018313 - CNA Insurance Companies

Report Revision Date: 07/08/2013

Rating and Commentary [1]	*Financial* [2]	*General Information* [3]
Best's Credit Rating: N/A	**Time Period:** 2nd Quarter - 2013	**Corporate Structure:** 01/15/2009
Rating Rationale: N/A	**Last Updated:** 08/20/2013	**States Licensed:** N/A
Report Commentary: 07/08/2013	**Status:** Quality Cross Checked	**Officers and Directors:** N/A

Best's Credit Rating Methodology | Disclaimer | Best's Rating Guide

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Rating Activity and Announcements	Corporate Changes & Retirements
Company Overview	AMB Country Risk Reports - United States

[1]The Rating and Commentary date outlines the most recent updates to the Company's Rating, Rationale, and Report Commentary for key rating and business changes. Report commentary may include significant changes to Business Review, Financial Performance/Earnings, Capitalization, Investment/Liquidity, or Reinsurance sections of the report.

[2]The Financial date reflects the current status of the financial tables found within the body of the Report, including whether the data was loaded as received or had been run through our quality control cross-check process.

[3]The General Information date covers key areas that may have changed such as corporate structure, states licensed or officers and directors.

Associated Parent: Loews Corporation

CNA Insurance Companies

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Tel.: 312-822-5000 **Web:** www.cna.com **Fax:** 312-822-6419

AMB #: 018313 **Associated Parent:** 050177 **NAIC #:** N/A **FEIN #:** N/A

Report Revision Date: 07/08/2013

Rating Rationale

Rating Rationale: The ratings reflect CNA Insurance Companies' (the group) excellent level of risk-adjusted capitalization, consistent and profitable operating performance and established market position as a leading writer within the commercial lines segment of the U.S. property/casualty industry. Somewhat offsetting these favorable rating factors are variability in the group's underwriting performance (driven primarily by continuing impact of discontinued operations and long-term liabilities) and the effect of recent highly competitive market conditions on its property/casualty business. The outlooks reflect the group's substantially improved risk-adjusted capitalization since 2008, as well as the underwriting and other operating initiatives completed and currently underway to achieve a more favorable operating performance over the longer term. In 2010, approximately $1.6 billion of the group's net legacy asbestos and environmental (A&E) liabilities were transferred to National Indemnity Company. A.M. Best believes the transaction is positive for the group as it substantially reduces the uncertainty of its legacy A&E liabilities and virtually eliminates any potential A&E earnings drag for the foreseeable future.

CNA Insurance Companies' positive rating factors are derived from its operating platform, which demonstrates considerable geographic and product line scope; strong service capabilities; and a diversified distribution channel with well-established agency relationships. The group's policyholder retention remains strong while cross-sell initiatives designed at selling additional policies to existing insureds continue to support new business growth. The ratings also reflect the historical capital support provided by the group's ultimate parent, Loews Corporation (Loews). The substantial improvement in the fair value of CNA Financial Corporation's (CNAF) investments since 2008, along with operating earnings generated over that period, enabled CNAF to redeem all of the cumulative senior perpetual preferred stock it had issued to Loews by year-end 2010. In addition, the group's improved financial position over this period enabled the payoff of its $1 billion surplus note to CNAF as of the second quarter of 2012.

Partially offsetting the group's positive factors are continuing variability in underwriting performance, driven primarily by adverse development of loss reserves for its discontinued long-term care (LTC) program and other long-term liabilities; the effects of the current highly competitive environment in its property/casualty markets, which will likely pressure underwriting margins over the near term; and its above-average exposure to below-investment grade securities and long-term maturities, which are largely held to support liabilities of its run-off long-term care and life operations. A.M. Best considers the group favorably positioned and sufficiently capitalized to absorb these challenges and those posed by the continued competitive market.

At December 31, 2012, CNAF's adjusted debt to total tangible capital was18.5%. CNAF's current financial leverage as defined by A.M. Best is well within A.M. Best's guidelines. In addition, CNAF has sound coverage ratios.

CNAF's liquidity is adequate. As of December 31, 2012, the company's cash and equivalents were approximately $448 million coupled with the availability of a $250 million credit facility and operating company dividend capacity, the holding company has ample liquidity in the near term to meet its corporate obligations, which include projected interest payments of $170 million on outstanding debt. No other significant amounts of debt mature until December 2014.

While the ratings for the members of CNA Insurance Companies are stable, future positive rating actions may result if the group outperforms its projections. However, negative rating actions could result if operating performance falls markedly short of A.M. Best's expectation.

Rating Unit Members

CNA Insurance Companies (AMB# 018313)

Rating Unit Members (Continued ...)

AMB#	Company	BEST'S FSR	BEST'S ICR	Pool %
002127	American Cas Co Reading, PA	A	a	
003538	Columbia Casualty Company	A	a	
002128	Continental Casualty Company	A	a	
001882	Continental Ins Co of NJ	A	a	
002118	Continental Insurance Co	A	a	
002129	National Fire Ins Hartford	A	a	
086627	North Rock Insurance Co Ltd	A	a	
002131	Transportation Insurance Co	A	a	
002132	Valley Forge Insurance Co	A	a	

Key Financial Indicators

	Statutory Data ($000)					
Period Ending	Premiums Written Direct	Premiums Written Net	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policyholder's Surplus
2012	8,510,763	6,574,250	532,055	518,530	43,359,670	9,998,354
2011	8,077,896	6,494,171	1,066,249	1,049,997	42,711,914	9,887,580
2010	7,672,148	6,053,202	381,372	396,993	42,120,290	10,140,818
2009	7,955,997	6,253,578	1,007,726	142,465	43,596,424	9,596,612
2008	8,339,302	6,566,941	952,329	-62,858	41,799,039	8,029,172
06/2013	4,525,788	3,410,636	417,322	348,688	44,059,021	10,186,720
06/2012	4,331,296	3,347,009	409,761	402,170	43,294,026	9,957,030

	Profitability			Leverage			Liquidity	
Period Ending	Combined Ratio	Investment Yield (%)	Pre-Tax ROR (%)	Non-Affiliated Investment Leverage	NPW to PHS	Net Leverage	Overall Liquidity (%)	Operating Cash-flow (%)
2012	123.8	5.0	9.0	49.7	0.7	3.9	130.2	115.0
2011	113.3	5.2	19.1	45.3	0.7	3.8	130.5	127.2
2010	109.7	4.7	7.0	46.6	0.6	3.6	132.2	97.0
2009	109.9	4.9	17.5	39.7	0.7	3.9	129.4	119.9
2008	113.0	5.3	15.9	56.6	0.8	4.7	125.1	116.8
5-Yr Avg	114.0	5.0	13.7	...	...	...	...	...
06/2013	115.3	4.8	13.9	59.1	0.7	4.0	130.3	109.2
06/2012	113.4	5.3	14.2	52.8	0.7	4.0	130.2	115.8

Key Financial Indicators (Continued ...)

The data shown above represents the consolidated results of companiies included in the Continental Casualty Combined and the Western Surety Combined statutory basis financial statements.

(*) Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.
(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

Business Profile

CNA's core property and casualty operating entities are national, multi-line insurers that focus on underwriting specialty and commercial lines, surety, marine and other property/casualty coverages. Leading business lines include general liability, professional liability, workers' compensation, and automobile liability. The group ranks as the seventh-largest commercial lines writer and thirteenth-largest property/casualty insurance group based on 2011 statutory net premium writings. In addition to underwriting services, CNA provides risk management, information services, risk control and claims administration services. Operations are based on a strategy of industry segmentation through which the group offers specialized insurance products to its clients that pertain to and are priced for their particular industry or targeted class. CNA's business is conducted nationwide through an extensive branch office and independent agency organization with a well-diversified portfolio in and across segments. CNA's core property/casualty operations are structured in two major segments: CNA Specialty and CNA Commercial.

Scope of Operations

Scope of Operations: CNA Specialty provides professional and management liability and other coverages through property and casualty products and services, both domestically and abroad, primarily through a network of independent agencies, brokers, and managing general underwriters. CNA Specialty provides solutions for managing the risks of its clients, which include architects, engineers, accountants, lawyers, healthcare professionals, financial intermediaries and public and private corporations. Product offerings also include surety and fidelity bonds, and extended services contracts.

CNA Commercial provides a broad range of property and casualty insurance products and services to small businesses and middle market entities and organizations primarily through an independent agency distribution system and a network of brokers. Additionally, its excess and surplus lines are now included in CNA Commercial as a part of CNA Select Risk. Property products provide standard and excess property coverages, as well as marine coverage, and boiler and machinery. Casualty products provide standard casualty insurance products such as workers' compensation, general and product liability, commercial auto, and umbrella coverages. CNA Commercial also includes commercial insurance and risk management products sold to large corporations in the U.S. primarily through insurance brokers.

Previously, its international operations were treated as a separate business unit within CNA Specialty. The products sold through its international operations are now reflected within CNA Specialty and CNA Commercial in a manner that aligns with the products within each segment.

Total Premium Composition & Growth Analysis

Period Ending	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	($000)	(%Chg)	($000)	(%Chg)	($000)	(%Chg)	($000)	(%Chg)
2012	8,510,763	5.4	131,251	-8.0	2,067,764	19.8	6,574,250	1.2
2011	8,077,896	5.3	142,726	16.1	1,726,451	-0.9	6,494,171	7.3
2010	7,672,148	-3.6	122,916	5.3	1,741,862	-4.2	6,053,202	-3.2
2009	7,955,997	-4.6	116,735	6.2	1,819,155	-3.4	6,253,578	-4.8
2008	8,339,302	-6.4	109,914	-45.9	1,882,276	-15.7	6,566,941	-4.6
5-Yr CAGR	...	-0.9	...	-8.4	...	-1.5	...	-0.9
06/2013	4,525,788	4.5	1,807,350	1.7	2,922,502	5.9	3,410,636	1.9
06/2012	4,331,296	7.9	1,776,663	-4.9	2,760,950	3.3	3,347,009	4.2

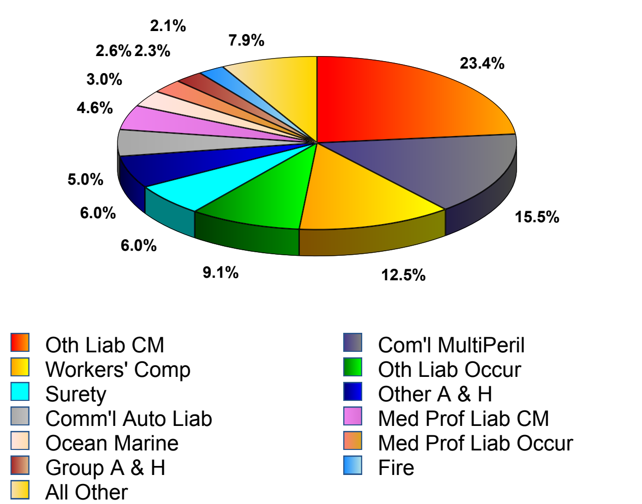
Business Trends

Business Trends (Continued ...)

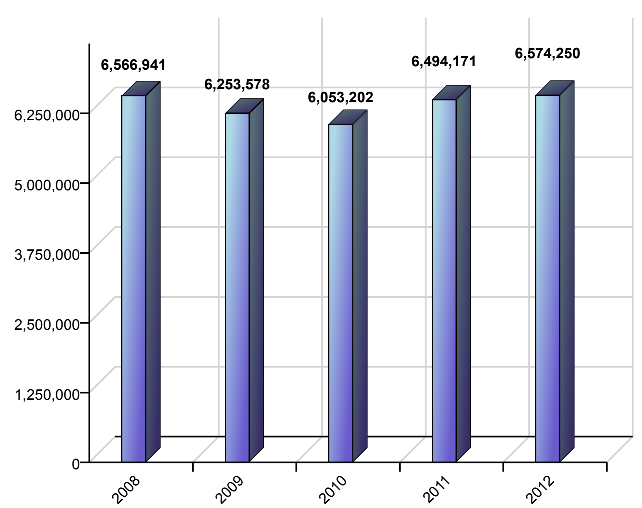
2012 By-Line Business ($000)

Product Line	Direct Premiums Written ($000)	Direct Premiums Written (%)	Reinsurance Premiums Assumed ($000)	Reinsurance Premiums Assumed (%)	Reinsurance Premiums Ceded ($000)	Reinsurance Premiums Ceded (%)	Net Premiums Written ($000)	Net Premiums Written (%)	Business Retention %
Oth Liab CM	1,519,608	17.9	9,970	7.6	-6,970	-0.3	1,536,548	23.4	100.5
Com'l MultiPeril	1,046,109	12.3	1,722	1.3	27,626	1.3	1,020,205	15.5	97.4
Workers' Comp	845,975	9.9	7,982	6.1	29,828	1.4	824,129	12.5	96.5
Oth Liab Occur	862,998	10.1	-489	-0.4	267,296	12.9	595,212	9.1	69.0
Surety	411,160	4.8	6,796	5.2	21,271	1.0	396,685	6.0	94.9
Other A & H	349,205	4.1	45,354	34.6	114	0.0	394,444	6.0	100.0
Comm'l Auto Liab	331,021	3.9	2,367	1.8	7,381	0.4	326,006	5.0	97.8
Med Prof Liab CM	313,511	3.7	25,088	19.1	36,255	1.8	302,343	4.6	89.3
Ocean Marine	245,170	2.9	706	0.5	46,386	2.2	199,489	3.0	81.1
Med Prof Liab Occur	169,530	2.0	...	...	14	0.0	169,517	2.6	100.0
Group A & H	150,273	1.8	1,439	1.1	130	0.0	151,581	2.3	99.9
Fire	145,501	1.7	15,616	11.9	19,822	1.0	141,295	2.1	87.7
All Other	2,120,704	24.9	14,702	11.2	1,618,611	78.3	516,795	7.9	24.2
Total	8,510,763	100.0	131,251	100.0	2,067,764	100.0	6,574,250	100.0	76.1

2012 Top Product Lines of Business (Net Premiums Written)



5 Years of Net Premiums Written ($000)



Business Trends (Continued ...)

By-Line Reserve ($000)

Product Line	2012	2011	2010	2009	2008
Oth Liab CM	3,646,473	3,676,607	3,618,114	3,563,746	3,395,815
Com'l MultiPeril	1,403,212	1,384,379	1,556,552	1,814,188	2,036,925
Workers' Comp	5,061,188	5,263,346	5,326,183	5,150,180	5,190,932
Oth Liab Occur	3,048,203	2,996,819	2,992,738	2,940,681	3,858,373
Surety	375,391	374,881	364,700	397,866	379,897
Other A & H	1,641,748	1,387,825	1,214,019	1,044,278	911,578
Comm'l Auto Liab	815,888	822,819	941,439	1,067,765	1,095,189
Med Prof Liab CM	849,763	805,952	842,539	848,909	847,616
Ocean Marine	298,115	275,572	309,072	326,455	335,433
Med Prof Liab Occur	408,880	401,949	401,976	396,728	345,470
Group A & H	192,590	180,876	178,361	218,343	208,763
Fire	168,200	99,239	37,042	21,830	17,275
All Other	2,247,192	2,370,788	2,232,335	2,402,653	1,727,410
Total	20,156,845	20,041,052	20,015,071	20,193,621	20,350,676

Market Share / Market Presence

Geographical Breakdown By Direct Premium Writings ($000)

	2012	2011	2010	2009	2008
California	853,158	816,750	765,194	783,174	831,105
Texas	669,591	578,340	539,788	566,268	561,718
New York	623,440	586,661	573,947	590,473	599,447
Illinois	582,952	428,840	323,578	327,310	338,629
Florida	520,120	520,834	506,442	529,656	591,527
New Jersey	314,225	297,538	286,498	309,385	336,259
Pennsylvania	307,909	288,494	278,690	276,779	299,024
Canada	274,279	258,310	238,370	215,396	234,588
Massachusetts	226,411	208,759	206,424	210,134	217,142
Ohio	217,695	199,866	188,175	187,793	182,331
All Other	3,920,982	3,893,505	3,765,043	3,959,628	4,147,532
Total	8,510,763	8,077,896	7,672,148	7,955,997	8,339,302

Risk Management

The group's management team has identified major risks and defined risk tolerance levels and has a process in place to manage those risks which management feels are effective. The chief risk officer reports directly to the CFO and has direct access to the board of directors, which reviews risk tolerance levels submitted by management. There are significant controls and communication channels are in place at both the management and board of directors levels, providing consistency and controls across the enterprise. Enterprise risk management (ERM) plays a role in the management of property catastrophe exposure, quantification of risk and in capital management activities (e.g., Hardy acquisition, CNA Surety merger, sales of First Insurance Company of Hawaii and CNA Argentina, A&E LPT transaction and capital and surplus actions). Management believes its ERM initiatives will assist it in managing through the current soft market cycle more effectively than in prior downturns.

Catastrophe Exposure & Management: CNA is exposed to various perils, particularly earthquakes and hurricanes, as business is predominantly written in North America. Catastrophe mitigation strategies include mandatory wind deductibles in coastal areas, mandatory earthquake deductibles in earthquake-prone areas, reduced earthquake sub-limits and reduced concentrations in the most susceptible catastrophe areas.

CNA's net catastrophe leverage as depicted in a probable maximum loss (PML) analysis is limited to less than 5% of surplus. Additionally, being one of the largest commercial lines writers in the United States, the group remains exposed to potential terrorist-related losses. A.M. Best will monitor the status of the provisions in the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA), which is set to expire at the end of 2014.

Operating Performance

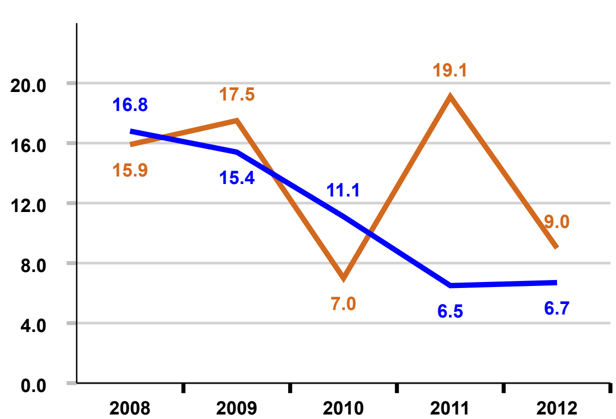
Operating Results: CNA has reported solid operating earnings over the current five-year period, demonstrated by the group's operating ratio and pre-tax return on revenue which have outperformed the composite on a five-year average basis. On the same five-year average basis, however, the group's average return on equity trails the commercial casualty composite. The group's strong level of earnings has been generated primarily through significant investment earnings, with more variable underwriting results sometimes benefitting and sometime reducing earnings. Sizable catastrophe losses in 2008 and 2012, realized investment losses in 2008 and 2009, reinsurance treaty commutations, run-off of LTC and other long-term liabilities, and variability in prior accident year favorable loss reserve development trends have contributed to the variability of underwriting and pre-tax income in recent years. In 2010, CNA transferred approximately $1.6 billion of the group's net legacy A&E liabilities to National Indemnity Company (NICO). This transaction generated a one-time expense charge of approximately $600 million in that year.

A.M. Best recognizes the improvement in core underwriting results and underlying accident year operating performance over the past five years, which appears to be driven by fundamental changes as a result of various corrective actions taken by management.

Profitability Analysis

	Company							Industry Composite		
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return	Pre-Tax ROR	Return on PHS	Operating Ratio	Pre-Tax ROR	Return on PHS	Operating Ratio
2012	532,055	458,649	518,530	899,073	9.0	9.0	91.8	6.7	7.9	92.4
2011	1,066,249	932,085	1,049,997	726,718	19.1	7.3	78.4	6.5	5.6	93.1
2010	381,372	291,800	396,993	866,045	7.0	8.8	78.0	11.1	9.6	88.2
2009	1,007,726	926,038	142,465	1,107,583	17.5	12.6	79.6	15.4	11.5	84.6
2008	952,329	882,263	-62,858	-1,854,388	15.9	-22.4	81.9	16.8	-1.0	83.6
5-Yr Avg/Tot	3,939,732	3,490,835	2,045,126	1,745,031	13.7	3.7	82.0	11.3	6.8	88.4
06/2013	417,322	383,026	348,688	476,895	13.9	8.0	84.4	XX	XX	XX
06/2012	409,761	347,478	402,170	569,876	14.2	10.1	80.7	XX	XX	XX

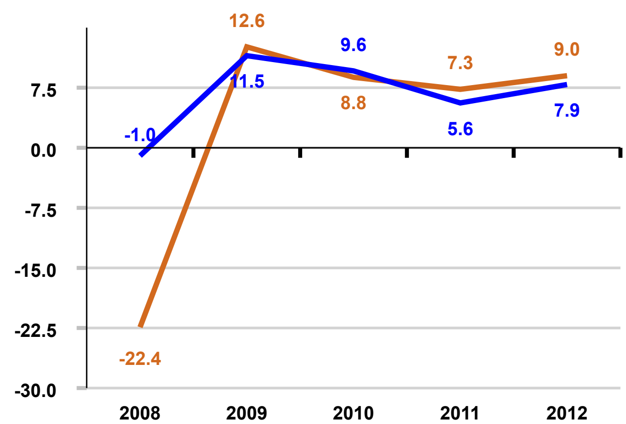
Pre-Tax ROR Comparison with Industry Composite



- Company Pre-Tax ROR
- Industry Composite Pre-Tax ROR

* Industry Composite - Commercial Casualty Composite

Return on PHS Comparison with Industry Composite



- Company Return on PHS
- Industry Composite Return on PHS

* Industry Composite - Commercial Casualty Composite

Underwriting Results

Underwriting Results: CNA's underwriting performance over the current five-year period compares unfavorably to the commercial casualty composite, as evidenced by its five-year average combined ratio. The group's underwriting results have been significantly impacted by catastrophe losses in 2008 and 2012 along with CNA's LTC business, which is largely in run-off, as well as other life & group business (including payout annuities, primarily structured settlements, and a small block of group reinsurance), also in run-off, and included in the group's results. For both full year 2011 and 2012, these run-off LTC operations adversely impacted the consolidated group's combined ratio by approximately 10 points.

While A.M. Best believes that underwriting fundamentals and the reclassification of risk selection are sound drivers that should benefit the group's prospective underwriting position, pricing in major commercial lines market segments was intensely competitive through most of the five-year period. To better respond to market trends, CNA has implemented tighter underwriting controls, improved predictive modeling and data quality management as well as streamlined the management structure, which should also continue to have a favorable impact on underwriting results. In addition, the benefits of more stringent risk selection due to reduced writings in high-hazard businesses should continue to positively impact underwriting results, particularly as market conditions improve. Furthermore, the group has reduced its exposure to large workers' compensation risks and has generally increased its focus on small to middle market business. Lastly, the transfer of $1.6 billion of the group's net legacy A&E liabilities to NICO virtually eliminates any potential A&E earnings drag for the foreseeable future.

Underwriting Experience

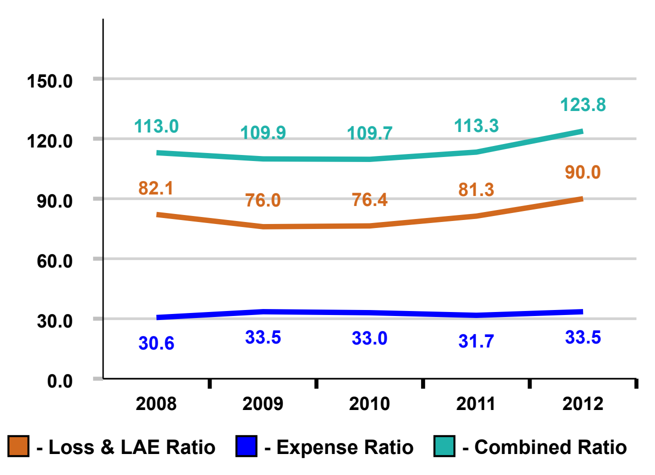
		Loss Ratios			Expense Ratios				
Year	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio
2012	-1,627,736	69.6	20.5	90.0	15.0	18.4	33.5	0.3	123.8
2011	-1,029,888	62.4	18.8	81.3	14.8	16.9	31.7	0.3	113.3
2010	-726,598	55.0	21.3	76.4	14.8	18.2	33.0	0.3	109.7
2009	-732,278	57.2	18.8	76.0	14.4	19.1	33.5	0.4	109.9
2008	-956,462	65.9	16.2	82.1	14.1	16.5	30.6	0.3	113.0
5-Yr Avg	-5,072,963	62.2	19.1	81.3	14.6	17.8	32.4	0.3	114.0
06/2013	-591,905	62.6	20.8	83.4	XX	XX	31.8	0.2	115.3
06/2012	-536,914	63.4	17.7	81.1	XX	XX	32.2	0.2	113.4

Underwriting Results (Continued ...)

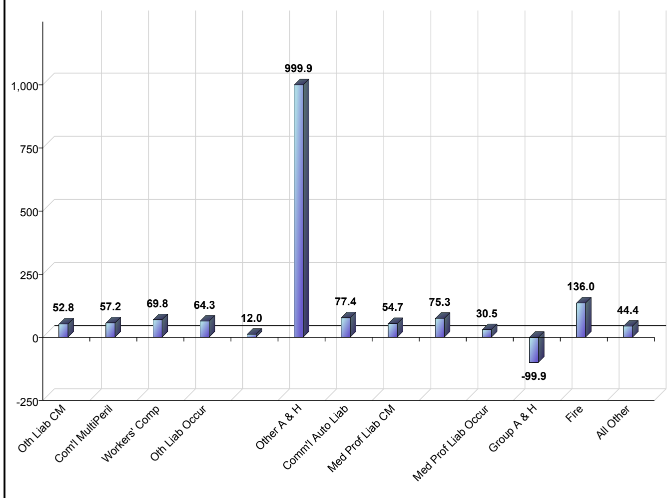
Loss Ratio By Line

Product Line	2012	2011	2010	2009	2008	5-Yr. Avg.
Oth Liab CM	52.8	44.9	43.4	43.5	52.1	47.4
Com'l MultiPeril	57.2	51.5	37.6	52.3	32.8	46.0
Workers' Comp	69.8	76.6	79.6	82.8	120.0	86.4
Oth Liab Occur	64.3	59.1	42.1	206.3	35.5	76.3
Surety	12.0	15.3	-1.8	13.6	14.3	10.7
Other A & H	999.9	-99.9	-99.9	-99.9	-99.9	-99.9
Comm'l Auto Liab	77.4	49.5	49.8	72.5	68.7	63.8
Med Prof Liab CM	54.7	33.3	24.7	30.7	38.6	36.2
Ocean Marine	75.3	56.2	46.1	52.3	43.3	54.0
Med Prof Liab Occur	30.5	29.6	37.0	64.1	61.2	43.7
Group A & H	-99.9	-99.9	-54.2	-40.7	-99.9	999.9
Fire	136.0	131.5	39.7	57.3	-99.9	104.1
All Other	44.4	34.7	61.7	-38.4	65.7	30.1
Total	69.8	62.2	55.5	58.3	63.7	62.0

Combined Ratio



2012 Pure Loss Ratio by Product Line



Underwriting Results (Continued ...)

Direct Loss Ratios By State

	2012	2011	2010	2009	2008	5-Yr. Avg.
California	68.5	73.6	63.1	64.1	82.9	70.8
Texas	56.0	51.8	40.8	51.1	73.5	54.9
New York	87.7	55.0	49.1	85.8	41.2	64.2
Illinois	61.2	41.4	48.6	61.8	77.6	57.5
Florida	62.0	48.0	42.0	52.3	37.4	47.9
New Jersey	87.8	84.9	39.1	74.1	72.1	72.0
Pennsylvania	80.3	50.1	54.3	68.5	77.7	66.5
Canada	39.5	39.1	39.8	44.1	72.5	46.7
Massachusetts	52.0	72.0	42.3	86.3	52.7	61.1
Ohio	58.6	61.7	75.1	56.9	99.3	69.8
All Other	61.8	57.9	56.4	56.5	62.5	59.1
Total	64.4	57.8	52.9	60.5	64.3	60.1

Investment Results

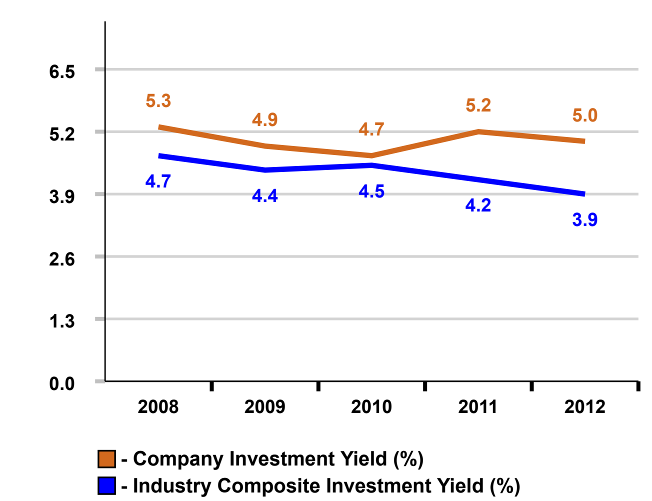
Investment Results: The group's investment philosophy is to align the portfolio with the needs of the group and places an emphasis on diversification, protection of principal and liquidity. The group's investment portfolio has produced solid but fluctuating investment earnings over the current five-year period. Income declined slightly during 2008 through 2010 primarily due to lower overall yields, particularly on short-term investments as well as decreased results from limited partnerships in 2008. However, both income and limited partnerships have rebounded in recent years. Total investment returns have fluctuated over the current five-year period primarily due to impairments resulting from the crisis in the financial markets. The group's investment yields are higher than the peer group, largely due to its long-dated maturities, which support liabilities from the run-off LTC and life operations.

The non-affiliated invested asset base is composed primarily of a diversified fixed-income portfolio as well as cash and short-term investments. Fixed-income investments predominantly consist of publicly traded corporate bonds, with diversification by industry and issuer being a prominent part of the strategy, as well as municipal and mortgage-backed securities. During 2008 and 2009, the group repositioned its investment portfolio to manage risk and volatilities and drive more consistent performance in the future. This has included reducing positions in non-agency residential mortgage-backed securities, below-investment-grade corporate bonds and non-redeemable preferred stock. Unaffiliated common stocks and limited partnerships represent a small percentage of the investment portfolio. The group focuses on an asset and liability matching approach for a portion of its investment portfolio where the duration is matched to its expected outflow of liabilities to meet future liquidity needs.

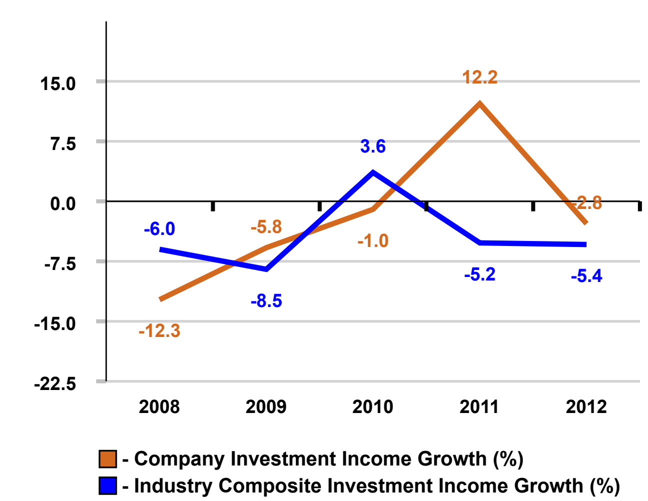
Investment Results (Continued ...)

Investment Gains ($000)

	Company							Industry Composite	
Year	Net Investment Income ($000)	Realized Capital Gains ($000)	Unrealized Capital Gains ($000)	Investment Income Growth (%)	Investment Yield (%)	Return on Invested Assets (%)	Total Return (%)	Investment Income Growth (%)	Investment Yield (%)
2012	1,891,105	59,881	380,544	-2.8	5.0	5.1	6.2	-5.4	3.9
2011	1,944,591	117,912	-323,280	12.2	5.2	5.5	4.6	-5.2	4.2
2010	1,732,634	105,193	469,052	-1.0	4.7	5.0	6.3	3.6	4.5
2009	1,749,788	-783,573	965,118	-5.8	4.9	2.7	5.4	-8.5	4.4
2008	1,857,451	-945,121	-1,791,530	-12.3	5.3	2.5	-2.4	-6.0	4.7
5-Yr Avg/Tot	9,175,569	-1,445,709	-300,096	-2.4	5.0	4.2	4.0	-4.4	4.4
06/2013	924,430	-34,338	128,208	-2.1	4.8	4.8	5.7	XX	XX
06/2012	943,980	54,693	167,706	4.6	5.3	5.6	5.3	XX	XX



* Industry Composite - Commercial Casualty Composite



* Industry Composite - Commercial Casualty Composite

Balance Sheet Strength

Capitalization

Capitalization: CNA's surplus growth over the current five-year period has been driven by solid operating earnings as well as capital contributions from Loews, which have subsequently been fully repaid. In 2008, surplus declined by nearly 6%, driven by realized and unrealized capital losses on its investment portfolio of approximately $2.3 billion. These losses were partially offset by pretax operating income and a $1.0 billion surplus note issuance. In 2009, the group's surplus increased 19% primarily due to an increase in market values on its investments, solid operating income and other miscellaneous surplus credits. However, in 2011 the group's surplus slightly declined by nearly 3% reflecting the pay-down of $500 million of its surplus note. A.M. Best expects CNA to organically generate surplus growth over the near term despite the competitive marketplace. In 2012, the group's modest surplus growth was driven by operating earnings offset by the pay-off of the $250 million surplus note along with $450 million stockholder dividends.

The group maintains an excellent level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), reflective of the improved investment portfolio and the economic value embedded in the loss and unearned premium reserves. The capital position also takes into account CNA's strengthened loss reserve position, declining trend in underwriting leverage measures, the transfer of its net legacy A&E liabilities to NICO, and capital support in past years from the group's ultimate parent, Loews. Although the group's capitalization has substantially improved since 2008 and more than supports the current ratings, the quality of CNA's capital base in A.M. Best's view is somewhat impacted by its above-average net and gross underwriting leverage relative to industry norms and the above-average variability of some of its investments. A.M. Best's longer-term view of capitalization will remain strong should CNA demonstrate continued improvement in consistent operating results.

CNAF benefits from the strength and historical commitment of its majority owner, Loews, which maintains significant financial resources to support long-term operations. In addition, CNAF maintains moderate financial leverage; however, fixed-charge coverage ratios have fluctuated due to certain capital management initiatives including the $365 million net loss related to the 2010 LPT transaction of the group's net legacy A&E liabilities to NICO, as well as the repayment of approximately $450 million of senior debt in 2011.

Capital Generation Analysis ($000)

	Source of Surplus Growth							
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains	Net Contributed Capital	Other Changes	Change in PHS	% Change in PHS
2012	532,055	59,881	73,406	380,544	-700,000	-88,300	110,774	1.1
2011	1,066,249	117,912	134,164	-323,280	-563,310	-416,645	-253,237	-2.5
2010	381,372	105,193	89,572	469,052	-500,000	178,160	544,205	5.7
2009	1,007,726	-783,573	81,688	965,118	-5,050	464,907	1,567,440	19.5
2008	952,329	-945,121	70,066	-1,791,530	1,551,808	-182,758	-485,339	-5.7
5-Yr Total	3,939,732	-1,445,709	448,897	-300,096	-216,552	-44,636	1,483,843	3.3
06/2013	417,322	-34,338	34,296	128,208	-172,288	-116,241	188,367	1.9
06/2012	409,761	54,693	62,283	167,706	-400,000	-100,427	69,449	0.7

Capitalization (Continued ...)

Quality of Surplus ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Year End Policyholders Surplus	Conditional Reserves	Adjusted Policyholders Surplus
2012	...	...	5,694,992	4,303,362	9,998,354	56,040	10,054,394
2011	250,000	...	6,150,848	3,486,733	9,887,580	82,927	9,970,508
2010	500,000	...	6,263,097	3,377,721	10,140,818	118,563	10,259,381
2009	1,000,000	...	6,295,224	2,301,388	9,596,612	310,160	9,906,772
2008	1,000,000	...	5,742,557	1,286,615	8,029,172	363,671	8,392,843
06/2013	...	...	5,721,059	4,465,661	10,186,720	56,040	10,242,761
06/2012	...	...	5,695,476	4,261,553	9,957,030	82,927	10,039,957

Underwriting Leverage

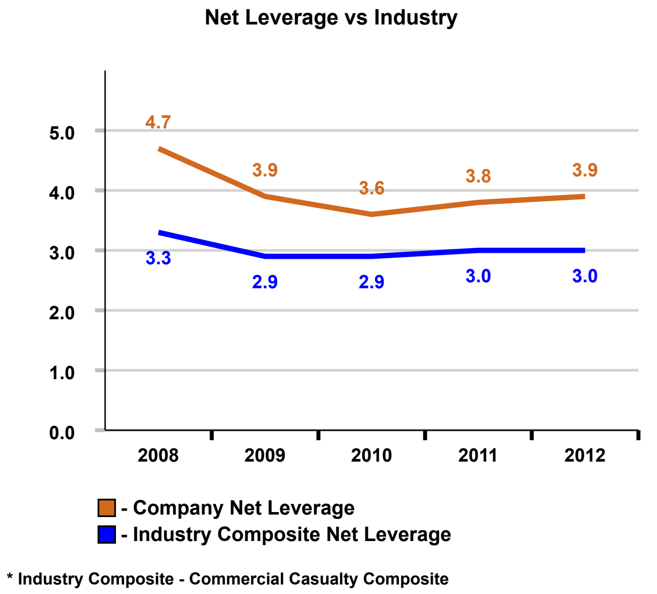
Underwriting Leverage: Due to improved earnings, favorable loss reserve development and reduced overall premium volume, CNA has reduced its overall underwriting leverage measures over the current five-year period. Both net and gross underwriting measures declined, reflective of the increase in surplus as a result of strong earnings generation, as well as a decrease in other liabilities such as funds held as collateral as a result of the additional commutations of finite reinsurance treaties, and a decline in premium writings due to soft market and competitive conditions. In recent years, the group's underwriting leverage has fluctuated reflective of the group's surplus growth along with its premium writings, reduced loss reserves and the impact of the 2010 LPT transaction of the group's net legacy A&E liabilities to NICO.

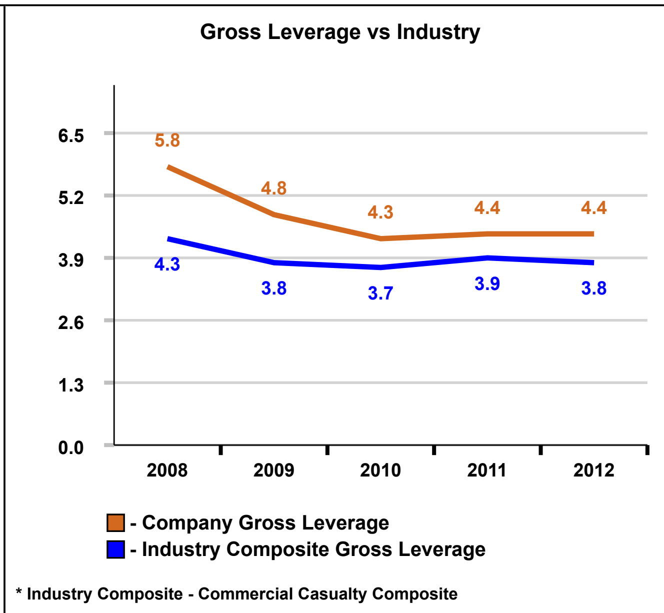
Leverage Analysis

	Company				Industry Composite			
Year	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage
2012	0.7	2.0	3.9	4.4	0.8	1.5	3.0	3.8
2011	0.7	2.0	3.8	4.4	0.8	1.5	3.0	3.9
2010	0.6	2.0	3.6	4.3	0.7	1.5	2.9	3.7
2009	0.7	2.1	3.9	4.8	0.7	1.5	2.9	3.8
2008	0.8	2.5	4.7	5.8	0.9	1.6	3.3	4.3
06/2013	0.7	2.0	4.0	XX	XX	XX	XX	XX
06/2012	0.7	2.0	4.0	XX	XX	XX	XX	XX

Current BCAR: 247.7

Underwriting Leverage (Continued ...)





Ceded Reinsurance Analysis ($000)

	Company				Industry Composite		
Year	Ceded Reinsurance Total	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)
2012	5,506,486	76.1	34.1	55.1	82.6	59.1	84.5
2011	5,425,858	79.0	37.1	54.9	81.6	59.4	84.5
2010	6,552,227	77.7	47.4	64.6	81.2	57.6	80.4
2009	7,821,645	77.5	62.5	81.5	82.6	61.2	84.8
2008	8,605,730	77.7	82.2	107.2	84.6	70.6	97.6

2012 Reinsurance Recoverables ($000)

	Paid & Unpaid Losses	Incurred But Not Reported (IBNR) Losses	Unearned Premiums	Other Recoverables *	Total Reinsurance Recoverables
US Affiliates	5,079,358	4,878,198	1,500,862	-1,000,470	10,457,945
Foreign Affiliates	119,307	2,679	9,461	-95,141	36,305
US Insurers	1,023,814	1,026,947	30,195	-2,803	2,078,156
Pools/Associations	416,449	378,110	309	-201	794,662
Other Non-Us	184,553	277,801	48,843	-11,223	499,973
Total(ex Us Affils)	1,744,123	1,685,537	88,808	-109,368	3,409,096
Grand Total	6,823,480	6,563,731	1,589,669	-1,109,838	13,867,040

* Includes Commissions less Funds Withheld

Loss Reserves

Loss Reserves: On a calendar year basis, the group has reported favorable reserve development with redundancies in five out of the last six years. On an accident year basis, the group has reported favorable development in six of the nine prior accident years. The group's recent accident year loss experience reflects the exit of high-hazard casualty business, improved underwriting fundamentals, and management's proactive stance in identifying and addressing potential loss reserve shortfalls.

In 2010, CNA entered into an agreement with NICO, a subsidiary of Berkshire Hathaway Inc., under which CNA's net legacy A&E liabilities of $1.6 billion were transferred to NICO, effective January 1, 2010. A.M. Best believes this transaction substantially reduces the group's legacy A&E liabilities and virtually eliminates any potential A&E earnings drag for the foreseeable future.

Loss and ALAE Reserve Development: Calendar Year ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Development to PHS (%)	Development to NPE (%)	Unpaid Reserves @ 12/2012	Unpaid Reserves to Development (%)
2012	21,349,573	21,349,573	...	...	361.3	21,349,573	100.0
2011	21,006,169	21,359,824	1.7	3.6	382.7	17,324,732	81.1
2010	20,996,054	20,963,627	-0.2	-0.3	384.0	14,706,452	70.2
2009	21,190,079	20,578,616	-2.9	-6.4	356.4	12,767,006	62.0
2008	21,326,038	20,346,436	-4.6	-12.2	340.2	11,334,729	55.7
2007	21,531,041	20,455,115	-5.0	-12.6	324.6	10,270,838	50.2

Loss and ALAE Reserve Development: Accident Year ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Unpaid Reserves @ 12/2012	Accident Year Loss Ratio	Accident Year Comb. Ratio
2012	4,024,841	4,024,841	...	4,024,841	85.1	118.8
2011	3,569,188	3,702,311	3.7	2,618,280	83.9	115.9
2010	3,529,530	3,634,419	3.0	1,939,446	82.5	115.8
2009	3,493,030	3,635,897	4.1	1,432,277	78.9	112.8
2008	3,720,740	3,673,404	-1.3	1,063,891	78.8	109.7
2007	3,657,439	3,214,887	-12.1	731,868	65.9	96.7

Loss Reserves (Continued ...)

Asbestos And Environmental Reserves Analysis

	Company						Industry Composite		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net Incurred But Not Reported (IBNR) Mix (%)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)
2012	1,440,047	58.9	66.6	8.6	4.4	2.7	9.1	0.6	0.6
2011	1,353,226	58.6	61.6	7.6	2.2	2.1	9.1	0.5	0.6
2010	1,431,031	56.3	64.6	7.9	1.4	2.0	7.2	0.7	0.5
2009	1,483,296	41.9	70.5	...	2.7	...	...	0.6	...
2008	1,529,891	42.9	68.1	...	1.9	...	...	0.3	...

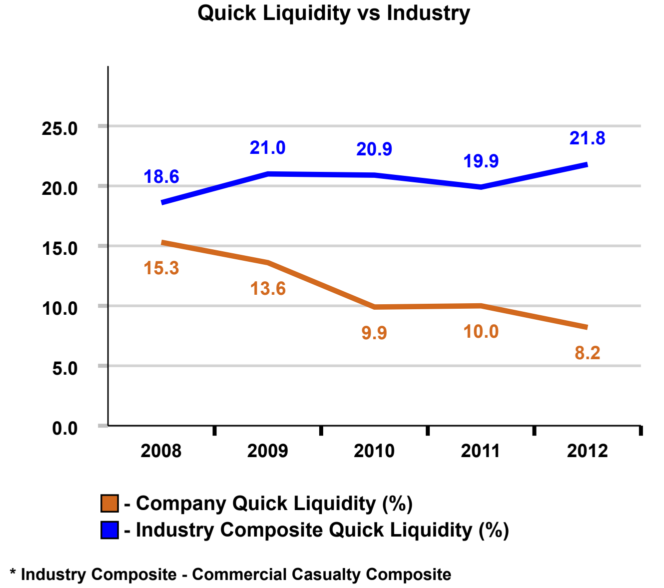
Liquidity

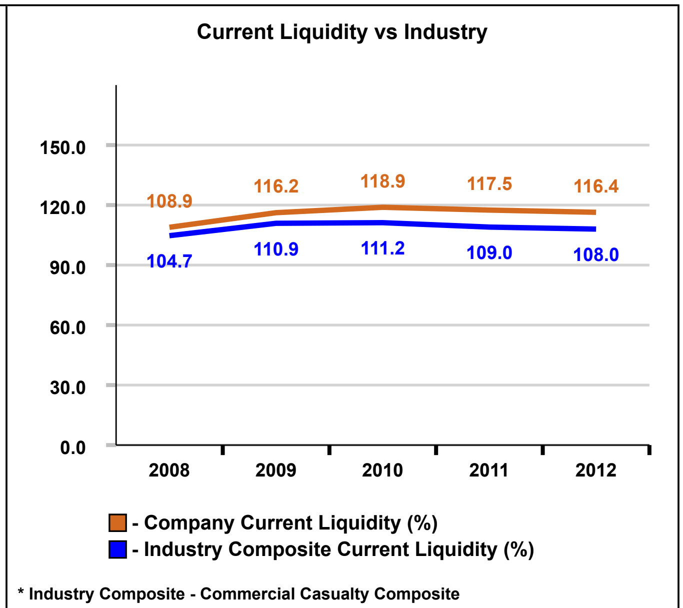
Liquidity: CNA maintains adequate liquidity as measured by the current liquidity ratio, which remains more favorable than those of the commercial casualty industry composite. The quick liquidity ratio does not compare as favorably to the peer group composite as the group's investment portfolio is predominantly comprised of long-term bonds. However, the group manages the duration of its invested assets to meet its future liability needs. Liquidity is enhanced by generally positive operating cash flow. Operating cash flow was negative in 2010 primarily reflecting the $1.9 billion initial cash settlement with NICO related to the A&E LPT transaction.

Liquidity Analysis

	Company				Industry Composite			
Year	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS(%)	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS (%)
2012	8.2	116.4	130.2	7.3	21.8	108.0	144.9	10.9
2011	10.0	117.5	130.5	6.7	19.9	109.0	144.5	10.3
2010	9.9	118.9	132.2	5.7	20.9	111.2	146.2	9.0
2009	13.6	116.2	129.4	5.4	21.0	110.9	146.0	9.1
2008	15.3	108.9	125.1	6.5	18.6	104.7	140.8	11.9
06/2013	XX	112.7	130.3	8.8	XX	XX	XX	XX
06/2012	XX	112.6	130.2	7.9	XX	XX	XX	XX

Liquidity (Continued ...)





Cash Flow Analysis ($000)

	Company					Industry Composite	
Year	Underwriting Cash Flow	Operating Cash Flow	Net Cash Flow	Underwriting Cash Flow (%)	Operating Cash Flow (%)	Underwriting Cash Flow (%)	Operating Cash Flow (%)
2012	-678,951	1,097,736	-88,486	90.6	115.0	98.2	110.7
2011	-36,143	1,756,044	-546,278	99.4	127.2	96.5	107.6
2010	-83,698	-245,755	-1,463,697	98.7	97.0	96.6	108.6
2009	-423,753	1,326,085	609,795	93.6	119.9	98.4	109.5
2008	-342,425	1,164,815	-1,061,182	94.9	116.8	101.2	112.6
5-Yr Total	-1,564,970	5,098,924	-2,549,849	...	...	...	...
06/2013	-586,694	355,643	-342,468	84.8	109.2	XX	XX
06/2012	-330,820	558,855	-234,425	90.6	115.8	XX	XX

Investments

Investments (Continued ...)

Investment Leverage Analysis (% of PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate / Mortgages	Other Invested Assets	Common Stock	Non - Affiliated Investment Leverage	Affiliated Investments	Class 3-6 Bonds	Common Stock
2012	20.6	3.7	24.9	0.5	49.7	15.4	7.1	10.3
2011	19.8	2.0	23.0	0.4	45.3	14.5	7.4	9.5
2010	22.9	0.5	22.8	0.4	46.6	14.8	7.2	9.0
2009	20.9	...	18.6	0.3	39.7	13.6	6.0	8.2
2008	31.7	...	21.2	3.7	56.6	18.2	5.4	9.1

Investments - Bond Portfolio

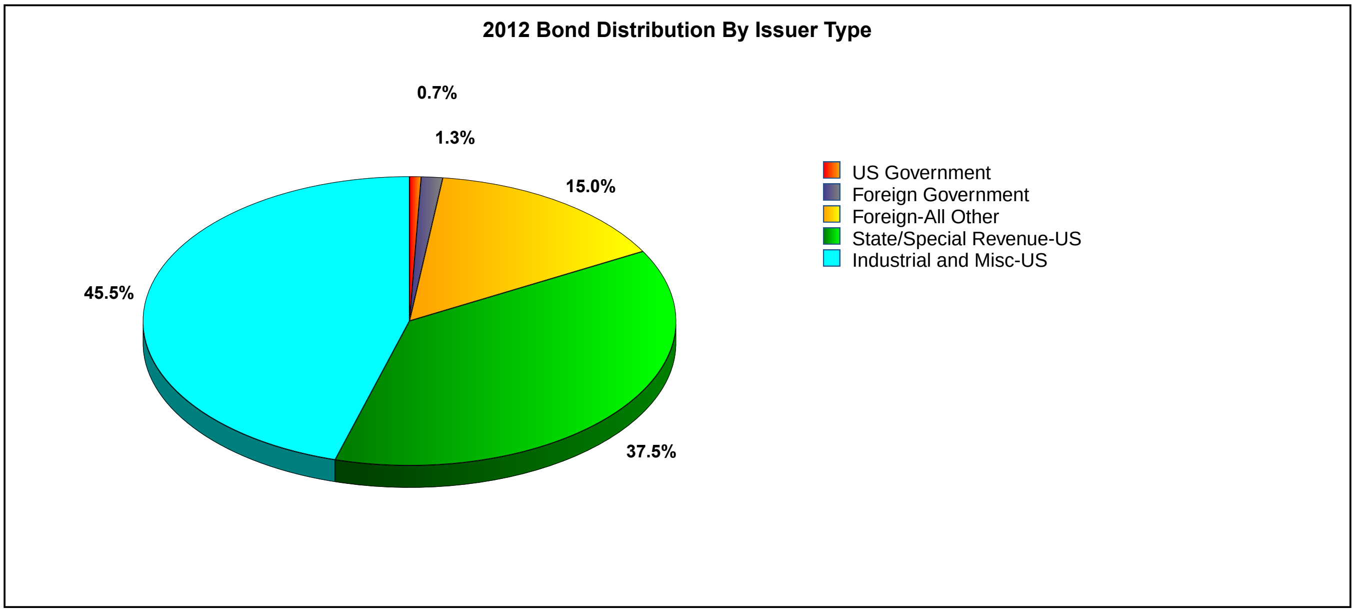
2012 Distribution By Maturity

	Years					
	0-1	1-5	5-10	10-20	20+	Years Average Maturity
Government	1.4	1.7	0.2	0.1	...	2.4
Government Agencies & Muni.	0.3	8.7	4.3	12.1	11.0	14.1
Industrial & Misc.	4.9	24.5	18.8	3.6	7.4	8.0
Hybrid Securities	...	...	...	0.1	0.9	24.0
Total	6.6	34.9	23.4	15.8	19.3	10.0

Investments - Bond Portfolio (Continued ...)

Bond Distribution By Issuer Type

	2012	2011	2010	2009	2008
Bonds (000)	33,235,330	32,833,913	31,624,412	30,677,372	27,770,969
US Government	0.7	1.8	0.6	0.9	10.0
Foreign Government	1.3	1.5	1.4	0.2	1.1
Foreign-All Other	15.0	14.1	15.2	13.8	6.1
State/Special Revenue-US	37.5	37.5	33.3	33.0	34.3
Industrial and Misc-US	45.5	45.1	49.4	52.1	48.4
Credit Tenant Lns-US	...	...	0.1	...	...



Bond Percent Private vs Public

	2012	2011	2010	2009	2008
Private Issues	11.9	16.6	13.6	13.5	10.2
Public Issues	88.1	83.4	86.4	86.5	89.8

Bond Quality Percent

	2012	2011	2010	2009	2008
Class 1	66.5	69.7	68.0	67.2	74.4
Class 2	27.4	24.5	25.0	26.8	17.2
Class 3	2.7	2.7	3.6	2.6	4.5
Class 4	2.7	2.3	2.5	2.2	3.0
Class 5	0.5	0.4	0.8	0.5	0.8
Class 6	0.1	0.4	0.1	0.5	0.2

Investments - Equity Portfolio

	2012	2011	2010	2009	2008
Total Stocks(000)	1,621,931	1,494,828	1,560,138	1,543,375	2,590,617
Unaffiliated Common	2.9	2.9	2.7	1.6	11.3
Affiliated Common	81.6	79.7	76.6	63.4	40.2
Unaffiliated Preferred	15.5	17.4	20.7	35.0	48.4

Investments - Mortgage Loans And Real Estate

	2012	2011	2010	2009	2008
Mortgage Loans and Real Estate (000)	495,614	321,937	179,112	131,879	136,160
Mortgage Loans	74.8	62.2	29.3	...	...
Property Occupied by Company	25.2	37.8	70.7	100.0	100.0
Property Held for Income	...	...	...	...	...

Investments - Other Invested Assets

	2012	2011	2010	2009	2008
Other Invested Assets(000)	3,684,599	3,660,581	4,212,507	5,291,753	4,737,362
Cash	15.9	11.5	17.7	25.1	10.8
Short-Term	13.3	20.3	22.9	34.9	43.3
Schedule BA Assets	70.0	65.3	59.1	37.1	39.0
All Other	0.8	2.9	0.3	2.9	6.9

History

CCC was started in 1897. From 1967 through December 30, 2003, CCC was a wholly owned subsidiary of CNAF, which is now approximately 90% owned by Loews. On December 31, 2003, CNAF contributed all of the outstanding shares of CCC to The Continental Corporation (TCC).

Other property/casualty insurance members of the CCC group include Transportation Insurance Company, formed in 1938; National Fire Insurance Company of Hartford, and Columbia Casualty Company, acquired in 1956; American Casualty Company of Reading, Pennsylvania, and Valley Forge Insurance Company, acquired in 1963; North Rock Insurance Company, Limited, acquired in 1996. Effective December 31, 2007, Transcontinental Insurance Company was merged directly into its parent company, National Fire Insurance Company of Hartford. Effective December 31, 2006, CNA Casualty of California was merged directly into its parent company, CCC.

The origin of The Continental Insurance Company (CIC) group dates back to the organization in 1853 of the lead company, The Continental Insurance Company. Members of the group had been subsidiaries of TCC, a publicly traded insurance holding company, from 1968 until May 10, 1995, when TCC was acquired by CNAF for $1.1 billion through a cash merger. On December 31, 2003, immediately following the contribution of CCC to TCC, TCC contributed the shares of CIC to CCC.

Other property/casualty members of the CIC group include The Continental Insurance Company of New Jersey, formed in 1983. As part of the multi-year restructuring project, in 2004 the CIC Group was de-pooled and was included along with the CCC Group as part of the CCC Combined. Effective December 31, 2006, twelve direct and indirect subsidiaries of CIC were merged into the company, including Boston Old Colony Insurance Company, The Buckeye Union Insurance Company, Commercial Insurance Company of Newark, NJ, Continental Reinsurance Corporation, The Fidelity and Casualty Company of NY, Firemen's Insurance Company of Newark, NJ, The Glens Falls Insurance Company, Kansas City Fire and Marine Insurance Company, The Mayflower Insurance Company, Limited, National-Ben Franklin Insurance Company of Illinois, Niagara Fire Insurance Company, and Pacific Insurance Company.

Effective January 1, 1996, renewals on certain commercial lines business previously underwritten by the CIC group were underwritten by the CCC group. As of the same date, renewals on personal lines business previously written by the CCC group were underwritten by the CIC group. In addition, all personal lines business in force in the CCC group at January 1, 1996, and subsequent are reinsured via a 100% quota share to the CIC group.

Effective October 1, 1999, CNAF closed on the sale of its personal lines business to The Allstate Corporation and certain of its subsidiaries (Allstate). The transfer of the $1.7 billion personal automobile and homeowner business of CNA, including the reserves and renewal rights, was accomplished via an asset purchase agreement facilitated by retroactive and prospective reinsurance agreements.

Effective June 7, 2010, CNAF completed the sale of its Argentinean subsidiary, CNA Aseguradora de Riesgos del Trabajo, to QBE the Americas, an Australia-based insurer and reinsurer. The sale price was $66.3 million, approximately two times GAAP book value and regulatory surplus. The sale was consistent with CNA's strategies, which focus on profitable growth in the U.S., Canadian and European markets.

On August 31, 2010, CNA completed a $1.6 billion loss portfolio transfer with NICO, under which effective January 1, 2010, CNAF transferred approximately substantially all of the group's net legacy A&E liabilities to NICO, a subsidiary of Berkshire Hathaway Inc. As part of the transaction, NICO deposited approximately $2.2 billion in a collateral trust account as security for its obligations to the CNA parties. In addition, Berkshire Hathaway Inc. guaranteed the payment obligations of NICO up to the full aggregate reinsurance limit as well as certain of NICO's performance obligations under the trust agreement.

Prior to June 10, 2011, subsidiaries of CNAF owned approximately 61% of the outstanding common stock of CNA Surety Corporation (CNA Surety). On June 10, 2011, CNAF, through one of its downstream affiliates, acquired all of the outstanding stock of CNA Surety. CNA Surety is now a wholly owned subsidiary of CCC. Subsidiaries of CNA Surety include Western Surety Company, a wholly owned subsidiary of CNA Surety; and both Universal Surety of America and Surety Bonding Company of America, wholly owned subsidiaries of Western Surety Company. Effective January 1, 2012, CNA Surety Corporation was merged with and into Western Surety Company.

On November 29, 2011, CNA completed the sale of its 50% ownership interest in First Insurance Company of Hawaii (FICOH) to Tokio Marine & Nichido Fire Insurance Co., Ltd., the other 50% shareholder. The sale was consistent with CNA's strategies to focus on its core business and streamline its operations.

On July 2, 2012, CNAF completed the acquisition of all outstanding shares of Hardy Underwriting Bermuda Limited and its subsidiaries (Hardy), a specialized Lloyd's of London (Lloyd's) underwriter. Hardy is now a wholly owned subsidiary of TCC.

Management

Thomas F. Motamed was named Chairman of the Board and Chief Executive Officer of CNAF effective on January 1, 2009. Mr. Motamed joined CNA following 31 years at The Chubb Corporation. Mr. Motamed retired from The Chubb Corporation effective on June 6, 2008.

Financial control of CNAF (approximately 90%) is held by Loews, a publicly traded corporation with approximately 400 million common shares outstanding, trading on the NYSE under the symbol "L". Loews has been a majority owner of CNAF since late 1974, when it acquired 57% of its outstanding stock.

Reinsurance

The group has an enterprise-directed reinsurance program that utilizes treaty and facultative reinsurance on both a quota share and excess of loss basis. The general guideline for maximum net retention per risk, for both property and casualty business, is $15 to $20 million, although some lines of business vary from this threshold. The increased retentions on traditional treaty reinsurance programs over the last several years have resulted in a substantial reduction in ceded premium. The purchase of aggregate finite reinsurance is not being made.

The group maintains three layers of property catastrophe reinsurance that provide coverage of losses between $300 million and $900 million. The group has a 50% participation on the layer $100 million excess $300 million and a 5% participation on the layer $200 million excess of $400 million on this treaty. The catastrophe treaty also covers domestic (non-NBCR) terrorism losses. Workers' compensation catastrophe reinsurance is also purchased affording recovery of 100% of $75 million excess of $25 million and 100% of $100 million excess of $100 million. The upper layer includes NBCR cover, whereas the underlying layers do not. The principal unaffiliated reinsurers on these programs are Transatlantic Reinsurance Company, Swiss Reinsurance Company, XL Re Ltd., Munich Reinsurance Company, Hannover Re Limited and Endurance Specialty Insurance Ltd.

Consolidated Balance Sheet ($000)

Admitted Assets	12/31/2012	12/31/2011	2012 %	2011 %
Bonds	33,235,330	32,833,913	76.7	76.9
Preferred Stock	251,378	259,922	0.6	0.6
Common Stock	47,506	43,239	0.1	0.1
Cash & Short-Term Invest	1,075,547	1,164,033	2.5	2.7
Real estate, investment	...	...	...	...
Derivatives	...	639	...	...
Other Non-Affil Inv Asset	2,891,293	2,578,988	6.7	6.0
Investments in Affiliates	1,411,528	1,308,691	3.3	3.1
Real Estate, Offices	124,892	121,835	0.3	0.3
Total Invested Assets	39,037,474	38,311,260	90.0	89.7
Premium Balances	1,594,362	1,543,104	3.7	3.6
Accrued Interest	364,600	369,308	0.8	0.9
Life department	...	...	...	...
All Other Assets	2,363,235	2,488,242	5.5	5.8
Total Assets	43,359,670	42,711,914	100.0	100.0

Liabilities & Surplus	12/31/2012	12/31/2011	2012 %	2011 %
Loss & LAE Reserves	20,156,845	20,041,052	46.5	46.9
Unearned Premiums	11,275,667	10,592,022	26.0	24.8
Conditional Reserve Funds	56,040	82,927	0.1	0.2
Derivatives	2,034	1,244	...	...
Life department	...	...	...	...
All Other Liabilities	1,870,731	2,107,088	4.3	4.9
Total Liabilities	33,361,316	32,824,334	76.9	76.9
Surplus notes	...	250,000	...	0.6
Capital & Assigned Surplus	5,694,992	6,150,848	13.1	14.4
Unassigned Surplus	4,303,362	3,486,733	9.9	8.2
Total Policyholders' Surplus	9,998,354	9,887,580	23.1	23.1
Total Liabilities & Surplus	43,359,670	42,711,914	100.0	100.0

Interim Balance Sheet ($000)

Admitted Assets	03/31/2013	06/30/2013
Bonds	33,642,990	33,930,376
Preferred Stock	198,548	188,352
Common Stock	1,362,145	1,513,857
Cash & Short-Term Invest	732,399	733,079
Derivatives	894	275
Other Investments	3,542,497	3,348,624
Total Invested Assets	39,479,474	39,714,563
Premium Balances	1,674,874	1,811,910
Accrued Interest	401,434	371,843
Reinsurance Funds	1,108,242	1,077,967
All Other Assets	1,134,185	1,082,737
Total Assets	43,798,210	44,059,021

Liabilities & Surplus	03/31/2013	06/30/2013
Loss & LAE Reserves	19,966,812	19,880,975
Unearned Premiums	11,564,934	11,677,743
Conditional Reserve Funds	56,040	56,040
Derivatives	827	389
All Other Liabilities	2,189,759	2,257,152
Total Liabilities	33,778,372	33,872,300
Capital & Assigned Surp	5,694,446	5,721,059
Unassigned Surplus	4,325,392	4,465,661
Total Policyholders' Surplus	10,019,838	10,186,720
Total Liabilities & Surplus	43,798,210	44,059,021

Consolidated Summary Of 2012 Operations ($000)

Statement of Income	12/31/2012	Funds Provided from Operations	12/31/2012
Premiums earned	5,909,158	Premiums collected	6,548,955
Losses incurred	4,112,325	Benefit & loss-related pmts	3,838,371
LAE incurred	1,208,746		
Undwr expenses incurred	2,200,571	LAE & undwr expenses paid	3,374,256
Other expenses incurred	-27	Other income / expense	...
Dividends to policyholders	15,279	Dividends to policyholders	15,279
Net underwriting income	-1,627,736	Underwriting cash flow	-678,951
		Net transfer	...
Net investment income	1,891,105	Investment income	1,851,303
Other income/expense	268,686	Other income/expense	-4,509
Pre-tax operating income	532,055	Pre-tax cash operations	1,167,843
Realized capital gains	59,881		
Income taxes incurred	73,406	Income taxes pd (recov)	70,107
Net income	518,530	Net oper cash flow	1,097,736

Interim Income Statement ($000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums earned	2,991,771	2,880,623	111,148
Losses incurred	1,872,112	1,825,092	47,020
LAE incurred	622,795	511,120	111,675
Undwr expenses incurred	1,083,318	1,076,762	6,556
Other expenses incurred	13	-29	41
Dividends to policyholders	5,439	4,592	847
Net underwriting income	-591,905	-536,914	-54,991
Net investment income	924,430	943,980	-19,550
Other income/expense	84,796	2,694	82,102
Pre-tax operating income	417,322	409,761	7,561
Realized capital gains	-34,338	54,693	-89,031
Income taxes incurred	34,296	62,283	-27,987
Net income	348,688	402,170	-53,483

Interim Cash Flow ($000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums collected	3,285,062	3,199,429	85,634
Benefit & loss-related pmts	2,078,328	1,813,976	264,352
LAE & undwr expenses paid	1,787,990	1,711,681	76,309
Dividends to policyholders	5,439	4,592	847
Underwriting cash flow	-586,694	-330,820	-255,874
Net transfer	...	...	...
Investment income	902,460	907,216	-4,757
Other income/expense	46,234	-3,941	50,175
Pre-tax cash operations	361,999	572,455	-210,456
Income taxes pd (recov)	6,356	13,601	-7,245
Net oper cash flow	355,643	558,855	-203,212

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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