

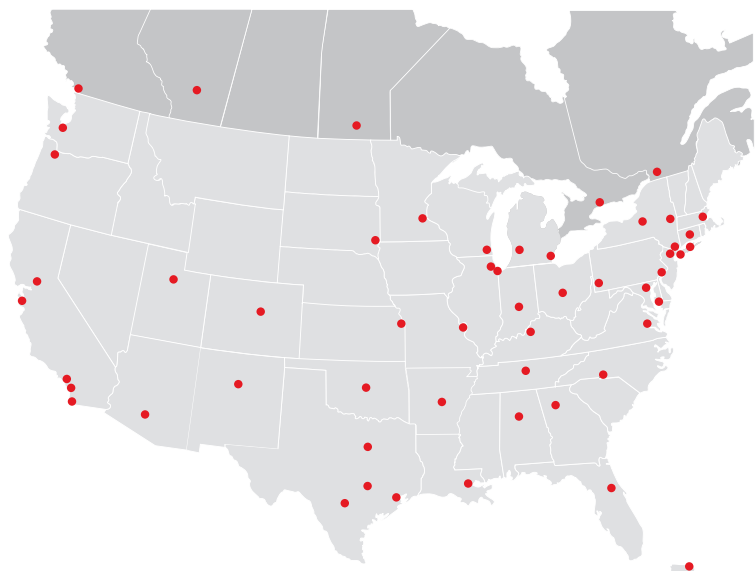


2015 ANNUAL REPORT

CREATING VALUE

FOR PRODUCERS:

Our international platform ensures our multinational expertise and capabilities are seamlessly delivered to our producers in all geographies.



FOR CUSTOMERS:

FINANCIAL STRENGTH
EASE OF DOING BUSINESS
Industry Expertise
RESPONSIVENESS
Community Involvement
PROFESSIONALISM
Distinctive Solutions
Claim Handling

FOR SHAREHOLDERS:

Total Value Creation



Growth in book value per share, excluding AOCI and including cumulative dividends of \$6.80 paid over the five-year period

CAGR: Compound Annual Growth Rate
AOCI: Accumulated Other Comprehensive Income

FINANCIAL HIGHLIGHTS

As of and for years ended December 31 (in millions, except per share data)

Results of Operations:	2015	2014	2013	2012	2011
Revenues	\$ 9,101	\$ 9,692	\$ 9,932	\$ 9,364	\$ 8,767
Income from continuing operations, net of tax	479	888	915	620	740
(Loss) income from discontinued operations, net of tax	—	(197)	22	8	(112)
Net (income) attributable to noncontrolling interests, net of tax	—	—	—	—	(16)
Net income attributable to CNA	\$ 479	\$ 691	\$ 937	\$ 628	\$ 612
Basic Earnings Per Share:					
Income from continuing operations	\$ 1.77	\$ 3.29	\$ 3.39	\$ 2.30	\$ 2.69
(Loss) income from discontinued operations	—	(0.73)	0.09	0.03	(0.42)
Basic earnings	\$ 1.77	\$ 2.56	\$ 3.48	\$ 2.33	\$ 2.27
Diluted Earnings Per Share:					
Income from continuing operations	\$ 1.77	\$ 3.28	\$ 3.39	\$ 2.30	\$ 2.69
(Loss) income from discontinued operations	—	(0.73)	0.08	0.03	(0.42)
Diluted earnings	\$ 1.77	\$ 2.55	\$ 3.47	\$ 2.33	\$ 2.27
Dividends declared	\$ 3.00	\$ 2.00	\$ 0.80	\$ 0.60	\$ 0.40
Financial Condition:					
Total investments	\$ 44,699	\$ 46,262	\$ 46,107	\$ 47,636	\$ 44,373
Total assets	55,047	55,566	57,194	58,522	55,110
Insurance reserves	36,486	36,380	38,394	40,005	37,554
Long and short-term debt	2,562	2,559	2,560	2,570	2,608
Total CNA stockholders' equity	11,756	12,794	12,651	12,314	11,488
Book value per share	\$ 43.49	\$ 47.39	\$ 46.91	\$ 45.71	\$ 42.66

2015

LETTER TO OUR SHAREHOLDERS

Over the last seven years, we have built a strong balance sheet, a stable, consistent earnings trend and a more competitively positioned company. We have sustained our focus on improved underwriting profitability in an increasingly challenging market. We are confident we have the strategy, talent and discipline to deliver on our commitments to our customers, producers, employees and you, our shareholders – to whom we are delighted to have paid \$3 per share in dividends in 2015.

CORE BUSINESS OVERVIEW

We focus our business efforts on select customer segments and specialized insurance products where we have established expertise. Our disciplined approach to underwriting has translated to improved Property & Casualty (P&C) profitability through better risk selection and pricing, and increased brand loyalty among producers and customers who experience distinctive products and services from CNA.

We have a very strong Specialty business, a Commercial business that has shown great improvement in recent years and an International business that is building momentum – three CNA pillars that are getting stronger. We have financial strength and a broad global footprint – with 49 offices in the U.S., 5 in Canada, and 14 in Europe and Asia, with the ability to access more than 200 countries and territories.

In 2015, our P&C Operations delivered nearly \$1 billion of operating income, consistent with the two prior years. Our P&C underwriting results continue to show meaningful progress. Our full-year combined ratio of 95.4 percent was more than two points better than our 2014 result. This is the lowest it has been in five years. The underlying loss ratio improved one point in 2015, marking the fifth consecutive year of underlying loss ratio improvement.

We continue to focus on improving our underwriting margins and, ultimately, our overall earnings. We have taken decisive risk selection and pricing actions, and have made great strides in achieving a portfolio mix geared to more profitable industries and products. We are confident we have taken the right actions, and that our strategy will continue to produce better margins over time.

EARNINGS OVERVIEW

For the full-year 2015, CNA produced net operating income of \$515 million, compared with \$849 million in 2014. The decrease was driven by lower investment income, primarily in our limited partnership investments, reserve strengthening in Long-Term Care, a non-economic charge related to reinsurance accounting for asbestos and environmental claims, and an investment accounting change.

At year-end 2015, CNA's book value per share, excluding Accumulated Other Comprehensive Income, was \$44.66, an increase of 4 percent over the course of the year, including paid dividends.

Our capital position remains very strong and P&C income continues to be stable. As a result, we were pleased to recently announce a \$2 per share special dividend. This is the third consecutive year that we have declared a special dividend for our shareholders. This is in addition to our regular quarterly dividend of 25 cents per share. We returned \$811 million of capital to shareholders during 2015, while continuing to maintain capital in excess of internal targets and current ratings.

FINANCIAL STRENGTH

Our balance sheet reflects CNA's financial strength, stability and a strong level of capital adequacy.

- We adhere to a disciplined approach of efficiently managing capital, guided by our strategic objectives.
- Over the past few years, we have divested non-core operations and invested in businesses aligned with our core focus.
- Our balance sheet is conservatively structured with a low degree of leverage, a well-balanced debt maturity profile, more than \$10.7 billion in statutory surplus, and capital adequacy above S&P's "AAA" requirements.
- We have strong cash flow and liquidity.
- We have a high-quality investment portfolio aligned with our business objectives.
- We have a favorable risk profile and disciplined reserving practices with nine consecutive years of favorable P&C reserve development.
- We continue to maintain strong financial strength and debt ratings from all independent rating agencies.

INSURANCE INDUSTRY FINANCIAL OVERVIEW

The insurance industry faces a slow-growth global economy, uncertainty about interest rate trends, increasing levels of competition, a flurry of mergers and acquisitions (M&A) among underwriters and agencies/brokers, and continued new entrants.

P&C rates continue to soften, which will naturally pressure underwriting margins.

China's economy is in transition and its currency is in flux, contributing to global uncertainty. If the U.S. dollar continues to strengthen, the slowly recovering U.S. economy could stall, bringing Federal Reserve interest rate movements into question and further challenging investment income.

Regardless of these economic and industry trends, we remain confident we can compete and maintain profitability based on our financial strength, customer expertise, underwriting discipline and upgraded talent.

THE WINDS OF CHANGE

The consolidation of the agent and broker community continues to accelerate. M&A transactions have increased dramatically. There are fewer and larger operations, with increased sophistication. We purposely reduced the number of our producers a few years ago, and continue to strengthen these relationships while more aggressively managing them.

The bigger story is M&A among underwriters, along with the continued introduction of new capital providers and alternative capital vehicles. We have entered what is commonly known as a soft market: overcapacity of capital, little or no growth, falling prices and threatened margins. This typically affects underwriting returns. In today's low-interest rate environment, the impact on overall returns and ROEs is exacerbated.

History has shown that in these times, the larger companies who have built their war chests with cash and increased stock valuations from years of superior results are now on the prowl for acquisitions. This is compounded today by the availability of cheap debt and, most recently, the entry of foreign insurers looking to diversify their portfolios with U.S. and European insurers.

WHAT THIS MEANS TO CNA

Insurers are becoming global to meet their customers' needs. We recognized this several years ago, as we began to build out our international capabilities.

It also means that scale has its advantages. When you are large you can invest more rapidly in your business, absorb a mistake or two and have the ability to reduce costs.

We have chosen a course that revolves around focus and scale in a select few industry segments. This can be best described as the market of choice for key industries, such as healthcare, professional services, surety, construction, technology and financial institutions, where we are known as specialists. Our results show that this strategy is delivering better margins, retention and profits.

THE OPPORTUNITY AHEAD

We continue to be optimistic, despite the changing landscape. Consolidation has happened before, and those insurers who prove their value proposition remain relevant. This is a marathon – not a sprint.

We believe the current M&A frenzy will create disruption in the eyes of agents, brokers, customers and employees. The opportunity for CNA is to continue to be a consistent, stable and specialized market, while others go through the pain of integration. We expect to benefit by seizing business opportunities and talent from our competitors.

At the same time, we are investing in analytics for underwriting, claim and other areas which we believe will improve our underlying performance. We also continue to invest in people, technology, processes and tools for the future.

We are confident about our ability to compete in this or any environment. Our strategy is producing the desired results, and we have the talent and strong foundation in place on which to build.

TALENT

Talent is the biggest differentiator for any company. CNA is a company in which everyone feels valued and uses their skills and experience to contribute to our collective success. Each of our employees is critical to our goal of ensuring CNA's delivery of superior service to our producers and their clients by providing the highest levels of expertise in meeting their business needs.

We continue to promote from within whenever possible, and we also have a proven track record of attracting top-tier talent. In addition, CNA has been recognized with the Leadership Excellence Award for one of its leadership development programs. The award sponsors ranked CNA in the top 10 percent of the most impressive leadership program award winners for this past year.

WELCOMING A NEW CHAIRMAN AND CEO

As announced in November, I will be retiring in late 2016 and my successor will be Dino E. Robusto.

Dino is a top-tier, proven insurance leader. His broad experience across virtually every insurance discipline will be a huge advantage. I know Dino well, so I am sure you will understand how proud I will be to hand over the reins to a great insurance leader. In the meantime, we continue our intense focus on executing on our strategy, and we are confident of our success in 2016.

Thank you for your support.



THOMAS F. MOTAMED

Chairman of the Board and Chief Executive Officer

CNA Financial Corporation, February 17, 2016

COMPANY INFORMATION

DIRECTORS

Thomas F. Motamed

Chairman of the Board and
Chief Executive Officer
CNA Financial Corporation

Paul J. Liska ▲●

Private Investor

Jose O. Montemayor ▲●

Principal
Black Diamond Capital Partners I, LP

Don M. Randel ▲●

Retired President
The Andrew W. Mellon Foundation

Joseph Rosenberg

Chief Investment Strategist
Loews Corporation

Andrew H. Tisch

Co-Chairman of the Board
Loews Corporation

James S. Tisch

President and Chief Executive Officer
Loews Corporation

Marvin Zonis ▲●

Professor Emeritus of International
Political Economy, Leadership and
E-Commerce
University of Chicago
Booth School of Business

▲ Member of the Audit Committee

● Member of the Compensation Committee

EXECUTIVE OFFICERS

Thomas F. Motamed

Chairman of the Board and
Chief Executive Officer
CNA Financial Corporation

D. Craig Mense

Executive Vice President and
Chief Financial Officer
CNA Financial Corporation

David Brosnan

Chief Executive
CNA Europe and Hardy

Larry A. Haefner

Executive Vice President and
Chief Actuary
CNA Insurance Companies

Mark I. Herman

President and Chief Operating Officer,
Specialty
CNA Insurance Companies

Jonathan D. Kantor

Executive Vice President,
General Counsel and Secretary
CNA Financial Corporation

Kevin Leidwinger

President and Chief Operating Officer,
Commercial
CNA Insurance Companies

Albert J. Miralles

President, Long-Term Care
CNA Insurance Companies

Andrew J. Pinkes

Executive Vice President,
Worldwide P&C Claim
CNA Insurance Companies

Thomas Pontarelli

Executive Vice President and
Chief Administration Officer
CNA Insurance Companies

Timothy J. Szerlong

President, Worldwide Field Operations
CNA Insurance Companies

HEADQUARTERS

CNA Financial Corporation
333 South Wabash Avenue
Chicago, IL 60604
312-822-5000

www.cna.com

SHAREHOLDER INFORMATION

The common stock of CNA Financial Corporation is listed on the New York Stock Exchange and the Chicago Stock Exchange. Its trading symbol is CNA.

INDEPENDENT AUDITORS

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Chicago, IL 60606

INVESTOR RELATIONS

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TRANSFER AGENT AND REGISTRAR

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St. Paul, MN 55164-0874
800-468-9716

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2015

FORM 10-K

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, 2015

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 1-5823

CNA FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-6169860
(I.R.S. Employer
Identification No.)

333 S. Wabash
Chicago, Illinois
(Address of principal executive offices)

60604
(Zip Code)

(312) 822-5000

(Registrant's telephone number, including area code)

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

Title of each class

Common Stock
with a par value
of \$2.50 per share

Name of each exchange on which registered

New York Stock Exchange
Chicago 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [x] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [x] Accelerated filer [] Non-accelerated filer (Do not check if a smaller reporting company) [] Smaller reporting company []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [] No [x]

As of February 12, 2016, 270,274,361 shares of common stock were outstanding. The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2015 was approximately \$1,033 million based on the closing price of \$38.21 per share of the common stock on the New York Stock Exchange on June 30, 2015.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the CNA Financial Corporation Proxy Statement prepared for the 2016 annual meeting of shareholders, pursuant to Regulation 14A, are incorporated by reference into Part III of this report.

Item Number		Page Number
PART I		
1.	<u>Business</u>	<u>3</u>
1A.	<u>Risk Factors</u>	<u>8</u>
1B.	<u>Unresolved Staff Comments</u>	<u>14</u>
2.	<u>Properties</u>	<u>14</u>
3.	<u>Legal Proceedings</u>	<u>14</u>
4.	<u>Mine Safety Disclosures</u>	<u>14</u>
PART II		
5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>15</u>
6.	<u>Selected Financial Data</u>	<u>16</u>
7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>52</u>
8.	<u>Financial Statements and Supplementary Data</u>	<u>57</u>
9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>125</u>
9A.	<u>Controls and Procedures</u>	<u>125</u>
9B.	<u>Other Information</u>	<u>125</u>
PART III		
10.	<u>Directors, Executive Officers and Corporate Governance</u>	<u>126</u>
11.	<u>Executive Compensation</u>	<u>127</u>
12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>127</u>
13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>127</u>
14.	<u>Principal Accounting Fees and Services</u>	<u>127</u>
PART IV		
15.	<u>Exhibits, Financial Statement Schedules</u>	<u>128</u>

PART I

ITEM 1. BUSINESS

CNA Financial Corporation (CNAF) was incorporated in 1967 and is an insurance holding company. Collectively, CNAF and its subsidiaries are referred to as CNA or the Company. References to “CNA,” “the Company,” “we,” “our,” “us” or like terms refer to the business of CNAF and its subsidiaries. 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). Loews Corporation (Loews) owned approximately 90% of our outstanding common stock as of December 31, 2015. On August 1, 2014, we completed the sale of the common stock of Continental Assurance Company (CAC).

Our insurance products primarily include commercial property and casualty coverages, including surety. Our services include risk management, information services, warranty and claims administration. Our 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.

Our core business, commercial property and casualty insurance operations, is reported in three business segments: Specialty, Commercial and International. Our non-core businesses are reported in two business segments: Life & Group Non-Core and Corporate & Other Non-Core. Each segment is managed separately due to differences in their markets and product mix. Discussion of each segment, including the products offered, customers served and distribution channels used, are set forth in the Management's Discussion and Analysis (MD&A) included under Item 7 and in Note O to the Consolidated Financial Statements included under Item 8.

Competition

The property and casualty insurance industry is highly competitive both as to rate and service. We compete 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. We must continuously allocate resources to refine and improve our insurance products and services.

There are approximately 2,700 individual companies that sell property and casualty insurance in the United States. Based on 2014 statutory net written premiums, we are the eighth largest commercial insurance writer and the 14th largest property and casualty insurance organization in the United States.

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 premium rate regulations, which require that rates not be excessive, inadequate or unfairly discriminatory, governance requirements and risk assessment practice and disclosure. 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 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. Our share of these involuntary risks is mandatory and generally a function of our 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 we have the ability to recoup certain of these assessments from policyholders.

As our insurance operations are conducted in a multitude of both domestic and foreign jurisdictions, we are subject to a number of regulatory agency requirements in respect of a portion, or all, of our operations. These include, but are not limited to, the State of Illinois Department of Insurance (which is our 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 of London (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.

Effective January 1, 2016, the European Union's executive body, the European Commission, implemented new capital adequacy and risk management regulations, Solvency II, that apply to our European operations. 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 are working with other global regulators to define such proposals. It is not currently clear to what extent the IAIS activities will impact the Company as any final proposal would ultimately need to be legislated or regulated by each individual country or state.

Although the federal government does not currently directly regulate the business of insurance, federal legislative and regulatory initiatives can impact 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 was enacted on January 12, 2015. The reauthorization provides for a federal government backstop for insured terrorism risks for another six years with increases to the insurer co-payment and program trigger. The existence of the mitigating effects of such law is part of the analysis of our overall risk posture for terrorism and, accordingly, our risk positioning may change if such law were modified. We also continue to invest in the security network of our 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 us on an ongoing basis. Potential implications of possible cybersecurity legislation on such current investment, if any, are uncertain. The foregoing proposals, either separately or in the aggregate, create a regulatory and legal environment that may require changes in our 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, impact our 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 state court actions or by federal or state legislatures that continue to expand liability for insurers and their policyholders.

Employee Relations

As of December 31, 2015, we had approximately 6,900 employees and have experienced satisfactory labor relations. We have never had work stoppages due to labor disputes.

We have comprehensive benefit plans for substantially all of our employees, including retirement plans, savings plans, disability programs, group life programs and group health care programs. See Note I to the Consolidated Financial Statements included under Item 8 for further discussion of our benefit plans.

Direct Written Premiums by Geographic Concentration

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

Years ended December 31	Percent of Total		
	2015	2014	2013
California	9.1%	9.1%	9.2%
Texas	8.1	8.1	8.0
Illinois	7.5	6.7	5.9
New York	7.1	7.2	7.2
Florida	5.7	5.7	5.9
Pennsylvania	3.8	3.7	3.7
New Jersey	3.2	3.4	3.7
Canada	2.2	2.6	3.1
All other states, countries or political subdivisions	53.3	53.5	53.3
Total	100.0%	100.0%	100.0%

Approximately 8.0%, 8.8% and 9.0% of our direct written premiums were derived from outside of the United States for the years ended December 31, 2015, 2014 and 2013.

Property and Casualty Claim and Claim Adjustment Expenses

The following loss reserve development table illustrates the change over time of reserves established for property and casualty claim and claim adjustment expenses at the end of the preceding ten calendar years for our property and casualty insurance companies. The first section shows the reserves as originally reported at the end of the stated year. The second section, reading down, shows the cumulative amounts paid as of the end of successive years with respect to the originally reported reserve liability. The third section, reading down, shows re-estimates of the originally recorded reserves as of the end of each successive year, which is the result of our property and casualty insurance subsidiaries' expanded awareness of additional facts and circumstances that pertain to the unsettled claims. The last section compares the latest re-estimated reserves to the reserves originally established, and indicates whether the original reserves were adequate or inadequate to cover the estimated costs of unsettled claims. The loss reserve development table is cumulative and, therefore, ending balances should not be added since the amount at the end of each calendar year includes activity for both the current and prior years.

Schedule of Loss Reserve Development

Calendar Year Ended	2005	2006	2007	2008	2009	2010 (a)	2011	2012 (b)	2013	2014 (c)	2015
(In millions)											
Originally reported gross reserves for unpaid claim and claim adjustment expenses	\$ 30,694	\$ 29,459	\$ 28,415	\$ 27,475	\$ 26,712	\$ 25,412	\$ 24,228	\$ 24,696	\$ 24,015	\$ 23,271	\$ 22,663
Originally reported ceded recoverable	10,438	8,078	6,945	6,213	5,524	6,060	4,967	5,075	4,911	4,344	4,087
Originally reported net reserves for unpaid claim and claim adjustment expenses	\$ 20,256	\$ 21,381	\$ 21,470	\$ 21,262	\$ 21,188	\$ 19,352	\$ 19,261	\$ 19,621	\$ 19,104	\$ 18,927	\$ 18,576
Cumulative net paid as of:											
One year later	\$ 3,442	\$ 4,436	\$ 4,308	\$ 3,930	\$ 3,762	\$ 3,472	\$ 4,277	\$ 4,588	\$ 4,352	\$ 4,089	\$ —
Two years later	7,022	7,676	7,127	6,746	6,174	6,504	7,459	7,788	7,375	—	—
Three years later	9,620	9,822	9,102	8,340	8,374	8,822	9,834	9,957	—	—	—
Four years later	11,289	11,312	10,121	9,863	10,038	10,548	11,316	—	—	—	—
Five years later	12,465	11,973	11,262	11,115	11,296	11,627	—	—	—	—	—
Six years later	12,917	12,858	12,252	12,114	12,161	—	—	—	—	—	—
Seven years later	13,680	13,670	13,101	12,806	—	—	—	—	—	—	—
Eight years later	14,409	14,412	13,685	—	—	—	—	—	—	—	—
Nine years later	15,092	14,939	—	—	—	—	—	—	—	—	—
Ten years later	15,575	—	—	—	—	—	—	—	—	—	—
Net reserves re-estimated as of:											
End of initial year	\$ 20,256	\$ 21,381	\$ 21,470	\$ 21,262	\$ 21,188	\$ 19,352	\$ 19,261	\$ 19,621	\$ 19,104	\$ 18,927	\$ 18,576
One year later	20,588	21,601	21,463	21,021	20,643	18,923	19,081	19,506	19,065	18,672	—
Two years later	20,975	21,706	21,259	20,472	20,237	18,734	18,946	19,502	18,807	—	—
Three years later	21,408	21,609	20,752	20,014	20,012	18,514	18,908	19,214	—	—	—
Four years later	21,432	21,286	20,350	19,784	19,758	18,378	18,658	—	—	—	—
Five years later	21,326	20,982	20,155	19,597	19,563	18,202	—	—	—	—	—
Six years later	21,060	20,815	20,021	19,414	19,459	—	—	—	—	—	—
Seven years later	20,926	20,755	19,883	19,335	—	—	—	—	—	—	—
Eight years later	20,900	20,634	19,828	—	—	—	—	—	—	—	—
Nine years later	20,817	20,606	—	—	—	—	—	—	—	—	—
Ten years later	20,793	—	—	—	—	—	—	—	—	—	—
Total net (deficiency) redundancy	\$ (537)	\$ 775	\$ 1,642	\$ 1,927	\$ 1,729	\$ 1,150	\$ 603	\$ 407	\$ 297	\$ 255	\$ —
Reconciliation to gross re-estimated reserves:											
Net reserves re-estimated	\$ 20,793	\$ 20,606	\$ 19,828	\$ 19,335	\$ 19,459	\$ 18,202	\$ 18,658	\$ 19,214	\$ 18,807	\$ 18,672	\$ —
Re-estimated ceded recoverable	11,826	9,503	8,092	7,048	6,382	6,873	5,609	5,285	4,705	4,476	—
Total gross re-estimated reserves	\$ 32,619	\$ 30,109	\$ 27,920	\$ 26,383	\$ 25,841	\$ 25,075	\$ 24,267	\$ 24,499	\$ 23,512	\$ 23,148	\$ —
Total gross (deficiency) redundancy	\$ (1,925)	\$ (650)	\$ 495	\$ 1,092	\$ 871	\$ 337	\$ (39)	\$ 197	\$ 503	\$ 123	\$ —
Net (deficiency) redundancy related to:											
Asbestos	\$ (113)	\$ (112)	\$ (107)	\$ (79)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Environmental pollution	(159)	(159)	(159)	(76)	—	—	—	—	—	—	—
Total asbestos and environmental pollution	(272)	(271)	(266)	(155)	—	—	—	—	—	—	—
Core (Non-asbestos & environmental pollution)	(265)	1,046	1,908	2,082	1,729	1,150	603	407	297	255	—
Total net (deficiency) redundancy	\$ (537)	\$ 775	\$ 1,642	\$ 1,927	\$ 1,729	\$ 1,150	\$ 603	\$ 407	\$ 297	\$ 255	\$ —

- (a) Effective January 1, 2010, we ceded our net asbestos and environmental pollution claim and allocated claim adjustment expense reserves under a retroactive reinsurance agreement, as further discussed in Note E to the Consolidated Financial Statements included under Item 8.
- (b) On July 2, 2012, we acquired Hardy. As a result of this acquisition, net reserves were increased by \$291 million.
- (c) In the third quarter of 2014, the Company commuted a workers' compensation reinsurance pool which had the impact of \$348 million of favorable gross loss reserve development and \$324 million of unfavorable ceded loss reserve development.

Additional information regarding our property and casualty claim and claim adjustment expense reserves and reserve development is set forth in the MD&A included under Item 7 and in Notes A and E to the Consolidated Financial Statements included under Item 8.

Available Information

We file annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act). The public may read and copy any materials that we file with the SEC at the SEC's Reading Rooms at 100 F Street NE, Washington, D.C. 20549. The public may obtain information on the operation of the Reading Rooms by calling the SEC at 1-202-551-8090. The SEC also maintains an internet site that contains reports, proxy and information statements and other information regarding issuers, including CNA, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov.

We also make available free of charge on or through our internet website at www.cna.com our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Copies of these reports may also be obtained, free of charge, upon written request to: CNA Financial Corporation, 333 S. Wabash Avenue, Chicago, IL 60604, Attn: Jonathan D. Kantor, Executive Vice President, General Counsel and Secretary.

ITEM 1A. RISK FACTORS

Our business faces many risks. Each of the risks and uncertainties described below could lead to events or circumstances that have a material adverse effect on our results of operations, equity, business and insurer financial strength and corporate debt ratings. You should carefully consider and evaluate all of the information included in this report and any subsequent reports we may file with the SEC or make available to the public before investing in any securities we issue.

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

We maintain insurance reserves to cover our 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 variables which are highly uncertain. These variables can be affected by both changes in internal processes and external events. Key variables include claims severity, frequency of claims, mortality, morbidity, discount rates, inflation, claims 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 more pronounced for long-tail coverages due to the longer settlement period.

We are 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 our business by either extending coverage beyond the original underwriting intent or by increasing the number or size of claims, resulting in further increases in our reserves. The effects of these and other unforeseen emerging claim and coverage issues are extremely difficult to predict.

Emerging or potential claims 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 healthcare utilization; and/or the future costs of healthcare facilities. In addition, the relationship between workers' compensation and government and private healthcare 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, we continually review and change our 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 our recorded reserves are insufficient for any reason, the required increase in reserves would be recorded as a charge against our earnings in the period in which reserves are determined to be insufficient. These charges could be substantial.

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

Our active life reserves for long term care policies are based on our best estimate assumptions as of December 31, 2015 with no margin for adverse deviation. 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 our reserve estimates, are inherently uncertain. If actual experience varies from these assumptions or the future outlook for these assumptions changes, we may be required to increase our reserves. See the Life & Group Non-Core Policyholder Reserves portion of Reserves - Estimates and Uncertainties 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 data and industry data available to us, 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 can be volatile and may be negatively affected by many factors including, but not limited to, policyholder behavior, socioeconomic factors, changes in health trends and advances in medical care.

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

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

Catastrophe losses are unpredictable and could result in material losses.

Catastrophe losses are an inevitable part of our 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 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 our losses from catastrophes is a function of the total amount of our 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. As in the case of catastrophe losses generally, it can take a long time for the ultimate cost to us to be finally determined, as a multitude of factors contribute to such costs, including evaluation of general liability and pollution exposures, additional living expenses, 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, 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, we may be subject to increased claim frequency and severity across multiple policies or lines of business concurrently. While we do not define such instances as catastrophes for financial reporting purposes, they are similar to catastrophes in terms of the uncertainty and potential impact on our results.

We have exposures related to asbestos and environmental pollution (A&EP) claims, which could result in material losses.

Our property and casualty insurance subsidiaries have exposures related to A&EP claims. Our 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, we completed a retroactive reinsurance transaction under which substantially all of our legacy A&EP liabilities were ceded to National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., subject to an aggregate limit of \$4 billion (Loss Portfolio Transfer). The cumulative amount ceded under the Loss Portfolio Transfer as of December 31, 2015 is \$2.6 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 billion, or we determine we have exposures to A&EP claims not covered by the Loss Portfolio Transfer, we may need to increase our recorded net reserves which would result in a charge against our earnings. These charges could be substantial.

We face intense competition in our industry; we may be adversely affected by the cyclical nature of the property and casualty business as well as the availability and cost of reinsurance.

All aspects of the insurance industry are highly competitive and we must continuously allocate resources to refine and improve our insurance products and services. We compete 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. The competitor insurer landscape has evolved substantially in recent years, with significant consolidation and new market entrants, resulting in increased pressures on our ability to remain competitive, particularly in implementing pricing that is both attractive to our customer base and risk-appropriate to the Company. In addition, 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, we may lose business to competitors offering competitive insurance products at lower prices. As a result, our premium levels and expense ratio could be materially adversely impacted.

Additionally, we purchase reinsurance to help manage our exposure to risk. Under our ceded reinsurance arrangements, another insurer assumes a specified portion of our exposure in exchange for a specified portion of policy premiums. Market conditions determine the availability and cost of the reinsurance protection we purchase, which affects the level of our business and profitability, as well as the level and types of risk we retain. If we are unable to obtain sufficient reinsurance at a cost we deem acceptable, we may be unwilling to bear the increased risk and would reduce the level of our underwriting commitments.

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

We have significant amounts recoverable from reinsurers which are reported as receivables on our Consolidated Balance Sheets and are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves. The ceding of insurance does not, however, discharge our primary liability for claims. As a result, we are subject to credit risk relating to our ability to recover amounts due from reinsurers. Certain of our reinsurance carriers have experienced credit downgrades by rating agencies within the term of our contractual relationship, which increases the likelihood that we will not be able to recover amounts due. In addition, reinsurers could dispute amounts which we believe are due to us. If the amounts we collect from reinsurers are less than the amount recorded for any of the foregoing reasons, our net incurred losses will be higher.

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

A portion of our business is written under deductible policies. Under these policies, we are obligated to pay the related insurance claims and are reimbursed by the policyholder to the extent of the deductible, which may be significant. As a result, we are exposed to credit risk to the policyholder. If the amounts we collect from policyholders are less than the amounts recorded, our incurred losses will be higher.

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 us to additional credit risk to the extent that the adjusted premium is greater than the original premium.

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

Our 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, 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 our control can adversely affect the value of our investments, the realization of investment income and the rate at which we discount certain liabilities.

We have significant holdings in fixed maturity investments that are sensitive to changes in interest rates. A decline in interest rates may reduce the returns earned on new fixed maturity investments, thereby reducing our net investment income, while an increase in interest rates may reduce the value of our existing fixed maturity investments. The value of our fixed maturity 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 we hold. Any such impairments which we deem to be other-than-temporary would result in a charge to our earnings.

In addition, we invest a portion of our assets in equity securities and limited partnerships which are subject to greater market volatility than our fixed maturity investments. Limited partnership investments generally provide a lower level of liquidity than fixed maturity or equity investments and therefore may also limit our ability to withdraw assets.

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

Changes in tax laws of jurisdictions in which we operate could adversely impact our results of operations.

Federal, state or foreign tax legislation that would lessen or eliminate some or all of the tax attributes currently affecting us could materially and adversely impact our results of operations, in particular, changes to tax laws governing tax credits. Other potential tax law changes, including the taxation of interest from municipal bonds, could also adversely affect the value of our investment portfolio and the rate at which we discount certain liabilities.

Any significant interruption in the operation of our facilities, systems and business functions or breach in our data security infrastructure could result in a materially adverse effect on our operations.

Our business is highly dependent upon our ability to perform, in an efficient and uninterrupted manner, through our employees or vendor relationships, necessary business functions (such as internet support and 24-hour call centers), processing new and renewal business and processing and paying claims and other obligations. Our facilities and systems could become unavailable, inoperable, or otherwise impaired from a variety of causes, including, without limitation, natural events, such as hurricanes, tornadoes, windstorms, earthquakes, severe winter weather and fires, or other events, such as explosions, terrorist attacks, computer security breaches or cyber attacks, riots, hazardous material releases, medical epidemics, utility outages, interruptions of our data processing and storage systems or the systems of third-party vendors, or unavailability of communications facilities. Likewise, we could experience a significant failure or corruption of one or more of our information technology, telecommunications, or other systems for various reasons, including significant failures that might occur as existing systems are replaced or upgraded.

The shut-down or unavailability of one or more of our systems or facilities for any reason could significantly impair our ability to perform critical business functions on a timely basis. In addition, because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such service exceeds capacity or a third-party system fails or experiences an interruption. If sustained or repeated, such events could result in a deterioration of our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner, or perform other necessary business functions, including the ability to issue financial statements in a timely manner. This could result in a materially adverse effect on our business results, prospects and liquidity, as well as damage to customer goodwill.

A significant breach of our data security infrastructure, resulting from actions by our employees, vendors, third-party administrators or by unknown third parties, that impacts our data framework or causes a failure to protect

personal information of our customers, claimants or employees may result in operational impairments and financial losses, as well as significant harm to our reputation.

The foregoing risks relating to disruption of service, interruption of operations and data loss could expose us to monetary and reputational damages. In addition, potential exposure includes substantially increased compliance costs and requires 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. Any such legal or regulatory action could have a material adverse effect on our operations.

Loss of key vendor relationships, issues relating to the transitioning of vendor relationships or exposure relating to claim administration and claim adjudication functions performed by a vendor could result in a materially adverse effect on our operations.

In the event that one or more of our vendors suffers a bankruptcy, is sold to another entity, sustains a significant business interruption or otherwise becomes unable to continue to provide products or services at the requisite level, we may be adversely affected. We may suffer operational impairments and financial losses associated with transferring business to a new vendor, assisting a vendor with rectifying operational difficulties or assuming previously outsourced operations ourselves. Our inability to provide for appropriate servicing if a vendor becomes unable to fulfill its contractual obligations to us, either through transitioning to another service provider temporarily or permanently or assuming servicing internally, may have a materially adverse effect on our operations.

Additionally, we rely on certain third-party claims administrators, including the administrators of our long term care claims, to perform significant claim administration and claim adjudication functions. Any failure by such administrator to properly perform service functions may result in losses as a result of over-payment of claims, legal claims against us and adverse regulatory enforcement exposure.

We face considerable competition within our industry for qualified, specialized talent and any significant inability to attract and retain talent may adversely affect the execution of our business strategies.

The successful execution of our business plan depends on our ability to attract and retain qualified talent. Due to the intense competition in our industry for qualified employees with specialized industry experience, we may encounter obstacles to our ability to attract and retain such employees, which could adversely impact our results of operations.

We are subject to capital adequacy requirements and, if we are unable to maintain or raise sufficient capital to meet these requirements, regulatory agencies may restrict or prohibit us from operating our business.

Insurance companies such as ours 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 our 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 we do not meet these minimum requirements, we may be restricted or prohibited from operating our business. If we are required to record a material charge against earnings in connection with a change in estimate or the occurrence of an event, or if we incur significant losses related to our investment portfolio, we may violate these minimum capital adequacy requirements unless we are able to raise sufficient additional capital. We may be limited in our 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 our minimum regulatory capital requirement as well as significantly increase our cost of regulatory compliance.

Our insurance subsidiaries, upon whom we depend for dividends in order to fund our working capital needs, are limited by insurance regulators in their ability to pay dividends.

We are a holding company and are dependent upon dividends, loans and other sources of cash from our subsidiaries in order to meet our 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 formula which varies by jurisdiction. If we are restricted, by regulatory rule or otherwise, from paying or receiving intercompany dividends, we may not be able to fund our working capital needs and debt service requirements from available cash. As a result, we 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 us and thereby adversely affect our ability to write insurance at competitive rates or at all.

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

The rating agencies may take action to lower our 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 our 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 our insurance products to certain markets and the required collateralization of certain future payment obligations or reserves.

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

We are subject to extensive existing state, local, federal and foreign governmental regulations that restrict our ability to do business and generate revenues; additional regulation or significant modification to existing regulations may have a materially adverse effect on our ability to conduct our business and, accordingly, on our operations.

The insurance industry is subject to comprehensive and detailed regulation and supervision. Most insurance regulations are designed to protect the interests of our policyholders and third-party claimants, rather than our investors. Each jurisdiction in which we do business has established supervisory agencies that regulate the manner in which we do business, generally at the state level. Any changes in federal regulation could also impose significant burdens on us. In addition, the Lloyd's marketplace sets rules under which its members, including our 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. The jurisdictions in which we do business may also require us to provide coverage to persons whom we would not otherwise consider eligible or restrict us 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. Our share of these involuntary risks is mandatory and generally a function of our respective share of the voluntary market by line of insurance in each jurisdiction.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Chicago location, owned by CCC, houses our principal executive offices. Our subsidiaries lease office space in various cities throughout the United States and in other countries. The following table sets forth certain information with respect to our principal office locations.

Location	Amount (Square Feet) of Building Owned and Occupied or Leased and Occupied by CNA	Principal Usage
333 S. Wabash Avenue, Chicago, Illinois	608,388	Principal executive offices of CNAF
2405 Lucien Way, Maitland, Florida	113,169	Property and casualty insurance offices
125 S. Broad Street, New York, New York	64,248	Property and casualty insurance offices
101 S. Reid Street, Sioux Falls, South Dakota	61,308	Property and casualty insurance offices
4150 N. Drinkwater Boulevard, Scottsdale, Arizona	56,281	Property and casualty insurance offices
1 Meridian Boulevard, Wyomissing, Pennsylvania	53,579	Property and casualty insurance offices
675 Placentia Avenue, Brea, California	36,768	Property and casualty insurance offices
1249 S. River Road, Cranbury, New Jersey	36,676	Property and casualty insurance offices
700 N. Pearl Street, Dallas, Texas	36,637	Property and casualty insurance offices
555 Mission Street, San Francisco, California	35,130	Property and casualty insurance offices

We lease the office space described above except for the building in Chicago, Illinois which is owned. We consider our properties to be in generally good condition, well maintained and suitable and adequate to carry on our business.

ITEM 3. LEGAL PROCEEDINGS

Information on our legal proceedings is set forth in Note F to the Consolidated Financial Statements included under Item 8.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol CNA.

As of February 12, 2016, we had 270,274,361 shares of common stock outstanding and approximately 90% of our outstanding common stock was owned by Loews. We had 1,090 stockholders of record as of February 12, 2016 according to the records maintained by our transfer agent.

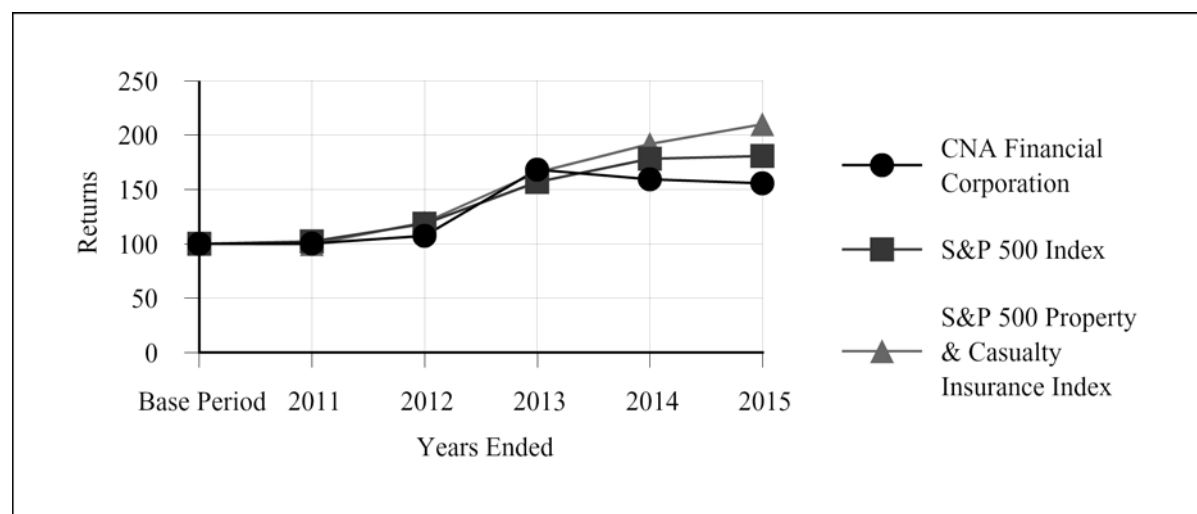
Our Board of Directors has approved an authorization to purchase, in the open market or through privately negotiated transactions, our outstanding common stock, as our management deems appropriate. No repurchases were made in 2015 and 2014.

The table below shows the high and low closing prices for our common stock based on the New York Stock Exchange Composite Transactions.

Quarter:	2015			2014		
	High	Low	Dividends Declared	High	Low	Dividends Declared
First	\$ 43.40	\$ 36.61	\$ 2.25	\$ 42.79	\$ 38.11	\$ 1.25
Second	41.82	37.91	0.25	43.08	39.45	0.25
Third	40.43	34.29	0.25	40.74	37.07	0.25
Fourth	37.05	34.24	0.25	39.53	36.29	0.25

The following graph compares the five-year total return of our common stock, the Standard & Poor's 500 (S&P 500) Index and the S&P 500 Property & Casualty Insurance Index. The graph assumes that the value of the investment in our common stock and each index was \$100 at the base period, January 1, 2011, and that dividends, if any, were reinvested.

Company / Index	Base Period	2011	2012	2013	2014	2015
CNA Financial Corporation	\$ 100.00	\$ 100.34	\$ 107.36	\$ 168.16	\$ 159.34	\$ 155.57
S&P 500 Index	100.00	102.11	118.45	156.82	178.28	180.75
S&P 500 Property & Casualty Insurance Index	100.00	99.75	119.81	165.69	191.78	210.05



ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial data. On July 2, 2012, we acquired Hardy. The results of Hardy are included from the date of acquisition. 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. The comparative period Financial Condition data through 2013 includes CAC assets and liabilities.

As of or for the years ended December 31

(In millions, except per share data)

	2015	2014	2013	2012	2011
Results of Operations:					
Revenues	\$ 9,101	\$ 9,692	\$ 9,932	\$ 9,364	\$ 8,767
Income (loss) from continuing operations, net of tax	\$ 479	\$ 888	\$ 915	\$ 620	\$ 740
(Loss) income from discontinued operations, net of tax	—	(197)	22	8	(112)
Net (income) loss attributable to noncontrolling interests, net of tax	—	—	—	—	(16)
Net income (loss) attributable to CNA	\$ 479	\$ 691	\$ 937	\$ 628	\$ 612
Basic Earnings (Loss) Per Share:					
Income (loss) from continuing operations	\$ 1.77	\$ 3.29	\$ 3.39	\$ 2.30	\$ 2.69
(Loss) income from discontinued operations	—	(0.73)	0.09	0.03	(0.42)
Basic earnings (loss) per share	\$ 1.77	\$ 2.56	\$ 3.48	\$ 2.33	\$ 2.27
Diluted Earnings (Loss) Per Share:					
Income (loss) from continuing operations	\$ 1.77	\$ 3.28	\$ 3.39	\$ 2.30	\$ 2.69
(Loss) income from discontinued operations	—	(0.73)	0.08	0.03	(0.42)
Diluted earnings (loss) per share	\$ 1.77	\$ 2.55	\$ 3.47	\$ 2.33	\$ 2.27
Dividends declared per common share	\$ 3.00	\$ 2.00	\$ 0.80	\$ 0.60	\$ 0.40
Financial Condition:					
Total investments	\$ 44,699	\$ 46,262	\$ 46,107	\$ 47,636	\$ 44,373
Total assets	55,047	55,566	57,194	58,522	55,110
Insurance reserves	36,486	36,380	38,394	40,005	37,554
Long and short term debt	2,562	2,559	2,560	2,570	2,608
Total CNA stockholders' equity	11,756	12,794	12,651	12,314	11,488
Book value per common share	\$ 43.49	\$ 47.39	\$ 46.91	\$ 45.71	\$ 42.66

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Index to this MD&A

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

	<u>Page No.</u>
<u>Overview</u>	<u>18</u>
<u>Consolidated Operations</u>	<u>19</u>
<u>Critical Accounting Estimates</u>	<u>21</u>
<u>Reserves - Estimates and Uncertainties</u>	<u>24</u>
<u>Segment Results</u>	<u>31</u>
<u>Specialty</u>	<u>32</u>
<u>Commercial</u>	<u>35</u>
<u>International</u>	<u>37</u>
<u>Life & Group Non-Core</u>	<u>40</u>
<u>Corporate & Other Non-Core</u>	<u>42</u>
<u>Investments</u>	<u>43</u>
<u>Net Investment Income</u>	<u>43</u>
<u>Net Realized Investment Gains (Losses)</u>	<u>44</u>
<u>Portfolio Quality</u>	<u>45</u>
<u>Duration</u>	<u>46</u>
<u>Short Term Investments</u>	<u>46</u>
<u>Liquidity and Capital Resources</u>	<u>47</u>
<u>Cash Flows</u>	<u>47</u>
<u>Liquidity</u>	<u>47</u>
<u>Common Stock Dividends</u>	<u>48</u>
<u>Commitments, Contingencies and Guarantees</u>	<u>48</u>
<u>Ratings</u>	<u>49</u>
<u>Accounting Standards Updates</u>	<u>50</u>
<u>Forward-Looking Statements</u>	<u>50</u>

OVERVIEW

The following discussion should be read in conjunction with Item 1A Risk Factors, Item 6 Selected Financial Data and Item 8 Financial Statements and Supplementary Data of this Form 10-K.

Sale of CAC

On August 1, 2014, we closed the sale of the common stock of CAC, our life insurance subsidiary. In connection with the sale, we recorded an after-tax loss on sale of \$211 million, which is reflected in (Loss) income from discontinued operations. Further information is provided in Notes A and P to the Consolidated Financial Statements included under Item 8.

In connection with the sale of CAC, we entered into a 100% coinsurance agreement on a separate small block of annuity business outside of CAC. As a result of the funds withheld basis used in this transaction, we recognized an after-tax operating loss of \$34 million in 2014. Further information is provided in Note A to the Consolidated Financial Statements included under Item 8.

CONSOLIDATED OPERATIONS

Results of Operations

The following table includes the consolidated results of our operations. For more detailed components of our business operations and the net operating income financial measure, see the segment discussions within this MD&A. For further discussion of Net investment income and Net realized investment results, see the Investments section of this MD&A.

Years ended December 31

(In millions)

	2015	2014	2013
Operating Revenues			
Net earned premiums	\$ 6,921	\$ 7,212	\$ 7,271
Net investment income	1,840	2,067	2,282
Other revenues	407	356	359
Total operating revenues	9,168	9,635	9,912
Claims, Benefits and Expenses			
Net incurred claims and benefits	5,372	5,577	5,793
Policyholders' dividends	12	14	13
Amortization of deferred acquisition costs	1,540	1,317	1,362
Other insurance related expenses	1,093	1,029	1,013
Other expenses	535	548	475
Total claims, benefits and expenses	8,552	8,485	8,656
Operating income before income tax	616	1,150	1,256
Income tax expense on operating income	(101)	(301)	(355)
Net operating income	515	849	901
Net realized investment (losses) gains	(67)	57	20
Income tax benefit (expense) on net realized investment (losses) gains	31	(18)	(6)
Net realized investment (losses) gains, after tax	(36)	39	14
Income from continuing operations	479	888	915
(Loss) income from discontinued operations, net of tax	—	(197)	22
Net income	\$ 479	\$ 691	\$ 937

2015 Compared with 2014

Net operating income decreased \$334 million in 2015 as compared with 2014. Net operating income decreased \$44 million for our core segments due to a decrease in net investment income driven by lower limited partnership returns, partially offset by improved underwriting results. Catastrophe losses were \$95 million after tax in 2015 as compared to \$102 million after tax in 2014. Net operating results decreased \$290 million for our non-core segments driven by a \$198 million after-tax charge related to recognition of a premium deficiency and a small deficiency in claim reserves in our long term care business, as further discussed in Reserves-Estimates and Uncertainties within this MD&A, as well as in Note A to the Consolidated Financial Statements included under Item 8. Additionally, results in 2015 decreased \$51 million as compared to 2014 as a result of the application of retroactive reinsurance accounting to adverse reserve development ceded under the 2010 A&EP Loss Portfolio Transfer, as further discussed at Note E to the Consolidated Financial Statements included under Item 8.

Favorable net prior year development of \$218 million and \$53 million was recorded in 2015 and 2014 related to our Specialty, Commercial, International and Corporate & Other Non-Core segments. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

2014 Compared with 2013

Net income from continuing operations decreased \$27 million in 2014 as compared with 2013, driven by lower net operating income.

Net realized investment gains, after tax, increased \$25 million in 2014 as compared with 2013.

Net operating income decreased \$52 million in 2014 as compared with 2013. Net operating income decreased \$175 million for our core segments. Specialty and Commercial decreased while International produced consistent results. This decrease was primarily due to lower net investment income and lower favorable net prior year development, partially offset by improved current accident year underwriting results. Catastrophe losses were \$102 million after tax in 2014 as compared to \$111 million after tax in 2013. Net operating results improved \$123 million for our non-core segments, primarily driven by results in our Corporate & Other Non-Core segment related to retroactive reinsurance accounting in 2013.

Favorable net prior year development of \$53 million and \$160 million was recorded in 2014 and 2013 related to our Specialty, Commercial, International and Corporate & Other Non-Core segments. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

Net earned premiums decreased \$59 million in 2014 as compared with 2013 driven by a \$98 million decrease in Commercial, partially offset by a \$43 million increase in Specialty.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the amount of revenues and expenses reported during the period. Actual results may differ from those estimates.

Our 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 are believed to be reasonable under the known facts and circumstances.

The accounting estimates discussed below are considered by us to be critical to an understanding of our Consolidated Financial Statements as their application places the most significant demands on our judgment. Note A to the Consolidated Financial Statements included under Item 8 should be read in conjunction with this section to assist with obtaining an understanding of the underlying accounting policies related to these estimates. Due to the inherent uncertainties involved with these types of judgments, actual results could differ significantly from estimates and may have a material adverse impact on our results of operations or equity.

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 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 Reserves - Estimates and Uncertainties section below.

Reinsurance and Insurance Receivables

An 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 we have ceded under reinsurance agreements. An allowance for uncollectible reinsurance is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, our past experience and current economic conditions. Further information on our reinsurance receivables is in Note G to the Consolidated Financial Statements included under Item 8.

Additionally, an exposure exists with respect to the collectibility of amounts due from policyholders related to insurance contracts, including amounts due from insureds under high deductible policies and retrospectively rated policies. An allowance for uncollectible insurance receivables is recorded on the basis of periodic evaluations of balances currently due from insureds 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 uncollectible reinsurance and insurance receivables, net receivables as reflected on our Consolidated Balance Sheets may not be collected. Therefore, our results of operations or equity could be materially adversely affected.

Valuation of Investments and Impairment of Securities

We classify our 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 our fair value measurements is in Note C to the Consolidated Financial Statements included under Item 8.

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

Long Term Care Policies

Future policy benefits reserves for our long term care policies are based on certain assumptions including morbidity, persistency, discount rates and future premium rate increases. The adequacy of the reserves is contingent on actual experience related to these key assumptions. If actual experience differs from these assumptions, the reserves may not be adequate, requiring us to add to reserves.

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

These changes to our reserves could materially adversely impact our results of operations and equity. The reserving process is discussed in further detail in the Reserves - Estimates and Uncertainties section below.

Pension and Postretirement Benefit Obligations

We make a significant number of assumptions in estimating the liabilities and costs related to our pension and postretirement benefit obligations under our benefit plans. The assumptions that most affect these costs are the discount rate and the expected long term rate of return on plan assets. These assumptions are evaluated relative to current economic factors such as inflation, interest rates and broader capital market expectations. Changes in these assumptions can have a material impact on pension obligations and pension expense.

To determine the discount rate assumption as of the year-end measurement date for our CNA Retirement Plan and CNA Health and Group Benefits Program, we considered the estimated timing of plan benefit payments and available yields on high quality fixed income debt securities. For this purpose, high quality is considered a rating of Aa or better by Moody's or a rating of AA or better from S&P. We reviewed several yield curves constructed using the cash flow characteristics of the plans as well as bond indices as of the measurement date. The trend of those data points was also considered.

In determining the expected long term rate of return on plan assets assumption for our CNA Retirement Plan, we considered the historical performance of the investment portfolio as well as the long term market return expectations based on the investment mix of the portfolio and the expected investment horizon.

Further information on our pension and postretirement benefit obligations is in Note I to the Consolidated Financial Statements included under Item 8.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial statement and tax return basis 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 will 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.

RESERVES - ESTIMATES AND UNCERTAINTIES

The level of reserves we maintain represents our best estimate, as of a particular point in time, of what the ultimate settlement and administration of claims will cost based on our assessment of facts and circumstances known at that time. Reserves are not an exact calculation of liability but instead are complex estimates that we derive, 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, we review our reserves for each segment of our 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, equity, business and insurer financial strength and corporate debt ratings. Further information on reserves is provided in Note E to the Consolidated Financial Statements included under Item 8.

Property and Casualty Claim and Claim Adjustment Expense Reserves

We maintain loss reserves to cover our 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). 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 Segment Results section of this MD&A and in Note E to the Consolidated Financial Statements included under Item 8.

We are 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 our business by either extending coverage beyond the original underwriting intent or by increasing the number or size of claims.

Emerging or potential claims 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 healthcare utilization; and/or the future costs of healthcare facilities. In addition, the relationship between workers' compensation and government and private healthcare providers could change, potentially shifting costs to workers' compensation.

The impact of these and other unforeseen emerging or potential claims and coverage issues is difficult to predict and could materially adversely affect the adequacy of our claim and claim adjustment expense reserves and could lead to future reserve additions.

Our property and casualty insurance subsidiaries also have actual and potential exposures related to A&EP claims. Our experience has been that establishing reserves for casualty coverages relating to A&EP claims and the related claim adjustment expenses are 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 reserves for A&EP. As a result, estimating the ultimate cost of both reported and unreported A&EP claims are subject to a higher degree of variability.

To mitigate the risks posed by our exposure to A&EP claims and claim adjustment expenses, we completed a transaction with NICO under which substantially all of our legacy A&EP liabilities were ceded to NICO effective January 1, 2010.

The Loss Portfolio Transfer is a retroactive reinsurance contract. The cumulative amounts ceded under the Loss Portfolio Transfer exceed the consideration paid, therefore we have recognized a deferred retroactive reinsurance gain. This deferred gain is recognized in earnings in proportion to actual recoveries under the Loss Portfolio Transfer. Over the life of the contract, there is no economic impact as long as any additional losses are within the limit of the contract.

See Note E to the Consolidated Financial Statements included under Item 8 for further discussion of the Loss Portfolio Transfer, its impact on our results of operations and the deferred retroactive reinsurance gain.

Historically we performed our actuarial review of A&EP claims in the fourth quarter. In 2014 we were unable to complete the fourth quarter review because we determined that additional information and analysis of inuring third-party reinsurance recoveries was required. The reserve review was completed in the second quarter of 2015 and management adopted the second quarter of the year as the timing for all future annual A&EP claims actuarial reviews.

Establishing Property & Casualty Reserve Estimates

In developing claim and claim adjustment expense (“loss” or “losses”) reserve estimates, our 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 dentists, 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, we review actual loss emergence for all products each quarter.

The detailed analyses use a variety of generally accepted actuarial methods and techniques to produce a number of estimates of ultimate loss. Our actuaries determine a point estimate of ultimate loss by reviewing the various estimates and assigning weight to each estimate given the characteristics of the reserve group being reviewed. The reserve estimate is the difference between the estimated ultimate loss and the losses paid to date. The difference between the estimated ultimate loss and the case incurred loss (paid loss plus case reserve) is IBNR. IBNR calculated as such includes a provision for development on known cases (supplemental development) as well as a provision for claims that have occurred but have not yet been reported (pure IBNR).

Most of our 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. Our 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. Specialty, Commercial and International contain both long-tail and short-tail exposures. Corporate & Other Non-Core contains long-tail exposures.

Various methods are used to project ultimate loss for both long-tail and short-tail exposures including, but not limited to, the following:

- paid development;
- incurred development;
- loss ratio;
- Bornhuetter-Ferguson using paid loss;
- Bornhuetter-Ferguson using incurred loss;
- frequency times severity; and
- stochastic modeling.

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 loss. 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 impact the results. Since the method does not rely on case reserves, it is not directly influenced by changes in the adequacy of case reserves.

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 impact 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 us, 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, we use 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 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, our 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 our 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, we will not assign any weight to the paid and incurred development methods. We will use the loss ratio, Bornhuetter-Ferguson and frequency times severity methods. For short-tail exposures, the paid and incurred development methods can often be relied on sooner, primarily because our history includes a sufficient number of years to cover the entire period over which paid and incurred losses are expected to change. However, we may also use the loss ratio, Bornhuetter-Ferguson and frequency times severity methods for short-tail exposures.

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

Periodic Reserve Reviews

The reserve analyses performed by our actuaries result in point estimates. Each quarter, the results of the detailed reserve reviews are summarized and discussed with senior management to determine the best estimate of reserves. Senior management considers many factors in making this decision. The factors include, but are not limited to, the historical pattern and volatility of the actuarial indications, the sensitivity of the actuarial indications to changes in paid and incurred loss patterns, the consistency of claims handling processes, the consistency of case reserving practices, changes in our pricing and underwriting, pricing and underwriting trends in the insurance market and legal, judicial, social and economic trends.

Our recorded reserves reflect our best estimate as of a particular point in time based upon known facts, consideration of the factors cited above and our judgment. The carried reserve may differ from the actuarial point estimate as the result of our consideration of the factors noted above as well as the potential volatility of the projections associated with the specific reserve group being analyzed and other factors affecting claims costs that may not be quantifiable through traditional actuarial analysis. This process results in management's best estimate which is then recorded as the loss reserve.

Currently, our recorded reserves are modestly higher than the actuarial point estimate. For Commercial, Specialty and International, the difference between our 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 impact claim costs and the effects from the economy. For Corporate & Other Non-Core, the difference between our 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.

Our recorded reserves are management's best estimate. In order to provide an indication of the variability associated with our net reserves, the following discussion provides a sensitivity analysis that shows the approximate estimated impact of variations in significant factors affecting our reserve estimates for particular types of business. These significant factors are the ones that we believe could most likely materially affect the reserves. This discussion covers the major types of business for which we believe a material deviation to our 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 our reserves.

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

Professional liability and management liability products 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 directors and officers (D&O), employment practices, fiduciary, fidelity and surety coverages, as well as insurance products serving the healthcare 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 impact claim severity. If the estimated claim severity increases by 9%, we estimate that the net reserves would increase by approximately \$500 million. If the estimated claim severity decreases by 3%, we estimate that net reserves would decrease by approximately \$150 million. Our net reserves for these products were approximately \$5.4 billion as of December 31, 2015.

For workers' compensation, since many years will pass from the time the business is written until all claim payments have been made, claim cost inflation on claim payments is the most significant factor affecting workers' compensation reserve estimates. 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, we estimate that our net reserves would increase by approximately \$400 million. If estimated workers' compensation claim cost inflation decreases by 100 basis points for the entire period over which claim payments will be made, we estimate that our net reserves would decrease by approximately \$350 million. Our net reserves for workers' compensation were approximately \$4.3 billion as of December 31, 2015.

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%, we estimate that our net reserves would increase by approximately \$200 million. If the estimated claim severity for general liability decreases by 3%, we estimate that our net reserves would decrease by approximately \$100 million. Our net reserves for general liability were approximately \$3.6 billion as of December 31, 2015.

Given the factors described above, it is not possible to quantify precisely the ultimate exposure represented by claims and related litigation. As a result, we regularly review the adequacy of our reserves and reassess our reserve estimates as historical loss experience develops, additional claims are reported and settled and additional information becomes available in subsequent periods. In reviewing our reserve estimates, we make adjustments in the period that the need for such adjustments is determined. These reviews have resulted in our identification of information and trends that have caused us to change our reserves in prior periods and could lead to the 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, equity, business and insurer financial strength and corporate debt ratings positively or negatively. See the Ratings section of this MD&A for further information regarding our financial strength and corporate debt ratings.

Life & Group Non-Core Policyholder Reserves

We maintain both claim and claim adjustment expense reserves as well as future policy benefits reserves for policyholder benefits for our Life & Group Non-Core segment. Claim and claim 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 our long term care policies, our 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. Our recorded claim and claim adjustment expense reserves reflect our best estimate after incorporating the results of the most recent study. In addition, claim and claim adjustment reserves are also maintained for structured settlement obligations that are not funded by annuities related to certain property and casualty claimants. Future policy benefits reserves represent the active life reserves related

to our 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 our financial results and requires management to make estimates and assumptions about expected investment and policyholder experience over the life of the contract. Since many of these contracts may be in force for several decades, these assumptions are subject to significant estimation risk.

While the structured settlement obligations arise under short duration contracts, long duration contract principles and actuarial methods are used to determine management's best estimate of the required claim and claim adjustment reserve.

Under GAAP, reserves for long term care future policy benefits and the unfunded structured settlement annuity claim and claim adjustment expense reserves were first established based on our actuarial best estimate assumptions at the date the contract was issued plus a margin for adverse deviation. Actuarial assumptions include estimates of morbidity, persistency, discount rates and expenses over the life of the contracts. These assumptions are locked in throughout the life of the contract unless a premium deficiency develops. The impact of differences between the actuarial assumptions and actual experience is reflected in results of operations each period.

Long term care policies provide benefits for nursing homes, assisted living and home health care subject to various daily and lifetime caps. Policyholders must continue to make periodic premium payments to keep the policy in force. Generally we have the ability to increase policy premiums, subject to state regulatory approval.

The actuarial assumptions that management believes are subject to the most variability are morbidity, persistency and discount rate. Persistency can be affected by policy lapses 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. There is limited historical company and industry data available to us 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, our long term care reserves may be subject to material increases if actual experience develops adversely to our expectations.

Annually, management assesses the adequacy of its GAAP long term care future policy benefits reserves as well as the claim and claim adjustment expense reserves for unfunded structured settlement obligations by performing a gross premium valuation (GPV) to determine if there is a premium deficiency. Under the GPV, management estimates required reserves using best estimate assumptions, including anticipated future premium rate increases, as of the date of the assessment without provisions for adverse deviation. The GPV reserves are then compared to the recorded reserves. If the GPV reserves are greater than the existing net GAAP reserves (i.e. reserves net of any deferred acquisition costs asset), the existing net GAAP reserves are unlocked and are increased to the greater amount. Any such increase is reflected in our results of operations in the period in which the need for such adjustment is determined, and could materially adversely affect our results of operations, equity and business and insurer financial strength and corporate debt ratings.

Prior to December 31, 2015, the active life reserves for long term care were based on the actuarial assumptions established at policy issuance. The December 31, 2014 GPV indicated the carried reserves included a margin of approximately \$100 million. The December 31, 2015 GPV indicated a premium deficiency of \$296 million. A summary of the changes in the GPV results is presented in the table below:

Long Term Care Active Life Reserve - Change in GPV (In millions)		
December 31, 2014 Margin	\$	100
Changes in underlying morbidity assumptions		(398)
Changes in underlying persistency assumptions		(80)
Changes in underlying discount rate assumptions		47
Changes in underlying premium rate action assumptions		50
Changes in underlying expense and other assumptions		(15)
December 31, 2015 Premium Deficiency	\$	(296)

The premium deficiency was primarily driven by changes in morbidity assumptions, in particular by higher claim incidence, reflective of trends observed in our emerging experience. There are a variety of factors that impact claim incidence rates, including, but not limited to, policyholder behavior, socioeconomic factors, changes in health trends and advances in medical care. The premium deficiency was also adversely affected by changes in persistency assumptions, primarily from lower projected active life mortality rates. Adverse changes from morbidity and persistency were somewhat offset by increases in planned rate increase actions and changes in discount rate assumptions. The increase in planned rate actions was primarily due to updated assumptions on the approval rate and timing of future premium rate increases in our group block. Changes in discount rate assumptions were primarily due to changes in future interest rate assumptions, contemplating both near-term market indications and long-term normative assumptions. Changes in expenses and other assumptions had a small adverse impact on the premium deficiency.

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 asset of \$289 million and an increase to active life reserves of \$7 million. As a result, the long term care active life reserves carried as of December 31, 2015 represent management's best estimate assumptions at that date with no margin for adverse deviation. Since there is no margin in the carried reserves, we may have to unlock our reserve assumptions in the future. Factors that could affect the need to unlock reserve assumptions include the significance and persistence of variances between actual experience and the expected results contemplated in the best estimate reserves as well as changes in our outlook of the future.

In addition to the premium deficiency, our annual experience study of claim reserves indicated a deficiency of \$9 million. The deficiency was primarily related to updating claim frequency assumptions on incurred but not reported claims, offset by favorable severity on existing claims. The total after-tax impact of the premium deficiency and claim reserve deficiency was \$198 million.

The table below summarizes the estimated pretax impact on our results of operations from various hypothetical revisions to our assumptions. We have 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, we believe they could occur based on past variances in experience and our expectations of the ranges of future experience that could reasonably occur. The hypothetical revisions have been updated from the disclosures in prior periods to be reflective of our updated best estimate assumptions as of December 31, 2015 in support of our active life reserves. As a result, in some cases the scenarios described below are not directly comparable to prior periods. Persistency now reflects active life mortality and lapse whereas prior periods reflected total lives. Discount rates now reflect future interest rates only whereas prior periods reflected future interest rates and changes in our existing investment portfolio yield. The hypothetical scenarios for morbidity and premium rate actions are comparable to prior periods.

December 31, 2015

Hypothetical revisions (In millions)	Estimated reduction to pretax income
Morbidity:	
5% increase in morbidity	\$ 611
10% increase in morbidity	1,223
Persistency:	
5% decrease in active life mortality and lapse	\$ 211
10% decrease in active life mortality and lapse	436
Discount Rates:	
50 basis point decline in future interest rates	\$ 321
100 basis point decline in future interest rates	675
Premium Rate Actions:	
25% decrease in anticipated future rate increases premium	\$ 165
50% decrease in anticipated future rate increases premium	329

Any actual adjustment would be dependent on the specific policies affected and, therefore, may differ from the estimates summarized above.

SEGMENT RESULTS

The following discusses the results of continuing operations for our business segments.

Our core property and casualty commercial insurance operations are aggregated and reported in three business segments: Specialty, Commercial and International. Specialty provides a broad array of professional, financial and specialty property and casualty products and services, through a network of independent agents, brokers and managing general underwriters. Commercial includes property and casualty coverages sold to small businesses and middle market entities and organizations primarily through an independent agency distribution system. Commercial also includes commercial insurance and risk management products sold to large corporations primarily through insurance brokers. International provides management and professional liability coverages as well as a broad range of other property and casualty insurance products and services abroad through a network of brokers, independent agencies and managing general underwriters, as well as the Lloyd's marketplace.

Our non-core operations are managed and reported in two segments: Life & Group Non-Core and Corporate & Other Non-Core. Life & Group Non-Core primarily includes the results of our long term care business that is in run-off. Corporate & Other Non-Core primarily includes certain corporate expenses, including interest on corporate debt, and the results of certain property and casualty business in run-off, including CNA Re and A&EP. Intersegment eliminations are also included in this segment.

Our property and casualty field structure consists of 49 underwriting locations across the United States. 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. The claims structure consists of two regional claim centers designed to efficiently handle the high volume of low severity claims including property damage, liability and workers' compensation medical only claims, and 16 principal claim offices handling the more complex claims. We also have a presence in Canada, Europe and Singapore consisting of 19 branch operations and access to business placed at Lloyd's of London through Hardy Syndicate 382.

We utilize the net operating income financial measure to monitor our operations. Net operating income (loss) is calculated by excluding from net income (loss) the after-tax effects of 1) net realized investment gains or losses, 2) income or loss from discontinued operations and 3) any cumulative effects of changes in accounting guidance. See further discussion regarding how we manage our business in Note O to the Consolidated Financial Statements included under Item 8.

In evaluating the results of our Specialty, Commercial and International segments, we utilize 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 we also utilize rate, retention and new business in evaluating operating trends. Rate represents the average change in price on policies that renew excluding exposure change. Retention represents the percentage of premium dollars renewed in comparison to the expiring premium dollars from policies available to renew. New business represents premiums from policies written with new customers and additional policies written with existing customers.

Changes in estimates of claim and allocated claim adjustment expense reserves and premium accruals, net of reinsurance, for prior years are defined as net prior year development within this MD&A. These changes can be favorable or unfavorable. Net prior year development does not include the impact of related acquisition expenses. Further information on our reserves is provided in Note E to the Consolidated Financial Statements included under Item 8.

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 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 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, through CNA HealthCare, also offers insurance products to serve the healthcare 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 offers small, medium and large contract and commercial surety bonds. Surety provides surety and fidelity bonds in all 50 states through a network of independent agencies and brokers.

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 portable electronic communication devices.

The following table details the results of operations for Specialty.

Years ended December 31

(In millions, except ratios, rate and retention)

	2015	2014	2013
Net written premiums	\$ 2,781	\$ 2,839	\$ 2,880
Net earned premiums	2,782	2,838	2,795
Net investment income	474	560	629
Net operating income	560	634	668
Net realized investment (losses) gains, after tax	(22)	10	(3)
Net income	538	644	665
Other performance metrics:			
Loss and loss adjustment expense ratio	57.4%	57.3%	57.0%
Expense ratio	31.1	30.1	29.9
Dividend ratio	0.2	0.2	0.2
Combined ratio	<u>88.7%</u>	<u>87.6%</u>	<u>87.1%</u>
Rate	1%	3%	6%
Retention	86%	87%	85%
New Business	\$ 279	\$ 309	\$ 342

2015 Compared with 2014

Net written premiums for Specialty decreased \$58 million in 2015 as compared with 2014, driven by lower new business. The decrease in net earned premiums was consistent with the trend in net written premiums.

Net operating income decreased \$74 million in 2015 as compared with 2014, primarily due to lower net investment income.

The combined ratio increased 1.1 points in 2015 as compared with 2014. The loss ratio increased 0.1 points due to deterioration in the current accident year loss ratio, primarily offset by higher net favorable prior year development. Catastrophe losses were \$13 million, or 0.4 points of the loss ratio, for 2015 as compared to \$21 million, or 0.7 points of the loss ratio, for 2014. The expense ratio increased 1.0 point in 2015 as compared with 2014, driven by increased underwriting expenses and the unfavorable effect of lower net earned premiums.

Favorable net prior year development of \$152 million and \$149 million was recorded in 2015 and 2014. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

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

December 31		
(In millions)		
	2015	2014
Gross Case Reserves	\$ 2,011	\$ 2,136
Gross IBNR Reserves	4,258	4,093
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 6,269	\$ 6,229
Net Case Reserves	\$ 1,810	\$ 1,929
Net IBNR Reserves	3,758	3,726
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 5,568	\$ 5,655

2014 Compared with 2013

Net written and earned premiums for Specialty in 2014 were largely consistent with 2013, although the level of new business has declined reflecting competitive market conditions.

Net income decreased \$21 million in 2014 as compared with 2013. This decrease was due to lower net operating income, partially offset by improved net realized investment results.

Net operating income decreased \$34 million in 2014 as compared with 2013, primarily due to lower net investment income and less favorable net prior year development, partially offset by improved current accident year underwriting results.

The combined ratio increased 0.5 points in 2014 as compared with 2013. The loss ratio increased 0.3 points due to less favorable net prior year development, partially offset by improvement in the current accident year loss ratio.

Favorable net prior year development of \$149 million and \$210 million was recorded in 2014 and 2013. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

Commercial

Commercial works with an independent agency distribution system and a network of brokers to market a broad range of property and casualty insurance products and services to small, middle-market and large businesses and organizations. 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, we also offer specialized loss-sensitive insurance programs.

These property and casualty products are offered as part of our Middle Market, Small Business and Other Commercial insurance groups. Other Commercial also includes total risk management services relating to claim and information services to the large commercial insurance marketplace, through a wholly-owned subsidiary, CNA ClaimPlus, Inc., a third-party administrator.

The following table details the results of operations for Commercial.

Years ended December 31

(In millions, except ratios, rate and retention)

	2015	2014	2013
Net written premiums	\$ 2,818	\$ 2,817	\$ 2,960
Net earned premiums	2,788	2,906	3,004
Net investment income	593	723	899
Net operating income	369	307	448
Net realized investment (losses) gains, after tax	(31)	10	(10)
Net income	338	317	438
Other performance metrics:			
Loss and loss adjustment expense ratio	65.1%	75.3%	75.2%
Expense ratio	36.1	33.7	34.0
Dividend ratio	0.3	0.3	0.3
Combined ratio	101.5%	109.3%	109.5%
Rate	2%	5%	9%
Retention	79%	73%	74%
New Business	\$ 552	\$ 491	\$ 622

2015 Compared with 2014

Net written premiums for Commercial were consistent in 2015 as compared with 2014. Positive rate and higher retention and new business were offset by the residual effect of previous underwriting actions undertaken in certain business classes. Net earned premiums decreased \$118 million in 2015 as compared with 2014, consistent with the trend in recent quarters in net written premiums.

Net operating income increased \$62 million in 2015 as compared with 2014. This increase was primarily due to improved underwriting results partially offset by lower net investment income.

The combined ratio improved 7.8 points in 2015 as compared to 2014. The loss ratio improved 10.2 points, due to favorable net prior year development for 2015 as compared to unfavorable net prior year development for 2014 and an improved current accident year loss ratio. Catastrophe losses were \$101 million, or 3.6 points of the loss ratio, for 2015, as compared to \$125 million, or 4.4 points of the loss ratio, for 2014. The expense ratio increased 2.4 points in 2015 as compared with 2014, due to higher expenses including increased commissions, the favorable impact in 2014 of recoveries on insurance receivables written off in prior years and the unfavorable effect of lower net earned premiums.

Favorable net prior year development of \$30 million was recorded in 2015 as compared with unfavorable net prior year development of \$156 million in 2014. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

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

December 31		
(In millions)		
	2015	2014
Gross Case Reserves	\$ 4,975	\$ 5,298
Gross IBNR Reserves	4,208	4,216
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 9,183	\$ 9,514
Net Case Reserves	\$ 4,651	\$ 4,947
Net IBNR Reserves	3,925	3,906
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 8,576	\$ 8,853

2014 Compared with 2013

Net written premiums for Commercial decreased \$143 million in 2014 as compared with 2013 primarily driven by a lower level of new business, reflecting competitive market conditions, and underwriting actions taken in certain business classes, partially offset by continued rate increases. Net earned premiums decreased \$98 million in 2014 as compared with 2013, consistent with decreased net written premiums.

Net income decreased \$121 million in 2014 as compared with 2013. This decrease was due to lower net operating income, partially offset by improved net realized investment results.

Net operating income decreased \$141 million in 2014 as compared with 2013. This decrease was primarily due to lower net investment income and higher unfavorable net prior year development, partially offset by improved current accident year underwriting results. In addition, 2013 results included a legal settlement benefit of \$31 million after tax.

The combined ratio and loss ratio in 2014 were largely consistent with 2013. The unfavorable impact of net prior year development was offset by an improved current accident year loss ratio. Catastrophe losses were \$125 million, or 4.4 points of the loss ratio for 2014, as compared to \$133 million, or 4.4 points of the loss ratio for 2013. The expense ratio improved 0.3 points in 2014 as compared with 2013, primarily due to the favorable impact of recoveries on insurance receivables written off in prior years.

Unfavorable net prior year development of \$156 million and \$114 million was recorded in 2014 and 2013. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

International

International provides property and casualty insurance and specialty coverages on a global basis through its operations in Canada, the United Kingdom, Continental Europe and Singapore, as well as through its presence at Lloyd's of London.

The International business is grouped into broad business units - Energy & Marine, Property, Casualty, Specialty, and Healthcare & Technology - and is managed across three territorial platforms.

Canada provides standard commercial and specialty insurance products, primarily in the marine, oil & gas, construction, manufacturing and life science industries.

CNA Europe provides a diverse range of specialty products as well as commercial insurance products primarily in the marine, property, financial services and healthcare & technology, industries throughout Europe on both a domestic and cross border basis.

Hardy operates through Lloyd's Syndicate 382 underwriting primarily short-tail exposures in energy, marine, property, casualty and specialty lines with risks located in many countries around the world. The capacity of and results from the syndicate are 100% attributable to CNA.

The following table details the results of operations for International.

Years ended December 31

(In millions, except ratios, rate and retention)

	2015	2014	2013
Net written premiums	\$ 822	\$ 880	\$ 959
Net earned premiums	804	913	916
Net investment income	52	61	60
Net operating income	37	69	69
Net realized investment gains, after tax	1	—	3
Net income	38	69	72
Other performance metrics:			
Loss and loss adjustment expense ratio	59.5 %	53.5 %	53.4%
Expense ratio	38.1	38.9	39.7
Dividend ratio	—	—	—
Combined ratio	97.6 %	92.4 %	93.1%
Rate	(1)%	(1)%	1%
Retention	76 %	74 %	79%
New Business (a)	\$ 111	\$ 115	\$ 117

(a) This does not include Hardy new business.

2015 Compared with 2014

Net written premiums for International decreased \$58 million in 2015 as compared with 2014, driven by the unfavorable effect of foreign currency exchange rates, the 2014 termination of a specialty product managing general underwriter relationship in Canada and unfavorable premium development at Hardy. Excluding the effect of foreign currency exchange rates, net written premiums increased 2.4% in 2015 as compared with 2014. Net earned premiums decreased \$109 million in 2015 as compared with 2014, consistent with the trend in net written premiums.

Net operating income decreased \$32 million in 2015 as compared with 2014. This decrease was due to less favorable underwriting results, partially offset by less unfavorable effects of foreign currency exchange rates.

The combined ratio increased 5.2 points in 2015 as compared with 2014. The loss ratio increased 6.0 points, primarily due to less favorable net prior year development and an increase in the current accident year loss ratio driven by large losses. Catastrophe losses were \$27 million, or 3.3 points of the loss ratio, for 2015, as compared to \$10 million, or 1.0 point of the loss ratio, for 2014. The expense ratio improved 0.8 points in 2015 as compared with 2014 due to lower expenses, partially offset by the unfavorable effect of lower net earned premiums.

Favorable net prior year development of \$36 million and \$57 million was recorded in 2015 and 2014. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

The following table summarizes the gross and net carried reserves for International.

December 31		
(In millions)		
	2015	2014
Gross Case Reserves	\$ 622	\$ 752
Gross IBNR Reserves	725	689
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 1,347	\$ 1,441
Net Case Reserves	\$ 531	\$ 598
Net IBNR Reserves	688	663
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 1,219	\$ 1,261

2014 Compared with 2013

Net written premiums for International decreased \$79 million in 2014 as compared with 2013, primarily due to the 2013 Hardy commutation of a third-party capital provider's 15% share of the 2012 year of account as well as the termination of a specialty product managing general underwriter relationship in Canada. The Hardy commutation increased 2013 net written premiums by \$51 million and 2013 net earned premiums by \$45 million. Net earned premiums decreased \$3 million in 2014 as compared with 2013, consistent with decreases in net written premiums.

There was no change in net operating income in 2014 as compared with 2013. The effects of foreign currency exchange rates and unfavorable current accident year underwriting results were offset by the release of the allowance for uncollectible reinsurance related to commutations in the first quarter of 2014.

The combined ratio improved 0.7 points in 2014 as compared with 2013. The loss ratio increased 0.1 points, due to the higher current accident year loss ratio, substantially offset by the impact of commutations. Catastrophe losses were \$10 million, or 1.0 point of the loss ratio for 2014, as compared to \$14 million, or 1.5 points of the loss ratio for 2013. The expense ratio improved 0.8 points in 2014 as compared with 2013, primarily due to decreased acquisition expenses.

Favorable net prior year development of \$57 million and \$59 million was recorded in 2014 and 2013. Further information on net prior year development is in Note E to the Consolidated Financial Statements included under Item 8.

Life & Group Non-Core

The Life & Group Non-Core segment primarily includes the results of our long term care business that is in run-off. Long term care policies were sold on both an individual and group basis. While considered non-core, new enrollees in existing groups were accepted through February 1, 2016.

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

Years ended December 31

(In millions)

	2015	2014	2013
Net earned premiums	\$ 548	\$ 556	\$ 559
Net investment income	704	700	662
Net operating loss	(314)	(69)	(74)
Net realized investment gains, after tax	8	7	18
Net loss	(306)	(62)	(56)

2015 Compared with 2014

Net earned premiums for Life & Group Non-Core decreased \$8 million in 2015 as compared with 2014. The effect of policy lapses was substantially offset by premium rate increases.

Net operating loss increased \$245 million in 2015 as compared with 2014. The increase was driven by a \$296 million charge related to recognition of a premium deficiency and a \$9 million deficiency in claim reserves in our long term care business. The after-tax impact of both of these items was \$198 million. Excluding the effects of these items, results in 2015 were also negatively affected by higher morbidity in our long term care business. Results in 2014 were negatively affected by a \$34 million after-tax loss on a coinsurance transaction related to the sale of CAC. For further discussion of drivers of the premium deficiency, see the Reserves - Estimates and Uncertainties section of this MD&A.

As a result of recognizing the premium deficiency, the actuarial assumptions used to determine long term care Future policy benefits reserves were unlocked. The December 31, 2015 Future policy benefits reserves for long term care are based on our best estimate assumptions with no margin for adverse deviation. Since there is no margin in the carried reserves, we may have to unlock our reserve assumptions in the future. Factors that could affect the need to unlock reserve assumptions include the significance and persistence of variances between actual experience and the expected results contemplated in the best estimate reserves as well as changes in our outlook of the future.

The periodic operating results for this business in 2016 will reflect any variance between actual experience and the expected results contemplated in our best estimate reserves.

The following table summarizes policyholder reserves for Life & Group Non-Core.

December 31, 2015

(In millions)	Claim and claim adjustment expenses	Future policy benefits	Total
Long term care	\$ 2,229	\$ 8,335	\$ 10,564
Structured settlement annuities	581	—	581
Other	21	—	21
Total	2,831	8,335	11,166
Shadow adjustments ^(a)	99	1,610	1,709
Ceded reserves	290	207	497
Total gross reserves	\$ 3,220	\$ 10,152	\$ 13,372

December 31, 2014

(In millions)	Claim and claim adjustment expenses	Future policy benefits	Total
Long term care	\$ 2,064	\$ 7,782	\$ 9,846
Structured settlement annuities	606	—	606
Other	28	1	29
Total	2,698	7,783	10,481
Shadow adjustments ^(a)	145	1,522	1,667
Ceded reserves	340	185	525
Total gross reserves	\$ 3,183	\$ 9,490	\$ 12,673

(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, a related decrease in Deferred acquisition costs and/or increase in Insurance reserves are recorded, net of tax, as a reduction of net unrealized gains through Other comprehensive income (loss) (Shadow Adjustments). The Shadow adjustment presented above as of December 31, 2014 does not include \$314 million related to Deferred acquisition costs.

2014 Compared with 2013

Net earned premiums for Life & Group Non-Core were largely consistent in 2014 as compared with 2013, as the effect of policy lapses was substantially offset by rate increases.

Net loss increased \$6 million in 2014 as compared with 2013, driven by decreased net realized investment results, partially offset by a lower net operating loss.

Net operating loss decreased \$5 million in 2014 as compared with 2013. Results in our long term care and life settlement businesses improved in 2014, but that improvement was substantially offset by the \$34 million after-tax loss on the previously discussed coinsurance transaction and results for our remaining structured settlements. The improved results in long term care were driven by higher net investment income attributable to a higher invested asset base and portfolio allocation of tax-exempt bonds, rate increase actions and the slightly more favorable net morbidity and persistency.

Corporate & Other Non-Core

Corporate & Other Non-Core primarily includes certain corporate expenses, including interest on corporate debt and the results of certain property and casualty business in run-off, including CNA Re and A&EP.

The following table summarizes the results of operations for the Corporate & Other Non-Core segment, including intersegment eliminations.

Years ended December 31

(In millions)

	2015	2014	2013
Net investment income	\$ 17	\$ 23	\$ 32
Interest expense	154	182	160
Net operating loss	(137)	(92)	(210)
Net realized investment gains, after tax	8	12	6
Net loss	(129)	(80)	(204)

2015 Compared with 2014

Net operating loss increased \$45 million in 2015 as compared with 2014. Results in 2015 were negatively affected by an increase in gross A&EP claim reserves. While all of this reserve development is reinsured under the Loss Portfolio Transfer, only a portion of the reinsurance recovery is currently recognized because of the application of retroactive reinsurance accounting. As a result, the net operating loss comparison was negatively affected by \$51 million, as further discussed in Note E to the Consolidated Financial Statements included under Item 8. Results in 2015 benefited from lower interest expense due to the maturity of higher coupon debt in the fourth quarter of 2014. Results in 2014 included a \$56 million after-tax curtailment gain related to a change in postretirement benefits, substantially offset by a \$55 million after-tax lump sum pension plan settlement, as further discussed in Note I to the Consolidated Financial Statements included under Item 8.

No net prior year development was recorded for the year ended December 31, 2015 as compared with favorable net prior year development of \$3 million for the year ended December 31, 2014.

The following table summarizes the gross and net carried reserves for Corporate & Other Non-Core.

December 31

(In millions)

	2015	2014
Gross Case Reserves	\$ 1,521	\$ 1,189
Gross IBNR Reserves	1,123	1,715
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 2,644	\$ 2,904
Net Case Reserves	\$ 130	\$ 144
Net IBNR Reserves	153	171
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 283	\$ 315

2014 Compared with 2013

Net loss decreased \$124 million in 2014 as compared with 2013. Results in 2013 included the unfavorable impact of a \$123 million after-tax deferred gain under retroactive reinsurance accounting related to the Loss Portfolio Transfer, as further discussed in Note E to the Consolidated Financial Statements included under Item 8. Results in 2014 included a \$56 million after-tax benefit related to a postretirement plan curtailment, substantially offset by a \$55 million after-tax lump sum pension plan settlement, as further discussed in Note I to the Consolidated Financial Statements included under Item 8.

Favorable net prior year development of \$3 million and \$5 million was recorded in 2014 and 2013.

INVESTMENTS

Net Investment Income

The significant components of Net investment income are presented in the following table.

Years ended December 31

(In millions)	2015	2014	2013
Fixed maturity securities:			
Taxable	\$ 1,375	\$ 1,399	\$ 1,510
Tax-Exempt	376	404	317
Total fixed maturity securities	1,751	1,803	1,827
Limited partnership investments	92	263	451
Other, net of investment expense	(3)	1	4
Net investment income	\$ 1,840	\$ 2,067	\$ 2,282
Net investment income, after tax	\$ 1,329	\$ 1,473	\$ 1,578
Effective income yield for the fixed maturity securities portfolio, pretax	4.7%	4.8%	5.0%
Effective income yield for the fixed maturity securities portfolio, after tax	3.4%	3.5%	3.5%

Net investment income, after tax, decreased \$144 million in 2015 as compared with 2014. The decrease was driven by limited partnership investments, which returned 3.0% in 2015 as compared with 9.7% in the prior year. Income from fixed maturity securities, after tax, decreased \$34 million driven by a \$25 million change in estimate effected by a change in accounting principle to better reflect the yield on fixed maturity securities that have call provisions. Additionally income from fixed maturity securities decreased due to lower reinvestment rates, partially offset by favorable changes in estimates for prepayments for asset-backed securities. See further discussion of the accounting change in Note A to the Consolidated Financial Statements included under Item 8.

Net investment income, after tax, decreased \$105 million in 2014 as compared with 2013. The decrease was primarily driven by limited partnerships, which produced a rate of return of 9.7% as compared with 18.3% in the prior year. This was partially offset by an increase in after-tax fixed maturity securities investment income due to additional investments in tax-exempt securities.

Net Realized Investment Gains (Losses)

The components of Net realized investment results are presented in the following table.

Years ended December 31

(In millions)

	2015	2014	2013
Fixed maturity securities:			
Corporate and other bonds	\$ (55)	\$ 67	\$ 42
States, municipalities and political subdivisions	(22)	(7)	36
Asset-backed	10	(21)	(40)
Foreign government	1	2	4
Redeemable preferred stock	—	—	(1)
Total fixed maturity securities	(66)	41	41
Equity securities	(23)	1	(22)
Derivative securities	10	(1)	(9)
Short term investments and other	12	16	10
Net realized investment (losses) gains	(67)	57	20
Income tax benefit (expense) on net realized investment (losses) gains	31	(18)	(6)
Net realized investment (losses) gains , after tax	\$ (36)	\$ 39	\$ 14

Net realized investment results, after tax, decreased \$75 million for 2015 as compared with 2014, driven by higher OTTI losses recognized in earnings and lower net realized investment gains on sales of securities. Net realized investment gains, after tax, increased \$25 million for 2014 as compared with 2013, driven by higher net realized investment gains on sales of securities. Further information on our realized gains and losses, including our OTTI losses and derivative gains (losses), as well as our impairment decision process, is set forth in Notes A and B to the Consolidated Financial Statements included under Item 8.

Portfolio Quality

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

December 31	2015		2014	
	Estimated Fair Value	Net Unrealized Gains (Losses)	Estimated Fair Value	Net Unrealized Gains (Losses)
(In millions)				
U.S. Government, Government agencies and Government-sponsored enterprises	\$ 3,910	\$ 101	\$ 3,882	\$ 144
AAA	1,938	123	2,850	203
AA	8,919	900	9,404	1,016
A	10,044	904	10,594	1,064
BBB	11,595	307	11,093	889
Non-investment grade	3,166	(16)	2,945	117
Total	\$ 39,572	\$ 2,319	\$ 40,768	\$ 3,433

As of December 31, 2015 and 2014, only 1% of our fixed maturity portfolio was rated internally.

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

	December 31, 2015	
	Estimated Fair Value	Gross Unrealized Losses
(In millions)		
U.S. Government, Government agencies and Government-sponsored enterprises	684	4
AAA	293	5
AA	518	7
A	1,015	20
BBB	4,045	239
Non-investment grade	1,395	113
Total	\$ 7,950	\$ 388

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, 2015	
	Estimated Fair Value	Gross Unrealized Losses
(In millions)		
Due in one year or less	\$ 252	\$ 3
Due after one year through five years	1,127	37
Due after five years through ten years	5,091	224
Due after ten years	1,480	124
Total	\$ 7,950	\$ 388

Duration

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

A further consideration in the management of the 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, we segregate investments for asset/liability management purposes. The segregated investments support the long term care and structured settlement liabilities in the Life & Group Non-Core segment.

The effective durations of fixed maturity securities and short term investments are presented in following table. Amounts presented are net of payable and receivable amounts for securities purchased and sold, but not yet settled.

December 31	2015		2014	
	Estimated Fair Value	Effective Duration (In years)	Estimated Fair Value	Effective Duration (In years)
(In millions)				
Investments supporting Life & Group Non-Core	\$ 14,879	9.6	\$ 14,668	10.5
Other interest sensitive investments	26,435	4.3	27,748	4.0
Total	\$ 41,314	6.2	\$ 42,416	6.3

The investment portfolio is periodically analyzed for changes in duration and related price risk. Additionally, we periodically review 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 in Quantitative and Qualitative Disclosures About Market Risk included under Item 7A.

Short Term Investments

The carrying value of the components of the Short term investments are presented in the following table.

December 31	2015	2014
(In millions)		
Short term investments:		
Commercial paper	\$ 998	\$ 922
U.S. Treasury securities	411	466
Money market funds	60	206
Other	191	112
Total short term investments	\$ 1,660	\$ 1,706

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our primary operating cash flow sources are premiums and investment income from our insurance subsidiaries. Our primary operating cash flow uses are payments for claims, policy benefits and operating expenses, including interest expense on corporate debt. Additionally, cash may be paid or received for income taxes.

For 2015, net cash provided by operating activities was \$1,387 million as compared with \$1,440 million for 2014. In 2015, cash provided by operating activities reflected lower premiums collected and decreased receipts relating to returns on limited partnerships offset by lower net claim payments. Net cash provided by operating activities was \$1,204 million in 2013. Operating cash flows in 2014 reflected increased receipts relating to returns on limited partnerships and lower net claim payments, substantially offset by increased tax payments. Additionally, in 2013 we contributed \$75 million to the CNA Retirement Plan.

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

Net cash used by investing activities was \$372 million for 2015, as compared with \$918 million and \$898 million for 2014 and 2013. The cash flow from investing activities is affected by various factors such as the anticipated payment of claims, financing activity, asset/liability management and individual security buy and sell decisions made in the normal course of portfolio management.

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

Net cash used by financing activities was \$807 million, \$519 million and \$264 million for 2015, 2014 and 2013. Cash used by financing activities reflected an increased special stockholder dividend in 2015 as compared to 2014. Additionally, in 2014, we issued \$550 million of senior notes.

Liquidity

We believe that our present cash flows from operations, investing activities and financing activities are sufficient to fund our current and expected working capital and debt obligation needs and we do not expect this to change in the near term. There are currently no amounts outstanding under our \$250 million senior unsecured revolving credit facility and no borrowings outstanding through our membership in the Federal Home Loan Bank of Chicago (FHLBC).

CCC paid dividends of \$900 million, \$650 million and \$400 million to CNAF during 2015, 2014 and 2013.

We have an effective automatic shelf registration statement under which we may issue debt, equity or hybrid securities.

Common Stock Dividends

Dividends of \$3.00 per share of our common stock, including a special dividend of \$2.00 per share, were declared and paid in 2015. On February 5, 2016, our Board of Directors declared a quarterly dividend of \$0.25 per share and a special dividend of \$2.00 per share, payable March 9, 2016 to stockholders of record on February 22, 2016. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend on many factors, including our earnings, financial condition, business needs and regulatory constraints.

Our ability to pay dividends and other credit obligations is significantly dependent on receipt of dividends from our subsidiaries. The payment of dividends to us by our 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.

Further information on our dividends from subsidiaries is provided in Note M to the Consolidated Financial Statements included under Item 8.

Commitments, Contingencies and Guarantees

We have various commitments, contingencies and guarantees which arose in the ordinary course of business. The impact of these commitments, contingencies and guarantees should be considered when evaluating our liquidity and capital resources.

A summary of our commitments is presented in the following table.

December 31, 2015

(In millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt (a)	\$ 3,306	\$ 495	\$ 399	\$ 1,048	\$ 1,364
Lease obligations	261	35	61	48	117
Claim and claim adjustment expense reserves (b)	24,056	5,256	6,563	3,303	8,934
Future policy benefits reserves (c)	33,074	(420)	(216)	450	33,260
Total (d), (e), (f)	\$ 60,697	\$ 5,366	\$ 6,807	\$ 4,849	\$ 43,675

- (a) Includes estimated future interest payments.
- (b) Claim and claim adjustment expense reserves are not discounted and represent our estimate of the amount and timing of the ultimate settlement and administration of gross claims based on our assessment of facts and circumstances known as of December 31, 2015. See the Reserves - Estimates and Uncertainties section of this MD&A for further information.
- (c) Future policy benefits reserves are not discounted and represent our estimate of the ultimate amount and timing of the settlement of benefits based on our assessment of facts and circumstances known as of December 31, 2015. See the Reserves - Estimates and Uncertainties section of this MD&A for further information.
- (d) Does not include expected estimated contribution of \$15 million to our pension and postretirement plans in 2016.
- (e) Does not include investment commitments of \$548 million related to limited partnerships, privately placed debt securities and mortgage loans.
- (f) Does not include commitments of \$166 million related to the new lease agreements discussed in Note L to the Consolidated Financial Statements under Item 8.

Further information on our commitments, contingencies and guarantees is provided in Notes A, B, E, F, H, I and L to the Consolidated Financial Statements included under Item 8.

Ratings

Ratings are an important factor in establishing the competitive position of insurance companies. Our insurance company subsidiaries are rated by major rating agencies and these ratings reflect the rating agency's opinion of the insurance company's financial strength, operating performance, strategic position and ability to meet our obligations to policyholders. Agency ratings are not a recommendation to buy, sell or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating. One or more of these agencies could take action in the future to change the ratings of our insurance subsidiaries.

The table below reflects the various group ratings issued by A.M. Best, Moody's and S&P. The table also includes the ratings for CNAF senior debt.

December 31, 2015	Insurance Financial Strength Ratings		Corporate Debt Ratings
	CCC Group	Western Surety Group	CNAF - Senior Debt
A.M. Best	A	A	bbb
Moody's	A3	Not rated	Baa2
S&P	A	A	BBB

A.M. Best, Moody's and S&P each maintain a stable outlook on the Company.

Hardy, through Syndicate 382, benefits from the collective financial strength of the Lloyd's market, which is rated A+ by S&P with a stable outlook and A by A.M. Best with a positive outlook.

ACCOUNTING STANDARDS UPDATE

For discussion of Accounting Standards Updates that will be adopted in the future, see Note A to the Consolidated Financial Statements included under Item 8.

FORWARD-LOOKING STATEMENTS

This report contains a number of forward-looking statements which relate to anticipated future events rather than actual present conditions or historical events. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and generally include words such as “believes,” “expects,” “intends,” “anticipates,” “estimates,” and similar expressions. Forward-looking statements in this report include any and all statements regarding expected developments in our insurance business, including losses and loss reserves for asbestos and environmental pollution and other mass tort claims which are more uncertain, and therefore more difficult to estimate than loss reserves respecting traditional property and casualty exposures; the impact of routine ongoing insurance reserve reviews we are conducting; our expectations concerning our revenues, earnings, expenses and investment activities; volatility in investment returns; expected cost savings and other results from our expense reduction activities; and our proposed actions in response to trends in our business. Forward-looking statements, by their nature, are subject to a variety of inherent risks and uncertainties that could cause actual results to differ materially from the results projected in the forward-looking statement. We cannot control many of these risks and uncertainties. These risks and uncertainties include, but are not limited to, the following:

Company-Specific Factors

- the risks and uncertainties associated with our insurance reserves, as outlined in the Critical Accounting Estimates and the Reserves - Estimates and Uncertainties sections of this report, including the sufficiency of the reserves and the possibility for future increases, which would be reflected in the results of operations in the period that the need for such adjustment is determined;
- the risk that the other parties to the transaction in which, subject to certain limitations, we ceded our legacy A&EP liabilities will not fully perform their obligations to CNA, the uncertainty in estimating loss reserves for A&EP liabilities and the possible continued exposure of CNA to liabilities for A&EP claims that are not covered under the terms of the transaction;
- the performance of reinsurance companies under reinsurance contracts with us; and
- the risks and uncertainties associated with potential acquisitions and divestitures, including the consummation of such transactions, the successful integration of acquired operations and the potential for subsequent impairment of goodwill or intangible assets.

Industry and General Market Factors

- the impact of competitive products, policies and pricing and the competitive environment in which we operate, including changes in our book of business;
- product and policy availability and demand and market responses, including the level of ability to obtain rate increases and decline or non-renew underpriced accounts, to achieve premium targets and profitability and to realize growth and retention estimates;
- general economic and business conditions, including recessionary conditions that may decrease the size and number of our insurance customers and create additional losses to our lines of business, especially those that provide management and professional liability insurance, as well as surety bonds, to businesses engaged in real estate, financial services and professional services and inflationary pressures on medical care costs, construction costs and other economic sectors that increase the severity of claims;
- conditions in the capital and credit markets, including continuing uncertainty and instability in these markets, as well as the overall economy, and their impact on the returns, types, liquidity and valuation of our investments;
- conditions in the capital and credit markets that may limit our ability to raise significant amounts of capital on favorable terms; and
- the possibility of changes in our ratings by ratings agencies, including the inability to access certain markets or distribution channels and the required collateralization of future payment obligations as a result of such changes, and changes in rating agency policies and practices.

Regulatory Factors

- regulatory initiatives and compliance with governmental regulations, judicial interpretations within the regulatory framework, including interpretation of policy provisions, decisions regarding coverage and theories of liability, trends in litigation and the outcome of any litigation involving us and rulings and changes in tax laws and regulations;
- regulatory limitations, impositions and restrictions upon us, including with respect to our ability to increase premium rates, and the effects of assessments and other surcharges for guaranty funds and second-injury funds, other mandatory pooling arrangements and future assessments levied on insurance companies; and
- regulatory limitations and restrictions, including limitations upon our ability to receive dividends from our insurance subsidiaries, imposed by regulatory authorities, including regulatory capital adequacy standards.

Impact of Catastrophic Events and Related Developments

- weather and other natural physical events, including the severity and frequency of storms, hail, snowfall and other winter conditions, natural disasters such as hurricanes and earthquakes, as well as climate change, including effects on global weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain, hail and snow;
- regulatory requirements imposed by coastal state regulators in the wake of hurricanes or other natural disasters, including limitations on the ability to exit markets or to non-renew, cancel or change terms and conditions in policies, as well as mandatory assessments to fund any shortfalls arising from the inability of quasi-governmental insurers to pay claims;
- man-made disasters, including the possible occurrence of terrorist attacks, the unpredictability of the nature, targets, severity or frequency of such events, and the effect of the absence or insufficiency of applicable terrorism legislation on coverages; and
- the occurrence of epidemics.

Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date of the statement, even if our expectations or any related events or circumstances change.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments are exposed to various market risks, such as interest rate risk, equity price risk and foreign currency risk. Due to the level of risk associated with certain invested assets and the level of uncertainty related to changes in the value of these assets, it is possible that changes in these risks in the near term could have a material adverse impact on our results of operations or equity.

Discussions herein regarding market risk focus on only one element of market risk, which is price risk. Price risk relates to changes in the level of prices due to changes in interest rates, equity prices, foreign exchange rates or other factors such as credit spreads. The fair value of the financial instruments is generally adversely affected when interest rates rise, equity markets decline and the dollar strengthens against foreign currency.

Active management of market risk is integral to our operations. We may take the following actions to manage our exposure to market risk within defined tolerance ranges: (1) change the character of future investments purchased or sold or (2) use derivatives to offset the market behavior of existing assets and liabilities or assets expected to be purchased and liabilities to be incurred.

Sensitivity Analysis

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 aggregated up to the asset category levels for reporting in the tables below.

The evaluation is performed by applying an instantaneous change in yield rates of varying magnitudes on a static balance sheet to determine the effect such a change in rates would have on our fair value at risk and the resulting effect on stockholders' equity. The analysis presents the sensitivity of the fair value of our financial instruments to selected changes in capital market rates and index levels. The range of change chosen reflects our view of changes that are reasonably possible over a one-year period. The selection of the range of values chosen to represent changes in interest rates should not be construed as our prediction of future market events, but rather an illustration of the impact of such events.

The sensitivity analysis estimates the decline in the fair value of our interest sensitive assets and liabilities that were held as of December 31, 2015 and 2014 due to an instantaneous change in the yield of the security at the end of the period of 100 and 150 basis points.

The sensitivity analysis also assumes an instantaneous 10% and 20% decline in the foreign currency exchange rates versus the United States dollar from their levels as of December 31, 2015 and 2014, with all other variables held constant.

Equity price risk was measured assuming an instantaneous 10% and 25% decline in the S&P 500 from its level as of December 31, 2015 and 2014, with all other variables held constant. Our equity holdings were assumed to be highly and positively correlated with the S&P 500 index.

The value of limited partnerships can be affected by changes in equity markets. 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 the S&P 500 index. The result of the model allowed us to estimate the change in value of limited partnerships when equity markets decline by 10% and 25%.

The following tables present the estimated effects on the fair value of our financial instruments as of December 31, 2015 and 2014, due to an increase in yield rates of 100 basis points, a 10% decline in foreign currency exchange rates and a 10% decline in the S&P 500.

Market Risk Scenario 1

December 31, 2015		Increase (Decrease)		
(In millions)	Estimated Fair Value	Interest Rate Risk	Foreign Currency Risk	Equity Price Risk
Assets:				
Fixed maturity securities available-for-sale:				
Corporate and other bonds	\$ 17,757	\$ (1,051)	\$ (153)	\$ —
States, municipalities and political subdivisions	13,174	(1,137)	—	—
Asset-backed	8,190	(355)	(2)	—
U.S. Treasury and obligations of government-sponsored enterprises	67	(2)	—	—
Foreign government	346	(16)	(31)	—
Redeemable preferred stock	35	—	—	(1)
Total fixed maturity securities available-for-sale	39,569	(2,561)	(186)	(1)
Fixed maturity securities trading	3	—	—	—
Equity securities available-for-sale	197	(8)	(1)	(20)
Limited partnership investments	2,548	—	—	(115)
Other invested assets	44	—	—	—
Mortgage loans (a)	688	(31)	—	—
Short term investments	1,660	(2)	(5)	—
Total assets	44,709	(2,602)	(192)	(136)
Derivative financial instruments, included in Other liabilities	5	13	—	—
Total securities	\$ 44,714	\$ (2,589)	\$ (192)	\$ (136)
Long term debt (a)	\$ 2,433	\$ (117)	\$ —	\$ —

(a) Reported at amortized value in the Consolidated Balance Sheets included under Item 8 and not adjusted for fair value changes.

Market Risk Scenario 1

December 31, 2014

December 31, 2014	Increase (Decrease)			
(In millions)	Estimated Fair Value	Interest Rate Risk	Foreign Currency Risk	Equity Price Risk
General account:				
Fixed maturity securities available-for-sale:				
Corporate and other bonds	\$ 18,870	\$ (1,116)	\$ (173)	\$ —
States, municipalities and political subdivisions	12,740	(1,188)	—	—
Asset-backed	8,612	(329)	(6)	—
U.S. Treasury and obligations of government-sponsored enterprises	31	(1)	—	—
Foreign government	454	(15)	(38)	—
Redeemable preferred stock	42	(1)	—	(2)
Total fixed maturity securities available-for-sale	40,749	(2,650)	(217)	(2)
Fixed maturity securities trading	19	—	—	—
Equity securities available-for-sale	222	(9)	(1)	(22)
Limited partnership investments	2,937	—	—	(132)
Other invested assets	41	—	(3)	—
Mortgage loans (a)	608	(30)	—	—
Short term investments	1,706	(2)	(22)	—
Total assets	46,282	(2,691)	(243)	(156)
Derivative financial instruments, included in Other liabilities	(3)	17	—	—
Total securities	\$ 46,279	\$ (2,674)	\$ (243)	\$ (156)
Long term debt (a)	\$ 2,883	\$ (144)	\$ —	\$ —

(a) Reported at amortized value in the Consolidated Balance Sheets included under Item 8 and not adjusted for fair value changes.

The following tables present the estimated effects on the fair value of our financial instruments as of December 31, 2015 and 2014, due to an increase in yield rates of 150 basis points, a 20% decline in foreign currency exchange rates and a 25% decline in the S&P 500.

Market Risk Scenario 2

December 31, 2015		Increase (Decrease)		
(In millions)	Estimated Fair Value	Interest Rate Risk	Foreign Currency Risk	Equity Price Risk
Assets:				
Fixed maturity securities available-for-sale:				
Corporate and other bonds	\$ 17,757	\$ (1,575)	\$ (307)	\$ —
States, municipalities and political subdivisions	13,174	(1,707)	—	—
Asset-backed	8,190	(533)	(3)	—
U.S. Treasury and obligations of government-sponsored enterprises	67	(3)	—	—
Foreign government	346	(24)	(61)	—
Redeemable preferred stock	35	(1)	—	(4)
Total fixed maturity securities available-for-sale	39,569	(3,843)	(371)	(4)
Fixed maturity securities trading	3	—	—	—
Equity securities available-for-sale	197	(11)	(3)	(49)
Limited partnership investments	2,548	—	—	(287)
Other invested assets	44	—	—	—
Mortgage loans (a)	688	(47)	—	—
Short term investments	1,660	(3)	(9)	—
Total assets	44,709	(3,904)	(383)	(340)
Derivative financial instruments, included in Other liabilities	5	20	—	—
Total securities	\$ 44,714	\$ (3,884)	\$ (383)	\$ (340)
Long term debt (a)	\$ 2,433	\$ (175)	\$ —	\$ —

(a) Reported at amortized value in the Consolidated Balance Sheets included under Item 8 and not adjusted for fair value changes.

Market Risk Scenario 2

December 31, 2014

December 31, 2014		Increase (Decrease)		
(In millions)	Estimated Fair Value	Interest Rate Risk	Foreign Currency Risk	Equity Price Risk
General account:				
Fixed maturity securities available-for-sale:				
Corporate and other bonds	\$ 18,870	\$ (1,673)	\$ (348)	\$ —
States, municipalities and political subdivisions	12,740	(1,783)	—	—
Asset-backed	8,612	(493)	(11)	—
U.S. Treasury and obligations of government-sponsored enterprises	31	(2)	—	—
Foreign government	454	(22)	(75)	—
Redeemable preferred stock	42	(1)	—	(4)
Total fixed maturity securities available-for-sale	40,749	(3,974)	(434)	(4)
Fixed maturity securities trading	19	—	—	—
Equity securities available-for-sale	222	(13)	(3)	(56)
Limited partnership investments	2,937	—	—	(330)
Other invested assets	41	—	(5)	—
Mortgage loans (a)	608	(45)	—	—
Short term investments	1,706	(5)	(44)	—
Total general account	46,282	(4,037)	(486)	(390)
Derivative financial instruments, included in Other liabilities	(3)	26	—	—
Total securities	\$ 46,279	\$ (4,011)	\$ (486)	\$ (390)
Long term debt (a)	\$ 2,883	\$ (216)	\$ —	\$ —

(a) Reported at amortized value in the Consolidated Balance Sheets included under Item 8 and not adjusted for fair value changes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CNA Financial Corporation Consolidated Statements of Operations

Years ended December 31

(In millions, except per share data)

	2015	2014	2013
Revenues			
Net earned premiums	\$ 6,921	\$ 7,212	\$ 7,271
Net investment income	1,840	2,067	2,282
Net realized investment (losses) gains:			
Other-than-temporary impairment losses	(156)	(77)	(74)
Portion of other-than-temporary impairments recognized in Other comprehensive income	—	—	(2)
Net other-than-temporary impairment losses recognized in earnings	(156)	(77)	(76)
Other net realized investment gains	89	134	96
Net realized investment (losses) gains	(67)	57	20
Other revenues	407	356	359
Total revenues	9,101	9,692	9,932
Claims, Benefits and Expenses			
Insurance claims and policyholders' benefits	5,384	5,591	5,806
Amortization of deferred acquisition costs	1,540	1,317	1,362
Other operating expenses	1,473	1,394	1,322
Interest	155	183	166
Total claims, benefits and expenses	8,552	8,485	8,656
Income from continuing operations before income tax	549	1,207	1,276
Income tax expense	(70)	(319)	(361)
Income from continuing operations	479	888	915
(Loss) income from discontinued operations, net of income tax benefit (expense) of \$-, \$34 and \$(15)	—	(197)	22
Net income	\$ 479	\$ 691	\$ 937
Basic Earnings Per Share			
Income from continuing operations	\$ 1.77	\$ 3.29	\$ 3.39
(Loss) income from discontinued operations	—	(0.73)	0.09
Basic earnings per share	\$ 1.77	\$ 2.56	\$ 3.48
Diluted Earnings Per Share			
Income from continuing operations	\$ 1.77	\$ 3.28	\$ 3.39
(Loss) income from discontinued operations	—	(0.73)	0.08
Diluted earnings per share	\$ 1.77	\$ 2.55	\$ 3.47
Dividends declared per share			
	\$ 3.00	\$ 2.00	\$ 0.80
Weighted Average Outstanding Common Stock and Common Stock Equivalents			
Basic	270.2	269.9	269.7
Diluted	270.7	270.6	270.2

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CNA Financial Corporation
Consolidated Statements of Comprehensive (Loss) Income

Years ended December 31

(In millions)

	2015	2014	2013
Comprehensive (Loss) Income			
Net income	\$ 479	\$ 691	\$ 937
Other Comprehensive (Loss) Income, Net of Tax			
Changes in:			
Net unrealized gains on investments with other-than-temporary impairments	(9)	15	6
Net unrealized gains on other investments	(552)	267	(679)
Net unrealized gains on investments	(561)	282	(673)
Net unrealized losses on discontinued operations	—	(22)	—
Foreign currency translation adjustment	(139)	(95)	(11)
Pension and postretirement benefits	(15)	(207)	295
Other comprehensive (loss), net of tax	(715)	(42)	(389)
Total comprehensive (loss) income	\$ (236)	\$ 649	\$ 548

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CNA Financial Corporation

Consolidated Balance Sheets

December 31

(In millions, except share data)

	2015	2014
Assets		
Investments:		
Fixed maturity securities at fair value (amortized cost of \$37,253 and \$37,335)	\$ 39,572	\$ 40,768
Equity securities at fair value (cost of \$191 and \$210)	197	222
Limited partnership investments	2,548	2,937
Other invested assets	44	41
Mortgage loans	678	588
Short term investments	1,660	1,706
Total investments	44,699	46,262
Cash	387	190
Reinsurance receivables (less allowance for uncollectible receivables of \$38 and \$48)	4,453	4,694
Insurance receivables (less allowance for uncollectible receivables of \$51 and \$61)	2,078	1,936
Accrued investment income	404	405
Deferred acquisition costs	598	600
Deferred income taxes	638	191
Property and equipment at cost (less accumulated depreciation of \$382 and \$364)	343	295
Goodwill	150	152
Other assets	1,297	841
Total assets	\$ 55,047	\$ 55,566
Liabilities		
Insurance reserves:		
Claim and claim adjustment expenses	\$ 22,663	\$ 23,271
Unearned premiums	3,671	3,592
Future policy benefits	10,152	9,490
Policyholders' funds	—	27
Short term debt	350	—
Long term debt	2,212	2,559
Other liabilities (includes \$82 and \$153 due to Loews Corporation)	4,243	3,833
Total liabilities	43,291	42,772
Commitments and contingencies (Notes B, F and L)		
Stockholders' Equity		
Common stock (\$2.50 par value; 500,000,000 shares authorized; 273,040,243 shares issued; 270,274,361 and 269,980,202 shares outstanding)	683	683
Additional paid-in capital	2,153	2,151
Retained earnings	9,313	9,645
Accumulated other comprehensive income	(315)	400
Treasury stock (2,765,882 and 3,060,041 shares), at cost	(78)	(84)
Notes receivable for the issuance of common stock	—	(1)
Total stockholders' equity	11,756	12,794
Total liabilities and stockholders' equity	\$ 55,047	\$ 55,566

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CNA Financial Corporation
Consolidated Statements of Cash Flows

Years ended December 31

(In millions)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	\$ 479	\$ 691	\$ 937
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Loss on sale of subsidiaries	—	251	—
Deferred income tax (benefit) expense	(150)	3	77
Trading portfolio activity	17	16	(10)
Net realized investment losses (gains)	67	(60)	(31)
Equity method investees	195	83	(323)
Net amortization of investments	17	3	(24)
Depreciation and amortization	84	83	101
Changes in:			
Receivables, net	82	731	44
Accrued investment income	(1)	—	(9)
Deferred acquisition costs	311	44	2
Insurance reserves	241	(363)	(68)
Other assets	(79)	(48)	(27)
Other liabilities	126	(48)	525
Other, net	(2)	54	10
Total adjustments	908	749	267
Net cash flows provided by operating activities	1,387	1,440	1,204
Cash Flows from Investing Activities			
Dispositions:			
Fixed maturity securities - sales	4,390	4,914	6,869
Fixed maturity securities - maturities, calls and redemptions	4,095	3,983	3,271
Equity securities	57	31	103
Limited partnerships	174	167	108
Mortgage loans	26	57	22
Purchases:			
Fixed maturity securities	(8,675)	(9,365)	(11,197)
Equity securities	(62)	(67)	(77)
Limited partnerships	(188)	(271)	(223)
Mortgage loans	(123)	(137)	(129)
Change in other investments	4	15	(22)
Change in short term investments	34	(388)	425
Purchases of property and equipment	(125)	(71)	(91)
Proceeds from sale of subsidiaries	—	198	—
Other dispositions	—	—	32
Other, net	21	16	11
Net cash flows used by investing activities	\$ (372)	\$ (918)	\$ (898)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Years ended December 31

(In millions)

	2015	2014	2013
Cash Flows from Financing Activities			
Dividends paid to common stockholders	\$ (811)	\$ (541)	\$ (216)
Proceeds from the issuance of debt	—	546	—
Repayment of debt	—	(549)	(13)
Other, net	4	25	(35)
Net cash flows used by financing activities	(807)	(519)	(264)
Effect of foreign exchange rate changes on cash	(11)	(8)	(3)
Net change in cash	197	(5)	39
Cash, beginning of year	190	195	156
Cash, end of year	\$ 387	\$ 190	\$ 195

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CNA Financial Corporation
Consolidated Statements of Stockholders' Equity

Years ended December 31

(In millions)

	2015	2014	2013
Common Stock			
Balance, beginning of year	\$ 683	\$ 683	\$ 683
Balance, end of year	683	683	683
Additional Paid-in Capital			
Balance, beginning of year	2,151	2,145	2,146
Stock-based compensation	2	6	(1)
Balance, end of year	2,153	2,151	2,145
Retained Earnings			
Balance, beginning of year	9,645	9,495	8,774
Dividends paid to common stockholders	(811)	(541)	(216)
Net income	479	691	937
Balance, end of year	9,313	9,645	9,495
Accumulated Other Comprehensive Income			
Balance, beginning of year	400	442	831
Other comprehensive income (loss)	(715)	(42)	(389)
Balance, end of year	(315)	400	442
Treasury Stock			
Balance, beginning of year	(84)	(91)	(99)
Stock-based compensation	6	7	8
Balance, end of year	(78)	(84)	(91)
Notes Receivable for the Issuance of Common Stock			
Balance, beginning of year	(1)	(23)	(21)
Decrease (increase) in notes receivable for common stock	1	22	(2)
Balance, end of year	—	(1)	(23)
Total stockholders' equity	\$ 11,756	\$ 12,794	\$ 12,651

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CNA Financial Corporation

Notes to Consolidated Financial Statements

Note A. Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements include the accounts of CNA Financial Corporation (CNAF) and its subsidiaries. Collectively, CNAF and its subsidiaries are referred to as CNA or the Company. Loews Corporation (Loews) owned approximately 90% of the outstanding common stock of CNAF as of December 31, 2015.

The accompanying Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Intercompany amounts have been eliminated. The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Sale of Continental Assurance Company (CAC)

On August 1, 2014, the Company completed the sale of the common stock of CAC. The business sold, which was previously reported within the Life & Group Non-Core segment, is reported as discontinued operations. The Company elected to include CAC cash flow activity in the comparative Consolidated Statements of Cash Flow. Further information related to the sale of CAC is provided in Note P to the Consolidated Financial Statements.

In connection with the sale of CAC, the Company entered into a 100% coinsurance agreement on a separate small block of annuity business outside of CAC. The coinsurance agreement required the transfer of assets with a book value equal to the ceded reserves on the inception date of the contract. Because a substantial portion of the assets supporting these liabilities are held in trust for the benefit of the original cedant, those assets were transferred on a funds withheld basis. Under this approach the Company maintains legal ownership of the assets, but the investment income and realized gains and losses on those assets inure to the reinsurer. As a result, the \$34 million difference between market value and book value of the funds withheld assets at the coinsurance contract's inception was recognized as a loss in Other operating expenses in 2014. The funds withheld aspect of the agreement is considered an embedded derivative. The embedded derivative is separately accounted for at fair value and reported with the host contract in Other liabilities on the Company's Consolidated Balance Sheet. The Company recognizes Other operating expense equal to the Net investment income generated by these trust assets.

Insurance Operations

Premiums: Insurance premiums on property and casualty insurance contracts are recognized in proportion to the underlying risk insured which are principally earned ratably over the duration of the policies. Premiums on long term care contracts are earned ratably over the policy year in which they are due. The reserve for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Insurance receivables include balances due currently or in the future, including amounts due from insureds related to losses under high deductible policies, and are presented at unpaid balances, net of an allowance for uncollectible receivables. Amounts are considered past due based on policy payment terms. That allowance is determined based on periodic evaluations of aged receivables, management's experience and current economic conditions. Insurance receivables and any related allowance are written off after collection efforts are exhausted or a negotiated settlement is reached.

Property and casualty contracts that are retrospectively rated contain provisions that result in an adjustment to the initial policy premium depending on the contract provisions and loss experience of the insured during the experience period. For such contracts, the Company estimates the amount of ultimate premiums that the Company may earn upon completion of the experience period and recognizes either an asset or a liability for the difference between the initial policy premium and the estimated ultimate premium. The Company adjusts such estimated ultimate premium amounts during the course of the experience period based on actual results to date. The resulting adjustment is recorded as either a reduction of or an increase to the earned premiums for the period.

Claim and claim adjustment expense reserves: Claim and claim adjustment expense reserves, except reserves for structured settlements not associated with asbestos and environmental pollution (A&EP), workers' compensation lifetime claims and accident and health claims, are not discounted and are based on 1) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations; 2) estimates of incurred but not reported (IBNR) losses; 3) estimates of losses on assumed reinsurance; 4) estimates of future expenses to be incurred in the settlement of claims; 5) estimates of salvage and subrogation recoveries and 6) estimates of amounts due from insureds related to losses under high deductible policies. Management considers current conditions and trends as well as past Company and industry experience in establishing these estimates. The effects of inflation, which can be significant, are implicitly considered in the reserving process and are part of the recorded reserve balance. Ceded claim and claim adjustment expense reserves are reported as a component of Reinsurance receivables on the Consolidated Balance Sheets.

Claim and claim adjustment expense reserves are presented net of anticipated amounts due from insureds related to losses under deductible policies of \$1.2 billion and \$1.4 billion as of December 31, 2015 and 2014. A significant portion of these amounts are supported by collateral. The Company has an allowance for uncollectible deductible amounts, which is presented as a component of the allowance for doubtful accounts included in Insurance receivables on the Consolidated Balance Sheets.

Structured settlements have been negotiated for certain property and casualty insurance claims. Structured settlements are agreements to provide fixed periodic payments to claimants. The Company's obligations for structured settlements not funded by annuities are included in claim and claim adjustment expense reserves and carried at present values determined using interest rates ranging from 5.5% to 8.0% as of December 31, 2015 and as of 2014. As of December 31, 2015 and 2014, the discounted reserves for unfunded structured settlements were \$560 million and \$582 million, net of discount of \$880 million and \$924 million.

Workers' compensation lifetime claim reserves are calculated using mortality assumptions determined through statutory regulation and economic factors. Accident and health claim reserves are calculated using mortality and morbidity assumptions based on Company and industry experience. Workers' compensation lifetime claim reserves and accident and health claim reserves are discounted at interest rates ranging from 3.5% to 6.8% as of December 31, 2015 and 2014. As of December 31, 2015 and 2014, such discounted reserves totaled \$2.6 billion and \$2.5 billion, net of discount of \$653 million and \$654 million.

Future policy benefits reserves: Future policy benefits reserves represent the active life reserves related to the Company's long term care policies and are computed using the net level premium method, which incorporates actuarial assumptions as to morbidity, persistency, discount rate and expenses. Expense assumptions primarily relate to claim adjudication. Actuarial assumptions generally vary by plan, age at issue and policy duration. The initial assumptions are determined at issuance, include a margin for adverse deviation and are locked in throughout the life of the contract unless a premium deficiency develops. If a premium deficiency emerges, the assumptions are unlocked and deferred acquisition costs, if any, and the future policy benefits reserves are adjusted. The December 31, 2015 gross premium valuation indicated a premium deficiency of \$296 million. The indicated premium deficiency necessitated a charge to income that was affected by the write off of the entire long term care deferred acquisition cost asset of \$289 million and an increase to active life reserves of \$7 million. As a result, the long term care active life reserves carried as of December 31, 2015 represent management's best estimate assumptions at that date with no margin for adverse deviation. Interest rates for long term care products range from 6.6% to 7.0% as of December 31, 2015 and 4.5% to 7.9% as of December 31, 2014.

Guaranty fund and other insurance-related assessments: Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated and when the event obligating the entity to pay an imposed or probable assessment has occurred. Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of Other liabilities on the Consolidated Balance Sheets. As of December 31, 2015 and 2014, the liability balances were \$129 million and \$131 million.

Reinsurance: Reinsurance accounting allows for contractual cash flows to be reflected as premiums and losses. To qualify for reinsurance accounting, reinsurance agreements must include risk transfer. To meet risk transfer requirements, a reinsurance contract must include both insurance risk, consisting of underwriting and timing risk, and a reasonable possibility of a significant loss for the assuming entity.

Reinsurance receivables related to paid losses are presented at unpaid balances. Reinsurance receivables related to unpaid losses are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves. Reinsurance receivables are reported net of an allowance for uncollectible amounts on the Consolidated Balance Sheets. The cost of reinsurance is primarily accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies or over the reinsurance contract period. The ceding of insurance does not discharge the primary liability of the Company.

The Company has established an allowance for uncollectible reinsurance receivables which relates to both amounts already billed on ceded paid losses as well as ceded reserves that will be billed when losses are paid in the future. The allowance for uncollectible reinsurance receivables is estimated on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions. Reinsurer financial strength ratings are updated and reviewed on an annual basis or sooner if the Company becomes aware of significant changes related to a reinsurer. Because billed receivables generally approximate 4% or less of total reinsurance receivables, the age of the reinsurance receivables related to paid losses is not a significant input into the allowance analysis. Changes in the allowance for uncollectible reinsurance receivables are presented as a component of Insurance claims and policyholders' benefits on the Consolidated Statements of Operations.

Amounts are considered past due based on the reinsurance contract terms. Reinsurance receivables related to paid losses and any related allowance are written off after collection efforts have been exhausted or a negotiated settlement is reached with the reinsurer. Reinsurance receivables related to paid losses from insolvent insurers are written off when the settlement due from the estate can be reasonably estimated. At the time reinsurance receivables related to paid losses are written off, any required adjustment to reinsurance receivables related to unpaid losses is recorded as a component of Insurance claims and policyholders' benefits on the Consolidated Statements of Operations.

Reinsurance contracts that do not effectively transfer the economic risk of loss on the underlying policies are recorded using the deposit method of accounting, which requires that premium paid or received by the ceding company or assuming company be accounted for as a deposit asset or liability. The Company had \$3 million recorded as deposit assets as of December 31, 2015 and 2014, and \$8 million and \$9 million recorded as deposit liabilities as of December 31, 2015 and 2014. Income on reinsurance contracts accounted for under the deposit method is recognized using an effective yield based on the anticipated timing of payments and the remaining life of the contract. When the anticipated timing of payments changes, the effective yield is recalculated to reflect actual payments to date and the estimated timing of future payments. The deposit asset or liability is adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract.

A loss portfolio transfer is a retroactive reinsurance contract. If the cumulative claim and allocated claim adjustment expenses ceded under a loss portfolio transfer exceed the consideration paid, the resulting gain from such excess is deferred and amortized into earnings in future periods in proportion to actual recoveries under the loss portfolio transfer. In the period in which an excess arises, a portion of the deferred gain is cumulatively recognized in earnings as if the revised estimate was available at the inception date of the loss portfolio transfer.

Deferred acquisition costs: Deferrable acquisition costs include commissions, premium taxes and certain underwriting and policy issuance costs which are incremental direct costs of successful contract acquisitions. Deferred acquisition costs related to long term care contracts issued prior to January 1, 2004 include costs which vary with and are primarily related to the acquisition of business.

Acquisition costs related to property and casualty business are deferred and amortized ratably over the period the related premiums are earned.

As noted under Future policy benefits reserves, all of the long term care deferred acquisition costs of \$289 million were written off as of December 31, 2015 in recognition of a premium deficiency. Deferred acquisition costs related to long term care contracts are amortized over the premium-paying period of the related policies using assumptions consistent with those used for computing future policy benefits reserves for such contracts. Assumptions are made at the date of policy issuance or acquisition and are consistently applied during the lives of the contracts. Deviations from estimated experience are included in results of operations when they occur. For these contracts, the amortization period is typically the estimated life of the policy.

The Company evaluates deferred acquisition costs for recoverability. Anticipated investment income is considered in the determination of the recoverability of deferred acquisition costs. Adjustments, if necessary, are recorded in current period results of operations.

Deferred acquisition costs are presented net of ceding commissions and other ceded acquisition costs. Unamortized deferred acquisition costs relating to contracts that have been substantially changed by a modification in benefits, features, rights or coverages that were not anticipated in the original contract are not deferred and are included as a charge to operations in the period during which the contract modification occurred.

Investments in life settlement contracts and related revenue recognition: Prior to 2002, the Company purchased investments in life settlement contracts. The Company obtained the ownership and beneficiary rights of an underlying life insurance policy through a life settlement contract with the owner of the life insurance contract.

The Company accounts for its investments in life settlement contracts using the fair value method. Under the fair value method, each life settlement contract is carried at its fair value at the end of each reporting period. The change in fair value, life insurance proceeds received and periodic maintenance costs, such as premiums, necessary to keep the underlying policy in force, are recorded in Other revenues on the Consolidated Statements of Operations.

The fair value of the Company's investments in life settlement contracts were \$74 million and \$82 million as of December 31, 2015 and 2014, and are included in Other assets on the Consolidated Balance Sheets. The cash receipts and payments related to life settlement contracts are included in Cash flows from operating activities on the Consolidated Statements of Cash Flows.

The following table details the values for life settlement contracts. The determination of fair value is discussed in Note C to the Consolidated Financial Statements.

December 31, 2015	Number of Life Settlement Contracts	Fair Value of Life Settlement Contracts (In millions)	Face Amount of Life Insurance Policies (In millions)
Estimated maturity during:			
2016	60	\$ 11	\$ 35
2017	60	10	31
2018	50	8	27
2019	40	6	24
2020	40	5	21
Thereafter	300	34	167
Total	550	\$ 74	\$ 305

The Company uses an actuarial model to estimate the aggregate face amount of life insurance that is expected to mature in each future year and the corresponding fair value. This model projects the likelihood of the insured's death for each inforce policy based upon the Company's estimated mortality rates, which may vary due to the relatively small size of the portfolio of life settlement contracts. The number of life settlement contracts presented in the table above is based upon the average face amount of inforce policies estimated to mature in each future year.

The increase (decrease) in fair value recognized for the years ended December 31, 2015, 2014 and 2013 on contracts still held at each respective period-end was \$1 million, \$8 million and \$(2) million. The gains recognized during the years ended December 31, 2015, 2014 and 2013 on contracts that settled were \$24 million, \$25 million and \$15 million.

Investments

The Company classifies its fixed maturity securities and its equity securities as either available-for-sale or trading, and as such, they are carried at fair value. Changes in fair value of trading securities are reported within Net investment income on the Consolidated Statements of Operations. Changes in fair value related to available-for-sale securities are reported as a component of Other comprehensive income. Losses may be recognized within Net realized investment gains (losses) on the Consolidated Statements of Operations when a decline in value is determined by the Company to be other-than-temporary.

The cost of fixed maturity securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts, which are included in Net investment income on the Consolidated Statements of Operations. The amortization of premium and accretion of discount for fixed maturity securities takes into consideration call and maturity dates that produce the lowest yield. This represents a change from prior reporting periods as previously the amortization of premiums was to maturity. This change in estimate effected by a change in accounting principle will result in a better reflection of the yield on fixed maturity securities with call provisions. This change, which was adopted in the fourth quarter of 2015, decreased Net investment income and the amortized cost of fixed maturity securities by \$39 million in the Consolidated Statement of Operations for the year-ended December 31, 2015 and the Consolidated Balance Sheet as of December 31, 2015, respectively. This adjustment decreased Basic and Diluted earnings per share by \$0.09 for the year ended December 31, 2015.

To the extent that unrealized gains on fixed income securities supporting long term care products and structured settlements not funded by annuities would result in a premium deficiency if those gains were realized, a related decrease in Deferred acquisition costs and/or increase in Insurance reserves are recorded, net of tax, as a reduction of net unrealized gains through Other comprehensive income (Shadow Adjustments). Shadow Adjustments, net of tax, decreased \$177 million and increased \$756 million for the years ended December 31, 2015 and 2014. As of December 31, 2015 and 2014, net unrealized gains on investments included in Accumulated other comprehensive income (AOCI) were correspondingly reduced by \$1,111 million and \$1,288 million.

For asset-backed securities included in fixed maturity securities, the Company recognizes income using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The amortized cost of high credit quality fixed rate securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the securities. Such adjustments are reflected in Net investment income on the Consolidated Statements of Operations. Interest income on lower rated and variable rate securities is determined using the prospective yield method.

The Company's carrying value of investments in limited partnerships is its share of the net asset value of each partnership, as determined by the General Partner. Certain partnerships for which results are not available on a timely basis are reported on a lag, primarily three months or less. Changes in net asset values are accounted for under the equity method and recorded within Net investment income on the Consolidated Statements of Operations.

Mortgage loans are commercial in nature, are carried at unpaid principal balance, net of unamortized fees and any valuation allowance, and are recorded once funded. Mortgage loans are considered to be impaired loans when it is probable that contractual principal and interest payments will not be collected. A valuation allowance is established for impaired loans to the extent that the present value of expected future cash flows discounted at the loan's original effective interest rate is less than the carrying value of the loan. Interest income from mortgage loans is recognized on an accrual basis using the effective yield method. Accrual of income is generally suspended for mortgage loans that are impaired and collection of principal and interest payments is unlikely. Mortgage loans are considered past due when full principal or interest payments have not been received according to contractual terms.

Other invested assets are carried at fair value and include overseas deposits, Federal Home Loan Bank of Chicago (FHLBC) stock and certain derivative securities. Overseas deposits are primarily short-term government securities, agency securities and corporate bonds held in trusts that are managed by Lloyd's of London. These funds are required of Lloyd's syndicates to protect policyholders in overseas markets and may be denominated in local currency.

Short term investments are carried at fair value, with the exception of cash accounts earning interest, which are carried at cost and approximate fair value. Changes in fair value are reported as a component of Other comprehensive income.

Purchases and sales of all securities are recorded on the trade date, except for private placement debt securities, including bank loan participations, which are recorded once funded. Realized investment gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold.

In the normal course of investing activities, the Company enters into relationships with variable interest entities (VIEs), primarily as a passive investor in certain limited partnerships and asset-backed securities issued by third-

party VIEs. The Company is not the primary beneficiary of these VIEs, and therefore does not consolidate them. The Company determines whether it is the primary beneficiary of a VIE based on a qualitative assessment of the entity's purpose, the nature of its operations, its capital structure, its contractual terms and the Company's relative exposure to the related risks of the VIE. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying values included in the Company's Consolidated Balance Sheets and any unfunded commitments.

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

Significant judgment is required in the determination of whether an OTTI loss has occurred for a security. The Company follows a consistent and systematic process for determining and recording an OTTI loss. The Company has established a committee responsible for the OTTI process referred to as the Impairment Committee. The Impairment Committee is responsible for evaluating all securities in an unrealized loss position on at least a quarterly basis.

The Impairment Committee's assessment of whether an OTTI loss has occurred incorporates both quantitative and qualitative information. Fixed maturity securities that the Company intends to sell, or it more likely than not will be required to sell before recovery of amortized cost, are considered to be other-than-temporarily impaired and the entire difference between the amortized cost basis and fair value of the security is recognized as an OTTI loss in earnings. The remaining fixed maturity securities in an unrealized loss position are evaluated to determine if a credit loss exists. The factors considered by the Impairment Committee include (a) the financial condition and near-term and long-term prospects of the issuer, (b) whether the debtor is current on interest and principal payments, (c) credit ratings of the securities and (d) general market conditions and industry or sector specific outlook. The Company also considers results and analysis of cash flow modeling for asset-backed securities, and when appropriate, other fixed maturity securities. The focus of the analysis for asset-backed securities is on assessing the sufficiency and quality of underlying collateral and timing of cash flows based on scenario tests. If the present value of the modeled expected cash flows equals or exceeds the amortized cost of a security, no credit loss is judged to exist and the asset-backed security is deemed to be temporarily impaired. If the present value of the expected cash flows is less than amortized cost, the security is judged to be other-than-temporarily impaired for credit reasons and that shortfall, referred to as the credit component, is recognized as an OTTI loss in earnings. The difference between the adjusted amortized cost basis and fair value, referred to as the non-credit component, is recognized as OTTI in Other comprehensive income. In subsequent reporting periods, a change in intent to sell or further credit impairment on a security whose fair value has not deteriorated will cause the non-credit component originally recorded as OTTI in Other comprehensive income to be recognized as an OTTI loss in earnings. The Company performs the discounted cash flow analysis using stressed scenarios to determine future expectations regarding recoverability. Significant assumptions enter into these cash flow projections including delinquency rates, probable risk of default, loss severity upon a default, over collateralization and interest coverage triggers and credit support from lower level tranches.

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

Income Taxes

The Company and its eligible subsidiaries (CNA Tax Group) are included in the consolidated federal income tax return of Loews and its eligible subsidiaries. The Company accounts for income taxes under the asset and liability method. Under the asset and liability method, deferred income taxes are recognized for temporary differences between the financial statement and tax return bases of assets and liabilities, based on enacted tax rates and other provisions of the tax law. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. 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 will not be realized.

Pension and Postretirement Benefits

The Company recognizes the overfunded or underfunded status of its defined benefit plans in Other assets or Other liabilities on the Consolidated Balance Sheets. Changes in funded status related to prior service costs and credits and actuarial gains and losses are recognized in the year in which the changes occur through Other comprehensive income. Annual service cost, interest cost, expected return on plan assets, amortization of prior service costs and credits and amortization of actuarial gains and losses are recognized in the Consolidated Statements of Operations. The vested benefit obligation for the CNA Retirement Plan is determined based on eligible compensation and accrued service for previously entitled employees. Effective June 30, 2015 the future benefit accruals under the CNA Retirement Plan were eliminated and the benefit obligations were frozen.

Stock-Based Compensation

The Company records compensation expense using the fair value method for all awards it grants, modifies or cancels primarily on a straight-line basis over the requisite service period, generally three to four years.

Foreign Currency

Foreign currency translation gains and losses are reflected in Stockholders' equity as a component of AOCI. The Company's foreign subsidiaries' balance sheet accounts are translated at the exchange rates in effect at each reporting date and income statement accounts are either translated at the exchange rate on the date of the transaction or at the average exchange rates. Foreign currency transaction gains (losses) of \$(11) million, \$(25) million and \$2 million were included in determining Net income (loss) for the years ended December 31, 2015, 2014 and 2013.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of the various classes of property and equipment and is determined principally on the straight-line method. Furniture and fixtures are depreciated over seven years. Office equipment is depreciated over five years. The estimated lives for data processing equipment and software generally range from three to five years, but can be as long as ten years. Leasehold improvements are depreciated over the corresponding lease terms not to exceed the underlying asset life. The Company's owned building and related capital improvements are depreciated over periods not to exceed fifty years.

Goodwill

Goodwill represents the excess of purchase price over the fair value of the net assets of acquired entities and businesses. Goodwill in the International segment may change from period to period as a result of foreign currency translation.

Goodwill is tested for impairment annually or when certain triggering events require such tests. As a result of reviews completed for the year ended December 31, 2015, the Company determined that the estimated fair value of the reporting units were in excess of their carrying value including Goodwill. Changes in future periods in assumptions about the level of economic capital, business growth, earnings projections or the weighted average cost of capital could result in a goodwill impairment.

Other Intangible Assets

Other intangible assets are reported within Other assets. Finite-lived intangible assets are amortized over their estimated useful lives. Indefinite-lived other intangible assets are tested for impairment annually or when certain triggering events require such tests.

Earnings (Loss) Per Share Data

Earnings (loss) per share is based on weighted average number of outstanding common shares. Basic earnings (loss) per share excludes the impact of dilutive securities and is computed by dividing Net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

For the years ended December 31, 2015, 2014 and 2013, approximately 534 thousand, 675 thousand and 552 thousand potential shares attributable to exercises under stock-based employee compensation plans were included in the calculation of diluted earnings per share. For those same periods, approximately 106 thousand, 170 thousand and 111 thousand potential shares attributable to exercises under stock-based employee compensation plans were not included in the calculation of diluted earnings per share because the effect would have been antidilutive.

Supplementary Cash Flow Information

Cash payments made for interest were \$152 million, \$179 million and \$164 million for the years ended December 31, 2015, 2014 and 2013. Cash payments made for income taxes were \$310 million, \$313 million and \$129 million for the years ended December 31, 2015, 2014 and 2013.

Recently Issued Accounting Standards Updates (ASU)

In May of 2015, the Financial Accounting Standards Board issued ASU No. 2015-09, *Financial Services-Insurance (Topic 944): Disclosures about Short-Duration Contracts*. The updated accounting guidance requires enhanced disclosures to provide additional information about insurance liabilities for short-duration contracts. The updated guidance is effective for annual financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within the annual periods beginning after December 15, 2016. The Company is currently evaluating the effect the updated guidance will have on the Company's financial statement disclosures.

In January of 2016, the Financial Accounting Standards Board issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated accounting guidance requires changes to the reporting model for financial instruments. The primary change for the Company is expected to be the requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The updated guidance is effective for annual statements issued for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the effect the updated guidance will have on the Company's financial statements.

Note B. Investments

The significant components of Net investment income are presented in the following table.

Years ended December 31

(In millions)

	2015	2014	2013
Fixed maturity securities	\$ 1,751	\$ 1,803	\$ 1,827
Equity securities	12	12	12
Limited partnership investments	92	263	451
Mortgage loans	33	31	23
Short term investments	6	3	3
Trading portfolio	8	10	17
Other	1	3	2
Gross investment income	1,903	2,125	2,335
Investment expense	(63)	(58)	(53)
Net investment income	\$ 1,840	\$ 2,067	\$ 2,282

As of December 31, 2015, the Company held \$54 million of non-income producing fixed maturity securities. As of December 31, 2014, the Company held no non-income producing fixed maturity securities. As of December 31, 2015 and 2014, no investments in a single issuer exceeded 10% of stockholders' equity, other than investments in securities issued by the U.S. Treasury and obligations of government-sponsored enterprises.

Net realized investment gains (losses) are presented in the following table.

Years ended December 31

(In millions)

	2015	2014	2013
Net realized investment gains (losses):			
Fixed maturity securities:			
Gross realized gains	\$ 131	\$ 170	\$ 185
Gross realized losses	(197)	(129)	(144)
Net realized investment gains (losses) on fixed maturity securities	(66)	41	41
Equity securities:			
Gross realized gains	2	8	13
Gross realized losses	(25)	(7)	(35)
Net realized investment gains (losses) on equity securities	(23)	1	(22)
Derivatives	10	(1)	(9)
Short term investments and other	12	16	10
Net realized investment gains (losses)	\$ (67)	\$ 57	\$ 20

Net change in unrealized gains on investments is presented in the following table.

Years ended December 31

(In millions)

	2015	2014	2013
Net change in unrealized gains on investments:			
Fixed maturity securities	\$ (1,114)	\$ 1,511	\$ (2,541)
Equity securities	(6)	6	(15)
Other	1	—	—
Total net change in unrealized gains on investments	\$ (1,119)	\$ 1,517	\$ (2,556)

The components of OTTI losses recognized in earnings by asset type are presented in the following table.

Years ended December 31

(In millions)

	2015	2014	2013
Fixed maturity securities available-for-sale:			
Corporate and other bonds	\$ 104	\$ 18	\$ 20
States, municipalities and political subdivisions	18	46	—
Asset-backed:			
Residential mortgage-backed	8	5	19
Other asset-backed	1	1	2
Total asset-backed	9	6	21
Total fixed maturity securities available-for-sale	131	70	41
Equity securities available-for-sale:			
Common stock	25	7	8
Preferred stock	—	—	26
Total equity securities available-for-sale	25	7	34
Short term investments	—	—	1
OTTI losses recognized in earnings	\$ 156	\$ 77	\$ 76

The following tables present a summary of fixed maturity and equity securities.

December 31, 2015					
(In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities available-for-sale:					
Corporate and other bonds	\$ 17,080	\$ 1,019	\$ 342	\$ 17,757	\$ —
States, municipalities and political subdivisions	11,729	1,453	8	13,174	(4)
Asset-backed:					
Residential mortgage-backed	4,935	154	17	5,072	(37)
Commercial mortgage-backed	2,154	55	12	2,197	—
Other asset-backed	923	6	8	921	—
Total asset-backed	8,012	215	37	8,190	(37)
U.S. Treasury and obligations of government-sponsored enterprises	62	5	—	67	—
Foreign government	334	13	1	346	—
Redeemable preferred stock	33	2	—	35	—
Total fixed maturity securities available-for-sale	37,250	2,707	388	39,569	\$ (41)
Total fixed maturity securities trading	3			3	
Equity securities available-for-sale:					
Common stock	46	3	1	48	
Preferred stock	145	7	3	149	
Total equity securities available-for-sale	191	10	4	197	
Total	\$ 37,444	\$ 2,717	\$ 392	\$ 39,769	

December 31, 2014					
(In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
Fixed maturity securities available-for-sale:					
Corporate and other bonds	\$ 17,210	\$ 1,721	\$ 61	\$ 18,870	\$ —
States, municipalities and political subdivisions	11,285	1,463	8	12,740	—
Asset-backed:					
Residential mortgage-backed	5,028	218	13	5,233	(53)
Commercial mortgage-backed	2,056	93	5	2,144	(2)
Other asset-backed	1,234	11	10	1,235	—
Total asset-backed	8,318	322	28	8,612	(55)
U.S. Treasury and obligations of government-sponsored enterprises	26	5	—	31	—
Foreign government	438	16	—	454	—
Redeemable preferred stock	39	3	—	42	—
Total fixed maturity securities available-for-sale	37,316	3,530	97	40,749	\$ (55)
Total fixed maturity securities trading	19			19	
Equity securities available-for-sale:					
Common stock	38	9	—	47	
Preferred stock	172	5	2	175	
Total equity securities available-for-sale	210	14	2	222	
Total	\$ 37,545	\$ 3,544	\$ 99	\$ 40,990	

The following tables present the estimated fair value and gross unrealized losses of fixed maturity and equity securities in a gross unrealized loss position by the length of time in which the securities have continuously been in that position.

December 31, 2015 (In millions)	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Fixed maturity securities available-for-sale:						
Corporate and other bonds	\$ 4,882	\$ 302	\$ 162	\$ 40	\$ 5,044	\$ 342
States, municipalities and political subdivisions	338	8	75	—	413	8
Asset-backed:						
Residential mortgage-backed	963	9	164	8	1,127	17
Commercial mortgage-backed	652	10	96	2	748	12
Other asset-backed	552	8	5	—	557	8
Total asset-backed	2,167	27	265	10	2,432	37
U.S. Treasury and obligations of government-sponsored enterprises	4	—	—	—	4	—
Foreign government	54	1	—	—	54	1
Redeemable preferred stock	3	—	—	—	3	—
Total fixed maturity securities available-for-sale	7,448	338	502	50	7,950	388
Equity securities available-for-sale:						
Common Stock	3	1	—	—	3	1
Preferred stock	13	3	—	—	13	3
Total equity securities available-for-sale	16	4	—	—	16	4
Total	\$ 7,464	\$ 342	\$ 502	\$ 50	\$ 7,966	\$ 392

December 31, 2014 (In millions)	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Fixed maturity securities available-for-sale:						
Corporate and other bonds	\$ 1,330	\$ 46	\$ 277	\$ 15	\$ 1,607	\$ 61
States, municipalities and political subdivisions	335	5	127	3	462	8
Asset-backed:						
Residential mortgage-backed	293	5	189	8	482	13
Commercial mortgage-backed	264	2	99	3	363	5
Other asset-backed	607	10	7	—	614	10
Total asset-backed	1,164	17	295	11	1,459	28
U.S. Treasury and obligations of government-sponsored enterprises	3	—	4	—	7	—
Foreign government	3	—	3	—	6	—
Redeemable preferred stock	3	—	—	—	3	—
Total fixed maturity securities available-for-sale	2,838	68	706	29	3,544	97
Equity securities available-for-sale:						
Preferred stock	17	2	1	—	18	2
Total	\$ 2,855	\$ 70	\$ 707	\$ 29	\$ 3,562	\$ 99

Based on current facts and circumstances, the Company believes the unrealized losses presented in the December 31, 2015 Securities in a Gross Unrealized Loss Position table above, are not indicative of the ultimate collectibility of the current amortized cost of the securities, but rather are attributable to changes in interest rates, credit spreads and other factors, including volatility in the energy and metals and mining sectors due to declines in the price of oil and other commodities. As of December 31, 2015, the Company held fixed maturity securities and equity securities with an estimated fair value of \$2,533 million and a cost or amortized cost of \$2,658 million in the energy and metals and mining sectors. The portion of these securities in a gross unrealized loss position had an estimated fair value of \$1,340 million and a cost or amortized cost of \$1,554 million. The Company has no current intent to sell securities with unrealized losses, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded as of December 31, 2015.

The following table presents the activity related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held as of December 31, 2015, 2014 and 2013 for which a portion of an OTTI loss was recognized in Other comprehensive income.

Years ended December 31

(In millions)	2015	2014	2013
Beginning balance of credit losses on fixed maturity securities	\$ 62	\$ 74	\$ 95
Additional credit losses for securities for which an OTTI loss was previously recognized	—	—	2
Reductions for securities sold during the period	(9)	(9)	(23)
Reductions for securities the Company intends to sell or more likely than not will be required to sell	—	(3)	—
Ending balance of credit losses on fixed maturity securities	<u>\$ 53</u>	<u>\$ 62</u>	<u>\$ 74</u>

Contractual Maturity

The following table presents available-for-sale fixed maturity securities by contractual maturity.

December 31	2015		2014	
(In millions)	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 1,574	\$ 1,595	\$ 2,479	\$ 2,511
Due after one year through five years	7,721	8,070	9,054	9,605
Due after five years through ten years	14,652	14,915	12,055	12,584
Due after ten years	13,303	14,989	13,728	16,049
Total	<u>\$ 37,250</u>	<u>\$ 39,569</u>	<u>\$ 37,316</u>	<u>\$ 40,749</u>

Actual maturities may differ from contractual maturities because certain securities may be called or prepaid. Securities not due at a single date are allocated based on weighted average life.

Limited Partnerships

The carrying value of limited partnerships as of December 31, 2015 and 2014 was \$2,548 million and \$2,937 million, which includes undistributed earnings of \$687 million and \$1,040 million. Limited partnerships comprising 63% of the total carrying value are reported on a current basis through December 31, 2015 with no reporting lag, 16% are reported on a one month lag and the remainder are reported on more than a one month lag. The number of limited partnerships held and the strategies employed provide diversification to the limited partnership portfolio and the overall invested asset portfolio.

Limited partnerships comprising 70% and 73% of the carrying value as of December 31, 2015 and 2014 employ hedge fund strategies that generate returns through investing in marketable securities in the public fixed income and equity markets. Limited partnerships comprising 26% and 23% of the carrying value as of December 31, 2015 and 2014 were invested in private debt and equity, and the remaining limited partnerships were primarily invested in real estate strategies. Hedge fund strategies include both long and short positions in fixed income, equity and derivative instruments. These hedge fund strategies may seek to generate gains from mispriced or undervalued securities, price differentials between securities, distressed investments, sector rotation or various arbitrage disciplines. Within hedge fund strategies, approximately 54% were equity related, 28% pursued a multi-strategy approach, 16% were focused on distressed investments and 2% were fixed income related as of December 31, 2015.

The ten largest limited partnership positions held totaled \$1,221 million and \$1,492 million as of December 31, 2015 and 2014. Based on the most recent information available regarding the Company's percentage ownership of the individual limited partnerships, the carrying value reflected on the Consolidated Balance Sheets represents approximately 3% and 4% of the aggregate partnership equity as of December 31, 2015 and 2014, and the related income reflected on the Consolidated Statements of Operations represents approximately 3%, 4% and 4% of the changes in total partnership equity for the years ended December 31, 2015, 2014 and 2013.

While the Company generally does not invest in highly leveraged partnerships, there are risks which may result in losses due to short-selling, derivatives or other speculative investment practices. The use of leverage increases volatility generated by the underlying investment strategies.

The Company's limited partnership investments contain withdrawal provisions that generally limit liquidity for a period of thirty days up to one year and in some cases do not permit withdrawals until the termination of the partnership. Typically, withdrawals require advance written notice of up to 90 days.

Derivative Financial Instruments

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

The Company may enter into interest rate swaps, futures and forward commitments to purchase securities to manage interest rate risk. The Company may use foreign currency forward contracts to manage foreign currency risk.

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to the instruments recognized on the Consolidated Balance Sheets. The Company generally requires that all over-the-counter derivative contracts be governed by an International Swaps and Derivatives Association Master Agreement, and exchanges collateral under the terms of these agreements with its derivative investment counterparties depending on the amount of the exposure and the credit rating of the counterparty. Gross estimated fair values of derivative positions are presented in Other invested assets and Other liabilities on the Consolidated Balance Sheet. The Company does not offset derivative positions against the fair value of collateral provided or positions subject to netting arrangements. There would be no significant difference in the balance included in such accounts if the estimated fair values were presented net for the periods ended December 31, 2015 and 2014.

There was no cash collateral provided by the Company as of December 31, 2015 or 2014. There was no cash collateral received from counterparties held as of December 31, 2015 or 2014.

The following tables present the aggregate contractual or notional amount and estimated fair value related to derivative financial instruments.

December 31, 2015 (In millions)	Contractual/ Notional Amount	Estimated Fair Value	
		Asset	Liability
Without hedge designation			
Equity warrants	\$ 5	\$ —	\$ —
Embedded derivative on funds withheld liability	179	—	(5)
Total		\$ —	\$ (5)

December 31, 2014	Contractual/ Notional Amount	Estimated Fair Value	
(In millions)		Asset	Liability
Without hedge designation			
Currency forwards	\$ 9	\$ —	\$ —
Equity warrants	5	—	—
Embedded derivative on funds withheld liability	184	—	3
Total		\$ —	\$ 3

For further discussion of the embedded derivative on funds withheld liability, see Note A to the Consolidated Financial Statements.

Commercial Mortgage Loans

Risks related to the recoverability of loan balances include declines in the estimated cash flows from underlying property leases, fair value of collateral and creditworthiness of tenants of credit tenant loan properties, where lease payments directly service the loan. The Company evaluates loans for impairment on a specific loan basis and identifies loans for evaluation of impairment based on the collection experience of each loan and other credit quality indicators such as debt service coverage ratio and the creditworthiness of the borrower or tenants of credit tenant loan properties. As of December 31, 2015 and 2014, there were no loans past due or in non-accrual status, and no valuation allowance was recorded.

Investment Commitments

As of December 31, 2015, the Company had committed approximately \$398 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

As of December 31, 2015, the Company had mortgage loan commitments of \$12 million representing signed loan applications received and accepted.

The Company invests in various privately placed debt securities, including bank loans, as part of its overall investment strategy and has committed to additional future purchases, sales and funding. As of December 31, 2015, the Company had commitments to purchase or fund additional amounts of \$138 million and sell \$67 million under the terms of such securities.

Investments on Deposit

Securities with carrying values of approximately \$2.8 billion and \$3.0 billion were deposited by the Company's insurance subsidiaries under requirements of regulatory authorities and others as of December 31, 2015 and 2014.

Cash and securities with carrying values of approximately \$364 million and \$361 million were deposited with financial institutions as collateral for letters of credit as of December 31, 2015 and 2014. In addition, cash and securities were deposited in trusts with financial institutions to secure reinsurance and other obligations with various third parties. The carrying values of these deposits were approximately \$263 million and \$302 million as of December 31, 2015 and 2014.

Note C. Fair Value

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

Level 1 - Quoted prices for identical instruments in active markets.

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

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

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

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

Assets and Liabilities Measured at Fair Value

Assets and liabilities measured at fair value on a recurring basis are presented in the following tables.

December 31, 2015				
(In millions)	Level 1	Level 2	Level 3	Total Assets/Liabilities at Fair Value
Assets				
Fixed maturity securities:				
Corporate and other bonds	\$ —	\$ 17,592	\$ 168	\$ 17,760
States, municipalities and political subdivisions	—	13,172	2	13,174
Asset-backed:				
Residential mortgage-backed	—	4,938	134	5,072
Commercial mortgage-backed	—	2,175	22	2,197
Other asset-backed	—	868	53	921
Total asset-backed	—	7,981	209	8,190
U.S. Treasury and obligations of government-sponsored enterprises	66	1	—	67
Foreign government	—	346	—	346
Redeemable preferred stock	35	—	—	35
Total fixed maturity securities	101	39,092	379	39,572
Equity securities	177	—	20	197
Other invested assets	—	44	—	44
Short term investments	448	1,134	—	1,582
Life settlement contracts, included in Other assets	—	—	74	74
Total assets	\$ 726	\$ 40,270	\$ 473	\$ 41,469
Liabilities				
Other liabilities	\$ —	\$ (5)	\$ —	\$ (5)
Total liabilities	\$ —	\$ (5)	\$ —	\$ (5)

December 31, 2014				
(In millions)	Level 1	Level 2	Level 3	Total Assets/Liabilities at Fair Value
Assets				
Fixed maturity securities:				
Corporate and other bonds	\$ 32	\$ 18,695	\$ 162	\$ 18,889
States, municipalities and political subdivisions	—	12,646	94	12,740
Asset-backed:				
Residential mortgage-backed	—	5,044	189	5,233
Commercial mortgage-backed	—	2,061	83	2,144
Other asset-backed	—	580	655	1,235
Total asset-backed	—	7,685	927	8,612
U.S. Treasury and obligations of government-sponsored enterprises	28	3	—	31
Foreign government	41	413	—	454
Redeemable preferred stock	30	12	—	42
Total fixed maturity securities	131	39,454	1,183	40,768
Equity securities	145	61	16	222
Other invested assets	—	41	—	41
Short term investments	681	963	—	1,644
Life settlement contracts, included in Other assets	—	—	82	82
Total assets	\$ 957	\$ 40,519	\$ 1,281	\$ 42,757
Liabilities				
Other liabilities	\$ —	\$ 3	\$ —	\$ 3
Total liabilities	\$ —	\$ 3	\$ —	\$ 3

The tables below present a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Level 3 (In millions)	Balance as of January 1, 2015	Net realized investment gains (losses) and net change in unrealized appreciation (depreciation) included in net income (loss)	Net change in unrealized appreciation (depreciation) included in other comprehensive income (loss)	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance as of December 31, 2015	Unrealized gains (losses) on Level 3 assets and liabilities held as of December 31, 2015 recognized in net income (loss)
Fixed maturity securities:										
Corporate and other bonds	\$ 162	\$ (2)	\$ (3)	\$ 65	\$ (13)	\$ (35)	\$ 40	\$ (46)	\$ 168	\$ (2)
States, municipalities and political subdivisions	94	1	—	—	—	(10)	—	(83)	2	—
Asset-backed:										
Residential mortgage-backed	189	5	(3)	81	—	(35)	14	(117)	134	—
Commercial mortgage-backed	83	7	(4)	23	—	(17)	17	(87)	22	—
Other asset-backed	655	3	3	130	(263)	(52)	7	(430)	53	—
Total asset-backed	927	15	(4)	234	(263)	(104)	38	(634)	209	—
Total fixed maturity securities	1,183	14	(7)	299	(276)	(149)	78	(763)	379	(2)
Equity securities	16	—	(1)	4	—	—	1	—	20	—
Life settlement contracts	82	25	—	—	—	(33)	—	—	74	1
Total	\$ 1,281	\$ 39	\$ (8)	\$ 303	\$ (276)	\$ (182)	\$ 79	\$ (763)	\$ 473	\$ (1)

Level 3 (In millions)	Balance as of January 1, 2014	Net realized investment gains (losses) and net change in unrealized appreciation (depreciation) included in net income (loss)	Net change in unrealized appreciation (depreciation) included in other comprehensive income (loss)	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance as of December 31, 2014	Unrealized gains (losses) on Level 3 assets and liabilities held as of December 31, 2014 recognized in net income (loss)
Fixed maturity securities:										
Corporate and other bonds	\$ 204	\$ 2	\$ (1)	\$ 33	\$ (23)	\$ (16)	\$ 18	\$ (55)	\$ 162	\$ —
States, municipalities and political subdivisions	71	1	4	14	(10)	—	14	—	94	—
Asset-backed:										
Residential mortgage-backed	331	(21)	61	94	(174)	(72)	32	(62)	189	—
Commercial mortgage-backed	151	7	(6)	28	(60)	(29)	43	(51)	83	—
Other asset-backed	446	2	(6)	488	(111)	(117)	—	(47)	655	(1)
Total asset-backed	928	(12)	49	610	(345)	(218)	75	(160)	927	(1)
Total fixed maturity securities	1,203	(9)	52	657	(378)	(234)	107	(215)	1,183	(1)
Equity securities	11	3	(6)	16	(8)	—	—	—	16	—
Life settlement contracts	88	33	—	—	—	(39)	—	—	82	8
Separate account business	1	—	—	—	—	—	—	(1)	—	—
Total	\$ 1,303	\$ 27	\$ 46	\$ 673	\$ (386)	\$ (273)	\$ 107	\$ (216)	\$ 1,281	\$ 7

Net realized and unrealized gains and losses, including those shown above, are reported in Net income (loss) as follows:

Major Category of Assets and Liabilities	Consolidated Statements of Operations Line Items
Fixed maturity securities available-for-sale	Net realized investment gains (losses)
Fixed maturity securities trading	Net investment income
Equity securities	Net realized investment gains (losses)
Other invested assets - Derivative financial instruments held in a trading portfolio	Net investment income
Other invested assets - Derivative financial instruments not held in a trading portfolio	Net realized investment gains (losses)
Other invested assets - Overseas deposits	Net investment income
Life settlement contracts	Other revenues
Other liabilities - Derivative financial instruments	Net realized investment gains (losses)

Securities shown on the previous page may be transferred in or out of levels within the fair value hierarchy based on the availability of observable market information and quoted prices used to determine the fair value of the security. The availability of observable market information and quoted prices varies based on market conditions and trading volume. During the year ended December 31, 2015 there were \$63 million of transfers from Level 2 to Level 1 and \$52 million from Level 1 to Level 2. There were \$24 million of transfers from Level 2 to Level 1 and \$1 million from Level 1 to Level 2 during the year ended December 31, 2014. The Company's policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

Valuation Methodologies and Inputs

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

Fixed Maturity Securities

Level 1 securities include highly liquid and exchange traded bonds and redeemable preferred stock, valued using quoted market prices. Level 2 securities include most other fixed maturity securities as the significant inputs are observable in the marketplace. All classes of Level 2 fixed maturity securities are valued using a methodology based on information generated by market transactions involving identical or comparable assets, a discounted cash flow methodology, or a combination of both when necessary. Common inputs for all classes of fixed maturity securities include prices from recently executed transactions of similar securities, marketplace quotes, benchmark yields, spreads off benchmark yields, interest rates and U.S. Treasury or swap curves. Specifically for asset-backed securities, key inputs include prepayment and default projections based on past performance of the underlying collateral and current market data. Fixed maturity securities are primarily assigned to Level 3 in cases where broker/dealer quotes are significant inputs to the valuation and there is a lack of transparency as to whether these quotes are based on information that is observable in the marketplace. Level 3 securities also include private placement debt securities whose fair value is determined using internal models with inputs that are not market observable.

Equity Securities

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

Derivative Financial Investments

Level 2 securities primarily include the embedded derivative on funds withheld liability and currency forwards. The embedded derivative on funds withheld liability is valued using the change in fair value of the assets supporting the funds withheld liability, which are fixed maturity securities valued with observable inputs. Currency forwards are valued using observable market forward rates.

Overseas Deposits

Overseas deposits, which can be redeemed at net asset value in 90 days or less, are classified as Level 2.

Short Term Investments

Securities that are actively traded or have quoted prices are classified as Level 1. These securities include money market funds and treasury bills. Level 2 primarily includes commercial paper, for which all inputs are market observable. Fixed maturity securities purchased within one year of maturity are classified consistent with fixed maturity securities discussed above. Short term investments as presented in the tables above differ from the amounts presented on the Consolidated Balance Sheets because certain short term investments, such as time deposits, are not measured at fair value.

Life Settlement Contracts

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

Significant Unobservable Inputs

The following tables present quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurements of Level 3 assets. Valuations for assets and liabilities not presented in the tables below are primarily based on broker/dealer quotes for which there is a lack of transparency as to inputs used to develop the valuations. The quantitative detail of these unobservable inputs is neither provided nor reasonably available to the Company.

December 31, 2015	Estimated Fair Value (In millions)	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Fixed maturity securities	\$ 138	Discounted cash flow	Credit spread	3% - 184% (6%)
Life settlement contracts	74	Discounted cash flow	Discount rate risk premium	9%
			Mortality assumption	55% - 1676% (164%)

December 31, 2014	Estimated Fair Value (In millions)	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Fixed maturity securities	\$ 101	Discounted cash flow	Credit spread	2% - 13% (3%)
Equity securities	16	Market approach	Private offering price	\$12 - \$4,391 per share (\$600)
Life settlement contracts	82	Discounted cash flow	Discount rate risk premium	9%
			Mortality assumption	55% - 1676% (163%)

For fixed maturity securities, an increase to the credit spread assumptions would result in a lower fair value measurement. For equity securities, an increase in the private offering price would result in a higher fair value measurement. For life settlement contracts, an increase in the discount rate risk premium or decrease in the mortality assumption would result in a lower fair value measurement.

Financial Assets and Liabilities Not Measured at Fair Value

The carrying amount and estimated fair value of the Company's financial assets and liabilities which are not measured at fair value on the Consolidated Balance Sheets are presented in the following tables.

December 31, 2015	Carrying Amount	Estimated Fair Value			
(In millions)		Level 1	Level 2	Level 3	Total
Assets					
Mortgage loans	\$ 678	\$ —	\$ —	\$ 688	\$ 688
Liabilities					
Short term debt	\$ 350	\$ —	\$ 360	\$ —	\$ 360
Long term debt	2,212	—	2,433	—	2,433

December 31, 2014 (In millions)	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
Assets					
Notes receivable for the issuance of common stock	\$ 1	\$ —	\$ —	\$ 1	\$ 1
Mortgage loans	588	—	—	608	608
Liabilities					
Long term debt	\$ 2,559	\$ —	\$ 2,883	\$ —	\$ 2,883

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

The fair values of Mortgage loans were based on the present value of the expected future cash flows discounted at the current interest rate for origination of similar quality loans, adjusted for specific loan risk.

The Company's senior notes and debentures were valued based on observable market prices. The fair value for other debt was estimated using discounted cash flows based on current incremental borrowing rates for similar borrowing arrangements.

The carrying amounts reported on the Consolidated Balance Sheets for Cash, Short term investments not carried at fair value, Accrued investment income and certain Other assets and Other liabilities approximate fair value due to the short term nature of these items. These assets and liabilities are not listed in the tables above.

Note D. Income Taxes

The CNA Tax Group is included in the consolidated federal income tax return of Loews and its eligible subsidiaries. Loews and the Company have agreed that for each taxable year, the Company will 1) be paid by Loews the amount, if any, by which the Loews consolidated federal income tax liability is reduced by virtue of the inclusion of the CNA Tax Group in the Loews consolidated federal income tax return, or 2) pay to Loews an amount, if any, equal to the federal income tax that would have been payable by the CNA Tax Group filing a separate consolidated tax return. In the event that Loews should have a net operating loss in the future computed on the basis of filing a separate consolidated tax return without the CNA Tax Group, the Company may be required to repay tax recoveries previously received from Loews. This agreement may be canceled by either party upon 30 days written notice.

For the years ended December 31, 2015, 2014 and 2013, the Company paid \$256 million, \$287 million and \$89 million to Loews related to federal income taxes.

For 2013 through 2015, the Internal Revenue Service (IRS) has accepted Loews and the Company into the Compliance Assurance Process (CAP), which is a voluntary program for large corporations. Under CAP, the IRS conducts a real-time audit and works contemporaneously with the Company to resolve any issues prior to the filing of the tax return. The Company believes that this approach should reduce tax-related uncertainties, if any.

As of December 31, 2015 and 2014, there were no unrecognized tax benefits.

The Company recognizes interest accrued related to: 1) unrecognized tax benefits in Interest expense and 2) tax refund claims in Other revenues on the Consolidated Statements of Operations. The Company recognizes penalties (if any) in Income tax (expense) benefit on the Consolidated Statements of Operations. During 2015, 2014 and 2013 the Company recognized no interest and no penalties. There were no amounts accrued for interest or penalties as of December 31, 2015 or 2014.

The following table presents a reconciliation between the Company's federal income tax expense at statutory rates and the recorded income tax expense, excluding discontinued operations.

Years ended December 31

(In millions)

	2015	2014	2013
Income tax expense at statutory rates	\$ (192)	\$ (423)	\$ (447)
Tax benefit from tax exempt income	123	119	97
Foreign taxes and credits	9	(6)	(1)
Other tax expense	(10)	(9)	(10)
Income tax expense	\$ (70)	\$ (319)	\$ (361)

Provision has not been made for the investment in certain subsidiaries for which the Company intends to invest the undistributed earnings indefinitely. As of December 31, 2015, the Company has not provided deferred taxes of \$1 million on \$3 million of undistributed earnings related to a foreign subsidiary.

The following table presents the current and deferred components of the Company's income tax expense, excluding discontinued operations.

Years ended December 31

(In millions)

	2015	2014	2013
Current tax expense	\$ (220)	\$ (318)	\$ (292)
Deferred tax benefit (expense)	150	(1)	(69)
Total income tax expense	\$ (70)	\$ (319)	\$ (361)

Total income tax presented above includes foreign tax expense of approximately \$14 million, \$24 million and \$24 million related to income from continuing foreign operations of approximately \$71 million, \$66 million and \$101 million for the years ended December 31, 2015, 2014 and 2013.

The deferred tax effects of the significant components of the Company's deferred tax assets and liabilities are presented in the following table.

December 31		
(In millions)		
	2015	2014
Deferred Tax Assets:		
Insurance reserves:		
Property and casualty claim and claim adjustment expense reserves	\$ 178	\$ 265
Unearned premium reserves	230	187
Receivables	29	35
Employee benefits	281	289
Life settlement contracts	48	46
Deferred retroactive reinsurance benefit	84	61
Investment valuation differences	29	—
Other assets	142	138
Gross deferred tax assets	1,021	1,021
Deferred Tax Liabilities:		
Investment valuation differences	—	50
Deferred acquisition costs	117	226
Net unrealized gains	202	489
Other liabilities	64	65
Gross deferred tax liabilities	383	830
Net deferred tax asset	\$ 638	\$ 191

As of December 31, 2015, the CNA Tax Group had no loss carryforwards or tax credit carryforwards.

Although realization of deferred tax assets is not assured, management believes it is more likely than not that the recognized net deferred tax asset will be realized through recoupment of ordinary and capital taxes paid in prior carryback years and through future earnings, reversal of existing temporary differences and available tax planning strategies. As a result, no valuation allowance was recorded as of December 31, 2015 or 2014.

Note E. Claim and Claim Adjustment Expense Reserves

The Company's property and casualty insurance claim and claim adjustment expense reserves represent the estimated amounts necessary to resolve all outstanding claims, including IBNR claims as of the reporting date. The Company's reserve projections are based primarily on detailed analysis of the facts in each case, the Company's experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as field reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions including inflation and public attitudes. All of these factors can affect the estimation of claim and claim adjustment expense reserves.

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

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and/or equity. The Company reported catastrophe losses, net of reinsurance, of \$141 million, \$156 million and \$169 million for the years ended December 31, 2015, 2014 and 2013. Catastrophe losses in 2015 related primarily to U.S. weather-related events.

The following table presents a reconciliation between beginning and ending claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves of the Life & Group Non-Core segment.

As of or for the years ended December 31

(In millions)	2015	2014	2013
Reserves, beginning of year:			
Gross	\$ 23,271	\$ 24,089	\$ 24,763
Ceded	4,344	4,972	5,126
Net reserves, beginning of year	18,927	19,117	19,637
Change in net reserves due to acquisition (disposition) of subsidiaries	—	(13)	—
Net incurred claim and claim adjustment expenses:			
Provision for insured events of current year	4,934	5,043	5,114
Decrease in provision for insured events of prior years	(255)	(36)	(115)
Amortization of discount	166	161	154
Total net incurred (a)	4,845	5,168	5,153
Net payments attributable to:			
Current year events	(856)	(945)	(981)
Prior year events	(4,089)	(4,355)	(4,588)
Total net payments	(4,945)	(5,300)	(5,569)
Foreign currency translation adjustment and other	(251)	(45)	(104)
Net reserves, end of year	18,576	18,927	19,117
Ceded reserves, end of year	4,087	4,344	4,972
Gross reserves, end of year	\$ 22,663	\$ 23,271	\$ 24,089

- (a) Total net incurred above does not agree to Insurance claims and policyholders' benefits as reflected on the Consolidated Statements of Operations due to amounts related to retroactive reinsurance deferred gain accounting, uncollectible reinsurance and loss deductible receivables, and benefit expenses related to future policy benefits and policyholders' funds, which are not reflected in the table above.

The following tables present the gross and net carried reserves.

December 31, 2015						
(In millions)	Specialty	Commercial	International	Life & Group Non-Core	Corporate & Other Non-Core	Total
Gross Case Reserves	\$ 2,011	\$ 4,975	\$ 622	\$ 2,973	\$ 1,521	\$ 12,102
Gross IBNR Reserves	4,258	4,208	725	247	1,123	10,561
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 6,269	\$ 9,183	\$ 1,347	\$ 3,220	\$ 2,644	\$ 22,663
Net Case Reserves	\$ 1,810	\$ 4,651	\$ 531	\$ 2,714	\$ 130	\$ 9,836
Net IBNR Reserves	3,758	3,925	688	216	153	8,740
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 5,568	\$ 8,576	\$ 1,219	\$ 2,930	\$ 283	\$ 18,576

December 31, 2014						
(In millions)	Specialty	Commercial	International	Life & Group Non-Core	Corporate & Other Non-Core	Total
Gross Case Reserves	\$ 2,136	\$ 5,298	\$ 752	\$ 2,881	\$ 1,189	\$ 12,256
Gross IBNR Reserves	4,093	4,216	689	302	1,715	11,015
Total Gross Carried Claim and Claim Adjustment Expense Reserves	\$ 6,229	\$ 9,514	\$ 1,441	\$ 3,183	\$ 2,904	\$ 23,271
Net Case Reserves	\$ 1,929	\$ 4,947	\$ 598	\$ 2,572	\$ 144	\$ 10,190
Net IBNR Reserves	3,726	3,906	663	271	171	8,737
Total Net Carried Claim and Claim Adjustment Expense Reserves	\$ 5,655	\$ 8,853	\$ 1,261	\$ 2,843	\$ 315	\$ 18,927

Net Prior Year Development

Changes in estimates of claim and allocated claim adjustment expense reserves and premium accruals, net of reinsurance, for prior years are defined as net prior year development. These changes can be favorable or unfavorable. The following tables and discussion present the net prior year development recorded for Specialty, Commercial, International and Corporate & Other Non-Core segments.

Year ended December 31, 2015

(In millions)	Specialty	Commercial	International	Corporate & Other Non-Core	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	\$ (141)	\$ (15)	\$ (54)	\$ —	\$ (210)
Pretax (favorable) unfavorable premium development	(11)	(15)	18	—	(8)
Total pretax (favorable) unfavorable net prior year development	\$ (152)	\$ (30)	\$ (36)	\$ —	\$ (218)

Year ended December 31, 2014

(In millions)	Specialty	Commercial	International	Corporate & Other Non-Core	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	\$ (136)	\$ 176	\$ (59)	\$ (2)	\$ (21)
Pretax (favorable) unfavorable premium development	(13)	(20)	2	(1)	(32)
Total pretax (favorable) unfavorable net prior year development	\$ (149)	\$ 156	\$ (57)	\$ (3)	\$ (53)

Year ended December 31, 2013

(In millions)	Specialty	Commercial	International	Corporate & Other Non-Core	Total
Pretax (favorable) unfavorable net prior year claim and allocated claim adjustment expense reserve development	\$ (196)	\$ 122	\$ (38)	\$ (6)	\$ (118)
Pretax (favorable) unfavorable premium development	(14)	(8)	(21)	1	(42)
Total pretax (favorable) unfavorable net prior year development	\$ (210)	\$ 114	\$ (59)	\$ (5)	\$ (160)

Favorable net prior year development of \$50 million, \$14 million and \$9 million was recorded in the Life & Group Non-Core segment for the years ended December 31, 2015, 2014 and 2013. The favorable net prior year development for the year ended December 31, 2015 was driven by favorable claim severity.

Premium development can occur in the property and casualty business when there is a change in exposure on auditable policies or when premium accruals differ from processed premium. Audits on policies usually occur in a period after the expiration date of the policy.

For the year ended December 31, 2013, favorable premium development for International was recorded related to a commutation as discussed later in this note.

Specialty

The following table presents further detail of the net prior year claim and allocated claim adjustment expense reserve development (development) recorded for the Specialty segment.

Years ended December 31

(In millions)

	2015	2014	2013
Pretax (favorable) unfavorable development:			
Medical Professional Liability	\$ (43)	\$ 39	\$ (27)
Other Professional Liability and Management Liability	—	(87)	(73)
Surety	(69)	(82)	(74)
Warranty	(2)	(2)	(3)
Other	(27)	(4)	(19)
Total pretax (favorable) unfavorable development	\$ (141)	\$ (136)	\$ (196)

2015

Overall, favorable development for medical professional liability was related to lower than expected severity in accident years 2012 and prior. Unfavorable development was recorded related to increased claim frequency and severity in the aging services business in accident years 2013 and 2014.

Favorable development in other professional liability and management liability related to better than expected large loss emergence in financial institutions primarily in accident years 2011 through 2014. Additional favorable development related to lower than expected severity for professional services in accident years 2011 and prior. Unfavorable development was recorded related to increased frequency of large claims on public company management liability in accident years 2012 through 2014.

Favorable development for surety coverages was primarily due to lower than expected frequency of large losses in accident years 2013 and prior.

Favorable development for other coverages was due to better than expected claim frequency in property coverages provided to Specialty customers in accident year 2014.

2014

Unfavorable development for medical professional liability was primarily related to increased frequency of large medical products liability class action lawsuits in accident years 2012 and prior and increased frequency of other large medical professional liability losses in accident years 2011 through 2013.

Overall, favorable development for other professional liability and management liability was related to better than expected severity in accident years 2008 through 2011, including favorable outcomes on individual large claims. Additional favorable development related to lower than expected frequency in accident years 2011 through 2013. Unfavorable development was recorded due to higher than expected severity in financial institution and professional service coverages in accident years 2009 through 2011.

Favorable development for surety coverages was primarily due to better than expected large loss emergence in accident years 2012 and prior.

2013

Overall, favorable development for medical professional liability reflects favorable experience in accident years 2009 and prior. Unfavorable development was recorded for accident years 2010 and 2011 due to higher than expected large loss activity.

Overall, favorable development for other professional liability and management liability was related to better than expected loss emergence in accident years 2010 and prior. Unfavorable development was recorded in accident year 2011 related to an increase in severity in management liability.

Favorable development for surety coverages was primarily due to better than expected large loss emergence in accident years 2011 and prior.

Other includes standard property and casualty coverages provided to Specialty customers. Favorable development for other coverages was primarily due to better than expected loss emergence in property coverages primarily in accident years 2010 and subsequent.

Commercial

The following table presents further detail of the development recorded for the Commercial segment.

Years ended December 31

(In millions)

	2015	2014	2013
Pretax (favorable) unfavorable development:			
Commercial Auto	\$ (22)	\$ 31	\$ 18
General Liability	(33)	45	64
Workers' Compensation	80	139	91
Property and Other	(40)	(39)	(51)
Total pretax (favorable) unfavorable development	\$ (15)	\$ 176	\$ 122

2015

Favorable development for commercial auto was primarily due to lower than expected severity in accident years 2009 through 2014.

Favorable development for general liability was primarily due to favorable settlements on claims in accident years 2010 through 2013.

Unfavorable development for workers' compensation was primarily due to higher than expected severity related to Defense Base Act contractors in accident years 2008 through 2014.

Favorable development for property and other was primarily due to better than expected claim emergence from 2012 and 2014 catastrophe events and better than expected frequency of large claims in accident year 2014.

The year ended December 31, 2015 also included unfavorable loss development related to extra contractual obligation losses and losses associated with premium development.

2014

Unfavorable development for commercial auto was primarily related to higher than expected frequency in accident years 2012 and 2013 and higher than expected severity for liability coverages in accident years 2010 through 2013. Favorable development was recorded related to fewer large claims than expected in accident years 2008 and 2009.

Overall, unfavorable development for general liability was primarily related to higher than expected severity in accident years 2010 through 2013. Favorable development was recorded primarily related to lower than expected frequency of large losses in accident years 2005 through 2009.

Overall, unfavorable development for workers' compensation was primarily due to increased medical severity in accident years 2010 and prior, higher than expected severity related to Defense Base Act (DBA) contractors in accident years 2010 through 2013 and the recognition of losses related to favorable premium development in accident year 2013. Favorable development of \$26 million was recorded in accident years 1996 and prior related to the commutation of a workers' compensation reinsurance pool.

Favorable development for property and other first-party coverages was recorded in accident years 2013 and prior, primarily related to fewer claims than expected and favorable individual claim settlements.

2013

Unfavorable development for commercial auto coverages was primarily due to higher than expected frequency in accident years 2011 and 2012 and large loss emergence in accident years 2009 and 2010.

Unfavorable development for general liability coverages was primarily related to increased incurred loss severity in accident years 2010 through 2012.

Unfavorable development for workers' compensation includes the Company's response to legislation enacted during 2013 related to the New York Fund for Reopened Cases. The law change necessitated an increase in reserves as re-opened workers' compensation claims can no longer be turned over to the state for handling and payment after December 31, 2013. Additional unfavorable development was recorded in accident year 2012 related to increased frequency and severity on claims related to DBA contractors and in accident year 2010 due to higher than expected large losses and increased severity in the state of California.

Favorable development for property and other coverages was primarily related to favorable outcomes on litigated catastrophe claims in accident years 2005 and 2010 as well as favorable loss emergence in non-catastrophe losses in accident years 2010 through 2012.

International

The following table presents further detail of the development recorded for the International segment.

Years ended December 31

(In millions)	2015	2014	2013
Pretax (favorable) unfavorable development:			
Medical Professional Liability	\$ (9)	\$ (7)	\$ (7)
Other Professional Liability	(16)	(26)	(30)
Liability	(17)	(13)	(8)
Property & Marine	(29)	(14)	13
Other	17	(9)	(17)
Commutations	—	10	11
Total pretax (favorable) unfavorable development	\$ (54)	\$ (59)	\$ (38)

2015

Favorable development in medical professional liability was due to better than expected frequency of losses in accident years 2011 to 2013.

Favorable development in other professional liability was due to better than expected large loss emergence in accident years 2011 and prior.

Favorable development in liability was due to better than expected large loss emergence in accident years 2012 and prior.

Favorable development in property and marine was due to better than expected individual large loss emergence and favorable settlements on large claims in accident years 2013 and 2014.

Unfavorable development in other is due to higher than expected large losses in financial institutions and political risk, primarily in accident year 2014.

2014

Overall, favorable development for other professional liability was primarily related to better than expected severity in accident years 2012 and prior. Unfavorable development was recorded in accident year 2008 due to financial crisis claims.

Favorable development for liability was primarily related to better than expected frequency and severity in accident years 2009 and subsequent.

Favorable development for property and marine coverages primarily related to better than expected frequency of large claims in accident years 2012 and prior.

Favorable development for other coverages was a result of better than expected frequency in Hardy, primarily in financial institution coverages.

Reinsurance commutations in the first quarter of 2014 reduced ceded losses from prior years. Overall the commutations increased net operating income because of the release of the related allowance for uncollectible reinsurance.

2013

Overall, favorable development for other professional liability was primarily related to better than expected severity in accident years 2011 and prior. Unfavorable development was recorded related to higher than expected severity in accident year 2012.

Overall, unfavorable development for property and marine coverages was primarily due to 2011 catastrophe events, including the Thailand floods and the New Zealand Lyttelton earthquake, and one large non-catastrophe claim. Favorable development was recorded related to better than expected severity in accident years 2008 through 2011.

Favorable development for other coverages was largely a result of better than expected severity in Hardy in accident year 2012.

The commutation of a third-party capital provider's 15% participation in the 2012 year of account resulted in recognition of the 15% share of year of account premiums, losses and expenses.

A&EP Reserves

In 2010, Continental Casualty Company (CCC) together with several of the Company's insurance subsidiaries completed a transaction with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., under which substantially all of the Company's legacy A&EP liabilities were ceded to NICO (Loss Portfolio Transfer or LPT). At the transaction effective date, the Company ceded approximately \$1.6 billion of net A&EP claim and allocated claim adjustment expense reserves to NICO under a retroactive reinsurance agreement with an aggregate limit of \$4 billion. The \$1.6 billion of claim and allocated claim adjustment expense reserves ceded to NICO was net of \$1.2 billion of ceded claim and allocated claim adjustment expense reserves under existing third-party reinsurance contracts. The NICO aggregate reinsurance limit also covers credit risk on the existing third-party reinsurance related to these liabilities. The Company paid NICO a reinsurance premium of \$2 billion and transferred to NICO billed third-party reinsurance receivables related to A&EP claims with a net book value of \$215 million, resulting in total consideration of \$2.2 billion.

Through December 31, 2013, the Company recorded \$0.9 billion of additional amounts ceded under LPT. As a result, the cumulative amounts ceded under the Loss Portfolio Transfer exceeded the \$2.2 billion consideration paid, resulting in a deferred retroactive reinsurance gain. This deferred gain is recognized in earnings in proportion to actual recoveries under the Loss Portfolio Transfer. Over the life of the contract, there is no economic impact as long as any additional losses are within the limit under the contract. In a period in which the estimate of ceded losses is changed, the required change to the deferred gain is cumulatively recognized in earnings as if the revised estimate was available at the inception of the LPT. The effect of the deferred retroactive reinsurance benefit is recorded in Insurance claims and policyholders' benefits in the Consolidated Statement of Operations.

The following table presents the impact of the Loss Portfolio Transfer on the Consolidated Statements of Operations.

Years ended December 31

(In millions)

	2015	2014	2013
Net A&EP adverse development before consideration of LPT	\$ 150	\$ —	\$ 363
Provision for uncollectible third-party reinsurance on A&EP	—	—	140
Additional amounts ceded under LPT	150	—	503
Retroactive reinsurance benefit recognized	(85)	(13)	(314)
Pretax impact of deferred retroactive reinsurance	\$ 65	\$ (13)	\$ 189

During 2013, unfavorable development was recorded for accident years 2000 and prior related to A&EP claims due to an increase in ultimate claim severity and higher than anticipated claim reporting, as well as increased defense costs. Additionally, the Company recognized a provision for uncollectible third-party reinsurance which increased the expected recovery from NICO.

The fourth quarter of 2014 A&EP reserve review was not completed in 2014 because additional information and analysis on inuring third-party reinsurance recoveries were needed to finalize the review. The review was finalized in the second quarter of 2015. Unfavorable development was due to a decrease in anticipated future reinsurance recoveries related to asbestos claims and higher than expected severity on pollution claims. Management adopted the second quarter of the year as the timing for all future annual A&EP claims actuarial reviews.

As of December 31, 2015 and 2014, the cumulative amounts ceded under the LPT were \$2.6 billion and \$2.5 billion. The unrecognized deferred retroactive reinsurance benefit was \$241 million and \$176 million as of December 31, 2015 and 2014.

NICO established a collateral trust account as security for its obligations to the Company. The fair value of the collateral trust account was \$2.8 billion and \$3.4 billion as of December 31, 2015 and 2014. 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. NICO is responsible for claims handling and billing and collection from third-party reinsurers related to the Company's A&EP claims.

Note F. Legal Proceedings and Contingent Liabilities

The Company is a party to routine litigation incidental to its business, which, based on the facts and circumstances currently known, is not material to the Consolidated Financial Statements.

Note G. Reinsurance

The Company cedes insurance to reinsurers to limit its maximum loss, provide greater diversification of risk, minimize exposures on larger risks and to exit certain lines of business. The ceding of insurance does not discharge the primary liability of the Company. A credit exposure exists with respect to property and casualty and life reinsurance ceded to the extent that any reinsurer is unable to meet its obligations or to the extent that the reinsurer disputes the liabilities assumed under reinsurance agreements. Property and casualty reinsurance coverages are tailored to the specific risk characteristics of each product line and the Company's retained amount varies by type of coverage. Reinsurance contracts are purchased to protect specific lines of business such as property and workers' compensation. Corporate catastrophe reinsurance is also purchased for property and workers' compensation exposure. Currently, most reinsurance contracts are purchased on an excess of loss basis. The Company also utilizes facultative reinsurance in certain lines. In addition, the Company assumes reinsurance, primarily through Hardy and as a member of various reinsurance pools and associations.

The following table presents the amounts receivable from reinsurers.

December 31		
(In millions)		
	2015	2014
Reinsurance receivables related to insurance reserves:		
Ceded claim and claim adjustment expenses	\$ 4,087	\$ 4,344
Ceded future policy benefits	207	185
Reinsurance receivables related to paid losses	197	213
Reinsurance receivables	4,491	4,742
Allowance for uncollectible reinsurance	(38)	(48)
Reinsurance receivables, net of allowance for uncollectible reinsurance	\$ 4,453	\$ 4,694

The Company has established an allowance for uncollectible reinsurance receivables. The Company reviews the allowance quarterly and adjusts the allowance as necessary to reflect changes in estimates of uncollectible balances. The allowance may also be reduced by write-offs of reinsurance receivable balances.

The Company attempts to mitigate its credit risk related to reinsurance by entering into reinsurance arrangements with reinsurers that have credit ratings above certain levels and by obtaining collateral. On a limited basis, the Company may enter into reinsurance agreements with reinsurers that are not rated, primarily captive reinsurers. The primary methods of obtaining collateral are through reinsurance trusts, letters of credit and funds withheld balances. Such collateral was approximately \$3.2 billion and \$3.4 billion as of December 31, 2015 and 2014.

The Company's largest recoverables from a single reinsurer including ceded unearned premium reserves, as of December 31, 2015, were approximately \$2,357 million from subsidiaries of Berkshire Hathaway Group, \$284 million from the Gateway Rivers Insurance Company and \$207 million from subsidiaries of the Hartford Insurance Group. The recoverable from the Berkshire Hathaway Group includes amounts related to third-party reinsurance for which NICO has assumed the credit risk under the terms of the Loss Portfolio Transfer as discussed in Note E to the Consolidated Financial Statements.

The effects of reinsurance on earned premiums and written premiums are presented in the following tables.

(In millions)	Direct	Assumed	Ceded	Net	Assumed/ Net %
2015 Earned Premiums					
Property and casualty	\$ 9,853	\$ 274	\$ 3,754	\$ 6,373	4.3%
Accident and health	498	50	—	548	9.1%
Total earned premiums	\$ 10,351	\$ 324	\$ 3,754	\$ 6,921	4.7%
2014 Earned Premiums					
Property and casualty	\$ 9,452	\$ 277	\$ 3,073	\$ 6,656	4.2%
Accident and health	508	48	—	556	8.6%
Total earned premiums	\$ 9,960	\$ 325	\$ 3,073	\$ 7,212	4.5%
2013 Earned Premiums					
Property and casualty	\$ 9,063	\$ 258	\$ 2,609	\$ 6,712	3.8%
Accident and health	511	48	—	559	8.6%
Total earned premiums	\$ 9,574	\$ 306	\$ 2,609	\$ 7,271	4.2%
2015 Written Premiums					
Property and casualty	\$ 9,852	\$ 270	\$ 3,702	\$ 6,420	4.2%
Accident and health	493	49	—	542	9.0%
Total written premiums	\$ 10,345	\$ 319	\$ 3,702	\$ 6,962	4.6%
2014 Written Premiums					
Property and casualty	\$ 9,283	\$ 276	\$ 3,024	\$ 6,535	4.2%
Accident and health	504	49	—	553	8.9%
Total written premiums	\$ 9,787	\$ 325	\$ 3,024	\$ 7,088	4.6%
2013 Written Premiums					
Property and casualty	\$ 9,103	\$ 249	\$ 2,556	\$ 6,796	3.7%
Accident and health	505	47	—	552	8.5%
Total written premiums	\$ 9,608	\$ 296	\$ 2,556	\$ 7,348	4.0%

Included in the direct and ceded earned premiums for the years ended December 31, 2015, 2014 and 2013 are \$3,344 million, \$2,643 million and \$2,156 million related to property business that is 100% reinsured under a significant third-party captive program. The third-party captives that participate in this program are affiliated with the non-insurance company policyholders, therefore this program provides a means for the policyholders to self-insure this property risk. The Company receives and retains a ceding commission.

Accident and health premiums are from long duration contracts; property and casualty premiums are from short duration contracts.

Insurance claims and policyholders' benefits reported on the Consolidated Statements of Operations are net of reinsurance recoveries of \$2,601 million, \$1,379 million and \$1,450 million for the years ended December 31, 2015, 2014 and 2013, including \$2,282 million, \$1,458 million and \$712 million, respectively, related to the significant third-party captive program discussed above. Reinsurance recoveries in 2014 were unfavorably affected by the commutation of a workers' compensation reinsurance pool.

Note H. Debt

Debt is composed of the following obligations.

December 31		
(In millions)		
	2015	2014
Short term debt:		
Senior notes of CNAF, 6.500%, face amount of \$350, due August 15, 2016	\$ 350	\$ —
Long term debt:		
Senior notes of CNAF:		
6.500%, face amount of \$350, due August 15, 2016	—	349
6.950%, face amount of \$150, due January 15, 2018	150	150
7.350%, face amount of \$350, due November 15, 2019	349	348
5.875%, face amount of \$500, due August 15, 2020	497	497
5.750%, face amount of \$400, due August 15, 2021	397	397
3.950%, face amount of \$550, due May 15, 2024	547	547
Debenture of CNAF, 7.250%, face amount of \$243, due November 15, 2023	242	241
Subordinated variable rate debt of Hardy, face amount of \$30, due September 15, 2036	30	30
Total long term debt	2,212	2,559
Total debt	\$ 2,562	\$ 2,559

CCC is a member of the FHLBC. FHLBC membership provides participants with access to additional sources of liquidity through various programs and services. As a requirement of membership in the FHLBC, CCC held \$17 million of FHLBC stock as of December 31, 2015 giving it access to approximately \$349 million of additional liquidity. As of December 31, 2015 and 2014, CCC had no outstanding borrowings from the FHLBC.

During 2015, the Company entered into a new credit agreement with a syndicate of banks and simultaneously terminated the previous credit agreement. The new credit agreement established a five-year \$250 million senior unsecured revolving credit facility which may be used for general corporate purposes. At the Company's election, the commitments under the new credit agreement may be increased from time to time up to an additional aggregate amount of \$100 million and the new credit agreement includes two optional one-year extensions prior to the first and second anniversary of the closing date, subject to applicable consents. Under the new credit agreement, the Company is required to pay a facility fee which would adjust automatically in the event of a change in the Company's financial ratings. The new credit agreement includes several covenants, including maintenance of a minimum consolidated net worth and a defined ratio of consolidated indebtedness to consolidated total capitalization. The minimum consolidated net worth, as defined as of December 31, 2015, was \$8.7 billion. As of December 31, 2015 and 2014, the Company had no outstanding borrowings under the credit agreements.

The Company's debt obligations contain customary covenants for investment grade issuers. The Company was in compliance with all covenants as of and for the years ended December 31, 2015 and 2014.

The combined aggregate maturities for debt as of December 31, 2015 are presented in the following table.

(In millions)		
2016	\$	350
2017		—
2018		150
2019		350
2020		500
Thereafter		1,223
Less discount		(11)
Total	\$	2,562

Note I. Benefit Plans

Pension and Postretirement Health Care Benefit Plans

CNA sponsors noncontributory defined benefit pension plans, primarily through the CNA Retirement Plan, covering certain eligible employees. These plans are closed to new entrants. CNA's funding policy for defined benefit pension plans is to make contributions in accordance with applicable governmental regulatory requirements with consideration of the funded status of the plans.

Effective January 1, 2000, the CNA Retirement Plan was closed to new participants. Existing participants at that time were given a choice to either continue to accrue benefits under the CNA Retirement Plan or to cease accruals effective December 31, 1999. Employees who chose to continue to accrue benefits under the plan will receive benefits in accordance with plan provisions. Employees who elected to cease accruals effective December 31, 1999 received the present value of their accrued benefit in an accrued pension account that is credited with interest based on the annual rate of interest on 30-year Treasury securities. These employees also receive certain enhanced employer contributions in the CNA 401(k) Plus Plan.

During 2014, the CNA Retirement Plan offered a limited-time lump sum settlement payment opportunity to the majority of the terminated vested participants of the plan. The lump sum settlements reduced the Company's risk and volatility related to funding the CNA Retirement Plan. The number of participants that elected to accept the lump sum opportunity was approximately 20% of the then total participants in the plan. Settlement payments of \$253 million were made from CNA Retirement Plan assets. The \$84 million settlement charge recorded by the Company in the fourth quarter of 2014 represents recognition of a portion of the unrecognized actuarial losses previously reflected in AOCI. This settlement charge is included in Other operating expenses within the Corporate & Other Non-Core segment.

In the second quarter of 2015, the Company eliminated future benefit accruals associated with the CNA Retirement Plan effective June 30, 2015. Employees who were continuing to accrue under the CNA Retirement Plan up until that date are entitled to an accrued benefit payable based on their eligible compensation and accrued service through June 30, 2015, in accordance with the terms of the CNA Retirement Plan. Starting with the first pay period after July 1, 2015, affected employees began receiving enhanced employer contributions in the CNA 401(k) Plus Plan similar to employees who elected to cease accruals effective December 31, 1999. Employees who elected to cease accruals effective December 31, 1999 are not affected by this curtailment. This curtailment resulted in a \$55 million decrease in the CNA Retirement Plan benefit obligation liability and a reduction of the unrecognized actuarial losses included in AOCI. In connection with the curtailment, the Company remeasured the plan benefit obligation which resulted in an increase in the discount rate used to determine the benefit obligation from 3.85% to 4.00%.

CNA provides certain health care benefits to eligible retired employees, their covered dependents and their beneficiaries primarily through the CNA Health and Group Benefits Program. These postretirement benefits have largely been eliminated for active employees.

In the second quarter of 2014, the Company eliminated certain postretirement medical benefits associated with the CNA Health and Group Benefits Program. This change was a negative plan amendment which resulted in an \$86 million curtailment gain reported in Other operating expenses within the Corporate & Other Non-Core segment. In connection with the plan amendment, the Company remeasured the plan benefit obligation which resulted in a decrease in the discount rate used to determine the benefit obligation from 3.60% to 3.10%.

The following table presents a reconciliation of benefit obligations and plan assets.

(In millions)	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
Benefit obligation as of January 1	\$ 3,019	\$ 2,943	\$ 29	\$ 40
Changes in benefit obligation:				
Service cost	4	9	—	—
Interest cost	112	132	1	1
Participants' contributions	—	—	4	5
Plan amendments	(55)	(3)	—	(7)
Actuarial (gain) loss	(79)	367	(3)	1
Benefits paid	(173)	(165)	(8)	(11)
Settlements	—	(257)	—	—
Foreign currency translation and other	(7)	(7)	—	—
Benefit obligation as of December 31	2,821	3,019	23	29
Fair value of plan assets as of January 1	2,456	2,656	—	—
Change in plan assets:				
Actual return on plan assets	(18)	216	—	—
Company contributions	10	12	4	6
Participants' contributions	—	—	4	5
Benefits paid	(173)	(165)	(8)	(11)
Settlements	—	(257)	—	—
Foreign currency translation and other	(8)	(6)	—	—
Fair value of plan assets as of December 31	2,267	2,456	—	—
Funded status	\$ (554)	\$ (563)	\$ (23)	\$ (29)
Amounts recognized on the Consolidated Balance Sheets as of December 31:				
Other assets	\$ 12	\$ 9	\$ —	\$ —
Other liabilities	(566)	(572)	(23)	(29)
Net amount recognized	\$ (554)	\$ (563)	\$ (23)	\$ (29)
Amounts recognized in Accumulated other comprehensive income, not yet recognized in net periodic cost (benefit):				
Prior service credit	\$ —	\$ —	\$ (6)	\$ (9)
Net actuarial loss	999	974	3	8
Net amount recognized	\$ 999	\$ 974	\$ (3)	\$ (1)

The accumulated benefit obligation for all defined benefit pension plans was \$2,821 million and \$2,962 million as of December 31, 2015 and 2014.

The components of net periodic cost (benefit) are presented in the following table.

Years ended December 31

(In millions)	2015	2014	2013
Pension cost (benefit)			
Service cost	\$ 4	\$ 9	\$ 12
Interest cost on projected benefit obligation	112	132	121
Expected return on plan assets	(174)	(191)	(181)
Amortization of net actuarial loss	34	25	47
Settlement loss	—	84	3
Net periodic pension cost (benefit)	\$ (24)	\$ 59	\$ 2
Postretirement cost (benefit)			
Service cost	\$ —	\$ —	\$ 1
Interest cost on projected benefit obligation	1	1	1
Amortization of prior service credit	(3)	(10)	(18)
Amortization of net actuarial loss	1	1	2
Curtailment gain	—	(86)	—
Net periodic postretirement cost (benefit)	\$ (1)	\$ (94)	\$ (14)

The amounts recognized in Other comprehensive income are presented in the following table.

Years ended December 31

(In millions)	2015	2014	2013
Pension and postretirement benefits			
Amounts arising during the period	\$ (111)	\$ (337)	\$ 422
Curtailment and other	56	(81)	—
Settlement	—	84	—
Reclassification adjustment relating to prior service credit	(3)	(10)	(18)
Reclassification adjustment relating to actuarial loss	35	26	49
Total increase (decrease) in Other comprehensive income	\$ (23)	\$ (318)	\$ 453

The table below presents the estimated amounts to be recognized from AOCI into net periodic cost (benefit) during 2016.

(In millions)	Pension Benefits	Postretirement Benefits
Amortization of prior service credit	\$ —	\$ (2)
Amortization of net actuarial loss	37	—
Total estimated amounts to be recognized	\$ 37	\$ (2)

Actuarial assumptions used for the CNA Retirement Plan and CNA Health and Group Benefits Program to determine benefit obligations are presented in the following table.

December 31	2015	2014
Pension benefits		
Discount rate	4.150%	3.850%
Expected long term rate of return	7.500	7.500
Rate of compensation increases	N/A	3.920
Postretirement benefits		
Discount rate	2.750%	2.500%

Actuarial assumptions used for the CNA Retirement Plan and CNA Health and Group Benefits Program to determine net cost or benefit are presented in the following table.

Years ended December 31	2015	2014	2013
Pension benefits			
Discount rate	3.850%/4.000%	4.650%	3.800%
Expected long term rate of return	7.500	7.500	7.750
Rate of compensation increases	3.920	3.990	4.066
Postretirement benefits			
Discount rate	2.500%	3.600%/3.100%	2.800%

In determining the expected long term rate of return on plan assets assumption for the CNA Retirement Plan, CNA considered the historical performance of the benefit plan investment portfolio as well as long term market return expectations based on the investment mix of the portfolio and the expected investment horizon.

The CNA Health and Group Benefits Program has limited its share of the health care trend rate to a cost-of-living adjustment of 4% per year. For all participants, the employer subsidy on health care costs will not increase by more than 4% per year. As a result, the assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for the CNA Health and Group Benefits Program was 4% per year in 2015, 2014 and 2013.

CNA employs a total return approach whereby a mix of equity, limited partnerships and fixed maturity securities are used to maximize the long term return of retirement plan assets for a prudent level of risk and to manage cash flows according to plan requirements. The target allocation of plan assets is 40% to 60% invested in equity securities and limited partnerships, with the remainder primarily invested in fixed maturity securities. Alternative investments, including limited partnerships, are used to enhance risk adjusted long term returns while improving portfolio diversification. The intent of this strategy is to minimize the Company's expense related to funding the plan by generating investment returns that exceed the growth of the plan liabilities over the long run. Risk tolerance is established after careful consideration of the plan liabilities, plan funded status and corporate financial conditions.

As of December 31, 2015, the plan had committed approximately \$98 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships. Derivatives may be used to gain market exposure in an efficient and timely manner. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews.

Pension plan assets measured at fair value on a recurring basis as well as cash are presented in the following tables.

December 31, 2015

(In millions)	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets				
Fixed maturity securities:				
Corporate and other bonds	\$ —	\$ 455	\$ 10	\$ 465
States, municipalities and political subdivisions	—	106	—	106
Asset-backed:				
Residential mortgage-backed	—	133	—	133
Commercial mortgage-backed	—	69	—	69
Other asset-backed	—	11	—	11
Total asset-backed	—	213	—	213
U.S. Treasury and obligations of government-sponsored enterprises	—	—	—	—
Total fixed maturity securities	—	774	10	784
Equity securities	336	107	—	443
Derivative financial instruments	1	—	—	1
Short term investments	24	28	—	52
Limited partnerships:				
Hedge funds	—	516	296	812
Private equity	—	—	123	123
Total limited partnerships	—	516	419	935
Other assets	—	52	—	52
Total assets	\$ 361	\$ 1,477	\$ 429	\$ 2,267

December 31, 2014

(In millions)	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets				
Fixed maturity securities:				
Corporate and other bonds	\$ —	\$ 463	\$ 15	\$ 478
States, municipalities and political subdivisions	—	80	—	80
Asset-backed:				
Residential mortgage-backed	—	123	—	123
Commercial mortgage-backed	—	75	—	75
Other asset-backed	—	12	—	12
Total asset-backed	—	210	—	210
U.S. Treasury and obligations of government-sponsored enterprises	25	—	—	25
Total fixed maturity securities	25	753	15	793
Equity securities	389	118	—	507
Derivative financial instruments	1	—	—	1
Short term investments	33	101	—	134
Limited partnerships:				
Hedge funds	—	562	303	865
Private equity	—	—	113	113
Total limited partnerships	—	562	416	978
Other assets	—	30	—	30
Cash	13	—	—	13
Total assets	\$ 461	\$ 1,564	\$ 431	\$ 2,456

The limited partnership investments are recorded at fair value, which represents the plan's share of net asset value of each partnership, as determined by the General Partner. Level 2 includes limited partnership investments which can be redeemed at net asset value in 90 days or less. Level 3 includes limited partnership investments with withdrawal provisions greater than 90 days, or for which withdrawals are not permitted until the termination of the partnership. Within hedge fund strategies, approximately 57% were equity related, 37% pursued a multi-strategy approach and 6% were focused on distressed investments as of December 31, 2015.

For a discussion of the fair value levels and the valuation methodologies used to measure fixed maturity securities, equities, derivatives and short term investments, see Note C to the Consolidated Financial Statements.

The tables below present a reconciliation for all pension plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Level 3 (In millions)	Balance as of January 1, 2015	Actual return on assets still held as of December 31, 2015	Actual return on assets sold during the year ended December 31, 2015	Purchases, sales and settlements	Net transfers into (out of) Level 3	Balance as of December 31, 2015
Fixed maturity securities:						
Corporate and other bonds	\$ 15	\$ —	\$ —	\$ —	\$ (5)	\$ 10
Limited partnerships:						
Hedge funds	303	18	—	(25)	—	296
Private equity	113	9	—	1	—	123
Total limited partnerships	416	27	—	(24)	—	419
Total	\$ 431	\$ 27	\$ —	\$ (24)	\$ (5)	\$ 429

Level 3 (In millions)	Balance as of January 1, 2014	Actual return on assets still held as of December 31, 2014	Actual return on assets sold during the year ended December 31, 2014	Purchases, sales and settlements	Net transfers into (out of) Level 3	Balance as of December 31, 2014
Fixed maturity securities:						
Corporate and other bonds	\$ 15	\$ —	\$ —	\$ —	\$ —	\$ 15
Equity securities	8	—	—	(8)	—	—
Limited partnerships:						
Hedge funds	322	19	—	(38)	—	303
Private equity	114	19	—	(20)	—	113
Total limited partnerships	436	38	—	(58)	—	416
Total	\$ 459	\$ 38	\$ —	\$ (66)	\$ —	\$ 431

The table below presents the estimated future minimum benefit payments to participants as of December 31, 2015.

(In millions)	Pension Benefits	Postretirement Benefits
2016	\$ 180	\$ 4
2017	183	4
2018	184	3
2019	183	3
2020	185	2
2021-2025	915	7

In 2016, CNA expects to contribute \$11 million to its pension plans and \$4 million to its postretirement health care benefit plans.

Savings Plans

CNA sponsors savings plans, which are generally contributory plans that allow most employees to contribute a maximum of 50% of their eligible compensation, subject to certain limitations prescribed by the IRS. The Company contributes matching amounts to participants, amounting to 70% of the first 6% (35% of the first 6% in the first year of employment) of eligible compensation contributed by the employee. Employees vest in these contributions ratably over five years.

Eligible employees also receive a Company contribution of 3% or 5% of their eligible compensation, depending on their age. In addition, these employees are eligible to receive additional discretionary contributions of up to 2% of eligible compensation and an additional Company match of up to 80% of the first 6% of eligible compensation contributed by the employee. These additional contributions are made at the discretion of management and are contributed to participant accounts in the first quarter of the year following management's determination of the discretionary amounts. Employees vest in these contributions ratably over five years.

Benefit expense for the Company's savings plans was \$71 million, \$69 million and \$71 million for the years ended December 31, 2015, 2014 and 2013.

Note J. Stock-Based Compensation

The CNAF Incentive Compensation Plan (the Plan), as amended and restated on January 1, 2010, authorizes the grant of stock-based compensation to certain management personnel for up to 6 million shares of CNAF's common stock. The Plan currently provides for awards of stock options, stock appreciation rights (SARs), restricted shares, restricted stock units (RSUs), performance-based RSUs and performance share units. The number of shares available for the granting of stock-based compensation under the Plan as of December 31, 2015 was approximately 1.1 million.

The Company recorded stock-based compensation expense related to the Plan of \$14 million, \$11 million and \$10 million for the years ended December 31, 2015, 2014 and 2013. The related income tax benefit recognized was \$5 million, \$4 million and \$3 million for the years ended December 31, 2015, 2014, and 2013. The compensation cost related to non-vested awards not yet recognized was \$10 million, and the weighted average period over which it is expected to be recognized is 1.5 years as of December 31, 2015.

Equity based compensation that is not fully vested prior to termination is generally forfeited upon termination, except as otherwise provided by contractual obligations. In addition, any such compensation that vested prior to termination is generally canceled immediately, except in cases of retirement, death or disability, and as otherwise provided by contractual obligations.

Share Awards

The fair value of share awards is based on the market value of the Company's common stock as of the date of grant. Share awards currently granted under the Plan include RSUs, performance-based RSUs and performance share units. Generally, RSU's vest ratably over a four-year service period following the date of grant. Performance-based RSUs generally become payable within a range of 0% to 100% of the number of shares initially granted based upon the attainment of specific annual performance goals and vest ratably over a four-year service period following the date of grant. Performance share units become payable within a range of 0% to 200% of the number of shares initially granted based upon the attainment of specific performance goals achieved over a three year period.

The following table presents activity for non-vested RSUs, performance-based RSUs and performance share units under the Plan in 2015.

	Number of Awards	Weighted-Average Grant Date Fair Value
Balance as of January 1, 2015	914,181	\$ 32.76
Awards granted	301,057	41.04
Awards vested	(429,352)	29.54
Awards forfeited, canceled or expired	(6,546)	37.53
Performance-based adjustment	(44,077)	37.47
Balance as of December 31, 2015	735,263	\$ 36.53

SARs

The exercise price of all SARs granted is based on the market value of the Company's common stock as of the date of grant. SARs generally vest ratably over a four-year service period following date of grant and have a maximum term of ten years.

The fair value of granted SARs was estimated at the grant date using the Black-Scholes option-pricing model. The Black-Scholes model incorporates a risk free rate of return and various assumptions regarding the underlying common stock and the expected life of the securities granted. Different interest rates and assumptions were used for each grant, as appropriate based on date of grant.

There were no SARs granted for the years ended December 31, 2015 and 2014. As of December 31, 2015, there were approximately 1 million awards outstanding, fully vested and expected to vest and be exercisable. The grant date fair value of SARs vested was \$1 million for the years ended December 31, 2014 and 2013.

Note K. Other Intangible Assets

Other intangible assets are presented in the following table.

December 31		2015		2014	
(In millions)	Economic Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:					
Value of business acquired	1 - 4 years	\$ 57	\$ 57	\$ 60	\$ 61
Trade name	8 years	7	3	8	3
Distribution channel	15 years	12	3	12	2
Total finite-lived intangible assets		76	63	80	66
Indefinite-lived intangible assets:					
Syndicate capacity		52		55	
Agency force		16		16	
Total indefinite-lived intangible assets		68		71	
Total other intangible assets		\$ 144	\$ 63	\$ 151	\$ 66

The Company's other intangible assets primarily relate to the purchase of Hardy, and the amortization of these intangible assets is included in the Statement of Operations for the International segment. For the years ended December 31, 2014 and 2013 amortization expense of \$2 million and \$15 million was included in Amortization of deferred acquisition costs. For the years ended December 31, 2015, 2014 and 2013 amortization expense of \$1 million, \$1 million and \$5 million was included in Other operating expenses. The gross carrying amounts and accumulated amortization in the table above may change from period to period as a result of foreign currency translation. Estimated future amortization expense for other intangible assets is \$1 million in 2016, \$2 million in years 2017, 2018 and 2019 and \$1 million in 2020.

Note L. Operating Leases, Commitments and Contingencies and Guarantees

Operating Leases

The Company occupies office facilities under lease agreements that expire at various dates. In addition, data processing, office and transportation equipment is leased under agreements that expire at various dates. Most leases contain renewal options that provide for rent increases based on prevailing market conditions. Lease expenses for the years ended December 31, 2015, 2014 and 2013 were \$46 million, \$55 million and \$46 million. Sublease revenues for the years ended December 31, 2014 and 2013 were \$1 million and \$3 million.

The table below presents the future minimum lease payments to be made under non-cancelable operating leases as of December 31, 2015.

(In millions)	Future Minimum Lease Payments
2016	\$ 35
2017	31
2018	30
2019	25
2020	23
Thereafter	117
Total	\$ 261

In connection with the planned relocation of the Company's global headquarters, on February 12, 2016, the Company agreed to sell the current principal executive offices of CNAF. Concurrently, the Company agreed to lease back the current office space until the relocation of the global headquarters under a separate lease agreement, which is expected to occur in 2018. These anticipated lease agreements include expected future minimum lease payments of \$9 million in 2016, \$10 million in 2017, \$4 million in 2018, \$0 in 2019, \$5 million in 2020, and \$138 million thereafter through the remainder of the seventeen year lease term on the new office space.

Commitments and Contingencies

The Company holds an investment in a real estate joint venture. In the normal course of business, the Company, on a joint and several basis with other unrelated insurance company shareholders, has committed to continue funding the operating deficits of this joint venture. Additionally, the Company and the other unrelated shareholders, on a joint and several basis, have guaranteed an operating lease for an office building, which expires in 2016. The guarantee of the operating lease is a parallel guarantee to the commitment to fund operating deficits; consequently, the separate guarantee to the lessor is not expected to be triggered as long as the joint venture continues to be funded by its shareholders which provide liquidity to make its annual lease payments.

In the event that the other parties to the joint venture are unable to meet their commitments in funding the operations of this joint venture, the Company would be required to assume the obligation for the entire office building operating lease. The Company does not believe it is likely that it will be required to do so. However, as of December 31, 2015, the maximum potential future lease payments and other related costs that the Company could be required to pay under this guarantee, in excess of amounts already recorded, were approximately \$20 million. If the Company were required to assume the entire lease obligation, the Company would have the right to pursue reimbursement from the other shareholders and the right to all sublease revenues.

Guarantees

As of December 31, 2015 and December 31, 2014, the Company had recorded liabilities of approximately \$5 million related to guarantee and indemnification agreements and management believes that it is not likely that any future indemnity claims will be significantly greater than the amounts recorded.

In the course of selling business entities and assets to third parties, the Company agreed to guarantee the performance of certain obligations of a previously owned subsidiary and to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such guarantee and indemnification agreements in effect for sales of business entities, assets and third-party loans may include provisions that survive indefinitely. As of December 31, 2015, the aggregate amount related to quantifiable guarantees was \$375 million and the aggregate amount related to indemnification agreements was \$260 million. Should the Company be required to make payments under the guarantee, it would have the right to seek reimbursement in certain cases from an affiliate of a previously owned subsidiary.

In addition, the Company has agreed to provide indemnification to third-party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of December 31, 2015, the Company had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser's ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. Certain provisions of the indemnification agreements survive indefinitely, while others survive until the applicable statutes of limitation expire, or until the agreed-upon contract terms expire.

In the normal course of business, the Company also provided guarantees, if the primary obligor fails to perform, to holders of structured settlement annuities provided by a previously owned subsidiary, which are estimated to mature through 2120. The potential amount of future payments the Company could be required to pay under these guarantees was approximately \$2.0 billion as of December 31, 2015. The Company does not believe a payable is likely under these guarantees, as the Company is the beneficiary of a trust that must be maintained at a level that approximates the discounted reserves for these annuities.

Note M. Stockholders' Equity and Statutory Accounting Practices

Common Stock Dividends

There are no restrictions on the retained earnings or net income of CNAF with regard to payment of dividends to its stockholders. However, given the holding company nature of CNAF, its ability to pay a dividend is significantly dependent on the receipt of dividends from its subsidiaries, particularly CCC, which directly or indirectly owns all significant subsidiaries. See the Statutory Accounting Practices section below for a discussion of the regulatory restrictions on CCC's availability to pay dividends.

CNAF's ability to pay dividends is indirectly limited by the minimum consolidated net worth covenant in the Company's line of credit agreement. See Note H to the Consolidated Financial Statements for further discussion of the Company's debt obligations.

Statutory Accounting Practices

CNAF's insurance subsidiaries are domiciled in various jurisdictions. These subsidiaries prepare statutory financial statements in accordance with accounting practices prescribed or permitted by the respective jurisdictions' insurance regulators. Domestic prescribed statutory accounting practices are set forth in a variety of publications of the National Association of Insurance Commissioners (NAIC) as well as state laws, regulations and general administrative rules. These statutory accounting principles vary in certain respects from GAAP. In converting from statutory accounting principles to GAAP, the more significant adjustments include deferral of policy acquisition costs and the inclusion of net unrealized holding gains or losses in stockholders' equity relating to certain fixed maturity securities.

The Company has a prescribed practice as it relates to the accounting under Statement of Statutory Accounting Principles No. 62R (SSAP No. 62R), *Property and Casualty Reinsurance*, paragraphs 67 and 68 in conjunction with the 2010 Loss Portfolio Transfer with NICO as further discussed in Note E. The prescribed practice allows the Company to aggregate all third party AE&P reinsurance balances administered by NICO in Schedule F and to utilize the Loss Portfolio Transfer as collateral for the underlying third party reinsurance balances for purposes of calculating the statutory reinsurance penalty. This prescribed practice increased statutory capital and surplus at December 31, 2015 by \$90 million.

The long term care premium deficiency discussed in Note A was recorded on a GAAP basis. There was no premium deficiency for statutory accounting purposes. Statutory accounting principles requires the use of prescribed discount rates in calculating the reserves for long term care future policy benefits which are lower than the discount rates used on a GAAP basis and results in higher carried reserves relative to GAAP reserves.

The payment of dividends by CNAF's insurance subsidiaries without prior approval of the insurance department of each subsidiary's domiciliary jurisdiction is generally limited by formula. Dividends in excess of these amounts are subject to prior approval by the respective insurance regulator.

Dividends from CCC 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 twelve 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, 2015, CCC is in a positive earned surplus position. The maximum allowable dividend CCC could pay during 2016 that would not be subject to the Department's prior approval is \$1,079 million, less dividends paid during the preceding twelve months measured at that point in time. CCC paid dividends of \$900 million in 2015. 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.

Combined statutory capital and surplus and statutory net income (loss), determined in accordance with accounting practices prescribed or permitted by insurance and/or other regulatory authorities for the Combined Continental Casualty Companies and the life company, are presented in the table below.

(In millions)	Statutory Capital and Surplus		Statutory Net Income (Loss)		
	December 31		Years ended December 31		
	2015 (a)	2014	2015 (a)	2014	2013
Combined Continental Casualty Companies	\$ 10,723	\$ 11,155	\$ 1,148	\$ 914	\$ 913
Life company				37	48

(a) Information derived from the statutory-basis financial statements to be filed with insurance regulators.

CNAF's domestic insurance subsidiaries are subject to risk-based capital (RBC) requirements. RBC is a method developed by the NAIC to determine the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The formula for determining the amount of RBC specifies various factors, weighted based on the perceived degree of risk, which are applied to certain financial balances and financial activity. The adequacy of a company's actual capital is evaluated by a comparison to the RBC results, as determined by the formula. Companies below minimum RBC requirements are classified within certain levels, each of which requires specified corrective action.

The statutory capital and surplus presented above for CCC was approximately 266% and 270% of company action level RBC as of December 31, 2015 and 2014. Company action level RBC is the level of RBC which triggers a heightened level of regulatory supervision. The statutory capital and surplus of the Company's foreign insurance subsidiaries, which is not significant to the overall statutory capital and surplus, also met or exceeded their respective regulatory and other capital requirements.

Note N. Accumulated Other Comprehensive Income (Loss) by Component

The table below displays the changes in Accumulated other comprehensive income (loss) by component.

(In millions)	Net unrealized gains (losses) on investments with OTTI losses	Net unrealized gains (losses) on other investments	Pension and postretirement benefits	Cumulative foreign currency translation adjustment	Total
Balance as of December 31, 2014	\$ 36	\$ 942	\$ (633)	\$ 55	\$ 400
Other comprehensive income (loss) before reclassifications	(23)	(595)	(36)	(139)	(793)
Amounts reclassified from accumulated other comprehensive income (loss) after tax (expense) benefit of \$8, \$30, \$11, \$- and \$49	(14)	(43)	(21)	—	(78)
Other comprehensive income (loss) after tax (expense) benefit of \$5, \$282, \$8, \$- and \$295	(9)	(552)	(15)	(139)	(715)
Balance as of December 31, 2015	<u>\$ 27</u>	<u>\$ 390</u>	<u>\$ (648)</u>	<u>\$ (84)</u>	<u>\$ (315)</u>

(In millions)	Net unrealized gains (losses) on investments with OTTI losses	Net unrealized gains (losses) on other investments	Net unrealized gains (losses) on discontinued operations	Pension and postretirement benefits	Cumulative foreign currency translation adjustment	Total
Balance as of December 31, 2013	\$ 26	\$ 692	\$ —	\$ (426)	\$ 150	442
Change due to sale of subsidiaries	(5)	(17)	22	—	—	—
Other comprehensive income (loss) before reclassifications	15	295	12	(219)	(95)	8
Amounts reclassified from accumulated other comprehensive income (loss) after tax (expense) benefit of \$-, \$(10), \$(23), \$7, \$- and \$(26)	—	28	34	(12)	—	50
Other comprehensive income (loss) after tax (expense) benefit of \$(8), \$(122), \$15, \$111, \$- and \$(4)	15	267	(22)	(207)	(95)	(42)
Balance as of December 31, 2014	<u>\$ 36</u>	<u>\$ 942</u>	<u>\$ —</u>	<u>\$ (633)</u>	<u>\$ 55</u>	<u>\$ 400</u>

Amounts reclassified from Accumulated other comprehensive income (loss) shown above are reported in Net income (loss) as follows:

Component of AOCI	Consolidated Statements of Operations Line Item Affected by Reclassifications
Net unrealized gains (losses) on investments with OTTI losses	Net realized investment gains (losses)
Net unrealized gains (losses) on other investments	Net realized investment gains (losses)
Net unrealized gains (losses) on discontinued operations	Income (loss) from discontinued operations
Pension and postretirement benefits	Other operating expenses

Note O. Business Segments

The Company's core property and casualty commercial insurance operations are aggregated and reported in three business segments: Specialty, Commercial and International. Specialty provides a broad array of professional, financial and specialty property and casualty products and services, through a network of independent agents, brokers and managing general underwriters. Commercial includes property and casualty coverages sold to small businesses and middle market entities and organizations primarily through an independent agency distribution system. Commercial also includes commercial insurance and risk management products sold to large corporations primarily through insurance brokers. International provides management and professional liability coverages as well as a broad range of other property and casualty insurance products and services abroad through a network of brokers, independent agencies and managing general underwriters, as well as the Lloyd's of London marketplace.

The Company's non-core operations are managed and reported in two segments: Life & Group Non-Core and Corporate & Other Non-Core. Life & Group Non-Core primarily includes the results of our individual and group long term care businesses that are in run-off. Corporate & Other Non-Core primarily includes certain corporate expenses, including interest on corporate debt, and the results of certain property and casualty business in run-off, including CNA Re and A&EP.

The accounting policies of the segments are the same as those described in Note A to the Consolidated Financial Statements. The Company manages most of its assets on a legal entity basis, while segment operations are generally conducted across legal entities. As such, only insurance and reinsurance receivables, insurance reserves, deferred acquisition costs and goodwill are readily identifiable for all individual segments. Distinct investment portfolios are not maintained for every individual segment; accordingly, allocation of assets to each segment is not performed. Therefore, a significant portion of net investment income and realized investment gains or losses are allocated primarily based on each segment's net carried insurance reserves, as adjusted. All significant intersegment income and expense has been eliminated. Income taxes have been allocated on the basis of the taxable income of the segments.

Approximately 8.0%, 8.8% and 9.0% of the Company's direct written premiums were derived from outside the United States for the years ended December 31, 2015, 2014 and 2013.

In the following tables, certain financial measures are presented to provide information used by management to monitor the Company's operating performance. Management utilizes these financial measures to monitor the Company's insurance operations and investment portfolio. Net operating income, which is derived from certain income statement amounts, is used by management to monitor performance of the Company's insurance operations. The Company's investment portfolio is monitored by management through analysis of various factors including unrealized gains and losses on securities, portfolio duration and exposure to market and credit risk. Based on such analyses, the Company may recognize an OTTI loss on an investment security in accordance with its policy, or sell a security, which may produce realized gains and losses.

Net operating income (loss) is calculated by excluding from net income (loss) the after-tax effects of 1) net realized investment gains or losses, 2) income or loss from discontinued operations and 3) any cumulative effects of changes in accounting guidance. The calculation of net operating income excludes net realized investment gains or losses because net realized investment gains or losses are largely discretionary, except for some losses related to OTTI, and 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.

The Company's results of continuing operations and selected balance sheet items by segment are presented in the following tables.

Year ended December 31, 2015

(In millions)

	Specialty	Commercial	International	Life & Group Non-Core	Corporate & Other Non-Core	Eliminations	Total
	\$	\$	\$	\$	\$	\$	\$
Net written premiums	2,781	2,818	822	542	1	(2)	6,962
Operating revenues							
Net earned premiums	\$ 2,782	\$ 2,788	\$ 804	\$ 548	\$ 1	\$ (2)	\$ 6,921
Net investment income	474	593	52	704	17	—	1,840
Other revenues	356	37	(1)	7	11	(3)	407
Total operating revenues	3,612	3,418	855	1,259	29	(5)	9,168
Claims, Benefits and Expenses							
Net incurred claims and benefits	1,597	1,814	479	1,421	61	—	5,372
Policyholders' dividends	4	8	—	—	—	—	12
Amortization of deferred acquisition costs	589	469	168	314	—	—	1,540
Other insurance related expenses	278	538	138	142	(1)	(2)	1,093
Other expenses	301	28	12	11	186	(3)	535
Total claims, benefits and expenses	2,769	2,857	797	1,888	246	(5)	8,552
Operating income (loss) before income tax	843	561	58	(629)	(217)	—	616
Income tax (expense) benefit on operating income (loss)	(283)	(192)	(21)	315	80	—	(101)
Net operating income (loss)	560	369	37	(314)	(137)	—	515
Net realized investment gains (losses)	(33)	(47)	1	(1)	13	—	(67)
Income tax (expense) benefit on net realized investment gains (losses)	11	16	—	9	(5)	—	31
Net realized investment gains (losses), after tax	(22)	(31)	1	8	8	—	(36)
Net income (loss) from continuing operations	538	338	38	(306)	(129)	—	479

December 31, 2015

(In millions)

Reinsurance receivables	\$ 724	\$ 639	\$ 144	\$ 497	\$ 2,487	\$ —	\$ 4,491
Insurance receivables	890	993	233	11	2	—	2,129
Deferred acquisition costs	307	213	78	—	—	—	598
Goodwill	117	—	33	—	—	—	150
Insurance reserves							
Claim and claim adjustment expenses	6,269	9,183	1,347	3,220	2,644	—	22,663
Unearned premiums	1,839	1,297	415	120	—	—	3,671
Future policy benefits	—	—	—	10,152	—	—	10,152

Year ended December 31, 2014

(In millions)

Net written premiums	Specialty	Commercial	International	Life & Group Non-Core	Corporate & Other Non-Core	Eliminations	Total
\$	\$	\$	\$	\$	\$	\$	\$
Operating revenues	2,839	2,817	880	553	1	(2)	7,088
Net earned premiums	\$ 2,838	\$ 2,906	\$ 913	\$ 556	\$ 1	\$ (2)	\$ 7,212
Net investment income	560	723	61	700	23	—	2,067
Other revenues	295	38	—	16	12	(5)	356
Total operating revenues	3,693	3,667	974	1,272	36	(7)	9,635
Claims, Benefits and Expenses							
Net incurred claims and benefits	1,627	2,187	488	1,304	(29)	—	5,577
Policyholders' dividends	6	8	—	—	—	—	14
Amortization of deferred acquisition costs	592	493	204	28	—	—	1,317
Other insurance related expenses	262	487	151	130	1	(2)	1,029
Other expenses	254	31	28	30	210	(5)	548
Total claims, benefits and expenses	2,741	3,206	871	1,492	182	(7)	8,485
Operating income (loss) before income tax	952	461	103	(220)	(146)	—	1,150
Income tax (expense) benefit on operating income (loss)	(318)	(154)	(34)	151	54	—	(301)
Net operating income (loss)	634	307	69	(69)	(92)	—	849
Net realized investment gains (losses)	15	16	(1)	7	20	—	57
Income tax (expense) benefit on net realized investment gains (losses)	(5)	(6)	1	—	(8)	—	(18)
Net realized investment gains (losses), after tax	10	10	—	7	12	—	39
Net income (loss) from continuing operations	\$ 644	\$ 317	\$ 69	\$ (62)	\$ (80)	\$ —	\$ 888

December 31, 2014

(In millions)

Reinsurance receivables	\$ 567	\$ 690	\$ 207	\$ 525	\$ 2,753	\$ —	\$ 4,742
Insurance receivables	778	954	250	13	2	—	1,997
Deferred acquisition costs	304	213	83	—	—	—	600
Goodwill	117	—	35	—	—	—	152
Insurance reserves							
Claim and claim adjustment expenses	6,229	9,514	1,441	3,183	2,904	—	23,271
Unearned premiums	1,763	1,273	431	125	—	—	3,592
Future policy benefits	—	—	—	9,490	—	—	9,490
Policyholders' funds	9	18	—	—	—	—	27

Year ended December 31, 2013

(In millions)

	Specialty	Commercial	International	Life & Group Non-Core	Corporate & Other Non-Core	Eliminations	Total
Net written premiums	\$ 2,880	\$ 2,960	\$ 959	\$ 552	\$ (1)	\$ (2)	\$ 7,348
Operating revenues							
Net earned premiums	\$ 2,795	\$ 3,004	\$ 916	\$ 559	\$ (1)	\$ (2)	\$ 7,271
Net investment income	629	899	60	662	32	—	2,282
Other revenues	257	96	—	(4)	12	(2)	359
Total operating revenues	3,681	3,999	976	1,217	43	(4)	9,912
Claims, Benefits and Expenses							
Net incurred claims and benefits	1,593	2,259	489	1,261	191	—	5,793
Policyholders' dividends	6	7	—	—	—	—	13
Amortization of deferred acquisition costs	585	526	223	28	—	—	1,362
Other insurance related expenses	250	498	140	130	(3)	(2)	1,013
Other expenses	237	32	12	13	183	(2)	475
Total claims, benefits and expenses	2,671	3,322	864	1,432	371	(4)	8,656
Operating income (loss) before income tax	1,010	677	112	(215)	(328)	—	1,256
Income tax (expense) benefit on operating income (loss)	(342)	(229)	(43)	141	118	—	(355)
Net operating income (loss)	668	448	69	(74)	(210)	—	901
Net realized investment gains (losses)	(5)	(15)	5	26	9	—	20
Income tax (expense) benefit on net realized investment gains (losses)	2	5	(2)	(8)	(3)	—	(6)
Net realized investment gains (losses), after tax	(3)	(10)	3	18	6	—	14
Net income (loss) from continuing operations	\$ 665	\$ 438	\$ 72	\$ (56)	\$ (204)	\$ —	\$ 915

The following table presents revenue by line of business for each reportable segment. Revenues are comprised of operating revenues and net realized investment gains and losses.

Years ended December 31

(In millions)

	2015	2014	2013
Specialty			
Management & Professional Liability	\$ 2,617	\$ 2,818	\$ 2,836
Surety	502	509	490
Warranty & Alternative Risks	460	381	350
Specialty revenues	3,579	3,708	3,676
Commercial			
Middle Market	1,623	1,631	1,642
Small Business	616	709	754
Other Commercial Insurance	1,132	1,343	1,588
Commercial revenues	3,371	3,683	3,984
International			
Canada	214	273	289
CNA Europe	309	335	326
Hardy	333	365	366
International revenues	856	973	981
Life & Group Non-Core revenues	1,258	1,279	1,243
Corporate & Other Non-Core revenues	42	56	52
Eliminations	(5)	(7)	(4)
Total revenues	\$ 9,101	\$ 9,692	\$ 9,932

Note P. Discontinued Operations

The results of discontinued operations reflected in the Consolidated Statements of Operations were as follows:

Years ended December 31

(In millions)

	2014	2013
Revenues		
Net earned premiums	\$ —	\$ —
Net investment income	94	168
Net realized investment gains	3	11
Other revenues	—	2
Total revenues	97	181
Claims, Benefits and Expenses		
Insurance claims and policyholders' benefits	75	141
Other operating expenses	2	3
Total claims, benefits and expenses	77	144
Income before income tax	20	37
Income tax expense	(6)	(15)
Income from operations of discontinued operations, net of income tax	14	22
Loss on sale, net of income tax benefit of \$40 and \$-	(211)	—
(Loss) income from discontinued operations	\$ (197)	\$ 22

The disposal group included \$3,550 million of assets and \$3,297 million of liabilities as of August 1, 2014.

Note Q. Quarterly Financial Data (Unaudited)

The following tables present unaudited quarterly financial data.

2015

(In millions, except per share data)

	First	Second	Third	Fourth	Full Year
Revenues	\$ 2,352	\$ 2,327	\$ 2,153	\$ 2,269	\$ 9,101
Net income (loss) (a)	\$ 233	\$ 138	\$ 178	\$ (70)	\$ 479
Basic earnings (loss) per share	\$ 0.86	\$ 0.51	\$ 0.66	\$ (0.26)	\$ 1.77
Diluted earnings (loss) per share	\$ 0.86	\$ 0.51	\$ 0.66	\$ (0.26)	\$ 1.77

2014

(In millions, except per share data)

	First	Second	Third	Fourth	Full Year
Revenues	\$ 2,463	\$ 2,440	\$ 2,411	\$ 2,378	\$ 9,692
Net income (loss) (b)	\$ 13	\$ 267	\$ 213	\$ 198	\$ 691
Basic earnings (loss) per share	\$ 0.05	\$ 0.99	\$ 0.79	\$ 0.73	\$ 2.56
Diluted earnings (loss) per share	\$ 0.05	\$ 0.98	\$ 0.79	\$ 0.73	\$ 2.55

(a) Net income in the fourth quarter of 2015 included a charge related to recognition of a premium deficiency in our long term care business.

(b) Net income in the first quarter of 2014 included the impairment loss on the sale of CAC.

Note R. Related Party Transactions

The Company reimburses Loews, or pays directly, for fees and expenses of investment facilities and services provided to the Company. The amounts incurred by the Company for these fees and expenses were \$39 million, \$39 million and \$37 million for the years ended December 31, 2015, 2014 and 2013 and amounts due to Loews, included in Other liabilities and payable in the first quarter of the subsequent year, were \$21 million as of December 31, 2015 and 2014. In addition, the Company reimbursed Loews for general corporate services and related travel expenses of \$4 million for the year ended December 31, 2013. The CNA Tax Group is included in the consolidated federal income tax return of Loews and its eligible subsidiaries, and the related payable to Loews, included in Other liabilities, was \$61 million and \$132 million as of December 31, 2015 and 2014. For a detailed description of the income tax agreement with Loews see Note D to the Consolidated Financial Statements. In addition, the Company writes, at standard rates, a limited amount of insurance for Loews and its subsidiaries. The earned premiums for the years ended December 31, 2015, 2014 and 2013 were \$2 million.

CNA previously sponsored a stock ownership plan whereby the Company financed the purchase of Company common stock by certain former officers, including executive officers. Interest charged on the principal amount of these outstanding stock purchase loans is generally equivalent to the short term applicable federal rate in effect on the disbursement date of the loan, compounded semi-annually. Loans made pursuant to the plan were full recourse and secured by the stock purchased.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
CNA Financial Corporation
Chicago, Illinois

We have audited the accompanying consolidated balance sheets of CNA Financial Corporation (an affiliate of Loews Corporation) and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive (loss) income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedules listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedules, 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 these financial statements and financial statement schedules and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP
Chicago, Illinois
February 17, 2016

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of CNA Financial Corporation (CNAF or the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. CNAF's internal control system was designed to provide reasonable assurance to the Company's management, its Audit Committee and Board of Directors regarding the preparation and fair presentation of published financial statements.

There are inherent limitations to the effectiveness of any internal control or system of control, however well designed, including the possibility of human error and the possible circumvention or overriding of such controls or systems. Moreover, because of changing conditions the reliability of internal controls may vary over time. As a result even effective internal controls can provide no more than reasonable assurance with respect to the accuracy and completeness of financial statements and their process of preparation.

CNAF management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, it has used the criteria set forth by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on those criteria and our assessment we believe that, as of December 31, 2015, the Company's internal control over financial reporting was effective.

CNAF's independent registered public accountant, Deloitte & Touche LLP, has issued an audit report on the Company's internal control over financial reporting. This report appears on page 122.

CNA Financial Corporation
Chicago, Illinois
February 17, 2016

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of December 31, 2015, the Company's management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and the implementing rules of the Securities and Exchange Commission, the Company included a report of management's assessment of the design and effectiveness of its internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Management's report and the independent registered public accounting firm's attestation report are included in Part II, Item 8 under the captions entitled "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" and are incorporated herein by reference.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME	POSITION AND OFFICES HELD WITH REGISTRANT	AGE	FIRST BECAME EXECUTIVE OFFICER OF CNA	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS
Thomas F. Motamed	Chief Executive Officer, CNA Financial Corporation	67	2009	Chief Executive Officer of CNA Financial Corporation.
D. Craig Mense	Executive Vice President & Chief Financial Officer, CNA Financial Corporation	64	2004	Executive Vice President and Chief Financial Officer of CNA Financial Corporation.
David Brosnan	Chief Executive, CNA Europe and Hardy	53	2015	Chief Executive of CNA Europe since August 2014 and Chief Executive of Hardy since February 2014. Senior Vice President, Commercial from May 2013 through February 2014. President and CEO, ACE INA Insurance Canada and ACE INA Life Insurance Canada 2008 through May 2013.
Larry A. Haefner	Executive Vice President & Chief Actuary of the CNA insurance companies	59	2008	Executive Vice President & Chief Actuary of the CNA insurance companies.
Mark I. Herman	President and Chief Operating Officer, Specialty of the CNA insurance companies	57	2013	President and Chief Operating Officer, Specialty of the CNA insurance companies since January 1, 2013. Insurance Industry Consultant from June 2011 to December 2012. Chief Executive Officer at Everest National Insurance Company from July 2010 through May 2011.
Jonathan D. Kantor	Executive Vice President, General Counsel and Secretary, CNA Financial Corporation	60	1997	Executive Vice President, General Counsel and Secretary of CNA Financial Corporation.
Kevin Leidwinger	President and Chief Operating Officer, Commercial of the CNA insurance companies	52	2015	President and Chief Operating Officer, Commercial of the CNA insurance companies since June 2015. Global Casualty Manager for Chubb Commercial Insurance from April 2013 to June 2015. Global Liability Product Line Manager for Chubb Commercial Insurance from January 2002 to March 2013.
Albert J. Miralles	President, Long Term Care of the CNA insurance companies	46	2014	President, Long Term Care of the CNA insurance companies since March 2014. Senior Vice President and Treasurer of the CNA insurance companies from August 2011 to March 2014. Chief Financial Officer, Nationwide Investments, a division of Nationwide Mutual Insurance Company from August 2008 to August 2011.
Andrew J. Pinkes	Executive Vice President, Worldwide Property & Casualty Claim of the CNA insurance companies	53	2015*	Executive Vice President, Worldwide Property & Casualty Claim of the CNA insurance companies since May 2015. Executive Vice President, Global Head of Claims for the XL Group from May 2013 to May 2015. Executive Vice President, Claims for The Hartford Financial Services Group, Inc. and President, Heritage Holdings, Inc. for Hartford from September 2008 to May 2013. Acting Head of Commercial Markets for Hartford from October 2010 to April 2011.
Thomas Pontarelli	Executive Vice President & Chief Administration Officer of the CNA insurance companies	66	2009	Executive Vice President & Chief Administration Officer of the CNA insurance companies.
Timothy J. Szerlong	President, Worldwide Field Operations of the CNA insurance companies	63	2010	President, Worldwide Field Operations of the CNA insurance companies.

* Mr. Pinkes assumed this role on May 18, 2015. Prior to this date, George R. Fay held this office.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors. Additional information required in Part III, Item 10 has been omitted as we intend to include such information in our definitive proxy statement which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2015.

ITEM 11. EXECUTIVE COMPENSATION

Information required in Part III, Item 11 has been omitted as we intend to include such information in our definitive proxy statement which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2015.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan

The table below presents the securities authorized for issuance under equity compensation plans. Performance share units are included at the maximum potential payout percentage.

December 31, 2015	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 column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,768,829	\$ 33.68	1,074,589
Equity compensation plans not approved by security holders	—	—	—
Total	1,768,829	\$ 33.68	1,074,589

Additional information required in Part III, Item 12 has been omitted as we intend to include such information in our definitive proxy statement which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2015.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required in Part III, Item 13 has been omitted as we intend to include such information in our definitive proxy statement which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2015.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required in Part III, Item 14 has been omitted as we intend to include such information in our definitive proxy statement which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2015.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) FINANCIAL STATEMENTS:

	<u>Page Number</u>
<u>Consolidated Statements of Operations - Years ended December 31, 2015, 2014 and 2013</u>	<u>57</u>
<u>Consolidated Statements of Comprehensive (Loss) Income - Years ended December 31, 2015, 2014 and 2013</u>	<u>58</u>
<u>Consolidated Balance Sheets - December 31, 2015 and 2014</u>	<u>59</u>
<u>Consolidated Statements of Cash Flows - Years ended December 31, 2015, 2014 and 2013</u>	<u>60</u>
<u>Consolidated Statements of Stockholders' Equity - Years ended December 31, 2015, 2014 and 2013</u>	<u>62</u>
<u>Notes to Consolidated Financial Statements</u>	<u>63</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>122</u>
<u>Management's Report on Internal Control Over Financial Reporting</u>	<u>124</u>

(2) FINANCIAL STATEMENT SCHEDULES:

Schedule I	<u>Summary of Investments</u>	<u>132</u>
Schedule II	<u>Condensed Financial Information of Registrant (Parent Company)</u>	<u>132</u>
Schedule III	<u>Supplementary Insurance Information</u>	<u>136</u>
Schedule IV	<u>Reinsurance</u>	<u>136</u>
Schedule V	<u>Valuation and Qualifying Accounts</u>	<u>136</u>
Schedule VI	<u>Supplemental Information Concerning Property and Casualty Insurance Operations</u>	<u>137</u>

(3) EXHIBITS:

<u>Description of Exhibit</u>	<u>Exhibit Number</u>
(3) Articles of incorporation and by-laws:	
Certificate of Incorporation of CNA Financial Corporation, as amended May 6, 1987 (Exhibit 3.1 to Form S-8 filed October 9, 1998 incorporated herein by reference)	3.1
Certificate of Amendment of Certificate of Incorporation, dated May 14, 1998 (Exhibit 3.1a to 2006 Form 10-K incorporated herein by reference)	3.1.1
Certificate of Amendment of Certificate of Incorporation, dated May 10, 1999 (Exhibit 3.1 to 1999 Form 10-K incorporated herein by reference)	3.1.2
By-Laws of CNA Financial Corporation, as amended October 24, 2012 (Exhibit 3.1 to Form 8-K filed October 24, 2012 incorporated herein by reference)	3.2

(4) Instruments defining the rights of security holders, including indentures:*

Registration Rights Agreement, dated August 8, 2006, between CNA Financial Corporation and Loews Corporation (Exhibit 10.1 to August 8, 2006 Form 8-K incorporated herein by reference) 4.1

(10) Material contracts:

Credit Agreement among CNA Financial Corporation, Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, Wells Fargo Bank, National Association, JPMorgan Chase Bank, N.A., Citibank, N.A., The Northern Trust Company, U.S. Bank National Association and other lenders named therein, dated August 28, 2015 (Exhibit 99.1 to August 28, 2015 Form 8-K incorporated herein by reference) 10.1

Federal Income Tax Allocation Agreement, dated February 29, 1980 between CNA Financial Corporation and Loews Corporation (Exhibit 10.2 to 1987 Form 10-K incorporated herein by reference) 10.2

Investment Facilities and Services Agreement, dated January 1, 2006, by and among Loews/CNA Holdings, Inc., CNA Financial Corporation and the Participating Subsidiaries (Exhibit 10.3 to 2007 Form 10-K incorporated herein by reference) 10.3

Amendment to Investment Facilities and Services Agreement, dated January 1, 2007, by and among Loews/CNA Holdings, Inc. and CNA Financial Corporation (Exhibit 10.3.1 to 2007 Form 10-K incorporated herein by reference) 10.3.1

CNA Financial Corporation Incentive Compensation Plan, as amended and restated, effective as of January 1, 2010 (Exhibit A to Form DEF 14A, filed April 2, 2010, incorporated herein by reference) 10.4 +

CNA Supplemental Executive Retirement Plan, restated as of January 1, 2015 (Exhibit 10.5 to June 30, 2015 Form 10-Q incorporated herein by reference) 10.5 +

CNA Non-Qualified Savings Plan (formerly known as the CNA Supplemental Executive Savings and Capital Accumulation Plan), restated as of January 1, 2014 (Exhibit 10.6 to June 30, 2015 Form 10-Q incorporated herein by reference) 10.6 +

First Amendment to the CNA Non-Qualified Savings Plan, dated May 28, 2015 (Exhibit 10.6.1 to June 30, 2015 Form 10-Q incorporated herein by reference) 10.6.1 +

Second Amendment to the CNA Non-Qualified Savings Plan, dated July 22, 2015 (Exhibit 10.6.2 to September 30, 2015 Form 10-Q incorporated herein by reference) 10.6.2 +

Award Letter and Award Terms to Thomas F. Motamed for Restricted Stock Units (Exhibit 10.10 to 2010 Form 10-K incorporated herein by reference) 10.7 +

Form of Award Letter to Executive Officers, along with Form of Award Terms, for the Long-Term Incentive Cash Plan (Exhibit 10.1 to June 30, 2010 Form 10-Q incorporated herein by reference) 10.8 +

Form of Award Letter to Executive Officers, along with Form of Award Terms, relating to Stock Appreciation Rights (Exhibit 10.11.2 to 2010 Form 10-K incorporated herein by reference) 10.9 +

Employment Agreement, dated May 22, 2008, by and between CNA Financial Corporation and Thomas F. Motamed (Exhibit 10.1 to June 30, 2008 Form 10-Q incorporated herein by reference)	10.10 +
First Amendment to Employment Agreement, dated October 24, 2008, by and between CNA Financial Corporation and Thomas F. Motamed (Exhibit 10.6 to September 30, 2008 Form 10-Q incorporated herein by reference)	10.10.1 +
Second Amendment to Employment Agreement, dated March 3, 2010, by and between CNA Financial Corporation and Thomas F. Motamed (Exhibit 10.1 to March 31, 2010 Form 10-Q incorporated herein by reference)	10.10.2 +
Third Amendment to Employment Agreement, dated September 8, 2011, by and between CNA Financial Corporation and Thomas F. Motamed (Exhibit 10.1 to Form 8-K filed September 8, 2011 incorporated herein by reference)	10.10.3 +
Employment Agreement, dated November 13, 2015, between CNA Financial Corporation and Dino E. Robusto (Exhibit 10.1 to Form 8-K filed November 16, 2015 incorporated herein by reference)	10.11 +
Retention Agreement, dated February 4, 2016, between Continental Casualty Company and D. Craig Mense (Exhibit 10.1 to Form 8-K filed February 9, 2016 incorporated herein by reference)	10.12 +
General Release and Settlement Agreement, dated December 30, 2014, by and between Continental Casualty Company and Robert A. Lindemann (Exhibit 10.1 to Form 8-K filed December 31, 2014 incorporated herein by reference)	10.13
Master Transaction Agreement, dated July 14, 2010, among Continental Casualty Company, The Continental Insurance Company, Continental Reinsurance Corporation International, Ltd., CNA Insurance Company Limited, National Indemnity Company and, solely for purposes of Sections 5.19 and 7.3(b) thereof, Berkshire Hathaway Inc. (Exhibit 10.1 to Form 8-K filed July 16, 2010 incorporated herein by reference)	10.14
Administrative Services Agreement, dated August 31, 2010, among Continental Casualty Company, The Continental Insurance Company, Continental Reinsurance Corporation International, Ltd., CNA Insurance Company Limited and National Indemnity Company (Exhibit 10.1 to Form 8-K filed September 1, 2010 incorporated herein by reference)	10.15
Collateral Trust Agreement, dated August 31, 2010, among Continental Casualty Company, The Continental Insurance Company, Continental Reinsurance Corporation International, Ltd., CNA Insurance Company Limited, National Indemnity Company and Wells Fargo Bank, National Association (Exhibit 10.2 to Form 8-K filed September 1, 2010 incorporated herein by reference)	10.16
Loss Portfolio Transfer Reinsurance Agreement, dated August 31, 2010, among Continental Casualty Company, The Continental Insurance Company, Continental Reinsurance Corporation International, Ltd., CNA Insurance Company Limited and National Indemnity Company (Exhibit 10.3 to Form 8-K filed September 1, 2010 incorporated herein by reference)	10.17
Amendment No. 1 to the Master Transaction Agreement, dated August 31, 2010, among Continental Casualty Company, The Continental Insurance Company, Continental Reinsurance Corporation International, Ltd., CNA Insurance Company Limited and National Indemnity Company (Exhibit 10.4 to Form 8-K filed September 1, 2010 incorporated herein by reference)	10.18

Parental Guarantee Agreement, dated August 31, 2010, made by Berkshire Hathaway Inc. in favor of Continental Casualty Company, The Continental Insurance Company, Continental Reinsurance Corporation International, Ltd. and CNA Insurance Company Limited (Exhibit 10.5 to Form 8-K filed September 1, 2010 incorporated herein by reference)	10.19
(21) Subsidiaries of the Registrant	
List of subsidiaries of the Registrant	21.1
(23) Consent of Experts and Counsel	
Consent of Independent Registered Public Accounting Firm	23.1
(31) Rule 13a-14(a)/15d-14(a) Certifications	
Certification of Chief Executive Officer	31.1
Certification of Chief Financial Officer	31.2
(32) Section 1350 Certifications	
Written Statement of the Chief Executive Officer of CNA Financial Corporation Pursuant to 18 U.S.C. Section 1350 (As adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.1
Written Statement of the Chief Financial Officer of CNA Financial Corporation Pursuant to 18 U.S.C. Section 1350 (As adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.2
(101) XBRL - Interactive Data File	
XBRL Instance Document	101.INS
XBRL Taxonomy Extension Schema	101.SCH
XBRL Taxonomy Extension Calculation Linkbase	101.CAL
XBRL Taxonomy Extension Definition Linkbase	101.DEF
XBRL Taxonomy Label Linkbase	101.LAB
XBRL Taxonomy Extension Presentation Linkbase	101.PRE
* CNA Financial Corporation hereby agrees to furnish to the Commission upon request copies of instruments with respect to long term debt, pursuant to Item 601(b)(4) (iii) of Regulation S-K.	

⁺ Management contract or compensatory plan or arrangement.

Except for Exhibits 21.1, 23.1, 31.1, 31.2, 32.1, 32.2 and the XBRL documents as discussed in the note above, the exhibits above are not included in this report, but are on file with the SEC.

SCHEDULE I. SUMMARY OF INVESTMENTS - OTHER THAN INVESTMENTS IN RELATED PARTIES

Incorporated herein by reference to Note B to the Consolidated Financial Statements included under Item 8.

SCHEDULE II. CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

CNA Financial Corporation Statements of Operations and Comprehensive (Loss) Income

Years ended December 31

(In millions)

	2015	2014	2013
Revenues			
Net investment income	\$ 1	\$ 1	\$ 1
Net realized investment gains	5	4	4
Total revenues	6	5	5
Expenses			
Administrative and general	1	5	(7)
Interest	154	182	165
Total expenses	155	187	158
Loss from operations before income taxes and equity in net income of subsidiaries	(149)	(182)	(153)
Income tax benefit	34	35	22
Loss before equity in net income of subsidiaries	(115)	(147)	(131)
Equity in net income of subsidiaries	594	838	1,068
Net income	479	691	937
Equity in other comprehensive income of subsidiaries	(715)	(42)	(389)
Total Comprehensive (Loss) Income	<u>\$ (236)</u>	<u>\$ 649</u>	<u>\$ 548</u>

See accompanying Notes to Condensed Financial Information as well as the Consolidated Financial Statements and accompanying Notes.

CNA Financial Corporation
Balance Sheets

December 31

(In millions, except share data)

	2015	2014
Assets		
Investment in subsidiaries	\$ 13,851	\$ 14,867
Cash	4	1
Fixed maturity securities available-for-sale, at fair value (amortized cost of \$0 and \$1)	—	1
Short term investments	478	499
Other assets	3	3
Total assets	\$ 14,336	\$ 15,371
Liabilities		
Short term debt	\$ 350	\$ —
Long term debt	2,182	2,529
Other liabilities	48	48
Total liabilities	2,580	2,577
Stockholders' Equity		
Common stock (\$2.50 par value; 500,000,000 shares authorized; 273,040,243 shares issued; 270,274,361 and 269,980,202 shares outstanding)	683	683
Additional paid-in capital	2,153	2,151
Retained earnings	9,313	9,645
Accumulated other comprehensive income	(315)	400
Treasury stock (2,765,882 and 3,060,041 shares), at cost	(78)	(84)
Notes receivable for the issuance of common stock	—	(1)
Total stockholders' equity	11,756	12,794
Total liabilities and stockholders' equity	\$ 14,336	\$ 15,371

See accompanying Notes to Condensed Financial Information as well as the Consolidated Financial Statements and accompanying Notes.

CNA Financial Corporation
Statements of Cash Flows

Years ended December 31

(In millions)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	\$ 479	\$ 691	\$ 937
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Equity in net income of subsidiaries	(594)	(838)	(1,068)
Dividends received from subsidiaries	900	650	400
Net realized investment gains	(5)	(4)	(4)
Other, net	4	14	8
Total adjustments	305	(178)	(664)
Net cash flows provided by operating activities	784	513	273
Cash Flows from Investing Activities			
Proceeds from fixed maturity securities	—	—	1
Change in short term investments	21	6	(57)
Capital contributions to subsidiaries	—	(10)	(12)
Other, net	7	5	4
Net cash flows provided (used) by investing activities	28	1	(64)
Cash Flows from Financing Activities			
Dividends paid to common stockholders	(811)	(541)	(216)
Proceeds from the issuance of debt	—	546	—
Repayment of debt	—	(549)	(3)
Stock options exercised	1	5	2
Other, net	1	25	9
Net cash flows used by financing activities	(809)	(514)	(208)
Net change in cash	3	—	1
Cash, beginning of year	1	1	—
Cash, end of year	\$ 4	\$ 1	\$ 1

See accompanying Notes to Condensed Financial Information as well as the Consolidated Financial Statements and accompanying Notes.

Notes to Condensed Financial Information

A. Basis of Presentation

The condensed financial information of CNA Financial Corporation (CNAF or the Parent Company) should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 of this Form 10-K. CNAF's subsidiaries are accounted for using the equity method of accounting. Equity in net income of these subsidiaries is presented on the Condensed Statements of Operations as Equity in net income of subsidiaries. Loews owned approximately 90% of the outstanding common stock of CNAF as of December 31, 2015.

B. Commitments, Contingencies and Guarantees

As of December 31, 2015 and 2014 CNAF had recorded liabilities of approximately \$5 million related to guarantee agreements. The Parent Company believes that it is not likely that any future indemnity claims will be significantly greater than the amounts recorded.

In the course of selling business entities and assets to third parties, CNAF has agreed to guarantee the performance of certain obligations of both a previously owned subsidiary and a current subsidiary. Such obligations include agreement to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. The guarantee agreements may include provisions that survive indefinitely. As of December 31, 2015, the aggregate amount of quantifiable guarantee agreements in effect for sales of business entities, assets and third-party loans was \$625 million. Should the company be required to make payments under the guarantee, it would have the right to seek reimbursement in certain cases from an affiliate of a previously owned subsidiary.

In addition, CNAF has agreed to provide indemnification to third-party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of December 31, 2015, CNAF had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser's ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire or until the agreed upon contract terms expire.

In the normal course of business, CNAF also provided guarantees, if the primary obligor fails to perform, to holders of structured settlement annuities provided by a previously owned subsidiary, which are estimated to mature through 2120. The potential amount of future payments CNAF could be required to pay under these guarantees was approximately \$2.0 billion as of December 31, 2015. The Parent Company does not believe a payable is likely under these guarantees, as it is the beneficiary of a trust that must be maintained at a level that approximates the discounted reserves for these annuities.

SCHEDULE III. SUPPLEMENTARY INSURANCE INFORMATION

Incorporated herein by reference to Note O to the Consolidated Financial Statements included under Item 8.

SCHEDULE IV. REINSURANCE

Incorporated herein by reference to Note G to the Consolidated Financial Statements included under Item 8.

SCHEDULE V. VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (a)	Deductions	Balance at End of Period
Year ended December 31, 2015					
Deducted from assets:					
Allowance for doubtful accounts:					
Insurance and reinsurance receivables	\$ 109	\$ (12)	\$ —	\$ (8)	\$ 89
Year ended December 31, 2014					
Deducted from assets:					
Allowance for doubtful accounts:					
Insurance and reinsurance receivables	\$ 155	\$ (40)	\$ (1)	\$ (5)	\$ 109
Year ended December 31, 2013					
Deducted from assets:					
Allowance for doubtful accounts:					
Insurance and reinsurance receivables	\$ 174	\$ (6)	\$ (3)	\$ (10)	\$ 155

(a) Amount includes effects of foreign currency translation.

SCHEDULE VI. SUPPLEMENTAL INFORMATION CONCERNING PROPERTY AND CASUALTY INSURANCE OPERATIONS

As of and for the years ended December 31 (In millions)	Consolidated Property and Casualty Operations		
	2015	2014	2013
Balance Sheet Data			
Deferred acquisition costs	\$ 597	\$ 600	
Reserves for unpaid claim and claim adjustment expenses	22,663	23,271	
Discount deducted from claim and claim adjustment expense reserves above (based on interest rates ranging from 3.5% to 8.0%)	1,534	1,578	
Unearned premiums	3,671	3,592	
Statement of Operations Data			
Net written premiums	\$ 6,962	\$ 7,088	\$ 7,348
Net earned premiums	6,921	7,212	7,271
Net investment income	1,807	2,031	2,240
Incurred claim and claim adjustment expenses related to current year	4,934	5,043	5,113
Incurred claim and claim adjustment expenses related to prior years	(255)	(39)	(115)
Amortization of deferred acquisition costs	1,540	1,317	1,362
Paid claim and claim adjustment expenses	4,945	5,297	5,566

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CNA Financial Corporation

Dated: February 17, 2016 By /s/ Thomas F. Motamed
Thomas F. Motamed
Chief Executive Officer
(Principal Executive Officer)

Dated: February 17, 2016 By /s/ D. Craig Mense
D. Craig Mense
Executive Vice President and
Chief Financial Officer
(Principal Financial & Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Dated: February 17, 2016 By /s/ Thomas F. Motamed
(Thomas F. Motamed, Chief Executive Officer and
Chairman of the Board of Directors)

Dated: February 17, 2016 By /s/ Paul J. Liska
(Paul J. Liska, Director)

Dated: February 17, 2016 By /s/ Jose O. Montemayor
(Jose O. Montemayor, Director)

Dated: February 17, 2016 By /s/ Don M. Randel
(Don M. Randel, Director)

Dated: February 17, 2016 By /s/ Joseph Rosenberg
(Joseph Rosenberg, Director)

Dated: February 17, 2016 By /s/ Andrew H. Tisch
(Andrew H. Tisch, Director)

Dated: February 17, 2016 By /s/ James S. Tisch
(James S. Tisch, Director)

Dated: February 17, 2016 By /s/ Marvin Zonis
(Marvin Zonis, Director)



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Chicago, IL 60604