CNA Financial Corporation Fourth Quarter 2018 Results

February 11, 2019

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Fourth Quarter Highlights

- Net loss of $(84) million or $(.31) per share; full year net income of $2.98 per share
- Core loss of $(23) million or $(.08) per share; full year core income of $3.10 per share
- Combined ratio of 105.4%; full year 96.7%
- Underlying combined ratio of 98.0%; full year 95.4%
- Underlying loss ratio of 64.4%; full year 61.8%
- Expense ratio of 33.2%; full year 33.2%

- Quarterly dividend of $0.35 per share
- Book value per share ex. AOCI of $44.55
  - A 6% increase from year end 2017, adjusting for dividends

Financial Performance

(In millions, except per share data)	Fourth Quarter			Full Year		
	2018	2017	Change	2018	2017	Change
Revenues	**$2,403**	$2,448	(2%)	**$10,134**	$9,542	6%
Core income	**(23)**	286		**845**	919	(8%)
Net income	**(84)**	223		**813**	899	(10%)
Diluted earnings per common share:						
Core income	**($0.08)**	$1.05		**$3.10**	$3.38	(8%)
Net income	**(0.31)**	0.82		**2.98**	3.30	(10%)
Core ROE	**(0.7%)**	9.4%	(10.1 pts)	**7.0%**	7.5%	(0.5 pts)

	Dec 31, 2018	Dec 31, 2017	Change
Book value per common share	**$41.32**	$45.15	(8%)
Book value per common share ex. AOCI	**44.55**	45.02	(1%)
Dividends paid per share (YTD)	**3.30**	3.10	

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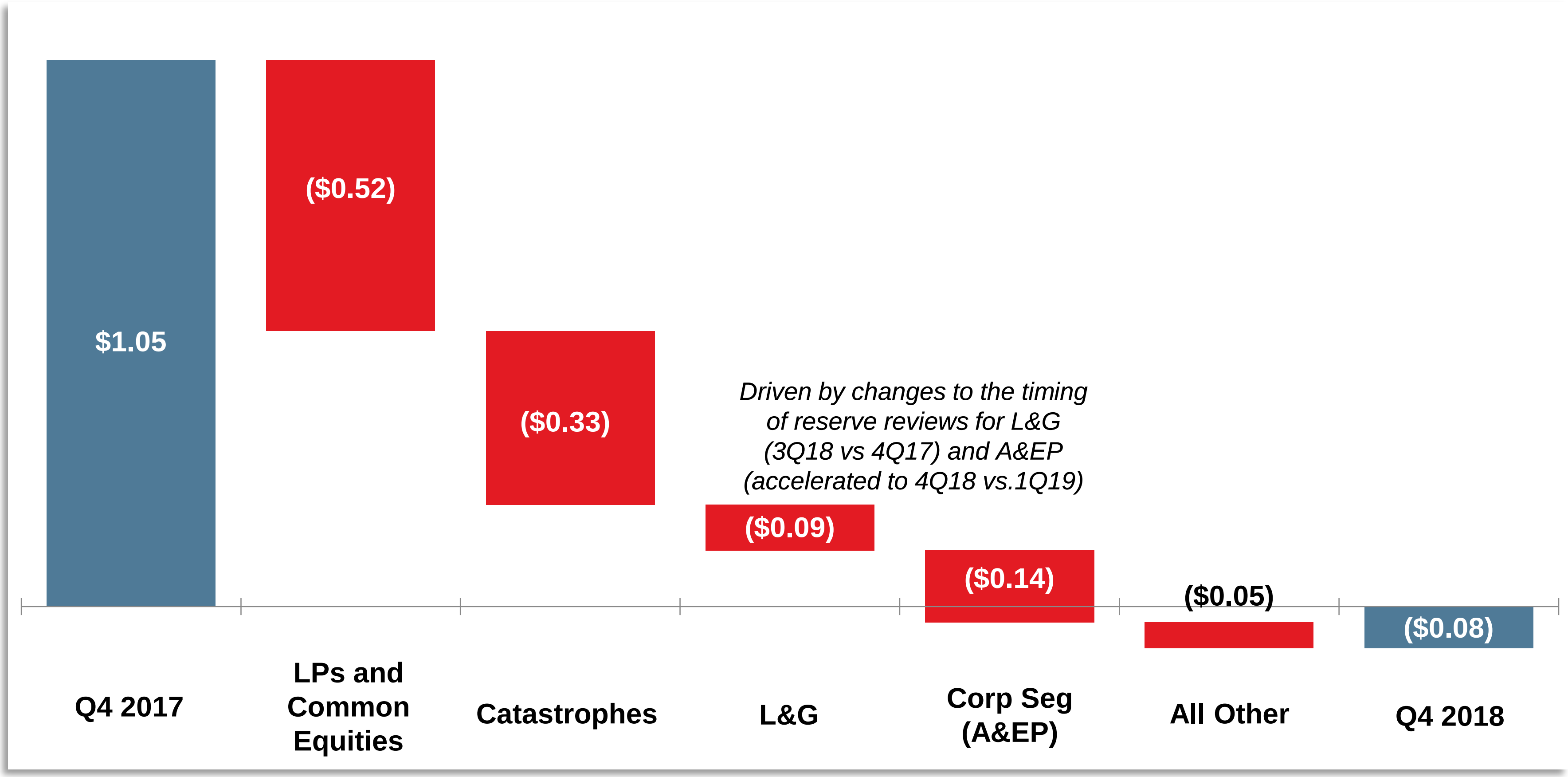
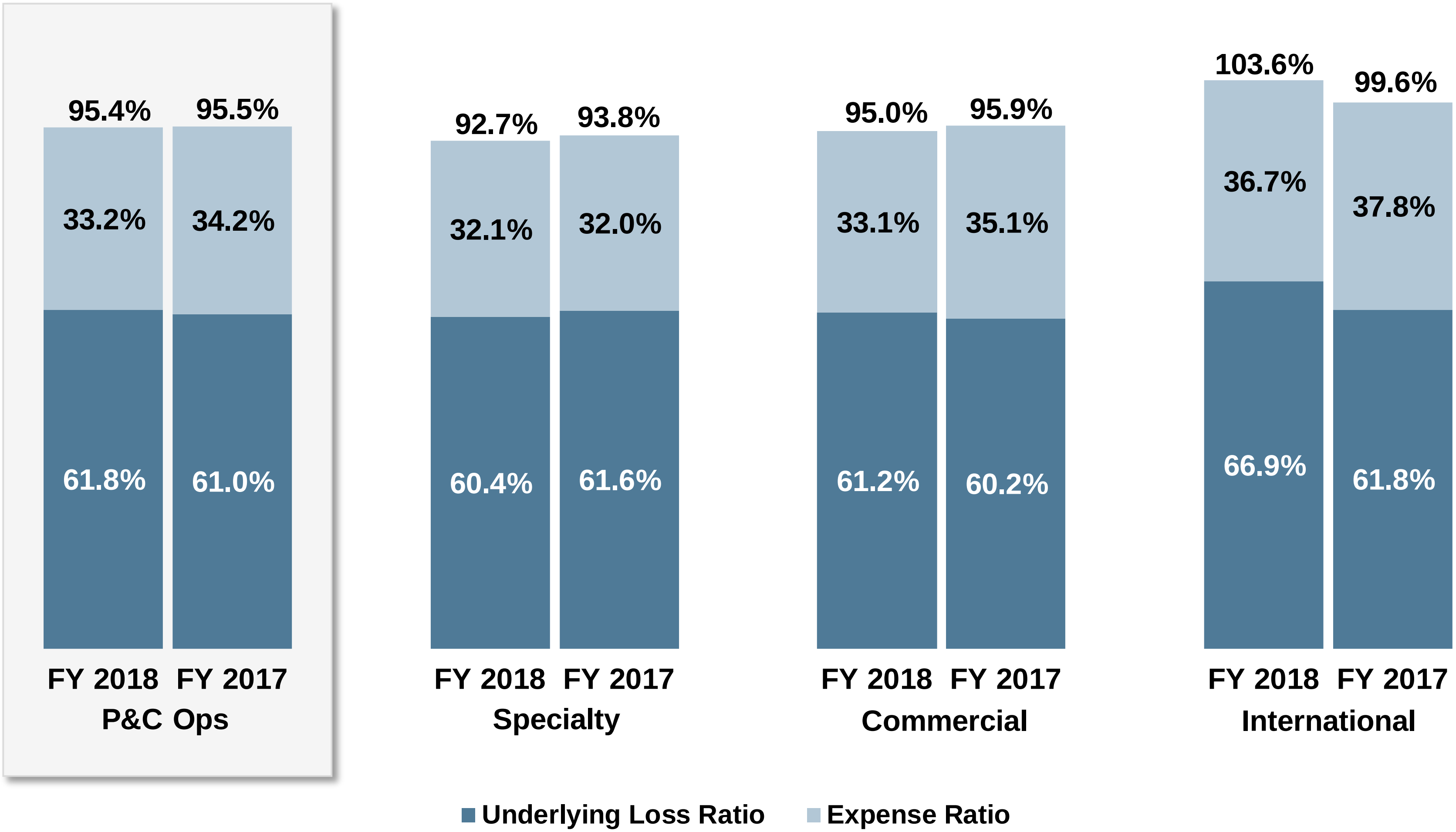
Core EPS – Variance from Q4 2017



Underlying Underwriting Results

Improvement in underlying combined ratio[1] year over year



[1] Difference between the total underlying combined ratio and the underlying loss ratio plus expense ratio is the dividend ratio

Property & Casualty Operations

Stable full year results supported by premium growth and expense ratio improvement

(In millions, except ratios)	Fourth Quarter		Full Year	
	2018	**2017**	**2018**	**2017**
GWP ex. 3rd party Captives	**$1,804**	$1,704	**$7,434**	$6,917
GWP change (% year over year)	***6%***		***7%***	
Net written premium	**$1,659**	$1,601	**$6,822**	$6,534
NWP change (% year over year)	***4%***		***4%***	
Underwriting gain (loss)	**($92)**	$101	**$226**	$186
Loss ratio excl. catastrophes and development	**64.4%**	60.7%	**61.8%**	61.0%
Impact of catastrophes	**8.6%**	2.3%	**3.7%**	6.0%
Impact of development-related items	**(1.2%)**	(4.1%)	**(2.4%)**	(4.4%)
Loss ratio	**71.8%**	58.9%	**63.1%**	62.6%
Expense ratio	**33.2%**	34.6%	**33.2%**	34.2%
Acquisition expense	***19.7%***	*19.6%*	***19.8%***	*19.5%*
Underwriting expense	***13.5%***	*15.0%*	***13.4%***	*14.7%*
Combined ratio	**105.4%**	94.0%	**96.7%**	97.1%
Combined ratio excl. catastrophes and development	**98.0%**	95.8%	**95.4%**	95.5%

Specialty

Continued strong underwriting performance

(In millions, except ratios)	Fourth Quarter		Full Year	
	2018	2017	2018	2017
GWP ex. 3rd party Captives	**$757**	$723	**$3,026**	$2,928
GWP change (% year over year)	***5%***		***3%***	
Net written premium	**$682**	$665	**$2,744**	$2,731
NWP change (% year over year)	***3%***		***0%***	
Underwriting gain (loss)	**$60**	$80	**$323**	$306
Loss ratio excl. catastrophes and development	**61.1%**	61.4%	**60.4%**	61.6%
Impact of catastrophes	**0.6%**	(0.1%)	**1.0%**	1.6%
Impact of development-related items	**(3.7%)**	(5.8%)	**(5.5%)**	(6.7%)
Loss ratio	**58.0%**	55.5%	**55.9%**	56.5%
Expense ratio	**33.0%**	32.9%	**32.1%**	32.0%
Acquisition expense	***21.3%***	*20.6%*	***20.8%***	*20.1%*
Underwriting expense	***11.7%***	*12.3%*	***11.3%***	*11.9%*
Combined ratio	**91.2%**	88.6%	**88.2%**	88.7%
Combined ratio excl. catastrophes and development	**94.3%**	94.5%	**92.7%**	93.8%

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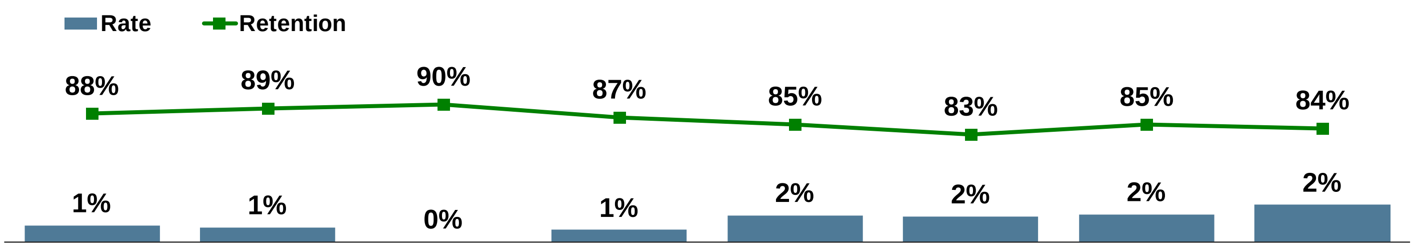
Specialty Production Metrics

Gross written premium and new business trends are gaining momentum

Specialty Rate & Retention



	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GWP ex. 3rd party Captives ($m)	**$710**	**$749**	**$746**	**$723**	**$744**	**$762**	**$764**	**$757**
New Business ($m)	**$55**	**$62**	**$60**	**$65**	**$80**	**$92**	**$93**	**$87**
Healthcare								
Rate	3%	5%	1%	8%	10%	7%	5%	8%
Retention	82%	86%	86%	80%	81%	73%	86%	81%
Mgmt & Prof Liability								
Rate	1%	0%	(1%)	(1%)	0%	0%	1%	1%
Retention	89%	90%	91%	89%	86%	86%	85%	85%
Surety								
Net Written Premiums	$116	$129	$127	$105	$127	$134	$126	$111
Warranty & Alt. Risks								
Revenues	$134	$138	$140	$140	$280[1]	$289[1]	$297[1]	$302[1]

Note: Rate and retention metrics on renewed business are not applicable for Surety and Warranty. Large Warranty Programs & Captives business is mostly reinsured

[1] Revenues for Warranty & Alternative Risks increased in Q1 2018 due to the implementation of ASU 2014-09, *Revenue from Contracts with Customers*. Other expenses were increased by a corresponding amount such that the net impact to the income statement was not significant. Excluding the impact of adopting the new accounting guidance, revenues for Warranty & Alternative Risks would have been $143 million for Q1, $146 million for Q2, $148 million in Q3, and $144 million in Q4.

Commercial

Improved full year underlying combined ratio

(In millions, except ratios)

	Fourth Quarter		Full Year	
	2018	**2017**	**2018**	**2017**
Gross written premium ex. Captives	**$782**	$754	**$3,257**	$3,029
GWP change (% year over year)	***4%***		***8%***	
Net written premium	**$721**	$719	**$3,060**	$2,922
NWP change (% year over year)	***0%***		***5%***	
Underwriting gain (loss)	**($101)**	$15	**($33)**	($78)
Loss ratio excl. catastrophes and development	**63.9%**	59.9%	**61.2%**	60.2%
Impact of catastrophes	**15.7%**	4.7%	**6.4%**	9.5%
Impact of development-related items	**0.7%**	(2.0%)	**(0.3%)**	(2.7%)
Loss ratio	**80.3%**	62.6%	**67.3%**	67.0%
Expense ratio	**32.3%**	34.7%	**33.1%**	35.1%
Acquisition expense	***16.8%***	*17.8%*	***17.7%***	*18.0%*
Underwriting expense	***15.5%***	*16.9%*	***15.4%***	*17.1%*
Combined ratio	**113.3%**	98.2%	**101.1%**	102.7%
Combined ratio excl. catastrophes and development	**96.9%**	95.5%	**95.0%**	95.9%

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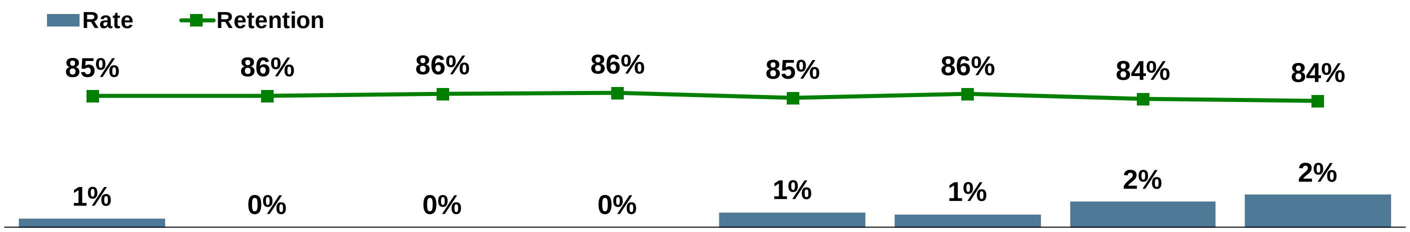
Commercial Production Metrics

Continued effective rate/retention execution

Commercial Rate & Retention



	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
GWP ex. Captives ($m)	**$752**	**$795**	**$727**	**$754**	**$873**	**$848**	**$754**	**$782**
New Business ($m)	**$140**	**$154**	**$138**	**$136**	**$181**	**$157**	**$123**	**$105**
Middle Market								
Rate	0%	0%	(1%)	(1%)	0%	0%	1%	2%
Retention	87%	89%	87%	87%	84%	86%	85%	82%
Small Business								
Rate	1%	1%	2%	2%	2%	1%	1%	0%
Retention	80%	79%	80%	80%	81%	82%	84%	84%
Other								
Rate	2%	1%	0%	1%	2%	2%	4%	4%
Retention	86%	82%	89%	89%	90%	88%	83%	87%

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International

Performance driven by elevated Property loss experience as well as Professional Liability in our London operations

(In millions, except ratios)

	Fourth Quarter		Full Year	
	2018	2017	2018	2017
Gross written premium	**$266**	$226	**$1,150**	$959
GWP change (% year over year)	***18%***		***20%***	
Net written premium	**$256**	$217	**$1,018**	$881
NWP change (% year over year)	***18%***		***16%***	
Underwriting gain (loss)	**($51)**	$6	**($64)**	($42)
Loss ratio excl. catastrophes and development	**74.9%**	61.2%	**66.9%**	61.8%
Impact of catastrophes	**8.2%**	1.5%	**3.3%**	7.9%
Impact of development-related items	**0.2%**	(5.5%)	**(0.4%)**	(2.7%)
Loss ratio	**83.3%**	57.2%	**69.8%**	67.0%
Expense ratio	**36.2%**	39.5%	**36.7%**	37.8%
Acquisition expense	***23.7%***	*22.3%*	***23.2%***	*22.4%*
Underwriting expense	***12.5%***	*17.2%*	***13.5%***	*15.4%*
Combined ratio	**119.5%**	96.7%	**106.5%**	104.8%
Combined ratio excl. catastrophes and development	**111.1%**	100.7%	**103.6%**	99.6%

Life & Group

Strong fourth quarter results consistent with prior year after excluding the impact of the 2017 Claim Reserve Review

(In millions)	Fourth Quarter		Full Year	
	2018	2017	2018	2017
Net earned premiums	$132	$135	$530	$539
Net investment income	203	195	801	782
Other revenues	2	1	2	2
Total operating revenues	**$337**	**$331**	**$1,333**	**$1,323**
Total claims, benefits and expenses	344	324	1,347	1,405
Core income (loss)	**$7**	**$31**[1]	**$43**	**$50**

[1] Includes $27m favorable after-tax impact of the annual claim reserve review

Financial Strength

Balance Sheet remains strong

(In millions, except per share data or otherwise noted)

	Dec 31, 2018	Dec 31, 2017
Debt	**$2,680**	$2,858
Common equity	**11,217**	12,244
Total capital	**$13,897**	$15,102
Debt-to-capital	**19.3%**	18.9%
Book value per common share excluding AOCI	**$44.55**	$45.02
Dividends per share paid (YTD)	**$3.30**	$3.10
Holding company cash	**$520**	$639
Total investments	**$44.5b**	$46.9b
Statutory surplus	**$10.4b**	$10.7b

Capital

- Conservative capital structure
- All capital metrics at or better than target levels

Leverage

- Low debt-to-capital ratio
- Well balanced debt maturity profile

Liquidity

- Liquidity profile remains very strong
- $359 million Q4 operating cash flow

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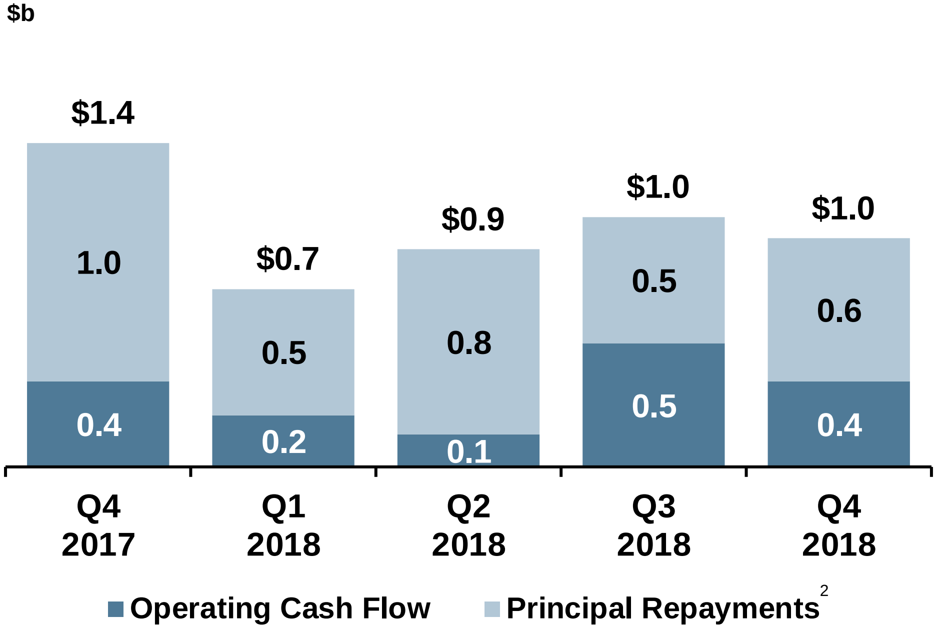
Strong Liquidity Profile

Ample operating cash flow and liquidity

Operating Company Liquidity[1]



Holding Co. Liquidity & Obligations

$m

As of December 31, 2018	
2018 Operating company dividend capacity	$1,073
Less: Last twelve months dividends	(1,026)
Current operating company dividend capacity	$47
Holding company cash	520
Availability under credit facility	250
Net corporate sources	**$817**
Interest expense on outstanding debt	$131
Common quarterly dividends ($0.35/share)	380
Estimated annual pre-tax corporate obligations	**$512**

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1 Excludes availability under Federal Home Loan Bank facility

2 Principal repayments from investments include maturities, prepayments from structured securities, calls and bank debt pay-downs

Investment Management

Well-diversified and liquid investment portfolio

December 31, 2018 Asset Class ($m)	Carrying Value $	Carrying Value %	Unrealized Gains (Losses) $
Short Term	1,286	3%	(1)
US Government	159	0%	3
Agency RMBS	4,133	9%	(27)
Foreign Government	481	1%	1
Investment Grade Corp	17,242	39%	501
Tax Exempt Muni	7,874	18%	733
Taxable Muni	2,874	6%	334
CMBS and ABS	4,158	9%	(17)
Non Agency RMBS	693	2%	38
Below Investment Grade Corp	1,922	4%	(105)
Preferred Equity	632	2%	-
Common Equity	148	0%	-
Limited Partnerships / Other	2,045	5%	-
Mortgage Loans	839	2%	-
Total Invested Assets[1]	**44,486**	**100%**	**1,460**

Highlights

- Liquidity supports underlying liability characteristics
- Diversified fixed income investment strategy with highest allocation to investment grade corporate

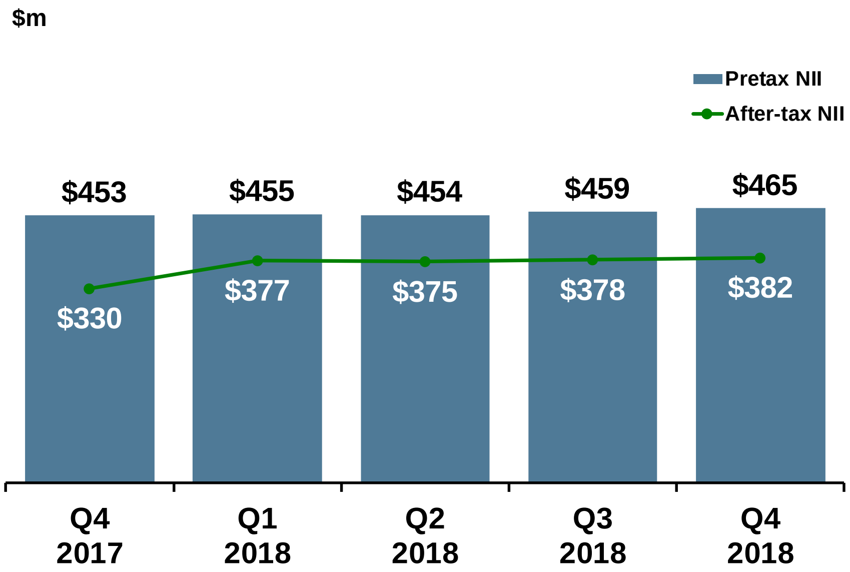
Effective Portfolio Duration	
Life & Group Non-Core	8.4 yrs
P&C & Corporate	4.4 yrs
Total	**6.0 yrs**

[1] Net unrealized gain after shadow adjustment was $95 million

Net Investment Income

Q4 limited partnership losses significantly offset YTD gains

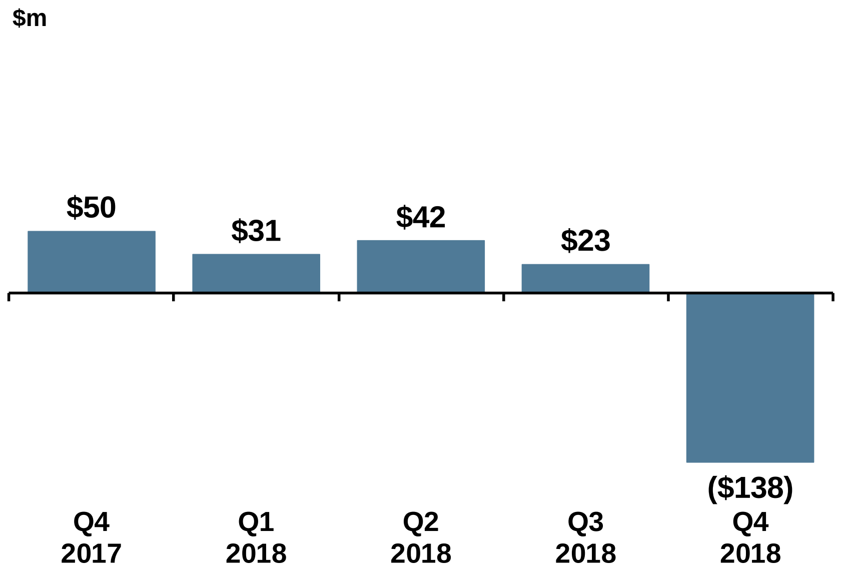
Fixed Income



Fixed Income Securities Annualized Yield After-tax

Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
3.4%	3.9%	3.9%	3.9%	3.9%

Limited Partnerships & Common Equities



Quarterly Return Pretax

Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
2.1%	1.3%	1.8%	0.9%	(5.7%)

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