LOEWS CORP
Form 10-Q
May 03, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From __________ to __________

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-2646102**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

667 Madison Avenue, New York, N.Y. 10065-8087

(Address of principal executive offices) (Zip Code)

(212) 521-2000

(Registrant s telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨ Not Applicable ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

Class	Outstanding at April 22, 2011
Common stock, $0.01 par value	408,821,504 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Dollar amounts in millions, except per share data)	March 31, 2011	December 31, 2010
Assets:		
Investments:		
Fixed maturities, amortized cost of $37,188 and $36,677	**$ 38,423**	$ 37,814
Equity securities, cost of $905 and $979	**1,025**	1,086
Limited partnership investments	**3,025**	2,814
Other invested assets	**133**	113
Short term investments	**6,026**	7,080
Total investments	**48,632**	48,907
Cash	**123**	120
Receivables	**10,182**	10,142
Property, plant and equipment	**12,543**	12,636
Deferred income taxes	**125**	289
Goodwill	**856**	856
Other assets	**1,959**	1,798
Deferred acquisition costs of insurance subsidiaries	**1,098**	1,079
Separate account business	**449**	450
Total assets	**$ 75,967**	$ 76,277
Liabilities and Equity:		
Insurance reserves:		
Claim and claim adjustment expense	**$ 25,352**	$ 25,496
Future policy benefits	**8,842**	8,718
Unearned premiums	**3,321**	3,203
Policyholders funds	**165**	173
Total insurance reserves	**37,680**	37,590
Payable to brokers	**419**	685
Short term debt	**197**	647
Long term debt	**9,296**	8,830
Other liabilities	**4,481**	4,969
Separate account business	**449**	450
Total liabilities	**52,522**	53,171
Preferred stock, $0.10 par value:		

Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 415,136,329 and 414,930,507 shares	**4**	4
Additional paid-in capital	**3,671**	3,667
Retained earnings	**14,919**	14,564
Accumulated other comprehensive income (loss)	**294**	230
	18,888	18,465
Less treasury stock, at cost (4,817,055 and 384,400 shares)	**(202)**	(15)
Total shareholders equity	**18,686**	18,450
Noncontrolling interests	**4,759**	4,656
Total equity	**23,445**	23,106
Total liabilities and equity	**$ 75,967**	$ 76,277

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

Three Months Ended March 31 **(In millions, except per share data)**	**2011**	2010
Revenues:		
Insurance premiums	**$ 1,615**	$ 1,615
Net investment income	**661**	617
Investment gains (losses):		
Other-than-temporary impairment losses	**(20)**	(90)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss)	**(21)**	30
Net impairment losses recognized in earnings	**(41)**	(60)
Other net investment gains	**64**	81
Total investment gains	**23**	21
Contract drilling revenues	**789**	844
Other	**580**	616
Total	**3,668**	3,713
Expenses:		
Insurance claims and policyholders benefits	**1,364**	1,308
Amortization of deferred acquisition costs	**345**	342
Contract drilling expenses	**362**	305
Other operating expenses	**685**	732
Interest	**151**	130
Total	**2,907**	2,817
Income before income tax	**761**	896
Income tax expense	**(196)**	(273)
Net income	**565**	623
Amounts attributable to noncontrolling interests	**(183)**	(203)
Net income attributable to Loews Corporation	**$ 382**	$ 420
Basic and diluted net income per share	**$ 0.92**	$ 0.99
Dividends per share	**$ 0.0625**	$ 0.0625
Weighted-average shares outstanding:		
Common stock	**412.90**	422.77
Dilutive potential shares of common stock	**0.93**	0.87

Total weighted-average shares outstanding assuming dilution	**413.83**	423.64

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Three Months Ended March 31 **(In millions)**	**2011**	2010
Net income	**$ 565**	$ 623
Other comprehensive income (loss)		
Changes in:		
Net unrealized gains on investments with other-than-temporary impairments	**38**	25
Net other unrealized gains on investments	**23**	307
Total unrealized gains on available-for-sale investments	**61**	332
Unrealized gains (losses) on cash flow hedges	**(17)**	61
Foreign currency	**26**	(10)
Pension liability		2
Other comprehensive income	**70**	385
Comprehensive income	**635**	1,008
Amounts attributable to noncontrolling interests	**(189)**	(245)
Total comprehensive income attributable to Loews Corporation	**$ 446**	$ 763

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENT OF EQUITY

(Unaudited)

		Loews Corporation Shareholders					
(In millions)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
Balance, January 1, 2010	$ 21,085	$ 4	$ 3,637	$ 13,693	$ (419)	$ (16)	$ 4,186
Sale of subsidiary common units	279		83		1		195
Net income	623			420			203
Other comprehensive income	385				343		42
Dividends paid	(192)			(26)			(166)
Purchase of Loews treasury stock	(197)					(197)	
Issuance of Loews common stock	1		1				
Stock-based compensation	6		5				1
Other	3		19	(2)			(14)
Balance, March 31, 2010	$ 21,993	$ 4	$ 3,745	$ 14,085	$ (75)	$ (213)	$ 4,447
Balance, January 1, 2011	**$ 23,106**	**$ 4**	**$ 3,667**	**$ 14,564**	**$ 230**	**$ (15)**	**$ 4,656**
Net income	**565**			**382**			**183**
Other comprehensive income	**70**				**64**		**6**
Dividends paid	**(124)**			**(26)**			**(98)**
Purchase of Loews treasury stock	**(187)**					**(187)**	
Issuance of Loews common stock	**4**		**4**				
Stock-based compensation	**6**		**5**				**1**
Other	**5**		**(5)**	**(1)**			**11**
Balance, March 31, 2011	**$ 23,445**	**$ 4**	**$ 3,671**	**$ 14,919**	**$ 294**	**$ (202)**	**$ 4,759**

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Three Months Ended March 31 **(In millions)**	**2011**	2010
Operating Activities:		
Net income	**$ 565**	$ 623
Adjustments to reconcile net income to net cash provided by operating activities, net	**165**	175
Changes in operating assets and liabilities, net:		
Reinsurance receivables	**123**	254
Other receivables	**15**	(4)
Deferred acquisition costs	**(19)**	(1)
Insurance reserves	**45**	(135)
Other liabilities	**(297)**	(42)
Trading securities	**522**	(584)
Other, net	**10**	8
Net cash flow operating activities total	**1,129**	294
Investing Activities:		
Purchases of fixed maturities	**(3,480)**	(5,351)
Proceeds from sales of fixed maturities	**1,893**	2,737
Proceeds from maturities of fixed maturities	**965**	846
Purchases of equity securities	**(34)**	(42)
Proceeds from sales of equity securities	**128**	25
Purchases of property, plant and equipment	**(150)**	(212)
Deposits for construction of offshore drilling equipment	**(309)**	
Change in short term investments	**277**	1,628
Change in other investments	**(114)**	(52)
Other, net	**8**	10
Net cash flow investing activities total	**(816)**	(411)

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Loews Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS - (Continued)

(Unaudited)

Three Months Ended March 31 **(In millions)**	**2011**	2010
Financing Activities:		
Dividends paid	**$ (26)**	$ (26)
Dividends paid to noncontrolling interests	**(98)**	(166)
Purchases of treasury shares	**(188)**	(188)
Issuance of common stock	**4**	1
Proceeds from sale of subsidiary stock	**6**	333
Principal payments on debt	**(913)**	(1)
Issuance of debt	**904**	125
Other, net	**(1)**	(14)
Net cash flow financing activities total	**(312)**	64
Effect of foreign exchange rate on cash	**2**	(2)
Net change in cash	**3**	(55)
Cash, beginning of period	**120**	190
Cash, end of period	**$ 123**	$ 135

See accompanying Notes to Consolidated Condensed Financial Statements.

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Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary); exploration, production and marketing of natural gas and natural gas liquids (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary); the operation of interstate natural gas pipeline systems (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 66% owned subsidiary); and the operation of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) Loews as used herein means Net income (loss) attributable to Loews Corporation.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 2011 and December 31, 2010 and the results of operations, comprehensive income and changes in cash flows for the three months ended March 31, 2011 and 2010.

Net income for the first quarter of each of the years is not necessarily indicative of net income for that entire year.

Reference is made to the Notes to Consolidated Financial Statements in the 2010 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

The Company presents basic and diluted earnings per share on the Consolidated Condensed Statements of Income. Basic earnings per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Stock appreciation rights (SARs) of 1.9 million and 2.4 million shares were not included in the diluted weighted average shares amount for the three months ended March 31, 2011 and 2010 due to the exercise price being greater than the average stock price.

2. Investments

Three Months Ended March 31 **(In millions)**	**2011**	2010
Net investment income consisted of:		
Fixed maturity securities	**$ 506**	$ 510
Short term investments	**3**	7
Limited partnerships	**134**	80
Equity securities	**6**	10
Income from trading portfolio (a)	**23**	21
Other	**4**	3
Total investment income	**676**	631
Investment expenses	**(15)**	(14)
Net investment income	**$ 661**	$ 617

(a) Includes net unrealized gains related to changes in fair value on trading securities still held of $21 million and $22 million for the three months ended March 31, 2011 and 2010.

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Three Months Ended March 31 (In millions)	2011	2010
Investment gains (losses) are as follows:		
Fixed maturity securities	**$ 20**	$ 27
Equity securities		3
Derivative instruments	**(1)**	(13)
Short term investments	**2**	3
Other	**2**	1
Investment gains (a)	**$ 23**	$ 21

(a) Includes gross realized gains of $93 million and $102 million and gross realized losses of $73 million and $72 million on available-for-sale securities for the three months ended March 31, 2011 and 2010.

The components of other-than-temporary impairment (OTTI) losses recognized in earnings by asset type are as follows:

Three Months Ended March 31 (In millions)	2011	2010
Fixed maturity securities available-for-sale:		
Asset-backed:		
Residential mortgage-backed	**$ 28**	$ 26
Commercial mortgage-backed		2
Total asset-backed	**28**	28
States, municipalities and political subdivisions		14
Corporate and other bonds	**9**	18
Total fixed maturities available-for-sale	**37**	60
Equity securities available-for-sale:		
Common stock	**3**	
Preferred stock	**1**	
Total equity securities available-for-sale	**4**	
Net OTTI losses recognized in earnings	**$ 41**	$ 60

A security is impaired if the fair value of the security is less than its cost adjusted for accretion, amortization and previously recorded OTTI losses, otherwise defined as an unrealized loss. When a security is impaired, the impairment is evaluated to determine whether it is temporary or other-than-temporary.

Significant judgment is required in the determination of whether an OTTI loss has occurred for a security. CNA follows a consistent and systematic process for determining and recording an OTTI loss. CNA has established a committee responsible for the OTTI process. This committee, referred to as the Impairment Committee, is made up of three officers appointed by CNA s Chief Financial Officer. The Impairment Committee is responsible for evaluating all securities in an unrealized loss position on at least a quarterly basis.

The Impairment Committee s assessment of whether an OTTI loss has occurred incorporates both quantitative and qualitative information. Fixed maturity securities that CNA intends to sell, or it more likely than not will be required to sell before recovery of amortized cost, are considered to be other-than-temporarily impaired and the entire difference between the amortized cost basis and fair value of the security is recognized as an

OTTI loss in earnings. The remaining fixed maturity securities in an unrealized loss position are evaluated to determine if a credit loss exists. The factors considered by the Impairment Committee include: (i) the financial condition and near term prospects of the issuer, (ii) whether the debtor is current on interest and principal payments, (iii) credit ratings of the securities and (iv) general market conditions and industry or sector specific outlook. CNA also considers results and analysis of cash flow modeling for asset-backed securities, and when appropriate, other fixed maturity securities.

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The focus of the analysis for asset-backed securities is on assessing the sufficiency and quality of underlying collateral and timing of cash flows based on scenario tests. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss is judged to exist and the asset-backed security is deemed to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is judged to be other-than-temporarily impaired for credit reasons and that shortfall, referred to as the credit component, is recognized as an OTTI loss in earnings. The difference between the adjusted amortized cost basis and fair value, referred to as the non-credit component, is recognized as OTTI in Other comprehensive income. In subsequent reporting periods, a change in intent to sell or further credit impairment on a security whose fair value has not deteriorated will cause the non-credit component originally recorded as OTTI in Other comprehensive income to be recognized as an OTTI loss in earnings.

CNA performs the discounted cash flow analysis using stressed scenarios to determine future expectations regarding recoverability. For asset-backed securities, significant assumptions enter into these cash flow projections including delinquency rates, probable risk of default, loss severity upon a default, over collateralization and interest coverage triggers, credit support from lower level tranches and impacts of rating agency downgrades.

CNA applies the same impairment model as described above for the majority of non-redeemable preferred stock securities on the basis that these securities possess characteristics similar to debt securities and that the issuers maintain their ability to pay dividends. For all other equity securities, in determining whether the security is other-than-temporarily impaired, the Impairment Committee considers a number of factors including, but not limited to: (i) the length of time and the extent to which the fair value has been less than amortized cost, (ii) the financial condition and near term prospects of the issuer, (iii) the intent and ability of CNA to retain its investment for a period of time sufficient to allow for an anticipated recovery in value and (iv) general market conditions and industry or sector specific outlook.

The amortized cost and fair values of securities are as follows:

March 31, 2011 (In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities:					
U.S. Treasury and obligations of government agencies	$ 120	$ 14		$ 134	
Asset-backed:					
Residential mortgage-backed	6,194	91	$ 209	6,076	$ 60
Commercial mortgage-backed	1,078	60	28	1,110	(6)
Other asset-backed	886	17	7	896	
Total asset-backed	8,158	168	244	8,082	54
States, municipalities and political subdivisions	8,552	176	400	8,328	
Foreign government	631	15	1	645	
Corporate and other bonds	19,442	1,562	50	20,954	
Redeemable preferred stock	48	5	1	52	
Fixed maturities available-for-sale	36,951	1,940	696	38,195	54
Fixed maturities, trading	237		9	228	
Total fixed maturities	37,188	1,940	705	38,423	54
Equity securities:					
Common stock	101	25	1	125	
Preferred stock	229	4	2	231	
Equity securities available-for-sale	330	29	3	356	
Equity securities, trading	575	123	29	669	

Total equity securities	**905**	**152**	**32**	**1,025**	
Total	**$ 38,093**	**$ 2,092**	**$ 737**	**$ 39,448**	**$ 54**

December 31, 2010 (In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities:					
U.S. Treasury and obligations of government agencies	$ 122	$ 16	$ 1	$ 137	
Asset-backed:					
Residential mortgage-backed	6,255	101	265	6,091	$ 114
Commercial mortgage-backed	994	40	41	993	(2)
Other asset-backed	753	18	8	763	
Total asset-backed	8,002	159	314	7,847	112
States, municipalities and political subdivisions	8,157	142	410	7,889	
Foreign government	602	18		620	
Corporate and other bonds	19,503	1,603	70	21,036	
Redeemable preferred stock	47	7		54	
Fixed maturities available-for-sale	36,433	1,945	795	37,583	112
Fixed maturities, trading	244		13	231	
Total fixed maturities	36,677	1,945	808	37,814	112
Equity securities:					
Common stock	90	25		115	
Preferred stock	332	2	9	325	
Equity securities available-for-sale	422	27	9	440	
Equity securities, trading	557	123	34	646	
Total equity securities	979	150	43	1,086	
Total	$ 37,656	$ 2,095	$ 851	$ 38,900	$ 112

The available-for-sale securities in a gross unrealized loss position are as follows:

	Less than 12 Months		Greater than 12 Months		Total	
March 31, 2011 (In millions)	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
Fixed maturity securities:						
Asset-backed:						
Residential mortgage-backed	**$ 2,167**	**$ 73**	**$ 1,442**	**$ 136**	**$ 3,609**	**$ 209**
Commercial mortgage-backed	**270**	**6**	**263**	**22**	**533**	**28**
Other asset-backed	**140**		**61**	**7**	**201**	**7**
Total asset-backed	**2,577**	**79**	**1,766**	**165**	**4,343**	**244**
States, municipalities and political subdivisions	**2,861**	**160**	**624**	**240**	**3,485**	**400**
Foreign Government	**110**	**1**	**18**		**128**	**1**
Corporate and other bonds	**1,920**	**28**	**335**	**22**	**2,255**	**50**
Redeemable preferred stock			**5**	**1**	**5**	**1**

Total fixed maturities available-for-sale	**7,468**	**268**	**2,748**	**428**	**10,216**	**696**
Equity securities available-for-sale:						
Common stock	**8**	**1**			**8**	**1**
Preferred stock	**76**	**1**	**19**	**1**	**95**	**2**
Total equity securities available-for-sale	**84**	**2**	**19**	**1**	**103**	**3**
Total	**$ 7,552**	**$ 270**	**$ 2,767**	**$ 429**	**$ 10,319**	**$ 699**

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December 31, 2010 (In millions)	Less than 12 Months Estimated Fair Value	Less than 12 Months Gross Unrealized Losses	Greater than 12 Months Estimated Fair Value	Greater than 12 Months Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Fixed maturity securities:						
U.S. Treasury and obligations of government agencies	$ 8	$ 1			$ 8	$ 1
Asset-backed:						
Residential mortgage-backed	1,800	52	$ 1,801	$ 213	3,601	265
Commercial mortgage-backed	164	3	333	38	497	41
Other asset-backed	122	1	60	7	182	8
Total asset-backed	2,086	56	2,194	258	4,280	314
States, municipalities and political subdivisions	3,339	164	745	246	4,084	410
Corporate and other bonds	1,719	34	405	36	2,124	70
Total fixed maturities available-for-sale	7,152	255	3,344	540	10,496	795
Equity securities available-for-sale:						
Preferred stock	175	5	70	4	245	9
Total	$ 7,327	$ 260	$ 3,414	$ 544	$ 10,741	$ 804

The amount of pretax net unrealized gains on available-for-sale securities reclassified out of Accumulated other comprehensive income (AOCI) into earnings was $21 million and $32 million for the three months ended March 31, 2011 and 2010.

The following table summarizes the activity for the three months ended March 31, 2011 and 2010 related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held at March 31, 2011 and 2010 for which a portion of an OTTI loss was recognized in Other comprehensive income.

Three Months Ended March 31, **(In millions)**	**2011**	2010
Beginning balance of credit losses on fixed maturity securities	**$ 141**	$ 164
Additional credit losses for which an OTTI loss was previously recognized	**10**	11
Credit losses for which an OTTI loss was not previously recognized	**1**	5
Reductions for securities sold during the period	**(25)**	(9)
Reductions for securities the Company intends to sell or more likely than not will be required to sell	**(14)**	
Ending balance of credit losses on fixed maturity securities	**$ 113**	$ 171

Based on current facts and circumstances, the Company has determined that no additional OTTI losses related to the securities in an unrealized loss position presented in the table above are required to be recorded. A discussion of some of the factors reviewed in making that determination is presented below.

The classification between investment grade and non-investment grade presented in the discussion below is based on a ratings methodology that takes into account ratings from two major providers, Standard & Poor s and Moody s Investors Service, Inc. in that order of preference. If a security is not rated by these providers, the Company formulates an internal rating. For securities with credit support from third party guarantees, the rating reflects the greater of the underlying rating of the issuer or the insured rating.

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Asset-Backed Securities

The fair value of total asset-backed holdings at March 31, 2011 was $8,082 million which was comprised of 2,072 different securities. The fair value of these securities does not tend to be influenced by the credit of the issuer but rather the characteristics and projected cash flows of the underlying collateral. Each security has deal-specific tranche structures, credit support that results from the unique deal structure, particular collateral characteristics and other distinct security terms. As a result, seemingly common factors such as delinquency rates and collateral performance affect each security differently. Of these securities, 147 have underlying collateral that is either considered sub-prime or Alt-A in nature. The exposure to sub-prime residential mortgage collateral and Alternative A residential mortgages that have lower than normal standards of loan documentation collateral is measured by the original deal structure.

Residential mortgage-backed securities include 159 non-agency structured securities that have at least one trade lot in a gross unrealized loss position. In addition, there were 99 agency mortgage-backed securities guaranteed by agencies of the U.S. Government that have at least one trade lot in a gross unrealized loss position. The aggregate severity of the gross unrealized loss for residential mortgage-backed securities was approximately 5.3% of amortized cost.

Commercial mortgage-backed securities include 49 securities that have at least one trade lot in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 5.1% of amortized cost. Other asset-backed securities include 16 securities that have at least one trade lot in a gross unrealized loss position. The aggregate severity of the gross unrealized loss was approximately 3.4% of amortized cost.

The asset-backed securities in a gross unrealized loss position by ratings distribution are as follows:

March 31, 2011 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
U.S. Government Agencies	**$ 1,758**	**$ 1,698**	**$ 60**
AAA	**1,281**	**1,233**	**48**
AA	**406**	**377**	**29**
A	**158**	**152**	**6**
BBB	**223**	**195**	**28**
Non-investment grade and equity tranches	**761**	**688**	**73**
Total	**$ 4,587**	**$ 4,343**	**$ 244**

The Company believes the unrealized losses are primarily attributable to broader economic conditions, changes in interest rates and wider than historical bid/ask spreads, and are not indicative of the quality of the underlying collateral. The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Generally, non-investment grade securities consist of investments which were investment grade at the time of purchase but have subsequently been downgraded and primarily consist of holdings senior to the equity tranche. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of principal and interest, collateral shortfalls, or substantial changes in future cash flow expectations; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at March 31, 2011.

States, Municipalities and Political Subdivisions

The fair value of total states, municipalities and political subdivisions holdings at March 31, 2011 was $8,328 million. These holdings consist of both tax-exempt and taxable bonds, 71.3% of which are special revenue and assessment bonds, followed by general obligation political subdivision bonds at 19.8% and state general obligation bonds at 8.9%.

The unrealized losses on the Company s investments in this category are primarily due to the impact of interest rate increases, as well as market conditions for tax-exempt bonds. Securities with maturity dates that exceed 20 years comprise 69.4% of the gross unrealized losses. The holdings for all securities in this category include 534 securities that have at least one trade lot in a gross unrealized loss position. The aggregate severity of the total gross unrealized losses was approximately 10.3% of amortized cost.

The states, municipalities and political subdivisions securities in a gross unrealized loss position by ratings distribution are as follows:

March 31, 2011 (In millions)	Amortized Cost	Estimated Fair Value	Gross Unrealized Losses
AAA	**$ 752**	**$ 705**	**$ 47**
AA	**2,126**	**1,885**	**241**
A	**908**	**811**	**97**
BBB	**70**	**57**	**13**
Non-investment grade	**29**	**27**	**2**
Total	**$ 3,885**	**$ 3,485**	**$ 400**

The largest exposures at March 31, 2011 as measured by gross unrealized losses were several separate issues of Puerto Rico sales tax revenue bonds with gross unrealized losses of $104 million and several separate issues of New Jersey transit revenue bonds with gross unrealized losses of $56 million. All of these securities are rated investment grade.

The Company has no current intent to sell these securities, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost. Additionally, the Company believes that the unrealized losses on these securities were not due to factors regarding the ultimate collection of principal and interest; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at March 31, 2011.

Contractual Maturity

The following table summarizes available-for-sale fixed maturity securities by contractual maturity at March 31, 2011 and December 31, 2010. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties. Securities not due at a single date are allocated based on weighted average life.

	March 31, 2011		December 31, 2010	
(In millions)	**Amortized Cost**	**Estimated Fair Value**	Amortized Cost	Estimated Fair Value
Due in one year or less	**$ 1,553**	**$ 1,564**	$ 1,515	$ 1,506
Due after one year through five years	**11,449**	**11,908**	11,198	11,653
Due after five years through ten years	**9,862**	**10,280**	10,034	10,437
Due after ten years	**14,087**	**14,443**	13,686	13,987
Total	**$ 36,951**	**$ 38,195**	$ 36,433	$ 37,583

Investment Commitments

As of March 31, 2011, the Company had committed approximately $193 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

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The Company invests in various privately placed debt securities, including bank loans, as part of its overall investment strategy and has committed to additional future purchases and sales. The purchase and sale of these investments are recorded on the date that the legal agreements are finalized and cash settlements are made. As of March 31, 2011, the Company had commitments to purchase $208 million and sell $131 million of such investments.

As of March 31, 2011, the Company had mortgage loan commitments of $56 million representing signed loan applications received and accepted. The mortgage loans are recorded once funded.

3. Fair Value

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not observable.

The Company attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Company is responsible for the valuation process and seeks to obtain quoted market prices for all securities. When quoted market prices in active markets are not available, the Company uses a number of methodologies to establish fair value estimates, including discounted cash flow models, prices from recently executed transactions of similar securities or broker/dealer quotes, utilizing market observable information to the extent possible. In conjunction with modeling activities, the Company may use external data as inputs. The modeled inputs are consistent with observable market information, when available, or with the Company s assumptions as to what market participants would use to value the securities. The Company also uses pricing services as a significant source of data. The Company monitors all the pricing inputs to determine if the markets from which the data is gathered are active. As further validation of the Company s valuation process, the Company samples past fair value estimates and compares the valuations to actual transactions executed in the market on similar dates.

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The fair values of CNA s life settlement contracts are included in Other assets. Equity options purchased are included in Equity securities, and all other derivative assets are included in Receivables. Derivative liabilities are included in Payable to brokers. Assets and liabilities measured at fair value on a recurring basis are summarized in the tables below:

March 31, 2011 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of government agencies	$ 74	$ 60		$ 134
Asset-backed:				
Residential mortgage-backed		5,338	$ 738	6,076
Commercial mortgage-backed		1,022	88	1,110
Other asset-backed		451	445	896
Total asset-backed		6,811	1,271	8,082
States, municipalities and political subdivisions		8,140	188	8,328
Foreign government	118	527		645
Corporate and other bonds		20,378	576	20,954
Redeemable preferred stock	3	49		52
Fixed maturities available-for-sale	195	35,965	2,035	38,195
Fixed maturities, trading		46	182	228
Total fixed maturities	$ 195	$ 36,011	$ 2,217	$ 38,423
Equity securities available-for-sale	$ 203	$ 123	$ 30	$ 356
Equity securities, trading	663		6	669
Total equity securities	$ 866	$ 123	$ 36	$ 1,025
Short term investments	$ 5,539	$ 460	$ 27	$ 6,026
Other invested assets		6	9	15
Receivables		56	1	57
Life settlement contracts			127	127
Separate account business	28	382	39	449
Payable to brokers	(73)	(67)	(37)	(177)
Discontinued operations investments, included in Other liabilities	13	56		69

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December 31, 2010 (In millions)	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of government agencies	$ 76	$ 61		$ 137
Asset-backed:				
Residential mortgage-backed		5,324	$ 767	6,091
Commercial mortgage-backed		920	73	993
Other asset-backed		404	359	763
Total asset-backed		6,648	1,199	7,847
States, municipalities and political subdivisions		7,623	266	7,889
Foreign government	115	505		620
Corporate and other bonds		20,412	624	21,036
Redeemable preferred stock	3	48	3	54
Fixed maturities available-for-sale	194	35,297	2,092	37,583
Fixed maturities, trading		47	184	231
Total fixed maturities	$ 194	$ 35,344	$ 2,276	$ 37,814
Equity securities available-for-sale	288	126	26	440
Equity securities, trading	640		6	646
Total equity securities	$ 928	$ 126	$ 32	$ 1,086
Short term investments	$ 6,079	$ 974	$ 27	$ 7,080
Other invested assets			26	26
Receivables		74	2	76
Life settlement contracts			129	129
Separate account business	28	381	41	450
Payable to brokers	(328)	(79)	(23)	(430)
Discontinued operations investments, included in Other liabilities	11	60		71

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The tables below present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2011 and 2010:

		Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)								Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities
2011	**Balance, January 1**	**Included in Net Income**	**Included in OCI**	**Purchases**	**Sales**	**Settlements**	**Transfers into Level 3**	**Transfers out of Level 3**	**Balance, March 31**	**Held at March 31**
(In millions)										
Fixed maturity securities:										
Asset-backed:										
Residential mortgage-backed	$ 767	$ 1	$ 2	$ 47	$ (26)	$ (22)		$ (31)	$ 738	
Commercial mortgage- backed	73	3	16		(4)				88	
Other asset-backed	359	4		200	(87)	(31)			445	
Total asset-backed	1,199	8	18	247	(117)	(53)		(31)	1,271	
States, municipalities and political subdivisions	266		1			(79)			188	
Corporate and other bonds	624	4	(5)	41	(20)	(27)	$ 9	(50)	576	
Redeemable preferred stock	3	3	(3)		(3)					
Fixed maturities available-for-sale	2,092	15	11	288	(140)	(159)	9	(81)	2,035	
Fixed maturities, trading	184	1		1	(4)				182	
Total fixed maturities	$ 2,276	$ 16	$ 11	$ 289	$ (144)	$ (159)	$ 9	$ (81)	$ 2,217	$
Equity securities available-for-sale	$ 26	$ (1)	$ (1)	$ 15	$ (9)				$ 30	$ (3)
Equity securities trading	6								6	
Short term investments	27			12		$ (2)		$ (10)	27	
Other invested assets	26	2			(19)				9	1
Life settlement contracts	129	3				(5)			127	(1)
Separate account business	41				(2)				39	
Derivative financial instruments, net	(21)	(8)	(15)			8			(36)	

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2010 (In millions)	Balance, January 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income	Included in OCI	Purchases, Sales, Issuances and Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, March 31	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at March 31
Fixed maturity securities:								
Asset-backed:								
Residential mortgage-backed	$ 629	$ (10)	$ 26	$ 42		$ (8)	$ 679	$ (11)
Commercial mortgage-backed	123	(1)	(4)	(5)	$ 7	(8)	112	(2)
Other asset-backed	348	4	21	(5)			368	
Total asset-backed	1,100	(7)	43	32	7	(16)	1,159	(13)
States, municipalities and political subdivisions	756		2	(21)			737	
Corporate and other bonds	609	2	29	55	9	(24)	680	
Redeemable preferred stock	2		2				4	
Fixed maturities available-for-sale	2,467	(5)	76	66	16	(40)	2,580	(13)
Fixed maturities, trading	197	6		13			216	6
Total fixed maturities	$ 2,664	$ 1	$ 76	$ 79	$ 16	$ (40)	$ 2,796	$ (7)
Equity securities available-for-sale	$ 11				$ 2	$ (5)	$ 8	
Short term investments					1		1	
Life settlement contracts	130	$ 10		$ (9)			131	$ 3
Separate account business	38			2			40	
Discontinued operations investments	16		$ 1	(2)			15	
Derivative financial instruments, net	(48)	(8)	14	15			(27)	

Net realized and unrealized gains and losses are reported in Net income as follows:

Major Category of Assets and Liabilities	Consolidated Condensed Statements of Income Line Items
Fixed maturity securities available-for-sale	Investment gains (losses)
Fixed maturity securities, trading	Net investment income
Equity securities available-for-sale	Investment gains (losses)
Equity securities, trading	Net investment income
Other invested assets	Investment gains (losses)
Derivative financial instruments held in a trading portfolio	Net investment income

Derivative financial instruments, other	Investment gains (losses) and Other revenues
Life settlement contracts	Other revenues

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Securities shown in the Level 3 tables may be transferred in or out of Level 3 based on the availability of observable market information used to verify pricing sources or used in pricing models. The availability of observable market information varies based on market conditions and trading volume and may cause securities to move in and out of Level 3 from reporting period to reporting period. There were no significant transfers between Level 1 and Level 2 during the three months ended March 31, 2011. The Company s policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

The following section describes the valuation methodologies used to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which the instruments are generally classified.

Fixed Maturity Securities

Level 1 securities include highly liquid government bonds and securities issued by foreign governments for which quoted market prices are available. The remaining fixed maturity securities are valued using pricing for similar securities, recently executed transactions, cash flow models with yield curves, broker/dealer quotes and other pricing models utilizing observable inputs. The valuation for most fixed maturity securities is classified as Level 2. Level 2 securities may also include securities that have firm sale commitments and prices that are not recorded until the settlement date. Securities are generally assigned to Level 3 in cases where broker/dealer quotes are significant inputs to the valuation and there is a lack of transparency as to whether these quotes are based on information that is observable in the marketplace. Level 3 securities also include tax-exempt and taxable auction rate certificates. Fair value of auction rate securities is determined utilizing a pricing model with three primary inputs. The interest rate and spread inputs are observable from like instruments while the maturity date assumption is unobservable due to the uncertain nature of the principal prepayments prior to maturity.

Equity Securities

Level 1 securities include publicly traded securities valued using quoted market prices. Level 2 securities are primarily non-redeemable preferred stocks and common stocks valued using pricing for similar securities, recently executed transactions, broker/dealer quotes and other pricing models utilizing observable inputs. Level 3 securities are priced using internal models with inputs that are not market observable.

Derivative Financial Instruments

Exchange traded derivatives are valued using quoted market prices and are classified within Level 1 of the fair value hierarchy. Level 2 derivatives include currency forwards valued using observable market forward rates. Over-the-counter derivatives, principally interest rate swaps, total return swaps, commodity swaps, credit default swaps, equity warrants and options, are valued using inputs including broker/dealer quotes and are classified within Level 2 or Level 3 of the valuation hierarchy, depending on the amount of transparency as to whether these quotes are based on information that is observable in the marketplace.

Short Term Investments

The valuation of securities that are actively traded or have quoted prices are classified as Level 1. These securities include money market funds and treasury bills. Level 2 primarily includes commercial paper, for which all inputs are observable. Level 3 securities include fixed maturity securities purchased within one year of maturity where broker/dealer quotes are significant inputs to the valuation and there is a lack of transparency to the market inputs used.

Life Settlement Contracts

The fair values of life settlement contracts are determined as the present value of the anticipated death benefits less anticipated premium payments based on contract terms that are distinct for each insured, as well as CNA s own assumptions for mortality, premium expense, and the rate of return that a buyer would require on the contracts, as no comparable market pricing data is available.

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Discontinued Operations Investments

Assets relating to CNA s discontinued operations include fixed maturity securities and short term investments. The valuation methodologies for these asset types have been described above.

Separate Account Business

Separate account business includes fixed maturity securities, equities and short term investments. The valuation methodologies for these asset types have been described above.

Financial Assets and Liabilities Not Measured at Fair Value

The carrying amount and estimated fair value of the Company s financial instrument assets and liabilities which are not measured at fair value on the Consolidated Condensed Balance Sheets are listed in the table below.

	March 31, 2011		December 31, 2010	
(In millions)	**Carrying Amount**	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial assets:				
Other invested assets	**$ 118**	**$ 119**	$ 87	$ 86
Financial liabilities:				
Premium deposits and annuity contracts	**$ 103**	**$ 105**	$ 104	$ 105
Short term debt	**197**	**197**	647	662
Long term debt	**9,296**	**9,770**	8,830	9,243

The following methods and assumptions were used in estimating the fair value of these financial assets and liabilities.

The fair values of Other invested assets were based on the present value of the expected future cash flows discounted at the current interest rate for similar financial instruments.

Premium deposits and annuity contracts were valued based on cash surrender values, estimated fair values or policyholder liabilities, net of amounts ceded related to sold business.

Fair value of debt was based on observable quoted market prices when available. When quoted market prices were not available, the fair value for debt was based on quoted market prices of comparable instruments adjusted for differences between the quoted instruments and the instruments being valued or is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

4. Derivative Financial Instruments

The Company invests in certain derivative instruments for a number of purposes, including: (i) asset and liability management activities, (ii) income enhancements for its portfolio management strategy and (iii) to benefit from anticipated future movements in the underlying markets. If such movements do not occur as anticipated, then significant losses may occur.

Monitoring procedures include senior management review of daily detailed reports of existing positions and valuation fluctuations to ensure that open positions are consistent with the Company s portfolio strategy.

The Company does not believe that any of the derivative instruments utilized by it are unusually complex, nor do these instruments contain embedded leverage features which would expose the Company to a higher degree of risk.

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The Company uses derivatives in the normal course of business, primarily in an attempt to reduce its exposure to market risk (principally interest rate risk, equity price risk, commodity price risk and foreign currency risk) stemming from various assets and liabilities and credit risk (the ability of an obligor to make timely payment of principal and/or interest). The Company s principal objective under such risk strategies is to achieve the desired reduction in economic risk, even if the position does not receive hedge accounting treatment.

CNA s use of derivatives is limited by statutes and regulations promulgated by the various regulatory bodies to which it is subject, and by its own derivative policy. The derivative policy limits the authorization to initiate derivative transactions to certain personnel. Derivatives entered into for hedging, regardless of the choice to designate hedge accounting, shall have a maturity that effectively correlates to the underlying hedged asset or liability. The policy prohibits the use of derivatives containing greater than one-to-one leverage with respect to changes in the underlying price, rate or index. The policy also prohibits the use of borrowed funds, including funds obtained through securities lending, to engage in derivative transactions.

The Company has exposure to economic losses due to interest rate risk arising from changes in the level of, or volatility of, interest rates. The Company attempts to mitigate its exposure to interest rate risk in the normal course of portfolio management, which includes rebalancing its existing portfolios of assets and liabilities. In addition, various derivative financial instruments are used to modify the interest rate risk exposures of certain assets and liabilities. These strategies include the use of interest rate swaps, interest rate caps and floors, options, futures, forwards and commitments to purchase securities. These instruments are generally used to lock interest rates or market values, to shorten or lengthen durations of fixed maturity securities or to hedge (on an economic basis) interest rate risks associated with investments and variable rate debt. The Company infrequently designates these types of instruments as hedges against specific assets or liabilities.

The Company has exposure to equity price risk as a result of its investment in equity securities and equity derivatives. Equity price risk results from changes in the level or volatility of equity prices, which affect the value of equity securities, or instruments that derive their value from such securities. The Company attempts to mitigate its exposure to such risks by limiting its investment in any one security or index. The Company may also manage this risk by utilizing instruments such as options, swaps, futures and collars to protect appreciation in securities held.

The Company has exposure to credit risk arising from the uncertainty associated with a financial instrument obligor s ability to make timely principal and/or interest payments. The Company attempts to mitigate this risk by limiting credit concentrations, practicing diversification, and frequently monitoring the credit quality of issuers and counterparties. In addition, the Company may utilize credit derivatives such as credit default swaps (CDS) to modify the credit risk inherent in certain investments. CDS involve a transfer of credit risk from one party to another in exchange for periodic payments.

Foreign currency risk arises from the possibility that changes in foreign currency exchange rates will impact the fair value of financial instruments denominated in a foreign currency. The Company s foreign transactions are primarily denominated in Australian dollars, Brazilian reais, British pounds, Canadian dollars and the European Monetary Unit. The Company typically manages this risk via asset/liability currency matching and through the use of foreign currency forwards.

In addition to the derivatives used for risk management purposes described above, the Company may also use derivatives for purposes of income enhancement. Income enhancement transactions are entered into with the intention of providing additional income or yield to a particular portfolio segment or instrument. Income enhancement transactions are limited in scope and primarily involve the sale of covered options in which the Company receives a premium in exchange for selling a call or put option.

The Company will also use CDS to sell credit protection against a specified credit event. In selling credit protection, CDS are used to replicate fixed income securities when credit exposure to certain issuers is not available or when it is economically beneficial to transact in the derivative market compared to the cash market alternative. Credit risk includes both the default event risk and market value exposure due to fluctuations in credit spreads. In selling CDS protection, the Company receives a periodic premium in exchange for providing credit protection on a single name reference obligation or a credit derivative index. If there is an event of default as defined by the CDS

agreement, the Company is required to pay the counterparty the referenced notional amount of the CDS contract and in exchange the Company is entitled to receive the referenced defaulted security or the cash equivalent.

The tables below summarize open CDS contracts where the Company sold credit protection as of March 31, 2011 and December 31, 2010. The fair value of the contracts represents the amounts that the Company would receive or pay at those dates to exit the derivative positions. The maximum amount of future payments assumes no residual value in the defaulted securities that the Company would receive as part of the contract terminations and is equal to the notional value of the CDS contracts.

March 31, 2011 **(In millions of dollars)**	**Fair Value of Credit Default Swaps**	**Maximum Amount of Future Payments under Credit Default Swaps**	**Weighted Average Years To Maturity**
BB-rated	**$ 1**	**$ 5**	**2.2**
B-rated		**3**	**1.2**
Total	**$ 1**	**$ 8**	**1.9**
December 31, 2010			
BB-rated	$ 1	$ 5	2.5
B-rated		3	1.5
Total	$ 1	$ 8	2.1

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to the instruments recognized on the Consolidated Condensed Balance Sheets. The Company attempts to mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives to multiple counterparties. The Company generally requires that all over-the-counter derivative contracts be governed by an International Swaps and Derivatives Association (ISDA) Master Agreement, and exchanges collateral under the terms of these agreements with its derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty. The Company does not offset its net derivative positions against the fair value of the collateral provided. The fair value of cash collateral provided by the Company was $2 million at March 31, 2011 and December 31, 2010. The fair value of cash collateral received from counterparties was $1 million at March 31, 2011 and December 31, 2010.

The agreements governing HighMount s derivative instruments contain certain covenants, including a maximum debt to capitalization ratio reviewed quarterly. If HighMount does not comply with these covenants, the counterparties to the derivative instruments could terminate the agreements and request payment on those derivative instruments in net liability positions. The aggregate fair value of HighMount s derivative instruments that are in a liability position was $100 million at March 31, 2011. HighMount was not required to post any collateral under the governing agreements. At March 31, 2011, HighMount was in compliance with all of its covenants under the derivatives agreements.

See Note 3 for information regarding the fair value of derivative instruments.

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A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. Equity options purchased are included in Equity securities, and all other derivative assets are reported as Receivables. Derivative liabilities are included in Payable to brokers on the Consolidated Condensed Balance Sheets. The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and may not be representative of the potential for gain or loss on these instruments.

	March 31, 2011			December 31, 2010		
	Contractual/ Notional Amount	**Estimated Fair Value Asset**	**(Liability)**	Contractual/ Notional Amount	Estimated Fair Value Asset	(Liability)
(In millions)						
With hedge designation:						
Interest rate risk:						
Interest rate swaps	**$ 1,095**		**$ (64)**	$ 1,095		$ (75)
Commodities:						
Forwards short	**422**	**$ 49**	**(38)**	487	$ 70	(24)
Foreign exchange:						
Currency forwards short	**142**	**7**		140	4	
Without hedge designation:						
Equity markets:						
Options purchased	**208**	**22**		207	30	
Options written	**269**		**(10)**	340		(10)
Futures short	**101**					
Interest rate risk:						
Interest rate swaps	**5**			5		(1)
Credit default swaps purchased protection	**20**		**(2)**	20		(2)
Credit default swaps sold protection	**8**	**1**		8	1	
Foreign exchange:						
Currency forwards short	**18**					

Derivatives without hedge designation For derivatives not held in a trading portfolio, new derivative transactions entered into totaled approximately $14 million in notional value while derivative termination activity totaled approximately $23 million during the three months ended March 31, 2011. This activity was primarily attributable to currency forwards. During the three months ended March 31, 2010, new derivative transactions entered into totaled approximately $104 million in notional value while derivative termination activity totaled approximately $149 million. This activity was primarily attributable to credit default swaps and forward commitments for mortgage-backed securities.

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A summary of the recognized gains (losses) related to derivative financial instruments without hedge designation follows. Changes in the fair value of derivatives not held in a trading portfolio are reported in Investment gains (losses) and changes in the fair value of derivatives held for trading purposes are reported in Net investment income on the Consolidated Condensed Statements of Income.

Three Months Ended March 31	**2011**	2010
(In millions)		
Included in Net investment income:		
Equity risk:		
Equity options purchased	**$ (6)**	$ (13)
Equity options written	**5**	6
Futures long		1
Futures short	**(2)**	(4)
Foreign exchange:		
Currency options short		2
Interest rate risk:		
Futures long		3
Futures short		3
Other	**(1)**	(1)
	(4)	(3)
Included in Investment gains (losses):		
Interest rate swaps		(26)
Currency forwards short	**(1)**	
Commodity forwards short		13
	(1)	(13)
Total	**$ (5)**	$ (16)

Cash flow hedges A significant portion of the Company s hedge strategies represents cash flow hedges of the variable price risk associated with the purchase and sale of natural gas and other energy-related products. As of March 31, 2011, approximately 73.3 billion cubic feet of natural gas equivalents was hedged by qualifying cash flow hedges. The effective portion of these commodity hedges is reclassified from AOCI into earnings when the anticipated transaction affects earnings. Approximately 57% of these derivatives have settlement dates in 2011 and 34% have settlement dates in 2012. As of March 31, 2011, the estimated amount of net unrealized gains associated with commodity contracts that will be reclassified into earnings during the next twelve months was $19 million. However, these amounts are likely to vary materially as a result of changes in market conditions. Foreign currency forward exchange contracts are used to reduce exposure to future foreign currency expenditures. The effective portion of these hedges is reclassified from AOCI into earnings when the hedged transaction affects earnings or it is determined that the hedged transaction will not occur. As of March 31, 2011, the estimated amount of net unrealized gains associated with these contracts that will be reclassified into earnings over the next twelve months was $7 million. The Company also uses interest rate swaps to hedge its exposure to variable interest rates or risk attributable to changes in interest rates on long term debt. The effective portion of the hedges is amortized to interest expense over the term of the related notes. As of March 31, 2011, the estimated amount of net unrealized losses associated with interest rate swaps that will be reclassified into earnings during the next twelve months was $55 million. However, this is likely to vary as a result of changes in LIBOR. For the three months ended March 31, 2011 and 2010, the net amounts recognized due to ineffectiveness were less than $1 million.

As a result of the sale of certain gas producing properties in 2010, HighMount recognized losses of $22 million in Investment gains (losses) in the Consolidated Condensed Statements of Income for the three months ended March 31, 2010, reflecting the reclassification of net derivative losses from AOCI to earnings.

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The following table summarizes the effective portion of the net derivative gains or losses included in OCI and the amount reclassified into Income for derivatives designated as cash flow hedges and for de-designated hedges:

Three Months Ended March 31	**2011**	2010
(In millions)		
Amount of gain (loss) recognized in OCI:		
Commodities	**$ (19)**	$ 104
Foreign exchange	**5**	
Interest rate	**(2)**	(22)
Total	**$ (16)**	$ 82
Amount of gain (loss) reclassified from AOCI into income:		
Commodities	**$ 20**	$ 30
Foreign exchange	**2**	2
Interest rate	**(14)**	(46)
Total	**$ 8**	$ (14)

Location of gain (loss) reclassified from AOCI into income:

Type of cash flow hedge	Consolidated Condensed Statements of Income line items
Commodities	Other revenues and Investment gains (losses)
Foreign exchange	Contract drilling expenses
Interest rate	Interest expense and Investment gains (losses)

The Company also enters into short sales as part of its portfolio management strategy. Short sales are commitments to sell a financial instrument not owned at the time of sale, usually done in anticipation of a price decline. Short sales resulted in proceeds of $55 million and $308 million with fair value liabilities of $63 million and $317 million at March 31, 2011 and December 31, 2010. These positions are marked to market and investment gains or losses are included in Net investment income in the Consolidated Condensed Statements of Income.

5. Claim and Claim Adjustment Expense Reserves

CNA s property and casualty insurance claim and claim adjustment expense reserves represent the estimated amounts necessary to resolve all outstanding claims, including claims that are incurred but not reported (IBNR) as of the reporting date. CNA s reserve projections are based primarily on detailed analysis of the facts in each case, CNA s experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as field reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions and public attitudes. All of these factors can affect the estimation of claim and claim adjustment expense reserves.

Establishing claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the cost of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement amount can be. Accordingly, short-tail claims, such as property damage claims, tend to be more reasonably estimable than long-tail claims, such as workers compensation, general liability and professional liability claims. Adjustments to prior year reserve estimates, if necessary, are reflected in the results of operations in the period that the need for such adjustments is determined. There can be no assurance that CNA s ultimate cost for insurance losses will not exceed current estimates.

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Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in the Company s results of operations and/or equity. CNA reported catastrophe losses, net of reinsurance, of $55 million and $40 million for the three months ended March 31, 2011 and 2010. Catastrophe losses in the first quarter of 2011 related primarily to the event in Japan and domestic winter storms.

Net Prior Year Development

The following tables and discussion include the net prior year development recorded for CNA Specialty, CNA Commercial and Other Insurance. Unfavorable net prior year development of $7 million was recorded in the Life & Group Non-Core segment for the three months ended March 31, 2011, compared to favorable net prior year development of $9 million for the same period in 2010. The 2010 favorable net prior year development included favorable reserve development of $24 million arising from a commutation of an assumed reinsurance agreement.

Three Months Ended March 31, 2011 **(In millions)**	**CNA Specialty**	**CNA Commercial**	**Other Insurance**	**Total**
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (15)**	**$ (7)**	**$ 3**	**$ (19)**
Pretax (favorable) unfavorable premium development	**(7)**	**(8)**	**(1)**	**(16)**
Total pretax (favorable) unfavorable net prior year development	**$ (22)**	**$ (15)**	**$ 2**	**$ (35)**
Three Months Ended March 31, 2010				
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	$ (25)	$ (28)	$ 2	$ (51)
Pretax (favorable) unfavorable premium development	(4)	21	(1)	16
Total pretax (favorable) unfavorable net prior year development	$ (29)	$ (7)	$ 1	$ (35)

CNA Specialty

The following table and discussion provides further detail of the net prior year claim and allocated claim adjustment expense reserve development recorded for the CNA Specialty segment:

Three Months Ended March 31 **(In millions)**	**2011**	2010
Medical Professional Liability	**$ (14)**	$ (4)
Other Professional Liability	**6**	(23)
Surety		(2)
Warranty	**(10)**	
Other	**3**	4
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (15)**	$ (25)

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2011

Favorable development for medical professional liability was primarily due to favorable loss emergence in aging services, physicians and excess institutions in accident years 2007 and prior.

Favorable development in warranty was driven by favorable policy year experience on an aggregate stop loss treaty covering CNA s non-insurance warranty subsidiary.

2010

Favorable development was primarily due to favorable incurred loss emergence in several professional liability lines of business primarily in accident years 2007 and prior. This favorability was partially offset by unfavorable development in the employee practices liability line driven by higher unemployment, primarily in accident years 2008 and 2009.

CNA Commercial

The following table and discussion provides further detail of the net prior year claim and allocated claim adjustment expense reserve development recorded for the CNA Commercial segment:

Three Months Ended March 31	**2011**	2010
(In millions)		
Commercial Auto	**$ 10**	$ (9)
General Liability	**22**	(43)
Workers Compensation	**8**	10
Property and Other	**(47)**	14
Total pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	**$ (7)**	$ (28)

2011

Favorable development for property and marine coverages was due to lower than expected frequency in commercial multi-peril coverages primarily in accident year 2010 and a favorable settlement on an individual claim in accident year 2003 in the equipment breakdown book.

The unfavorable development in the general liability coverages is primarily due to two large claim outcomes on umbrella claims in accident year 2001.

2010

Favorable development was recorded in general liability primarily due to favorable emergence in CNA s European casualty programs in accident years 2000 through 2003. Additional favorable development was recorded in commercial multi-peril coverages, primarily in accident year 2009.

Unfavorable development for property and marine coverages was due to non-catastrophe related commercial multi-peril coverages, primarily in accident year 2009. Favorable development was recorded due to favorable experience in non-catastrophe related property coverages in accident years 2007 and prior.

6. Benefit Plans

Pension Plans - The Company has several non-contributory defined benefit plans for eligible employees. Benefits for certain plans are determined annually based on a specified percentage of annual earnings (based on the participant s age or years of service) and a specified interest rate (which is established annually for all participants) applied to accrued balances. The benefits for another plan which cover salaried employees are based on formulas which include, among others, years of service and average pay. The Company s funding policy is to make

contributions in accordance with applicable governmental regulatory requirements.

Other Postretirement Benefit Plans - The Company has several postretirement benefit plans covering eligible employees and retirees. Participants generally become eligible after reaching age 55 with required years of service. Actual requirements for coverage vary by plan. Benefits for retirees who were covered by bargaining units vary by each unit and contract. Benefits for certain retirees are in the form of a Company health care account.

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Benefits for retirees reaching age 65 are generally integrated with Medicare. Other retirees, based on plan provisions, must use Medicare as their primary coverage, with the Company reimbursing a portion of the unpaid amount; or are reimbursed for the Medicare Part B premium or have no Company coverage. The benefits provided by the Company are basically health and, for certain retirees, life insurance type benefits.

The Company funds certain of these benefit plans and accrues postretirement benefits during the active service of those employees who would become eligible for such benefits when they retire.

The components of net periodic benefit cost are as follows:

	Pension Benefits		**Other Postretirement Benefits**	
Three Months Ended March 31	**2011**	2010	**2011**	2010
(In millions)				
Service cost	**$ 7**	$ 6		$ 1
Interest cost	**41**	42	**$ 2**	3
Expected return on plan assets	**(47)**	(44)	**(1)**	(1)
Amortization of unrecognized net loss	**7**	7	**1**	1
Amortization of unrecognized prior service benefit			**(7)**	(6)
Regulatory asset decrease			**1**	1
Net periodic benefit cost	**$ 8**	$ 11	**$ (4)**	$ (1)

7. Business Segments

The Company s reportable segments are primarily based on its individual operating subsidiaries. Each of the principal operating subsidiaries are headed by a chief executive officer who is responsible for the operation of its business and has the duties and authority commensurate with that position. Investment gains (losses) and the related income taxes, excluding those of CNA, are included in the Corporate and other segment.

CNA s core property and casualty commercial insurance operations are reported in two business segments: CNA Specialty and CNA Commercial. CNA Specialty provides a broad array of professional, financial and specialty property and casualty products and services, primarily through insurance brokers and managing general underwriters. CNA Commercial includes property and casualty coverages sold to small businesses and middle market entities and organizations primarily through an independent agency distribution system. CNA Commercial also includes commercial insurance and risk management products sold to large corporations primarily through insurance brokers.

CNA s non-core operations are managed in two segments: Life & Group Non-Core and Other Insurance. Life & Group Non-Core primarily includes the results of the life and group lines of business that are in run-off. Other Insurance primarily includes certain corporate expenses, including interest on corporate debt, and the results of certain property and casualty business primarily in run-off, including CNA Re and asbestos and environmental pollution.

Diamond Offshore s business primarily consists of operating 46 offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. On March 31, 2011, Diamond Offshore s drilling rigs were located offshore 13 countries in addition to the United States.

HighMount s business consists primarily of natural gas exploration and production operations located primarily in the Permian Basin in Texas. In the second quarter of 2010, HighMount sold substantially all of its exploration and production assets located in the Antrim Shale in Michigan and the Black Warrior Basin in Alabama. The Michigan and Alabama properties represented approximately 17%, in aggregate, of HighMount s total proved reserves as of December 31, 2009.

Boardwalk Pipeline is engaged in the interstate transportation and storage of natural gas. This segment consists of three interstate natural gas pipeline systems originating in the Gulf Coast region, Oklahoma and Arkansas, and extending north and east through the midwestern states of

Tennessee, Kentucky, Illinois, Indiana and Ohio, with approximately 14,200 miles of pipeline.

Loews Hotels owns and/or operates 18 hotels, 16 of which are in the United States and two are in Canada.

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The Corporate and other segment consists primarily of corporate investment income, including investment gains (losses) from non-insurance subsidiaries, corporate interest expense and other unallocated expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. In addition, CNA does not maintain a distinct investment portfolio for each of its insurance segments, and accordingly, allocation of assets to each segment is not performed. Therefore, net investment income and investment gains (losses) are allocated based on each segment s carried insurance reserves, as adjusted.

The following tables set forth the Company s consolidated revenues and income (loss) attributable to Loews Corporation by business segment:

Three Months Ended March 31	**2011**	2010
(In millions)		
Revenues (a):		
CNA Financial:		
CNA Specialty	**$ 891**	$ 866
CNA Commercial	**1,094**	1,076
Life and Group Non-Core	**326**	320
Other Insurance	**13**	53
Total CNA Financial	**2,324**	2,315
Diamond Offshore	**809**	862
HighMount	**104**	148
Boardwalk Pipeline	**311**	301
Loews Hotels	**80**	75
Corporate and other	**40**	12
Total	**$ 3,668**	$ 3,713
Income (loss) before income tax and noncontrolling interests (a):		
CNA Financial:		
CNA Specialty	**$ 216**	$ 216
CNA Commercial	**214**	164
Life and Group Non-Core	**(48)**	(21)
Other Insurance	**(46)**	1
Total CNA Financial	**336**	360
Diamond Offshore	**296**	405
HighMount	**29**	57
Boardwalk Pipeline	**82**	88
Loews Hotels	**3**	(1)
Corporate and other	**15**	(13)
Total	**$ 761**	$ 896
Net income (loss) - Loews (a):		
CNA Financial:		

CNA Specialty	**$ 122**	$ 123
CNA Commercial	**127**	101
Life and Group Non-Core	**(19)**	(3)
Other Insurance	**(28)**	4
Total CNA Financial	**202**	225
Diamond Offshore	**117**	136
HighMount	**19**	32
Boardwalk Pipeline	**33**	38
Loews Hotels	**2**	(1)
Corporate and other	**9**	(10)
Total	**$ 382**	$ 420

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(a) Investment gains (losses) included in Revenues, Income (loss) before income tax and noncontrolling interests and Net income (loss) - Loews are as follows:

Three Months Ended March 31	2011	2010
Revenues and Income (loss) before income tax and noncontrolling interests:		
CNA Financial:		
CNA Specialty	**$ 8**	$ 13
CNA Commercial	**17**	21
Life and Group Non-Core	**(4)**	(4)
Other Insurance	**1**	4
Total CNA Financial	**22**	34
Corporate and other	**1**	(13)
Total	**$ 23**	$ 21
Net income (loss) - Loews:		
CNA Financial:		
CNA Specialty	**$ 5**	$ 8
CNA Commercial	**9**	12
Life and Group Non-Core	**(2)**	(4)
Other Insurance		3
Total CNA Financial	**12**	19
Corporate and other		(8)
Total	**$ 12**	$ 11

8. Legal Proceedings

In August 2005, CNA and certain insurance subsidiaries were joined as defendants, along with other insurers and brokers, in multidistrict litigation pending in the United States District Court for the District of New Jersey, *In re Insurance Brokerage Antitrust Litigation*, Civil No. 04-5184 (GEB). The plaintiffs consolidated class action complaint alleges bid rigging and improprieties in the payment of contingent commissions in connection with the sale of insurance that violated federal and state antitrust laws, the federal Racketeer Influenced and Corrupt Organizations (RICO) Act and state common law. After discovery, the District Court dismissed the federal antitrust claims and the RICO claims, and declined to exercise supplemental jurisdiction over the state law claims. The plaintiffs appealed the dismissal of their complaint to the Third Circuit Court of Appeals. In August 2010, the Court of Appeals affirmed the District Court s dismissal of the antitrust claims and the RICO claims against CNA and certain insurance subsidiaries, but vacated the dismissal of one portion of those claims against some other parties and remanded them for further proceedings on motions to dismiss. The Court of Appeals also vacated and remanded the dismissal of the state law claims against CNA and certain insurance subsidiaries and other parties to allow for further proceedings relating to motions to dismiss before the District Court. In November 2010, CNA and certain insurance subsidiaries filed in the district court a motion to dismiss the remaining state law claims pending against them. In March 2011, CNA and certain insurance subsidiaries, along with certain other defendants, entered into a memorandum of settlement understanding with the plaintiffs to settle all claims asserted, or which could have been asserted, in the class action lawsuit. The settlement is subject to negotiation of additional terms, execution of a settlement agreement and court approval of the settlement. As currently structured, the settlement will not have a material impact on the Company s results of operations.

The Company has been named as a defendant in the following four cases alleging substantial damages based on alleged health effects caused by smoking cigarettes or exposure to tobacco smoke, all of which also name a former subsidiary, Lorillard, Inc. or one of its subsidiaries, as a defendant. In *Cypret vs. The American Tobacco Company, Inc. et al.* (1998, Circuit Court, Jackson County, Missouri), the Company would contest jurisdiction and make use of all available defenses in the event it receives personal service of this action. In *Clalit vs. Philip Morris, Inc.,*

et al. (1998, Jerusalem District Court of Israel), the court initially permitted plaintiff to serve the Company outside the jurisdiction but it cancelled the leave of service in response to the Company s application, and plaintiff s appeal is pending. In *Young vs. The American Tobacco Company, Inc. et al.* (1997, Civil District Court, Orleans Parish, Louisiana), the Company filed an exception for lack of personal jurisdiction during 2000, which remains pending. In *Luciano vs. Alcoa Inc., et al.* (2011, Supreme Court, New York County, New York), the Company filed an answer to plaintiff s complaint during April 2011 denying any liability to plaintiff in this matter.

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The Company does not believe it is a proper defendant in any tobacco related cases and as a result, does not believe the outcome will have a material affect on its results of operations or equity. Further, pursuant to the Separation Agreement dated May 7, 2008 between the Company and Lorillard Inc. and its subsidiaries, Lorillard, Inc. and its subsidiaries have agreed to indemnify and hold the Company harmless from all costs and expenses based upon or arising out of the operation or conduct of Lorillard s business, including among other things, smoking and health claims and litigation such as the four cases described above.

While the Company intends to defend vigorously all tobacco products liability litigation, it is not possible to predict the outcome of any of this litigation. Litigation is subject to many uncertainties. It is possible that one or more of the pending actions could be decided unfavorably.

The Company and its subsidiaries are also parties to other litigation arising in the ordinary course of business. The outcome of this other litigation will not, in the opinion of management, materially affect the Company s results of operations or equity.

9. Commitments and Contingencies

Guarantees

In the course of selling business entities and assets to third parties, CNA has agreed to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets being sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such indemnification provisions generally survive for periods ranging from nine months following the applicable closing date to the expiration of the relevant statutes of limitation. As of March 31, 2011, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was $719 million.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of March 31, 2011, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser s ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire.

10. Consolidating Financial Information

The following schedules present the Company s consolidating balance sheet information at March 31, 2011 and December 31, 2010, and consolidating statements of operations information for the three months ended March 31, 2011 and 2010. These schedules present the individual subsidiaries of the Company and their contribution to the consolidated condensed financial statements. Amounts presented will not necessarily be the same as those in the individual financial statements of the Company s subsidiaries due to adjustments for purchase accounting, income taxes and noncontrolling interests. In addition, many of the Company s subsidiaries use a classified balance sheet which also leads to differences in amounts reported for certain line items.

The Corporate and Other column primarily reflects the parent company s investment in its subsidiaries, invested cash portfolio and corporate long term debt. The elimination adjustments are for intercompany assets and liabilities, interest and dividends, the parent company s investment in capital stocks of subsidiaries, and various reclasses of debit or credit balances to the amounts in consolidation. Purchase accounting adjustments have been pushed down to the appropriate subsidiary.

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Loews Corporation

Consolidating Balance Sheet Information

March 31, 2011 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	$ 42,830	$ 961	$ 115	$ 31	$ 43	$ 4,652		$ 48,632
Cash	81	33		4	5			123
Receivables	9,372	573	86	69	45	147	$ (110)	10,182
Property, plant and equipment	271	4,233	1,373	6,284	343	39		12,543
Deferred income taxes	578		547				(1,000)	125
Goodwill	86	20	584	163	3			856
Investments in capital stocks of subsidiaries						15,609	(15,609)	
Other assets	728	802	26	358	30	15		1,959
Deferred acquisition costs of insurance subsidiaries	1,098							1,098
Separate account business	449							449
Total assets	$ 55,493	$ 6,622	$ 2,731	$ 6,909	$ 469	$ 20,462	$ (16,719)	$ 75,967
Liabilities and Equity:								
Insurance reserves	$ 37,680							$ 37,680
Payable to brokers	223		$ 116	$ 2		$ 78		419
Short term debt					$ 22	175		197
Long term debt	2,647	$ 1,488	1,100	3,270	198	693	$ (100)	9,296
Deferred income taxes		518		429	54	545	(1,546)	
Other liabilities	2,721	599	74	318	13	220	536	4,481
Separate account business	449							449
Total liabilities	43,720	2,605	1,290	4,019	287	1,711	(1,110)	52,522
Total shareholders equity	10,092	2,038	1,441	1,791	182	18,751	(15,609)	18,686
Noncontrolling interests	1,681	1,979		1,099				4,759
Total equity	11,773	4,017	1,441	2,890	182	18,751	(15,609)	23,445
Total liabilities and equity	$ 55,493	$ 6,622	$ 2,731	$ 6,909	$ 469	$ 20,462	$ (16,719)	$ 75,967

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Loews Corporation

Consolidating Balance Sheet Information

December 31, 2010 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Assets:								
Investments	$ 42,655	$ 1,055	$ 128	$ 52	$ 57	$ 4,960		$ 48,907
Cash	77	22	2	7	10	2		120
Receivables	9,224	671	109	71	33	169	$ (135)	10,142
Property, plant and equipment	286	4,291	1,350	6,326	347	36		12,636
Deferred income taxes	699		548				(958)	289
Goodwill	86	20	584	163	3			856
Investments in capital stocks of subsidiaries						15,314	(15,314)	
Other assets	724	678	27	339	24	6		1,798
Deferred acquisition costs of insurance subsidiaries	1,079							1,079
Separate account business	450							450
Total assets	$ 55,280	$ 6,737	$ 2,748	$ 6,958	$ 474	$ 20,487	$ (16,407)	$ 76,277
Liabilities and Equity:								
Insurance reserves	$ 37,590							$ 37,590
Payable to brokers	239		$ 115	$ 2		$ 329		685
Short term debt	400				$ 72	175		647
Long term debt	2,251	$ 1,487	1,100	3,252	148	692	$ (100)	8,830
Deferred income taxes		533		410	54	522	(1,519)	
Other liabilities	2,877	831	93	372	21	249	526	4,969
Separate account business	450							450
Total liabilities	43,807	2,851	1,308	4,036	295	1,967	(1,093)	53,171
Total shareholders equity	9,838	1,972	1,440	1,815	179	18,520	(15,314)	18,450
Noncontrolling interests	1,635	1,914		1,107				4,656
Total equity	11,473	3,886	1,440	2,922	179	18,520	(15,314)	23,106
Total liabilities and equity	$ 55,280	$ 6,737	$ 2,748	$ 6,958	$ 474	$ 20,487	$ (16,407)	$ 76,277

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Loews Corporation

Consolidating Statement of Income Information

Three Months Ended March 31, 2011 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	$ 1,615							$ 1,615
Net investment income	620					$ 41		661
Intercompany interest and dividends						155	$ (155)	
Investment gains	22	$ 1						23
Contract drilling revenues		789						789
Other	67	20	$ 104	$ 311	$ 80	1	(3)	580
Total	2,324	810	104	311	80	197	(158)	3,668
Expenses:								
Insurance claims and policyholders benefits	1,364							1,364
Amortization of deferred acquisition costs	345							345
Contract drilling expenses		362						362
Other operating expenses	224	129	63	181	75	16	(3)	685
Interest	55	22	12	48	2	14	(2)	151
Total	1,988	513	75	229	77	30	(5)	2,907
Income before income tax	336	297	29	82	3	167	(153)	761
Income tax expense	(103)	(56)	(10)	(21)	(1)	(5)		(196)
Net income	233	241	19	61	2	162	(153)	565
Amounts attributable to noncontrolling interests	(31)	(124)		(28)				(183)
Net income attributable to Loews Corporation	$ 202	$ 117	$ 19	$ 33	$ 2	$ 162	$ (153)	$ 382

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Loews Corporation

Consolidating Statement of Income Information

Three Months Ended March 31, 2010 (In millions)	CNA Financial	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
Revenues:								
Insurance premiums	$ 1,615							$ 1,615
Net investment income	590	$ 1				$ 26		617
Intercompany interest and dividends						237	$ (237)	
Investment gains (losses)	34		$ (13)					21
Contract drilling revenues		844						844
Other	76	17	148	$ 301	$ 75	(1)		616
Total	2,315	862	135	301	75	262	(237)	3,713
Expenses:								
Insurance claims and policyholders benefits	1,308							1,308
Amortization of deferred acquisition costs	342							342
Contract drilling expenses		305						305
Other operating expenses	269	130	72	176	74	11		732
Interest	36	22	19	37	2	16	(2)	130
Total	1,955	457	91	213	76	27	(2)	2,817
Income (loss) before income tax	360	405	44	88	(1)	235	(235)	896
Income tax expense	(103)	(125)	(20)	(23)		(2)		(273)
Net income (loss)	257	280	24	65	(1)	233	(235)	623
Amounts attributable to noncontrolling interests	(32)	(144)		(27)				(203)
Net income (loss) attributable to Loews Corporation	$ 225	$ 136	$ 24	$ 38	$ (1)	$ 233	$ (235)	$ 420

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11. Subsequent Event

On April 21, 2011, CNA announced that it signed a definitive merger agreement with CNA Surety Corporation (CNA Surety) pursuant to which it will commence a tender offer to acquire all of the outstanding shares of common stock of CNA Surety that are not currently owned by CNA for $26.55 per share in cash. Based on the offer price, the aggregate purchase price will be approximately $475 million. The amount paid to acquire the common shares of CNA Surety not owned by CNA above the $425 million currently recorded as noncontrolling interest will be recorded as a decrease to shareholders equity. The tender offer will be conditioned upon, among other things, acceptance by the holders of a majority of the publicly held shares of CNA Surety. Subject to the satisfaction of the foregoing, it is currently anticipated that the transaction will be completed by the end of the second quarter.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with our Consolidated Condensed Financial Statements included in Item 1 of this Report, Risk Factors included in Part II, Item 1A of this Report, and the Consolidated Financial Statements, Risk Factors, and MD&A included in our Annual Report on Form 10-K for the year ended December 31, 2010. This MD&A is comprised of the following sections:

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OVERVIEW

We are a holding company. Our subsidiaries are engaged in the following lines of business:

- commercial property and casualty insurance (CNA Financial Corporation (CNA), a 90% owned subsidiary);

- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (Diamond Offshore), a 50.4% owned subsidiary);

- exploration, production and marketing of natural gas, natural gas liquids (predominantly ethane and propane) and, to a lesser extent, oil (HighMount Exploration & Production LLC (HighMount), a wholly owned subsidiary);

- operation of interstate natural gas transmission pipeline systems (Boardwalk Pipeline Partners, LP (Boardwalk Pipeline), a 66% owned subsidiary); and

operation of hotels (Loews Hotels Holding Corporation (Loews Hotels), a wholly owned subsidiary).

Unless the context otherwise requires, references in this report to Loews Corporation, the Company, we, our, us or like terms refer t business of Loews Corporation excluding its subsidiaries.

Consolidated Financial Results

Net income for the first quarter of 2011 amounted to $382 million, or $0.92 per share, compared to $420 million, or $0.99 per share, in the first quarter of 2010. Income before net investment gains for the first quarter of 2011 was $370 million compared to $409 million in the first quarter of 2010.

Net income in 2011 includes lower earnings at Diamond Offshore reflecting reduced dayrates and utilization and slightly lower earnings at CNA.

Book value per share increased to $45.54 at March 31, 2011 compared to $44.51 at December 31, 2010.

Parent Company Structure

We are a holding company and derive substantially all of our cash flow from our subsidiaries. We rely upon our invested cash balances and distributions from our subsidiaries to generate the funds necessary to meet our obligations and to declare and pay any dividends to our shareholders. The ability of our subsidiaries to pay dividends is subject to, among other things, the availability of sufficient earnings and funds in such subsidiaries, applicable state laws, including in the case of the insurance subsidiaries of CNA, laws and rules governing the payment of dividends by regulated insurance companies and compliance with covenants in their respective loan agreements. Claims of creditors of our subsidiaries will generally have priority as to the assets of such subsidiaries over our claims and those of our creditors and shareholders.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated condensed financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. Actual results could differ from those estimates.

The consolidated condensed financial statements and accompanying notes have been prepared in accordance with GAAP, applied on a consistent basis. We continually evaluate the accounting policies and estimates used to prepare the consolidated condensed financial statements. In general, our estimates are based on historical experience, evaluation of current trends, information from third party professionals and various other assumptions that we believe are reasonable under the known facts and circumstances.

We consider the accounting policies discussed below to be critical to an understanding of our consolidated condensed financial statements as their application places the most significant demands on our judgment.

Insurance Reserves

Reinsurance

Litigation

Valuation of Investments and Impairment of Securities

Long Term Care Products

Payout Annuity Contracts

Pension and Postretirement Benefit Obligations

Valuation of HighMount s Proved Reserves

Impairment of Long-lived Assets

Goodwill

Income Taxes

Due to the inherent uncertainties involved with these types of judgments, actual results could differ significantly from estimates, which may have a material adverse impact on our results of operations or equity. See the Critical Accounting Estimates section and the Results of Operations by Business Segment CNA Financial Reserves Estimates and Uncertainties section of our MD&A included under Item 7 of our Form 10-K for the year ended December 31, 2010 for further information.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

Unless the context otherwise requires, references to net operating income (loss), net realized investment results, net income (loss) and net results reflect amounts attributable to Loews Corporation.

CNA Financial

The following table summarizes the results of operations for CNA for the three months ended March 31, 2011 and 2010 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

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Three Months Ended March 31 (In millions)	2011	2010
Revenues:		
Insurance premiums	**$ 1,615**	$ 1,615
Net investment income	**620**	590
Investment gains	**22**	34
Other revenue	**67**	76
Total	**2,324**	2,315
Expenses:		
Insurance claims and policyholders benefits	**1,364**	1,308
Amortization of deferred acquisition costs	**345**	342
Other operating	**224**	269
Interest	**55**	36
Total	**1,988**	1,955
Income before income tax	**336**	360
Income tax expense	**(103)**	(103)
Net income	**233**	257
Amounts attributable to noncontrolling interests	**(31)**	(32)
Net income attributable to Loews Corporation	**$ 202**	$ 225

Net income decreased $23 million for the three months ended March 31, 2011 as compared with the 2010 period. Investment gains decreased $12 million ($7 million after tax and noncontrolling interests) and Insurance claims and policyholders benefits increased $56 million, primarily due to the favorable impact in 2010 of reserve development arising from a commutation of an assumed reinsurance agreement and higher catastrophe losses in 2011. These amounts were partially offset by a $30 million increase in Net investment income. See the Investments section of this MD&A for further discussion of net investment results and net investment income. Additionally, expenses in 2010 were unfavorably impacted by information technology (IT) costs.

CNA Segment Results

CNA utilizes the net operating income financial measure to monitor its operations. Net operating income is calculated by excluding from net income (loss) after tax and noncontrolling interests the 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. See further discussion regarding how CNA manages its business in Note 7 of the Notes to Consolidated Condensed Financial Statements included under Item 1. In evaluating the results of the CNA Specialty and CNA Commercial segments, CNA utilizes the loss ratio, the expense ratio, the dividend ratio and the combined ratio. These ratios are calculated using GAAP financial results. 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.

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CNA Specialty

The following table summarizes the results of operations for CNA Specialty:

Three Months Ended March 31 (In millions, except %)	2011	2010
Net written premiums	**$ 739**	$ 656
Net earned premiums	**669**	654
Net investment income	**160**	147
Net operating income	**117**	115
Net realized investment gains	**5**	8
Net income	**122**	123
Ratios:		
Loss and loss adjustment expense	**64.2%**	61.5%
Expense	**30.6**	30.8
Dividend	**0.1**	0.2
Combined	**94.9%**	92.5%

Net written premiums for CNA Specialty increased $83 million for the three months ended March 31, 2011 as compared with the same period in 2010. This increase was primarily driven by new business across CNA s Professional & Management Liability lines of business. Net earned premiums increased $15 million as compared to the same period in 2010, consistent with modest increases in net written premiums in recent quarters.

CNA Specialty s average rate was flat for the three months ended March 31, 2011, as compared to a decrease of 1% for the three months ended March 31, 2010 for the policies that renewed in each period. Retention rates of 85% and 86% were achieved for those policies that were available for renewal in each period.

Net income decreased $1 million and net operating income improved $2 million for the three months ended March 31, 2011 as compared with the same period in 2010.

The combined ratio increased 2.4 points for the three months ended March 31, 2011 as compared with the same period in 2010. The loss ratio increased 2.7 points, primarily due to the impact of a higher current accident year loss ratio and decreased favorable net prior year development. The expense ratio decreased 0.2 points, primarily due to the impact of IT costs incurred in the first quarter of 2010.

Favorable net prior year development of $22 million was recorded for the three months ended March 31, 2011, compared to favorable net prior year development of $29 million for the same period in 2010. Further information on CNA Specialty s net prior year development for the three months ended March 31, 2011 and 2010 is included in Note 5 of the Notes to Consolidated Condensed Financial Statements included under Part I, Item 1.

The following table summarizes the gross and net carried reserves for CNA Specialty:

(In millions)	March 31, 2011	December 31, 2010
Gross Case Reserves	**$ 2,304**	$ 2,341
Gross IBNR Reserves	**4,584**	4,452

Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$**	**6,888**	$	6,793
Net Case Reserves	**$**	**1,971**	$	1,992
Net IBNR Reserves		**4,025**		3,926
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$**	**5,996**	$	5,918

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CNA Commercial

The following table summarizes the results of operations for CNA Commercial:

Three Months Ended March 31	**2011**	2010
(In millions, except %)		
Net written premiums	**$ 828**	$ 829
Net earned premiums	**802**	816
Net investment income	**261**	221
Net operating income	**118**	89
Net realized investment gains	**9**	12
Net income	**127**	101
Ratios:		
Loss and loss adjustment expense	**75.3%**	74.1%
Expense	**32.6**	35.6
Dividend	**(0.2)**	0.1
Combined	**107.7%**	109.8%

Net written premiums for CNA Commercial decreased $1 million for the three months ended March 31, 2011 as compared with the same period in 2010. Although premiums written continue to be impacted by decreased insured exposures, including negative audit premium, the trend has improved. However, these conditions, along with the competitive market, may continue to put ongoing pressure on premium and income levels and the expense ratio. Net earned premiums decreased $14 million for the three months ended March 31, 2011 as compared with the same period in 2010, for the same reasons listed above.

CNA Commercial s average rate increased 2% for the three months ended March 31, 2011, as compared with an increase of 1% for the three months ended March 31, 2010 for the policies that renewed in each period. Retention rates of 79% and 78% were achieved for those policies that were available for renewal in each period.

Net income improved $26 million and net operating income improved $29 million for the three months ended March 31, 2011 as compared with the same period in 2010. The increase in net operating income was primarily due to higher net investment income, driven by favorable limited partnership income, and decreased expenses, partially offset by higher catastrophe losses.

The combined ratio improved 2.1 points for the three months ended March 31, 2011 as compared with the same period in 2010. The loss ratio increased 1.2 points, primarily due to increased catastrophe losses and less favorable impacts from development-related items, partially offset by an improved current accident year non-catastrophe loss ratio. Catastrophe losses were $53 million, or 6.6 points of the loss ratio, for the three months ended March 31, 2011, as compared to $38 million, or 4.7 points of the loss ratio, for the same period in 2010. Catastrophe losses in the first quarter of 2011 related primarily to the event in Japan and domestic winter storms.

The expense ratio improved 3.0 points for the three months ended March 31, 2011 as compared with the same period in 2010, primarily due to the favorable impact of recoveries on insurance receivables written off in prior years and the impact of IT costs incurred in the first quarter of 2010.

Favorable net prior year development of $15 million was recorded for the three months ended March 31, 2011, compared to favorable net prior year development of $7 million for the same period in 2010. Further information on CNA Commercial net prior year development for the three months ended March 31, 2011 and 2010 is included in Note 5 of the Notes to Consolidated Condensed Financial Statements included under Part I, Item 1.

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The following table summarizes the gross and net carried reserves for CNA Commercial:

(In millions)	March 31, 2011	December 31, 2010
Gross Case Reserves	**$ 6,413**	$ 6,390
Gross IBNR Reserves	**5,970**	6,132
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 12,383**	$ 12,522
Net Case Reserves	**$ 5,412**	$ 5,349
Net IBNR Reserves	**5,156**	5,292
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 10,568**	$ 10,641

Life & Group Non-Core

The following table summarizes the results of operations for Life & Group Non-Core:

Three Months Ended March 31	2011	2010
(In millions)		
Net earned premiums	**$ 144**	$ 145
Net investment income	**188**	175
Net operating income (loss)	**(17)**	1
Net realized investment losses	**(2)**	(4)
Net loss	**(19)**	(3)

Net earned premiums for Life & Group Non-Core decreased $1 million for the three months ended March 31, 2011 as compared with the same period in 2010. Net earned premiums relate primarily to the individual and group long term care businesses.

Net loss increased $16 million for the three months ended March 31, 2011 as compared with the same period in 2010. This increase was primarily due to the $14 million (after tax and noncontrolling interests) favorable impact in 2010 of reserve development arising from a commutation of an assumed reinsurance agreement and less favorable performance on CNA s remaining pension deposit business, partially offset by lower expenses. In 2010, expenses were unfavorably impacted by IT costs.

Certain of the separate account investment contracts related to CNA s pension deposit business guarantee principal and an annual minimum rate of interest, for which CNA may record an additional pretax liability in Policyholders funds based on the results of the investments supporting this business. During the first quarter of 2010, CNA decreased this pretax liability by $13 million. During the first quarter of 2011, CNA decreased this pretax liability by $2 million. As of March 31, 2011, there was no additional liability in Policyholders funds for these separate account investment contracts.

Other Insurance

The following table summarizes the results of operations for the Other Insurance segment, including asbestos and environmental pollution (A&EP) and intrasegment eliminations:

Three Months Ended March 31	2011	2010
(In millions)		
Net investment income	$ 11	$ 47
Net operating income (loss)	(28)	1
Net realized investment gains		3
Net income (loss)	(28)	4

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Net loss increased $32 million for the three months ended March 31, 2011 as compared with the same period in 2010, driven by lower net investment income partially offset by lower net incurred claims, both resulting from the Loss Portfolio Transfer consummated in the third quarter of 2010. Under the Loss Portfolio Transfer CNA ceded approximately $1.6 billion of net A&EP claim and allocated claim adjustment expense reserves under a retroactive reinsurance agreement. As a result of that transaction, the investment income allocated to the Other Insurance segment decreased because of the lower net reserve base and associated risk capital. Claim adjustment expenses are lower because the counterparty to the Loss Portfolio Transfer is responsible for A&EP claim handling.

Additionally, net loss increased due to higher interest expense and decreased net realized investment results. The increase in interest expense primarily relates to the use of debt to fund a portion of the 2010 redemption of CNA s preferred stock.

Unfavorable net prior year development of $2 million was recorded for the three months ended March 31, 2011, compared to unfavorable net prior year development of $1 million for the same period of 2010.

The following table summarizes the gross and net carried reserves for the Other Insurance segment:

(In millions)	**March 31, 2011**	December 31, 2010
Gross Case Reserves	**$ 1,390**	$ 1,430
Gross IBNR Reserves	**1,934**	2,012
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 3,324**	$ 3,442
Net Case Reserves	**$ 457**	$ 461
Net IBNR Reserves	**244**	257
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 701**	$ 718

Diamond Offshore

Recent Developments

On October 12, 2010, the U.S. government lifted the ban on certain drilling activities in the U.S. Gulf of Mexico (GOM). All drilling in the GOM is now subject to compliance with enhanced safety requirements set forth in Notices to Lessees (NTL) 2010-N05 or 2010-N06, both of which were implemented during the drilling ban. Additionally, all drilling in the GOM is required to comply with the Interim Final Rule to Enhance Safety Measures for Energy Development on the Outer Continental Shelf (Drilling Safety Rule) and the Workplace Safety Rule on Safety and Environmental Management Systems, as well as NTL 2010-N10 (known as the Compliance and Review NTL). Diamond Offshore continues to evaluate these new measures to ensure that its rigs and equipment are in full compliance, where applicable. Additional requirements could be forthcoming based on further recommendations by regulatory agencies continuing to investigate the Macondo well incident that occurred on April 20, 2010. Diamond Offshore is not able to predict the likelihood, nature or extent of any additional rulemaking. During the first quarter of 2011, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) began issuing a limited number of new drilling permits. However, Diamond Offshore is not able to predict when or if the pace of permitting in the GOM will return to pre-Macondo levels.

It has been reported that the industry currently has approximately 35 floating rigs in the GOM that have been impacted by the regulatory uncertainty that has followed the Macondo incident and that five floating rigs have left the GOM since the imposition of the moratorium in 2010, two of which rigs were Diamond Offshore s. As of the date of this report, Diamond Offshore has three semisubmersible rigs under contract in the GOM, including the *Ocean Monarch*, whose contract the operator has sought to terminate, as well as two jack-up rigs, both of which are under contract. Given the continuing uncertainty with respect to drilling activity in the GOM, Diamond Offshore s customers may seek to move additional rigs to locations outside of the GOM or to perform activities which are allowed under the enhanced safety requirements.

Diamond Offshore is continuing to actively seek international opportunities to employ its rigs outside the GOM. However, Diamond Offshore can provide no assurance that it will be successful in its efforts to employ its remaining impacted rigs in the GOM in the near term. In addition, given the ongoing uncertainty in the GOM with respect to drilling activity and other industry factors, Diamond Offshore has cold stacked two intermediate semisubmersible rigs and four jack-up rigs in the GOM.

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While dayrates Diamond Offshore receives for new contracts are no longer at the peak levels achieved at the height of the most recent up-cycle, improving oil prices, which have climbed as high as $112 per barrel since 2011 began, appear to be supporting demand for Diamond Offshore s equipment. As a result, dayrates for Diamond Offshore s international floater rigs appear to have stabilized, although demand for Diamond Offshore s services has not risen sufficiently to provide significant pricing power on new contracts. Additionally, the continuing regulatory uncertainty in the GOM could cause Diamond Offshore or others to move additional rigs out of the GOM to international locations. If Diamond Offshore, or others, move a large number of additional rigs out of the GOM to international locations, the increased supply of available rigs entering the international market, coupled with un-contracted new-build rigs scheduled for delivery between now and the end of 2011, could create downward pressure on dayrates unless demand improves sufficiently to absorb the new supply.

Since December 31, 2010 through April 27, 2011, Diamond Offshore has entered into 17 new drilling contracts totaling approximately $254 million in backlog and ranging in duration from one well to a 430-day term. As of April 18, 2011, Diamond Offshore s contract backlog was approximately $6.1 billion, of which its contracts in the GOM represented approximately $133 million, or 2.2%, of Diamond Offshore s total contract backlog, excluding any contract backlog attributable to the *Ocean Monarch* pursuant to a contract that the operator has sought to terminate.

Effective May 1, 2011, Diamond Offshore has renewed its principal insurance coverages. While coverage and policy limits for physical damage insurance are similar to its previous policy, the availability of liability coverage in the insurance market has contracted resulting in a decrease in Diamond Offshore s policy limits for marine liability insurance. Diamond Offshore believes, however, that the policy limits for its marine liability insurance remain within the range that is customary for companies of its size in the offshore drilling industry, and at levels Diamond Offshore believes to be appropriate for its business.

Contract Drilling Backlog

The following table reflects Diamond Offshore s contract drilling backlog as of April 18, 2011 and February 1, 2011 (the date reported in our Annual Report on Form 10-K for the year ended December 31, 2010). Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period and adding one half of any potential rig performance bonuses. Diamond Offshore s calculation also assumes full utilization of its drilling equipment for the contract period (excluding scheduled shipyard and survey days); however, the amount of actual revenue earned and the actual periods during which revenues are earned will be different than the amounts and periods shown in the tables below due to various factors. Utilization rates, which generally approach 95% - 98% during contracted periods, can be adversely impacted by downtime due to various operating factors including, but not limited to, weather conditions and unscheduled repairs and maintenance. Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. No revenue is generally earned during periods of downtime for regulatory surveys. Changes in Diamond Offshore s contract drilling backlog between periods are a function of the performance of work on term contracts, as well as the extension or modification of existing term contracts and the execution of additional contracts.

(In millions)	April 18, 2011	February 1, 2011
High specification floaters (a)	**$ 3,540**	$ 3,838
Intermediate semisubmersible rigs (b)	**2,452**	2,700
Jack-ups (c)	**111**	107
Total	**$ 6,103**	$ 6,645

(a) Contract drilling backlog as of April 18, 2011 for Diamond Offshore s high specification floaters includes (i) $2.8 billion attributable to contracted operations offshore Brazil for the years 2011 to 2016, and (ii) $112 million attributable to contracted operations in the GOM during 2011.

(b) Contract drilling backlog as of April 18, 2011 for intermediate semisubmersible rigs includes (i) $1.9 billion attributable to contracted operations offshore Brazil for the years 2011 to 2015, and (ii) $18 million attributable to contracted operations in the GOM during 2011.

(c) Contract drilling backlog as of April 18, 2011 for jack-ups includes (i) $51 million attributable to contracted operations offshore Brazil for the years 2011 to 2012, and (ii) $3 million attributable to contracted operations in the GOM during 2011.

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The following table reflects the amount of Diamond Offshore s contract drilling backlog by year as of April 18, 2011.

Year Ended December 31 **(In millions)**	**Total**	**2011 (a)**	**2012**	**2013**	**2014 - 2016**
High specification floaters (b)	**$ 3,540**	**$ 1,126**	**$ 1,064**	**$ 631**	**$ 719**
Intermediate semisubmersible rigs (c)	**2,452**	**882**	**827**	**428**	**315**
Jack-ups (d)	**111**	**97**	**14**		
Total	**$ 6,103**	**$ 2,105**	**$ 1,905**	**$ 1,059**	**$ 1,034**

(a) Represents a nine month period beginning April 1, 2011.
(b) Contract drilling backlog as of April 18, 2011 for high specification floaters includes (i) $630 million, $799 million and $613 million for the years 2011 to 2013, and $720 million in the aggregate for the years 2014 to 2016, attributable to contracted operations offshore Brazil, and (ii) $112 million for 2011 attributable to contracted operations in the GOM.
(c) Contract drilling backlog as of April 18, 2011 for intermediate semisubmersible rigs includes (i) $559 million, $700 million and $371 million for the years 2011 to 2013, and $315 million in the aggregate for the years 2014 to 2016, attributable to contracted operations offshore Brazil, and (ii) $18 million for 2011 attributable to contracted operations in the GOM.
(d) Contract drilling backlog as of April 18, 2011 for jack-ups includes (i) $37 million and $14 million for years 2011 and 2012, attributable to contracted operations offshore Brazil, and (ii) $3 million for 2011 attributable to contracted operations in the GOM.

The following table reflects the percentage of rig days committed by year as of April 18, 2011. The percentage of rig days committed is calculated as the ratio of total days committed under contracts, as well as scheduled shipyard, survey and mobilization days for all rigs in Diamond Offshore s fleet, to total available days (number of rigs multiplied by the number of days in a particular year).

Year Ended December 31	**2011 (a) (b)**	**2012 (b)**	**2013**	**2014 - 2016**
High specification floaters	**81.0%**	62.0%	34.0%	13.0%
Intermediate semisubmersible rigs	**67.0%**	44.0%	22.0%	5.0%
Jack-ups	**35.0%**	2.0%		

(a) Represents a nine month period beginning April 1, 2011.
(b) Includes approximately 550 and 403 scheduled shipyard, survey and mobilization days for 2011 and 2012.

Dayrate and Utilization Statistics

Three Months Ended March 31,	**2011**	2010
Revenue earning days (a)		
High specification floaters	**1,017**	940
Intermediate semisubmursible rigs	**1,368**	1,333
Jack-ups	**555**	792
Utilization (b)		
High specification floaters	**80.7%**	78.1%
Intermediate semisubmursible rigs	**80.0%**	78.0%
Jack-ups	**47.4%**	62.9%

Average daily revenue (c)		
High specification floaters	**$ 339,422**	$ 399,800
Intermediate semisubmursible rigs	**272,628**	279,032
Jack-ups	**82,194**	100,323

(a) A revenue earning day is defined as a 24-hour period during which a rig earns a dayrate after commencement of operations and excludes mobilization, demobilization and contract preparation days.

(b) Utilization is calculated as the ratio of total revenue earnings days divided by the total calendar days in the period for all rigs in Diamond Offshore s fleet (including cold stacked rigs).

(c) Average daily revenue is defined as contract drilling revenue (excluding revenue for mobilization, demobilization and contract preparation) per revenue earning day.

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Results of Operations

The following table summarizes the results of operations for Diamond Offshore for the three months ended March 31, 2011 and 2010, as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

Three Months Ended March 31	**2011**	2010
(In millions)		
Revenues:		
Contract drilling	**$ 789**	$ 844
Net investment income		1
Investment gains	**1**	
Other revenue	**20**	17
Total	**810**	862
Expenses:		
Contract drilling	**362**	305
Other operating	**129**	130
Interest	**22**	22
Total	**513**	457
Income before income tax	**297**	405
Income tax expense	**(56)**	(125)
Net income	**241**	280
Amounts attributable to noncontrolling interests	**(124)**	(144)
Net income attributable to Loews Corporation	**$ 117**	$ 136

Contract drilling revenues decreased $55 million, or 6.5%, for the three months ended March 31, 2011 compared to 2010, as a result of a decline in dayrates earned across Diamond Offshore s fleet, primarily by its high specification floaters and jack-ups. Average utilization for Diamond Offshore s overall fleet decreased from 74.0% during the first quarter of 2010 to 71.0% during the first quarter of 2011. Revenue generated by Diamond Offshore s domestic and international floater rigs decreased an aggregate $24 million, or 3.0%, and revenue for Diamond Offshore s combined jack-up fleet decreased $31 million, or 40.0%, during the first quarter of 2011 compared to the first quarter of 2010. In February 2011, Diamond Offshore cold stacked an intermediate semisubmersible rig in Malaysia, which had previously operated offshore Australia. However, the two newest additions to Diamond Offshore s floater fleet, the *Ocean Courage* and *Ocean Valor*, which began operating under contract late in the first quarter and in the fourth quarter of 2010, contributed incremental revenue of $55 million during the first quarter of 2011.

Revenues from high specification floaters decreased $22 million for the three months ended March 31, 2011 as compared to 2010. This decrease was primarily due to a $61 million decrease in dayrates, partially offset by a $31 million increase in utilization and a $8 million increase in amortized mobilization costs. Revenue earning days increased from 940 for the three months ended March 31, 2010 to 1,017 for the 2011 period, primarily due to the *Ocean Valor* which began operating under contract in the fourth quarter of 2010.

Revenues from intermediate semisubmersible rigs decreased $1 million for the three months ended March 31, 2011 as compared to 2010, primarily due to decreased dayrates of $9 million and decreased amortized mobilization costs of $2 million, offset by a $10 million increase in utilization.

Revenues from jack-up rigs decreased $32 million for the three months ended March 31, 2011 as compared to 2010, primarily due to decreased utilization of $24 million, which decreased from 62.9% in 2010 to 47.4% in 2011, and decreased dayrates of $10 million. Revenue earning days decreased by 237, mainly due to the sale of the *Ocean Shield* in July 2010 and cold stacking of the *Ocean Spartan* in September 2010.

Net income decreased $19 million for the three months ended March 31, 2011 as compared to 2010, primarily due to an increase in Contract drilling expense and a decrease in Contract drilling revenues, partially offset by a decrease in Income tax expense. Contract drilling expense increased $57 million and included normal operating costs for the *Ocean Courage* and *Ocean Valor*, as well as increased amortized mobilization costs and higher costs associated with rigs operating internationally rather than domestically.

Diamond Offshore s effective tax rate decreased for the three months ended March 31, 2011 as compared with 2010. The lower effective tax rate in the current quarter is partially the result of differences in the mix of Diamond Offshore s domestic and international pretax earnings and losses, as well as the mix of international tax jurisdictions in which Diamond Offshore operates. Also contributing to the lower effective tax rate in the current quarter was the impact of a

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tax law provision that expired at the end of 2009 but was subsequently signed back into law in December 2010. This provision allows Diamond Offshore to defer recognition of certain foreign earnings for U.S. income tax purposes. The extension of this tax law provision and Diamond Offshore s decisions in the fourth quarter of 2010 and the first quarter of 2011 to build two new drillships overseas, caused Diamond Offshore to reassess its intent to repatriate certain foreign earnings to the U.S. It is now Diamond Offshore s intent to reinvest those earnings internationally. Consequently, Diamond Offshore was able to defer the recognition of certain of its foreign earnings for U.S. income tax purposes in the first quarter of 2011 that it was unable to defer during the first quarter of 2010.

HighMount

We use the following terms throughout this discussion of HighMount s results of operations, with equivalent volumes computed with oil and natural gas liquid (NGL) quantities converted to Mcf, on an energy equivalent ratio of one barrel to six Mcf:

Bbl	-	Barrel (of oil or NGLs)
Bcf	-	Billion cubic feet (of natural gas)
Bcfe	-	Billion cubic feet of natural gas equivalent
Mbbl	-	Thousand barrels (of oil or NGLs)
Mcf	-	Thousand cubic feet (of natural gas)
Mcfe	-	Thousand cubic feet of natural gas equivalent
MMBtu	-	Million British thermal units

HighMount s revenues, profitability and future growth depend substantially on natural gas and NGL prices and HighMount s ability to increase its natural gas and NGL production. In recent years, there has been significant price volatility in natural gas and NGL prices due to a variety of factors HighMount cannot control or predict. These factors, which include weather conditions, political and economic events and competition from other energy sources, impact supply and demand for natural gas, which determines the pricing. In addition, the price HighMount realizes for its gas production is affected by HighMount s hedging activities as well as locational differences in market prices. The level of natural gas production is dependent upon HighMount s ability to realize attractive returns on its capital investment program. Returns are affected by commodity prices, capital and operating costs.

Since 2008, natural gas prices have declined significantly. Consequently, HighMount reduced its drilling program in 2010, which continues to negatively impact HighMount s 2011 production volumes and revenues.

HighMount s operating expenses consist primarily of production expenses, production and ad valorem taxes, as well as depreciation, depletion and amortization (DD&A) expenses. Production expenses represent costs incurred to operate and maintain wells, related equipment and facilities and transportation costs. Production and ad valorem taxes increase or decrease primarily when prices of natural gas and NGLs increase or decrease, but they are also affected by changes in production, as well as appreciated property values. HighMount calculates depletion using the units-of-production method, which depletes the capitalized costs and future development costs associated with evaluated properties based on the ratio of production volumes for the current period to total remaining reserve volumes for the evaluated properties. HighMount s depletion expense is affected by its capital spending program and projected future development costs, as well as reserve changes resulting from drilling programs, well performance and revisions due to changing commodity prices.

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Production and Sales Statistics

Presented below are production and sales statistics related to HighMount s operations for the three months ended March 31, 2011 and 2010:

Three Months Ended March 31	2011	2010
Gas production (Bcf)	**11.6**	17.6
Gas sales (Bcf)	**10.9**	16.2
Oil production/sales (Mbbls)	**60.6**	60.9
NGL production/sales (Mbbls)	**702.8**	734.4
Equivalent production (Bcfe)	**16.1**	22.4
Equivalent sales (Bcfe)	**15.5**	21.0
Average realized prices without hedging results:		
Gas (per Mcf)	**$ 3.95**	$ 5.22
NGL (per Bbl)	**47.90**	43.82
Oil (per Bbl)	**87.28**	74.19
Equivalent (per Mcfe)	**5.30**	5.78
Average realized prices with hedging results:		
Gas (per Mcf)	**$ 6.41**	$ 7.16
NGL (per Bbl)	**38.79**	34.43
Oil (per Bbl)	**87.28**	74.19
Equivalent (per Mcfe)	**6.61**	6.95
Average cost per Mcfe:		
Production expenses	**$ 1.21**	$ 1.09
Production and ad valorem taxes	**0.44**	0.37
General and administrative expenses	**0.67**	0.54
Depletion expense	**1.12**	0.89

Results of Operations

The following table summarizes the results of operations for HighMount for the three months ended March 31, 2011 and 2010, as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1.

Three Months Ended March 31	2011	2010
(In millions)		
Revenues:		
Other revenue, primarily operating	**$ 104**	$ 148
Investment losses		(13)
Total	**104**	135
Expenses:		
Operating	**63**	72
Interest	**12**	19
Total	**75**	91

Income before income tax	**29**	44
Income tax expense	**(10)**	(20)
Net income attributable to Loews Corporation	**$ 19**	$ 24

HighMount s operating revenues decreased $44 million for the three months ended March 31, 2011 as compared with the 2010 period. Operating revenues decreased by $36 million due to the sale of HighMount s assets in Michigan and Alabama in the second quarter of 2010. Permian Basin operating revenues decreased by $8 million on sales volumes of 15.5 Bcfe in the first quarter of 2011 compared to 16.6 Bcfe in 2010. Average prices realized per Mcfe for Permian Basin sales were $6.61 in the first quarter of 2011 compared to $6.63 in the 2010 period. The decrease in Permian Basin sales volume is primarily due to the reduction in HighMount s drilling activity.

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HighMount had hedges in place as of March 31, 2011 that cover approximately 72% and 40% of total estimated 2011 and 2012 natural gas equivalent production at a weighted average price of $6.31 and $5.64 per Mcfe.

Operating expenses decreased by $9 million to $63 million for the first quarter of 2011, compared to $72 million for the 2010 period. The decline reflects a $15 million decrease related to the sale of HighMount s assets in Michigan and Alabama, partially offset by a $3 million increase in production expenses in the Permian Basin due to increased well maintenance and other efforts to increase production, as well as a $3 million increase in DD&A expenses in the Permian Basin.

DD&A expenses were $23 million and $26 million for the three months ended March 31, 2011 and 2010. This reflects a $6 million decrease due to the sale of HighMount s assets in Michigan and Alabama, partly offset by a $3 million increase of DD&A expenses in the Permian Basin due to negative reserve revisions in December 2010 and projected 2011 capital activity.

Boardwalk Pipeline

Boardwalk Pipeline s ability to market available transportation capacity is impacted by demand for natural gas, competition from other pipelines, natural gas price volatility, the price differential between physical locations on its pipeline systems (basis spreads), economic conditions and other factors. Over the past several years, new sources of natural gas have been identified throughout the U.S. and new pipeline infrastructure has been developed, which has led to changes in pricing dynamics between supply basins, pooling points and market areas and an overall weakening of basis spreads across Boardwalk Pipeline s pipeline systems. Under these market conditions, marketing available capacity and renewing expiring contracts have become more difficult and Boardwalk Pipeline s ability to renew some of its expiring contracts at attractive rates and its revenues from interruptible and short term firm transportation services have been negatively impacted.

As of March 31, 2011, substantial portion of Boardwalk Pipeline s operating capacity has been contracted for under firm agreements having a weighted-average remaining life of approximately 5.9 years. However, an important aspect of Boardwalk Pipeline s business is its ability to market available short term firm or interruptible transportation capacity and renew existing longer term transportation contracts. Boardwalk Pipeline actively markets available capacity, which includes reserved capacity not fully utilized. The revenues Boardwalk Pipeline will be able to earn from that available capacity and from renewals of expiring contracts will be influenced by basis spreads and other factors discussed above.

Boardwalk Pipeline s ability to market available storage capacity and parking and lending (PAL) is impacted by many of the factors indicated above, as well as natural gas price differentials between time periods, such as winter to summer (time period price spreads). These time period price spreads have declined over the 2010 period and have resulted in a significant reduction in Boardwalk Pipeline s PAL and interruptible storage revenues for the first quarter of 2011 as compared to the first quarter of 2010.

Results of Operations

The following table summarizes the results of operations for Boardwalk Pipeline for the three months ended March 31, 2011 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included under Item 1 of this Report:

Three Months Ended March 31 **(In millions)**	**2011**	2010
Revenues:		
Other revenue, primarily operating	**$ 311**	$ 301
Total	**311**	301
Expenses:		
Operating	**181**	176
Interest	**48**	37
Total	**229**	213

Income before income tax	**82**	88
Income tax expense	**(21)**	(23)
Net income	**61**	65
Amounts attributable to noncontrolling interests	**(28)**	(27)
Net income attributable to Loews Corporation	**$ 33**	$ 38

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Total revenues increased $10 million for the three months ended March 31, 2011, compared to the same period in 2010. Gas transportation revenues, excluding fuel, increased $24 million primarily from increased capacities resulting from the completion of several compression projects in 2010 and operating the Fayetteville Lateral at its design capacity. PAL and storage revenues decreased $8 million due to decreased parking opportunities from unfavorable natural gas price spreads between time periods and fuel retained decreased $6 million primarily due to lower natural gas prices.

Operating expenses increased $5 million for the three months ended March 31, 2011, compared to the same period in 2010. The increase includes an expense of $5 million, representing an insurance deductible associated with replacing compressor assets and higher depreciation and property taxes of $3 million associated with an increase in the asset base. These increases were partially offset by lower fuel costs of $6 million primarily due to lower natural gas prices. Interest expense increased by $11 million, for the three months ended March 31, 2011, primarily from a $7 million loss on the early extinguishment of debt and $3 million resulting from higher average interest rates on Boardwalk Pipeline s long term debt.

Net income decreased $5 million for the three months ended March 31, 2011, compared to the same period in 2010 due to lower PAL and storage revenues, increased operating expenses and higher interest expense. These negative impacts were partially offset by higher gas transportation revenues from increased capacities resulting from the completion of several compression projects in 2010 and operating the Fayetteville Lateral at its design capacity.

Loews Hotels

The following table summarizes the results of operations for Loews Hotels for the three months ended March 31, 2011 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

Three Months Ended March 31 **(In millions)**	**2011**	2010
Revenues:		
Other revenue, primarily operating	**$ 80**	$ 75
Total	**80**	75
Expenses:		
Operating	**75**	74
Interest	**2**	2
Total	**77**	76
Income (loss) before income tax	**3**	(1)
Income tax expense	**(1)**	
Net income (loss) attributable to Loews Corporation	**$ 2**	$ (1)

Revenues increased $5 million, or 6.7%, for the three months ended March 31, 2011 as compared to the 2010 period. Net income amounted to $2 million for the three months ended March 31, 2011 as compared to a net loss of $1 million for the 2010 period.

Revenue per available room increased $7.42 to $152.07 for the three months ended March 31, 2011 as compared to the 2010 period. The increase in revenue per available room reflects improving occupancy and average room rates. Occupancy rates increased to 67.6% in the three months ended March 31, 2011, from 65.3% in the 2010 period. Average room rates increased by $3.59, or 1.6%, in the three months ended March 31, 2011, compared to the 2010 period.

Revenue per available room is an industry measure of the combined effect of occupancy rates and average room rates on room revenues. Other hotel operating revenues primarily include guest charges for food and beverages.

The improvement in operating results is primarily due to performance of the Orlando properties and the increase in revenue per available room.

Corporate and Other

Corporate operations consist primarily of investment income at the Parent Company, corporate interest expense and other corporate administrative costs.

The following table summarizes the results of operations for Corporate and Other for the three months ended March 31, 2011 as presented in Note 10 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

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Three Months Ended March 31 (In millions)	2011	2010
Revenues:		
Net investment income	$ 41	$ 26
Other	1	(1)
Total	42	25
Expenses:		
Operating	16	11
Interest	14	14
Total	30	25
Income before income tax	12	
Income tax expense	(5)	(2)
Net income (loss) attributable to Loews Corporation	$ 7	$ (2)

Revenues increased by $17 million for the three months ended March 31, 2011 as compared to the 2010 period. The change in revenues is primarily attributable to higher invested assets and increased returns on equity based investments.

Net income amounted to $7 million for the three months ended March 31, 2011 as compared to a net loss of $2 million for the 2010 period. This change was due primarily to the change in revenues discussed above.

LIQUIDITY AND CAPITAL RESOURCES

CNA Financial

Cash Flows

CNA s principal operating cash flow sources are premiums and investment income from its insurance subsidiaries. CNA s primary operating cash flow uses are payments for claims, policy benefits and operating expenses. Additionally, cash may be paid or received for income taxes.

For the three months ended March 31, 2011, net cash provided by operating activities was $112 million as compared with net cash provided by operating activities of $364 million for the same period in 2010. Cash provided by operating activities was unfavorably impacted by decreased investment income receipts in the first quarter of 2011 as compared with the same period in 2010. The first quarter of 2010 included significant receipts relating to returns on limited partnerships. Additionally, paid losses were higher in the first quarter of 2011 as compared to the same period in 2010. Because cash receipts and cash payments resulting from purchases and sales of trading securities are reported as cash flows related to operating activities, during 2011 operating cash flows increased by $6 million related to net cash inflows primarily from sales of trading securities as compared to an increase of $99 million during 2010.

Cash flows from investing activities include the purchase and sale of available-for-sale financial instruments. Additionally, cash flows from investing activities may include the purchase and sale of businesses, land, buildings, equipment and other assets not generally held for resale.

For the three months ended March 31, 2011, net cash used by investing activities was $74 million as compared with net cash used by investing activities of $369 million for the same period in 2010. Investing cash flows related principally to purchases and sales of fixed maturity securities and short term investments. The cash flow from investing activities is impacted by various factors such as the anticipated payment of claims, financing activity, asset/liability management and individual security buy and sell decisions made in the normal course of portfolio management.

Cash flows from financing activities include proceeds from the issuance of debt and equity securities, outflows for dividends or repayment of debt and outlays to reacquire equity instruments.

For the three months ended March 31, 2011, net cash used by financing activities was $36 million as compared with $38 million for the same period in 2010. In the first quarter of 2011 CNA issued $400 million of 5.75% senior notes due August 15, 2021 and used the net proceeds of the offering, together with cash on hand, to redeem the outstanding $400 million aggregate principal amount of 6.00% senior notes due August 15, 2011, plus accrued and unpaid interest thereon, along with a call premium.

Dividends

On March 2, 2011, CNA paid a quarterly dividend of $0.10 per share to shareholders of record on February 16, 2011. On April 29, 2011, CNA declared a quarterly dividend of $0.10 per share, payable June 1, 2011 to shareholders of record on May 16, 2011. The declaration and payment of future dividends to holders of CNA s common stock will be at the discretion of its Board of Directors and will depend on many factors, including CNA s earnings, financial condition, business needs, and regulatory constraints.

Liquidity

CNA believes that its present cash flows from operations, investing activities and financing activities are sufficient to fund its current and expected working capital and debt obligation needs and CNA does not expect this to change in the near term. There are currently no amounts outstanding under CNA s revolving credit facility, which provides for a total commitment of up to $250 million.

CNA Surety

As discussed in Note 11 of the Notes to Consolidated Condensed Financial Statements included under Part I, Item 1, on April 21, 2011, CNA announced that it signed a definitive merger agreement with CNA Surety Corporation (CNA Surety) pursuant to which CNA will commence a tender offer to acquire all of the outstanding shares of common stock of CNA Surety that it does not currently own for $26.55 per share in cash. Based on the offer price of $26.55 per share, the aggregate purchase price will be approximately $475 million. CNA anticipates funding the acquisition of these shares of common stock with available funds. The tender offer will be conditioned upon, among other things, acceptance by the holders of a majority of the publicly held shares of CNA Surety. Subject to the satisfaction of the foregoing, it is currently anticipated that the transaction will be completed by the end of the second quarter.

Diamond Offshore

Cash and investments totaled $994 million at March 31, 2011, compared to $1.1 billion at December 31, 2010. During the first three months of 2011, Diamond Offshore paid cash dividends totaling $122 million, consisting of aggregate regular cash dividends of $17 million and aggregate special cash dividends of $105 million. On April 20, 2011, Diamond Offshore declared a regular quarterly dividend of $0.125 per share and a special dividend of $0.75 per share.

Diamond Offshore s cash flows from operations are impacted by the ability of its customers to weather instability in the U.S. and global economies, as well as the volatility in energy prices. In general, before working for a customer with whom Diamond Offshore has not had a prior business relationship and/or whose financial stability may appear uncertain, Diamond Offshore performs a credit review on that company. Based on that analysis, Diamond Offshore may require that the customer present a letter of credit, prepay or provide other credit enhancements. If a potential customer is unable to obtain an adequate level of credit, it may preclude Diamond Offshore from doing business with that potential customer.

Cash provided by operating activities for the first three months of 2011 was $406 million, compared to $465 million in 2010. The decrease is primarily due to lower earnings resulting from an aggregate reduction in average utilization of, and dayrates earned by, Diamond Offshore s drilling fleet.

Diamond Offshore has budgeted approximately $320 million on capital expenditures for 2011 associated with its ongoing rig equipment replacement and enhancement programs and other corporate requirements. During the first three months of 2011, Diamond Offshore spent approximately $62 million toward these programs. In addition, in the first quarter of 2011, Diamond Offshore paid $309 million as first installments for the construction of two new, ultra-deepwater drillships, the *Ocean BlackHornet* and *Ocean BlackHawk*, with delivery scheduled for late in the second and fourth quarters of 2013. The total cost, including commissioning, spares and project management, is expected to be approximately $1.2 billion. Diamond Offshore expects to finance its 2011 capital expenditures through the use of existing cash balances or internally generated funds. From time to time, however, Diamond Offshore may also make use of its Credit Facility to finance capital expenditures.

As of March 31, 2011, there were no loans outstanding under Diamond Offshore s $285 million credit facility; however, $11 million in letters of credit were issued and outstanding under the credit facility.

Diamond Offshore s liquidity and capital requirements are primarily a function of its working capital needs, capital expenditures and debt service requirements. Diamond Offshore determines the amount of cash required to meet its capital commitments by evaluating the need to upgrade rigs to meet specific customer requirements, its ongoing rig

equipment replacement and enhancement programs and its obligations relating to the construction of its new drillships. Diamond Offshore believes that its operating cash flows and cash reserves will be sufficient to meet both its working capital requirements and its capital commitments over the next twelve months; however, Diamond Offshore will continue to make periodic assessments based on industry conditions and will adjust capital spending programs if required.

HighMount

At March 31, 2011 and December 31, 2010, cash and investments amounted to $115 million and $130 million. Net cash flows provided by operating activities were $24 million and $98 million for the three months ended March 31, 2011 and 2010. Key drivers of net operating cash flows are commodity prices, production volumes and operating costs.

Cash used in investing activities for the three months ended March 31, 2011 was $39 million, compared to $36 million for the 2010 period. The primary driver of cash used in investing activities was capital spent developing HighMount s natural gas and oil reserves. HighMount spent $16 million and $27 million on capital expenditures for its drilling program in the three months ended March 31, 2011 and 2010. In 2011, funds for capital expenditures and working capital requirements are expected to be provided from existing cash balances and operating activities.

At March 31, 2011, no borrowings were outstanding under HighMount s revolving credit facility, however, $2 million in letters of credit were issued. The available capacity under the facility is $368 million.

HighMount maintains $1.1 billion of variable rate term loans which are due on July 26, 2012. HighMount s credit agreement governing its term loans and revolving credit facility contains financial covenants typical for these types of agreements, including a maximum debt to capitalization ratio. The credit agreement also contains customary restrictions or limitations on HighMount s ability to enter or engage in certain transactions, including transactions with affiliates. At March 31, 2011, HighMount was in compliance with all of its covenants under the credit agreement.

Boardwalk Pipeline

At March 31, 2011 and December 31, 2010, cash and investments amounted to $35 million and $59 million. Funds from operations for the three months ended March 31, 2011 amounted to $103 million, compared to $105 million for the 2010 period. For the three months ended March 31, 2011 and 2010, Boardwalk Pipeline s capital expenditures were $31 million and $50 million.

In January of 2011, Boardwalk Pipelines issued $325 million aggregate principal amount of 4.5% notes due February 1, 2021. Boardwalk Pipeline used these proceeds to repay borrowings under its revolving credit facility and in February of 2011, redeemed $135 million of its 5.5% notes due April 1, 2013. Boardwalk Pipeline s ability to access the capital markets for debt and equity financing under reasonable terms depends on its financial condition, credit ratings and market conditions. Boardwalk Pipeline anticipates that its existing capital resources, including the revolving credit facility and cash flow generated from future operations will be adequate to fund its operations, including capital expenditures for maintenance and current growth projects. From time to time, Boardwalk Pipeline expects to issue and sell debt and/or equity for general corporate purposes, including to refinance outstanding debt and the revolving credit facility either prior to or at their maturities and for potential acquisitions and growth opportunities.

As of March 31, 2011, Boardwalk Pipeline had $534 million of loans outstanding under its revolving credit facility with a weighted-average interest rate on the borrowings of 0.5% and had no letters of credit issued. At March 31, 2011, Boardwalk Pipeline was in compliance with all covenant requirements under its credit facility and had available borrowing capacity of $416 million.

Boardwalk Pipelines incurs substantial costs for ongoing maintenance of its pipeline systems and related facilities. These costs include those incurred for pipeline integrity management activities, equipment overhauls, general upkeep and repairs. Maintenance costs may be capitalized or expensed depending on the nature of the activities. For any given reporting period the mix of projects undertaken by Boardwalk Pipeline will affect the amounts recorded as property, plant and equipment on the balance sheet or expensed in earnings.

In 2011, Boardwalk Pipeline expects to incur costs of approximately $250 million to maintain its pipeline systems, of which $87 million is expected to be recorded as maintenance capital, net of expected insurance proceeds. In 2010, these costs were approximately $213 million, of which $63 million was recorded as maintenance capital. The overall increase of $37 million is primarily related to integrity management, reliability and general pipeline maintenance and repairs.

Loews Hotels

Funds from operations continue to exceed operating requirements. Cash and investments decreased to $48 million at March 31, 2011 from $67 million at December 31, 2010, due to changes in working capital. Funds for other capital expenditures, working capital requirements and $22 million of mortgage debt coming due in the next twelve months are expected to be provided from operations, refinancing, newly incurred debt, existing cash balances and advances or capital contributions from us.

Corporate and Other

Parent Company cash and investments, net of receivables and payables, at March 31, 2011 and December 31, 2010 totaled $4.6 billion. During the three months ended March 31, 2011, we paid $187 million to fund treasury stock purchases and paid $26 million of cash dividends to our shareholders. These cash outflows were partially offset by the receipt of $155 million in interest and dividends from our subsidiaries.

During the three months ended March 31, 2011, we purchased 4.4 million shares of Loews common stock at an aggregate cost of $187 million. As of March 31, 2011, there were 410,319,274 shares of Loews common stock outstanding. From April 1, 2011 through April 28, 2011, we acquired an additional 1.9 million shares of our common stock at an aggregate cost of $82 million. Depending on market and other conditions, we may purchase shares of our and our subsidiaries outstanding common stock in the open market or otherwise.

On April 15, 2011, we repaid at maturity the entire $175 million principal amount of our 8.9% debentures.

We have an effective Registration Statement on Form S-3 registering the future sale of an unlimited amount of our debt and equity securities.

We continue to pursue conservative financial strategies while seeking opportunities for responsible growth. These include the expansion of existing businesses, full or partial acquisitions and dispositions, and opportunities for efficiencies and economies of scale.

INVESTMENTS

Investment activities of non-insurance companies include investments in fixed income securities, equity securities including short sales, derivative instruments and short term investments, and are carried at fair value. Securities that are considered part of our trading portfolio, short sales and certain derivative instruments are marked to market and reported as Net investment income in the Consolidated Condensed Statements of Income.

We enter into short sales and invest in certain derivative instruments that are used for asset and liability management activities, income enhancements to our portfolio management strategy and to benefit from anticipated future movements in the underlying markets. If such movements do not occur as anticipated, then significant losses may occur. Monitoring procedures include senior management review of daily detailed reports of existing positions and valuation fluctuations to ensure that open positions are consistent with our portfolio strategy.

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized change in fair value of the derivative instruments recognized in the Consolidated Condensed Balance Sheets. We mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives to multiple counterparties. We occasionally require collateral from our derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty.

We do not believe that any of the derivative instruments we use are unusually complex, nor do the use of these instruments, in our opinion, result in a higher degree of risk. Please read Note 2 and Note 4 of the Notes to Consolidated Condensed Financial Statements included under Item 1 for additional information with respect to investments and derivative instruments, including recognized gains and losses on these instruments.

Insurance

CNA maintains a large portfolio of fixed maturity and equity securities, including large amounts of corporate and government issued debt securities, residential and commercial mortgage-backed securities, and other asset-backed securities and investments in limited partnerships which pursue a variety of long and short investment strategies across a broad array of asset classes. CNA s investment portfolio supports its obligation to pay future insurance claims and provides investment returns which are an important part of CNA s overall profitability.

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Net Investment Income

The significant components of CNA s net investment income are presented in the following table:

Three Months Ended March 31 (In millions)	2011	2010
Fixed maturity securities	$ 506	$ 510
Short term investments	2	6
Limited partnerships	114	72
Equity securities	6	10
Trading portfolio	3	4
Other	4	2
Gross investment income	635	604
Investment expense	(15)	(14)
Net investment income	$ 620	$ 590

Net investment income increased $30 million for the three months ended March 31, 2011 as compared with the 2010 period. The increase was primarily driven by improved results from limited partnership investments. Limited partnership investments generally present greater volatility, higher illiquidity and greater risk than fixed income investments.

The fixed maturity investment portfolio and short term investments provided a pretax effective income yield of 5.3% and 5.2% for the three months ended March 31, 2011 and 2010. Tax-exempt municipal bonds generated $56 million of net investment income for the three months ended March 31, 2011 compared with $78 million of net investment income for the 2010 period.

Net Realized Investment Gains (Losses)

The components of CNA s net realized investment results are presented in the following table:

Three Months Ended March 31 (In millions)	2011	2010
Realized investment gains (losses):		
Fixed maturity securities:		
Asset-backed	$ (15)	$ (5)
States, municipalities and political subdivisions	(21)	(3)
Foreign government		2
Corporate and other bonds	53	33
Redeemable preferred stock	3	
Total fixed maturity securities	20	27
Equity securities		3
Derivative securities	(1)	
Short term investments	1	3
Other	2	1
Total realized investment gains	22	34
Income tax expense	(8)	(12)

Net realized investment gains	**14**	22
Amounts attributable to noncontrolling interests	**(2)**	(3)
Net realized investment gains attributable to Loews Corporation	**$ 12**	$ 19

Net realized investment results decreased $7 million for the three months ended March 31, 2011 compared to the 2010 period. The decrease was primarily driven by fixed maturity securities. Further information on CNA s realized gains and losses, including CNA s OTTI losses and impairment decision process, is set forth in Note 2 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

CNA s fixed maturity portfolio consists primarily of high quality bonds, 90.8% and 90.6% of which were rated as investment grade (rated BBB- or higher) at March 31, 2011 and December 31, 2010. The classification between investment grade and non-investment grade is based on a ratings methodology that takes into account ratings from two major providers, Standard & Poor s (S&P) and Moody s Investors Service, Inc. (Moody s) in that order of preference. If a security is not rated by these providers, CNA formulates an internal rating. For securities with credit

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support from third party guarantees, the rating reflects the greater of the underlying rating of the issuer or the insured rating.

The following table summarizes the ratings of CNA s fixed maturity portfolio at carrying value:

(In millions of dollars)	March 31, 2011		December 31, 2010	
U.S. Government and Agencies	**$ 3,700**	**9.7%**	$ 3,534	9.4%
AAA rated	**4,599**	**12.0**	4,419	11.8
AA and A rated	**16,068**	**42.1**	15,665	41.7
BBB rated	**10,333**	**27.0**	10,425	27.7
Non-investment grade	**3,504**	**9.2**	3,534	9.4
Total	**$ 38,204**	**100.0%**	$ 37,577	100.0%

Non-investment grade fixed maturity securities, as presented in the table below, include high-yield securities rated below BBB- by bond rating agencies and other unrated securities that, according to CNA s analysis, are below investment grade. Non-investment grade securities generally involve a greater degree of risk than investment grade securities. The amortized cost of CNA s non-investment grade fixed maturity bond portfolio was $3,382 million and $3,490 million at March 31, 2011 and December 31, 2010. The following table summarizes the ratings of this portfolio at carrying value.

(In millions except %)	March 31, 2011		December 31, 2010	
BB	**$ 1,548**	**44.2%**	$ 1,492	42.2%
B	**1,173**	**33.5**	1,163	32.9
CCC-C	**694**	**19.8**	801	22.7
D	**89**	**2.5**	78	2.2
Total	**$ 3,504**	**100.0%**	$ 3,534	100.0%

Included within the fixed maturity portfolio are securities that contain credit support from third party guarantees from mono-line insurers. At March 31, 2011, $440 million of the carrying value of the fixed maturity portfolio had a third party guarantee that increased the underlying average rating of those securities from AA- to AA+. Of this amount, over 92.0% was within the states, municipalities and political subdivisions securities sector.

At March 31, 2011 and December 31, 2010, approximately 98.0% of the fixed maturity portfolio was issued by the U.S. Government and Agencies or was rated by S&P or Moody s. The remaining bonds were rated by other rating agencies or internally.

The carrying value of fixed maturity and equity securities that trade in illiquid private placement markets at March 31, 2011 was $317 million, which represents approximately 0.7% of CNA s total investment portfolio. These securities were in a net unrealized gain position of $9 million at March 31, 2011.

The gross unrealized loss on available-for-sale fixed maturity securities was $696 million at March 31, 2011. The following table provides the maturity profile for these available-for-sale fixed maturity securities. Securities not due at a single date are allocated based on weighted average life.

	Percent of Fair	Percent of Unrealized

	Value	Loss
Due in one year or less	**5.0%**	**2.0%**
Due after one year through five years	**21.0**	**11.0**
Due after five years through ten years	**29.0**	**21.0**
Due after ten years	**45.0**	**66.0**
Total	**100.0%**	**100.0%**

Duration

A primary objective in the management of the fixed maturity and equity portfolios is to optimize return relative to underlying liabilities and respective liquidity needs. CNA s views on the current interest rate environment, tax regulations, asset class valuations, specific security issuer and broader industry segment conditions, and the domestic and global economic conditions, are some of the factors that enter into an investment decision. CNA also continually monitors exposure to issuers of securities held and broader industry sector exposures and may from time to time adjust such exposures based on its views of a specific issuer or industry sector.

A further consideration in the management of the investment portfolio is the characteristics of the underlying liabilities and the ability to align the duration of the portfolio to those liabilities and to meet future liquidity needs, minimize interest rate risk and maintain a level of income sufficient to support the underlying insurance liabilities. For portfolios where future liability cash flows are determinable and typically long term in nature, CNA segregates investments for asset/liability management purposes. The segregated investments support liabilities primarily in the Life & Group Non-Core segment including annuities, structured benefit settlements and long term care products.

The effective durations of fixed maturity securities, short term investments, non-redeemable preferred stocks and interest rate derivatives are presented in the table below. Short term investments are net of accounts payable and receivable amounts for securities purchased and sold, but not yet settled.

	March 31, 2011		December 31, 2010	
	Fair Value	**Effective Duration (Years)**	Fair Value	Effective Duration (Years)
(In millions of dollars)				
Segregated investments	**$ 11,700**	**11.2**	$ 11,516	10.9
Other interest sensitive investments	**28,394**	**4.6**	28,405	4.6
Total	**$ 40,094**	**6.6**	$ 39,921	6.4

The investment portfolio is periodically analyzed for changes in duration and related price change risk. Additionally, CNA periodically reviews the sensitivity of the portfolio to the level of foreign exchange rates and other factors that contribute to market price changes. A summary of these risks and specific analysis on changes is included in the Quantitative and Qualitative Disclosures about Market Risk in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2010.

Short Term Investments

The carrying value of the components of CNA s short term investment portfolio is presented in the following table:

	March 31, 2011	December 31, 2010
(In millions)		
Short term investments available-for-sale:		
Commercial paper	**$ 444**	$ 686
U.S. Treasury securities	**846**	903
Money market funds	**117**	94
Other	**270**	532
Total short term investments	**$ 1,677**	$ 2,215

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Asset-backed and Sub-prime Mortgage Exposure

The following table provides detail of the Company s exposure to asset-backed and sub-prime mortgage related securities:

	Security Type			
March 31, 2011	RMBS (a)	CMBS (b)	Other ABS (c)	Total
(In millions)				
U.S. Government Agencies	$ 3,521	$ 45		$ 3,566
AAA	1,374	228	$ 659	2,261
AA	156	260	130	546
A	152	250	64	466
BBB	198	145	35	378
Non-investment grade and equity tranches	853	182	43	1,078
Total fair value	$ 6,254	$ 1,110	$ 931	$ 8,295
Total amortized cost	$ 6,381	$ 1,078	$ 921	$ 8,380
Sub-prime (included above)				
Fair value	$ 435			$ 435
Amortized cost	455			455
Alt-A (included above)				
Fair value	$ 627			$ 627
Amortized cost	649			649

(a) Residential mortgage-backed securities (RMBS)
(b) Commercial mortgage-backed securities (CMBS)
(c) Other asset-backed securities (Other ABS)

The exposure to sub-prime collateral (sub-prime) and Alternative A collateral (Alt-A) is measured by the original deal structure. Of the securities with sub-prime exposure, approximately 76% were rated investment grade, while 83% of the Alt-A securities were rated investment grade. At March 31, 2011, $6 million of the carrying value of the sub-prime and Alt-A securities carried a third-party guarantee.

Pretax OTTI losses of $20 million for securities with sub-prime and Alt-A exposure were included in the $28 million of pretax OTTI losses related to asset-backed securities recognized in earnings on the Consolidated Condensed Statements of Income for the three months ended March 31, 2011. If additional deterioration in the underlying collateral occurs beyond the Company s current expectations, additional OTTI losses may be recognized in earnings. See Note 2 of the Notes to Consolidated Condensed Financial Statements included under Part I, Item 1 for additional information related to unrealized losses on asset-backed securities.

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this Report as well as some statements in periodic press releases and some oral statements made by our officials and our subsidiaries during presentations about us, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words expect, intend, plan, anticipate, estimate, believe, will be, will continue, will likely result, and similar expressions. In addition, any statement concerning future fina performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries, which may be provided by management are also forward-looking statements as defined by the Act.

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Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those anticipated or projected. These risks and uncertainties include, among others:

Risks and uncertainties primarily affecting us and our insurance subsidiaries

- the risks and uncertainties associated with CNA s loss reserves, as outlined under Results of Operations by Business Segment CNA Financial Reserves Estimates and Uncertainties in this MD&A, including the sufficiency of the reserves and the possibility for future increases;

- the risk that the other parties to the transaction in which, subject to certain limitations, CNA ceded its legacy A&EP liabilities will not fully perform their obligations to CNA, the uncertainty in estimating loss reserves for A&EP liabilities and the possible continued exposure of CNA to liabilities for A&EP claims that are not covered under the terms of the transaction;

- the performance of reinsurance companies under reinsurance contracts with CNA;

- the impact of competitive products, policies and pricing and the competitive environment in which CNA operates, including changes in CNA s book of business;

- product and policy availability and demand and market responses, including the level of ability to obtain rate increases and decline or non-renew under priced accounts, to achieve premium targets and profitability and to realize growth and retention estimates;

- general economic and business conditions, including recessionary conditions that may decrease the size and number of CNA s insurance customers and create additional losses to CNA s lines of business, especially those that provide management and professional liability insurance, as well as surety bonds, to businesses engaged in real estate, financial services and professional services, and inflationary pressures on medical care costs, construction costs and other economic sectors that increase the severity of claims;

- conditions in the capital and credit markets, including continuing uncertainty and instability in these markets, as well as the overall economy, and their impact on the returns, types, liquidity and valuation of CNA s investments;

- conditions in the capital and credit markets that may limit CNA s ability to raise significant amounts of capital on favorable terms, as well as restrictions on the ability or willingness of the Company to provide additional capital support to CNA;

- the possibility of changes in CNA s ratings by ratings agencies, including the inability to access certain markets or distribution channels, and the required collateralization of future payment obligations as a result of such changes, and changes in rating agency policies and practices;

- regulatory limitations, impositions and restrictions upon CNA, including the effects of assessments and other surcharges for guaranty funds and second-injury funds, other mandatory pooling arrangements and future assessments levied on insurance companies as well as the new federal financial regulatory reform of the insurance industry established by the Dodd-Frank Wall Street Reform and Consumer Protection Act;

increased operating costs and underwriting losses arising from the Patient Protection and Affordable Care Act and the related amendments in the Health Care and Education Reconciliation Act, as well as health care reform proposals at the state level;

regulatory limitations and restrictions, including limitations upon CNA s ability to receive dividends from its insurance subsidiaries imposed by state regulatory agencies and minimum risk-based capital standards established by the National Association of Insurance Commissioners;

weather and other natural physical events, including the severity and frequency of storms, hail, snowfall and other winter conditions, natural disasters such as hurricanes and earthquakes, as well as climate change, including effects on weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain and snow;

regulatory requirements imposed by coastal state regulators in the wake of hurricanes or other natural disasters, including limitations on the ability to exit markets or to non-renew, cancel or change terms and conditions in

policies, as well as mandatory assessments to fund any shortfalls arising from the inability of quasi-governmental insurers to pay claims;

man-made disasters, including the possible occurrence of terrorist attacks and the effect of the absence or insufficiency of applicable terrorism legislation on coverages;

the unpredictability of the nature, targets, severity or frequency of potential terrorist events, as well as the uncertainty as to CNA s ability to contain its terrorism exposure effectively; and

the occurrence of epidemics.

Risks and uncertainties primarily affecting us and our energy subsidiaries

the impact of changes in worldwide demand for oil and natural gas and oil and gas price fluctuations on E&P activity, including possible write-downs of the carrying value of natural gas and NGL properties and impairments of goodwill and reduced demand for offshore drilling services;

the continuing effects of the Macondo well blowout, including, without limitation, the impact on drilling in the U.S. Gulf of Mexico, related delays in permitting activities and related regulations and market developments;

government policies regarding exploration and development of oil and gas reserves;

market conditions in the offshore oil and gas drilling industry, including utilization levels and dayrates;

timing and duration of required regulatory inspections for offshore oil and gas drilling rigs;

the risk of physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico;

the availability and cost of insurance;

the impact of new pipelines or new gas supply sources on competition and basis spreads on Boardwalk Pipeline s pipeline systems, which may impact its ability to maintain or replace expiring gas transportation and storage contracts and to sell short term capacity on its pipelines;

the impact of current and future environmental laws and regulations and exposure to environmental liabilities including matters related to global climate change;

regulatory issues affecting natural gas transmission, including ratemaking and other proceedings particularly affecting our gas transmission subsidiaries;

- the cost of maintaining and ensuring the integrity and reliability of Boardwalk Pipeline s pipeline systems;

- the timing, cost, scope and financial performance of Boardwalk Pipeline s recent and future growth projects; and

- the development of additional natural gas reserves and changes in reserve estimates.

Risks and uncertainties affecting us and our subsidiaries generally

- general economic and business conditions;

- changes in domestic and foreign political, social and economic conditions;

- the impact of the global war on terrorism, current and future hostilities in the Middle East and elsewhere and future acts of terrorism;

- potential changes in accounting policies by the Financial Accounting Standards Board, the Securities and Exchange Commission or regulatory agencies for any of our subsidiaries industries which may cause us or our subsidiaries to revise their financial accounting and/or disclosures in the future, and which may change the way analysts measure our and our subsidiaries business or financial performance;

- the impact of regulatory initiatives and compliance with governmental regulations, judicial rulings and jury verdicts;
- the results of financing efforts; by us and our subsidiaries, including any additional investments by us in our subsidiaries;
- the ability of customers and suppliers to meet their obligations to us and our subsidiaries;
- the consummation of contemplated transactions and agreements;
- the successful integration, transition and management of acquired businesses;
- the outcome of pending or future litigation, including any tobacco-related suits to which we are or may become a party;
- possible casualty losses;
- the availability of indemnification by Lorillard and its subsidiaries for any tobacco-related liabilities that we may incur as a result of tobacco-related lawsuits or otherwise, as provided in the Separation Agreement; and
- potential future asset impairments.

Developments in any of these or other areas of risk and uncertainty, which are more fully described elsewhere in this Report and our other filings with the SEC, could cause our results to differ materially from results that have been or may be anticipated or projected. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of this Report and we expressly disclaim any obligation or undertaking to update these statements to reflect any change in our expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There were no material changes in our market risk components for the three months ended March 31, 2011. See the Quantitative and Qualitative Disclosures About Market Risk included in Item 7A of our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2010 for further information. Additional information related to portfolio duration and market conditions is discussed in the Investments section of Management s Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2.

Item 4. Controls and Procedures.

The Company maintains a system of disclosure controls and procedures which are designed to ensure that information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the Exchange Act), including this report, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to the Company s management on a timely basis to allow decisions regarding required disclosure.

The Company s principal executive officer (CEO) and principal financial officer (CFO) undertook an evaluation of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. The CEO and CFO have concluded that the Company s disclosure controls and procedures were effective as of March 31, 2011.

There were no changes in the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the foregoing evaluation that occurred during the quarter ended March 31, 2011 that have materially affected or that are reasonably likely to materially affect the Company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Information with respect to legal proceedings is incorporated by reference to Note 8 of the Notes to Consolidated Condensed Financial Statements included in Part I of this Report.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2010 includes a detailed discussion of certain material risk factors facing our company. No updates or additions have been made to such risk factors as of March 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Items 2 (a) and (b) are inapplicable.

(c) STOCK REPURCHASES

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares (or approximate dollar value) of shares that may yet be purchased under the plans or programs (in millions)
January 1, 2011 - January 31, 2011	912,300	$ 39.66	N/A	N/A
February 1, 2011 - February 28, 2011	1,175,000	$ 43.06	N/A	N/A
March 1, 2011 - March 31, 2011	2,345,355	$ 42.57	N/A	N/A

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Item 6. Exhibits.

Description of Exhibit	Exhibit Number
Certification by the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.1*
Certification by the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.2*
Certification by the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.1*
Certification by the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.2*
XBRL Instance Document	101.INS*
XBRL Taxonomy Extension Schema	101.SCH*
XBRL Taxonomy Extension Calculation Linkbase	101.CAL*
XBRL Taxonomy Extension Definition Linkbase	101.DEF*
XBRL Taxonomy Label Linkbase	101.LAB*
XBRL Taxonomy Extension Presentation Linkbase	101.PRE*

*Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

LOEWS CORPORATION
(Registrant)

Dated: May 3, 2011

By: /s/ Peter W. Keegan
PETER W. KEEGAN
Senior Vice President and Chief Financial Officer

(Duly authorized officer and principal financial officer)