CNA Financial Corporation First Quarter 2022 Results

May 2, 2022

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First Quarter Overview

- Net income of $313 million or $1.15 per share; core income was up 20% to $316 million or $1.16 per share.
- The P&C combined ratio was 91.9%, the lowest in over five years, compared with 98.1% in the prior year quarter, including 1.0 point of catastrophe loss impact compared with 6.8 points in the prior year quarter.
- The underlying combined ratio was 91.4% compared with 91.9% in the prior year quarter. The underlying loss ratio was 60.1% and the expense ratio was 31.0%.
- P&C segments, excluding third party captives, generated gross written premium growth of 8%. Net written premium growth was 4% in the quarter.
- P&C written rate of +7% and earned rate of +9% for the quarter.
- Net investment income of $448 million pretax includes $8 million of income from limited partnerships and common stock compared with $504 million of pretax net investment income which included $61 million of income from limited partnerships and common stock in the prior year quarter.
- Book value per share (BVPS) excluding AOCI of $44.67, a 2% increase from year-end 2021 adjusting for $2.40 of dividends per share; book value per share of $39.87 was also impacted by a decrease in AOCI reflecting the effect of higher rates on fixed income net unrealized gains and losses.
- Board of Directors declares regular quarterly cash dividend of $0.40 per share.

Financial Performance

Despite lower net investment income, core income up 20% driven by 22% increase in P&C core income

(In millions, except ratios and per share data)	First Quarter		
	2022	**2021**	**Change**
Revenues	**$2,885**	$2,866	1 %
Core income	**316**	263	20 %
Net income	**313**	312	— %
Diluted earnings per common share:			
Core income	**$1.16**	$0.96	21 %
Net income	**1.15**	1.14	1 %
Core ROE	**10.3 %**	8.8 %	1.5 pts

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Property & Casualty Operations

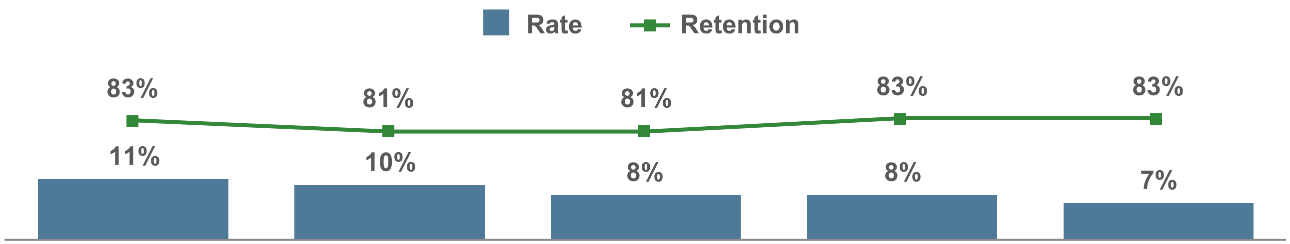
Combined ratio of 91.9% is lowest in over five years

(In millions, except ratios)	First Quarter	
	2022	**2021**
GWP ex. 3rd party captives	**$2,454**	$2,270
GWP change (% year over year)	**8 %**	
Net written premium	**$2,023**	$1,937
NWP change (% year over year)	**4 %**	
Underwriting gain (loss)	**$156**	$36
Loss ratio excl. catastrophes and development	**60.1 %**	60.1 %
Impact of catastrophes	**1.0 %**	6.8 %
Impact of development-related items	**(0.5)%**	(0.6)%
Loss ratio	**60.6 %**	66.3 %
Expense ratio	**31.0 %**	31.5 %
Combined ratio	**91.9 %**	98.1 %
Combined ratio excl. catastrophes and development	**91.4 %**	91.9 %

Property & Casualty Production Metrics

Strong new business growth; higher retention in U.S. P&C Segments with only slight moderation in rate

Property & Casualty Rate & Retention



	2021				2022
	Q1	Q2	Q3	Q4	Q1
GWP ex. 3rd party captives ($M)	**$2,270**	**$2,296**	**$2,224**	**$2,513**	**$2,454**
New Business ($M)	**$394**	**$393**	**$405**	**$478**	**$451**
Specialty					
Rate	11%	12%	10%	11%	9%
Retention	86%	85%	80%	83%	85%
Commercial					
Rate	10%	8%	6%	5%	5%
Retention	83%	80%	83%	83%	85%
International					
Rate	14%	14%	13%	13%	9%
Retention	75%	77%	79%	82%	73%

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Specialty

Seven consecutive quarters of combined ratio under 90%

(In millions, except ratios)	First Quarter	
	2022	**2021**
GWP ex. 3rd party captives	**$885**	$816
GWP change (% year over year)	**8 %**	
Net written premium	**$771**	$742
NWP change (% year over year)	**4 %**	
Underwriting gain	**$88**	$83
Loss ratio excl. catastrophes and development	**58.9 %**	59.4 %
Impact of catastrophes	**— %**	0.7 %
Impact of development-related items	**(1.3)%**	(2.1)%
Loss ratio	**57.6 %**	58.0 %
Expense ratio	**30.9 %**	30.6 %
Combined ratio	**88.7 %**	88.8 %
Combined ratio excl. catastrophes and development	**90.0 %**	90.2 %

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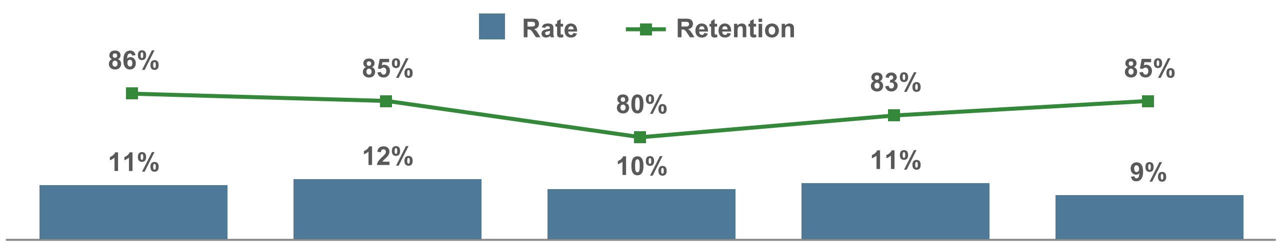
Specialty Production Metrics

Higher retention, with continued strong rate increases and new business growth

Specialty Rate & Retention				
2021				2022
Q1	Q2	Q3	Q4	Q1



	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
GWP ex. 3rd party captives ($M)	**$816**	**$897**	**$943**	**$1,016**	**$885**
New Business ($M)	**$103**	**$121**	**$147**	**$180**	**$145**
FI & Mgmt Liability					
Rate	17%	17%	17%	19%	17%
Retention	89%	88%	87%	85%	89%
Affinity Professional E&O					
Rate	2%	2%	2%	3%	2%
Retention	93%	93%	92%	93%	91%
Medical Malpractice					
Rate	18%	14%	8%	8%	7%
Retention	76%	72%	61%	66%	71%
Surety					
Net Written Premiums	$136	$133	$129	$126	$149
Warranty & Alt. Risks					
Revenues	$381	$407	$406	$430	$437

Commercial

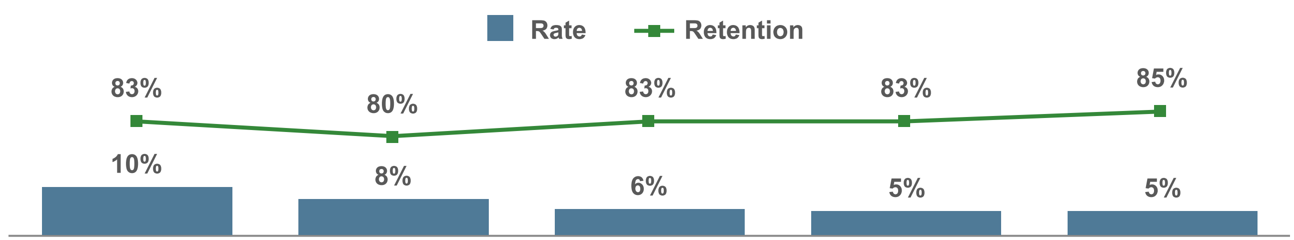
Lowest combined ratio since 2008 and strong growth

(In millions, except ratios)	First Quarter	
	2022	2021
GWP ex. 3rd party captives	**$1,206**	$1,111
GWP change (% year over year)	**9 %**	
Net written premium	**$1,001**	$960
NWP change (% year over year)	**4 %**	
Underwriting gain (loss)	**$48**	($57)
Loss ratio excl. catastrophes and development	**61.5 %**	60.8 %
Impact of catastrophes	**1.8 %**	13.4 %
Impact of development-related items	**— %**	0.5 %
Loss ratio	**63.3 %**	74.7 %
Expense ratio	**30.7 %**	31.4 %
Combined ratio	**94.5 %**	106.7 %
Combined ratio excl. catastrophes and development	**92.7 %**	92.8 %

Commercial Production Metrics

Retention improved two points with stable rate increases

Commercial Rate & Retention				
2021				2022
Q1	Q2	Q3	Q4	Q1



GWP ex. 3rd party captives ($M)	**$1,111**	**$1,060**	**$1,005**	**$1,158**	**$1,206**
New Business ($M)	**$211**	**$201**	**$204**	**$228**	**$228**
Middle Market					
Rate	8%	5%	4%	4%	3%
Retention	82%	77%	83%	84%	83%
Construction					
Rate	10%	9%	7%	6%	5%
Retention	84%	86%	83%	85%	89%
National Accounts					
Rate	24%	16%	12%	10%	11%
Retention	81%	73%	80%	83%	83%
Small Business					
Rate	1%	1%	1%	3%	3%
Retention	84%	84%	83%	82%	85%
Marine / Other					
Net Written Premium	$63	$66	$62	$72	$72

International

Improvement in both the loss and expense ratio led to higher profitability

(In millions, except ratios)	First Quarter	
	2022	2021
Gross written premium	**$363**	$343
GWP change (% year over year)	**6 %**	
Net written premium	**$251**	$235
NWP change (% year over year)	**7 %**	
Underwriting gain (loss)	**$20**	$10
Loss ratio excl. catastrophes and development	**58.6 %**	59.6 %
Impact of catastrophes	**1.2 %**	2.0 %
Impact of development-related items	**— %**	(0.1)%
Loss ratio	**59.8 %**	61.5 %
Expense ratio	**32.6 %**	34.4 %
Combined ratio	**92.4 %**	95.9 %
Combined ratio excl. catastrophes and development	**91.2 %**	94.0 %

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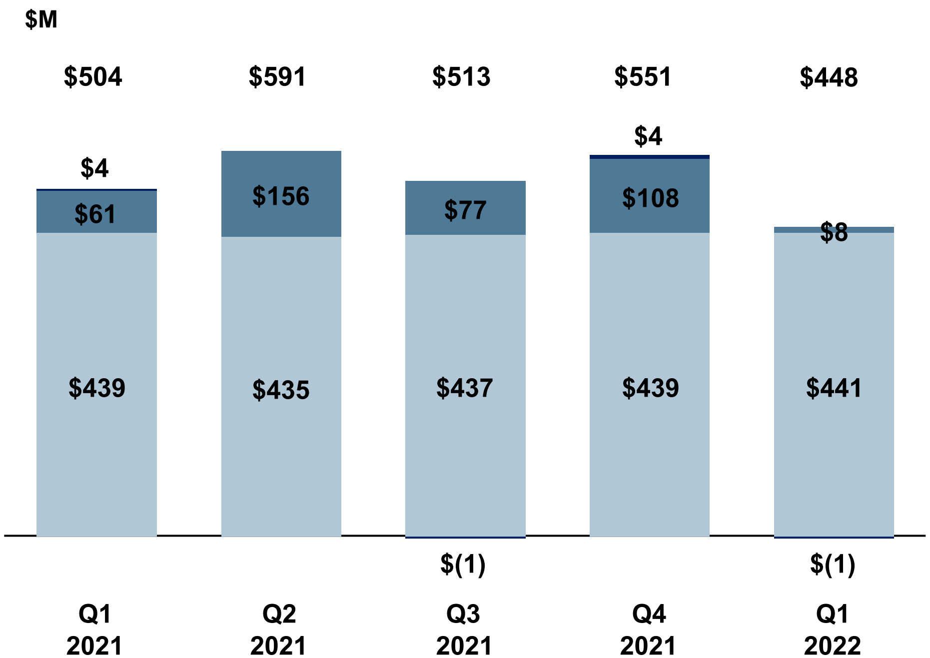
Life & Group

Continued positive core income

(In millions)	First Quarter	
	2022	2021
Net earned premiums	$120	$120
Net investment income	212	219
Other revenues	(1)	1
Total operating revenues	**$331**	**$340**
Total claims, benefits and expenses	315	308
Income tax benefit	7	4
Core income	**$23**	**$36**

Pretax Net Investment Income

Limited partnership and common stock returns impacted by performance of broader equity markets



Effective income yield for fixed income securities, pretax:

Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
4.4%	4.3%	4.3%	4.3%	4.3%

Limited partnership and common stock return, pretax:

Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
3.4%	8.3%	3.8%	5.1%	0.4%

Highlights

- Limited partnership and common stock returns driven by favorable fourth quarter results from our lagged private equity funds, largely offset by losses in our real-time hedge fund and common stock portfolios
- Roughly two-thirds of our limited partnerships report on a 3 month lag
- Fixed income portfolio continues to provide consistent earnings as strong operating cash flows offset impact of roll-off of higher yielding assets from the portfolio

Investment Portfolio

Diversified and liquid investment portfolio

March 31, 2022	Carrying Value		Net Unrealized G/(L)
Asset Class ($M)	**$**	**%**	**$**
Investment Grade Corp	21,067	45 %	819
Municipals	11,059	23 %	543
CMBS and ABS	4,563	10 %	(150)
Agency RMBS	2,375	5 %	(102)
Limited Partnerships / Other	1,957	4 %	—
Below Investment Grade Corp	1,719	4 %	(28)
Short Term	1,301	3 %	—
Mortgage Loans	942	2 %	—
Preferred Equity	761	2 %	—
Foreign Government	549	1 %	(10)
Non Agency RMBS	473	1 %	(33)
Common Equity	220	— %	—
US Government	120	— %	(5)
Total Invested Assets	**47,106**	**100 %**	**1,034**

Net Unrealized Impact on Stockholders' Equity (S/E)	Q4 2021	Q1 2022	Q1 Change
Unrealized Gain/(Loss)	$4,446	$1,034	($3,412)
Shadow Adjustments	(3,136)	(1,764)	1,372
Tax Effect	(273)	152	425
Net Impact to S/E	**$1,037**	**($578)**	**($1,615)**
BVPS Impact			***($5.95)***

Highlights

- High-quality portfolio with an average credit rating of “A”
- Liquidity supports underlying liability characteristics
- Decrease in net unrealized gain primarily driven by the rising rate environment

Effective Portfolio Duration	
Life & Group	8.9 yrs
P&C and Corporate	5.0 yrs
Total	**6.5 yrs**

Fixed Maturities by Rating	% of Portfolio
AAA	14%
AA	17%
A	22%
BBB	42%
Investment Grade	**95%**
Below Investment Grade	5%
Total Fixed Maturities	**100%**

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Liquidity Profile

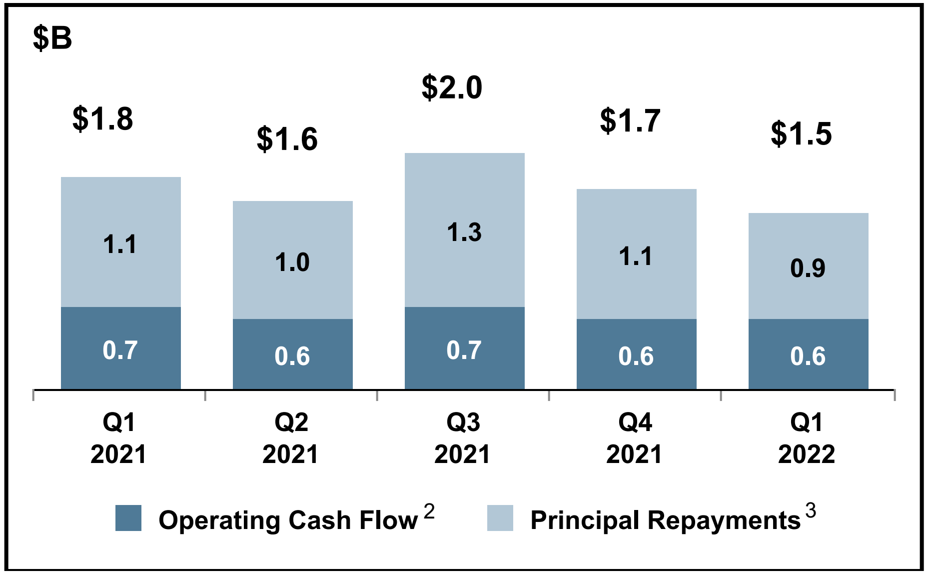
Ample liquidity at both holding and operating company levels to meet obligations

Holding Co. Liquidity & Obligations

$M

As of March 31, 2022	
2022 Operating company dividend capacity	$1,201
Less: Last twelve months dividends	(1,085)
Current operating company dividend capacity	116
Holding company cash	530
Availability under credit facility	250
Net corporate sources	**$896**
Interest expense on outstanding debt	$109
Common quarterly dividends ($0.40/share)	434
Estimated annual pretax corporate obligations	**$543**

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

Financial Strength

Conservative capital and debt profile support business objectives

(In millions, except per share data)	Mar 31, 2022	Dec 31, 2021
Debt	**$2,779**	$2,779
Stockholders' Equity	**10,817**	12,809
Total capital	**$13,596**	$15,588
BVPS ex AOCI	**$44.67**	$46.02
Dividends per share (YTD)	**$2.40**	$2.27
Debt-to-capital	**20.4%**	17.8%
Holding company cash	**$530**	$686
Total investments	**$47,106**	$50,328
Statutory surplus	**$10,876**	$11,321

Capital

- Capital remains above target levels required for all current ratings
- Adjusting for dividends, book value per share ex AOCI increased 2%

Leverage

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

LDTI[1]- Overview

LDTI has <u>no impact to the underlying economics</u> of CNA's business

- Effective Q1 2023, GAAP financial statements will be prepared in accordance with new LDTI accounting standard; two years of adjusted financial results will be included in our 2023 filings
- CNA's Long Term Care business is in scope[2]
- Required to update discount rate assumptions quarterly using an upper-medium grade fixed-income instrument yield (single-A) and to review, and update if there is a change, cash flow assumptions (including morbidity and persistency) at least annually
- The effect of changes in cash flow assumptions will be recorded in the Company's results of operations and the effect of changes in discount rate assumptions will be recorded in Other comprehensive income

No LDTI impact to:

Cash flows

Statutory Earnings, Capital, & RBC

Dividend Capacity

[1] ASU 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI)
[2] Fully ceded single premium immediate annuity business is also in scope

LDTI - GAAP Equity Transition Impacts

- Stockholders' Equity decrease at transition date (January 1, 2021) is **$2.2B - $2.5B**
- In a rising interest rate environment, like we have seen since January 1, 2021, the impact to Stockholders' Equity in our adjusted financial statements for 2021 through Q1 2022 will be reduced
- Assuming March 31, 2022 interest rates were in place at the transition date, the impact would have been a decrease of **$1.0B - $1.3B**
- Stockholders' Equity impact is driven by:
  - Reserve cash flows discounted using upper-medium grade fixed-income instrument yields rather than CNA's expected investment portfolio yield
  - Partially offset by de-recognition of shadow reserves associated with long-term care reserves
- Minimal transition impact to retained earnings

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