

CNA FINANCIAL CORP
Form 10-Q
April 30, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY
REPORT
PURSUANT
TO SECTION
13 OR 15(d)
OF THE
SECURITIES
EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2018
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 36-6169860
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
333 S. Wabash 60604
Chicago, Illinois (Zip Code)
(Address of principal executive offices)
(312) 822-5000
(Registrant's telephone number, including area code)

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

Yes No

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

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to submit and post such files).

Yes No

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 26, 2018
Common Stock, Par value \$2.50	271,372,358

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PART I. Financial Information

Item 1. Condensed Consolidated Financial Statements

CNA Financial Corporation

Condensed Consolidated Statements of Operations (Unaudited)

Three months ended March 31

(In millions, except per share data)

	2018	2017
Revenues		
Net earned premiums	\$1,785	\$1,645
Net investment income	490	545
Net realized investment gains		
Other-than-temporary impairment losses	(6)	(2)
Other net realized investment gains	18	38
Net realized investment gains	12	36
Non-insurance warranty revenue (Note J)	238	93
Other revenues	10	11
Total revenues	2,535	2,330
Claims, Benefits and Expenses		
Insurance claims and policyholders' benefits	1,339	1,293
Amortization of deferred acquisition costs	296	305
Non-insurance warranty expense (Note J)	216	70
Other operating expenses	303	276
Interest	35	43
Total claims, benefits and expenses	2,189	1,987
Income before income tax	346	343
Income tax expense	(55)	(83)
Net income	\$291	\$260
Basic earnings per share	\$1.07	\$0.96
Diluted earnings per share	\$1.07	\$0.96
Dividends declared per share	\$2.30	\$2.25
Weighted Average Outstanding Common Stock and Common Stock Equivalents		
Basic	271.4	270.7
Diluted	272.4	271.7

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

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CNA Financial Corporation

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

Three months ended March 31

(In millions)

	2018	2017
Comprehensive (Loss) Income		
Net income	\$291	\$260
Other Comprehensive (Loss) Income, Net of Tax		
Changes in:		
Net unrealized gains on investments with other-than-temporary impairments	(9)	(4)
Net unrealized gains on other investments	(429)	67
Net unrealized gains on investments	(438)	63
Foreign currency translation adjustment	12	11
Pension and postretirement benefits	10	7
Other comprehensive (loss) income, net of tax	(416)	81
Total comprehensive (loss) income	\$(125)	\$341

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

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Condensed Consolidated Balance Sheets

(In millions, except share data)	March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Investments:		
Fixed maturity securities at fair value (amortized cost of \$37,991 and \$38,215)	\$ 40,259	\$ 41,487
Equity securities at fair value (cost of \$749 and \$659)	770	695
Limited partnership investments	2,364	2,369
Other invested assets	48	44
Mortgage loans	864	839
Short term investments	1,230	1,436
Total investments	45,535	46,870
Cash	282	355
Reinsurance receivables (less allowance for uncollectible receivables of \$29 and \$29)	4,408	4,261
Insurance receivables (less allowance for uncollectible receivables of \$43 and \$44)	2,371	2,292
Accrued investment income	414	411
Deferred acquisition costs	665	634
Deferred income taxes	238	137
Property and equipment at cost (less accumulated depreciation of \$253 and \$274)	346	326
Goodwill	149	148
Other assets	3,241	1,133
Total assets	\$ 57,649	\$ 56,567
Liabilities		
Insurance reserves:		
Claim and claim adjustment expenses	\$ 22,067	\$ 22,004
Unearned premiums	4,256	4,029
Future policy benefits	10,783	11,179
Short term debt	30	