



# **CNA Financial Corporation Third Quarter 2017 Results**

October 30, 2017



# Notices and Disclaimers

---

## **Forward Looking Statements**

The statements made in the course of this presentation and/or contained in the presentation materials may include statements that relate to anticipated future events (forward-looking statements) rather than actual present conditions or historical events. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and generally include words such as “believes,” “expects,” “intends,” “anticipates,” “estimates” and similar expressions. Forward-looking statements, by their nature, are subject to a variety of inherent risks and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by CNA. For a detailed description of these risks and uncertainties, please refer to CNA’s most recent annual report on Form 10-K and our quarterly report on Form 10-Q on file with the Securities and Exchange Commission available at [www.cna.com](http://www.cna.com). Any forward-looking statements and other financial information contained in this presentation speak only as of the date hereof. Further, CNA does not have any obligation to update or revise any forward-looking statement made in the course of this presentation and/or contained in the presentation materials even if CNA’s expectations or any related events, conditions or circumstances change.

## **Available Information and Risk Factors**

CNA files annual, quarterly and current reports and other information with the SEC. The SEC filings are available on the CNA website ([www.cna.com](http://www.cna.com)) and at the SEC's website ([www.sec.gov](http://www.sec.gov)). These filings describe some of the more material risks we face and how these risks could lead to events or circumstances that may have a material adverse effect on our business, financial condition, results of operations or cash flows. You should review these filings as they contain important information about CNA and its business.

## **Non-GAAP Measures**

This presentation, along with the presentation materials, may also reference or contain financial measures that are not in accordance with generally accepted accounting principles (GAAP). For reconciliations of non-GAAP measures to the most comparable GAAP measures and other information, please refer to CNA's filings with the Securities and Exchange Commission available at [www.cna.com](http://www.cna.com)

"CNA" is a service mark registered by CNA Financial Corporation with the United States Patent and Trademark Office. Certain CNA Financial Corporation subsidiaries use the "CNA" service mark in connection with insurance underwriting and claims activities. Copyright © 2017 CNA. All rights reserved.

# Third Quarter Highlights

---

- Net catastrophe losses of \$191 million after-tax, including reinstatements
- Net income of \$144 million or \$0.53 per share; ROE of 4.7%
- Net operating income of \$159 million or \$0.58 per share; operating ROE of 5.3%
- Underlying combined ratio of 94.6%, a 2.9 point improvement year over year
- Underlying loss ratio of 60.8%, a 1.0 point improvement year over year
- Expense ratio of 33.5%, a 1.7 point improvement year over year

## Capital Management

- Quarterly dividend maintained at \$0.30 per share
- Book value per share ex AOCI of \$44.48
  - An increase of 5.3% from year end 2016, adjusting for dividends

# Financial Performance

**Despite catastrophes, year to date Net Operating Income is up 5% to \$633m and Operating ROE is 7.0%**

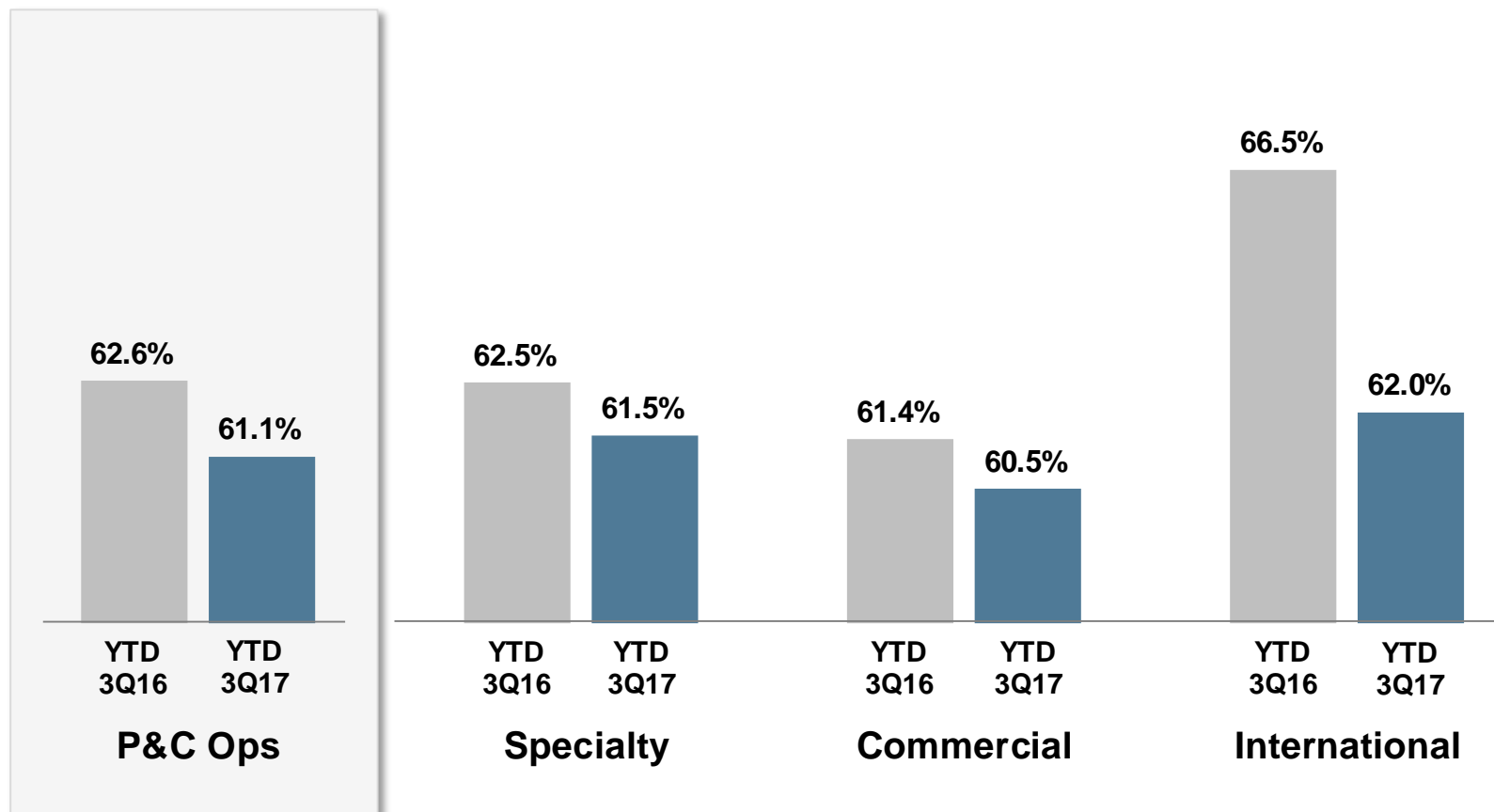
*(In millions, except per share data)*

	Third Quarter			Year to Date		
	2017	2016	Change	2017	2016	Change
Revenues	<b>\$2,398</b>	\$2,433	(1%)	<b>\$7,094</b>	\$6,976	2%
Net operating income	<b>159</b>	311	(49%)	<b>633</b>	603	5%
Net income	<b>144</b>	343	(58%)	<b>676</b>	618	9%
Diluted earnings per common share:						
Net operating income	<b>\$0.58</b>	\$1.15	(49%)	<b>\$2.33</b>	\$2.22	5%
Net income	<b>0.53</b>	1.26	(58%)	<b>2.48</b>	2.28	9%
Net operating income ROE	<b>5.3%</b>	10.5%	(5.2 pts)	<b>7.0%</b>	6.7%	0.3 pts

	Sep 30, 2017	Dec 31, 2016	Change
Book value per common share	<b>\$44.88</b>	\$44.25	1%
Book value per common share ex AOCI	<b>44.48</b>	44.89	(1%)
Dividends Paid (YTD)	<b>2.80</b>	3.00	

# Loss Ratio Ex Catastrophes and Development

Continued improvement in underlying loss ratios across all segments



# Property & Casualty Operations

## Underlying results continue to improve

(In millions, except ratios)

	Third Quarter		Year to Date	
	2017	2016	2017	2016
Net written premium	<b>\$1,599</b>	\$1,624	<b>\$4,933</b>	\$4,917
<i>NWP Change (% year over year)</i>	<i>(2%)</i>		<i>0%</i>	
Underwriting gain (loss)	<b>(\$61)</b>	\$158	<b>\$85</b>	\$261
Loss ratio excl. catastrophes and development	<b>60.8%</b>	61.8%	<b>61.1%</b>	62.6%
Impact of catastrophes	<b>16.5%</b>	1.0%	<b>7.3%</b>	2.8%
Impact of development-related items	<b>(7.4%)</b>	(8.1%)	<b>(4.5%)</b>	(6.0%)
Loss ratio	<b>69.9%</b>	54.7%	<b>63.9%</b>	59.4%
Expense ratio	<b>33.5%</b>	35.2%	<b>34.0%</b>	34.9%
<i>Acquisition expense</i>	<i>19.5%</i>	<i>19.5%</i>	<i>19.4%</i>	<i>19.4%</i>
<i>Underwriting expense</i>	<i>14.0%</i>	<i>15.7%</i>	<i>14.6%</i>	<i>15.5%</i>
Combined ratio	<b>103.7%</b>	90.4%	<b>98.2%</b>	94.6%
Combined ratio excl. catastrophes and development	<b>94.6%</b>	97.5%	<b>95.4%</b>	97.8%

# Specialty

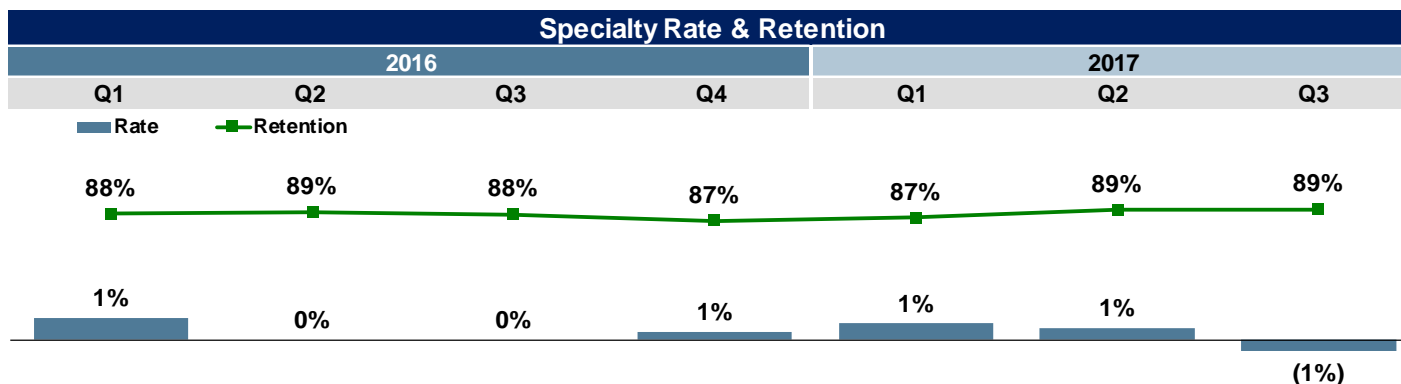
## Accident year improvements and favorable prior period development largely offset catastrophe losses to produce another strong earnings quarter

(In millions, except ratios)

	Third Quarter		Year to Date	
	2017	2016	2017	2016
Net written premium	<b>\$705</b>	\$733	<b>\$2,100</b>	\$2,108
<i>NWP Change (% year over year)</i>	<i>(4%)</i>		<i>(0%)</i>	
Underwriting gain (loss)	<b>\$124</b>	\$142	<b>\$258</b>	\$317
Loss ratio excl. catastrophes and development	<b>61.2%</b>	62.5%	<b>61.5%</b>	62.5%
Impact of catastrophes	<b>5.4%</b>	0.2%	<b>2.3%</b>	0.7%
Impact of development-related items	<b>(15.8%)</b>	(15.9%)	<b>(8.3%)</b>	(10.6%)
Loss ratio	<b>50.8%</b>	46.8%	<b>55.5%</b>	52.6%
Expense ratio	<b>31.3%</b>	32.5%	<b>31.8%</b>	32.0%
<i>Acquisition expense</i>	<i>20.0%</i>	20.0%	<i>20.0%</i>	20.0%
<i>Underwriting expense</i>	<i>11.3%</i>	12.5%	<i>11.8%</i>	12.0%
Combined ratio	<b>82.3%</b>	79.9%	<b>87.4%</b>	84.9%
Combined ratio excl. catastrophes and development	<b>92.7%</b>	95.6%	<b>93.4%</b>	94.8%

# Specialty Production Metrics

Strong retention with stable new business



<b>New Business (\$m)</b>	\$65	\$61	\$66	\$60	\$57	\$66	\$64
<b>Healthcare</b>							
Rate	4%	3%	2%	2%	3%	3%	1%
Retention	85%	86%	85%	81%	83%	88%	87%
<b>Mgmt &amp; Prof Liability</b>							
Rate	0%	(1%)	(1%)	0%	0%	(1%)	(2%)
Retention	91%	90%	90%	90%	90%	90%	91%
<b>Surety</b>							
Net Written Premiums	\$117	\$120	\$123	\$101	\$116	\$129	\$127
<b>Warranty &amp; Alt. Risks</b>							
Revenues	\$120	\$136	\$130	\$125	\$134	\$138	\$140

Note: Rate and retention metrics on renewed business are not applicable for Surety and Warranty; Specialty rate and retention metrics reflect Management & Professional Liability lines



# Commercial

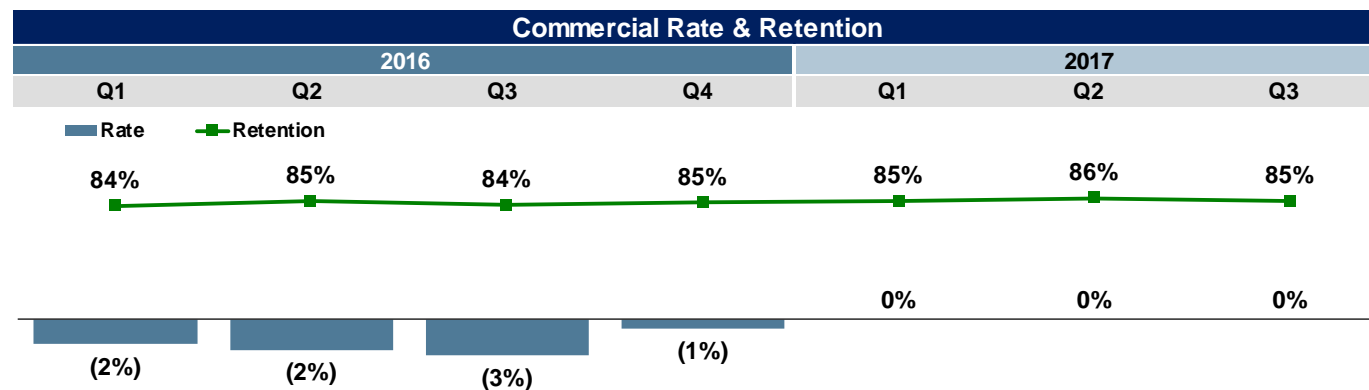
## Strong underlying results offset by catastrophe loss activity

(In millions, except ratios)

	Third Quarter		Year to Date	
	2017	2016	2017	2016
Net written premium	<b>\$687</b>	\$684	<b>\$2,169</b>	\$2,172
<i>NWP Change (% year over year)</i>	<i>0%</i>		<i>(0%)</i>	
Underwriting gain (loss)	<b>(\$127)</b>	\$1	<b>(\$125)</b>	(\$36)
Loss ratio excl. catastrophes and development	<b>59.9%</b>	61.1%	<b>60.5%</b>	61.4%
Impact of catastrophes	<b>23.9%</b>	1.6%	<b>11.1%</b>	4.6%
Impact of development-related items	<b>(1.4%)</b>	(0.5%)	<b>(1.5%)</b>	(1.4%)
Loss ratio	<b>82.4%</b>	62.2%	<b>70.1%</b>	64.6%
Expense ratio	<b>34.3%</b>	37.1%	<b>35.3%</b>	36.7%
<i>Acquisition expense</i>	<i>17.9%</i>	<i>18.2%</i>	<i>18.0%</i>	<i>18.0%</i>
<i>Underwriting expense</i>	<i>16.4%</i>	<i>18.9%</i>	<i>17.3%</i>	<i>18.7%</i>
Combined ratio	<b>117.2%</b>	99.8%	<b>105.9%</b>	101.7%
Combined ratio excl. catastrophes and development	<b>94.7%</b>	98.7%	<b>96.3%</b>	98.5%

# Commercial Production Metrics

## Stable rate, retention and new business



New Business (\$m)	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
	\$137	\$146	\$135	\$106	\$139	\$153	\$137

### Middle Market

Rate	(2%)	(2%)	(3%)	(1%)	0%	(1%)	0%
Retention	85%	88%	87%	86%	87%	90%	87%

### Small Business

Rate <sup>1</sup>	(5%)	(5%)	(7%)	(2%)	1%	1%	2%
Retention	78%	79%	79%	79%	80%	79%	80%

### Other<sup>2</sup>

Rate	0%	0%	1%	1%	1%	1%	0%
Retention	84%	84%	82%	85%	85%	82%	85%

<sup>1</sup>Includes impact of premium adjustments to current and prior periods

<sup>2</sup> Other domestic property & casualty business

# International

**Catastrophes were the story for the quarter; however, underlying underwriting fundamentals are improving year to date**

*(In millions, except ratios)*

	Third Quarter		Year to Date	
	2017	2016	2017	2016
Net written premium	<b>\$207</b>	\$207	<b>\$664</b>	\$637
<i>NWP Change (% year over year)</i>	<i>0%</i>		<i>4%</i>	
Underwriting gain (loss)	<b>(\$58)</b>	\$15	<b>(\$48)</b>	(\$20)
Loss ratio excl. catastrophes and development	<b>62.4%</b>	61.9%	<b>62.0%</b>	66.5%
Impact of catastrophes	<b>27.5%</b>	1.5%	<b>10.3%</b>	4.7%
Impact of development-related items	<b>(1.5%)</b>	(8.0%)	<b>(1.7%)</b>	(6.0%)
Loss ratio	<b>88.4%</b>	55.4%	<b>70.6%</b>	65.2%
Expense ratio	<b>37.5%</b>	37.8%	<b>37.2%</b>	38.2%
<i>Acquisition expense</i>	<i>23.0%</i>	22.5%	<i>22.4%</i>	21.8%
<i>Underwriting expense</i>	<i>14.5%</i>	15.3%	<i>14.8%</i>	16.4%
Combined ratio	<b>125.9%</b>	93.2%	<b>107.8%</b>	103.4%
Combined ratio excl. catastrophes and development	<b>99.9%</b>	99.7%	<b>99.2%</b>	104.7%

# Life & Group Non-Core

Results continue to be in line with reset assumptions

*(In millions)*

	Third Quarter		Year to Date	
	2017	2016	2017	2016
Net earned premiums	\$136	\$134	\$404	\$401
Net investment income	195	192	587	567
Other revenues	0	(4)	1	(1)
<b>Total operating revenues</b>	<b>331</b>	<b>322</b>	<b>992</b>	<b>967</b>
Total claims, benefits and expenses	356	352	1,081	1,084
<b>Net operating income (loss)</b>	<b>10</b>	<b>6</b>	<b>19</b>	<b>0</b>

# Financial Strength

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

	Sep 30, 2017	Dec 31, 2016
Debt	<b>\$2,857</b>	\$2,710
Common equity	<b>12,169</b>	11,969
Total capital	<b>\$15,026</b>	\$14,679
Debt-to-capital	<b>19.0%</b>	18.5%
Book value per common share excluding AOCI	<b>\$44.48</b>	\$44.89
Holding company cash	<b>\$603</b>	\$488
Total investments	<b>\$46.7b</b>	\$45.4b
Statutory surplus (estimate)	<b>\$10.8b</b>	\$10.7b
Statutory dividend capacity	<b>\$120</b>	\$314

## 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
- \$379 million quarterly operating cash flow

## Investment portfolio

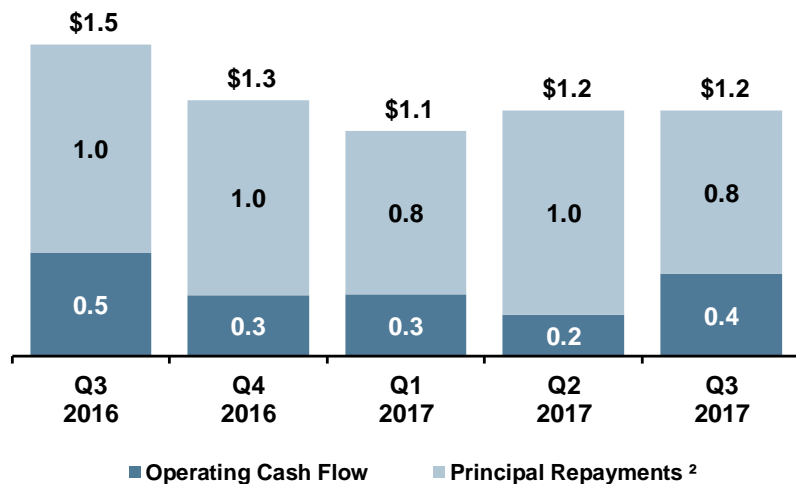
- High quality investment portfolio (average credit quality "A")
- Net unrealized investment gains of \$3.3 billion pre-tax at September 30, 2017

# Strong Liquidity Profile

## Ample operating cash flow and liquidity

### Operating Company Liquidity <sup>1</sup>

\$b



### Holding Co. Liquidity & Obligations

\$m

#### As of September 30, 2017

2017 Operating company dividend capacity	\$1,075
Less: Last twelve months dividends	(955)
Current operating company dividend capacity	\$120
Holding company cash	603
Availability under credit facility	250
<b>Net corporate sources</b>	<b>\$973</b>

#### Estimated annual pre-tax corporate obligations:

Interest expense on outstanding debt	\$132
Common quarterly dividends (\$0.30/share)	325
<b>Net corporate obligations</b>	<b>\$457</b>

<sup>1</sup> Excludes availability under Federal Home Loan Bank facility

<sup>2</sup> 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”

September 30, 2017 Asset Class (\$m)	Carrying Value		Net Unrealized Gains (Losses)
	\$	%	\$
Short Term	\$1,453	3%	\$1
US Government	115	0%	0
Investment Grade Corp	17,443	37%	1,523
Foreign Government	445	1%	6
Agency MBS	4,271	9%	43
Tax Exempt Muni	11,075	24%	1,101
Taxable Muni	2,881	6%	393
Redeemable Preferred	20	0%	2
Common Stock	22	0%	6
<b>Total</b>	<b>37,725</b>	<b>80%</b>	<b>3,075</b>
Non Agency CMBS and ABS	2,912	6%	56
Non Agency RMBS	783	2%	56
Below Investment Grade Corp	2,145	5%	96
Non Redeemable Preferred	107	0%	5
<b>Total</b>	<b>5,947</b>	<b>13%</b>	<b>213</b>
Mortgage Loans	722	2%	0
Limited Partnerships / Other	2,353	5%	0
<b>Total</b>	<b>3,075</b>	<b>7%</b>	<b>0</b>
<b>Total Invested Assets <sup>1</sup></b>	<b>\$46,747</b>	<b>100%</b>	<b>\$3,288</b>

## 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	Effective Portfolio Duration
Life & Group Non-Core	\$16.6b	8.6 yrs
P&C & Corporate	26.8b	4.4 yrs
<b>Total Fixed Income</b>	<b>\$43.4b</b>	<b>6.0 yrs</b>

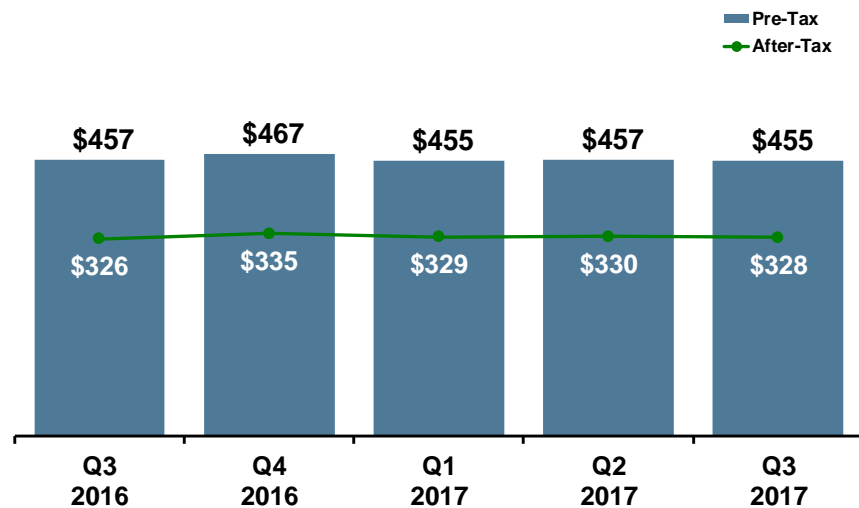
<sup>1</sup> Net unrealized gain after shadow adjustment was \$1,255 million

# Net Investment Income

Solid, consistent contribution to earnings

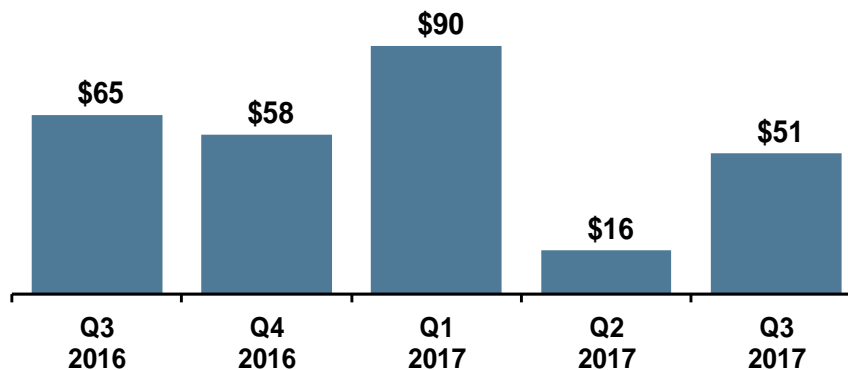
## Fixed Income

\$m



## Limited Partnerships

\$m



### Fixed Maturities Annualized Yield After-Tax

3.4%      3.5%      3.4%      3.4%      3.4%

### LP Quarterly Return Pre-Tax

2.6%      2.4%      3.8%      0.7%      2.2%