LOEWS CORP
Form 10-K
February 15, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2017

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ___X___ No _________

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes _________ No ___X___

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ___X___ No _________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X].

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

Large accelerated filer __X__ Accelerated filer ____ Non-accelerated filer ____
Smaller reporting company ____

Emerging growth company ____

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

____

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

Yes ________ No ___X___

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2017, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $12,971,000,000.

As of February 2, 2018, there were 328,825,271 shares of the registrant s common stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant s definitive proxy statement for the 2018 annual meeting of shareholders intended to be filed by the registrant with the Commission not later than 120 days after the close of its fiscal year are incorporated by reference into Part III of this Report.

LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON

FORM 10-K FILED WITH THE

SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 2017

Table of Contents

PART I

Item 1. Business.

Loews Corporation was incorporated in 1969 and is a holding company. Our subsidiaries are engaged in the following lines of business:

- commercial property and casualty insurance (CNA Financial Corporation, a 89% owned subsidiary);
- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a 53% owned subsidiary);
- transportation and storage of natural gas and natural gas liquids (Boardwalk Pipeline Partners, LP, a 51% owned subsidiary);
- operation of a chain of hotels (Loews Hotels Holding Corporation, a wholly owned subsidiary); and
- manufacture of rigid plastic packaging solutions (Consolidated Container Company LLC, a 99% owned subsidiary).

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

On May 22, 2017, we completed the acquisition of CCC Acquisition Holdings, Inc. for $1.2 billion, subject to post-closing adjustments. CCC Acquisition Holdings, Inc., through its wholly owned subsidiary, Consolidated Container Company LLC (Consolidated Container), is a rigid plastic packaging and recycled resins manufacturer that provides packaging solutions to end markets such as beverage, food and household chemicals through a network of manufacturing locations across North America. The acquisition was funded with approximately $620 million of Parent Company cash and debt financing proceeds at Consolidated Container of $600 million. For further information about this acquisition, see Notes 2 and 11 of the Notes to Consolidated Financial Statements included under Item 8.

We have five reportable segments comprised of CNA Financial Corporation, Diamond Offshore Drilling, Inc., Boardwalk Pipeline Partners, LP, Loews Hotels Holding Corporation and the Corporate segment. The operations of Consolidated Container since the acquisition date are included in the Corporate segment. Each of our operating subsidiaries is 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. Additional financial information on each of our segments is included under Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

CNA FINANCIAL CORPORATION

CNA Financial Corporation (together with its subsidiaries, CNA) is an insurance holding company. CNA s property and casualty and remaining life and group insurance operations are primarily conducted by Continental Casualty Company (CCC), The Continental Insurance Company, Western Surety Company, CNA Insurance Company Limited and Hardy Underwriting Bermuda Limited and its subsidiaries (Hardy). CNA accounted for 69.8%, 71.6% and 67.8% of our consolidated total revenue for the years ended December 31, 2017, 2016 and 2015.

CNA s insurance products primarily include commercial property and casualty coverages, including surety. CNA s services include warranty, risk management, information services, and claims administration. CNA s products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups.

Table of Contents

Property and Casualty Operations

CNA s commercial property and casualty insurance operations (Property and Casualty Operations) includes its Specialty, Commercial and International lines of business.

Specialty

Specialty provides management and professional liability and other coverages through property and casualty products and services using a network of brokers, independent agencies and managing general underwriters. Specialty includes the following business groups:

Management & Professional Liability: Management & Professional Liability provides management and professional liability insurance and risk management services and other specialized property and casualty coverages. This group provides professional liability coverages to various professional firms, including architects, real estate agents, accounting firms, law firms and other professional firms. Management & Professional Liability also provides directors and officers (D&O), employment practices, fiduciary and fidelity coverages. Specific areas of focus include small and mid-size firms, public as well as privately held firms and not-for-profit organizations, where tailored products for these client segments are offered. Products within Management & Professional Liability are distributed through brokers, independent agents and managing general underwriters. Management & Professional Liability also offers insurance products to serve the health care industry. Products include professional and general liability as well as associated standard property and casualty coverages, and are distributed on a national basis through brokers, independent agents and managing general underwriters. Key customer groups include aging services, allied medical facilities, life sciences, dentists, physicians, hospitals and nurses and other medical practitioners.

Surety: Surety offers small, medium and large contract and commercial surety and fidelity bonds. Surety provides surety and fidelity bonds in all 50 states through a network of independent agencies and brokers.

Warranty and Alternative Risks: Warranty and Alternative Risks provides extended service contracts and related products that provide protection from the financial burden associated with mechanical breakdown and other related losses, primarily for vehicles and cell phones.

Commercial

Commercial works with a network of brokers and independent agents to market a broad range of property and casualty insurance products and services to small, middle-market and large businesses. Property products include standard and excess property, marine and boiler and machinery coverages. Casualty products include standard casualty insurance products such as workers compensation, general and product liability, commercial auto and umbrella coverages. Most insurance programs are provided on a guaranteed cost basis; however, CNA also offers specialized loss-sensitive insurance programs and total risk management services relating to claim and information services to the large commercial insurance marketplace. These property and casualty products are offered through CNA s Middle Market, Small Business and Other Commercial insurance groups.

International

International provides property and casualty insurance and specialty coverages through a network of brokers, independent agencies and managing general underwriters, on a global basis through its operations in Canada, the United Kingdom (U.K.), Continental Europe and Singapore as well as through its presence at Lloyd s of London (Lloyd s). The International business is grouped into broad business units which include Energy & Marine, Property, Casualty, Specialty and Healthcare & Technology, and is managed across three underwriting platforms from Head Offices in London and Toronto.

Table of Contents

Property and Casualty Structure

CNA s Property and Casualty Operations field structure consists of 49 underwriting locations across the United States (U.S.). In addition, there are five centralized processing operations which handle policy processing, billing and collection activities and also act as call centers to optimize service. CNA s claim presence consists of six primary locations where it handles multiple claim types and key business functions. Additionally, claim maintains regional offices which are aligned with CNA s underwriting field structure. CNA also has a presence in Canada, Europe and Singapore consisting of 17 branch operations and access to business placed at Lloyd s through Hardy Syndicate 382.

Other Insurance Operations

Other Insurance Operations include CNA s long term care business that is in run-off, certain corporate expenses, including interest on CNA corporate debt, and certain property and casualty businesses in run-off, including CNA Re and asbestos and environmental pollution (A&EP).

Direct Written Premiums by Geographic Concentration

Set forth below is the distribution of CNA s direct written premiums by geographic concentration.

Year Ended December 31	**2017**	2016	2015
California	**9.7%**	9.5%	9.1%
Texas	**8.5**	8.2	8.1
New York	**7.2**	6.9	7.1
Illinois	**6.4**	7.6	7.5
Florida	**5.7**	5.8	5.7
Pennsylvania	**3.8**	3.7	3.8
New Jersey	**3.2**	3.1	3.2
Canada	**2.2**	1.9	2.2
All other states, countries or political subdivisions	**53.3**	53.3	53.3
	100.0%	100.0%	100.0%

Approximately 7.7%, 7.9% and 8.0% of CNA s direct written premiums were derived from outside of the United States for the years ended December 31, 2017, 2016 and 2015.

Other

Competition: The property and casualty insurance industry is highly competitive both as to rate and service. CNA competes with a large number of stock and mutual insurance companies and other entities for both distributors and customers. Insurers compete on the basis of factors including products, price, services, ratings and financial strength. Accordingly, CNA must continuously allocate resources to refine and improve its insurance products and services.

There are approximately 2,600 individual companies that sell property and casualty insurance in the United States. Based on 2016 statutory net written premiums, CNA is the eighth largest commercial insurer in the United States of America.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision. Regulatory oversight by applicable agencies is exercised through review of submitted filings and information, examinations (both financial and market conduct), direct inquiries and interviews. Each domestic and foreign jurisdiction has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, prescribing the form and content of statutory financial reports and regulating capital adequacy and the type, quality and amount of investments permitted. Such regulatory powers also extend to governance requirements and risk assessment practices and disclosures and premium rate regulations requiring rates not to be excessive, inadequate or unfairly discriminatory. In addition to regulation of dividends by insurance subsidiaries, intercompany transfers of assets may be subject to prior notice or approval by insurance regulators, depending on the size of such transfers and payments in relation to the financial position of the insurance subsidiaries making the transfer or payment.

Domestic insurers are also required by state insurance regulators to provide coverage to certain insureds who would not otherwise be considered eligible by the insurers. Each state dictates the types of insurance and the level of coverage that must be provided to such involuntary risks. CNA s share of these involuntary risks is mandatory and generally a function of its respective share of the voluntary market by line of insurance in each state.

Further, domestic insurance companies are subject to state guaranty fund and other insurance-related assessments. Guaranty funds are governed by state insurance guaranty associations which levy assessments to meet the funding needs of insolvent insurer estates. Other insurance-related assessments are generally levied by state agencies to fund various organizations including disaster relief funds, rating bureaus, insurance departments, and workers compensation second injury funds, or by industry organizations that assist in the statistical analysis and ratemaking process and CNA has the ability to recoup certain of these assessments from policyholders.

As CNA s insurance operations are conducted in a multitude of both domestic and foreign jurisdictions, CNA is subject to a number of regulatory agency requirements applicable to a portion, or all, of its operations. These include, but are not limited to, the State of Illinois Department of Insurance (which is CNA s global group-wide supervisor), the U.K. Prudential Regulatory Authority and Financial Conduct Authority, the Bermuda Monetary Authority and the Office of Superintendent of Financial Institutions in Canada.

Hardy, a specialized Lloyd s underwriter, is also supervised by the Council of Lloyd s, which is the franchisor for all Lloyd s operations. The Council of Lloyd s has wide discretionary powers to regulate Lloyd s underwriting, such as establishing the capital requirements for syndicate participation. In addition, the annual business plans of each syndicate are subject to the review and approval of the Lloyd s Franchise Board, which is responsible for business planning and monitoring for all syndicates.

Capital adequacy and risk management regulations, referred to as Solvency II, apply to CNA s European operations and are enacted by the European Commission, the executive body of the European Union (E.U.). Additionally, the International Association of Insurance Supervisors (IAIS) continues to consider regulatory proposals addressing group supervision, capital requirements and enterprise risk management. The U.S. Federal Reserve, the U.S. Federal Insurance Office and the National Association of Insurance Commissioners (NAIC) are working with other global regulators to define such proposals. It is not currently clear to what extent the IAIS activities will affect CNA as any final proposal would ultimately need to be legislated or regulated by each individual country or state.

However, there have been definitive developments recently with respect to prudential insurance supervision. On September 22, 2017, the U.S. Treasury Department, the U.S. Trade Representative (USTR) and the E.U. announced they had formally signed a covered agreement on Prudential Measures Regarding Insurance and Reinsurance (Covered Agreement). The Covered Agreement requires U.S. states to prospectively eliminate the requirement that domestic insurance companies must obtain collateral from reinsurance companies that are not licensed in their state (alien reinsurers) in order to obtain reserve credit under statutory accounting. In exchange, the E.U. will not impose local presence requirements on U.S. firms operating in the E.U., and effectively must defer to U.S. group capital regulation for these firms. The Treasury Department and USTR also released a U.S. policy statement clarifying their interpretation of the Covered Agreement in several key areas, including capital, group supervision and reinsurance.

Because the Covered Agreement is not self-executing, U.S. state laws will need to be revised to change reinsurance collateral requirements to conform to the Covered Agreement. Before any such revision to state laws can be advanced, the NAIC must develop a new approach for determination of the appropriate reserve credit under statutory accounting for E.U.-based alien reinsurers. In addition, the NAIC is currently developing an approach to group capital regulation as the current U.S. regulatory regime is based on legal entity regulation. Both the reinsurance collateral requirement change and adoption of group capital regulation must be affected by the states within five years from the signing of the Covered Agreement, or states risk federal preemption. CNA will monitor the modification of state laws and regulations in order to comply with the provisions of the Covered Agreement and assess its potential effects on the operations and prospects of CNA.

Although the U.S. federal government does not currently directly regulate the business of insurance, federal legislative and regulatory initiatives can affect the insurance industry. These initiatives and legislation include proposals relating to potential federal oversight of certain insurers; terrorism and natural catastrophe exposures; cybersecurity risk management; federal financial services reforms; and certain tax reforms.

The Terrorism Risk Insurance Program Reauthorization Act of 2015 provides for a federal government backstop for insured terrorism risks through 2020. The mitigating effect of such law is part of the analysis of CNA s overall risk posture for terrorism and, accordingly, its risk positioning may change if such law were modified.

CNA also continues to invest in the security network of its systems on an enterprise-wide basis, especially considering the implications of data and privacy breaches. This requires an investment of a significant amount of resources by CNA on an ongoing basis. Potential implications of possible cybersecurity legislation on such current investment, if any, are uncertain.

The foregoing laws and proposals, either separately or in the aggregate, create a regulatory and legal environment that may require changes in CNA s business plan or significant investment of resources in order to operate in an effective and compliant manner.

Additionally, various legislative and regulatory efforts to reform the tort liability system have, and will continue to, affect CNA s industry. Although there has been some tort reform with positive impact to the insurance industry, new causes of action and theories of damages continue to be proposed in court actions and by federal and state legislatures that continue to expand liability for insurers and their policyholders.

Properties: CNA s principal executive offices are based in Chicago, Illinois. CNA s subsidiaries maintain office space in various cities throughout the United States and various countries. CNA leases all of its office space.

DIAMOND OFFSHORE DRILLING, INC.

Diamond Offshore Drilling, Inc. (together with its subsidiaries, Diamond Offshore) provides contract drilling services to the energy industry around the world with a fleet of 17 offshore drilling rigs consisting of four drillships and seven ultra-deepwater, four deepwater and two mid-water semisubmersible rigs. Diamond Offshore accounted for 10.9%, 12.1% and 18.1% of our consolidated total revenue for the years ended December 31, 2017, 2016 and 2015.

A floater rig is a type of mobile offshore drilling rig that floats and does not rest on the seafloor. This asset class includes self-propelled drillships and semisubmersible rigs. Semisubmersible rigs are comprised of an upper working and living deck resting on vertical columns connected to lower hull members. Such rigs operate in a semi-submerged position, remaining afloat, off bottom, in a position in which the lower hull is approximately 55 feet to 90 feet below the water line and the upper deck protrudes well above the surface. Semisubmersibles hold position while drilling by use of a series of small propulsion units or thrusters that provide dynamic positioning (DP) to keep the rig on location, or with anchors tethered to the seabed. Although DP semisubmersibles are self-propelled, such rigs may be moved long distances with the assistance of tug boats. Non-DP, or moored, semisubmersibles require tug boats or the use of a heavy lift vessel to move between locations.

A drillship is an adaptation of a maritime vessel that is designed and constructed to carry out drilling operations by means of a substructure with a moon pool centrally located in the hull. Drillships are typically self-propelled and are positioned over a drillsite through the use of a DP system similar to those used on semisubmersible rigs.

7

Table of Contents

Diamond Offshore s fleet can be further categorized based on the nominal water depth for each class of rig as follows:

Category	Rated Water Depth (a) (in feet)			Number of Units in Fleet
Ultra-Deepwater	7,501	to	12,000	11
Deepwater	5,000	to	7,500	4
Mid-Water	400	to	4,999	2

(a) Rated water depth for semisubmersibles and drillships reflects the maximum water depth in which a floating rig has been designed to operate. However, individual rigs are capable of drilling, or have drilled, in marginally greater water depths depending on various conditions (such as salinity of the ocean, weather and sea conditions).

Fleet Enhancements and Additions: Diamond Offshore s long-term strategy is to upgrade its fleet to meet customer demand for advanced, efficient and high-tech rigs by acquiring or building new rigs when possible to do so at attractive prices. Diamond Offshore s most recent fleet enhancement cycle was completed in 2016 with the delivery of the *Ocean GreatWhite*.

Diamond Offshore continues to evaluate further rig acquisition and enhancement opportunities as they arise. However, Diamond Offshore can provide no assurance whether, or to what extent, it will continue to make rig acquisitions or enhancements to its fleet.

Pressure Control by the Hour: In 2016, Diamond Offshore entered into a ten-year collaborative arrangement with a subsidiary of GE Oil & Gas (GE) to monitor the blowout preventer equipment and proactively manage the maintenance, certification and reliability of such equipment on its rigs. In connection with the services agreement with GE, Diamond Offshore sold the equipment to a GE affiliate and leased back such equipment under four separate ten-year operating leases.

Markets: The principal markets for Diamond Offshore s contract drilling services are:

- the Gulf of Mexico, including the U.S. and Mexico;
- South America, principally offshore Brazil and Trinidad and Tobago;
- Australia and Southeast Asia, including Malaysia, Indonesia and Vietnam;
- Europe, principally offshore the U.K. and Norway;
- East and West Africa;

the Mediterranean; and

the Middle East.

Diamond Offshore actively markets its rigs worldwide.

Drilling Contracts: Diamond Offshore s contracts to provide offshore drilling services vary in their terms and provisions. Diamond Offshore typically obtains its contracts through a competitive bid process, although it is not unusual for Diamond Offshore to be awarded drilling contracts following direct negotiations. Drilling contracts generally provide for a basic dayrate regardless of whether or not drilling results in a productive well. Drilling contracts generally also provide for reductions in rates during periods when the rig is being moved or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other circumstances. Under dayrate contracts, Diamond Offshore generally pays the operating expenses of the rig, including wages and the cost of incidental supplies. Historically, dayrate contracts have accounted for the majority of Diamond Offshore s revenues. In addition, from time to time, Diamond Offshore s dayrate contracts may also provide for the ability to earn an incentive bonus from its customer based upon performance.

The duration of a dayrate drilling contract is generally tied to the time required to drill a single well or a group of wells, which Diamond Offshore refers to as a well-to-well contract, or a fixed period of time, in what Diamond Offshore refers to as a term contract. Many drilling contracts may be terminated by the customer in the event the drilling rig is destroyed or lost or if drilling operations are suspended for an extended period of time as a result of a breakdown of equipment or, in some cases, due to events beyond the control of either party to the contract. Certain of Diamond Offshore s contracts also permit the customer to terminate the contract early by giving notice; in most circumstances, this requires the payment of an early termination fee by the customer. The contract term in many instances may also be extended by the customer exercising options for the drilling of additional wells or for an additional length of time, generally at competitive market rates and mutually agreeable terms at the time of the extension. In periods of decreasing demand for offshore rigs, drilling contractors may prefer longer term contracts to preserve dayrates at existing levels and ensure utilization, while customers may prefer shorter contracts that allow them to more quickly obtain the benefit of declining dayrates. Moreover, drilling contractors may accept lower dayrates in a declining market in order to obtain longer-term contracts and add backlog.

Customers: Diamond Offshore provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. During 2017, 2016 and 2015, Diamond Offshore performed services for 14, 18 and 19 different customers. During 2017, 2016 and 2015, Anadarko accounted for 25%, 22%, and 12% of Diamond Offshore s annual total consolidated revenues and Petróleo Brasileiro S.A. accounted for 19%, 18%, and 24% of Diamond Offshore s annual total consolidated revenues. During 2017, Hess Corporation and BP each accounted for 16% of Diamond Offshore s annual consolidated revenues. During 2015, ExxonMobil accounted for 12% of Diamond Offshore s annual consolidated revenues. No other customer accounted for 10% or more of Diamond Offshore s annual total consolidated revenues during 2017, 2016 or 2015.

As of January 1, 2018, Diamond Offshore s contract backlog was $2.4 billion attributable to 13 customers. All four of its drillships are currently contracted to work in the U.S. Gulf of Mexico (GOM). As of January 1, 2018, contract backlog attributable to Diamond Offshore s expected operations in the GOM was $653 million, $554 million and $86 million for the years 2018, 2019 and 2020, all of which was attributable to two customers.

Competition: Based on industry data as of the date of this Report, there are approximately 800 mobile drilling rigs in service worldwide, including approximately 260 floater rigs. Despite consolidation in previous years, the offshore contract drilling industry remains highly competitive with numerous industry participants, none of which at the present time has a dominant market share. Some of Diamond Offshore s competitors may have greater financial or other resources than it does.

Drilling contracts are traditionally awarded on a competitive bid basis. Price is typically the primary factor in determining which qualified contractor is awarded a job. Customers may also consider rig availability and location, a drilling contractor s operational and safety performance record, and condition and suitability of equipment. Diamond Offshore believes it competes favorably with respect to these factors.

Diamond Offshore competes on a worldwide basis, but competition may vary significantly by region at any particular time. Competition for offshore rigs generally takes place on a global basis, as these rigs are highly mobile and may be moved, although at a cost that may be substantial, from one region to another. It is characteristic of the offshore drilling industry to move rigs from areas of low utilization and dayrates to areas of greater activity and relatively higher dayrates. The current oversupply of offshore drilling rigs also intensifies price competition.

Governmental Regulation: Diamond Offshore s operations are subject to numerous international, foreign, U.S., state and local laws and regulations that relate directly or indirectly to its operations, including regulations controlling the discharge of materials into the environment, requiring removal and clean-up under some circumstances, or otherwise relating to the protection of the environment, and may include laws or regulations pertaining to climate change, carbon emissions or energy use.

Operations Outside the United States: Diamond Offshore s operations outside the U.S. accounted for approximately 58%, 66% and 79% of its total consolidated revenues for the years ended December 31, 2017, 2016 and 2015.

Table of Contents

Properties: Diamond Offshore owns an office building in Houston, Texas, where its corporate headquarters are located, and offices and other facilities in New Iberia, Louisiana, Aberdeen, Scotland, Macae, Brazil and Ciudad del Carmen, Mexico. Additionally, Diamond Offshore currently leases various office, warehouse and storage facilities in Australia, Louisiana, Malaysia, Singapore and the U.K. to support its offshore drilling operations.

BOARDWALK PIPELINE PARTNERS, LP

Boardwalk Pipeline Partners, LP (together with its subsidiaries, Boardwalk Pipeline) is engaged in the business of natural gas and natural gas liquids and hydrocarbons (herein referred to together as NGLs) transportation and storage. Boardwalk Pipeline accounted for 9.6%, 10.0% and 9.3% of our consolidated total revenue for the years ended December 31, 2017, 2016 and 2015.

We own approximately 51% of Boardwalk Pipeline comprised of 125,586,133 common units and a 2% general partner interest. A wholly owned subsidiary of ours, Boardwalk Pipelines Holding Corp. (BPHC) is the general partner and also holds all of Boardwalk Pipeline s incentive distribution rights which entitle the general partner to an increasing percentage of the cash that is distributed by Boardwalk Pipeline in excess of $0.4025 per unit per quarter.

Boardwalk Pipeline owns and operates approximately 13,880 miles of interconnected natural gas pipelines directly serving customers in 13 states and indirectly serving customers throughout the northeastern and southeastern U.S. through numerous interconnections with unaffiliated pipelines. Boardwalk Pipeline also owns and operates approximately 455 miles of NGL pipelines in Louisiana and Texas. In 2017, its pipeline systems transported approximately 2.3 trillion cubic feet (Tcf) of natural gas and approximately 64.7 million barrels (MMBbls) of NGLs. Average daily throughput on Boardwalk Pipeline s natural gas pipeline systems during 2017 was approximately 6.4 billion cubic feet (Bcf). Boardwalk Pipeline s natural gas storage facilities are comprised of 14 underground storage fields located in four states with aggregate working gas capacity of approximately 205.0 Bcf and Boardwalk Pipeline s NGL storage facilities consist of nine salt dome storage caverns located in Louisiana with an aggregate storage capacity of approximately 24.5 MMBbls. Boardwalk Pipeline also owns three salt dome caverns and related brine infrastructure for use in providing brine supply services and to support the NGL storage operations.

Boardwalk Pipeline s pipeline and storage systems are described below:

The Gulf South pipeline system runs approximately 7,275 miles along the Gulf Coast in the states of Texas, Louisiana, Mississippi, Alabama and Florida. The pipeline system has a peak-day delivery capacity of 8.3 Bcf per day and average daily throughput for the year ended December 31, 2017 was 2.8 Bcf per day. Gulf South has ten natural gas storage facilities. The two natural gas storage facilities located in Louisiana and Mississippi have approximately 83.5 Bcf of working gas storage capacity and the eight salt dome natural gas storage caverns in Mississippi have approximately 46.0 Bcf of total storage capacity, of which approximately 29.6 Bcf is working gas capacity. Gulf South also owns undeveloped land which is suitable for up to five additional storage caverns.

The Texas Gas pipeline system runs approximately 5,980 miles and is located in Louisiana, East Texas, Arkansas, Mississippi, Tennessee, Kentucky, Indiana and Ohio with smaller diameter lines extending into Illinois. The pipeline system has a peak-day delivery capacity of 5.6 Bcf per day and average daily throughput for the year ended December 31, 2017 was 2.4 Bcf per day. Texas Gas owns nine natural gas storage fields with 84.3 Bcf of working gas storage capacity.

The Gulf Crossing pipeline system is located in Texas and runs approximately 375 miles into Louisiana. The pipeline system has a peak-day delivery capacity of 1.9 Bcf per day and average daily throughput for the year ended December 31, 2017 was 1.1 Bcf per day.

Boardwalk Louisiana Midstream and Boardwalk Petrochemical Pipeline (collectively Louisiana Midstream) provide transportation and storage services for natural gas, NGLs and ethylene, fractionation services for NGLs and brine supply services. These assets provide approximately 78.0 MMBbls of salt dome storage capacity, including approximately 7.6 Bcf of working natural gas storage capacity, significant brine supply infrastructure, and approximately 290 miles of pipeline assets. Louisiana Midstream owns and operates the Evangeline Pipeline (Evangeline), which is an approximately 180 mile interstate ethylene pipeline that is capable of transporting approximately 2.6 billion pounds of ethylene per year between Texas and Louisiana, where it interconnects with its ethylene distribution system. Throughput for Louisiana Midstream was 64.7 MMBbls for the year ended December 31, 2017.

Boardwalk Texas Intrastate, LLC (Texas Intrastate) provides intrastate natural gas transportation services on approximately 235 miles of pipeline located in South Texas. Texas Intrastate is situated to provide access to industrial and liquefied natural gas (LNG) export markets, proposed power plants and third-party pipelines for exports to Mexico.

Boardwalk Pipeline has been engaged in several growth projects. Several of these growth projects were placed into service in 2016, including the Ohio to Louisiana Access, the Southern Indiana Lateral and the Western Kentucky Market Lateral projects and a power plant project in South Texas. In 2017, the Northern Supply Access Project and portions of the Coastal Bend Header and Sulphur Storage and Pipeline Expansion projects were placed into service. In 2018, Boardwalk Pipeline signed a precedent agreement for a new project on its Gulf South system that will serve a proposed power plant in Texas. The project will provide approximately 0.2 Bcf/d of firm transportation service by adding compression at an existing compressor station and constructing a lateral. The cost of this project is expected to be approximately $100 million and has a proposed in-service date in 2020. This project remains subject to customary approvals. See Liquidity and Capital Resources Subsidiaries for further discussion of capital expenditures and financing.

Customers: Boardwalk Pipeline serves a broad mix of customers, including producers of natural gas, and with end-use customers, including local distribution companies, marketers, electric power generators, industrial users and interstate and intrastate pipelines who, in turn, provide transportation and storage services for end-users. These customers are located throughout the Gulf Coast, Midwest and Northeast regions of the U.S.

Competition: Boardwalk Pipeline competes with numerous other pipelines that provide transportation, storage and other services at many locations along its pipeline systems. Boardwalk Pipeline also competes with pipelines that are attached to natural gas supply sources that are closer to some of its traditional natural gas market areas. In addition, regulators continuing efforts to increase competition in the natural gas industry have increased the natural gas transportation options of Boardwalk Pipeline s traditional customers. For example, as a result of regulators policies, capacity segmentation and capacity release have created an active secondary market which increasingly competes with Boardwalk Pipeline s natural gas pipeline services. Further, natural gas competes with other forms of energy available to Boardwalk Pipeline s customers, including electricity, coal, fuel oils and alternative fuel sources.

The principal elements of competition among pipelines are availability of capacity, rates, terms of service, access to gas supplies, flexibility and reliability of service. In many cases, the elements of competition, in particular, flexibility, terms of service and reliability, are key differentiating factors between competitors. This is especially the case with capacity being sold on a longer term basis. Boardwalk Pipeline is focused on finding opportunities to enhance its competitive profile in these areas by increasing the flexibility of its pipeline systems, such as modifying them to allow for bi-directional flows, to meet the demands of customers, such as power generators and industrial users, and is continually reviewing its services and terms of service to offer customers enhanced service options.

Seasonality: Boardwalk Pipeline s revenues can be affected by weather, natural gas price levels, gas price differentials between locations on its pipeline systems (basis spreads), gas price differentials between time periods, such as winter to summer (time period price spreads) and natural gas price volatility. Weather impacts natural gas demand for heating needs and power generation, which in turn influences the short term value of transportation and storage across Boardwalk Pipeline s pipeline systems. Colder than normal winters can result in an increase in the demand for natural gas for heating needs and warmer than normal summers can impact cooling needs, both of which typically result in increased pipeline transportation revenues and throughput. While traditionally peak demand for natural gas occurs during the winter months driven by heating needs, the increased use of natural gas for cooling needs during the summer months has partially reduced the seasonality of revenues. In 2017, approximately 53% of Boardwalk Pipeline s operating revenues were recognized in the first and fourth quarters of the year.

Governmental Regulation: The Federal Energy Regulatory Commission (FERC) regulates Boardwalk Pipeline s interstate natural gas operating subsidiaries under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978 (NGPA). The FERC regulates, among other things, the rates and charges for the transportation and

11

storage of natural gas in interstate commerce and the extension, enlargement or abandonment of facilities under its jurisdiction. Where required, Boardwalk Pipeline s natural gas pipeline subsidiaries hold certificates of public convenience and necessity issued by the FERC covering certain of their facilities, activities and services. The maximum rates that may be charged by Boardwalk Pipeline s subsidiaries operating under the FERC s jurisdiction, for all aspects of the natural gas transportation services they provide, are established through the FERC s cost-of-service rate-making process. Key determinants in the FERC s cost-of-service rate-making process are the costs of providing service, the volumes of gas being transported, the rate design, the allocation of costs between services, the capital structure and the rate of return a pipeline is permitted to earn. The maximum rates that may be charged by Boardwalk Pipeline for storage services on Texas Gas, with the exception of services associated with a portion of the working gas capacity on that system, are also established through the FERC s cost-of-service rate-making process. The FERC has authorized Boardwalk Pipeline to charge market-based rates for its firm and interruptible storage services for the majority of its other natural gas storage facilities. None of Boardwalk Pipeline s FERC-regulated entities has an obligation to file a new rate case and Gulf South is prohibited from filing a rate case until May 1, 2023, subject to certain exceptions. Texas Intrastate transports natural gas in intrastate commerce under the rules and regulations established by the Texas Railroad Commission and in interstate commerce that is subject to FERC jurisdiction under Section 311 of the NGPA. The maximum rates for services are established under Section 311 of the NGPA and are generally subject to review every five years by the FERC.

Boardwalk Pipeline is also regulated by the U.S. Department of Transportation (DOT) through the Pipeline and Hazardous Material Safety Administration (PHMSA) under the Natural Gas Pipeline Safety Act of 1968, as amended (NGPSA) and the Hazardous Liquids Pipeline Safety Act of 1979, as amended (HLPSA). The NGPSA and HLPSA govern the design, installation, testing, construction, operation, replacement and management of interstate natural gas and NGL pipeline facilities. Boardwalk Pipeline has received authority from PHMSA to operate certain natural gas pipeline assets under special permits that will allow it to operate those pipeline assets at higher than normal operating pressures of up to 0.80 of the pipe s Specified Minimum Yield Strength (SMYS). Operating at higher than normal operating pressures allows these pipelines to transport all of the existing natural gas volumes Boardwalk Pipeline has contracted for with its customers. PHMSA retains discretion whether to grant or maintain authority for Boardwalk Pipeline to operate its natural gas pipeline assets at higher pressures and, in the event that PHSMA should elect not to allow Boardwalk Pipeline to operate at these higher pressures, it could affect its ability to transport all of its contracted quantities of natural gas on these pipeline assets, and Boardwalk Pipeline could incur significant additional costs to reinstate this authority or to develop alternate ways to meet its contractual obligations. PHMSA has also developed regulations that require transportation pipeline operators to implement integrity management programs to comprehensively evaluate certain high risk areas, known as high consequence areas (HCAs) along Boardwalk Pipeline s pipelines and take additional safety measures in the event of a release to protect pipeline segments located in those areas, which include highly populated areas. The NGPSA and HLPSA were amended by the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (2011 Act). The 2011 Act increased the penalties for safety violations, established additional safety requirements for newly constructed pipelines and required studies of safety issues that could result in the adoption of new regulatory requirements by PHMSA for existing pipelines. In June of 2016, the NGPSA and HLPSA were amended by the Protecting Our Infrastructure of Pipelines and Enhancing Safety Act of 2016 (2016 Act), extending PHMSA s statutory mandate through 2019 and, among other things, requiring PHMSA to complete certain of its outstanding mandates under the 2011 Act and developing new safety standards for natural gas storage facilities by June 22, 2018. The 2016 Act also empowers PHMSA to address imminent hazards by imposing emergency restrictions, prohibitions and safety measures on owners and operators of gas or hazardous liquid pipeline facilities without prior notice or an opportunity for a hearing. PHMSA issued interim final regulations in October of 2016 to implement the agency s expanded authority to address unsafe pipeline conditions or practices that pose an imminent hazard to life, property, or the environment. New laws or regulations adopted by PHMSA may impose more stringent requirements applicable to integrity management programs and other pipeline safety aspects of Boardwalk Pipeline s operations, which could cause it to incur increased capital and operating costs and operational delays.

The Surface Transportation Board (STB), has authority to regulate the rates Boardwalk Pipeline charges for service on certain of its ethylene pipelines, while the Louisiana Public Service Commission (LPSC) regulates the rates Boardwalk Pipeline charges for service on its other NGL pipelines. The STB and LPSC require that Boardwalk Pipeline s transportation rates are reasonable and that its practices cannot unreasonably discriminate among its shippers.

Table of Contents

Boardwalk Pipeline s operations are also subject to extensive federal, state, and local laws and regulations relating to protection of the environment and occupational health and safety. Such laws and regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases, discharges and emissions of various substances into the environment. Environmental regulations also require that Boardwalk Pipeline s facilities, sites and other properties be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Occupational health and safety regulations establish standards protective of workers, both generally and within the pipeline industry.

Many states where Boardwalk Pipeline operates also have, or are developing, similar environmental or occupational health and safety legal requirements governing many of the same types of activities and those requirements can be more stringent than those adopted under federal laws and regulations. Failure to comply with these federal, state and local laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of corrective or remedial obligations, the occurrence of delays in permitting or the development or expansion of projects and the issuance of orders enjoining performance of some or all of Boardwalk Pipeline s operations in the affected areas. Historically, Boardwalk Pipeline s environmental compliance costs have not had a material adverse effect on its business, but there can be no assurance that continued compliance with existing requirements will not materially affect them, or that the current regulatory standards will not become more onerous in the future, resulting in more significant costs to maintain compliance or increased exposure to significant liabilities.

Properties: Boardwalk Pipeline is headquartered in approximately 103,000 square feet of leased office space located in Houston, Texas. Boardwalk Pipeline also leases approximately 60,000 square feet of office space in Owensboro, Kentucky. Boardwalk Pipeline s operating subsidiaries own their respective pipeline systems in fee. However, substantial portions of these systems are constructed and maintained on property owned by others pursuant to rights-of-way, easements, permits, licenses or consents.

Table of Contents

LOEWS HOTELS HOLDING CORPORATION

Loews Hotels Holding Corporation (together with its subsidiaries, Loews Hotels & Co) operates a chain of 24 deluxe and luxury hotels. Thirteen of these hotels are owned by Loews Hotels & Co, eight are owned by joint ventures in which Loews Hotels & Co has equity interests and three are managed for unaffiliated owners. Loews Hotels & Co s earnings are derived from the operation of its wholly owned hotels, its share of earnings in joint venture hotels and hotel management fees earned from both joint venture and managed hotels. Loews Hotels & Co accounted for 5.0%, 5.1% and 4.5% of our consolidated total revenue for the years ended December 31, 2017, 2016 and 2015. The hotels are described below.

Name and Location	**Number of Rooms**
Owned:	
Loews Annapolis Hotel, Annapolis, Maryland	215
Loews Chicago Hotel, Chicago, Illinois	400
Loews Chicago O Hare Hotel, Chicago, Illinois	556
Loews Coronado Bay Resort, San Diego, California (a)	439
Loews Miami Beach Hotel, Miami Beach, Florida	790
Loews Minneapolis Hotel, Minneapolis, Minnesota (a)	251
Loews Philadelphia Hotel, Philadelphia, Pennsylvania	581
Loews Regency New York Hotel, New York, New York (a)	379
Loews San Francisco Hotel, San Francisco, California	155
Loews Hotel 1000, Seattle, Washington	120
Loews Vanderbilt Hotel, Nashville, Tennessee	340
Loews Ventana Canyon Resort, Tucson, Arizona	398
Loews Hotel Vogue, Montreal, Canada	142
Joint Venture:	
Hard Rock Hotel, at Universal Orlando, Orlando, Florida	650
Loews Atlanta Hotel, Atlanta, Georgia	414
Loews Boston Hotel, Boston, Massachusetts	225
Loews Hollywood Hotel, Hollywood, California	628
Loews Portofino Bay Hotel, at Universal Orlando, Orlando, Florida	750
Loews Royal Pacific Resort, at Universal Orlando, Orlando, Florida	1,000
Loews Sapphire Falls Resort, at Universal Orlando, Orlando, Florida	1,000
Universal s Cabana Bay Beach Resort, Orlando, Florida	2,200
Management Contract:	
Bisha Hotel and Residences, Toronto, Canada	96
Loews New Orleans Hotel, New Orleans, Louisiana	285
Loews Santa Monica Beach Hotel, Santa Monica, California	347

(a) Owned hotels subject to a land lease.

Competition: Competition from other hotels and lodging facilities is vigorous in all areas in which Loews Hotels & Co operates. The demand for hotel rooms is seasonal and dependent on general and local economic conditions. Loews Hotels & Co properties also compete with facilities offering similar services in locations other than those in which its hotels are located. Competition among luxury hotels is based primarily on quality of location, facilities and service. Competition among resort and commercial hotels is based on price and facilities as well as location and service. Because of the competitive nature of the industry, hotels must continually make expenditures for updating, refurnishing and repairs and maintenance in order to prevent competitive obsolescence.

Table of Contents

Recent Developments and Growth Projects:

In 2017, the sales and culmination of managing the Loews Don CeSar Hotel in St. Pete Beach, Florida and Loews Madison Hotel in Washington, D.C., properties in which Loews Hotels & Co had manager and joint venture interests, were completed;

In 2017, Universal Orlando s Cabana Bay Beach Resort completed a 400 guestroom expansion;

In 2018, Universal Orlando s Aventura Hotel, a 600 guestroom hotel, is expected to open. As with Loews Hotels & Co s other properties at Universal Orlando, Loews Hotels & Co has a manager and 50% joint venture interest in this hotel;

In 2019, Live! By Loews in Arlington, Texas, an approximately 300 guestroom hotel in which Loews Hotels & Co has a manager and joint venture interest, is expected to be completed;

In 2019 and 2020, two hotels to be named at Universal Orlando, with approximately 2,800 guestrooms, are expected to open. As with Loews Hotels & Co s other properties at Universal Orlando, Loews Hotels & Co has a manager and 50% joint venture interest in these hotels;

In 2020, Loews Kansas City Hotel in Kansas City, Missouri, an approximately 800 guestroom hotel in which Loews Hotels & Co has a manager and 91.6% equity interest, is expected to be completed; and

In 2020, Live! by Loews in St. Louis, Missouri, an approximately 216 guestroom hotel in which Loews Hotels & Co has a manager and joint venture interest, is expected to be completed.

CONSOLIDATED CONTAINER COMPANY LLC

Consolidated Container manufactures rigid plastic packaging and recycled resins to provide packaging solutions to end markets such as beverage, food and household chemicals through a network of manufacturing locations across North America. Consolidated Container develops, manufactures and markets a wide range of extrusion blow-molded and injection molded plastic containers for target markets. In addition, Consolidated Container manufactures commodity and differentiated plastic resins from recycled plastic materials for a variety of end markets. Consolidated Container accounted for 3.6% of our consolidated total revenue for the year ended December 31, 2017.

Customers: Consolidated Container sells its products to approximately 1,280 customers throughout North America. Consolidated Container s largest customers for rigid packaging include a diverse customer base of many nationally recognized branded food, beverage and consumer products companies. The recycled resins customer base is primarily domestic with customers in several end markets such as packaging, automotive, industrial and consumer goods. Dean Foods Company represented approximately 11% of net sales, since the date of acquisition, for the year ended December 31, 2017. No other customer accounted for 10% or more of Consolidated Container s net sales for the period.

Competition: Consolidated Container faces competition throughout its product lines from a number of regional and local manufacturers, including smaller firms operating in similar geographic regions and well-established businesses operating nationally. Consolidated Container believes that its long term success is largely dependent on its ability to continue to address logistically complex and technically demanding customer needs, maintain strong relationships with current customers, attract new customers, develop product innovations, provide superior service to its customers and reduce its cost structure.

Properties: Consolidated Container leases its corporate offices in Atlanta, Georgia and Omaha, Nebraska. It operates 56 manufacturing facilities located throughout the United States and one facility located in Canada, of which 52 are leased and five are owned. In addition, Consolidated Container utilizes eight warehouse facilities, of which seven are leased and one is owned.

Table of Contents

EMPLOYEE RELATIONS

Including our operating subsidiaries as described below, we employed approximately 18,100 persons at December 31, 2017. CNA employed approximately 6,300 persons. Diamond Offshore employed approximately 2,400 persons, including international crew personnel furnished through independent labor contractors. Boardwalk Pipeline employed approximately 1,260 persons, approximately 110 of whom are union members covered under collective bargaining units. Loews Hotels & Co employed approximately 5,580 persons, approximately 1,910 of whom are union members covered under collective bargaining units. Consolidated Container employed approximately 2,300 persons, approximately 300 of whom are covered under collective bargaining units. We and our subsidiaries have experienced satisfactory labor relations.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
Marc A. Alpert	Senior Vice President, General Counsel and Secretary	55	2016
David B. Edelson	Senior Vice President and Chief Financial Officer	58	2005
Richard W. Scott	Senior Vice President and Chief Investment Officer	64	2009
Kenneth I. Siegel	Senior Vice President	60	2009
Andrew H. Tisch	Office of the President, Co-Chairman of the Board and Chairman of the Executive Committee	68	1985
James S. Tisch	Office of the President, President and Chief Executive Officer	65	1981
Jonathan M. Tisch	Office of the President and Co-Chairman of the Board	64	1987

Andrew H. Tisch and James S. Tisch are brothers and are cousins of Jonathan M. Tisch. None of our other executive officers or directors is related to any other.

All of our executive officers, except for Marc A. Alpert and David B. Edelson, have served in their current roles at the Company for at least the past five years. Prior to assuming his current role at the Company in July of 2016, Mr. Alpert served as a partner and head of the Public Companies Practice Group at the law firm of Chadbourne & Parke LLP. Mr. Edelson served as our Senior Vice President prior to May of 2014, when he assumed his current role.

Officers are elected annually and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

AVAILABLE INFORMATION

Our website address is www.loews.com. We make available, free of charge, through the website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after these reports are electronically filed with or furnished to the SEC. Copies of our Code of

Business Conduct and Ethics, Corporate Governance Guidelines, Audit Committee charter, Compensation Committee charter and Nominating and Governance Committee charter have also been posted and are available on our website. Information on or accessible through our website is not incorporated by reference into this Report.

Item 1A. Risk Factors.

Our business and the businesses of our subsidiaries face many risks and uncertainties. These risks and uncertainties could lead to events or circumstances that have a material adverse effect on our business, results of operations, cash flows, financial condition or equity and/or the business, results of operations, financial condition or equity of one or more of our subsidiaries. We have described below the most significant risks facing us and our subsidiaries. There may be additional risks that we do not yet know of or that we do not currently perceive to be as significant that may also impact our business or the businesses of our subsidiaries.

You should carefully consider and evaluate all of the information included in this Report and any subsequent reports we may file with the Securities and Exchange Commission (SEC) and the information we make available to the public before investing in any securities issued by us. Our subsidiaries, CNA Financial Corporation, Diamond Offshore Drilling, Inc. and Boardwalk Pipeline Partners, LP, are public companies and file reports with the SEC. You are also cautioned to carefully review and consider the information contained in the reports filed by those subsidiaries with the SEC and the information they make available to the public before investing in any of their securities.

Risks Related to Us and Our Subsidiary, CNA Financial Corporation

If CNA determines that its recorded insurance reserves are insufficient to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, CNA may need to increase its insurance reserves which would result in a charge to CNA s earnings.

CNA maintains insurance reserves to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, including the estimated cost of the claims adjudication process, for reported and unreported claims. Insurance reserves are not an exact calculation of liability but instead are complex management estimates developed utilizing a variety of actuarial reserve estimation techniques as of a given reporting date. The reserve estimation process involves a high degree of judgment and variability and is subject to a number of factors which are highly uncertain. These variables can be affected by both changes in internal processes and external events. Key variables include claim severity, frequency of claims, mortality, morbidity, discount rates, inflation, claim handling policies and procedures, case reserving approach, underwriting and pricing policies, changes in the legal and regulatory environment and the lag time between the occurrence of an insured event and the time of its ultimate settlement. Mortality is the relative incidence of death. Morbidity is the frequency and severity of injury, illness, sickness and diseases contracted.

There is generally a higher degree of variability in estimating required reserves for long-tail coverages, such as general liability and workers compensation, as they require a relatively longer period of time for claims to be reported and settled. The impact of changes in inflation and medical costs are also more pronounced for long-tail coverages due to the longer settlement period.

CNA is also subject to the uncertain effects of emerging or potential claims and coverage issues that arise as industry practices and legal, judicial, social, economic and other environmental conditions change. These issues have had, and may continue to have, a negative effect on CNA s business by either extending coverage beyond the original underwriting intent or by increasing the number or size of claims, resulting in further increases in CNA s reserves. The effects of unforeseen emerging claim and coverage issues are extremely difficult to predict.

Emerging or potential claim and coverage issues include, but are not limited to, uncertainty in future medical costs in workers compensation. In particular, medical cost inflation could be greater than expected due to new treatments, drugs and devices; increased health care utilization; and/or the future costs of health care facilities. In addition, the relationship between workers compensation and government and private health care providers could change, potentially shifting costs to workers compensation.

In light of the many uncertainties associated with establishing the estimates and making the judgments necessary to establish reserve levels, CNA continually reviews and changes its reserve estimates in a regular and ongoing process as experience develops from the actual reporting and settlement of claims and as the legal, regulatory and economic environment evolves. If CNA s recorded reserves are insufficient for any reason, the required increase in reserves would be recorded as a charge against earnings in the period in which reserves are determined to be insufficient. These charges could be substantial.

CNA s actual experience could vary from the key assumptions used to determine active life reserves for long term care policies.

CNA s active life reserves for long term care policies are based on CNA s best estimate assumptions as of December 31, 2015 due to an unlocking at that date. Key assumptions include morbidity, persistency (the percentage of policies remaining in force), discount rate and future premium rate increases. These assumptions, which are critical bases for its reserve estimates are inherently uncertain. If actual experience varies from these assumptions or the future outlook for these assumptions changes, CNA may be required to increase its reserves. See the Long Term Care Policyholder Reserves portion of the Insurance Reserves section of MD&A in Item 7 for more information.

Estimating future experience for long term care policies is highly uncertain because the required projection period is very long and there is limited historical and industry data available to CNA, as only a small portion of the long term care policies which have been written to date are in claims paying status. Morbidity and persistency trends, inclusive of mortality, can be volatile and may be negatively affected by many factors including, but not limited to, policyholder behavior, judicial decisions regarding policy terms, socioeconomic factors, cost of care inflation, changes in health trends and advances in medical care.

A prolonged period during which interest rates remain at levels lower than those anticipated in CNA s reserving would result in shortfalls in investment income on assets supporting CNA s obligations under long term care policies, which may require changes to its reserves. This risk is more significant for CNA s long term care products because the long potential duration of the policy obligations exceeds the duration of the supporting investment assets. Further, changes to the corporate tax code may also affect the rate at which CNA discounts its reserves. In addition, CNA may not receive regulatory approval for the level of premium rate increases it requests. Any adverse deviation between the level of future premium rate increases approved and the level included in CNA s reserving assumptions may require an increase to its reserves.

If CNA s estimated reserves are insufficient for any reason, including changes in assumptions, the required increase in reserves would be recorded as a charge against earnings in the period in which reserves are determined to be insufficient. These charges could be substantial.

Catastrophe and systemic losses are unpredictable and could result in material losses.

Catastrophe losses are an inevitable part of CNA s business. Various events can cause catastrophe losses. These events can be natural or man-made, and may include hurricanes, windstorms, earthquakes, hail, severe winter weather, fires, floods, riots, strikes, civil commotion, cyber attacks, pandemics and acts of terrorism. The frequency and severity of these catastrophe events are inherently unpredictable. In addition, longer-term natural catastrophe trends may be changing and new types of catastrophe losses may be developing due to climate change, a phenomenon that has been associated with extreme weather events linked to rising temperatures, and includes effects on global weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain, hail and snow.

The extent of CNA s losses from catastrophes is a function of the total amount of its insured exposures in the affected areas, the frequency and severity of the events themselves, the level of reinsurance assumed and ceded, reinsurance reinstatement premiums and state residual market assessments, if any. It can take a long time for the ultimate cost of any catastrophe losses to CNA to be finally determined, as a multitude of factors contribute to such costs, including evaluation of general liability and pollution exposures, infrastructure disruption, business interruption and reinsurance collectibility. Reinsurance coverage for terrorism events is provided only in limited circumstances, especially in regard to unconventional terrorism acts, such as nuclear, biological, chemical or radiological attacks. As a result of the items discussed above, catastrophe losses are particularly difficult to estimate. Additionally, catastrophic events could cause CNA to exhaust its available reinsurance limits and could adversely affect the cost and availability of reinsurance.

Claim frequency and severity for some lines of business can be correlated to an external factor such as economic activity, financial market volatility, increasing health care costs or changes in the legal or regulatory environment. Claim frequency and severity can also be correlated to insureds use of common business practices, equipment, vendors or software. This can result in multiple insured losses emanating out of the same underlying cause. In these instances, CNA may be subject to increased claim frequency and severity across multiple policies or lines of business concurrently. While CNA does not define such systemic losses as catastrophes for financial reporting purposes, they are similar to catastrophes in terms of the uncertainty and potential impact on its results.

CNA has exposure related to A&EP claims, which could result in material losses.

CNA s property and casualty insurance subsidiaries have exposures related to A&EP claims. CNA s experience has been that establishing claim and claim adjustment expense reserves for casualty coverages relating to A&EP claims is subject to uncertainties that are greater than those presented by other claims. Additionally, traditional actuarial methods and techniques employed to estimate the ultimate cost of claims for more traditional property and casualty exposures are less precise in estimating claim and claim adjustment expense reserves for A&EP. As a result, estimating the ultimate cost of both reported and unreported A&EP claims is subject to a higher degree of variability.

On August 31, 2010, CNA completed a retroactive reinsurance transaction under which substantially all of its legacy A&EP liabilities were ceded to National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., subject to an aggregate limit of $4.0 billion (loss portfolio transfer or LPT). The cumulative amount ceded under the loss portfolio transfer as of December 31, 2017 is $2.9 billion. If the other parties to the loss portfolio transfer do not fully perform their obligations, net losses incurred on A&EP claims covered by the loss portfolio transfer exceed the aggregate limit of $4.0 billion or CNA determines it has exposures to A&EP claims not covered by the loss portfolio transfer, CNA may need to increase its recorded net reserves which would result in a charge against earnings. These charges could be substantial. Additionally, if the A&EP claims exceed the limit of the loss portfolio transfer, CNA will need to assess whether to purchase additional limit or to reassume claim handling responsibility for A&EP claims from an affiliate of NICO. Any additional reinsurance premium or future claim handling costs would also reduce CNA s earnings.

CNA uses analytical models to assist its decision making in key areas such as pricing, reserving and capital modeling and may be adversely affected if actual results differ materially from the model outputs and related analyses.

CNA uses various modeling techniques and data analytics (e.g., scenarios, predictive, stochastic and/or forecasting) to analyze and estimate exposures, loss trends and other risks associated with its assets and liabilities. This includes both proprietary and third party modeled outputs and related analyses to assist in decision-making related to underwriting, pricing, capital allocation, reserving, investing, reinsurance and catastrophe risk, among other things. CNA incorporates therein numerous assumptions and forecasts about the future level and variability of policyholder behavior, loss frequency and severity, interest rates, equity markets, inflation, capital requirements, and currency exchange rates, among others. The modeled outputs and related analyses from both proprietary and third parties are subject to various assumptions, uncertainties, model design errors and the inherent limitations of any statistical analysis, including those arising from the use of historical internal and industry data and assumptions.

In addition, the effectiveness of any model can be degraded by operational risks including, but not limited to, the improper use of the model, including input errors, data errors and human error. As a result, actual results may differ materially from CNA s modeled results. The profitability and financial condition of CNA substantially depends on the extent to which its actual experience is consistent with the assumptions CNA uses in its models and the ultimate model outputs. If, based upon these models or other factors, CNA misprices its products or fails to appropriately estimate the risks it is exposed to, its business, financial condition, results of operations or liquidity may be adversely affected.

CNA faces intense competition in its industry.

All aspects of the insurance industry are highly competitive and CNA must continuously allocate resources to refine and improve its insurance products and services to remain competitive. CNA competes with a large number of stock and mutual insurance companies and other entities, some of which may be larger or have greater financial or other resources than CNA does, for both distributors and customers. This includes agents and brokers who may increasingly compete with CNA to the extent that they continue to have direct access to providers of capital seeking exposure to insurance risk. Insurers compete on the basis of many factors, including products, price, services, ratings and financial strength. The competitor landscape has evolved substantially in recent years, with significant consolidation and new market entrants, resulting in increased pressures on CNA s ability to remain competitive, particularly in implementing pricing that is both attractive to CNA s customer base and risk appropriate to CNA.

The property and casualty market is cyclical and has experienced periods characterized by relatively high levels of price competition, resulting in less restrictive underwriting standards and relatively low premium rates, followed by periods of relatively lower levels of competition, more selective underwriting standards and relatively high premium rates. During periods in which price competition is high, CNA may lose business to competitors offering competitive insurance products at lower prices. As a result, CNA s premium levels and expense ratio could be materially adversely impacted.

CNA markets its insurance products worldwide primarily through independent insurance agents and insurance brokers, who also promote and distribute the products of CNA s competitors. Any change in CNA s relationships with its distribution network agents and brokers, including as a result of consolidation and their increased promotion and distribution of CNA s competitors products, could adversely affect CNA s ability to sell its products. As a result, CNA s business volume and results of operations could be materially adversely impacted.

CNA may be adversely affected by technological changes or disruptions in the insurance marketplace.

Technological changes in the way insurance transactions are completed in the marketplace, and CNA s ability to react effectively to such change, may present significant competitive risks. For example, more insurers are utilizing big data analytics to make underwriting and other decisions that impact product design and pricing. If such utilization is more effective than how CNA uses similar data and information, CNA will be at a competitive disadvantage. There can be no assurance that CNA will continue to compete effectively with its industry peers due to technological changes; accordingly this may have a material adverse effect on CNA s business and results of operations.

In addition, agents and brokers, technology companies or other third parties may create alternate distribution channels for commercial business that may adversely impact product differentiation and pricing. For example, they may create a digitally enabled distribution channel that may adversely impact CNA s competitive position. CNA s efforts or the efforts of agents and brokers with respect to new products or alternate distribution channels, as well as changes in the way agents and brokers utilize greater levels of data and technology, could adversely impact CNA s business relationships with independent agents and brokers who currently market its products, resulting in a lower volume and/or profitability of business generated from these sources.

CNA may not be able to obtain sufficient reinsurance at a cost it deems acceptable, which could result in increased exposure to risk or a decrease in CNA s underwriting commitments.

CNA purchases reinsurance to help manage its exposure to risk. Under CNA s ceded reinsurance arrangements, another insurer assumes a specified portion of CNA s exposure in exchange for a specified portion of policy premiums. Market conditions determine the availability and cost of the reinsurance protection CNA purchases, which affects the level of its business and profitability, as well as the level and types of risk CNA retains. If CNA is unable to obtain sufficient reinsurance at a cost it deems acceptable, CNA may have increased exposure to risk. Alternatively, CNA may be unwilling to bear the increased risk and would reduce the level of its underwriting commitments.

CNA may not be able to collect amounts owed to it by reinsurers, which could result in higher net incurred losses.

CNA has significant amounts recoverable from reinsurers which are reported as receivables on its balance sheets and are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefit reserves. The ceding of insurance does not, however, discharge CNA s primary liability for claims. As a result, CNA is subject to credit risk relating to its ability to recover amounts due from reinsurers. Certain of CNA s reinsurance carriers have experienced credit downgrades by rating agencies within the term of CNA s contractual relationship, which indicates an increase in the likelihood that CNA will not be able to recover amounts due. In addition, reinsurers could dispute amounts which CNA believes are due to it. If the amounts due from reinsurers that CNA is able to collect are less than the amount recorded by CNA with respect to such amounts due, its incurred losses will be higher.

CNA may not be able to collect amounts owed to it by policyholders who hold deductible policies and/or who purchase retrospectively rated policies, which could result in higher net incurred losses.

A portion of CNA s business is written under deductible policies. Under these policies, CNA is obligated to pay the related insurance claims and is reimbursed by the policyholder to the extent of the deductible, which may be significant. Moreover, certain policyholders purchase retrospectively rated workers compensation policies (i.e., policies in which premiums are adjusted after the policy period based on the actual loss experience of the policyholder during the policy period). Retrospectively rated policies expose CNA to additional credit risk to the extent that the adjusted premium is greater than the original premium, which may be significant. As a result, CNA is exposed to policyholder credit risk. If the amounts due from policyholders that CNA is able to collect are less than the amounts recorded with respect to such amounts due, CNA s net incurred losses will be higher.

CNA may incur significant realized and unrealized investment losses and volatility in net investment income arising from changes in the financial markets.

CNA s investment portfolio is exposed to various risks, such as interest rate, credit spread, issuer default, equity prices and foreign currency, which are unpredictable. Financial markets are highly sensitive to changes in economic conditions, monetary policies, tax policies, domestic and international geopolitical issues and many other factors. Changes in financial markets including fluctuations in interest rates, credit, equity prices and foreign currency prices, and many other factors beyond CNA s control can adversely affect the value of its investments, the realization of investment income and the rate at which it discounts certain liabilities.

CNA has significant holdings in fixed income investments that are sensitive to changes in interest rates. A decline in interest rates may reduce the returns earned on new fixed income investments, thereby reducing CNA s net investment income, while an increase in interest rates may reduce the value of its existing fixed income investments. The value of CNA s fixed income investments is also subject to risk that certain investments may default or become impaired due to deterioration in the financial condition of issuers of the investments CNA holds or in the underlying collateral of the security. Any such impairments which CNA deems to be other-than-temporary would result in a charge to earnings.

In addition, CNA invests a portion of its assets in limited partnerships which are subject to greater market volatility than its fixed income investments. Limited partnership investments generally provide a lower level of liquidity than fixed maturity or equity investments, which may also limit CNA s ability to withdraw assets.

Further, CNA holds a portfolio of commercial mortgage loans. CNA is subject to risk related to the recoverability of loan balances, which is influenced by declines in the estimated cash flows from underlying property leases, fair value of collateral and creditworthiness of tenants of the underlying properties, where lease payments directly service the loan. Collecting amounts from borrowers that are less than the amounts recorded would result in a charge to earnings.

As a result of these factors, CNA may not earn an adequate return on its investments, may be required to write down the value of its investments and may incur losses on the disposition of its investments.

Inability to detect and prevent significant employee or third party service provider misconduct or inadvertent errors and omissions could result in a material adverse effect on CNA s operations.

CNA may incur losses which arise from employees or third party service providers engaging in intentional misconduct, fraud, errors and omissions, failure to comply with internal guidelines, including with respect to underwriting authority, or failure to comply with regulatory requirements. CNA s controls may not be able to detect all possible circumstances of employee and third party service provider non-compliant activity and the internal structures in place to prevent this activity may not be effective in all cases. Any losses relating to such non-compliant activity could adversely affect CNA s results of operations.

Table of Contents

CNA is subject to capital adequacy requirements and, if it is unable to maintain or raise sufficient capital to meet these requirements, regulatory agencies may restrict or prohibit CNA from operating its business.

Insurance companies such as CNA are subject to capital adequacy standards set by regulators to help identify companies that merit further regulatory attention. These standards apply specified risk factors to various asset, premium and reserve components of CNA s legal entity statutory basis of accounting financial statements. Current rules, including those promulgated by insurance regulators and specialized markets such as Lloyd s, require companies to maintain statutory capital and surplus at a specified minimum level determined using the applicable jurisdiction s regulatory capital adequacy formula. If CNA does not meet these minimum requirements, CNA may be restricted or prohibited from operating its business in the applicable jurisdictions and specialized markets. If CNA is required to record a material charge against earnings in connection with a change in estimated insurance reserves, the occurrence of a catastrophic event or if it incurs significant losses related to its investment portfolio, which severely deteriorates its capital position, CNA may violate these minimum capital adequacy requirements unless it is able to raise sufficient additional capital. CNA may be limited in its ability to raise significant amounts of capital on favorable terms or at all.

Globally, insurance regulators are working cooperatively to develop a common framework for the supervision of internationally active insurance groups. Finalization and adoption of this framework could increase CNA s prescribed capital requirement, the level at which regulatory scrutiny intensifies, as well as significantly increase its cost of regulatory compliance.

CNA s insurance subsidiaries, upon whom CNA depends for dividends in order to fund its corporate obligations, are limited by insurance regulators in their ability to pay dividends.

CNA is a holding company and is dependent upon dividends, loans and other sources of cash from its subsidiaries in order to meet its obligations. Ordinary dividend payments or dividends that do not require prior approval by the insurance subsidiaries domiciliary insurance regulator are generally limited to amounts determined by formulas that vary by jurisdiction. If CNA is restricted from paying or receiving intercompany dividends, by regulatory rule or otherwise, CNA may not be able to fund its corporate obligations and debt service requirements from available cash. As a result, CNA would need to look to other sources of capital which may be more expensive or may not be available at all.

Rating agencies may downgrade their ratings of CNA and thereby adversely affect its ability to write insurance at competitive rates or at all.

Ratings are an important factor in establishing the competitive position of insurance companies. CNA s insurance company subsidiaries, as well as CNA s public debt, are rated by rating agencies, including, A.M. Best Company (A.M. Best), Moody s Investors Service, Inc. (Moody s) and S&P Global Ratings (S&P). Ratings reflect the ra agency s opinions of an insurance company s or insurance holding company s financial strength, capital adequacy, enterprise risk management practices, operating performance, strategic position and ability to meet its obligations to policyholders and debt holders.

The rating agencies may take action to lower CNA s ratings in the future as a result of any significant financial loss or possible changes in the methodology or criteria applied by the rating agencies. The severity of the impact on CNA s business is dependent on the level of downgrade and, for certain products, which rating agency takes the rating action. Among the adverse effects in the event of such downgrades would be the inability to obtain a material volume of business from certain major insurance brokers, the inability to sell a material volume of CNA s insurance products to certain markets and the required collateralization of certain future payment obligations or reserves.

In addition, it is possible that a significant lowering of our corporate debt ratings by certain of the rating agencies could result in an adverse affect on CNA s ratings, independent of any change in CNA s circumstances.

CNA is subject to extensive regulations that restrict its ability to do business and generate revenues.

The insurance industry is subject to comprehensive and detailed regulation and supervision. Most insurance regulations are designed to protect the interests of CNA s policyholders and third-party claimants rather than its investors. Each jurisdiction in which CNA does business has established supervisory agencies that regulate the manner in which CNA conducts its business. Any changes in regulation could impose significant burdens on CNA. In addition, the Lloyd s marketplace sets rules under which its members, including CNA s Hardy syndicate, operate.

These rules and regulations relate to, among other things, the standards of solvency (including risk-based capital measures), government-supported backstops for certain catastrophic events (including terrorism), investment restrictions, accounting and reporting methodology, establishment of reserves and potential assessments of funds to settle covered claims against impaired, insolvent or failed private or quasi-governmental insurers.

Regulatory powers also extend to premium rate regulations which require that rates not be excessive, inadequate or unfairly discriminatory. State jurisdictions ensure compliance with such regulations through market conduct exams, which may result in losses to the extent non-compliance is ascertained, either as a result of failure to document transactions properly or failure to comply with internal guidelines, or otherwise. CNA may also be required by the jurisdictions in which it does business to provide coverage to persons who would not otherwise be considered eligible or restrict CNA from withdrawing from unprofitable lines of business or unprofitable market areas. Each jurisdiction dictates the types of insurance and the level of coverage that must be provided to such involuntary risks. CNA s share of these involuntary risks is mandatory and generally a function of its respective share of the voluntary market by line of insurance in each jurisdiction.

The United Kingdom s expected exit from the European Union is expected to increase the complexity and cost of regulatory compliance of CNA s European business.

In 2016, the U.K. held a referendum in which voters approved an exit from the E.U., commonly referred to as Brexit. As a result of the referendum, in 2017 the British government formally commenced the process to leave the E.U. and began negotiating the terms of treaties that will govern the U.K. s future relationship with the E.U. Although the terms of any future treaties are unknown, CNA believes changes in its international operating platform will be required to allow CNA to continue to write business in the E.U. after the completion of Brexit. Therefore, CNA has begun the process of establishing a new European subsidiary in Luxembourg. As a result of these changes, the complexity and cost of regulatory compliance of CNA s European business is likely to increase.

Risks Related to Us and Our Subsidiary, Diamond Offshore Drilling, Inc.

The worldwide demand for Diamond Offshore s drilling services has historically been dependent on the price of oil and has declined significantly as a result of the decline in oil prices, and demand has continued to be depressed in 2017.

Demand for Diamond Offshore s drilling services depends in large part upon the oil and natural gas industry s offshore exploration and production activity and expenditure levels, which are directly affected by oil and gas prices and market expectations of potential changes in oil and gas prices. Commencing in the second half of 2014, oil prices declined significantly, resulting in a sharp decline in the demand for offshore drilling services, including services that Diamond Offshore provides, and adversely affecting Diamond Offshore s operations and cash flows in 2015, 2016 and 2017, compared to previous years. Any prolonged continuation of low oil prices would have a material adverse effect on many of Diamond Offshore s customers and, therefore, on demand for its services and on its business.

Oil prices have been, and are expected to continue to be, volatile and are affected by numerous factors beyond Diamond Offshore s control.

An increase in the price of oil and gas will not necessarily result in an increase in offshore drilling activity or an increase in the market demand for Diamond Offshore s rigs, although, historically, higher commodity prices have generally resulted in increases in offshore drilling projects. The timing of commitment to offshore activity in a cycle depends on project deployment times, reserve replacement needs, availability of capital and alternative options for resource development. Timing can also be affected by availability, access to, and cost of equipment to perform work.

Diamond Offshore s business depends on the level of activity in the offshore oil and gas industry, which has been cyclical and is significantly affected by many factors outside of its control.

Demand for Diamond Offshore s drilling services depends upon the level of offshore oil and gas exploration, development and production in markets worldwide, and those activities depend in large part on oil and gas prices, worldwide demand for oil and gas and a variety of political and economic factors. The level of offshore drilling activity is adversely affected when operators reduce or defer new investment in offshore projects, reduce or suspend their drilling budgets or reallocate their drilling budgets away from offshore drilling in favor of other priorities, such as shale or other land-based projects. As a result, Diamond Offshore s business and the oil and gas industry in general are subject to cyclical fluctuations.

As a result of the cyclical fluctuations in the market, there have been periods of lower demand, excess rig supply and lower dayrates, followed by periods of higher demand, shorter rig supply and higher dayrates. Diamond Offshore cannot predict the timing or duration of such fluctuations. Periods of lower demand or excess rig supply, which have occurred in the recent past and are continuing, intensify the competition in the industry and often result in periods of lower utilization and lower dayrates. During these periods, Diamond Offshore s rigs may not obtain contracts for future work and may be idle for long periods of time or may be able to obtain work only under contracts with lower dayrates or less favorable terms. Additionally, prolonged periods of low utilization and dayrates could also result in the recognition of further impairment charges on certain of Diamond Offshore s drilling rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

Diamond Offshore s industry is highly competitive, with oversupply and intense price competition.

The offshore contract drilling industry is highly competitive with numerous industry participants. Some of Diamond Offshore s competitors may be larger companies, have larger or more technologically advanced fleets and have greater financial or other resources than it does. The drilling industry has experienced consolidation in the past and may experience additional consolidation, which could create additional large competitors. Drilling contracts are traditionally awarded on a competitive bid basis. Price is typically the primary factor in determining which qualified contractor is awarded a job.

New rig construction and upgrades of existing drilling rigs, cancelation or termination of drilling contracts and established rigs coming off contract have contributed to the current oversupply of drilling rigs, intensifying price competition.

Diamond Offshore can provide no assurance that its drilling contracts will not be terminated early or that its current backlog of contract drilling revenue will be ultimately realized.

Currently, Diamond Offshore s customers may terminate their drilling contracts under certain circumstances, such as the destruction or loss of a drilling rig or if Diamond Offshore suspends drilling operations for a specified period of time as a result of a breakdown of major equipment, excessive downtime for repairs, failure to meet minimum performance criteria (including customer acceptance testing) or, in some cases, due to other events beyond the control of either party.

In addition, some of Diamond Offshore s drilling contracts permit the customer to terminate the contract after specified notice periods, often by tendering contractually specified termination amounts, which may not fully compensate Diamond Offshore for the loss of the contract. During depressed market conditions, such as those currently in effect, certain customers have utilized such contract clauses to seek to renegotiate or terminate a drilling contract or claim that Diamond Offshore has breached provisions of its drilling contracts in order to avoid their obligations to Diamond Offshore under circumstances where Diamond Offshore believes it is in compliance with the

24

contracts. Additionally, because of depressed commodity prices, restricted credit markets, economic downturns, changes in priorities or strategy or other factors beyond Diamond Offshore s control, a customer may no longer want or need a rig that is currently under contract or may be able to obtain a comparable rig at a lower dayrate. For these reasons, customers may seek to renegotiate the terms of Diamond Offshore s existing drilling contracts, terminate their contracts without justification or repudiate or otherwise fail to perform their obligations under the contracts. As a result of such contract renegotiations or terminations, Diamond Offshore s contract backlog may be adversely impacted, it might not recover any compensation (or any recovery it obtains may not fully compensate it for the loss of the contract) and it may be required to idle one or more rigs for an extended period of time.

Diamond Offshore may not be able to renew or replace expiring contracts for its rigs.

As of the date of this Report, all of Diamond Offshore s current customer contracts will expire between 2018 and 2020. Diamond Offshore s ability to renew or replace expiring contracts or obtain new contracts, and the terms of any such contracts, will depend on various factors, including market conditions and the specific needs of its customers at such times. Given the historically cyclical and highly competitive nature of the industry, Diamond Offshore may not be able to renew or replace the contracts or it may be required to renew or replace expiring contracts or obtain new contracts at dayrates that are below, and likely substantially below, existing dayrates, or that have terms that are less favorable than existing contracts. Moreover, Diamond Offshore may be unable to secure contracts for these rigs. Failure to secure contracts for a rig may result in a decision to cold stack the rig, which puts the rig at risk for impairment and may competitively disadvantage the rig as customers during the most recent market downturn have expressed a preference for ready or hot stacked rigs over cold-stacked rigs.

Diamond Offshore s contract drilling expense includes fixed costs that will not decline in proportion to decreases in rig utilization and dayrates.

Diamond Offshore s contract drilling expense includes all direct and indirect costs associated with the operation, maintenance and support of its drilling equipment, which is often not affected by changes in dayrates and utilization. During periods of reduced revenue and/or activity, certain of Diamond Offshore s fixed costs will not decline and often it may incur additional operating costs, such as fuel and catering costs, for which it is generally reimbursed by the customer when a rig is under contract. During times of reduced utilization, reductions in costs may not be immediate as Diamond Offshore may incur additional costs associated with cold stacking a rig (particularly if Diamond Offshore cold stacks a newer rig, such as a drillship or other DP semisubmersible rig, for which cold stacking costs are typically substantially higher than for an older floater rig), or it may not be able to fully reduce the cost of its support operations in a particular geographic region due to the need to support the remaining drilling rigs in that region. Accordingly, a decline in revenue due to lower dayrates and/or utilization may not be offset by a corresponding decrease in contract drilling expense.

Contracts for Diamond Offshore s drilling rigs are generally fixed dayrate contracts, and increases in Diamond Offshore s operating costs could adversely affect the profitability of those contracts.

Diamond Offshore s contracts for its drilling rigs generally provide for the payment of an agreed dayrate per rig operating day, although some contracts do provide for a limited escalation in dayrate due to increased operating costs it incurs on the project. Many of Diamond Offshore s operating costs, such as labor costs, are unpredictable and may fluctuate based on events beyond its control. In addition, equipment repair and maintenance expenses vary depending on the type of activity the rig is performing, the age and condition of the equipment and general market factors impacting relevant parts, components and services. The gross margin that Diamond Offshore realizes on these fixed dayrate contracts will fluctuate based on variations in its operating costs over the terms of the contracts. In addition, for contracts with dayrate escalation clauses, Diamond Offshore may not be able to fully recover increased or unforeseen costs from its customers.

Diamond Offshore is subject to extensive domestic and international laws and regulations that could significantly limit its business activities and revenues and increase its costs.

Certain countries are subject to restrictions, sanctions and embargoes imposed by the United States government or other governmental or international authorities. These restrictions, sanctions and embargoes may prohibit or limit Diamond Offshore from participating in certain business activities in those countries. Diamond Offshore s operations are also subject to numerous local, state and federal laws and regulations in the United States and in foreign jurisdictions concerning the containment and disposal of hazardous materials, the remediation of contaminated properties and the protection of the environment. Laws and regulations protecting the environment have become increasingly stringent, and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of that person. Failure to comply with such laws and regulations could subject Diamond Offshore to civil or criminal enforcement action, for which it may not receive contractual indemnification or have insurance coverage, and could result in the issuance of injunctions restricting some or all of Diamond Offshore s activities in the affected areas. Diamond Offshore may be required to make significant expenditures for additional capital equipment or inspections and recertifications to comply with existing or new governmental laws and regulations. It is also possible that these laws and regulations may, in the future, add significantly to Diamond Offshore s operating costs or result in a reduction in revenues associated with downtime required to install such equipment, or may otherwise significantly limit drilling activity.

In addition, Diamond Offshore s business is negatively impacted when it performs certain regulatory inspections, which Diamond Offshore refers to as a special survey, that are due every five years for most of its rigs. The inspection interval for Diamond Offshore s North Sea rigs is two and one half years. These special surveys are generally performed in a shipyard and require scheduled downtime, which can negatively impact operating revenue. Operating expenses increase as a result of these special surveys due to the cost to mobilize the rigs to a shipyard, and inspection, repair and maintenance costs. Repair and maintenance activities may result from the special survey or may have been previously planned to take place during this mandatory downtime. The number of rigs undergoing a special survey will vary from year to year, as well as from quarter to quarter. Diamond Offshore s business may also be negatively impacted by intermediate surveys, which are performed at interim periods between special surveys. Although an intermediate survey normally does not require shipyard time, the survey may require some downtime for the rig. Diamond Offshore can provide no assurance as to the exact timing and/or duration of downtime associated with regulatory inspections, planned rig mobilizations and other shipyard projects.

In addition, the offshore drilling industry is dependent on demand for services from the oil and gas exploration industry and, accordingly, can be affected by changes in tax and other laws relating to the energy business generally. Governments in some countries are increasingly active in regulating and controlling the ownership of concessions, the exploration for oil and gas and other aspects of the oil and gas industry. The modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or developmental drilling for oil and gas for economic, environmental or other reasons could limit drilling opportunities.

Diamond Offshore s business involves numerous operating hazards which could expose it to significant losses and significant damage claims. Diamond Offshore is not fully insured against all of these risks and its contractual indemnity provisions may not fully protect Diamond Offshore.

Diamond Offshore s operations are subject to the significant hazards inherent in drilling for oil and gas offshore, such as blowouts, reservoir damage, loss of production, loss of well control, unstable or faulty sea floor conditions, fires and natural disasters such as hurricanes. The occurrence of any of these types of events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury or death to rig personnel and damage to producing or potentially productive oil and gas formations, oil spillage, oil leaks, well blowouts and extensive uncontrolled fires, any of which could cause significant environmental damage. In addition, offshore drilling operations are subject to marine hazards, including capsizing, grounding, collision and loss or damage from severe weather. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of suppliers or subcontractors to perform or supply goods or services or personnel shortages. Any of the foregoing events could result in significant damage or loss to Diamond Offshore s properties and assets or the properties and assets of others, injury or death to rig personnel or others, significant loss of revenues and significant damage claims against Diamond Offshore.

Diamond Offshore s drilling contracts with its customers provide for varying levels of indemnity and allocation of liabilities between its customers and Diamond Offshore with respect to the hazards and risks inherent in, and damages or losses arising out of, its operations, and Diamond Offshore may not be fully protected. Diamond Offshore s contracts are individually negotiated, and the levels of indemnity and allocation of liabilities in them can vary from contract to contract depending on market conditions, particular customer requirements and other factors existing at the time a contract is negotiated.

Additionally, the enforceability of indemnification provisions in Diamond Offshore s contracts may be limited or prohibited by applicable law or such provisions may not be enforced by courts having jurisdiction, and Diamond Offshore could be held liable for substantial losses or damages and for fines and penalties imposed by regulatory authorities. The indemnification provisions in Diamond Offshore s contracts may be subject to differing interpretations, and the laws or courts of certain jurisdictions may enforce such provisions while other laws or courts may find them to be unenforceable. The law with respect to the enforceability of indemnities varies from jurisdiction to jurisdiction and is unsettled under certain laws that are applicable to Diamond Offshore s contracts. There can be no assurance that Diamond Offshore s contracts with its customers, suppliers and subcontractors will fully protect it against all hazards and risks inherent in its operations. There can also be no assurance that those parties with contractual obligations to indemnify Diamond Offshore will be financially able to do so or will otherwise honor their contractual obligations.

Diamond Offshore maintains liability insurance, which generally includes coverage for environmental damage; however, because of contractual provisions and policy limits, Diamond Offshore s insurance coverage may not adequately cover its losses and claim costs. In addition, certain risks and contingencies related to pollution, reservoir damage and environmental risks are generally not fully insurable. Also, Diamond Offshore does not typically purchase loss-of-hire insurance to cover lost revenues when a rig is unable to work. There can be no assurance that Diamond Offshore will continue to carry the insurance it currently maintains, that its insurance will cover all types of losses or that it will be able to maintain adequate insurance in the future at rates it considers to be reasonable or that Diamond Offshore will be able to obtain insurance against some risks.

If an accident or other event occurs that exceeds Diamond Offshore s insurance coverage limits or is not an insurable event under its insurance policies, or is not fully covered by contractual indemnity, it could result in significant loss to Diamond Offshore.

Significant portions of Diamond Offshore s operations are conducted outside the United States and involve additional risks not associated with United States domestic operations.

Diamond Offshore s operations outside the United States accounted for approximately 58%, 66% and 79% of its total consolidated revenues for 2017, 2016 and 2015 and include, or have included, operations in South America, Australia and Southeast Asia, Europe, East and West Africa, the Mediterranean and Mexico. Because Diamond Offshore operates in various regions throughout the world, it is exposed to a variety of risks inherent in international operations, including risks of war or conflicts, political and economic instability and disruption, civil disturbance, acts of piracy, terrorism or other assaults on property or personnel, corruption, possible economic and legal sanctions (such as possible restrictions against countries that the U.S. government may consider to be state sponsors of terrorism), changes in global monetary and trade policies, laws and regulations, fluctuations in currency exchange rates, restrictions on currency exchange, controls over the repatriation of income or capital and other risks. Diamond Offshore may not have insurance coverage for these risks, or it may not be able to obtain adequate insurance coverage for such events at reasonable rates. Diamond Offshore s operations may become restricted, disrupted or prohibited in any country in which any of these risks occur.

Diamond Offshore is also subject to the regulations of the U.S. Treasury Department s Office of Foreign Assets Control and other U.S. laws and regulations governing its international operations in addition to domestic and international anti-bribery laws and sanctions, trade laws and regulations, customs laws and regulations and other restrictions imposed by other governmental or international authorities. In addition, international contract drilling operations are subject to various laws and regulations in countries in which Diamond Offshore operates, including laws and regulations relating to the equipping and operation of drilling rigs, import-export quotas or other trade barriers, repatriation of foreign earnings or capital, oil and gas exploration and development, local content requirements, taxation of offshore earnings and earnings of expatriate personnel and use and compensation of local employees and suppliers by foreign contractors.

Diamond Offshore s consolidated effective income tax rate may vary substantially from one reporting period to another.

Diamond Offshore s consolidated effective income tax rate is impacted by the mix between its domestic and international pre-tax earnings or losses, as well as the mix of the international tax jurisdictions in which it operates. Diamond Offshore cannot provide any assurances as to what its consolidated effective income tax rate will be in the future due to, among other factors, uncertainty regarding the nature and extent of its business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as potential changes in U.S. and foreign tax laws, regulations or treaties or the interpretation or enforcement thereof, changes in the administrative practices and precedents of tax authorities or any reclassification or other matter (such as changes in applicable accounting rules) that increases the amounts Diamond Offshore has provided for income taxes or deferred tax assets and liabilities in its consolidated financial statements. This variability may cause its consolidated effective income tax rate to vary substantially from one reporting period to another.

Diamond Offshore may be required to accrue additional tax liability on certain of its foreign earnings.

Certain of Diamond Offshore s international rigs are owned and operated, directly or indirectly, by Diamond Foreign Asset Company (DFAC), a Cayman Islands subsidiary that it owns. It is Diamond Offshore s intention to continue to indefinitely reinvest the earnings of DFAC and its foreign subsidiaries to finance its foreign activities. Diamond Offshore does not expect to provide for U.S. taxes on any earnings generated by DFAC and its foreign subsidiaries, except to the extent that these earnings are immediately subjected to U.S. federal income tax, such as under the Tax Cut and Jobs Act of 2017 (the Tax Act). Should a future distribution be made from any unremitted earnings of this subsidiary, Diamond Offshore may be required to record additional U.S. income taxes and/or withholding taxes in certain jurisdictions; however, it is not practical to estimate this potential liability.

Diamond Offshore s debt levels may limit its liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

Diamond Offshore s business is highly capital intensive and dependent on having sufficient cash flow and/or available sources of financing in order to fund its capital expenditure requirements. As of December 31, 2017, Diamond Offshore had outstanding $2 billion of senior notes, maturing at various times from 2023 through 2043. As of February 9, 2018, Diamond Offshore had no outstanding borrowings and $1.5 billion available under its revolving credit facility to meet its short term liquidity requirements. Diamond Offshore may incur additional indebtedness in the future and borrow from time to time under its revolving credit facility to fund working capital or other needs, subject to compliance with its covenants.

Diamond Offshore s ability to meet its debt service obligations is dependent upon its future performance, which is subject to general economic conditions, industry cycles and financial, business and other factors affecting its operations, many of which are beyond its control. High levels of indebtedness could have negative consequences to Diamond Offshore, including:

- it may have difficulty satisfying its obligations with respect to its outstanding debt;

- it may have difficulty obtaining financing in the future for working capital, capital expenditures, acquisitions or other purposes;

it may need to use a substantial portion of available cash flow from operations to pay interest and principal on its debt, which would reduce the amount of money available to fund working capital requirements, capital expenditures, the payment of dividends and other general corporate or business activities;

vulnerability to the effects of general economic downturns, adverse industry conditions and adverse operating results could increase;

flexibility in planning for, or reacting to, changes in its business and in its industry in general could be limited;

- it may not have the ability to pursue business opportunities that become available;

- the amount of debt and the amount it must pay to service its debt obligations could place Diamond Offshore at a competitive disadvantage compared to its competitors that have less debt;

- customers may react adversely to its significant debt level and seek alternative service providers; and

- failure to comply with the restrictive covenants in its debt instruments that, among other things, require Diamond Offshore to maintain a specified ratio of its consolidated indebtedness to total capitalization and limit the ability of its subsidiaries to incur debt, could result in an event of default that, if not cured or waived, could have a material adverse effect on its business.

In addition, Diamond Offshore s $1.5 billion revolving credit facility matures on October 22, 2020, except for $40 million of commitments that mature on March 17, 2019 and $60 million of commitments that mature on October 22, 2019. Diamond Offshore s ability to renew or replace its revolving credit facility is dependent on numerous factors, including its financial condition and prospects at the time and the then current state of the bank and capital markets in the U.S. Diamond Offshore s liquidity may be adversely affected if it is unable to replace the revolving credit facility upon acceptable terms when it matures.

In July of 2017, Moody s downgraded Diamond Offshore s corporate credit rating to Ba3 with a negative outlook from Ba2 with a stable outlook. In October of 2017, S&P downgraded Diamond Offshore s corporate credit rating to B+ from BB- with a negative outlook. These credit ratings are below investment grade and could raise the cost of financing. As a consequence, Diamond Offshore may not be able to issue additional debt in amounts and/or with terms that it considers to be reasonable.

Diamond Offshore s revolving credit facility bears interest at variable rates, based on its corporate credit rating and market interest rates. If market interest rates increase, Diamond Offshore s cost to borrow under its revolving credit facility may also increase. Although Diamond Offshore may employ hedging strategies such that a portion of the aggregate principal amount outstanding under this credit facility would effectively carry a fixed rate of interest, any hedging arrangement put in place may not offer complete protection from this risk.

Risks Related to Us and Our Subsidiary, Boardwalk Pipeline Partners, LP

Boardwalk Pipeline may not be able to replace expiring natural gas transportation contracts at attractive rates or on a long-term basis and may not be able to sell short-term services at attractive rates or at all due to market conditions.

Each year, a portion of Boardwalk Pipeline s firm natural gas transportation contracts expire and need to be replaced or renewed. Over the past several years, as a result of current market conditions, Boardwalk Pipeline has renewed some expiring contracts at lower rates or for shorter terms than in the past. In addition to normal contract expirations, in the 2018 to 2020 timeframe, transportation agreements associated with Boardwalk Pipeline s Gulf South, Texas Gas and Gulf Crossing Pipeline expansion projects, which were placed into service in 2008 and 2009, will expire. These projects were large, new pipeline expansions that were developed to serve growing production in Texas, Oklahoma and Louisiana and anchored primarily by ten-year firm transportation agreements with producers and priced based on then current market conditions. As the terms of these remaining expansion contracts expire in 2018 through 2020, Boardwalk Pipeline will have significantly more transportation contract expirations than it has had during the past several years. If these contracts are renewed, Boardwalk Pipeline expects that the new contracts will be at lower rates and for shorter contract terms than the contracts they are replacing. If these contracts are renewed at current market rates, the revenues earned from these transportation contracts would be materially lower than they are today. For a discussion of current developments, see the Firm Transportation Agreements portion of the Results of Operations Boardwalk Pipeline section of MD&A under Item 7.

The narrowing of the price differentials between natural gas supplies and market demand for natural gas has reduced the transportation rates that Boardwalk Pipeline can charge.

The transportation rates Boardwalk Pipeline is able to charge customers are heavily influenced by market trends (both short and longer term), including the available supply, geographical location of natural gas production, the competition between producing basins, competition with other pipelines for supply and markets, the demand for gas by end-users such as power plants, petrochemical facilities and LNG export facilities and the price differentials between the gas supplies and the market demand for the gas (basis differentials). Current market conditions have resulted in a sustained narrowing of basis differentials on certain portions of Boardwalk Pipeline s pipeline system, which has reduced transportation rates that can be charged in the affected areas and adversely affected the contract terms Boardwalk Pipeline can secure from its customers for available transportation capacity and for contracts being renewed or replaced. The prevailing market conditions may also lead some of its customers to seek to renegotiate existing contracts to terms that are less attractive to Boardwalk Pipeline; for example, seeking a current price reduction in exchange for an extension of the contract term. Boardwalk Pipeline expects these market conditions to continue.

Boardwalk Pipeline s actual construction and development costs could exceed its forecasts, its anticipated cash flow from construction and development projects will not be immediate and its construction and development projects may not be completed on time or at all.

Boardwalk Pipeline is engaged in multiple significant construction projects involving its existing assets and the construction of new facilities for which it has expended or will expend significant capital. Boardwalk Pipeline expects to continue to engage in the construction of additional growth projects and modifications of its system. When Boardwalk Pipeline builds a new pipeline or expands or modifies an existing facility, the design, construction and development occurs over an extended period of time, and it will not receive any revenue or cash flow from that project until after it is placed in service. Typically, there are several years between when the project is announced and when customers begin using the new facilities. During this period, Boardwalk Pipeline spends capital and incurs costs without receiving any of the financial benefits associated with the projects. The construction of new assets involves regulatory (federal, state and local), landowner opposition, environmental, activist, legal, political, materials and labor costs, as well as operational and other risks that are difficult to predict and beyond Boardwalk Pipeline s control. Any of these projects may not be completed on time or at all due to a variety of factors, may be impacted by significant cost overruns or may be materially changed prior to completion as a result of developments or circumstances that Boardwalk Pipeline is not aware of when it commits to the project, including the inability of any shipper to provide adequate credit support or to otherwise perform their obligations under any precedent agreements. Any of these events could result in material unexpected costs or have a material adverse effect on Boardwalk Pipeline s ability to realize the anticipated benefits from its growth projects.

Boardwalk Pipeline s natural gas transportation and storage operations are subject to extensive regulation by the FERC, including rules and regulations related to the rates it can charge for its services and its ability to construct or abandon facilities. Boardwalk Pipeline may not be able to recover the full cost of operating its pipelines, including earning a reasonable return.

Boardwalk Pipeline s natural gas transportation and storage operations are subject to extensive regulation by the FERC, including the types and terms of services Boardwalk Pipeline may offer to its customers, construction of new facilities, creation, modification or abandonment of services or facilities and recordkeeping and relationships with affiliated companies. An adverse FERC action in any of these areas could affect Boardwalk Pipeline s ability to compete for business, construct new facilities, offer new services or recover the full cost of operating its pipelines. This regulatory oversight can result in longer lead times to develop and complete any future project than competitors that are not subject to the FERC s regulations. The FERC can also deny Boardwalk Pipeline the right to abandon certain facilities from service.

The FERC also regulates the rates Boardwalk Pipeline can charge for its natural gas transportation and storage operations. For cost-based services, the FERC establishes both the maximum and minimum rates Boardwalk Pipeline can charge. The basic elements that the FERC considers are the costs of providing service, the volumes of gas being transported, the rate design, the allocation of costs between services, the capital structure and the rate of return a pipeline is permitted to earn. The FERC has issued a notice of inquiry concerning the inclusion of income taxes in the rates of an interstate pipeline that operates as a master limited partnership. The ultimate outcome of this proceeding could impact the maximum rates Boardwalk Pipeline can charge on its FERC regulated pipelines. The FERC has not finalized this proceeding.

Enacted on December 22, 2017, the Tax Act changed several provisions of the federal tax code, including a reduction in the maximum corporate tax rate. Since the Tax Act was signed into law, filings have been made at the FERC requesting that the FERC require pipelines to lower their transportation rates to account for lower corporate taxes. Following the effective date of the law, the FERC orders granting certificates to construct proposed pipeline facilities have directed pipelines proposing new rates for service on those facilities to re-file such rates so that the rates reflect the reduction in the corporate tax rate, and the FERC has issued data requests in pending certificate proceedings for proposed pipeline facilities requesting pipelines to explain the impacts of the reduction in the corporate tax rate on the rate proposals in those proceedings and to provide re-calculated initial rates for service on the proposed pipeline facilities. The FERC may enact other regulations or issue further requests to pipelines regarding the impact of the corporate tax rate change on the rates. The FERC s establishment of a just and reasonable rate is based on many components, and the reduction in the corporate tax rate may only impact two such components, the allowance for income taxes and the amount for accumulated deferred income taxes. The FERC or Boardwalk Pipeline s shippers may challenge rates in the future, which could result in a new rate that may be lower than the rates Boardwalk Pipeline currently charges. The FERC or Boardwalk Pipeline s customers can challenge the existing rates on any of Boardwalk Pipeline s pipelines. Such a challenge against Boardwalk Pipeline could adversely affect its ability to charge rates that would cover future increases in its costs or even to continue to collect rates to maintain its current revenue levels that are designed to permit a reasonable opportunity to recover current costs and depreciation and earn a reasonable return.

In December of 2017, the FERC announced it will review its 1999 Policy Statement on Certification of New Interstate Natural Gas Pipeline Facilities that is used in the determination of whether to grant certificates for new pipeline projects. Boardwalk Pipeline is unable to predict what, if any, changes may be proposed that will affect its natural gas pipeline business or when such proposals, if any, might become effective. Boardwalk Pipeline does not expect that any change in this policy would affect it in a materially different manner than any other natural gas pipeline company operating in the U.S.

Legislative and regulatory initiatives relating to pipeline safety that require the use of new or more prescriptive compliance activities, substantial changes to existing integrity management programs or withdrawal of regulatory waivers could subject Boardwalk Pipeline to increased capital and operating costs and operational delays.

Boardwalk Pipeline s interstate pipelines are subject to regulation by PHMSA, which is part of DOT. PHMSA regulates the design, installation, testing, construction, operation, replacement and management of existing interstate natural gas and NGLs pipeline facilities. PHMSA regulation currently requires pipeline operators to implement integrity management programs, including frequent inspections, correction of certain identified anomalies and other measures to promote pipeline safety in HCAs, such as high population areas, areas unusually sensitive to environmental damage and commercially navigable waterways. States have jurisdiction over certain of Boardwalk Pipeline s intrastate pipelines and have adopted regulations similar to existing PHMSA regulations. State regulations may impose more stringent requirements than found under federal law that affect Boardwalk Pipeline s intrastate operations. Compliance with these rules over time generally has resulted in an overall increase in maintenance costs. The imposition of new or more stringent pipeline safety rules applicable to natural gas or NGL pipelines, or any issuance or reinterpretation of guidance from PHMSA or any state agencies with respect thereto could cause Boardwalk Pipeline to install new or modified safety controls, pursue additional capital projects or conduct maintenance programs on an accelerated basis, any or all of which tasks could result in Boardwalk Pipeline incurring increased capital and operating costs, experience operational delays, and result in potential adverse impacts to its operations or ability to reliably serve its customers. Requirements that are imposed under the 2011 Act or the more recent 2016 Act may also increase Boardwalk Pipeline s capital and operating costs or impact the operation of its pipelines.

Boardwalk Pipeline has entered into certain firm transportation contracts with shippers on certain of its expansion projects that utilize the design capacity of certain of its pipeline assets, based upon the authority Boardwalk Pipeline received from PHMSA to operate those pipelines under special permits at higher than normal operating pressures of up to 0.80 of the pipeline s SMYS. PHMSA retains discretion to withdraw or modify this authority. If PHMSA were to withdraw or materially modify such authority, it could affect Boardwalk Pipeline s ability to transport all of its contracted quantities of natural gas on these pipeline assets and it could incur significant additional costs to reinstate this authority or to develop alternate ways to meet its contractual obligations.

Boardwalk Pipeline is exposed to credit risk relating to default or bankruptcy by its customers.

Credit risk relates to the risk of loss resulting from the default by a customer of its contractual obligations or the customer filing bankruptcy. Boardwalk Pipeline has credit risk with both its existing customers and those supporting its growth projects.

Natural gas producers comprise a significant portion of Boardwalk Pipeline s revenues and support several of its growth projects, including those recently placed into service. In 2017, approximately 46% of Boardwalk Pipeline s revenues were generated from contracts with natural gas producers. For existing customers on its interstate pipelines, FERC gas tariffs limit the amount of credit support Boardwalk Pipeline can obtain. Over the past several years, the prices of oil and natural gas have been unstable. If oil and natural gas prices continue to remain unstable for a sustained period of time, Boardwalk Pipeline s producer customers will be adversely affected, which could lead some customers to default on their obligations to Boardwalk Pipeline or file for bankruptcy.

Credit risk also exists in relation to Boardwalk Pipeline s growth projects, both because foundation customers make long term firm capacity commitments to Boardwalk Pipeline for such projects and certain of those foundation customers agree to provide credit support as construction for such projects progresses. If a customer fails to post the required credit support during the growth project process, overall returns on the project may be reduced to the extent an adjustment to the scope of the project results or Boardwalk Pipeline is unable to replace the defaulting customer.

Boardwalk Pipeline s credit exposure also includes receivables for services provided, future performance under firm agreements and volumes of gas owed by customers for imbalances or gas loaned by Boardwalk Pipeline to them under certain NNS and parking and lending (PAL) services.

Boardwalk Pipeline relies on a limited number of customers for a significant portion of its revenues.

For 2017, while no customer comprised 10% or more of its operating revenues, the top ten customers comprised approximately 41% of revenues. If any of Boardwalk Pipeline s significant customers have credit or financial problems which result in bankruptcy, a delay or failure to pay for services provided by Boardwalk Pipeline to post the required credit support for construction associated with its growth projects or existing contracts or to repay the gas they owe Boardwalk Pipeline, it could have a material adverse effect on its business.

Changes in energy prices, including natural gas, oil and NGLs, impact the supply of and demand for those commodities, which impact Boardwalk Pipeline s business.

Boardwalk Pipeline s customers, especially producers, are directly impacted by changes in commodity prices. The prices of natural gas, oil and NGLs fluctuate in response to changes in supply and demand, market uncertainty and a variety of additional factors. The declines in the levels of natural gas, oil and NGLs prices experienced in recent history have adversely affected the businesses of Boardwalk Pipeline s producer customers and reduced the demand for Boardwalk Pipeline s services and could result in defaults or the non-renewal of Boardwalk Pipeline s contracted capacity when existing contracts expire. Future increases in the price of natural gas and NGLs could make alternative energy and feedstock sources more competitive and reduce demand for natural gas and NGLs. A reduced level of demand for natural gas and NGLs could reduce the utilization of capacity on Boardwalk Pipeline s systems and reduce the demand of its services.

A significant portion of Boardwalk Pipeline s debt will mature over the next five years and will need to be paid or refinanced and changes to the debt and equity markets could adversely affect its business.

A significant portion of Boardwalk Pipeline s debt is set to mature in the next five years, including its revolving credit facility. Boardwalk Pipeline may not be able to refinance its maturing debt on commercially reasonable terms,

32

or at all, depending on numerous factors, including its financial condition and prospects at the time and the then current state of the banking and capital markets in the U.S.

Limited access to the debt and equity markets could adversely affect Boardwalk Pipeline s business.

Boardwalk Pipeline s current strategy is to fund its announced growth projects through currently available financing options, including utilizing cash generated from operations, borrowings under its revolving credit facility, accessing proceeds from its subordinated loan agreement with a subsidiary of the Company and accessing the capital markets. Changes in the debt and equity markets, including market disruptions, limited liquidity, and interest rate volatility, may increase the cost of financing as well as the risks of refinancing maturing debt. Instability in the financial markets may increase Boardwalk Pipeline s cost of capital while reducing the availability of funds. This may affect its ability to raise capital and reduce the amount of cash available to fund its operations or growth projects. If the debt and equity markets were not available, it is not certain if other adequate financing options would be available to Boardwalk Pipeline on terms and conditions that it would find acceptable.

Any disruption in the capital markets could require Boardwalk Pipeline to take additional measures to conserve cash until the markets stabilize or until it can arrange alternative credit arrangements or other funding for its business needs. Such measures could include reducing or delaying business activities, reducing its operations to lower expenses and reducing other discretionary uses of cash. Boardwalk Pipeline may be unable to execute its growth strategy or take advantage of certain business opportunities.

Boardwalk Pipeline does not own all of the land on which its pipelines and facilities are located, which could result in disruptions to its operations.

Boardwalk Pipeline does not own all of the land on which its pipelines and facilities have been constructed, and Boardwalk Pipeline is subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if it does not have valid rights-of-way or if such rights-of-way lapse or terminate. Boardwalk Pipeline obtains the rights to construct and operate its pipelines on land owned by third parties and governmental agencies for a specific period of time. Boardwalk Pipeline cannot guarantee that it will always be able to renew, when necessary, existing rights-of-way or obtain new rights-of-way without experiencing significant costs. Any loss of these rights with respect to Boardwalk Pipeline s real property, through its inability to renew right-of-way contracts or otherwise, could have a material adverse effect on its business.

Boardwalk Pipeline may not be successful in executing its strategy to grow and diversify its business.

Boardwalk Pipeline relies primarily on the revenues generated from its natural gas long-haul transportation and storage services. Negative developments in these services have significantly greater impact on Boardwalk Pipeline s financial condition and results of operations than if it maintained more diverse assets. Boardwalk Pipeline is pursuing a strategy of growing and diversifying its business through acquisition and development of assets in complementary areas of the midstream energy sector, such as liquids transportation and storage assets. Boardwalk Pipeline s ability to grow, diversify and increase distributable cash flows will depend, in part, on its ability to expand its existing business lines and to close and execute on accretive acquisitions. Boardwalk Pipeline may not be successful in acquiring or developing such assets or may do so on terms that ultimately are not profitable. Any such transactions involve potential risks that may include, among other things:

- the diversion of management s and employees attention from other business concerns;

inaccurate assumptions about volume, revenues and project costs, including potential synergies;

a decrease in Boardwalk Pipeline s liquidity as a result of using available cash or borrowing capacity to finance the acquisition or project;

a significant increase in interest expense or financial leverage if it incurs additional debt to finance the acquisition or project;

inaccurate assumptions about the overall costs of equity or debt;

- an inability to hire, train or retain qualified personnel to manage and operate the acquired business and assets or the developed assets;
- unforeseen difficulties operating in new product areas or new geographic areas; and
- changes in regulatory requirements or delays of regulatory approvals.

Additionally, acquisitions also contain the following risks:

- an inability to integrate successfully the businesses Boardwalk Pipeline acquires;
- the assumption of unknown liabilities for which it is not indemnified, for which its indemnity is inadequate or for which its insurance policies may exclude from coverage;
- limitations on rights to indemnity from the seller; and
- customer or key employee losses of an acquired business.

Boardwalk Pipeline s ability to replace expiring gas storage contracts at attractive rates or on a long-term basis and to sell short-term services at attractive rates or at all are subject to market conditions.

Boardwalk Pipeline owns and operates substantial natural gas storage facilities. The market for the storage and PAL services that it offers is impacted by the factors and market conditions discussed above for Boardwalk Pipeline s transportation services, and is also impacted by natural gas price differentials between time periods, such as winter to summer (time period price spreads), and the volatility in time period price spreads. When market conditions cause a narrowing of time period price spreads and a decline in the price volatility of natural gas, these factors adversely impact the rates Boardwalk Pipeline can charge for its storage and PAL services.

Boardwalk Pipeline s operations are subject to catastrophic losses, operational hazards and unforeseen interruptions for which it may not be adequately insured.

There are a variety of operating risks inherent in transporting and storing natural gas, ethylene and NGLs, such as leaks and other forms of releases, explosions, fires, cyber-attacks and mechanical problems, some of which could have catastrophic consequences. Additionally, the nature and location of Boardwalk Pipeline s business may make it susceptible to catastrophic losses from hurricanes or other named storms, particularly with regard to its assets in the Gulf Coast region, windstorms, earthquakes, hail, and severe winter weather. Any of these or other similar occurrences could result in the disruption of Boardwalk Pipeline s operations, substantial repair costs, personal injury or loss of human life, significant damage to property, environmental pollution, impairment of its operations and substantial financial losses. The location of pipelines in HCAs, which includes populated areas, residential areas, commercial business centers and industrial sites, could significantly increase the level of damages resulting from some of these risks.

Boardwalk Pipeline currently possesses property, business interruption, cyber threat and general liability insurance, but proceeds from such insurance coverage may not be adequate for all liabilities or expenses incurred or revenues lost. Moreover, such insurance may not be available in the future at commercially reasonable costs and terms. The insurance coverage Boardwalk Pipeline does obtain may contain large deductibles or fail to cover certain events, hazards or all potential losses.

Climate change legislation and regulations restricting emissions of greenhouse gases (GHGs) could result in increased operating and capital costs and reduced demand for Boardwalk Pipeline s pipeline and storage services.

Climate change continues to attract considerable public and scientific attention. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of greenhouse gases. While no comprehensive climate change legislation has been implemented at the federal level, the Environmental Protection Agency (EPA) and states or groupings of states have pursued legal initiatives in recent years that seek to reduce GHG emissions through efforts that include consideration of cap-and-trade programs, carbon taxes and GHG reporting and tracking programs and regulations that directly limit GHG emissions from certain sources such as, for example, limitations on emissions of methane through equipment control and leak detection and repair requirements.

In particular, the EPA has adopted rules that, among other things, establish certain permit reviews for GHG emissions from certain large stationary sources, which reviews could require securing permits at covered facilities emitting GHGs and meeting defined technological standards for those GHG emissions. The EPA has also adopted rules requiring the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources in the U.S., including, among others, onshore processing, transmission, storage and distribution facilities as well as gathering, compression and boosting facilities and blowdowns of natural gas transmission pipelines.

Federal agencies also have begun directly regulating emissions of methane, a GHG, from oil and natural gas operations. The adoption and implementation of any international, federal or state legislation or regulations that require reporting of GHGs or otherwise restrict emissions of GHGs could result in increased compliance costs or additional operating restrictions.

Risks Related to Us and Our Subsidiary, Loews Hotels Holding Corporation

Loews Hotels & Co s business may be adversely affected by various operating risks common to the lodging industry, including competition, excess supply and dependence on business travel and tourism.

Loews Hotels & Co owns and operates hotels which have different economic characteristics than many other real estate assets. A typical office property, for example, has long-term leases with third-party tenants, which provide a relatively stable long-term stream of revenue. Hotels, on the other hand, generate revenue from guests that typically stay at the hotel for only a few nights, which causes the room rate and occupancy levels at each hotel to change every day, and results in earnings that can be highly volatile.

In addition, Loews Hotels & Co s properties are subject to various operating risks common to the lodging industry, many of which are beyond Loews Hotels & Co s control, including:

- changes in general economic conditions, including the severity and duration of any downturn in the U.S. or global economy and financial markets;

- war, political conditions or civil unrest, terrorist activities or threats and heightened travel security measures instituted in response to these events;

- outbreaks of pandemic or contagious diseases;

- natural or man-made disasters;

any material reduction or prolonged interruption of public utilities and services;

decreased corporate or government travel-related budgets and spending and cancellations, deferrals or renegotiations of group business due to adverse economic conditions or otherwise;

decreased need for business-related travel due to innovations in business-related technology;

competition from other hotels and alternative accommodations, such as Airbnb, in the markets in which Loews Hotels & Co operates;

requirements for periodic capital reinvestment to maintain and upgrade hotels;

Table of Contents

- increases in operating costs, including labor (including minimum wage increases), workers compensation, benefits, insurance, food, energy and unanticipated costs resulting from force majeure events, due to inflation, new or different federal, state or local governmental regulations and other factors that may not be offset by increased room rates;

- the costs and administrative burdens associated with compliance with applicable laws and regulations;

- organized labor activities, which could cause a diversion of business from hotels involved in labor negotiations and loss of business for Loews Hotels & Co s properties generally as a result of certain labor tactics;

- changes in the desirability of particular locations or travel patterns of customers, including with respect to the underlying attractions supporting Loews Hotels & Co s existing and under development immersive destination properties, such as the Universal theme park for its Orlando, Florida properties, the stadiums in Arlington, Texas and St. Louis, Missouri for its Live! By Loews hotels and the convention center for its Kansas City Hotel, geographic concentration of its operations and customers and shortages of desirable locations for development; and

- relationships with third-party property owners, developers, landlords and joint venture partners, including the risk that owners and/or partners may terminate management or joint venture agreements.

These factors, and the reputational repercussions of these factors, could adversely affect, and from time to time have adversely affected, individual hotels and hotels in particular regions.

Loews Hotels & Co is exposed to the risks resulting from significant investments in owned and leased real estate, which could increase its costs, reduce its profits, limit its ability to respond to market conditions or restrict its growth strategy.

Loews Hotels & Co s proportion of owned and leased properties, compared to the number of properties that it manages for third-party owners, is larger than that of some of its competitors. Real estate ownership and leasing is subject to risks not applicable to managed or franchised properties, including:

- real estate, insurance, zoning, tax, environmental and eminent domain laws;

- the ongoing need for owner-funded capital improvements and expenditures to maintain or upgrade properties;

- risks associated with mortgage debt, including the possibility of default, fluctuating interest rate levels and the availability of replacement financing;

risks associated with the possibility that cost increases will outpace revenue increases and that, in the event of an economic slowdown, a high proportion of fixed costs will make it difficult to reduce costs to the extent required to offset declining revenues;

risks associated with real estate leases, including the possibility of rent increases and the inability to renew or extend upon favorable terms;

fluctuations in real estate values and potential impairments in the value of Loews Hotels & Co s assets; and

the relative illiquidity of real estate compared to some other assets.

The hospitality industry is subject to seasonal and cyclical volatility.

The hospitality industry is seasonal in nature. The periods during which Loews Hotels & Co s properties experience higher revenues vary from property to property, depending principally upon location and the consumer base served. Loews Hotels & Co generally expects revenues to be lower in the first quarter of each year than in each

Table of Contents

of the three subsequent quarters. In addition, the hospitality industry is cyclical and demand generally follows the general economy on a lagged basis. The seasonality and cyclicality of its industry may contribute to fluctuation in Loews Hotels & Co s results of operations and financial condition.

Loews Hotels & Co operates in a highly competitive industry, both for customers and for acquisitions and developments of new properties.

The lodging industry is highly competitive. Loews Hotels & Co s properties compete with other hotels and alternative accommodations based on a number of factors, including room rates, quality of accommodations, service levels and amenities, location, brand affiliation, reputation and reservation systems. New hotels may be constructed and these additions to supply create new competitors, in some cases without corresponding increases in demand for hotel rooms. Some of its competitors also have greater financial and marketing resources than Loews Hotels & Co. In addition, travelers can book stays on websites that facilitate the short-term rental of homes and apartments from owners, thereby providing an alternative to hotel rooms.

Loews Hotels & Co also competes for hotel acquisitions and development projects with entities that have similar investment objectives as it does. This competition could limit the number of suitable investment opportunities. It may also increase the bargaining power of Loews Hotels & Co s counterparties, making it more difficult for Loews Hotels & Co to acquire or develop new properties on attractive terms or on the terms contemplated in its business plan.

Any deterioration in the quality or reputation of Loews Hotels & Co s brands could have an adverse effect on its reputation and business.

Loews Hotels & Co s brands and its reputation are among its most important assets. Its ability to attract and retain guests depends, in part, on the public recognition of its brands and their associated reputation. If its brands become obsolete or consumers view them as unfashionable or lacking in consistency and quality, or its brands or reputation are otherwise harmed, Loews Hotels & Co may be unable to attract guests to its properties, and may further be unable to attract or retain joint venture partners or hotel owners.

Loews Hotels & Co s efforts to develop new properties and renovate existing properties could be delayed or become more expensive.

Loews Hotels & Co from time to time renovates its properties and is currently expanding its portfolio through the ground-up construction of a number of new developments, including new properties in Orlando, Florida, Arlington, Texas, Kansas City, Missouri and St. Louis, Missouri and in the future may similarly develop additional new properties. Often these projects are undertaken with joint venture partners. These efforts are subject to a number of risks, including:

- construction delays or cost overruns (including labor and materials or unforeseeable site conditions) that may increase project costs or cause new development projects to not be completed by lender imposed required completion dates;

- obtaining zoning, occupancy and other required permits or authorizations;

- changes in economic conditions that may result in weakened or lack of demand or negative project returns;
- governmental restrictions on the size or kind of development;
- force majeure events, including earthquakes, tornados, hurricanes or floods; and
- design defects that could increase costs.

Additionally, developing new properties typically involves lengthy development periods during which significant amounts of capital must be funded before the properties begin to operate and generate revenue. If the cost of funding new development exceeds budgeted amounts, and/or the time period for development is longer than initially anticipated, Loews Hotels & Co s profits could be reduced. Further, due to the lengthy development cycle, intervening adverse economic conditions in general and as they apply to Loews Hotels & Co and its development partners may alter or impede the development plans, thereby resulting in incremental costs or potential impairment charges. In addition, using multiple sources of capital to develop new properties reduces or eliminates the ability of Loews Hotels & Co to cease commenced projects if the overall economic environment conditions change. Moreover, during the early stages of operations, charges related to interest expense and depreciation may substantially detract from, or even outweigh, the profitability of certain new property investments.

Loews Hotels & Co s properties are geographically concentrated, which exposes its business to the effects of regional events and occurrences.

Loews Hotels & Co has a concentration of hotels in Florida. Specifically, as of December 31, 2017, six hotels, representing approximately 49% of rooms in its system, were located in Florida. The concentration of hotels in one region or a limited number of markets may expose Loews Hotels & Co to risks of adverse economic and other developments that are greater than if its portfolio were more geographically diverse. These developments include regional economic downturns, a decline in the popularity of or access to area tourist attractions, such as theme parks, significant increases in the number of Loews Hotels & Co s competitors hotels in these markets and potentially higher local property, sales and income taxes in the geographic markets in which it is concentrated. In addition, Loews Hotels & Co s properties in Florida are subject to the effects of adverse acts of nature, such as hurricanes, strong winds and flooding, which have in the past caused damage to its hotels in Florida, which may in the future be intensified as a result of climate change, as well as outbreaks of pandemic or contagious diseases.

The growth and use of alternative reservation channels adversely affects Loews Hotels & Co s business.

A significant percentage of hotel rooms for guests at Loews Hotels & Co s properties is booked through internet travel and other intermediaries. In most cases, Loews Hotels & Co has agreements with such intermediaries and pays them commissions and/or fees for sales of its rooms through their systems. If such bookings increase, these intermediaries may be able to obtain higher commissions or fees, reduced room rates or other significant concessions from Loews Hotels & Co. There can be no assurance that Loews Hotels & Co will be able to negotiate such agreements in the future with terms as favorable as those that exist today. Moreover, these intermediaries generally employ aggressive marketing strategies, including expending significant resources for online and television advertising campaigns to drive consumers to their websites and other outlets. As a result, consumers may develop brand loyalties to the intermediaries offered brands, websites and reservations systems rather than to Loews Hotels & Co s brands.

Under certain circumstances, Loews Hotels & Co s insurance coverage may not cover all possible losses, and it may not be able to renew its insurance policies on favorable terms, or at all.

Although Loews Hotels & Co maintains various property, casualty and other insurance policies, proceeds from such insurance coverage may not be adequate for all liabilities or expenses incurred or revenues lost. Moreover, such insurance may not be available in the future at commercially reasonable costs and terms. The insurance coverage Loews Hotels & Co does obtain may contain large deductibles or fail to cover certain events, hazards or all potential losses.

Labor shortages could restrict Loews Hotels & Co s ability to operate its properties or grow its business or result in increased labor costs that could reduce its profits.

Loews Hotels & Co s properties are staffed 24 hours a day, seven days a week by thousands of employees. If it is unable to attract, retain, train and engage skilled employees, its ability to manage and staff its properties adequately could be impaired, which could reduce customer satisfaction. Staffing shortages could also hinder its ability to grow and expand its business. Because payroll costs are a major component of the operating expenses at its properties, a shortage of skilled labor could also require higher wages that would increase its labor costs.

Table of Contents

Risks Related to Us and Our Subsidiary, Consolidated Container Company LLC

Consolidated Container s substantial indebtedness could affect its ability to meet its obligations and may otherwise restrict its activities.

Consolidated Container has a significant amount of indebtedness, which requires significant interest payments. Its inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have a material adverse effect on its business. Consolidated Container s substantial indebtedness could have important consequences. For example, it could:

- limit its ability to borrow money for its working capital, capital expenditures, debt service requirements or other corporate purposes;
- increase its vulnerability to general adverse economic and industry conditions; and
- limit its ability to respond to business opportunities, including growing its business through acquisitions.

In addition, the credit agreements governing its current indebtedness contain, and any future debt instruments would likely contain, financial and other restrictive covenants, which impose significant operating and financial restrictions on it. As a result of these covenants, Consolidated Container could be limited in the manner in which it conducts its business and may be unable to engage in favorable business activities or finance future operations or capital needs. Furthermore, a failure to comply with these covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on Consolidated Container.

Fluctuations in raw material prices and raw material availability may affect Consolidated Container s results.

To produce its products, Consolidated Container uses large quantities of plastic resins and recycled plastic materials. It faces the risk that its access to these raw materials may be interrupted or that it may not be able to purchase these raw materials at prices that are acceptable to it. In general, Consolidated Container does not have long-term supply contracts with its suppliers, and its purchases of raw materials are subject to market price volatility. Although Consolidated Container generally is able to pass changes in the prices of raw materials through to its customers over a period of time, it may not always be able to do so or there may be a lag between when its costs increase and when it passes those costs through to its customers. It may not be able to pass through all future raw material price increases in a timely manner or at all due to competitive pressures. In addition, a sustained increase in resin and recycled plastic prices, relative to alternative packaging materials, would make plastic containers less economical for its customers and could result in a slower pace of conversions to, or reductions in the use of, plastic containers. Any limitation on its ability to procure its primary raw materials or to pass through price increases in such materials on a timely basis could negatively affect Consolidated Container.

Consolidated Container s customers may increase their self-manufacturing.

Increased self-manufacturing by Consolidated Container s customers may have a material adverse impact on its sales volume and financial results. Consolidated Container believes that its customers may engage in self-manufacturing over time at locations where transportation costs are high, and where low complexity and available space to install blow molding equipment exists.

Risks Related to Us and Our Subsidiaries Generally

In addition to the specific risks and uncertainties faced by our subsidiaries, as discussed above, we and all of our subsidiaries face additional risks and uncertainties described below.

Table of Contents

Acts of terrorism could harm us and our subsidiaries.

Terrorist attacks and the continued threat of terrorism in the United States or abroad, the continuation or escalation of existing armed hostilities or the outbreak of additional hostilities, including military and other action by the United States and its allies, could have a significant impact on us and the assets and businesses of our subsidiaries. CNA issues coverages that are exposed to risk of loss from an act of terrorism. Terrorist acts or the threat of terrorism could also result in increased political, economic and financial market instability, a decline in energy consumption and volatility in the price of oil and gas, which could affect the market for Diamond Offshore s drilling services and Boardwalk Pipeline s transportation and storage services. In addition, future terrorist attacks could lead to reductions in business travel and tourism which could harm Loews Hotels. While our subsidiaries take steps that they believe are appropriate to secure their assets, there is no assurance that they can completely secure them against a terrorist attack or obtain adequate insurance coverage for terrorist acts at reasonable rates.

Changes in tax laws, regulations or treaties, or the interpretation or enforcement thereof in jurisdictions in which we or our subsidiaries operate could adversely impact us.

Changes in federal, state or foreign tax laws, regulations or treaties applicable to us or our subsidiaries or changes in the interpretation or enforcement thereof could materially and adversely impact our and our subsidiaries tax liability, financial condition, results of operations and cash flows, including the amount of cash our subsidiaries have available to distribute to their shareholders, including us. In particular, potential changes to tax laws relating to tax credits, the corporate tax rate or the taxation of interest from municipal bonds (and thus the rate at which CNA discounts its long term care reserves), foreign earnings and publicly traded partnerships could have such material adverse effects.

Our subsidiaries face significant risks related to compliance with environmental laws.

Our subsidiaries have extensive obligations and financial exposure related to compliance with federal, state, local, foreign and international environmental laws, including those relating to the discharge of substances into the environment, the disposal, removal or clean up of hazardous wastes and other activities relating to the protection of the environment. Many of such laws have become increasingly stringent in recent years and may in some cases impose strict liability, which could be substantial, rendering a person liable for environmental damage without regard to negligence or fault on the part of that person. For example, Diamond Offshore could be liable for damages and costs incurred in connection with oil spills related to its operations, including for conduct of or conditions caused by others. Boardwalk Pipeline is also subject to environmental laws and regulations, including requiring the acquisition of permits or other approvals to conduct regulated activities, restricting the manner in which it disposes of waste, requiring remedial action to remove or mitigate contamination resulting from a spill or other release and requiring capital expenditures to comply with pollution control requirements. Further, existing environmental laws or the interpretation or enforcement thereof may be amended and new laws may be adopted in the future.

Failures or interruptions in or breaches to our or our subsidiaries computer systems could materially and adversely affect our or our subsidiaries operations.

We and our subsidiaries are dependent upon information technologies, computer systems and networks, including those maintained by us and our subsidiaries and those maintained and provided to us and our subsidiaries by third parties (for example, software-as-a-service and cloud solutions), to conduct operations and are reliant on technology to help increase efficiency in our and their businesses. We and our subsidiaries are dependent upon operational and financial computer systems to process the data necessary to conduct almost all aspects of our and their businesses. Any failure of our or our subsidiaries computer systems, or those of our or their customers, vendors or others with whom we and they do business, could materially disrupt business operations. Computer, telecommunications and other business facilities and systems could become unavailable or impaired from a variety of causes, including storms and other natural disasters, terrorist attacks, fires, utility outages, theft, design defects, human error or complications encountered as existing systems are replaced or upgraded. In addition, it has been reported that unknown entities or groups have mounted so-called cyber attacks on businesses and other organizations solely to disable or disrupt computer systems, disrupt operations and, in some cases, steal data. In particular, the U.S. government has issued public warnings that indicate energy assets may be specific targets of cyber attacks, which can have catastrophic consequences and there have also been reports that hotel chains, among other consumer-facing businesses, have been subject to various cyber attacks targeting payment card and other sensitive consumer information. Breaches of our and our subsidiaries computer security infrastructure can result from actions by our employees, vendors, third party administrators or by unknown third parties, and may disrupt our or their operations, cause damage to our or their assets and surrounding areas and impact our or their data framework or cause a failure to protect personal information of customers or employees.

The foregoing risks relating to disruption of service, interruption of operations and data loss could impact our and our subsidiaries ability to timely perform critical business functions, resulting in disruption or deterioration in our and our subsidiaries operations and business and expose us and our subsidiaries to monetary and reputational damages. In addition, potential exposures include substantially increased compliance costs and required computer system upgrades and security related investments. The breach of confidential information also could give rise to legal liability and regulatory action under data protection and privacy laws and regulations, both in the U.S. and foreign jurisdictions.

Some of our subsidiaries customer bases are concentrated.

Some of our subsidiaries customer bases are concentrated. For instance, during 2017, two of Diamond Offshore s customers in the Gulf of Mexico and Diamond Offshore s three largest customers accounted for 41% and an aggregate of 60% of its annual total consolidated revenues. In addition, the number of customers that it has performed services for declined from 35 in 2014 to 14 in 2017. For Boardwalk Pipeline, while no customer comprised more than 10% or more of its operating revenues, its top ten customers comprised approximately 41% of its revenues during 2017. Consolidated Container also depends on several large customers. The loss of or other problem with a significant customer could have a material adverse impact on these subsidiaries and our financial results.

Loss of key vendor relationships or issues relating to the transitioning of vendor relationships could result in a materially adverse effect on our and our subsidiaries operations.

We and our subsidiaries rely on products, equipment and services provided by many third party suppliers, manufacturers and service providers in the United States and abroad, which exposes us and them to volatility in the quality, price and availability of such items. These include, for example, vendors of computer hardware, software and services, as well as other critical materials and services (including, in the case of CNA, claims administrators performing significant claims administration and adjudication functions). Certain products, equipment and services may be available from a limited number of sources. If one or more key vendors becomes unable to continue to provide products, equipment or services at the requisite level for any reason, or fails to protect our proprietary information, including in some cases personal information of employees, customers or hotel guests, we and our subsidiaries may experience a material adverse effect on our or their business, operations and reputation.

We could incur impairment charges related to the carrying value of the long-lived assets and goodwill of our subsidiaries.

Our subsidiaries regularly evaluate their long-lived assets and goodwill for impairment whenever events or changes in circumstances indicate the carrying value of these assets may not be recoverable. Most notably, we could incur impairment charges related to the carrying value of offshore drilling equipment at Diamond Offshore, pipeline and storage assets at Boardwalk Pipeline and hotel properties owned by Loews Hotels.

In particular, Diamond Offshore is currently experiencing declining demand for certain offshore drilling rigs as a result of excess rig supply in the industry and depressed market conditions. As a result, Diamond Offshore may incur additional asset impairments, rig retirements and/or rigs being scrapped.

We also test goodwill for impairment on an annual basis or when events or changes in circumstances indicate that a potential impairment exists. Asset impairment evaluations by us and our subsidiaries with respect to both long-lived assets and goodwill are, by nature, highly subjective. The use of different estimates and assumptions could result in materially different carrying values of our assets which could impact the need to record an impairment charge and the amount of any charge taken.

Table of Contents

We are a holding company and derive substantially all of our income and 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 holders of our common stock. Our subsidiaries are separate and independent legal entities and have no obligation, contingent or otherwise, to make funds available to us, whether in the form of loans, dividends or otherwise. 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 their 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.

We and our subsidiaries face competition for senior executives and qualified specialized talent.

We and our subsidiaries depend on the services of our key personnel, who possess skills critical to the operation of our and their businesses. Our and our subsidiaries executive management teams are highly experienced and possess extensive skills in their relevant industries. The ability to retain senior executives and to attract and retain highly skilled professionals and personnel with specialized industry and technical experience is important to our and our subsidiaries success and future growth. Competition for this talent can be intense, and we and our subsidiaries may not be successful in our efforts. The unexpected loss of the services of these individuals could have a detrimental effect on us and our subsidiaries and could hinder our and their ability to effectively compete in the various industries in which we and they operate.

From time to time we and our subsidiaries are subject to litigation, for which we and they may be unable to accurately assess the level of exposure and which if adversely determined, may have a significant adverse effect on our or their consolidated financial condition or results of operations.

We and our subsidiaries are or may become parties to legal proceedings and disputes. These matters may include, among others, contract disputes, claims disputes, reinsurance disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, intellectual property disputes, disputes related to employment and tax matters and other litigation incidental to our or their businesses. Although our current assessment is that, other than as disclosed in this Report, there is no pending litigation that could have a significant adverse impact, it is difficult to predict the outcome or effect of any litigation matters and if our assessment proves to be in error, then the outcome of litigation could have a significant impact on our financial statements.

We could have liability in the future for tobacco-related lawsuits.

As a result of our ownership of Lorillard, Inc. (Lorillard) prior to the separation of Lorillard from us in 2008 (the Separation), from time to time we have been named as a defendant in tobacco-related lawsuits and could be named as a defendant in additional tobacco-related suits, notwithstanding the completion of the Separation. In the Separation Agreement entered into between us and Lorillard and its subsidiaries in connection with the Separation, Lorillard and each of its subsidiaries has agreed to indemnify us for liabilities related to Lorillard s tobacco business, including liabilities that we may incur for current and future tobacco-related litigation against us. While we do not believe that we have any liability for tobacco-related claims, and we have never been held liable for any such claims, an adverse decision in a tobacco-related lawsuit against us could, if the indemnification is deemed for any reason to be unenforceable or any amounts owed to us thereunder are not collectible, in whole or in part, have a material adverse effect on us.

Table of Contents

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters is located in approximately 136,000 square feet of leased office space in two buildings in New York City. We also lease approximately 21,000 square feet of office space in one building in White Plains, New York. Information relating to our subsidiaries properties is contained under Item 1.

Item 3. Legal Proceedings.

Information on our legal proceedings is included in Notes 17 and 18 of the Notes to Consolidated Financial Statements, included under Item 8.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol L. The following table sets forth the reported high and low sales prices in each calendar quarter:

	2017		2016	
	High	**Low**	High	Low
First Quarter	**$ 47.88**	**$ 45.25**	$ 39.62	$ 33.84
Second Quarter	**48.39**	**45.62**	41.09	37.25
Third Quarter	**49.58**	**45.01**	42.07	39.67
Fourth Quarter	**51.02**	**47.64**	48.05	40.61

43

Table of Contents

The following graph compares annual total return of our Common Stock, the Standard & Poor s 500 Composite Stock Index (S&P 500 Index) and our peer group set forth below (Loews Peer Group) for the five years ended December 31, 2017. The graph assumes that the value of the investment in our Common Stock, the S&P 500 Index and the Loews Peer Group was $100 on December 31, 2012 and that all dividends were reinvested.

	2012	2013	2014	2015	2016	**2017**
Loews Common Stock	100.0	119.03	104.29	95.92	117.70	**126.40**
S&P 500 Index	100.0	132.39	150.51	152.59	170.84	**208.14**
Loews Peer Group (a)	100.0	125.98	132.68	125.62	145.82	**150.20**

(a) The Loews Peer Group consists of the following companies that are industry competitors of our principal operating subsidiaries: Chubb Limited (name change from ACE Limited after it acquired The Chubb Corporation on January 15, 2016), W.R. Berkley Corporation, The Chubb Corporation (included through January 15, 2016 when it was acquired by ACE Limited), Energy Transfer Partners L.P., Ensco plc, The Hartford Financial Services Group, Inc., Kinder Morgan Energy Partners, L.P. (included through November 26, 2014 when it was acquired by Kinder Morgan Inc.), Noble Corporation plc, Spectra Energy Corp (included through February 24, 2017 when it was acquired by Enbridge Inc.), Transocean Ltd. and The Travelers Companies, Inc.

Dividend Information

We have paid quarterly cash dividends in each year since 1967. Regular dividends of $0.0625 per share of Loews common stock were paid in each calendar quarter of 2017 and 2016.

Table of Contents

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides certain information as of December 31, 2017 with respect to our equity compensation plans under which our equity securities are authorized for issuance.

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)**
Equity compensation plans approved by security holders (a)	4,852,639	$ 40.05	5,825,173
Equity compensation plans not approved by security holders (b)	N/A	N/A	N/A

(a) Reflects 4,266,050 outstanding stock appreciation rights awarded under the Loews Corporation 2000 Stock Option Plan, 571,323 outstanding unvested time-based and performance-based restricted stock units (RSUs) and 15,266 deferred vested time-based RSUs awarded under the Loews Corporation 2016 Incentive Compensation Plan. The weighted average exercise price does not take into account RSUs as they do not have an exercise price.

(b) We do not have equity compensation plans that have not been approved by our shareholders.

Approximate Number of Equity Security Holders

As of February 2, 2018, we had approximately 800 holders of record of our common stock.

Common Stock Repurchases

During the fourth quarter of 2017, we purchased shares of our common stock as follows:

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)
October 1, 2017 - October 31, 2017	N/A	N/A	N/A	N/A
November 1, 2017 - November 30, 2017	1,401,545	$49.60	N/A	N/A
December 1, 2017 - December 31, 2017	3,228,573	49.97	N/A	N/A

Table of Contents

Item 6. Selected Financial Data.

The following table presents selected financial data. The table should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data of this Form 10-K.

Year Ended December 31	**2017**	2016	2015	2014	2013
(In millions, except per share data)					
Results of Operations:					
Revenues	**$ 13,735**	$ 13,105	$ 13,415	$ 14,325	$ 14,613
Income before income tax	**$ 1,582**	$ 936	$ 244	$ 1,810	$ 2,277
Income from continuing operations	**$ 1,412**	$ 716	$ 287	$ 1,353	$ 1,621
Discontinued operations, net				(391)	(552)
Net income	**1,412**	716	287	962	1,069
Amounts attributable to noncontrolling interests	**(248)**	(62)	(27)	(371)	(474)
Net income attributable to Loews Corporation	**$ 1,164**	$ 654	$ 260	$ 591	$ 595
Net income attributable to Loews Corporation:					
Income from continuing operations	**$ 1,164**	$ 654	$ 260	$ 962	$ 1,149
Discontinued operations, net				(371)	(554)
Net income	**$ 1,164**	$ 654	$ 260	$ 591	$ 595
Diluted Net Income Per Share:					
Income from continuing operations	**$ 3.45**	$ 1.93	$ 0.72	$ 2.52	$ 2.95
Discontinued operations, net				(0.97)	(1.42)
Net income	**$ 3.45**	$ 1.93	$ 0.72	$ 1.55	$ 1.53
Financial Position:					
Investments	**$ 52,226**	$ 50,711	$ 49,400	$ 52,032	$ 52,945
Total assets	**79,586**	76,594	76,006	78,342	79,913
Debt	**11,533**	10,778	10,560	10,643	10,318

Shareholders equity	**19,204**	18,163	17,561	19,280	19,458
Cash dividends per share	**0.25**	0.25	0.25	0.25	0.25
Book value per share	**57.83**	53.96	51.67	51.70	50.25
Shares outstanding	**332.09**	336.62	339.90	372.93	387.21

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s discussion and analysis of financial condition and results of operations is comprised of the following sections:

Table of Contents

OVERVIEW

We are a holding company and have five reportable segments comprised of four individual operating subsidiaries, CNA Financial Corporation (CNA), Diamond Offshore Drilling, Inc. (Diamond Offshore), Boardwalk Pipeline Partners, LP (Boardwalk Pipeline) and Loews Hotels Holding Corporation (Loews Hotels & Co); and the Corporate segment. The operations of Consolidated Container Company LLC (Consolidated Container) since the acquisition date are included in the Corporate segment. Each of our operating subsidiaries is 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.

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 (see Note 13 of the Notes to Consolidated Financial Statements included under Item 8) 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.

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

The following discussion should be read in conjunction with Item 1A, Risk Factors, and Item 8, Financial Statements and Supplementary Data of this Form 10-K.

RESULTS OF OPERATIONS

Consolidated Financial Results

The following table summarizes net income attributable to Loews Corporation by segment and net income per share attributable to Loews Corporation for the years ended December 31, 2017, 2016 and 2015:

Year Ended December 31		**2017**		2016		2015
(In millions)						
CNA Financial	**$**	**801**	$	774	$	433
Diamond Offshore		**(27)**		(186)		(156)
Boardwalk Pipeline		**380**		89		74
Loews Hotels & Co		**64**		12		12
Corporate		**(54)**		(35)		(103)
Net income attributable to Loews Corporation	**$**	**1,164**	$	654	$	260
Basic net income per common share	**$**	**3.46**	$	1.93	$	0.72

Diluted net income per common share	**$ 3.45**	$ 1.93	$ 0.72

2017 Compared with 2016

Consolidated net income attributable to Loews Corporation for 2017 was $1.16 billion, or $3.45 per share, compared to $654 million, or $1.93 per share, in 2016.

Net income for 2017 includes a significant net benefit of $200 million, or $0.59 per share, resulting from the enactment on December 22, 2017 of the Tax Cut and Jobs Act of 2017, (the Tax Act). The net benefit primarily relates to the remeasurement of Loews s net deferred tax liability precipitated by the lowering of the U.S. federal corporate tax rate from 35% to 21%. Excluding the impact of the Tax Act, net income for 2017 would have been $964 million. For additional details on the Tax Act, see the subsidiary discussions below.

Table of Contents

Net income attributable to Loews in 2017 increased as compared to the prior year partially due to the net benefit from the Tax Act discussed above. Absent this benefit, net income increased $310 million primarily from higher earnings at CNA, Loews Hotels & Co and Diamond Offshore. Net income for 2017 and 2016 included asset impairment charges at Diamond Offshore of $32 million and $267 million (both after tax and noncontrolling interests).

2016 Compared with 2015

Consolidated net income attributable to Loews Corporation for 2016 was $654 million, or $1.93 per share, compared to $260 million, or $0.72 per share, in 2015.

Net income for 2016 included asset impairment charges of $267 million (after tax and noncontrolling interests) at Diamond Offshore. In 2015, net income included asset impairment charges at Diamond Offshore of $341 million (after tax and noncontrolling interests) and a reserve charge of $177 million (after tax and noncontrolling interests) related to the long term care business at CNA.

Net income attributable to Loews Corporation in 2016 increased compared to the prior year primarily due to the impact of the reserve charge at CNA in 2015 and the asset impairment charges at Diamond Offshore which were lower in 2016 compared to 2015. Absent these charges, net income increased $143 million due to higher earnings at CNA and Boardwalk Pipeline and improved results from the Parent Company investment portfolio. These increases were partially offset by lower earnings at Diamond Offshore.

CNA Financial

The following table summarizes the results of operations for CNA for the years ended December 31, 2017, 2016 and 2015 as presented in Note 19 of the Notes to Consolidated Financial Statements included under Item 8. For further discussion of Net investment income and Net realized investment results, see the Investments section of this MD&A.

Year Ended December 31	**2017**	2016	2015
(In millions)			
Revenues:			
Insurance premiums	**$ 6,988**	$ 6,924	$ 6,921
Net investment income	**2,034**	1,988	1,840
Investment gains (losses)	**122**	62	(71)
Other revenues	**439**	410	411
Total	**9,583**	9,384	9,101
Expenses:			
Insurance claims and policyholders benefits	**5,310**	5,283	5,384
Amortization of deferred acquisition costs	**1,233**	1,235	1,540
Other operating expenses	**1,523**	1,558	1,469
Interest	**203**	167	155
Total	**8,269**	8,243	8,548

Income before income tax		**1,314**		1,141		553
Income tax expense		**(419)**		(279)		(71)
Net income		**895**		862		482
Amounts attributable to noncontrolling interests		**(94)**		(88)		(49)
Net income attributable to Loews Corporation	**$**	**801**	$	774	$	433

49

Table of Contents

2017 Compared with 2016

Net income increased $27 million in 2017 as compared with 2016 primarily due to improved non-catastrophe current accident year underwriting results, lower adverse prior year reserve development recorded under the 2010 asbestos and environmental pollution (A&EP) loss portfolio transfer, higher net investment income and higher net realized investment results. These increases were partially offset by higher net catastrophe losses in 2017, and a loss of $24 million (after tax and noncontrolling interests) on the early redemption of debt in 2017. As a result of the Tax Act, CNA s net deferred tax assets were remeasured as of the date of enactment, resulting in a one-time decrease to net income of $87 million ($78 million after noncontrolling interests).

2016 Compared with 2015

Net income increased $380 million in 2016 as compared with 2015, primarily as a result of a $305 million ($177 million after tax and noncontrolling interests) charge in 2015 related to increasing long term care active life and claim reserves. As the active life reserve assumptions were unlocked in 2015, long term care results in 2016 improved significantly. Results in 2016 also reflect favorable net prior year development of $314 million as compared to $218 million recorded in 2015. Further information on net prior year development is included in Note 8 of the Notes to Consolidated Financial Statements under Item 8. In addition, net investment income increased $148 million and investment results improved $133 million in 2016 as compared with 2015, driven by improved limited partnership investments and fixed maturity securities income, lower other-than-temporary impairment (OTTI) losses recognized in earnings and higher net realized investment gains on sales of securities. These increases were partially offset by an increase in the current accident year loss ratio and higher underwriting expenses.

CNA s Property & Casualty and Other Insurance Operations

CNA s Property and Casualty Operations include its Specialty, Commercial and International lines of business. CNA s Other Insurance Operations outside of Property and Casualty Operations include its long term care business that is in run-off, certain corporate expenses, including interest on CNA s corporate debt, and certain property and casualty businesses in run-off, including CNA Re and A&EP. CNA s products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups. We believe the presentation of CNA as one reportable segment is appropriate in accordance with applicable accounting standards on segment reporting. However, for purposes of this discussion and analysis of the results of operations, we provide greater detail with respect to CNA s Property and Casualty Operations and Other Insurance Operations to enhance the reader s understanding and to provide further transparency into key drivers of CNA s financial results.

What we previously referred to as Net operating income (loss) for CNA in our public disclosures, is now called Core income (loss). With this terminology change, Non-Core operations is now called Other Insurance Operations. The fourth quarter 2017 net deferred tax asset remeasurement was excluded from core income (loss) for the year ended December 31, 2017. Otherwise, there were no changes to the calculation of this measure. In assessing CNA s insurance operations, the Company utilizes the core income (loss) financial measure. Core income (loss) is calculated by excluding from net income (loss) (i) net realized investment gains or losses, (ii) income or loss from discontinued operations, (iii) any cumulative effects of changes in accounting guidance and (iv) deferred tax asset and liability remeasurement as a result of an enacted U.S. federal tax rate change. In addition, core income (loss) excludes the effects of noncontrolling interests. The calculation of core income (loss) excludes net realized investment gains or losses because net realized investment gains or losses are generally driven by economic factors that are not necessarily consistent with key drivers of underwriting performance, and are therefore not considered an indication of trends in insurance operations. Core income (loss) is deemed to be a non-GAAP financial measure and management believes this measure is useful to investors as management uses this measure to assess financial performance.

Property and Casualty Operations

In evaluating the results of the Property and Casualty Operations, 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. In addition, CNA also utilizes renewal premium change, rate, retention and new business in evaluating operating trends. Renewal premium change represents the estimated change in average premium on policies that renew, including rate and exposure changes. Rate represents the average change in price on policies that renew excluding exposure changes. Retention represents the percentage of premium dollars renewed in comparison to the expiring premium dollars from policies available to renew. Renewal premium change, rate and retention presented for the prior year are updated to reflect subsequent activity on policies written in the period. New business represents premiums from policies written with new customers and additional policies written with existing customers.

The following tables summarize the results of CNA s Property and Casualty Operations for the years ended December 31, 2017, 2016 and 2015.

Year Ended December 31, 2017	**Specialty**	**Commercial**	**International**	**Total**
(In millions, except %)				
Net written premiums	**$ 2,771**	**$ 2,882**	**$ 881**	**$ 6,534**
Net earned premiums	**2,753**	**2,840**	**857**	**6,450**
Net investment income	**538**	**642**	**52**	**1,232**
Core income	**610**	**341**	**8**	**959**
Other performance metrics:				
Loss and loss adjustment expense ratio	**55.8%**	**67.9%**	**67.0%**	**62.6%**
Expense ratio	**32.0**	**35.2**	**37.8**	**34.2**
Dividend ratio	**0.2**	**0.6**		**0.3**
Combined ratio	**88.0%**	**103.7%**	**104.8%**	**97.1%**
Rate	**0%**	**0%**	**0%**	**0%**
Renewal premium change	**2**	**2**	**2**	**2**
Retention	**88**	**86**	**80**	**86**
New business (a)	**$ 251**	**$ 559**	**$ 275**	**$ 1,085**

Year Ended December 31, 2016				
Net written premiums	$ 2,780	$ 2,841	$ 821	$ 6,442
Net earned premiums	2,779	2,804	806	6,389
Net investment income	516	638	51	1,205
Core income	650	311	21	982
Other performance metrics:				
Loss and loss adjustment expense ratio	52.8%	68.7%	61.0%	60.8%

Expense ratio	32.0	36.8	38.1	34.9
Dividend ratio	0.2	0.3		0.2
Combined ratio	85.0%	105.8%	99.1%	95.9%

Rate	1%	(2)%	(1)%	(1)%
Renewal premium change	2	3	(1)	2
Retention	88	84	76	85
New business (a)	$ 249	$ 520	$ 240	$ 1,009

Table of Contents

Year Ended December 31, 2015	Specialty	Commercial	International	Total
(In millions, except %)				
Net written premiums	$ 2,781	$ 2,818	$ 822	$ 6,421
Net earned premiums	2,782	2,788	804	6,374
Net investment income	474	593	52	1,119
Core income	560	369	37	966
Other performance metrics:				
Loss and loss adjustment expense ratio	57.4%	65.1%	59.5%	61.0%
Expense ratio	31.1	36.1	38.1	34.2
Dividend ratio	0.2	0.3		0.2
Combined ratio	88.7%	101.5%	97.6%	95.4%
Rate	1%	1%	(1)%	1%
Renewal premium change	3	4		
Retention	87	78	76	81
New business (a)	$ 279	$ 552	$ 111	$ 942

(a) Includes Hardy new business of $151 million and $133 million for the years ended December 31, 2017 and 2016. Prior year amounts are not included for Hardy.

2017 Compared with 2016

Total net written premiums increased $92 million in 2017 as compared with 2016. Net written premiums for International increased $60 million in 2017 as compared with 2016 due to higher new business, positive renewal premium change and higher retention. Excluding the effect of foreign currency exchange rates and premium development, net written premiums for International increased 6.7% in 2017. Net written premiums for Specialty were consistent with 2016. New business, renewal premium change and retention also remained at consistent levels for Specialty. Net written premiums for Commercial increased $41 million in 2017 as compared with 2016, primarily driven by higher new business within Middle Markets, strong retention and positive renewal premium change. This was partially offset by an unfavorable premium rate adjustment within its Small Business unit as discussed in Note 18 to the Consolidated Financial Statements under Item 8. The change in net earned premiums for Commercial and International was consistent with the trend in net written premiums.

Core income decreased $23 million in 2017 as compared with 2016. The decrease was due to lower favorable net prior year loss reserve development and higher net catastrophe losses, partially offset by improved non-catastrophe current accident year underwriting results and higher net investment income. In addition, results reflect the favorable period over period effect of foreign currency exchange. Net catastrophe losses were $259 million (after tax) in 2017 as compared to net catastrophe losses of $111 million (after tax) in 2016.

Favorable net prior year development of $302 million and $316 million was recorded in 2017 and 2016. In 2017 and 2016, Specialty recorded favorable net prior year development of $216 million and $305 million. Commercial recorded favorable net prior year development of $59 million as compared with unfavorable net prior year development of $53 million in 2016. International recorded favorable net prior year development of $27 million and $64 million in 2017 and 2016. Further information on net prior year development is included in Note 8 of the Notes to Consolidated Financial Statements included under Item 8.

Specialty s combined ratio increased 3.0 points in 2017 as compared with 2016. The loss ratio increased 3.0 points primarily due to lower favorable net prior year loss reserve development and higher net catastrophe losses. Net catastrophe losses were $49 million, or 1.8 points of the loss ratio, in 2017 as compared with $18 million, or 0.6 points of the loss ratio, in 2016. The loss ratio, excluding catastrophes and development, improved 1.3 points. The expense ratio in 2017 was consistent with 2016.

Table of Contents

Commercial s combined ratio improved 2.1 points in 2017 as compared with 2016. The loss ratio improved 0.8 points primarily due to the favorable period over period effect of net prior year loss reserve development, partially offset by higher net catastrophe losses. Net catastrophe losses were $267 million, or 9.4 points of the loss ratio, in 2017, as compared with $116 million, or 4.1 points of the loss ratio, in 2016. The loss ratio, excluding catastrophes and development, improved 1.9 points. The expense ratio improved 1.6 points in 2017 as compared with 2016 reflecting both CNA s ongoing efforts to improve productivity and the actions taken in last year s third and fourth quarters to reduce expenses.

International s combined ratio increased 5.7 points in 2017 as compared with 2016. The loss ratio increased 6.0 points primarily due to lower favorable net prior year loss reserve development and higher net catastrophe losses, partially offset by lower current accident year large losses. Net catastrophe losses were $64 million, or 7.9 points of the loss ratio, in 2017, as compared to $31 million, or 3.9 points of the loss ratio, in 2016. The loss ratio excluding catastrophes and development improved 3.0 points. The expense ratio improved 0.3 points in 2017 as compared with 2016 primarily due to the higher net earned premiums.

2016 Compared with 2015

Net written premiums increased $21 million in 2016 as compared with 2015. Net written premiums for Commercial increased $23 million in 2016 as compared with 2015, driven by strong retention in Middle Markets, partially offset by a decrease in Small Business, which included a premium rate adjustment, as discussed in Note 18 of the Notes to Consolidated Financial Statements under Item 8. Net written premiums for Specialty in 2016 were consistent with 2015 as growth in warranty was offset by a decrease in management and professional liability and health care due to underwriting actions undertaken in certain business lines. Net written premiums for International in 2016 were consistent with 2015 and include favorable period over period premium development of $24 million. Excluding the effect of foreign currency exchange rates and premium development, net written premiums increased 1.4% in 2016 in International. The increase in net earned premiums was consistent with the trend in net written premiums in Commercial. Excluding the effect of foreign currency exchange rates and premium development, the increase in net earned premiums was consistent with the trend in net written premiums in International.

Core income increased $16 million in 2016 as compared with 2015. The increase in core income was primarily due to higher favorable net prior year reserve development and net investment income, partially offset by an increase in the current accident year loss ratio and higher underwriting expenses. Net catastrophe losses were $111 million (after tax) in 2016 as compared to catastrophe losses of $95 million (after tax) in 2015.

Favorable net prior year development of $316 million and $218 million was recorded in 2016 and 2015. Specialty recorded favorable net prior year development of $305 million and $152 million in 2016 and 2015, Commercial recorded unfavorable net prior year development of $53 million in 2016 as compared with favorable net prior year development of $30 million in 2015 and International recorded favorable net prior year development of $64 million and $36 million in 2016 and 2015. Further information on net prior year development is included in Note 8 of the Notes to Consolidated Financial Statements included under Item 8.

Specialty s combined ratio decreased 3.7 points in 2016 as compared with 2015. The loss ratio decreased 4.6 points due to higher favorable net prior year reserve development, partially offset by a higher current accident year loss ratio. Specialty s expense ratio increased 0.9 points in 2016 as compared with 2015 due to higher employee costs and higher information technology (IT) spending primarily related to new underwriting platforms.

Commercial s combined ratio increased 4.3 points in 2016 as compared with 2015. The loss ratio increased 3.6 points due to the unfavorable period over period effect of net prior year reserve development and a higher current accident year loss ratio due to higher large losses. Commercial s expense ratio increased 0.7 points in 2016 as compared with 2015 due to higher employee costs and higher IT spending primarily related to a new underwriting platform.

Table of Contents

International s combined ratio increased 1.5 points in 2016 as compared with 2015. The loss ratio increased 1.5 points primarily due to an increase in the current accident year loss ratio driven by a higher level of large losses related to political risk, property and financial institutions, partially offset by higher favorable net prior year development. International s expense ratio was consistent with 2015.

Other Insurance Operations

The following table summarizes the results of CNA s Other Insurance Operations for the years ended December 31, 2017, 2016 and 2015.

Years Ended December 31	**2017**	2016	2015
(In millions)			
Net earned premiums	**$ 539**	$ 536	$ 548
Net investment income	**802**	783	721
Core loss	**(40)**	(158)	(451)

2017 Compared with 2016

Core loss was $40 million in 2017, an improvement of $118 million as compared with 2016. This improvement was primarily driven by lower adverse prior year reserve development in 2017 for A&EP under the loss portfolio transfer, as further discussed in Note 8 of the Notes to Consolidated Financial Statements included under Item 8. In addition, the improvement also reflects a higher release of long term claim reserves resulting from the annual claims experience study as compared with 2016, higher net investment income and improved results in the long term care business driven by favorable morbidity partially offset by unfavorable persistency.

The effective tax rate for the long term care business is generally a function of the U.S. federal corporate income tax rate and the relative proportion of tax exempt investment income on municipal bonds supporting liabilities to the overall pretax income of the business. The reduction in the U.S. federal corporate income tax rate effective January 1, 2018 will reduce the tax benefit on the long term care business s pretax losses.

2016 Compared with 2015

Core loss decreased $293 million in 2016 as compared to 2015. In 2015, CNA recognized a $198 million (after-tax) charge relating to a premium deficiency and claim reserve strengthening in its long term care business. The December 31, 2015 Gross Premium Valuation (GPV) indicated a premium deficiency of $296 million. The indicated premium deficiency necessitated a charge to income that was effected by the write off of the entire long term care deferred acquisition cost of $289 million and an increase to active life reserves of $7 million. Due to the recognition of the premium deficiency and resetting of actuarial assumptions in the fourth quarter of 2015, the operating results of CNA s long term care business in 2016 reflect the variance between actual experience and the expected results contemplated in its best estimate reserves.

In 2016, the long term care business recorded Core income of $20 million, driven by a favorable release of claim reserves resulting from the annual claims experience study and higher net investment income due to an increase in the invested asset base. The long term care results were generally in line with expectations, as the impact of favorable morbidity was partially offset by unfavorable persistency. In 2015, results of CNA s long term care business reflected variances between actual experience and actuarial assumptions that were locked-in at policy issuance. As a result of the reserve assumption unlocking, the 2016 and 2015 results are not comparable. For further discussion of the GPV and premium deficiency, see the Insurance Reserves section of this MD&A.

Table of Contents

Core income in 2016 and 2015 was also negatively affected by $83 million and $55 million (after tax) charges related to the application of retroactive reinsurance accounting to adverse reserve development ceded under the 2010 A&EP loss portfolio transfer, as further discussed in Note 8 of the Notes to Consolidated Financial Statements included under Item 8.

Non-GAAP Reconciliation of Core Income (Loss) to Net Income

The following table reconciles core income (loss) to net income attributable to Loews Corporation for the CNA segment for the years ended December 31, 2017, 2016 and 2015:

Year Ended December 31	**2017**	2016	2015
(In millions)			
Core income (loss):			
Property and Casualty Operations	**$ 959**	$ 982	$ 966
Other Insurance Operations	**(40)**	(158)	(451)
Total core income (loss)	**919**	824	515
Realized investment gains (losses) (after tax)	**82**	43	(38)
Charge related to the Tax Act	**(87)**		
Consolidating adjustments including purchase accounting and noncontrolling interests	**(113)**	(93)	(44)
Net income attributable to Loews Corporation	**$ 801**	$ 774	$ 433

Referendum on the United Kingdom s Membership in the European Union

In 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as Brexit. As a result of the referendum, in 2017 the British government formally commenced the process to leave the E.U. and began negotiating the terms of treaties that will govern the U.K. s future relationship with the E.U. Although the terms of any future treaties are unknown, CNA believes changes in its international operating platform will be required to allow CNA to continue to write business in the E.U. after the completion of Brexit. Therefore CNA has begun the process of establishing a new European subsidiary in Luxembourg. As a result of these changes, the complexity and cost of regulatory compliance of CNA s European business is likely to increase.

Diamond Offshore

Overview

Oil prices have partially rebounded from the historical 12-year low of less than $30 per barrel in January of 2016 to the upper $60s per barrel range at the end of January of 2018. The increase in commodity price is in part due to the shutdown of a major North Sea pipeline in December of 2017, which led to production shutdowns at several offshore fields, and production cuts by certain members of the Organization of Petroleum Exporting Countries (OPEC) and others that went into effect in 2017 to reduce the oversupply of oil and raise and potentially stabilize oil prices. However, the increase in oil prices has not yet resulted in a measurable increase in demand for offshore contract drilling services or higher dayrates as capital spending for offshore exploration and development remains at a relatively low level at the start of 2018. As a consequence, the offshore contract drilling industry remains weak.

Industry analysts have reported that in 2017, for the third consecutive year, the global supply of floater rigs decreased with 30 floaters being scrapped during the year, for a total of over 80 floaters retired since 2015. Despite these events, the oversupply of drilling rigs in the floater markets continues to persist as drilling rigs across all water depth categories continue to be cold stacked as they come off contract with no immediate future work. Industry reports indicate that there remain approximately 40 newbuild floaters on order with scheduled deliveries between 2018 and 2021. Industry analysts predict that the 2018 delivery dates may be deferred.

Given the oversupply of rigs, competition for the limited number of offshore drilling jobs remains intense. In some cases, dayrates have been negotiated at break-even or below-cost levels in order to enable the drilling contractor to recover a portion of operating costs for rigs that would otherwise be uncontracted or cold stacked. In addition, customers have indicated a preference for hot rigs rather than reactivated cold-stacked rigs. This preference incentivizes the drilling contractor to contract rigs at lower rates for the sole purpose of maintaining the rigs in an active state and allowing for at least partial cost recovery.

Diamond Offshore s results of operations and cash flows for the three years ended December 31, 2017 have been materially impacted by continuing depressed market conditions in the offshore drilling industry. Diamond Offshore currently expects that these adverse market conditions will continue for the near term, which could result in more of Diamond Offshore s rigs being without contracts, contracted at lower rates than the rigs are currently earning and/or cold stacked or scrapped. These events, if they were to occur, could further materially and adversely affect its financial condition, results of operations and cash flows. When Diamond Offshore cold stacks or elects to scrap a rig, it evaluates the rig for impairment. During 2017, 2016 and 2015, Diamond Offshore recognized aggregate impairment charges of $100 million (three rigs), $680 million (eight rigs and related spare parts) and $861 million (17 rigs).

Historically, the longer a drilling rig remains cold stacked, the higher the cost of reactivation and, depending on the age, technological obsolescence and condition of the rig, the lower the likelihood that the rig will be reactivated at a future date. As of January 29, 2018, five rigs in Diamond Offshore s fleet were cold stacked.

Contract Drilling Backlog

Diamond Offshore s contract drilling backlog was $2.4 billion, $2.6 billion and $3.6 billion as of January 1, 2018 (based on contract information known at that time), October 1, 2017 (the date reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017) and January 1, 2017 (the date reported in our Annual Report on Form 10-K for the year ended December 31, 2016). The contract drilling backlog by year as of January 1, 2018 is $1.1 billion in 2018, $1.0 billion in 2019 and $0.3 billion in 2020.

Contract drilling backlog includes only firm commitments (typically represented by signed contracts) and is calculated by multiplying the contracted operating dayrate by the firm contract period. 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 stated above due to various factors affecting utilization such as weather conditions and unscheduled repairs and maintenance. Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. Changes in Diamond Offshore s contract drilling backlog between periods are generally 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 addition, under certain circumstances, Diamond Offshore s customers may seek to terminate or renegotiate its contracts, which could adversely affect its reported backlog.

Results of Operations

Diamond Offshore s pretax operating income (loss) is primarily a function of contract drilling revenue earned less contract drilling expenses incurred or recognized. The two most significant variables affecting Diamond Offshore s contract drilling revenues are dayrates earned and rig utilization rates achieved by its rigs, each of which is a function of rig supply and demand in the marketplace. Revenues are also affected by the acquisition or disposal of rigs, rig mobilizations, required surveys and shipyard projects.

Operating expenses represent all direct and indirect costs associated with the operation and maintenance of Diamond Offshore s drilling equipment. The principal components of Diamond Offshore s operating costs are, among other things, direct and indirect costs of labor and benefits, repairs and maintenance, freight, regulatory inspections, boat and helicopter rentals and insurance.

Table of Contents

The following table summarizes the results of operations for Diamond Offshore for the years ended December 31, 2017, 2016 and 2015 as presented in Note 19 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2017**	2016	2015
(In millions)			
Revenues:			
Contract drilling revenues	**$ 1,451**	$ 1,525	$ 2,360
Net investment income	**2**	1	3
Investment losses		(12)	
Other revenues	**47**	75	65
Total	**1,500**	1,589	2,428
Expenses:			
Contract drilling expenses	**802**	772	1,228
Other operating expenses			
Impairment of assets	**100**	680	881
Other expenses	**471**	518	627
Interest	**149**	90	94
Total	**1,522**	2,060	2,830
Loss before income tax	**(22)**	(471)	(402)
Income tax benefit	**4**	111	117
Amounts attributable to noncontrolling interests	**(9)**	174	129
Loss attributable to Loews Corporation	**$ (27)**	$ (186)	$ (156)

2017 Compared with 2016

Contract drilling revenue decreased $74 million in 2017 as compared with 2016, primarily due to lower average daily revenue earned by all rig types, partially offset by the favorable impact of an aggregate 353 incremental revenue earning days. Total contract drilling expense increased $30 million in 2017 as compared with 2016, reflecting higher amortized rig mobilization expense of $25 million and incremental contract drilling costs associated with the drillships of $28 million, partially offset by a net reduction in other rig operating and overhead costs of $23 million.

Net results improved $159 million in 2017 as compared with 2016, primarily due to a lower aggregate impairment charge recognized in 2017 of $100 million ($32 million after taxes and noncontrolling interests) as compared with $680 million ($267 million after taxes and noncontrolling interests) in 2016 and reduced depreciation expense, primarily due to a lower depreciable asset base as a result of asset impairments recognized in 2016 and 2017. In addition, results reflect a net reduction in rig operating results for the floater and jack-up rigs and an increase in interest expense due to a loss of $35 million ($11 million after tax and noncontrolling interests) related to the redemption of debt in 2017, as discussed in Note 11 of the Notes to Consolidated Financial Statements included under Item 8, and a reduction in interest capitalized during 2017 due to the completion of construction projects in 2016.

The income tax provision for the year ended December 31, 2017 includes a $36 million one-time charge related to the Tax Act, which consisted of: (i) a $75 million charge for the mandatory, deemed repatriation of foreign earnings, inclusive of the utilization of certain tax attributes offset by a provisional liability for uncertain tax positions related to such attributes, (ii) a $74 million credit resulting from the remeasurement of net deferred tax liabilities at the lower corporate tax rate and (iii) a $35 million charge recorded at the Loews level for the difference between the book basis and tax basis in Diamond Offshore.

2016 Compared with 2015

Contract drilling revenue decreased $835 million in 2016 as compared with 2015 due to depressed market conditions in all floater markets and for the jack-up rig, reflecting an aggregate of 2,577 fewer revenue earning days and lower average daily revenue earned by the ultra-deepwater and deepwater floater fleets. Average daily revenue increased for the mid-water and jack-up fleets primarily due to the favorable settlement of a contractual dispute and receipt of loss-of-hire insurance proceeds, each in 2016. Contract drilling expense decreased $456 million in 2016 as compared with 2015, reflecting Diamond Offshore s lower cost structure due to additional rigs idled, cold stacked or retired during 2015 and 2016, as well as the favorable impact of cost control initiatives.

Net results decreased $30 million in 2016 as compared with 2015, primarily due to lower utilization of the rig fleet, which reduced both contract drilling revenue and expense for the year. Results for 2016 also reflected an aggregate impairment charge of $680 million ($267 million after taxes and noncontrolling interests) compared to impairment charges aggregating $861 million ($341 million after taxes and noncontrolling interests) in 2015. The results were also impacted by a $12 million ($4 million after tax and noncontrolling interests) loss on an investment in privately-held corporate bonds. These unfavorable variances were partially offset by decreased depreciation expense, as a result of the impairment charges in 2015 and 2016 and resulting lower depreciable asset base, the absence of a $20 million impairment charge in 2015 to write-off all goodwill associated with the Company s investment in Diamond Offshore and a favorable $43 million tax adjustment primarily related to Diamond Offshore s Egyptian liability for uncertain tax positions related to the devaluation of the Egyptian pound.

Boardwalk Pipeline

Overview

Boardwalk Pipeline derives revenues primarily from the transportation and storage of natural gas and natural gas liquids (NGLs). Transportation services consist of firm natural gas transportation, where the customer pays a capacity reservation charge to reserve pipeline capacity at receipt and delivery points along pipeline systems, plus a commodity and fuel charge on the volume of natural gas actually transported, and interruptible natural gas transportation, under which the customer pays to transport gas only when capacity is available and used. The transportation rates Boardwalk Pipeline is able to charge customers are heavily influenced by market trends (both short and longer term), including the available natural gas supplies, geographical location of natural gas production, the demand for gas by end-users such as power plants, petrochemical facilities and liquefied natural gas (LNG) export facilities and the price differentials between the gas supplies and the market demand for the gas (basis differentials). Rates for short term firm and interruptible transportation services are influenced by shorter term market conditions such as current and forecasted weather.

Boardwalk Pipeline offers firm natural gas storage services in which the customer reserves and pays for a specific amount of storage capacity, including injection and withdrawal rights, and interruptible storage and parking and lending (PAL) services where the customer receives and pays for capacity only when it is available and used. The value of Boardwalk Pipeline s storage and PAL services (comprised of parking gas for customers and/or lending gas to customers) is affected by natural gas price differentials between time periods, such as between winter and summer (time period price spreads), price volatility of natural gas and other factors. Boardwalk Pipeline s storage and parking services have greater value when the natural gas futures market is in contango (a positive time period price spread, meaning that current price quotes for delivery of natural gas further in the future are higher than in the nearer term), while its lending service has greater value when the futures market is backwardated (a negative time period price spread, meaning that current price quotes for delivery of natural gas in the nearer term are higher than further in the future). The value of both storage and PAL services may also be favorably impacted by increased volatility in the price of natural gas, which allows Boardwalk Pipeline to optimize the value of its storage and PAL capacity.

Boardwalk Pipeline also transports and stores NGLs. Contracts for Boardwalk Pipeline s NGLs services are generally fee based or based on minimum volume requirements, while others are dependent on actual volumes transported. Boardwalk Pipeline s NGLs storage rates are market-based and contracts are typically fixed price arrangements with escalation clauses. Boardwalk Pipeline is not in the business of buying and selling natural gas and NGLs other than for system management purposes, but changes in natural gas and NGLs prices may impact the volumes of natural gas or NGLs transported and stored by customers on its systems. Due to the capital intensive nature of its business, Boardwalk Pipeline s operating costs and expenses typically do not vary significantly based upon the amount of products transported, with the exception of fuel consumed at its compressor stations and not included in a fuel tracker.

Firm Transportation Agreements

A substantial portion of Boardwalk Pipeline s transportation capacity is contracted for under firm transportation agreements. The table below sets forth the approximate expected revenues from capacity reservation and minimum bill charges under committed firm transportation agreements in place as of December 31, 2017, for 2018 and 2019, as well as the actual comparative amount recognized in revenues for 2017. The table does not include additional revenues Boardwalk Pipeline has recognized and may receive under firm transportation agreements based on actual utilization of the contracted pipeline capacity, any expected revenues for periods after the expiration dates of the existing agreements, execution of precedent agreements associated with growth projects or other events that occurred or will occur subsequent to December 31, 2017.

As of December 31, 2017

(In millions)

2017	$ 1,070
2018	970
2019	950

In the third quarter of 2017, Boardwalk Pipeline executed an agreement regarding capacity on its Fayetteville and Greenville Laterals with Southwestern Energy Company (Southwestern), the largest firm transportation customer on those laterals. The agreement, which was approved by the FERC, but is subject to a rehearing request filed with the FERC by Fayetteville Express Pipeline LLC, reduces contracted volumes (or the amount of capacity under contract) on the Fayetteville Lateral for the remaining contract term and commits Southwestern to new firm transportation agreements on its Fayetteville and Greenville Laterals that begin January 1, 2021, and expire on December 31, 2030, and to an interim agreement on the Greenville Lateral from April of 2019 through 2020. The agreement also provides Boardwalk Pipeline the opportunity to transport natural gas produced from committed properties in the Fayetteville and Moorefield shales that are connected to its Fayetteville Lateral through 2030. Although the transaction will result in a reduction of firm transportation reservation revenues of approximately $70 million from 2017 to 2020, including reductions in 2018 and 2019 of approximately $44 million and $15 million, it provides longer-term revenue generation by adding ten years of firm transportation service commitments on both laterals and offers potential additional commodity fee revenue from Southwestern s volume commitment.

The table below shows a reconciliation of the actual committed firm transportation revenues for 2017 and expected revenues under committed firm transportation agreements for 2018 from the table shown above to the amounts disclosed in the Results of Operations Boardwalk Pipeline section of our MD&A included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016, taking into account the Southwestern transaction discussed above, the sale of a processing plant and related assets in the second quarter of 2017 discussed in Note 6 of the Notes to Consolidated Financial Statements included under Item 8 and contracts entered into since December 31, 2016. The table does not include additional revenues Boardwalk Pipeline has recognized and may receive under firm transportation agreements based on actual utilization of the contracted pipeline capacity, any expected revenues for periods after the expiration dates of the existing agreements, execution of precedent agreements associated with growth projects or other events that occurred or will occur subsequent to December 31, 2017.

As of December 31, 2017

(In millions)	2017	2018
Expected revenues under committed firm transportation agreements as reported in our 2016 Annual Report on Form 10-K	$ 1,055	$ 975
Adjustments for:		
Southwestern contract restructuring	(7)	(44)
Sale of processing plant and related assets	(5)	(8)
Firm transportation agreements entered into in 2017	27	47
Actual/expected revenues under committed firm transportation agreements	$ 1,070	$ 970

In the 2018 to 2020 timeframe, the agreements associated with the East Texas to Mississippi Pipeline, Southeast Expansion, Gulf Crossing Pipeline and Fayetteville and Greenville Laterals, which were placed into service in 2008 and 2009, will expire. These projects were large, new pipeline expansions, developed to serve growing production in Texas, Oklahoma, Arkansas and Louisiana and anchored primarily by ten-year firm transportation agreements with producers. Since these projects went into service, gas production from the Utica and Marcellus area in the Northeast has grown significantly and has altered the flow patterns of natural gas in North America. Over the last few years, gas production from other basins such as Barnett and Fayetteville, which primarily supported two of these expansions, has declined because the production economics in those basins are not as competitive as other production basins. These market dynamics have resulted in less production from certain basins tied to Boardwalk Pipeline s system and a narrowing of basis differentials across portions of its pipeline systems, primarily for capacity associated with natural gas flows from west to east. Total revenues generated from these expansion projects capacity will be materially lower when these contracts expire. For example, as shown directly above, revenues under committed firm transportation agreements for 2018 are expected to be approximately $100 million lower than the actual amount for 2017. This reduction is mainly a result of (i) expansion contracts on the Gulf South system that expired in early 2018, which comprises approximately 60% of the $100 million reduction of revenues, and (ii) the Southwestern contract restructuring, which is responsible for the remaining 40% reduction. While some of the Gulf South capacity has been remarketed at lower rates and for shorter terms, Boardwalk Pipeline believes that the current market rates are not indicative of the long-term value of that capacity. Boardwalk Pipeline continues to focus its marketing efforts on enhancing the value of the remaining expansion capacity and is working with customers to match gas supplies from various basins to new and existing customers and markets, including aggregating supplies at key locations along its pipelines to provide end-use customers with attractive and diverse supply options.

Partially as a result of the increase in overall gas supplies, demand markets, primarily in the Gulf Coast area, are growing due to new natural gas export facilities, power plants and petrochemical facilities and increased exports to Mexico. These developments have resulted in significant growth projects for Boardwalk Pipeline. As of December 31, 2017, Boardwalk Pipeline has placed several growth projects into service since 2016 and has additional growth projects under development that are expected to be fully placed into service through the end of 2020. These projects have lengthy planning and construction periods. As a result, these projects will not contribute to Boardwalk Pipeline s earnings and cash flows until they are fully placed into service. The revenues that are expected to be realized in 2018 and 2019 from these growth projects are included in the estimates of expected revenues from capacity reservation and minimum bill charges under committed firm transportation agreements shown above.

Pipeline System Maintenance

Boardwalk Pipeline incurs substantial costs for ongoing maintenance of its pipeline systems and related facilities, including those incurred for pipeline integrity management activities, equipment overhauls, general upkeep and repairs. These costs are not dependent on the amount of revenues earned from its transportation services. The Pipeline and Hazardous Materials Safety Administration (PHMSA) has developed regulations that require transportation pipeline operators to implement integrity management programs to comprehensively evaluate certain areas along pipelines and take additional measures to protect pipeline segments located in highly populated areas. These regulations have resulted in an overall increase in ongoing maintenance costs, including maintenance capital and maintenance expense. PHMSA has proposed more prescriptive regulations related to operations of Boardwalk Pipeline s interstate natural gas and NGLs pipelines which, if adopted as proposed, will cause Boardwalk Pipeline to incur increased capital and operating costs, experience operational delays and result in potential adverse impacts to its ability to reliably serve its customers. While these proposed regulations have not yet been finalized, they are representative of the types of regulatory changes that can be enacted which would affect Boardwalk Pipeline s operations and the cost of operating its facilities.

Maintenance costs may be capitalized or expensed, depending on the nature of the activities. For any given reporting period, the mix of projects that Boardwalk Pipeline undertakes will affect the amounts it records as property, plant and equipment on its balance sheet or recognize as expenses, which impacts Boardwalk Pipeline s earnings. In 2018, Boardwalk Pipeline expects to spend approximately $320 million to maintain its pipeline systems, of which approximately $120 million is expected to be maintenance capital. In 2017, Boardwalk Pipeline spent $342 million, of which $138 million was recorded as maintenance capital.

Table of Contents

Results of Operations

The following table summarizes the results of operations for Boardwalk Pipeline for the years ended December 31, 2017, 2016 and 2015 as presented in Note 19 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2017**	2016	2015
(In millions)			
Revenues:			
Other revenue, primarily operating	**$ 1,325**	$ 1,316	$ 1,253
Net investment income			1
Total	**1,325**	1,316	1,254
Expenses:			
Operating	**861**	835	851
Interest	**171**	183	176
Total	**1,032**	1,018	1,027
Income before income tax	**293**	298	227
Income tax (expense) benefit	**232**	(61)	(46)
Amounts attributable to noncontrolling interests	**(145)**	(148)	(107)
Net income attributable to Loews Corporation	**$ 380**	$ 89	$ 74

2017 Compared with 2016

Total revenues increased $9 million in 2017 as compared with 2016. Excluding the net effect of $13 million of proceeds received from the settlement of a legal matter in 2016 and items offset in fuel and transportation expense, primarily retained fuel, operating revenues increased $44 million. The increase was driven by growth projects recently placed into service, partially offset by a decrease in storage and PAL revenues, primarily from the effects of unfavorable market conditions on time period price spreads and a decrease in revenues associated with the sale of a processing plant, discussed in Note 6 of the Notes to Consolidated Financial Statements under Item 8, and the Southwestern contract restructuring.

Operating expenses increased $26 million in 2017 as compared with 2016. Excluding items offset in operating revenues and the $47 million loss on sale of a processing plant, operating expenses decreased $5 million primarily due to lower administrative and general expenses due to higher capitalization rates from the increase in capital projects and lower employee incentive costs, largely offset by higher operations and maintenance expenses, primarily due to growth projects recently placed into service and a higher number of maintenance projects. Interest expense decreased $12 million primarily due to higher capitalized interest from growth projects.

As a result of the Tax Act, we recorded a one-time decrease to income tax expense of $294 million at the holding company level. This decrease was a result of remeasuring the net deferred tax liabilities at the lower corporate tax rate.

Net income increased $291 million in 2017 as compared with 2016, primarily due to the changes discussed above.

2016 Compared with 2015

Total revenues increased $62 million in 2016 as compared with 2015. Excluding the net effect of $13 million of proceeds received from the settlement of a legal matter in 2016, $9 million of proceeds received from a business interruption claim in 2015 and items offset in fuel and transportation expense, primarily retained fuel, operating revenues increased $83 million. The increase was driven by an increase in transportation revenues of $71 million, which resulted primarily from growth projects placed into service, incremental revenues from the Gulf South rate case of $18 million and a full year of revenues from the Evangeline pipeline. Storage and PAL revenues were higher by $17 million primarily from the effects of favorable market conditions on time period price spreads.

Table of Contents

Operating expenses decreased $16 million in 2016 as compared with 2015. Excluding receipt of a franchise tax refund of $10 million in 2015 and items offset in operating revenues, operating costs and expenses increased $5 million primarily due to higher employee related costs, partially offset by decreases in maintenance activities and depreciation expense. Interest expense increased $7 million primarily due to higher average interest rates compared to 2015.

Net income increased $15 million in 2016 as compared with 2015, primarily reflecting higher revenues and lower operating expenses, partially offset by higher interest expense as discussed above.

Loews Hotels & Co

The following table summarizes the results of operations for Loews Hotels & Co for the years ended December 31, 2017, 2016 and 2015 as presented in Note 19 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2017**	2016	2015
(In millions)			
Revenues:			
Operating revenue	**$ 577**	$ 557	$ 527
Revenues related to reimbursable expenses	**105**	110	77
Total	**682**	667	604
Expenses:			
Operating	**502**	489	467
Reimbursable expenses	**105**	110	77
Depreciation	**63**	63	54
Equity income from joint ventures	**(81)**	(41)	(43)
Interest	**28**	24	21
Total	**617**	645	576
Income before income tax	**65**	22	28
Income tax expense	**(1)**	(10)	(16)
Net income attributable to Loews Corporation	**$ 64**	$ 12	$ 12

2017 Compared with 2016

Operating revenues increased $20 million and operating expenses increased $13 million in 2017 as compared with 2016 primarily due to an increase in revenue and expenses upon completion of renovations at the Loews Miami Beach Hotel.

Equity income from joint ventures increased $40 million in 2017 as compared with 2016 primarily due to a $25 million gain on the sale of an equity interest in the Loews Don CeSar Hotel, a joint venture hotel property, in

February of 2017, increased equity income from Universal Orlando joint venture properties and the absence of a $13 million impairment charge related to an equity interest in a joint venture hotel property in the 2016 period. These increases were partially offset by a $15 million impairment charge in 2017 related to an equity interest in a joint venture hotel property.

Interest expense increased $4 million in 2017 as compared with 2016 primarily due to property-level debt incurred to fund acquisitions in 2016 along with reduced capitalized interest.

Loews Hotels & Co recorded a $27 million decrease to income tax expense resulting from the effect of the lower U.S. federal corporate tax rate on its net deferred tax liabilities.

Net income increased $52 million primarily due to the changes discussed above.

2016 Compared with 2015

Operating revenues increased $30 million in 2016 as compared with 2015 primarily due to the acquisition of one hotel during 2016 and the acquisition of two hotels during 2015, partially offset by a decrease in revenue at the Loews Miami Beach Hotel due to renovations during 2016.

Operating and depreciation expenses increased $22 million and $9 million in 2016 as compared with 2015 primarily due to the acquisition of one hotel during 2016 and the acquisition of two hotels during 2015.

Equity income from joint ventures in 2016 was impacted by costs associated with opening one new hotel during 2016 and the $13 million impairment of an equity interest in a joint venture hotel property.

Interest expense increased $3 million in 2016 as compared with 2015 primarily due to new property-level debt incurred to fund acquisitions.

Net income was consistent in 2016 as compared with 2015 due to the increases in revenues and expenses discussed above.

Corporate

Corporate operations consist primarily of investment income at the Parent Company, operating results of Consolidated Container since the May 22, 2017 acquisition date, corporate interest expenses and other corporate administrative costs. Investment income includes earnings on cash and short term investments held at the Parent Company to meet current and future liquidity needs, as well as results of limited partnership investments and the trading portfolio.

The following table summarizes the results of operations for Corporate for the years ended December 31, 2017, 2016 and 2015 as presented in Note 19 of the Notes to Consolidated Financial Statements included under Item 8:

Year Ended December 31	**2017**	2016	2015
(In millions)			
Revenues:			
Net investment income	$ **146**	$ 146	$ 22
Other revenues	**499**	3	6
Total	**645**	149	28
Expenses:			
Operating	**618**	131	116
Interest	**95**	72	74
Total	**713**	203	190
Loss before income tax	**(68)**	(54)	(162)
Income tax benefit	**14**	19	59

Net loss attributable to Loews Corporation	**$**	**(54)**	$	(35)	$	(103)

2017 Compared with 2016

Net investment income was flat in 2017 as compared with 2016 primarily due to improved performance from limited partnership investments offset by lower results from equity based investments in the trading portfolio.

Other revenues increased $496 million in 2017 as compared with 2016 primarily due to $498 million of revenue from Consolidated Container s operations for the period since the acquisition date.

Operating expenses increased $487 million in 2017 as compared with 2016 primarily due to $479 million of expenses for Consolidated Container s operations for the period since the acquisition date. In addition, operating expenses increased due to costs related to the acquisition of Consolidated Container, partially offset by the absence of prior year expenses related to the implementation of the 2016 Incentive Compensation Plan. Interest expense increased $23 million in 2017 as compared with 2016 primarily due to interest expense associated with Consolidated Container s $605 million term loan from the date of acquisition.

Corporate recorded an $8 million increase to income tax expense resulting from the effect of the lower corporate tax rate on net deferred tax assets.

Net results decreased $19 million in 2017 as compared with 2016 primarily due to the changes discussed above.

2016 Compared with 2015

Net investment income increased $124 million in 2016 as compared with 2015 primarily due to improved performance of equity based investments and fixed income investments in the trading portfolio and improved results from limited partnership investments.

Operating expenses increased $15 million in 2016 as compared with 2015 primarily due to expenses related to the 2016 Incentive Compensation Plan, which was approved by shareholders on May 10, 2016.

Net results improved $68 million in 2016 as compared with 2015 primarily due to the changes discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Parent Company

Parent Company cash and investments, net of receivables and payables, at December 31, 2017 totaled $4.9 billion, as compared to $5.0 billion at December 31, 2016. In 2017, we received $804 million in dividends from our subsidiaries, including a special dividend from CNA of $485 million. Cash outflows included the payment of $620 million to fund the acquisition of Consolidated Container, which was in addition to approximately $600 million of debt financing proceeds at the subsidiary level as discussed in Note 11 of the Notes to Consolidated Financial Statements included under Item 8. In addition, cash outflows included the payment of $84 million of cash dividends to our shareholders and $216 million to fund treasury stock purchases. As a holding company we depend on dividends from our subsidiaries and returns on our investment portfolio to fund our obligations. We are not responsible for the liabilities and obligations of our subsidiaries and there are no Parent Company guarantees.

As of February 2, 2018, there were 328,825,271 shares of Loews common stock outstanding. Depending on market and other conditions, we may purchase our shares and shares of our subsidiaries outstanding common stock in the open market or otherwise. In 2017, we purchased 4.8 million shares of Loews common stock. As of February 9, 2018, we had purchased an additional 4.3 million shares of Loews common stock in 2018 at an aggregate cost of $218 million. We have an effective Registration Statement on Form S-3 on file with the Securities and Exchange Commission (SEC) registering the future sale of an unlimited amount of our debt and equity securities.

In April of 2017, Fitch Ratings, Inc. affirmed our unsecured debt rating at A, with the rating outlook revised to negative from stable and in June of 2017, S&P Global Ratings (S&P) lowered our corporate credit and senior debt ratings from A+ to A with a stable outlook. Our current unsecured debt rating is A3 for Moody s Investors Service, Inc. (Moody s), with a stable outlook. Should one or more rating agencies downgrade our credit ratings from current levels, or announce that they have placed us under review for a potential downgrade, our cost of capital could increase and our ability to raise new capital could be adversely affected.

Future uses of our cash may include investing in our subsidiaries, new acquisitions, dividends and/or repurchases of our and our subsidiaries outstanding common stock.

Subsidiaries

CNA s cash provided by operating activities was $1.3 billion in 2017 and $1.4 billion in 2016. Cash provided by operating activities in 2017 reflected higher net claim payments and a lower level of distributions on limited partnerships, partially offset by lower IT spend and an increase in premiums collected. In 2016, cash provided by operating activities reflected lower income taxes paid and increased receipts relating to returns on limited partnerships offset by higher net claim and expense payments.

CNA paid dividends of $3.10 per share on its common stock, including a special dividend of $2.00 per share in 2017. On February 9, 2018, CNA s Board of Directors declared a quarterly dividend of $0.30 per share and a special dividend of $2.00 per share payable March 14, 2018 to shareholders of record on February 26, 2018. CNA s declaration and payment of future dividends is 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. The payment of dividends by CNA s insurance subsidiaries without prior approval of the insurance department of each subsidiary s domiciliary jurisdiction is limited by formula. Dividends in excess of these amounts are subject to prior approval by the respective state insurance departments.

Dividends from Continental Casualty Company (CCC), a subsidiary of CNA, are subject to the insurance holding company laws of the State of Illinois, the domiciliary state of CCC. Under these laws, ordinary dividends, or dividends that do not require prior approval by the Illinois Department of Insurance (the Department), are determined based on the greater of the prior year s statutory net income or 10% of statutory surplus as of the end of the prior year, as well as timing and amount of dividends paid in the preceding 12 months. Additionally, ordinary dividends may only be paid from earned surplus, which is calculated by removing unrealized gains from unassigned surplus. As of December 31, 2017, CCC is in a positive earned surplus position. The maximum allowable dividend CCC could pay during 2018 that would not be subject to the Department s prior approval is $1.1 billion, less dividends paid during the preceding 12 months measured at that point in time. CCC paid dividends of $955 million in 2017. The actual level of dividends paid in any year is determined after an assessment of available dividend capacity, holding company liquidity and cash needs as well as the impact the dividends will have on the statutory surplus of the applicable insurance company.

Diamond Offshore s cash provided by operating activities decreased approximately $153 million in 2017 as compared with 2016, primarily due to lower cash receipts from contract drilling services of $245 million and higher taxes paid, net of refunds of $26 million, partially offset by a $119 million net decrease in cash payments for contract drilling and general and administrative expenses, including personnel-related, maintenance and other rig operating costs. The decline in cash receipts and cash payments related to the performance of contract drilling services reflects continued depressed market conditions in the offshore drilling industry, as well as positive results from focusing on controlling costs.

For 2018, Diamond Offshore has budgeted approximately $220 million for capital expenditures. Diamond Offshore has no other purchase obligations for major rig upgrades at December 31, 2017.

As of December 31, 2017, Diamond Offshore had no outstanding borrowings under its credit agreement and was in compliance with all covenant requirements thereunder. As of February 9, 2018, Diamond Offshore had no outstanding borrowings and $1.5 billion available under its credit agreement to provide short term liquidity for payment obligations.

In July of 2017, Moody s downgraded Diamond Offshore s corporate credit rating to Ba3 with a negative outlook from Ba2 with a stable outlook. In October of 2017, S&P downgraded Diamond Offshore s corporate credit rating to B+ from BB- with a negative outlook. Market conditions and other factors, many of which are outside of Diamond Offshore s control, could cause its credit ratings to be lowered further. Any downgrade in Diamond Offshore s credit ratings could adversely impact its cost of issuing additional debt and the amount of additional debt that it could issue, and could further restrict its access to capital markets and its ability to raise funds by issuing additional debt. As a consequence, Diamond Offshore may not be able to issue additional debt in amounts and/or with terms that it considers to be reasonable. One or more of these occurrences could limit Diamond Offshore s ability to pursue other business opportunities.

Diamond Offshore will make periodic assessments of its capital spending programs based on industry conditions and will make adjustments if it determines they are required. Diamond Offshore, may, from time to time, issue debt or equity securities, or a combination thereof, to finance capital expenditures, the acquisition of assets and businesses or for general corporate purposes. Diamond Offshore s ability to access the capital markets by issuing debt or equity securities will be dependent on its results of operations, current financial condition, current credit ratings, current market conditions and other factors beyond its control.

Boardwalk Pipeline s cash provided by operating activities increased $36 million in 2017 compared to 2016, primarily due to increased net income, excluding the effects of non-cash items such as depreciation, amortization and the loss on the sale of operating assets. This increase also reflects the settlement of the Gulf South rate refund in 2016.

In 2017 and 2016, Boardwalk Pipeline declared and paid distributions to its common unitholders of record of $0.40 per common unit and an amount to the general partner on behalf of its 2% general partner interest. In February of 2018, the Partnership declared a quarterly cash distribution to unitholders of record of $0.10 per common unit.

As of February 13, 2018, Boardwalk Pipeline had $445 million of outstanding borrowings under its revolving credit facility. During 2017, Boardwalk Pipeline extended the maturity date of its revolving credit facility by one year to May 26, 2022. Boardwalk Pipeline has a subordinated loan agreement with a subsidiary of the Company under which it could borrow up to $300 million until December 31, 2018. As of February 13, 2018, Boardwalk Pipeline had no outstanding borrowings under the subordinated loan agreement.

For 2017 and 2016, Boardwalk Pipeline s capital expenditures were $708 million and $590 million, consisting of a combination of growth and maintenance capital. Boardwalk Pipeline expects total capital expenditures to be approximately $550 million in 2018 related to growth projects and pipeline system maintenance expenditures.

Boardwalk Pipeline anticipates that for 2018 its existing capital resources, including its revolving credit facility, subordinated loan and cash flows from operating activities, will be adequate to fund its operations. Boardwalk Pipeline may seek to access the capital markets to fund some or all capital expenditures for growth projects, acquisitions or for general business purposes. Boardwalk Pipeline s ability to access the capital markets for equity and debt financing under reasonable terms depends on its current financial condition, current credit ratings and current market conditions.

Off-Balance Sheet Arrangements

At December 31, 2017 and 2016, we did not have any off-balance sheet arrangements.

Table of Contents

Contractual Obligations

Our contractual payment obligations are as follows:

		Payments Due by Period			
December 31, 2017	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
(In millions)					
Debt (a)	**$ 16,749**	**$ 1,000**	**$ 2,021**	**$ 2,488**	**$ 11,240**
Operating leases	**729**	**76**	**141**	**128**	**384**
Claim and claim adjustment expense reserves (b)	**23,478**	**5,246**	**6,431**	**3,347**	**8,454**
Future policy benefit reserves (c)	**28,160**	**(439)**	**(258)**	**413**	**28,444**
Purchase and other obligations	**980**	**460**	**143**	**138**	**239**
Total (d)	**$ 70,096**	**$ 6,343**	**$ 8,478**	**$ 6,514**	**$ 48,761**

(a) Includes estimated future interest payments.
(b) Claim and claim adjustment expense reserves are not discounted and represent CNA s estimate of the amount and timing of the ultimate settlement and administration of gross claims based on its assessment of facts and circumstances known as of December 31, 2017. See the Insurance Reserves section of this MD&A for further information.
(c) Future policy benefit reserves are not discounted and represent CNA s estimate of the ultimate amount and timing of the settlement of benefits based on its assessment of facts and circumstances known as of December 31, 2017. Additional information on future policy benefit reserves is included in Note 1 of the Notes to Consolidated Financial Statements included under Item 8.
(d) Does not include expected contribution of approximately $26 million to the Company s pension and postretirement plans in 2018.

Further information on our commitments, contingencies and guarantees is provided in the Notes to Consolidated Financial Statements included under Item 8.

INVESTMENTS

Investment activities of non-insurance subsidiaries primarily include investments in fixed income securities, including short term investments. The Parent Company portfolio also includes equity securities, including short sales and derivative instruments, and investments in limited partnerships. These types of investments generally present greater volatility, less liquidity and greater risk than fixed income investments and are included within Results of Operations Corporate.

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 reports of existing positions and valuation fluctuations to seek to ensure that open positions are consistent with our portfolio strategy.

Credit exposure associated with non-performance by counterparties to our derivative instruments is generally limited to the uncollateralized change in fair value of the derivative instruments recognized in the Consolidated Balance Sheets. We mitigate the risk of non-performance by monitoring the creditworthiness of counterparties and diversifying derivatives by using 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.

Table of Contents

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.

Net Investment Income

The significant components of CNA s net investment income are presented in the following table. Fixed income securities, as presented, include both fixed maturity and equity securities, which substantially consist of preferred stock.

Year Ended December 31	2017	2016	2015
(In millions)			
Taxable fixed income securities	$ 1,397	$ 1,424	$ 1,387
Tax-exempt fixed income securities	427	405	376
Total fixed income securities	1,824	1,829	1,763
Limited partnership investments	207	155	92
Other, net of investment expense	3	4	(15)
Pretax net investment income	$ 2,034	$ 1,988	$ 1,840
Fixed income securities after tax and noncontrolling interests	$ 1,185	$ 1,186	$ 1,146
Net investment income after tax and noncontrolling interests	$ 1,308	$ 1,280	$ 1,192
Effective income yield for the fixed income securities portfolio, before tax	4.7%	4.8%	4.7%
Effective income yield for the fixed income securities portfolio, after tax	3.4%	3.5%	3.4%

Net investment income after tax and noncontrolling interests increased $28 million in 2017 as compared with 2016. The increase was driven by limited partnership investments, which returned 9.1% in 2017 as compared with 6.3% in the prior year.

Net investment income after tax and noncontrolling interests increased $88 million in 2016 as compared with 2015. The increase was driven by limited partnership investments, which returned 6.3% in 2016 as compared with 3.0% in the prior year. Income from fixed income securities increased by $40 million, after tax and noncontrolling interests, primarily due to an increase in the invested asset base and a charge in 2015 related to a change in estimate effected by a change in accounting principle.

Table of Contents

Net Realized Investment Gains (Losses)

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

Year Ended December 31 (In millions)	2017	2016	2015
Realized investment gains (losses):			
Fixed maturity securities:			
Corporate and other bonds	$ 111	$ 31	$ (55)
States, municipalities and political subdivisions	14	29	(22)
Asset-backed	(6)	(2)	10
Foreign government		3	1
U.S. Treasury and obligations of government-sponsored enterprises	3	5	
Total fixed maturity securities	122	66	(66)
Equity securities		(5)	(23)
Derivatives	(4)	(2)	10
Short term investments and other	4	3	8
Total realized investment gains (losses)	122	62	(71)
Income tax (expense) benefit	(40)	(19)	33
Amounts attributable to noncontrolling interests	(9)	(4)	4
Net realized investment gains (losses) attributable to Loews Corporation	$ 73	$ 39	$ (34)

Net realized investment gains improved $34 million in 2017 as compared with 2016, primarily driven by lower OTTI losses recognized in earnings. Net realized investment results improved $73 million in 2016 as compared with 2015, driven by lower OTTI losses recognized in earnings and higher net realized investment gains on sales of securities. Further information on CNA s realized gains and losses, including CNA s OTTI losses and derivative gains (losses), as well as CNA s impairment decision process, is set forth in Notes 1 and 3 of the Notes to Consolidated Financial Statements included under Item 8.

Portfolio Quality

The following table presents the estimated fair value and net unrealized gains (losses) of CNA s fixed maturity securities by rating distribution:

December 31, 2017		December 31, 2016	
Estimated Fair Value	**Net Unrealized**	Estimated Fair Value	Net Unrealized

(In millions)		**Gains (Losses)**		Gains (Losses)
U.S. Government, Government agencies and Government-sponsored enterprises	**$ 4,514**	**$ 21**	$ 4,212	$ 32
AAA	**1,954**	**152**	1,881	110
AA	**8,982**	**914**	8,911	750
A	**9,643**	**952**	9,866	832
BBB	**13,554**	**1,093**	12,802	664
Non-investment grade	**2,840**	**140**	3,233	156
Total	**$ 41,487**	**$ 3,272**	$ 40,905	$ 2,544

As of December 31, 2017 and 2016, only 2% of CNA s fixed maturity portfolio was rated internally.

Table of Contents

The following table presents CNA s available-for-sale fixed maturity securities in a gross unrealized loss position by ratings distribution:

December 31, 2017	Estimated Fair Value	Gross Unrealized Losses
(In millions)		
U.S. Government, Government agencies and Government-sponsored enterprises	$ 2,050	$ 33
AAA	177	6
AA	363	5
A	629	11
BBB	1,226	22
Non-investment grade	530	10
Total	$ 4,975	$ 87

The following table presents the maturity profile for these available-for-sale fixed maturity securities. Securities not due to mature on a single date are allocated based on weighted average life:

December 31, 2017	Estimated Fair Value	Gross Unrealized Losses
(In millions)		
Due in one year or less	$ 85	$ 2
Due after one year through five years	1,079	19
Due after five years through ten years	3,363	57
Due after ten years	448	9
Total	$ 4,975	$ 87

Duration

A primary objective in the management of CNA s investment portfolio is to optimize return relative to corresponding 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 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 CNA s investment portfolio is the characteristics of the corresponding 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 the long term care and structured settlement liabilities in Other Insurance Operations.

Table of Contents

The effective durations of CNA s fixed maturity securities, non-redeemable preferred stock and short term investments are presented in the following table. Amounts presented are net of payable and receivable amounts for securities purchased and sold, but not yet settled.

	December 31, 2017		December 31, 2016	
	Estimated Fair Value	Effective Duration (In Years)	Estimated Fair Value	Effective Duration (In Years)
(In millions of dollars)				
Investments supporting Other Insurance Operations	$ 16,797	8.4	$ 15,724	8.7
Other investments	26,817	4.4	26,669	4.6
Total	$ 43,614	5.9	$ 42,393	6.1

The duration of the total portfolio is aligned with the cash flow characteristics of the underlying liabilities.

The investment portfolio is periodically analyzed for changes in duration and related price 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 included under Item 7A.

Short Term Investments

The carrying value of the components of CNA s Short term investments are presented in the following table:

December 31	2017	2016
(In millions)		
Short term investments:		
Commercial paper	$ 905	$ 733
U.S. Treasury securities	355	433
Money market funds	44	44
Other	132	197
Total short term investments	$ 1,436	$ 1,407

INSURANCE RESERVES

The level of reserves CNA maintains represents its best estimate, as of a particular point in time, of what the ultimate settlement and administration of claims will cost based on CNA s assessment of facts and circumstances known at that time. Reserves are not an exact calculation of liability but instead are complex estimates that CNA derives, generally utilizing a variety of actuarial reserve estimation techniques, from numerous assumptions and expectations about future events, both internal and external, many of which are highly uncertain. As noted below, CNA reviews its reserves for each segment of its business periodically, and any such review could result in the need to increase reserves in amounts which could be material and could adversely affect our results of operations and equity and CNA s business and insurer financial strength and corporate debt ratings. Further information on reserves is provided in Note 8 of the Notes to Consolidated Financial Statements included under Item 8.

Property and Casualty Claim and Claim Adjustment Expense Reserves

CNA maintains loss reserves to cover its estimated ultimate unpaid liability for claim and claim adjustment expenses, including the estimated cost of the claims adjudication process, for claims that have been reported but not yet settled (case reserves) and claims that have been incurred but not reported (IBNR). IBNR includes a provision for development on known cases as well as a provision for late reported incurred claims. Claim and claim adjustment expense reserves are reflected as liabilities and are included on the Consolidated Balance Sheets under the heading Insurance Reserves. Adjustments to prior year reserve estimates, if necessary, are reflected in results of operations in the period that the need for such adjustments is determined. The carried case and IBNR reserves as of each balance sheet date are provided in the discussion that follows and in Note 8 of the Notes to Consolidated Financial Statements included under Item 8.

There is a risk that CNA s recorded reserves are insufficient to cover its estimated ultimate unpaid liability for claims and claim adjustment expenses. Unforeseen emerging or potential claims and coverage issues are difficult to predict and could materially adversely affect the adequacy of CNA s claim and claim adjustment expense reserves and could lead to future reserve additions.

In addition, CNA s property and casualty insurance subsidiaries also have actual and potential exposures related to A&EP claims, which could result in material losses. To mitigate the risks posed by CNA s exposure to A&EP claims and claim adjustment expenses, CNA completed a transaction with National Indemnity Company (NICO), under which substantially all of CNA s legacy A&EP liabilities were ceded to NICO effective January 1, 2010. See Note 8 of the Notes to the Consolidated Financial Statements included under Item 8 for further discussion about the transaction with NICO, its impact on CNA s results of operations and the deferred retroactive reinsurance gain.

Establishing Property & Casualty Reserve Estimates

In developing claim and claim adjustment expense (loss or losses) reserve estimates, CNA s actuaries perform detailed reserve analyses that are staggered throughout the year. The data is organized at a reserve group level. A reserve group can be a line of business covering a subset of insureds such as commercial automobile liability for small or middle market customers, it can encompass several lines of business provided to a specific set of customers such as aging services, or it can be a particular type of claim such as construction defect. Every reserve group is reviewed at least once during the year. The analyses generally review losses gross of ceded reinsurance and apply the ceded reinsurance terms to the gross estimates to establish estimates net of reinsurance. In addition to the detailed analyses, CNA reviews actual loss emergence for all products each quarter.

Most of CNA s business can be characterized as long-tail. For long-tail business, it will generally be several years between the time the business is written and the time when all claims are settled. CNA s long-tail exposures include commercial automobile liability, workers compensation, general liability, medical professional liability, other professional liability and management liability coverages, assumed reinsurance run-off and products liability. Short-tail exposures include property, commercial automobile physical damage, marine, surety and warranty. Property and Casualty Operations contain both long-tail and short-tail exposures. Other Insurance Operations contain long-tail exposures.

Various methods are used to project ultimate losses for both long-tail and short-tail exposures.

The paid development method estimates ultimate losses by reviewing paid loss patterns and applying them to accident or policy years with further expected changes in paid losses. Selection of the paid loss pattern may require consideration of several factors including the impact of inflation on claims costs, the rate at which claims professionals make claim payments and close claims, the impact of judicial decisions, the impact of underwriting changes, the impact of large claim payments and other factors. Claim cost inflation itself may require evaluation of changes in the cost of repairing or replacing property, changes in the cost of medical care, changes in the cost of wage replacement, judicial decisions, legislative changes and other factors. Because this method assumes that losses are paid at a consistent rate, changes in any of these factors can affect the results. Since the method does not rely on case reserves, it is not directly influenced by changes in their adequacy.

For many reserve groups, paid loss data for recent periods may be too immature or erratic for accurate predictions. This situation often exists for long-tail exposures. In addition, changes in the factors described above may result in inconsistent payment patterns. Finally, estimating the paid loss pattern subsequent to the most mature point available in the data analyzed often involves considerable uncertainty for long-tail products such as workers compensation.

The incurred development method is similar to the paid development method, but it uses case incurred losses instead of paid losses. Since the method uses more data (case reserves in addition to paid losses) than the paid development method, the incurred development patterns may be less variable than paid patterns. However, selection of the incurred loss pattern typically requires analysis of all of the same factors described above. In addition, the inclusion of case reserves can lead to distortions if changes in case reserving practices have taken place, and the use of case incurred losses may not eliminate the issues associated with estimating the incurred loss pattern subsequent to the most mature point available.

The loss ratio method multiplies earned premiums by an expected loss ratio to produce ultimate loss estimates for each accident or policy year. This method may be useful for immature accident or policy periods or if loss development patterns are inconsistent, losses emerge very slowly, or there is relatively little loss history from which to estimate future losses. The selection of the expected loss ratio typically requires analysis of loss ratios from earlier accident or policy years or pricing studies and analysis of inflationary trends, frequency trends, rate changes, underwriting changes and other applicable factors.

The Bornhuetter-Ferguson method using paid loss is a combination of the paid development method and the loss ratio method. This method normally determines expected loss ratios similar to the approach used to estimate the expected loss ratio for the loss ratio method and typically requires analysis of the same factors described above. This method assumes that future losses will develop at the expected loss ratio level. The percent of paid loss to ultimate loss implied from the paid development method is used to determine what percentage of ultimate loss is yet to be paid. The use of the pattern from the paid development method typically requires consideration of the same factors listed in the description of the paid development method. The estimate of losses yet to be paid is added to current paid losses to estimate the ultimate loss for each year. For long-tail lines, this method will react very slowly if actual ultimate loss ratios are different from expectations due to changes not accounted for by the expected loss ratio calculation.

The Bornhuetter-Ferguson method using incurred loss is similar to the Bornhuetter-Ferguson method using paid loss except that it uses case incurred losses. The use of case incurred losses instead of paid losses can result in development patterns that are less variable than paid patterns. However, the inclusion of case reserves can lead to distortions if changes in case reserving have taken place, and the method typically requires analysis of the same factors that need to be reviewed for the loss ratio and incurred development methods.

The frequency times severity method multiplies a projected number of ultimate claims by an estimated ultimate average loss for each accident or policy year to produce ultimate loss estimates. Since projections of the ultimate number of claims are often less variable than projections of ultimate loss, this method can provide more reliable results for reserve groups where loss development patterns are inconsistent or too variable to be relied on exclusively. In addition, this method can more directly account for changes in coverage that affect the number and size of claims. However, this method can be difficult to apply to situations where very large claims or a substantial number of unusual claims result in volatile average claim sizes. Projecting the ultimate number of claims may require analysis of several factors, including the rate at which policyholders report claims to CNA, the impact of judicial decisions, the impact of underwriting changes and other factors. Estimating the ultimate average loss may require analysis of the impact of large losses and claim cost trends based on changes in the cost of repairing or replacing property, changes in the cost of medical care, changes in the cost of wage replacement, judicial decisions, legislative changes and other factors.

Stochastic modeling produces a range of possible outcomes based on varying assumptions related to the particular reserve group being modeled. For some reserve groups, CNA uses models which rely on historical development patterns at an aggregate level, while other reserve groups are modeled using individual claim variability assumptions supplied by the claims department. In either case, multiple simulations using varying assumptions are run and the results are analyzed to produce a range of potential outcomes. The results will typically include a mean and percentiles of the possible reserve distribution which aid in the selection of a point estimate.

For many exposures, especially those that can be considered long-tail, a particular accident or policy year may not have a sufficient volume of paid losses to produce a statistically reliable estimate of ultimate losses. In such a case, CNA s actuaries typically assign more weight to the incurred development method than to the paid development method. As claims continue to settle and the volume of paid loss increases, the actuaries may assign additional weight to the paid development method. For most of CNA s products, even the incurred losses for accident or policy years that are early in the claim settlement process will not be of sufficient volume to produce a reliable estimate of ultimate losses. In these cases, CNA may not assign much if any weight to the paid and incurred development methods. CNA may use the loss ratio, Bornhuetter-Ferguson and/or frequency times severity methods. For short-tail exposures, the paid and incurred development methods can often be relied on sooner primarily because CNA s history includes a sufficient number of years to cover the entire period over which paid and incurred losses are expected to change. However, CNA may also use the loss ratio, Bornhuetter-Ferguson and/or frequency times severity methods for short-tail exposures.

For other more complex reserve groups where the above methods may not produce reliable indications, CNA uses additional methods tailored to the characteristics of the specific situation.

Periodic Reserve Reviews

The reserve analyses performed by CNA s actuaries result in point estimates. Each quarter, the results of the detailed reserve reviews are summarized and discussed with CNA s senior management to determine the best estimate of reserves. CNA s senior management considers many factors in making this decision. CNA s recorded reserves reflect its best estimate as of a particular point in time based upon known facts and circumstances, consideration of the factors cited above and its judgment. The carried reserve differs from the actuarial point estimate as discussed further below.

Currently, CNA s recorded reserves are modestly higher than the actuarial point estimate. For Property and Casualty Operations, the difference between CNA s reserves and the actuarial point estimate is primarily driven by uncertainty with respect to immature accident years, claim cost inflation, changes in claims handling, changes to the tort environment which may adversely affect claim costs and the effects from the economy. For CNA s legacy A&EP liabilities, the difference between CNA s reserves and the actuarial point estimate is primarily driven by the potential tail volatility of run-off exposures.

The key assumptions fundamental to the reserving process are often different for various reserve groups and accident or policy years. Some of these assumptions are explicit assumptions that are required of a particular method, but most of the assumptions are implicit and cannot be precisely quantified. An example of an explicit assumption is the pattern employed in the paid development method. However, the assumed pattern is itself based on several implicit assumptions such as the impact of inflation on medical costs and the rate at which claim professionals close claims. As a result, the effect on reserve estimates of a particular change in assumptions typically cannot be specifically quantified, and changes in these assumptions cannot be tracked over time.

CNA s recorded reserves are management s best estimate. In order to provide an indication of the variability associated with CNA s net reserves, the following discussion provides a sensitivity analysis that shows the approximate estimated impact of variations in significant factors affecting CNA s reserve estimates for particular types of business. These significant factors are the ones that CNA believes could most likely materially affect the reserves. This discussion covers the major types of business for which CNA believes a material deviation to its reserves is reasonably possible. There can be no assurance that actual experience will be consistent with the current assumptions or with the variation indicated by the discussion. In addition, there can be no assurance that other factors and assumptions will not have a material impact on CNA s reserves.

The three areas for which CNA believes a significant deviation to its net reserves is reasonably possible are (i) professional liability, management liability and surety products; (ii) workers compensation and (iii) general liability.

Professional liability, management liability and surety products include professional liability coverages provided to various professional firms, including architects, real estate agents, small and mid-sized accounting firms, law firms and other professional firms. They also include D&O, employment practices, fiduciary, fidelity and surety coverages, as well as insurance products serving the health care delivery system. The most significant factor affecting reserve estimates for these liability coverages is claim severity. Claim severity is driven by the cost of medical care, the cost of wage replacement, legal fees, judicial decisions, legislative changes and other factors. Underwriting and claim handling decisions such as the classes of business written and individual claim settlement decisions can also affect claim severity. If the estimated claim severity increases by 9%, CNA estimates that net reserves would increase by approximately $450 million. If the estimated claim severity decreases by 3%, CNA estimates that net reserves would decrease by approximately $150 million. CNA s net reserves for these products were approximately $5.0 billion as of December 31, 2017.

Table of Contents

For workers compensation, since many years will pass from the time the business is written until all claim payments have been made, the most significant factor affecting workers compensation reserve estimate is claim cost inflation on claim payments. Workers compensation claim cost inflation is driven by the cost of medical care, the cost of wage replacement, expected claimant lifetimes, judicial decisions, legislative changes and other factors. If estimated workers compensation claim cost inflation increases by 100 basis points for the entire period over which claim payments will be made, CNA estimates that its net reserves would increase by approximately $350 million. If estimated workers compensation claim cost inflation decreases by 100 basis points for the entire period over which claim payments will be made, CNA estimates that its net reserves would decrease by approximately $350 million. Net reserves for workers compensation were approximately $4.0 billion as of December 31, 2017.

For general liability, the most significant factor affecting reserve estimates is claim severity. Claim severity is driven by changes in the cost of repairing or replacing property, the cost of medical care, the cost of wage replacement, judicial decisions, legislation and other factors. If the estimated claim severity for general liability increases by 6%, CNA estimates that its net reserves would increase by approximately $200 million. If the estimated claim severity for general liability decreases by 3%, CNA estimates that its net reserves would decrease by approximately $100 million. Net reserves for general liability were approximately $3.3 billion as of December 31, 2017.

Given the factors described above, it is not possible to quantify precisely the ultimate exposure represented by claims and related litigation. As a result, CNA regularly reviews the adequacy of its reserves and reassesses its reserve estimates as historical loss experience develops, additional claims are reported and settled and additional information becomes available in subsequent periods. In reviewing CNA s reserve estimates, CNA makes adjustments in the period that the need for such adjustments is determined. These reviews have resulted in CNA s identification of information and trends that have caused CNA to change its reserves in prior periods and could lead to CNA s identification of a need for additional material increases or decreases in claim and claim adjustment expense reserves, which could materially affect our results of operations and equity and CNA s business and insurer financial strength and corporate debt ratings positively or negatively. See Note 8 of the Notes to the Consolidated Financial Statements included under Item 8 for additional information about reserve development.

The following table summarizes gross and net carried reserves for CNA s Property and Casualty Operations:

December 31	**2017**	2016
(In millions)		
Gross Case Reserves	**$ 6,913**	$ 7,164
Gross IBNR Reserves	**9,156**	9,207
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 16,069**	$ 16,371
Net Case Reserves	**$ 6,343**	$ 6,582
Net IBNR Reserves	**8,232**	8,328
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 14,575**	$ 14,910

Table of Contents

The following table summarizes the gross and net carried reserves for other insurance businesses in run-off, including CNA Re and A&EP:

December 31	2017	2016
(In millions)		
Gross Case Reserves	$ 1,371	$ 1,524
Gross IBNR Reserves	1,065	1,090
Total Gross Carried Claim and Claim Adjustment Expense Reserves	$ 2,436	$ 2,614
Net Case Reserves	$ 94	$ 94
Net IBNR Reserves	111	136
Total Net Carried Claim and Claim Adjustment Expense Reserves	$ 205	$ 230

Long Term Care Policyholder Reserves

CNA s Other Insurance Operations includes its run-off long term care business as well as structured settlement obligations not funded by annuities related to certain property and casualty claimants. Long term care policies provide benefits for nursing homes, assisted living facilities and home health care subject to various daily and lifetime caps. Generally, policyholders must continue to make periodic premium payments to keep the policy in force and CNA has the ability to increase policy premiums, subject to state regulatory approval.

CNA maintains both claim and claim adjustment expense reserves as well as future policy benefit reserves for policyholder benefits for its long term care business. Claim and claim adjustment expense reserves consist of estimated reserves for long term care policyholders that are currently receiving benefits, including claims that have been incurred but are not yet reported. In developing the claim and claim adjustment expense reserve estimates for CNA s long term care policies, its actuaries perform a detailed claim experience study on an annual basis. The study reviews the sufficiency of existing reserves for policyholders currently on claim and includes an evaluation of expected benefit utilization and claim duration. CNA s recorded claim and claim adjustment expense reserves reflect CNA management s best estimate after incorporating the results of the most recent study. In addition, claim and claim adjustment expense reserves are also maintained for the structured settlement obligations.

Future policy benefit reserves represent the active life reserves related to CNA s long term care policies and are the present value of expected future benefit payments and expenses less expected future premium. The determination of these reserves is fundamental to CNA s financial results and requires management to make estimates and assumptions about expected investment and policyholder experience over the life of the contract. The assumptions used to determine the active life reserves were unlocked as of December 31, 2015 in connection with the recognition of a premium deficiency. Since many of these contracts may be in force for several decades, these assumptions are subject to significant estimation risk.

The actuarial assumptions that management believes are subject to the most variability are morbidity, persistency, discount rate and anticipated future premium rate increases. Persistency can be affected by policy lapses, benefit reductions and death. Discount rate is influenced by the investment yield on assets supporting long term care reserves which is subject to interest rate and market volatility and may also be affected by changes to the Internal Revenue Code. There is limited historical company and industry data available to CNA for long term care morbidity and mortality, as only a portion of the policies written to date are in claims paying status. As a result of this variability, CNA s long term care reserves may be subject to material increases if actual experience develops adversely to its expectations.

Annually, management assesses the adequacy of its long term care future policy benefit reserves by performing a GPV to determine if there is a premium deficiency. Management also uses the GPV process to evaluate the adequacy of the claim and claim adjustment expense reserves for structured settlement obligations. Under the GPV, management estimates required reserves using best estimate assumptions as of the date of the assessment without provisions for adverse deviation. The GPV required reserves are then compared to the recorded reserves. If the GPV required reserves are greater than the existing recorded reserves, the existing assumptions are unlocked and future policy benefit reserves are increased to the greater amount. Any such increase is reflected in CNA s results of operations in the period in which the need for such adjustment is determined, and could materially adversely affect our results of operations and equity and CNA s business and insurer financial strength and corporate debt ratings. Periodically, CNA engages independent third parties to assess the appropriateness of its best estimate assumptions and the associated GPV required reserves. The most recent assessment by an independent third party was performed in 2017.

The December 31, 2017 GPV indicated recorded reserves included a margin of approximately $246 million. A summary of the changes in the estimated reserve margin is presented in the table below:

(In millions)

Long term care active life reserve - change in estimated reserve margin		
December 31, 2016 estimated margin	**$**	**255**
Changes in underlying discount rate assumptions (excl. Tax Act)		**(270)**
Changes in underlying discount rate assumptions (Tax Act impact)		**(1,048)**
Changes in underlying morbidity assumptions		**972**
Changes in underlying persistency assumptions		**(7)**
Changes in underlying premium rate action assumptions		**157**
Changes in underlying expense and other assumptions		**187**
December 31, 2017 estimated margin	**$**	**246**

The decrease in the margin in 2017 was driven by the reduction in the U.S federal corporate income tax rate enacted on December 22, 2017 which reduced the tax equivalent yield on the tax exempt municipal bonds in the investment portfolio supporting the long term care liabilities. A continuation of the low interest rate environment also drove a reduction in the discount rate assumptions. These unfavorable drivers were mostly offset by favorable changes to the underlying morbidity assumptions, both frequency and severity, higher than expected rate increases on active rate action programs and favorable changes to the underlying expense assumptions.

The annual long term care claim experience study resulted in a release of $42 million from claim reserves driven by favorable frequency and severity relative to expectations.

Table of Contents

The table below summarizes the estimated pretax impact on CNA s results of operations from various hypothetical revisions to CNA s active life reserve assumptions. The annual GPV process involves updating all assumptions to the then current best estimate, and historically all significant assumptions have been revised each year. In the hypothetical revisions table below, CNA has assumed that revisions to such assumptions would occur in each policy type, age and duration within each policy group and would occur absent any changes, mitigating or otherwise, in the other assumptions. Although such hypothetical revisions are not currently required or anticipated, CNA believes they could occur based on past variances in experience and its expectations of the ranges of future experience that could reasonably occur. Any required increase in the recorded reserves resulting from the hypothetical revision in the table below would first reduce the margin in CNA s carried reserves before it would affect results of operations. Any actual adjustment would be dependent on the specific policies affected and, therefore, may differ from the estimate summarized below. The estimated impacts to results of operations in the table below are after consideration of the existing margin.

December 31, 2017 (In millions)		Estimated Reduction to Pretax Income
Hypothetical revisions		
Morbidity:		
5% increase in morbidity	**$**	**408**
10% increase in morbidity		**1,061**
Persistency:		
5% decrease in active life mortality and lapse	**$**	**-**
10% decrease in active life mortality and lapse		**219**
Discount rates:		
50 basis point decline in future interest rates	**$**	**161**
100 basis point decline in future interest rates		**633**
Premium rate actions:		
50% decrease in anticipated future rate increases premium	**$**	**-**

As reflected in the long term care active life reserve - change in estimated reserve margin table on the preceding page, the reduction in the U.S federal corporate income tax rate adversely affected the value of the tax benefit received on tax exempt municipal investments and thus the rate at which CNA discounts its long term care active life reserves. Any future reduction in income tax rates could further adversely affect CNA s GPV discount rates.

Table of Contents

The following table summarizes policyholder reserves for CNA s long term care operations:

December 31, 2017	Claim and claim adjustment expenses	Future policy benefits	Total
(In millions)			
Long term care	$ 2,568	$ 8,959	$ 11,527
Structured settlement annuities	547		547
Other	16		16
Total	3,131	8,959	12,090
Shadow adjustments (a)	159	1,990	2,149
Ceded reserves (b)	209	230	439
Total gross reserves	$ 3,499	$ 11,179	$ 14,678
December 31, 2016			
Long term care	$ 2,426	$ 8,654	$ 11,080
Structured settlement annuities	565		565
Other	17		17
Total	3,008	8,654	11,662
Shadow adjustments (a)	101	1,459	1,560
Ceded reserves (b)	249	213	462
Total gross reserves	$ 3,358	$ 10,326	$ 13,684

(a) To the extent that unrealized gains on fixed income securities supporting long term care products and annuity contracts would result in a premium deficiency if those gains were realized an increase in Insurance reserves is recorded, after tax and noncontrolling interests, as a reduction of net unrealized gains through Other comprehensive income (Shadow Adjustments).

(b) Ceded reserves relate to claim or policy reserves fully reinsured in connection with a sale or exit from the underlying business.

CATASTROPHE REINSURANCE

Group North American Property Treaty

CNA purchases corporate catastrophe excess-of-loss treaty reinsurance covering its U.S. states and territories and Canadian property exposures underwritten in its North American and non-Lloyd s European companies. The treaty has a term of January 1, 2018 to December 31, 2018. The 2018 treaty provides coverage for the accumulation of losses from catastrophe occurrences above CNA s per occurrence retention of $250 million up to $1.0 billion, with 10% co-participation on the first $650 million above the retention and 20% co-participation on the top $100 million layer. Losses stemming from terrorism events are covered unless they are due to a nuclear, biological or chemical attack. All layers of the treaty provide for one full reinstatement.

Group Workers Compensation Treaty

CNA also purchases corporate Workers Compensation catastrophe excess-of-loss treaty reinsurance for the period January 1, 2018 to December 31, 2018 providing $275 million of coverage for the accumulation of covered losses related to natural catastrophes above CNA s retention of $25 million. The treaty provides $475 million of coverage for the accumulation of covered losses related to terrorism events above CNA s retention of $25 million. Of the $475 million in terrorism coverage, $200 million is provided for nuclear, biological, chemical and radiation events. One full reinstatement is available for the first $275 million above the retention, regardless of the covered peril. CNA purchases a targeted facultative facility to address exposure accumulations in specific peak terrorism zones.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Consolidated Financial Statements in conformity with 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.

Table of Contents

The Consolidated 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 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 Financial Statements as their application places the most significant demands on our judgment. 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 and/or equity and CNA s insurer financial strength and corporate debt ratings.

Insurance Reserves

Insurance reserves are established for both short and long-duration insurance contracts. Short-duration contracts are primarily related to property and casualty insurance policies where the reserving process is based on actuarial estimates of the amount of loss, including amounts for known and unknown claims. Long-duration contracts are primarily related to long term care policies and are estimated using actuarial estimates about morbidity and persistency as well as assumptions about expected investment returns and future premium rate increases. The reserve for unearned premiums on property and casualty contracts represents the portion of premiums written related to the unexpired terms of coverage. The reserving process is discussed in further detail in the Insurance Reserves section of this MD&A.

Reinsurance and Other Receivables

Exposure exists with respect to the collectibility of ceded property and casualty and life reinsurance to the extent that any reinsurer is unable to meet its obligations or disputes the liabilities CNA has ceded under reinsurance agreements. An allowance for doubtful accounts on reinsurance receivables is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, industry experience and current economic conditions. Further information on CNA s reinsurance receivables is included in Note 15 of the Notes to Consolidated Financial Statements included under Item 8.

Additionally, exposure exists with respect to the collectibility of amounts due from customers on other receivables. An allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due, currently as well as in the future, management s experience and current economic conditions.

If actual experience differs from the estimates made by management in determining the allowances for doubtful accounts on reinsurance and other receivables, net receivables as reflected on our Consolidated Balance Sheets may not be collected. Therefore, our results of operations and/or equity could be materially adversely affected.

Valuation of Investments and Impairment of Securities

We classify fixed maturity securities and equity securities as either available-for-sale or trading which are both carried at fair value on the balance sheet. Fair value represents the price that would be received in a sale of an asset in an orderly transaction between market participants on the measurement date, the determination of which requires us to make a significant number of assumptions and judgments. Securities with the greatest level of subjectivity around valuation are those that rely on inputs that are significant to the estimated fair value and that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs are based on assumptions consistent with what we believe other market participants would use to price such securities. Further information on fair value measurements is included in Note 4 of the Notes to Consolidated Financial Statements included under Item 8.

CNA s investment portfolio is subject to market declines below amortized cost that may be other-than-temporary and therefore result in the recognition of impairment losses in earnings. Factors considered in the determination of whether or not a decline is other-than-temporary include a current intention or need to sell the security or an indication that a credit loss exists. Significant judgment exists regarding the evaluation of the financial condition and

Table of Contents

expected near-term and long term prospects of the issuer, the relevant industry conditions and trends, and whether CNA expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. Further information on CNA s process for evaluating impairments is included in Note 1 of the Notes to Consolidated Financial Statements included under Item 8.

Long Term Care Policies

Future policy benefit reserves for CNA s long term care policies are based on certain assumptions including morbidity, persistency, inclusive of mortality, discount rates and future premium rate increases. The adequacy of the reserves is contingent upon actual experience and CNA s future expectations related to these key assumptions. If actual or CNA s expected future experience differs from these assumptions, the reserves may not be adequate, requiring CNA to add to reserves.

A prolonged period during which interest rates remain at levels lower than those anticipated in CNA s reserving discount rate assumption could result in shortfalls in investment income on assets supporting CNA s obligations under long term care policies, which may also require an increase to CNA s reserves. In addition, CNA may not receive regulatory approval for the premium rate increases it requests.

These changes to CNA s reserves could materially adversely impact our results of operations and equity. The reserving process is discussed in further detail in the Insurance Reserves section of this MD&A.

Impairment of Long-Lived Assets

We review our long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We use a probability-weighted cash flow analysis to test property and equipment for impairment based on relevant market data. If an asset is determined to be impaired, a loss is recognized to reduce the carrying amount to the fair value of the asset. Management s cash flow assumptions are an inherent part of our asset impairment evaluation and the use of different assumptions could produce results that differ from the reported amounts.

Income Taxes

Deferred income taxes are recognized for temporary differences between the financial statement and tax return bases of assets and liabilities. Any resulting future tax benefits are recognized to the extent that realization of such benefits is more likely than not, and a valuation allowance is established for any portion of a deferred tax asset that management believes may not be realized. The assessment of the need for a valuation allowance requires management to make estimates and assumptions about future earnings, reversal of existing temporary differences and available tax planning strategies. If actual experience differs from these estimates and assumptions, the recorded deferred tax asset may not be fully realized, resulting in an increase to income tax expense in our results of operations. In addition, the ability to record deferred tax assets in the future could be limited resulting in a higher effective tax rate in that future period.

We have not established deferred tax liabilities for certain of our foreign earnings as we intend to indefinitely reinvest those earnings to finance foreign activities. However, if these earnings become subject to U.S. federal tax, any required provision could have a material impact on our financial results.

ACCOUNTING STANDARDS UPDATE

For a discussion of accounting standards updates that have been adopted or will be adopted in the future, please read Note 1 of the Notes to Consolidated Financial Statements included under Item 8.

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this Report as well as some statements in other SEC filings and periodic press releases and some oral statements made by us and our subsidiaries and our and their officials during presentations may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements include, without limitation, any

Table of Contents

statement that does not directly relate to any historical or current fact and may project, indicate or imply future results, events, performance or achievements. Such statements may contain the words expect, intend, plan, anticipat estimate, believe, will be, will continue, will likely result, and similar expressions. In addition, any stat concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries are also forward-looking statements as defined by the Act. 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.

Developments in any of the risks or uncertainties facing us or our subsidiaries, including those described under Item 1A, Risk Factors of this Report and in 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 they are made 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 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are a large diversified holding company. As such, we and our subsidiaries have significant amounts of financial instruments that involve market risk. Our measure of market risk exposure represents an estimate of the change in fair value of our financial instruments. Changes in the trading portfolio are recognized in the Consolidated Statements of Income. Market risk exposure is presented for each class of financial instrument held by us at December 31, assuming immediate adverse market movements of the magnitude described below. We believe that the various rates of adverse market movements represent a measure of exposure to loss under hypothetically assumed adverse conditions. The estimated market risk exposure represents the hypothetical loss to future earnings and does not represent the maximum possible loss nor any expected actual loss, even under adverse conditions, because actual adverse fluctuations would likely differ. In addition, since our investment portfolio is subject to change based on our portfolio management strategy as well as in response to changes in the market, these estimates are not necessarily indicative of the actual results which may occur.

Exposure to market risk is managed and monitored by senior management. Senior management approves our overall investment strategy and has responsibility to ensure that the investment positions are consistent with that strategy with an acceptable level of risk. We may manage risk by buying or selling instruments or entering into offsetting positions.

Interest Rate Risk We have exposure to interest rate risk arising from changes in the level or volatility of interest rates. We attempt to mitigate our exposure to interest rate risk by utilizing instruments such as interest rate swaps, commitments to purchase securities, options, futures and forwards. We monitor our sensitivity to interest rate changes by revaluing financial assets and liabilities using a variety of different interest rates. The Company uses duration and convexity at the security level to estimate the change in fair value that would result from a change in each security s yield. Duration measures the price sensitivity of an asset to changes in the yield rate. Convexity measures how the duration of the asset changes with interest rates. The duration and convexity analysis takes into account the unique characteristics (e.g., call and put options and prepayment expectations) of each security, in determining the hypothetical change in fair value. The analysis is performed at the security level and is aggregated up to the asset category level.

The evaluation is performed by applying an instantaneous change in the yield rates by varying magnitudes on a static balance sheet to determine the effect such a change in rates would have on the recorded market value of our investments and the resulting effect on shareholders equity. The analysis presents the sensitivity of the market value of our financial instruments to selected changes in market rates and prices which we believe are reasonably possible over a one year period.

The sensitivity analysis estimates the change in the fair value of our interest sensitive assets and liabilities that were held on December 31, 2017 and 2016 due to an instantaneous change in the yield of the security at the end of the period of 100 basis points, with all other variables held constant.

The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Accordingly, the analysis may not be indicative of, is not intended to provide, and does not provide a precise forecast of the effect of changes of market interest rates on our earnings or shareholders equity. Further, the computations do not contemplate any actions we could undertake in response to changes in interest rates.

Our debt is primarily denominated in U.S. Dollars and has been primarily issued at fixed rates, therefore, interest expense would not be impacted by interest rate shifts. The impact of a 100 basis point increase in interest rates on fixed rate debt would result in a decrease in market value of $630 million and $544 million at December 31, 2017 and 2016. The impact of a 100 basis point decrease would result in an increase in market value of $694 million and $605 million at December 31, 2017 and 2016. Consolidated Container has entered into interest rate swaps for a notional amount of $500 million to hedge its exposure to fluctuations in LIBOR on a portion of its variable rate debt. These swaps effectively fix the interest rate on the hedged portion of the term loan at approximately 2.1% plus an applicable margin. At December 31, 2017, the impact of a 100 basis point increase in interest rates on variable rate debt, net of the effects of the swaps, would increase interest expense by approximately $5 million on an annual basis.

Equity Price Risk We have exposure to equity price risk as a result of our 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 or indexes. Equity price risk was measured assuming an instantaneous 25% decrease in the underlying reference price or index from its level at December 31, 2017 and 2016, with all other variables held constant. A model was developed to analyze the observed changes in the value of limited partnerships held by the Company over a multiple year period along with the corresponding changes in various equity indices. The result of the model allowed us to estimate the change in value of limited partnerships when equity markets decline by 25%.

Foreign Exchange Rate Risk Foreign exchange rate risk arises from the possibility that changes in foreign currency exchange rates will impact the value of financial instruments. We have foreign exchange rate exposure when we buy or sell foreign currencies or financial instruments denominated in a foreign currency, which is reduced through the use of forward contracts. The sensitivity analysis assumes an instantaneous 20% decrease in the foreign currency exchange rates versus the U.S. dollar from their levels at December 31, 2017 and 2016, with all other variables held constant.

Commodity Price Risk We have exposure to price risk as a result of our investments in commodities. Commodity price risk results from changes in the level or volatility of commodity prices that impact instruments which derive their value from such commodities. Commodity price risk was measured assuming an instantaneous decrease of 20% from their levels at December 31, 2017 and 2016.

We have exposure to price risk as a result of Consolidated Container s purchases of certain raw materials, such as high-density polyethylene, polycarbonate, polypropylene and polyethylene terephthalate resins in connection with the production of its products. The purchase prices of these raw materials are determined based on prevailing market conditions. While Consolidated Container s operations are affected by fluctuations in resin prices, its net income over time is generally unaffected by these changes because industry practice and many Consolidated Container contractual arrangements permit or require Consolidated Container to pass through these cost changes to its customers. In the future, however, Consolidated Container may not always be able to pass through these changes in raw material costs in a timely manner or at all due to competitive pressures.

Credit Risk We are exposed to credit risk relating to the risk of loss resulting from the nonperformance by a customer of its contractual obligations. Although nearly all of the Company s customers pay for its services on a timely basis, the Company actively monitors the credit exposure to its customers. Certain of the Company s subsidiaries may perform credit reviews of customers and may require customers to provide cash collateral, post a letter of credit, prepay for services or provide other credit enhancements.

Table of Contents

The following tables present our market risk by category (equity prices, interest rates, foreign exchange rates and commodity prices) on the basis of those entered into for trading purposes and other than trading purposes.

Trading portfolio:

Category of risk exposure:	**Fair Value Asset (Liability)**		**Market Risk**	
December 31	**2017**	2016	**2017**	2016
(In millions)				
Equity prices (1):				
Equity securities long	**$ 517**	$ 425	**$ (129)**	$ (106)
short	**(5)**	(36)	**1**	9
Options purchased	**12**	14	**16**	8
written	**(7)**	(8)	**(15)**	(4)
Other derivatives	**1**	1	**67**	56
Interest rate (2):				
Fixed maturities long	**649**	601	**(1)**	(1)
Short term investments	**2,745**	3,064		
Other invested assets	**60**	55	**(1)**	

Note: The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of (1) a decrease in equity prices of 25% and (2) an increase in yield rates of 100 basis points.

Table of Contents

Other than trading portfolio:

Category of risk exposure:	**Fair Value Asset (Liability)**		**Market Risk**	
December 31	**2017**	2016	**2017**	2016
(In millions)				
Equity prices (1):				
Equity securities:				
General accounts (a)	**$ 695**	$ 110	**$ (174)**	$ (28)
Limited partnership investments	**3,278**	3,220	**(464)**	(449)
Interest rate (2):				
Fixed maturities (a)	**41,484**	40,893	**(2,559)**	(2,571)
Short term investments (a)	**1,901**	1,701	**(1)**	(1)
Other invested assets, primarily mortgage loans	**844**	594	**(40)**	(30)
Interest rate swaps (b)	**4**		**26**	
Other derivatives	**(3)**	3	**17**	13
Foreign exchange (3):				
Other invested assets	**44**	36	**(7)**	(5)

Note: The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of (1) a decrease in equity prices of 25%, (2) an increase in yield rates of 100 basis points and (3) a decrease in the foreign currency exchange rates versus the U.S. dollar of 20%.

(a) Certain securities are denominated in foreign currencies. An assumed 20% decline in the underlying exchange rates would result in an aggregate foreign currency exchange rate risk of $(453) and $(399) at December 31, 2017 and 2016.

(b) The market risk at December 31, 2017 will generally be offset by recognition of the underlying hedged transaction.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Financial Statements and Supplementary Data are comprised of the following sections:

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for us. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

There are inherent limitations to the effectiveness of any control system, however well designed, including the possibility of human error and the possible circumvention or overriding of controls. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Management must make judgments with respect to the relative cost and expected benefits of any specific control measure. The design of a control system also is based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that a control will be effective under all potential future conditions. As a result, even an effective system of internal control over financial reporting can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework (2013)*. Based on this assessment, our management believes that, as of December 31, 2017, our internal control over financial reporting was effective.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the Company s internal control over financial reporting. The report of Deloitte & Touche LLP follows this Report.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Loews Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Loews Corporation and subsidiaries (the Company) as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2017, of the Company and our report dated February 15, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management s report on internal control over financial reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New York, NY

February 15, 2018

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Loews Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Loews Corporation and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income (loss), equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the schedules listed in the Index at Item 15(a)2 (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2018, expressed an unqualified opinion on the Company s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New York, NY

February 15, 2018

We have served as the Company s auditor since 1969.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

Assets:

December 31 **(Dollar amounts in millions, except per share data)**	**2017**	2016
Investments:		
Fixed maturities, amortized cost of $38,861 and $38,947	**$ 42,133**	$ 41,494
Equity securities, cost of $1,177 and $571	**1,224**	549
Limited partnership investments	**3,278**	3,220
Other invested assets, primarily mortgage loans	**945**	683
Short term investments	**4,646**	4,765
Total investments	**52,226**	50,711
Cash	**472**	327
Receivables	**7,613**	7,644
Property, plant and equipment	**15,427**	15,230
Goodwill	**659**	346
Other assets	**2,555**	1,736
Deferred acquisition costs of insurance subsidiaries	**634**	600
Total assets	**$ 79,586**	$ 76,594

See Notes to Consolidated Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

Liabilities and Equity:

December 31 **(Dollar amounts in millions, except per share data)**	**2017**	2016
Insurance reserves:		
Claim and claim adjustment expense	**$ 22,004**	$ 22,343
Future policy benefits	**11,179**	10,326
Unearned premiums	**4,029**	3,762
Total insurance reserves	**37,212**	36,431
Payable to brokers	**60**	150
Short term debt	**280**	110
Long term debt	**11,253**	10,668
Deferred income taxes	**749**	636
Other liabilities	**5,466**	5,238
Total liabilities	**55,020**	53,233
Commitments and contingent liabilities		
Shareholders equity:		
Preferred stock, $0.10 par value:		
Authorized 100,000,000 shares		
Common stock, $0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 332,487,815 and 336,621,358 shares	**3**	3
Additional paid-in capital	**3,151**	3,187
Retained earnings	**16,096**	15,196
Accumulated other comprehensive loss	**(26)**	(223)
	19,224	18,163
Less treasury stock, at cost (400,000 shares)	**(20)**	
Total shareholders equity	**19,204**	18,163
Noncontrolling interests	**5,362**	5,198
Total equity	**24,566**	23,361
Total liabilities and equity	**$ 79,586**	$ 76,594

See Notes to Consolidated Financial Statements.

Table of Contents

Loews Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31 **(In millions, except per share data)**	**2017**	2016	2015
Revenues:			
Insurance premiums	**$ 6,988**	$ 6,924	$ 6,921
Net investment income	**2,182**	2,135	1,866
Investment gains (losses):			
Other-than-temporary impairment losses	**(14)**	(81)	(156)
Other net investment gains	**136**	131	85
Total investment gains (losses)	**122**	50	(71)
Contract drilling revenues	**1,451**	1,525	2,360
Other revenues	**2,992**	2,471	2,339
Total	**13,735**	13,105	13,415
Expenses:			
Insurance claims and policyholders benefits	**5,310**	5,283	5,384
Amortization of deferred acquisition costs	**1,233**	1,235	1,540
Contract drilling expenses	**802**	772	1,228
Other operating expenses (Note 6)	**4,162**	4,343	4,499
Interest	**646**	536	520
Total	**12,153**	12,169	13,171
Income before income tax	**1,582**	936	244