

LOEWS CORP  
Form 10-Q  
July 31, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**  
**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended June 30, 2017**

**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 1-6541**

**LOEWS CORPORATION**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**667 Madison Avenue, New York, N.Y. 10065-8087**

**(Address of principal executive offices) (Zip Code)**

**(212) 521-2000**

**(Registrant's telephone number, including area code)**

**NOT APPLICABLE**

**(Former name, former address and former fiscal year, if changed since last report)**

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 to submit and post such files).

Yes  No  Not Applicable

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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
 Emerging growth company

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

Class  
Common stock, \$0.01 par value

Outstanding at July 21, 2017  
336,601,242 shares

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED BALANCE SHEETS****(Unaudited)**

	<b>June 30, 2017</b>	December 31, 2016
<b>(Dollar amounts in millions, except per share data)</b>		
<b>Assets:</b>		
Investments:		
Fixed maturities, amortized cost of \$38,982 and \$38,947	\$ 42,065	\$ 41,494
Equity securities, cost of \$603 and \$571	607	549
Limited partnership investments	3,254	3,220
Other invested assets, primarily mortgage loans	748	683
Short term investments	4,932	4,765
Total investments	51,606	50,711
Cash	357	327
Receivables	7,977	7,644
Property, plant and equipment	15,447	15,230
Goodwill	647	346
Other assets	2,420	1,736
Deferred acquisition costs of insurance subsidiaries	647	600
Total assets	\$ 79,101	\$ 76,594

**Liabilities and Equity:**

Insurance reserves:		
Claim and claim adjustment expense	\$ 22,179	\$ 22,343
Future policy benefits	10,824	10,326
Unearned premiums	4,107	3,762
Total insurance reserves	37,110	36,431
Payable to brokers	478	150
Short term debt	192	110
Long term debt	11,094	10,668
Deferred income taxes	852	636
Other liabilities	5,269	5,238
Total liabilities	54,995	53,233

Commitments and contingent liabilities

Preferred stock, \$0.10 par value:

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Authorized 100,000,000 shares		
Common stock, \$0.01 par value:		
Authorized 1,800,000,000 shares		
Issued 336,724,742 and 336,621,358 shares	3	3
Additional paid-in capital	3,178	3,187
Retained earnings	15,677	15,196
Accumulated other comprehensive loss	(36)	(223)
	18,822	18,163
Less treasury stock, at cost (123,500 shares)	(6)	
Total shareholders' equity	18,816	18,163
Noncontrolling interests	5,290	5,198
Total equity	24,106	23,361
Total liabilities and equity	\$ 79,101	\$ 76,594

See accompanying Notes to Consolidated Condensed Financial Statements.

**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF INCOME****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>(In millions, except per share data)</b>				
<b>Revenues:</b>				
Insurance premiums	\$ 1,734	\$ 1,730	\$ 3,379	\$ 3,429
Net investment income	478	587	1,082	1,009
Investment gains (losses):				
Other-than-temporary impairment losses	(2)	(15)	(4)	(38)
Other net investment gains	45	16	81	11
Total investment gains (losses)	43	1	77	(27)
Contract drilling revenues	392	357	756	801
Other revenues	712	632	1,365	1,268
Total	3,359	3,307	6,659	6,480
<b>Expenses:</b>				
Insurance claims and policyholders' benefits	1,280	1,339	2,573	2,747
Amortization of deferred acquisition costs	312	305	617	612
Contract drilling expenses	196	198	400	411
Other operating expenses (Note 5)	1,085	1,611	1,931	2,518
Interest	139	130	281	273
Total	3,012	3,583	5,802	6,561
Income (loss) before income tax	347	(276)	857	(81)
Income tax expense	(69)	(12)	(188)	(8)
Net income (loss)	278	(288)	669	(89)
Amounts attributable to noncontrolling interests	(47)	223	(143)	126
Net income (loss) attributable to Loews Corporation	\$ 231	\$ (65)	\$ 526	\$ 37
<b>Basic and diluted net income (loss) per share</b>	<b>\$ 0.69</b>	<b>\$ (0.19)</b>	<b>\$ 1.56</b>	<b>\$ 0.11</b>
<b>Dividends per share</b>	<b>\$ 0.0625</b>	<b>\$ 0.0625</b>	<b>\$ 0.125</b>	<b>\$ 0.125</b>
<b>Weighted average shares outstanding:</b>				
Shares of common stock	336.91	338.72	336.90	338.91
Dilutive potential shares of common stock	0.81	0.80	0.80	0.19
	337.72	338.72	337.70	339.10

Total weighted average shares outstanding assuming  
dilution

*See accompanying Notes to Consolidated Condensed Financial Statements.*

**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>(In millions)</b>				
Net income (loss)	\$ 278	\$ (288)	\$ 669	\$ (89)
Other comprehensive income (loss), after tax				
Changes in:				
Net unrealized gains (losses) on investments with other- than-temporary impairments		(1)	(4)	4
Net other unrealized gains on investments	77	321	144	549
Total unrealized gains on available-for-sale investments	77	320	140	553
Unrealized gains on cash flow hedges				1
Pension liability	7	5	15	13
Foreign currency translation	42	(48)	53	(34)
Other comprehensive income	126	277	208	533
Comprehensive income (loss)	404	(11)	877	444
Amounts attributable to noncontrolling interests	(60)	191	(164)	69
Total comprehensive income attributable to Loews Corporation	\$ 344	\$ 180	\$ 713	\$ 513

*See accompanying Notes to Consolidated Condensed Financial Statements.*



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## Loews Corporation and Subsidiaries

## CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

(Unaudited)

	Loews Corporation Shareholders						
	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury	Noncontrolling Interests
<b>(In millions)</b>							
Balance, January 1, 2016	\$ 22,810	\$ 3	\$ 3,184	\$ 14,731	\$ (357)	\$ -	\$ 5,249
Net income (loss)	(89)			37			(126)
Other comprehensive income	533				476		57
Dividends paid	(136)			(42)			(94)
Purchases of subsidiary stock from noncontrolling interests	(9)		3				(12)
Purchases of Loews treasury stock	(98)					(98)	
Stock-based compensation	24		23				1
Other	(4)		(13)	(2)			11
Balance, June 30, 2016	\$ 23,031	\$ 3	\$ 3,197	\$ 14,724	\$ 119	\$ (98)	\$ 5,086
<b>Balance, January 1, 2017</b>	<b>\$ 23,361</b>	<b>\$ 3</b>	<b>\$ 3,187</b>	<b>\$ 15,196</b>	<b>\$ (223)</b>	<b>\$ -</b>	<b>\$ 5,198</b>
<b>Net income</b>	<b>669</b>			<b>526</b>			<b>143</b>
<b>Other comprehensive income</b>	<b>208</b>				<b>187</b>		<b>21</b>
<b>Dividends paid</b>	<b>(138)</b>			<b>(42)</b>			<b>(96)</b>
	<b>(6)</b>					<b>(6)</b>	

**Purchases of  
Loews treasury  
stock**

<b>Stock-based compensation</b>	<b>14</b>	<b>(9)</b>	<b>23</b>
<b>Other</b>	<b>(2)</b>	<b>(3)</b>	<b>1</b>
<b>Balance, June 30, 2017</b>	<b>\$ 24,106</b>	<b>\$ 3</b>	<b>\$ 3,178</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(36)</b>	<b>(6)</b>	<b>5,290</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>

*See accompanying Notes to Consolidated Condensed Financial Statements.*

**Table of Contents****Loews Corporation and Subsidiaries****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(Unaudited)**

<b>Six Months Ended June 30</b>	<b>2017</b>	<b>2016</b>
<b>(In millions)</b>		
<b>Operating Activities:</b>		
Net income (loss)	\$ 669	\$ (89)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities, net	614	1,389
Changes in operating assets and liabilities, net:		
Receivables	(223)	(429)
Deferred acquisition costs	(41)	(25)
Insurance reserves	262	666
Other assets	(108)	(87)
Other liabilities	(79)	(106)
Trading securities	137	(548)
Net cash flow operating activities	1,231	771
<b>Investing Activities:</b>		
Purchases of fixed maturities	(4,840)	(4,874)
Proceeds from sales of fixed maturities	3,142	3,070
Proceeds from maturities of fixed maturities	1,770	1,247
Purchases of limited partnership investments	(47)	(280)
Proceeds from sales of limited partnership investments	119	124
Purchases of property, plant and equipment	(476)	(895)
Acquisitions	(1,222)	(79)
Dispositions	69	274
Change in short term investments	(29)	148
Other, net	(40)	148
Net cash flow investing activities	(1,554)	(1,117)
<b>Financing Activities:</b>		
Dividends paid	(42)	(42)
Dividends paid to noncontrolling interests	(96)	(94)
Purchases of subsidiary stock from noncontrolling interests		(8)
Purchases of Loews treasury stock	(6)	(86)
Principal payments on debt	(908)	(2,352)
Issuance of debt	1,401	2,843
Other, net	(1)	(1)

Net cash flow financing activities	<b>348</b>	260
Effect of foreign exchange rate on cash	<b>5</b>	(6)
Net change in cash	<b>30</b>	(92)
Cash, beginning of period	<b>327</b>	440
Cash, end of period	<b>\$ 357</b>	\$ 348

*See accompanying Notes to Consolidated Condensed Financial Statements.*

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Loews Corporation and Subsidiaries

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****1. Basis of Presentation**

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation ( CNA ), a 90% owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. ( Diamond Offshore ), a 53% owned subsidiary); transportation and storage of natural gas and natural gas liquids (Boardwalk Pipeline Partners, LP ( Boardwalk Pipeline ), a 51% owned subsidiary); the operation of a chain of hotels (Loews Hotels Holding Corporation ( Loews Hotels & Co ), a wholly owned subsidiary); and the manufacture of rigid plastic packaging solutions (Consolidated Container Company LLC, a 99% owned subsidiary). Unless the context otherwise requires, the terms Company, Loews and Registrant as used herein mean Loews Corporation excluding its subsidiaries and the term Net income (loss) attributable to Loews Corporation as used herein means Net income (loss) attributable to Loews Corporation shareholders.

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of June 30, 2017 and December 31, 2016, results of operations and comprehensive income for the three and six months ended June 30, 2017 and 2016 and changes in shareholders' equity and cash flows for the six months ended June 30, 2017 and 2016. Net income (loss) for the second quarter and first half of each of the years is not necessarily indicative of net income (loss) for that entire year. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The Company presents basic and diluted net income (loss) per share on the Consolidated Condensed Statements of Income. Basic net income (loss) per share excludes dilution and is computed by dividing net income (loss) attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. 0.6 million and 4.7 million shares for the three months ended June 30, 2017 and 2016 and 0.6 million and 5.1 million shares for the six months ended June 30, 2017 and 2016 attributable to employee stock-based compensation awards were not included in the diluted weighted average shares outstanding amounts because the effect would have been antidilutive.

**Accounting changes** In March of 2016, the Financial Accounting Standards Board ( FASB ) issued Accounting Standard Update ( ASU ) 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The updated accounting guidance simplifies the accounting for share-based payment award transactions, including income tax consequences and classification on the statement of cash flows. As of January 1, 2017, the Company adopted the updated accounting guidance and began recognizing excess tax benefits or deficiencies on vesting or settlement of awards as an income tax benefit or expense within net income and the related cash flows classified within operating activities. The change impacted the amount and timing of income tax expense recognition as well as the calculation of diluted earnings per share. The accounting change did not have a material effect on the consolidated financial statements.

**Recently issued ASUs** In May of 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new accounting guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new accounting guidance provides a five-step analysis of transactions to determine when and how revenue is recognized and requires enhanced disclosures about revenue. In August of 2015, the FASB formally amended the effective date of this update to annual reporting periods beginning after December 15, 2017, including interim periods. The guidance can be adopted either retrospectively or with a cumulative effect adjustment at the date of adoption. The Company expects the updated guidance will not have a material effect on its consolidated financial statements.

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In January of 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated accounting guidance requires changes to the reporting model for financial instruments. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company expects the primary change to be the requirement for equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.

In February of 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The updated guidance requires lessees to recognize lease assets and lease liabilities for most operating leases. In addition, the updated guidance requires that lessors separate lease and nonlease components in a contract in accordance with the new revenue guidance in ASU 2014-09. The updated guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The updated accounting guidance requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income. The guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements, and expects the primary changes to be the use of the expected credit loss model for the mortgage loan portfolio and reinsurance receivables and the presentation of credit losses within the available-for-sale fixed maturities portfolio through an allowance method rather than as a direct write-down. The expected credit loss model will require a financial asset to be presented at the net amount expected to be collected. Under the allowance method for available-for-sale debt securities the Company will record reversals of credit losses if the estimate of credit losses declines.

**2. Acquisition of Consolidated Container Company**

On May 22, 2017, the Company completed the previously announced acquisition of CCC Acquisition Holdings, Inc. for \$1.2 billion, subject to closing adjustments. CCC Acquisition Holdings, Inc., through its wholly owned subsidiary, Consolidated Container Company LLC ( Consolidated Container ), is a rigid plastic packaging and recycled resins manufacturer that provides packaging solutions to end markets such as beverage, food and household chemicals through a network of manufacturing locations across North America. The results of Consolidated Container are included in the Consolidated Condensed Financial Statements since the acquisition date in the Corporate segment. Consolidated Container's revenues were \$91 million and, as a result of purchase accounting charges and acquisition costs, net income was not significant for the three and six months ended June 30, 2017. For the year ended December 31, 2016, Consolidated Container reported total revenues of \$788 million.

The acquisition was funded with approximately \$620 million of parent company cash and debt financing proceeds at Consolidated Container of \$600 million, as described below. The following table summarizes the preliminary allocation of the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value as of the acquisition date and is subject to change within the measurement period. The primary areas that are not yet finalized relate to working capital at closing and determination of tax bases of net assets acquired.

**(In millions)**

<b>Cash</b>	<b>\$ 5</b>
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<b>Property, plant and equipment</b>	<b>394</b>
<b>Goodwill</b>	<b>299</b>
<b>Other assets:</b>	
<b>Inventory</b>	<b>57</b>
<b>Customer relationships</b>	<b>457</b>
<b>Trade name</b>	<b>43</b>
<b>Other</b>	<b>122</b>
<b>Deferred income taxes</b>	<b>(17)</b>
<b>Other liabilities:</b>	
<b>Accounts payable</b>	<b>(53)</b>
<b>Pension liability</b>	<b>(27)</b>
<b>Other</b>	<b>(53)</b>
	<b>\$ 1,227</b>



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Customer relationships were valued using an income approach, which values the intangible asset at the present value of the related incremental after tax cash flows. The customer relationships intangible asset will be amortized over a useful life of 21 years. The trade name was valued using an income approach, which values the intangible asset based on an estimate of cost savings, or a relief from royalty. The trade name will be amortized over a useful life of 10 years. Goodwill includes value associated with the assembled workforce and Consolidated Container's future growth and profitability. The assets acquired and liabilities assumed as part of the acquisition did not result in a step up of tax basis and approximately \$94 million of goodwill is deductible for tax purposes.

Consolidated Container entered into a credit agreement providing for a \$605 million term loan and a five year \$125 million asset based lending facility ( ABL facility ) in conjunction with the acquisition. The term loan is a variable rate facility which bears interest at a floating rate equal to the London Interbank Offered Rate ( LIBOR ) plus an applicable margin of 3.5%, subject to a 1.0% floor. The term loan matures on May 22, 2024 and requires annual principal amortization of 1.0% of the original loan amount beginning December 31, 2017. Consolidated Container recorded approximately \$19 million of debt issuance costs, which will be amortized over the terms of the facilities. Consolidated Container entered into interest rate swaps for a notional amount of \$500 million to hedge its cash flow exposure to the variable rate debt. These swaps effectively fix the interest rate on the hedged portion of the term loan at approximately 5.6%. As of June 30, 2017, Consolidated Container had no borrowings outstanding under its ABL facility.

**3. Investments**

Net investment income is as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<b>(In millions)</b>				
Fixed maturity securities	\$ 457	\$ 449	\$ 912	\$ 895
Limited partnership investments	23	47	139	7
Short term investments	4	2	8	5
Equity securities	2	4	3	7
Income (loss) from trading portfolio (a)	(1)	87	33	102
Other	8	13	16	22
Total investment income	493	602	1,111	1,038
Investment expenses	(15)	(15)	(29)	(29)
Net investment income	\$ 478	\$ 587	\$ 1,082	\$ 1,009

(a) Net unrealized gains (losses) related to changes in fair value on trading securities still held were \$(6) and \$60 for the three months ended June 30, 2017 and 2016 and \$19 and \$81 for the six months ended June 30, 2017 and 2016.

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Investment gains (losses) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>(In millions)</b>				
Fixed maturity securities	\$ 44	\$ 4	\$ 76	\$ (13)
Equity securities		3		(2)
Derivative instruments	(3)	(6)	(2)	(13)
Short term investments and other	2		3	1
Investment gains (losses) (a)	\$ 43	\$ 1	\$ 77	\$ (27)

(a) Gross realized gains on available-for-sale securities were \$57 and \$44 for the three months ended June 30, 2017 and 2016 and \$106 and \$89 for the six months ended June 30, 2017 and 2016. Gross realized losses on available-for-sale securities were \$13 and \$37 for the three months ended June 30, 2017 and 2016 and \$30 and \$104 for the six months ended June 30, 2017 and 2016.

The components of other-than-temporary impairment ( OTTI ) losses recognized in earnings by asset type are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>(In millions)</b>				
Fixed maturity securities available-for-sale:				
Corporate and other bonds	\$ 2	\$ 13	\$ 4	\$ 29
Asset-backed:				
Residential mortgage-backed		1		1
Other asset-backed		1		3
Total asset-backed	-	2	-	4
Total fixed maturities available-for-sale	2	15	4	33
Equity securities available-for-sale - common stock				5
Net OTTI losses recognized in earnings	\$ 2	\$ 15	\$ 4	\$ 38

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The amortized cost and fair values of securities are as follows:

June 30, 2017 (In millions)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Unrealized OTTI Losses (Gains)
<b>Fixed maturity securities:</b>					
Corporate and other bonds	\$ 17,823	\$ 1,589	\$ 29	\$ 19,383	
States, municipalities and political subdivisions	12,461	1,380	15	13,826	\$ (13)
<b>Asset-backed:</b>					
Residential mortgage-backed	4,835	124	38	4,921	(27)
Commercial mortgage-backed	1,907	59	14	1,952	
Other asset-backed	1,050	16	5	1,061	
<b>Total asset-backed</b>	<b>7,792</b>	<b>199</b>	<b>57</b>	<b>7,934</b>	<b>(27)</b>
<b>U.S. Treasury and obligations of government-sponsored enterprises</b>					
	113	4	2	115	
Foreign government	438	12	1	449	
Redeemable preferred stock	18	1		19	
Fixed maturities available- for-sale	38,645	3,185	104	41,726	(40)
Fixed maturities trading	337	3	1	339	
<b>Total fixed maturities</b>	<b>38,982</b>	<b>3,188</b>	<b>105</b>	<b>42,065</b>	<b>(40)</b>
<b>Equity securities:</b>					
Common stock	17	5		22	
Preferred stock	91	6	1	96	
Equity securities available-for-sale	108	11	1	118	-
Equity securities trading	495	79	85	489	
<b>Total equity securities</b>	<b>603</b>	<b>90</b>	<b>86</b>	<b>607</b>	<b>-</b>
<b>Total</b>	<b>\$ 39,585</b>	<b>\$ 3,278</b>	<b>\$ 191</b>	<b>\$ 42,672</b>	<b>\$ (40)</b>

December 31, 2016

<b>Fixed maturity securities:</b>					
Corporate and other bonds	\$ 17,711	\$ 1,323	\$ 76	\$ 18,958	\$ (1)
States, municipalities and political subdivisions	12,060	1,213	33	13,240	(16)
<b>Asset-backed:</b>					
Residential mortgage-backed	5,004	120	51	5,073	(28)
Commercial mortgage-backed	2,016	48	24	2,040	
Other asset-backed	1,022	8	5	1,025	
<b>Total asset-backed</b>	<b>8,042</b>	<b>176</b>	<b>80</b>	<b>8,138</b>	<b>(28)</b>
<b>U.S. Treasury and obligations of government-sponsored enterprises</b>					
	83	10		93	
Foreign government	435	13	3	445	
Redeemable preferred stock	18	1		19	
Fixed maturities available-for-sale	38,349	2,736	192	40,893	(45)

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Fixed maturities trading	598	3		601	
Total fixed maturities	38,947	2,739	192	41,494	(45)
Equity securities:					
Common stock	13	6		19	
Preferred stock	93	2	4	91	
Equity securities available-for-sale	106	8	4	110	-
Equity securities trading	465	60	86	439	
Total equity securities	571	68	90	549	-
Total	\$ 39,518	\$ 2,807	\$ 282	\$ 42,043	\$ (45)

The net unrealized gains on investments included in the tables above are recorded as a component of Accumulated other comprehensive income ( AOCI ). When presented in AOCI, these amounts are net of tax and noncontrolling interests and any required Shadow Adjustments. To the extent that unrealized gains on fixed income securities supporting certain long term care products would result in a premium deficiency if realized, a related increase in Insurance reserves is recorded, net of tax and noncontrolling interests, as a reduction of net unrealized gains through

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Other comprehensive income ( Shadow Adjustments ). As of June 30, 2017 and December 31, 2016, the net unrealized gains on investments included in AOCI were correspondingly reduced by Shadow Adjustments of \$1.1 billion and \$909 million (after tax and noncontrolling interests).

The available-for-sale securities in a gross unrealized loss position are as follows:

	Less than 12 Months Gross		12 Months or Longer Gross		Total Gross	
	Unrealized Estimated Fair Value	Unrealized Estimated Losses	Unrealized Estimated Fair Value	Unrealized Estimated Losses	Unrealized Estimated Fair Value	Unrealized Estimated Losses
<b>June 30, 2017</b> (In millions)						
<b>Fixed maturity securities:</b>						
Corporate and other bonds	\$ 1,314	\$ 26	\$ 52	\$ 3	\$ 1,366	\$ 29
States, municipalities and political subdivisions	742	15	24		766	15
<b>Asset-backed:</b>						
Residential mortgage-backed	1,722	34	141	4	1,863	38
Commercial mortgage-backed	473	8	125	6	598	14
Other asset-backed	159	4	14	1	173	5
<b>Total asset-backed</b>	<b>2,354</b>	<b>46</b>	<b>280</b>	<b>11</b>	<b>2,634</b>	<b>57</b>
<b>U.S. Treasury and obligations of government-sponsored enterprises</b>	<b>65</b>	<b>2</b>			<b>65</b>	<b>2</b>
<b>Foreign government</b>	<b>109</b>	<b>1</b>			<b>109</b>	<b>1</b>
<b>Total fixed maturity securities</b>	<b>4,584</b>	<b>90</b>	<b>356</b>	<b>14</b>	<b>4,940</b>	<b>104</b>
<b>Equity securities:</b>						
Common stock	1				1	
Preferred stock	15	1			15	1
<b>Total equity securities</b>	<b>16</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>1</b>
<b>Total</b>	<b>\$ 4,600</b>	<b>\$ 91</b>	<b>\$ 356</b>	<b>\$ 14</b>	<b>\$ 4,956</b>	<b>\$ 105</b>

December 31, 2016

<b>Fixed maturity securities:</b>						
Corporate and other bonds	\$ 2,615	\$ 61	\$ 254	\$ 15	\$ 2,869	\$ 76
States, municipalities and political subdivisions	959	32	23	1	982	33
<b>Asset-backed:</b>						
Residential mortgage-backed	2,136	44	201	7	2,337	51
Commercial mortgage-backed	756	22	69	2	825	24
Other asset-backed	398	5	24		422	5
<b>Total asset-backed</b>	<b>3,290</b>	<b>71</b>	<b>294</b>	<b>9</b>	<b>3,584</b>	<b>80</b>
<b>U.S. Treasury and obligations of government-sponsored enterprises</b>	<b>5</b>				<b>5</b>	

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Foreign government	108	3			108	3
Total fixed maturity securities	6,977	167	571	25	7,548	192
Equity securities	12		13	4	25	4
Total	\$ 6,989	\$ 167	\$ 584	\$ 29	\$ 7,573	\$ 196

Based on current facts and circumstances, the Company believes the unrealized losses presented in the June 30, 2017 securities in a gross unrealized loss position table above are not indicative of the ultimate collectibility of the current amortized cost of the securities, but rather are attributable to changes in interest rates, credit spreads and other factors. The Company has no current intent to sell securities with unrealized losses, nor is it more likely than not that it will be required to sell prior to recovery of amortized cost; accordingly, the Company has determined that there are no additional OTTI losses to be recorded as of June 30, 2017.

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The following table presents the activity related to the pretax credit loss component reflected in Retained earnings on fixed maturity securities still held as of June 30, 2017 and 2016 for which a portion of an OTTI loss was recognized in Other comprehensive income.

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
<b>(In millions)</b>				
Beginning balance of credit losses on fixed maturity securities	\$ 32	\$ 48	\$ 36	\$ 53
Reductions for securities sold during the period	(2)	(7)	(6)	(12)
Ending balance of credit losses on fixed maturity securities	\$ 30	\$ 41	\$ 30	\$ 41

**Contractual Maturity**

The following table presents available-for-sale fixed maturity securities by contractual maturity.

	June 30, 2017		December 31, 2016	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value
<b>(In millions)</b>				
Due in one year or less	\$ 1,590	\$ 1,628	\$ 1,779	\$ 1,828
Due after one year through five years	7,732	8,098	7,566	7,955
Due after five years through ten years	15,754	16,404	15,892	16,332
Due after ten years	13,569	15,596	13,112	14,778
Total	\$ 38,645	\$ 41,726	\$ 38,349	\$ 40,893

Actual maturities may differ from contractual maturities because certain securities may be called or prepaid. Securities not due at a single date are allocated based on weighted average life.

**Table of Contents****Derivative Financial Instruments**

A summary of the aggregate contractual or notional amounts and gross estimated fair values related to derivative financial instruments follows. The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and may not be representative of the potential for gain or loss on these instruments. Gross estimated fair values of derivative positions are currently presented in Equity securities, Receivables and Payable to brokers on the Consolidated Condensed Balance Sheets.

	June 30, 2017		December 31, 2016	
	Contractual/ Notional Amount	Estimated Fair Value Asset (Liability)	Contractual/ Notional Amount	Estimated Fair Value Asset (Liability)
<b>(In millions)</b>				
<b>With hedge designation:</b>				
Interest rate risk:				
Interest rate swaps		\$ 500		
<b>Without hedge designation:</b>				
Equity markets:				
Options purchased	221	\$ 14	\$ 223	\$ 14
written	231	\$ (8)	267	\$ (8)
Futures short	243		225	1
Commodity futures long	37	1	42	
Embedded derivative on funds withheld liability	171		(1)	174 3

**4. Fair Value**

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not observable.

Prices may fall within Level 1, 2 or 3 depending upon the methodology and inputs used to estimate fair value for each specific security. In general, the Company seeks to price securities using third party pricing services. Securities not



priced by pricing services are submitted to independent brokers for valuation and, if those are not available, internally developed pricing models are used to value assets using a methodology and inputs the Company believes market participants would use to value the assets. Prices obtained from third-party pricing services or brokers are not adjusted by the Company.

The Company performs control procedures over information obtained from pricing services and brokers to ensure prices received represent a reasonable estimate of fair value and to confirm representations regarding whether inputs are observable or unobservable. Procedures may include: (i) the review of pricing service methodologies or broker pricing qualifications, (ii) back-testing, where past fair value estimates are compared to actual transactions executed in the market on similar dates, (iii) exception reporting, where period-over-period changes in price are reviewed and

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challenged with the pricing service or broker based on exception criteria, (iv) detailed analysis, where the Company performs an independent analysis of the inputs and assumptions used to price individual securities and (v) pricing validation, where prices received are compared to prices independently estimated by the Company.

Assets and liabilities measured at fair value on a recurring basis are presented in the following tables:

<b>June 30, 2017</b> <b>(In millions)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fixed maturity securities:</b>				
<b>Corporate and other bonds</b>		\$ 19,283	\$ 100	\$ 19,383
<b>States, municipalities and political subdivisions</b>		13,825	1	13,826
<b>Asset-backed:</b>				
<b>Residential mortgage-backed</b>		4,798	123	4,921
<b>Commercial mortgage-backed</b>		1,939	13	1,952
<b>Other asset-backed</b>		979	82	1,061
<b>Total asset-backed</b>		7,716	218	7,934
<b>U.S. Treasury and obligations of government-sponsored enterprises</b>	\$ 115			115
<b>Foreign government</b>		449		449
<b>Redeemable preferred stock</b>	19			19
<b>Fixed maturities available-for-sale</b>	134	41,273	319	41,726
<b>Fixed maturities trading</b>		334	5	339
<b>Total fixed maturities</b>	\$ 134	\$ 41,607	\$ 324	\$ 42,065
<b>Equity securities available-for-sale</b>				
<b>Equity securities trading</b>	\$ 99		\$ 19	\$ 118
<b>Total equity securities</b>	\$ 587	\$ -	\$ 20	\$ 607
<b>Short term investments</b>	\$ 3,858	\$ 981		\$ 4,839
<b>Other invested assets</b>	60	5		65
<b>Receivables</b>	1			1
<b>Life settlement contracts</b>			\$ 1	1
<b>Payable to brokers</b>	(8)			(8)

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December 31, 2016 (In millions)	Level 1	Level 2	Level 3	Total
<b>Fixed maturity securities:</b>				
Corporate and other bonds		\$ 18,828	\$ 130	\$ 18,958
States, municipalities and political subdivisions		13,239	1	13,240
<b>Asset-backed:</b>				
Residential mortgage-backed		4,944	129	5,073
Commercial mortgage-backed		2,027	13	2,040
Other asset-backed		968	57	1,025
Total asset-backed		7,939	199	8,138
U.S. Treasury and obligations of government-sponsored enterprises	\$ 93			93
Foreign government		445		445
Redeemable preferred stock	19			19
Fixed maturities available-for-sale	112	40,451	330	40,893
Fixed maturities trading		595	6	601
Total fixed maturities	\$ 112	\$ 41,046	\$ 336	\$ 41,494
<b>Equity securities available-for-sale</b>				
Equity securities available-for-sale	\$ 91		\$ 19	\$ 110
Equity securities trading	438		1	439
Total equity securities	\$ 529	\$ -	\$ 20	\$ 549
<b>Short term investments</b>				
Short term investments	\$ 3,833	\$ 853		\$ 4,686
Other invested assets	55	5		60
Receivables	1			1
Life settlement contracts			\$ 58	58
Payable to brokers	(44)			(44)

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The following tables present reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2017 and 2016:

	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in								Unrealized Gains (Losses)	Recognized in Net Income	(Loss) on Level 3 Assets and Liabilities Held at
	Balance April 1	Net Income (Loss)	OCIPurchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30			
<b>2017</b>											
(In millions)											
<b>Fixed maturity securities:</b>											
<b>Corporate and other bonds</b>	\$ 121					\$ (11)		\$ (10)	\$ 100		
<b>States, municipalities and political subdivisions</b>	1								1		
<b>Asset-backed:</b>											
<b>Residential mortgage-backed</b>	126	\$ 1	\$ 1			(5)			123		
<b>Commercial mortgage-backed</b>	13								13		
<b>Other asset-backed</b>	117			\$ 13		(2)	\$ 24	(70)	82		
<b>Total asset-backed</b>	256	1	1	13	\$ -	(7)	24	(70)	218	\$ -	
<b>Fixed maturities available-for-sale</b>	378	1	1	13		(18)	24	(80)	319		
<b>Fixed maturities trading</b>	5								5	(1)	
<b>Total fixed maturities</b>	\$ 383	\$ 1	\$ 1	\$ 13	\$ -	\$ (18)	\$ 24	\$ (80)	\$ 324	\$ (1)	
<b>Equity securities available-for-sale</b>	\$ 19		\$ 1		\$ (1)				\$ 19		
<b>Equity securities trading</b>	1								1		
<b>Total equity securities</b>	\$ 20	\$ -	\$ 1	\$ -	\$ (1)	\$ -	\$ -	\$ -	\$ 20	\$ -	
<b>Life settlement contracts</b>	\$ 46					\$ (45)			\$ 1		



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2016 (In millions)	Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in								Unrealized Gains (Losses)	
	Balance April 1	Net Income (Loss)	Included in OCI	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance, June 30	Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
<b>Fixed maturity securities:</b>										
Corporate and other bonds	\$ 193	\$ 1	\$ 3	\$ 94	\$ (20)	\$ (7)		\$ (22)	\$ 242	
States, municipalities and political subdivisions	2								2	
<b>Asset-backed:</b>										
Residential mortgage-backed	128	1	(1)	10		(4)			134	
Commercial mortgage-backed	27					(9)	\$ 3	(10)	11	
Other asset-backed	50		2	35	(25)	(1)		(16)	45	
Total asset-backed	205	1	1	45	(25)	(14)	3	(26)	190	\$ -
Fixed maturities available-for-sale	400	2	4	139	(45)	(21)	3	(48)	434	
Fixed maturities trading	3	4			(1)				6	4
Total fixed maturities	\$ 403	\$ 6	\$ 4	\$ 139	\$ (46)	\$ (21)	\$ 3	\$ (48)	\$ 440	\$ 4
<b>Equity securities</b>										
available-for-sale	\$ 19								\$ 19	
Equity securities trading	-	\$ 1		\$ 1					2	\$ 1
Total equity securities	\$ 19	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 1
Life settlement contracts	\$ 72	\$ 6						\$ (11)	\$ 67	\$ (3)
Derivative financial instruments, net		(2)					\$ 3		1	(3)

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		Net Realized Gains (Losses) and Net Change in Unrealized Gains (Losses) Included in Net Income				Transfers into Level 3		Transfers out of Level 3		Balance, June 30	Unrealized Gains (Losses) Recognized in Net Income (Loss) on Level 3 Assets and Liabilities Held at June 30
2017	Balance January 1	Net Income (Loss)	OC Purchases	Sales	Settlements	Level 3	Level 3	June 30	June 30	June 30	
(In millions)											
<b>Fixed maturity securities:</b>											
Corporate and other bonds	\$ 130	\$ 1	\$ 5	\$ (1)	\$ (25)		\$ (10)	\$ 100			
States, municipalities and political subdivisions	1							1			
<b>Asset-backed:</b>											
Residential mortgage-backed	129	\$ 2	3		(11)			123			
Commercial mortgage-backed	13							13			
Other asset-backed	57	(1)	51		(2)	\$ 52	(75)	82			
Total asset-backed	199	1	3	51	-	(13)	52	(75)	218	\$ -	
Fixed maturities available-for-sale	330	1	4	56	(1)	(38)	52	(85)	319		
Fixed maturities trading	6	(1)							5	(1)	
Total fixed maturities	\$ 336	\$ -	\$ 4	\$ 56	\$ (1)	\$ (38)	\$ 52	\$ (85)	\$ 324	\$ (1)	
<b>Equity securities</b>											
available-for-sale	\$ 19	\$ 2	\$ 1	\$ (3)				\$ 19			
Equity securities trading	1										