CNA FINANCIAL CORP
Form DEF 14A
March 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ¨ Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a -12

CNA FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CNA FINANCIAL CORPORATION

Notice of Annual Meeting April 24, 2013

To the stockholders of

CNA FINANCIAL CORPORATION:

The Annual Meeting of Stockholders of CNA Financial Corporation, a Delaware corporation, will be held at 333 South Wabash Avenue, Room 208N, Chicago, Illinois, on Wednesday, April 24, 2013, at 8:00 a.m., Chicago time, to consider the following proposals:

(1) Election to the Board of the eight nominees named in this proxy statement;

(2) An advisory (non-binding) vote to approve executive compensation;

(3) Ratification of the appointment of Deloitte & Touche LLP as independent registered public accountants for the Company for 2013; and

(4) Transaction of such other business as may properly come before the meeting.

Only stockholders of record at the close of business on March 6, 2013 are entitled to notice of and to vote at this meeting. You may revoke the proxy at any time before the authority granted therein is exercised.

By order of the Board of Directors,

JONATHAN D. KANTOR
Executive Vice President,
General Counsel and Secretary

Chicago, Illinois

March 13, 2013

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on April 24, 2013. This proxy statement and the 2012 Annual Report to Stockholders are posted on the Company s website at *www.cna.com.*

CNA FINANCIAL CORPORATION

333 SOUTH WABASH AVENUE, CHICAGO, ILLINOIS 60604

Proxy Statement

Annual Meeting, April 24, 2013

The Board of Directors of CNA Financial Corporation (CNA, we or the Company) submits this proxy statement in connection with the solicitation of proxies from the stockholders in the form enclosed.

The persons named in this proxy statement as nominees for election as directors have been designated by the Board.

Any stockholder giving a proxy has the power to revoke it at any time before it is exercised. A subsequently dated proxy, duly received, will revoke an earlier dated proxy. A stockholder may also revoke his or her proxy and vote in person at the Annual Meeting. Proxies will be voted in accordance with the stockholder s specifications and, if no specifications are made, proxies will be voted in accordance with the Board of Directors recommendations. The approximate date of the mailing of this proxy statement is March 13, 2013.

Whether or not you plan to attend the meeting, you are encouraged to submit a proxy to vote your shares by the Internet, telephone or mail, as follows:

VOTE BY INTERNET (www.proxyvote.com)

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m., Eastern time, the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE (1-800-690-6903)

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m., Eastern time, the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

On March 6, 2013, we had outstanding 269,530,017 shares of Common Stock. Holders of Common Stock have one vote for each share of stock held. Stockholders of record at the close of business on March 6, 2013 will be entitled to notice of, and to vote at, this meeting. The holders of a majority of shares of Common Stock issued and outstanding and entitled to vote when present in person or represented by proxy constitute a quorum at all meetings of stockholders, including the Annual Meeting.

In accordance with the Company s By-Laws and applicable law, the election of directors will be determined by a plurality of the votes cast by the holders of shares present in person or by proxy and entitled to vote. Consequently, the eight nominees who receive the greatest number of votes cast for election as directors will be elected as directors of the Company. Shares present which are properly withheld as to voting with respect to any one or more nominees, and shares present with respect to which a broker indicates that it does not have authority to vote (broker non-votes), will be counted for determining the presence of a quorum, but will not have any effect on the outcome of the election. The affirmative vote of shares representing a majority of the shares present and entitled to vote is required to approve the other matters to be voted on at the Annual Meeting. Shares which are voted to abstain will be considered present at the meeting, but since they are not affirmative votes for the matter they will have the same effect as votes against the matter.

Principal Stockholders

The following table contains certain information as to all entities which, to the knowledge of the Company, were the beneficial owners of 5% or more of the outstanding shares of Common Stock as of February 28, 2013 (unless otherwise noted) based on filings with the Securities and Exchange Commission (SEC). Each such entity has sole voting and investment power with respect to the shares set forth:

Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class
Loews Corporation (Loews)	242,382,673	90%
667 Madison Avenue		
New York, New York 10065-8087		

Because Loews holds a majority of our outstanding Common Stock, Loews has the power to approve matters submitted for consideration at the Annual Meeting without regard to the votes of the other stockholders. Loews has advised the Company s Board of Directors that it intends to vote FOR the election of each of the Board s nominees for director, FOR the advisory vote approving executive compensation and FOR the ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accountants for 2013. There are no agreements between CNA and Loews with respect to the election of CNA directors or with respect to the other matters to come before the meeting.

Director and Officer Holdings

The following table sets forth certain information as to the shares of our Common Stock, as well as shares of common stock of Loews, our principal stockholder, beneficially owned by each director and nominee, and each Named Executive Officer included in the Summary Compensation Table in this proxy statement (individually, an NEO and collectively, the NEOs), and by all executive officers and directors of the Company as a group as of February 28, 2013 based on data furnished by them. The number of shares included with respect to stock appreciation rights (SARs) awards granted under the CNA Financial Corporation Incentive Compensation Plan (the Incentive Compensation Plan) is the number of shares of our Common Stock each person would have received assuming a one-for-one exchange at time of exercise:

Name:	Shares of the Company s Common Stock Beneficially Owned	Shares of Loews Corporation Common Stock Beneficially Owned
Jonathan D. Kantor	242,495(1)	0
Paul J. Liska	0	0
D. Craig Mense	177,054(2)	0
Jose O. Montemayor	0	0
Thomas F. Motamed	739,752(3)	0
Thomas Pontarelli	75,891(4)	0
Don M. Randel	0	0
Joseph Rosenberg	15,000	157,501(5)
Andrew H. Tisch	106,100	14,846,197(6)
James S. Tisch	106,100	15,514,193(7)
Peter W. Wilson	0	0
Marvin Zonis	683	0
All executive officers and directors as a group (16 persons)	1,514,842(8)	30,517,891(9)

1. Represents 84,995 shares issuable upon the exercise of options and 157,500 SARs granted under the Incentive Compensation Plan which are exercisable currently or within 60 days of February 28, 2013.
2. Includes 50,000 shares issuable upon the exercise of options and 110,000 SARs granted under the Incentive Compensation Plan which are exercisable currently or within 60 days of February 28, 2013.
3. Includes 180,000 SARs granted under the Incentive Compensation Plan which are exercisable currently or within 60 days of February 28, 2013.
4. Includes 15,000 shares issuable upon the exercise of options and 60,000 SARs granted under the Incentive Compensation Plan which are exercisable currently or within 60 days of February 28, 2013.
5. Represents shares of Loews Common Stock issuable upon the exercise of awards granted under the Loews Corporation 2000 Stock Option Plan (Loews Stock Option Plan) which are exercisable currently or within 60 days of February 28, 2013.
6. Includes 450,000 shares of Loews Common Stock issuable upon the exercise of awards granted under the Loews Stock Option Plan which are exercisable currently or within 60 days of February 28, 2013. Also includes 11,399,992 shares held by trusts of which Mr. A.H. Tisch is the managing trustee (inclusive of 2,346,364 shares held in trust for his benefit), and 70,000 shares held by a charitable foundation as to which Mr. A.H. Tisch has shared voting and investment power. Loews Common Stock shares held by Mr. A.H. Tisch represent 3.8% of the outstanding shares of Loews Common Stock.
7. Includes 450,000 shares of Loews Common Stock issuable upon the exercise of awards granted under the Loews Stock Option Plan which are exercisable currently or within 60 days of February 28, 2013. Also includes 9,740,004 shares held by trusts of which Mr. J.S. Tisch is the managing trustee and 270,000 shares held by a charitable foundation as to which Mr. J.S. Tisch has shared voting and investment power. Loews Common Stock shares held by Mr. J.S. Tisch represent 4% of the outstanding shares of Loews Common Stock.

8. Includes 149,995 shares issuable upon the exercise of options and 587,500 SARs granted under the Incentive Compensation Plan which are exercisable currently or within 60 days of February 28, 2013. In aggregate, these holdings represent less than 1% of the outstanding shares of Common Stock.
9. Includes 1,057,501 shares of Loews Common Stock issuable upon the exercise of awards granted under the Loews Stock Option Plan which are exercisable currently or within 60 days of February 28, 2013.

ELECTION OF DIRECTORS

(Proposal No. 1)

Pursuant to our By-Laws, the number of directors constituting the full Board of Directors has been fixed at eight. Each director shall be elected at the Annual Meeting and shall hold office until the next Annual Meeting and until his or her successor is elected and qualified. Directors need not be stockholders of the Company. Unless authority to do so is withheld, shares represented by valid proxies will be voted for the eight nominees identified below.

Should any nominee or nominees become unavailable, the proxy holders will vote for the nominee or nominees designated by the Board of Directors. The Board has no reason to believe that any of the nominees will become unavailable.

Set forth below is the name, principal occupation and business experience for at least the past five years, as well as certain other information for each nominee. Also included below is information regarding the qualifications, attributes and skills that led to the conclusion that each of these individuals should be nominated to serve as a director.

Paul J. Liska, private investor. From March 2008 until January 2009, Executive Vice President and Chief Financial Officer of Motorola, Inc. From 2006 until joining Motorola, Mr. Liska served as an industrial partner for various private equity firms including MidOcean Partners, CVC Capital Holdings and Ripplewood Holdings LLC. From 2004 to 2006, Mr. Liska served as Executive Chairman of USF Corporation until its acquisition by Yellow Roadway Corporation and in various capacities with WRC Media, Inc., including Executive Chairman. From 2001 to 2004, Mr. Liska held several positions with Sears, Roebuck and Co., including President of Credit and Financial Products and Executive Vice President and Chief Financial Officer. Prior to that time, Mr. Liska served as Executive Vice President and Chief Financial Officer of The St. Paul Companies from 1997 to 2001. He has a Master of Management degree from the Kellogg School of Management at Northwestern University and is a certified public accountant. His financial knowledge and management experience are key attributes which Mr. Liska brings to our Board. Mr. Liska has been a director since February 2004, serves on the Compensation and Finance Committees and is the Chairman of the Audit Committee. Age 57.

Jose O. Montemayor, Principal of Black Diamond Capital Partners I, LP since 2005. From 1999 to 2005, he was Insurance Commissioner for the State of Texas. He is a certified public accountant and a member of the Society of Financial Examiners, the Texas Society of Certified Public Accountants and the American Institute of Certified Public Accountants. His extensive knowledge and experience of the insurance industry, including 12 years as a senior insurance regulator, is valuable to our Board. He has been a director since February 2007 and serves on the Audit, Compensation and Finance Committees. Age 62.

Thomas F. Motamed, Chairman of the Board and Chief Executive Officer of the Company since January 1, 2009. From December 2002 to June 2008, he served as Vice Chairman and Chief Operating Officer of The Chubb Corporation and President and Chief Operating Officer of Chubb & Son. Mr. Motamed began his career with Chubb in 1977 and held various management positions, including managing attorney in-house counsel, litigation manager and national claim audit manager. He also served in Chubb s field organization and held positions including marketing manager, branch manager and Western Zone officer. His extensive experience has provided him with a deep knowledge of the insurance industry. Mr. Motamed is a member of the Executive and Finance Committees. He has been a director since January 1, 2009. Age 64.

Don M. Randel, President of the Andrew W. Mellon Foundation since July 2006. Prior to that, President of the University of Chicago since July 2000. Mr. Randel s experience as a senior leader of a large institution is of great value to our Board. He is a member of the Audit, Compensation and Finance Committees. Mr. Randel has been a director since May 2002. Age 72.

Joseph Rosenberg, Chief Investment Strategist of Loews since 1995. Prior to that time, he served as Chief Investment Officer of Loews for 22 years. Mr. Rosenberg s extensive investment experience provides particular insight and guidance as to many of the investment matters that come before the Board. He serves on the Finance Committee. He has been a director since August 1995. Age 79.

Andrew H. Tisch, Co-Chairman of the Board of Loews since 2006. Also, Chairman of the Executive Committee and a member of the Office of the President of Loews. He is a Director of the general partner of Boardwalk Pipeline Partners LP. (Boardwalk), a 66% owned subsidiary of Loews and a Director of Diamond Offshore Drilling, Inc. (Diamond), a 51% owned subsidiary of Loews. He is Chairman of the Board of K12, Inc., a technology based education company. Mr. Tisch s positions with Loews, the majority stockholder of the Company, allow him to provide valuable perspective and advice to our Board. He serves on the Finance Committee and is the Chairman of the Executive Committee. Mr. Tisch has served as a director since February 2006. He is the brother of James S. Tisch. Age 63.

James S. Tisch, President and Chief Executive Officer and a member of the Office of the President of Loews. He is a Director of Loews and Chairman of the Board of Diamond. Mr. Tisch served as Chief Executive Officer of Diamond until May, 2008. He serves on the Board of Directors of General Electric Company. Mr. Tisch s positions with Loews, as the majority stockholder of the Company, allow him to provide valuable perspective and advice to our Board. He serves on the Executive Committee and is the Chairman of the Finance Committee. Mr. Tisch has served as a director since 1985. He is the brother of Andrew H. Tisch. Age 60.

Marvin Zonis, Professor Emeritus of International Political Economy, Leadership and E-Commerce at the Booth School of Business of the University of Chicago since 1989. He has been a principal of Marvin Zonis & Associates, Inc., an international consulting firm, since its incorporation in 1978. Mr. Zonis provides advice to various businesses and professional asset management firms all over the world, helping them to identify, assess and manage their risks in the changing global political environment. He has written extensively on globalization, digital technologies and emerging markets. Mr. Zonis brings to our Board broad experience in international economic and monetary affairs. He has been a director since 1993, is the Chairman of the Compensation Committee and serves on the Audit and Finance Committees. Age 76.

Director Independence

Under the rules of the New York Stock Exchange (the NYSE), listed companies like CNA that have a controlling stockholder are not required to have a majority of independent directors. Because Loews holds more than 50% of the voting power of CNA, we are a controlled company within the meaning of the rules of the NYSE. Accordingly, our Board of Directors is not composed of a majority of directors who are independent. Nevertheless, our Board of Directors has determined that the following Directors are independent under the listing standards of the NYSE (each, an Independent Director and collectively, the Independent Directors): Paul J. Liska; Jose O. Montemayor; Don M. Randel; and Marvin Zonis. In assessing independence, an affirmative determination is made as to whether or not each director or nominee has any material relationship with the Company. In assessing the materiality of any relationship, our Board considers all relevant facts and circumstances, not merely from the standpoint of the director or nominee, but from that of any person or organization with which the director or nominee has an affiliation. Our Board considers the frequency and regularity of any services provided by or to, or other transactions between, our Company and the director or nominee or affiliated organization, whether they are being carried out at arms length in the ordinary course of business and whether they are being provided or conducted substantially on the same terms as those prevailing at the time with unrelated parties for comparable transactions. Material relationships can include commercial banking, industrial, legal, accounting, charitable and familial relationships.

Our Board has established guidelines to assist it in determining director independence under these listing standards. Under our Board s guidelines, a director would not be considered independent if any of the following relationships exists: (i) during the past three years the director has been an employee, or an immediate family member has been an executive officer, of the Company; (ii) the director or an immediate family member received, during any twelve month period within the past three years, more than $120,000 in direct compensation from the Company, excluding director and committee fees, pension payments and certain forms of deferred compensation; (iii) the director is a current partner or employee, or an immediate family member is a current partner of a firm that is the Company s internal or external auditor, or an immediate family member is a current employee of such a firm and personally works on the Company s audit, or, within the last three years, the director or an immediate family member was a partner or employee of such a firm and personally worked on the Company s audit within that time; (iv) the director or an immediate family member has at any time during the past three years been employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that company s compensation committee; or (v) the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three years, exceeds the greater of $1 million, or 2% of the other company s consolidated gross revenues.

Leadership Structure

In the Company s leadership structure, the roles of Chairman of the Board and Chief Executive Officer are combined. The Board believes that this combined structure promotes unified leadership and direction for the Company. The Board meets regularly in executive session with the Chairman, without the presence of any other management personnel of the Company. In addition, the Board has complete and direct access to our entire management team.

Our Independent Directors meet regularly in executive session without management participation. We have a position of presiding director whose primary responsibility is to preside over the executive sessions of the Independent Directors. The Chairmen of our Audit and Compensation Committees alternate annually as the presiding director. Mr. Liska, as Chairman of our Audit Committee, currently serves as presiding director until the Annual Meeting.

Board Oversight of Risk Management

Within the general construct of oversight responsibility for our organization, the Audit Committee of the Board retains sole oversight responsibility for the integrity of the financial statements, compliance and ethics program, legal risk and overall policies and procedures relating to risk management, including oversight of financial reporting principles and policies of internal controls, compliance matters and oversight of the process for establishing insurance reserves.

The Company s management provides regular reports to the Audit Committee in respect of the Committee s role in risk oversight, including presentations on the financial reporting process for each period and reports on internal controls, reserve establishment and factors considered in such establishment, ongoing risk management efforts, status and effectiveness of the Company s legal compliance and business ethics program and internal audit processes and results. These presentations and reports are the bases for productive dialogue between the members of the Audit Committee and senior Company officials with primary responsibility in these areas.

The entire Board oversees the management, status and effectiveness of policies and procedures with respect to material risk on an enterprise-wide basis, including market risk, liquidity risk, reputational risk and specific risks relating to our business operations, including insurance underwriting and claims, reinsurance, catastrophe risk, credit risk in insurance operations, information technology, cybersecurity and business continuity plans.

Periodic reports are provided to the full Board by the Company s management which, among other things, seek to systematically identify the principal risks facing the Company, identify and evaluate policies and practices which promote a culture that actively balances risk and reward, and evaluate risk management practices. These reports enable the full Board to conduct meaningful and substantive discussions and deliberations with senior management on these enterprise-wide risk issues.

Committees and Meetings

Our Board of Directors has the following standing committees: Audit, Compensation, Finance and Executive. Members of the Audit and Compensation Committees are set forth below. All directors currently serve as members of our Finance Committee. The current members of our Executive Committee are Andrew Tisch (Chairman), James Tisch and Thomas Motamed.

Under the rules of the NYSE, listed companies like CNA that have a controlling stockholder are not required to have a Nominating Committee. Our Board of Directors as a whole performs the functions of a Nominating Committee. We do not have a specific policy regarding stockholder nominations of director candidates other than through the process described below in the Stockholder Proposals for the 2014 Annual Meeting. Nominations for director positions are considered and determined by the Board through consultation with senior Company personnel. Possible nominees to our Board of Directors may be suggested by any Director to our Chairman of the Board or by any stockholder in the manner set forth under Stockholder Proposals for the 2014 Annual Meeting. Although our Board of Directors does not have a formal policy on director diversity, our Board recognizes its importance and does take it into account in identifying director nominees.

The Board does not currently have a retirement policy with respect to the Independent Directors or otherwise.

Audit Committee

The primary function of our Audit Committee is to assist our Board of Directors in fulfilling its responsibility to oversee management s conduct of our Company s financial reporting process, including review of the financial reports and other financial information of our Company, our Company s systems of internal control over financial reporting, our Company s disclosure controls and procedures, and the annual independent audit of our Company s financial statements. Included in such responsibility is the Committee s role in the review of the statutory financial statements of each of the domestic insurance companies that are subsidiaries of the Company. Our Audit Committee has sole authority to directly appoint, retain, compensate, evaluate and terminate our Company s independent registered public accounting firm and to approve all engagement fees and terms, including mandatory pre-approval of all engagements of the independent registered public accounting firm in accordance with policies and procedures adopted by our Audit Committee from time to time or as otherwise required. Our management is responsible for the Company s financial statements and reporting process, including its system of internal control over financial reporting. Our independent registered public accounting firm is responsible for expressing an opinion on the conformity of our audited financial statements with accounting principles generally accepted in the United States, as well as an opinion on internal control over financial reporting.

The Charter of our Audit Committee is posted on the Company s website at *www.cna.com* and is also available in print free of charge to any stockholder who requests it. The current members of our Audit Committee are Paul J. Liska (Chairman), Jose O. Montemayor, Don M. Randel and Marvin Zonis, each of whom is an Independent Director and also meets the additional independence requirements of applicable listing standards of the NYSE and SEC regulations. Each of the current members is financially literate, as determined by our Board. Our Board has determined that each of Messrs. Liska and Montemayor are audit committee financial experts under NYSE and SEC standards.

Our directors are asked annually to report to our Company the number of audit committees of public companies on which such director serves. During 2012, no director reported serving on more than three audit committees of public companies.

Compensation Committee

The primary function of the Compensation Committee is to determine, based on, and after consideration of, recommendations of our management, all elements of compensation for the senior executive officers of the Company who are deemed executive officers as that term is defined in the Securities Act, including the NEOs. The Compensation Committee also reviews and approves the terms and conditions of any employment arrangements between the NEOs and the Company or its subsidiaries and administers the Incentive Compensation Plan. The Charter of our Compensation Committee is posted on the Company s website at *www.cna.com* and is also available in print free of charge to any stockholder who requests it. The current members of our Compensation Committee are Marvin Zonis (Chairman), Paul J. Liska, Jose O. Montemayor and Don M. Randel, each of whom is an Independent Director.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics (the Code) which applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. The Code, as well as the Corporate Governance Guidelines, are posted on the Company s website at *www.cna.com* and are also available in print free of charge to any stockholder who requests them. We intend to post on our website any changes to or waivers of this Code for our principal executive officer, principal financial officer and principal accounting officer.

Meetings

During 2012, there were 5 meetings of our Board of Directors, 4 meetings of our Finance Committee, 5 meetings of our Audit Committee and 4 meetings of our Compensation Committee. Each individual who served as a director of the Company in 2012 attended not less than 75% of the total number of meetings of our Board of Directors and committees of our Board on which that director served during 2012. Our Board recommends, but does not require, that all directors attend our stockholders meetings. All directors attended our 2012 Annual Meeting.

Audit Committee Report

The role of our Audit Committee is to assist our Board of Directors with the responsibility of administering corporate policy in matters of accounting and control in its oversight of our financial reporting process. As set forth in the Charter of our Audit Committee, management of our Company is responsible for the preparation, presentation and integrity of the Company s financial statements. Our Company s accounting and financial reporting principles and internal control over financial reporting and our disclosure controls and procedures are designed to assure compliance with accounting standards and applicable laws and regulations. Our Audit Committee functions as the liaison with our Company s internal audit area and our independent registered public accounting firm. The independent registered public accounting firm is responsible for auditing our Company s financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America.

In the performance of its oversight function, the Audit Committee has considered and discussed the audited financial statements with management and the independent registered public accounting firm. Our Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 114, The Auditor s Communication with Those Charged with Governance . In addition, the Audit Committee has discussed with the accounting firm their independence in relation to the Company and its management, including the matters in the written disclosures and annual letter provided to the Audit Committee by the independent registered public accounting firm as required by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB) regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence. The Audit Committee has determined that the provision of non-audit services provided by the auditors is compatible with maintaining the auditors independence.

The members of the Audit Committee rely, without independent verification, on the information provided to them by management and the independent registered public accounting firm and on management s representation that our financial statements have been prepared with integrity and objectivity. They do not provide any expert or special assurance as to our financial statements or any professional certification as to the independent registered public accounting firm s work. Accordingly, our Audit Committee s oversight does not provide an independent basis to determine that management has applied appropriate accounting and financial reporting principles or internal control over financial reporting and our disclosure controls and procedures, that the audit of our financial statements has been carried out in accordance with the standards of the PCAOB, that our financial statements are presented in accordance with accounting principles generally accepted in the United States, or that our independent registered public accounting firm is in fact independent .

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of our Audit Committee referred to above and in the Audit Committee s Charter, our Audit Committee has recommended to our Board that the audited financial statements be included in our Annual Report on Form 10-K for the year

ended December 31, 2012 filed with the Securities and Exchange Commission and determined that the provision of non-audit services by Deloitte & Touche LLP to the Company in 2012 was compatible with maintaining the independence of Deloitte & Touche LLP in its audit of the Company.

SUBMITTED BY THE AUDIT COMMITTEE

Paul J. Liska (Chairman)

Jose O. Montemayor

Don M. Randel

Marvin Zonis

Director Compensation

Our directors who are not employees of CNA or any of its subsidiaries (*i.e.,* all of our directors except our Chairman of the Board) received an annual retainer in 2012 of $54,000. In addition, members of our committees received the following annual retainers: Finance $4,000; Compensation $10,000 (Chairman received $15,000); and Audit $40,000 (Chairman received $60,000). Members of the Executive Committee do not receive compensation for their services in connection with the Executive Committee. In addition, a meeting fee of $600 per meeting was paid to the Chairmen of the Audit and Compensation Committees for each meeting with management, the independent registered public accountants, advisors and other appropriate persons held to carry out their respective duties between regularly scheduled quarterly meetings of the Committees. The following table shows, for each non-employee director, the amount of cash compensation paid for his service during 2012:

2012 DIRECTORS COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($)	Total ($)
Paul J. Liska	$ 144,800	$ 144,800
Jose O. Montemayor	$ 108,000	$ 108,000
Don M. Randel	$ 108,000	$ 108,000
Joseph Rosenberg	$ 58,000	$ 58,000
Andrew H. Tisch	$ 58,000	$ 58,000
James S. Tisch	$ 58,000	$ 58,000
Marvin Zonis	$ 115,400	$ 115,400

Compensation Discussion and Analysis

We believe that our success is dependent upon the quality of senior management, and that compensation programs are important in attracting and retaining NEOs of superior ability and motivating their efforts on behalf of the Company s interests. To that end, our compensation program for NEOs recognizes individual performance and contributions, as reflected both in the Company s overall results and in each NEO s contribution to them. To meet these objectives, we have established an approach to NEO compensation that combines elements of base salary and both cash and stock-based incentive compensation, as well as other benefits. In selecting these elements of NEO compensation, the Company has considered its historical compensation practices as they have evolved over the years, national surveys of executive compensation at comparable companies and the executive compensation programs of various peer companies, as well as applicable tax and accounting impacts of executive compensation. The Company s NEOs for 2012 are identified below in the Summary Compensation Table.

The Company has phased out written employment arrangements with NEOs (with the exception of Mr. Motamed) upon expiration of such arrangements in accordance with their terms. For those NEOs with existing employment agreements that provided for required renewals, the Company entered into written letter agreements with such NEOs that outline severance terms for a specified period of time.

We currently believe that written arrangements are not necessary in achieving the goal of attracting and retaining NEOs of superior ability and motivating their efforts on behalf of the Company s interests. In preparing and negotiating compensation and benefit terms with respect to each NEO, we seek to realize the goals and objectives described above and to include the elements of compensation described in this Compensation Discussion and Analysis.

The principal components of compensation for the Company s NEOs are:

- base salary;
- cash incentive compensation awards, based on both annual and longer-term performance measures;
- grants of stock-based awards; and
- retirement, medical and related benefits.

In establishing the aggregate amount of compensation for each NEO, the primary factor is an evaluation of the individual s performance in the context of any contractual commitments to the individual executive, the extent and nature of the individual s responsibilities within the Company and the Company s performance during the period in question. The Company s past compensation policies are reflected in the terms agreed to in the NEOs respective arrangements. As noted above, the Company also reviews and considers compensation levels and practices as shown in surveys and other materials. Based on these factors, the Company determines an overall level of cash compensation a portion of which is to be paid as base salary and the balance of which would be incentive-based and equity-based awards, which are described in further detail in the Narrative Supplement to the 2012 Summary Compensation Table and the 2012 Grants of Plan-Based Awards Table section.

Base Salary. As a result of the performance reviews and other factors described below, and the impact of limits on the deductibility of compensation as described below, the annual base salary of each of the Company s NEOs has been effectively limited to a maximum of $1 million.

Incentive Compensation Awards. The Incentive Compensation Plan provides for annual and long-term cash and share-related incentive compensation for the NEOs of the Company, among other executives. It is designed to qualify the amounts paid from time to time under the Incentive Compensation Plan to certain of the Company s officers as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code (IRC). The elements of any incentive compensation for each NEO are subject to the terms and conditions of the Incentive Compensation Plan and the approval of the Compensation Committee.

The Incentive Compensation Plan is intended to assist us in retaining effective senior executives and attracting new senior leadership, and provide a means of rewarding NEOs, among other employees, with equity and cash compensation which, when coupled with a base salary, produces a competitive level of total compensation that reflects their individual performance and their contributions to the overall short-term and long-term enhancement of the value of the Company and its subsidiaries. The Incentive Compensation Plan is administered by the Compensation Committee, which has sole discretion to make all determinations on any matter relating to the Incentive Compensation Plan or any award granted under it. Under the Incentive Compensation Plan, the measures to be used for purposes of incentive awards may include one or more or any combination of a wide variety of corporate and personal performance components.

In 2010, we amended our Incentive Compensation Plan, with the affirmative vote of stockholders, to incorporate book value as an added performance measure. Net operating income is utilized as the performance measure for the annual incentive plan. Book value growth performance, utilized for the long-term incentive awards beginning with the 2010-2012 performance cycle and going forward, is established based on the Company s planned book value growth amount and is then compounded based on identified growth rates for the remaining two years of the cycle (BV-based LTI Plan). Any potential awards for NEOs under the plan will be determined pursuant to the definition and goals approved by the Compensation Committee for each three-year cycle, at the beginning thereof. Although the three-year period covered by these awards encourages our executives, including its NEOs to think in terms of multi-year performance spans rather than exclusively a succession of separate single measures, the Company and the Compensation Committee believe that a multi-year book value based measurement for awards granted under the amended Incentive Compensation Plan will better reflect longer-term CNA growth and more closely correlate individual long-term performance incentives with lasting shareholder value creation.

2012 Annual incentive awards under the Incentive Compensation Plan for the NEOs were calculated in accordance with a formula based upon our net operating income for that year, as defined by the Compensation Committee (NOI). The following is the definition of NOI approved by the Compensation Committee:

NOI is defined as net income, as reported in our fiscal year financial results, and adjusted by the following exclusions:

1) Realized capital gains or losses, net of tax.

2) The after-tax impact of items of gain, loss, income or expense (including but not limited to changes in accounting principles) which in the judgment of the Compensation Committee were extraordinary or unusual in nature or infrequent in occurrence.

3) The after-tax impact of reserve strengthening and adverse dividend or premium development associated with asbestos and environmental pollution reserves covered under the loss portfolio transfer transaction completed with National Indemnity Company (NICO) that is not offset by losses ceded to NICO due to retroactive reinsurance accounting.

4) The after-tax impact of catastrophe losses of the Company or its subsidiaries in excess of the 2012 budgeted amount. To the extent that catastrophe losses are below the budgeted amount, include catastrophe losses up to the budgeted amount.

5) Any income tax expense or benefit attributable to the impact of a change in the federal income tax rate on deferred income tax assets and liabilities.

NOI Achievement, as determined in accordance with the 2012 definition, to be rounded to no more than the next 5% increment. The Committee retains the authority to exercise negative discretion on the final rounded achievement and on any of the items listed above except as specified in a contract between the Company or its subsidiaries and an Eligible Person.

The foregoing NOI definition was applied in the determination of the annual incentive cash awards, as explained below.

With regard to 2012 annual cash awards to NEOs, the Compensation Committee retained the authority to exercise negative discretion on any of the exclusions listed above except to the extent provided otherwise in any employment agreements with NEOs. Although NOI as determined under this definition is derived from our net income, it does provide for certain exclusions. The primary purpose of the exclusions from net income reflected in the above definition of NOI is to remove those elements of income or loss which relate to one-time or extraordinary events or developments or other matters that, in the judgment of the Compensation Committee, are not appropriate to consider for purposes of assessing an NEO s performance and contribution to our operating results. The NOI for 2012, determined pursuant to the above definition, was $748 million. Net operating income as reported in our earnings release for 2012 was approximately $161 million lower than NOI as defined by the Compensation Committee for 2012.

2012-2014 BV-based LTI Plan awards under the Incentive Compensation Plan for the NEOs will be determined in accordance with a formula based upon growth in our adjusted book value, as defined by the Compensation Committee, as follows:

Adjusted book value growth (BV) is defined as net income, as reported in the Annual Reports on Form 10-K for 2012, 2013 and 2014, respectively. In addition, the net impact over the three-year period of following items should be included/excluded:

Included:

1) Increases in stockholders equity resulting from recovery of amounts due under Notes Receivable for Issuance of Common Stock.

Excluded:

1) The after-tax impact of reserve strengthening and adverse dividend or premium development associated with asbestos and environmental pollution reserves covered under the loss portfolio transaction completed with NICO that is not offset by losses ceded to NICO due to retroactive reinsurance accounting.

2) The impact of after-tax operating losses attributable to a loss portfolio transfer or other transaction that fixes or limits the Company s exposure to Life & Group liabilities, including payout annuities and long term care, that the Committee deems to be in the best interest of shareholders.

3) The after-tax impact of accounting changes in the performance period.

4) The after-tax impact of income tax expense or benefit attributable to a change in the federal income tax rate on deferred income tax assets and liabilities.

The Committee retains the authority to exercise negative discretion on any of the items listed above except as specified in a contract between the Company or its subsidiaries and an Eligible Person.

Annual Incentive Cash Compensation Awards

The annual incentive cash compensation awards under the Incentive Compensation Plan for the NEOs for 2012 were primarily determined by performance compared to preset quantifiable financial goals based upon NOI as determined by the Compensation Committee, which also set the level or levels of cash incentive award opportunity within those goals for each NEO. Typical primary recurring factors taken into account for purposes of determining annual incentive cash compensation award levels assigned for each NEO for a given year include such elements as: combined ratios; expense ratios; return on equity; catastrophe loss experience; handling of legal exposures; and net written premium production. As to any particular NEO, these factors may be considered both from an overall corporate viewpoint or in terms of performance for a particular factor within that executive s individual areas of responsibility, or both.

For Mr. Motamed, the annual incentive cash compensation opportunity for 2012 was based upon a payout formula of 1.2% of 2012 NOI, as defined by the Compensation Committee, limited by his individual maximum payment amount of $4 million.

For Messrs. Mense, Kantor and Pontarelli, the annual incentive cash compensation opportunities for 2012 were based upon a payout formula in each case of 0.5% of 2012 NOI as defined by the Compensation Committee, limited by individual maximum payment amounts of $2.475 million, $1.6 million and $1.75 million, respectively. For the NEOs, assessment of individual performance in prior years and their respective responsibilities in 2012 are reflected as factors in the maximum individual payout amounts established as to each. There was no annual Incentive Cash Award made to Mr. Wilson due to his retirement, effective December 31, 2012. Please refer to Narrative Supplement to the 2012 Summary Compensation Table and the 2012 Grants of Plan-Based Awards Table for payments in connection with Mr. Wilson s retirement from the Company. The following table provides additional information:

Name	Year	Annual Incentive Cash Awards ($)	Maximum Opportunity ($)
Thomas F. Motamed	2012	$ 3,250,000	$ 4,000,000
D. Craig Mense	2012	$ 1,600,000	$ 2,475,000
Jonathan D. Kantor	2012	$ 1,350,000	$ 1,600,000
Thomas Pontarelli	2012	$ 975,000	$ 1,750,000

For all NEOs, the Compensation Committee retains the power to exercise negative discretion for 2012 annual incentive cash compensation amounts of the amount produced by the applicable payout formula or NOI target ranges or amounts, as applicable. Accordingly, for all NEOs, the Compensation Committee s exercise of negative discretion in any particular case is an additional factor reflecting that executive s individual performance as assessed by the Compensation Committee and our management. In connection with making 2012 annual incentive bonus payment amounts within the above parameters for the NEOs, the Compensation Committee reviewed specific 2012 performance achievements of each executive.

For Messrs. Motamed, Mense, Kantor and Pontarelli, there is no requirement to reach a particular performance goal or payout formula in order to qualify for the 2012 annual incentive cash compensation opportunity, but payouts are limited by both actual 2012 NOI production and the individual pre-determined maximum payout amounts. Also, as discussed above, the potential for exercise of negative discretion by the Compensation Committee is a further limiting factor.

Our management performs an analytical and advisory role in the process of determining incentive compensation for our NEOs. Our Chairman of the Board and Chief Executive Officer reviews all elements of incentive compensation for NEOs (other than himself) with our Senior Human Resources officer, and approves all recommendations to be made to the Compensation Committee as to those executives. Proposed incentive compensation awards to the Chief Executive Officer himself are developed by our Senior Human Resources officer in consultation with the majority stockholder of our Common Stock, and then recommended to the Compensation Committee. Since each NEO who reports to the Chief Executive Officer is assessed separately by him and the Compensation Committee as to each element of compensation, there is no direct relationship among those elements from one NEO to another. The relationship among the various elements of compensation for each NEO individually is driven by the goal of providing the executive with an overall package of base and incentive compensation that fairly recompenses him for both Company and individual performance, in the judgment of the Compensation Committee in consultation with management. Accordingly, there is an annual assessment of all compensation elements collectively for each NEO, to assure that in the aggregate they represent a fair and balanced package in light of individual achievements and overall Company results.

In the case of the Chief Executive Officer, overall Company operating and financial performance are primary considerations in determining the incentive compensation recommendations to be made to the Compensation Committee. Among the performance factors considered in this regard for the 2012 performance year were: reported net income of $628 million, or $2.33 per common share, continued improvement of the non-catastrophe accident year loss ratio, steady rate increases across the core property & casualty business, and continued top line growth. In addition, under Mr. Motamed s leadership continued momentum on the Company s three-part strategy for future growth which includes: developing and deepening the Company s expertise to serve selected industry segments; managing our mix of business to improve profitability; and continuing to extend our geographic reach and improving capabilities at the point of sale.

For Mr. Mense, among the performance factors considered for the 2012 performance year were: continuing overall improvement in the Company s capital levels; effective management of key relationships with ratings agencies and regulators, reflected in the recent outlook upgrade from a ratings agency; efficient capital management, successful consummation of the acquisition of Hardy Underwriting Bermuda Limited; strategic advice and analysis in connection with merger and acquisition opportunities, as well as other capital-related activities; continued reduction in reinsurance recoverables; and effective overall leadership of the Company s enterprise risk management initiatives.

For Mr. Kantor, among the performance factors considered for the 2012 performance year were: successful consummation of the acquisition of Hardy Underwriting Bermuda Limited; strategic advice and analysis in connection with merger and acquisition opportunities, as well as other capital-related activities; successful claims and litigation management; effective conduct of government relations initiatives; and efficient budget management.

For Mr. Pontarelli, among the performance factors considered for the 2012 performance year were: assimilation of Hardy Underwriting Bermuda Limited into the organization; continued refinement of the Company s policy owner service center; effective management of the Company s worldwide facilities and its procurement practices; continued development and execution of the Company s Information Technology roadmap; management of the Company s human resource policies and practices, including talent procurement, management and performance.

The annual incentive opportunity for each NEO is also based, among other factors, on comparative market compensation data as described below. Final approval of annual incentive cash compensation payments is made by the Compensation Committee, which retains authority to make discretionary reductions in the award amounts. Pursuant to Mr. Motamed s employment agreement, the Compensation Committee may exercise negative discretion to decrease or eliminate any portion of his earned annual incentive cash compensation payment that exceeds his annual target bonus opportunity of $2.5 million. The Compensation Committee also reserves the right to eliminate these awards to the NEOs, uniformly, due to adverse financial conditions, which, in the case of each NEO, would not be prohibited by any existing agreement. In determining the annual incentive cash compensation awards for 2012, the Compensation Committee evaluated Company performance and individual performance against the pre-set financial goals of the Company and individual performance measures, as described above. However, while these factors were generally considered as part of the Compensation Committee s overall analysis of the payout amounts, none of the factors was formally weighted or reduced to a specific percentage or dollar amount figures. The primary driver of the annual incentive bonus amount to be paid to each NEO individually is based upon the assessment by Company senior management and the Compensation Committee of that NEO s success in his or her responsibilities during the performance period in question. For 2012, the chief factors considered in the assessment for each NEO are recited above. Based upon this process of evaluation, the Compensation Committee applied negative discretion ranging from 16% to 44% and the 2012 annual incentive bonus payouts for the NEOs ranged from 84% to 56% of the respective maximum annual incentive opportunities.

Long-Term Incentive Plan

NOI-based LTI Plan

Under the Incentive Compensation Plan potential LTI Plan cash awards for Mr. Kantor, are based upon the Company s NOI, determined pursuant to a definition approved by the Compensation Committee, over three-year cycles, with annual NOI goals set by the Compensation Committee for each three-year cycle, as described in further detail in the Incentive Compensation Awards section.

The determination of NOI for purposes of establishing 2012 NOI-based LTI cash awards was the same as the NOI determination for purposes of annual incentive cash compensation opportunities, as described above. Performance for NOI-based LTI Plan cash payments is determined at the end of each calendar year and payouts are accrued until the end of each relevant three-year cycle. Accordingly, 2012 performance year results applied for the 2010-2012 cycle under the Incentive Compensation Plan were reviewed and approved by the Compensation Committee. The calculated percentage achievement amounts may be reduced depending upon the Company s assessment of quantifiable and non-quantifiable factors applied to the Company s overall performance (which are considered informally and not reduced to a specific weighting, valuation, or dollar value process). In 2012, the determined percentage achievement amount was higher than the actual amounts awarded. The ranges of NOI-based LTI cash award opportunities for Mr. Kantor for 2012 as determined by the Compensation Committee are reflected below in the 2012 Grants of Plan Based Awards Table. Generally actual payouts of the LTI cash awards for Mr. Kantor may range from 0% to 200% of target, based upon the Company s overall business results and performance and prospects of the Company as a whole, both from an operational and a financial perspective, as determined by the Compensation Committee in its sole discretion.

2012 NOI	2012 Payout as a Percentage of Target
$350 million	50%
$575 million - $625 million	100%
$1.4 billion	200%

For the LTI cash award opportunity, the difficulty for Mr. Kantor in reaching the highest level of LTI cash opportunity for any given year is a product of both the large number of cumulative factors affecting actual NOI production for that year, as well as the accuracy of the pre-set NOI goal in reflecting what can reasonably be regarded as achievable NOI production for the period given all circumstances affecting such production. Consideration of a span of three production years for each such award opportunity is a stabilizing factor.

As mentioned above, the NOI-based LTI Plan has been replaced with the BV-based LTI Plan, effective beginning with the 2010-2012 performance cycle, as described below. Mr. Kantor will continue to participate in the NOI-based LTI Plan for the 2010-2012 and 2011-2013 cycles.

BV-based LTI Plan

Under the Incentive Compensation Plan, potential LTI Plan awards for NEOs, among other employees, are based upon growth in the Company s book value, and will be determined pursuant to the definition approved by the Compensation Committee, with book value growth goals set by the Compensation Committee for each three-year period, as described in further detail in the Incentive Compensation Awards section. The determination of book value for the 2012-2014 performance cycle will be determined following the end of the performance cycle.

The ranges of BV-based LTI award opportunities for the NEOs for 2012, as determined by the Compensation Committee, are reflected below in the 2012 Grants of Plan Based Awards Table. The long-term incentive awards are granted annually and are earned based on adjusted book value growth over a three-year performance period and will become payable only to the extent that specified adjusted book value growth goals are achieved. With the exception of Mr. Kantor (who will continue to participate in the NOI-based LTI Plan for the 2010-2012 and 2011-2013 cycles), payouts, if any, of the BV-based

LTI awards for NEOs may range from 0% to 200% of target, based upon attainment of the performance goals, as determined by the Compensation Committee in its sole discretion, with 50% payable in cash and 50% payable in shares of the Company s Common Stock (except for Mr. Motamed, whose award is payable in 100% cash), covering the 2010-2012 and 2011-2013 cycles, as outlined below:

2012-2014 Adjusted Book Value Growth[5]	2012-2014 Payout as a Percentage of Target
Less than 3.50%	0%
3.50%	50%
7.50%	100%
15.0% or Above	200%

<u>Stock-Based Awards</u>. Another element of our compensation program for NEOs is stock-based awards under the Incentive Compensation Plan which generally include performance share units and performance-based restricted stock units (RSUs).

Performance share units

As a stock component of the BV-based LTI Plan, which is described in the Incentive Compensation Awards section above, 50% of the LTI target award opportunity for Messrs. Mense, Pontarelli and Wilson will be payable in full shares of the Company s Common Stock. Performance share unit award values relating to the 2012-2014 BV-based LTI performance cycle are outlined in the 2012 Grants of Plan Based Award Table. The number of performance share units earned, if any, will be determined following the end of the performance cycle with payments made in full shares of the Company s Common Stock.

Performance-based RSUs

Mr. Motamed, pursuant to the current terms of his employment agreement, beginning with the 2012 calendar year, is entitled to receive an annual award of performance-based RSUs with a target value of $5 million. The 2012 award for Mr. Motamed was based upon the volume weighted average price during the 10 trading days immediately preceding the date of grant, with the target and maximum number of shares payable equal to 175,808 shares. The Compensation Committee determined and approved, based on the scale below, that the achievement for this award was equal to 100% (or 175,808 shares), subject to annual vesting in installments of 25% with the first installment vesting on February 27,2013.

2012 NOI	2012 Achievement	2012 Percentage of RSUs Earned
Less than $350 million	Less than 50%	0%
$350 million to $575 million	50% - 100%	80% - 100%
$575 million to $1.4 billion	Above 100%	100%

<u>Retirement Plans</u>. CNA provides funded, tax-qualified retirement plans for salaried employees, including executive officers (the Qualified Plans) and unfunded, non-qualified equalization plans for certain highly compensated employees (the Non-Qualified Plans) which provide for accruals and contributions not available under the Qualified Plans. The Qualified Plans and the Non-Qualified Plans both include defined contribution plans and defined benefit plans. The Qualified and Non-Qualified defined contribution plans are the CNA Savings and Capital Accumulation Plan (the S-CAP) and the CNA Supplemental Executive Savings and Capital Accumulation Plan (the SES-CAP), respectively. The Qualified and Non-Qualified defined benefit plans are the CNA Retirement Plan (the Retirement Plan) and the CNA Supplemental Executive Retirement Plan (the SERP), respectively.

<u>Other Benefits</u>. We provide limited types of perquisites and other personal benefits to our NEOs which we believe are reasonable, consistent with our overall compensation program to enable the Company to attract and retain superior employees for key positions and comparable with perquisite packages offered by our competitors to their senior executives. Pursuant to Company policy and the terms of their respective employment agreements described in the Narrative Supplement to the 2012 Summary Compensation Table and the 2012 Grants of Plan-Based Awards Table section. NEOs are generally entitled to participate in the various benefit plans, programs or arrangements established and maintained by the Company from time to time and applicable to its senior executives, including medical benefits, dental benefits, life insurance, short-term disability, long-term disability insurance, qualified and supplemental defined contribution and defined benefit plans, and to receive all fringe benefits made available to senior executives of the Company, including reimbursement for club memberships, annual physical examinations, preparation of personal income tax returns and paid parking. Each NEO s entitlement to such benefits is subject to the terms and conditions of the Company s policies with regard to them, as adjusted by the Company from time to time in its discretion. Severance and other benefits available to NEOs upon termination of employment are determined in accordance with any applicable agreements, which are summarized in the Narrative Supplement to the 2012 Summary Compensation Table and the 2012 Grants of Plan-Based Awards Table section, or the Company s severance plan, as applicable.

IRC Section 162(m). Under IRC Section 162(m), unless classified as qualified performance-based compensation, the amount of compensation deductible for federal income tax purposes which is paid by a publicly-held corporation to its CEO and certain other highly compensated officers during any year is limited to a maximum of $1 million per person, except that compensation which is considered to be qualified performance-based compensation is not subject to this limitation. To the extent our compensation policy can be implemented in a manner that maximizes the deductibility of compensation paid by the Company, the Board of Directors seeks to do so, subject to the contractual obligations to executives in particular cases.

Comparative Market Data. The Compensation Committee reviews and approves the compensation for the NEOs. The Chairman of the Board and Chief Executive Officer reviews and approves recommendations made to the Compensation Committee regarding all compensation for the NEOs (other than himself). Recommendations regarding the Chief Executive Officer s compensation are developed by our Senior Human Resources officer in consultation with the majority stockholder of the Company s Common Stock. The Compensation Committee and the Chief Executive Officer are assisted in developing and evaluating the overall competitiveness of the compensation program by our Human Resources staff, which uses market data provided by the following executive compensation consulting firms: Mercer Property & Casualty Insurance Compensation Survey; AON Hewitt Total Compensation Measurement Survey; Towers Watson U.S. Financial Services Executive Survey insurance industry and financial industry data. Comparative compensation information regarding our peer group of companies is evaluated each year. The competitor group consisted of the companies identified below, all of which are within the insurance industry.

ACE Limited

The Allstate Corporation

American Financial Group

The Chubb Corporation

CIGNA Corporation

The Hartford Financial Services Group, Inc.

Lincoln National Corporation

The Progressive Corporation

The Travelers Companies, Inc.

These companies, as well as other companies within the insurance, financial services and certain other industries, represent the organizations against which CNA competes for key executives. This comparative compensation information, in conjunction with performance assessments as to past and expected future contributions of the individual, is used to develop annual compensation levels. It is the Company s goal to set total compensation opportunities for the NEOs at levels generally comparable with those available to similarly placed executives at the Company s competitor group; however, the Company does not benchmark executive compensation in the sense of setting mandatory levels or percentiles of peer compensation within which compensation for any particular NEO must fall. Rather, the Company uses information from the surveys and peer companies cited above to assure that its recommendations to the Compensation Committee concerning overall compensation for each NEO are comparable to the full compensation packages given to executives in the same or similar positions in such peer companies and in companies from related industries. Thus, in any particular case, one or more components of a given NEO s entire compensation structure might not be directly aligned with the same component in compensation packages offered at peer companies, but overall compensation for that NEO would nevertheless be within the parameters reflected in peer and survey data as full compensation for the same or similar positions. This process promotes the Company s goal of offering its NEOs compensation structures that, taken as a whole, make it possible to retain the most talented and productive executive officers.

Compensation Consultant. The Compensation Committee has authority under its charter to engage outside consultants to assist in the performance of its duties and responsibilities. Our Compensation Committee would consider utilizing the services of a compensation consultant to assist in determining whether the elements of our executive compensation program are reasonable and consistent with our objectives. The Committee did not engage any outside consultants to perform such services in 2012.

Non-Binding Stockholder Vote on 2011 Executive Compensation. At the 2012 Annual Meeting, stockholders of the Company approved (96% approval), in a non-binding vote, the 2011 executive compensation as disclosed in the 2012 proxy statement. Stockholders also voted at the 2012 Annual Meeting to hold such non-binding votes regarding executive compensation on an annual basis. The Compensation Committee and the Board of Directors have considered the guidance provided by these advisory votes. The Company is submitting the 2012 executive compensation, as disclosed in this proxy statement, to stockholders for approval, in a non-binding vote, in Proposal No. 2 below.

A clawback policy with respect to executive compensation has not yet been considered and developed, pending publication of SEC guidance on the subject.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

We have reviewed and discussed the Compensation Discussion and Analysis set forth above with the management of the Company and, based on such review and discussion, have approved inclusion of the Compensation Discussion and Analysis in this Proxy Statement and in the Company s Annual Report on Form 10-K.

COMPENSATION COMMITTEE

Marvin Zonis (Chairman)

Paul J. Liska

Jose O. Montemayor

Don M. Randel

COMPENSATION OF EXECUTIVE OFFICERS

The following 2012 Summary Compensation Table summarizes compensation paid by the Company and its subsidiaries for services rendered in all capacities for our Chief Executive Officer, Chief Financial Officer and other NEOs as of December 31, 2012:

2012 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (a) ($)	Bonus (b) ($)	Stock Awards (c) ($)	Option/ SARs Awards (d) ($)	Non-Equity Incentive Plan Compensation (e) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f) ($)	All Other Compensation (g) ($)	Total ($)
Thomas F. Motamed Chief Executive Officer CNA Financial Corporation						$ 3,750,000		$ 918,832	$ 10,647,714
	2012	$ 1,000,000		$ 4,978,883	$ 749,880	$ 3,320,833		$ 782,535	$ 8,363,417
	2011	$ 1,000,000		$ 2,510,169					
	2010	$ 1,000,000		$ 3,623,334	$ 832,376	$ 3,450,000		$ 579,876	$ 9,485,587
D. Craig Mense Executive Vice President & Chief Financial Officer CNA Financial Corporation	2012	$ 825,000		$ 515,622		$ 2,200,000		$ 251,571	$ 3,792,193
	2011	$ 822,917		$ 499,990		$ 1,558,437		$ 256,280	$ 3,137,623
	2010	$ 800,000	$ 550,000(h)(i)	$ 299,998		$ 1,760,000		$ 205,847	$ 3,615,845
Jonathan D. Kantor Executive Vice President, General Counsel & Secretary CNA Financial Corporation	2012	$ 800,000		$ 399,992		$ 1,526,000	$ 1,426,346	$ 45,504	$ 4,197,842
	2011	$ 800,000							
	2010	$ 800,000			$ 281,205	$ 1,404,000	$ 2,158,278	$ 43,002	$ 4,686,485
			$ 400,000(h)		$ 312,141	$ 1,788,000	$ 1,139,403	$ 43,282	$ 4,482,826
Thomas Pontarelli Executive Vice President & Chief Administrative Officer CNA Insurance Companies	2012	$ 700,000		$ 437,487		$ 1,481,250	$ 921,680	$ 38,974	$ 3,579,391
	2011								
	2010	$ 697,917		$ 421,859		$ 959,500	$ 1,191,518	$ 40,588	$ 3,311,381
		$ 675,000	$ 300,000(h)	$ 253,121		$ 1,112,000	$ 687,168	$ 39,456	$ 3,066,745
Peter W. Wilson (j) Former President & Chief Operating	2012	$ 700,000		$ 437,487		$ 525,000	$ 1,573,028	$ 2,617,525	$ 5,853,041

Officer CNA Specialty Lines of the CNA Insurance Companies	2011	$ 700,000		$ 437,474	$ 939,667	$ 1,528,680	$ 32,401	$ 3,638,223
	2010	$ 700,000	$ 350,000(h)	$ 262,476	$ 1,112,000	$ 576,591	$ 39,587	$ 3,040,654

(a) Base salary includes compensation deferred under the CNA S-CAP and SES-CAP.

(b) Represents discretionary bonuses to NEOs earned in fiscal years 2010, 2011, and 2012.

(c) Represents the full grant date fair value of stock awards for fiscal years 2010, 2011 and 2012, in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. For a discussion of assumptions used in calculation of these amounts, please see Note J to our consolidated financial statements included in our 2012 Annual Report on Form 10-K. For both Mr. Motamed s performance based RSUs and the performance share unit awards for Messrs. Mense, Pontarelli and Wilson, the amount reported assumes target level achievement, please refer to the Stock-Based Awards section of the Compensation Discussion and Analysis for more details on these awards.

(d) Represents the full grant date fair value for fiscal years 2010, 2011, and 2012 related to stock option/SARs awards for financial statement reporting purposes, excluding forfeitures, in accordance with Financial Accounting Standards Board Accounting Codification Topic 718. For a discussion of assumptions used in calculation of these amounts, please see Note J to our consolidated financial statements included in our 2012 Annual Report on Form 10-K.

(e) Amounts disclosed are annual incentive cash awards, NOI-based long-term cash awards and BV-based long-term cash awards earned in 2010, 2011 and 2012 fiscal years under the Incentive Compensation Plan. As mentioned above, the NOI-based LTI plan was replaced with the BV-based LTI plan beginning with the 2010-2012 cycle. The first scheduled payout under the BV-based LTI plan is scheduled to occur in March 2013 with payouts reflected under the 2012 fiscal year except for Mr. Kantor, who elected to remain in the NOI-based LTI plan through the term of his employment agreement. The BV-based long-term awards are earned based on adjusted book value growth over a three-year performance period. NOI-based long-term cash awards are earned based on net operating income targets over a three- year performance period (please see table below for additional information). For 2012, NOI-based long-term cash awards for Mr. Kantor represent 66% of his target relating to the 2012 year for the 2010-2012 and the 2011-2013 run-off cycles. Mr. Kantor commenced participation in the 2012-2014 BV-based LTI Plan cycle scheduled to be paid in March 2015.

Name	Year	Annual Incentive Cash Awards	Long-Term Cash Awards	Total Non-Equity Incentive Plan Compensation
Thomas F. Motamed	2012	$ 3,250,000	$ 500,000	$ 3,750,000
	2011	$ 3,250,000	$ 70,833	$ 3,320,833
	2010	$ 3,250,000	$ 200,000	$ 3,450,000
D. Craig Mense	2012	$ 1,600,000	$ 600,000	$ 2,200,000
	2011	$ 1,500,000	$ 58,437	$ 1,558,437
	2010	$ 1,600,000	$ 160,000	$ 1,760,000
Jonathan D. Kantor	2012	$ 1,350,000	$ 176,000	$ 1,526,000
	2011	$ 1,200,000	$ 204,000	$ 1,404,000
	2010	$ 1,500,000	$ 288,000	$ 1,788,000
Thomas Pontarelli	2012	$ 975,000	$ 506,250	$ 1,481,250
	2011	$ 900,000	$ 59,500	$ 959,500
	2010	$ 950,000	$ 162,000	$ 1,112,000
Peter W. Wilson	2012	$ 0	$ 525,000	$ 525,000
	2011	$ 900,000	$ 39,667	$ 939,667
	2010	$ 1,000,000	$ 112,000	$ 1,112,000

(f) The amount shown for the NEOs is attributable to the change in actuarial present value of the accumulated benefit under defined benefit plans. There can be no assurance that the amounts shown will ever be realized by the NEOs. For assumptions used in calculation of these amounts, please see the 2012 Pension Benefits Table.
(g) Please refer to the All Other Compensation Table below for additional information.
(h) Amounts represent retention bonus payments in connection with the CEO transition.
(i) Amounts reported include $150,000 special bonus for outstanding performance in 2010.
(j) Mr. Wilson retired as of close of business December 31, 2012.

2012 ALL OTHER COMPENSATION TABLE

The following 2012 All Other Compensation Table describes each component of the All Other Compensation column in the Summary Compensation Table for the year ended December 31, 2012.

Name	Year	Parking Benefit	Tax Preparation	Executive Physicals	Company Aircraft (a)	Club Memberships/ Companion Travel	Tax Reimbursements (b)	Dividend Equivalent Payments (c)	Company S-CAP and SES-CAP Contributions	Severance (d)	Total
Thomas F. Motamed	2012	$ 1,920		$ 7,862	$ 337,364	$ 8,000	$ 53,077	$ 57,709	$ 452,900		$ 918,832
D. Craig Mense	2012	$ 1,920	$ 2,500		$ 39,881	$ 7,101	$ 1,915		$ 198,255		$ 251,571
Jonathan D. Kantor	2012					$ 11,904			$ 33,600		$ 45,504
Thomas Pontarelli	2012	$ 1,920		$ 134		$ 7,425	$ 95		$ 29,400		$ 38,974
Peter W. Wilson	2012					$ 16,325			$ 29,400	$ 2,571,800	$ 2,617,525

(a) Represents amounts for personal use of Company aircraft which represents the aggregate incremental cost to the Company. Aggregate incremental cost calculation includes variable costs associated with the personal use of Company aircraft and includes but is not limited to the following: fuel, maintenance labor and parts, engine maintenance, landing/parking fees, crew expenses, catering and supplies.

(b) Under the Internal Revenue Code, the Company is required to impute income to each NEO for the value of perquisites. The amounts represented are reimbursements for taxes on imputed income related to executive physicals and personal use of Company aircraft applying the Standard Industry Fare Level (SIFL) methodology.

(c) Represents dividend equivalent payments made to Mr. Motamed in connection with vesting of restricted shares.

(d) Represents severance related amounts in connection with the executive s termination.

2012 GRANTS OF PLAN-BASED AWARDS TABLE

The following 2012 Grants of Plan-Based Awards Table provides additional information on awards and non-equity incentive plan awards granted to each of the NEOs during the year ended December 31, 2012.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock Awards
Name	Type of Award	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(a)
Thomas F. Motamed	Performance RSUs	2/27/12				140,646	175,808	175,808(b)	$ 4,978,883
	LTI (Book Value based)	2/27/12	$ 125,000	$ 250,000	$ 500,000(c)				
	Annual Cash	2/27/12		$ 2,500,000	$ 4,000,000(d)				
D. Craig Mense	LTI (Book Value based)	2/27/12	$ 257,813	$ 515,625	$ 1,031,250(c)	9,103	18,207	36,414(c)	$ 515,622
	Annual Cash	2/27/12		$ 1,237,500	$ 2,475,000(d)				
Jonathan D. Kantor	LTI (Book Value based)	2/27/12	$ 200,000	$ 400,000	$ 800,000(c)	7,062	14,124	28,248(c)	$ 399,992
	LTI (NOI based)	2/27/12	$ 80,000	$ 160,000	$ 320,000(e)				
	Annual Cash	2/27/12		$ 1,200,000	$ 1,600,000(d)				
Thomas Pontarelli	LTI (Book Value based)	2/27/12	$ 218,750	$ 437,500	$ 875,000(c)	7,724	15,448	30,896(c)	$ 437,487
	Annual Cash	2/27/12		$ 875,000	$ 1,750,000(d)				
Peter W. Wilson	LTI (Book Value based)	2/27/12	$ 218,750	$ 437,500	$ 875,000(c)	7,724	15,448	30,896(c)	$ 437,487
	Annual Cash	2/27/12		$ 875,000	$ 1,750,000(d)				

(a) Represents full grant date fair value of 2012 awards calculated in accordance with Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718. For a discussion of assumptions, see Note J to our consolidated financial statements included in our 2011 Annual Report on Form 10-K. There can be no assurance that amounts shown under the Grant Date Fair Value of Stock and Option/SARs Awards will ever be realized by the NEOs.
(b) On February 27, 2012 Mr. Motamed was awarded a performance-based RSU award with a target value of $5 million (or 175,808 target shares). At the February 5, 2013 Compensation Committee meeting, the Compensation Committee determined that the achievement for this award was equal to 100% (175,808 shares). Please refer to the Stock-Based Awards section of the Compensation Discussion and Analysis for more details on this award.
(c) These amounts represent BV-based long-term incentive awards made under the Incentive Compensation Plan which is administered by the Compensation Committee. For Messrs. Mense, Kantor, Pontarelli and Wilson the award has a 50% cash component and 50% equity component. For Mr. Motamed the award only has a 100% cash component. The BV- based long-term incentive awards are granted annually and are earned based on adjusted book value growth over a three- year performance period and will become payable only to the extent that specified adjusted book value growth goals are achieved. The payouts can vary from 0% to 200% of the original target based on the attainment of performance goals. Only awards related to the 2012-2014 performance cycle are included in this table. Please refer to the Incentive Compensation Awards section of the Compensation Discussion & Analysis for more information concerning these awards.
(d) These amounts represent annual incentive cash awards granted under the Incentive Compensation Plan. The awards for Messrs. Motamed, Mense, Kantor, Pontarelli, and Wilson consist of an amount equal to a portion of that percentage of NOI established by the Compensation Committee as the annual performance goal, subject to maximum amounts. The actual 2012 annual incentive cash award achievements were determined and approved by the Compensation Committee on February 5, 2013 and are reflected in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column. Please refer to the Annual Incentive Cash Compensation Awards section of the Compensation Discussion and Analysis for more information concerning these awards.
(e) Represents the NOI-based long-term incentive cash awards made under the Incentive Compensation Plan which is administered by the Compensation Committee. The NOI-based long-term incentive cash awards are earned based on NOI targets over a three-year performance period and will become payable only to the extent that specified NOI goals are achieved. The payouts can vary from 0% to 200% of the original target based on attainment of performance goals. Mr. Kantor has elected to remain in the NOI-based LTI plan through the term of his employment agreement covering the 2010-2012 and 2011-2013 cycles. Only 2012 LTI cash awards which represent 66% of Mr. Kantor s target relating to the 2012 year of the 2010-2012 and 2011-2013 cycles are included in this table. Please refer to the Long-Term Incentive Plan section of the Compensation Discussion and Analysis for more information concerning these awards.

Narrative Supplement to the 2012 Summary Compensation Table and the 2012 Grants of Plan-Based Awards Table

From and after the time individuals become NEOs, the terms of their employment and the form of their written arrangements are approved by the Compensation Committee, except the Chairman and Chief Executive Officer, whose terms of employment and form of agreement are approved by the Board of Directors.

Mr. Motamed

Pursuant to an employment agreement, dated May 22, 2008, and as amended October 24, 2008, March 3, 2010 and September 8, 2011, Mr. Thomas F. Motamed currently serves as Chairman of the Board and Chief Executive Officer of the Company and as Chairman of the Board, President and Chief Executive Officer of the CNA insurance companies. The term of the employment agreement expires December 31, 2016. His annual base compensation is $1,000,000, subject to potential increases by our Board of Directors or Compensation Committee. In addition, Mr. Motamed is entitled to earn annual incentive cash awards under the Incentive Compensation Plan with an annual target bonus opportunity of $2.5 million and a maximum annual bonus opportunity of $4 million, as well as certain long-term incentive cash awards, calculated pursuant to specific performance goals as outlined in the Compensation Discussion and Analysis section above, and as determined by the Compensation Committee and subject to its approval and adjustment. Under the employment agreement, Mr. Motamed is entitled to an annual target grant of performance-based RSUs with a value of $5 million, based upon the volume weighted average price during the 10 trading days immediately preceding the date of grant.

If Mr. Motamed s employment is terminated by the Company without cause or he resigns for good reason (each as defined in the agreement), he will receive, at a minimum, unpaid base salary through the termination date, the balance of any unpaid annual incentive cash awards and long-term incentive cash awards for the performance period in which termination occurs, prorated to date of termination; full vesting of all outstanding SARs, with SARs remaining exercisable for the lesser of three years following termination or the balance of the maximum term; full vesting of any outstanding RSUs whose vesting is based solely on continued employment; full vesting of performance-based RSUs granted in the calendar year of termination or in the previous year, subject solely to satisfying performance criteria of such RSUs; and 42 months of Company subsidized participation in the medical, dental, vision, life and disability plans in which he was enrolled prior to termination. In the event Mr. Motamed timely executes, delivers and does not revoke a release in the time, manner and form described in the agreement, he shall be entitled to receive severance payments in the amount of $312,500 per month commencing with month of termination through the remaining term of his employment agreement; provided however, severance payments shall be made for a period of no less than six months following termination and any severance payments will be made in substantially equal installments, not less frequently than monthly. Mr. Motamed is also entitled to the following special termination payments: (i) a payment of $15,000 annually commencing January 2014 and ending on January 2033; and (ii) a lump sum payment equal to $1.5 million to be paid within 30 days following termination. The foregoing severance payments are subject to deferral pursuant to the provisions of IRC Section 409A and the Treasury Regulations related to it.

If Mr. Motamed s employment is terminated in connection with a change of control, as such term is defined in his employment agreement, he will receive: any unpaid base salary through the termination date, the balance of any unpaid annual incentive cash awards and long-term incentive cash awards for the performance period in which termination occurs, prorated to the date of termination; full vesting of all outstanding SARs, with SARs remaining exercisable for the lesser of 90 days following termination or the balance of the maximum term; full vesting of any outstanding RSUs where vesting is based solely on continued employment; and full vesting of any earned but unvested performance-based RSUs. In addition, Mr. Motamed is entitled to reimbursement, on an after-tax basis, for any excise tax due as a result of any payment under his employment agreement being treated as an excess parachute payment under IRC Section 280G.

Mr. Mense

D. Craig Mense s employment arrangement is governed by a letter agreement entered into with the Company on February 22, 2011. The term of the letter agreement expires on December 31, 2013. Mr. Mense s annual base compensation is $825,000 and is subject to discretionary adjustments by the committee. Mr. Mense is eligible to earn annual incentive cash awards under the Incentive Compensation Plan with a target annual bonus opportunity equal to 150% of his base salary, and certain long-term incentive awards, calculated pursuant to specific performance goals as outlined in the Compensation Discussion and Analysis section above and as determined by the Compensation Committee and subject to its approval and adjustment.

Pursuant to the letter agreements, if Mr. Mense s employment is terminated by the Company involuntarily for any reason except cause (as defined in the agreement), he will receive prorated salary and benefits through the event. In addition, if Mr. Mense s employment is terminated by the Company without cause or he resigns for good reason (each as defined in the agreement) prior to December 31, 2013, he will receive prorated salary and benefits through the event, and severance payments in a total amount equal to $3.6 million, provided that such amount would decrease on a straight-line basis prorated monthly (i.e., $100,000 monthly), but in no event would be less than two times his annual base salary in effect at the time of such termination. Payments, if any, under incentive plans, including annual and long-term incentive plans, will be determined by the terms of the respective plans, subject to deferral pursuant to the provisions of IRC Section 409A and the Treasury Regulations related to it.

Mr. Kantor

Jonathan D. Kantor s employment arrangement is governed by a letter agreement entered into with the Company on April 4, 2011. The term of the letter agreement expires on June 30, 2014. Mr. Kantor s annual base compensation is $800,000 and is subject to discretionary adjustments by the committee. Mr. Kantor is eligible to earn annual incentive cash awards under the Incentive Compensation Plan with a target annual bonus opportunity equal to 150% of his base salary (or $1.2M) and a maximum annual bonus opportunity equal to $1.6M, as well as certain long-term incentive awards, calculated pursuant to specific performance goals as outlined in the Compensation Discussion and Analysis section above and as determined by the Compensation Committee and subject to its approval and adjustment.

Pursuant to the letter agreement, if Mr. Kantor s employment is terminated by the Company involuntarily for any reason except cause (as defined in the agreement), he will receive prorated salary and benefits through the event. In addition, if Mr. Kantor s employment is terminated by the Company without cause or he resigns for good reason (each as defined in the agreement) prior to June 30, 2014, he will receive prorated salary and benefits through the event, and severance payments in a total amount equal to $3.6 million, provided that such amount would decrease on a straight-line basis prorated monthly (i.e., $100,000 monthly), but in no event would be less than two times his annual base salary in effect at the time of such termination. Payments, if any, under incentive plans, including annual and long-term incentive plans, will be determined by the terms of the respective plans, subject to deferral pursuant to the provisions of IRC Section 409A and the Treasury Regulations related to it.

Mr. Pontarelli

Mr. Thomas Pontarelli serves as Executive Vice President and Chief Administration Officer of the CNA insurance companies. Mr. Pontarelli s base compensation was increased to $700,000, as approved at the January 28, 2011 Compensation Committee meeting, and is subject to discretionary adjustments by the committee. Mr. Pontarelli is eligible to earn annual incentive cash awards under the Incentive Compensation Plan with a target annual bonus opportunity equal to 125% of his base salary, and certain long-term incentive awards, calculated pursuant to specific performance goals as outlined in the Compensation Discussion and Analysis section above and as determined by the Compensation Committee and subject to its approval and adjustment. There are no contractual severance terms applicable to Mr. Pontarelli.

Mr. Wilson

Peter W. Wilson s employment arrangement was governed by a letter agreement entered into with the Company on November 18, 2011. As previously disclosed, Mr. Wilson retired from the Company, effective December 31, 2012. Mr. Wilson s annual base compensation was $700,000 and was subject to discretionary adjustments by the committee. Mr. Wilson was eligible to earn annual incentive cash awards under the Incentive Compensation Plan with a target annual bonus opportunity equal to 125% of his base salary, and certain long-term incentive awards, calculated pursuant to specific performance goals as outlined in the Compensation Discussion and Analysis section above and as determined by the Compensation Committee and subject to its approval and adjustment.

The Company entered into a General Release and Settlement Agreement with Mr. Wilson on December 26, 2012 in connection with Mr. Wilson s retirement from the Company. Pursuant to such Settlement Agreement, Mr. Wilson received payments to which he was entitled pursuant to the aforementioned letter agreement, including a severance amount equal to the sum of one year of his annual base salary, plus his then current annual target bonus. In addition, the Company agreed to provide to Mr. Wilson a settlement payment of approximately $2.0 million to $2.6 million, inclusive of payments made in connection with the Company s long-term incentive plan, such payment amount dependent on actual future results of the Company in 2013 and 2014.

2012 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END TABLE

The following 2012 Outstanding Equity Awards at Fiscal Year End Table summarizes equity awards made to the NEOs which were outstanding as of December 31, 2012.

		Option/SARs Awards				Stock Awards			
Name	**Date of Grant**	**Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable**	**Number of Securities Underlying Unexercised Options/ SARs (#) Unexercisable**	**Option/ SARs Exercise Price (a) ($)**	**Option/ SARs Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Thomas F. Motamed	1/2/2009	60,000	20,000(b)	16.50	1/2/2019				
	1/2/2009					32,616(c)	$ 913,574		
	2/4/2009					41,632(d)	$ 1,166,112		
	3/3/2010	40,000	40,000(e)	25.56	3/3/2020				
	3/3/2010					70,880(f)	$ 1,985,349		
	1/28/2011	20,000	60,000(g)	27.11	1/28/2021				
	1/28/2011					63,888(h)	$ 1,789,503		
	2/27/2012					175,808(i)	$ 4,924,382		
D. Craig Mense	11/29/2004	25,000	-0-	26.15	11/29/2014				
	2/9/2005	25,000	-0-	27.27	2/9/2015				
	2/8/2006	25,000	-0-	30.98	2/8/2016				
	2/7/2007	25,000	-0-(j)	41.86	2/7/2017				
	2/6/2008	30,000	-0-(k)	32.54	2/6/2018				
	2/4/2009	22,500	7,500(l)	11.51	2/4/2019				