



CNA Financial Corporation Fourth Quarter 2016 Results

February 6, 2017



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Fourth Quarter and Full Year Highlights

Fourth Quarter

- Net operating income of \$221 million or \$0.82 per share; operating ROE of 7.4%
- P&C combined ratio of 99.9%; 98.3% excluding catastrophes and development
- Special dividend of \$2.00 per share and regular quarterly dividend of \$0.25 per share

Full Year 2016

- Net operating income of \$824 million or \$3.04 per share; a 60% increase over prior-year
- P&C combined ratio of 95.9%; 97.9% excluding catastrophes and development
- Significant improvement in Life & Group Non-Core results
- Operating ROE of 6.8%

Capital Management

- Returned \$813 million of capital to shareholders during 2016
- Book value per share ex AOCI of \$44.89
 - An increase of 7% from year-end 2015, adjusting for dividends
- Continue to maintain a very strong balance sheet and capital adequacy

Financial Performance

(In millions, except per share data)

	Fourth Quarter			Year to Date		
	2016	2015	Change	2016	2015	Change
Revenues	\$2,390	\$2,269	5%	\$9,366	\$9,101	3%
Net operating income	221	(52)	n/m	824	515	60%
Net income	241	(70)	n/m	859	479	79%
Diluted earnings per common share:						
Net operating income	\$0.82	(\$0.19)	n/m	\$3.04	\$1.90	60%
Net income	0.89	(0.26)	n/m	3.17	1.77	79%
Net operating income ROE	7.4%	(1.7%)	n/m	6.8%	4.2%	2.6 pts

	Dec 31, 2016	Dec 31, 2015	Change
Book value per common share	\$44.25	\$43.49	2%
Book value per common share ex AOCI	44.89	44.66	1%
Dividends Paid (YTD)	3.00	3.00	

Property & Casualty Operations

Strong results in Specialty and International; Commercial results disappointing

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2016	2015	2016	2015
Net written premium	\$1,525	\$1,585	\$6,442	\$6,421
NWP Change (% year over year)	(4%)		0%	
Underwriting gain (loss)	\$0	\$20	\$261	\$292
Loss ratio excluding catastrophes and development	63.4%	61.7%	62.8%	61.9%
Impact of catastrophes	1.8%	2.4%	2.6%	2.2%
Impact of development-related items	(0.2%)	(1.2%)	(4.6%)	(3.1%)
Loss ratio	65.0%	62.9%	60.8%	61.0%
Expense ratio	35.1%	35.8%	34.9%	34.2%
<i>Acquisition expense</i>	20.1%	20.3%	19.5%	19.4%
<i>Underwriting expense</i>	15.0%	15.5%	15.4%	14.8%
Combined ratio	99.9%	98.9%	95.9%	95.4%
Combined ratio excluding catastrophes and development	98.3%	97.7%	97.9%	96.3%
Pretax impact of catastrophe losses	\$28	\$38	\$165	\$141
Pretax impact of development-related items	(2)	(17)	(299)	(199)

Specialty

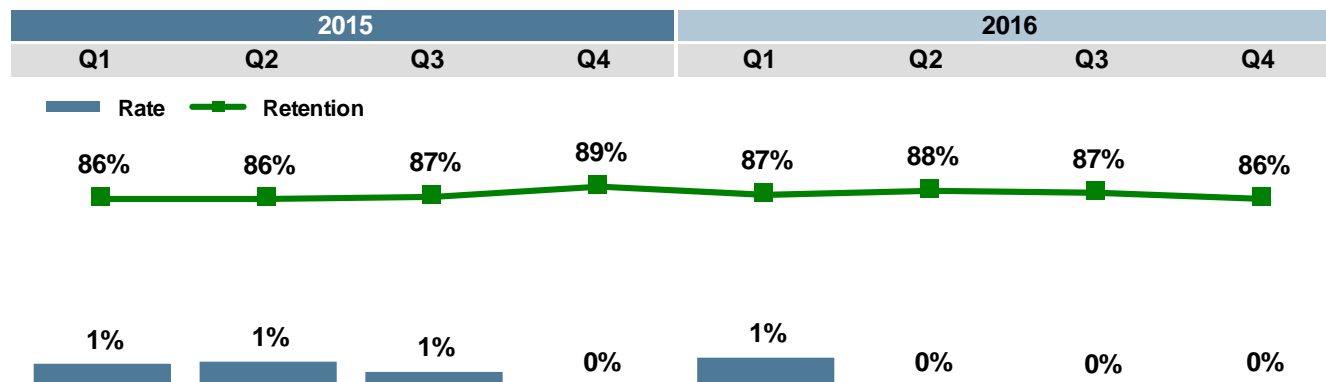
Another excellent earnings quarter driven by significant favorable development

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2016	2015	2016	2015
Net written premium	\$672	\$704	\$2,780	\$2,781
NWP Change (% year over year)	(5%)		(0%)	
Underwriting gain (loss)	\$99	\$36	\$416	\$314
Loss ratio excluding catastrophes and development	64.0%	63.5%	62.9%	62.3%
Impact of catastrophes	0.5%	(0.3%)	0.6%	0.4%
Impact of development-related items	(11.0%)	(0.1%)	(10.7%)	(5.3%)
Loss ratio	53.5%	63.1%	52.8%	57.4%
Expense ratio	32.4%	31.7%	32.0%	31.1%
Acquisition expense	20.2%	20.1%	20.1%	19.8%
Underwriting expense	12.2%	11.6%	11.9%	11.3%
Combined ratio	85.6%	95.0%	85.0%	88.7%
Combined ratio excluding catastrophes and development	96.1%	95.4%	95.1%	93.6%
Pretax impact of catastrophe losses	\$4	(\$2)	\$18	\$13
Pretax impact of development-related items	(76)	(1)	(305)	(152)

Specialty Production Metrics

Maintaining discipline while market conditions remain challenging



	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
New Business (\$m)	\$76	\$63	\$67	\$73	\$65	\$61	\$66	\$60

Healthcare								
Rate	3%	3%	3%	3%	4%	3%	2%	2%
Retention	82%	80%	84%	87%	82%	85%	84%	82%

Mgmt & Prof Liability								
Rate	0%	0%	-1%	-1%	0%	-1%	-1%	0%
Retention	89%	90%	89%	90%	90%	90%	90%	89%

Surety								
Net Written Premiums	\$109	\$117	\$116	\$106	\$117	\$120	\$123	\$101

Warranty & Alt. Risks								
Revenues	\$100	\$105	\$109	\$146	\$120	\$136	\$130	\$125

Commercial

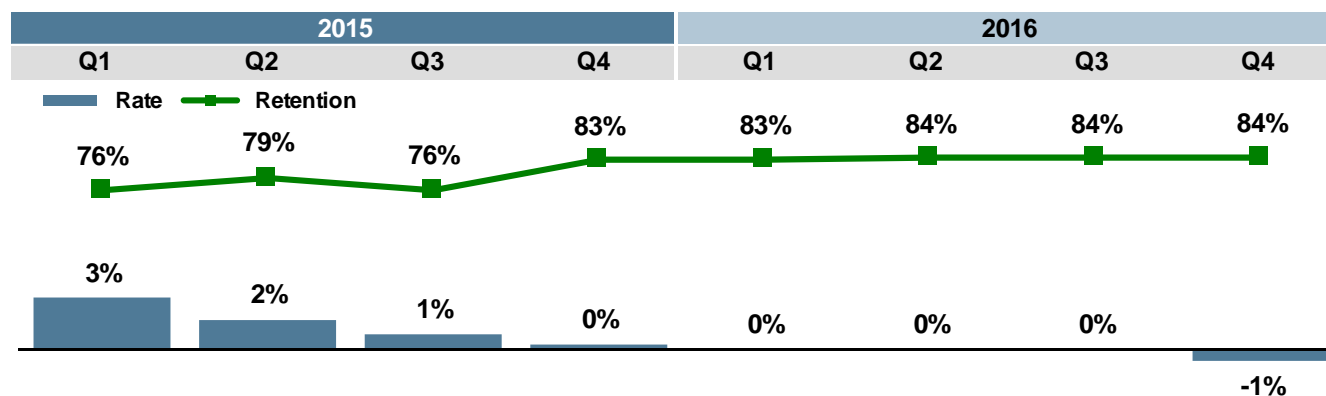
Adverse development from exited lines of business and premium adjustments weigh on results

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2016	2015	2016	2015
Net written premium	\$669	\$700	\$2,841	\$2,818
NWP Change (% year over year)	(4%)		1%	
Underwriting gain (loss)	(\$126)	\$4	(\$162)	(\$41)
Loss ratio excluding catastrophes and development	64.0%	59.3%	62.1%	61.6%
Impact of catastrophes	3.0%	2.7%	4.1%	3.6%
Impact of development-related items	14.2%	(1.4%)	2.5%	(0.1%)
Loss ratio	81.2%	60.6%	68.7%	65.1%
Expense ratio	36.9%	38.6%	36.8%	36.1%
Acquisition expense	19.4%	19.9%	18.3%	18.2%
Underwriting expense	17.5%	18.7%	18.5%	17.9%
Combined ratio	118.0%	99.6%	105.8%	101.5%
Combined ratio excluding catastrophes and development	100.8%	98.3%	99.2%	98.0%
Pretax impact of catastrophe losses	\$21	\$18	\$116	\$101
Pretax impact of development-related items	102	(9)	70	(10)

Commercial Production Metrics

Stable retention reflects improved portfolio and execution



New Business (\$m)	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
	\$138	\$149	\$135	\$130	\$137	\$146	\$135	\$106

Small Business

Rate	4%	4%	3%	3%	3%	3%	2%	-4% ¹
Retention	69%	73%	73%	74%	78%	79%	79%	79%

Middle Market

Rate	3%	1%	0%	-1%	-1%	-2%	-2%	-2%
Retention	77%	82%	83%	85%	85%	86%	87%	84%

Other²

Rate	2%	1%	0%	0%	1%	0%	1%	1%
Retention	78%	78%	68%	86%	83%	83%	82%	84%

¹ Premium adjustment reduced rate by 7 percentage points

² Other domestic property & casualty business

International

Strong quarterly results driven by reserve releases

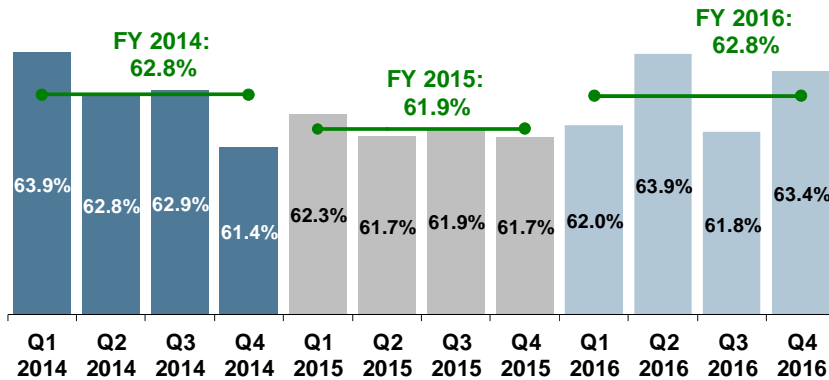
(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2016	2015	2016	2015
Net written premium	\$184	\$181	\$821	\$822
NWP Change (% year over year)	2%		(0%)	
Underwriting gain (loss)	\$27	(\$20)	\$7	\$19
Loss ratio excluding catastrophes and development	59.4%	63.5%	64.8%	61.7%
Impact of catastrophes	1.7%	10.7%	3.9%	3.3%
Impact of development-related items	(12.8%)	(3.9%)	(7.7%)	(5.5%)
Loss ratio	48.3%	70.3%	61.0%	59.5%
Expense ratio	37.8%	39.6%	38.1%	38.1%
Acquisition expense	22.2%	22.1%	21.9%	22.0%
Underwriting expense	15.6%	17.5%	16.2%	16.1%
Combined ratio	86.1%	109.9%	99.1%	97.6%
Combined ratio excluding catastrophes and development	97.2%	103.1%	102.9%	99.8%
Pretax impact of catastrophe losses	\$3	\$22	\$31	\$27
Pretax impact of development-related items	(28)	(7)	(64)	(37)

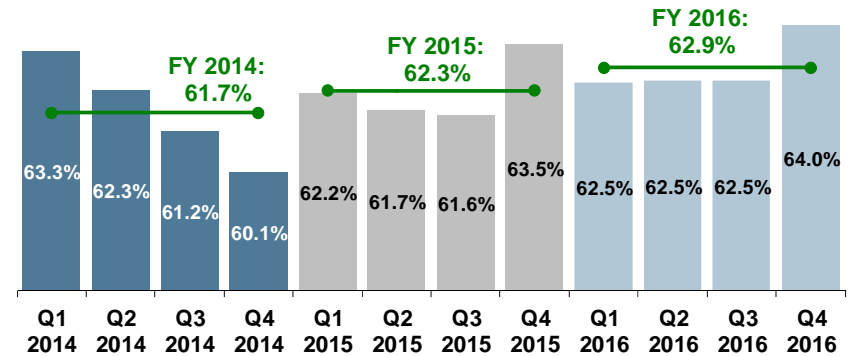
Loss Ratio Ex Catastrophes and Development

Large losses elevate fourth quarter and full year results

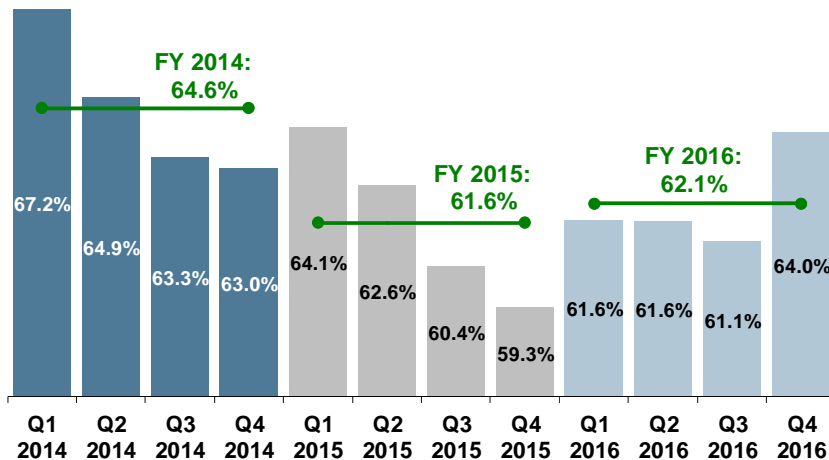
P&C Operations



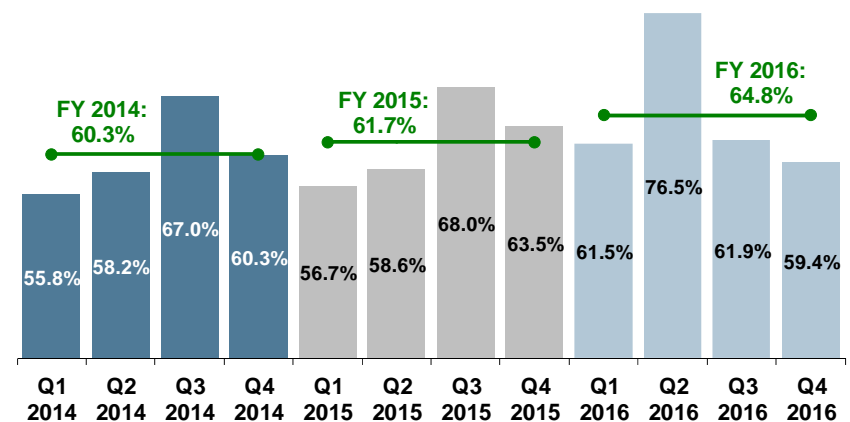
Specialty



Commercial



International



Life & Group Non-Core

Improved results in line with reset assumptions. Favorable outcome of claim reserve review led to a \$30 million pre-tax release of redundant claim reserves

(In millions)

	Fourth Quarter		Year to Date	
	2016	2015	2016	2015
Net earned premiums	\$135	\$136	\$536	\$548
Net investment income	200	164	767	704
Other revenues	(1)	(1)	(2)	7
Total operating revenues	334	299	1,301	1,259
Total claims, benefits and expenses	342	710	1,426	1,888
Net operating income (loss)	\$20	(\$243)	\$20	(\$314)

Long Term Care Active Life Reserve Review

Long Term Care reserve review resulted in a margin increase

\$m

Margin at December 31, 2015: \$0

Changes in Underlying Assumption of:	Morbidity	<ul style="list-style-type: none"> Minor refinements to claim incidence at the product level 	(130)
	Persistency	<ul style="list-style-type: none"> Minor adjustments to policyholder lapse assumptions 	25
	Discount Rate	<ul style="list-style-type: none"> Reinvestment assumptions substantially in-line with 2015 expectations 	(45)
	Premium Rate Actions	<ul style="list-style-type: none"> Driven by new ILTC rate increase efforts and better than expected achievement on current GLTC efforts 	350
	Expense & Other	<ul style="list-style-type: none"> Moderately reduced administrative expense assumptions 	55

Margin at December 31, 2016: \$255

Financial Strength

(In millions, except per share data or otherwise noted)

	Dec 31, 2016	Dec 31, 2015
Debt	\$2,710	\$2,560
Common equity	11,969	11,756
Total capital	\$14,679	\$14,316
Debt-to-capital	18.5%	17.9%
Book value per common share excluding AOCI	\$44.89	\$44.66
Holding company cash	\$488	\$482
Total investments	\$45.4b	\$44.7b
<u>Statutory Information:</u>		
Statutory surplus (estimate)	\$10.7b	\$10.7b
Statutory dividend capacity	\$314	\$179

Capital

- Conservative capital structure
- All capital metrics at or better than target levels

Leverage

- Debt-to-capital ratio below target of 20% to 25%
- Well balanced debt maturity profile

Liquidity

- Liquidity profile remains very strong
- \$296 million quarterly operating cash flow

Investment portfolio

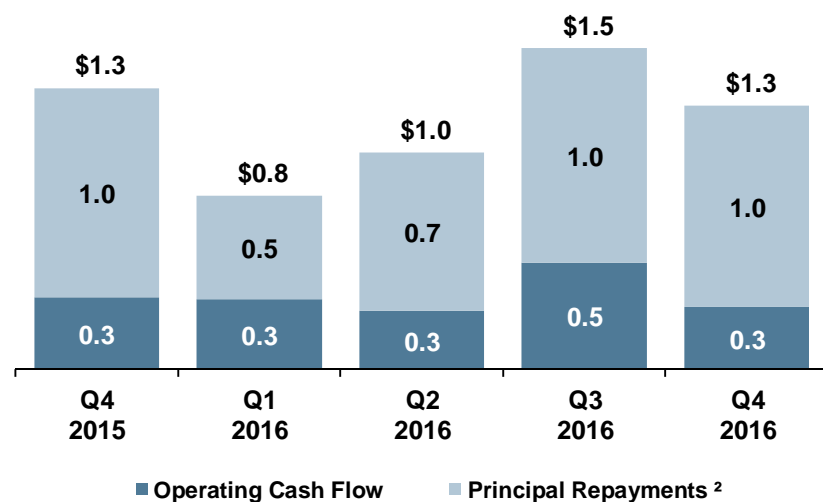
- High quality investment portfolio (average credit quality "A")
- Net unrealized investment gains of \$2.5 billion pre-tax at December 31, 2016

Strong Liquidity Profile

Ample operating cash flow and liquidity

Operating Company Liquidity ¹

\$b



Holding Co. Liquidity & Obligations

\$m

As of December 31, 2016	
2016 Operating company dividend capacity	\$1,079
Less: Last twelve months dividends	(765)
Current operating company dividend capacity	\$314
Holding company cash	488
Availability under credit facility	250
Net corporate sources	\$1,052
Estimated annual pre-tax corporate obligations:	
Interest expense on outstanding debt	\$152
Common quarterly dividends (\$0.25/share)	270
Net corporate obligations	\$422

¹ Excludes availability under Federal Home Loan Bank facility

² Principal repayments from investments include maturities, prepayments from structured securities, calls and bank debt pay-downs

Investment Management

Well diversified and liquid investment portfolio with an average credit quality rating of “A”

	December 31, 2016		Net Unrealized Gains (Losses)	
	Asset Class (\$m)	Carrying Value		
	\$	%	\$	
More liquid 79%	Short Term	\$1,407	3%	\$1
	US Government	93	0%	10
	Investment Grade Corp	16,818	37%	1,156
	Foreign Government	445	1%	10
	Agency MBS	4,119	9%	21
	Tax Exempt Muni	10,430	23%	834
	Taxable Muni	2,810	6%	346
	Redeemable Preferred	19	0%	1
	Common Stock	19	0%	6
Total	36,160	79%	2,385	
14%	Non Agency CMBS and ABS	3,010	7%	27
	Non Agency RMBS	1,009	2%	48
	Below Investment Grade Corp	2,152	5%	91
	Non Redeemable Preferred	91	0%	(2)
Total	6,262	14%	164	
7%	Mortgage Loans	591	1%	0
	Limited Partnerships / Other	2,407	6%	0
Total	2,998	7%	0	
Less liquid	Total Invested Assets ¹	\$45,420	100%	\$2,549

Highlights

- High-quality, liquid portfolio aligned with our business objectives
- Diversified fixed income investment strategy with highest allocation to investment grade corporate

Fixed Income Portfolio	Carrying Value	Duration
Life & Group Non-Core	\$15.7b	8.7 yrs
P&C & Corporate	26.7b	4.6 yrs
Total Fixed Income	\$42.4b	6.1 yrs

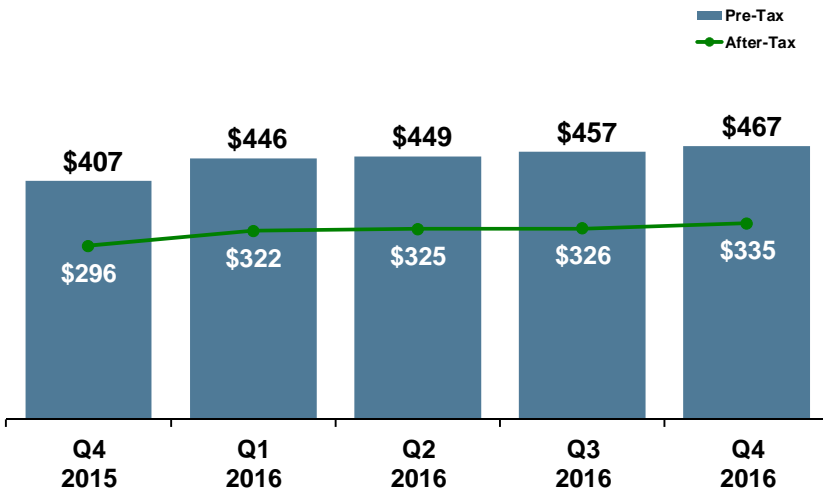
¹ Net unrealized gain after shadow adjustment was \$989 million

Net Investment Income

Steady fixed income results; LP returns remain at a normalized level

Fixed Income

\$m

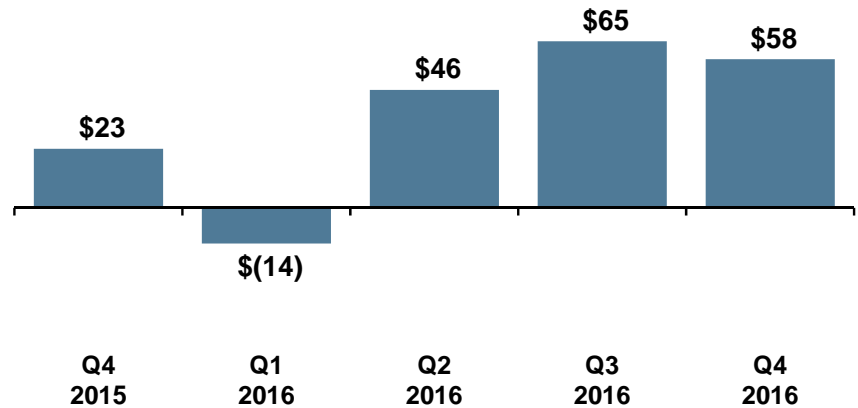


Fixed Maturities Annualized Yield After-Tax

3.2% 3.4% 3.5% 3.4% 3.5%

Limited Partnerships

\$m



LP Quarterly Return Pre-Tax

0.9% -0.6% 1.8% 2.6% 2.4%