



# FOR IMMEDIATE RELEASE

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## CNA FINANCIAL ANNOUNCES SECOND QUARTER 2019 RESULTS

- Q2 NET INCOME OF \$278M, \$1.02 PER SHARE; ROE 9.5%
- Q2 CORE INCOME OF \$294M, \$1.08 PER SHARE; ROE 9.9%
- Q2 P&C UNDERLYING COMBINED RATIO OF 94.6% VS 95.3%
- Q2 P&C UNDERLYING LOSS RATIO OF 60.8% VS 61.4%
- U.S. P&C SEGMENTS NET WRITTEN PREMIUM GROWTH OF 8%
- QUARTERLY DIVIDEND OF \$0.35 PER SHARE

**CHICAGO, August 5, 2019** --- CNA Financial Corporation (NYSE: CNA) today announced second quarter 2019 net income of \$278 million, or \$1.02 per share, and core income of \$294 million, or \$1.08 per share. Net income for the six months ended June 30, 2019 was \$620 million, or \$2.28 per share, and core income was \$612 million, or \$2.25 per share. Property & Casualty Operations combined ratio for the second quarter was 95.7% and the underlying combined ratio was 94.6%. Net investment income, after tax, was \$420 million for the second quarter of 2019, including \$34 million from limited partnership and common stock investments.

The U.S. P&C segments, excluding third party captives, generated gross written premium growth of 10% and net written premium growth of 8% for the second quarter of 2019. Gross written premium decreased (9)% and net written premium decreased (8)% for the International segment for the second quarter of 2019.

Core income (loss) for the second quarter of 2019 for our Life & Group and Corporate & Other segments was \$7 million and \$(11) million, respectively.

CNA Financial declared a quarterly dividend of \$0.35 per share, payable September 5, 2019 to stockholders of record on August 19, 2019.

	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
(\$ millions, except per share data)				
Net income	\$ 278	\$ 270	\$ 620	\$ 561
Core income <sup>(a)</sup>	294	270	612	551
Net income per diluted share	\$ 1.02	\$ 0.99	\$ 2.28	\$ 2.06
Core income per diluted share	1.08	0.99	2.25	2.02
			<b>June 30, 2019</b>	<b>December 31, 2018</b>
Book value per share			\$ 44.52	\$ 41.32
Book value per share excluding AOCI			44.08	44.55

(a) Management utilizes the core income (loss) financial measure to monitor the Company's operations. Please refer herein to the Reconciliation of GAAP Measures to Non-GAAP Measures section of this press release for further discussion of this non-GAAP measure.

“Our strong second quarter results reflect the underlying loss ratio improving to 60.8%, greater new business and higher rate increases broadly across the portfolio driving 6% growth in net written premium,” said Dino E. Robusto, Chairman & Chief Executive Officer of CNA Financial Corporation. “Core income of \$294 million in the quarter contributed to a 2019 first half result of \$612 million, the highest in 12 years.”

## Property & Casualty Operations

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net written premiums	\$ 1,874	\$ 1,769	\$ 3,680	\$ 3,582
NWP change (% year over year)	6 %		3 %	
Net investment income	\$ 303	\$ 302	\$ 663	\$ 587
Core income	298	319	612	646
Loss ratio excluding catastrophes and development	60.8 %	61.4 %	60.7 %	60.7 %
Effect of catastrophe impacts	2.2	1.6	2.9	1.8
Effect of development-related items	(1.1)	(3.1)	(0.9)	(2.6)
Loss ratio	<u>61.9 %</u>	<u>59.9 %</u>	<u>62.7 %</u>	<u>59.9 %</u>
Expense ratio	33.4 %	33.5 %	33.7 %	33.2 %
Combined ratio	95.7 %	93.8 %	96.8 %	93.5 %
Combined ratio excluding catastrophes and development	94.6 %	95.3 %	94.8 %	94.3 %

- The combined ratio excluding catastrophes and development improved 0.7 points for the second quarter of 2019 as compared with the prior year quarter driven by a 0.6 point improvement in the underlying loss ratio.
- The combined ratio increased 1.9 points for the second quarter of 2019 as compared with the prior year quarter. Net catastrophe losses were \$38 million, or 2.2 points of the loss ratio in the quarter compared with \$26 million, or 1.6 points of the loss ratio, for the prior year quarter. Favorable net prior period development improved the loss ratio by 1.1 points in the quarter compared with a 3.1 point improvement in the prior year quarter.
- Net written premiums grew 6% as compared with the prior year quarter. U.S. P&C segments net written premiums grew 8% partially offset by the impact of the previously disclosed underwriting actions in the International segment.

## Business Operating Highlights

### Specialty

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net written premiums	\$ 713	\$ 688	\$ 1,411	\$ 1,374
NWP change (% year over year)	4 %		3 %	
Core income	\$ 161	\$ 183	\$ 330	\$ 354
Loss ratio excluding catastrophes and development	59.9 %	60.5 %	60.2 %	60.4 %
Effect of catastrophe impacts	0.1	0.5	1.0	0.5
Effect of development-related items	(2.6)	(6.4)	(2.9)	(5.5)
Loss ratio	<u>57.4 %</u>	<u>54.6 %</u>	<u>58.3 %</u>	<u>55.4 %</u>
Expense ratio	33.1 %	32.0 %	33.0 %	31.6 %
Combined ratio	90.7 %	86.8 %	91.5 %	87.2 %
Combined ratio excluding catastrophes and development	93.2 %	92.7 %	93.4 %	92.2 %

- The combined ratio excluding catastrophes and development increased 0.5 points for the second quarter of 2019 as compared with the prior year quarter driven by a 1.1 point increase in the expense ratio. This was partially offset by a 0.6 point improvement in the underlying loss ratio.
- The combined ratio increased 3.9 points for the second quarter of 2019 as compared with the prior year quarter. Net catastrophe losses were \$1 million, or 0.1 points of the loss ratio compared with \$3 million, or 0.5 points of the loss ratio, for the prior year quarter. Favorable net prior period development improved the loss ratio by 2.6 points in the quarter compared with a 6.4 point improvement in the prior year quarter.
- Net written premiums for Specialty grew 4% for the second quarter of 2019 as compared with the prior year quarter driven by higher new business, strong retention and favorable rate.

## Commercial

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net written premiums	\$ 912	\$ 810	\$ 1,761	\$ 1,642
NWP change (% year over year)	13 %		7 %	
Core income	\$ 120	\$ 143	\$ 259	\$ 276
Loss ratio excluding catastrophes and development	61.7 %	60.8 %	61.9 %	60.3 %
Effect of catastrophe impacts	4.9	2.5	5.1	3.2
Effect of development-related items	(0.1)	(0.9)	(0.3)	(0.8)
Loss ratio	<u>66.5 %</u>	<u>62.4 %</u>	<u>66.7 %</u>	<u>62.7 %</u>
Expense ratio	32.6 %	33.5 %	33.2 %	33.4 %
Combined ratio	99.7 %	96.6 %	100.5 %	96.8 %
Combined ratio excluding catastrophes and development	94.9 %	95.0 %	95.7 %	94.4 %

- The combined ratio excluding catastrophes and development for the second quarter of 2019 was largely consistent with the prior year quarter.
- The combined ratio increased 3.1 points for the second quarter of 2019 as compared with the prior year quarter. Net catastrophe losses were \$37 million, or 4.9 points of the loss ratio compared with \$19 million, or 2.5 points of the loss ratio, for the prior year quarter. Favorable net prior period development improved the loss ratio by 0.1 points in the quarter compared with a 0.9 point improvement in the prior year quarter.
- Net written premiums for Commercial grew 13% for the second quarter of 2019 as compared with the prior year quarter driven by higher new business and favorable rate.

## International

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net written premiums	\$ 249	\$ 271	\$ 508	\$ 566
NWP change (% year over year)	(8)%		(10)%	
Core income (loss)	\$ 17	\$ (7)	\$ 23	\$ 16
Loss ratio excluding catastrophes and development	60.1 %	65.9 %	58.5 %	62.9 %
Effect of catastrophe impacts	0.2	1.6	1.3	1.3
Effect of development-related items	(0.1)	(0.7)	2.7	(0.5)
Loss ratio	<u>60.2 %</u>	<u>66.8 %</u>	<u>62.5 %</u>	<u>63.7 %</u>
Expense ratio	37.3 %	37.9 %	37.2 %	37.1 %
Combined ratio	97.5 %	104.7 %	99.7 %	100.8 %
Combined ratio excluding catastrophes and development	97.4 %	103.8 %	95.7 %	100.0 %

- The combined ratio excluding catastrophes and development improved 6.4 points for the second quarter of 2019 as compared with the prior year quarter driven by a 5.8 point improvement in the underlying loss ratio.
- The combined ratio improved 7.2 points for the second quarter of 2019 as compared with the prior year quarter. Net catastrophe losses were less than \$1 million, or 0.2 points of the loss ratio compared with \$4 million, or 1.6 points for the prior year quarter. Favorable net prior period development improved the loss ratio by 0.1 points in the quarter compared with a 0.7 point improvement in the prior year quarter.
- Excluding currency fluctuations, net written premiums for International decreased 4% for the second quarter of 2019 as compared with the prior year quarter driven by the strategic exit from certain Hardy business classes in the fourth quarter of 2018.

## Life & Group

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net investment income	\$ 205	\$ 198	\$ 409	\$ 398
Total operating revenues	335	329	670	664
Core income (loss)	7	(10)	17	4

Core results improved \$17 million for the second quarter of 2019 as compared with the prior year quarter. Persistency continues to benefit from a higher than expected number of policyholders choosing to lapse coverage or reduce benefits in lieu of premium rate increases and morbidity continues to trend in line with expectations.

## Corporate & Other

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net investment income	\$ 7	\$ 6	\$ 14	\$ 11
Interest expense	34	34	68	68
Core loss	(11)	(39)	(17)	(99)

Core loss of \$(11) million improved \$28 million for the second quarter of 2019 as compared with the prior year quarter. The prior period included \$23 million of non-recurring costs associated with the transition to a new IT infrastructure service provider.

## Net Investment Income

	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Pretax net investment income	\$ 515	\$ 506	\$ 1,086	\$ 996
Net investment income, after tax	420	416	885	821

Net investment income, after tax, increased \$4 million for the second quarter of 2019 as compared with the prior year quarter driven by fixed income securities.

## About the Company

CNA is one of the largest U.S. commercial property and casualty insurance companies. CNA provides a broad range of standard and specialized property and casualty insurance products and services for businesses and professionals in the U.S., Canada and Europe, backed by more than 120 years of experience and approximately \$45 billion of assets. For more information, please visit CNA at [www.cna.com](http://www.cna.com).

## Conference Call and Webcast/Presentation Information

A conference call for investors and the professional investment community will be held at 9:00 a.m. (CT) today. On the conference call will be Dino E. Robusto, Chairman and Chief Executive Officer of CNA Financial Corporation, James M. Anderson, Executive Vice President and Chief Financial Officer of CNA Financial Corporation and other members of senior management. Participants can access the call by dialing (800) 289-0571, or for international callers, +1 (720) 543-0206. The call will also be broadcast live on the internet and may be accessed from the Investor Relations page of the CNA website ([www.cna.com](http://www.cna.com)). A presentation will be posted and available on the CNA website and will provide additional insight into the results.

The call is available to the media, but questions will be restricted to investors and the professional investment community. An online replay will be available on CNA's website following the call. Financial supplement information related to the results is available on the investor relations pages of the CNA website or by contacting [investor.relations@cna.com](mailto:investor.relations@cna.com).

## Definition of Reported Segments

- **Specialty** provides management and professional liability and other coverages through property and casualty products and services using a network of brokers, independent agencies and managing general underwriters.
- **Commercial** works with a network of brokers and independent agents to market a broad range of property and casualty insurance products and services to small, middle-market and large businesses.
- **International** underwrites property and casualty coverages on a global basis through its U.K.-based insurance company, a branch operation in Canada as well as through its presence at Lloyd's of London (Hardy).
- **Life & Group** primarily includes the results of the individual and group long term care businesses that are in run-off.
- **Corporate & Other** primarily includes certain corporate expenses, including interest on corporate debt, and the results of certain property and casualty business in run-off, including CNA Re and asbestos and environmental pollution.

## Financial Measures

Management utilizes the following metrics in their evaluation of the Property & Casualty Operations. These ratios are calculated using financial results prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

- **Loss ratio** is the percentage of net incurred claim and claim adjustment expenses to net earned premiums.
- **Underlying loss ratio** represents the loss ratio excluding catastrophes and development.
- **Expense ratio** is the percentage of insurance underwriting and acquisition expenses, including the amortization of deferred acquisition costs, to net earned premiums.
- **Dividend ratio** is the ratio of policyholders' dividends incurred to net earned premiums.
- **Combined ratio** is the sum of the loss, expense and dividend ratios.
- **Underlying combined ratio** is the sum of the underlying loss, expense and dividend ratios.
- **Renewal premium change** represents the estimated change in average premium on policies that renew, including rate and exposure changes.
- **Rate** represents the average change in price on policies that renew excluding exposure change. For certain products within Small Business, where quantifiable, rate includes the influence of new business as well.
- **Retention** represents the percentage of premium dollars renewed in comparison to the expiring premium dollars from policies available to renew.
- **New business** represents premiums from policies written with new customers and additional policies written with existing customers.

The Company's investment portfolio is monitored by management through analysis of various factors including unrealized gains and losses on securities, portfolio duration and exposure to market and credit risk.

## Reconciliation of GAAP Measures to Non-GAAP Measures

This press release also contains financial measures that are not in accordance with GAAP. Management utilizes these financial measures to monitor the Company's insurance operations and investment portfolio. The Company believes the presentation of these measures provides investors with a better understanding of the significant factors that comprise the Company's operating performance. Reconciliations of these measures to the most comparable GAAP measures follow below.

### Reconciliation of Net Income to Core Income

**Core income (loss)** is calculated by excluding from net income (loss) the after-tax effects of i) net investment gains or losses, ii) income or loss from discontinued operations, iii) any cumulative effects of changes in accounting guidance and iv) deferred tax asset and liability remeasurement as a result of an enacted U.S. Federal tax rate change. The calculation of core income (loss) excludes net investment gains or losses because net investment gains or losses are generally driven by economic factors that are not necessarily consistent with key drivers of underwriting performance, and are therefore not considered an indication of trends in insurance operations. Management monitors core income (loss) for each business segment to assess segment performance. Presentation of consolidated core income (loss) is deemed to be a non-GAAP financial measure.

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net income	\$ 278	\$ 270	\$ 620	\$ 561
Less: Net investment (losses) gains	(16)	—	8	10
Core income	<u>\$ 294</u>	<u>\$ 270</u>	<u>\$ 612</u>	<u>\$ 551</u>

### Reconciliation of Net Income per Diluted Share to Core Income per Diluted Share

**Core income (loss) per diluted share** provides management and investors with a valuable measure of the Company's operating performance for the same reasons applicable to its underlying measure, core income (loss). Core income (loss) per diluted share is core income (loss) on a per diluted share basis.

	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Net income per diluted share	\$ 1.02	\$ 0.99	\$ 2.28	\$ 2.06
Less: Net investment (losses) gains	(0.06)	—	0.03	0.04
Core income per diluted share	<u>\$ 1.08</u>	<u>\$ 0.99</u>	<u>\$ 2.25</u>	<u>\$ 2.02</u>

### Reconciliation of Book Value per Share to Book Value per Share Excluding AOCI

**Book value per share excluding AOCI** allows management and investors to analyze the amount of the Company's net worth primarily attributable to the Company's business operations. The Company believes this measurement is useful as it reduces the effect of items that can fluctuate significantly from period to period, primarily based on changes in interest rates.

	June 30, 2019	December 31, 2018
Book value per share	\$ 44.52	\$ 41.32
Less: Per share impact of AOCI	0.44	(3.23)
Book value per share excluding AOCI	<u>\$ 44.08</u>	<u>\$ 44.55</u>



### Calculation of Return on Equity and Core Return on Equity

**Core return on equity** provides management and investors with a measure of how effectively the Company is investing the portion of the Company's net worth that is primarily attributable to its business operations.

(\$ millions)	Results for the Three Months Ended June 30		Results for the Six Months Ended June 30	
	2019	2018	2019	2018
Annualized net income	\$ 1,114	\$ 1,078	\$ 1,240	\$ 1,122
Average stockholders' equity including AOCI <sup>(a)</sup>	11,771	11,420	11,652	11,830
Return on equity	9.5 %	9.4 %	10.6 %	9.5 %
Annualized core income	\$ 1,178	\$ 1,080	\$ 1,225	\$ 1,101
Average stockholders' equity excluding AOCI <sup>(a)</sup>	11,873	11,922	12,031	12,115
Core return on equity	9.9 %	9.1 %	10.2 %	9.1 %

(a) Average stockholders' equity is calculated using a simple average of the beginning and ending balances for the period.

For additional information, please refer to CNA's most recent 10-K on file with the Securities and Exchange Commission, as well as the financial supplement, available at [www.cna.com](http://www.cna.com).

### Forward-Looking Statements

This press release includes statements that relate to anticipated future events (forward-looking statements) rather than actual present conditions or historical events. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and generally include words such as "believes," "expects," "intends," "anticipates," "estimates" and similar expressions. Forward-looking statements, by their nature, are subject to a variety of inherent risks and uncertainties that could cause actual results to differ materially from the results projected. Many of these risks and uncertainties cannot be controlled by CNA. For a detailed description of these risks and uncertainties please refer to CNA's filings with the Securities and Exchange Commission, available at [www.cna.com](http://www.cna.com).

Any forward-looking statements made in this press release are made by CNA as of the date of this press release. Further, CNA does not have any obligation to update or revise any forward-looking statement contained in this press release, even if CNA's expectations or any related events, conditions or circumstances change.

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