



# CNA Financial Corporation Second Quarter 2020 Results

August 3, 2020



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# Second Quarter Highlights

- P&C rate increased by 3 points from Q1 to +11%
- P&C gross written premium (ex. 3<sup>rd</sup> party captives) growth of 8% U.S., 7% overall
- Combined ratio of 112.3%
- Catastrophe losses of \$301 million pretax include \$182 million for COVID-19, \$61 million for Civil Unrest
- Underlying combined ratio of 93.4% - underlying loss ratio of 59.5%, expense ratio of 33.6%
  - The underlying combined ratio of 93.4% reflects a 0.4 point net benefit related to COVID-19 from lower loss frequency as a result of shelter in place restrictions and an adverse impact from a reduction in estimated audit premiums. These items decreased the loss ratio by 0.9 points and increased the expense ratio by 0.5 points.
- Net investment income of \$534 million pretax includes \$84 million of income from LPs and common stock, reflecting equity market rebound
- Core income of \$99 million or \$0.36 per share
- Net income of \$151 million or \$0.55 per share
- Book value per share (BVPS) of \$42.91; ex. AOCI of \$42.34
  - 1% increase from year-end 2019, adjusting for \$2.74 dividends per share, ex. AOCI
- Quarterly dividend of \$0.37 per share

# Financial Performance

Core income and Net income in the second quarter reflect favorable equity market rebound, results also impacted by catastrophe losses

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

	Second Quarter			Year to Date		
	2020	2019	Change	2020	2019	Change
Revenues	<b>\$2,766</b>	\$2,610	6 %	<b>\$5,057</b>	\$5,305	(5)%
Core income	<b>99</b>	294	(66)%	<b>207</b>	612	(66)%
Net income	<b>151</b>	278	(46)%	<b>90</b>	620	(85)%
Diluted earnings per common share:						
Core income	<b>\$0.36</b>	\$1.08	(67)%	<b>\$0.76</b>	\$2.25	(66)%
Net income	<b>0.55</b>	1.02	(46)%	<b>0.33</b>	2.28	(86)%
Core ROE	<b>3.4 %</b>	9.9 %	(6.5) pts	<b>3.5 %</b>	10.2 %	(6.7) pts

# Property & Casualty Operations

Results reflect continued strong underlying performance and significant impact from catastrophe losses

(In millions, except ratios)

	Second Quarter		Year to Date	
	2020	2019	2020	2019
GWP ex. 3 <sup>rd</sup> party captives	<b>\$2,132</b>	\$2,000	<b>\$4,239</b>	\$3,987
<i>GWP change (% year over year)</i>	<b>7 %</b>		<b>6 %</b>	
Net written premium	<b>\$1,930</b>	\$1,874	<b>\$3,793</b>	\$3,680
<i>NWP change (% year over year)</i>	<b>3 %</b>		<b>3 %</b>	
Underwriting (loss) gain	<b>(\$210)</b>	\$72	<b>(\$167)</b>	\$109
Loss ratio excl. catastrophes and development	<b>59.5 %</b>	60.8 %	<b>59.9 %</b>	60.7 %
Impact of catastrophes	<b>17.5 %</b>	2.2 %	<b>10.9 %</b>	2.9 %
Impact of development-related items	<b>1.4 %</b>	(1.1)%	<b>0.4 %</b>	(0.9)%
Loss ratio	<b>78.4 %</b>	61.9 %	<b>71.2 %</b>	62.7 %
Expense ratio	<b>33.6 %</b>	33.4 %	<b>33.2 %</b>	33.7 %
Combined ratio	<b>112.3 %</b>	95.7 %	<b>104.8 %</b>	96.8 %
Combined ratio excl. catastrophes and development	<b>93.4 %</b>	94.6 %	<b>93.5 %</b>	94.8 %

# Specialty

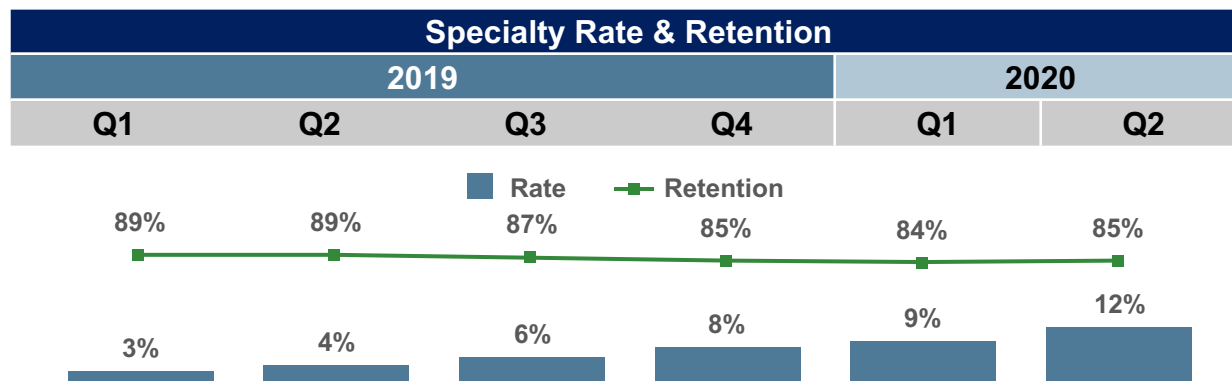
Improved premium growth along with strong underlying performance

(In millions, except ratios)

	Second Quarter		Year to Date	
	2020	2019	2020	2019
GWP ex. 3 <sup>rd</sup> party captives	<b>\$811</b>	\$755	<b>\$1,552</b>	\$1,485
<i>GWP change (% year over year)</i>	<b>7 %</b>		<b>5 %</b>	
Net written premium	<b>\$742</b>	\$713	<b>\$1,436</b>	\$1,411
<i>NWP change (% year over year)</i>	<b>4 %</b>		<b>2 %</b>	
Underwriting (loss) gain	<b>(\$30)</b>	\$64	<b>\$29</b>	\$115
Loss ratio excl. catastrophes and development	<b>59.9 %</b>	59.9 %	<b>59.7 %</b>	60.2 %
Impact of catastrophes	<b>15.0 %</b>	0.1 %	<b>8.2 %</b>	1.0 %
Impact of development-related items	<b>(2.9)%</b>	(2.6)%	<b>(2.3)%</b>	(2.9)%
Loss ratio	<b>72.0 %</b>	57.4 %	<b>65.6 %</b>	58.3 %
Expense ratio	<b>32.0 %</b>	33.1 %	<b>32.1 %</b>	33.0 %
Combined ratio	<b>104.2 %</b>	90.7 %	<b>97.9 %</b>	91.5 %
Combined ratio excl. catastrophes and development	<b>92.1 %</b>	93.2 %	<b>92.0 %</b>	93.4 %

# Specialty Production Metrics

Accelerating rate momentum with stable retention



<b>GWP ex. 3rd party captives (\$M)</b>	<b>\$730</b>	<b>\$755</b>	<b>\$778</b>	<b>\$752</b>	<b>\$741</b>	<b>\$811</b>
<b>New Business (\$M)</b>	<b>\$86</b>	<b>\$97</b>	<b>\$91</b>	<b>\$93</b>	<b>\$74</b>	<b>\$96</b>

<b>Healthcare</b>						
<b>Rate</b>	10%	13%	17%	20%	31%	27%
<b>Retention</b>	85%	83%	79%	69%	63%	73%
<b>Mgmt &amp; Prof Liability</b>						
<b>Rate</b>	1%	2%	4%	5%	5%	8%
<b>Retention</b>	90%	90%	89%	90%	90%	88%
<b>Surety</b>						
<b>Net Written Premiums</b>	\$134	\$136	\$130	\$117	\$141	\$133
<b>Warranty &amp; Alt. Risks</b>						
<b>Revenues</b>	\$323	\$326	\$332	\$342	\$337	\$348



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

# Commercial

Strong growth and underlying performance, catastrophes primarily driven by civil unrest and severe weather

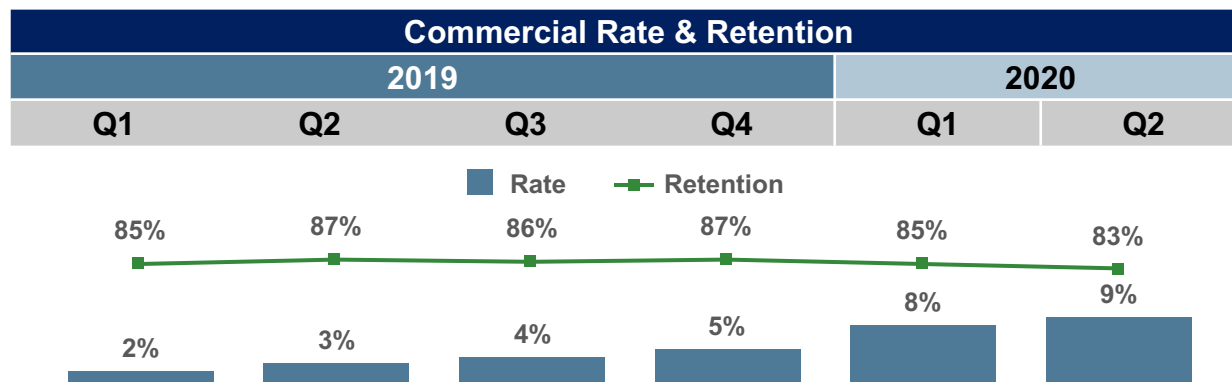
(In millions, except ratios)

	Second Quarter		Year to Date	
	2020	2019	2020	2019
GWP ex. 3 <sup>rd</sup> party captives	<b>\$1,044</b>	\$958	<b>\$2,103</b>	\$1,891
<i>GWP change (% year over year)</i>	<b>9 %</b>		<b>11 %</b>	
Net written premium	<b>\$949</b>	\$912	<b>\$1,899</b>	\$1,761
<i>NWP change (% year over year)</i>	<b>4 %</b>		<b>8 %</b>	
Underwriting (loss) gain	<b>(\$147)</b>	\$2	<b>(\$163)</b>	(\$7)
Loss ratio excl. catastrophes and development	<b>59.0 %</b>	61.7 %	<b>60.1 %</b>	61.9 %
Impact of catastrophes	<b>19.0 %</b>	4.9 %	<b>12.8 %</b>	5.1 %
Impact of development-related items	<b>6.0 %</b>	(0.1)%	<b>3.0 %</b>	(0.3)%
Loss ratio	<b>84.0 %</b>	66.5 %	<b>75.9 %</b>	66.7 %
Expense ratio	<b>33.9 %</b>	32.6 %	<b>33.6 %</b>	33.2 %
Combined ratio	<b>118.5 %</b>	99.7 %	<b>110.1 %</b>	100.5 %
Combined ratio excl. catastrophes and development	<b>93.5 %</b>	94.9 %	<b>94.3 %</b>	95.7 %



# Commercial Production Metrics

Strong rate momentum and new business growth



<b>GWP ex. 3rd party captives (\$M)</b>	<b>\$933</b>	<b>\$958</b>	<b>\$852</b>	<b>\$867</b>	<b>\$1,059</b>	<b>\$1,044</b>
<b>New Business (\$M)</b>	<b>\$163</b>	<b>\$186</b>	<b>\$173</b>	<b>\$161</b>	<b>\$198</b>	<b>\$205</b>

<b>Middle Market</b>						
<b>Rate</b>	2%	3%	2%	3%	6%	7%
<b>Retention</b>	85%	87%	86%	86%	85%	81%
<b>Construction <sup>1</sup></b>						
<b>Rate</b>	2%	3%	5%	5%	6%	7%
<b>Retention</b>	86%	88%	86%	92%	87%	85%
<b>Small Business</b>						
<b>Rate</b>	(3)%	(2)%	(1)%	(1)%	(1)%	(1)%
<b>Retention</b>	84%	84%	86%	85%	87%	89%
<b>Other</b>						
<b>Rate</b>	6%	8%	11%	13%	22%	23%
<b>Retention</b>	87%	86%	86%	82%	83%	82%



<sup>1</sup> Effective January 1, 2020, the Construction line of business is presented separately in the Commercial segment to better align with our underwriting expertise and the manner in which the products are sold. Prior period information has been conformed to the new line of business presentation.

# International

Negative growth reflects continued re-underwriting efforts, catastrophes predominantly due to COVID-19

(In millions, except ratios)

	Second Quarter		Year to Date	
	2020	2019	2020	2019
Gross written premium	\$277	\$287	\$584	\$611
<i>GWP change (% year over year)</i>	<b>(3)%</b>		<b>(4)%</b>	
Net written premium	\$239	\$249	\$458	\$508
<i>NWP change (% year over year)</i>	<b>(4)%</b>		<b>(10)%</b>	
Underwriting (loss) gain	<b>(\$33)</b>	\$6	<b>(\$33)</b>	\$1
Loss ratio excl. catastrophes and development	<b>59.9 %</b>	60.1 %	<b>60.1 %</b>	58.5 %
Impact of catastrophes	<b>19.9 %</b>	0.2 %	<b>11.9 %</b>	1.3 %
Impact of development-related items	<b>(1.2)%</b>	(0.1)%	<b>(0.7)%</b>	2.7 %
Loss ratio	<b>78.6 %</b>	60.2 %	<b>71.3 %</b>	62.5 %
Expense ratio	<b>36.7 %</b>	37.3 %	<b>36.1 %</b>	37.2 %
Combined ratio	<b>115.3 %</b>	97.5 %	<b>107.4 %</b>	99.7 %
Combined ratio excl. catastrophes and development	<b>96.6 %</b>	97.4 %	<b>96.2 %</b>	95.7 %

# Life & Group

2020 results moderately favorable relative to expectations

*(In millions)*

	Second Quarter		Year to Date	
	2020	2019	2020	2019
Net earned premiums	\$126	\$130	\$253	\$260
Net investment income	206	205	414	409
Other revenues	—	—	—	1
<b>Total operating revenues</b>	<b>\$332</b>	<b>\$335</b>	<b>\$667</b>	<b>\$670</b>
Total claims, benefits and expenses	329	341	674	679
Income tax benefit	11	13	25	26
<b>Core income</b>	<b>\$14</b>	<b>\$7</b>	<b>\$18</b>	<b>\$17</b>

# Financial Strength

Balance Sheet remains strong

*(In millions, except per share data)*

	June 30, 2020	Dec 31, 2019
Debt	<b>\$2,680</b>	\$2,679
Stockholders' equity	<b>11,645</b>	12,215
Total capital	<b>\$14,325</b>	\$14,894
BVPS ex AOCI	<b>\$42.34</b>	\$44.81
Dividends per share (YTD)	<b>\$2.74</b>	\$3.40
Debt-to-capital	<b>18.7 %</b>	18.0 %
Holding company cash	<b>\$518</b>	\$522
Total investments	<b>\$47,757</b>	\$47,744
Statutory surplus	<b>\$9,952</b>	\$10,787

## Capital

- Continue to maintain strong capital structure
- Capital remains above target levels required for all current ratings
- Adjusting for dividends, book value per share ex AOCI increased 1%

## Leverage

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

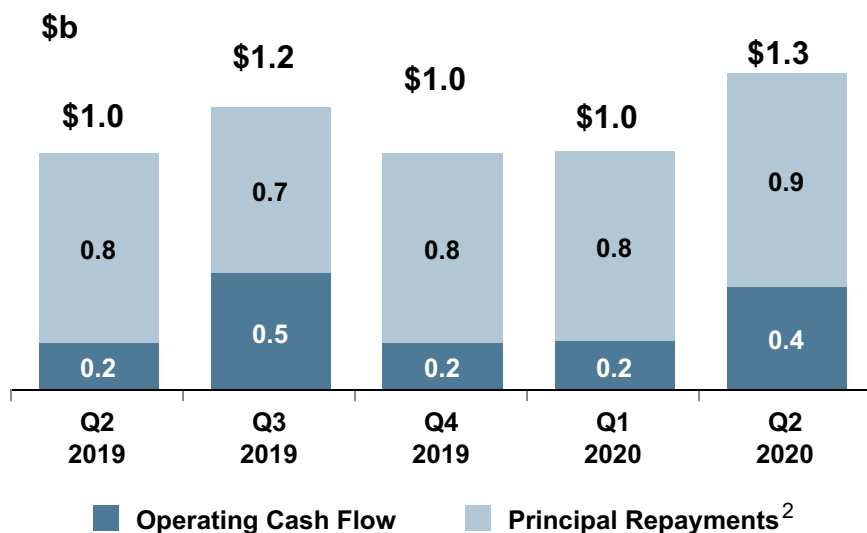
## Liquidity

- Liquidity profile remains very strong
- \$438 million Q2 operating cash flow

# Liquidity Profile

Strong operating cash flow and liquidity

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



## Holding Co. Liquidity & Obligations

\$M

As of June 30, 2020	
2020 Operating company dividend capacity	\$1,078
Less: Last twelve months dividends	(1,075)
Current operating company dividend capacity	3
Holding company cash	518
Availability under credit facility	250
<b>Net corporate sources</b>	<b>\$771</b>
Interest expense on outstanding debt	\$122
Common quarterly dividends (\$0.37/share)	402
<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 Portfolio

Well-diversified and liquid investment portfolio

June 30, 2020	Carrying Value		Net Unrealized G/(L)
Asset Class (\$M)	\$	%	\$
Investment Grade Corp	20,936	45 %	2,576
Tax Exempt Muni	8,185	17 %	1,199
CMBS and ABS	4,075	9 %	(4)
Agency RMBS	3,472	7 %	142
Taxable Muni	2,942	6 %	502
Below Investment Grade Corp	1,872	4 %	(39)
Limited Partnerships / Other	1,623	3 %	—
Short Term	1,458	3 %	1
Mortgage Loans	1,042	2 %	—
Preferred Equity	705	1 %	—
US Government	498	1 %	7
Foreign Government	483	1 %	26
Non Agency RMBS	312	1 %	25
Common Equity	154	— %	—
<b>Total Invested Assets</b>	<b>47,757</b>	<b>100 %</b>	<b>4,435</b>
<b>Q2 Change in Net Unrealized G/(L)</b>			<b>2,324</b>

## Highlights

- High-quality portfolio with an average credit rating of “A”
- Liquidity supports underlying liability characteristics
- Fixed income investment strategy with highest allocations to diversified investment grade corporates as well as highly rated municipal securities

### Effective Portfolio Duration

Life & Group	8.8 yrs
P&C and Corporate	4.1 yrs
<b>Total</b>	<b>6.0 yrs</b>

### Fixed Maturities by Rating

### % of Portfolio

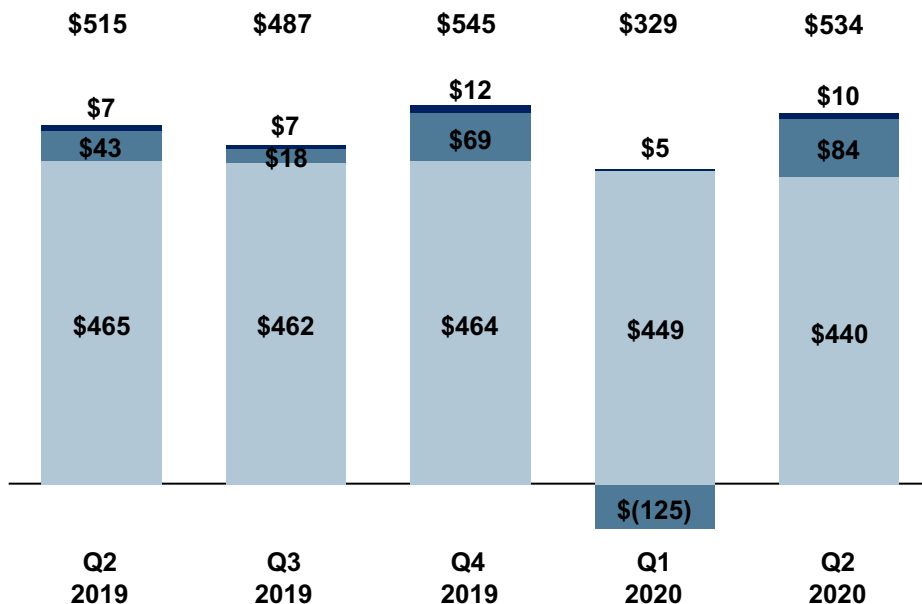
AAA	17%
AA	16%
A	22%
BBB	40%
<b>Investment Grade</b>	<b>95%</b>
Below Investment Grade	5%
<b>Total Fixed Maturities</b>	<b>100%</b>



# Pre-Tax Net Investment Income

Limited partnership and common stock income rebounds after Q1 market disruption; steady fixed income contributions

\$M



## Highlights

- Q2 2020 limited partnership and common equity returns driven by financial market recovery
- The fixed income portfolio continues to provide consistent earnings
- 55% of LPs report on a real-time basis, with 45% on a 1-3 month lag

### Effective income yield for fixed income securities, pretax:

4.8%	4.8%	4.7%	4.6%	4.6%
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### Limited partnership and common equities return, pretax:

2.1%	0.9%	3.7%	(7.0)%	5.0%
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