

LOEWS CORP  
Form 10-Q  
November 04, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 30, 2014**

**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**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**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)**

**13-2646102**  
**(I.R.S. Employer**  
**Identification No.)**

**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  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  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  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

Class  
Common stock, \$0.01 par  
value

Outstanding at October 27, 2014  
374,144,134 shares

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED BALANCE SHEETS****(Unaudited)**

	<b>September 30, 2014</b>	December 31, 2013
<b>(Dollar amounts in millions, except per share data)</b>		
<b>Assets:</b>		
Investments:		
Fixed maturities, amortized cost of \$37,631 and \$39,426	\$ 40,804	\$ 41,320
Equity securities, cost of \$765 and \$881	754	871
Limited partnership investments	3,658	3,420
Other invested assets	702	562
Short term investments	6,726	6,772
Total investments	52,644	52,945
Cash	637	294
Receivables	8,185	9,338
Property, plant and equipment	14,411	13,524
Goodwill	353	357
Assets of discontinued operations		1,041
Other assets	1,672	1,635
Deferred acquisition costs of insurance subsidiaries	627	624
Separate account business		181
Total assets	\$ 78,529	\$ 79,939
<b>Liabilities and Equity:</b>		
Insurance reserves:		
Claim and claim adjustment expense	\$ 23,475	\$ 24,089
Future policy benefits	8,890	10,471
Unearned premiums	3,703	3,718
Policyholders funds	27	116
Total insurance reserves	36,095	38,394
Payable to brokers	663	134
Short term debt	850	819
Long term debt	10,051	9,525
Deferred income taxes	1,030	716
Liabilities of discontinued operations		632

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Other liabilities	<b>4,724</b>	4,632
Separate account business		181
<b>Total liabilities</b>	<b>53,413</b>	55,033
<b>Commitments and contingent liabilities</b>		
Preferred stock, \$0.10 par value:		
Authorized 100,000,000 shares		
Common stock, \$0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 387,493,404 and 387,210,096 shares	<b>4</b>	4
Additional paid-in capital	<b>3,613</b>	3,607
Retained earnings	<b>15,817</b>	15,508
Accumulated other comprehensive income	<b>638</b>	339
	<b>20,072</b>	19,458
Less treasury stock, at cost (9,571,870 shares)	<b>(415)</b>	
<b>Total shareholders' equity</b>	<b>19,657</b>	19,458
Noncontrolling interests	<b>5,459</b>	5,448
<b>Total equity</b>	<b>25,116</b>	24,906
<b>Total liabilities and equity</b>	<b>\$ 78,529</b>	\$ 79,939

*See accompanying Notes to Consolidated Condensed Financial Statements.*

**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF INCOME****(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>(In millions, except per share data)</b>				
<b>Revenues:</b>				
Insurance premiums	\$ 1,810	\$ 1,825	\$ 5,427	\$ 5,389
Net investment income	451	605	1,625	1,739
Investment gains (losses):				
Other-than-temporary impairment losses	(10)	(15)	(17)	(49)
Portion of other-than-temporary impairment losses recognized in Other comprehensive income (loss)		(1)		(1)
Net impairment losses recognized in earnings	(10)	(16)	(17)	(50)
Other net investment gains	47	18	82	57
Total investment gains	37	2	65	7
Contract drilling revenues	728	691	2,063	2,136
Other revenues	497	474	1,624	1,560
Total	3,523	3,597	10,804	10,831
<b>Expenses:</b>				
Insurance claims and policyholders' benefits	1,354	1,378	4,241	4,259
Amortization of deferred acquisition costs	332	341	996	1,004
Contract drilling expenses	400	420	1,165	1,164
Other operating expenses	977	777	2,634	2,309
Interest	121	105	369	316
Total	3,184	3,021	9,405	9,052
Income before income tax	339	576	1,399	1,779
Income tax expense	(99)	(155)	(347)	(478)
Income from continuing operations	240	421	1,052	1,301
Discontinued operations, net	29	(37)	(384)	(107)
Net income	269	384	668	1,194
Amounts attributable to noncontrolling interests	(61)	(102)	(285)	(401)
Net income attributable to Loews Corporation	\$ 208	\$ 282	\$ 383	\$ 793
<b>Net income attributable to Loews Corporation:</b>				
Income from continuing operations	\$ 179	\$ 318	\$ 747	\$ 901
Discontinued operations, net	29	(36)	(364)	(108)
Net income	\$ 208	\$ 282	\$ 383	\$ 793

**Basic net income per share:**

Income from continuing operations	\$	<b>0.47</b>	\$	0.82	\$	<b>1.94</b>	\$	2.32
Discontinued operations, net		<b>0.08</b>		(0.09)		<b>(0.94)</b>		(0.28)
Net income	\$	<b>0.55</b>	\$	0.73	\$	<b>1.00</b>	\$	2.04

**Diluted net income per share:**

Income from continuing operations	\$	<b>0.47</b>	\$	0.82	\$	<b>1.94</b>	\$	2.31
Discontinued operations, net		<b>0.08</b>		(0.09)		<b>(0.94)</b>		(0.28)
Net income	\$	<b>0.55</b>	\$	0.73	\$	<b>1.00</b>	\$	2.03

<b>Dividends per share</b>	\$	<b>0.0625</b>	\$	0.0625	\$	<b>0.1875</b>	\$	0.1875
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**Weighted average shares outstanding:**

Shares of common stock	<b>380.59</b>	387.26	<b>384.53</b>	389.13
Dilutive potential shares of common stock	<b>0.60</b>	0.88	<b>0.66</b>	0.83
Total weighted average shares outstanding assuming dilution	<b>381.19</b>	388.14	<b>385.19</b>	389.96

*See accompanying Notes to Consolidated Condensed Financial Statements.*

**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>(In millions)</b>				
Net income	\$ 269	\$ 384	\$ 668	\$ 1,194
Other comprehensive income (loss), after tax				
Changes in:				
Net unrealized gains (losses) on investments with other-than-temporary impairments	1	(3)	15	3
Net other unrealized gains (losses) on investments	(83)	(70)	424	(717)
Total unrealized gains (losses) on available-for-sale investments	(82)	(73)	439	(714)
Discontinued operations	(34)	(8)	(19)	(13)
Unrealized gains (losses) on cash flow hedges	(4)	5	(1)	(1)
Pension liability	2	3	(52)	12
Foreign currency	(73)	56	(37)	(18)
Other comprehensive income (loss)	(191)	(17)	330	(734)
Comprehensive income	78	367	998	460
Amounts attributable to noncontrolling interests	(39)	(102)	(316)	(327)
Total comprehensive income attributable to Loews Corporation	\$ 39	\$ 265	\$ 682	\$ 133

*See accompanying Notes to Consolidated Condensed Financial Statements.*



**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF EQUITY****(Unaudited)**

	Loews Corporation Shareholders							Noncontrolling Interests
	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury		
<b>(In millions)</b>								
Balance, January 1, 2013	\$ 24,676	\$ 4	\$ 3,595	\$ 15,192	\$ 678	\$ (10)	\$ 5,217	
Net income	1,194			793			401	
Other comprehensive loss	(734)				(660)		(74)	
Dividends paid	(444)			(73)			(371)	
Issuance of equity securities by subsidiary	337		51		2		284	
Purchase of Loews treasury stock	(218)					(218)		
Issuance of Loews common stock	4		4					
Stock-based compensation	12		(1)				13	
Other	(6)		(1)	(1)			(4)	
Balance, September 30, 2013	\$ 24,821	\$ 4	\$ 3,648	\$ 15,911	\$ 20	\$ (228)	\$ 5,466	
<b>Balance, January 1, 2014</b>	<b>\$ 24,906</b>	<b>\$ 4</b>	<b>\$ 3,607</b>	<b>\$ 15,508</b>	<b>\$ 339</b>	<b>\$ -</b>	<b>\$ 5,448</b>	
Net income	668			383			285	
Other comprehensive income	330				299		31	
Dividends paid	(333)			(72)			(261)	

Purchases of subsidiary stock from noncontrolling interests	(83)		(8)					(75)
Purchases of Loews treasury stock	(415)							(415)
Issuance of Loews common stock	5		5					
Stock-based compensation	19		9					10
Other	19				(2)			21
Balance, September 30, 2014	\$ 25,116	\$ 4	\$ 3,613	\$ 15,817	\$ 638	\$ (415)	\$ 5,459	

*See accompanying Notes to Consolidated Condensed Financial Statements.*

**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(Unaudited)****Nine Months Ended September 30**  
**(In millions)****2014****2013****Operating Activities:**

Net income	\$ 668	\$ 1,194
Adjustments to reconcile net income to net cash provided by operating activities, net	1,491	925
Changes in operating assets and liabilities, net:		
Receivables	571	146
Deferred acquisition costs	14	(23)
Insurance reserves	(222)	(166)
Other assets	(127)	(64)
Other liabilities	(152)	215
Trading securities	(147)	(898)
Net cash flow operating activities	2,096	1,329

**Investing Activities:**

Purchases of fixed maturities	(7,457)	(8,205)
Proceeds from sales of fixed maturities	4,005	4,830
Proceeds from maturities of fixed maturities	2,901	2,496
Purchases of equity securities	(44)	(61)
Proceeds from sales of equity securities	23	82
Purchases of limited partnership investments	(218)	(263)
Proceeds from sales of limited partnership investments	133	187
Purchases of property, plant and equipment	(1,595)	(1,307)
Acquisitions	(180)	(235)
Dispositions	1,030	135
Change in short term investments	489	611
Other, net	(52)	(135)
Net cash flow investing activities	(965)	(1,865)

**Financing Activities:**

Dividends paid	(72)	(73)
Dividends paid to noncontrolling interests	(261)	(371)
Purchases of subsidiary stock from noncontrolling interests	(88)	
Purchases of Loews treasury stock	(396)	(228)
Issuance of Loews common stock	5	4
Proceeds from sale of subsidiary stock	4	370

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Principal payments on debt	<b>(1,250)</b>	(1,058)
Issuance of debt	<b>1,259</b>	1,953
Other, net	<b>14</b>	(29)
Net cash flow financing activities	<b>(785)</b>	568
Effect of foreign exchange rate on cash	<b>(3)</b>	(3)
Net change in cash	<b>343</b>	29
Cash, beginning of period	<b>294</b>	228
Cash, end of period	<b>\$ 637</b>	\$ 257

*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 51% owned subsidiary); transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas (Boardwalk Pipeline Partners, LP ( Boardwalk Pipeline ), a 53% owned subsidiary); and the operation of a chain of hotels (Loews Hotels Holding Corporation ( Loews Hotels ), a wholly owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

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 September 30, 2014 and December 31, 2013, the results of operations and comprehensive income for the three and nine months ended September 30, 2014 and 2013 and changes in shareholders' equity and cash flows for the nine months ended September 30, 2014 and 2013.

Net income for the third quarter and first nine months 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 2013 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

The Company presents basic and diluted net income per share on the Consolidated Condensed Statements of Income. Basic net income per share excludes dilution and is computed by dividing net income attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted net income 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 2.6 million, 1.4 million, 2.2 million and 1.4 million shares were not included in the diluted weighted average shares amounts for the three and nine months ended September 30, 2014 and 2013 due to the exercise price being greater than the average stock price.

**Updated accounting guidance not yet adopted** In April of 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Under the new accounting guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. The update also requires new disclosures for discontinued operations and disposals that do not meet the definition of a discontinued operation. The new accounting guidance is to be applied prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014, and will not have a material impact on the Company's consolidated financial statements.

In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new accounting guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new accounting guidance provides a five-step analysis of transactions to determine when and how revenue is recognized and requires enhanced disclosures about revenue. This update is effective for annual reporting periods beginning after December 15, 2016, including interim periods, and can be adopted either retrospectively or as a cumulative effect adjustment at the date of adoption. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated financial statements.

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**Table of Contents****2. Acquisitions and Divestitures**

**Continental Assurance Company ( CAC )** On August 1, 2014, CNA completed the sale of the common stock of CAC. The sale price is subject to a customary post-closing review by the purchaser. The business sold, which was previously reported within the Life & Group Non-Core segment, is reported as discontinued operations in the Consolidated Condensed Statements of Income for the three and nine months ended September 30, 2014 and 2013.

In connection with the sale of CAC, CNA entered into a 100% coinsurance agreement on a separate small block of annuity business outside of CAC. The coinsurance agreement required the transfer of assets with a book value equal to the ceded reserves on the inception date of the contract. Because a substantial portion of the assets supporting these liabilities are held in trust for the benefit of the original cedant, those assets were transferred on a funds withheld basis. Under this approach CNA maintains legal ownership of the assets, but the investment income and realized gains and losses on those assets inure to the reinsurer. As a result, the \$31 million (after tax and noncontrolling interests) difference between market value and book value of the funds withheld assets at the coinsurance contract's inception was recognized in Other operating expenses.

**HighMount** In May of 2014, the Company announced that HighMount Exploration & Production LLC ( HighMount ), its natural gas and oil exploration and production subsidiary, was pursuing strategic alternatives, including a potential sale of the business. In the second quarter of 2014, the Company recognized an impairment charge of \$259 million (\$167 million after tax) related to the excess carrying value of HighMount over the estimated fair value, less costs to sell. The Company measured estimated fair value using an estimated sale price arrived at by assessing market response in the auction process in relation to valuation models provided by HighMount's financial advisors, which are Level 3 inputs of the fair value hierarchy. On August 7, 2014, the Company entered into an agreement to sell HighMount to privately held affiliates of EnerVest, Ltd. and on September 30, 2014, HighMount was sold for net proceeds of \$794 million, subject to customary closing adjustments. HighMount's bank debt of \$480 million was repaid from proceeds of the sale. In the third quarter of 2014, the Company adjusted the previously recognized impairment and reduced the charge by \$60 million (\$30 million after tax) based on the actual sales price.

See Note 15 for further discussion of discontinued operations.

**Evangeline Pipeline System** In October of 2014, Boardwalk Pipeline acquired Chevron Petrochemical Pipeline, LLC, which owns the Evangeline ethylene pipeline system for \$295 million in cash, subject to customary adjustments. The purchase price was funded through borrowings under Boardwalk Pipeline's revolving credit facility. As of September 30, 2014, Boardwalk Pipeline had recorded a \$30 million deposit related to this transaction.

**Bluegrass Project** As discussed in Note 2 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, Boardwalk Pipeline executed a series of agreements in 2013 with The Williams Companies, Inc. ( Williams ) to develop the Bluegrass Project. In the first quarter of 2014, the Company expensed the previously capitalized project costs related to the development process due to a lack of customer commitments, resulting in a charge of \$94 million (\$55 million after tax and noncontrolling interests), inclusive of a \$10 million charge recorded by Boardwalk Pipeline Partners, LP. This charge was recorded within Other operating expenses on the Consolidated Condensed Statements of Income. In the third quarter of 2014, Boardwalk Pipeline and Williams agreed to dissolve the Bluegrass project entities.

**Loews Hotels** In 2014, Loews Hotels has acquired three properties. In July of 2014, Loews Hotels purchased the Loews Chicago O'Hare Hotel, a 556 guestroom hotel, and the Loews Minneapolis Hotel, a 251 guestroom hotel, and in October of 2014, Loews Hotels purchased the Loews Ventana Canyon in Tucson, Arizona, a 398 guestroom hotel, which had been operated by Loews Hotels under a management agreement, for a total cost of approximately \$230

million, funded with a combination of cash and property-level debt.

In addition, Loews Hotels has a joint venture interest in the Cabana Bay Beach Resort, an 1,800 guestroom hotel at Universal Orlando, Florida, which opened in March of 2014. Loews Hotels also has commitments of approximately \$170 million for the Loews Chicago Hotel, a 400 guestroom hotel being developed and planned to open in early 2015 and approximately \$60 million for the development, through a joint venture, of the Loews Sapphire Falls Resort at Universal Orlando, Florida, a 1,000 guestroom hotel, scheduled to open in late 2016.



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Net investment income is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>(In millions)</b>				
Fixed maturity securities	\$ 453	\$ 461	\$ 1,356	\$ 1,372
Short term investments	1	2	3	5
Limited partnership investments	26	115	229	345
Equity securities	2	3	7	9
Income (loss) from trading portfolio (a)	(24)	30	46	28
Other	7	7	25	19
<b>Total investment income</b>	<b>465</b>	<b>618</b>	<b>1,666</b>	<b>1,778</b>
Investment expenses	(14)	(13)	(41)	(39)
<b>Net investment income</b>	<b>\$ 451</b>	<b>\$ 605</b>	<b>\$ 1,625</b>	<b>\$ 1,739</b>

(a) Includes net unrealized gains (losses) related to changes in fair value on trading securities still held of \$(19), \$25, \$46 and \$(22) for the three and nine months ended September 30, 2014 and 2013.

Investment gains (losses) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>(In millions)</b>				
Fixed maturity securities	\$ 39	\$ 2	\$ 58	\$ 22
Equity securities	(3)	(2)	2	(17)
Derivative instruments		(1)	1	(4)
Short term investments and other	1	3	4	6
<b>Investment gains (a)</b>	<b>\$ 37</b>	<b>\$ 2</b>	<b>\$ 65</b>	<b>\$ 7</b>

- (a) Includes gross realized gains of \$52, \$50, \$130 and \$129 and gross realized losses of \$16, \$50, \$70 and \$124 on available-for-sale securities for the three and nine months ended September 30, 2014 and 2013.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>(In millions)</b>				
Fixed maturity securities available-for-sale:				
Corporate and other bonds	\$ 6	\$ 8	\$ 9	\$ 16
Asset-backed:				
Residential mortgage-backed	2	2	4	5
Other asset-backed		1	1	2
Total asset-backed	2	3	5	7
Total fixed maturities available-for-sale	8	11	14	23
Equity securities available-for-sale:				
Common stock	2	3	3	5
Preferred stock		2		22
Total equity securities available-for-sale	2	5	3	27
Net OTTI losses recognized in earnings	\$ 10	\$ 16	\$ 17	\$ 50

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

September 30, 2014	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
<b>(In millions)</b>					
Fixed maturity securities:					
Corporate and other bonds	\$ 17,480	\$ 1,704	\$ 40	\$19,144	
States, municipalities and political subdivisions	11,217	1,295	53	12,459	
Asset-backed:					
Residential mortgage-backed	4,972	187	13	5,146	\$ (54)
Commercial mortgage-backed	2,079	87	8	2,158	(2)
Other asset-backed	1,222	13	5	1,230	

<b>Total asset-backed</b>	<b>8,273</b>	<b>287</b>	<b>26</b>	<b>8,534</b>	<b>(56)</b>
<b>U.S. Treasury and obligations of government-sponsored enterprises</b>	<b>25</b>	<b>5</b>		<b>30</b>	
<b>Foreign government</b>	<b>456</b>	<b>16</b>	<b>1</b>	<b>471</b>	
<b>Redeemable preferred stock</b>	<b>39</b>	<b>3</b>		<b>42</b>	
<b>Fixed maturities available- for-sale</b>	<b>37,490</b>	<b>3,310</b>	<b>120</b>	<b>40,680</b>	<b>(56)</b>
<b>Fixed maturities, trading</b>	<b>141</b>		<b>17</b>	<b>124</b>	
<b>Total fixed maturities</b>	<b>37,631</b>	<b>3,310</b>	<b>137</b>	<b>40,804</b>	<b>(56)</b>
<b>Equity securities:</b>					
<b>Common stock</b>	<b>35</b>	<b>11</b>		<b>46</b>	
<b>Preferred stock</b>	<b>162</b>	<b>4</b>	<b>1</b>	<b>165</b>	
<b>Equity securities available-for-sale</b>	<b>197</b>	<b>15</b>	<b>1</b>	<b>211</b>	<b>-</b>
<b>Equity securities, trading</b>	<b>568</b>	<b>87</b>	<b>112</b>	<b>543</b>	
<b>Total equity securities</b>	<b>765</b>	<b>102</b>	<b>113</b>	<b>754</b>	<b>-</b>
<b>Total</b>	<b>\$ 38,396</b>	<b>\$ 3,412</b>	<b>\$ 250</b>	<b>\$41,558</b>	<b>\$ (56)</b>

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December 31, 2013	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
(In millions)					
<b>Fixed maturity securities:</b>					
Corporate and other bonds	\$ 19,352	\$ 1,645	\$ 135	\$ 20,862	
States, municipalities and political subdivisions	11,281	548	272	11,557	
<b>Asset-backed:</b>					
Residential mortgage-backed	4,940	123	92	4,971	\$ (37)
Commercial mortgage-backed	1,995	90	22	2,063	(3)
Other asset-backed	945	13	3	955	
Total asset-backed	7,880	226	117	7,989	(40)
U.S. Treasury and obligations of government-sponsored enterprises	139	6	1	144	
Foreign government	531	15	3	543	
Redeemable preferred stock	92	10		102	
Fixed maturities available-for-sale	39,275	2,450	528	41,197	(40)
Fixed maturities, trading	151		28	123	
Total fixed maturities	39,426	2,450	556	41,320	(40)
<b>Equity securities:</b>					
Common stock	36	9		45	
Preferred stock	143	1	4	140	
Equity securities available-for-sale	179	10	4	185	-
Equity securities, trading	702	119	135	686	
Total equity securities	881	129	139	871	-
<b>Total</b>	<b>\$ 40,307</b>	<b>\$ 2,579</b>	<b>\$ 695</b>	<b>\$ 42,191</b>	<b>\$ (40)</b>

The net unrealized gains on investments included in the tables above are recorded as a component of Accumulated other comprehensive income ( AOCI ). When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. At September 30, 2014 and December 31, 2013, the net unrealized gains on investments included in AOCI were net of Shadow Adjustments of \$873 million and \$478 million. To the extent that unrealized gains on fixed income securities supporting certain products within CNA's Life & Group Non-Core segment would result in a premium deficiency if realized, a related decrease in Deferred acquisition costs, and/or increase in Insurance reserves are recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through Other comprehensive income (loss) (Shadow Adjustments).

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

September 30, 2014	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
<b>(In millions)</b>						
<b>Fixed maturity securities:</b>						
Corporate and other bonds	\$ 1,726	\$ 23	\$ 402	\$ 17	\$ 2,128	\$ 40
States, municipalities and political subdivisions	176	2	435	51	611	53
<b>Asset-backed:</b>						
Residential mortgage-backed	208	3	254	10	462	13
Commercial mortgage-backed	506	4	112	4	618	8
Other asset-backed	507	4	13	1	520	5
<b>Total asset-backed</b>	<b>1,221</b>	<b>11</b>	<b>379</b>	<b>15</b>	<b>1,600</b>	<b>26</b>
U.S. Treasury and obligations of government-sponsored enterprises			5		5	
Foreign government	35		8	1	43	1
<b>Total fixed maturity securities</b>	<b>3,158</b>	<b>36</b>	<b>1,229</b>	<b>84</b>	<b>4,387</b>	<b>120</b>
Preferred stock	32	1	1		33	1
<b>Total</b>	<b>\$ 3,190</b>	<b>\$ 37</b>	<b>\$ 1,230</b>	<b>\$ 84</b>	<b>\$ 4,420</b>	<b>\$ 121</b>

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December 31, 2013	Less than		12 Months		Total	
	12 Months		or Longer		Gross	
	Estimated	Gross	Estimated	Gross	Estimated	Gross
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
		Losses		Losses		Losses
(In millions)						
<b>Fixed maturity securities:</b>						
Corporate and other bonds	\$ 3,592	\$ 129	\$ 72	\$ 6	\$ 3,664	\$ 135
States, municipalities and political subdivisions	3,251	197	129	75	3,380	272
<b>Asset-backed:</b>						
Residential mortgage-backed	1,293	29	343	63	1,636	92
Commercial mortgage-backed	640	22			640	22
Other asset-backed	269	3			269	3
<b>Total asset-backed</b>	<b>2,202</b>	<b>54</b>	<b>343</b>	<b>63</b>	<b>2,545</b>	<b>117</b>
U.S. Treasury and obligations of government-sponsored enterprises	13	1			13	1
Foreign government	111	3			111	3
<b>Total fixed maturity securities</b>	<b>9,169</b>	<b>384</b>	<b>544</b>	<b>144</b>	<b>9,713</b>	<b>528</b>
Preferred stock	87	4			87	4
<b>Total</b>	<b>\$ 9,256</b>	<b>\$ 388</b>	<b>\$ 544</b>	<b>\$ 144</b>	<b>\$ 9,800</b>	<b>\$ 532</b>

Based on current facts and circumstances, the Company believes the unrealized losses presented in the table above are not indicative of the ultimate collectibility of the current amortized cost of the securities, but rather are primarily attributable to changes in interest rates and credit spreads, market illiquidity and other factors. The Company has no current intent to sell securities with unrealized losses, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded at September 30, 2014.

The following table summarizes the activity for the three and nine months ended September 30, 2014 and 2013 related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held at September 30, 2014 and 2013 for which a portion of an OTTI loss was recognized in Other comprehensive income (loss).

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
(In millions)				
Beginning balance of credit losses on fixed maturity securities	\$ 66	\$ 89	\$ 74	\$ 95

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Additional credit losses for securities for which an OTTI loss was previously recognized		1		2
Reductions for securities sold during the period	(2)	(7)	(7)	(14)
Reductions for securities the Company intends to sell or more likely than not will be required to sell			(3)	
Ending balance of credit losses on fixed maturity securities	\$ 64	\$ 83	\$ 64	\$ 83



**Table of Contents****Contractual Maturity**

The following table summarizes available-for-sale fixed maturity securities by contractual maturity at September 30, 2014 and December 31, 2013. 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.

	<b>September 30, 2014</b>		December 31, 2013	
	<b>Cost or Amortized Cost</b>	<b>Estimated Fair Value</b>	Cost or Amortized Cost	Estimated Fair Value
<b>(In millions)</b>				
Due in one year or less	\$ 2,329	\$ 2,368	\$ 2,420	\$ 2,455
Due after one year through five years	8,888	9,455	9,496	10,068
Due after five years through ten years	12,446	12,951	11,667	11,954
Due after ten years	13,827	15,906	15,692	16,720
<b>Total</b>	<b>\$ 37,490</b>	<b>\$ 40,680</b>	<b>\$ 39,275</b>	<b>\$ 41,197</b>

**Investment Commitments**

As of September 30, 2014, the Company had committed approximately \$365 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

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, sales and funding. As of September 30, 2014, the Company had commitments to purchase or fund additional amounts of \$140 million and sell \$103 million under the terms of such securities.

**4. 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.

Prices may fall within Level 1, 2 or 3 depending upon the methodologies and inputs used to estimate fair value for each specific security. In general, the Company seeks to price securities using third party pricing services. Securities not priced by pricing services are submitted to independent brokers for valuation and, if those are not available, internally developed pricing models are used to value assets using methodologies and inputs the Company believes market participants would use to value the assets. Prices obtained from third-party pricing services or brokers are not adjusted by the Company.

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The Company performs control procedures over information obtained from pricing services and brokers to ensure prices received represent a reasonable estimate of fair value and to confirm representations regarding whether inputs are observable or unobservable. Procedures include (i) the review of pricing service or broker pricing methodologies, (ii) back-testing, where past fair value estimates are compared to actual transactions executed in the market on similar dates, (iii) exception reporting, where changes in price, period-over-period, are reviewed and challenged with the pricing service or broker based on exception criteria, (iv) detailed analysis, where the Company performs an independent analysis of the inputs and assumptions used to price individual securities and (v) pricing validation, where prices received are compared to prices independently estimated by the Company.

The fair values of CNA's life settlement contracts are included in Other assets on the Consolidated Condensed Balance Sheets. 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:

September 30, 2014 (In millions)	Level 1	Level 2	Level 3	Total
<b>Fixed maturity securities:</b>				
Corporate and other bonds	\$ 33	\$ 18,938	\$ 173	\$ 19,144
States, municipalities and political subdivisions		12,379	80	12,459
<b>Asset-backed:</b>				
Residential mortgage-backed		4,986	160	5,146
Commercial mortgage-backed		2,061	97	2,158
Other asset-backed		588	642	1,230
<b>Total asset-backed</b>		<b>7,635</b>	<b>899</b>	<b>8,534</b>
U.S. Treasury and obligations of government-sponsored enterprises	27	3		30
Foreign government	47	424		471
Redeemable preferred stock	30	12		42
<b>Fixed maturities available-for-sale</b>	<b>137</b>	<b>39,391</b>	<b>1,152</b>	<b>40,680</b>
<b>Fixed maturities, trading</b>		<b>33</b>	<b>91</b>	<b>124</b>
<b>Total fixed maturities</b>	<b>\$ 137</b>	<b>\$ 39,424</b>	<b>\$ 1,243</b>	<b>\$ 40,804</b>
<b>Equity securities available-for-sale</b>	<b>\$ 141</b>	<b>\$ 53</b>	<b>\$ 17</b>	<b>\$ 211</b>
<b>Equity securities, trading</b>	<b>540</b>		<b>3</b>	<b>543</b>
<b>Total equity securities</b>	<b>\$ 681</b>	<b>\$ 53</b>	<b>\$ 20</b>	<b>\$ 754</b>
<b>Short term investments</b>	<b>\$ 6,047</b>	<b>\$ 612</b>		<b>\$ 6,659</b>
<b>Other invested assets</b>	<b>102</b>	<b>44</b>		<b>146</b>
<b>Receivables</b>		<b>19</b>		<b>19</b>

<b>Life settlement contracts</b>			<b>\$ 86</b>	<b>86</b>
<b>Payable to brokers</b>	<b>(409)</b>	<b>(5)</b>		<b>(414)</b>

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December 31, 2013	Level 1	Level 2	Level 3	Total
(In millions)				
<b>Fixed maturity securities:</b>				
Corporate and other bonds	\$ 33	\$ 20,625	\$ 204	\$ 20,862
States, municipalities and political subdivisions		11,486	71	11,557
<b>Asset-backed:</b>				
Residential mortgage-backed		4,640	331	4,971
Commercial mortgage-backed		1,912	151	2,063
Other asset-backed		509	446	955
Total asset-backed		7,061	928	7,989
U.S. Treasury and obligations of government-sponsored enterprises	116	28		144
Foreign government	81	462		543
Redeemable preferred stock	45	57		102
Fixed maturities available-for-sale	275	39,719	1,203	41,197
Fixed maturities, trading		43	80	123
Total fixed maturities	\$ 275	\$ 39,762	\$ 1,283	\$ 41,320
Equity securities available-for-sale	\$ 126	\$ 48	\$ 11	\$ 185
Equity securities, trading	678		8	686
Total equity securities	\$ 804	\$ 48	\$ 19	\$ 871
Short term investments	\$ 6,134	\$ 563		\$ 6,697
Other invested assets		54		54
Receivables		3		3
Life settlement contracts			\$ 88	88
Separate account business	9	171	1	181
Payable to brokers	(40)	(1)	(3)	(44)
Assets of discontinued operations	28	2	2	32
Liabilities of discontinued operations		(6)	(2)	(8)

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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 and nine months ended September 30, 2014 and 2013:

2014 (In millions)	Balance, July 31, 2014		Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) included in OCI Purchases		Sales	Settlements	Transfers into Level 3		Transfers out of Level 3		Balance, September 30, 2014	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30, 2014
	July 31, 2014	July 31, 2014	July 31, 2014	July 31, 2014			Level 3	Level 3	September 30, 2014	September 30, 2014		
<b>Fixed maturity securities:</b>												
<b>Corporate and other bonds</b>	\$ 194		\$ (1)	\$ 4		\$ (3)			\$ (21)		\$ 173	
<b>States, municipalities and political subdivisions</b>	79		1								80	
<b>Asset-backed:</b>												
<b>Residential mortgage-backed</b>	185	\$ 1				(17)	\$ 11		(20)		160	
<b>Commercial mortgage-backed</b>	59	2	(2)	28		(21)	31				97	
<b>Other asset-backed</b>	626	1	(4)	80		(25)			(36)		642	
<b>Total asset-backed</b>	870	4	(6)	108	\$ -	(63)	42		(56)		899	\$ -
<b>Fixed maturities available-for-sale</b>	1,143	4	(6)	112		(66)	42		(77)		1,152	
<b>Fixed maturities, trading</b>	91										91	
<b>Total fixed maturities</b>	\$ 1,234	\$ 4	\$ (6)	\$ 112	\$ -	\$ (66)	\$ 42		\$ (77)		\$ 1,243	\$ -

<b>Equity securities available-for-sale</b>	\$	2		\$ (1)	\$ 16					\$	17	
<b>Equity securities trading</b>		4			(1)						3	
<b>Total equity securities</b>	\$	6	\$ -	\$ (1)	\$ 15	\$ -	\$ -	\$ -	\$ -	\$	20	\$ -
<b>Life settlement contracts</b>	\$	86	\$ 1				\$ (1)			\$	86	\$ 1
<b>Derivative financial instruments, net</b>		-									-	(1)

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2013 (In millions)	Balance, July 1	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in	Net Income	OCI	Purchases	Sales	Settlements	Transfers		Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
								into Level 3	out of Level 3		
Fixed maturity securities:											
Corporate and other bonds	\$ 202	\$ 1			\$ 6	\$ (6)	\$ (8)	\$ 17	\$ (1)	\$ 211	
States, municipalities and political subdivisions	140		\$ (3)				(15)		(27)	95	
Asset-backed:											
Residential mortgage-backed	428		(20)	5			(21)		(22)	370	\$ (1)
Commercial mortgage-backed	165	(1)	(2)	10			(1)		(14)	157	
Other asset-backed	387		1	56			(6)		(5)	433	(1)
Total asset-backed	980	(1)	(21)	71			(28)		(41)	960	(2)
Redeemable preferred stock	25	(1)	1				(25)			-	
Fixed maturities available-for-sale	1,347	(1)	(23)	77		(6)	(76)	17	(69)	1,266	(2)
Fixed maturities, trading	87	(8)				(1)				78	(8)
Total fixed maturities	\$ 1,434	\$ (9)	\$ (23)	\$ 77	\$ (7)	\$ (76)	\$ 17	\$ (69)	\$ (69)	\$ 1,344	\$ (10)
	\$ 13	\$ (2)	\$ 2							\$ 13	\$ (2)



Equity securities available-for-sale												
Equity securities trading	2										2	
Total equity securities	\$ 15	\$ (2)	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ (2)	
Life settlement contracts	\$ 91	\$ 3						\$ (4)				\$ 90
Separate account business	2											2
Derivative financial instruments, net	5	2	\$ (4)			\$ (2)	(1)					-

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	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses)							Transfers into Level 3	Transfers out of Level 3	Balance, September 30	Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at September 30
	Balance, January 1	Net Income	OCI	Purchases	Sales	Settlements	3	Level 3	September 30	September 30	
<b>Fixed maturity securities:</b>											
Corporate and other bonds	\$ 204	\$ 2		\$ 30	\$ (10)	\$ (13)	\$ 8	\$ (48)	\$ 173		
States, municipalities and political subdivisions	71	1	\$ 3	1	(10)		14		80		
<b>Asset-backed:</b>											
Residential mortgage-backed	331	(22)	62	47	(174)	(57)	32	(59)	160		
Commercial mortgage-backed	151	4	(2)	28	(60)	(23)	43	(44)	97		
Other asset-backed	446	2		457	(111)	(115)		(37)	642	\$ (1)	
<b>Total asset-backed</b>	<b>928</b>	<b>(16)</b>	<b>60</b>	<b>532</b>	<b>(345)</b>	<b>(195)</b>	<b>75</b>	<b>(140)</b>	<b>899</b>	<b>(1)</b>	
<b>Fixed maturities available-for-sale</b>	<b>1,203</b>	<b>(13)</b>	<b>63</b>	<b>563</b>	<b>(365)</b>	<b>(208)</b>	<b>97</b>	<b>(188)</b>	<b>1,152</b>	<b>(1)</b>	
<b>Fixed maturities, trading</b>	<b>80</b>	<b>11</b>							<b>91</b>	<b>11</b>	
<b>Total fixed maturities</b>	<b>\$ 1,283</b>	<b>\$ (2)</b>	<b>\$ 63</b>	<b>\$ 563</b>	<b>\$ (365)</b>	<b>\$ (208)</b>	<b>\$ 97</b>	<b>\$ (188)</b>	<b>\$ 1,243</b>	<b>\$ 10</b>	
	\$ 11	\$ 3	\$ (5)	\$ 16	\$ (8)				\$ 17		

<b>Equity securities available-for-sale</b>												
<b>Equity securities trading</b>	<b>8</b>			<b>1</b>	<b>(6)</b>						<b>3</b>	
<b>Total equity securities</b>	<b>\$ 19</b>	<b>\$ 3</b>	<b>\$ (5)</b>	<b>\$ 17</b>	<b>\$ (14)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20</b>	<b>\$ -</b>	
<b>Life settlement contracts</b>	<b>\$ 88</b>	<b>\$ 23</b>				<b>\$ (25)</b>				<b>\$ 86</b>	<b>\$ 3</b>	
<b>Separate account business</b>	<b>1</b>							<b>\$ (1)</b>		<b>-</b>		
<b>Derivative financial instruments, net</b>	<b>(3)</b>	<b>1</b>		<b>\$ (2)</b>	<b>\$ 2</b>				<b>2</b>	<b>-</b>	<b>1</b>	

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2013 (In millions)	Net Realized Gains (Losses) and Net Change in Unrealized Gains							Unrealized Gains (Losses) Recognized in Net Income on Level 3 Assets and Liabilities Held at		
	Balance, Included January 1	Net Income	OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, September 30	September 30
<b>Fixed maturity securities:</b>										
Corporate and other bonds	\$ 219	\$ 2	\$ (1)	\$ 129	\$ (96)	\$ (34)	\$ 43	\$ (51)	\$ 211	\$ (2)
States, municipalities and political subdivisions	96	(3)	1	122	(79)	(20)	5	(27)	95	
<b>Asset-backed:</b>										
Residential mortgage-backed	413	2	(21)	116	(10)	(53)	4	(81)	370	(3)
Commercial mortgage-backed	129		7	88		(10)	21	(78)	157	
Other asset-backed	368	3	(1)	230	(132)	(30)		(5)	433	(2)
Total asset-backed	910	5	(15)	434	(142)	(93)	25	(164)	960	(5)
Redeemable preferred stock	26	(1)				(25)			-	
Fixed maturities available-for-sale	1,251	3	(15)	685	(317)	(172)	73	(242)	1,266	(7)
Fixed maturities, trading	89	(7)			(4)				78	(7)
Total fixed maturities	\$ 1,340	\$ (4)	\$ (15)	\$ 685	\$ (321)	\$ (172)	\$ 73	\$ (242)	\$ 1,344	\$ (14)
Equity securities available-for-sale	\$ 34	\$ (22)	\$ 2					\$ (1)	\$ 13	\$ (22)

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Equity securities trading		7	(5)								2	(5)			
Total equity securities	\$	41	\$(27)	\$	2	\$	-	\$	-	\$	-	\$(1)	\$	15	\$(27)
Short term investments	\$	6													