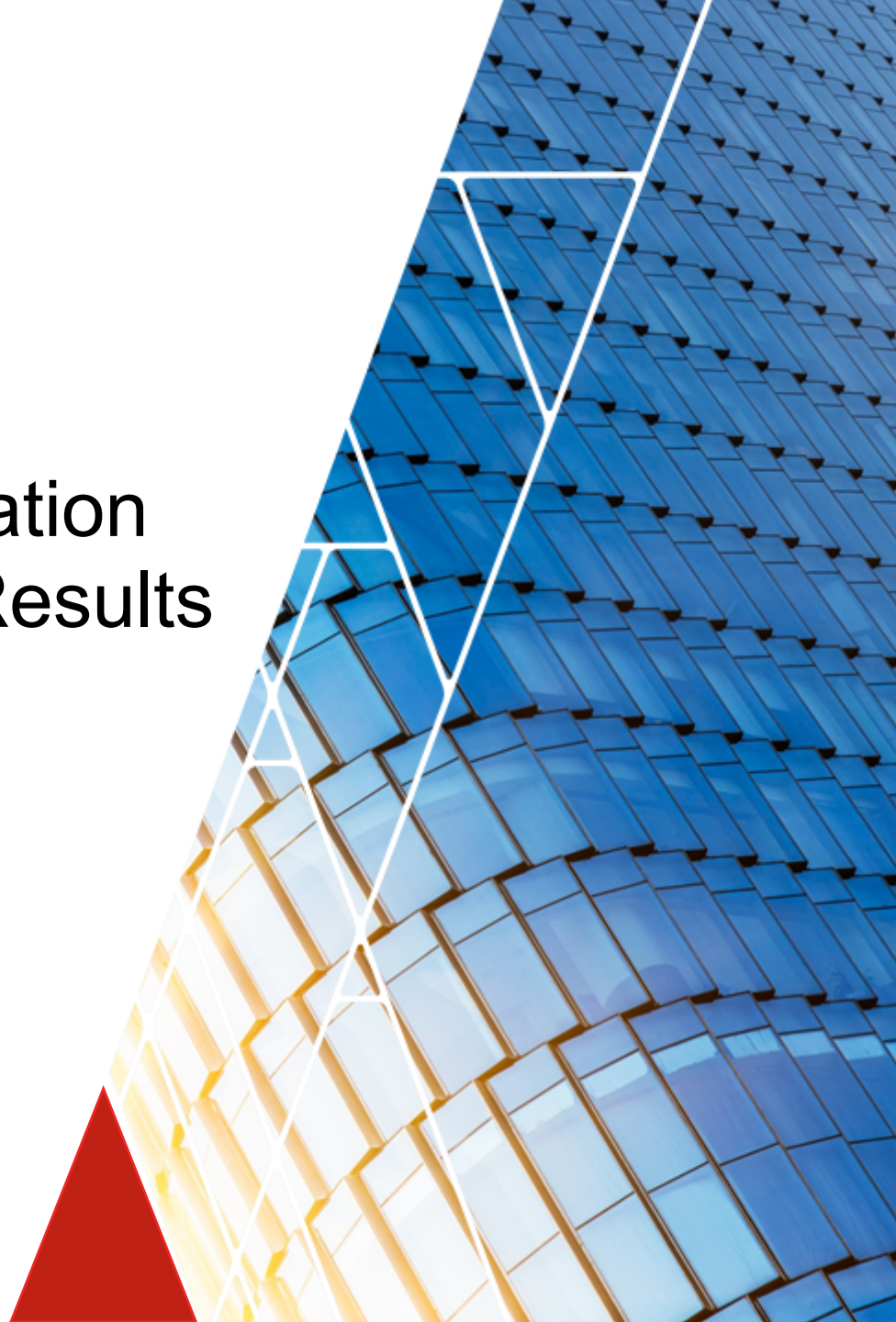




# CNA Financial Corporation Fourth Quarter 2019 Results

February 10, 2020



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# Fourth Quarter and Full Year Highlights

## Fourth Quarter

- Net income of \$273 million or \$1.00 per share; includes non-economic asbestos and environmental pollution charge of \$48 million, \$0.18 per share
- Core income of \$265 million or \$0.97 per share; includes non-economic asbestos and environmental pollution charge of \$48 million, \$0.18 per share
- Combined ratio of 95.6%; underlying combined ratio of 94.9%
- Gross written premium (ex. 3<sup>rd</sup> party captives) growth of 8%
- Premium rate +7%, up 1 point from the third quarter

## Full Year

- Net income of \$1 billion or \$3.67 per share
- Core income of \$979 million or \$3.59 per share
- Underlying combined ratio of 94.8%, a 0.6 point improvement from 2018
- Underlying loss ratio of 61.0%, a 0.8 point improvement from 2018
- Gross written premium (ex. 3<sup>rd</sup> party captives) growth of 7%

## Capital Management

- Returned \$946 million of capital to shareholders during 2019
- Increased quarterly dividend 6% to \$0.37 per share + \$2.00 per share special dividend



# Financial Performance

Core income of \$265M in the fourth quarter; full year 2019 of \$979M, up 16%

*(In millions, except ratios and per share data)*

	Fourth Quarter			Year to Date		
	2019	2018	Change	2019	2018	Change
Revenues	<b>\$2,777</b>	\$2,403	16 %	<b>\$10,767</b>	\$10,134	6 %
Core income	<b>265</b>	(23)	N/M	<b>979</b>	845	16 %
Net income	<b>273</b>	(84)	N/M	<b>1,000</b>	813	23 %
Diluted earnings per common share:						
Core income	<b>\$0.97</b>	(\$0.08)	N/M	<b>\$3.59</b>	\$3.10	16 %
Net income	<b>1.00</b>	(0.31)	N/M	<b>3.67</b>	2.98	23 %
Core ROE	<b>8.8 %</b>	(0.7)%	N/M	<b>8.1 %</b>	7.0 %	1.1 pts

	Dec 31, 2019	Dec 31, 2018	Change
Book value per common share	<b>\$45.00</b>	\$41.32	9 %
Book value per common share ex. AOCI	<b>44.81</b>	44.55	1 %
Dividends paid per share (YTD)	<b>3.40</b>	3.30	

# Property & Casualty Operations

Continued premium growth along with improved underlying combined ratio throughout 2019

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2019	2018	2019	2018
GWP ex. 3 <sup>rd</sup> party captives	<b>\$1,892</b>	\$1,755	<b>\$7,735</b>	\$7,252
<i>GWP change (% year over year)</i>	<b>8 %</b>		<b>7 %</b>	
Net written premium	<b>\$1,746</b>	\$1,659	<b>\$7,134</b>	\$6,822
<i>NWP change (% year over year)</i>	<b>5 %</b>		<b>5 %</b>	
Underwriting gain (loss)	<b>\$76</b>	(\$92)	<b>\$227</b>	\$226
Loss ratio excl. catastrophes and development	<b>60.9 %</b>	64.4 %	<b>61.0 %</b>	61.8 %
Impact of catastrophes	<b>2.9 %</b>	8.6 %	<b>2.6 %</b>	3.7 %
Impact of development-related items	<b>(2.2)%</b>	(1.2)%	<b>(0.7)%</b>	(2.4)%
Loss ratio	<b>61.6 %</b>	71.8 %	<b>62.9 %</b>	63.1 %
Expense ratio	<b>33.7 %</b>	33.2 %	<b>33.5 %</b>	33.2 %
Combined ratio	<b>95.6 %</b>	105.4 %	<b>96.7 %</b>	96.7 %
Combined ratio excl. catastrophes and development	<b>94.9 %</b>	98.0 %	<b>94.8 %</b>	95.4 %

# Specialty

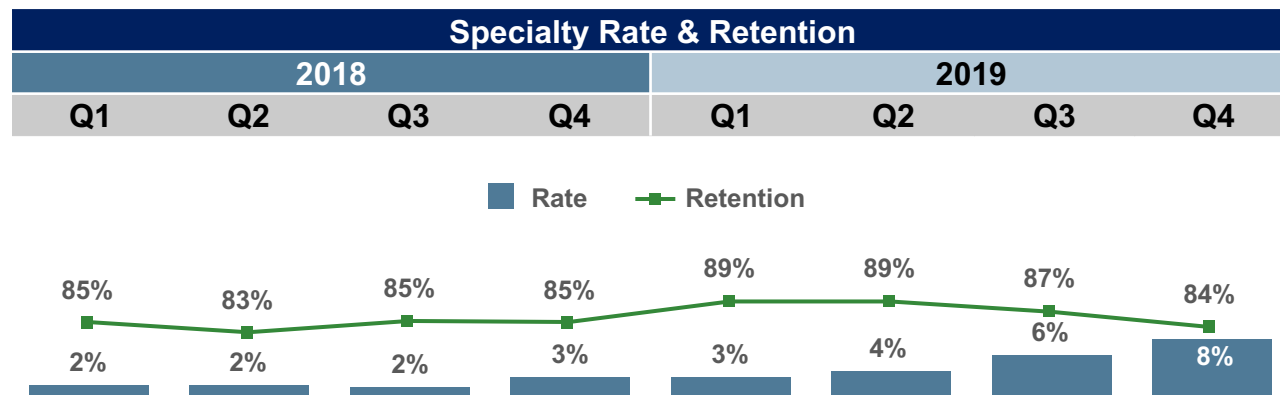
Continued strong growth with consistent underlying combined and loss ratio performance

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2019	2018	2019	2018
GWP ex. 3 <sup>rd</sup> party captives	<b>\$752</b>	\$705	<b>\$3,015</b>	\$2,834
<i>GWP change (% year over year)</i>	<b>7 %</b>		<b>6 %</b>	
Net written premium	<b>\$705</b>	\$682	<b>\$2,848</b>	\$2,744
<i>NWP change (% year over year)</i>	<b>3 %</b>		<b>4 %</b>	
Underwriting gain (loss)	<b>\$83</b>	\$60	<b>\$271</b>	\$323
Loss ratio excl. catastrophes and development	<b>60.7 %</b>	61.1 %	<b>60.3 %</b>	60.4 %
Impact of catastrophes	<b>(0.2)%</b>	0.6 %	<b>0.5 %</b>	1.0 %
Impact of development-related items	<b>(4.9)%</b>	(3.7)%	<b>(3.3)%</b>	(5.5)%
Loss ratio	<b>55.6 %</b>	58.0 %	<b>57.5 %</b>	55.9 %
Expense ratio	<b>32.4 %</b>	33.0 %	<b>32.5 %</b>	32.1 %
Combined ratio	<b>88.2 %</b>	91.2 %	<b>90.2 %</b>	88.2 %
Combined ratio excl. catastrophes and development	<b>93.3 %</b>	94.3 %	<b>93.0 %</b>	92.7 %

# Specialty Production Metrics

Positive rate momentum continues; retention down driven by Healthcare



<b>GWP ex. 3rd party captives (\$M)</b>	<b>\$703</b>	<b>\$712</b>	<b>\$714</b>	<b>\$705</b>	<b>\$730</b>	<b>\$755</b>	<b>\$778</b>	<b>\$752</b>
<b>New Business (\$M)</b>	<b>\$80</b>	<b>\$93</b>	<b>\$93</b>	<b>\$87</b>	<b>\$86</b>	<b>\$97</b>	<b>\$91</b>	<b>\$93</b>

<b>Healthcare</b>								
<b>Rate</b>	10%	7%	5%	9%	10%	14%	18%	19%
<b>Retention</b>	81%	73%	86%	81%	85%	83%	80%	66%
<b>Mgmt &amp; Prof Liability</b>								
<b>Rate</b>	—%	—%	1%	1%	1%	2%	4%	5%
<b>Retention</b>	87%	85%	85%	86%	90%	90%	89%	89%
<b>Surety</b>								
<b>Net Written Premiums</b>	\$127	\$134	\$126	\$111	\$134	\$136	\$130	\$117
<b>Warranty &amp; Alt. Risks</b>								
<b>Revenues</b>	\$280	\$289	\$297	\$303	\$323	\$326	\$332	\$342



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

# Commercial

Double-digit GWP growth; consistent underlying combined ratio

(In millions, except ratios)

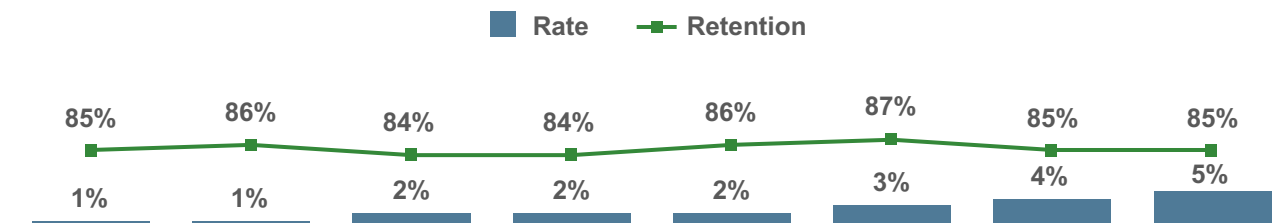
	Fourth Quarter		Year to Date	
	2019	2018	2019	2018
GWP ex. 3 <sup>rd</sup> party captives	<b>\$867</b>	\$784	<b>\$3,609</b>	\$3,267
<i>GWP change (% year over year)</i>	<b>11 %</b>		<b>10 %</b>	
Net written premium	<b>\$779</b>	\$721	<b>\$3,315</b>	\$3,060
<i>NWP change (% year over year)</i>	<b>8 %</b>		<b>8 %</b>	
Underwriting gain (loss)	<b>(\$8)</b>	(\$101)	<b>(\$28)</b>	(\$33)
Loss ratio excl. catastrophes and development	<b>61.4 %</b>	63.9 %	<b>61.7 %</b>	61.2 %
Impact of catastrophes	<b>6.5 %</b>	15.7 %	<b>4.9 %</b>	6.4 %
Impact of development-related items	<b>(1.3)%</b>	0.7 %	<b>0.7 %</b>	(0.3)%
Loss ratio	<b>66.6 %</b>	80.3 %	<b>67.3 %</b>	67.3 %
Expense ratio	<b>33.6 %</b>	32.3 %	<b>32.9 %</b>	33.1 %
Combined ratio	<b>100.6 %</b>	113.3 %	<b>100.8 %</b>	101.1 %
Combined ratio excl. catastrophes and development	<b>95.4 %</b>	96.9 %	<b>95.2 %</b>	95.0 %



# Commercial Production Metrics

Rate momentum and new business growth continue

Commercial Rate & Retention							
2018				2019			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4



<b>GWP ex. 3rd party captives (\$M)</b>	<b>\$876</b>	<b>\$851</b>	<b>\$756</b>	<b>\$784</b>	<b>\$932</b>	<b>\$958</b>	<b>\$852</b>	<b>\$867</b>
<b>New Business (\$M)</b>	<b>\$182</b>	<b>\$158</b>	<b>\$122</b>	<b>\$105</b>	<b>\$163</b>	<b>\$186</b>	<b>\$173</b>	<b>\$161</b>

Middle Market								
Rate	—%	—%	1%	2%	2%	2%	3%	4%
Retention	84%	86%	85%	82%	86%	87%	86%	85%
Small Business								
Rate	2%	1%	1%	(1)%	(3)%	(3)%	(1)%	(1)%
Retention	81%	81%	84%	84%	85%	86%	86%	84%
Other								
Rate	3%	2%	3%	4%	6%	8%	11%	11%
Retention	89%	88%	83%	88%	87%	86%	84%	86%

# International

Re-underwriting efforts and significant rate improvement reflected in improved underlying combined ratio

(In millions, except ratios)

	Fourth Quarter		Year to Date	
	2019	2018	2019	2018
Gross written premium	<b>\$274</b>	\$266	<b>\$1,111</b>	\$1,150
<i>GWP change (% year over year)</i>	<b>3 %</b>		<b>(3)%</b>	
Net written premium	<b>\$262</b>	\$256	<b>\$971</b>	\$1,018
<i>NWP change (% year over year)</i>	<b>2 %</b>		<b>(5)%</b>	
Underwriting gain (loss)	<b>\$1</b>	(\$51)	<b>(\$16)</b>	(\$64)
Loss ratio excl. catastrophes and development	<b>59.7 %</b>	74.9 %	<b>60.9 %</b>	66.9 %
Impact of catastrophes	<b>— %</b>	8.2 %	<b>1.1 %</b>	3.3 %
Impact of development-related items	<b>2.6 %</b>	0.2 %	<b>2.1 %</b>	(0.4)%
Loss ratio	<b>62.3 %</b>	83.3 %	<b>64.1 %</b>	69.8 %
Expense ratio	<b>38.0 %</b>	36.2 %	<b>37.7 %</b>	36.7 %
Combined ratio	<b>100.3 %</b>	119.5 %	<b>101.8 %</b>	106.5 %
Combined ratio excl. catastrophes and development	<b>97.7 %</b>	111.1 %	<b>98.6 %</b>	103.6 %

# Life & Group

Q4 results reflect reset assumptions following active life reserve unlocking

(In millions)

	Fourth Quarter		Year to Date	
	2019	2018	2019	2018
Net earned premiums	\$130	\$132	\$520	\$530
Net investment income	204	203	820	801
Other revenues	—	2	—	2
<b>Total operating revenues</b>	<b>\$334</b>	<b>\$337</b>	<b>\$1,340</b>	<b>\$1,333</b>
Total claims, benefits and expenses	354	344	1,539 <sup>1</sup>	1,347
Income tax benefit	16	14	90	57
<b>Core (loss) income</b>	<b>(\$4)</b>	<b>\$7</b>	<b>(\$109)</b> <sup>1</sup>	<b>\$43</b>

# Financial Strength

Balance Sheet remains strong

	Dec 31, 2019	Dec 31, 2018
Debt	<b>\$2,679</b>	\$2,680
Common equity	<b>12,215</b>	11,217
Total capital	<b>\$14,894</b>	\$13,897
Debt-to-capital	<b>18.0 %</b>	19.3 %
Book value per common share excluding AOCI	<b>\$44.81</b>	\$44.55
Dividends per share paid (YTD)	<b>\$3.40</b>	\$3.30
Holding company cash	<b>\$522</b>	\$520
Total investments	<b>\$47.7b</b>	\$44.5b
Statutory surplus	<b>\$10.8b</b>	\$10.4b

## Capital

- Conservative capital structure
- All capital metrics at or better than target levels
- Financial strength upgrade from S&P in the quarter

## Leverage

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

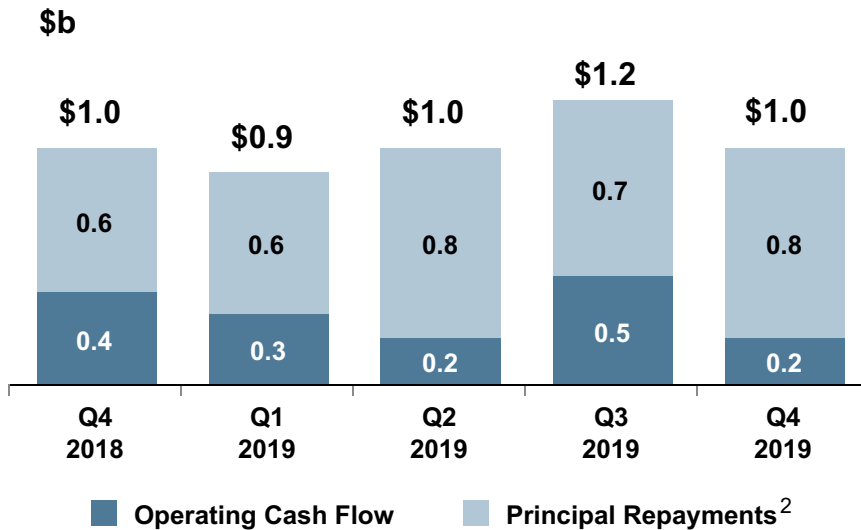
## Liquidity

- Liquidity profile remains very strong
- \$160 million Q4 operating cash flow

# Strong Liquidity Profile

Ample operating cash flow and liquidity

## Operating Company Liquidity<sup>1</sup>



## Holding Co. Liquidity & Obligations

\$M

As of Dec 31, 2019

2019 Operating company dividend capacity	\$1,383
Less: Last twelve months dividends	<u>(1,065)</u>
Current operating company dividend capacity	318
Holding company cash	522
Availability under credit facility	<u>250</u>
<b>Net corporate sources</b>	<b>\$1,090</b>
Interest expense on outstanding debt	\$122
Common quarterly dividends (\$0.37/share)	<u>402</u>
<b>Estimated annual pretax corporate obligations</b>	<b>\$524</b>



<sup>1</sup> Excludes availability under Federal Home Loan Bank facility

<sup>2</sup> 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, 2019 Asset Class (\$M)	Carrying Value		Net Unrealized Gains (Losses)
	\$	%	\$
Short Term	1,861	4 %	—
US Government	145	— %	(1)
Agency RMBS	3,954	8 %	97
Foreign Government	504	1 %	13
Investment Grade Corp	20,379	43 %	2,199
Tax Exempt Muni	7,804	16 %	1,155
Taxable Muni	2,848	6 %	404
CMBS and ABS	4,308	9 %	118
Non Agency RMBS	565	1 %	35
Below Investment Grade Corp	1,690	4 %	61
Preferred Equity	723	2 %	—
Common Equity	142	— %	—
Limited Partnerships / Other	1,827	4 %	—
Mortgage Loans	994	2 %	—
<b>Total Invested Assets<sup>1</sup></b>	<b>47,744</b>	<b>100 %</b>	<b>4,081</b>

## Highlights

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

### Effective Portfolio Duration

Life & Group	8.9 yrs
P&C & Corporate	4.1 yrs
<b>Total</b>	<b>6.0 yrs</b>



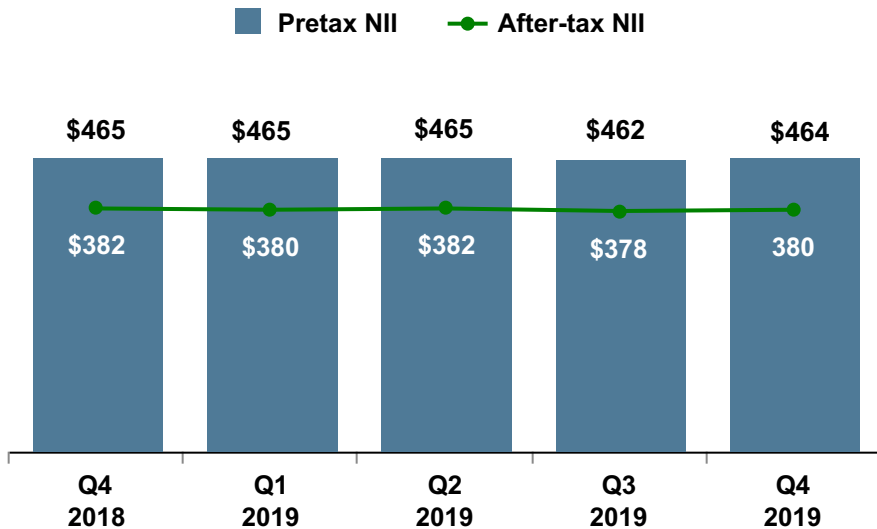
<sup>1</sup> Net unrealized gain after shadow adjustment was \$1,299 million

# Net Investment Income

Steady fixed income contributions; positive limited partnership results

## Fixed Income

\$M

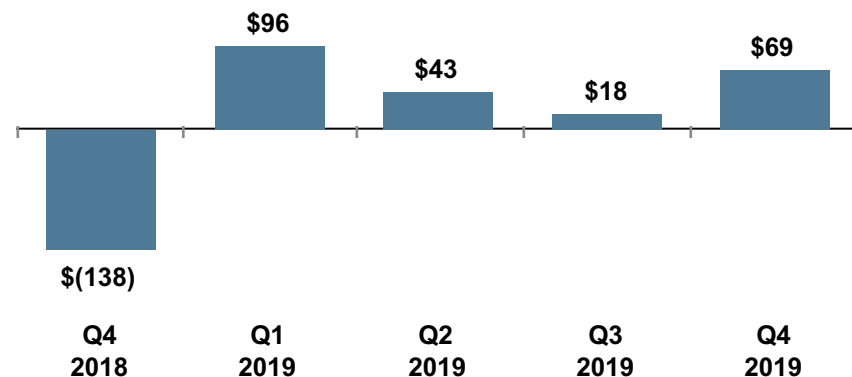


### Effective Income Yield, After-Tax

3.9%    3.9%    3.9%    3.9%    3.9%

## Limited Partnerships & Common Equities

\$M



### Quarterly Pretax Return

(5.7)%    4.5%    2.1%    0.9%    3.7%

