CNA Financial Corporation Fourth Quarter 2022 Results

February 6, 2023

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Fourth Quarter Overview

- Net income of $248 million versus $266 million in the prior year quarter; core income of $274 million versus $265 million in the prior year quarter
- P&C core income of $342 million versus $353 million, reflects lower investment income from limited partnerships and common stock, as well as lower underwriting income from a $36 million increase in pretax catastrophe losses to $76 million.
- Life & Group core loss of $(16) million versus core income of $6 million in the prior year quarter reflects lower investment income from limited partnerships.
- Corporate & Other core loss of $(52) million versus $(94) million in the prior year quarter, includes a non-economic charge related to asbestos and environmental pollution of $28 million after-tax versus $48 million in the prior year quarter.
- P&C combined ratio of 93.7%, compared with 92.9% in the prior year quarter, including 3.6 points of catastrophe loss impact compared with 2.0 points in the prior year quarter. The underlying combined ratio was 91.2%, consistent with the prior year quarter. The underlying loss ratio was 59.9% compared with 60.1% in the prior year quarter.
- P&C segments, excluding third party captives, generated gross written premium growth of 8%, or 9% excluding foreign currency fluctuations. Net written premium growth of 5% in the quarter, or 7% excluding foreign currency fluctuations. P&C renewal premium change of +7%, with written rate of +4% and exposure change of +3%.

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Full Year Overview

- Net income of $894 million versus $1,202 million in the prior year; core income of $1,048 million versus $1,106 million in the prior year
- P&C core income of $1,240 million versus $1,184 million, reflects record high underwriting income of $559 million as well as higher investment income from fixed income securities, partially offset by lower investment income from limited partnerships and common stock.
- Life & Group core loss of $(9) million versus core income of $126 million in the prior year reflects lower investment income from limited partnerships.
- P&C record low combined ratio of 93.2%, compared with 96.2% in the prior year, including 3.0 points of catastrophe loss impact compared with 5.1 points in the prior year. The underlying combined ratio was a record low 91.2% compared with 91.4% in the prior year. The underlying loss ratio was 60.0%, consistent with the prior year.
- P&C segments, excluding third party captives, generated gross written premium growth of 10%, or 11% excluding foreign currency fluctuations. Net written premium growth of 9% in the year, or 10% excluding foreign currency fluctuations. P&C renewal premium change of +8%, with written rate of +5% and exposure change of 3%.

Shareholders' Equity

- Book value per share of $32.58; book value per share excluding AOCI of $45.71, a 7% increase from year-end 2021 adjusting for $3.60 of dividends per share.
- Increased quarterly dividend 5% to $0.42 per share; special dividend of $1.20 per share.

Financial Performance

Second consecutive year of core income in excess of $1 billion and the highest two year total on record

(In millions, except ratios and per share data)	Fourth Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Revenues	**$3,111**	$3,054	2 %	**$11,879**	$11,908	— %
Core income	**274**	265	3 %	**1,048**	1,106	(5)%
Net income	**248**	266	(7)%	**894**	1,202	(26)%
Diluted earnings per common share:						
Core income	**$1.01**	$0.97	4 %	**$3.84**	$4.06	(5)%
Net income	**0.91**	0.98	(7)%	**3.28**	4.41	(26)%
Core ROE	**8.9 %**	8.5 %	0.4 pts	**8.4 %**	9.1 %	(0.7) pts

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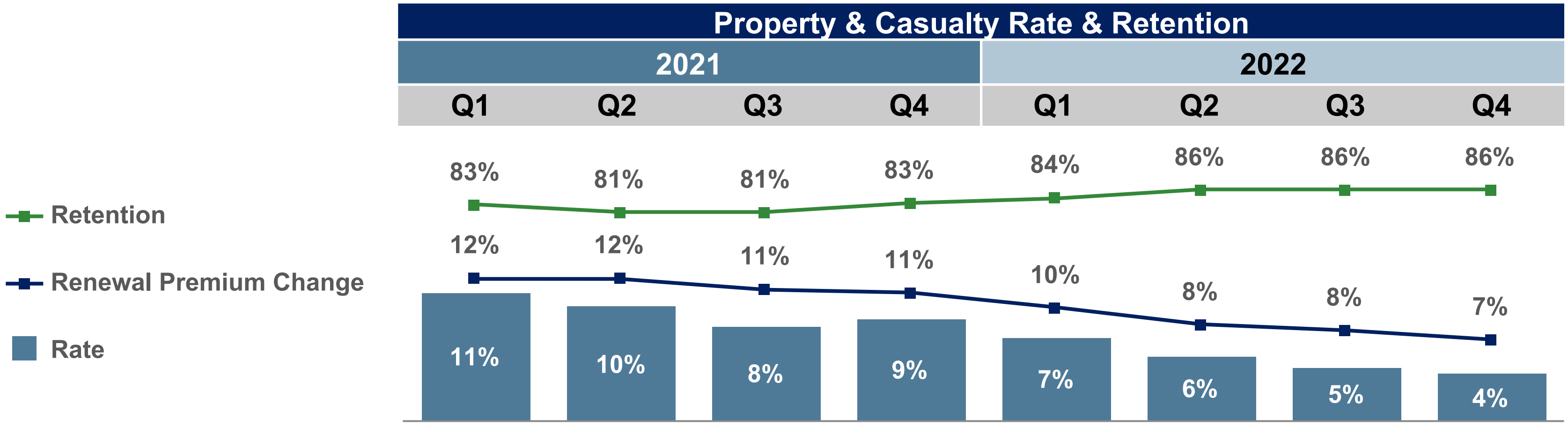
Property & Casualty Operations

Second consecutive year of double-digit GWP ex captives growth and record underwriting results for the year

(In millions, except ratios)	Fourth Quarter		Year to Date	
	2022	**2021**	**2022**	**2021**
GWP ex. 3rd party captives	**$2,704**	$2,513	**$10,264**	$9,303
GWP change (% year over year)	**8 %**		**10 %**	
Net written premium	**$2,284**	$2,166	**$8,663**	$7,921
NWP change (% year over year)	**5 %**		**9 %**	
Net earned premium	**$2,116**	$1,997	**$8,196**	$7,685
NEP change (% year over year)	**6 %**		**7 %**	
Underwriting gain	**$134**	$142	**$559**	$290
Loss ratio excl. catastrophes and development	**59.9 %**	60.1 %	**60.0 %**	60.0 %
Impact of catastrophes	**3.6 %**	2.0 %	**3.0 %**	5.1 %
Impact of development-related items	**(1.1)%**	(0.3)%	**(1.0)%**	(0.3)%
Loss ratio	**62.4 %**	61.8 %	**62.0 %**	64.8 %
Expense ratio	**31.1 %**	30.8 %	**30.9 %**	31.1 %
Combined ratio	**93.7 %**	92.9 %	**93.2 %**	96.2 %
Combined ratio excl. catastrophes and development	**91.2 %**	91.2 %	**91.2 %**	91.4 %

Property & Casualty Production Metrics

Rates continue to moderate slowly while retention remains at high levels



	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
GWP ex. 3rd party captives ($M)	**$2,270**	**$2,296**	**$2,224**	**$2,513**	**$2,454**	**$2,676**	**$2,430**	**$2,704**
New Business ($M)	**$394**	**$393**	**$405**	**$478**	**$451**	**$500**	**$455**	**$470**

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Specialty								
Rate	10%	12%	10%	12%	10%	7%	5%	3%
Retention	86%	85%	80%	83%	84%	85%	88%	88%
Commercial								
Rate	10%	8%	6%	6%	5%	5%	4%	5%
Retention	83%	80%	83%	83%	87%	87%	86%	86%
International								
Rate	14%	14%	13%	13%	9%	6%	6%	4%
Retention	75%	77%	79%	82%	73%	84%	83%	84%

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Specialty

10th consecutive quarter of all-in combined ratio below 90%; record underlying loss ratio for the quarter and year

(In millions, except ratios)	Fourth Quarter		Year to Date	
	2022	2021	2022	2021
GWP ex. 3rd party captives	**$998**	$1,016	**$3,814**	$3,672
GWP change (% year over year)	**(2)%**		**4 %**	
Net written premium	**$863**	$875	**$3,306**	$3,225
NWP change (% year over year)	**(1)%**		**3 %**	
Net earned premium	**$827**	$806	**$3,203**	$3,076
NEP change (% year over year)	**3 %**		**4 %**	
Underwriting gain	**$93**	$81	**$366**	$347
Loss ratio excl. catastrophes and development	**58.4 %**	59.1 %	**58.6 %**	59.1 %
Impact of catastrophes	**— %**	0.4 %	**0.1 %**	0.4 %
Impact of development-related items	**(0.6)%**	(0.6)%	**(1.3)%**	(1.4)%
Loss ratio	**57.8 %**	58.9 %	**57.4 %**	58.1 %
Expense ratio	**30.8 %**	30.9 %	**31.0 %**	30.5 %
Combined ratio	**88.8 %**	89.9 %	**88.6 %**	88.7 %
Combined ratio excl. catastrophes and development	**89.4 %**	90.1 %	**89.8 %**	89.7 %

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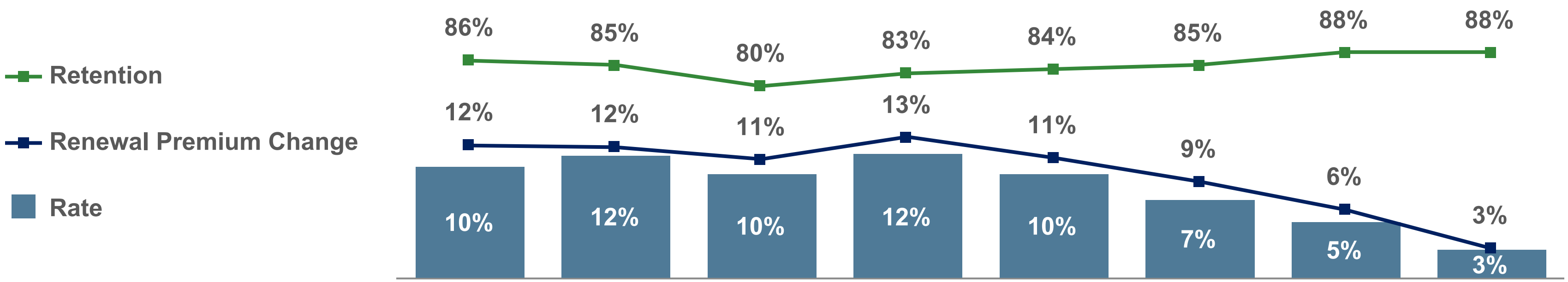
Specialty Production Metrics

Rate moderation in Management Liability, strong retention and earned rate of 8%

Specialty Rate & Retention



	2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GWP ex. 3rd party captives ($M)	**$816**	**$897**	**$943**	**$1,016**	**$885**	**$973**	**$958**	**$998**
New Business ($M)	**$103**	**$121**	**$147**	**$180**	**$145**	**$132**	**$130**	**$141**
FI & Mgmt Liability								
Rate	16%	17%	17%	19%	20%	10%	6%	—%
Retention	89%	88%	86%	86%	89%	90%	89%	88%
Affinity Professional E&O								
Rate	2%	2%	2%	3%	2%	3%	3%	4%
Retention	93%	93%	92%	92%	90%	90%	91%	92%
Medical Malpractice								
Rate	18%	14%	8%	11%	9%	6%	7%	7%
Retention	76%	72%	62%	66%	71%	68%	82%	84%
Surety								
Net Written Premiums	$136	$133	$129	$126	$149	$162	$153	$130
Warranty & Alt. Risks								
Revenues	$381	$407	$406	$430	$437	$444	$451	$454

Commercial

Record underwriting results for the year with 17% premium growth

(In millions, except ratios)	Fourth Quarter		Year to Date	
	2022	**2021**	**2022**	**2021**
GWP ex. 3^{rd} party captives	**$1,345**	$1,158	**$5,056**	$4,334
GWP change (% year over year)	**16 %**		**17 %**	
Net written premium	**$1,096**	$973	**$4,193**	$3,595
NWP change (% year over year)	**13 %**		**17 %**	
Net earned premium	**$1,022**	$923	**$3,923**	$3,552
NEP change (% year over year)	**11 %**		**10 %**	
Underwriting gain (loss)	**$12**	$47	**$106**	($112)
Loss ratio excl. catastrophes and development	**61.5 %**	61.4 %	**61.5 %**	61.0 %
Impact of catastrophes	**7.2 %**	2.9 %	**5.6 %**	10.0 %
Impact of development-related items	**(0.9)%**	(0.2)%	**(0.7)%**	0.5 %
Loss ratio	**67.8 %**	64.1 %	**66.4 %**	71.5 %
Expense ratio	**30.8 %**	30.4 %	**30.4 %**	31.1 %
Combined ratio	**99.0 %**	94.9 %	**97.3 %**	103.1 %
Combined ratio excl. catastrophes and development	**92.7 %**	92.2 %	**92.4 %**	92.6 %

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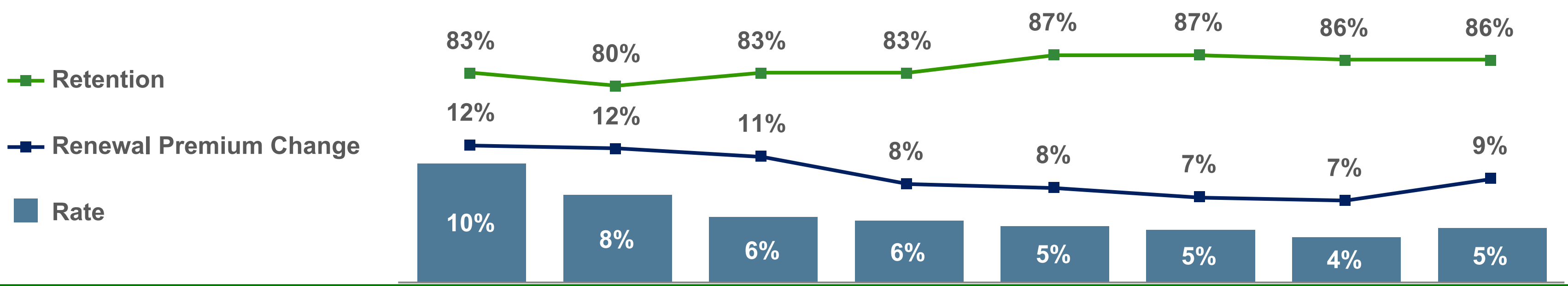
Commercial Production Metrics

Higher rate and renewal premium change with continued strong retention

Commercial Rate & Retention



	2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GWP ex. 3rd party captives ($M)	**$1,111**	**$1,060**	**$1,005**	**$1,158**	**$1,206**	**$1,321**	**$1,184**	**$1,345**
New Business ($M)	**$211**	**$201**	**$204**	**$228**	**$228**	**$280**	**$246**	**$255**
Middle Market								
Rate	8%	5%	4%	4%	3%	3%	2%	3%
Retention	82%	77%	84%	84%	83%	87%	87%	85%
Construction								
Rate	10%	9%	7%	6%	5%	5%	4%	5%
Retention	84%	86%	83%	85%	90%	90%	83%	88%
National Accounts								
Rate	23%	15%	12%	10%	11%	10%	8%	11%
Retention	81%	73%	80%	83%	85%	86%	88%	88%
Small Business								
Rate	1%	1%	1%	3%	3%	3%	2%	2%
Retention	84%	84%	85%	83%	85%	84%	85%	85%
Marine / Other								
Net Written Premium	$63	$66	$62	$72	$72	$101	$82	$78

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International

Record underwriting results for the year with NWP up +13% ex currency fluctuations

(In millions, except ratios)	Fourth Quarter		Year to Date	
	2022	**2021**	**2022**	**2021**
Gross written premium	**$361**	$339	**$1,394**	$1,297
GWP change (% year over year)[1]	**6 %**		**7 %**	
Net written premium	**$325**	$318	**$1,164**	$1,101
NWP change (% year over year)[1]	**2 %**		**6 %**	
Net earned premium	**$267**	$268	**$1,070**	$1,057
NEP change (% year over year)	**— %**		**1 %**	
Underwriting gain	**$29**	$14	**$87**	$55
Loss ratio excl. catastrophes and development	**58.1 %**	58.5 %	**58.5 %**	59.0 %
Impact of catastrophes	**0.9 %**	4.1 %	**2.2 %**	2.6 %
Impact of development-related items	**(3.0)%**	(0.2)%	**(1.2)%**	0.1 %
Loss ratio	**56.0 %**	62.4 %	**59.5 %**	61.7 %
Expense ratio	**32.9 %**	32.4 %	**32.3 %**	33.1 %
Combined ratio	**88.9 %**	94.8 %	**91.8 %**	94.8 %
Combined ratio excl. catastrophes and development	**91.0 %**	90.9 %	**90.8 %**	92.1 %

[1] Excluding currency fluctuations, GWP and NWP grew 16% and 12% for the fourth quarter and grew 14% and 13% for the year.

Life & Group

LTC results impacted by unfavorable limited partnership returns

(In millions)	Fourth Quarter		Year to Date	
	2022	2021	2022	2021
Net earned premiums	$117	$122	$473	$491
Net investment income	204	242	804	966
Other revenues	(1)	1	(1)	—
Total operating revenues	**$320**	**$365**	**$1,276**	**$1,457**
Total claims, benefits and expenses	349	371	1,329	1,352
Income tax benefit	13	12	44	21
Core (loss) income	**($16)**	**$6**	**($9)**	**$126**

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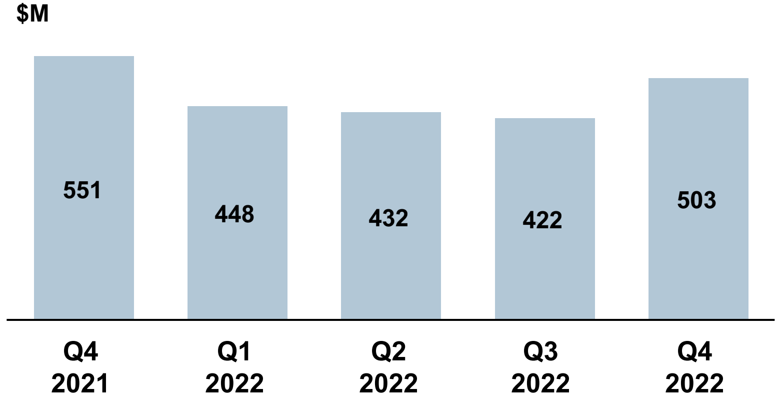
Pretax Net Investment Income

Higher yield on fixed income securities a significant earnings tailwind

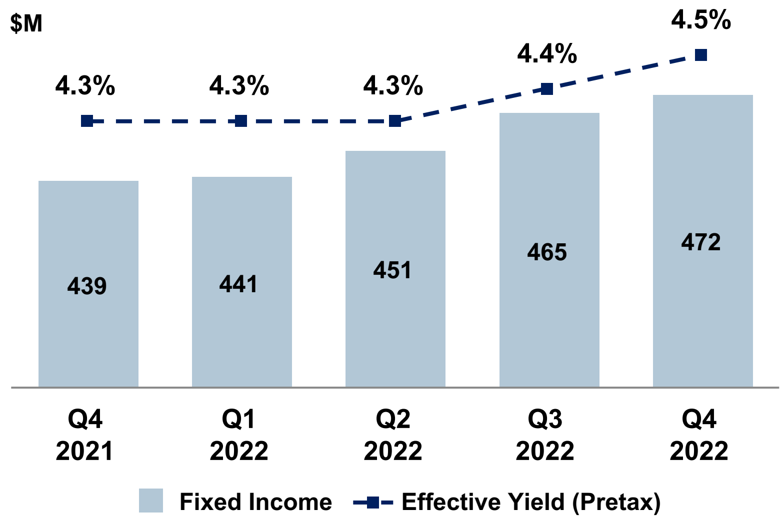
Total CNAF



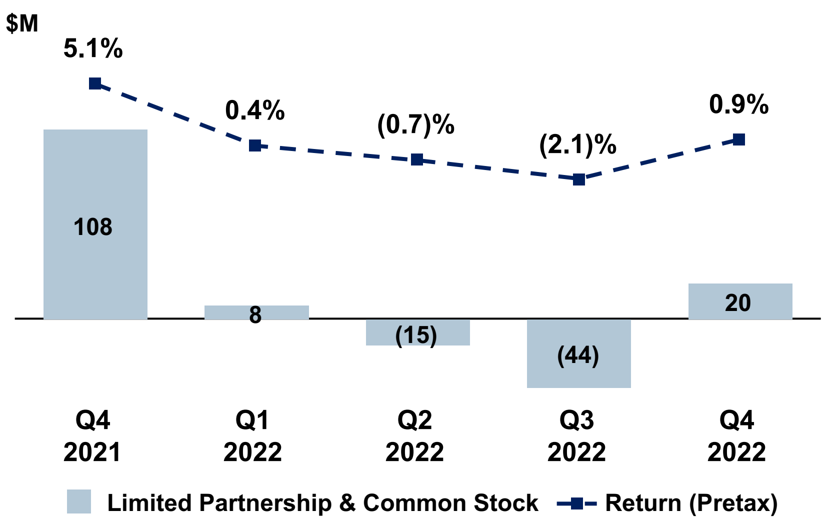
Highlights

- Net investment income of $503M includes a $88M decline from LPs and common stock (which we include in core income) and a $33M increase from fixed income
- Fixed income continues to benefit from strong operating cash flows and favorable reinvestment yields; the effective income yield on fixed income increased to 4.5% during the quarter

Fixed Income Securities



Limited Partnership & Common Stock



Investment Portfolio

Diversified and liquid investment portfolio

Fixed Maturities by Rating	% of Portfolio
AAA	12%
AA	17%
A	24%
BBB	42%
Investment Grade	**95%**
Below Investment Grade	5%
Total Fixed Maturities	**100%**

Effective Portfolio Duration	
Life & Group	9.9 yrs
P&C and Corporate	4.7 yrs
Total	**6.6 yrs**

Net Unrealized Impact on Stockholders' Equity (S/E)	Q4 2021	Q4 2022	YTD Change
Unrealized Gain/(Loss)	$4,446	($3,403)	$ (7,849)
Shadow Adjustment[1]	(3,136)	(77)	3,059
Tax Effect	(273)	735	1,008
Net Impact to S/E	**$ 1,037**	**$ (2,745)**	**$ (3,782)**
BVPS Impact			***$ (13.96)***

Highlights

- 88% of total invested assets are in fixed income securities
- High-quality portfolio with an average credit rating of “A”
- Life & Group duration lengthened to 9.9 years from 9.2 years at Q4 2021 which reflects strategic repositioning to capitalize on higher rates and reduce reinvestment risk
- Higher rate environment positively impacts the outlook for investment income while adversely impacting our net unrealized position and stockholders' equity
- Shadow adjustments apply to the extent there are unrealized investment gains on fixed income securities backing LTC reserves

[1] As of Q4 2022 the investments supporting LTC reserves were in a net unrealized loss position. Accordingly, no shadow adjustment was applied to LTC. The shadow adjustment at Q4 2022 relates exclusively to the assets supporting structured settlement reserves.

Financial Strength

Conservative capital and debt profile and ample liquidity support business objectives

(In millions, except per share data)	Dec 31, 2022	Dec 31, 2021
Debt	**$2,781**	$2,779
Stockholders' equity	**8,825**	12,809
Total capital	**$11,606**	$15,588
AOCI	**(3,557)**	320
Capital ex AOCI	**$ 15,163**	$ 15,268
BVPS ex AOCI	**$45.71**	$46.02
Dividends per share (YTD)	**$3.60**	$2.27
Debt-to-capital	**24.0%**	17.8%
Debt-to-capital ex AOCI	**18.3%**	18.2%
Statutory surplus	**$10,572**	$11,321
Holding company liquidity[1]	**$1,041**	$1,126

Capital

- Financial strength rating of A+ from S&P was affirmed during the fourth quarter with a stable outlook
- Financial strength ratings of A for AM Best and A+ from Fitch were affirmed during the third quarter with stable outlooks
- Statutory surplus is stable, adjusted for dividends
- Adjusting for dividends, book value per share ex AOCI increased 7%

Leverage

- Debt maturity schedule is termed out to effectively manage refinancing
- Next debt maturity of $243M in the fourth quarter of 2023

Liquidity

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

[1] Includes $250 million available under credit facility

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