CNA Financial Corporation Second Quarter 2021 Results

August 2, 2021

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Second Quarter Overview

- Net income of $368 million or $1.35 per share; record core income of $341 million or $1.25 per share.
- The P&C combined ratio was 94.0% compared with 109.2% in the prior year quarter, including 2.8 points of catastrophe loss impact compared with 17.5 points in the prior year quarter.
- Net catastrophe losses were $54 million pretax versus $301 million in the prior year quarter.
- The underlying combined ratio was 91.4% compared with 93.2% in the prior year quarter. The underlying loss ratio was 59.5% compared with 59.3% in the prior year quarter, which reflected a 0.9 point benefit from lower loss frequency as a result of COVID-19 shelter in place restrictions.
- The expense ratio was 31.6% compared with 33.6% in the prior year quarter, which included a 0.5 point adverse impact related to COVID-19.
- P&C segments generated net earned premium growth of 11%. Excluding the impact of COVID-19 in the prior year quarter, net earned premiums grew 8%.
- P&C segments, excluding third party captives, generated gross written premium growth of 8%. Net written premiums decreased 1%. Excluding the impact of a one-time catch-up related to a new property quota share reinsurance treaty, net written premiums grew 5%.
- P&C Earned rate of +12% and continued double digit written rate of +10% for the quarter.
- Net investment income of $591 million pretax includes $156 million of income from limited partnerships and common stock compared with $534 million pretax net investment income which included $84 million of income from limited partnerships and common stock in the prior year quarter.

- Book value per share (BVPS) of $46.69; ex. AOCI of $44.81
    - 6% increase from year-end 2020, adjusting for $1.51 of dividends per share, ex. AOCI
- Board of Directors declares regular quarterly cash dividend of $0.38 per share

Financial Performance

Record core income of $341M and core ROE of 11.3% reflect improved underlying combined ratio, lower catastrophes and higher limited partnership returns

(In millions, except ratios and per share data)	Second Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Revenues	**$3,029**	$2,766	10 %	**$5,895**	$5,057	17 %
Core income	**341**	99	N/M	**604**	207	192 %
Net income	**368**	151	144 %	**680**	90	N/M
Diluted earnings per common share:						
Core income	**$1.25**	$0.36	N/M	**$2.21**	$0.76	191 %
Net income	**1.35**	0.55	145 %	**2.49**	0.33	N/M
Core ROE	**11.3 %**	3.4 %	7.9 pts	**10.0 %**	3.5 %	6.5 pts

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Property & Casualty Operations

Best underlying combined ratio on record and continued strong growth in the second quarter

(In millions, except ratios)	Second Quarter		Year to Date	
	2021	**2020**	**2021**	**2020**
GWP ex. 3rd party captives	**$2,296**	$2,132	**$4,566**	$4,239
GWP change (% year over year)	**8 %**		**8 %**	
Net written premium	**$1,909**	$1,930	**$3,846**	$3,793
NWP change (% year over year)[1]	**(1)%**		**1 %**	
Underwriting gain (loss)	**$113**	($158)	**$149**	($112)
Loss ratio excl. catastrophes and development	**59.5 %**	59.3 %	**59.8 %**	59.8 %
Impact of catastrophes	**2.8 %**	17.5 %	**4.7 %**	10.9 %
Impact of development-related items	**(0.2)%**	(1.5)%	**(0.3)%**	(1.1)%
Loss ratio	**62.1 %**	75.3 %	**64.2 %**	69.6 %
Expense ratio	**31.6 %**	33.6 %	**31.5 %**	33.2 %
Combined ratio	**94.0 %**	109.2 %	**96.0 %**	103.2 %
Combined ratio excl. catastrophes and development	**91.4 %**	93.2 %	**91.6 %**	93.4 %

[1] Excluding the impact of a one-time catch-up related to a new property quota share reinsurance treaty, net written premiums grew 5% as compared to both the prior year quarter and prior year to date

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Specialty

Exceptional underlying combined ratio of 89.2% driven by improvement in loss ratio and expense ratio; continued strong growth

(In millions, except ratios)	Second Quarter		Year to Date	
	2021	**2020**	**2021**	**2020**
GWP ex. 3rd party captives	**$897**	$811	**$1,713**	$1,552
GWP change (% year over year)	**11 %**		**10 %**	
Net written premium	**$786**	$742	**$1,528**	$1,436
NWP change (% year over year)	**6 %**		**6 %**	
Underwriting gain (loss)	**$92**	($30)	**$175**	$29
Loss ratio excl. catastrophes and development	**59.0 %**	59.9 %	**59.2 %**	59.7 %
Impact of catastrophes	**— %**	15.0 %	**0.3 %**	8.2 %
Impact of development-related items	**(1.3)%**	(2.9)%	**(1.6)%**	(2.3)%
Loss ratio	**57.7 %**	72.0 %	**57.9 %**	65.6 %
Expense ratio	**30.0 %**	32.0 %	**30.2 %**	32.1 %
Combined ratio	**87.9 %**	104.2 %	**88.3 %**	97.9 %
Combined ratio excl. catastrophes and development	**89.2 %**	92.1 %	**89.6 %**	92.0 %

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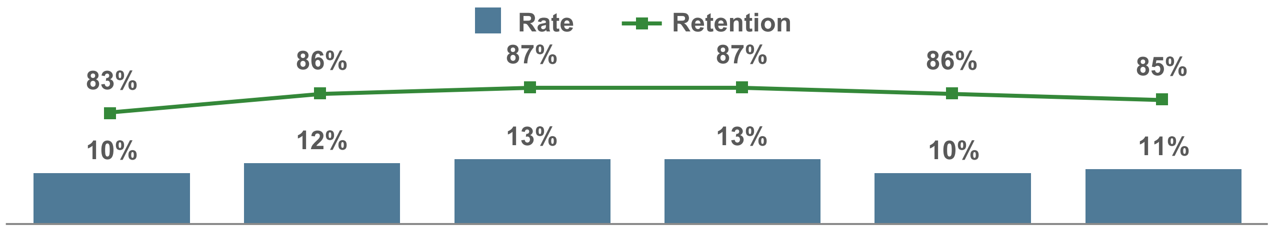
Specialty Production Metrics

Sixth consecutive quarter of double-digit rate increases and steady retention

Specialty Rate & Retention					
2020				2021	
Q1	Q2	Q3	Q4	Q1	Q2



	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
GWP ex. 3rd party captives ($M)	**$741**	**$811**	**$861**	**$883**	**$816**	**$897**
New Business ($M)	**$74**	**$96**	**$105**	**$114**	**$103**	**$121**
FI & Mgmt Liability						
Rate	12%	16%	18%	20%	16%	17%
Retention	89%	88%	88%	86%	88%	88%
Affinity Professional E&O						
Rate	1%	—%	1%	3%	2%	2%
Retention	93%	93%	94%	94%	92%	92%
Medical Malpractice						
Rate	20%	19%	21%	18%	18%	13%
Retention	69%	77%	80%	80%	76%	72%
Surety						
Net Written Premiums	$141	$133	$130	$121	$136	$133
Warranty & Alt. Risks						
Revenues	$337	$348	$356	$371	$381	$407

Commercial

Stable underlying combined ratio reflects expense ratio improvement offset by higher loss ratio as a result of COVID-19 frequency benefit in 2020

(In millions, except ratios)	Second Quarter		Year to Date	
	2021	2020	2021	2020
GWP ex. 3rd party captives	**$1,060**	$1,044	**$2,171**	$2,103
GWP change (% year over year)	**2 %**		**3 %**	
Net written premium	**$831**	$949	**$1,791**	$1,899
NWP change (% year over year)[1]	**(12)%**		**(6)%**	
Underwriting gain (loss)	**$3**	($95)	**($54)**	($108)
Loss ratio excl. catastrophes and development	**60.1 %**	58.7 %	**60.4 %**	59.7 %
Impact of catastrophes	**5.8 %**	19.0 %	**9.6 %**	12.8 %
Impact of development-related items	**0.8 %**	(0.3)%	**0.7 %**	(0.1)%
Loss ratio	**66.7 %**	77.4 %	**70.7 %**	72.4 %
Expense ratio	**32.3 %**	33.9 %	**31.8 %**	33.6 %
Combined ratio	**99.6 %**	111.9 %	**103.1 %**	106.6 %
Combined ratio excl. catastrophes and development	**93.0 %**	93.2 %	**92.8 %**	93.9 %

[1] Excluding the impact of a one-time catch-up related to a new property quota share reinsurance treaty, net written premiums decreased 1% as compared to the prior year quarter and were flat to the prior year to date.

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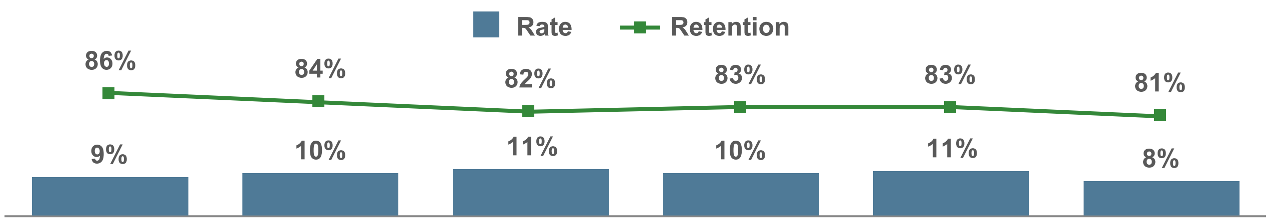
Commercial Production Metrics

Improved production throughout the quarter despite disruption of cyber event

Commercial Rate & Retention					
2020				2021	
Q1	Q2	Q3	Q4	Q1	Q2



	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
GWP ex. 3rd party captives ($M)	**$1,059**	**$1,044**	**$915**	**$975**	**$1,111**	**$1,060**
New Business ($M)	**$198**	**$198**	**$167**	**$197**	**$211**	**$201**
Middle Market						
Rate	6%	7%	8%	8%	8%	5%
Retention	86%	82%	80%	82%	82%	78%
Construction						
Rate	7%	8%	10%	10%	10%	9%
Retention	87%	88%	84%	90%	84%	84%
National Accounts						
Rate	26%	30%	32%	29%	24%	15%
Retention	80%	81%	79%	78%	81%	76%
Small Business						
Rate	—%	—%	—%	—%	1%	2%
Retention	85%	88%	86%	84%	84%	85%
Marine / Other						
Net Written Premium	$55	$65	$59	$60	$63	$66

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International

Re-Underwriting efforts produced increasingly consistent profitable performance which led to very strong growth

(In millions, except ratios)	Second Quarter		Year to Date	
	2021	2020	2021	2020
Gross written premium	**$339**	$277	**$682**	$584
GWP change (% year over year)	**22 %**		**17 %**	
Net written premium	**$292**	$239	**$527**	$458
NWP change (% year over year)	**22 %**		**15 %**	
Underwriting gain (loss)	**$18**	($33)	**$28**	($33)
Loss ratio excl. catastrophes and development	**59.0 %**	59.9 %	**59.3 %**	60.1 %
Impact of catastrophes	**0.8 %**	19.9 %	**1.4 %**	11.9 %
Impact of development-related items	**(0.3)%**	(1.2)%	**(0.2)%**	(0.7)%
Loss ratio	**59.5 %**	78.6 %	**60.5 %**	71.3 %
Expense ratio	**33.5 %**	36.7 %	**33.9 %**	36.1 %
Combined ratio	**93.0 %**	115.3 %	**94.4 %**	107.4 %
Combined ratio excl. catastrophes and development	**92.5 %**	96.6 %	**93.2 %**	96.2 %

Life & Group

Core income in the quarter driven by strong limited partnership returns

(In millions)	Second Quarter		Year to Date	
	2021	2020	2021	2020
Net earned premiums	$126	$126	$246	$253
Net investment income	265	206	484	414
Other revenues	(1)	—	—	—
Total operating revenues	**$390**	**$332**	**$730**	**$667**
Total claims, benefits and expenses	349	329	657	674
Income tax benefit	2	11	6	25
Core income	**$43**	**$14**	**$79**	**$18**

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Financial Strength

Conservative capital and debt profile support business objectives

(In millions, except per share data)	**June 30, 2021**	**Dec 31, 2020**
Debt	**$2,777**	$2,776
Stockholders' Equity	**12,668**	12,707
Total capital	**$15,445**	$15,483
BVPS ex AOCI	**$44.81**	$43.86
Dividends per share (YTD)	**$1.51**	$3.48
Debt-to-capital	**18.0%**	17.9%
Holding company cash	**$526**	$522
Total investments	**$50,265**	$50,293
Statutory surplus	**$10,929**	$10,708

Capital

- Capital remains above target levels required for all current ratings
- Adjusting for dividends, book value per share ex AOCI increased 6%

Leverage

- Debt maturity schedule is termed out to effectively manage refinancing
- Next debt maturity in 2023

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Liquidity Profile

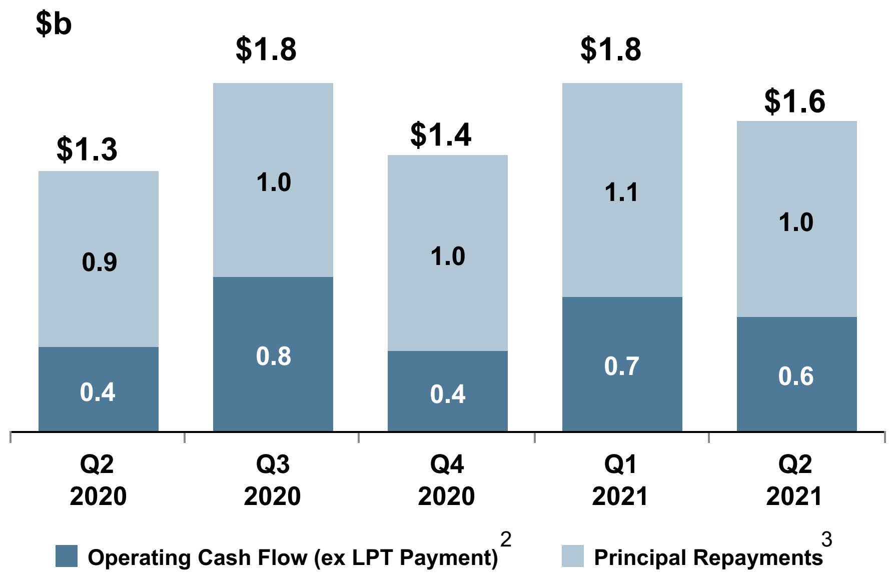
Ample liquidity at both holding and operating company levels to meet corporate obligations

Holding Co. Liquidity & Obligations

$M

As of June 30, 2021	
2021 Operating company dividend capacity	$1,070
Less: Last twelve months dividends	(640)
Current operating company dividend capacity	430
Holding company cash	526
Availability under credit facility	250
Net corporate sources	**$1,206**
Interest expense on outstanding debt	$109
Common quarterly dividends (**$0.38**/share)	413
Estimated annual pretax corporate obligations	**$522**

Operating Company Liquidity[1]



[1] Excludes availability under Federal Home Loan Bank Facility
[2] Q1 2021 excludes a $640M payment resulting from the Loss Portfolio Transfer (LPT) of a legacy portfolio of excess workers' compensation policies
[3] Principal repayments from investments include maturities, repayments from structured securities, calls and bank debt pay-downs

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Investment Portfolio

Diversified and liquid investment portfolio

June 30, 2021 Asset Class ($M)	Carrying Value $	 %	Net Unrealized G/(L) $
Investment Grade Corp	22,340	44 %	2,993
Municipals	11,866	24 %	1,741
CMBS and ABS	4,550	9 %	165
Agency RMBS	3,022	6 %	64
Below Investment Grade Corp	2,052	4 %	125
Limited Partnerships / Other	1,851	4 %	—
Short Term	1,465	3 %	—
Mortgage Loans	1,006	2 %	—
Preferred Equity	819	2 %	—
Foreign Government	539	1 %	21
Non Agency RMBS	404	1 %	25
Common Stock	214	— %	—
US Government	137	— %	(5)
Total Invested Assets	**50,265**	**100 %**	**5,129**
Q2 Change in Net Unrealized G/(L)			***798***

Highlights

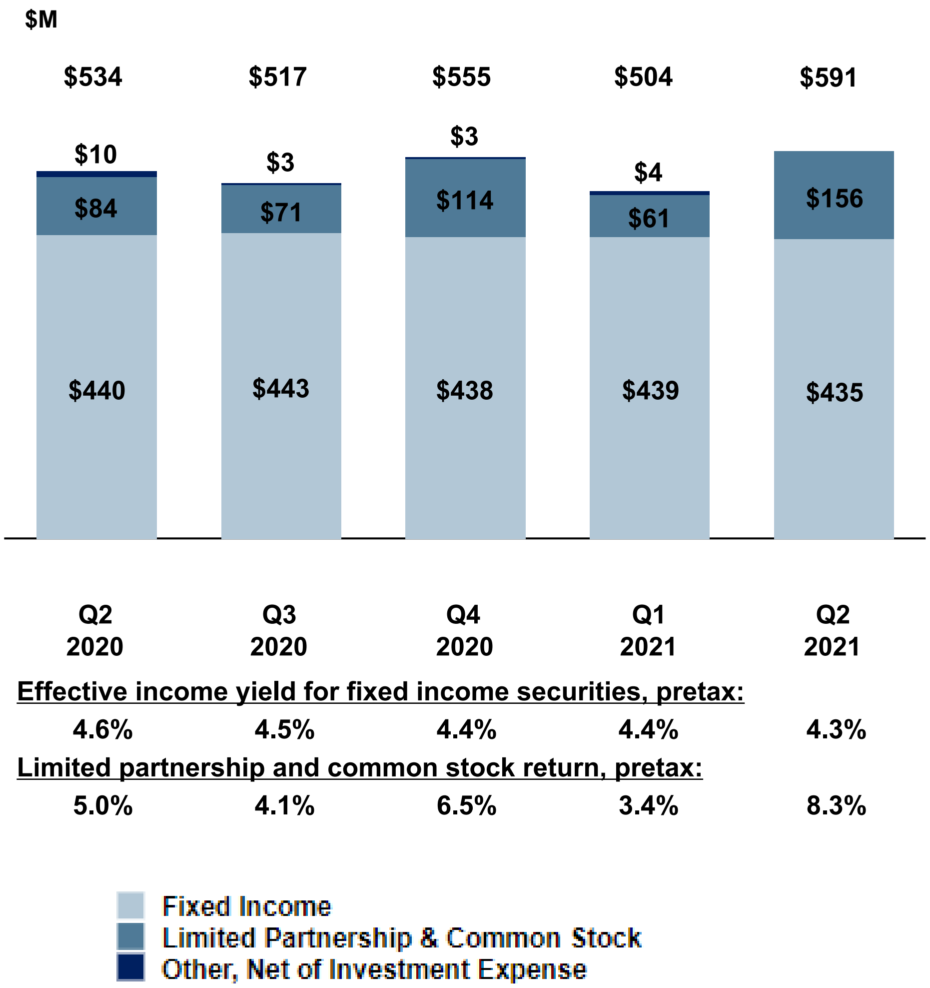
- High-quality portfolio with an average credit rating of “A”
- Liquidity supports underlying liability characteristics
- Net unrealized gain position increased as market yields have fallen

Effective Portfolio Duration	
Life & Group	9.3 yrs
P&C and Corporate	4.9 yrs
Total	**6.6 yrs**

Fixed Maturities by Rating	% of Portfolio
AAA	16%
AA	17%
A	21%
BBB	41%
Investment Grade	**95%**
Below Investment Grade	5%
Total Fixed Maturities	**100%**

Pretax Net Investment Income

Consistent fixed income earnings and strong limited partnership and common stock returns



	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Effective income yield for fixed income securities, pretax:	4.6%	4.5%	4.4%	4.4%	4.3%
Limited partnership and common stock return, pretax:	5.0%	4.1%	6.5%	3.4%	8.3%

Highlights

- The fixed income portfolio continues to provide consistent earnings; headwinds from lower rate environment are largely offset by growth in invested asset base driven by strong operating cash flows
- Limited partnership and common stock returns driven by continued equity market appreciation