



CNA Financial Corporation Supplemental Financial Information

March 31, 2017

This report is for informational purposes only and includes consolidated financial statements and financial exhibits that are unaudited. This report should be read in conjunction with documents filed with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K.

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Statements of Operations

Three months ended March 31

(In millions)

Revenues:

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|--------------|--------------|---------------|
| Net earned premiums | \$ 1,645 | \$ 1,699 | (3) % |
| Net investment income | 545 | 435 | 25 |
| Net realized investment gains (losses): | | | |
| Other-than-temporary impairment (OTTI) losses | (2) | (23) | |
| Other net realized investment gains (losses) | 38 | (13) | |
| Net realized investment gains (losses) | <u>36</u> | <u>(36)</u> | |
| Other revenues | 104 | 97 | |
| Total revenues | <u>2,330</u> | <u>2,195</u> | 6 |

Claims, Benefits and Expenses:

| | | | |
|--|----------------------|---------------------|-------|
| Insurance claims and policyholders' benefits | 1,293 | 1,408 | |
| Amortization of deferred acquisition costs | 305 | 307 | |
| Other operating expenses | 346 | 381 | |
| Interest | 43 | 42 | |
| Total claims, benefits and expenses | <u>1,987</u> | <u>2,138</u> | 7 |
| Income (loss) before income tax | <u>343</u> | <u>57</u> | |
| Income tax (expense) benefit | (83) | 9 | |
| Net income (loss) | <u><u>\$ 260</u></u> | <u><u>\$ 66</u></u> | N/M % |

Components of Income (Loss), Per Share Data and Return on Equity

Three months ended March 31

(In millions, except per share data)

Components of Income (Loss)

| | <u>2017</u> | <u>2016</u> |
|--|---------------|--------------|
| Net operating income (loss) | \$ 235 | \$ 91 |
| Net realized investment gains (losses) | 25 | (25) |
| Net income (loss) | <u>\$ 260</u> | <u>\$ 66</u> |

Diluted Earnings (Loss) Per Common Share

| | | |
|--|----------------|----------------|
| Net operating income (loss) | \$ 0.87 | \$ 0.34 |
| Net realized investment gains (losses) | 0.09 | (0.10) |
| Diluted earnings (loss) per share | <u>\$ 0.96</u> | <u>\$ 0.24</u> |

Weighted Average Outstanding Common Stock and Common Stock Equivalents

| | | |
|---------|-------|-------|
| Basic | 270.7 | 270.3 |
| Diluted | 271.7 | 270.9 |

Return on Equity

| | | |
|--|-------|-------|
| Net income (loss) ⁽¹⁾ | 8.8 % | 2.3 % |
| Net operating income (loss) ⁽²⁾ | 7.9 | 3.1 |

(1) Annualized net income (loss) divided by the average stockholders' equity including accumulated other comprehensive income (loss) (AOCI) for the period. Average equity including AOCI is calculated using a simple average of the beginning and ending balances for the period.

(2) Annualized net operating income (loss) divided by the average stockholders' equity excluding AOCI for the period. Average equity excluding AOCI is calculated using a simple average of the beginning and ending balances for the period.

Selected Balance Sheet Data and Statement of Cash Flows Data

(In millions, except per share data)

| | <u>March 31, 2017</u> | <u>December 31, 2016</u> |
|--|-----------------------|--------------------------|
| Total investments | \$ 45,279 | \$ 45,420 |
| Reinsurance receivables, net of allowance for uncollectible receivables | 4,395 | 4,416 |
| Total assets | 55,201 | 55,233 |
| Insurance reserves | 36,663 | 36,431 |
| Debt | 2,710 | 2,710 |
| Total liabilities | 43,508 | 43,264 |
| Accumulated other comprehensive income (loss) ⁽¹⁾ | (92) | (173) |
| Total stockholders' equity | 11,693 | 11,969 |
| Book value per common share | \$ 43.15 | \$ 44.25 |
| Book value per common share excluding AOCI | \$ 43.49 | \$ 44.89 |
| Outstanding shares of common stock (in millions of shares) | 271.0 | 270.5 |
| Statutory capital and surplus - Combined Continental Casualty Companies ⁽²⁾ | \$ 10,415 | \$ 10,748 |

Three months ended March 31, 2017

| | <u>2017</u> | <u>2016</u> |
|--|--------------|-----------------|
| Net cash flows provided (used) by operating activities | \$ 282 | \$ 334 |
| Net cash flows provided (used) by investing activities | 354 | (9) |
| Net cash flows provided (used) by financing activities | (609) | (469) |
| Net cash flows provided (used) by operating, investing and financing activities | <u>\$ 27</u> | <u>\$ (144)</u> |

(1) As of March 31, 2017 and December 31, 2016 the net unrealized gains on investments included in AOCI were net of after-tax Shadow Adjustments of \$1,060 million and \$1,014 million. To the extent that unrealized gains on fixed income securities supporting certain products within the Life & Group Non-Core segment would result in a premium deficiency if realized, an increase in Insurance reserves are recorded, net of tax, as a reduction of net unrealized gains through Other comprehensive income (loss) (Shadow Adjustments).

(2) Statutory capital and surplus as of March 31, 2017 is preliminary.

Property & Casualty - Results of Operations

Three months ended March 31

(In millions)

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|----------------------|----------------------|---------------|
| Gross written premiums | \$ 2,752 | \$ 2,674 | 3 % |
| Net written premiums | 1,632 | 1,668 | (2) |
| Net earned premiums | 1,512 | 1,568 | (4) |
| Net investment income | 343 | 245 | |
| Other revenues | 103 | 94 | |
| Total operating revenues | <u>1,958</u> | <u>1,907</u> | 3 |
| Insurance claims and policyholders' benefits | 942 | 957 | |
| Amortization of deferred acquisition costs | 305 | 307 | |
| Other insurance related expenses | 222 | 244 | |
| Other expenses | 89 | 89 | |
| Total claims, benefits and expenses | <u>1,558</u> | <u>1,597</u> | 2 |
| Operating income (loss) before income tax | 400 | 310 | |
| Income tax (expense) benefit on operating income (loss) | (132) | (103) | |
| Net operating income (loss) | <u><u>\$ 268</u></u> | <u><u>\$ 207</u></u> | 29 % |
| Other Performance Metrics | | | |
| Underwriting gain (loss) | \$ 43 | \$ 60 | (28) % |
| Loss & LAE ratio | 62.0 % | 60.7 % | (1.3) pts |
| Acquisition expense ratio | 19.8 | 19.4 | (0.4) |
| Underwriting expense ratio | 15.1 | 15.8 | 0.7 |
| Expense ratio | <u>34.9</u> | <u>35.2</u> | 0.3 |
| Dividend ratio | 0.3 | 0.2 | (0.1) |
| Combined ratio | <u><u>97.2</u></u> % | <u><u>96.1</u></u> % | (1.1) |
| Combined ratio excluding catastrophes and development | 97.4 % | 97.4 % | — pts |
| Net accident year catastrophe losses incurred | \$ 34 | \$ 36 | |
| Effect on loss & LAE ratio | 2.2 % | 2.3 % | 0.1 pts |
| Net prior year development and other: (favorable) / unfavorable | \$ (27) | \$ (61) | |
| Effect on loss & LAE ratio | (2.4) % | (3.6) % | (1.2) pts |
| Rate | 0 % | 0 % | — pts |
| Retention | 83 % | 84 % | (1) pts |
| New business | \$ 261 | \$ 262 | — % |

Specialty - Results of Operations

Three months ended March 31

(In millions)

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|---------------|---------------|---------------|
| Gross written premiums | \$ 1,747 | \$ 1,632 | 7 % |
| Net written premiums | 679 | 684 | (1) |
| Net earned premiums | 664 | 682 | (3) |
| Net investment income | 153 | 107 | |
| Other revenues | 94 | 87 | |
| Total operating revenues | <u>911</u> | <u>876</u> | 4 |
| Insurance claims and policyholders' benefits | 387 | 391 | |
| Amortization of deferred acquisition costs | 143 | 144 | |
| Other insurance related expenses | 69 | 75 | |
| Other expenses | 81 | 75 | |
| Total claims, benefits and expenses | <u>680</u> | <u>685</u> | 1 |
| Operating income (loss) before income tax | 231 | 191 | |
| Income tax (expense) benefit on operating income (loss) | (77) | (64) | |
| Net operating income (loss) | <u>\$ 154</u> | <u>\$ 127</u> | 21 % |
| Other Performance Metrics | | | |
| Underwriting gain (loss) | \$ 65 | \$ 72 | (10) % |
| Loss & LAE ratio | 58.2 % | 57.1 % | (1.1) pts |
| Acquisition expense ratio | 19.9 | 19.9 | — |
| Underwriting expense ratio | <u>12.0</u> | <u>12.2</u> | 0.2 |
| Expense ratio | 31.9 | 32.1 | 0.2 |
| Dividend ratio | <u>0.1</u> | <u>0.2</u> | 0.1 |
| Combined ratio | <u>90.2 %</u> | <u>89.4 %</u> | (0.8) |
| Combined ratio excluding catastrophes and development | 94.8 % | 94.8 % | — pts |
| Net accident year catastrophe losses incurred | \$ 4 | \$ 4 | |
| Effect on loss & LAE ratio | 0.5 % | 0.6 % | 0.1 pts |
| Net prior year development and other: (favorable) / unfavorable | \$ (36) | \$ (45) | |
| Effect on loss & LAE ratio | (5.1) % | (6.0) % | (0.9) pts |
| Rate | 1 % | 1 % | — pts |
| Retention | 88 % | 88 % | — pts |
| New business | \$ 57 | \$ 65 | (12) % |

Commercial - Results of Operations

Three months ended March 31

(In millions)

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|-----------------------|-----------------------|---------------|
| Gross written premiums | \$ 750 | \$ 779 | (4) % |
| Net written premiums | 715 | 748 | (4) |
| Net earned premiums | 651 | 688 | (5) |
| Net investment income | 178 | 126 | |
| Other revenues | 9 | 6 | |
| Total operating revenues | <u>838</u> | <u>820</u> | 2 |
| Insurance claims and policyholders' benefits | 440 | 445 | |
| Amortization of deferred acquisition costs | 116 | 116 | |
| Other insurance related expenses | 126 | 141 | |
| Other expenses | 14 | 5 | |
| Total claims, benefits and expenses | <u>696</u> | <u>707</u> | 2 |
| Operating income (loss) before income tax | 142 | 113 | |
| Income tax (expense) benefit on operating income (loss) | (48) | (39) | |
| Net operating income (loss) | <u><u>\$ 94</u></u> | <u><u>\$ 74</u></u> | 27 % |
| Other Performance Metrics | | | |
| Underwriting gain (loss) | \$ (31) | \$ (14) | (121) % |
| Loss & LAE ratio | 67.0 % | 64.2 % | (2.8) pts |
| Acquisition expense ratio | 19.1 | 18.4 | (0.7) |
| Underwriting expense ratio | <u>18.3</u> | <u>18.9</u> | 0.6 |
| Expense ratio | <u>37.4</u> | <u>37.3</u> | (0.1) |
| Dividend ratio | <u>0.5</u> | <u>0.4</u> | (0.1) |
| Combined ratio | <u><u>104.9</u></u> % | <u><u>101.9</u></u> % | (3.0) |
| Combined ratio excluding catastrophes and development | <u>100.2</u> % | <u>99.3</u> % | (0.9) pts |
| Net accident year catastrophe losses incurred | \$ 27 | \$ 28 | |
| Effect on loss & LAE ratio | 4.0 % | 4.1 % | 0.1 pts |
| Net prior year development and other: (favorable) / unfavorable | \$ 18 | \$ (11) | |
| Effect on loss & LAE ratio | 0.7 % | (1.5) % | (2.2) pts |
| Rate | 0 % | 0 % | — pts |
| Retention | 83 % | 84 % | (1) pts |
| New business | \$ 139 | \$ 137 | 1 % |

International - Results of Operations

Three months ended March 31

(In millions)

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|---------------|---------------|---------------|
| Gross written premiums | \$ 255 | \$ 263 | (3) % |
| Net written premiums | 238 | 236 | 1 |
| Net earned premiums | 197 | 198 | (1) |
| Net investment income | 12 | 12 | |
| Other revenues | — | 1 | |
| Total operating revenues | <u>209</u> | <u>211</u> | (1) |
| Insurance claims and policyholders' benefits | 115 | 121 | |
| Amortization of deferred acquisition costs | 46 | 47 | |
| Other insurance related expenses | 27 | 28 | |
| Other expenses | (6) | 9 | |
| Total claims, benefits and expenses | <u>182</u> | <u>205</u> | 11 |
| Operating income (loss) before income tax | 27 | 6 | |
| Income tax (expense) benefit on operating income (loss) | (7) | — | |
| Net operating income (loss) | <u>\$ 20</u> | <u>\$ 6</u> | N/M % |
| Other Performance Metrics | | | |
| Underwriting gain (loss) | \$ 9 | \$ 2 | N/M % |
| Loss & LAE ratio | 58.3 % | 61.2 % | 2.9 pts |
| Acquisition expense ratio | 21.8 | 21.0 | (0.8) |
| Underwriting expense ratio | 15.0 | 16.8 | 1.8 |
| Expense ratio | <u>36.8</u> | <u>37.8</u> | 1.0 |
| Dividend ratio | — | — | — |
| Combined ratio | <u>95.1 %</u> | <u>99.0 %</u> | 3.9 |
| Combined ratio excluding catastrophes and development | 96.4 % | 99.3 % | 2.9 pts |
| Net accident year catastrophe losses incurred | \$ 3 | \$ 4 | |
| Effect on loss & LAE ratio | 1.7 % | 2.1 % | 0.4 pts |
| Net prior year development and other: (favorable) / unfavorable | \$ (9) | \$ (5) | |
| Effect on loss & LAE ratio | (3.0) % | (2.4) % | 0.6 pts |
| Rate | 0 % | 0 % | — pts |
| Retention | 76 % | 81 % | (5) pts |
| New business | \$ 65 | \$ 60 | 8 % |

Life & Group Non-Core - Results of Operations

Three months ended March 31

(In millions)

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|--------------------|----------------------|---------------|
| Net earned premiums | \$ 133 | \$ 131 | 2 % |
| Net investment income | 197 | 187 | |
| Other revenues | 1 | — | |
| Total operating revenues | <u>331</u> | <u>318</u> | 4 |
| Insurance claims and policyholders' benefits | 330 | 323 | |
| Amortization of deferred acquisition costs | — | — | |
| Other insurance related expenses | 32 | 33 | |
| Other expenses | 2 | 3 | |
| Total claims, benefits and expenses | <u>364</u> | <u>359</u> | (1) |
| Operating income (loss) before income tax | (33) | (41) | |
| Income tax (expense) benefit on operating income (loss) | 37 | 39 | |
| Net operating income (loss) | <u><u>\$ 4</u></u> | <u><u>\$ (2)</u></u> | N/M % |

Corporate & Other Non-Core - Results of Operations

Three months ended March 31

(In millions)

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|-----------------------|------------------------|---------------|
| Net earned premiums | \$ — | \$ — | |
| Net investment income | 5 | 3 | |
| Other revenues | — | 3 | |
| Total operating revenues | <u>5</u> | <u>6</u> | (17) % |
| Insurance claims and policyholders' benefits | 21 | 128 | |
| Amortization of deferred acquisition costs | — | — | |
| Other insurance related expenses | — | — | |
| Other expenses | <u>44</u> | <u>54</u> | |
| Total claims, benefits and expenses | <u>65</u> | <u>182</u> | 64 |
| Operating income (loss) before income tax | (60) | (176) | |
| Income tax (expense) benefit on operating income (loss) | 23 | 62 | |
| Net operating income (loss) | <u><u>\$ (37)</u></u> | <u><u>\$ (114)</u></u> | 68 % |

Investment Summary - Consolidated

| | March 31, 2017 | | December 31, 2016 | |
|---|------------------|-------------------------------|-------------------|-------------------------------|
| | Carrying Value | Net Unrealized Gains (Losses) | Carrying Value | Net Unrealized Gains (Losses) |
| (In millions) | | | | |
| Fixed maturity securities: | | | | |
| Corporate and other bonds | \$ 19,246 | \$ 1,391 | \$ 18,970 | \$ 1,247 |
| States, municipalities and political subdivisions: | | | | |
| Tax-exempt | 10,649 | 847 | 10,430 | 834 |
| Taxable | 2,803 | 341 | 2,810 | 346 |
| Total states, municipalities and political subdivisions | 13,452 | 1,188 | 13,240 | 1,180 |
| Asset-backed: | | | | |
| RMBS | 4,743 | 71 | 5,073 | 69 |
| CMBS | 1,935 | 33 | 2,040 | 24 |
| Other ABS | 1,049 | 6 | 1,025 | 3 |
| Total asset-backed | 7,727 | 110 | 8,138 | 96 |
| U.S. Treasury and obligations of government-sponsored enterprises | 103 | 8 | 93 | 10 |
| Foreign government | 432 | 13 | 445 | 10 |
| Redeemable preferred stock | 20 | 1 | 19 | 1 |
| Total fixed maturity securities | 40,980 | 2,711 | 40,905 | 2,544 |
| Equities | 120 | 8 | 110 | 4 |
| Limited partnership investments | 2,389 | — | 2,371 | — |
| Other invested assets | 40 | — | 36 | — |
| Mortgage loans | 611 | — | 591 | — |
| Short term investments | 1,139 | 1 | 1,407 | 1 |
| Total investments | \$ 45,279 | \$ 2,720 | \$ 45,420 | \$ 2,549 |
| Net receivable/(payable) on investment activity | \$ 56 | | \$ 81 | |
| Effective portfolio duration (in years) | 6.2 | | 6.1 | |
| Weighted average rating of fixed maturity securities | A | | A | |

RMBS - Residential mortgage-backed securities
CMBS - Commercial mortgage-backed securities
Other ABS - Other asset-backed securities

Investment Summary - Property & Casualty and Corporate & Other Non-Core

| (In millions) | March 31, 2017 | | December 31, 2016 | |
|---|------------------|-------------------------------|-------------------|-------------------------------|
| | Carrying Value | Net Unrealized Gains (Losses) | Carrying Value | Net Unrealized Gains (Losses) |
| Fixed maturity securities: | | | | |
| Corporate and other bonds | \$ 13,186 | \$ 462 | \$ 13,137 | \$ 408 |
| States, municipalities and political subdivisions: | | | | |
| Tax-exempt | 2,979 | 78 | 2,883 | 70 |
| Taxable | 1,227 | 98 | 1,231 | 101 |
| Total states, municipalities and political subdivisions | 4,206 | 176 | 4,114 | 171 |
| Asset-backed: | | | | |
| RMBS | 4,560 | 63 | 4,811 | 63 |
| CMBS | 1,799 | 29 | 1,894 | 20 |
| Other ABS | 932 | 5 | 909 | 3 |
| Total asset-backed | 7,291 | 97 | 7,614 | 86 |
| U.S. Treasury and obligations of government-sponsored enterprises | 73 | 5 | 68 | 7 |
| Foreign government | 432 | 13 | 445 | 10 |
| Redeemable preferred stock | 6 | — | 5 | — |
| Total fixed maturity securities | 25,194 | 753 | 25,383 | 682 |
| Equities | 65 | 5 | 57 | 3 |
| Limited partnership investments | 2,389 | — | 2,371 | — |
| Other invested assets | 40 | — | 36 | — |
| Mortgage loans | 540 | — | 519 | — |
| Short term investments | 1,059 | 1 | 1,233 | 1 |
| Total investments | \$ 29,287 | \$ 759 | \$ 29,599 | \$ 686 |
| Net receivable/(payable) on investment activity | \$ (35) | | \$ 53 | |
| Effective portfolio duration (in years) | 4.6 | | 4.6 | |
| Weighted average rating of fixed maturity securities | A- | | A | |

Investment Summary - Life & Group Non-Core

| | March 31, 2017 | | December 31, 2016 | |
|---|------------------|-------------------------------|-------------------|-------------------------------|
| | Carrying Value | Net Unrealized Gains (Losses) | Carrying Value | Net Unrealized Gains (Losses) |
| (In millions) | | | | |
| Fixed maturity securities: | | | | |
| Corporate and other bonds | \$ 6,060 | \$ 929 | \$ 5,833 | \$ 839 |
| States, municipalities and political subdivisions: | | | | |
| Tax-exempt | 7,670 | 769 | 7,547 | 764 |
| Taxable | 1,576 | 243 | 1,579 | 245 |
| Total states, municipalities and political subdivisions | 9,246 | 1,012 | 9,126 | 1,009 |
| Asset-backed: | | | | |
| RMBS | 183 | 8 | 262 | 6 |
| CMBS | 136 | 4 | 146 | 4 |
| Other ABS | 117 | 1 | 116 | — |
| Total asset-backed | 436 | 13 | 524 | 10 |
| U.S. Treasury and obligations of government-sponsored enterprises | 30 | 3 | 25 | 3 |
| Foreign government | — | — | — | — |
| Redeemable preferred stock | 14 | 1 | 14 | 1 |
| Total fixed maturity securities | 15,786 | 1,958 | 15,522 | 1,862 |
| Equities | 55 | 3 | 53 | 1 |
| Limited partnership investments | — | — | — | — |
| Other invested assets | — | — | — | — |
| Mortgage loans | 71 | — | 72 | — |
| Short term investments | 80 | — | 174 | — |
| Total investments | \$ 15,992 | \$ 1,961 | \$ 15,821 | \$ 1,863 |
| Net receivable/(payable) on investment activity | \$ 91 | | \$ 28 | |
| Effective portfolio duration (in years) | 8.8 | | 8.7 | |
| Weighted average rating of fixed maturity securities | A | | A | |

Investments - Fixed Maturity Securities by Credit Rating

| March 31, 2017 | U.S. Government, Government agencies and Government- sponsored enterprises | | AAA | | AA | | A | | BBB | | Non-investment grade | | Total | |
|---|---|--|-----------------|--|-----------------|--|-----------------|--|------------------|--|----------------------|--|------------------|--|
| | Fair Value | Net Unrealized Gains (Losses) | Fair Value | Net Unrealized Gains (Losses) | Fair Value | Net Unrealized Gains (Losses) | Fair Value | Net Unrealized Gains (Losses) | Fair Value | Net Unrealized Gains (Losses) | Fair Value | Net Unrealized Gains (Losses) | Fair Value | Net Unrealized Gains (Losses) |
| (In millions) | | | | | | | | | | | | | | |
| Corporate and other bonds | \$ — | \$ — | \$ 73 | \$ 2 | \$ 636 | \$ 56 | \$ 4,446 | \$ 433 | \$ 11,862 | \$ 798 | \$ 2,229 | \$ 102 | \$ 19,246 | \$ 1,391 |
| States, municipalities and political subdivisions: | | | | | | | | | | | | | | |
| Tax-exempt | — | — | 874 | 73 | 5,694 | 465 | 3,811 | 283 | 238 | 14 | 32 | 12 | 10,649 | 847 |
| Taxable | — | — | 336 | 28 | 1,901 | 219 | 542 | 96 | 24 | (2) | — | — | 2,803 | 341 |
| Total states, municipalities and political subdivisions | — | — | 1,210 | 101 | 7,595 | 684 | 4,353 | 379 | 262 | 12 | 32 | 12 | 13,452 | 1,188 |
| Asset-backed: | | | | | | | | | | | | | | |
| RMBS | 3,836 | 20 | 53 | — | 22 | — | 75 | 1 | 51 | — | 706 | 50 | 4,743 | 71 |
| CMBS | 56 | — | 351 | 10 | 411 | 12 | 298 | 7 | 529 | 1 | 290 | 3 | 1,935 | 33 |
| Other ABS | — | — | 56 | (1) | 61 | 1 | 502 | 3 | 430 | 3 | — | — | 1,049 | 6 |
| Total asset-backed | 3,892 | 20 | 460 | 9 | 494 | 13 | 875 | 11 | 1,010 | 4 | 996 | 53 | 7,727 | 110 |
| U.S. Treasury and obligations of government-sponsored enterprises | 103 | 8 | — | — | — | — | — | — | — | — | — | — | 103 | 8 |
| Foreign government | — | — | 89 | 5 | 291 | 8 | 31 | — | 21 | — | — | — | 432 | 13 |
| Redeemable preferred stock | — | — | — | — | — | — | — | — | 11 | 1 | 9 | — | 20 | 1 |
| Total fixed maturity securities | \$ 3,995 | \$ 28 | \$ 1,832 | \$ 117 | \$ 9,016 | \$ 761 | \$ 9,705 | \$ 823 | \$ 13,166 | \$ 815 | \$ 3,266 | \$ 167 | \$ 40,980 | \$ 2,711 |
| Percentage of total fixed maturity securities | 10% | | 4% | | 22% | | 24% | | 32% | | 8% | | 100% | |

Components of Net Investment Income

Three months ended March 31

(In millions)

Taxable fixed maturities
 Tax-exempt fixed maturities
 Total fixed maturity securities
 Limited partnership investments
 Other, net of investment expense

Net investment income

Fixed maturity securities, after tax
 Net investment income, after tax

Effective income yield for the fixed maturity securities portfolio, pretax
 Effective income yield for the fixed maturity securities portfolio, after tax

| Consolidated | | |
|--------------|-------|--------|
| | 2017 | 2016 |
| \$ | 347 | \$ 345 |
| | 108 | 101 |
| | 455 | 446 |
| | 90 | (14) |
| | — | 3 |
| \$ | 545 | \$ 435 |
| \$ | 329 | \$ 322 |
| | 389 | 315 |
| | 4.8 % | 4.8 % |
| | 3.4 | 3.4 |

Three months ended March 31

(In millions)

Taxable fixed maturities
 Tax-exempt fixed maturities
 Total fixed maturity securities
 Limited partnership investments
 Other, net of investment expense

Net investment income

Fixed maturity securities, after tax
 Net investment income, after tax

Effective income yield for the fixed maturity securities portfolio, pretax
 Effective income yield for the fixed maturity securities portfolio, after tax

| Property & Casualty and Corporate & Other Non-Core | | |
|---|-------|--------|
| | 2017 | 2016 |
| \$ | 233 | \$ 238 |
| | 23 | 19 |
| | 256 | 257 |
| | 90 | (14) |
| | 2 | 5 |
| \$ | 348 | \$ 248 |
| \$ | 175 | \$ 174 |
| | 235 | 168 |
| | 4.2 % | 4.2 % |
| | 2.9 | 2.9 |

Three months ended March 31

(In millions)

Taxable fixed maturities
 Tax-exempt fixed maturities
 Total fixed maturity securities
 Limited partnership investments
 Other, net of investment expense

Net investment income

Fixed maturity securities, after tax
 Net investment income, after tax

Effective income yield for the fixed maturity securities portfolio, pretax
 Effective income yield for the fixed maturity securities portfolio, after tax

| Life & Group Non-Core | | |
|-----------------------|-------|--------|
| | 2017 | 2016 |
| \$ | 114 | \$ 107 |
| | 85 | 82 |
| | 199 | 189 |
| | — | — |
| | (2) | (2) |
| \$ | 197 | \$ 187 |
| \$ | 154 | \$ 148 |
| | 154 | 147 |
| | 5.8 % | 5.8 % |
| | 4.5 | 4.5 |

Claim & Claim Adjustment Expense Reserve Rollforward

Three months ended March 31, 2017
(In millions)

| | Specialty | Commercial | International | P&C Operations | Life & Group Non-Core | Corporate & Other Non-Core | Total Operations |
|--|-----------------|-----------------|-----------------|-------------------|--------------------------|----------------------------------|---------------------|
| Claim & claim adjustment expense reserves, beginning of period | | | | | | | |
| Gross | \$ 6,149 | \$ 8,894 | \$ 1,328 | \$ 16,371 | \$ 3,358 | \$ 2,614 | \$ 22,343 |
| Ceded | 745 | 589 | 127 | 1,461 | 249 | 2,384 | 4,094 |
| Net | <u>5,404</u> | <u>8,305</u> | <u>1,201</u> | <u>14,910</u> | <u>3,109</u> | <u>230</u> | <u>18,249</u> |
| Net incurred claim & claim adjustment expenses | 386 | 436 | 115 | 937 | 235 | 1 | 1,173 |
| Net claim & claim adjustment expense payments | (378) | (556) | (105) | (1,039) | (208) | (5) | (1,252) |
| Foreign currency translation adjustment and other | — | (1) | 14 | 13 | — | 1 | 14 |
| Claim & claim adjustment expense reserves, end of period | | | | | | | |
| Net | 5,412 | 8,184 | 1,225 | 14,821 | 3,136 | 227 | 18,184 |
| Ceded | 812 | 576 | 118 | 1,506 | 237 | 2,333 | 4,076 |
| Gross | <u>\$ 6,224</u> | <u>\$ 8,760</u> | <u>\$ 1,343</u> | <u>\$ 16,327</u> | <u>\$ 3,373</u> | <u>\$ 2,560</u> | <u>\$ 22,260</u> |

Life & Group Non-Core Policyholder Reserves

March 31, 2017

| (In millions) | Claim and claim adjustment expenses | Future policy benefits | Total |
|---------------------------------|--|------------------------|------------------|
| Long term care | \$ 2,465 | \$ 8,750 | \$ 11,215 |
| Structured settlement annuities | 557 | — | 557 |
| Other | 14 | — | 14 |
| Total | 3,036 | 8,750 | 11,786 |
| Shadow adjustments | 100 | 1,530 | 1,630 |
| Ceded reserves | 237 | 211 | 448 |
| Total gross reserves | \$ 3,373 | \$ 10,491 | \$ 13,864 |

December 31, 2016

| (In millions) | Claim and claim adjustment expenses | Future policy benefits | Total |
|---------------------------------|--|------------------------|------------------|
| Long term care | \$ 2,426 | \$ 8,654 | \$ 11,080 |
| Structured settlement annuities | 565 | — | 565 |
| Other | 17 | — | 17 |
| Total | 3,008 | 8,654 | 11,662 |
| Shadow adjustments | 101 | 1,459 | 1,560 |
| Ceded reserves | 249 | 213 | 462 |
| Total gross reserves | \$ 3,358 | \$ 10,326 | \$ 13,684 |

Definitions and Presentation

- Collectively, CNA Financial Corporation (CNAF) and its subsidiaries are referred to as CNA or the Company.
- P&C Operations includes Specialty, Commercial and International.
- Life & Group Non-Core segment primarily includes the results of long term care businesses that are in run-off.
- Corporate & Other Non-Core segment primarily includes certain corporate expenses including interest on corporate debt and the results of certain property and casualty business in run-off, including CNA Re and asbestos and environmental pollution. Intersegment eliminations are also included in this segment.
- Management uses the net operating income (loss) financial measure to monitor the Company's operations. Please refer to Note O to the Consolidated Financial Statements within the December 31, 2016 Form 10-K for further discussion of this non-GAAP financial measure.
- Management uses underwriting results to monitor insurance operations. Underwriting results are pretax and are calculated as net earned premiums less total insurance expenses, which includes insurance claims and policyholders' benefits, amortization of deferred acquisition costs and other insurance related expenses.
- In the evaluation of the results of Specialty, Commercial and International, management uses the loss ratio, the expense ratio, the dividend ratio and the combined ratio. These ratios are calculated using financial results prepared in accordance with accounting principles generally accepted in the United States of America. The loss ratio is the percentage of net incurred claim and claim adjustment expenses to net earned premiums. The expense ratio is the percentage of insurance underwriting and acquisition expenses, including the amortization of deferred acquisition costs, to net earned premiums. The dividend ratio is the ratio of policyholders' dividends incurred to net earned premiums. The combined ratio is the sum of the loss, expense and dividend ratios. In addition, management also utilizes rate, retention and new business in evaluating operating trends. Rate represents the average change in price on policies that renew excluding exposure change. Retention represents the percentage of premium dollars renewed in comparison to the expiring premium dollars from policies available to renew. New business represents premiums from policies written with new customers and additional policies written with existing customers.
- This financial supplement may also reference or contain financial measures that are not in accordance with GAAP. Management utilizes these financial measures to monitor the Company's insurance operations and investment portfolio. Net operating income, which is derived from certain income statement amounts, is used by management to monitor performance of the Company's insurance operations. The Company's investment portfolio is monitored by management through analysis of various factors including unrealized gains and losses on securities, portfolio duration and exposure to market and credit risk. Based on such analyses, the Company may recognize an other-than-temporary impairment (OTTI) loss on an investment security in accordance with its policy, or sell a security, which may produce realized gains and losses.

- Net operating income (loss) is calculated by excluding from net income (loss) the after-tax effects of i) net realized investment gains or losses, ii) income or loss from discontinued operations and iii) any cumulative effects of changes in accounting guidance. The calculation of net operating income excludes net realized investment gains or losses because net realized investment gains or losses are largely discretionary, except for some losses related to OTTI, and are generally driven by economic factors that are not necessarily consistent with key drivers of underwriting performance, and are therefore not considered an indication of trends in insurance operations. Management monitors net operating income (loss) for each business segment to assess segment performance. Presentation of consolidated net operating income (loss) is deemed to be a non-GAAP financial measure. For reconciliations of non-GAAP measures to the most comparable GAAP measures and other information, please refer herein and/or to CNA's most recent 10-K on file with the Securities and Exchange Commission, as well as the press release, available at www.cna.com.
- Pretax net prior year development and other includes the effects of interest accretion and change in allowance for uncollectible reinsurance and deductible amounts.
- The majority of our limited partnership investments employ hedge fund strategies. While the Company generally does not invest in highly leveraged partnerships, there are risks inherent in limited partnership investments which may result in losses due to short-selling, derivatives or other speculative investment practices. The use of leverage increases volatility generated by the underlying investment strategies.
- Certain immaterial differences are due to rounding.
- N/M = Not Meaningful