

# Morgan Stanley Financials Conference

**Craig Mense**

**Chief Financial Officer**

June 11, 2013

# 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 which 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 for the year ended 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 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 of this presentation. 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, 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 © 2013 CNA. All rights reserved.

## CNA Profile

- **7<sup>th</sup> largest U.S. commercial lines carrier <sup>(1)</sup>**
  - \$6.4 billion of property & casualty net written premium in 2012
  - Long-standing market presence with more than 115-year history
- **Business mix is approximately 45% specialty lines, 55% commercial lines**
  - Serve insurance needs of over 1 million businesses and professionals across a range of industries
- **Broad-based footprint in chosen geographies**
  - Offices throughout North America and Europe, as well as Bermuda, the Middle East and Asia
  - Long-standing relationships with over 3,000 U.S. brokers and agents
- **Consistent operating performance and a high degree of financial stability**

	A.M. Best	S&P	Moody's
<b>CNA P&amp;C</b>			
Outlook	Stable	Positive	Positive
Financial Strength Rating	A	A-	A3
<b>CNAF</b>			
Senior Debt Rating	bbb	BBB-	Baa2

- Outlooks on Financial Strength Ratings raised to Positive
  - S&P in 4Q 2011
  - Moody's in 2Q 2012
- Moody's also upgraded Debt Ratings to Baa2 with a stable outlook in 2Q 2012
- S&P affirmed both Debt and Financial Strength Ratings in 4Q 2012

(1) Based on 2011 net written premium, A.M. Best

# CNA's Strategic Direction – Revisited and Reinforced

Broad based strategy to differentiate CNA ...

## Operating Priorities

- Accelerate development and further deepen industry-specific technical expertise
- **Increase specialized focus around identified customer segments** and certain monoline products
- Manage mix of business to improve profitability across focus industries
- Extend geographic reach to better leverage capabilities and global capacity
- Improve efficiency and scale of operations

## Financial Priorities

- Deliver solid operating income
- Align investment strategy with expected needs of insurance company
- Manage risk and volatility across the enterprise
- **Maintain strong level of capital adequacy**
- Improve earnings power of P&C business

... and to continuously improve financial stability and operating consistency

# Develop and Sustain Specialized Expertise

Deepening our expertise in chosen customer segments ...



**Construction**



**Manufacturing**



**Technology**



**Financial Institutions**



**Healthcare**



**Professional Services**



**Small Business**

- **Specialized underwriting approach**
- **Deep understanding of the needs of our insureds**
- **Distinctive insurance solutions**
- **Deeper producer and customer relationships**
- **Clearly focused underwriting appetite**

... translates to strong profitability and market presence

# Business Segment Overview

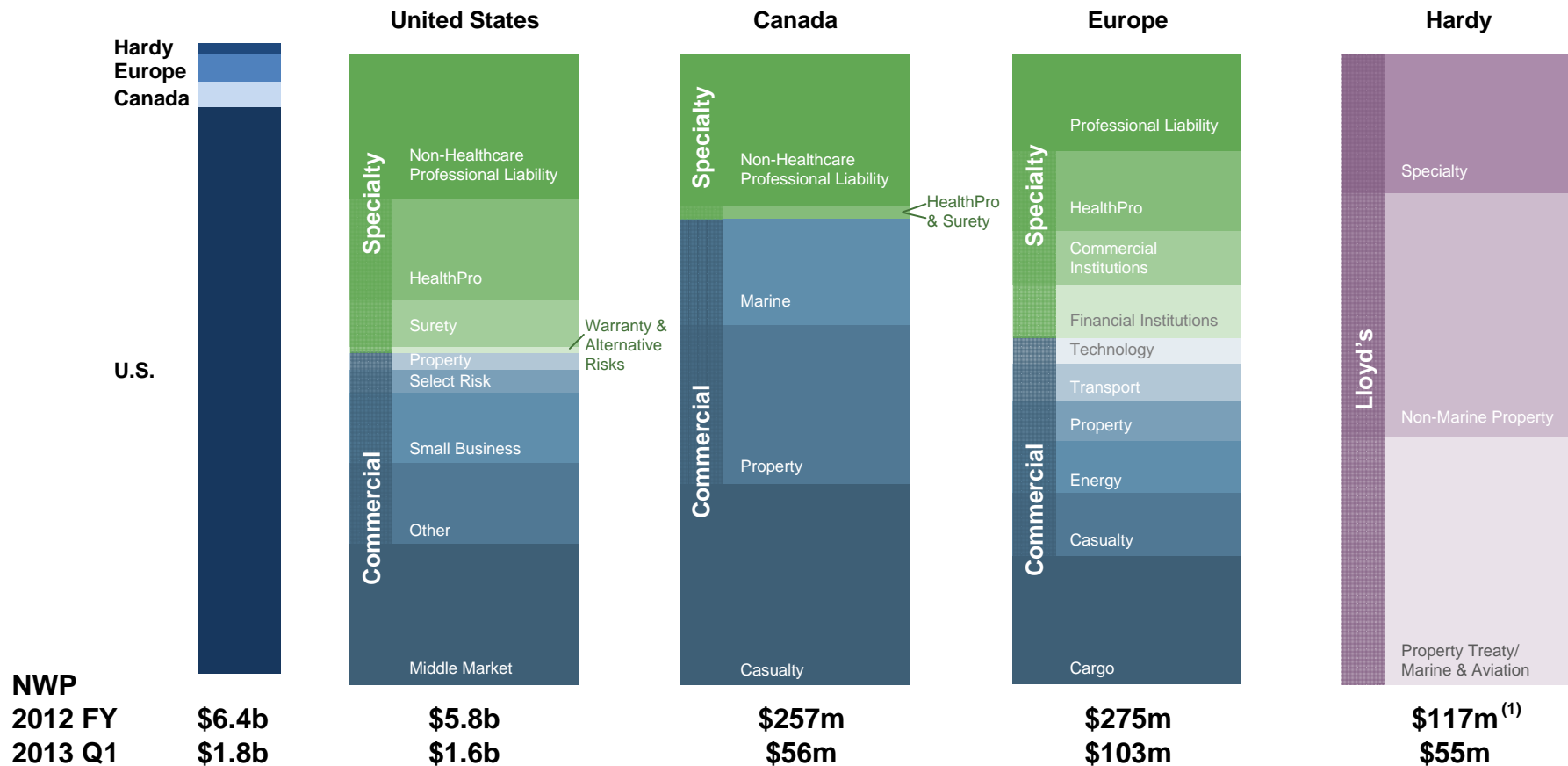


	CNA Specialty	CNA Commercial	Hardy	Life & Group	Corporate & Other	Total
<b>Net Earned Premium</b>						
2012 Full Year	\$2.9b	\$3.3b	\$120m	\$0.6b	(\$2m)	<b>\$6.9b</b>
2013 Q1	\$723m	\$837m	\$64m	\$141m	(\$1m)	<b>\$1.8b</b>
<b>Operating Income/(Loss)</b>						
2012 Full Year	\$504m	\$277m	(\$23m)	(\$90m)	(\$81m)	<b>\$587m</b>
2013 Q1	\$140m	\$125m	(\$8m)	—	(\$26m)	<b>\$231m</b>
<b>Gross Reserves</b>						
3/31/2013	\$6.8b	\$11.1b	\$0.5b	\$14.5 b <sup>(1)</sup>	\$3.1b	<b>\$36.0b<sup>(1)</sup></b>
<b>Overview</b>	<ul style="list-style-type: none"> <li>• Predominantly professional and management liability, and surety</li> </ul>	<ul style="list-style-type: none"> <li>• Property &amp; casualty insurance for small and mid-size businesses</li> </ul>	<ul style="list-style-type: none"> <li>• A specialized Lloyd's underwriter of primarily short-tail exposures</li> </ul>	<ul style="list-style-type: none"> <li>• Operations in run-off</li> <li>• Predominantly long-term care and payout annuities</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate expenses</li> <li>• Other ops in run-off; legacy asbestos and pollution exposures transferred to National Indemnity Company</li> </ul>	
				Runoff Operations		

(1) Includes future policy benefits

# Property & Casualty Operations

Hardy brings complementary lines of business and distribution ...

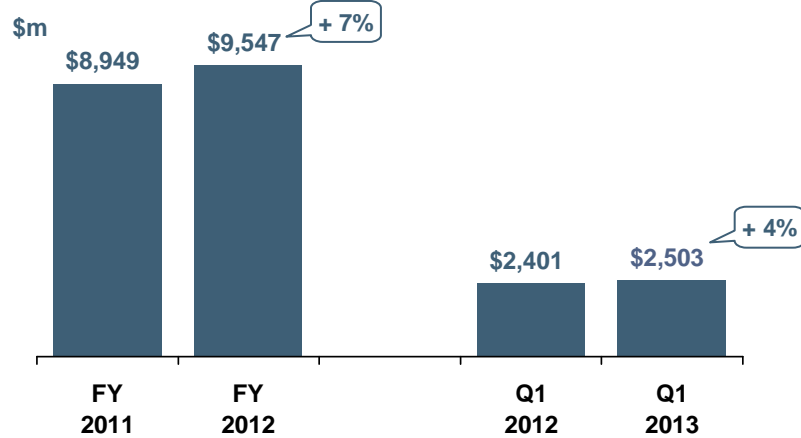


... leading to even broader geographic and product reach

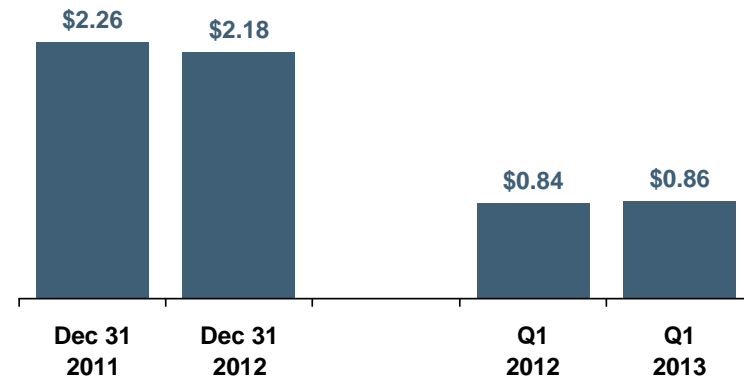
(1) Hardy's full year 2012 premium reflects CNA's period of ownership from July 2, 2012 to December 31, 2012.

# Financial Highlights

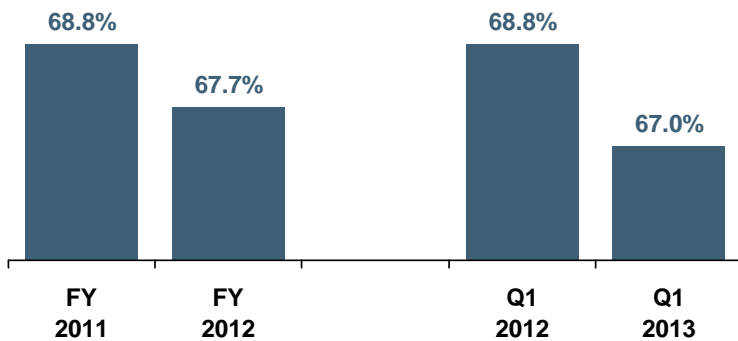
## Revenues



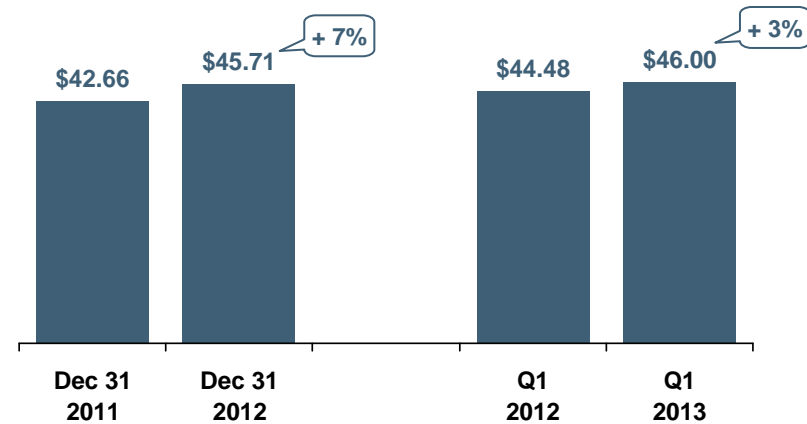
## Net Operating Income EPS



## P&C Ops Underlying Loss Ratio <sup>(1)</sup>



## Book Value Per Common Share



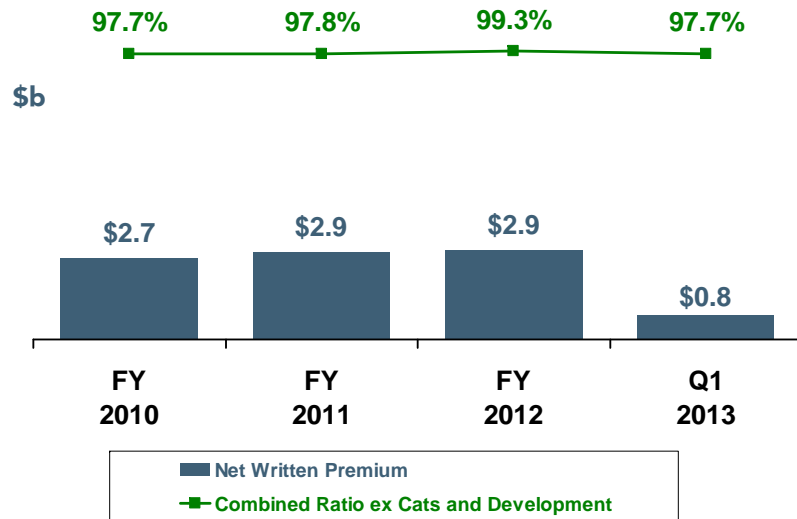
(1) Underlying loss ratio excludes catastrophes and prior year development



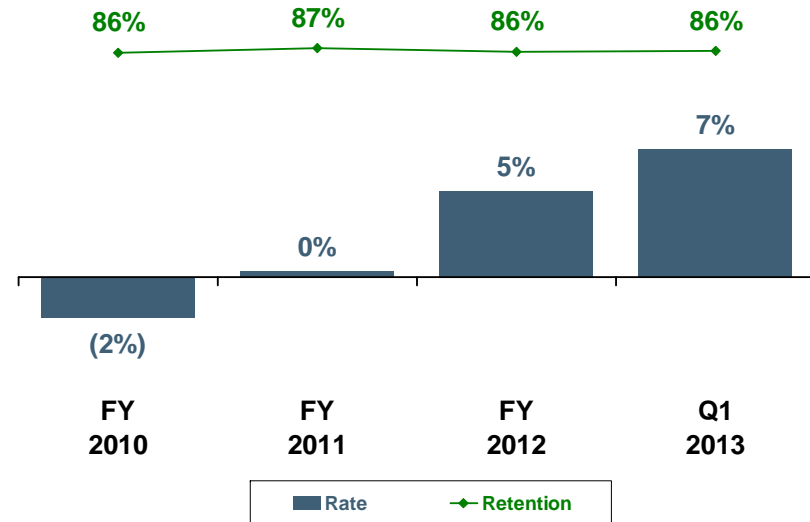
# CNA Specialty

Consistently attractive returns ...

## NWP and CR Ex Catastrophes and Development



## Rate and Retention



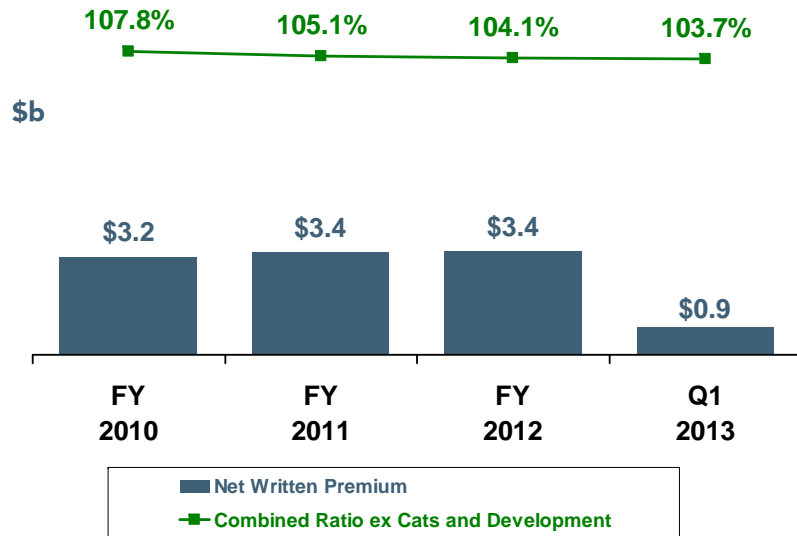
Point Impact on Combined Ratio				
CR Ex Cats & PYD	97.7	97.8	99.3	97.7
Catastrophes	0.3	0.5	0.6	0.2
Development	(12.9)	(8.4)	(5.1)	(2.9)
Combined Ratio	85.1	89.9	94.8	95.0

... with improving rate and stable retention

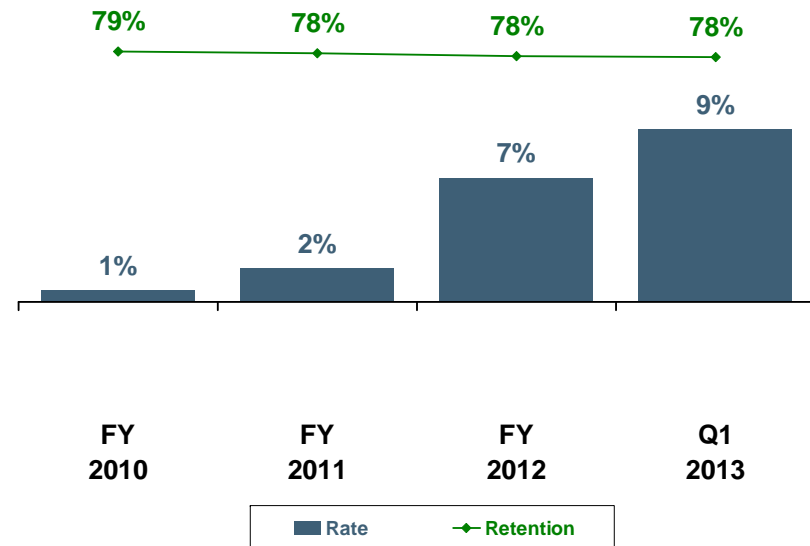
# CNA Commercial

Disciplined growth in a challenging economy ...

## NWP and CR Ex Catastrophes and Development



## Rate and Retention



### Point Impact on Combined Ratio

	FY 2010	FY 2011	FY 2012	Q1 2013
CR Ex Cats & PYD	107.8	105.1	104.1	103.7
Catastrophes	3.5	6.4	11.0	4.6
Development	(8.7)	(5.7)	(1.6)	(1.5)
Combined Ratio	102.6	105.8	113.5	106.8

... improving rate and underwriting risk selection

# P&C Execution Framework

## Upgraded Talent

- Leadership Changes to Coordinate and Execute Strategies
- Significant Investment in Underwriting Personnel and Distribution Management



## Clear Strategies

- Rate Adequacy
- Growth in Target Classes
- Launch of Proprietary Products



## Aligned Business Approach

- Segmentation
- Portfolio Analysis
- Individual Risk Pricing Tools



## Operating Metrics with Intense Execution

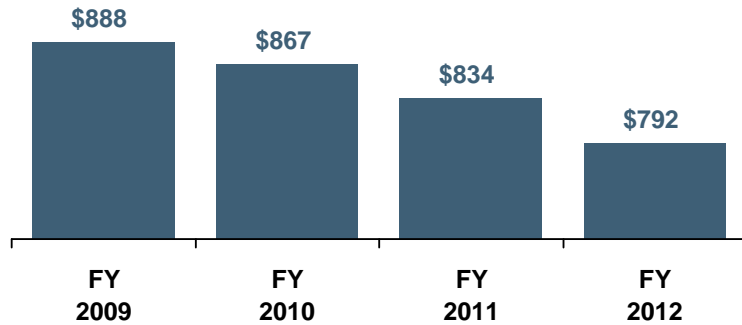
- Targets Set for Key Drivers, Measured Against Actuals
- Detailed / Transparent Reports Produced for BU, LOB, Branch
- Rigorous Monitoring at All Levels of Organization (CEO to Underwriter)

# Improving Portfolio Mix

Portfolio management and shifting business mix ...

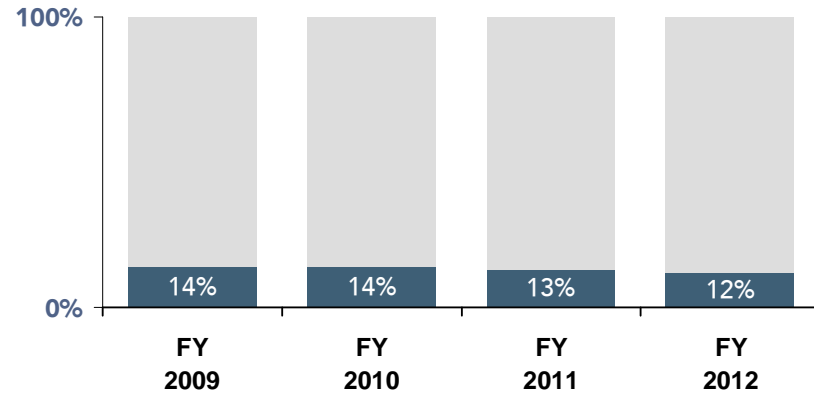
## Workers' Compensation

(\$m, GWP)<sup>(1)</sup>



## Workers' Comp Contribution Shrinking

% of P&C<sup>(1)</sup>



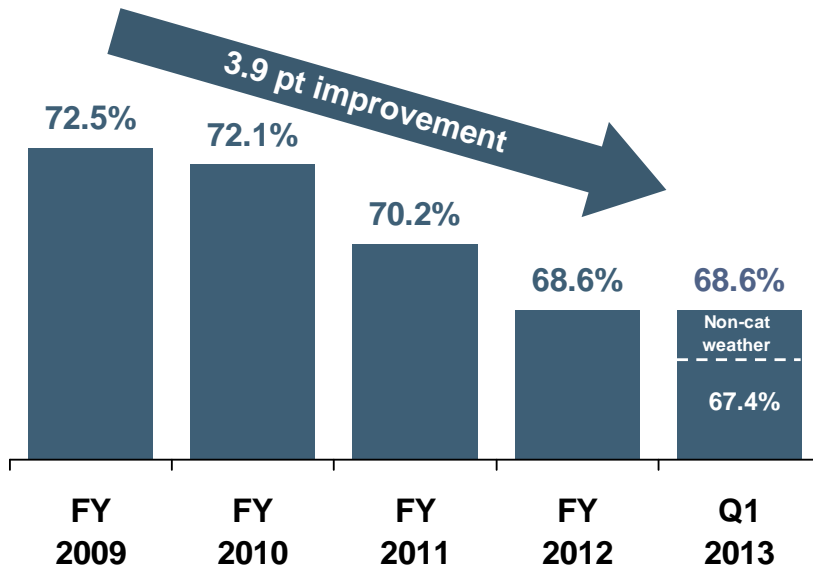
(1) Based on effective date premium

... evident through reduced workers' compensation writings

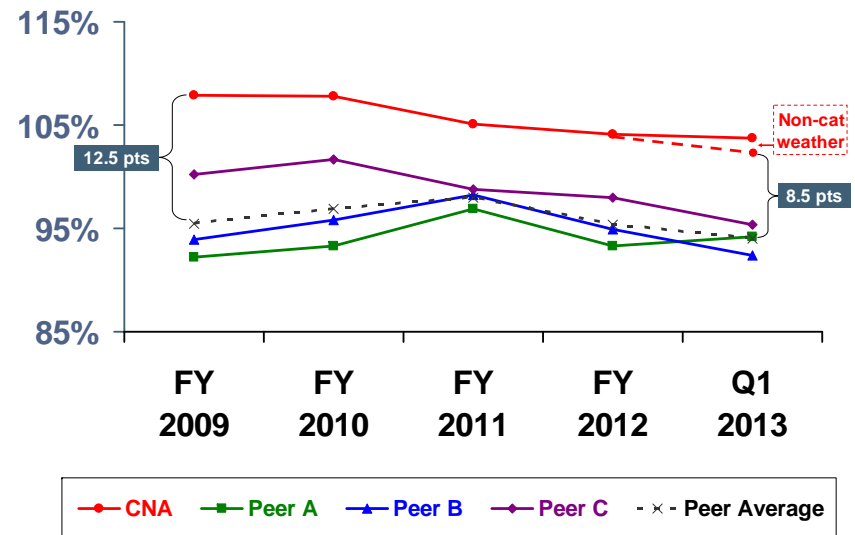
# CNA Commercial

Significant improvement in underlying loss ratio ...

Loss & LAE Ex Cats and Development



Combined Ratio Ex Cats and Development

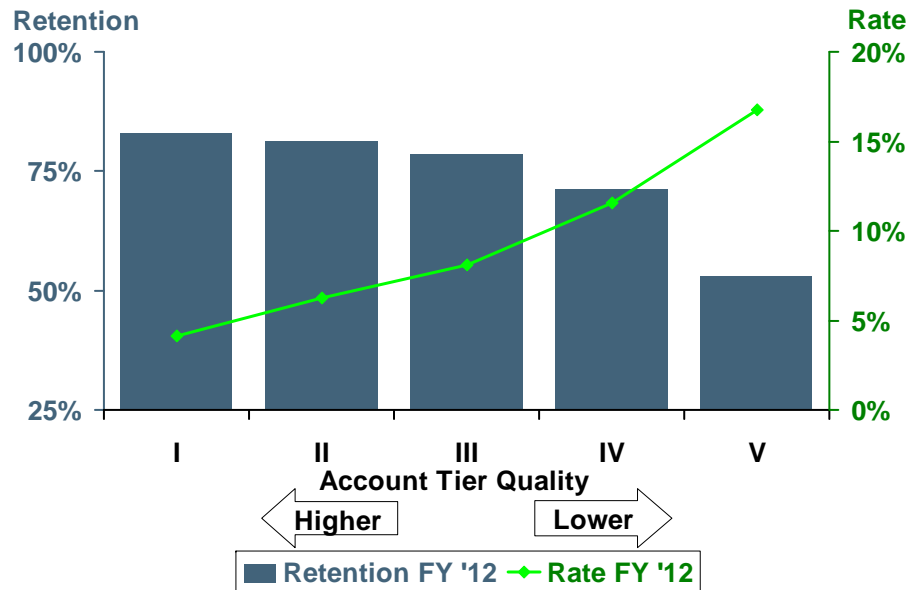


... reflected in narrowing gap to peers

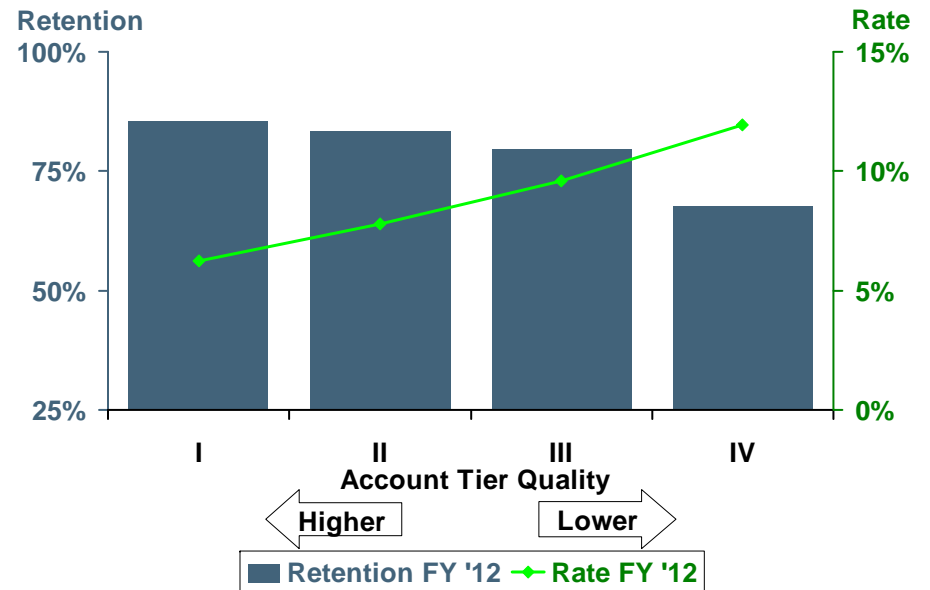
# CNA Commercial – Renewal Pricing

Improving book of business ...

## Middle Market Tier Pricing



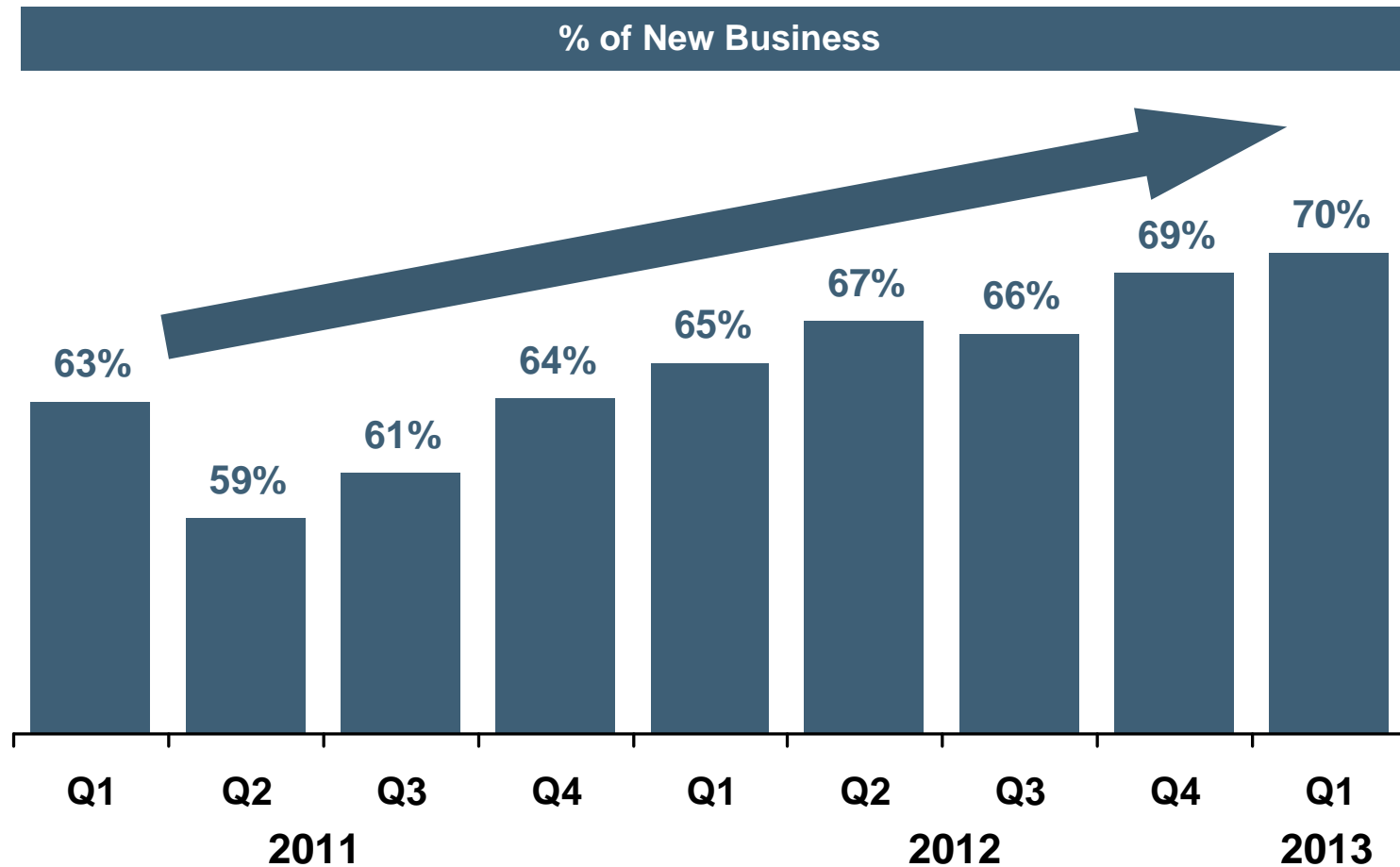
## Small Business Tier Pricing



... through differentiated pricing and quality of risk

# Focus Customer Segments

Focused growth across customer segments ...



... positions CNA for improved returns

# Hardy – Business Profile

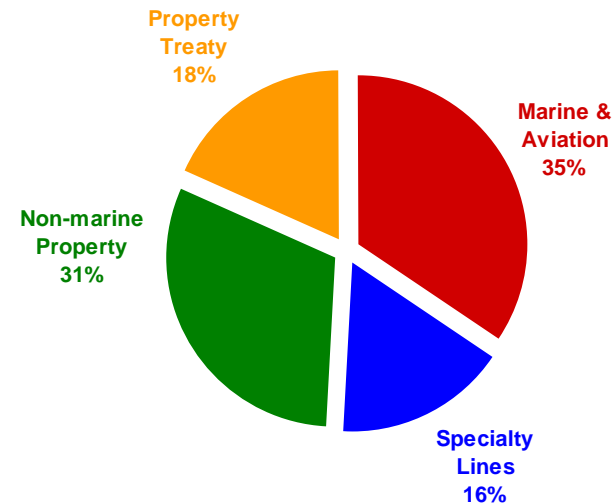
Specialized underwriting expertise ...

## Business Units

- **Marine & Aviation** – Hardy’s longest established business unit specializing in Aviation, Marine Hull, Cargo, and Energy
- **Specialty Lines** – Diversifying lines of business, including Financial Institutions, Political Violence and Accident & Health
- **Non-Marine Property** – A growing business unit since 2007 seeking to create a broad portfolio of individual risk related property business both in geographical and risk profile terms
- **Property Treaty** – Property reinsurance business unit is repositioning its profile after significant losses arising from the international catastrophes of 2010 and 2011

## Business Mix

100% Syndicate 2012 FY Gross Written Premium ~ \$464m <sup>(1)</sup>



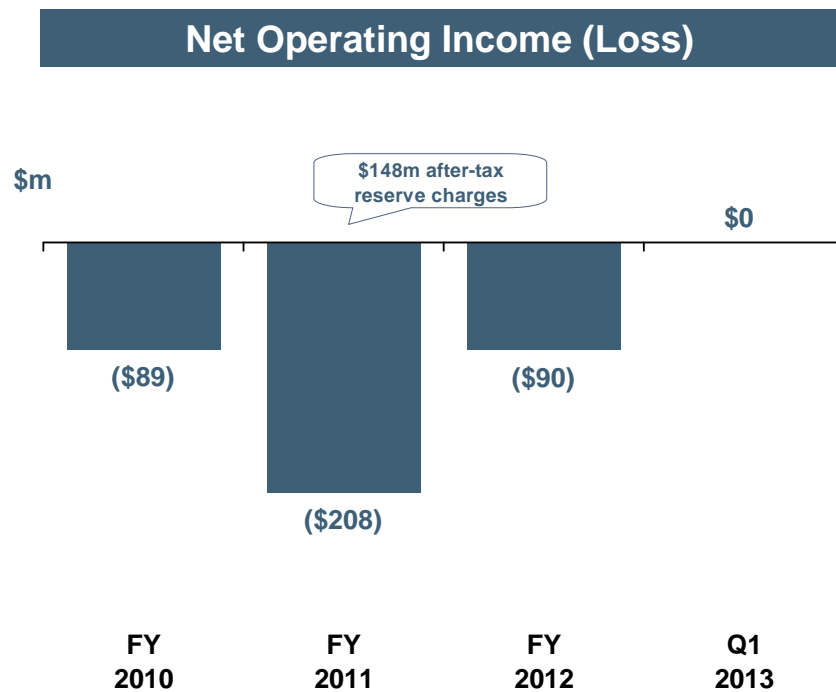
(1) Based on USD / GBP exchange rate of 1.6x

... with an emphasis on short-tail market sectors



# Life and Group Operations

## Non-core run-off businesses ...



Business Products	Net Reserves as of 3/31/13 <sup>(1) (2)</sup>
<b>Long-term Care</b> • Individual LTC • Group LTC	\$8.7b
<b>Payout Annuities</b> • Structured Settlements • Pension Plan Annuities	\$2.6b
<b>Institutional Markets</b> • Pension Deposit Business • Tax Sheltered Annuities	\$0.4b
<b>Other</b> • Reinsurance • Life Settlements • Divested Life/Annuity Products	\$48m

➤ Total Life & Group net reserves as of March 31, 2013 of \$11.8b<sup>(2)</sup>

(1) Excludes \$158 million of claim and claim adjustment expenses and \$1,709 million of future policy benefits relating to Shadow Adjustments. To the extent that unrealized gains on fixed income securities supporting long-term care products and payout annuity contracts would result in a premium deficiency if those gains were realized, a related decrease in Deferred acquisition costs and/or increase in Insurance reserves are recorded, net of tax, as a reduction of net unrealized gains through Other comprehensive income (Shadow Adjustments).

(2) Includes future policy benefits

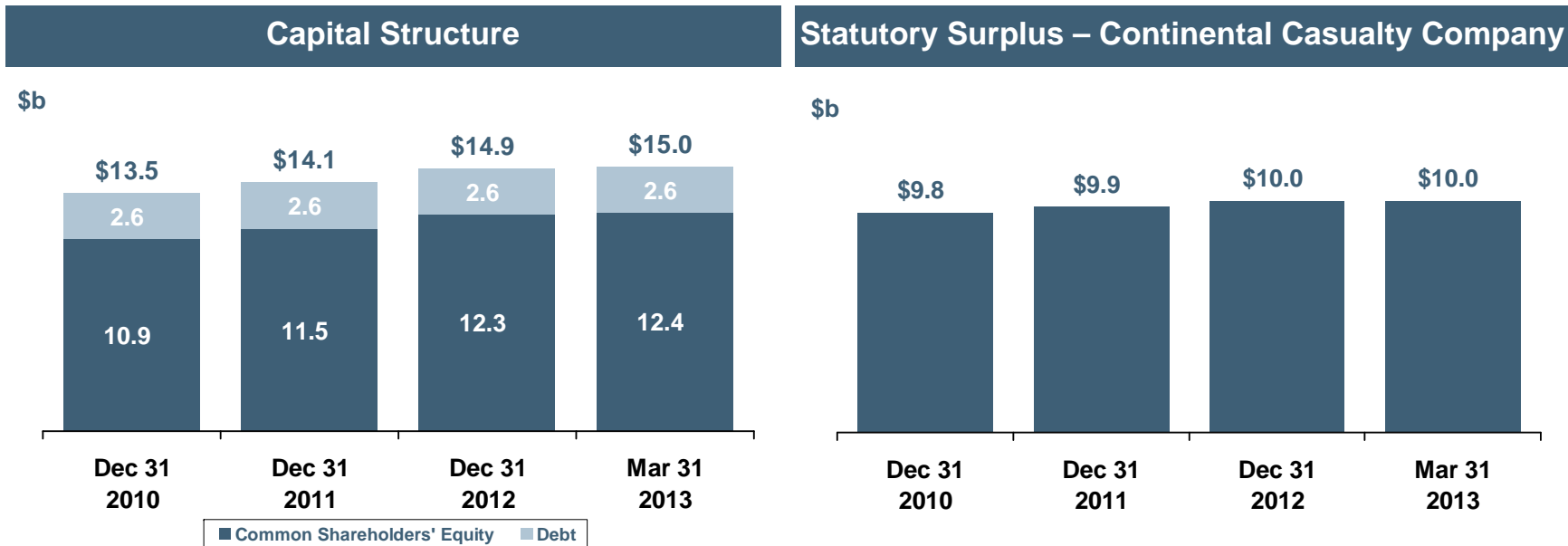
... continue to be actively managed

# Balance Sheet Strength

<b>Conservative Capital Structure</b>	<ul style="list-style-type: none"><li>➤ 17.2% debt-to-capital ratio</li><li>➤ Statutory surplus of \$10b in Continental Casualty Company</li><li>➤ Capital levels well above current ratings</li></ul>
<b>Strong Operating Company Liquidity</b>	<ul style="list-style-type: none"><li>➤ \$240m of operating cash flow and \$870m of principal repayments in Q1 2013</li></ul>
<b>High Quality Investment Portfolio</b>	<ul style="list-style-type: none"><li>➤ High quality investment portfolio with an average credit quality of "A"</li></ul>
<b>Reduced Reliance On Reinsurance</b>	<ul style="list-style-type: none"><li>➤ Reinsurance recoverables balance continuously reduced</li></ul>
<b>Disciplined Reserving Practices</b>	<ul style="list-style-type: none"><li>➤ Strong reserve position</li><li>➤ Over 6 consecutive years of favorable P&amp;C development, in line with peers</li></ul>
<b>Capital Management</b>	<ul style="list-style-type: none"><li>➤ Capital management guided by strategic objectives</li><li>➤ Simplifying scope of operations and investing in business aligned with our strategic focus</li></ul>

# Capital Structure

Highly conservative capital structure ...



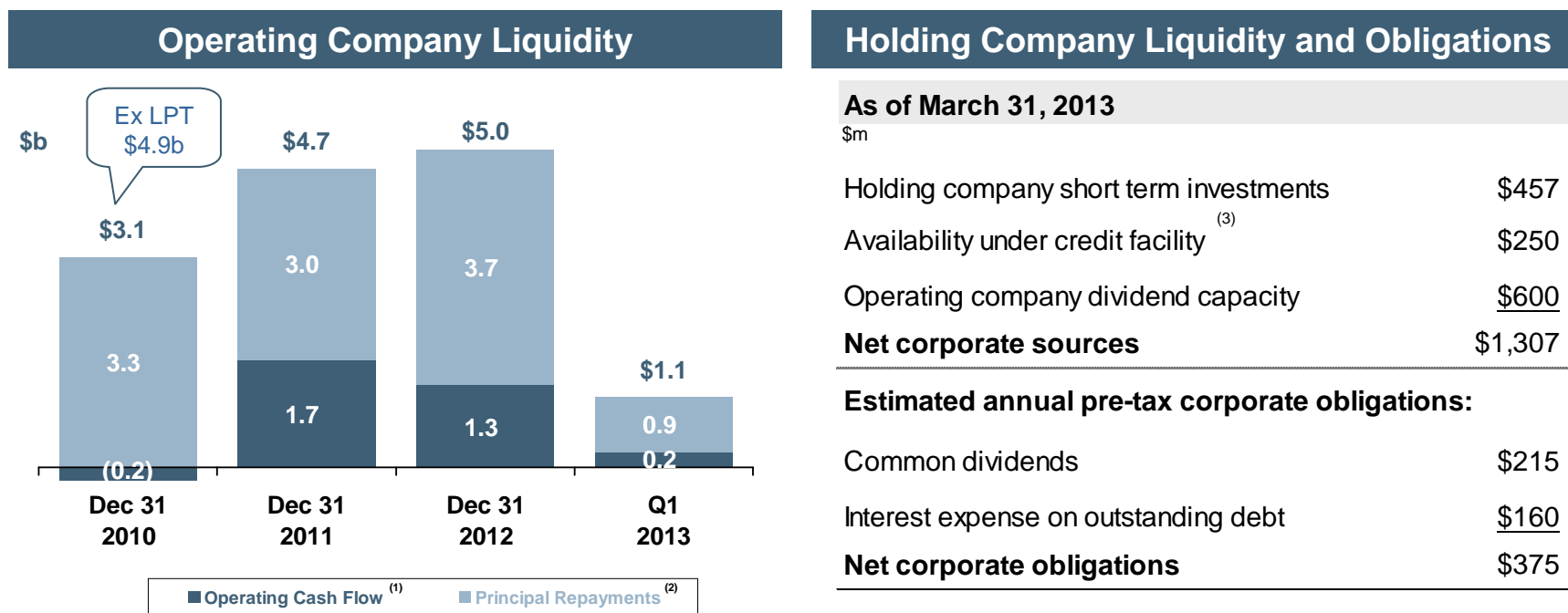
<b>Debt-to-Capital</b>	<b>19.6%</b>	<b>18.5%</b>	<b>17.3%</b>	<b>17.2%</b>
<b>Coverage<sup>(1)</sup></b>	<b>4.8x</b>	<b>5.9x</b>	<b>5.8x</b>	<b>9.0x</b>

(1) Coverage calculated as operating earnings net of non-controlling interest before interest expense and taxes divided by interest expense and preferred dividends.

... and strong regulatory capital

# Strong Liquidity Profile

Significant coverage of holding company obligations ...



(1) Operating cash flow from continuing operations, adjusted to exclude trading portfolio activity of \$153m, \$1m, (\$23m) and (\$48m) and to include preferred dividend payments of \$76m, \$0, \$0 and \$0 in 2010, 2011, 2012 and Q1 2013, respectively.

(2) Includes maturities, prepayments from structured securities, calls, and bank debt pay-downs.

(3) Credit facility entered into in 2012 with 4-year term

... supported by strong operating company cash flow and liquidity

# Investment Management

Well diversified and liquid investment portfolio ...

More liquid	March 31, 2013		Unrealized	
	Asset Class (\$m)	Carrying Value \$ %	Gains (Losses) \$ %	
79%	Short Term	1,555 3%	1 0%	
	US Government	181 0%	11 0%	
	Investment Grade Corp	20,191 43%	2,383 56%	
	Foreign Government	552 1%	24 1%	
	Agency MBS	4,049 9%	112 3%	
	Tax Exempt Muni	6,759 14%	641 15%	
	Taxable Muni	4,189 9%	708 16%	
	Redeemable Preferred	136 0%	13 0%	
	Common Stock	55 0%	17 0%	
	<b>Total</b>	<b>37,667 79%</b>	<b>3,910 91%</b>	
15%	Non Agency CMBS and ABS	2,861 6%	155 4%	
	Non Agency RMBS	1,718 4%	58 1%	
	Below Investment Grade Corp	2,163 5%	161 4%	
	Non Redeemable Preferred	146 0%	7 0%	
	<b>Total</b>	<b>6,888 15%</b>	<b>381 9%</b>	
6%	Mortgage Loans	425 1%	- 0%	
	Limited Partnerships / Other	2,613 5%	- 0%	
	<b>Total</b>	<b>3,038 6%</b>	<b>- 0%</b>	
Less liquid	<b>Total Invested Assets</b>	<b>47,593 100%</b>	<b>4,291<sup>(1)</sup> 100%</b>	

(1) Unrealized gain after shadow adjustment was \$2.1 billion

## Highlights

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

## Duration

	Carrying Value	Duration
Fixed Income		
Life/Group Non-core portfolios	\$16b	11.1 yrs
P&C portfolios	\$28b	4.1 yrs
<b>Total Fixed Income</b>	<b>\$44b</b>	<b>6.6 yrs</b>

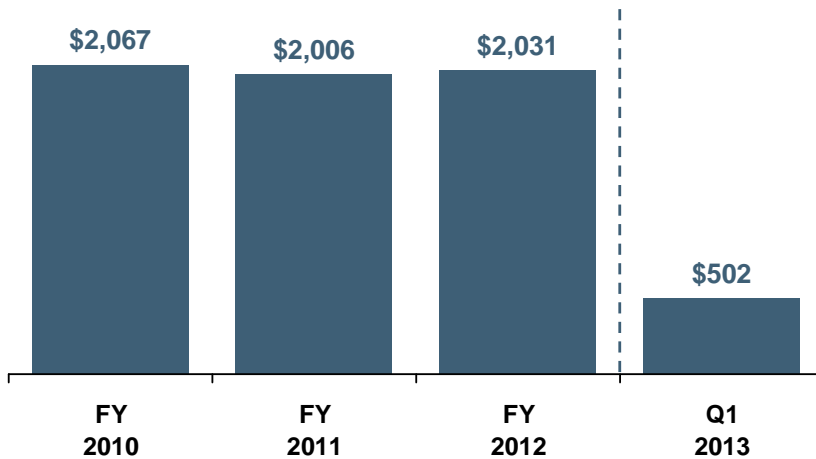
... with an average credit quality rating of "A"

# Net Investment Income

Investing in a low-yield environment ...

## Fixed Income and Other

(\$m, pretax)

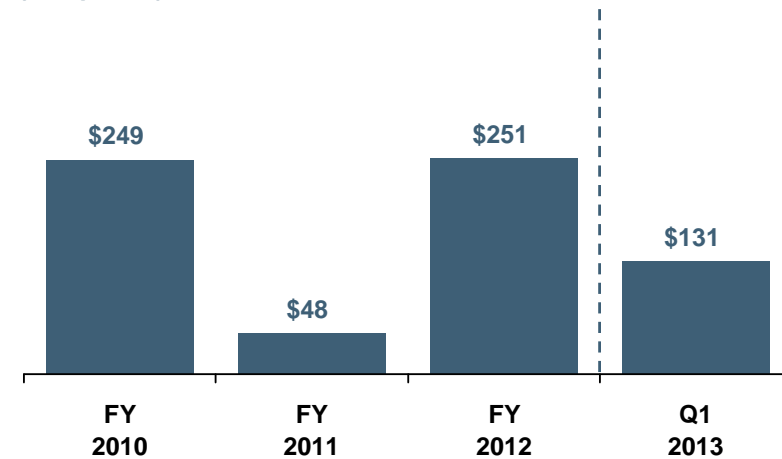


### Fixed Maturities Annualized Yield After-Tax

3.9%	3.7%	3.7%	3.6%
------	------	------	------

## Limited Partnerships

(\$m, pretax)



### LP Return <sup>(1)</sup>

12.7%	2.1%	11.4%	5.4%
-------	------	-------	------

(1) FY 2010, FY 2011, FY 2012 are annual returns. Q1 2013 represents a quarterly return.

... reinforces need for underwriting discipline

# Capital Management Actions Consistent with Strategic Direction

Simplifying scope of operations ...

**2010**

- ✓ \$500m debt issuance
- ✓ \$1b redemption of preferred stock
- ✓ Sold Argentine workers' compensation business
- ✓ Completed loss portfolio transfer effectively eliminating legacy asbestos and pollution risks

**2011**

- ✓ Restored common shareholder dividend
- ✓ \$400m debt issuance – proceeds used to prepay senior notes
- ✓ Completed acquisition of CNA Surety
- ✓ Sold 50% interest in First Insurance Company of Hawaii

**2012**

- ✓ Increased common dividend 50%
- ✓ Entered into new four-year revolving credit facility
- ✓ Completed acquisition of Hardy
- ✓ Retired \$70m of maturing debt

**2013**

- ✓ Increased common dividend 33%

... investing in businesses aligned with our strategic focus

## CNA's Focus

- Accelerating development and further deepening industry-specific technical expertise
- Increasing specialized focus around identified customer segments and certain monoline products
- Extending geographic reach to better leverage capabilities and global capacity
- Streamlining and simplifying business operations
- Building upon balance sheet strength and financial flexibility