its customers may dispute, or be unable to meet, their contractual indemnification obligations to Diamond Offshore.

Diamond Offshore believes that the policy limit under its marine liability insurance is within the range that is customary for companies of Diamond Offshore's size in the offshore drilling industry and is appropriate for its business. However, if an accident or other event occurs that exceeds Diamond Offshore's coverage limits or is not an insurable event under its insurance policies, or is not fully covered by contractual indemnity, it could have a material adverse effect

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on Diamond Offshore's results of operations, financial position and cash flows. There can be no assurance that Diamond Offshore will continue to carry the insurance it currently maintains, that its insurance will cover all types of losses or that those parties with contractual obligations to indemnify Diamond Offshore will necessarily be financially able to indemnify Diamond Offshore against all of these risks. In addition, no assurance can be made that Diamond Offshore

will be able to maintain adequate insurance in the future at rates it considers to be reasonable or that Diamond Offshore will be able to obtain insurance against some risks.

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

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

A significant portion of Diamond Offshore's operations are conducted outside the United States and involve additional risks not associated with domestic operations.

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

terrorist acts, war and civil disturbances;

piracy or assaults on property or personnel;

kidnapping of personnel;

expropriation of property or equipment;

renegotiation or nullification of existing contracts;

changing political conditions;

foreign and domestic monetary policies;

the inability to repatriate income or capital;

difficulties in collecting accounts receivable and longer collection periods;

fluctuations in currency exchange rates;

regulatory or financial requirements to comply with foreign bureaucratic actions;

travel limitations or operational problems caused by public health threats; and

changing taxation policies.

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

the equipping and operation of drilling rigs;

import - export quotas or other trade barriers;

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repatriation of foreign earnings or capital;

oil and gas exploration and development;

taxation of offshore earnings and earnings of expatriate personnel; and

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

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

As of the date of this report, the greatest concentration of Diamond Offshore's operating assets outside the United States is in Brazil, where it has 16 rigs in its fleet either currently working or contracted to work during 2011. In addition, as of the date of this report, Diamond Offshore has one high specification floater and two jack-up rigs contracted offshore Egypt. Although these rigs have continued to work throughout the recent political unrest in Egypt, there have been, and in the future there may be other, disruptions to the support networks within Egypt, including the banking institutions.

Diamond Offshore's drilling contracts offshore Mexico expose it to greater risks than they normally assume.

Diamond Offshore currently operates and expects to continue to operate rigs drilling offshore Mexico for PEMEX - Exploracion y Produccion (PEMEX), the national oil company of Mexico. The terms of these contracts expose Diamond Offshore to greater risks than they normally assume, such as exposure to greater environmental liability. In addition, each contract can be terminated by PEMEX on 30 days notice, contractually or by statute, subject to certain conditions. While Diamond Offshore believes that the financial terms of these contracts and its operating safeguards in place mitigate these risks, Diamond Offshore can provide no assurance that the increased risk exposure will not have a negative impact on its future operations or financial results.

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

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

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

Certain of Diamond Offshore's international rigs are owned and operated, directly or indirectly, by Diamond Offshore International Limited (DOIL), a wholly owned Cayman Islands subsidiary of Diamond Offshore. Since forming this subsidiary it has been Diamond Offshore's intention to indefinitely reinvest the earnings of this subsidiary to finance foreign operations, except for the earnings of Diamond East Asia Limited, a wholly owned subsidiary of DOIL. It is Diamond Offshore's intention to repatriate the earnings of Diamond East Asia Limited, and U.S. income taxes will be provided on such earnings. Diamond Offshore does not expect to provide for U.S. taxes on any future earnings generated by DOIL, except to the extent that these earnings are immediately subjected to U.S. federal income tax or as they relate to Diamond East Asia Limited. Should a future distribution be made from any unremitted earnings of this subsidiary, Diamond Offshore may be required to record additional U.S. income taxes.

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

From time to time, Diamond Offshore may undertake to add new capacity through conversions or upgrades to existing rigs or through new construction. Projects of this type are subject to risks of delay or cost overruns inherent in any large construction project resulting from numerous factors, including the following:

shortages of equipment, materials or skilled labor;

work stoppages;

unscheduled delays in the delivery of ordered materials and equipment;

unanticipated cost increases;

weather interferences;

difficulties in obtaining necessary permits or in meeting permit conditions;

design and engineering problems;

customer acceptance delays;

shipyard failures or unavailability; and

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

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

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

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

HighMount's success depends largely upon its ability to find, develop or acquire additional reserves that are economically recoverable. Unless HighMount replaces the reserves produced through successful development, exploration or acquisition, its proved reserves will decline over time. HighMount may not be able to successfully find and produce reserves economically in the future or to acquire proved reserves at acceptable costs. HighMount makes a substantial amount of capital expenditures for the acquisition, exploration and development of reserves. HighMount expects to fund its capital expenditures with cash from its operating activities. If HighMount's cash flow from operations is not sufficient to fund its capital expenditure budget, there can be no assurance that financing will be available or available at favorable terms to meet those requirements.

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

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

Actual future production, commodity prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable reserves most likely will vary from HighMount's estimates. Any significant variance could

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materially affect the quantities and present value of HighMount's reserves. In addition, HighMount may adjust estimates of proved reserves upward or downward to reflect production history, results of exploration and development drilling, prevailing commodity prices and prevailing development expenses.

The timing of both the production and the expenses from the development and production of natural gas and NGL properties will affect both the timing of actual future net cash flows from proved reserves and their present value. In addition, the 10.0% discount factor, used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most accurate representation of their value.

If commodity prices decrease, HighMount may be required to take additional write-downs of the carrying values of its properties.

HighMount may be required, under full cost accounting rules, to write-down the carrying value of its natural gas and NGL properties. A number of factors could result in a write-down, including a significant decline in commodity prices, a substantial downward adjustment to estimated proved reserves, a substantial increase in estimated development costs, or deterioration in exploration results. HighMount utilizes the full cost method of accounting for its exploration and development activities. Under full cost accounting, HighMount is required to perform a ceiling test each quarter. The ceiling test is an impairment test and generally establishes a maximum, or ceiling, of the book value of HighMount's natural gas properties that is equal to the expected after tax present value (discounted at the required rate of 10.0%) of the future net cash flows from proved reserves, including the effect of cash flow hedges, calculated using the average first day of the month price for the preceding 12-month period.

If the net book value of HighMount's exploration and production (E&P) properties (reduced by any related net deferred income tax liability) exceeds its ceiling limitation, HighMount will impair or write-down the book value of its E&P properties. A write-down may not be reversed in future periods, even though higher natural gas and NGL prices may subsequently increase the ceiling. Depending on the magnitude of any future impairment, a ceiling test write-down could significantly reduce HighMount's income, or produce a loss.

Natural gas, NGL and other commodity prices are volatile.

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

HighMount engages in commodity price hedging activities.

The extent of HighMount's commodity price risk is related to the effectiveness and scope of HighMount's hedging activities. To the extent HighMount hedges its commodity price risk, HighMount will forego the benefits it would otherwise experience if commodity prices or interest rates were to change in its favor. Furthermore, because HighMount has entered into derivative transactions related to only a portion of its natural gas and NGL production, HighMount will continue to have direct commodity price risk on the unhedged portion. HighMount's actual future production may be significantly higher or lower than HighMount estimates at the time it enters into derivative transactions for that period.

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

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

Boardwalk Pipeline may not be able to maintain or replace expiring gas transportation and storage contracts at attractive rates or on a long term basis.

Boardwalk Pipeline is exposed to market risk when its transportation contracts expire and need to be renewed or replaced. Boardwalk Pipeline may not be able to extend contracts with existing customers or obtain replacement contracts at attractive rates or on a long term basis. Key drivers that influence the rates and terms of Boardwalk Pipeline's transportation contracts include the current and anticipated basis differentials between physical locations on its pipeline systems, which can be affected by, among other things, the availability and supply of natural gas, competition from other pipelines, including pipeline under development, available capacity, storage inventories, regulatory developments, weather and general market demand in the respective areas. The new sources of natural gas that have been identified throughout the U.S. have created changes in pricing dynamics between supply basins, pooling points and market areas. As a result of the increase in overall pipeline capacity and the new sources of supply, in 2009 basis spreads on Boardwalk Pipeline's pipeline systems began to narrow. Basis spreads have impacted, and will continue to impact, the rates Boardwalk Pipeline has been able to negotiate with its customers on contracts due for renewal for firm transportation services, as well as the rates it can charge for interruptible and short term firm transportation services.

The principal elements of competition among pipelines are availability of capacity, rates, terms of service, access to gas supplies, flexibility and reliability of service. FERC's policies promote competition in natural gas markets by increasing the number of gas transportation options available to Boardwalk Pipeline's customer base. Increased competition could reduce the volumes of gas transported by Boardwalk Pipeline's pipeline systems or, in instances where Boardwalk Pipeline does not have long term contracts with fixed rates, could cause Boardwalk Pipeline to decrease transportation or storage rates charged to its customers. Competition could intensify the negative impact of factors that could significantly decrease demand for natural gas in the markets served by Boardwalk Pipeline's operating subsidiaries, such as a recession or adverse economic conditions, weather, higher fuel costs and taxes or other governmental or regulatory actions that directly or indirectly increase the cost or limit the use of natural gas.

Boardwalk Pipeline needs to maintain authority from PHMSA to operate portions of its pipeline systems at higher than normal operating pressures.

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

Boardwalk Pipeline's natural gas transportation and storage operations are subject to FERC's rate-making policies which could limit Boardwalk Pipeline's ability to recover the full cost of operating its pipelines, including earning a reasonable return.

Boardwalk Pipeline is subject to extensive regulations relating to the rates it can charge for its transportation and storage operations. For cost-based services, FERC establishes both the maximum and minimum rates Boardwalk Pipeline can charge. The basic elements that FERC considers are the costs of providing service, the volumes of gas being transported, the rate design, the allocation of costs between services, the capital structure and the rate of return a pipeline is permitted to earn. While neither Gulf South nor Texas Gas has an obligation to file a rate case, Gulf Crossing Pipeline has an obligation to file either a rate case or a cost-and-revenue study by the end of the first quarter of 2012 to justify its rates. Customers of Boardwalk Pipeline's subsidiaries or FERC can challenge the existing rates on any of its pipelines. During the past two years FERC has challenged the rates of several pipelines not affiliated with Boardwalk Pipelines. Such a challenge against Boardwalk Pipeline could adversely affect its ability to establish reasonable transportation rates, to charge rates that would cover future increases in Boardwalk Pipeline's costs or even to continue to collect rates to maintain its current revenue levels that are designed to permit a reasonable opportunity to recover current costs and depreciation and earn a reasonable return.

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

Continued development of new supply sources could impact demand for Boardwalk Pipeline's services.

Supplies of natural gas in production areas that are closer to key end-user market areas than Boardwalk Pipeline's supply sources may compete with gas originating in production areas connected to Boardwalk Pipeline's system. For example, the Marcellus Shale in Pennsylvania, New York, West Virginia and Ohio, may cause gas in supply areas connected to Boardwalk Pipeline's system to be diverted to markets other than Boardwalk Pipeline's traditional market areas and may adversely affect capacity utilization on Boardwalk Pipeline's systems and its ability to renew or replace existing contracts at rates sufficient to maintain current revenues and cash flows. In addition, natural gas supplies from the Rocky Mountains, Canada and liquefied natural gas import terminals may compete with and displace volumes from the Gulf Coast and Mid-Continent supply sources where Boardwalk Pipeline is located, which could reduce Boardwalk Pipeline's transportation volumes and the rates it can charge for its services.

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

Credit risk relates to the risk of loss resulting from the nonperformance by a customer of its contractual obligations. Boardwalk Pipeline's exposure generally relates to receivables for services provided, future performance under firm agreements and volumes of gas owed by customers for imbalances or gas loaned by Boardwalk Pipeline to them under certain no-notice and parking and lending services. FERC gas tariffs only allow Boardwalk Pipeline to require limited credit support in the event that transportation customers are unable to pay for its services. If any of Boardwalk Pipeline's significant customers have credit or financial problems which result in a delay or failure to pay for services provided by Boardwalk Pipeline or contracted for with Boardwalk Pipeline, or to repay the gas they owe Boardwalk Pipeline, it could have a material adverse effect on Boardwalk Pipeline's business. In addition, as contracts expire, the failure of any of Boardwalk Pipeline's customers could also result in the non-renewal of contracted capacity.

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

Boardwalk Pipeline relies on a limited number of customers for a significant portion of revenues. Boardwalk Pipeline's largest customer in terms of revenue, Devon Gas Services, LP represented over 13.0% of Boardwalk Pipeline's 2010 revenues and Boardwalk Pipeline expects this customer to continue to account for more than 10.0% of its 2011 revenues. For 2010, Boardwalk Pipeline's top ten customers comprised approximately 45.0% of its revenues. Boardwalk Pipeline may be unable to negotiate extensions or replacements of contracts with key customers on favorable terms which could materially reduce its contracted transportation volumes and the rates it can charge for its services.

Boardwalk Pipeline may pursue complex pipeline or storage projects which involve significant risks.

The most significant element of Boardwalk Pipeline's growth strategy in recent years was the completion of large development projects to enlarge and enhance its pipeline and storage systems. Boardwalk Pipeline may undertake additional large development projects in the future as it continues to pursue its growth strategy. The successful completion of such projects, and the returns Boardwalk Pipeline may realize from those projects after completion, are subject to many significant risks, including cost overruns, delays in obtaining regulatory approvals, difficult construction conditions, including adverse weather conditions, delays in obtaining key materials, shortages of qualified labor, and

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escalating costs of labor and materials, particularly in the event there is a high level of construction activity in the pipeline industry at that time. As a result, Boardwalk Pipeline may not be able to complete future projects on the expected terms, cost or schedule, or at all. In addition, Boardwalk Pipeline cannot be certain that, if completed, it will be able to operate these projects, or that they will perform in accordance with expectations. Other areas of Boardwalk Pipeline's business may suffer as a result of the diversion of management's attention and other resources from other business concerns. Any of these factors could impair Boardwalk Pipeline's ability to realize the benefits anticipated from the projects.

Significant changes in energy prices could affect natural gas market supply and demand, or potentially reduce the competitiveness of natural gas compared with other forms of energy available to Boardwalk Pipeline's customers, which could reduce system throughput and adversely affect Boardwalk Pipeline's revenues and available cash.

Due to the natural decline in traditional gas production connected to Boardwalk Pipeline's system, Boardwalk Pipeline's success depends on its ability to obtain access to new sources of natural gas, which is dependent on factors beyond its control including the price level of natural gas. In general terms, the price of natural gas fluctuates in response to changes in supply and demand, market uncertainty and a variety of additional factors, including:

economic conditions;

weather conditions, seasonal trends and hurricane disruptions;

new supply sources;

the availability of adequate transportation capacity;

storage inventory levels;

the price and availability of other forms of energy;

the effect of energy conservation measures;

the nature and extent of, and changes in, governmental regulation, for example greenhouse gas legislation and taxation; and

the anticipated future prices of natural gas and other commodities.

It is difficult to predict future changes in gas prices. However, the abundance of natural gas supply discoveries over the last few years would generally indicate a bias toward downward pressure on prices. Downward movement in gas prices could negatively impact producers in nontraditional supply areas such as the Barnett Shale, the Bossier Sands, the Caney Woodford Shale, the Fayetteville Shale and the Haynesville Shale, including producers who have contracted for capacity with Boardwalk Pipeline. Significant financial difficulties experienced by Boardwalk Pipeline's producer customers could impact their ability to pay for services rendered or otherwise reduce their demand for Boardwalk Pipeline's services.

High natural gas prices may result in a reduction in the demand for natural gas. A reduced level of demand for natural gas could reduce the utilization of capacity on Boardwalk Pipeline's systems, reduce the demand for Boardwalk Pipeline's services and could result in the non-renewal of contracted capacity as contracts expire.

Risks Related to Us and Our Subsidiaries Generally

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

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Acts of terrorism could harm us and our subsidiaries.

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

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

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

CNA. The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Most insurance regulations are designed to protect the interests of CNA's policyholders rather than its investors. Each state in which CNA does business has established supervisory agencies that regulate its business, including:

standards of solvency, including risk-based capital measurements;

restrictions on the nature, quality and concentration of investments;

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

the required use of certain methods of accounting and reporting;

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

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

licensing of insurers and agents;

approval of policy forms;

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

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

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

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

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

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

The conference committee report for The Department of the Interior, Environment, and Related Agencies Appropriations Act for Fiscal Year 2010 requested the EPA to conduct a study of hydraulic fracturing, particularly the relationship between hydraulic fracturing and drinking water. Hydraulic fracturing is a technique commonly used by oil and gas exploration companies, including HighMount, to stimulate the production of oil and natural gas by injecting fluids and sand into underground wells at high pressures, causing fractures or fissures in the geological formation which allow oil and gas to flow more freely. In recent years, concerns have been raised that the fracturing process may contaminate underground sources of drinking water. Several bills were introduced in the 111th Congress seeking federal regulation of hydraulic fracturing, which has historically been regulated at the state level, though none of the proposed legislation was passed into law. Indications are that similar bills will be introduced in the new Congress. If hydraulic fracturing is banned or significantly restricted by federal regulation or otherwise, it could impair HighMount's ability to economically drill new natural gas wells, which would reduce its production, revenues and profitability.

Boardwalk Pipeline. Boardwalk Pipeline's natural gas transportation and storage operations are subject to extensive regulation by FERC and the DOT among other federal and state authorities. In addition to FERC rules and regulations related to the rates Boardwalk Pipeline can charge for its services, federal regulations extend to pipeline safety, operating terms and conditions of service, the types of services Boardwalk Pipeline may offer, construction or abandonment of facilities, accounting and record keeping, and relationships and transactions with affiliated companies. These regulations can adversely impact Boardwalk Pipeline's ability to compete for business, construct new facilities, including by increasing the lead times to develop projects, offer new services, or recover the full cost of operating its pipelines.

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

Our subsidiaries have extensive obligations and/or financial exposure related to compliance with federal, state and local environmental laws, many of which have become increasingly stringent in recent years and may in some cases impose strict liability, which could be substantial, rendering a person liable for environmental damage without regard to negligence or fault on the part of that person. For example, Diamond Offshore could be liable for damages and costs incurred in connection with oil spills related to its operations, including for conduct of or conditions caused by others. HighMount is also subject to extensive environmental regulation in the conduct of its business, particularly related to the handling and disposal of drilling and production waste products, water and air pollution control procedures, and the remediation of petroleum-product contamination.

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

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

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may reduce demand for oil and natural gas. In addition, changing global weather patterns have been associated with extreme weather events and could change longer-term natural catastrophe trends, including increasing the frequency and severity of hurricanes and other natural disasters which could increase future catastrophe losses at CNA and damage to property, disruption of business and higher operating costs at Diamond Offshore, Boardwalk Pipeline, HighMount and Loews Hotels.

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

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

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

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

We are a holding company and derive substantially all of our income and cash flow from our subsidiaries.

We rely upon our invested cash balances and distributions from our subsidiaries to generate the funds necessary to meet our obligations and to declare and pay any dividends to holders of our common stock. Our subsidiaries are separate and independent legal entities and have no obligation, contingent or otherwise, to make funds available to us, whether in the form of loans, dividends or otherwise. The ability of our subsidiaries to pay dividends to us is also subject to, among other things, the availability of sufficient earnings and funds in such subsidiaries, applicable state laws, including in the case of the insurance subsidiaries of CNA, laws and rules governing the payment of dividends by regulated insurance companies, and their compliance with covenants in their respective loan agreements. Claims of creditors of our subsidiaries will generally have priority as to the assets of such subsidiaries over our claims and our creditors and shareholders.

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

As a result of our ownership of Lorillard, Inc. (Lorillard) prior to the separation of Lorillard from us in 2008 (the Separation), from time to time we have been named as a defendant in tobacco-related lawsuits. We are currently a defendant in three such lawsuits and could be named as a defendant in additional tobacco-related suits, notwithstanding the completion of the Separation. In the Separation Agreement entered into between us and Lorillard and its subsidiaries in connection with the Separation, Lorillard and each of its subsidiaries has agreed to indemnify us for liabilities related to Lorillard's tobacco business, including liabilities that we may incur for current and future tobacco-related litigation against us. An adverse decision in a tobacco-related lawsuit against us could, if the indemnification is deemed for any reason to be unenforceable or any amounts owed to us thereunder are not collectible, in whole or in part, have a material

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adverse effect on our financial condition, results of operations and equity. We do not expect that the Separation will alter the legal exposure of either entity with respect to tobacco-related claims. We do not believe that we have any liability for tobacco-related claims, and we have never been held liable for any such claims. Additional information on the Separation is included in Note 2 of the Notes to Consolidated Financial Statements included under Item 8.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters is located in approximately 153,000 square feet of leased office space in New York City. Information relating to our subsidiaries' properties is contained under Item 1.

Item 3. Legal Proceedings.

Information with respect to legal proceedings is incorporated by reference to Note 19 of the Notes to Consolidated Financial Statements included under Item 8.

Table of Contents**PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Price Range of Common Stock**

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

	2010		2009	
	High	Low	High	Low
First Quarter	\$ 38.41	\$ 34.24	\$ 30.60	\$ 17.40
Second Quarter	39.47	30.22	29.17	21.49
Third Quarter	38.55	32.95	35.49	25.27
Fourth Quarter	40.34	37.23	36.84	32.77

The following graph compares annual total return of our Common Stock, the Standard & Poor's 500 Composite Stock Index (S&P 500 Index) and our Peer Group (Loews Peer Group) for the five years ended December 31, 2010. The graph assumes that the value of the investment in our Common Stock, the S&P 500 Index and the Loews Peer Group was \$100 on December 31, 2005 and that all dividends were reinvested.

	2005	2006	2007	2008	2009	2010
Loews Common Stock	100.00	132.04	161.13	91.01	118.17	127.39
S&P 500 Index	100.00	115.79	122.16	76.96	97.33	111.99
Loews Peer Group (a)	100.00	113.96	130.59	79.57	102.06	113.58

- (a) The Loews Peer Group consists of the following companies that are industry competitors of our principal operating subsidiaries: Ace Limited, W.R. Berkley Corporation, Cabot Oil & Gas Corporation, The Chubb Corporation, Energy Transfer Partners L.P., ENSCO International Incorporated, The Hartford Financial Services Group, Inc., Kinder Morgan Energy Partners, L.P., Noble Corporation, Range Resources Corporation, Spectra Energy Corporation (included from December 14, 2006 when it began trading), Transocean, Ltd. and The Travelers Companies, Inc.

Dividend Information

We have paid quarterly cash dividends on Loews common stock in each year since 1967. Regular dividends of \$0.0625 per share of Loews common stock were paid in each calendar quarter of 2010 and 2009.

Table of Contents**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides certain information as of December 31, 2010 with respect to our equity compensation plans under which our equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders (a)	6,104,501	\$ 33.08	2,500,784
Equity compensation plans not approved by security holders (b)	N/A	N/A	N/A

(a) Reflects stock options and stock appreciation rights awarded under the Loews Corporation 2000 Stock Option Plan.

(b) We do not have equity compensation plans that have not been approved by our shareholders.

Approximate Number of Equity Security Holders

We have approximately 1,340 holders of record of our common stock.

Common Stock Repurchases

We repurchased our common stock in 2010 as follows:

Period	Total number of shares purchased	Average price paid per share
January 1, 2010 – March 31, 2010	5,387,600	\$36.59
April 1, 2010 – June 30, 2010	1,490,500	37.51
July 1, 2010 – September 30, 2010	2,308,400	36.53
October 1, 2010 – December 31, 2010	1,777,700	38.25

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework*. Based on this assessment, our management believes that, as of December 31, 2010, our internal control over financial reporting was effective.

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Loews Corporation

New York, NY

We have audited the internal control over financial reporting of Loews Corporation and subsidiaries (the Company) as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2010 and our report dated February 23, 2011 expressed an unqualified opinion on those consolidated financial statements and financial statement schedules and included an explanatory paragraph regarding the change in methods of accounting for noncontrolling interests in consolidated financial statements, accounting for oil and gas reserves, and accounting for other-than-temporary impairments.

DELOITTE & TOUCHE LLP

New York, NY

February 23, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Loews Corporation

New York, NY

We have audited the accompanying consolidated balance sheets of Loews Corporation and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2010 listed in the Index at Item 8. Our audits also included the financial statement schedules listed in the Index at Item 15. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Loews Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 of the Notes to Consolidated Financial Statements, the Company changed its methods of accounting related to noncontrolling interests in consolidated financial statements, accounting for oil and gas reserves, and accounting for other-than-temporary impairments.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

New York, NY

February 23, 2011

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

Year Ended December 31 (In millions, except per share data)	2010	2009	2008	2007	2006
Results of Operations:					
Revenues	\$ 14,615	\$ 14,117	\$ 13,247	\$ 14,302	\$ 13,844
Income before income tax	\$ 2,902	\$ 1,730	\$ 587	\$ 3,194	\$ 3,096
Income from continuing operations	\$ 2,007	\$ 1,385	\$ 580	\$ 2,199	\$ 2,172
Discontinued operations, net	(20)	(2)	4,713	901	818
Net income	1,987	1,383	5,293	3,100	2,990
Amounts attributable to noncontrolling interests	(699)	(819)	(763)	(612)	(503)
Net income attributable to Loews Corporation	\$ 1,288	\$ 564	\$ 4,530	\$ 2,488	\$ 2,487
Income (loss) attributable to:					
Loews common stock:					
Income (loss) from continuing operations	\$ 1,307	\$ 566	\$ (182)	\$ 1,586	\$ 1,672
Discontinued operations, net	(19)	(2)	4,501	369	399
Loews common stock	1,288	564	4,319	1,955	2,071
Former Carolina Group stock:					
Discontinued operations, net			211	533	416
Net income	\$ 1,288	\$ 564	\$ 4,530	\$ 2,488	\$ 2,487
Diluted Net Income (Loss) Per Share:					
Loews common stock:					
Income (loss) from continuing operations	\$ 3.11	\$ 1.31	\$ (0.38)	\$ 2.96	\$ 3.02
Discontinued operations, net	(0.04)	(0.01)	9.43	0.69	0.72
Net income	\$ 3.07	\$ 1.30	\$ 9.05	\$ 3.65	\$ 3.74
Former Carolina Group stock:					
Discontinued operations, net	\$ -	\$ -	\$ 1.95	\$ 4.91	\$ 4.46
Financial Position:					
Investments	\$ 48,907	\$ 46,034	\$ 38,450	\$ 46,669	\$ 52,102
Total assets	76,277	74,070	69,870	76,128	76,898
Debt	9,477	9,485	8,258	7,258	5,540
Shareholders' equity	18,450	16,899	13,133	17,599	16,511
Cash dividends per share:					
Loews common stock	0.25	0.25	0.25	0.25	0.24
Former Carolina Group stock	-	-	0.91	1.82	1.82
Book value per share of Loews common stock	44.51	39.76	30.18	32.42	30.17
Shares outstanding:					
Loews common stock	414.55	425.07	435.09	529.68	544.20

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Former Carolina Group stock	-	-	-	108.46	108.33
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Table of Contents**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

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

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

commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary);

operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary);

exploration, production and marketing of natural gas, natural gas liquids and, to a lesser extent, oil (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary);

operation of interstate natural gas transmission pipeline systems (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 66% owned subsidiary); and

operation of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary).

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

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

Consolidated Financial Results

Consolidated net income for the year ended December 31, 2010 was \$1.3 billion, or \$3.07 per share, compared to net income of \$564 million, or \$1.30 per share, in 2009. Net income for the fourth quarter of 2010 was \$466 million, or \$1.12 per share, compared to net income of \$403 million, or \$0.94 per share, in the 2009 fourth quarter.

Net income and earnings per share information attributable to Loews Corporation is summarized in the table below.

Year Ended December 31 (In millions, except per share data)	2010	2009
Net income attributable to Loews Corporation:		
Income from continuing operations (a) (b)	\$ 1,307	\$ 566
Discontinued operations, net (a)	(19)	(2)
Net income attributable to Loews Corporation	\$ 1,288	\$ 564
Net income per share:		
Income from continuing operations	\$ 3.11	\$ 1.31
Discontinued operations, net	(0.04)	(0.01)
Net income per share	\$ 3.07	\$ 1.30

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- (a) *Includes losses of \$309 million (after tax and noncontrolling interests) in continuing operations and \$19 million (after tax and noncontrolling interests) in discontinued operations for the year ended December 31, 2010 related to CNA's Loss Portfolio Transfer transaction as discussed elsewhere in this MD&A.*
- (b) *Includes a non-cash impairment charge of \$660 million (after tax) for the year ended December 31, 2009 related to the carrying value of HighMount's natural gas and oil properties.*

Income from continuing operations in 2010 amounted to \$1.3 billion as compared to \$566 million in 2009. The results in 2010 included a charge of \$309 million (after tax and noncontrolling interests) related to the Loss Portfolio Transfer agreement under which CNA ceded legacy asbestos and environmental pollution liabilities to National Indemnity Company (NICO).

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Results for 2009 included a non-cash impairment charge of \$660 million (after tax) related to the carrying value of HighMount's natural gas and oil properties. This charge reflected declines in commodity prices. Results in 2010 also benefitted from significantly lower OTTI losses and increased favorable net prior year development at CNA. These improvements were partially offset by reduced results at Diamond Offshore reflecting reduced utilization and the continued impact of the drilling moratorium in the Gulf of Mexico.

Net investment gains amounted to \$27 million (after tax and noncontrolling interests) in 2010 compared to net investment losses of \$503 million in 2009. Net investment gains in 2010 were driven by improvements in capital markets and reflected OTTI losses at CNA of \$136 million (after tax and noncontrolling interests). Net investment losses in 2009 reflected OTTI losses at CNA of \$791 million, which were driven by reduced valuations for residential and commercial mortgage-backed securities as well as credit issues in the financial sector partially offset by a \$217 million realized investment gain from the sale of CNA's common stock holdings in Verisk Analytics, Inc.

Book value per common share increased to \$44.51 at December 31, 2010 as compared to \$39.76 at December 31, 2009.

Parent Company Structure

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Insurance Reserves

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

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Reinsurance and Other Receivables

An exposure exists with respect to the collectibility of property and casualty and life reinsurance ceded to the extent that any reinsurer is unable to meet its obligations or disputes the liabilities CNA has ceded under reinsurance agreements. An allowance for doubtful accounts on reinsurance receivables is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, CNA's past experience and current economic conditions. Further information on CNA's reinsurance receivables are included in Note 17 of the Notes to Consolidated Financial Statements included under Item 8.

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

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

Litigation

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

Valuation of Investments and Impairment of Securities

The Company classifies its fixed maturity securities and equity securities as either available-for-sale or trading which are both carried at fair value. The determination of fair value requires management to make a significant number of assumptions and judgments, particularly with respect to asset-backed securities. Due to the level of uncertainty related to changes in the fair value of these assets, it is possible that changes in the near term could have an adverse material impact on our results of operations and/or equity.

CNA's investment portfolio is subject to market declines below amortized cost that may be other-than-temporary and therefore result in the recognition of impairment losses in earnings. Factors considered in the determination of whether or not a decline is other-than-temporary include a current intention to sell the security or an indication that a credit loss exists. Significant judgment exists regarding the evaluation of the financial condition and expected near-term and long term prospects of the issuer, the relevant industry conditions and trends, and whether CNA expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. CNA has an Impairment Committee which reviews the investment portfolio on at least a quarterly basis, with ongoing analysis as new information becomes available. Further information on CNA's process for evaluating impairments is included in Note 3 of the Notes to Consolidated Financial Statements included under Item 8.

Long Term Care Products and Payout Annuity Contracts

Reserves for CNA's long term care products and payout annuity contracts and deferred acquisition costs for CNA's long term care products are based on certain assumptions including morbidity, mortality, policy persistency and interest rates. The recoverability of deferred acquisition costs and the adequacy of the reserves are contingent on actual experience related to these key assumptions, which were generally established at time of issue, and other factors such as future health care cost trends. If actual experience differs from these assumptions, the deferred acquisition costs may not be fully realized and the reserves may not be adequate, requiring CNA to add to reserves, or take unfavorable development. Therefore, our results of operations and/or equity could be adversely impacted.

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Pension and Postretirement Benefit Obligations

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

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

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

Valuation of HighMount's Proved Reserves

HighMount follows the full cost method of accounting for natural gas and oil exploration and production activities. Under the full cost method, all direct costs of property acquisition, exploration and development activities are capitalized and subsequently depleted using the units-of-production method. The depletable base of costs includes estimated future costs to be incurred in developing proved natural gas and natural gas liquids (NGLs) reserves, as well as capitalized asset retirement costs, net of projected salvage values. Capitalized costs in the depletable base are subject to a ceiling test. The test limits capitalized amounts to a ceiling, the present value of estimated future net revenues to be derived from the production of proved natural gas and NGL reserves, using calculated average prices adjusted for any cash flow hedges in place. If net capitalized costs exceed the ceiling test at the end of any quarterly period, then a write-down of the assets must be recognized in that period. A write-down may not be reversed in future periods, even though higher natural gas and NGL prices may subsequently increase the ceiling. At March 31, 2009 and December 31, 2008, total capitalized costs exceeded the ceiling and HighMount recognized non-cash impairment charges of \$1,036 million (\$660 million after tax) and \$691 million (\$440 million after tax), related to the carrying value of natural gas and oil properties, as discussed further in Note 8 of the Notes to Consolidated Financial Statements included under Item 8. In addition, gains or losses on the sale or other disposition of natural gas and NGL properties are not recognized unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves.

HighMount's estimate of proved reserves requires a high degree of judgment and is dependent on factors such as historical data, engineering estimates of proved reserve quantities, estimates of the amount and timing of future expenditures to develop the proved reserves, and estimates of future production from the proved reserves. HighMount's estimated proved reserves are based upon studies for each of HighMount's properties prepared by HighMount staff engineers. Calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with SEC guidelines. Determination of proved reserves is based on, among other things, (i) a pricing mechanism for oil and gas reserves which uses an average 12-month price; (ii) a limitation on the classification of reserves as proved undeveloped to locations scheduled to be drilled within five years; and (iii) a 10.0% discount factor used in calculating discounted future net cash flows.

HighMount's December 31, 2010 ceiling test calculation was based on average 2010 prices of \$4.38 per MMBtu for natural gas, \$43.75 per Bbl for NGLs and \$79.43 per Bbl for oil. Using these prices, total capitalized cost did not exceed the ceiling. Holding all factors constant, if the December 31, 2010 average prices were to decline by more than 15.0%, it is possible HighMount could experience a full cost ceiling test impairment.

Ryder Scott Company, L.P., an independent third party petroleum engineering consulting firm, has audited HighMount's reserve estimates in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. Given the volatility of natural gas and

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NGL prices, it is possible that HighMount's estimate of discounted future net cash flows from proved natural gas and NGL reserves that is used to calculate the ceiling could materially change in the near term.

The process to estimate reserves is imprecise, and estimates are subject to revision. If there is a significant variance in any of HighMount's estimates or assumptions in the future and revisions to the value of HighMount's proved reserves are necessary, related depletion expense and the calculation of the ceiling test would be affected and recognition of natural gas and NGL property impairments could occur.

Impairment of Long-Lived Assets

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

Goodwill

Management must apply judgment in determining the estimated fair value of its reporting units' goodwill for purposes of performing impairment tests. Management uses all available information to make these fair value determinations, including the present values of expected future cash flows using discount rates commensurate with the risks involved in the assets and observed market multiples. Goodwill is required to be evaluated on an annual basis and whenever, in management's judgment, there is a significant change in circumstances that would be considered a triggering event.

Income Taxes

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

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

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

CNA Financial

Reserves – Estimates and Uncertainties

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

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The level of reserves CNA maintains represents its best estimate, as of a particular point in time, of what the ultimate settlement and administration of claims will cost based on CNA's assessment of facts and circumstances known at that time. Reserves are not an exact calculation of liability but instead are complex estimates that CNA derives, generally utilizing a variety of actuarial reserve estimation techniques, from numerous assumptions and expectations about future events, both internal and external, many of which are highly uncertain.

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

the effects of recessionary economic conditions, which have resulted in an increase in the number and size of claims, due to corporate failures; these claims include both directors and officers (D&O) and errors and omissions (E&O) insurance claims;

class action litigation relating to claims handling and other practices; and

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

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

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

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

Establishing Reserve Estimates

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

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

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

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

paid development;

incurred development;

loss ratio;

Bornhuetter-Ferguson using paid loss;

Bornhuetter-Ferguson using incurred loss;

frequency times severity; and

stochastic modeling.

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

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

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

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

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The Bornhuetter-Ferguson method using paid loss is a combination of the paid development method and the loss ratio method. This method normally determines expected loss ratios similar to the approach used to estimate the expected loss ratio for the loss ratio method and requires analysis of the same factors described above. This method assumes that only

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future losses will develop at the expected loss ratio level. The percent of paid loss to ultimate loss implied from the paid development method is used to determine what percentage of ultimate loss is yet to be paid. The use of the pattern from the paid development method requires consideration of all factors listed in the description of the paid development method. The estimate of losses yet to be paid is added to current paid losses to estimate the ultimate loss for each year. This method will react very slowly if actual ultimate loss ratios are different from expectations due to changes not accounted for by the expected loss ratio calculation.

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

The frequency times severity method multiplies a projected number of ultimate claims by an estimated ultimate average loss for each accident year to produce ultimate loss estimates. Since projections of the ultimate number of claims are often less variable than projections of ultimate loss, this method can provide more reliable results for products where loss development patterns are inconsistent or too variable to be relied on exclusively. In addition, this method can more directly account for changes in coverage that impact the number and size of claims. However, this method can be difficult to apply to situations where very large claims or a substantial number of unusual claims result in volatile average claim sizes. Projecting the ultimate number of claims requires analysis of several factors including the rate at which policyholders report claims to CNA, the impact of judicial decisions, the impact of underwriting changes and other factors. Estimating the ultimate average loss requires analysis of the impact of large losses and claim cost trends based on changes in the cost of repairing or replacing property, changes in the cost of medical care, changes in the cost of wage replacement, judicial decisions, legislative changes and other factors.

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

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

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

Periodic Reserve Reviews

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

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

Currently, CNA's recorded reserves are modestly higher than the actuarial point estimate. For both CNA Commercial and CNA Specialty, the difference between CNA's reserves and the actuarial point estimate is primarily driven by uncertainty with respect to immature accident years, claim cost inflation, changes in claims handling, tort reform roll-backs which may adversely impact claim costs, and the effects from the economy. For Other Insurance, the difference between CNA's reserves and the actuarial point estimate is primarily driven by the potential tail volatility of run-off exposures.

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

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

Within CNA Specialty, CNA believes a material deviation to its net reserves is reasonably possible for professional liability and related business. This business includes professional liability coverages provided to various professional firms, including architects, real estate agents, small and mid-sized accounting firms, law firms and technology firms. This business also includes D&O, employment practices, fiduciary and fidelity coverages as well as insurance products serving the healthcare delivery system. The most significant factor affecting reserve estimates for this business is claim severity. Claim severity is driven by the cost of medical care, the cost of wage replacement, legal fees, judicial decisions, legislative changes and other factors. Underwriting and claim handling decisions such as the classes of business written and individual claim settlement decisions can also impact claim severity. If the estimated claim severity increases by 9.0%, CNA estimates that the net reserves would increase by approximately \$450 million. If the estimated claim severity decreases by 3.0%, CNA estimates that net reserves would decrease by approximately \$150 million. CNA's net reserves for this business were approximately \$5.0 billion at December 31, 2010.

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

For CNA Commercial workers' compensation, since many years will pass from the time the business is written until all claim payments have been made, claim cost inflation on claim payments is the most significant factor affecting workers' compensation reserve estimates. Workers' compensation claim cost inflation is driven by the cost of medical care, the cost of wage replacement, expected claimant lifetimes, judicial decisions, legislative changes and other factors. If estimated workers' compensation claim cost inflation increases by 100 basis points for the entire period over which claim payments will be made, CNA estimates that its net reserves would increase by approximately \$450 million. If estimated workers' compensation claim cost inflation decreases by 100 basis points for the entire period over which claim payments will be made, CNA estimates that its net reserves would decrease by approximately \$450 million. CNA's net reserves for CNA Commercial workers' compensation were approximately \$5.0 billion at December 31, 2010.

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For CNA Commercial general liability, the most significant factor affecting reserve estimates is claim severity. Claim severity is driven by changes in the cost of repairing or replacing property, the cost of medical care, the cost of wage replacement, judicial decisions, legislation and other factors. If the estimated claim severity for general liability increases by 6.0%, CNA estimates that its net reserves would increase by approximately \$200 million. If the estimated claim severity for general liability decreases by 3.0%, CNA estimates that its net reserves would decrease by approximately \$100 million. Net reserves for CNA Commercial general liability were approximately \$3.3 billion at December 31, 2010.

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

In light of the many uncertainties associated with establishing the estimates and making the assumptions necessary to establish reserve levels, CNA reviews its reserve estimates on a regular basis and makes adjustments in the period that the need for such adjustments is determined. These reviews have resulted in CNA's identification of information and trends that have caused CNA to change its reserves in prior periods and could lead to the identification of a need for additional material increases or decreases in claim and claim adjustment expense reserves, which could materially affect our results of operations and equity and CNA's business, insurer financial strength and corporate debt ratings positively or negatively. See the Ratings section of this MD&A for further information regarding CNA's financial strength and corporate debt ratings.

Agreement to Cede Asbestos and Environmental Pollution (A&EP) Liabilities to NICO

As further discussed in Note 9 of the Notes to Consolidated Financial Statements included under Item 8, on August 31, 2010, CNA completed a transaction with NICO, a subsidiary of Berkshire Hathaway Inc., under which substantially all of CNA's legacy A&EP liabilities were ceded to NICO (Loss Portfolio Transfer), subject to an aggregate limit of \$4.0 billion. We recognized a net loss of \$328 million (after tax and noncontrolling interests) in the third quarter of 2010, of which \$309 million related to our continuing operations. Since a portion of the liabilities ceded related to discontinued operations, we also recognized a net loss for discontinued operations of \$19 million (after tax and noncontrolling interests).

The net loss of \$328 million related primarily to the risk margin necessary to secure the \$4.0 billion of reinsurance protection on such a volatile component of CNA's reserves. However, CNA believes the benefits to it are compelling. The benefits include:

improves CNA's earnings outlook and financial stability by significantly mitigating A&EP reserve risk going forward;

effectively eliminates credit risk on \$1.2 billion of third party A&EP reinsurance recoverables effective January 1, 2010; and

eliminates an area of uncertainty from the perspective of rating agencies.

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The following table summarizes the results of operations for CNA for the years ended December 31, 2010, 2009 and 2008 as presented in Note 23 of the Notes to Consolidated Financial Statements included under Item 8.

Year Ended December 31 (In millions)	2010	2009	2008
Revenues:			
Insurance premiums	\$ 6,515	\$ 6,721	\$ 7,151
Net investment income	2,316	2,320	1,619
Investment gains (losses)	86	(857)	(1,297)
Other	291	288	326
Total	9,208	8,472	7,799
Expenses:			
Insurance claims and policyholders' benefits	4,985	5,290	5,723
Amortization of deferred acquisition costs	1,387	1,417	1,467
Other operating expenses	1,558	1,086	1,025
Interest	157	128	134
Total	8,087	7,921	8,349
Income (loss) before income tax	1,121	551	(550)
Income tax (expense) benefit	(336)	(61)	306
Income (loss) from continuing operations	785	490	(244)
Discontinued operations, net	(20)	(2)	10
Net income (loss)	765	488	(234)
Amounts attributable to noncontrolling interests	(129)	(91)	(25)
Net income (loss) attributable to Loews Corporation	\$ 636	\$ 397	\$ (259)

2010 Compared with 2009

Net income increased \$239 million in 2010 as compared with 2009. This improvement was driven by significantly improved net investment results of \$943 million (\$551 million after tax and noncontrolling interests), partially offset by the loss associated with the Loss Portfolio Transfer. See the Investments section of this MD&A for further discussion of net realized investment results and net investment income. Favorable net prior year development of \$594 million and \$208 million was recorded for 2010 and 2009. Further information on net prior year development for the year ended December 31, 2010 and 2009 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8. Net earned premiums decreased \$206 million in 2010 as compared with 2009, driven by a \$176 million decrease in CNA Commercial and an \$18 million decrease in CNA Specialty. See the CNA Segment Results section of this MD&A for further discussion. Net loss from discontinued operations increased \$18 million in 2010 as compared to 2009, due to the loss associated with the Loss Portfolio Transfer.

In 2010, CNA commenced a program to significantly transform its Information Technology (IT) organization and delivery model. CNA anticipates that the total costs for this program will be approximately \$38 million, of which \$36 million was incurred through December 31, 2010. When the results of this program are fully operational, CNA anticipates significant annual savings relative to its current annual level of IT spending. A significant portion of the annual savings is anticipated to be achieved in 2011 with full annual savings in 2012. Some or all of these estimated savings may be invested in IT or other enhancements necessary to support CNA's business strategies.

2009 Compared with 2008

Net results increased \$656 million in 2009 as compared with 2008. This increase was driven by improved net investment income of \$701 million, mainly due to limited partnership income, and improved net investment results of \$440 million. See the Investments section of this MD&A for further discussion of net realized investment results and net investment income. Favorable net prior year development of \$208 million and \$80 million was recorded for 2009 and 2008. In 2008, the amount due from policyholders related to losses under deductible policies within CNA Commercial

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Lines was reduced by \$90 million for insolvent insureds. This reduction was reflected as unfavorable net prior year reserve development in 2008, and had no effect on 2008 results of operations as CNA had recognized provisions in prior years. Further information on net prior year development for the year ended December 31, 2009 and 2008 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8. Net earned premiums decreased \$430 million in 2009 as compared with 2008, driven by a \$355 million decrease in CNA Commercial and a \$58 million decrease related to CNA Specialty. See the CNA Segment Results section of this MD&A for further discussion.

Segment Results

CNA revised its reporting segments in the fourth quarter of 2010 for certain mass tort claims to reflect the manner in which it is currently organized for purposes of making operating decisions and assessing performance, as further discussed in Note 22 of the Notes to Consolidated Financial Statements included under Item 8.

CNA's core property and casualty commercial insurance operations are reported in two business segments: CNA Specialty and CNA Commercial. CNA Specialty provides a broad array of professional, financial and specialty property and casualty products and services, primarily through insurance brokers and managing general underwriters. CNA Commercial includes property and casualty coverages sold to small businesses and middle market entities and organizations primarily through an independent agency distribution system. CNA Commercial also includes commercial insurance and risk management products sold to large corporations primarily through insurance brokers.

CNA's non-core operations are managed in two segments: Life & Group Non-Core and Other Insurance. Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. Other Insurance primarily includes certain corporate expenses, including interest on corporate debt, and the results of certain property and casualty business primarily in run-off, including CNA Re and A&EP. Intrasegment eliminations are also included in this segment.

CNA utilizes the net operating income financial measure to monitor its operations. Net operating income is calculated by excluding from net income the after tax 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. In evaluating the results of the CNA Specialty and CNA Commercial segments, 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.

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 within this MD&A. These changes can be favorable or unfavorable. Net prior year development does not include the impact of related acquisition expenses. Further information on CNA's reserves is provided in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

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The following discusses the results of continuing operations for CNA's operating segments.

CNA Specialty

The following table summarizes the results of operations for CNA Specialty:

Year Ended December 31 (In millions, except %)	2010	2009	2008
Net written premiums	\$ 2,691	\$ 2,684	\$ 2,719
Net earned premiums	2,679	2,697	2,755
Net investment income	591	526	354
Net operating income	563	532	372
Net realized investment gains (losses)	18	(110)	(150)
Net income	581	422	222
Ratios:			
Loss and loss adjustment expense	54.0%	56.9%	61.7%
Expense	30.5	29.3	27.3
Dividend	0.5	0.3	0.5
Combined	85.0%	86.5%	89.5%

2010 Compared with 2009

Net written premiums for CNA Specialty increased \$7 million in 2010 as compared with 2009. Net written premiums increased in CNA's professional management and liability lines of business. This increase was partially offset by continued decreased insured exposures and lower rates in CNA's architects & engineers and CNA HealthPro lines of business due to current economic and competitive market conditions. These conditions may continue to put ongoing pressure on premium and income levels and the expense ratio. Net earned premiums decreased \$18 million as compared with the same period in 2009, due to the impact of decreased net written premiums in prior quarters.

CNA Specialty's average rate decreased 2.0% for 2010 and 2009 for policies that renewed in each period. Retention rates of 86.0% and 84.0% were achieved for those policies that were available for renewal in each period.

Net income improved \$159 million in 2010 as compared with 2009. This increase was due to improved net realized investment results and improved net operating income. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income improved \$31 million in 2010 as compared with 2009, primarily due to increased favorable net prior year development and improved net investment income, partially offset by decreased current accident year underwriting results.

The combined ratio improved 1.5 points in 2010 as compared with 2009. The loss ratio improved 2.9 points primarily due to increased favorable net prior year development, partially offset by the impact of a higher current accident year loss ratio. The expense ratio increased 1.2 points primarily related to higher underwriting expenses and higher commission rates. Underwriting expenses were unfavorably impacted by higher employee-related costs and IT Transformation costs. See the Consolidated Operations section of this MD&A for further discussion of IT Transformation costs.

Favorable net prior year development of \$344 million was recorded in 2010, compared to \$224 million in 2009. Further information on CNA Specialty net prior year development for 2010 and 2009 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

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The following table summarizes the gross and net carried reserves for CNA Specialty:

December 31 (In millions)	2010	2009
Gross Case Reserves	\$ 2,341	\$ 2,208
Gross IBNR Reserves	4,452	4,714
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 6,793	\$ 6,922
Net Case Reserves	\$ 1,992	\$ 1,781
Net IBNR Reserves	3,926	4,085
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 5,918	\$ 5,866

2009 Compared with 2008

Net written premiums for CNA Specialty decreased \$35 million in 2009 as compared with 2008. The decrease in net written premiums was driven by CNA's architects & engineers and surety bond lines of business, as economic conditions led to decreased insured exposures. Net written premiums were also unfavorably impacted by foreign exchange. Net earned premiums decreased \$58 million as compared with the same period in 2008, consistent with the trend of lower net written premiums.

CNA Specialty's average rate decreased 2.0% for 2009 as compared to a decrease of 4.0% for 2008 for policies that renewed in each period. Retention rates of 84.0% and 85.0% were achieved for those policies that were available for renewal in each period.

Net income improved \$200 million in 2009 as compared with 2008. This increase was due to improved net operating income and lower net realized investment losses. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income improved \$160 million in 2009 as compared with 2008, primarily due to higher net investment income and increased favorable net prior year development.

The combined ratio improved 3.0 points in 2009 as compared with 2008. The loss ratio improved 4.8 points primarily due to increased favorable net prior year development. The expense ratio increased 2.0 points in 2009 as compared with 2008, primarily due to higher underwriting expenses and the lower net earned premium base. Underwriting expenses increased primarily due to higher employee-related costs.

Favorable net prior year development of \$224 million was recorded in 2009 compared to \$106 million in 2008. Further information on CNA Specialty net prior year development for 2009 and 2008 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

Table of Contents**CNA Commercial**

The following table summarizes the results of operations for CNA Commercial:

Year Ended December 31 (In millions, except %)	2010	2009	2008
Net written premiums	\$ 3,208	\$ 3,448	\$ 3,770
Net earned premiums	3,256	3,432	3,787
Net investment income	873	935	612
Net operating income	459	445	263
Net realized investment losses	(14)	(212)	(306)
Net income (loss)	445	233	(43)
Ratios:			
Loss and loss adjustment expense	66.8%	70.5%	73.1%
Expense	35.7	35.2	31.2
Dividend	0.4	0.3	
Combined	102.9%	106.0%	104.3%

2010 Compared with 2009

Net written premiums for CNA Commercial decreased \$240 million in 2010 as compared with 2009. Premiums written were unfavorably impacted by decreased insured exposures and decreased new business as a result of competitive market conditions. Current economic conditions have led to decreased insured exposures, such as in the construction industry due to smaller payrolls and reduced project volume. These conditions may continue to put ongoing pressure on premium and income levels and the expense ratio. Net earned premiums decreased \$176 million in 2010 as compared with 2009, consistent with the trend of lower net written premiums.

CNA Commercial's average rate increased 1.0% for 2010, as compared to flat rates for 2009 for the policies that renewed during those periods. Retention rates of 79.0% and 81.0% were achieved for those policies that were available for renewal in each period.

Net income improved \$212 million in 2010 as compared with 2009. This improvement was primarily due to improved net realized investment results. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income improved \$14 million in 2010 as compared with 2009. This increase was primarily due to increased favorable net prior year development, partially offset by lower net investment income and higher catastrophe losses.

The combined ratio improved 3.1 points in 2010 as compared with 2009. The loss ratio improved 3.7 points, primarily due to increased favorable net prior year development, partially offset by the impact of higher catastrophe losses. Catastrophe losses were \$113 million, or 3.5 points of the loss ratio, for 2010, as compared to \$82 million, or 2.4 points of the loss ratio, for 2009.

The expense ratio increased 0.5 points in 2010 as compared with 2009, primarily due to the unfavorable impact of the lower net earned premium base. Underwriting expenses include the unfavorable impact of the IT Transformation costs. See the Consolidated Operations section of this MD&A for further discussion of IT Transformation costs.

Favorable net prior year development of \$256 million was recorded in 2010, compared to favorable net prior year development of \$143 million in 2009. Further information on CNA Commercial net prior year development for 2010 and 2009 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

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The following table summarizes the gross and net carried reserves for CNA Commercial:

December 31 (In millions)	2010	2009
Gross Case Reserves	\$ 6,390	\$ 6,555
Gross IBNR Reserves	6,132	6,688
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 12,522	\$ 13,243
Net Case Reserves	\$ 5,349	\$ 5,306
Net IBNR Reserves	5,292	5,691
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 10,641	\$ 10,997

2009 Compared with 2008

Net written premiums for CNA Commercial decreased \$322 million in 2009 as compared with 2008. Written premiums declined in most lines primarily due to general economic conditions. Economic conditions led to decreased insured exposures, such as in small businesses and in the construction industry due to smaller payrolls and reduced project volume. Net earned premiums decreased \$355 million in 2009 as compared with 2008, consistent with the trend of lower net written premiums. Premiums were also impacted by unfavorable premium development recorded in 2009 and unfavorable foreign exchange.

CNA Commercial's average rate was flat for 2009, as compared to a decrease of 4.0% for 2008 for the policies that renewed during those periods. Retention rates of 81.0% were achieved for those policies that were available for renewal in each period.

Net results improved \$276 million in 2009 as compared with 2008. This improvement was due to increased net operating income and decreased net realized investment losses. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income improved \$182 million in 2009 compared with 2008. This improvement was primarily driven by higher net investment income and lower catastrophe losses. Partially offsetting these favorable items was an unfavorable change in current accident year underwriting results excluding catastrophes.

The combined ratio increased 1.7 points in 2009 as compared with 2008. The loss ratio improved 2.6 points primarily due to decreased catastrophe losses, partially offset by the impact of higher current accident year non-catastrophe loss ratios and decreased favorable net prior year development. Catastrophe losses were \$82 million, or 2.4 points of the loss ratio, for 2009 as compared to \$343 million, or 9.0 points of the loss ratio, for 2008. The current accident year loss ratio, excluding catastrophe losses, was unfavorably impacted by loss experience in several lines of business, including workers' compensation and renewable energy, as well as several significant property losses.

The expense ratio increased 4.0 points in 2009 as compared with 2008, primarily related to higher underwriting expenses, unfavorable changes in estimates for insurance-related assessments and the lower net earned premium base. Underwriting expenses increased primarily due to higher employee-related costs.

In 2008, the amount due from policyholders related to losses under deductible policies within CNA Commercial Lines was reduced by \$90 million for insolvent insureds. The reduction of this amount, which was reflected as unfavorable net prior year reserve development in 2008, had no effect on 2008 results of operations as CNA had previously recognized provisions in prior years. These impacts were reported in Insurance claims and policyholders' benefits in the 2008 Consolidated Statements of Income.

Favorable net prior year development of \$143 million was recorded in 2009, compared to favorable net prior year development of \$97 million in 2008. Excluding the impact of the \$90 million of unfavorable net prior year reserve development discussed above, which had no net impact on the 2008 results of operations, favorable net prior year development was \$187 million. Further information on CNA Commercial net prior year development for 2009 and 2008 is included in Note 9 of the Notes to Consolidated Financial Statements included under Item 8.

Table of Contents**Life & Group Non-Core**

The following table summarizes the results of operations for Life & Group Non-Core:

Year Ended December 31 (In millions)	2010	2009	2008	
Net earned premiums	\$ 582	\$ 595	\$ 612	
Net investment income				
Forfeited	(131)	\$5.29		
Outstanding at December 31, 2012	265	\$4.92	5.5	\$
Vested and expected to vest at December 31, 2012	265	\$4.94	5.5	\$
Exercisable at December 31, 2012	261	\$4.92	5.5	\$

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 15 STOCK-BASED COMPENSATION PLANS (Continued)

The Company did not grant any SAR during the years end December 31, 2012, 2011 and 2010, respectively. The total fair value of the SARs vested during the years ended December 31, 2012, 2011 and 2010 was \$0.1 million, \$0.2 million and \$0.3, respectively. As of December 31, 2012, there was a \$0.1 thousands of total unrecognized compensation cost related to the Company's unvested SARs and that cost is expected to be recognized over a weighted-average period of 0.09 years.

The Company uses the Black-Scholes option pricing model to determine the fair value of each SAR award on the date of grant. The estimated fair value of the SARs is amortized to expense on a straight-line basis over the vesting period.

Prior to December 31, 2009, the volatility calculation was based on the most recent trading day average volatility of a representative sample of seven companies with market capitalizations of approximately \$125 million to \$4.6 billion that management believes to be engaged in the business of information services (the "Sample Companies"). The Company referred to the average volatility of the Sample Companies because management believed that the average volatility of such companies is a reasonable benchmark to use in estimating the expected volatility of the Company's common stock post-business combination and as a public company. The risk-free interest rate is determined based upon the interest rate on a U.S. Treasury Bill with a term equal to the expected life of the SARs at the time the SARs was granted. An expected life of five years was taken into account for purposes of assigning a fair value to the SARs. The expected life represents the period of time the awards granted are expected to be outstanding. The Company has not issued any stock options from the offering date through December 31, 2012.

Restricted Share Awards/Units

The Incentive Plan provides for the granting of restricted share awards ("RSA") or restricted share units ("RSU"), the vesting of which is subject to conditions and limitations established at the time of the grant. Upon the grant of an RSA, the participant has the rights of a shareholder, including but not limited to the right to vote such shares and the right to receive any dividends paid on such shares. Recipients of RSU awards will not have the rights of a shareholder of the Company until such date as the Common Shares are issued or transferred to the recipient. The Company granted 175,932 RSAs valued at \$3,500 for each employee worldwide employed as of November 16, 2007 and otherwise receiving RSU under existing programs. Subject to the employee's continued employment, the restricted shares vested with respect to 25% of the shares on each of the first four anniversaries of the grant date. If the employee retires (at the normal retirement age stated in the applicable retirement plan or applicable law, if there is a mandatory retirement age), the restricted shares will continue to vest on the same schedule as if the employee remained employed with the Company. Upon a change in control, or upon a termination of employment due to employee's death or permanent disability, the restricted shares become 100% vested. Dividends accrue and will be paid if and when the restricted shares vest.

INFORMATION SERVICES GROUP, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(tabular amounts in thousands, except per share data)****NOTE 15 STOCK-BASED COMPENSATION PLANS (Continued)**

The Company also granted RSUs to specific employees which have the following characteristics:

Performance-Based RSU Vesting: The RSUs have been forfeited as the 2010 EBITDA target was not achieved.

Time-Based RSU Vesting: So long as the employee continues to be employed through the fourth anniversary of the grant date, the RSUs will become 100% vested on such date.

If the employee's employment is terminated (i) at any time during the vesting period due to the employee's death, disability or retirement prior to the applicable vesting date or (ii) without cause by the Company after 50% of the relevant period has elapsed, then the RSUs will vest prorata based on the period of time worked relative to such period. However, no shares will be distributed until the applicable pro rata vesting date (and, in the case of the Performance-Based RSUs, only if and to the extent that the EBITDA target is achieved). In all other terminations occurring prior to the applicable vesting date, the RSUs will expire. All RSUs will be payable in shares of the Company's common stock immediately upon vesting. No dividend equivalents will be paid with respect to any RSUs.

The fair value of RSAs and RSUs is determined based on the closing price of the Company's shares on the grant date. The total fair value is amortized to expense on a straight-line basis over the vesting period.

A summary of the status of the Company's RSAs and RSUs issued under its Incentive Plan as of December 31, 2012 and changes during the year then ended, is presented below:

	RSA	Weighted-Average Grant Date Fair Value	RSU	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2009	59	\$ 7.20	2,545	\$ 4.21
Granted		\$	350	\$ 2.07
Vested	(26)	\$ 7.20	(637)	\$ 3.64
Forfeited	(8)	\$ 7.20	(260)	\$ 4.53
Non-vested at December 31, 2010	25	\$ 7.20	1,998	\$ 3.96
Granted		\$	1,986	\$ 1.98
Vested	(22)	\$ 7.20	(931)	\$ 4.29
Forfeited	(3)	\$ 7.20	(395)	\$ 4.68
Non-vested at December 31, 2011		\$	2,658	\$ 2.26
Granted		\$	1,057	\$ 1.21
Vested		\$	(1,033)	\$ 2.49
Forfeited		\$	(334)	\$ 2.12
Non-vested at December 31, 2012		\$	2,348	\$ 1.71

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 15 STOCK-BASED COMPENSATION PLANS (Continued)

The total fair value of RSAs and RSUs vested during the years ended December 31, 2012, 2011 and 2010 was \$2.6 million, \$4.1 million and \$2.4 million, respectively. As of December 31, 2012, there was \$2.6 million of unrecognized compensation cost related to RSUs, which is expected to be recognized over a weighted-average period of 1.9 years.

Employee Stock Purchase Plan

The ESPP provides that a total of 1.2 million shares of Common Stock are reserved for issuance under the plan. The ESPP, which is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code, is implemented utilizing three-month offerings with purchases occurring at three-month intervals. The ESPP administration is overseen by the Company's Compensation Committee. Employees are eligible to participate if they are employed by the Company for at least 20 hours per week and more than five months in a calendar year. The ESPP permits eligible employees to purchase Common Stock through payroll deductions, ranging from one to ten percent of their eligible earnings subject to IRS regulated cap of \$25,000. The price of Common Stock purchased under the ESPP is 90% of the fair market value of the Common Stock on the applicable purchase date. Employees may end their participation in an offering at any time during the offering period, and participation ends automatically upon termination of employment. The Compensation Committee may at any time amend or terminate the ESPP, except that no such amendment or termination may adversely affect shares previously granted under the ESPP. The Company may issue new shares for ESPP using treasury shares or newly issued shares. For the year ended December 31, 2012, the Company issued 305,936 shares for ESPP. There were 300,481 shares available for purchase at December 31, 2012 under the ESPP.

NOTE 16 WARRANTS

The Company issued 28,125,000 units at a price of \$8.00 per unit and the underwriters for the Company's initial public offering exercised their over-allotment option and purchased an additional 4,218,750 units. Each unit included one share of common stock and a warrant to purchase one share of common stock at an exercise price of \$6.00.

On February 6, 2007, Oenoke Partners, LLC purchased, in a Private Placement, 6,500,000 warrants at \$1 per warrant. The warrants were exercisable on a cashless basis and had terms and provisions that were identical to those of the warrants sold in the Offering, except that these warrants would not be subject to redemption. Oenoke Partners, LLC also agreed that it would not sell or otherwise transfer the warrants until one year after the Company consummated a business combination, which occurred on November 16, 2007. Oenoke LLC was dissolved on December 17, 2008 and the shares and warrants were transferred to ISG's Executive Officers. The 30,647,000 warrants described above expired on January 31, 2011.

Table of Contents**INFORMATION SERVICES GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(tabular amounts in thousands, except per share data)****NOTE 16 WARRANTS (Continued)**

The Company also sold to the underwriters, for \$100, a four-year option to purchase up to a total of 1,406,250 units at a per-unit price of \$9.60. The units issuable upon exercise of this option were also identical to those offered in the Offering except that warrants included in the option have an exercise price of \$7.50. The option expired on February 6, 2011.

In connection with the acquisition of TPI, the Company issued 5,000,000 warrants valued at \$13.6 million (\$2.72 per warrant) at an exercise price of \$9.18 per share (the "MCP-TPI Warrants"). The MCP-TPI Warrants expired on November 16, 2012.

A summary of the warrant activity as of December 31, 2012, 2011 and 2010 and changes during the years then ended, is presented below:

	Number of Warrants	Weighted- Average Exercise Price
Warrants outstanding as of December 31, 2009	37,053	\$ 6.49
Warrants repurchased		
Warrants outstanding as of December 31, 2010	37,053	\$ 6.49
Warrants repurchased	(32,053)	6.07
Warrants outstanding as of December 31, 2011	5,000	\$ 9.18
Warrants expired	(5,000)	9.18
Warrants outstanding as of December 31, 2012		\$

NOTE 17 SEGMENT AND GEOGRAPHICAL INFORMATION

The Company operates in one segment, fact-based sourcing advisory services. The Company operates principally in the Americas, Europe, and Asia Pacific. The Company's foreign operations are subject to local government regulations and to the economic and political uncertainties of those areas.

INFORMATION SERVICES GROUP, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(tabular amounts in thousands, except per share data)

NOTE 17 SEGMENT AND GEOGRAPHICAL INFORMATION (Continued)

Geographical information for the segment is as follows:

	Years Ended December 31,		
	2012	2011	2010
Revenues			
Americas(1)	\$ 104,925	\$ 86,735	\$ 76,123
Europe(2)	62,671	74,383	39,400
Asia Pacific(3)	25,149	23,308	16,490
	\$ 192,745	\$ 184,426	\$ 132,013
Identifiable long-lived assets			
Americas	\$ 1,893	\$ 1,989	\$ 1,919
Europe	931	770	111
Asia Pacific	250	195	83
	\$ 3,074	\$ 2,954	\$ 2,113

(1) Substantially all relates to operations in the United States.

(2) Includes revenues from operations in Germany of \$28.3 million, \$30.8 million and \$20.9 million in 2012, 2011 and 2010, respectively. Includes revenues from operations in the United Kingdom of \$14.1 million, \$18.0 million and \$9.3 million in 2012, 2011 and 2010, respectively.

(3) Includes revenues from operations in Australia of \$18.0 million, \$17.6 million and \$10.1 million in 2012, 2011 and 2010, respectively.

The segregation of revenues by geographic region is based upon the location of the legal entity performing the services. The Company does not measure or monitor gross profit or operating income by geography or any other measure or metric, other than consolidated, for the purposes of making operating decisions or allocating resources.

INFORMATION SERVICES GROUP, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(tabular amounts in thousands, except per share data)

NOTE 18 UNAUDITED QUARTERLY INFORMATION

	Quarters Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Fiscal 2012:				
Net sales	\$ 46,282	\$ 50,474	\$ 46,469	\$ 49,520
Gross profit	\$ 18,936	\$ 21,024	\$ 18,593	\$ 19,763
Operating income	\$ 171	\$ 2,281	\$ 2,412	\$ 1,686
Other expense, net	\$ (819)	\$ (859)	\$ (855)	\$ (777)
(Loss) income from operations	\$ (648)	\$ 1,422	\$ 1,557	\$ 909
Net (loss) income	\$ (572)	\$ 816	\$ 210	\$ 149
Basic (loss) earnings per share	\$ (0.02)	\$ 0.02	\$ 0.01	\$ 0.00
Diluted earnings (loss) per share	\$ (0.02)	\$ 0.02	\$ 0.01	\$ 0.00
Basic weighted average common shares	36,347	36,122	36,159	36,191
Diluted weighted average common shares	36,347	37,962	38,082	38,112

	Quarters Ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011
Fiscal 2011:				
Net sales	\$ 40,658	\$ 50,253	\$ 48,901	\$ 44,614
Gross profit	\$ 16,428	\$ 22,535	\$ 20,896	\$ 19,744
Operating (loss) income(1)	\$ (5,187)	\$ 2,513	\$ 1,777	\$ (59,945)
Other expense, net	\$ (815)	\$ (625)	\$ (980)	\$ (1,001)
(Loss) income from operations	\$ (6,002)	\$ 1,888	\$ 797	\$ (60,946)
Net (loss) income	\$ (2,045)	\$ 687	\$ (2,593)	\$ (51,986)
Basic (loss) earnings per share	\$ (0.06)	\$ 0.02	\$ (0.07)	\$ (1.44)
Diluted earnings (loss) per share	\$ (0.06)	\$ 0.02	\$ (0.07)	\$ (1.44)
Basic weighted average common shares	36,104	36,376	36,337	36,213
Diluted weighted average common shares	36,104	38,379	36,337	36,213

(1)

As a result of its goodwill and intangible asset impairment assessments, ISG recorded an impairment charge of \$34.3 million during the fourth quarter of 2011 associated with goodwill and \$27.4 million related to intangible assets.

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EXHIBIT INDEX

Exhibit Number	Description
2.0	Purchase Agreement, dated as of April 24, 2007, as amended, by and between Registrant and MCP-TPI Holdings, LLC (previously filed as Annex A to the Registrant's Definitive Proxy Statement filed with the SEC on October 17, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).
2.1	Agreement for the Sale and Purchase of the Entire Issued Share Capital of CCGH Limited, dated as of January 4, 2011, between Registrant and the persons named therein (previously filed as Exhibit 2.1 to the Registrant's Form 8-K filed with the SEC on January 4, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
2.2	Asset Purchase Agreement, dated as of February 10, 2011, among Registrant (for specific section only), and Salvaggio & Teal Ltd. (d/b/a Salvaggio, Teal & Associates), Salvaggio & Teal II, LLC, Mitt Salvaggio, Kirk Teal, Nathan Frey, International Consulting Acquisition Corp., (previously filed as Exhibit 2.1 to the Registrant's Form 8-K filed with the SEC on February 11, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to Amendment No. 5 to the Registrant's Registration Statement on Form S-1 filed with the SEC on January 29, 2007 (Commission File Number: 333-136536), and incorporated herein by reference).
3.2	Amended and Restated By-Laws, dated as of December 10, 2008 (previously filed as Exhibit 3.2 to the Registrant's Form 8-K filed with the SEC on December 10, 2008 (Commission File Number: 001-33287), and incorporated herein by reference).
4.1	Specimen Common Stock Certificate (previously filed as Exhibit 4.2 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 filed with the SEC on December 22, 2006 (Commission File Number: 333-136536), and incorporated herein by reference).
4.2	Common Stock Purchase Warrant, dated as of November 16, 2007, issued to MCP-TPI Holdings, LLC (previously filed as Exhibit 4.8 to the Registrant's Form 8-K filed with the SEC on November 27, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).
4.3	Form of Subordinated Convertible Note, dated as of January 4, 2011, between Registrant and the persons named therein (previously filed as Exhibit 4.1 to the Registrant's Form 8-K filed with the SEC on January 4, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
10.1	Registration Rights Agreement between the Registrant and the existing Stockholders dated as of February 6, 2007 (previously filed as Exhibit 10.9 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 filed with the SEC on December 22, 2006 (Commission File Number: 333-136536), and incorporated herein by reference).
10.2 [#]	Amended and Restated 2007 Equity Incentive Plan (previously filed as Annex A to the Registrant's Definitive Proxy Statement filed with the SEC on April 7, 2010 (Commission File Number: 001-33287), and incorporated herein by reference).

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Exhibit Number	Description
10.3#	2007 Employee Stock Purchase Plan (previously filed as Annex C to the Registrant's Definitive Proxy Statement filed with the SEC on October 17, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).
10.4	Credit Agreement, dated as of November 16, 2007, among International Advisory Holdings Corp., International Consulting Acquisition Corp., various lenders and Deutsche Bank Trust Company Americas, as Administrative Agent (previously filed as Exhibit 10.30 to the Registrant's Form 8-K filed with the SEC on November 27, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).
10.5	First Amendment to Credit Agreement dated September 11, 2009 (previously filed as Exhibit 10.1 to the Registrant's Form 10-Q filed with the SEC on November 6, 2009 (Commission File Number: 001-33287), and incorporated herein by reference).
10.6	Second Amendment to Credit Agreement dated October 29, 2010 (previously filed as Exhibit 10.1 to the Registrant's Form 10-Q filed with the SEC on November 9, 2010 (Commission File Number: 001-33287), and incorporated herein by reference).
10.7	Third Amendment to Credit Agreement dated December 23, 2010 (previously filed as Exhibit 10.8 to the Registrant's Form 10-K filed with the SEC on March 16, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
10.8	Fourth Amendment to Credit Agreement dated March 16, 2011 (previously filed as Exhibit 10.9 to the Registrant's Form 10-K filed with the SEC on March 16, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
10.9	Fifth Amendment to Credit Agreement dated March 13, 2012 (previously filed as Exhibit 10.9 to the Registrant's Form 10-K filed with the SEC on March 15, 2012 (Commission File Number: 001-33287), and incorporated herein by reference).
10.10#	Employment Letter dated as of September 24, 2009, between the Company and David E. Berger (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on September 29, 2009 (Commission File Number: 001-33287), and incorporated herein by reference).
10.11#	Form of Restricted Stock Unit Award Agreement (Time-Based), (previously filed as Exhibit 10.2 to the Registrant's Form 8-K filed with the SEC on September 29, 2009 (Commission File Number: 001-33287), and incorporated herein by reference).
10.12#	Form of Restricted Covenant Agreement, (previously filed as Exhibit 10.3 to the Registrant's Form 8-K filed with the SEC on September 29, 2009 (Commission File Number: 001-33287), and incorporated herein by reference).
10.13#	Severance Agreement dated as of October 5, 2009, between the Company and David E. Berger (previously filed as Exhibit 10.4 to the Registrant's Form 8-K filed with the SEC on September 29, 2009 (Commission File Number: 001-33287), and incorporated herein by reference).
10.14#	Change in Control Agreement dated as of January 7, 2011, between the Company and Michael P. Connors (previously filed as Exhibit 10.2 to the Registrant's Form 8-K filed with the SEC on January 7, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).

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Exhibit Number	Description
10.15#	Form of Change in Control Agreement for officers (previously filed as Exhibit 10.15 to the Registrant's Form 10-K filed with the SEC on March 15, 2012 (Commission File Number: 001-33287), and incorporated herein by reference).
10.16#	Employment Letter dated as of January 4, 2011 between the Company and David Whitmore (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on January 7, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
10.16.1#	Employment Letter for David Whitmore, dated December 16, 2011 (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on December 21, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
10.17#	Employment Letter for Harold K. Somerdyk, dated June 21, 2010 (previously filed as Exhibit 10.9 to the Registrant's Form 10-K filed with the SEC on March 15, 2012 (Commission File Number: 001-33287), and incorporated herein by reference).
10.18#	Employment Agreement for Michael P. Connors, dated December 16, 2011 (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on December 21, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
10.19*#	Employment Letter for David Whitmore, dated January 24, 2012.
10.20*#	Employment Letter for David Whitmore, dated January 24, 2012.
10.21*#	Employment Agreement dated as of March 14, 2010 between Compass Limited and David Whitmore.
10.22	Agreement dated as of March 26, 2012 by and among the Company and Double Black Diamond Offshore Ltd., Black Diamond Offshore Ltd., Carlson Capital, L.P., Asgard Investment Corp. II, Asgard Investment Corp. and Clint D. Carlson (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on March 27, 2012 (Commission File Number: 001-33287), and incorporated herein by reference).
11.0*	Computation of Earnings Per Share (included in Consolidated Statement of Comprehensive Income (Loss) to the Consolidated Financial Statements included in Part II Item 8 herein).
14.0	Code of Ethics and Business Conduct for Directors, Officers and Employees (previously filed as Exhibit 14.1 to the Registrant's Form 8-K filed with the SEC on August 7, 2012 (Commission File Number: 001-33287), and incorporated herein by reference).
21.1	Subsidiaries of the Company (previously filed as Exhibit 21.1 to the Registrant's Form 10-K filed with the SEC on March 16, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1*	Power of Attorney.
31.1*	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a).
31.2*	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a).
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350.

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Exhibit Number	Description
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350.
101*	The following financial statements from ISG's Annual Report on Form 10-K for the year ended December 31, 2012, filed on March 13, 2013, formatted in XBRL (Extensible Business Reporting Language); (i) Consolidated Balance Sheet, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Shareholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

*

Filed herewith.

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Indicates Item 15(a)(3) exhibit (management contract or compensation plan or arrangement).

Michael P. Connors**

**

By authority of the power of attorney filed as Exhibit 24.1 hereto

Table of Contents**INFORMATION SERVICES GROUP, INC.****SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**
(in thousands)

Description	Balance at Beginning of Period	Balance Assumed in Acquisitions	Charges to Costs and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2012:					
Allowance for doubtful accounts	\$ 549		297	(451)	\$ 395
Allowance for tax valuation	\$ 9,026		784	(4,771)	\$ 5,039
Year ended December 31, 2011:					
Allowance for doubtful accounts	\$ 195	327	588	(561)	\$ 549
Allowance for tax valuation	\$ 203	8,159	1,607	(943)	\$ 9,026
Year ended December 31, 2010:					
Allowance for doubtful accounts	\$ 206		40	(51)	\$ 195
Allowance for tax valuation	\$ 118		85		\$ 203
