

PART II

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PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

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PART I

Item 1. Business.

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: property, casualty and life insurance (CNA Financial Corporation, an 83% owned subsidiary); the production and sale of cigarettes (Lorillard, Inc., a wholly owned subsidiary); the operation of hotels (Loews Hotels Holding Corporation, a wholly owned subsidiary); the distribution and sale of watches and the production and sale of other timing devices (Bulova Corporation, a 97% owned subsidiary); and the operation of oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a wholly owned subsidiary). In addition, a wholly owned subsidiary owns approximately 20% of the outstanding common stock of CBS Inc.

Unless the context otherwise requires, the terms "Company" and "Registrant" as used herein mean Loews Corporation and its subsidiaries, on a consolidated basis.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained in Note 17 of the Notes to Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

CNA FINANCIAL CORPORATION

CNA Financial Corporation ("CNA") and its consolidated subsidiaries constitute the ninth largest insurance company in the United States as measured by 1992 statutory premium volume. CNA was incorporated in 1967 as the parent company of Continental Casualty Company ("CCC"), incorporated in 1897, and Continental Assurance Company ("CAC") incorporated in 1911. In 1975, CAC became a wholly owned subsidiary of CCC. CNA's property and casualty insurance operations are conducted by CCC and its property and casualty insurance affiliates, and its life insurance operations are conducted by CAC and its life insurance affiliates. CNA's principal business conducted through its insurance subsidiaries is insurance. As multiple-line insurers, the insurance companies underwrite property, casualty, life, and accident and health coverages. Their principal market for insurance is the United States. Foreign operations are not significant.

The following provides information regarding CNA's property and casualty insurance and life insurance operations.

PROPERTY AND CASUALTY INSURANCE

CNA's property and casualty operations market commercial and personal lines of property and casualty insurance through independent agents and brokers.

CCC and its property and casualty insurance subsidiaries write primarily commercial lines coverages. Customers include large national corporations, small and medium-sized businesses, groups and associations, and professionals. Coverages are written primarily through traditional insurance contracts, under which risk is transferred to the insurer. Many commercial account policies are written under retrospectively-rated contracts, which are experience-rated. Premiums for such contracts may be adjusted, subject to limitations set by contract, based on loss experience of the insureds. Other experience-rated policies include provisions for adjustments to dividends based on loss experience. Experience-rated contracts reduce risk to the insurer. Approximately 40% of CNA's property and casualty insurance is written on an experience-rated basis.

CNA also provides loss control, policy administration and claim administration services under service contracts for fees. Such services are provided primarily in the workers' compensation market, where retention of risk through self insurance or high deductible programs has become increasingly prevalent.

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Commercial business includes such lines as workers' compensation, general

liability, professional and specialty, multiple peril, and accident and health coverages. Professional and specialty coverages include liability coverage for architects and engineers, lawyers, accountants, medical and dental professionals; directors and officers liability; and other specialized coverages. CNA also assumes commercial risks from other insurers. CNA's primary lines are workers' compensation, general liability and professional and specialty coverages, which accounted for 29%, 18% and 13%, respectively, of 1993 premiums earned, including premiums for involuntary risks. Premiums for involuntary risks result from mandatory participation in residual markets. CNA is required by the various states in which it does business to provide coverage for risks that would not otherwise be considered under CNA's underwriting standards. CNA's share of involuntary risks is generally a function of its share of the voluntary market by line of insurance in each state.

CNA also markets personal lines of insurance, primarily automobile and homeowners coverages sold to individuals under monoline and package policies.

The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31,		
	1993	1992	1991
(In millions of dollars)			
Commercial Premiums Earned:			
Workers' compensation	\$ 1,501.5	\$ 1,669.2	\$ 1,920.4
General liability	1,154.5	1,176.0	1,292.6
Professional and specialty	798.9	741.5	763.9
Reinsurance and other	712.2	556.0	482.0
Accident and health	428.3	352.6	294.2
Multiple peril	368.5	374.9	397.2
	<u>\$ 4,963.9</u>	<u>\$ 4,870.2</u>	<u>\$ 5,150.3</u>
Personal Premiums Earned:			
Personal lines packages	\$ 510.7	\$ 447.3	\$ 335.6
Monoline automobile and property coverages	343.5	395.0	470.7
Accident and health	85.6	88.6	88.8
	<u>\$ 939.8</u>	<u>\$ 930.9</u>	<u>\$ 895.1</u>
Involuntary Risks Premiums Earned (a):			
Workers' compensation	\$ 292.3	\$ 451.4	\$ 499.5
Commercial passenger	50.3	44.9	66.6
Private passenger	23.2	52.5	39.2
Property and multiple peril	5.5	3.7	4.6
	<u>\$ 371.3</u>	<u>\$ 552.5</u>	<u>\$ 609.9</u>
Net Investment Income and Other Income:			
Commercial	\$ 979.8	\$ 1,087.3	\$ 1,131.3
Personal	156.1	165.3	160.1
Involuntary risks	75.7	83.6	78.5
	<u>\$ 1,211.6</u>	<u>\$ 1,336.2</u>	<u>\$ 1,369.9</u>
Underwriting Income (Loss):			
Commercial	\$(1,535.6)	\$(2,505.9)	\$ (707.1)
Personal	(99.7)	(152.8)	(172.1)
Involuntary risks	(156.5)	(340.9)	(345.5)
	<u>\$(1,791.8)</u>	<u>\$(2,999.6)</u>	<u>\$(1,224.7)</u>

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	Years Ended December 31,		
	1993	1992	1991
(In millions of dollars)			
Trade Ratios (b):			
Loss ratio	96.8%	116.7%	88.1%
Expense ratio	27.3%	26.2%	25.8%
Combined ratio (before policyholder dividends)	124.1%	142.9%	113.9%
Policyholder dividend ratio	2.3%	1.9%	2.4%
Trade Ratios-Statutory Basis (b):			
Loss ratio	96.4%	116.3%	88.2%
Expense ratio	27.1%	25.6%	25.6%*
Combined ratio (before policyholder dividends)	123.5%	141.9%	113.8%*
Policyholder dividend ratio	3.1%	2.4%	2.7%
Other Data-Statutory Basis (c):			

Statutory capital and surplus	\$3,598.4	\$3,135.8	\$3,927.5
Written to surplus ratio	1.7	2.0	1.7*

* In 1991, CNA changed its statutory method of accounting for property and casualty written premium on indeterminate premium products (policies subject to exposure audits). This new method defers the recognition of written premium and acquisition expenses generally until billed. The effect of this change in 1991 was a one-time reduction in written premium and related acquisition expenses of \$864 and \$78 million, respectively. In order to provide comparability, the Other Data and Trade Ratios for 1991 shown above do not reflect the one-time impact of this statutory accounting change.

(a) Property and casualty involuntary risks include mandatory participation in residual markets, statutory assessments for insolvencies of other insurers and other involuntary charges.

(b) Trade ratios reflect the results of CCC and its property and casualty insurance subsidiaries. Trade ratios are industry measures of property and casualty underwriting results. The loss ratio is the percentage of incurred claims and claims adjustment expenses to premiums earned. Under generally accepted accounting principles, the expense ratio is the percentage of underwriting expenses, including the change in deferred acquisition costs, to premiums earned. Under statutory accounting principles, the expense ratio is the percentage of underwriting expenses (with no deferral of acquisition costs) to premiums written. The combined ratio is the sum of the loss ratio and the expense ratio. The policyholder dividend ratio is the ratio of dividends incurred to premiums earned.

(c) Other data is determined on the basis of statutory accounting principles and reflects capital contributions from CNA of \$475 million in 1993. In addition, dividends of \$150, \$100 and \$130 million were paid to CNA by CCC in 1993, 1992 and 1991, respectively. Property and casualty insurance subsidiaries have received, or will receive, reimbursement from CNA for general management and administrative expenses, unallocated loss adjustment expenses and investment expenses in the amounts of \$167.5, \$141.1 and \$133.8 million in 1993, 1992, and 1991, respectively.

The following table displays the distribution of domestic written premium by state:

State -----	Years Ended December 31, -----	
	1993	1992
	-----	-----
California	12.1%	11.8%
New York	8.4	8.0
Pennsylvania	5.9	6.1
Texas	6.2	5.7
Illinois	5.1	5.1
Florida	4.1	3.3
New Jersey	3.3	3.1
All other states (a)	43.1	41.5
Reinsurance assumed:		
Voluntary	6.9	7.9
Involuntary	4.9	7.5
	-----	-----
	100.0%	100.0%
	=====	=====

(a) No other state accounts for more than 3.0% of direct written premium.

The growth and profitability of CNA's property and casualty insurance business is dependent on many factors, including competitive and regulatory influences, the efficiency and costs of operations, underwriting quality, the level of natural disasters, and investment results.

In recent years, CNA's growth and earnings have been impacted by a prolonged cycle of inadequate commercial lines pricing, particularly in the workers' compensation market. CNA has intensified efforts in the political sphere on behalf of a more predictable and equitable insurance marketing climate. CNA has taken a leadership role in seeking workers' compensation reform in several states. Among CNA's marketing strategies during this difficult time are to emphasize responsible pricing over premium growth and to aggressively adapt to changes in certain markets such as those in which self insurance has become important. CNA has also initiated wide-scale cost management measures. CNA has continued actions to reduce or stabilize the costs of doing business, including costs of health care, fraud and tort liability. Programs include managed health care programs and formation of a department devoted exclusively to fighting fraud.

Workers' compensation has been a difficult line of business during the past several years. Despite rapidly escalating loss costs, state regulators have been unwilling to allow premium rate increases sufficient for insurers to earn a profit. Unlike other insurance carriers, CNA has remained in this market in most states. It continues to believe that workers' compensation is a critical product

to its customers, and with its proven expertise in this line, that there is a profit potential over the long term.

During this current industry downcycle, CNA has restricted its exposure to workers' compensation and has taken other steps to mitigate the underwriting losses in workers' compensation. These steps include increasing conservatism of underwriting standards, continuing migration of guaranteed cost policies to experience-rated contracts, and as mentioned previously, aggressive cost containment programs geared to reduce frequency and severity of claims. During 1993, 65% of workers' compensation insurance was written on an experience-rated basis. As a result of these steps, the past year's experience has been encouraging as accident year loss ratios have improved slightly. After factoring in the investment income related to projected cash flows, this line of business produced a positive economic return in the 1992 and 1993 accident years. CNA believes that further improvement in workers' compensation results will occur as its many efforts toward this objective continue.

The state of California is CNA's largest market, accounting for 12% of its premium volume in 1993. Workers' compensation is the largest line of business in California accounting for approximately 40% of premiums written in 1993. As noted in the discussion of countrywide strategies for workers' compensation, approximately 87% of California's workers' compensation business was written via loss sensitive contracts.

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Profitability trends are slightly more favorable in this state than countrywide primarily as a result of recently enacted major workers' compensation reform legislation which included improved benefit provisions and open premium rating. As a result, favorable profitability trends in workers' compensation are expected to continue. Other major lines of business in California, including commercial multiple peril, commercial automobile and general liability, are producing less favorable results than countrywide. CNA is aggressively seeking adequate premium rates for these lines within the confines of the current regulatory constraints.

Property/Casualty Claims and Claims Expense: Property/casualty claims and claims expense reserves, except reserves for structured settlements, workers' compensation lifetime claims and accident and health disability claims are based on (a) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses based upon past experience, (c) estimates of assumed insurance, (d) estimates of future expenses to be incurred in settlement of claims and (e) estimates of claim recoveries. Loss reserve calculations are based on quantitative techniques which utilize historical trends to project future payments. Other factors, including mix of business, the anticipated effects of inflation, and other current conditions and trends, are implicit in the estimation process. The schedule on page 3 provides information on mix of business.

Structured settlements have been negotiated for certain liability claims under commercial automobile, personal automobile, workers' compensation, professional liability and other liability coverages. Structured settlements are agreements to provide periodic payments to claimants, which are fixed and determinable as to the amount and time of payment. Certain structured settlements are funded by annuities purchased from CAC. Related annuity obligations are carried in future policy benefits reserves. Obligations for structured settlements not funded by annuities are carried at discounted values which approximate the alternative cost of annuity purchases. Such reserves, discounted at interest rates ranging from 6.3% to 7.5%, totaled \$749, \$663 and \$555 million at December 31, 1993, 1992 and 1991, respectively. Ultimate payouts under all existing contracts at December 31, 1993 will approximate \$2.2 billion.

In 1992 CNA changed its accounting for claim reserves related to workers' compensation lifetime claims and accident and health disability claims. Reserving practices under both statutory and generally accepted accounting principles allow discounting of reserves for fixed and determinable claim obligations. Reserve discounting for these types of claims is common industry practice. These claim reserves are discounted at interest rates ranging from 3.5% to 5.5% with mortality and morbidity assumptions reflecting current industry experience. At December 31, 1993, such discounted reserves totaled \$970 million; ultimate payouts for these claims are estimated to be \$1.4 billion.

Claims and claims expense reserves are based on estimates and the ultimate liability may vary significantly from such estimates. Any adjustments that are made to the reserves are reflected in operating income in the year such adjustments are made.

In 1993, CNA adopted Statement of Financial Accounting Standards ("SFAS") No. 113 which requires that balances pertaining to reinsurance transactions be reported "gross" on the balance sheet rather than as reductions of reserves for claims and claims expenses. As a result of this change in reporting, the reserve balances reported in the financial statements prepared in accordance with generally accepted accounting principles and those prepared under statutory accounting practices differ by the amount of ceded reserves of \$2.9 and \$2.5 billion at December 31, 1993 and 1992, respectively.

The retention limits of CNA's property/casualty business vary by type of coverage and are based on individual risks underwritten. In general, retention limits have been increased with the growth in underwriting capacity. There have been no reinsurance transactions, such as portfolio reserve transfers or swaps of reserves, that have had a material impact on net income.

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Asbestos-related and environmental pollution claims

Reserves include estimated amounts for exposures to asbestos-related and environmental pollution claims. Reserving for such claims involves significant uncertainties for both CNA and the industry, characterized by complex and costly litigation and further compounded by the tendency of the courts to broadly reinterpret contracts beyond their original intent.

A summary of asbestos-related and environmental pollution claims and claims expense activity follows:

	Claims and Claims Expense				
	Reserves, Net of Reinsurance December 31,		Payments Years Ended		
	1993	1992	1993	1992	1991
	(In millions)				
Asbestos-related.....	\$2,080	\$1,683	\$204	\$112	\$39
Environmental pollution.....	433	59	72	38	49
Total	\$2,513	\$1,742	\$276	\$150	\$88

A major portion of CNA's asbestos-related claim exposure involves litigation with Fibreboard Corporation, as discussed in Note 16 of Notes to Consolidated Financial Statements. Adverse reserve developments for asbestos-related claims totaled \$601, \$1,689 and \$48 million in 1993, 1992 and 1991, respectively.

Potential exposures also exist for claims involving environmental pollution, including toxic waste clean-up. Environmental pollution clean-up is the subject of both federal and state regulation. By some estimates there are thousands of potential waste sites subject to clean-up. The insurance industry is involved in extensive litigation regarding coverage issues. Judicial interpretations in many cases have expanded the scope of coverage and liability beyond the original intent of the policies.

Reserve development for environmental pollution claims totaled \$446, \$48 and \$47 million in 1993, 1992 and 1991, respectively, including litigation costs of \$28, \$25 and \$21 million. Adverse development for 1993 primarily resulted from the allocation of approximately \$340 million of reserves for unreported claims. The results of operations in future years may continue to be adversely affected by environmental pollution claims and claims expenses. Management will continue to monitor potential liabilities and make further adjustments as warranted. See Note 16 of Notes to Consolidated Financial Statements.

Reserves for property/casualty claims and claims expense

The following table provides a reconciliation between beginning and ending claims and claims expense reserve balances for 1993, 1992 and 1991. In 1992, beginning and ending reserve balances were restated to retroactively reflect the accounting change for discounting discussed previously. Not included in the following table is premium development related to certain insurance policies subject to retroactive premium adjustments, based on various factors including loss experience. As a result, CNA also recorded premium and dividend related development to prior years of \$(127), \$50 and \$(43) million in 1993, 1992 and 1991, respectively.

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	Changes in Reserves for Property/Casualty Claims and Claims Expense Years Ended December 31,		
	1993	1992	1991
	(In millions)		
Reserves at beginning of year:			
Gross	\$20,034	\$17,712	\$16,530
Ceded reinsurance	2,867	3,297	3,440
Net	17,167	14,415	13,090
Net incurred claims and claims expense:			
Provision for insured events of current year	5,388	5,708	5,811
Increase (decrease) in provision for insured events of prior years	590	1,617	(106)
Amortization of discounts	94	104	89

Total net incurred	6,072	7,429	5,794

Net payments:			
Attributable to current year events	1,202	1,260	1,177
Attributable to prior year events ..	3,706	3,411	3,285
Amortization of discounts	10	6	7

Total net payments	4,918	4,677	4,469

Net reserves at end of year	\$18,321	\$17,167	\$14,415
=====			
Gross reserves at beginning of year ..	\$20,034	\$17,712	\$16,530

Gross incurred claims and claims expense:			
Provision for insured events of			
current year	5,817	6,382	6,320
Increase (decrease) in provision for			
insured events of prior years	305	1,487	(174)
Amortization of discounts	94	104	89

Total gross incurred	6,216	7,973	6,235

Gross payments:			
Attributable to current year events	1,278	1,348	1,245
Attributable to prior year events ..	4,150	4,297	3,801
Amortization of discounts	10	6	7

Total gross payments	5,438	5,651	5,053

Gross reserves at end of year	\$20,812	\$20,034	\$17,712
=====			

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The following table displays the development of financial statement claims and claims expense reserves for 1983 through 1993. In this table, development of reserves is included in each calendar year between the date of loss and the date of reestimation. Therefore, the deficiencies of the original estimates of required reserves that are reflected below are cumulative and should not be summed. All reserve data has been restated to retroactively reflect the accounting change for discounting discussed previously.

Schedule of Property/Casualty Loss Reserve Development											
Years Ended December 31,											
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993

(In millions of dollars)											

Gross reserves for unpaid claims and claims expense	-	-	-	-	-	-	-	16,530	17,712	20,034	20,812
Ceded recoverable ...	-	-	-	-	-	-	-	3,440	3,297	2,867	2,491

Net reserves for unpaid claims and claims expense	3,309	3,931	4,873	6,243	8,045	9,552	11,267	13,090	14,415	17,167	18,321

Net Paid											
(Cumulative) as of:											
One year later	1,074	1,330	1,594	1,335	1,763	2,040	2,670	3,285	3,411	3,706	-
Two years later ...	1,624	1,936	2,932	2,383	2,961	3,622	4,724	5,623	6,024	-	-
Three years later .	2,066	2,493	3,022	3,197	4,031	4,977	6,294	7,490	-	-	-
Four years later ..	2,469	2,963	3,642	3,963	5,007	6,078	7,534	-	-	-	-
Five years later ..	2,759	3,407	4,175	4,736	5,801	6,960	-	-	-	-	-
Six years later ...	3,084	3,766	4,735	5,339	6,476	-	-	-	-	-	-
Seven years later .	3,330	4,156	5,233	5,880	-	-	-	-	-	-	-
Eight years later .	3,625	4,512	5,668	-	-	-	-	-	-	-	-
Nine years later ..	3,914	4,901	-	-	-	-	-	-	-	-	-
Ten years later ...	4,243	-	-	-	-	-	-	-	-	-	-

Net Reserves											
Reestimated as of:											
End of initial year	3,309	3,931	4,873	6,243	8,045	9,552	11,267	13,090	14,415	17,167	18,321
One year later	3,367	3,985	5,047	6,642	8,086	9,737	11,336	12,984	16,032	17,757	-
Two years later ...	3,477	4,122	5,573	6,763	8,345	9,781	11,371	14,693	16,810	-	-
Three years later .	3,599	4,659	5,788	6,989	8,424	9,796	13,098	15,737	-	-	-
Four years later ..	3,981	4,855	6,170	7,166	8,516	11,471	14,118	-	-	-	-
Five years later ..	4,127	5,171	6,422	7,314	10,196	12,496	-	-	-	-	-
Six years later ...	4,359	5,395	6,566	9,022	11,239	-	-	-	-	-	-
Seven years later .	4,534	5,486	8,317	10,070	-	-	-	-	-	-	-
Eight years later .	4,629	7,215	9,365	-	-	-	-	-	-	-	-
Nine years later ..	6,351	8,270	-	-	-	-	-	-	-	-	-
Ten years later ...	7,362	-	-	-	-	-	-	-	-	-	-

Total net deficiency	(4,053)	(4,339)	(4,492)	(3,827)	(3,194)	(2,944)	(2,851)	(2,647)	(2,395)	(590)	-

Reconciliation to												
Gross Reestimated												
Reserves:												
Net reserves												
reestimated	-	-	-	-	-	-	-	-	15,737	16,810	17,757	-
Reestimated ceded												
recoverable	-	-	-	-	-	-	-	-	3,221	3,060	2,582	-

Total gross												
reestimated reserves	-	-	-	-	-	-	-	-	18,958	19,870	20,339	-
=====												
Net Deficiency												
related to:												
Asbestos-related												
claims	(2,608)	(2,606)	(2,640)	(2,682)	(2,635)	(2,577)	(2,476)	(2,338)	(2,290)	(601)		-
Environmental	(595)	(601)	(599)	(597)	(582)	(577)	(550)	(539)	(493)	(446)		-
Other	(850)	(1,132)	(1,253)	(548)	23	210	175	230	388	457		-

Total net deficiency	(4,053)	(4,339)	(4,492)	(3,827)	(3,194)	(2,944)	(2,851)	(2,647)	(2,395)	(590)		-
=====												

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As the above table illustrates, most of the unfavorable reserve development is due to asbestos claims. A discussion of CNA's litigation with Fibreboard Corporation regarding asbestos-related bodily injury claims can be found in Note 16 of the Notes to Consolidated Financial Statements in Item 8.

In addition to the asbestos and environmental reserve developments noted on page 8, the unfavorable reserve developments relate primarily to accident years 1986 and prior and are comprised of the following lines of business: product liability, medical malpractice, other liability, professional liability, reinsurance, and workers' compensation. In the early to mid-1980's, frequency and severity trends exceeded expectations, resulting in reserve deficiencies in 1986 and prior accident years. For accident years 1987 and subsequent, frequency and severity trends have noticeably moderated. In calendar year 1993, positive severity experience in professional liability lines and improvement in involuntary workers' compensation experience resulted in favorable development in accident years 1987 through 1992.

LIFE INSURANCE

CNA's life insurance operations markets individual and group insurance products through licensed agents, most of whom are independent contractors, who sell life insurance for CNA and for other companies on a commission basis. Individual insurance products include life, accident and health and annuity products, and are sold to individuals and small businesses.

The individual life products currently being marketed consist primarily of term, universal life and participating policies. Included in the universal life category is a salary allotment product marketed through employers as a supplement to employers' benefit plans. Premiums are collected from employees through payroll deduction. The individual accident and health product currently being marketed is long-term disability. Individual annuity products are primarily periodic payment plans.

Group insurance products include life, accident and health and pension products, and are sold to employers, employer associations and trusts ranging in size from small local employers to large multinational corporations. The group accident and health plans are primarily major medical and hospitalization. Most of the major medical and hospitalization plans are written under experience-rated contracts or contracts to provide claim administrative services only.

CNA's products are designed and priced using assumptions CNA management believes to be reasonably conservative for mortality, morbidity, persistency, expense levels and investment results. Underwriting practices that CNA management believes are prudent are followed in selecting the risks that will be insured. Further, actual experience related to pricing assumptions is monitored closely so that adjustments to these assumptions may be implemented as necessary. CNA mitigates the risk related to persistency by including surrender charge provisions in its ordinary life and annuity policies in the first five to ten years, thus providing for the recovery of acquisition expenses. Investment portfolios supporting interest sensitive products, including universal life and individual annuities, are segregated from other investments and managed so as to minimize the liquidity and interest rate risks.

Profitability in the life insurance business has decreased over the past two years as a result of declining investment income, reflecting lower interest rates and a large investment in short-term investments. Further, results continue to be impacted by intense competition and rising medical costs. CNA has aggressively pursued expense reduction through increases in automation and other productivity improvements. Increasing costs of health care have resulted in a continued market shift away from traditional forms of health coverage toward managed care products and experience-rated plans. CNA's ability to compete in this market will be increasingly dependent on its ability to control costs through managed care techniques, innovation, and quality customer-focused service in order to properly position CNA in the evolving health care environment.

The federal government's initiative to control health care costs and provide universal access to health care was presented in 1993. The impact of potential

health care reform cannot be determined at this time. Such reform may

affect both CNA's individual and group accident and health business. CNA has urged a meaningful role for the private sector in any proposed plan. The present health care system is clearly in need of reform, and CNA has emphasized that the competitive strengths of the insurance industry must be an integral part of a workable solution.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1993	1992	1991
	(In millions of dollars)		
Individual Premiums:			
Life and annuities	\$ 312.1	\$ 294.7	\$ 287.9
Accident and health	30.9	27.1	24.3
	<u>\$ 343.0</u>	<u>\$ 321.8</u>	<u>\$ 312.2</u>
Group Premiums:			
Life	\$ 107.2	\$ 100.7	\$ 90.8
Accident and health (a)	1,983.0	1,957.5	1,887.0
Annuities	9.0	57.7	24.3
	<u>\$2,099.2</u>	<u>\$2,115.9</u>	<u>\$2,002.1</u>
Net Investment Income and Other Income:			
Individual	\$ 154.2	\$ 163.0	\$ 162.5
Group	142.8	156.6	185.4
	<u>\$ 297.0</u>	<u>\$ 319.6</u>	<u>\$ 347.9</u>
Income Excluding Realized Capital Gains, Before Income Tax:			
Individual	\$ 14.5	\$ 22.5	\$ 13.8
Group	51.9	56.1	76.0
	<u>\$ 66.4</u>	<u>\$ 78.6</u>	<u>\$ 89.8</u>
Gross Life Insurance in Force:			
Individual (c)	\$ 76,835	\$ 75,569	\$ 71,539
Group	35,413	29,643	27,139
	<u>\$112,248</u>	<u>\$105,212</u>	<u>\$ 98,678</u>
Other Data (b):			
Statutory capital and surplus	\$1,022.0	\$1,003.0	\$ 968.4
Statutory capital and surplus- percent of total liabilities	30.1%	33.4%	29.9%
Participating policyholders'-percent of gross life insurance in force ..	1.1%	1.2%	1.6%

(a) Group accident and health premiums include contracts involving U.S. Government employees and their dependents amounting to approximately \$1.7, \$1.6 and \$1.5 billion in 1993, 1992 and 1991, respectively.

(b) Other Data is determined on the basis of statutory accounting principles. Life insurance subsidiaries have received, or will receive, reimbursement from CNA for general management and administrative expenses and investment expenses in the amounts of \$25.6, \$24.5 and \$25.7 million in 1993, 1992 and 1991, respectively. Statutory capital and surplus as a percent of total liabilities is determined after excluding Separate Account liabilities and reclassifying the Asset Valuation and Interest Maintenance Reserves as surplus.

(c) Lapse ratios as measured by surrenders and withdrawals as a percentage of average ordinary life insurance in force were 9.7%, 8.6%, and 10.4% in 1993, 1992, and 1991, respectively.

Annuities and guaranteed investment contracts

CAC writes the majority of its annuities and guaranteed investment contracts ("GIC's") in a fixed or non-variable Separate Account, which is permitted by Illinois Insurance statutes. This treatment affords the contractholders additional security, in the form of CAC's general account surplus, which supports any principal and/or guaranteed interest payment shortfalls of the Separate Account.

CNA manages the liquidity and interest rate risks on the GIC portfolio by

matching the GIC assets and liabilities on the basis of duration and maintaining market value surrender adjustments on the majority of the contracts.

The following table illustrates the matching of the duration of assets and liabilities for the GIC portfolio, the investment yield, the weighted average interest crediting rates and withdrawal characteristics.

	December 31,		
	1993	1992	1991
Duration in years:			
Assets	2.68	3.04	2.85
Liabilities	2.73	2.69	2.54
Mismatch	(.05)	.35	.31
Weighted average investment yield	7.11%	8.05%	9.38%
Weighted average interest crediting rates	7.74%	8.32%	8.84%
Withdrawal Characteristics:			
With market value adjustment	81%	83%	85%
Non-withdrawable	13	12	11
Without market value adjustment	6	5	4
Total	100%	100%	100%

As shown above, the investment yield at December 31, 1993 and 1992 was less than the average crediting rate. However, this occurred because of security sales resulting in realized capital gains. Although the sales proceeds were invested at lower yields, the asset base was increased. At December 31, 1993 and 1992, the GIC estimated market value of assets exceeded the estimated market value of contract liabilities and expenses.

INVESTMENTS

CNA's general account investment portfolio is managed to maximize after-tax investment return, while minimizing credit risks with investments concentrated in high quality securities to support its insurance underwriting operations. At December 31, 1993, approximately 20% of CNA's general account portfolio is invested in long-term state and municipal bonds in order to maximize after-tax yield and provide for a more stable yield on the portfolio with a higher quality of investment than may otherwise be available.

CNA has the capacity to hold its fixed income portfolio to maturity. However, securities may be sold as part of CNA's asset/liability strategies or to take advantage of investment opportunities generated by changing interest rates, prepayments, tax and credit considerations, or other similar factors. Accordingly, the fixed income securities are classified as available for sale. CNA's portfolio is managed based on the following investment strategies: (i) diversification is used to limit exposures to any one issue or issuer, and (ii) in general, the public market is used in order to provide liquidity.

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Historically, CNA has maintained short-term assets at a level that provided for liquidity to meet its short-term obligations, principally anticipated claim payout patterns. Throughout 1992 and 1993 the level of short-term investments increased beyond that needed for short-term liquidity. This resulted in a decline in investment income in 1993. Management believes, however, that the increased concentration in short-term investments will reduce the impact that a rise in interest rates would have on its fixed income portfolio.

The following summarizes CNA's distribution of general account investments:

	December 31,	
	1993	1992
	(In millions)	
Fixed maturities (1):		
Tax exempt bonds	\$ 5,015	\$ 9,502
Taxable bonds	12,145	7,286
Redeemable preferred stocks	448	568
Equity securities:		
Common stocks	508	348
Non-redeemable preferred stocks		9
Mortgage loans	58	85
Policy loans	174	179
Short-term investments	6,944	4,444

Real estate and other invested assets	71	57
Total investments at carrying value	\$25,363	\$22,478

(1) Fixed maturity securities are reported at fair value in 1993.

As noted in Management's Discussion and Analysis of Financial Condition and Results of Operations, in 1993 CNA began a program of realigning its portfolio which resulted in realizing substantial gains. For the year ended December 31, 1993, CNA's property and casualty insurance subsidiaries sold approximately \$35.4 billion of fixed income and equity securities realizing pre-tax net gains of \$741.3 million. Of the securities sold, approximately \$5.8 billion was from the tax-exempt municipal bond portfolio. Most of the proceeds from those sales have been invested in short-term securities, primarily U.S. Treasury bills and high-grade commercial paper. In addition to reducing the impact that a rise in interest rates would have on the fixed income portfolio, the increase in taxable short-term securities and the decrease in tax-exempt investments will allow CNA to minimize additional alternative minimum tax credit generated in 1992 and 1993.

CNA's general account fixed income portfolio has consistently been of high quality as illustrated in the following table using the Standard & Poor's ratings convention (see note).

	December 31,	
	1993	1992
AAA	77%	73%
AA	8	10
A	7	10
BBB	5	3
Below BBB	3	4
Total	100%	100%

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CNA's Separate Account investment portfolio is managed to specifically support the underlying insurance products (see the discussion of annuities and GIC's in "Life Insurance" above). Approximately 86% or \$5.6 billion of Separate Account investments are used to fund GIC's; the remaining investments are funding variable products. Approximately 97% of the GIC investment portfolio is comprised of taxable fixed income securities. The quality of the GIC fixed income portfolio using the Standard & Poor's ratings convention (see note) is as follows:

	December 31,	
	1993	1992
AAA	44%	50%
AA	6	9
A	18	18
BBB	13	10
Below BBB	19	13
Total	100%	100%

Note: The bond ratings shown in the two tables above are primarily from Standard & Poor's (94% of the general account portfolio and 93% of the GIC portfolio in 1993). In the case of private placements and other unrated securities, comparable internal ratings are developed by CNA. These ratings are derived by management using available information on the issuer to assess the credit risk. Reference also may be made to similar instruments of the issuer that are rated by Standard & Poor's. In the case of unrated municipal bonds, a AAA rating may be assigned to issues with financial guarantee insurance.

CNA actively manages its high yield bonds and maintains the level of such investments at prudent levels, as illustrated above. In 1993, the level of high yield investment increased \$261 million to \$1,068 million at year end. This increase is a result of the relative attractiveness of the high yield investment market in comparison to other investment opportunities during the year. Although the level of high yield investments has increased, the components of the high yield portfolio have shifted toward lower risk issues, with B and BB rated bonds comprising 91% of the high yield portfolio at December 31, 1993, compared to 82% at the end of 1992. High yield securities generally involve a greater degree of risk than that of investment grade securities. Expected returns should, however, compensate for the added risk. The risk is also considered in the interest rate

assumptions in the underlying insurance products. Further, CNA's investment in real estate and mortgage loans amounted to less than one-half of one percent of its total assets, substantially below industry averages.

Included in CNA's 1993 AAA-rated fixed income securities (general and GIC portfolios) are \$4.4 billion of asset-backed securities, consisting of approximately 47% in collateralized mortgage obligations ("CMO's"), 47% in U.S. Government agency pass through certificates and 6% in corporate asset-backed obligations. The majority of CMO's held are U.S. Government agency pass-through certificates, are actively traded in liquid markets and are priced monthly by broker-dealers. At December 31, 1993, market value exceeded amortized cost by approximately \$87 million. CNA limits the risks associated with interest rate fluctuations and prepayments by concentrating its CMO investments in early planned amortization classes with wide bands and relatively short principal repayment windows.

OTHER

Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve insurance products and services. Based on net statutory premiums written in 1992, CCC is ranked as the sixth largest property/casualty insurance organization among approximately 3,900 companies writing property and casualty insurance in the United States, about 900 of which operate in all or most states. CAC is ranked as the seventeenth largest consolidated life

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insurance organization among approximately 2,000 companies selling life insurance (including health insurance and pension products) in the United States, based on statutory premium revenue in 1992.

Dividends by Insurance Subsidiaries: The payment of dividends to CNA by its insurance affiliates without prior approval of the Illinois Insurance Department ("IID") is limited to formula amounts determined in accordance with the accounting practices prescribed or permitted by the IID. The current formula limits dividends, without approval of the insurance commissioner, to the greater of 10% of prior year statutory surplus or prior year statutory net income (excluding realized gains in excess of 20% of the cumulative unrealized gains position). For 1994, approximately \$360 million in dividends could be paid to CNA by its insurance affiliates without prior approval. The National Association of Insurance Commissioners ("NAIC") Financial Regulation Standards and Accreditation Committee approved the Illinois dividend formula as complying with the NAIC Model Dividend Law. All dividends must be reported to the insurance department within five business days of declaration and ten days prior to payment.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Each state has established supervisory agencies with broad administrative power relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, maintaining guarantee funds, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating solvency and the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which require that rates not be excessive, inadequate or unfairly discriminatory. In addition to regulation of dividends by insurance subsidiaries discussed above, intercompany transfers of assets may be subject to prior notice or approval, depending on the size of such transfers and payments in relation to the financial position of the insurance affiliates making the transfer.

The trend for legislation and voter initiatives continues, particularly for personal lines products, directly impacting insurance rate development, rate application and the ability of insurers to cancel or renew insurance policies. Restrictions on the consideration of certain expenses, limits on services provided by advisory organizations, and politically suppressed workers' compensation rates in certain states continue to be of concern.

Insurers are also required by the states to provide coverage to risks which would not otherwise be considered eligible by the insurers. Each state dictates the types of insurance and the level of coverage which must be provided to such involuntary risks. CNA's insurance subsidiaries share of these involuntary risks is generally a function of its share of the voluntary market, by line of insurance, in each state.

In recent years, insolvencies of a few large insurers previously believed to be on solid financial ground by many rating agencies and state regulators have led to increased scrutiny of state regulated insurer solvency requirements by members of the U.S. Congress. Legislation has been introduced which, if passed, would subject insurers to federal solvency regulation. In response to this challenge the NAIC has developed new industry minimum Risk Based Capital ("RBC") requirements, established a formal state accreditation process designed to minimize the diversity of approved statutory accounting and actuarial practices, and has increased the annual statutory statement disclosure requirements.

RBC requirements are effective for life insurers in 1993 and for property and casualty insurers in 1994. The RBC formulas were designed to identify an insurer's minimum capital requirements based upon the inherent risks (e.g., asset default, credit and insurance) of its operations. In addition to the minimum capital requirements, the RBC formula and related regulations identify various levels of capital adequacy and corresponding action that the state insurance departments should initiate. The highest such level of capital

adequacy above which insurance departments would take no action is defined as the Company Action Level. As of December 31, 1993, CNA's life insurance affiliates, Continental Assurance Company and Valley Forge Life Insurance Company, had adjusted capital amounts in excess of NAIC Company Action Levels. The new property/casualty RBC formula was adopted in December, 1993. Absent significant changes in the industry experience components of the formula,

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CNA's property/casualty domestic insurers have adjusted capital amounts in excess of NAIC Company Action Levels.

In addition to the newly established minimum capital requirements, the NAIC still maintains the Insurance Regulatory Information System ("IRIS"), which assists the state insurance departments in overseeing the financial condition of both life and property/casualty insurers. These tests are in the form of ratios, and have a range of results characterized as "usual" by the NAIC. The NAIC IRIS user guide regarding these ratios specifically states that "Falling outside the usual range is not considered a failing result..." and "...in some years it may not be unusual for financially sound companies to have several ratios with results outside the usual range." It is important, therefore, that IRIS ratio test results be reviewed carefully in conjunction with all other financial information.

CCC had three IRIS ratios with unusual values in 1993, four in 1992 and none in 1991. The three ratios with unusual values in 1993 were the two year overall operating, investment yield, and the two year reserve development ratios. The four IRIS ratios with unusual values in 1992 were the two year overall operating, the change in surplus, and both the one and two year reserve development ratios. Catastrophe losses and reserve increases associated with potential exposure to asbestos-related bodily injury cases recognized in 1992 triggered all the unusual values generated in 1992. These same events were primarily responsible for the unusual values for the two year overall operating and development ratios in 1993. Additionally, lower interest rates in the capital markets in 1993, coupled with the maintenance of a large short term investment portfolio, triggered the unusual value for the investment yield ratio.

CAC had two IRIS ratios with unusual values in 1993, net gain to total income and change in net written premium. CAC had one unusual value for IRIS ratios in 1992, net gain to total income, and none in 1991. CAC's reported statutory net income was adversely affected in both 1993 and 1992 by the transfer of significant realized capital gains to the Interest Maintenance Reserve (IMR) and depressed investment earnings. The unusual value for the change in premium ratio primarily relates to decreases in the Separate Account annuity products fund deposits.

Federal measures which may significantly affect the insurance business include proposals for directly regulating insurance company solvency as well as repeal of the McCarran-Ferguson Act, which exempts certain aspects of insurance from federal regulation to the extent regulated by the states. The potential for federal health care reform has been widely publicized and debated over the past year. Although legislative reforms could come as soon as 1994, the impact of such reforms are as yet unknown. Among the options discussed has been a single comprehensive health care program that would provide access for all Americans, while attempting to reduce cost via enactment of various cost containment measures and tort reforms. If implemented, such reforms may impact both individual and group accident and health, workers' compensation, automobile liability and medical malpractice lines of business currently underwritten by CNA.

Although courts and legislatures are often asked to expand liability, there is a growing trend among business and professional organizations to wage campaigns, which in several instances have been successful, aimed at limiting their liability risks. Several states have adopted and some are considering "tort reform" measures which, among other things, limit non-economic and punitive damages and otherwise limit damage awards in product liability and malpractice cases.

Reinsurance: CNA's insurance subsidiaries assume and cede insurance with other insurers and reinsurers and members of various reinsurance pools and associations. CNA utilizes reinsurance arrangements to limit its maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. The reinsurance coverages are tailored to the specific risk characteristics of each product line with CNA's retained amount varying by type of coverage. Generally, reinsurance coverage for property risks is on an excess of loss, per risk basis. Liability coverages are generally reinsured on a quota share basis in excess of CNA's retained risk. In addition, CNA has catastrophe coverage for certain types of losses over stipulated amounts arising from any one occurrence or event.

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The ceding of insurance does not discharge the primary liability of the original insurer. It had been the practice of insurers to account for the portion of the risks which have been reinsured with other companies as though they were risks for which the original insurer is not liable. In December 1992, the Financial Accounting Standards Board issued SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-duration and Long-duration Contracts." SFAS No. 113 sets forth new requirements for accounting and reporting of reinsurance contracts. The provisions of this statement are effective in 1993 and did not have a material impact on the income or stockholders' equity of CNA as all material reinsurance arrangements are prospective and provided for the transfer of risk.

CNA places reinsurance with other carriers only after careful review of the nature of the contract and a thorough assessment of the reinsurers' credit quality and claim settlement performance. Further, for carriers that are not authorized reinsurers in Illinois, CNA receives collateral primarily in the form of bank letters of credit securing a large portion of the recoverables.

Reinsurance recoverables on paid and unpaid claims were \$2.9, \$3.2, and \$3.7 billion at year end 1993, 1992 and 1991, respectively. Of the \$2.9 billion recoverable at December 31, 1993, approximately \$351 million was due from unauthorized reinsurers, approximately \$155 million of which was collateralized by letters of credit. Despite best efforts to ensure collection of reinsurance recoverables, the long-tail nature of many of these recoverables inevitably results in some credit risk. In estimating CNA's allowance for doubtful accounts, reinsurance recoverables are carefully analyzed.

CNA's largest recoverable at December 31, 1993 was \$484 million due from Lloyd's of London. The recoverable from Lloyd's of London is dispersed among thousands of individual members who have unlimited liability, many of which are Illinois authorized reinsurers. Although Lloyd's of London has recently reported large underwriting losses, it continues to carry substantial reserves, including \$9 billion in premium trust funds, \$6 billion in member trust funds and policyholder surplus of \$381 million. Accordingly, the credit risk associated with these recoverable balances appears to be minimal. Premiums of \$58 million were ceded to Lloyd's of London in 1993.

Properties: CNA Plaza, owned by CAC, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the home office for CNA and its insurance subsidiaries. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on grounds under leases expiring in 2058 and 2067. Approximately 35% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and forty branch offices in major cities throughout the United States. This office space is leased except for offices located in four CNA owned buildings.

LORILLARD, INC.

The Company's wholly owned subsidiary, Lorillard, Inc. ("Lorillard"), is engaged, through its subsidiaries, in the production and sale of cigarettes. The principal cigarette brand names of Lorillard are Newport, Kent and True. Lorillard's largest selling brands are the Newport and Kent brands, which accounted for approximately 69% and 15%, respectively, of Lorillard's sales in 1993. Substantially all of Lorillard's sales are in the United States. Lorillard's major trademarks outside of the United States were sold in 1977. Lorillard accounted for 13.95%, 15.96%, and 14.75% of the Company's total revenue for the fiscal years ended December 31, 1993, 1992 and 1991, respectively.

Smoking and Health and Related Matters: For a number of years reports of the alleged harmful health effects of cigarette smoking have engendered significant adverse publicity for the cigarette industry, have caused a decline in the social acceptability of cigarette smoking and have resulted in the implementation of numerous restrictions on the marketing, advertising and use of cigarettes. Along with significant increases in federal and

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state excise taxes on cigarettes, these actions have, and are likely to continue to have, an adverse effect on cigarette sales.

The Federal Comprehensive Smoking Education Act, which became effective in 1985, requires the use on cigarette packaging and advertising of one of the following four warning statements, on a rotating basis: (1) "SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, and May Complicate Pregnancy." (2) "SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health." (3) "SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, and Low Birth Weight." (4) "SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide." Four shortened versions of these statements are required, on a rotating basis, for use on billboards. This law also requires that each person who manufactures, packages or imports cigarettes shall annually provide to the Secretary of Health and Human Services a list of the ingredients added to tobacco in the manufacture of cigarettes. Such list of ingredients may be submitted in a manner which does not identify the company which uses the ingredients or the brand of cigarettes which contains the ingredients.

Prior to the effective date of the Comprehensive Smoking Education Act, federal law had, since 1965, required that cigarette packaging bear a warning statement which from 1971 to 1985 was as follows: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous To Your Health." In addition, in 1972 Lorillard and other cigarette manufacturers had agreed, pursuant to consent orders entered into with the Federal Trade Commission ("FTC"), to include this health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. In addition, advertising of cigarettes has been prohibited on radio and television since 1971.

Studies with respect to the alleged health risk to nonsmokers of environmental tobacco smoke ("ETS") have received significant publicity. In 1986, the Surgeon General of the United States and the National Academy of Sciences reported that ETS puts nonsmokers at an increased risk of lung cancer and respiratory illness. In January 1993, the United States Environmental Protection Agency released a report (the "EPA Risk Assessment") concluding that ETS is a human lung

carcinogen in adults, and causes increased respiratory tract disease and middle ear disorders and increases the severity and frequency of asthma in children.

In recent years, many federal, state, local and municipal governments and agencies, as well as private businesses, have adopted legislation or regulations which prohibit or restrict, or are intended to discourage, smoking, including legislation or regulations prohibiting or restricting smoking in various places such as public buildings and facilities, stores and restaurants, on domestic airline flights and in the workplace, and the sale of cigarettes in vending machines. This trend has increased significantly since the release of the EPA Risk Assessment. Additional laws, regulations and policies intended to prohibit, restrict or discourage smoking are being proposed or considered by various federal, state and local governments, agencies and private businesses with increasing frequency.

A 1984 federal law established a Technical Study Group to conduct a study and report to the Congress regarding the technical and commercial feasibility of developing cigarettes that will have a minimum propensity to ignite upholstered furniture or mattresses. The Technical Study Group concluded in 1987 that it was technically feasible and may be commercially feasible to develop such cigarettes. In accordance with a 1990 federal law the Consumer Product Safety Commission issued a report in August 1993, concluding that, while it is practicable to develop a performance standard to reduce cigarette ignition propensity, it is unclear that such a standard will effectively address the number of cigarette ignited fires. Several states also are considering legislation in this area.

From time to time, bills have been introduced in Congress, among other things, to end or limit the price supports for leaf tobacco; to prohibit all tobacco advertising and promotion; to require new health warnings on cigarette packages and advertising; to subject cigarettes to regulation in various ways by the U.S. Department of Health and Human Services; to subject cigarettes generally to regulation under the Consumer Products Safety Act; to authorize the establishment of various anti-smoking education programs; to provide that current federal smoking legislation should not be construed to relieve any person of liability under common or state law; to

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permit state and local governments to restrict the sale and distribution of cigarettes and the placement of billboard and transit advertising of tobacco products; to provide that cigarette advertising not be a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the FTC to promulgate standards establishing maximum acceptable levels of "tar," nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes; and to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing.

Additional laws, regulations and policies intended to prohibit, restrict or discourage smoking being proposed or considered by various federal, state and local governments and agencies could, if adopted, have a material adverse effect on the financial condition and results of operations of the Company. The Company does not believe there are any additional such laws, regulations or policies likely to be adopted in the next year which would have such a material adverse effect.

As a result of the growing concern over the asserted health effects of smoking, in recent years the number of lawsuits against tobacco companies seeking damages related to health effects alleged to have resulted from cigarette smoking or exposure to cigarette smoking has increased. For additional discussion of legal proceedings relating to Lorillard and the tobacco industry, see Item 3 below.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Introduction of new brands, brand extensions and packings require the expenditures of substantial sums for advertising and sales promotion, with no assurance of consumer acceptance. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising and point-of-sale display materials. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly, and by direct sales to the U.S. Armed Forces. Lorillard's tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Lorillard has approximately 1,700 direct customers and is not dependent on any one customer or group of customers. Lorillard does not have any backlog orders.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco and burley tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and eight other Near Eastern countries. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, including cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices in the past have been subject to fluctuation. Among the economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls together with support prices have substantially affected the market prices of tobacco. Pursuant to authorizations contained in federal legislation enacted in 1986, the price support levels were reduced in 1986 with the intent of making U.S.-produced tobacco more competitive. The approximate average auction prices per pound for flue-cured tobacco was \$1.728 in 1992 and \$1.687 in 1993 and for burley tobacco was \$1.815 in 1992 and \$1.817 in 1993. The prices paid by Lorillard have generally been consistent with this trend. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco

normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 of the Notes to Consolidated Financial Statements, under Item 8 below, for inventory costing method.

Prices: During 1993, the wholesale price of Lorillard's king size and 100/120 millimeter cigarettes decreased by the net amount of \$13.05 and \$14.55 per thousand, respectively. On January 1, 1993 the wholesale price was increased \$2.10 per thousand cigarettes in relation to the increase in the federal excise tax. For additional information on changes in cigarette pricing see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Taxes: Federal excise taxes included in the price of cigarettes were increased from \$10.00 to \$12.00 per thousand cigarettes effective January 1, 1993. Excise taxes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. The state taxes generally range from 2.5 cents to 75 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of cigarettes. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition. Lorillard's manufacturing plant is located on approximately 79 acres in Greensboro, North Carolina. This 942,600 square foot plant contains modern high speed cigarette manufacturing machinery. Lorillard also has facilities for receiving, processing and storing leaf tobacco in Danville, Virginia, containing approximately 1,500,000 square feet. A modern research facility containing approximately 82,000 square feet is also located at Greensboro.

Lorillard leases a corporate office in Orangeburg, New York, an executive office in New York City and sales offices in major cities throughout the United States.

Competition: Substantially all of Lorillard's products are sold within the United States in highly competitive markets where its principal competitors are the five other major U.S. cigarette manufacturers (Philip Morris, R.J. Reynolds ("RJR"), Brown & Williamson, American Brands and Liggett Group). For the calendar year 1993, Lorillard ranked fourth in the industry with a 7.1% share of the market based upon the Maxwell Consumer Report, a quarterly statistical survey of the cigarette industry. Philip Morris and RJR account for approximately 42.2% and 30.6%, respectively, of the U.S. cigarette market, according to the Maxwell Consumer Report.

The following table sets forth cigarette sales in the United States by the industry and by Lorillard, as reported in the Maxwell Consumer Report. This table indicates the relative position of Lorillard in the industry:

Calendar Year	Industry (000)	Lorillard (000)	Lorillard to Industry
1993	461,180,000	32,650,000	7.1%
1992	506,950,000	36,540,000	7.2%
1991	509,100,000	36,940,000	7.3%

The Bureau of Alcohol, Tobacco and Firearms reports Lorillard's share of total taxable factory removals of all cigarettes to be 7.2% and 7.5% for 1992 and 1991, respectively. Data for 1993 is not currently available.

The Maxwell Consumer Report divides the cigarette market into two price segments, the premium price segment and the discount or reduced price segment. According to the Maxwell Consumer Report the reduced price segment increased in 1993 to approximately 37% from approximately 30% of the market. Virtually all of Lorillard's sales are in the premium price segment where Lorillard's share increased from 10.0% in 1992 to 10.7% in 1993, according to the Maxwell Consumer Report.

wholly owned subsidiary of the Company, presently operate the following 14 hotels:

Name and Location	Type	Number of Rooms (Year Opened)	Owned, Leased or Managed
Loews Anatole Dallas, Texas	Luxury Convention Hotel	1,620 (1979)	Management contract expiring 2000 (3)
Loews Annapolis Annapolis, Maryland	Luxury Hotel	217 (1986(2))	Owned
Loews Coronado Bay Resort San Diego, California	Luxury Hotel	450 (1991)	Management contract expiring 2011, with renewal options for 10 years (3)
Loews Giorgio Denver, Colorado	Luxury Hotel	197 (1986(2))	Owned
Howard Johnson Hotel (1) New York, New York	Commercial Hotel	300 (1962)	Owned
Loews Le Concorde Quebec City, Canada	Luxury Hotel	424 (1974(2))	Land lease expiring 2069
Loews L'Enfant Plaza Washington, D.C.	Luxury Hotel	372 (1973)	Management contract expiring 2003 (3)
Loews Monte Carlo Monte Carlo, Monaco	Resort Hotel	622 (1975)	Lease expiring 2002, with renewal options for 20 years (4)
Loews New York New York, New York	First Class Hotel	765 (1961)	Owned
Days Hotel (1) New York, New York	Commercial Hotel	366 (1962)	Owned
Regency New York, New York	Luxury Hotel	496 (1963)	Land Lease expiring 2013, with renewal options for 47 years.
Loews Santa Monica Beach Santa Monica, California	Luxury Hotel	350 (1989)	Management contract expiring 2007, with renewal options for 10 years.
Loews Vanderbilt Plaza Nashville, Tennessee	Luxury Hotel	342 (1984(2))	Owned
Loews Ventana Canyon Resort Tucson, Arizona	Resort Hotel	398 (1984)	Management contract expiring 2004, with renewal options for 10 years (3)

(1) Operated by Loews Hotels under license agreements pursuant to which Loews Hotels pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.

(2) The Le Concorde, Giorgio, Vanderbilt Plaza and Annapolis Hotels were acquired by Loews Hotels in 1987, 1989, 1989 and 1990, respectively.

(3) These management contracts are subject to termination rights.

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(4) An arbitration proceeding is pending concerning this lease in relation to, among other things, rent payable under the lease and a contention by the ground lessor that the lease was not properly renewed for periods subsequent to 1990.

The Monte Carlo hotel includes a casino in which coin operated gaming devices are operated by a joint venture in which Loews Hotels is a co-venturer. In addition, the hotels which are operated by Loews Hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses.

The hotels owned by Loews Hotels (including those owned and leased to third parties) are subject to mortgage indebtedness aggregating approximately \$72,653,000 at December 31, 1993 with interest rates ranging from 8.1% to 11%, and maturing between 1996 and 1999. In addition, certain hotels are held under leases which are subject to formula derived rental increases, with rentals aggregating approximately \$9,300,000 for the year ended December 31, 1993.

Loews Hotels has leased to a joint venture the Sheraton New York and the Sheraton Manhattan, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which contain purchase options on the part of lessees, are guaranteed by American Airlines, Inc. and Sheraton Corporation and provide for payment of fixed aggregate annual rent and a percentage rental with provisions for maximum fixed annual and percentage rents.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which Loews Hotels operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. Loews Hotels properties also compete with facilities offering similar services in locations other than those in which the company's hotels are located.

Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. However, the current oversupply of hotel rooms and the reduced demand for hotel rooms due to weak economic conditions has intensified the level of competition in all hotel categories, particularly with respect to price. Because of the competitive nature of the industry, hotels must continually make expenditures for updating, refurbishing and repairs and maintenance, in order to prevent competitive obsolescence.

Loews Hotels accounted for 1.35%, 1.47% and 1.48% of the Company's total revenue for the fiscal years ended December 31, 1993, 1992 and 1991, respectively.

BULOVA CORPORATION

Bulova Corporation ("Bulova") is engaged in two lines of business. Bulova's consumer products segment distributes and sells watches, clocks and watch parts for consumer use. Its industrial and defense products segment manufactures and sells electronic and mechanical time fuzes and electronic mine sensors for national defense, as well as certain industrial products. Bulova accounted for 1.12%, 1.32%, and 1.21% of the Company's total revenue for the fiscal years ended December 31, 1993, 1992 and 1991, respectively.

Consumer Products: Bulova distributes and sells analog and analog-digital quartz crystal watches, jewelry and various types of clocks. All watch movements and cases and other components and all clocks are purchased from foreign and domestic suppliers. Watches are sold by Bulova principally in the United States and Canada. In most other areas of the world Bulova has appointed licensees who market watches under Bulova's trademarks in return for a royalty. The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the holiday selling season. The consumer products business is intensely competitive. The principal methods of competition are price, styling, aftersale service, warranty and product performance.

Defense Products: Defense sales account for approximately 84% of this segment's sales and approximately 24% of Bulova's total sales in 1993. The principal products of this segment are precision mechanical, electronic and electro-mechanical timing devices. Approximately 68% of these sales were made to the United States

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government and approximately 16% of sales were made to foreign governments. The Department of Defense continued to purchase mechanical fuzes during 1993, however, Bulova understands that the Department of Defense has made the decision to phase out mechanical time fuzes, which had been this segment's principal product for many years. Competition for contracts to produce electronic fuzes is expected to be intense. Accordingly, no assurance can be given as to whether Bulova will be awarded additional contracts or as to the profitability of any additional contracts which may be awarded to it.

To offset the decline in U.S. government defense spending, Bulova is seeking to increase non-defense and commercial and industrial business by employing its precision manufacturing capabilities. During 1993, non-defense industrial products accounted for approximately 16% of this segment's sales, as compared to 4% in 1992. Industrial products included surgical instruments and printed wiring boards.

The backlog of defense products sales amounted to \$44.6 and \$56.0 million as of December 31, 1993 and 1992, respectively. Approximately 76% of the current backlog is expected to be filled during 1994. Any backlog for commercial orders is not believed to be significant.

The decrease in U.S. government spending has materially increased the level of competition for defense business. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States government. Bulova competes with a small number of competitors with respect to defense contracts, several of whom have substantially greater resources and capabilities. In addition, Bulova competes with former defense manufacturers as well as commercial companies for its non-defense business.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1994 and 2006 and various pending patent applications.

Properties: Bulova leases the primary facilities for its consumer products segment which consist of an 80,000 square foot plant in Woodside, New York for its principal executive and sales office, watch distribution, service and warehouse purposes, a 71,000 square foot plant in Maspeth, New York for clock service and warehouse purposes and a 25,000 square foot plant in Toronto, Canada for watch and clock sales and service. Bulova's primary facility for its defense products segment consists of its owned plant in Lancaster, Pennsylvania aggregating 290,000 square feet. This facility is subject to mortgage indebtedness of approximately \$3,066,000 at December 31, 1993 with interest at the prime rate, and maturing in the year 1997. Bulova also leases a 100,000 square foot warehouse located in Lancaster, Pennsylvania and 18.5 acres of land for the storage of defense products located in West Willow, Pennsylvania.

DIAMOND OFFSHORE DRILLING, INC.

The Company's wholly owned subsidiary, Diamond Offshore Drilling Inc. ("Diamond Offshore"), is engaged, through its subsidiaries, in the business of owning and operating drilling rigs that are used primarily in drilling of oil and gas wells on a contract basis for companies engaged in exploration and production of hydrocarbons. The Company entered the drilling business in 1989

through the acquisition of 10 offshore rigs. Land rigs were acquired in 1990. An additional 40 offshore rigs were acquired in January 1992 through the acquisition of Odeco Drilling, Inc. ("Odeco"). Diamond Offshore accounted for 2.11%, 1.59%, and 0.47% of the Company's total revenue for the fiscal years ended December 31, 1993, 1992 and 1991, respectively.

Drilling Units and Equipment: Diamond Offshore currently owns and operates 39 mobile offshore drilling rigs (16 jackup rigs, 22 semisubmersible rigs and a drillship), 19 land rigs and related equipment. An additional two offshore rigs, which are inactive, are currently held for sale. Offshore rigs are mobile units that can be relocated via either self propulsion or by the use of tugs enabling them to be repositioned based on market demand.

Jackup rigs stand on the ocean floor with their drilling platforms "jacked up" on support legs above the water. They are best suited for drilling in water depths of less than 300 feet. Nine of Diamond Offshore's jackup rigs

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are cantilevered rigs capable of over platform development drilling and workover as well as exploratory drilling. Of Diamond Offshore's 16 jackup rigs, 14 are located in the Gulf of Mexico and two are currently in South America.

Semisubmersible rigs are supported by large pontoons and are partially submerged during drilling for greater stability. They are generally designed for deep water depths of up to 6,000 feet. Diamond Offshore operates three of the world's thirteen fourth-generation semisubmersible rigs. These rigs are equipped with advanced drilling equipment, are capable of operations in ultra deep waters in severe weather environments, and command high premiums from operators. Of Diamond Offshore's 22 semisubmersible rigs, 11 are currently located in the Gulf of Mexico, four are currently located in the North Sea, three are currently located in Brazil, three are currently located in Australia and one is currently located in the Black Sea.

Diamond Offshore's drillship is self-propelled and designed to drill in deep water. Shaped like a conventional vessel, it is the most mobile of the major rig types. Diamond Offshore's drillship is located in Indonesia.

Diamond Offshore's land rigs are all located in the United States and are also capable of mobilizing to different drilling sites.

Drilling Contracts and Rig Utilization: Contracts for Diamond Offshore's drilling rigs are offered worldwide for either a fixed term, which may range from a few months to several years, or on a well-to-well basis.

The following table sets forth the size and utilization rate of Diamond Offshore's fleet for the years ended December 31, 1993, 1992 and 1991. Data for 1991 does not include the rigs acquired from Odeco in January 1992. The utilization rate for a period is based on the ratio of days in the period during which the rigs were earning revenues to the total days in the period during which the rigs were available to work.

	Years Ended December 31,		
	1993	1992	1991
Jackups			
Rigs in fleet at year-end	16	19	5
Utilization during the year	79.6%	57.9%	71.7%
Semisubmersibles			
Rigs in fleet at year-end	22	26	5
Utilization during the year	71.9%	51.2%	73.3%
Land			
Rigs in fleet at year-end	19	19	32
Utilization during the year	44.3%	22.5%	32.7%

The following table shows, for each of Diamond Offshore's four types of drilling rigs, the number of contract months available and the number of contract months committed for 1994. Contract months available are based on rigs that were marketed at December 31, 1993. Contract months committed are determined on the basis of executed contracts at December 31, 1993 and do not include customer option periods.

	Rig Contract Months Available	Rig Contract Months Committed
Jackups	192	24
Semisubmersibles	264	66
Drillship	12	4
Land	108	3

Competition: The oil and gas drilling business is dependent on the drilling requirements of petroleum producers and is competitive in all of its phases. Diamond Offshore competes with a large number of drilling contractors and must continually allocate resources for technological changes, repairs and maintenance. Diamond Offshore's rigs are generally of modern design and equipped with the latest technology. Companies in the industry compete primarily on the basis of equipment day-rates and mobilization fees, personnel competence and equipment suitability and availability.

Although utilization rates increased in 1993 with the rise in natural gas prices in the Gulf of Mexico, the oversupply of drilling rigs and low crude oil prices continue to depress conditions in the drilling industry. In view of the worldwide oversupply of rigs and the surplus of oil, Diamond Offshore expects that demand and compensation rates for its rigs could remain at depressed levels in 1994 and continue to have a material adverse impact on its operations.

Operating Risks and Regulation: Diamond Offshore's operations are subject to the usual hazards incident to the drilling of oil and gas wells, such as blowouts, cratering and fires. Diamond Offshore's offshore operations are also subject to perils peculiar to marine operations, such as capsizing, collision, grounding and adverse weather and seas. Any of these hazards can seriously damage or destroy equipment, suspend drilling operations, and, through oil spillage, cause pollution damage to offshore or inland waters or the property of others. Diamond Offshore currently maintains insurance covering these risks, including expropriation, confiscation and nationalization of certain equipment in foreign waters. There is no assurance that insurance coverage will continue to be available at rates considered reasonable or that the insurance will be adequate to protect against liability and loss or damage resulting from all the consequences of a significant incident.

Diamond Offshore is subject to stringent laws relating to the equipment and operation of vessels and drilling practices and methods. Additional governmental legislation and regulations involving the petroleum industry could significantly affect Diamond Offshore's operations.

Properties: Diamond Offshore owns an 18,000 square foot building and 20 acres of land in New Iberia, Louisiana for its offshore drilling warehouse and storage facility, a 13,000 square foot building and 5 acres of land in Dyce, Scotland for its North Sea operations and a 15,000 square foot building and 10 acres of land in Alice, Texas for its onshore drilling office, warehouse and storage facility. Diamond Offshore also leases 50,000 square feet of office space for its corporate headquarters located in Houston, Texas and various warehouse and storage facilities in Scotland and Brazil for its offshore drilling operations.

OTHER INTERESTS

The Company owns approximately 20% of the outstanding common stock of CBS Inc. ("CBS"). Laurence A. Tisch, Chairman of the Board of Directors and Co-Chief Executive Officer of the Company, is Chairman, President and Chief Executive Officer of CBS. Preston R. Tisch, President and Co-Chief Executive Officer of the Company, is also a director of CBS.

The Company also owns a 49 percent common stock interest in a joint venture which is engaged in the business of owning and operating six large crude oil tankers that are used primarily to transport crude oil from the Persian Gulf to a limited number of ports in the Far East, Northern Europe and the United States.

In addition, the Company owns a 161,000 square foot first class office building which is leased to third parties.

EMPLOYEE RELATIONS

The Company, inclusive of its operating subsidiaries as described below, employed approximately 27,100 persons at December 31, 1993 and considers its employee relations to be satisfactory.

Lorillard employed approximately 3,800 persons at December 31, 1993. Approximately 1,600 of these employees are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed.

Lorillard has collective bargaining agreements covering hourly rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. Lorillard has a retirement plan, a deferred profit sharing plan, and other benefits for its hourly paid employees who are represented by the foregoing unions.

Loews Hotels employed approximately 2,500 persons at December 31, 1993, approximately 1,550 of whom are union members covered under collective bargaining agreements. Loews Hotels has experienced satisfactory labor relations and provides comprehensive benefit plans for its hourly paid employees.

The Company maintains a retirement plan, group life, disability and health insurance program and a savings plan for salaried employees. Lorillard and Loews Hotels salaried employees also participate in these benefit plans.

Diamond Offshore employed approximately 2,600 persons at December 31, 1993, approximately 300 of whom are union members. Diamond Offshore has experienced

satisfactory labor relations and provides comprehensive benefit plans for its employees.

CNA and its subsidiaries employ approximately 16,800 persons and have experienced satisfactory labor relations. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program, a group life program and a group health care program.

Bulova and its subsidiaries employ approximately 1,000 persons, approximately 600 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

Item 3. Legal Proceedings.

1. CNA is involved in various lawsuits involving environmental pollution claims and litigation with Fibreboard Corporation. Information involving such lawsuits is incorporated by reference to Note 16 of the Notes to Consolidated Financial Statements in Item 8.

2. A number of lawsuits have been filed against Lorillard and other manufacturers of tobacco products seeking damages for cancer and other health effects claimed to have resulted from the use of cigarettes or from exposure to tobacco smoke. Presently, forty-three such cases are pending in the United States federal and state courts against manufacturers of tobacco products generally; Lorillard is a named defendant in fourteen of these cases. Eighteen of these cases, including four against Lorillard, have been commenced since January 1, 1993. Plaintiffs have asserted claims based on, among other things, theories of negligence, fraud, misrepresentation, strict liability, breach of warranty, enterprise liability, civil conspiracy, intentional infliction of harm, and failure to warn of the allegedly harmful and/or addictive nature of tobacco products. Plaintiffs seek unspecified amounts in compensatory and punitive damages in many cases, and in other cases damages are stated to amount to as much

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as \$100,000,000 in compensatory damages and \$5,000,000,000 in punitive damages. Two of these cases are set for trial in 1994. One such case has been tried during 1994 in which the jury returned a verdict in favor of Lorillard. That verdict is currently on appeal.

One pending case, Broin v. Philip Morris Companies, Inc., et al. (Circuit Court Dade County, Florida, filed October 31, 1991), is a purported class action brought by thirty-one plaintiffs against Lorillard and other named defendants, including other manufacturers of tobacco products, on behalf of flight attendants claiming injury as a result of exposure to environmental tobacco smoke in the cabins of aircraft. Plaintiffs seek an unspecified amount in compensatory damages and \$5,000,000,000 in punitive damages. The class action allegations in the complaint were dismissed by the trial court, but this ruling has been reversed by a Florida court of appeals and remanded to the trial court for further consideration. Plaintiffs may now seek formal certification of a class action.

In addition to the foregoing cases, one pending case, Cordova v. Liggett Group, Inc., et al. (Super. Ct. San Diego County, California, filed May 12, 1992), alleges that Lorillard and other named defendants, including other manufacturers of tobacco products, engaged in unfair and fraudulent business practices in connection with activities relating to the Council for Tobacco Research-USA, Inc., of which Lorillard is a sponsor, in violation of a California state consumer protection law by misrepresenting to or concealing from the public information concerning the health aspects of smoking. Plaintiff seeks an injunction ordering defendants to undertake a "corrective advertising campaign" in California to warn consumers of the health hazards associated with smoking, to provide restitution to the public for funds "unlawfully, unfairly, or fraudulently" obtained by defendants, and to "disgorge" all revenues and profits acquired as a result of defendants' "unlawful, unfair and/or fraudulent business practices." An adverse development in this case could encourage the filing of additional actions in other states with consumer protection laws similar to California's.

Several additional cases have been filed against Lorillard seeking damages for cancer and other health effects claimed to have resulted from exposure to asbestos fibers which were incorporated, for a limited period of time, almost forty years ago, into the filter material used in one of the brands of cigarettes manufactured by Lorillard. Presently eleven such cases are pending in federal and state courts against Lorillard. Six such cases have been filed since January 1, 1993. Allegations of liability against Lorillard include negligence, strict liability, fraud, misrepresentation and breach of warranty. Plaintiffs seek unspecified amounts in compensatory and punitive damages in many cases, and in other cases damages are stated to amount to as much as \$10,000,000 in compensatory damages and \$100,000,000 in punitive damages. Two of these cases are currently set for trial in 1994. One such case has been tried during 1994 in which the jury returned a defense verdict.

Another pending case, Lacey v. Lorillard Tobacco, Inc., et al. (Circuit Court, Fayette County, Alabama, filed in March 1994), alleges that the defendants, Lorillard and two other cigarette manufacturers, did not disclose to the plaintiff or other cigarette smokers in the State of Alabama the nature, type,

extent and identity of additives, additions, or additional substances that the defendants allegedly caused or allowed to be made a part of cigarettes or cigarette components. Plaintiff seeks certification of the case as a class action, with the members of the class to be comprised of individuals who have smoked or are continuing to smoke cigarettes manufactured for sale and sold in the State of Alabama. Plaintiff requests injunctive relief requiring defendants to list the additives, additions or additional substances that defendants have caused or allowed to be placed onto or within cigarettes or cigarette components manufactured for sale and sold in the State of Alabama. Plaintiff seeks monetary damages on behalf of his individual claim and on behalf of each member of the purported class arising out of the complaint's allegations not to exceed \$48,500 for the individual claim or for any individual member of the class.

One of the defenses raised by Lorillard in certain cases is preemption by the Federal Cigarette Labeling and Advertising Act (the "Labeling Act"). *Cipollone v. Liggett Group, Inc., et al.*, was tried against Lorillard and two other tobacco companies in the United States District Court, District of New Jersey, in 1988. The trial resulted in a verdict in favor of Lorillard and another tobacco company. A verdict of \$400,000 was rendered in favor of the plaintiff against the third defendant, Liggett Group, Inc., on a breach of express warranty claim. The United States Court of Appeals for the Third Circuit later reversed this judgment in favor of the plaintiff and remanded the case for a new trial. The case was appealed to the United States Supreme Court where, on June

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24, 1992, the Court reversed in part, and affirmed in part, the Third Circuit ruling concerning the extent to which the Labeling Act preempts certain tort claims. The Supreme Court held in a plurality opinion that the Labeling Act, as enacted in 1965, does not preempt common law damage claims but that the Labeling Act, as amended in 1969, does preempt claims against tobacco companies arising after July 1, 1969 which assert that the tobacco companies failed to adequately warn of the alleged health risks of cigarettes, sought to undermine or neutralize the Labeling Act's mandatory health warnings, or concealed material facts concerning the health effects of smoking in their advertising and promotion of cigarettes. The Supreme Court held that claims against tobacco companies based on fraudulent misrepresentation, breach of express warranty, or conspiracy to misrepresent material facts concerning the alleged health effects of smoking are not preempted by the Labeling Act. The Supreme Court in so holding did not consider whether such common law damage actions were valid under state law. The effect of the Supreme Court's decision on pending and future cases against Lorillard and other tobacco companies will likely be the subject of further legal proceedings.

The *Cipollone* case, however, will not be retried. On November 5, 1992, a consent order dismissing the *Cipollone* case with prejudice and without costs was entered by the District Court. Additional litigation involving claims such as those held to be preempted by the Supreme Court in *Cipollone* could be encouraged if legislative proposals to eliminate the federal preemption defense, pending in Congress since 1991, are enacted. It is not possible to predict whether any such legislation will be enacted.

In addition to the defenses based on preemption under the Supreme Court decision referred to above, Lorillard believes that it has a number of other valid defenses to pending cases. These defenses, where applicable, include, among others, statutes of limitations or repose, assumption of the risk, comparative fault, the lack of proximate causation, and the lack of any defect in the product alleged by a plaintiff. Lorillard believes, and has been so advised by counsel, that some or all of these defenses may, in any of the pending or anticipated cases, be found by a jury or court to bar recovery by a plaintiff.

In one recent smoking and health case in which Lorillard is not a defendant, *Horton v. The American Tobacco Company, et al.* (Circuit Court Lafayette County, Mississippi), a jury found in favor of plaintiffs but awarded no damages against the defendant. The judgment in this case is under appeal by both parties. In another smoking and health case in which Lorillard is not a defendant, *Wilks v. The American Tobacco Company, et al.* (Circuit Court Washington County, Mississippi), the trial court found that cigarettes are, as a matter of law, "defective and unreasonably dangerous for human consumption" and held that the defendant cigarette manufacturer would be absolutely liable for any injuries caused by smoking. The court also struck all available state law defenses based on decedent's conduct. However, the trial of this case resulted in a defense verdict because the jury found that smoking was not the cause of plaintiff's injury. Plaintiffs' motions for new trial and for judgment notwithstanding the verdict were denied. Plaintiffs have filed a notice of appeal which is currently pending.

Smoking and health related litigation has been brought by plaintiffs against Lorillard and other manufacturers of tobacco products for many years. While Lorillard intends to defend vigorously all such actions which may be brought against it, it is not possible to predict the outcome of any of this litigation. Based upon the foregoing, however, management believes that the outcome of all pending litigation should not have a material adverse effect on the financial condition or results of operations of the Company. Any adverse development in any of the foregoing matters, whether or not Lorillard is a party, could prompt the filing of additional cases against Lorillard.

A Grand Jury investigation is presently being conducted by the United States Attorney's office for the Eastern District of New York regarding possible fraud by Lorillard and other tobacco companies relating to smoking and health research undertaken or administered by the Council for Tobacco Research-USA, Inc. Lorillard is unable to predict the outcome of this investigation. An adverse outcome in this investigation could result in criminal, administrative or other proceedings against Lorillard.

Lorillard received a Civil Investigative Demand ("CID") dated January 11, 1994, from the Antitrust Division of the United States Department of Justice. The CID, which requests the production of certain documents, was issued in the course of an antitrust investigation to determine whether Section 1 of the Sherman Act, 15 U.S.C. Section 1, may have been violated by joint activity to restrain competition in the manufacture and sale of

cigarettes, including joint activity to limit or restrain research and development of fire safe or self extinguishing cigarettes or product innovation. Lorillard is presently scheduled to respond to the CID on May 9, 1994. This investigation is in its preliminary stages and it is impossible at this time to predict its ultimate outcome. An adverse outcome in this investigation could result in civil or other proceedings against Lorillard.

Management believes that the outcome of these pending investigations should not have a material adverse effect upon the financial condition or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President-Personnel	60	1975
Gary W. Garson	Vice President and Assistant Secretary	47	1988
Robert J. Hausman .	Vice President	70	1973
Barry Hirsch	Senior Vice President and Secretary	60	1971
Herbert C. Hofmann	Senior Vice President	51	1979
John J. Kenny	Treasurer	56	1991
Guy A. Kwan	Controller	51	1987
John G. Malino	Vice President-Real Estate	54	1985
Stuart B. Opatowsky	Vice President-Tax	59	1987
Richard E. Piluso .	Vice President-Internal Audit	55	1990
Roy E. Posner	Senior Vice President and Chief Financial Officer	60	1973
Dennis Smith	Vice President-Management Information Services	47	1990
James S. Tisch	Executive Vice President	41	1981
Jonathan M. Tisch .	Vice President	40	1987
Laurence A. Tisch .	Chairman of the Board and Co-Chief Executive Officer	71	1959
Preston R. Tisch ..	President and Co-Chief Executive Officer	67	1960

Laurence A. Tisch and Preston R. Tisch are brothers. Andrew H. Tisch and James S. Tisch are sons of Laurence A. Tisch and Jonathan M. Tisch is a son of Preston R. Tisch. None of the other officers or directors of Registrant is related to any other.

All executive officers of Registrant have been engaged actively and continuously in the business of Registrant for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

Price Range of Common Stock

Loews Corporation's common stock is listed on the New York Stock Exchange. The following table sets forth the reported consolidated tape high and low sales prices in each calendar quarter of 1993 and 1992:

	1993		1992	
	High	Low	High	Low
First Quarter	\$120.25	\$98.13	\$114.50	\$105.50
Second Quarter	110.88	92.75	118.63	103.50

Third Quarter	98.63	86.75	126.50	110.63
Fourth Quarter	98.50	90.50	125.25	109.00

Item 6. Selected Financial Data.

	Years Ended December 31,				
	1993	1992	1991	1990	1989
----- (In thousands, except per share data) -----					
Results of Operations:					
Revenues	\$13,686,777	\$13,691,454	\$13,620,264	\$12,636,925	\$11,436,722
Income (loss) before cumulative effect of changes in accounting principles	594,121	(22,097)	904,338	804,650	907,141
Per share	9.27	(.33)	13.14	11.01	12.07
Net income	594,121	122,614	904,338	804,650	907,141
Per share	9.27	1.87	13.14	11.01	12.07
Financial Position:					
Total assets (a)	45,849,752	43,555,514	42,684,157	38,359,766	34,651,369
Long-term debt	2,195,670	1,759,595	1,944,710	1,826,378	1,865,552
Shareholders' equity	6,127,198	5,526,990	5,667,072	5,043,397	4,813,994
Cash dividends per share ..	1.00	1.00	1.00	1.00	1.00
Book value per share	99.59	84.90	84.18	72.13	64.14
Shares of common stock outstanding	61,525	65,099	67,320	69,917	75,059

(a) Restated for change in accounting for reinsurance contracts in 1993.

In 1993 the Company changed its method of accounting for reinsurance contracts and certain investments in debt and equity securities. In 1992 the Company changed its method of accounting for postretirement benefits, income taxes and certain workers' compensation and disability claims. See Note 1 of Notes to Consolidated Financial Statements.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Liquidity and Capital Resources:

Insurance

Property and casualty and life insurance operations are wholly owned subsidiaries of CNA Financial Corporation ("CNA"). CNA is an 83% owned subsidiary of the Company-

For the year ended December 31, 1993, CNA reported a \$251.7 million operating loss net of tax (exclusive of realized gains/losses and accounting changes), compared to \$897.8 million for the prior year.

In each of the last two years, results were adversely affected by substantial additions to reserves for asbestos-related bodily injury claims. The 1993 operating loss reflects a third quarter \$500 million addition to Continental Casualty Company's ("Casualty") claim reserves, which resulted in a \$270.1 million charge, or \$4.21 per share, against the Company's net income. In 1992 Casualty also increased its claim reserves with respect to asbestos-related bodily injury cases by \$1.5 billion, resulting in an after-tax charge of \$822.7 million, or \$12.53 per share.

These reserving actions were taken in recognition of Casualty's litigation with Fibreboard Corporation ("Fibreboard"), a former asbestos manufacturer. In February 1993, CNA reported that Casualty intended to discuss a global agreement to settle third party asbestos-related bodily injury claims with Fibreboard. An agreement in principle was reached in August 1993 and executed in December 1993 with Fibreboard, Pacific Indemnity Company (a subsidiary of Chubb Corporation) and a negotiating committee of asbestos claimant attorneys.

CNA worked aggressively throughout the year with all involved parties to reach this settlement. Assuming final court approval, the Fibreboard agreement removes a major source of financial uncertainty for CNA and enables management to focus even more attention and resources on strengthening the economic value of CNA's businesses. No material reserve increases are anticipated to fulfill CNA's obligations in regard to Fibreboard liabilities. See Note 16 of the Notes to Consolidated Financial Statements for a further discussion of Fibreboard.

While CNA's 1993 and 1992 results were affected most significantly by the Fibreboard litigation, they also reflect the impact of serious external pressures on profitability throughout the insurance industry. Foremost among these are the long standing cycle of inadequate pricing in property and casualty commercial lines and low investment yields due to declining interest rates. In addition, complex and costly litigation has been continuing, fueled by the tendency of the courts to interpret insurance contracts beyond their stated intent.

CNA's commercial lines remain subject to an industry downcycle that has lasted over seven years and has seriously depressed profitability. CNA cannot predict when the current negative cycle will turn. The current phase of the downcycle has been characterized by a difficult pricing environment caused by strong market competitiveness, a trend toward alternative risk mechanisms such as self-insurance and regulatory constraints on adequate premium rates, especially in

the workers' compensation line of business.

Profitability for the life segment remains stable, although negatively affected by intense competition, high health care costs and weak investment yields. Increasing costs of health care have resulted in a continued market shift away from traditional forms of health coverage toward managed care products. The federal government's initiative to control health care costs and provide universal access to health care was presented in 1993. The impact of potential health care reform cannot be determined at this time. Such reform may impact both individual and group accident and health, workers' compensation, automobile liability and medical malpractice business of CNA. CNA has urged a meaningful role for the private sector in any proposed plan. The present health care system is clearly in need of reform, and CNA has emphasized that the competitive strengths of the insurance industry must be an integral part of a workable solution. CNA's ability to compete in this market will be increasingly dependent on its ability to control costs through managed care techniques, innovation, and quality customer focused service.

While CNA's strong financial position continues to represent a major competitive advantage, CNA continues to take a number of initiatives to respond to the many uncertainties and changes impacting the insurance environment. One of these has been to continue to focus on the risk characteristics and premium rates in commercial lines. CNA will continue to seek business in lines where it has a sizable market share,

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substantial experience, and foresees clear profit potential over the long term. The emphasis is on reasonable rates rather than volume growth.

One of CNA's primary goals has been to provide more efficient and responsive quality service to our customers. These actions include working closely with insureds to reduce claims costs through loss control and fraud prevention; providing professional services to self insured accounts and other alternative markets; implementing medical and workers' compensation cost management programs; and reinforcing business partnerships with the independent agents who represent CNA and equipping them with new or upgraded products tailored to specific customer needs.

Additionally, CNA has increased the flexibility, productivity, and customer focus of its employee force through less centralized decision making and more widespread use of automation tools.

CNA also continues to devote time and effort to legislative concerns in the interests of a more equitable and stable insurance marketing climate. It has enjoyed some success in enlisting support for workers' compensation reform in several states and opposing unnecessary restrictions on the insurance industry in others.

CNA's property and casualty insurance subsidiaries' statutory surplus had grown from \$2.7 billion five years ago to \$3.9 billion in 1991. In 1992, property and casualty surplus declined to \$3.1 billion, primarily due to the \$1.5 billion in asbestos reserves discussed above. In 1993 property and casualty surplus rose to approximately \$3.6 billion despite another \$500 million increase in asbestos reserves. Statutory surplus of CNA's life insurance subsidiaries grew from \$637 million at December 31, 1988 to over \$1 billion at December 31, 1993.

Included in the property and casualty surplus increases are capital contributions from CNA to Casualty of \$475 and \$120 million in 1993 and 1990, respectively. Dividends of \$150, \$100 and \$130 million were paid to CNA by Casualty in 1993, 1992 and 1991, respectively.

Life statutory surplus includes capital contributions from Casualty of \$100 million in 1990.

CNA's general account investment portfolio is managed to maximize after tax investment return, while minimizing credit risks, with investments concentrated in high quality securities. CNA has the capacity to hold its fixed income portfolio to maturity. However, securities may be sold as part of CNA's asset/liability strategies or to take advantage of investment opportunities generated by changing interest rates, prepayments, tax and credit considerations, or other similar factors. Accordingly, the fixed income securities are classified as available for sale.

During 1993, CNA's consolidated investments increased by \$2.9 billion, to \$25.4 billion. This increase is primarily due to investment of operating cash flow and realized gains on sales of securities, \$504 million of unrealized appreciation due to reporting debt securities at fair value, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, and \$495 million in net proceeds from borrowings. Consolidated investments consist primarily of fixed income securities, which include bonds and redeemable preferred stocks. The general account portfolio consists primarily of high quality marketable debt securities, 96% of which are rated as investment grade primarily by nationally recognized rating agencies. At December 31, 1993, tax-exempt securities and short-term investments comprised approximately 19% and 28%, respectively, of the general account's total investment portfolio compared to 42% and 20%, respectively, at December 31, 1992. Historically, CNA has maintained short-term assets at a level that provided for liquidity to meet its short-term obligations, principally anticipated claim payout patterns. Throughout 1992 and 1993, the level of short-term investments has increased beyond that needed for short-term liquidity. Though expected to result in a decline in investment income in the near term, management believes that the increased concentration in short-term investments will reduce the impact that a rise in interest rates would have on its fixed income portfolio. At December 31, 1993, the major components of the short-term investment portfolio were approximately \$1.2 billion of U.S. Treasury bills and \$4.5 billion of high grade commercial paper.

As of December 31, 1993, in accordance with SFAS No. 115, CNA's general account investments in bonds and redeemable preferred stocks were carried at a fair value of \$17.6 billion. In both 1992 and 1991 these securities were carried at the lower of amortized cost or market value which amounted to \$17.4 and \$18.8 billion, respectively. This compares to fair values of \$18.2 and \$19.7 billion on those respective dates. At December 31, 1993, fixed income securities unrealized gains amounted to approximately \$504 million, after realizing \$741 million in capital gains from the bond portfolio during the year. This compares

to \$846 and \$931 million of unrealized gains at December 31, 1992 and 1991, respectively. The gross unrealized gains

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and losses for the fixed income securities portfolio at December 31, 1993, were \$564 and \$60 million, respectively, compared to \$931 and \$85 million, respectively, at December 31, 1992.

Net unrealized gains on general account bonds at December 31, 1993 include net unrealized gains on high yield securities of \$15 million, compared to \$44 million at December 31, 1992. High yield securities are bonds rated as below investment grade by bond rating agencies, plus private placements and other unrated securities which, in the opinion of management, are below investment grade. Carrying values of high yield securities in the general account were \$727 million (fair value) at December 31, 1993, compared to \$704 million (amortized cost) at December 31, 1992.

At December 31, 1993, total separate account investments amounted to \$6.5 billion with taxable debt securities representing approximately 96% of the separate accounts portfolio. Approximately 86% of separate account investments are used to fund guaranteed investment contracts ("GIC's") for which CNA's life insurance affiliate guarantees principal and a specified return to the contractholders. At December 31, 1993, all fixed income securities in the GIC portfolio were carried at fair value in accordance with SFAS No. 115 and amounted to \$5.4 billion. In both 1992 and 1991, these securities were carried at the lower of amortized cost or market which amounted to \$5.8 and \$5.4 billion, respectively. This compares to market values of \$6.0 and \$5.6 billion on those respective dates. At December 31, 1993, fixed income securities unrealized gains amounted to approximately \$148 million. This compares to \$158 million in unrealized gains at December 31, 1992 and \$203 million at December 31, 1991. The gross unrealized gains and losses for the fixed income securities portfolio at December 31, 1993, were \$163 and \$15 million, respectively, compared to \$184 and \$26 million, respectively, at December 31, 1992.

At December 31, 1993 high yield securities in the GIC portfolio were carried at fair value and amounted to \$1,068 million. In 1992 and 1991, these securities were carried at the lower of amortized cost or market value which amounted to \$779 and \$809 million, respectively. Net unrealized gains on high yield securities held in such separate accounts were \$56 million at December 31, 1993, compared to \$28 million at December 31, 1992 and unrealized losses of \$14 million at December 31, 1991.

High yield securities generally involve a greater degree of risk than that of investment grade securities. Expected returns should, however, compensate for the added risk. The risk is also considered in the interest rate assumptions in the underlying insurance products. At December 31, 1993, CNA's concentration in high yield bonds, including separate accounts, was approximately 4.3% of its total assets. In addition, CNA's exposure to the risks of the commercial mortgage loan and real estate markets is substantially less than the industry average. CNA's concentration in mortgage loans and real estate was less than 1% of its total assets.

Included in CNA's fixed income securities at December 31, 1993 (general and GIC portfolios) are \$4.4 billion of asset-backed securities, consisting of approximately 47% in U.S. Government agency issued pass-through certificates, 47% in collateralized mortgage obligations ("CMO's"), and 6% in corporate asset-backed obligations. The majority of CMO's held are U.S. Government agency issues, which are actively traded in liquid markets and are priced monthly by broker-dealers. At December 31, 1993, the fair value of asset-backed securities exceeded amortized cost by approximately \$87 million compared to \$172 million for the comparable period a year ago. CNA limits the risks associated with interest rate fluctuations and prepayment by concentrating its CMO investments in early planned amortization classes with wide bands and relatively short principal repayment windows.

Over the last few years, concern has been raised regarding the quality of insurance company invested assets. At December 31, 1993, 52% of the general account's debt securities portfolio was invested in U.S. Government and affiliated securities, 25% in other AAA rated securities and 15% in AA and A rated securities. CNA's GIC fixed income portfolio is comprised of 30% U.S. Government and affiliated securities, 14% other AAA rated securities and 24% in AA and A rated securities. These ratings are primarily from nationally recognized rating agencies (94% of the general account portfolio and 93% of the GIC portfolio).

The liquidity requirements of CNA are met primarily by funds generated from operations. The principal operating cash flow sources of CNA's property and casualty and life insurance subsidiaries are premiums and investment income. The primary operating cash flow uses are payments of claims, policy benefits and operating expenses.

For the year ended December 31, 1993, CNA's operating activities generated net cash flows of \$1.3 billion, compared to \$1.0 and \$1.8 billion in 1992 and 1991, respectively. The increase in cash flow, as compared

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with 1992 is due primarily to federal income tax recoveries of \$294 million offset by a decrease of approximately \$96 million in investment income received. CNA believes that future liquidity needs will be met primarily from operations.

Additional sources of cash flow include sales and maturities of investments, and financing activities. CNA's debt position in relation to total capital is low which allowed it to take advantage of the current borrowing opportunities at favorable rates in the capital markets. As a result, on October 25, 1993, CNA filed a shelf registration statement with the Securities and Exchange Commission which made \$900 million of debt securities available for issuance from time to time. In addition \$100 million from a previous shelf registration remained available for issuance. In November 1993, CNA sold \$250 million principal amount of 6.3% notes, due 2003, and \$250 million principal amount of 7.3% debentures, due 2023, at an effective rate per annum of 6.4% and 7.3%, respectively. CNA contributed \$475 million of the proceeds from this offering to the capital of Casualty. An additional \$500 million of debt securities and/or preferred stock

remains available for issuance under the shelf registration statement.

Net cash flows are invested in marketable securities. Investment strategies employed by CNA's insurance subsidiaries consider the cash flow requirements of the insurance products sold and the tax attributes of the various types of marketable investments.

Cigarettes

Lorillard, Inc. and subsidiaries ("Lorillard")-

Funds from operations continue to exceed operating requirements. Lorillard generated net cash flow from operations of approximately \$538 million for the year ended December 31, 1993, compared to \$595 million for the prior year. No material capital expenditures are anticipated during 1994.

For a number of years through 1992 leading cigarette marketers, including Lorillard, had increased the price of their premium brands. For the period 1982 to 1992 the annual price increase for Lorillard's premium brands averaged approximately 10%. Lorillard's cash flows from operations during this period benefited significantly from these price increases since virtually all of Lorillard's sales are in the premium priced segment, with Newport accounting for more than two-thirds of Lorillard's total unit sales.

On April 2, 1993, Philip Morris USA, the largest marketer of premium priced cigarettes in the United States, announced significant changes in pricing policies for its premium priced brands, including a decision to reduce the average price of its Marlboro brand through various price promotions. Philip Morris stated that it "expects to forego further price increases on premium brands for the foreseeable future." R.J. Reynolds Tobacco Co., the second largest U.S. marketer of premium priced cigarettes, announced that it would take appropriate steps to maintain its competitive position.

Philip Morris and R.J. Reynolds subsequently announced new lower pricing policies to replace these promotions. Effective August 9, 1993 Lorillard reduced its premium brand wholesale cigarette unit prices by approximately 25% to maintain its competitive position. These price moves have established two price tiers for the industry, eliminating much of the price confusion in the market place, and substantially narrowing the price gap between premium and discount cigarettes. These developments may tend to stabilize volume and perhaps slow the rapid growth of discount cigarettes. While promotional spending can be reduced, the overall impact of the new lower pricing will substantially reduce Lorillard's revenues, income contribution and cash flow.

In November 1993, Philip Morris, R.J. Reynolds and Lorillard announced a price increase of \$2.00 per thousand cigarettes.

Forty-four lawsuits are pending in U.S. federal and state courts against cigarette manufacturers seeking damages for cancer or other health effects claimed to have resulted from the use of or exposure to cigarettes or other tobacco products. Lorillard is a defendant in 14 such cases. Lorillard is also a defendant in 10 lawsuits seeking damages for health effects claimed to have resulted from exposure to asbestos fibers which were incorporated, for a limited period of time almost forty years ago, into the filter material used in one brand of cigarettes manufactured by Lorillard. Plaintiffs seek unspecified amounts of compensatory and punitive damages in many cases, and in other cases damages are stated to amount to as much as \$100 million in compensatory damages and as much as \$5 billion in punitive damages.

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To date, no lawsuit has resulted in damages being awarded against Lorillard. Two cases, tried in late 1993 and January 1994, resulted in verdicts in favor of Lorillard. However, the fact that a cigarette manufacturer prevails in a case does not necessarily mean that a cigarette manufacturer will prevail in future cases; likewise, a loss in any of the pending cases would not necessarily mean that additional cases will be lost. Lorillard intends to defend vigorously all product liability lawsuits filed against it.

Hotels

Loews Hotels Holding Corporation and subsidiaries-

Funds from operations continue to exceed operating requirements. Funds for future capital expenditures and working capital requirements are expected to be provided from operations.

Watches and Other Timing Devices

Bulova Corporation and subsidiaries ("Bulova"). Bulova is a 97% owned subsidiary of the Company.

Competition and oversupply of watch products continue to adversely affect Bulova. The defense products segment continues to be adversely impacted by the contraction of defense spending by the United States government. Bulova may require additional working capital advances from the Company from time to time. While the Company has no obligation to enter into or maintain arrangements for any further funding requirements, it is anticipated that it would be provided through various arrangements with Bulova.

Drilling

Diamond Offshore Drilling, Inc. and subsidiaries ("Diamond Offshore")-

Oversupply of drilling rigs and low crude oil prices continue to depress conditions in the drilling industry and to adversely impact Diamond Offshore. In 1993 drilling activity in the Gulf of Mexico increased due primarily to higher natural gas prices. This improvement enabled Diamond Offshore to generate sufficient funds from operations to meet its operating requirements. Although funds for future capital expenditures and working capital requirements are expected to be provided from operations, Diamond Offshore may require additional advances from the Company due to the cyclical nature of the industry.

Parent Company

During 1993 the Company purchased 3,574,000 shares of its outstanding Common Stock at an aggregate cost of approximately \$336.3 million. The funds required for such purchases were provided from working capital. Depending on market conditions, the Company, from time to time, may purchase additional shares in the open market or otherwise.

In February 1993 the Company redeemed, at par, its outstanding 10% subordinated notes due 1996. In April 1993 the Company redeemed, at 105.8%, its outstanding 9% senior sinking fund debentures due 2016. The aggregate cost of these redemptions totaled \$368 million and was provided from internally generated funds.

In June 1993 the Company sold \$300 million principal amount of 7.6% senior notes due 2023 at an effective rate of 7.8% per annum. In October 1993 the Company sold \$400 million principal amount of 7% senior notes due 2023 (the "7% Notes") at an effective rate of 7.2% per annum. The Company currently has an aggregate \$300 million of debt securities and/or preferred stock available for issuance under a shelf registration statement.

In November 1993 the Company redeemed all of its currently outstanding zero coupon convertible subordinated notes due 2004 for an aggregate redemption price of approximately \$411 million. The Company used the net proceeds received from the sale of the 7% Notes, together with general corporate funds, to redeem these notes.

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Results of Operations:

Revenues declined by \$4.7 million and increased by \$66.5 million as compared to 1992 and 1991, respectively. Income before accounting changes increased by \$616.2 million and decreased by \$310.2 million, as compared to 1992 and 1991, respectively.

Insurance

Property and casualty revenues increased by \$211.0 million and decreased by \$319.4 million, or 2.7% and 3.8%, as compared to 1992 and 1991, respectively.

Property and casualty premium revenues decreased by \$78.5 and \$380.2 million, or 1.2% and 5.7%, as compared to 1992 and 1991, respectively. The decrease from 1992 was principally attributable to increased utilization of a high deductible program for large commercial accounts. This accounted for \$235 million in reduced premiums. Involuntary risks premiums were \$182 million below the prior year primarily due to a decline in involuntary workers' compensation premiums recorded for the current and previous years. Small commercial accounts premiums declined by \$70 million. These declines were partially offset by growth in professional and specialty lines and commercial reinsurance assumed premiums of \$217 million, group accident and health of \$75 million and personal lines packages premiums of \$63 million. Property and casualty investment income was down 13.4% from \$1,224 million reported in 1992 and down 17.4% from 1991. Investment income decreased primarily due to the continuing general decline in interest rates and an increase in short-term investments (excluding investments relating to loaned securities) from \$3.0 billion at December 31, 1992 to \$5.1 billion at December 31, 1993.

Life insurance revenues increased by \$6.8 and \$190.9 million, or 0.2% and 7.3%, as compared to 1992 and 1991, respectively. Life premium revenues for 1993 were approximately the same as 1992, and increased by approximately \$122.7 million, or 5.4%, as compared to 1991.

Property and casualty underwriting losses were \$1,791.8 million in 1993, compared to \$2,999.6 and \$1,224.7 million in 1992 and 1991, respectively. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of incurred claims and claims adjustment expense to premiums earned. The expense ratio is the percentage of underwriting expenses, including the change in deferred acquisition costs, to premiums earned. The combined ratio was 126.4 for 1993 compared with 144.8 and 116.3 for 1992 and 1991, respectively. As previously discussed, the primary reason for the 1993 and 1992 poor operating results was the addition of \$500 million in underwriting losses related to Fibreboard in the third quarter of 1993 and \$1.5 billion in the fourth quarter of 1992.

Catastrophe losses for 1993 were approximately \$74 million, compared with \$270 million in 1992. CNA's 1992 catastrophe losses related primarily to Hurricane Andrew. For the Los Angeles area earthquake and winter storms occurring in the first quarter of 1994, CNA has recorded losses on reported claims of approximately \$65 million. Further loss development related to unreported claims, including assumed reinsurance, is estimated at approximately \$35 million.

Property and casualty pre-tax results include losses for involuntary risks of \$80.8 million in 1993. Involuntary risk charges were \$257.3 and \$267.0 million in 1992 and 1991, respectively. Involuntary risks include mandatory participation in residual markets, statutory assessments for insolvencies of other insurers and other involuntary charges. CNA's share of involuntary risks is generally a function of its share of the voluntary market by line of insurance in each state. CNA records the estimated effects of its mandatory participation in residual markets on an accrual basis. These estimates are adjusted as premium, claim and expense activity is received from the residual markets' administrators. CNA records assessments for insolvencies as they are paid rather than on an accrual basis. Such an accrual process would be very difficult, as past experience is not a reliable indicator of future activity. Further, information currently available from all the states' life and property and casualty guarantee funds is fairly limited and would not provide reliable data on which to base an estimated liability. Many states allow recovery of insolvency assessments by a direct offset to premium taxes or a separate policy surcharge. In addition, some states assess prospectively based on current premiums written. Thus, it would be unclear whether or not future assessments should be accrued on a current basis as they do not necessarily represent a liability until assessed. In any event, CNA believes that any potential estimated necessary liability would not be material.

Property and casualty underwriting losses include reserve increases (decreases) related to prior years, net of reinsurance recoverable, of \$590, \$1,617 and \$(106) million for the years 1993, 1992 and 1991, respectively. This reserve development includes \$601, \$1,689 and \$48 million for asbestos claims, primarily representing reserve additions related to the Fibreboard litigation as discussed above. Adverse reserve development for reported environmental pollution claims and claims expenses totaled \$107, \$48 and \$47 million, respectively. In 1993, CNA allocated approximately \$340 million of claim reserves for unreported environmental pollution claims. Adverse reserve developments for asbestos and environmental pollution claims were offset, in part, by favorable development in other lines. For 1993, favorable trends were represented primarily by positive severity experience in professional liability lines and improvement in involuntary workers' compensation experience, resulting in reserve decreases of \$182 and \$148 million, respectively. See Note 16 of the Notes to Consolidated Financial Statements for further discussion of asbestos and environmental pollution exposures.

In early 1993, CNA began a program of realigning its portfolio, which resulted in realizing gains in its investment portfolio that increased Casualty's statutory surplus. Casualty sold approximately \$35.4 billion of fixed income and equity securities in 1993, realizing pre-tax net gains of \$741.3 million. Of the \$35.4 billion of securities sold, approximately \$11.5, \$13.5 and \$5.8 billion were from the U.S. Treasury, Government mortgage-backed and tax-exempt municipal bond portfolios, respectively. The \$2.1 billion increase in short-term securities since December 31, 1992 has been invested primarily in U.S. Treasury bills and high grade commercial paper. In addition to reducing the impact that a rise in interest rates would have on the fixed income portfolio, the increase in taxable short-term securities and the decrease in tax-exempt investments will allow the Company to minimize additional alternative minimum tax credit. Since the portfolio is extremely liquid, CNA has the flexibility to shift quickly into higher yielding investments, as the economic environment warrants.

Cigarettes

Revenues decreased by \$276.5 and \$100.6 million, or 12.7% and 5.0%, as compared to 1992 and 1991, respectively. Income before accounting changes decreased by \$183.9 and \$89.5 million, or 35.1% and 20.8%, as compared to 1992 and 1991, respectively.

Revenues decreased, as compared to 1992, by approximately \$106.0 million, or 4.9%, due to a reduction in unit prices as well as a decline of approximately \$235.5 million, or 10.8%, due to lower unit sales volume, partially offset by higher federal excise taxes amounting to \$65.0 million, or 3.0%. Compared to 1991, revenues declined by approximately \$229.6 million, or 11.4%, due to lower unit sales volume, partially offset by an increase of approximately \$129.0 million, or 6.4%, due to price increases. The price increases over 1991 include approximately \$65.0 million, or 3.2%, from the increase of federal excise taxes of \$2.00 per thousand cigarettes on January 1, 1993.

Lorillard's sales volume has declined 10.4% and 11.4% as compared to 1992 and 1991, respectively. Unit sales volume of the U.S. cigarette industry has declined by 9.0% and 9.4% over the same period. Lorillard's declining sales volume reflects a continuing trend of lower consumer cigarette consumption as well as an increase in industry discount brand sales. The discount brand category's share of industry sales had increased from an average of 30% during 1991 to an average of 37% during 1993. As at December 31, 1993, discount brands represented 33% of industry sales. Virtually all of Lorillard's sales are in the premium brand category.

Newport, a premium brand which accounts for two-thirds of Lorillard's unit sales, declined 7.8% as compared to 6.1% versus 1991. As a result of the accelerated growth of discount brands and continued decline in consumption during the first seven months of 1993, Newport and other Lorillard premium brand unit sales were affected. With the industry-wide list price reduction of premium price brands, effective August 9, 1993, the growth rate of discount brands appears to have slowed and Lorillard's product line has benefited modestly in terms of unit sales. These pricing changes have reduced industry profit margins.

Although Newport declined in unit sales, this decrease was less than the overall industry decline, and resulted in a share of total industry sales of 4.91% versus 4.85% in 1992, an increase of .06%. On an overall basis, Lorillard's premium brands compared favorably with the industry's rate of decline for this segment, a loss of 17.7% for the industry versus 11.2% for Lorillard.

It is expected that lower consumer cigarette consumption will continue to influence overall industry unit volume and the discount category will be a significant influence in overall sales.

U.S. federal excise taxes on cigarettes increased \$2.00 per thousand effective January 1, 1993. The current administration's efforts to reduce the federal deficit and to enact health care reform has led to further proposals to increase the excise tax. The effects of any additional federal tax increases, as well as increases by state and local taxing authorities, or manufacturers' price increases cannot be determined, but it is likely they would add to the overall industry decline and the growth in the discount category.

Hotels

Revenues decreased by \$16.2 and \$15.7 million, or 8.0% and 7.8%, as compared to 1992 and 1991, respectively. Results from operations before accounting changes declined \$3.7 and \$6.6 million, as compared to 1992 and 1991, respectively.

Oversupply of hotel rooms and the highly competitive nature of the hotel industry continue to adversely affect average room rates. Although demand has increased in some areas, it has not compensated for the lower average room

rates. Revenues declined due primarily to lower occupancy rates at the Loews Monte Carlo Hotel resulting from the depressed general economic conditions in southern Europe as well as the impact of a weak Italian Lira and resulting absence of Italian tourist business on the Riviera. In addition, average room rates declined at North American properties, partially offset by increased occupancy rates. Results from operations before accounting changes declined due primarily to the lower revenues. The prior year included a charge of \$3.7 million relating to renegotiation of a hotel land lease.

Watches and Other Timing Devices

Revenues decreased by \$27.8 and \$10.8 million, or 15.4% and 6.5%, as compared to 1992 and 1991, respectively. Results from operations before accounting changes decreased by \$2.0 and increased by \$0.5 million, as compared to 1992 and 1991, respectively.

Revenues and results from operations declined due primarily to lower industrial and defense sales volume related to a \$19.5 million payment by the U.S. government in 1992 in relation to a favorable settlement of defense contract claims. This benefit was partially offset by a charge of approximately \$2.4 million for the write-off of parts inventory and equipment related to these contracts, as well as a continuing decline of defense business. Watch and clock unit sales volume also declined in 1993, partially offset by a gain on sale of an inactive defense manufacturing facility and accrual of environmental costs in 1992. Results from operations increased, as compared to 1991, due to the gain from asset dispositions and lower interest expense, partially offset by lower results from Bulova's consumer products division.

Drilling

Revenues increased by \$70.5 and \$223.7 million, as compared to 1992 and 1991, respectively. Net loss decreased by \$34.6 million and increased by \$5.4 million, as compared to 1992 and 1991, respectively.

Revenues increased and net loss declined, as compared to 1992, due to Gulf of Mexico jackup rigs achieving nearly 98% utilization due to higher natural gas prices and deployment to Mexico of jackup rigs under long term contracts. This caused revenues and operating income to increase by approximately \$38 million as compared to 1992.

Since this recovery, a number of jackup rigs have been mobilized to the Gulf of Mexico from foreign locations. To date, the market has been able to absorb this increase in supply but Diamond Offshore faces a risk that rates and utilization can decline if the number of rigs available exceeds demand. This risk is magnified since most Gulf of Mexico employment is short term, on a well to well basis.

Higher rig utilization and day rates in the Gulf of Mexico were partially offset by adverse market conditions in the North Sea due primarily to changes in the United Kingdom Petroleum Revenue Tax. In addition, regulatory changes will require substantial capital expenditures for older rigs in order to obtain licensing for

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operations in the North Sea. Diamond Offshore believes that it may be necessary to mobilize its older rigs to new markets during the next year. It is likely that the costs of these relocations will not be fully reimbursed by customers. Diamond Offshore anticipates its three newest units will not require major modifications and may continue to operate in this market.

Results from operations also benefited from the parent company to retire intercompany debt.

Revenues increased in 1993 as compared to 1991, due primarily to the acquisition of 40 offshore drilling rigs in January 1992. Net loss increased due primarily to the corresponding increase in intercompany interest and higher depreciation expenses related to the additional rigs.

Other

Revenues increased by \$27.5 and \$98.4 million, as compared to 1992 and 1991, respectively. Results from operations decreased by \$6.9 million and increased by \$77.7 million, as compared to 1992 and 1991, respectively. Other operations consist primarily of investment income of non-insurance companies and the Company's investment in CBS Inc.

Revenues increased due primarily to higher earnings (accounted for under the equity method) of CBS Inc. and higher realized investment gains, partially offset by lower investment income. Results from operations before accounting changes declined, as compared to 1992, due to increased interest expense relating to the write off of unamortized discount for the early retirement of debt, partially offset by the increased revenues. Results from operations increased, as compared to 1991, due to the increased revenues, and lower interest expense.

Accounting Developments:

In November 1992, the Financial Accounting Standards Board ("FASB") issued SFAS No.112, "Employers' Accounting for Postemployment Benefits." This Statement establishes accounting standards for employers who provide benefits to former or inactive employees after employment but before retirement (postemployment benefits). Postemployment benefits include salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits, job training and counseling and continuation of benefits such as health care benefits and life insurance coverage. This Statement applies to financial statements for fiscal years beginning after December 15, 1993. This Statement will not have a significant impact on the Company.

In May 1993, the FASB issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." This Statement addresses the accounting by creditors for

impairment of certain loans. It is applicable to all creditors and to all loans, uncollateralized as well as collateralized, except large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, leases, and debt securities. The Statement requires that applicable loans be treated as impaired when it is probable that a creditor will be unable to collect all amounts (both principal and interest) contractually due. It requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. Impairment may be measured at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. In early 1994, the FASB began deliberating certain amendments to this Statement. This Statement applies to financial statements for fiscal years beginning after December 15, 1994. This Statement will not have a significant impact on the Company.

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Item 8. Financial Statements and Supplementary Data.

Loews Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of dollars)	December 31,	
	1993	1992
		(Restated)
Assets:		
Investments (Notes 1, 2, 3 and 4):		
Fixed maturities available for sale, amortized cost of \$17,132,086 and market value of \$18,295,953, respectively	\$17,657,856	\$17,414,480
Equity securities available for sale, cost of \$1,028,733 and market value of \$902,455, respectively	1,240,256	859,879
Mortgage loans and notes receivable	121,439	152,328
Policy loans	173,606	177,811
Other investments	72,085	59,524
Short-term investments	8,025,201	5,712,212
Total investments	27,290,443	24,376,234
Cash	155,703	105,308
Receivables (Note 1):		
Reinsurance	2,951,644	3,249,849
Other insurance	3,657,048	3,995,103
Less allowance for doubtful accounts	(117,324)	(110,420)
Security sales	467,329	137,054
Federal income taxes (Note 8)	96,623	301,009
Other, less allowance for doubtful accounts and cash discounts of \$12,418 and \$20,860	419,413	516,790
Inventories (Notes 1 and 6)	241,287	260,019
Investment in associated companies (Note 5)	490,654	422,941
Property, plant and equipment-net (Notes 1 and 7)	1,038,179	1,002,251
Deferred income taxes (Note 8)	1,074,410	1,109,532
Other assets (Notes 13 and 14)	564,600	467,498
Deferred policy acquisition costs of insurance subsidiaries (Note 1)	979,166	887,004
Separate Account business (Notes 1 and 3)	6,540,557	6,835,342
Total assets	\$45,849,752	\$43,555,514

See Notes to Consolidated Financial Statements.

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	December 31,	
	1993	1992
		(Restated)
Liabilities and Shareholders' Equity:		
Insurance reserves (Note 1):		
Claims and claims expense	\$21,670,202	\$20,733,438
Future policy benefits	2,735,691	2,486,279
Unearned insurance premiums	2,556,015	2,422,149
Policyholders' funds	477,095	538,373
Total insurance reserves	27,439,003	26,180,239
Accounts payable and accrued liabilities	705,034	598,726
Payable for securities purchased	190,138	113,960
Securities sold under repurchase agreements (Note 2)	613,250	610,987
Accrued taxes (Note 8)	290,861	205,520
Long-term debt, less unamortized discount (Notes 3 and 9)	2,195,670	1,759,595
Deferred credits and other liabilities (Note 13)	635,667	612,826
Separate Account business (Notes 1 and 3)	6,540,557	6,835,342
Participating policyholders' equity (Note 1)	160,100	177,568
Total liabilities	38,689,280	37,094,763
Minority interest	1,033,274	933,761

Commitments and contingent liabilities (Notes 1, 2, 4, 8, 9, 13, 14, 15 and 16)		
Shareholders' equity (Notes 1, 2, 5, 9, 11 and 13):		
Common stock, \$1 par value:		
Authorized-200,000,000 shares		
Issued and outstanding-61,524,700 and 65,098,700 shares	61,525	65,099
Additional paid-in capital	210,289	163,076
Earnings retained in the business	5,476,660	5,266,983
Unrealized appreciation	406,736	31,832
Pension liability adjustment	(28,012)	

Total shareholders' equity	6,127,198	5,526,990

Total liabilities and shareholders' equity	\$45,849,752	\$43,555,514
	=====	

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Loews Corporation and Subsidiaries

STATEMENTS OF CONSOLIDATED INCOME

(Amounts in thousands, except per share data)	Years Ended December 31,		
	1993	1992	1991

Revenues (Note 1):			
Insurance premiums:			
Property and casualty (net of insurance premiums ceded of \$508,098, \$487,381 and \$481,709)	\$ 6,273,654	\$ 6,352,166	\$ 6,653,846
Life (net of insurance premiums ceded of \$40,053, \$41,884 and \$25,869)	2,392,027	2,392,690	2,269,320
Investment income, net of expenses (Note 2) ..	1,377,754	1,584,321	1,736,806
Realized investment gains (Note 2)	862,797	407,247	412,155
Manufactured products (including excise taxes of \$379,361, \$355,816 and \$358,993)	2,055,084	2,363,431	2,167,410
Other (Note 5)	725,461	591,599	380,727

Total	13,686,777	13,691,454	13,620,264

Expenses (Note 1):			
Insurance benefits and underwriting expenses (net of reinsurance ceded of \$177,550, \$570,208 and \$473,161)	9,271,536	10,697,227	9,076,444
Amortization of deferred policy acquisition costs	1,193,421	1,067,689	1,112,857
Cost of manufactured products sold (Note 6) ..	864,115	878,465	886,340
Selling, operating, advertising and administrative expenses.....	1,506,049	1,417,696	1,169,915
Interest	162,298	148,843	163,559

Total	12,997,419	14,209,920	12,389,115

	689,358	(518,466)	1,231,149

Income taxes (benefits) (Note 8)	46,567	(388,691)	217,458
Minority interest	48,670	(107,678)	109,353

Total	95,237	(496,369)	326,811

Income (loss) before cumulative effect of changes in accounting principles	594,121	(22,097)	904,338
Cumulative effect of changes in accounting principles-net (Note 1)		144,711	

Net income	\$ 594,121	\$ 122,614	\$ 904,338
=====			
Earnings Per Share (Note 11):			
Income (loss) before cumulative effect of changes in accounting principles	\$9.27	\$ (.33)	\$13.14
Cumulative effect of changes in accounting principles-net		2.20	

Net income	\$9.27	\$1.87	\$13.14
=====			

See Notes to Consolidated Financial Statements.

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Loews Corporation and Subsidiaries

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(Amounts in thousands)	Common Stock	Additional Paid-In Capital	Earnings Retained in the Business	Unrealized Appreciation (Depreciation)	Pension Liability Adjustment	Common Stock Held in Treasury

Balance, December 31, 1990	\$69,917	\$130,301	\$4,860,494	\$(17,315)	
Net income			904,338		
Dividends paid, \$1 per share			(68,923)		
Purchases of common stock					\$ 264,182
Retirement of common stock held in treasury	(2,359)	(5,685)	(231,873)		(239,917)
Net unrealized appreciation				14,896	
Equity in certain transactions of subsidiary companies (Note 5) ...		37,546			

Balance, December 31, 1991	67,558	162,162	5,464,036	(2,419)	24,265
Net income			122,614		
Dividends paid, \$1 per share			(65,810)		
Purchases of common stock					238,223
Retirement of common stock held in treasury	(2,459)	(6,172)	(253,857)		(262,488)
Net unrealized appreciation				34,251	
Equity in certain transactions of subsidiary companies		7,086			

Balance, December 31, 1992	65,099	163,076	5,266,983	31,832	
Net income			594,121		
Dividends paid, \$1 per share			(64,289)		
Purchases of common stock					336,297
Retirement of common stock held in treasury	(3,574)	(12,568)	(320,155)		(336,297)
Accounting change (Note 1)				367,928	
Net unrealized appreciation				6,976	
Pension liability adjustment (Note 13)					\$(28,012)
Equity in certain transactions of subsidiary companies (Note 5) ...		59,781			

Balance, December 31, 1993	\$61,525	\$210,289	\$5,476,660	\$406,736	\$(28,012)
=====					

See Notes to Consolidated Financial Statements.

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Loews Corporation and Subsidiaries

STATEMENTS OF CONSOLIDATED CASH FLOWS

(Amounts in thousands)	Years Ended December 31,		
	1993	1992	1991
	----- (Restated) -----		
Operating Activities:			
Net income	\$ 594,121	\$ 122,614	\$ 904,338
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of changes in accounting principles		(144,711)	
Undistributed (earnings) losses from unconsolidated affiliates	(50,045)	(26,170)	22,589
Distribution of CBS equity earnings	3,787	3,029	417,597
Provision for minority interest	48,670	(107,678)	109,353
Amortization of investments	(95,262)	(127,416)	(144,697)
Depreciation and amortization	135,101	138,370	99,701
Realized investment gains	(862,797)	(407,247)	(412,155)
Provision for deferred income taxes	(181,601)	(382,691)	(220,207)
Changes in assets and liabilities-net:			
Reinsurance receivables	298,185	457,892	213,036
Other receivables	349,971	(327,966)	250,208
Deferred policy acquisition costs	(92,162)	(34,065)	(27,263)
Insurance reserves and claims	1,229,486	2,496,282	1,419,342
Accounts payable and accrued liabilities ..	403,027	(28,336)	102,754
Other-net	(119,803)	26,704	(52,871)
	1,660,678	1,658,611	2,681,725

Investing Activities:			
Purchases of fixed maturities	(42,893,379)	(32,343,428)	(38,115,486)
Proceeds from sales of fixed maturities	41,339,798	32,854,377	32,039,457
Proceeds from maturities of fixed maturities ..	2,349,370	1,414,987	2,751,185
Purchases of equity securities	(957,846)	(574,478)	(419,347)
Proceeds from sales of equity securities	874,460	435,147	654,403
Return of investment from CBS tender offer ..			12,666
Purchases of property and equipment	(159,480)	(123,658)	(90,216)
Proceeds from sales of property and equipment ..	20,276	17,184	22,411
Securities sold under repurchase agreements ..	2,263	(789,248)	1,381,439
Change in short-term investments	(2,259,348)	(1,841,219)	(293,957)
Change in other investments	8,146	151,821	(110,336)
Purchase of business-net of cash acquired		(372,242)	
	(1,675,740)	(1,170,757)	(2,057,781)

Financing Activities:			
Dividends paid to shareholders	(64,289)	(65,810)	(68,923)

Purchases of treasury shares	(336,297)	(238,223)	(264,182)
Principal payments on long-term debt	(745,163)	(210,662)	(303,717)
Issuance of long-term debt	1,181,910	1,517	397,461
Net decrease in short-term debt			(399,429)
Receipts credited to policyholders	47,481	47,293	45,204
Withdrawals of policyholder account balances	(18,185)	(18,476)	(11,581)
	-----	-----	-----
	65,457	(484,361)	(605,167)
	-----	-----	-----
Net change in cash	50,395	3,493	18,777
Cash, beginning of year	105,308	101,815	83,038
	-----	-----	-----
Cash, end of year	\$ 155,703	\$ 105,308	\$ 101,815
	=====	=====	=====

See Notes to Consolidated Financial Statements.

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Loews Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies-

Principles of Consolidation-The consolidated financial statements include all significant subsidiaries and all material intercompany accounts and transactions have been eliminated. The equity method of accounting is used for investments in associated companies in which the Company has an interest of 20% to 50%.

Accounting Changes-Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 113, "Accounting and Reporting for Reinsurance of Short-duration and Long-duration Contracts." This Statement establishes the conditions required for a contract to be accounted for as reinsurance, prescribes accounting and reporting standards for those contracts, and requires that balances pertaining to reinsurance transactions be reported "gross" on the balance sheet rather than reductions of reserves for claims and claims expense, policy benefits of unearned premiums. At December 31, 1993, reinsurance recoverables on insurance claim and policy benefits reserves of \$2,500,000,000 and ceded unearned premiums of \$167,000,000 are reported as assets. Prior years' amounts have been restated. As a result, assets and liabilities at December 31, 1992 were each increased by \$3,100,000,000.

The provisions of SFAS No. 113 that pertain to risk transfer and recognition of revenues and costs did not impact the Company's income or shareholders' equity as all material reinsurance arrangements are prospective and provided for the transfer of risk.

Effective December 31, 1993, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This Statement requires that investments in debt and equity securities classified as available: for sale be carried at fair value. Previously, fixed income securities classified as available for sale were carried at the lower of aggregate amortized cost or fair value. Unrealized gains and losses are reflected as a separate component of shareholders' equity, net of deferred income taxes, participating policyholders' and minority interests. The effect of adopting this Statement was to increase shareholders' equity by \$367,928,000 (net of \$293,973,000 in deferred income taxes, participating policyholders' and minority interests). The adoption of this Statement did not impact net income. In accordance with the Statement, prior period financial statements have not been restated. Separate Account assets invested in debt securities have also been classified as available for sale and are now carried at fair value. As a result, Separate Account investments were increased by \$189,000,000 with a corresponding increase to Separate Account liabilities.

In 1992 the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109, "Accounting for Income Taxes." CBS Inc. has also adopted SFAS Nos. 106 and 109 as well as SFAS No. 112, "Employers' Accounting for Postemployment Benefits" which requires accrual of benefits to be provided to former or inactive employees after employment, but before retirement. In addition, CNA Financial Corporation ("CNA") changed its method of accounting from reporting ultimate reserves for fixed and determinable claims reserves related to workers' compensation lifetime claims and accident and health disability claims to discounting such reserves consistent with accounting practices on other similar fixed and determinable claims. The cumulative effect as of January 1, 1992 of adopting these accounting changes is as follows:

	In thousands	Per Share
	-----	-----
Postretirement benefits other than pensions (net of income tax benefit of \$102,005)	\$(201,131)	\$(3.06)
Accounting for income taxes	128,991	1.96
Discounting for certain workers' compensation and disability claims (net of income tax expense of \$135,200)	218,132	3.32
Postemployment benefits of CBS Inc. (net of income tax benefit of \$94)	(1,281)	(.02)
	-----	-----
	\$ 144,711	\$ 2.20
	=====	=====

Investments-Investments in securities, which are held principally by insurance subsidiaries of CNA, are carried as follows:

The Company believes it has the ability to hold all fixed income investments until maturity. However, securities may be sold to take advantage of investment opportunities generated by changing interest rates, prepayments, tax and credit considerations, as part of the Company's asset/liability strategy, or for other similar factors. As a result, the Company considers its fixed maturity securities (bonds and redeemable preferred stocks) and equity securities as available for sale and they are carried at fair value. In prior years, fixed maturity securities were also considered as available for sale, but were carried at the lower of aggregate amortized cost or fair value; in accordance with guidance promulgated by the Securities and Exchange Commission. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income.

Mortgage loans are carried at unpaid principal balances, adjusted for amortization of premium or discount. Policy loans are carried at unpaid balances. Short-term investments are carried at amortized cost, which approximates market value.

The cost of securities sold is determined by the identified certificate method. The unrealized gain or loss on investments which are revalued to current market values is net of applicable deferred income taxes and participating policyholders' and minority interests and is reflected as part of shareholders' equity in unrealized appreciation. Investments are written down to estimated realizable values and losses are charged to income when a decline in value is considered to be other than temporary.

Insurance Operations-Premium revenue-Insurance premiums on property/casualty and health insurance contracts (included in life premiums) are earned ratably over the terms of the policies after provision for estimated adjustments on retrospectively rated policies and deductions for ceded insurance. Revenues on universal life-type contracts are comprised of contract charges and fees which are recognized over the coverage period when assessed against the policyholders' account balances. Other life insurance premiums are recognized as revenue when due after deductions for ceded insurance.

Claims and claims expense reserves-Claims and claims expense reserves, except reserves for structured settlements, workers' compensation lifetime claims and accident and health disability claims, are based on (a) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses based upon past experience, (c) estimates of assumed insurance, (d) estimates of future expenses to be incurred in settlement of claims, and (e) estimates of claim recoveries. In establishing these estimates, consideration is given to current conditions and trends as well as past company and industry experience.

Structured settlements have been negotiated for claims on certain property/casualty insurance policies. Structured settlements are agreements to provide periodic payments to claimants, which are fixed and determinable as to the amount and time of payment. Certain structured settlements are funded by annuities purchased from CNA's life insurance subsidiary. Related annuity obligations are carried in future policy benefits reserves. Obligations for structured settlements not funded by annuities are carried at discounted values which approximate the alternative cost of annuity purchases. Such reserves, discounted at interest rates ranging from 6.3 % to 7.5 %, totaled \$748,900,000 and \$662,600,000 at December 31, 1993 and 1992, respectively.

Workers' compensation lifetime claims and accident and health disability claim reserves are discounted at interest rates ranging from 3.5% to 5.5% with mortality and morbidity assumptions reflecting current industry experience. Such discounted reserves totaled \$969,800,000 and \$911,100,000 at December 31, 1993 and 1992 respectively.

Amounts assuming the changes in accounting for discounting certain workers' compensation and disability claims were applied retroactively to the year ended December 31, 1991, in thousands of dollars except per share data, are as follows:

Pro forma consolidated net income	\$941,730
Per share	13.69
Net income per share as previously reported	13.14

Claims and claims expense reserves are based on estimates and the ultimate liability may vary significantly from such estimates. Any adjustments that are made to the reserves are reflected in operating income in the year such adjustments are made.

Future policy benefits reserves-Reserves for traditional life insurance products are computed based upon net level premium methods using actuarial assumptions as to interest rates, mortality, morbidity, withdrawals and expenses. Actuarial assumptions include a margin for adverse deviations and generally vary by plan, age at issue and policy duration. Interest rates range from 3% to 10.5%, and mortality, morbidity and withdrawal assumptions reflect CNA and industry experience prevailing at the time of issue. Renewal expense estimates include the estimated effects of inflation and expenses beyond the premium paying period.

Reinsurance-CNA assumes and cedes insurance with other insurers and reinsurers and members of various reinsurance pools and associations. CNA utilizes reinsurance arrangements to limit its maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. The reinsurance coverages are tailored to the specific risk characteristics of each product line with CNA's retained amount varying by type of coverage. Generally, reinsurance coverage for property risks is on excess of loss, per risk basis.

Liability coverages are generally reinsured on a quota share basis in excess of CNA's retained risk. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Deferred policy acquisition costs-Costs of acquiring insurance business, which vary with and are primarily related to the production of such business, are deferred. Such costs include commissions, premium taxes, and certain underwriting and policy issuance costs. Property/casualty acquisition costs are amortized ratably over the period the related premiums are recognized. Anticipated investment income is considered in the determination of the recoverability of deferred policy acquisition costs. Life acquisition costs are capitalized and amortized based on assumptions consistent with those used for computing policy benefit reserves. Acquisition costs on ordinary life business are amortized over the assumed premium paying periods. Universal life and investment annuity acquisition costs are amortized in proportion to the present value of estimated gross profits over the products' assumed durations, which are regularly evaluated and adjusted, as appropriate. To the extent that unrealized gains or losses on available for sale securities would result in an adjustment of deferred policy acquisition costs had those gains or losses actually been realized, the related unamortized deferred policy acquisition costs are recorded as an adjustment of the unrealized gains or losses included in shareholders' equity.

Restricted investments-On December 30, 1993, CNA deposited \$986,800,000 in an escrow account, pursuant to the Fibreboard Global Settlement Agreement, as discussed in Note 16. The funds are included in short-term investments and are invested in U.S. treasury securities. The escrow account is the prefunding mechanism to the trust fund for future claimants.

Participating business-Participating business represented 1.1%, 1.2% and 1.6% of CNA's gross life insurance in force and 1.1%, 1.2% and 1.4% of life insurance premium income for 1993, 1992 and 1991, respectively. Participating policyholders' equity is determined by allocating 90% of related net income or loss and unrealized investment gains or losses to such business, less dividends determined by CNA's Board of Directors. In the accompanying Statements of Consolidated Income, revenues and benefits and expenses include amounts related to participating policies; the net income or loss allocated to participating policyholders' equity is a component of insurance claims and policyholders' benefits.

Separate Account business-CNA's life insurance subsidiary, Continental Assurance Company ("CAC"), issues certain investment and annuity contracts, the assets and liabilities of which are legally segregated and reflected in the accompanying Consolidated Balance Sheets as assets and liabilities of Separate Account business. CAC guarantees principal and a specified return to the contractholders of approximately 86% of the Separate Account business. Substantially all assets of the Separate Accounts are carried at fair value. Separate Account liabilities are carried at the higher of contract value or the fair value of the underlying assets. Investment income and gains and losses for the Separate Account accrue to the contractholders and are therefore not included in the Statements of Consolidated Income or Cash Flows except for funding which may be required under the guarantees. Revenues to CNA from the Separate Account business consist principally of administration fees.

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Statutory capital and surplus-Statutory capital and surplus and net income (loss), determined in accordance with accounting practice prescribed or permitted by the Illinois Insurance Department, for property/casualty and life insurance subsidiaries are as follows:

	Statutory Capital and Surplus		Statutory Net Income (Loss)		
	December 31,		Years Ended December 31,		
	1993	1992	1993	1992	1991
Property/casualty	\$3,598,415	\$3,135,847	\$120,710	\$(1,043,050)	\$716,950
Life	1,021,970	1,002,985	99	11,831	113,288

(In thousands)

Inventories-Tobacco products-These inventories, aggregating \$174,377,000 and \$186,986,000 at December 31, 1993 and 1992, respectively, are stated at the lower of cost or market, using the last-in, first-out (LIFO) method.

Watches and other timing devices-These inventories, aggregating \$52,109,000 and \$59,322,000 at December 31, 1993 and 1992, respectively, are stated at the lower of cost or market, using the first-in, first-out (FIFO) method.

Property, Plant and Equipment-Property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the various classes of properties. Leaseholds and leasehold improvements are depreciated or amortized over the terms of the related leases (including optional renewal periods where appropriate) or the estimated lives of improvements, if less than the lease term.

The principal service lives used in computing provisions for depreciation are as follows:

	Years
Buildings and building equipment	40

Building fixtures	10 to 20
Machinery and equipment	5 to 12
Hotel equipment	4 to 12
Drilling equipment	10 to 25

Research and Development Costs-Research and development costs are charged to expense as incurred and amounted to \$11,866,000, \$11,521,000 and \$11,476,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

Reclassification-Certain amounts applicable to prior periods have been reclassified to conform to the classifications followed in 1993.

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2. Investments-

Investment income consisted of:

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		
Investment income:			
Fixed maturities:			
Bonds:			
Tax exempt	\$ 504,896	\$ 728,031	\$ 638,110
Taxable	539,695	622,967	811,016
Redeemable preferred stocks	21,231	11,207	13,734
Equity securities	16,441	19,068	19,392
Mortgage loans	15,410	13,001	15,799
Policy loans	10,413	10,587	10,520
Security repurchase transactions ..	6,249	18,627	44,373
Short-term investments	281,401	177,923	217,676
Other	12,138	22,586	25,848
Total investment income	1,407,874	1,623,997	1,796,468
Investment expenses	30,120	39,676	59,662
Investment income-net	\$1,377,754	\$1,584,321	\$1,736,806

Realized investment gains (losses) are as follows:

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		
Fixed maturities	\$ 765,848	\$ 303,622	\$ 441,858
Equity securities	118,774	45,339	3,762
Guaranteed separate accounts		35,496	(39,675)
Other	(21,825)	22,790	6,210
	862,797	407,247	412,155
Income taxes	(300,002)	(132,980)	(140,607)
Allocated to participating policyholders	(13,142)	(12,140)	(20,055)
Minority interest	(87,752)	(39,785)	(48,411)
Realized investment gains-net ..	\$ 461,901	\$ 222,342	\$ 203,082

Securities sold under agreements to repurchase represent the amounts of securities which will be reacquired subsequently by certain insurance and non-insurance subsidiaries as specified in the agreements. Proceeds from these transactions have been invested in short-term investments (principally commercial paper and government securities) with maturities which correspond to the repurchase dates.

The carrying value of investments (other than equity securities) that have not produced income for the last twelve months is \$134,188,000 at December 31, 1993.

Investment gains of \$1,005,538,000 and losses of \$120,916,000 were realized on securities available for sale for the year ended December 31, 1993. Total investment gains of \$459,000,000 and \$614,307,000 and losses of \$155,378,000 and \$172,449,000 were realized on sales of fixed maturities for the years ended December 31, 1992 and 1991, respectively.

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The amortized cost and market values of securities available for sale are as follows:

Amortized Cost	Unrealized		Market Value
	Gains	Losses	
-----	-----	-----	-----

(In thousands)

December 31, 1993

United States government and obligations of government agencies	\$ 6,482,814	\$ 80,070	\$ 8,405	\$ 6,554,479
Asset-backed	2,514,596	42,073	9,373	2,547,296
States, municipalities and political subdivisions-tax exempt	4,725,384	316,717	27,260	5,014,841
Corporate	1,800,548	64,042	12,768	1,851,822
Other debt	1,163,454	80,033	2,053	1,241,434
Redeemable preferred stocks	445,290	3,493	799	447,984
Total fixed maturities	17,132,086	586,428	60,658	17,657,856
Equity securities	1,028,733	229,806	18,283	1,240,256
	<u>\$18,160,819</u>	<u>\$ 816,234</u>	<u>\$ 78,941</u>	<u>\$18,898,112</u>

December 31, 1992

United States government and obligations of government agencies	\$ 2,878,835	\$ 28,639	\$ 7,427	\$ 2,900,047
Asset-backed	2,132,976	94,942	14,055	2,213,863
States, municipalities and political subdivisions-tax exempt	9,501,741	712,962	52,276	10,162,427
Corporate	1,161,965	75,185	10,765	1,226,385
Other debt	1,171,407	52,748	2,295	1,221,860
Redeemable preferred stocks	567,556	4,427	612	571,371
Total fixed maturities	17,414,480	968,903	87,430	18,295,953
Equity securities	813,779	106,911	18,235	902,455
	<u>\$18,228,259</u>	<u>\$1,075,814</u>	<u>\$105,665</u>	<u>\$19,198,408</u>

The amortized cost and market value of fixed maturities at December 31, 1993 and 1992 are shown below by contractual maturity. Actual maturities differ from contractual maturities because securities may be called or prepaid with or without call or prepayment penalties.

	December 31,			
	1993		1992	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(In thousands)			
Due in one year or less	\$ 687,704	\$ 702,683	\$ 819,504	\$ 831,731
Due after one year through five years	7,500,849	7,597,198	4,810,388	4,953,451
Due after five years through ten years	1,466,050	1,520,597	2,248,911	2,362,085
Due after ten years	4,962,887	5,290,082	7,402,701	7,934,823
Asset-backed securities not due at a single maturity date	2,514,596	2,547,296	2,132,976	2,213,863
	<u>\$17,132,086</u>	<u>\$17,657,856</u>	<u>\$17,414,480</u>	<u>\$18,295,953</u>

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3. Fair Value of Financial Instruments-

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values may be based on estimates using present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. Accordingly, the estimates presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company could realize in a current market exchange. SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments such as real estate and insurance reserves from fair value disclosure. Thus, the aggregate fair value amounts cannot be summed to determine the underlying economic value of the Company.

The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

	December 31,			
	1993		1992	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value

Financial Assets:

Investments:				
Fixed maturities available for sale	\$17,657,856	\$17,657,856	\$17,414,480	\$18,295,953
Equity securities available for sale	1,240,256	1,240,256	859,879	902,455
Mortgage loans and notes receivable	74,816	77,914	103,018	104,937
Policy loans	173,606	163,566	177,811	167,894
Other investments	67,891	70,664	54,294	54,901
Separate Account assets:				
Fixed maturities available for sale	6,234,964	6,234,964	6,507,127	6,693,943
Equity securities available for sale	145,663	145,663	112,511	112,594
Other	159,930	168,570	215,704	215,727
Financial Liabilities:				
Premium deposits and annuity contracts	544,669	534,948	519,758	511,027
Long-term debt	2,182,210	2,284,651	1,742,799	1,826,894
Separate Account liabilities:				
Guaranteed investment contracts	4,875,440	5,178,817	5,531,806	5,782,639
Deferred annuities.....	66,458	81,433	64,284	78,600
Variable separate accounts.....	222,780	222,780	148,970	148,970
Other.....	887,440	887,440	685,390	685,390

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

The carrying amounts reported in the balance sheet for short-term investments and securities sold under repurchase agreements approximates fair value, because of the short maturity of those investments. As such, these financial instruments are not shown in the table above.

Fixed maturity securities, equity securities and separate account securities are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from independent pricing services or quoted market prices of comparable instruments adjusted for differences between the quoted instruments and the instruments being valued.

Fair value for mortgage loans and notes receivable and policy loans are estimated using discounted cash flow analyses, at interest rates currently being offered for similar loans to borrowers with comparable credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations.

Other investments and other Separate Account assets consist of investments in limited partnerships, short term securities and various miscellaneous assets. Valuation techniques to determine fair value consist of discounted cash flows and quoted market prices of (a) the investments, (b) comparable instruments and (c) underlying assets of the investments. The fair value of certain assets contained above approximates their carrying value.

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Premium deposit and annuity contracts are valued based on cash surrender values and the outstanding fund balances.

Guaranteed investment contracts and deferred annuities of the separate accounts are estimated using discounted cash flow calculations, based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued.

The fair value of the liabilities for variable separate accounts are based on the quoted market values of the underlying assets of each variable separate account. The fair value of other separate account liabilities approximates carrying value.

Fair value of long-term debt traded on securities exchanges is based on quoted market prices. The fair values for other long-term debt are based on quoted market prices of comparable instruments adjusted for differences between the quoted instruments and the instruments being valued or are estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

4. Off-Balance-Sheet Financial Instruments-

The Company enters into various transactions involving off-balance-sheet financial instruments through a variety of futures, swaps, options, forward and other contracts (the "contracts") as part of its investing activities. Entering into these contracts involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts but also the market risk associated with unmatched positions. Notional or contractual amounts are often used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. In addition, the amounts subject to credit loss are substantially mitigated by collateral requirements of the contracts. These contracts are marked to market and gains or losses are included in realized investment gains or losses.

The Company's investments in off-balance-sheet financial instruments are as follows:

	December 31,			
	1993		1992	
	Contractual/ Notional	Estimated Fair Value	Contractual/ Notional	Estimated Fair Value
	(In thousands)			
Interest rate swaps	\$ 75,000	\$ (8,005)	\$ 325,000	\$ (3,435)
Commitments to purchase government and municipal securities	211,000	137	299,500	3,071

Options written on:				
Intermediate term United States Treasury securities				
			1,000,000	6,239
Equities and equity index	133,712	(6,572)	89,974	268
Financial futures	803,313	2,557	444,451	(2,568)
Commodity:				
Swaps	344,870	(32,277)	272,890	(5,081)
Futures	19,921	980	17,737	(446)
Forward	96,453	4,188		
Purchase obligations	87,990	(9,870)	87,990	
Other	4,688	14	10,818	(2,685)

The estimated fair values approximate carrying values and are generally equivalent to the gains or losses on these financial instruments. Fair values are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from independent pricing services, quoted market prices of comparable instruments or present value models.

Through August 1, 1989, CNA's property/casualty operations wrote financial guarantee insurance contracts. These contracts primarily represent industrial development bond guarantees and equity guarantees typically extending from ten to thirteen years. For these guarantees CNA received an advance premium which is recognized over the exposure period and in proportion to the underlying exposure insured.

At December 31, 1993 and 1992, gross exposure of financial guarantee insurance amounted to \$792,000,000 and \$1,000,000,000, respectively. The degree of risk attached to this exposure is substantially reduced through reinsurance, collateral requirements and diversification of exposures. At December 31, 1993 and 1992, collateral consisting of letters of credit and debt service reserves amounted to \$48,000,000 and \$60,000,000, respectively. In addition, security interests in real estate are also obtained. Approximately 38% of the risks were ceded to reinsurers at December 31, 1993 and 1992. Total exposure, net of reinsurance, amounted to \$492,000,000 and \$603,000,000 at December 31, 1993 and 1992, respectively. Gross unearned premium reserves for financial guarantee contracts were \$33,000,000 and \$51,000,000 at December 31, 1993 and 1992, respectively. Gross claims and claims expense reserves totaled \$320,000,000 and \$197,000,000 at December 31, 1993 and 1992, respectively. The fair values of the liability for financial guarantee contracts were \$350,000,000 and \$235,000,000 at December 31, 1993 and 1992, respectively. Fair values are based on discounted cash flows utilizing interest rates currently being offered for similar contracts and spot interest rates.

5. Investments in Associated Companies-

Investments in associated companies consisted of:

	December 31,	
	1993	1992
	(In thousands)	
CBS Inc. (market value \$873,975 and \$569,423)...	\$473,483	\$358,500
Other.....	17,171	64,441
	<u>\$490,654</u>	<u>\$422,941</u>
	=====	=====

Equity in earnings (losses) of associated companies, included in other revenues, amounted to \$53,395,000, \$26,743,000 and \$(13,802,000) for the years ended December 31, 1993, 1992 and 1991, respectively.

CBS Inc.-The Company held approximately 20% of the outstanding common shares of CBS Inc. ("CBS") at December 31, 1993 and accounts for CBS on the equity method.

In 1992, CBS adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," SFAS No. 109, "Accounting for Income Taxes" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1992. The cumulative effect of these accounting changes resulted in recognition by Loews of a charge of \$17.4 million, or \$.27 per share, in relation to its investment in CBS.

The Company's equity in the earnings (losses) of CBS after giving effect to purchase value adjustments amounted to \$58,990,000, \$27,012,000 and \$(24,533,000) before taxes and \$52,641,000, \$24,717,000 and \$(22,904,000) after taxes for the years ended December 31, 1993, 1992 and 1991, respectively. Dividends received amounted to \$3,787,000, \$3,029,000 and \$3,029,000 for the respective periods.

In May 1993, \$389.6 million of CBS 5% convertible debentures were converted for 1,947,975 shares of common stock. The difference between the amount of debt converted and the average cost of the treasury shares issued, net of unamortized issue costs related to this debt, was credited to additional paid-in capital. As a result, the Company's ownership in CBS decreased from approximately 23% to 20% and the Company's additional paid-in capital increased by \$58,942,000.

In February 1991, CBS completed a cash tender offer at an amount exceeding its net book value per share for repurchase of its common stock aggregating approximately \$2 billion or 44% of its common shares. The Company tendered its shares and received cash amounting to \$537,234,000, comprised of \$414,568,000 realization of previously undistributed earnings and \$122,666,000 representing a return of the Company's investment. As a result of the tender, the Company's

ownership in CBS decreased from approximately 25% to 23% and the Company's additional paid-in capital increased by \$37,880,000.

Summarized financial information for CBS is as follows:

	December 31,	
	1993	1992
	(In thousands)	
Current assets	\$1,677,500	\$1,480,500
Non-current assets	1,741,200	1,694,500
Total assets	3,418,700	3,175,000
Current liabilities	1,038,900	1,117,300
Long-term debt	590,300	870,000
Other liabilities	651,500	740,900
Total liabilities	2,280,700	2,728,200
Shareholders' equity	\$1,138,000	\$ 446,800

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		
Net sales	\$3,510,100	\$3,503,000	\$3,035,000
Cost of sales	\$2,688,800	\$2,906,500	\$2,938,000
Income (loss) before discontinued operations and cumulative effect of changes in accounting principles ..	\$ 326,200	\$ 162,500	\$ (98,700)
Net income (loss)	\$ 326,200	\$ 81,000	\$ (85,800)

6. Inventories-

	December 31,	
	1993	1992
	(In thousands)	
Leaf tobacco	\$145,259	\$162,093
Manufactured stock	76,946	77,537
Materials, supplies, etc.	19,082	20,389
Total	\$241,287	\$260,019

If the average cost method of accounting had been used for tobacco inventories instead of the LIFO method, such inventories would have been \$211,227,000 and \$211,198,000 higher at December 31, 1993 and 1992, respectively.

7. Property, Plant and Equipment-

	December 31,	
	1993	1992
	(In thousands)	
Land	\$ 33,482	\$ 35,187
Buildings and building equipment	395,748	387,250
Machinery and equipment	1,189,062	1,096,244
Leaseholds and leasehold improvements	32,008	30,355
Total, at cost.....	1,650,300	1,549,036
Less accumulated depreciation and amortization ...	612,121	546,785
Property, plant and equipment-net	\$1,038,179	\$1,002,251

Depreciation and amortization expense and capital expenditures, by business segment, are as follows:

	Years Ended December 31,					
	1993		1992		1991	
	Depr. & Amort.	Capital Expend.	Depr. & Amort.	Capital Expend.	Depr. & Amort.	Capital Expend.
	(In thousands)					
Property and casualty insurance	\$ 24,431	\$ 84,100	\$ 8,030	\$ 18,315	\$ 8,820	\$ 4,191
Life insurance	21,931	5,372	32,644	13,604	29,960	27,534
Cigarettes	21,973	26,996	18,314	23,205	22,938	26,397
Hotels	15,940	18,110	15,479	11,550	14,004	10,842
Watches and other timing devices ...	2,248	1,310	5,608	3,617	3,681	780
Drilling	43,938	70,276	52,550	471,067	14,545	14,431
Total business segments	130,461	206,164	132,625	541,358	93,948	84,175
Corporate	4,640	1,343	5,745	3,472	5,753	6,041
Total	\$135,101	\$207,507	\$138,370	\$544,830	\$99,701	\$90,216

8. Income Taxes-

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		
Income taxes (benefits):			
Operations:			
Federal:			
Current	\$ 175,705	\$ (67,809)	\$ 388,158
Deferred	(181,601)	(382,691)	(220,207)
State, city and other, principally current	52,463	61,809	49,507
	46,567	(388,691)	217,458
Cumulative effect of changes in accounting principles		118,209	
Total	\$ 46,567	\$(270,482)	\$ 217,458

Deferred tax assets (liabilities) are as follows:

	December 31,			January 1, 1992
	1993	1992	1992	
	(In thousands)			
Insurance reserves:				
Property/casualty claim reserve discounting	\$ 990,206	\$ 861,323	\$ 714,320	
Unearned premium reserves	125,560	147,874	134,239	
Life reserve differences	144,078	140,120	108,535	
Others	(12,126)	4,747	15,111	
Deferred policy acquisition costs....	(310,228)	(280,902)	(282,073)	
Employee benefits.....	144,566	128,127	117,292	
Property, plant and equipment.....	(132,750)	(148,541)	(154,714)	
Investments.....	143,342	61,280	46,455	
Alternative minimum tax credit.....	165,200	151,000		
Other-net.....	44,371	55,590	38,762	
	1,302,219	1,120,618	737,927	
Unrealized (appreciation) depreciation other-net.....	(257,764)	(15,601)	186	
	29,955	4,515	387	
Deferred tax assets-net.....	\$1,074,410	\$1,109,532	\$ 738,500	

Gross deferred tax assets amounted to \$1,895,689,000 and \$1,595,083,000 and liabilities amounted to \$821,279,000 and \$485,551,000, for the years ended

December 31, 1993 and 1992, respectively.

No valuation allowance for deferred tax assets is necessary due to the Company's election to designate its 1988 through 1991 tax payments as Special Estimated Tax Payments as permitted under the Technical and Miscellaneous Revenue Act of 1988, which should assure realization of a substantial portion of deferred tax assets arising from the discounting of property/casualty loss reserves and the Company's past history of profitability and anticipated continued profitability.

Deferred Federal income taxes (benefits) have been provided for the tax effects of items reported in different periods for financial and income tax reporting purposes. The sources of these differences for the year ended December 31, 1991, in thousands of dollars, were as follows:

Insurance reserves	\$(149,076)
Utilization of alternative minimum tax credit	41,000
Deferred income	(50,393)
Investment write-downs	(57,865)
Deferred policy acquisition costs	(7,183)
Provisions deductible in different years	14,307
Other	(10,997)

Total	\$(220,207)
	=====

Total income tax expense (benefit) for the years ended December 31, 1993, 1992 and 1991 was different than the amounts of \$241,275,000, \$(176,278,000) and \$418,591,000, computed by applying the statutory U.S. federal income tax rate of 35%, 34% and 34%, respectively to income (loss) before income taxes and minority interest for each of the years. The reasons for variances from the statutory rate are as follows:

	Percent of Pre-tax Income		
	Years Ended December 31,		
	-----	-----	-----
	1993	1992	1991
	-----	-----	-----
Statutory rate	35 %	(34)%	34 %
(Decrease) increase in income tax rate resulting from:			
Tax rate change	(5)		
Exempt interest and dividends received deduction	(28)	(44)	(16)
Special deduction-salvage and subrogation	(2)	(3)	(2)
Fresh start adjustments			(3)
State and city income taxes	7	8	3
Other		(2)	2
	-----	-----	-----
Effective income tax rate.....	7 %	(75)%	18 %
	=====	=====	=====

Federal, foreign, state and local income tax payments, net of refunds, amounted to approximately \$10,263,000, \$355,853,000 and \$346,856,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

The Tax Reform Act of 1986 enacted a new separate parallel tax system referred to as the Alternative Minimum Tax ("AMT") system. AMT is based on a flat rate applied to a broader tax base. It is calculated separately from the regular federal income tax and the higher of the two taxes is paid. The excess of the AMT over regular tax is a tax credit, which can be carried forward indefinitely to reduce regular tax liabilities of future years. As a result of a carryback of 1992 tax losses, the Company received a tax refund of approximately \$32,000,000. At December 31, 1993 the AMT credit totaled approximately \$165,200,000.

The Company has entered into separate tax allocation agreements with Bulova and CNA, majority-owned subsidiaries in which its ownership exceeds 80% (the "Subsidiaries"). Each agreement provides that the Company will (i) pay to the Subsidiary the amount, if any, by which the Company's consolidated federal income tax is reduced by virtue of inclusion of the Subsidiary in the Company's return, or (it) be paid by the Subsidiary an amount, if any, equal to the federal income tax which would have been payable by the Subsidiary if it had filed a separate consolidated return. Under these agreements, the federal income tax benefit (expense) to CNA amounted to approximately \$17,000,000, \$350,000,000 and \$(82,000,000) for the years ended December 31, 1993, 1992 and 1991, respectively, and the federal income tax benefit (expense) to Bulova amounted to approximately \$2,500,000, \$(3,300,000) and \$1,900,000 for the years ended December 31, 1993, 1992 and 1991, respectively. Each agreement may be cancelled by either of the parties upon thirty days' written notice.

The Company's federal income tax returns have been examined through 1988 and settled through 1983, and the years 1989 and 1990 are currently under examination. While tax liabilities for subsequent years are subject to audit and final determination, in the opinion of management the amount accrued in the consolidated balance sheet is believed to be adequate to cover any additional assessments which may be made by federal, state and local tax authorities and

should not have a material effect on the financial condition of the Company.

The Revenue Reconciliation Act of 1990 (the "1990 Act") requires property/casualty insurance companies to accrue estimated salvage and subrogation recoverable for tax purposes as of January 1, 1990. Under a transition provision of the 1990 Act, for companies that had anticipated salvage and subrogation in determining loss reserves, 87% of such accrual as of January 1, 1990 was forgiven. This special deduction is to be taken ratably over four taxable years beginning in 1990. CNA recognized a tax benefit of approximately \$17,000,000, \$17,000,000 and \$33,000,000 for the years ended December 31, 1993, 1992 and 1991, respectively. The 1991 amount recognizes tax benefit for the 1990 year.

The Omnibus Budget Reconciliation Act of 1993, enacted in August 1993, among other things, increased the corporate tax rate from 34% to 35 % effective January 1, 1993. In accordance with SFAS No. 109 deferred tax assets have been adjusted for the effect of the change in tax rates in the period enacted. As a result, the Company has recorded a tax benefit in 1993 of approximately \$31,636,000 to increase its deferred tax asset.

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9. Long-Term Debt-

	December 31, 1993			
	Senior Debt	Unamortized Discount	Net	Current Maturities
	(In thousands)			
By company:				
Loews Corporation	\$1,208,573	\$23,529	\$1,185,044	\$1,252
CNA	920,777	7,498	913,279	1,699
Bulova	4,282		4,282	943
Other	93,065		93,065	4,647
Total	\$2,226,697	\$31,027	\$2,195,670	\$8,541

Long-term debt, net of notes and debentures held by the Company (a), consists of:

	December 31,	
	1993	1992
	(In thousands)	
Senior debt:		
Loews Corporation (Parent Company):		
8.5% notes due 1998 (effective interest rate of 8.6%) (authorized, \$125,000)	\$ 117,832	\$ 117,832
8.3% debentures due 2007 (effective interest rate of 8.4%) (authorized, \$200,000) (b)	200,000	200,000
8.9% debentures due 2011 (effective interest rate of 9.0%) (authorized, \$175,000)	175,000	175,000
9% senior sinking fund debentures due 2016		158,700
7.6% notes due 2023 (effective interest rate of 7.8%) (authorized, \$300,000) (c)	300,000	
7% notes due 2023 (effective interest rate of 7.2%) (authorized, \$400,000) (d)	400,000	
Note payable (effective interest rate of 10%) ..	15,741	16,879
CNA Financial Corporation:		
8.6% notes due 1996 (effective interest rate of 8.8%) (authorized, \$250,000)	250,000	250,000
8.9% notes due 1998 (effective interest rate of 9.2%) (authorized, \$150,000)	150,000	150,000
6.3% notes due 2003 (effective interest rate of 6.4%) (authorized, \$250,000)	250,000	
7.3% debentures due 2023 (effective interest rate of 7.3%) (authorized, \$250,000)	250,000	
Other senior debt (effective interest rates approximate 4.6%)	20,777	16,096
Other senior debt, principally mortgages (effective interest rates approximate 8.9%)	97,347	103,476
	2,226,697	1,187,983
Less unamortized discount	31,027	11,042
Senior debt-net	2,195,670	1,176,941

Subordinated debt:

Loews Corporation (Parent Company):	
10% subordinated notes due 1996	200,000
Zero coupon convertible subordinated notes due 2004, net of discount of \$393,293	390,138
	590,138
Less unamortized discount	7,484

Subordinated debt-net		582,654
Long-term debt, less unamortized discount ...	\$2,195,670	\$1,759,595

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(a) Amounts of notes and debentures held by the Company are:

	December 31,	
	1993	1992
8.5%, due 1998	\$7,168	\$ 7,168
Zero coupon, due 2004, net of discount of \$146,372		145,197
9%, due 2016		41,300

(b) Redeemable in whole or in part at January 15, 1997 at 104%, and decreasing percentages thereafter.

(c) Redeemable in whole or in part at June 1, 2003 at 104%, and decreasing percentages thereafter.

(d) Redeemable in whole or in part at October 15, 2003 at 102%, and decreasing percentages thereafter.

The aggregate of long-term debt maturing in each of the next five years is approximately as follows: \$8,541,000 in 1994, \$6,815,000 in 1995, \$282,499,000 in 1996, \$21,512,000 in 1997 and \$273,283,000 in 1998.

The Company paid interest expenses of approximately \$219,099,000, \$127,689,000 and \$146,659,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

Payment of dividends by insurance subsidiaries of CNA without prior regulatory agency approval is limited to certain formula-derived amounts. At December 31, 1993, \$2,089,629,000 of retained earnings of subsidiaries was not available for dividends to the Company.

10. Purchase of Business-

In January 1992 Diamond Offshore Drilling, Inc., a wholly owned subsidiary, acquired all of the outstanding common stock of Odeco Drilling, Inc. ("Odeco") at a purchase price of \$372,242,000 in cash. Odeco owned and operated 40 offshore drilling rigs that were used in drilling oil and gas wells. The acquisition has been accounted for by the purchase method and the results of operations are included in the Company's financial statements as of January 1, 1992. Had this acquisition occurred on January 1, 1991, consolidated results of operations for the year ended December 31, 1991 would not have been materially different.

11. Capital Stock and Earnings Per Share-

In addition to its common stock, the Company has authorized 25,000,000 shares of preferred stock, \$.10 par value.

Earnings per share, assuming no dilution, are based on the weighted average number of shares outstanding during each year (64,108,000, 65,659,000 and 68,807,000 for the years ended December 31, 1993, 1992 and 1991, respectively). Fully diluted earnings per share assumes conversion of the zero coupon convertible subordinated notes and elimination of the related interest charges, net of taxes. Fully diluted earnings per share are not presented for the years ended December 31, 1992 and 1991 since such dilution is not material.

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12. Quarterly Financial Data (Unaudited)-

	1993 Quarters Ended				1992 Quarters Ended			
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
(In thousands, except per share data)								
Total revenues	\$3,351,634	\$3,416,934	\$3,375,079	\$3,543,130	\$3,433,430	\$3,419,039	\$3,442,358	\$3,396,627
Income (loss) before cumulative effect of changes in accounting principles	138,403	(89,615)	203,643	341,690	(620,691)	122,326	266,179	210,089
Per share	2.20	(1.40)	3.16	5.25	(9.53)	1.88	4.06	3.14
Net income (loss)	138,403	(89,615)	203,643	341,690	(620,691)	122,326	266,179	354,800
Per share	2.20	(1.40)	3.16	5.25	(9.53)	1.88	4.06	5.30

13. Retirement Plans-

Pension Plans-The Company and its subsidiaries have several non-contributory defined benefit plans for eligible employees. The benefits for certain plans which cover salaried employees and certain union employees are based on formulas which include among others, years of service and average pay. The benefits for one plan which covers union workers under various union contracts and certain salaried employees are based on years of service multiplied by a stated amount.

Pension cost includes the following components:

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		
Service cost-benefits earned	\$ 37,141	\$ 34,292	\$ 29,672
Interest cost	81,811	76,814	69,715
Return on plan assets-actual	(54,079)	(55,446)	(95,262)
Net amortization and deferrals	(7,163)	(598)	49,722
Net pension cost	\$ 57,710	\$ 55,062	\$ 53,847

The following table sets forth the pension plans' funded status:

	December 31,			
	1993		1992	
	Overfunded Plans	Underfunded Plans	Overfunded Plans	Underfunded Plans
	(In thousands)			
Actuarial present value of benefit obligations:				
Accumulated benefit obligation	\$ 450,751	\$512,907	\$ 534,041	\$261,216
Accumulated vested benefit obligation	\$ 409,399	\$473,030	\$ 473,042	\$244,372
Projected benefit obligation	\$ 619,001	\$565,127	\$ 733,121	\$264,512
Plan assets at fair value	483,774	361,285	616,655	158,865
Projected benefit obligation over plan assets	135,227	203,842	116,466	105,647
Unrecognized prior service cost	(16,273)	(17,587)	(22,628)	(18,785)
Unrecognized net asset (obligation), January 1	22,330	(39,756)	22,437	(40,387)
Unrecognized net loss	(159,594)	(96,156)	(103,651)	(23,610)
Adjustment required to recognize minimum liability		102,343		83,713
Net pension (asset) liability recognized in the balance sheet	\$ (18,310)	\$152,686	\$ 12,624	\$106,578

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At December 31, 1993, the Company's adjustment required to recognize its minimum pension liability exceeded its unrecognized prior service cost and net transition obligation by \$43,095,000. This excess is recorded as a reduction to shareholders' equity of \$28,012,000, net of tax benefits of \$15,083,000, in accordance with SFAS No. 87, "Employers' Accounting for Pensions."

The rates used in the actuarial assumptions were:

	Years Ended December 31,		
	1993	1992	1991
Discount rate	7.3% to 7.5%	8.3% to 8.5%	8.5% to 9.0%
Rate of compensation increase.....	4.5% to 5.8%	5.3% to 5.5%	5.8% to 6.3%
Expected long-term rate of return on assets	7.5% to 8.5%	9.0%	9.3% to 9.5%

The Company's funding policy is to make contributions in accordance with applicable governmental regulatory requirements. The assets of the plans are invested primarily in interest-bearing obligations and for one plan with an insurance subsidiary of the Company, in its Separate Account business.

Other Postretirement Benefit Plans-The Company and its subsidiaries have several postretirement benefit plans covering eligible employees and retirees. Participants generally become eligible after reaching age 55 with required years of service. Actual requirements for coverage vary by plan. Benefits for retirees who were covered by bargaining units vary by each unit and contract. Benefits for certain retirees are in the form of a company health care account which can have a maximum of \$4,500 per year, with an equal amount for a spouse in the same age grouping.

Benefits for retirees reaching age 65 are generally integrated with Medicare. Benefits for certain retirees are in the form of a company health care account which can have a maximum value of \$1,500 per year, with an equal amount for a spouse in the same age grouping. Other retirees, based on plan provisions, must use Medicare as their primary coverage, with the Company reimbursing a portion of the unpaid amount; or are reimbursed for the Medicare Part B premium or have

no company coverage. The benefits provided by the Company are basically health, and for certain retirees, life insurance type benefits.

The Company does not fund any of these benefit plans and accrues postretirement benefits during the active service of those employees who would become eligible for such benefits when they retire.

The rates used in the actuarial assumptions were:

	December 31	
	1993	1992
Net periodic postretirement benefit cost	8.3% to 8.5%	8.5% to 9.0%
Accumulated postretirement benefit liability	7.3% to 7.5%	8.3% to 8.5%

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The following table sets forth the postretirement plans' status:

	December 31,	
	1993	1992
(In thousands)		
Accumulated postretirement benefit obligation:		
Retirees	\$134,502	\$136,493
Fully eligible active plan participants	57,376	61,369
Other active plan participants	128,992	125,170
	320,870	323,032
Unrecognized prior service cost	736	
Unrecognized net gain (loss)	21,869	(11,216)
Accrued postretirement benefit liability	\$343,475	\$311,816

	Years Ended December 31,	
	1993	1992
(In thousands)		
Postretirement benefit cost includes the following components:		
Service costs	\$ 10,892	\$ 10,807
Interest costs	25,238	24,919
Net periodic postretirement benefit cost	\$ 36,130	\$ 35,726

Prior to 1992 the Company recognized the expense as amounts were paid. Such costs amounted to approximately \$10,441,000 for 1991.

For measurement purposes, a trend rate of 14.5% to 15% pre-65 and 11.5% post-65, for covered costs was used. These trend rates are expected to decrease gradually to 6% and 7% at rates from 0.5% to 1.0% per annum. An increase of one percentage point in assumed health care cost trend rates would increase the accumulated postretirement benefit obligation by approximately \$28,685,000 and the net periodic postretirement benefit cost by approximately \$3,900,000.

14. Reinsurance-

CNA assumes and cedes insurance with other insurers and reinsurers and members of various reinsurance pools and associations. CNA utilizes reinsurance arrangements to limit its maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. The reinsurance coverages are tailored to the specific risk characteristics of each product line with CNA's retained amount varying by type of coverage. Generally, reinsurance coverage for property risks is on excess of loss, per risk basis. Liability coverages are generally reinsured on a quota share basis in excess of CNA's retained risk. In addition, CNA has catastrophe coverage for certain types of losses over stipulated amounts arising from any one occurrence or event.

The ceding of insurance does not discharge the primary liability of the original insurer. CNA places reinsurance with other carriers only after careful review of the nature of the contract and a thorough assessment of the reinsurers' credit quality and claim settlement performance. Further, for carriers that are not authorized reinsurers in Illinois, CNA receives collateral primarily in the form of bank letters of credit, securing a large portion of the recoverables. At December 31, 1993, such collateral totaled approximately \$155,000,000. CNA's largest recoverable, including prepaid reinsurance premiums, at December 31, 1993 was approximately \$484,000,000 with Lloyd's of London. The recoverable from Lloyd's of London is dispersed among thousands of individual reinsurers and other names who have unlimited liability.

The effects of reinsurance on written premiums and earned premiums are as follows:

	Written Premiums			
	Direct	Ceded	Assumed	Net
(In thousands)				
Year Ended December 31, 1993				
Long Duration Contracts	\$ 422,700	\$ 23,000	\$ 141,600	\$ 541,300
Short Duration Contract	7,654,900	540,100	1,168,400	8,283,200
Total	<u>\$8,077,600</u>	<u>\$563,100</u>	<u>\$1,310,000</u>	<u>\$8,824,500</u>
Year Ended December 31, 1992				
Long Duration Contracts	\$ 413,800	\$ 23,200	\$ 146,500	\$ 537,100
Short Duration Contracts	7,325,800	506,500	1,367,500	8,186,800
Total	<u>\$7,739,600</u>	<u>\$529,700</u>	<u>\$1,514,000</u>	<u>\$8,723,900</u>
Year Ended December 31, 1991				
Long Duration Contracts	\$ 366,000	\$ 19,700	\$ 161,700	\$ 508,000
Short Duration Contracts	7,623,500	491,800	1,294,700	8,426,400
Total	<u>\$7,989,500</u>	<u>\$511,500</u>	<u>\$1,456,400</u>	<u>\$8,934,400</u>
	Earned Premiums			
	Direct	Ceded	Assumed	Net
Year Ended December 31, 1993				
Long Duration Contracts	\$ 350,100	\$ 23,000	\$ 140,900	\$ 468,000
Short Duration Contracts	7,603,200	525,100	1,142,700	8,220,800
Total	<u>\$7,953,300</u>	<u>\$548,100</u>	<u>\$1,283,600</u>	<u>\$8,688,800</u>
Year Ended December 31, 1992				
Long Duration Contracts	\$ 376,400	\$ 23,200	\$ 146,500	\$ 499,700
Short Duration Contracts	7,570,500	506,100	1,203,900	8,268,300
Total	<u>\$7,946,900</u>	<u>\$529,300</u>	<u>\$1,350,400</u>	<u>\$8,768,000</u>
Year Ended December 31, 1991				
Long Duration Contracts	\$ 324,100	\$ 19,700	\$ 161,700	\$ 466,100
Short Duration Contracts	7,741,700	487,900	1,226,500	8,480,300
Total	<u>\$8,065,800</u>	<u>\$507,600</u>	<u>\$1,388,200</u>	<u>\$8,946,400</u>

15. Leases-

The Company's hotels in some instances are constructed on leased land or are leased. Other leases cover central office facilities, computer equipment and operating service offices. Rent expense amounted to \$84,946,000, \$85,400,000 and \$84,429,000 for the years ended December 31, 1993, 1992 and 1991, respectively. It is expected, in the normal course of business, that leases which expire will be renewed or replaced by leases on other properties; therefore, it is believed that future minimum annual rental commitments will not be less than the amount of rental expense incurred in 1993. At December 31, 1993 future aggregate minimum rental payments approximated \$282,805,000.

16. Legal Proceedings and Contingent Liabilities-

Pending litigation includes claims seeking damages for cancer and other health effects claimed to have resulted from use of tobacco products. It is not possible to predict the outcome of pending litigation; however, on the basis of the facts presently known to it, management does not believe the actions pending will have a material adverse effect upon the financial condition or results of operations of the Company. Should additional facts arise in the future indicating a probable adverse determination of any such actions, such ultimate determination might have a material adverse effect upon the Company's financial condition.

Fibreboard Litigation--CNA's primary property/casualty subsidiary, Continental Casualty Company ("Continental"), is party to litigation with Fibreboard Corporation ("Fibreboard") involving coverage for certain asbestos-related

claims and defense costs (San Francisco Superior Court, Judicial Council Coordination Proceeding 1072). As described below, Continental, Fibreboard, another insurer ("Pacific Indemnity"), a subsidiary of the Chubb Corporation, and a negotiating committee of asbestos claimant attorneys have reached a Global Settlement (the "Global Settlement") to resolve all future asbestos-related bodily injury claims involving Fibreboard. Continental, Fibreboard and Pacific Indemnity have also reached an agreement, which is subject to court approval, (the "Trilateral Agreement") on a settlement to resolve the coverage litigation in the event the Global Settlement does not obtain final court approval. The implementation of the Global Settlement or the Trilateral Agreement would have the effect of settling Continental's litigation with Fibreboard. Pending final court approval of either the Global Settlement or the Trilateral Agreement, at the request of Continental, Fibreboard and Pacific Indemnity, the California Court of Appeal withheld its ruling on the issues discrete to Continental and Pacific Indemnity in the appeal in that litigation.

Coverage Litigation--Between 1928 and 1971, Fibreboard manufactured insulation products containing asbestos. Since the 1970's, thousands of claims have been filed against Fibreboard by individuals claiming bodily injury as a result of asbestos exposure.

Continental insured Fibreboard under a comprehensive general liability policy between May 4, 1957 and March 15, 1959. Fibreboard disputed the coverage positions taken by its insurers and, in 1979, Fireman's Fund, another of Fibreboard's insurers, brought suit with respect to coverage for defense and indemnity costs. In January 1990, the San Francisco Superior Court (Judicial Council Coordination Proceeding 1072) rendered a decision against the insurers including Continental and Pacific Indemnity. The court held that the insurers owed a duty to defend and indemnify Fibreboard for certain of the asbestos-related bodily injury claims asserted against Fibreboard (in the case of Continental, for all claims involving exposure to Fibreboard's asbestos products if there was exposure to asbestos at any time prior to 1959 including years prior to 1957, regardless of when the claims were asserted or injuries manifested) and that the policies contained no aggregate limit of liability in relation to such claims. The judgment was appealed.

The Court of Appeal entered an opinion on November 15, 1993, as modified on December 13, 1993, which substantially affirmed the lower court's decisions on scope of coverage and trigger of coverage issues, as described below. The Court of Appeal withheld its ruling on the issues discrete to Continental and Pacific Indemnity pending final court approval of either the Global Settlement or the Trilateral Agreement described below. On January 27, 1994, the California Supreme Court granted a Petition for Review, filed by several insurers, including Continental, of, among other things, the trigger and scope of coverage issues. The order granting review has no effect on the Court of Appeal's order severing the issues unique to Continental and Pacific Indemnity. Continental cannot predict the time frame within which the issues before the California Supreme Court may be resolved. If neither the Global Settlement nor the Trilateral Agreement is approved, it is anticipated that Continental and Pacific Indemnity will resume the appeal process.

Continental's appeal of the coverage judgment raises many legal issues. Key issues on appeal under the policy are trigger of coverage, scope of coverage, dual coverage requirements and number of occurrences:

- .The trial court adopted a continuous trigger of coverage theory under which all insurance policies in effect at any time from first exposure to asbestos until the date of the claim filing or death are triggered. The Court of Appeal endorsed the continuous trigger theory, but modified the ruling to provide that policies are triggered by a claimant's first exposure to the policyholder's products, as opposed to the first exposure to any asbestos product. Therefore, an insurance policy is not triggered if a claimant's first

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- exposure to the policyholder's product took place after the policy period. The court, however, placed the burden on the insurer to prove the claimant was not exposed to its policyholder's product before or during the policy period. The trigger of coverage issue is now on appeal to the California Supreme Court. Continental's position is that its policy is triggered under California law by manifestation of appreciable harm. The bodily injury cannot be said to occur within the meaning of the policy until actual physical symptoms and associated functional impairment manifest themselves. Thus, Continental's position is that if existing California law were applied, there would be no coverage under Continental's policy.

- .The scope of coverage decision imposed a form of "joint and several" liability that makes each triggered policy liable in whole for each covered claim, regardless of the length of the period the policy was in effect. This decision was affirmed by the Court of Appeal, and is now on appeal to the California Supreme Court. Continental's position is that liability for asbestos claims should be shared not jointly, but severally and on a pro rata basis between the insurers and insured. Under this theory, Continental would only be liable for that proportion of the bodily injury that occurred during the 22-month period its policy was in force.

- .Continental maintains that both the occurrence and the injury resulting therefrom must happen during the policy period for the policy to be triggered. Consequently, if the court holds that the occurrence is exposure to asbestos, Continental's position is that coverage under the Continental policy is restricted to those who actually inhaled Fibreboard asbestos fibers and suffered injury from May 4, 1957 to March 15, 1959.

- .Continental's policy had a \$1 million per occurrence limit. Continental contends the number of occurrences under California law must be determined by the general cause of the injuries, not the number of claimants, and that the cause of the injury was the continuous sale and manufacture of the product. Because the manufacture and sale proceeded from two locations, Continental maintains that there were only two occurrences and thus only \$2 million of coverage under the policy. However, the per occurrence limit was interpreted

by the trial court to mean that each claim submitted by each individual constituted a separate occurrence. The Court of Appeal withheld ruling on this issue, as noted above.

Under various reinsurance agreements, Continental has asserted a right to reimbursement for a portion of its potential exposure to Fibreboard. The reinsurers have disputed Continental's right to reimbursement and have taken the position that any claim by Continental is subject to arbitration under provisions in the reinsurance agreement. A Federal court has ruled that the dispute must be resolved by arbitration. There can be no assurance that Continental will be successful in obtaining a recovery under its reinsurance agreements.

Interim Agreement--While the state court action in regard to the coverage issues was pending, Continental and Fibreboard entered into an Interim Agreement in 1988 under which Continental agreed to fund Fibreboard's defense costs and certain settlements up to specified dollar limits through 1992. Continental funded approximately \$96 million in defense costs under the Interim Agreement.

Assignments--Beginning in 1991, Fibreboard unilaterally reached settlements with various classes of claimants by purporting to assign to plaintiffs potential proceeds from its insurance policy with Continental disputed Fibreboard's right to make such settlements and assignments, asserted that they violated the terms of the policy and the Interim Agreement described above and asserted that the settlement amounts were unreasonable and excessive. In June 1992 a California trial court ruled in one case that Fibreboard could make such settlements and assignments since, in its view, Continental was not fully defending Fibreboard against the claims. Continental is appealing this decision. The trial court did rule that Continental could challenge the reasonableness of individual settlements and assignments. Following that ruling, Continental agreed to fund Fibreboard's reasonable defense costs without limitation as to amount pending resolution of Continental's appeal. Fibreboard continued to make settlements and assignments following such agreement, and Continental vigorously disputed Fibreboard's right to do so.

This settlement and assignment process by Fibreboard escalated significantly in the fourth quarter of 1992. Through December 31, 1992, Fibreboard entered into unilateral assignment agreements covering 31,100 claims for a total of \$400 million or an average of \$12,800 per claim. Of these claims, approximately 30,000 were settled and assigned by Fibreboard in the month of December, 1992.

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Settlement Negotiations--Based on the facts and circumstances of the Fibreboard case prior to the fourth quarter of 1992, including the strength of Continental's legal arguments, a material loss to Continental was not known or believed to be probable. Significant fourth quarter developments, including the assignments noted above, and the continuing trend for court decisions to expand liability of policies beyond their original intent, led management to consider negotiation of an all-inclusive settlement of Continental's asbestos-related bodily injury litigation with Fibreboard.

On April 9, 1993, Continental and Fibreboard entered into an agreement pursuant to which, among other things, the parties agreed to use their best efforts to negotiate and finalize a global class action settlement with asbestos-related bodily injury and death claimants.

Through December 31, 1993, Continental, Fibreboard and plaintiff attorneys had reached settlements with respect to approximately 95,000 claims, subject to resolution of the coverage issues, for a maximum settlement amount of approximately \$1.2 billion. If neither the Global Settlement nor the Trilateral Agreement receive final court approval, Continental's obligation to pay under all settlements will be partially subject to the results of the pending appeal in the coverage litigation. Minimum amounts payable under all such agreements, regardless of the outcome of coverage litigation, total approximately \$560 million, of which \$193 million was paid through December 31, 1993. Continental may negotiate other agreements with various classes of claimants including groups who may have previously reached agreement with Fibreboard.

Continental will continue to pursue its appeals in respect of the coverage litigation and all other litigation involving Fibreboard if a Global Settlement or the Trilateral Agreement cannot be implemented.

Global Settlement--On August 27, 1993, Continental, Pacific Indemnity, Fibreboard and a negotiating committee of asbestos claimant attorneys reached an agreement in principle for an omnibus settlement to resolve all future asbestos-related bodily injury claims involving Fibreboard. The Global Settlement was executed on December 23, 1993. The agreement calls for contribution by Continental and Pacific Indemnity of an aggregate of \$1.525 billion to a trust fund for a class of all future asbestos claimants, defined generally as those persons whose claims against Fibreboard were neither filed nor settled on or before August 27, 1993. An additional \$10 million is to be contributed to the fund by Fibreboard. The Global Settlement is subject to court approval and possible appeals. As noted below, there is limited precedent with settlements which determine the rights of future claimants to seek relief.

Subsequent to the announcement of the agreement in principle, Continental, Fibreboard and Pacific entered into the Trilateral Agreement which sets forth the parties' obligations in the event the Global Settlement is not approved by the court. In such case, Continental and Pacific would contribute to a settlement fund an aggregate of \$2 billion, less certain adjustments. Such fund would be devoted to the payment of Fibreboard's asbestos liabilities other than liabilities in respect of previously settled claims. Continental's share of such fund would be \$1.46 billion, reduced by a portion of the additional payment of \$635 million, which Pacific Indemnity has agreed to pay in respect of unsettled present claims and previously settled claims. Continental has agreed that if either the Global Settlement or the Trilateral Agreement is approved, it will assume responsibility for the claims that had been settled and paid on or before August 27, 1993. A portion of the additional \$635 million payment by Pacific Indemnity would be applied to the payment of such claims as well. As a part of the Global Settlement and the Trilateral Agreement, Continental would be

released by Fibreboard from any further liability under the comprehensive general liability policy written for Fibreboard by Continental, including but not limited to liability for asbestos-related claims against Fibreboard. The Trilateral Agreement is subject to court approval and possible appeals.

Continental and Fibreboard have entered into a supplemental agreement (the "Supplemental Agreement") which governs the interim arrangements and obligations between the parties until such time as the Global Settlement is either approved or disapproved by the court and also governs certain obligations between the parties in the event the Global Settlement is approved, including the payment of present claims which have been filed or settled and not included in the Global Settlement.

In addition, Continental and Pacific Indemnity have entered into an agreement (the "Continental Pacific Agreement") which sets forth the parties' agreement with respect to the means for allocating among themselves responsibility for payments arising out of the Fibreboard insurance policies whether or not the Global Settlement or the Trilateral Agreement is approved. Under the Continental-Pacific Agreement, Continental and Pacific Indemnity have agreed to pay 64.71% and 35.29%, respectively, of the \$1.525 billion plus interest and expenses to be used to satisfy the claims of future claimants. If neither the Global

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Settlement nor the Trilateral Agreement is approved, Continental and Pacific Indemnity would share, in the same percentages, most but not all liabilities and costs of either insurer including, but not limited to, liabilities in respect of unsettled present claims and presently settled claims. If either the Trilateral Agreement or the Global Settlement is approved by the court, Pacific Indemnity's share for unsettled present claims and presently settled claims will be \$635 million.

Reserves--In the fourth quarter of 1992, Continental increased its reserve with respect to potential exposure to asbestos-related bodily injury cases by \$1.5 billion. In connection with the agreement in principle announced on August 27, 1993, Continental determined to add \$500 million to such claim reserve. The Fibreboard litigation represents the major portion of Continental's asbestos-related claim exposure.

There are inherent uncertainties in establishing a reserve for complex litigation of this type. Courts have tended to impose joint and several liability, and because the number of manufacturers who remain potentially liable for asbestos-related injuries has diminished on account of bankruptcies, as has the potential number of insurers due to operation of policy limits, the liability of the remaining defendants is difficult to estimate. Further, a recent trend by courts to consolidate like cases into mass tort trials limits the discovery ability of insurers, generally does not allow for individual claim adjudication, restricts the identification of appropriate allocation methods and thereby results in an increasing likelihood for fraud and disproportionate and potentially excessive judgments. Additionally, management believes that recent court decisions would appear to be based on social or other considerations irrespective of the facts and legal issues involved.

The Global Settlement and the Trilateral Agreement are subject to court approval. There is limited precedent with settlements which determine the rights of future claimants to seek relief. It is extremely difficult to assess the magnitude of Continental's potential liability in respect of such future claimants if the Global Settlement and the Trilateral Agreement are not approved and upheld, keeping in mind that Continental's potential liability is limited to persons exposed to asbestos prior to the termination of the policy in 1959.

Projections by experts of future trends differ widely, based upon different assumptions with respect to a host of complex variables. Some recently published studies, not specifically related to Fibreboard, conclude that the number of future asbestos-related bodily injury claims against asbestos manufacturers could be several times the number of claims brought to date. Such studies include claims asserted against asbestos manufacturers for all years, including claims filed or projected to be filed in respect of periods after 1959. As indicated above Continental, Fibreboard and plaintiff attorneys have reached settlements with respect to approximately 95,000 claims, subject to the resolution of coverage issues. Such amount does not include presently pending or unsettled claims, previously dismissed or claims settled pursuant to agreements to which Continental is not a party.

Another aspect of the complexity in establishing a reserve arises from the widely disparate values that have been ascribed to claims by courts and in the context of settlements. Under the terms of a settlement reached with plaintiff counsel in August 1993, the expected settlement for approximately 34,000 claims for exposure to asbestos prior to 1959 is expected to be \$445 million, or an average of \$13,000 per claim. Based on reports by Fibreboard, since September 1988, Fibreboard resolved approximately 40,000 claims (other than by the assignment process noted above), approximately 45% of which involved no cost to Fibreboard other than defense costs, with the remaining claims involving the payment of approximately \$11,000 per claim. On the other hand, a trial court in Texas in 1990 rendered a verdict in which Fibreboard's liability in respect of 2,300 claims was found to be approximately \$310,000 per claim including interest and punitive damages. Fibreboard entered into a settlement of such claims by means of an assignment of its potential proceeds from its policy with Continental. Continental intervened and settled these claims in 1992 for approximately \$77,000 on average, subject to resolution of the coverage appeal.

Continental believes that as a result of the proposed Global Settlement and the Trilateral Agreement it has greatly reduced the uncertainty of its exposure with respect to the Fibreboard matter. However, if neither the Global Settlement nor the Trilateral Agreement are approved and upheld, in light of the factors discussed herein, the range of Continental's potential liability cannot be meaningfully estimated and there can be no assurance that the reserves established would be sufficient to pay all amounts which ultimately could become payable in respect of asbestos-related bodily injury liabilities.

While it is possible that the ultimate outcome of this matter could have a material adverse impact on the equity of CNA, management does not believe that a

further loss material to equity is probable. Management will continue to monitor the potential liabilities with respect to asbestos-related bodily injury claims and will make adjustments to the claim reserves if warranted.

Environmental Pollution-Potential exposures exist for claims involving environmental pollution, including toxic waste clean-up. Environmental pollution clean-up is the subject of both federal and state regulation. By some estimates, there are thousands of potential waste sites subject to clean-up. The insurance industry is involved in extensive litigation regarding coverage issues. Judicial interpretations in many cases have expanded the scope of coverage and liability beyond the original intent of the policies.

Under federal regulation, the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("Superfund") governs the clean-up and restoration of abandoned toxic waste sites and formalizes the concept of legal liability for clean-up and restoration by "Potentially Responsible Parties" ("PRP's"). Superfund establishes a mechanism to pay for clean-up of waste sites if PRP's fail to do so, and to assign liability to PRP's. The extent of liability to be allocated to a PRP is dependent on a variety of factors. Further, the number of waste sites subject to clean-up is unknown. To date, approximately 1,300 clean-up sites have been identified by the Environmental Protection Agency ("EPA"). On the other hand, the Congressional Budget Office is estimating that there will be 4,500 National Priority List sites and other estimates run as high as 30,000 sites that will require clean-up. Very few sites have been subject to clean-up to date. The extent of clean-up necessary and the assignment of liability has not been established.

CNA and the insurance industry are disputing coverage for many such claims. Key coverage issues include whether Superfund response cost are considered damages under the policies, trigger of coverage, applicability of pollution exclusions, the potential for joint and several liability and definition of an occurrence. Similar coverage issues exist for clean-up of waste sites not covered under Superfund. To date, courts have been inconsistent in their rulings on these issues.

The Superfund legislation must be reauthorized in 1994. A number of proposals to reform Superfund have been made by various parties including the EPA, the Treasury Department, congressional delegates and the Keystone Commission, a broad based national coalition which includes community, industry and insurance representatives. It is too early to determine the future impact of these proposals on CNA and the insurance industry.

Due to the inherent uncertainties described above, including the inconsistency of court decisions, the number of waste sites subject to clean-up, and the standards for clean-up and liability, the exposure to CNA for environmental pollution claims cannot be meaningfully quantified. Prior to 1993, no specific allocation of reserves was made for unreported claims or for litigation expenses. CNA identified reserves only for reported environmental pollution claims. In 1993, CNA allocated approximately \$340 million of claims and claims expense reserves for unreported environmental pollution claims in addition to the \$94 million of reserves recorded for reported claims. Claims and claims expense reserves represent management's estimates of ultimate liabilities based on currently available facts and law. However, in addition to the uncertainties previously discussed, additional issues related to, among other things, specific policy provisions, multiple insurers and allocation of liability among insurers, consequences of conduct by the insured, missing policies and proof of coverage make quantification of liabilities exceptionally difficult.

The number of claims filed for environmental pollution coverage continues to increase. Approximately 2,700 claims were reported in 1993 and approximately 19,200 claims have been reported to date. Pending claims total approximately 10,600, 10,800, and 9,300 at December 31, 1993, 1992 and 1991, respectively. Approximately 8,600 claims were closed through December 31, 1993, of which approximately 7,800 claims were settled without payment, except for claim expenses of \$18 million. Settlements for the remaining 800 claims totaled \$76 million, plus claim expenses of \$21 million. Reserve development for environmental claims totaled \$446, \$48, and \$47 million in 1993, 1992 and 1991, respectively, including litigation costs of \$28, \$25 and \$21 million. As noted above, adverse development for 1993 primarily resulted from the allocation of \$339 million of reserves for unreported claims. The results of operations in future years may continue to be adversely affected by environmental pollution claims and claims expenses. Management will continue to monitor potential liabilities and make further adjustments as warranted.

17. Business Segment Data-

The Company's subsidiaries are engaged primarily in insurance (property, casualty and life), the production and sale of cigarettes, the operation of hotels and oil and gas drilling rigs, the distribution of watches and the production and sale of other timing devices. The following table sets forth the major sources of the Company's consolidated revenues, income and assets.

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		

Revenues (a):			
Property and casualty insurance	\$ 8,159,851	\$ 7,948,867	\$ 8,479,267
Life insurance (b)	2,823,314	2,816,471	2,632,368
Cigarettes	1,908,903	2,185,448	2,009,545
Hotels	185,268	201,436	200,924

Watches and other timing devices	153,543	181,388	164,301
Drilling	288,251	217,713	64,571
Investment income-net (c)	120,000	117,189	69,463
Equity in income of CBS Inc.	58,990	27,012	(24,533)
Other and eliminations-net	(11,343)	(4,070)	24,358
	-----	-----	-----
	\$13,686,777	\$13,691,454	\$13,620,264
	=====	=====	=====

Income contribution (a) (d):

Property and casualty insurance	\$ (33,136)	\$(1,495,498)	\$ 529,391
Life insurance	177,392	159,600	75,037
Cigarettes	592,368	914,973	771,636
Hotels	14,216	19,127	25,400
Watches and other timing devices	6,274	12,470	7,299
Drilling	4,866	(48,911)	(14,838)
Investment income-net (c)	116,062	116,076	69,463
Equity in income of CBS Inc.	58,990	27,012	(24,533)
Other	(17,207)	(7,279)	19,115
	-----	-----	-----
	\$ 919,825	\$ (302,430)	\$ 1,457,970
	=====	=====	=====

Net income (a):

Property and casualty insurance	\$ 145,757	\$(623,243)	\$ 490,394
Life insurance	94,288	85,227	36,619
Cigarettes	340,689	524,546	430,219
Hotels	(1,785)	1,911	4,809
Watches and other timing devices	2,413	4,366	1,880
Drilling	(16,576)	(51,174)	(11,221)
Investment income-net (c)	71,476	75,858	45,324
Equity in income of CBS Inc.	52,641	24,717	(22,904)
Interest expense and other-net (e)	(94,782)	(64,305)	(70,782)
Cumulative effect of changes in accounting principles-net		144,711	
	-----	-----	-----
	\$ 594,121	\$ 122,614	\$ 904,338
	=====	=====	=====

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December 31,

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1993	1992	1991
-----	-----	-----
(In thousands)		

Identifiable assets:

Property and casualty insurance	\$29,630,328	\$27,247,756	\$26,867,628
Life insurance	12,225,641	12,355,269	12,137,393
Cigarettes	547,063	623,936	616,920
Hotels	199,288	205,900	207,870
Watches and other timing devices	158,609	166,482	155,520
Drilling	550,622	538,792	107,719
Investment income	1,966,655	1,917,614	2,098,439
Investment in CBS Inc.	473,483	358,500	345,842
Other	56,046	96,013	114,099
Corporate	42,017	45,252	32,727
	-----	-----	-----
	\$45,849,752	\$43,555,514	\$42,684,157
	=====	=====	=====

(a) Realized investment gains (losses) included in Revenues, income contribution and Net income are as follows:

Years Ended December 31,

-----	-----	-----	
1993	1992	1991	
-----	-----	-----	
Revenues:			
Property and casualty insurance ...	\$674,452	\$262,658	\$456,541
Life insurance	125,813	95,433	7,434
Investment income-net	62,532	49,156	(51,820)
	-----	-----	-----
	\$862,797	\$407,247	\$412,155
	=====	=====	=====
Income contribution:			
Property and casualty insurance ...	\$674,452	\$262,658	\$456,541
Life insurance	112,671	83,293	(12,622)
Investment income-net	62,532	49,156	(51,820)
	-----	-----	-----
	\$849,655	\$395,107	\$392,099
	=====	=====	=====
Net income:			
Property and casualty insurance ...	\$362,917	\$146,466	\$248,490
Life insurance	60,256	44,592	(11,085)
Investment income-net	38,728	31,284	(34,323)
	-----	-----	-----

(b) Includes \$1,700,000, \$1,600,000 and \$1,500,000 under contracts covering U.S. government employees and their dependents for the respective periods.

(c) Consists of investment income of non-insurance operations. Investment income of insurance operations is included in the Revenues, Income contribution and Net income of the related insurance operations.

(d) Consists of income before minority interest, cumulative effect of changes in accounting principles and allocation for financial reporting purposes of interest expense, corporate expense and income taxes.

(e) Includes interest expense, net of tax benefits, of \$83,127, \$71,499 and \$91,306 for the respective periods.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appear above under Item 8. The following additional financial data should be read in conjunction with those financial statements. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

2. Financial Statement Schedules: Page
Number

Independent Auditors' Report	L-1
Loews Corporation and Subsidiaries:	
Schedule I-Summary of investments-other than investments in related parties at December 31, 1993	L-2
Schedule III-Condensed financial information of Registrant for the years ended December 31, 1993, 1992 and 1991	L-3
Schedule VIII-Valuation and qualifying accounts for the years ended December 31, 1993, 1992 and 1991	L-8
Schedule IX-Short-term borrowings for the years ended December 31, 1993, 1992 and 1991	L-9
Schedule XIV-Supplemental information concerning property/casualty insurance operations for the years ended December 31, 1993, 1992 and 1991	L-10

3. Exhibits:

Description -----	Exhibit Number -----
----------------------	----------------------------

(3) Articles of Incorporation and By-Laws

Restated Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3 to Registrant's Report on Form 10-Q for the quarter ended September 30, 1987	3.01
By-Laws of the Registrant as amended to date, incorporated herein by reference to Exhibit 4.6 to Registrant's Registration Statement No. 33-31432	3.02

Description -----	Exhibit Number -----
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(4) Instruments Defining the Rights of Security Holders, Including Indentures

The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long-term debt, pursuant to Item 601(b)(4)(iii) of Regulation S-K.

(10) Material Contracts

Employment Agreement between Registrant and Laurence A. Tisch dated March 1, 1971 as amended through October 22, 1992 is incorporated herein by reference to Exhibit 10.01 to Registrant's Reports on Form 10-K for the years ended December 31, 1981, December 31, 1983, December 31, 1984, December 31, 1985, December 31, 1986, December 31, 1988, December 31, 1989 and December 31, 1992	10.01
Employment Agreement dated as of March 1, 1988 between Registrant and Preston R. Tisch as amended through October 22, 1992 is incorporated herein by reference to Exhibit 10.05 to Registrant's Report on Form 10-K for the years ended December 31, 1987, December 31, 1989 and December 31, 1992	10.02
Continuing Service Agreement between a subsidiary of Registrant and Edward J. Noha, dated February 27, 1991 incorporated herein by reference to Exhibit 10.04 to Registrant's Report on Form 10-K for the year ended December 31, 1990	10.03
Loews Corporation Benefits Equalization Plan dated January 10, 1994, amended and restated as of December 31, 1993 ..	10.04*
Loews Corporation Deferred Compensation Plan is incorporated herein by reference to Exhibit 10.07 to Registrant's Report on Form 10-K for the year ended December 31, 1988	10.05
Agreement between Fibreboard Corporation and Continental Casualty Company, dated April 9, 1993 is incorporated herein by reference to Exhibit A to Registrant's Report on Form 8-K filed April 12, 1993	10.06
Settlement Agreement entered into on October 12, 1993 by and among Fibreboard Corporation, Continental Casualty Company, CNA Casualty Company of California, Columbia Casualty Company and Pacific Indemnity Company together the "Parties" is incorporated herein by reference to Exhibit 99.1 to Registrant's Report on Form 10-Q for the quarter ended September 30, 1993	10.07
Continental-Pacific Agreement entered into on October 12, 1993 between Continental Casualty Company and Pacific Indemnity Company is incorporated herein by reference to Exhibit 99.2 to Registrant's Report on Form 10-Q for the quarter ended September 30, 1993	10.08
Global Settlement Agreement among Fibreboard Corporation, Continental Casualty Company, CNA Casualty Company of California, Columbia Casualty Company, Pacific Indemnity Company and the Settlement Class dated December 23, 1993	10.09*

Description -----	Exhibit Number -----
Glossary of Terms in Global Settlement Agreement, Trust Agreement, Trust Distribution Process and Defendant Class Settlement Agreement as of December 23, 1993	10.10*
Fibreboard Asbestos Corporation Trust Agreement dated December 23, 1993	10.11*
Trust Distribution Process - Annex A to the Trust Agreement as of December 23, 1993	10.12*
Defendant Class Settlement Agreement dated December 23, 1993	10.13*
Escrow Agreement among Continental Casualty Company, Pacific Indemnity Company and the First National Bank of Chicago dated December 23, 1993	10.14*
 (11) Statement Re Computation of Per Share Earnings	
Computation of earnings per common share assuming full dilution for the years ended December 31, 1992 and 1991	11.01*
 (21) Subsidiaries of the Registrant	
List of subsidiaries of Registrant	21.01*
 (23) Consents of Experts and Counsel	
Consent of Deloitte & Touche	23.01*
 (28) Information from Reports furnished to State Insurance Regulatory Authorities	

Reconciliation of Property/Casualty Reserves as shown on
Schedule P to Reserves for Unpaid Claims and Claims Expense as
shown in the Form 10-K for the year ended December 31, 1993 28.01*

Schedule P of Annual Statements to state regulatory authorities
by property/casualty insurance subsidiaries for the year ended
December 31, 1993 28.02*

* Filed herewith

(b) Reports on Form 8-K:

During the three months ended December 31, 1993, Registrant filed a Current Report on Form 8-K, dated October 20, 1993, reporting under Item 5, Other Events, with respect to the issuance by the Company of \$400,000,000 aggregate principal amount of the Company's 7% Senior Notes due October 15, 2023 (the "Notes") and the call for redemption on November 19, 1993, of the entire principal amount of the Company's outstanding Liquid Yield Option Notes due 2004 (the "LYONS") for an aggregate redemption price of approximately \$411 million. The Company used the net proceeds received from the sale of the Notes, together with general corporate funds, to redeem the LYONS.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LOEWS CORPORATION

Dated: March 24, 1994

By Roy E. Posner

(Roy E. Posner, Senior Vice
President and Chief Financial
Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 24, 1994

By Laurence A. Tisch

(Laurence A. Tisch, Chairman of
the Board and Principal
Executive Officer)

Dated: March 24, 1994

By Roy E. Posner

(Roy E. Posner, Senior Vice
President and Chief Financial
Officer)

Dated: March 24, 1994

By Guy A. Kwan

(Guy A. Kwan, Controller)

Dated: March 24, 1994

By Charles B. Benenson

(Charles B. Benenson, Director)

Dated: March 24, 1994

By John Brademas

(John Brademas, Director)

By

(Bernard Myerson, Director)

Dated: March 24, 1994

By Edward J. Noha

(Edward J. Noha, Director)

Dated: March 24, 1994

By Lester Pollack

(Lester Pollack, Director)

By

(Gloria R. Scott, Director)

Dated: March 24, 1994

By Andrew H. Tisch

(Andrew H. Tisch, Director)

Dated: March 24, 1994

By James S. Tisch

(James S. Tisch, Director)

Dated: March 24, 1994

By Jonathan M. Tisch

(Jonathan M. Tisch, Director)

Dated: March 24, 1994

By Preston R. Tisch

(Preston R. Tisch, Director)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of Loews Corporation:

We have audited the accompanying consolidated balance sheets of Loews Corporation and its subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1993. Our audits also included the financial statement schedules listed in the Index at Item 14(a)2. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Loews Corporation and its subsidiaries at December 31, 1993 and 1992 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its methods of accounting for reinsurance and certain investments in debt and equity securities in 1993 and its methods of accounting for postretirement benefits, income taxes and certain workers' compensation and disability claims in 1992.

Deloitte & Touche
New York, New York
February 16, 1994

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SCHEDULE I

LOEWS CORPORATION AND SUBSIDIARIES

Summary of Investments - Other than Investments in Related Parties at December 31, 1993

	Cost	Quoted Market Value	Carrying Value
----- (In thousands)			

Fixed maturities available for sale:

Bonds and notes:

United States government and government agencies and authorities	\$ 8,551,503	\$ 8,688,293	\$ 8,688,293
States, municipalities and political subdivisions-tax exempt	4,724,041	5,014,841	5,014,841

Foreign governments	420,948	423,356	423,356
Public utilities	235,366	256,502	256,502
Convertibles and bonds with warrants attached	188,583	193,943	193,943
All other corporate	2,489,849	2,632,937	2,632,937
Redeemable preferred stocks	445,291	447,984	447,984

Total fixed maturities available for sale	17,055,581	\$17,657,856	17,657,856
=====			
Equity securities available for sale:			
Common stocks:			
Public utilities	21,634	\$21,810	21,810
Banks, trusts and insurance companies	57,784	56,695	56,695
Industrial, miscellaneous and all other	949,196	1,161,751	1,161,751

Total equity securities	1,028,614	\$ 1,240,256	1,240,256

Mortgage loans and notes receivable ..	128,934		125,402

Loans to life insurance policyholders	174,006		173,606

Other long-term investments	69,375		68,121

Short-term investments	8,025,201		8,025,201

Total investments	\$26,481,711		\$27,290,442
=====			

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SCHEDULE III

Condensed Financial Information of Registrant

LOEWS CORPORATION

BALANCE SHEETS

ASSETS

	December 31,	
	1993	1992
	(In thousands)	
	(Restated)	
Current assets:		
Cash and cash equivalents	\$ 11,140	\$ 508,468
Investment in U.S. government securities	762,639	561,844
Income tax receivable (c)	96,623	301,009
Receivables	82,504	11,159
Deferred income taxes	3,264	

Total current assets	956,170	1,382,480
Investments in securities	782,228	572,681

Total current assets and investments	1,738,398	1,955,161
Investments in capital stocks of subsidiaries, at equity	5,356,871	4,968,120
Advances to subsidiaries	415,114	
Other assets	20,954	22,211

Total assets	\$7,531,337	\$6,945,492
=====		

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 159,805	\$ 47,625
Accrued taxes	8,121	14,089
Securities sold under repurchase agreements		100,125
Current maturities of long-term debt (b)	1,252	201,138

Total current liabilities	169,178	362,917
Long-term debt, less current maturities (b)	1,183,792	1,042,020
Deferred income tax	51,169	2,260
Advances from subsidiaries		11,245

Total liabilities	1,404,139	1,418,502

Shareholders' equity (a):

Common stock, \$1 par value Authorized-200,000,000 shares Issued and outstanding-61,524,700 and 65,098,700 shares	61,525	65,099
Additional paid-in capital	210,289	163,076
Earnings retained in the business	5,476,660	5,266,983
Unrealized appreciation	406,736	31,832
Pension liability adjustment	(28,012)	
	-----	-----
Total shareholders' equity	6,127,198	5,526,990
	-----	-----
Total liabilities and shareholders' equity ...	\$7,531,337	\$6,945,492
	=====	=====

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SCHEDULE III
(Continued)

Condensed Financial Information of Registrant

LOEWS CORPORATION

STATEMENTS OF INCOME

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		
	-(Restated)-		
Revenues:			
Equity in income (loss) of subsidiaries (d)	\$585,039	\$(63,448)	\$ 942,203
Realized investment gains	46,184	39,377	14,602
Interest and other	46,103	95,009	94,510
	-----	-----	-----
Total	677,326	70,938	1,051,315
	-----	-----	-----
Expenses:			
Administrative	5,119	6,990	6,139
Interest	86,239	101,129	106,795
	-----	-----	-----
Total	91,358	108,119	112,934
	-----	-----	-----
	585,968	(37,181)	938,381
	-----	-----	-----
(Benefit) provision for income taxes (c):			
Federal	(13,853)	(16,464)	22,987
State	5,700	1,380	11,056
	-----	-----	-----
Total	(8,153)	(15,084)	34,043
	-----	-----	-----
Income (loss) before cumulative effect of changes in accounting principles .	594,121	(22,097)	904,338
Cumulative effect of changes in accounting principles-net		144,711	
	-----	-----	-----
Net income	\$594,121	\$122,614	\$ 904,338
	=====	=====	=====

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SCHEDULE III
(Continued)

Condensed Financial Information of Registrant

LOEWS CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	1993	1992	1991
	(In thousands)		
	-(Restated)-		
Operating Activities:			
Net income	\$ 594,121	\$ 122,614	\$ 904,338
Adjustments to reconcile net income to net cash provided by operating activities:			

Cumulative effect of changes in accounting principles		(144,711)	
Undistributed (earnings) losses of affiliates	(52,819)	626,733	(273,829)
Realized investment gains	(46,184)	(39,377)	(14,602)
Changes in assets and liabilities-net:			
Receivables	(71,829)	3,624	33,224
Accounts payable and accrued liabilities	38,015	3,744	(19,601)
Federal income taxes	204,386	(382,949)	14,663
Other-net	(14,743)	46,799	(1,175)
	650,947	236,477	643,018
Investing Activities:			
Purchases of securities	(263,476)	(142,292)	(237,839)
Proceeds from sales of securities ..	262,918	124,032	159,673
Investments in and advances to subsidiaries-net	(426,359)	(82,441)	373,054
Net (increase) decrease in U.S. government securities	(201,086)	440,345	(251,274)
Securities sold under agreements to repurchase	(100,125)	100,125	
Change in other investments	39,082	98,444	(98,443)
	(689,046)	538,213	(54,829)
Financing Activities:			
Dividends paid to shareholders	(64,289)	(65,810)	(68,923)
Purchases of treasury shares	(336,297)	(238,223)	(264,182)
Principal payments on long-term debt	(739,893)	(17,207)	(294,975)
Issuance of long-term debt	681,250		
	(459,229)	(321,240)	(628,080)
Net change in cash and cash equivalents	(497,328)	453,450	(39,891)
Cash and cash equivalents, beginning of year	508,468	55,018	94,909
Cash and cash equivalents, end of year	\$ 11,140	\$ 508,468	\$ 55,018

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SCHEDULE III
(Continued)

Condensed Financial Information of Registrant

Notes:

(a) In addition to its common stock, the Company has authorized 25,000,000 shares of preferred stock, \$.10 par value.

(b) Long-term debt consisted of:

	December 31,	
	1993	1992
	(In thousands)	
8.5% notes due 1998 (effective interest rate of 8.6%) (authorized, \$125,000)	\$ 117,832	\$ 117,832
8.3% debentures due 2007 (effective interest rate of 8.4%) (authorized, \$200,000) (1)	200,000	200,000
8.9% debentures due 2011 (effective interest rate of 9.0%) (authorized, \$175,000)	175,000	175,000
9% senior sinking fund debentures due 2016 (effective interest rate of 9.2%)(authorized, \$200,000)		158,700
7.6% notes due 2023 (effective interest rate of 7.8%) (authorized, \$300,000) (2)	300,000	
7% notes due 2023 (effective interest rate of 7.2%) (authorized, \$400,000) (3)	400,000	
Notes payable due 2002 (effective interest rate of 10.0%)	15,741	16,879
10% subordinated notes due 1996		200,000
Zero coupon convertible subordinated notes due 2004, net of discount of \$393,293		390,138
	1,208,573	1,258,549
Less: unamortized discount	23,529	15,391
current maturities	1,252	201,138
	\$1,183,792	\$1,042,020

(1) Redeemable in whole or in part at January 15, 1997 at 104%, and decreasing

percentages thereafter.
 (2) Redeemable in whole or in part at June 1, 2003 at 104%, and decreasing percentages thereafter.
 (3) Redeemable in whole or in part at October 15, 2003 at 102%, and decreasing percentages thereafter.

The aggregate of long-term debt maturing in each of the next five years is approximately as follows: \$1,252,000; \$1,380,000; \$1,527,000; \$1,680,000 and \$119,685,000.

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(c) The Company is included in a consolidated federal income tax return with certain of its subsidiaries and, accordingly, participates in the allocation of certain components of the consolidated provision for federal income taxes. Such taxes are generally allocated on a separate return bases.

The Company has entered into separate tax allocation agreements with Bulova and CNA, majority-owned subsidiaries in which its ownership exceeds 80% (the "Subsidiaries"). Each agreement provides that the Company will (i) pay to the Subsidiary the amount, if any, by which the Company's consolidated federal income tax is reduced by virtue of inclusion of the Subsidiary in the Company's return, or (ii) be paid by the Subsidiary an amount, if any, equal to the federal income tax which would have been payable by the Subsidiary if it had filed a separate consolidated return. Under these agreements, the federal income tax benefit (expense) to CNA amounted to approximately \$17,000,000, \$350,000,000 and \$(82,000,000) for the years ended December 31, 1993, 1992 and 1991, respectively, and the federal income tax benefit (expense) to Bulova amounted to approximately \$2,500,000, \$(3,300,000) and \$1,900,000 for the years ended December 31, 1993, 1992 and 1991, respectively. Each agreement may be cancelled by either of the parties upon thirty days' written notice. See Note 8 to the Notes to Consolidated Financial Statements of Loews Corporation and subsidiaries.

(d) Cash dividends paid to the Company by affiliates amounted to \$505,739,000, \$553,592,000 and \$654,741,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

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SCHEDULE VIII

LOEWS CORPORATION AND SUBSIDIARIES

Valuation and Qualifying Accounts

Column A ----- Description	Column B ----- Balance at Beginning of Period	Column C ----- Additions Charge to Costs and Expenses	Column D ----- Charged to Other Accounts Deductions	Column E ----- Balance at End of Period
(In thousands)				
For the Year Ended December 31, 1993				
Deducted from assets:				
Allowance for discounts	\$ 5,277	\$ 69,754	\$72,494(1)	\$ 2,537
Allowance for doubtful accounts	126,003	11,137	9,935	127,205
Total	<u>\$131,280</u>	<u>\$ 80,891</u>	<u>\$82,429</u>	<u>\$129,742(2)</u>
For the Year Ended December 31, 1992				
Deducted from assets:				
Allowance for discounts	\$ 5,124	\$ 75,546	\$75,393(1)	\$ 5,277
Allowance for doubtful accounts	112,880	33,179	20,056	126,003
Total	<u>\$118,004</u>	<u>\$108,725</u>	<u>\$95,449</u>	<u>\$131,280(2)</u>
For the Year Ended December 31, 1991				
Deducted from assets:				
Allowance for discounts	\$ 5,089	\$ 71,374	\$71,339(1)	\$ 5,124
Allowance for doubtful accounts	89,629	39,104	15,853	112,880
Total	<u>\$ 94,718</u>	<u>\$110,478</u>	<u>\$87,192</u>	<u>\$118,004(2)</u>

Notes:

- (1) Discounts allowed.
- (2) Shown in the following captions in the accompanying consolidated balance sheets:

	1993	1992	1991
Receivables:			
Insurance	\$117,324	\$110,420	\$100,382
Other	12,418	20,860	17,622
Total	<u>\$129,742</u>	<u>\$131,280</u>	<u>\$118,004</u>

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SCHEDULE IX

LOEWS CORPORATION AND SUBSIDIARIES

Short-Term Borrowings

Category of aggregate short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period (a)	Weighted average interest rate during the period (b)
(In thousands of dollars)					
Year Ended December 31, 1993					
Banks	\$2,000	4.00%	\$ 2,000	\$ 2,000	4.43%
Year Ended December 31, 1992					
Banks	\$2,000	5.13%	\$ 2,101	\$ 2,040	5.52%
Year Ended December 31, 1991					
Banks (c)	\$2,011	6.02%	\$288,577	\$107,399	6.61%

Notes: (a) Average amounts outstanding during the period are calculated by an average of end of month balances.

(b) Weighted average interest rate during the period is calculated by dividing short-term interest expense by the average amount outstanding for the period.

(c) CNA entered into master note agreements and loan participation certificates ("LPC") with several banks and a money market fund that provided short-term borrowing facilities. Master notes represent borrowings on a demand basis arranged generally with trust departments of certain banks. LPC's are bank loans that are immediately sold to other institutions; they are similar in nature to commercial paper.

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SCHEDULE XIV

LOEWS CORPORATION AND SUBSIDIARIES

Supplemental Information Concerning Property/Casualty Insurance Operations

Consolidated Property/Casualty Entities		
Years Ended December 31,		
1993	1992	1991
(In thousands)		
----- (Restated) -----		

Deferred policy acquisition costs \$ 562,029 \$ 507,487 \$ 494,010

Reserves for unpaid claims and claims expense	20,811,955	20,033,647	18,200,170
Discount, if any, deducted above (based on interest rates ranging from 3.5% to 7.5%)	1,886,532	1,787,348	1,126,024
Unearned premiums	2,556,015	2,425,105	2,507,955
Earned premiums	6,275,018	6,353,574	6,655,318
Net investment income	1,059,796	1,224,120	1,282,736
Claims and claims expense related to current year	5,387,947	5,708,216	5,833,016
Claims and claims expense related to prior years	589,959	1,617,433	(12,255)
Amortization of deferred policy acquisition costs	1,172,362	1,032,556	1,056,753
Paid claims and claims expense	4,916,888	4,676,600	4,468,924
Premiums written	6,382,326	6,286,197	6,620,099

LOEWS CORPORATION AND SUBSIDIARIES

Statement Re Computation of Per Share Earnings Assuming Full Dilution

	Years Ended December 31,	
	1992	1991

	(In thousands, except per share data)	
Computation of Fully Diluted Net Income:		
Net Income	\$122,614	\$904,338
Reduction of interest and debt discount expenses related to notes assumed converted, net of applicable federal income taxes	14,924	15,693

Fully diluted net income	\$137,538	\$920,031
	=====	
Computation of Fully Diluted Shares:		
Weighted average shares outstanding	65,659	68,807
Add shares assumed to be issued upon conversion of notes	2,154	2,405

Fully diluted shares	67,813	71,212
	=====	
Net Income Per Share Assuming Full Dilution	\$ 2.03	\$ 12.92
	=====	

LOEWS CORPORATION

Subsidiaries of the Registrant

December 31, 1993

Name of Subsidiary -----	Organized Under Laws of -----	Business Names -----
CNA Financial Corporation	Delaware)	
Continental Casualty Company	Illinois)	
Continental Assurance Company	Illinois)	
National Fire Insurance Company of Hartford	Connecticut)	CNA Insurance
American Casualty Company of Reading, Pennsylvania	Pennsylvania)	
CNA Management Company Limited	United Kingdom)	
Lorillard, Inc.	New York)	
Lorillard Tobacco Company	Delaware)	Lorillard

The names of certain subsidiaries which, if considered as a single subsidiary, would not constitute a "significant subsidiary" as defined in Regulation S-X, have been omitted.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-60342 of Loews Corporation on Form S-3 of our report dated February 16, 1994, appearing in this Annual Report on Form 10-K of Loews Corporation for the year ended December 31, 1993.

Deloitte & Touche

New York, New York
March 24, 1994

LOEWS CORPORATION AND SUBSIDIARIES

Reconciliation of Property/Casualty Reserves as shown on Schedule P
to Reserves for Unpaid Claims and Claims Expense

December 31, 1993

A reconciliation of property/casualty reserves as shown on Schedule P to reserves for unpaid claims and claims expense, as shown in the Form 10-K follows. Schedule P is from Continental Casualty Company's 1993 consolidated annual statutory statement provided to state insurance regulatory authorities. Statutory claims and claims expense reserves are present net of ceded reinsurance reserve. Under generally accepted accounting principles such reserves are recorded "gross" of reinsurance. Ceded reinsurance recoverables are recorded as assets.

Property/Casualty Reserve Reconciliation
Statutory Basis to Generally Accepted Accounting Principles-----
(In thousands)

Total claims and claims expense per Schedule P	\$17,962,503
Non-domestic affiliates	358,778
Ceded claims and claims expense	2,490,674

Reserve for claims and claims expense-gross	\$20,811,955
	=====

LOEWS CORPORATION

BENEFIT EQUALIZATION PLAN

amended and restated as of December 31, 1993

January 10, 1994

FOREWORD

Effective as of January 1, 1987, Loews Corporation, Marcus Loew Booking Agency and Lorillard, Inc. have adopted the Loews Corporation Benefit Equalization Plan (the "Plan") for the benefit of certain of their executives. The Plan has been amended and restated, as hereinafter set forth, effective as of January 1, 1989. It is intended that the "excess benefits" provided under the Plan be an "excess benefits plan" as that term is defined in Section 3(36) of the Employee Retirement Income Security Act of 1974, and that the "supplemental benefits", "pension supplement benefits", "savings supplement benefits", and/or "deferred compensation benefits" provided under the Plan be a deferred compensation plan for "a select group of management or highly compensated employees" as that term is used in the Employee Retirement Income Security Act of 1974.

The purpose of the Plan is to:

- (1) provide retired participants and their surviving spouses, contingent annuitants and beneficiaries under the Retirement Plan for Employees of Loews Corporation ("Retirement Plan") with the amount of company-provided benefits that would have been provided under the Retirement Plan but for
 - (i) the limitations on benefits imposed under Section 415 of the Internal Revenue Code,
 - (ii) the limitation on compensation for purposes of the Retirement Plan imposed by Section 401(a)(17) of such Code, and/or
 - (iii) the fact that the participant elected to defer compensation that otherwise would be payable currently by reason of an election to defer such compensation under the Loews Corporation Deferred Compensation Plan,
- (2) provide certain participants in the Loews Corporation

Employees Savings Plan ("Savings Plan") with the "pension supplement benefits" (as defined in Section 1.7 of this Plan) that would have been credited to their accounts under the Savings Plan were it not for the limitation on compensation for purposes of the Savings Plan imposed by Section 401 (a)(17) of the Internal Revenue Code and/or the fact that such participants may have elected to defer compensation that would otherwise have been payable currently in accordance with the Loews Corporation Deferred Compensation Plan, and

- (3) provide certain participants in the Loews Corporation Employees Savings Plan ("Savings Plan") with the "savings supplement benefits" (as defined in Section 1.11 of this Plan) that would have been credited to their accounts under the Savings Plan were it not for the fact that such participants may have elected to defer compensation that would otherwise have been payable currently in accordance with the Loews Corporation Deferred Compensation Plan.

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In addition, additional and/or modified benefits under this Plan may be provided to an employee in accordance with the terms of an Agreement between such employee and the Company. If and to the extent the provisions of any such Agreement are inconsistent with any Plan provision, such provisions of such Agreement (i) shall be deemed to modify the terms of the Plan with respect to the employee to whom the Agreement applies, and (ii) shall in all events control and govern, notwithstanding any Plan provision to the contrary.

Except to the extent otherwise indicated, and to the extent otherwise inappropriate, the Retirement Plan and the provisions thereof and the Savings Plan and the provisions thereof are hereby incorporated by reference.

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SECTION ONE

Definitions

- 1.1 Except to the extent otherwise indicated herein, and to the extent otherwise inappropriate in the context, the definitions contained in Article 1 of the Retirement Plan are applicable under the Plan.
- 1.2 "Agreement" means a written agreement between an executive of the Company and the Company which modifies the provisions of the Plan insofar as such provisions relate to such executive.
- 1.3 "Board of Directors" means the Board of Directors of Loews Corporation.
- 1.4 "Company" means Loews Corporation or any successor by merger, purchase or otherwise, with respect to its employees; Marcus Loew Booking Agency with respect to its employees; Lorillard, Inc. with respect to its employees; or any other company participating in the Plan as provided in Section 4.3 with respect to its employees.
- 1.5 "Deferred Compensation Benefit" means, except as is otherwise provided in an Agreement, the excess, if any, of (i) the retirement allowance which would have been payable to or with respect to a participant under the Retirement Plan had he not elected to defer compensation that would have otherwise been payable to him currently in accordance with the provisions of the Loews Corporation Deferred Compensation Plan over (ii) the retirement allowance payable to or with respect to the participant under the Retirement Plan.
- 1.6 "Excess Benefit" means, except as is otherwise provided in an Agreement, the excess, if any, of (i) the retirement allowance which would have been payable to or with respect to a participant under the Retirement Plan had the limitations on benefits imposed by Section 4.08 of the Retirement Plan not been applicable over (ii) the retirement allowance payable to or with respect to the participant under the Retirement Plan.
- 1.7 "Pension Supplement Benefit" means, except as is otherwise provided in an Agreement, in the case of an individual who is a participant in the Savings Plan and whose employment with the Company commenced prior to January 1, 1982, the sum of:
 - (i) the following percentage of such person's compensation

for each year based on his age as of the first day of each such year to the extent such compensation (a) exceeds the limitation on compensation imposed by Section 401(a)(17) of the Code, or (b) is not currently received by reason of an election to defer compensation in accordance with the Loews Corporation Deferred Compensation Plan:

1

Age at Beginning of Year	Percentage of Compensation
Under age 28	0%
28	.04%
29	.07%
30	.09%
31	.12%
32	.14%
33	.17%
34	.20%
35	.22%
36	.25%
37	.28%
38	.31%
39	.34%
40	.37%
41	.40%
42	.44%
43	.47%
44	.51%
45	.54%
46	.58%
47	.61%
48	.65%
49	.69%
50	.73%
51	.77%
52	.81%
53	.85%
54	.89%
55	.94%
56	.98%
57	1.03%
58	1.08%
59	1.12%
60	1.17%
61	1.21%
62	1.25%
63 and older	1.30%

2

plus

(ii) interest on such amount equal to the aggregate investment experience that would have been credited with respect to such amount if it had been credited to the participant's account in the Money Market/Government Securities Fund of the Savings Plan were it not for (a) the limitation on the amount of compensation recognized under the Savings Plan by reason of Section 401(a)(17) of the Code, or (b) the fact that such compensation is not payable currently due to a deferral election in accordance with the Loews Corporation Deferred Compensation Plan.

1.8 "Plan" means the Loews Corporation Benefit Equalization Plan as set forth herein and as from time to time in effect.

1.9 "Retirement Plan" means the Retirement Plan for Employees of Loews Corporation.

1.10 "Savings Plan" means the Loews Corporation Employees Savings Plan.

1.11 "Savings Supplement Benefit" means, except as is otherwise provided in an Agreement, in the case of an individual who is a participant in the Savings Plan, the sum of:

(i) 1% of that portion of the first \$100,000 of such person's compensation for each year to the extent such compensation is not currently received by reason of an election to defer compensation in accordance with the Loews Corporation Deferred Compensation Plan; plus

(ii) interest on such amount equal to the aggregate investment experience that would have been credited

with respect to such amount if it had been credited to the participant's account in the Money Market/ Government Securities Fund of the Savings Plan were it not for the fact that such compensation is not payable currently due to a deferral election in accordance with the Loews Corporation Deferred Compensation Plan.

- 1.12 "Supplemental Benefit" means, except as is otherwise provided in an Agreement, the excess, if any, of (i) the retirement allowance that would have been payable to or with respect to a participant under the Retirement Plan had the amount of the participant's total annual compensation paid by the Company and the amount deferred under the Loews Corporation Deferred Compensation Plan been included in the term "Compensation" under the Retirement Plan over (ii) the sum of (a) the retirement allowance payable to or with respect to the participant under the Retirement Plan, (b) any Excess Benefit payable under this Plan, and (c) any Deferred Compensation Benefit payable under this Plan.

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SECTION TWO

Participation

Except as is otherwise provided in an Agreement, participation in the Plan shall be limited to

- (1) those participants in the Retirement Plan and their surviving spouses, contingent annuitants and beneficiaries who, as a result of
 - (i) the limitations on benefits that may be paid or accrued under the Retirement Plan by reason of Section 415 of the Internal Revenue Code,
 - (ii) the limitation on compensation which may be taken into account under the Retirement Plan by reason of Section 401(a)(17) of such Code, and/or
 - (iii) the deferral of the receipt of compensation that would have otherwise have been payable currently pursuant to an election to defer such compensation in accordance with the Loews Corporation Deferred Compensation Plan,receive or will receive a lesser amount of retirement income under the Retirement Plan than otherwise would be paid or payable in the absence of such limitations and/or such election to defer,
- (2) those participants in the Savings Plan whose employment with the Company commenced prior to January 1, 1982 (and the surviving spouses and other beneficiaries of such individuals) who, as a result of the limitation on compensation which may be taken into account under the Savings Plan by reason of Section 401(a)(17) of the Internal Revenue Code and/or the fact that such participants may have elected to defer compensation that would otherwise have been payable currently in accordance with the Loews Corporation Deferred Compensation Plan, receive or will receive a lesser amount of benefits in accordance with Section 3.1(b) of the Savings Plan (or any successor to such section) than otherwise would be receivable, and
- (3) those participants in the Savings Plan who, as a result of their deferral of compensation that would otherwise be recognized under such Savings Plan pursuant to an election to defer in accordance with the Loews Corporation Deferred Compensation Plan, receive or will receive a lesser allocation in accordance with Section 3.1(a) of the Savings Plan (or any successor to such section) than otherwise would be allocated.

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SECTION THREE

Benefits

3.1 Excess Benefits

The aggregate amount of Excess Benefit payable to or with respect to a participant shall be paid directly to such

participant, or to his surviving spouse, contingent annuitant or beneficiary, as applicable, from the general assets of the Company in accordance with Section 3.6.

3.2 Supplemental Benefits

The aggregate amount of Supplemental Benefit payable to or with respect to a participant shall be paid directly to such participant, or to his surviving spouse, contingent annuitant or beneficiary, as applicable, from the general assets of the Company in accordance with Section 3.6.

3.3 Deferred Compensation Benefits

The aggregate amount of Deferred Compensation Benefit payable to or with respect to a participant shall be paid directly to such participant, or to his surviving spouse, contingent annuitant or beneficiary, as applicable, from the general assets of the Company in accordance with Section 3.6.

3.4 Pension Supplement Benefits

The aggregate amount of Pension Supplement Benefits payable to or with respect to a participant shall be paid directly to such participant, or to his surviving spouse or beneficiary, as applicable, from the general assets of the Company in accordance with Section 3.6.

3.5 Savings Supplement Benefits

The aggregate amount of Savings Supplement Benefits payable to or with respect to a participant shall be paid directly to such participant, or to his surviving spouse or beneficiary, as applicable, from the general assets of the Company in accordance with Section 3.6.

3.6 General Provisions

(a) The Company shall make no provision for the funding of any Excess Benefits, Supplemental Benefits, Deferred Compensation Benefits, Pension Supplement Benefits, or Savings Supplement Benefits payable hereunder.

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(b) In the event that the Company shall decide to establish an advance accrual reserve on its books against the future expense of Excess Benefit payments, Supplemental Benefit payments, Deferred Compensation Benefit payments, Pension Supplement Benefit payments, or Savings Supplement Benefit payments, such reserve shall not under any circumstances be deemed to be an asset of this Plan but, at all times, shall remain a part of the general assets of the Company, subject to claims of the Company's creditors.

(c) A person entitled to an Excess Benefit, Supplemental Benefit, Deferred Compensation Benefit, Pension Supplement Benefit, or Savings Supplement Benefit shall have a claim upon the Company only to the extent of the monthly payments thereof, if any, due up to and including the then current month and shall not have a claim against the Company for any subsequent monthly payment unless and until such payment shall become due and payable.

(d) Except as is otherwise provided in an Agreement and in the case of an active participant over age 70-1/2 who is receiving required payments, the Excess Benefit, Supplemental Benefit, and Deferred Compensation Benefit with respect to a participant shall be paid to the participant, his surviving spouse, contingent annuitant or beneficiary in the same form and at the same time as the retirement allowance to or with respect to the participant under the Retirement Plan. An active participant over age 70-1/2 will not receive payments under this Plan until his or her termination of employment. Except as is otherwise provided in an Agreement, the Pension Supplement Benefit and Savings Supplement Benefit with respect to a participant shall be paid to the participant, his surviving spouse, or beneficiary in a cash lump sum payment to be made as soon as is practicable following the date of the participant's termination of employment.

(e) Except as is otherwise provided in an Agreement, to the extent that any supplemental retirement benefits (other than Pension Supplement Benefits and Savings Supplement Benefits) are payable to a participant

under an employment or other agreement between the participant and the Company (other than the Loews Corporation Deferred Compensation Plan), the amount of such payments shall be deducted from Excess Benefit, Supplemental Benefit, and/or Deferred Compensation Benefit payable hereunder.

- (f) Except as is otherwise provided in an Agreement, in the event that the Retirement Plan shall be terminated in accordance with Section 8.01 thereof, Excess Benefits, Supplemental Benefits, and Deferred Compensation Benefits shall continue to be paid directly by the Company but only to the same extent and for the same duration as that part of the payee's benefit from the Trust fund of the Retirement Plan, which is directly related to such Excess Benefit, supplemental Benefit, or Deferred Compensation Benefit is continued to be provided by the assets of the Trust fund of the Retirement Plan; but such continued payment of Excess Benefit, Supplemental Benefit, or Deferred Compensation Benefit shall still be subject to the conditions specified in subsections (a), (b), (c), (d) and (e) above. Except as is otherwise provided in an Agreement, in the event that the Savings Plan shall be terminated, Pension

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Supplement Benefits Savings Supplement Benefits shall be paid at such time and in such manner as related accounts under the Savings Plan are paid.

3.7 Minimum Benefits:

Effective with respect to participants who terminate employment for any reason after December 31, 1993, there shall be certain minimum benefits payable, as follows:

- (a) The minimum Excess Benefit, as defined in Section 1.6, payable at age 65 or later retirement, shall be 75% (90% for active Loews participants age 65 or older at December 31, 1993) of the Excess Benefit determined as if the participant had terminated employment on December 31, 1993 and elected to receive this benefit at age 65 (age at December 31, 1993, if older), but recognizing the 1994 limitation under Section 4.08 of the Retirement Plan.
- (b) The minimum Pension Supplement Benefit, as defined in Section 1.7, shall be the December 31, 1993 account balance.
- (c) The minimum Savings Supplement Benefit, as defined in Section 1.11, shall be the December 31, 1993 account balance.
- (d) The minimum Supplemental Benefit, as defined in Section 1.12, payable at age 65 or later retirement, shall be 75% (90% for active Loews participants age 65 or older at December 31, 1993) of the Supplemental Benefit determined as if the participant had terminated employment on December 31, 1993 and elected to receive this benefit at age 65 (age at December 31, 1993, if older), but recognizing the 1994 limitation under Section 4.08 of the Retirement Plan for purposes of computing the Excess Benefit.

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SECTION FOUR

Administration

4.1 Plan Administrator

Loews Corporation shall be the "administrator" of the Plan within the meaning of ERISA.

4.2 Retirement Committee

Subject to the provisions of Section 4.1, the Retirement Committee of the Retirement Plan shall be vested with the general administration of the Plan. The Retirement Committee shall have the exclusive right to interpret the Plan. The decisions, actions and records of the Retirement Committee shall be conclusive and binding upon the Company and all persons having or claiming to have any right or interest in or under the Plan.

4.3 Participation by Subsidiary

If any company is now or hereafter becomes a subsidiary or affiliated company of the Company and becomes a participating company under the Retirement Plan or the Savings Plan, the Board of Directors may authorize such subsidiary or affiliated company to participate in this Plan upon appropriate action by such company necessary to adopt the Plan.

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SECTION FIVE

Amendment and Termination

5.1 Amendment of the Plan

Subject to the provisions of Section 5.3, the Plan may be wholly or partially amended or otherwise modified at any time by the Board of Directors.

5.2 Termination of the Plan

Subject to the provisions of Section 5.3, the Plan may be terminated at any time by the Board of Directors.

5.3 No Impairment of benefits

Notwithstanding the provisions of Sections 5.1 and 5.2, no amendment to or termination of the Plan shall impair any rights to benefits which have accrued hereunder.

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IN THE UNITED STATES DISTRICT COURT
 FOR THE EASTERN DISTRICT OF TEXAS
 TYLER DIVISION

GERALD AHERN, JAMES DENNIS, and)	
CHARLES W. JEEP, On Behalf of)	
Themselves and Others)	
Similarly Situated)	
)	
Plaintiffs,)	
)	
v.)	
)	
FIBREBOARD CORPORATION)	Civil Action No. 6:93cv526
)	
Defendant)	
)	
CONTINENTAL CASUALTY COMPANY)	
and)	
PACIFIC INDEMNITY COMPANY)	
)	
Intervenors)	

SUBMISSION OF GLOBAL SETTLEMENT AGREEMENT

COMES NOW Continental Casualty Company ("Continental"), together with Fibreboard Corporation, CNA Casualty Company of California, Columbia Casualty Company, Pacific Indemnity Company, and the Settlement Class, provisionally certified by this Court, and submit the following Global Settlement Agreement, together with Exhibits A-E.

Dated: December 23, 1993

Respectfully submitted,

IRELAND, CARROLL & KELLEY, P.C.
 6101 S. Broadway, Suite 500
 Tyler, Texas 75703
 (903) 561-1600
 (903) 581-1071 Facsimile

BY: Bill Parker

 BILL PARKER

GLOBAL SETTLEMENT AGREEMENT
 AMONG
 FIBREBOARD CORPORATION,
 CONTINENTAL CASUALTY COMPANY,
 CNA CASUALTY COMPANY OF CALIFORNIA,
 COLUMBIA CASUALTY COMPANY,
 PACIFIC INDEMNITY COMPANY,
 AND
 THE SETTLEMENT CLASS

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION

GERALD AHEARN, JAMES DENNIS and CHARLES W. JEEP, On Behalf of Themselves and Others Similarly Situated,)	
)	
Plaintiffs,)	
)	
vs.)	
)	
FIBREBOARD CORPORATION,)	Civil Action No. 6:93 cv 526
)	
Defendant,)	
)	
CONTINENTAL CASUALTY COMPANY)	
)	
and)	
)	
PACIFIC INDEMNITY COMPANY,)	
)	
Intervenors.)	

This Agreement is made and entered into as of August 27, 1993, by and among the Representative Plaintiffs as representatives of the Settlement Class, acting by and through Class Counsel; Fibreboard Corporation, a Delaware corporation; Continental Casualty Company, an Illinois corporation; CNA Casualty Company of California, a California corporation; Columbia Casualty Company, an Illinois corporation; and Pacific Indemnity Company, a California corporation, together the "Parties."

RECITALS

A. The Representative Plaintiffs have filed a class action complaint in the Class Action on behalf of the Settlement Class against Fibreboard Corporation in the Global Court, and the Court has provisionally certified that class under Rule 23(b)(1)(B) of the Federal Rules of Civil Procedure for settlement purposes only. Continental and Pacific have been allowed to intervene as parties to the Class Action.

B. For more than fifteen years, thousands of individuals exposed to asbestos or asbestos-containing products have filed lawsuits alleging personal injury and damage in the state and federal courts against Fibreboard Corporation and against many other defendants.

C. These lawsuits have resulted in extensive discovery concerning the potential liability of Fibreboard Corporation and other defendants, as well as full consideration of the legal and factual bases, including medical issues, underlying each individual asbestos plaintiff's personal injury lawsuit.

D. The vast majority of the asbestos personal injury lawsuits brought against Fibreboard Corporation and others in the past fifteen years have been settled without trial, although a small percentage have been tried to verdict, with plaintiffs prevailing in some cases and Fibreboard Corporation and other defendants prevailing in other cases.

E. Despite significant success in reducing litigation costs through a variety of mechanisms, plaintiffs and defendants have spent, and continue to spend,

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enormous resources contesting both liability and damages, allocating responsibility among the parties, and litigating issues of insurance coverage.

F. Continental, CNA Casualty, Columbia and Pacific issued certain Insurance Policies to Fibreboard.

G. Fibreboard Corporation and certain of the Insurers have been and are engaged in litigation in several actions involving disputed questions of insurance coverage, the first of which was filed in 1979 in the Superior Court of the State of California in and for the City and County of San Francisco entitled Fireman's Fund Insurance Company v. Fibreboard Corporation et al., No. -----
753885, and is an included action in the Coverage Case.

H. In the Coverage Case, Fibreboard Corporation contends that certain of the Insurers are obligated to defend and indemnify Fibreboard Corporation against certain of Fibreboard Corporation's liabilities for claims for asbestos

personal injury or death and for related claims. These Insurers contend that they have no further obligation to defend or indemnify Fibreboard Corporation for any such claims. A judgment in favor of Fibreboard Corporation was rendered by Judge Ira Brown in the Coverage Case on January 24, 1990, and that judgment is currently on appeal. The Parties' contentions are, inter alia, set forth in the pleadings in the Coverage Case and in the briefs before the Court of Appeal.

I. In addition to the tens of thousands of claims for asbestos personal injury or death that have been filed and resolved against Fibreboard Corporation and other defendants in jurisdictions throughout the United States, tens of thousands of filed claims remain pending and thousands more are expected to be

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filed in the future. Litigating the asbestos-related personal injury lawsuits is depleting Fibreboard Corporation's resources, including insurance resources, available to compensate claimants. Absent substantial insurance resources, Fibreboard Corporation could not satisfy the claims for asbestos personal injury pending against it.

J. The expenditures necessary to process and resolve asbestos lawsuits have contributed to more than ten major asbestos defendants filing for bankruptcy reorganization. Because some of these defendants represent a significant portion of the traditional liability share for asbestos personal injury cases, and many jurisdictions apply the principle of joint and several liability, these bankruptcy filings have increased costs substantially, caused significant delays to plaintiffs and created financial pressures on the remaining defendants.

K. Continental and Fibreboard Corporation entered into an agreement, dated April 9, 1993, pursuant to which Continental and Fibreboard Corporation agreed, among other things, upon terms and conditions set forth therein, to use their best efforts jointly to negotiate and finalize a global class action settlement with personal injury claimants, and Continental agreed, whether or not a global settlement was reached, to pay certain defense and other costs of certain asbestos-related claims on an interim basis.

L. On or about August 22, 1993 and August 29, 1993, Continental and Pacific entered into agreements, which agreements have been superseded by the Continental-Pacific Agreement, dated as of October 12, 1993, whereby Continental

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and Pacific settled the dispute between them and agreed upon terms for the sharing of liabilities of each of them with respect to certain asbestos-related claims.

M. Fibreboard Corporation, Continental, CNA Casualty, Columbia and Pacific entered into the Settlement Agreement, dated October 12, 1993, pursuant to which they agreed, among other things, to settle and compromise all claims and potential claims against the Insurers under the Insurance Policies.

N. Fibreboard Corporation has invested substantial sums in pursuing its insurance coverage for certain asbestos-related personal injury claims asserted against Fibreboard Corporation. Although Fibreboard Corporation has

been successful in this litigation to date, it is still subject to risks and uncertainties. These include the risks associated with the Coverage Case and the continuing effect on Fibreboard Corporation's corporate operations created by asbestos-related personal injury claims and Fibreboard Corporation's unresolved insurance coverage with respect thereto. The Settlement Class Members are also subject to the risks associated with the Coverage Case since their ability to collect upon any judgments they may obtain against Fibreboard Corporation is largely dependent upon the existence and extent of Fibreboard Corporation's insurance coverage. Continental and Pacific are similarly subjected to the risks and uncertainties presented by the Coverage Case and the potential liabilities Continental and Pacific may have with respect to asbestos - related personal injury claims. Absent this Agreement, the results in the Coverage Case likely would be severely prejudicial to either Continental and Pacific, on the one hand, or Fibreboard Corporation and the Settlement Class Members, on the other hand.

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O. Counsel for the Representative Plaintiffs each has a decade or more of experience in the litigation of asbestos-related personal injury cases. They have conducted a thorough investigation into the law and facts relating to matters set forth in the class action complaint.

P. In light of the uncertainties associated with the pending, unresolved issues enumerated above, there are substantial risks that adjudications with respect to certain asbestos-related personal injury claims by Settlement Class Members will, as a practical matter, be dispositive of the claims and interests of certain other Settlement Class Members not yet adjudicated or will substantially impair or impede the ability of such other Settlement Class Members to protect their interests.

Q. The primary purpose of this Agreement is to create a fund to compensate the Settlement Class Members, free of the risks of the pending Coverage Case litigation between Fibreboard Corporation and the Insurers, and to apply the fund thus created to an equitable settlement of the claims of the Settlement Class Members. The mechanism for accomplishing this purpose is creation of the Trust, to which the claims of all Settlement Class Members against Fibreboard Corporation or the Insurers shall be directed.

R. The settlement contemplated by this Agreement would provide a fair, flexible, speedy, cost-effective and assured method of compensating claimants who have been exposed to asbestos or asbestos-containing products for which Fibreboard Corporation may bear legal liability and who have contracted or will in the future contract an asbestos-related condition. Thus, this Agreement provides

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considerable benefit to the Settlement Class, while avoiding costly litigation of difficult and contentious issues.

S. Based on extensive analysis of the law and facts at issue in the Class Action, the other factors and considerations enumerated above concerning asbestos litigation, and the fair, flexible, speedy, cost-effective and assured procedures set forth in this Agreement and its exhibits for compensating the

Settlement Class, each Party has determined that settlement on the terms set forth below would be fair, adequate and reasonable, and thus in its best interests.

T. Third Party Claims are litigated infrequently in asbestos litigation. The vast majority of asbestos personal injury, death and related cases are settled before trial. In those cases where trials result in judgments against nonsettling defendants, the law in most jurisdictions protects settling defendants against claims for contribution by judgment debtors. Nevertheless, because the potential for Third Party Claims would remain, absent provision for them, this Agreement sets forth a fair, flexible, speedy, cost-effective and assured procedure for resolving Third Party Claims.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the Parties hereby agree as follows:

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ARTICLE 1

DEFINITIONS

SECTION 1.1 Certain Defined Terms.

Capitalized terms used herein and not defined herein shall have the definitions for such terms set forth in the Glossary annexed as Exhibit A hereto and incorporated herein.

ARTICLE 2

SETTLEMENT

SECTION 2.1 Settlement.

Effective upon Global Approval Judgment, Representative Plaintiffs, on their own behalf and on behalf of all Settlement Class Members, hereby compromise and settle, finally and fully, all of the Class Member Claims with Fibreboard Corporation, Continental, CNA Casualty, Columbia and Pacific on the terms and conditions set forth herein; provided, however, that nothing in this Agreement or in any exhibit hereto shall discharge the Insurers from liability predicated on policies other than the Insurance Policies.

SECTION 2.2 Exclusive Rights Against the Trust.

A. Effective upon Global Approval Judgment, all Class Member Claims are finally and fully settled by this Agreement, and none of such claims or any Third Party Claim shall be prosecuted in any way against any of the Fibreboard, Continental or Pacific Releasees. All Class Member Claims, except claims for punitive or exemplary damages (which are dismissed and shall not be enforceable), are hereby directed to the Trust for disposition pursuant to the Trust Agreement and

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Trust Distribution Process. Third Party Claims shall be treated as provided in Article 6 of this Agreement. The Court shall retain jurisdiction over this Agreement and shall use its equitable powers to enforce this Section.

B. The claims of Persons providing workers compensation benefits to Settlement Class Members shall be directed to the Trust, instead of Fibreboard Corporation or the Insurers, and disposed of pursuant to the Trust Agreement and

the Trust Distribution Process. Such Persons providing workers compensation benefits shall have existing remedies, whether by way of lien rights against a Settlement Class Member's Claim against the Trust, subrogation, direct action, or otherwise, against the Trust (instead of Fibreboard Corporation or the Insurers), subject only to the provisions of the Trust Agreement and Trust Distribution Process. Only payment of funds pursuant to a Settlement Class Member's individual settlement with the Trust, and not this Agreement (or the resulting Global Approval Judgment, dismissal and release), shall trigger the notice, approval and forfeiture provisions of the Longshore and Harbor Workers Compensation Act (33 USC Section 933) and other similar state and federal workers compensation provisions.

SECTION 2.3 Payments.

A. After execution of this Agreement, Continental and Pacific shall (1) pay, on December 30, 1993, an aggregate amount of \$1,525,000,000 into an escrow account (the "Escrow Fund") and (2) pay the class notice costs, court costs and other incidental expenses associated with obtaining Global Approval Judgment and Settlement Agreement Approval Judgment. Of the foregoing amounts, Continental shall pay 64.71% and Pacific shall pay 35.29%. Such payment

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obligations of Continental and Pacific shall be several and not joint. The Escrow Fund shall be held in the manner provided in the Escrow Agreement that is substantially in the form of Exhibit D to this Agreement.

B. Upon Global Approval Judgment:

- (1) The amount in the Escrow Fund shall be transferred to the Trust.
- (2) Fibreboard Corporation shall pay \$10,000,000 into the Trust, plus simple interest at the rate of 3.085% from August 27, 1993; provided that, with respect to interest owed on the sum of \$9,892,223 (of the \$10,000,000 referred to above) from September 23, 1993, Fibreboard Corporation's obligation shall be fully discharged and satisfied by delivery of an assignment (in the form attached hereto as Exhibit E) from Fibreboard Corporation to the Trust of Fibreboard Corporation's rights against Home Insurance Company to payment of such interest and to damages arising from bad faith or other tortious conduct for failure to pay the \$9,892,223 in a timely fashion and to pay such interest. Before Global Approval Judgment Fibreboard Corporation will pay the costs of its exercise of reasonable diligence in cooperation with Class Counsel in pursuing such assigned claims on its own behalf and on behalf of the Settlement Class. After Global Approval Judgment Fibreboard will pay the reasonable costs of pursuing such assigned claims.

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- (3) Continental shall pay 64.71% and Pacific shall pay 35.29% of (i) the fees of Class Counsel as determined and approved by the Court up to a maximum of 3% of the sum set forth in Section 2.3(A) and (ii) the reasonable expenses of Class Counsel as determined and

approved by the Court. The payment obligations of Continental and Pacific under this subsection (B)(3) shall be several and not joint.

SECTION 2.4 Additional Fibreboard Obligations.

A. Fibreboard Corporation shall provide for intake, maintenance and processing (but not evaluation) of Class Member Claims for a period of five years from August 27, 1993 or one year from Global Approval Judgment, whichever occurs later (unless the obligation is earlier terminated, at the election of the Trustees). The Parties anticipate that Fibreboard Corporation and the Trust will subsequently refine the scope of Fibreboard Corporation's obligation under this paragraph.

B. At the end of the period referred to in subsection (A) above, Fibreboard Corporation shall transfer without charge the data and (to the extent transferrable) software with respect to its case management system (including a perpetual, non-exclusive license to use the case management system software exclusively for the purpose of processing Class Member Claims and Third Party Claims), but not including equipment or other hard assets associated therewith, to the Trust. Thereafter, Fibreboard Corporation shall have no further responsibility with respect to Class Member and Third Party Claims. The Trust shall allow

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Trustors access to and use of the case management system thereafter for use in connection with Settled Claims and Unsettled Claims. The Trust shall establish any necessary procedures to be followed by the Trustors to facilitate this arrangement and shall be reimbursed for the actual cost of providing information or data to the Trustors. The Trust shall not disclose any information it may obtain relating to Settled Claims or Unsettled Claims except as required by court order. The Trust shall promptly advise the Trustors of any request for such information and afford them an opportunity to object to disclosure of any such information.

C. Fibreboard Corporation shall cooperate by providing existing information and evidence to the Trust as is reasonably necessary to evaluate, defend and resolve Class Member Claims and Third Party Claims, including, but not limited to, information and evidence concerning Fibreboard's products and their distribution, the history of the conduct of Fibreboard's business, Fibreboard's defenses and the history of Fibreboard's settlements in asbestos - -related personal injury lawsuits. All such information and evidence shall be used only for such purposes. Fibreboard Corporation shall not withhold such information or evidence from the Trust on any grounds, including attorney - -client, work product or any other privilege; provided, however, that Fibreboard Corporation shall provide information and evidence which is subject to an express claim of privilege to the Trust only on the basis that such information and evidence remains privileged and confidential, and that the Trust shall keep all such information and evidence privileged and confidential and shall not waive the privileged and confidential status of such information and evidence without Fibreboard Corporation's written consent. With respect to Trust

for information or evidence possessed by Fibreboard Corporation which is subject to a shared ownership, shared work product or shared attorney-client privilege with a Defendant Class Member, the Trust shall be deemed the successor-in - interest to Fibreboard Corporation, but any such Defendant Class Member affected by the proposed transfer of information shall receive reasonable notice of, and may object to, any proposed transfer of such shared information or evidence.

D. Effective upon Global Approval Judgment, Fibreboard Corporation, except as provided in Section H of the Trust Distribution Process, transfers to the Trust its rights, if any, to all claims for contribution or indemnity against other joint tortfeasors arising from (i) Class Member Claims, (ii) Personal Injury Asbestos Claims that were settled against Fibreboard Corporation before August 27, 1993 and remain settled thereafter and (iii) judgments against Fibreboard Corporation that became final before August 27, 1993. Effective upon Global Approval Judgment, to the extent that Continental, CNA Casualty, Columbia or Pacific has been subrogated to the foregoing rights of Fibreboard to contribution or indemnity claims, each such subrogee transfers these rights to the Trust; provided, however, that such transfer shall not include the rights of any of the Insurers to any contribution, indemnity or reinsurance claims against other insurance, reinsurance or indemnity entities or syndicates.

E. Fibreboard Corporation agrees that to the extent Fibreboard obtains insurance proceeds from companies other than the Insurers for asbestos - related personal injury claims that are not applied to asbestos-related

indemnity or defense costs and are no longer needed by Fibreboard for such purposes, such residual proceeds shall be made available to the Trust.

SECTION 2.5 Releases.

Effective upon Global Approval Judgment:

A. The Representative Plaintiffs, on behalf of themselves and as representatives of the Settlement Class, release each of the Fibreboard, Continental and Pacific Releasees from each and every Class Member Claim.

B. Fibreboard Corporation, on behalf of itself and its Subsidiaries, releases Continental, CNA Casualty and Columbia, their parents, Subsidiaries, Affiliates, directors, employees, officers, agents and attorneys (the "Continental Releasees") from any and all claims of whatsoever description by Fibreboard Corporation and its Subsidiaries, including bad faith claims, except that such release shall not include any claims arising out of this Agreement, the Settlement Agreement (or the related agreements referred to therein) or any obligation of a Party pursuant to an agreement or agreements entered into after this Agreement is executed. Notwithstanding the foregoing exceptions, such release shall include any and all claims arising from paragraphs 1 and 2 of the April 9 Agreement. Nothing herein shall affect the validity or effectiveness of the releases provided for in the April 9 Agreement, all of which are hereby ratified by Fibreboard Corporation, Continental, CNA Casualty and Columbia.

C. Fibreboard Corporation, on behalf of itself and its Subsidiaries, releases Pacific, its parents, Subsidiaries, Affiliates, directors, employees, officers, agents and attorneys (the "Pacific Releasees") from any and all claims of whatsoever

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description by Fibreboard Corporation and its Subsidiaries, including bad faith claims, except that such release shall not include any claims arising out of this Agreement, the Settlement Agreement (or the related agreements referred to therein) or any obligation of a Party pursuant to an agreement or agreements entered into after this Agreement is executed. Nothing herein shall affect the validity or effectiveness of the releases provided for in the Pacific Indemnity Agreement, all of which are hereby ratified by Fibreboard Corporation and Pacific.

D. Continental, CNA Casualty and Columbia, on behalf of themselves and their Subsidiaries, release Fibreboard Corporation, its parents, Subsidiaries, Affiliates, directors, employees, officers, agents and attorneys from any and all claims of whatsoever description by Continental, CNA Casualty and Columbia and their Subsidiaries, except that such release (i) shall not include any claims arising out of this Agreement, the Settlement Agreement (or the related agreements referred to therein) or any obligation of a Party pursuant to an agreement or agreements entered into after this Agreement is executed, and (ii) shall not prevent Continental, CNA Casualty or Columbia from raising any defenses to claims brought against them by any person or entity claiming an interest in the Insurance Policies, including, without limitation, defenses against the validity or enforceability of assignments or settlements to which Continental, CNA Casualty or Columbia is not a party. Notwithstanding the foregoing exceptions, such release shall include any and all claims arising from paragraphs 1 and 2 of the April 9 Agreement. Nothing herein shall affect the validity or effectiveness of the releases

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provided for in the April 9 Agreement, all of which are hereby ratified by Fibreboard Corporation, Continental, CNA Casualty and Columbia.

E. Pacific, on behalf of itself and its Subsidiaries, releases Fibreboard Corporation, its parents, Subsidiaries, Affiliates, directors, employees, officers, agents and attorneys from any and all claims of whatsoever description by Pacific and its Subsidiaries, except that such release (i) shall not include any claims arising out of this Agreement, the Settlement Agreement (or the related agreements referred to therein) or any obligation of a Party pursuant to an agreement or agreements entered into after this Agreement is executed, and (ii) shall not prevent Pacific from raising any defenses to claims brought against Pacific by any person or entity claiming an interest in the Insurance Policies. Nothing herein shall affect the validity or effectiveness of the releases provided for in the Pacific Indemnity Agreement, all of which are hereby ratified by Fibreboard Corporation and Pacific.

F. The releases required by Sections 2.5(A)-(E) above shall be effective as a bar to each and every claim, demand and cause of action

encompassed thereby and shall include, as necessary to effectuate that purpose, waivers by the Parties of any and all benefits conferred on any of them by Section 1542 of the California Civil Code or similar provisions in other jurisdictions.

SECTION 2.6 Final Settlement of the Insurance Policies.

Fibreboard Corporation and the Insurers agree that upon Global Approval Judgment, except for obligations that an Insurer has specifically assumed or preserved under this Agreement, or under the Settlement Agreement (or the related agreements referred to therein), the Insurers shall be discharged from any

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and all of their obligations (whether direct or indirect) under or in connection with the Insurance Policies, including any obligations imposed by judgment, decree, statute, regulation or common law. Upon Global Approval Judgment, Fibreboard Corporation shall execute and deliver a stipulation for the dismissal with prejudice of the Coverage Case as to Continental, CNA Casualty, Columbia and Pacific.

SECTION 2.7 Indemnity Obligation of the Trust After Global Approval Judgment.

A. Except as provided in Section 2.4(A) as to Fibreboard Corporation, the Trust shall defend and indemnify the Fibreboard, Continental and Pacific Releasees against, and hold them harmless from, any costs, fees, claims, liabilities, settlements or judgments incurred or occurring after Global Approval Judgment and resulting, directly or indirectly, from the assertion against any of them of any Class Member Claim or Third Party Claim. This obligation shall include, without limitation, any such claim to the extent that, after Global Approval Judgment, that claim attacks the validity or enforceability of the Global Approval Judgment. Fibreboard Corporation and the Insurers may, at their own expense, elect to participate with the Trust in the defense of any such action or claim.

B. The Trust shall reimburse any Person entitled to reimbursement out of the Escrow Fund pursuant to Section 3.3(A) to the extent that such Person did not receive reimbursement from the Escrow Fund.

SECTION 2.8 Fibreboard Corporation's Indemnity and Related Obligations.

Upon Global Approval Judgment, the Continental and Pacific Releasees shall not have any liability for, and Fibreboard Corporation shall

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indemnify the Continental and Pacific Releasees against, and hold them harmless from, any and all costs, fees, claims or liabilities relating to Personal Injury Asbestos Claims and Additional Policy Claims of whatsoever kind, including those attacking the validity or enforceability of the Global Approval Judgment, (a) except for costs, claims or liabilities that the Insurers have specifically undertaken to pay under this Agreement, the Settlement Agreement (or the related agreements referred to therein), and (b) except for Defense Costs directly

attributable to an actual or threatened attack on the validity or enforceability of the Global Approval Judgment ("Collateral Attack"). As to claims asserted against Fibreboard Corporation that (a) would not be covered by the foregoing indemnity (e.g., claims unrelated to asbestos) and (b) could be claimed to give rise to a direct action against any of the Insurers, Fibreboard Corporation agrees to reasonably and diligently defend and promptly pay or bond judgments so as to preclude any such direct action claims. In the event of a Collateral Attack, Continental and Pacific shall pay Fibreboard Corporation the reasonable costs incurred by Fibreboard Corporation in defending against a Collateral Attack to the extent not paid by the Trust (provided that Continental's and Pacific's obligation shall extend only to those costs directly attributable to litigation with respect to the validity and enforceability of the Global Approval Judgment, not to those attributable to litigation with respect to any underlying claims). Continental, Pacific and Fibreboard Corporation shall jointly defend against a Collateral Attack and will cooperate reasonably with one another in this regard.

ARTICLE 3

ACTIONS TO BE TAKEN TO IMPLEMENT THIS AGREEMENT

SECTION 3.1 Applications for Initial Court Orders, Settlement Class Order, Defendant Class Order and Global Approval Judgment.

Promptly upon the execution of this Agreement, the Parties shall, by joint motions, in form and substance satisfactory to counsel for each of the Parties:

A. request entry of an order (i) preliminarily approving this Agreement and the settlement contemplated by this Agreement for the purpose of the Rule 23 Notice and settlement hearing contemplated therein, (ii) preliminarily approving the Defendant Class Settlement Agreement and the settlement contemplated by that agreement, and (iii) approving the contents and methods for the dissemination of the Rule 23 Notice (which notice shall be in form and substance satisfactory to the above counsel; and

B. request (i) entry of the Settlement Class Order and the Defendant Class Order and (ii) entry of Global Approval Judgment.

SECTION 3.2 Effect of Class Certification.

The certification of the Settlement Class pursuant to this Agreement shall be binding if Global Approval Judgment is entered. In the event this Agreement is terminated prior to Global Approval Judgment, Fibreboard Corporation and the Insurers shall retain their right to object to the continued prosecution of the Class Action as a class action under Rule 23. Neither this

Agreement, nor its exhibits, nor the settlement negotiations, nor the proceedings seeking approval of the settlement, may be used (i) in support of any application for a determination that the Class Action or any other action shall proceed as a class action except for the purposes of the settlement in accordance with this Agreement or (ii) as evidence in any litigation (other than an action to enforce the terms of this Agreement or any of its exhibits) or

proceeding against Fibreboard Corporation, Continental, CNA Casualty, Columbia or Pacific in any court at any time.

SECTION 3.3 Execution and Delivery of Escrow Instructions.

A. Class Counsel (or, after appointment of the Trustees, the Trustees), Fibreboard Corporation, Continental and Pacific shall each execute and deliver from time to time to the Escrow Agent instructions sufficient to order the disbursement from the Escrow Fund of funds needed to pay the following obligations:

- (1) To pay sums payable out of the Escrow Fund pursuant to Article 7 of this Agreement.
- (2) To reimburse monthly to any of the Fibreboard, Continental or Pacific Releasees amounts, if any, paid by any of them for costs, fees, claims, liabilities, settlements, arbitration awards or judgments with respect to (i) Class Member Claims or Third Party Claims which receive approval from the Court during the Interim Period to proceed to trial or (ii) Interim Claims.
- (3) To reimburse monthly any cost or expenses of the Trust incurred during the Interim Period, including the fees and expenses of the Interim Trustee, the Trustees or Class Counsel's

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designee to the Interim Committee and other reasonable expenditures.

- (4) To reimburse monthly any cost or expense of the SCB (in their capacity as such, and not in their capacity as Class Counsel) incurred during the Interim Period and determined by the Court or agreed by the Trustees to be reasonable.

B. Notwithstanding the provisions of Section 3.3(A)(2), (i) the cost of compliance with Fibreboard Corporation's obligations under Section 2.4(A), the cost of any in-house employees of Fibreboard or the Insurers, and the use of more outside personnel than are reasonably necessary in connection with the economical defense or settlement of a claim shall not be reimbursed, and (ii) any non-indemnity fees or costs subject to reimbursement shall be reasonably necessary for the resolution of an Interim Claim, Class Member Claim or Third Party Claim as determined by the Court or agreed by the Trustees or their designee. Until the third anniversary after Global Approval Judgment, the Trust may seek reimbursement from any Person to whom amounts were disbursed from the Escrow Fund pursuant to Section 3.3(A)(2) which the Trust alleges, based on the actual experience of the Trust in processing and resolving claims, were in fact unreasonable and thus improperly paid from the Escrow Fund. After a hearing on notice to all of the Parties, the Court shall finally determine the eligibility of any contested expenditure for reimbursement under Section 3.3(A)(2).

C. Fibreboard Corporation, the Insurers and the SCB agree to keep separate billing accounts for all fees and expenses subject to reimbursement

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pursuant to Section 3.3(A)(2) or 3.3(A)(4) and, if requested by the Trustees or Class Counsel's designee to the Interim Committee, submit them to the Court for

a determination as to the reasonableness and eligibility for reimbursement.

D. Class Counsel, Fibreboard Corporation, Continental and Pacific shall each execute and deliver a written notice of termination of the Escrow Agreement and execute and deliver escrow instructions to the Escrow Agent sufficient to order distribution of the balance of the Escrow Fund to the following persons upon occurrence of the following events:

- (1) to the Trust upon occurrence of Global Approval Judgment (including Global Approval Judgment as to which an effective waiver of one or more elements has been given);
- (2) to the trust or other entity described in Section 2.3(c) of the Settlement Agreement if (i) Settlement Agreement Approval Judgment occurs and Global Court Disapproval occurs, and (ii) the conditions to the establishment of such trust or other entity set forth in Section 2.3(c) of the Settlement Agreement are satisfied in the opinion of counsel for Fibreboard Corporation, Continental and Pacific;
- (3) to Continental and Pacific in the percentages of 64.71% and 35.29%, respectively, if (i) Settlement Agreement Approval Judgment occurs and Global Court Disapproval occurs, and (ii) the conditions to the establishment of such trust or other entity set forth of Section 2.3(c) of the Settlement Agreement are not

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satisfied in the opinion of counsel for Fibreboard Corporation, Continental and Pacific; or

- (4) to Continental and Pacific in the percentages of 64.71% and 35.29%, respectively, if both Settlement Agreement Court Disapproval and Global Court Disapproval occur.

ARTICLE 4

TERMINATION

SECTION 4.1 Termination.

This Agreement shall automatically terminate without any further action by any of the Parties, upon Global Court Disapproval or upon a stipulation terminating this Agreement signed by all parties and filed with this Court. Upon such termination, the Settlement Class Members and the other Parties shall, as far as may be practicable, be restored to their respective positions, rights and obligations that existed as if this Agreement had not been entered into. Notwithstanding the foregoing, the following provisions of this Agreement and the Trust Distribution Process, and the rights, obligations, and liabilities created therewith shall survive such termination: Sections 3.2, 3.3, 4.1, 8.2, 8.3, 8.4, 8.5, 8.8, 8.9, 8.10, 8.11, 8.13 and Article 7 of this Agreement and section D.2.f(i) of the Trust Distribution Process.

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ARTICLE 5

SETTLEMENT TRUST

SECTION 5.1 Trust Agreement.

A Trust shall be created in accordance with the provisions of the

Trust Agreement attached as Exhibit B hereto. The funds in the Trust shall be invested and expended in accordance with the terms of the Trust Agreement and Trust Distribution Process. The Trust shall be separate and independent from Fibreboard Corporation. Neither the Trust nor Fibreboard Corporation shall be bound by any adjudications rendered in any litigation (other than the Class Action, the related class action respecting the Defendant Class and any future litigation to which both the Trust and Fibreboard Corporation are parties) to which one, but not the other, has been a party or privy. Neither Fibreboard Corporation nor the Trust shall be bound by any stipulations or agreements entered into by the other.

SECTION 5.2 Continuing Jurisdiction of the Court.

The Court shall retain continuing jurisdiction over the maintenance, administration and distribution of the Trust and the funds contained therein, subject to and in accordance with the provisions of the Trust Agreement, the Trust Distribution Process, and the Defendant Class Settlement Agreement. However, the Court shall not have such continuing jurisdiction of Settlement Class Members, Defendant Class Members, Fibreboard Corporation or the Insurers beyond that necessary to enforce this Agreement, the Trust Agreement, the Trust Distribution Process, and the Defendant Class Settlement Agreement.

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SECTION 5.3 Preservation of Funds.

To ensure that adequate Trust funds remain available to pay claims of all Settlement Class Members, the Parties agree that they will support the goals and purposes of the Trust and that they will cooperate in taking such steps as may be appropriate from time to time to require the Trustees to comply with the spending limitations, budgeting requirements, financial reporting, accounting and audit requirements set forth in the Trust Agreement and Trust Distribution Process.

ARTICLE 6

THIRD PARTY CLAIMS

SECTION 6.1 Bar Orders.

All Third Party Claims shall be barred and permanently enjoined from prosecution against any of the Fibreboard, Continental and Pacific Releasees in any proceeding or court. Third Party Claims against the Trust in its own capacity or in Fibreboard Corporation's stead shall be governed by section H of the Trust Distribution Process and the Defendant Class Settlement Agreement.

SECTION 6.2 Judgment Reduction and Subrogation Rights.

Defendant Class Members shall have such rights to obtain credits, set - offs, judgment reductions and subrogation to claims of Settlement Class Members as are provided for in the Defendant Class Settlement Agreement and the Trust Distribution Process.

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SECTION 6.3 Actions Necessary to Obtain Discharges and Bar Orders.

A. In exchange for the subrogation and the credit and set-off rights

accorded them under the Trust Distribution Process, the Defendant Class Members in the Defendant Class Settlement Agreement are releasing all Third Party Claims against the Fibreboard, Continental and Pacific Releasees and have agreed that those releases be enforced by the Global Approval Judgment. Notwithstanding the provisions of the Defendant Class Settlement Agreement, and except as set forth in Section 6.3(C) below, in the event that Global Approval Judgment cannot be obtained because of failure to obtain the discharge of, or an injunction against, one or more Express Indemnity or Additional Policy Claims, then each and every such Express Indemnity or Additional Policy Claim against the Fibreboard, Continental and Pacific Releasees shall (as a sole and exclusive remedy, in lieu of any claims or remedies at law or in equity against the Fibreboard, Continental and Pacific Releasees, which claims or remedies are and will be forever barred and enjoined) be resolved with and compensated by the Trust as Residual Claims under the provisions of the Trust Distribution Process.

B. Except as set forth in Section 6.3(C) below, in the event the Parties receive notice that notwithstanding the right to compensation under the provisions of Section 6.3(A) above, Global Approval Judgment cannot be obtained because of failure to obtain the discharges of, or injunctions against, any Third Party Claim against the Fibreboard, Continental and Pacific Releasees, Settlement Class Members agree to reduce judgments in their favor against Defendant Class Members

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in such amounts as may be necessary to obtain the discharges of and injunctions against Third Party Claims as against the Fibreboard, Continental and Pacific Releasees which are required for the entry of Global Approval Judgment. Any such reduction of judgment may be up to (but may not exceed) the full amount that a Defendant Class Member would have been entitled to recover from any of the Fibreboard, Continental and/or Pacific Releasees in the event that a valid Third Party Claim arising from the judgment or payment thereof could have been brought against any of them in the absence of Global Approval Judgment.

C. The Parties believe that there are no valid Express Indemnity Claims or Additional Policy Claims arising from the distribution of asbestos or asbestos-containing materials or products manufactured by Fibreboard and sold or distributed under a label, trade name or brand name of a Person unaffiliated with Fibreboard pursuant to an agreement with Fibreboard. Fibreboard Corporation represents that, except as disclosed to the Insurers and to Class Counsel in writing, it knows of no Persons unaffiliated with Fibreboard who sold or distributed such materials or products. In the event the Parties receive notice that Global Approval Judgment cannot be obtained because of failure to obtain the discharge of, or an injunction against, any Express Indemnity Claim or Additional Policy Claim asserted by any Person listed in the writing referred to in the second sentence of this Section 6.3(C), then (i) the obligations imposed on Settlement Class Members set forth in Section 6.3(B) do not apply to those claims, (ii) Continental, Pacific and Fibreboard Corporation may advise Class Counsel within seven days of receipt of such notice that they have waived such failure to obtain the discharge of, or

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injunction against, such claim or claims, and (iii) in the event that Continental, Pacific and Fibreboard Corporation have not so advised Class Counsel, then the Attorney Ad Litem shall for 14 days following expiration of the seven-day period have the option, but not the obligation, to elect to have Section 6.3(B) apply to such claim or claims. If Continental and Pacific elect pursuant to the foregoing sentence to waive failure to obtain the discharge of, or an injunction against, any of the Express Indemnity Claims or Additional Policy Claims described in the preceding sentence, Fibreboard Corporation shall be deemed to have waived such failure if Continental and Pacific agree to indemnify and hold harmless Fibreboard Corporation against any cost or liability resulting from the assertion of any such claims against Fibreboard Corporation.

ARTICLE 7

INTERIM CLAIM LIQUIDATION PROCEDURES

SECTION 7.1 Interim Claims. -----

The provisions of this Article 7 specify the procedures to be followed in handling certain Class Member Claims presented during the "Interim Period," which is the period commencing at the later of January 1, 1994 or the execution of this Global Settlement Agreement, and ending at Global Approval Judgment or Global Court Disapproval. Third Party Claims of Defendant Class Members arising out of Interim Claims shall be resolved in accordance with the terms of the Defendant Class Settlement Agreement. An "Interim Committee," consisting of a designee of Class Counsel, a designee of Fibreboard Corporation, and a designee of

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the Insurers, shall perform the functions specified for it in this Article in connection with Liquidation of Interim Claims.

An "Interim Claim" is a Class Member Claim which a Settlement Class Member seeks to Liquidate during the Interim Period and which meets one of the following criteria:

- A. it is an Exigent Health Claim;
- B. it is an Extreme Hardship Claim; or
- C. the Settlement Class Member establishes to the satisfaction of the Interim Committee that his or her asbestos-related personal injury claim in the tort system against a Defendant Class Member will be tried to judgment during the Interim Period and that the trial will adjudicate issues unique to that Settlement Class Member (e.g., damages, legal causation), as distinguished from issues common to a number of plaintiffs (e.g., negligence, strict liability, punitive damages).

SECTION 7.2 Processing Interim Claims. -----

A. Any Settlement Class Member electing to submit an Interim Claim shall forward a notice of Interim Claim and a proof of claim to the Interim Committee, on forms to be prescribed by the Interim Committee.

B. Interim Claims shall be processed in accordance with the claims procedures set forth in the Trust Distribution Process, except as follows:

- (1) Negotiations and any arbitration with respect to any Interim

Claim shall be between the Interim Claimant, on the one hand, and Fibreboard Corporation and the Insurers (and not the Trust), on the other hand.

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- (2) Each Interim Claimant asserting an Exigent Health Claim or Extreme Hardship Claim shall present a written demand within seven days of submitting the notice of Interim Claim and properly completed proof of claim. Fibreboard Corporation and the Insurers shall evaluate such Interim Claim. Fibreboard Corporation and the Insurers shall jointly respond with a written offer in no more than seven days from receipt of the written demand. If settlement negotiations fail to produce a settlement within 14 days from receipt of the initial offer, such Interim Claimant may proceed to binding arbitration. The arbitration shall be held within 30 days after arbitration is requested by such Interim Claimant.
- (3) Each Interim Claimant asserting an Interim Claim other than an Exigent Health Claim or Extreme Hardship Claim shall within seven days of receipt of a trial date submit a properly completed proof of claim form and a notice of the date that trial is scheduled to commence. A settlement demand shall also be submitted by such Interim Claimant at that time. Fibreboard Corporation and the Insurers shall evaluate such Interim Claim. Fibreboard Corporation and the Insurers shall jointly respond with a written offer in no more than 28 days from receipt of the written demand. The parties shall negotiate in good faith, and, if a settlement is not reached by 14 days prior to trial, such

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Interim Claim shall be set for binding arbitration to be conducted and concluded prior to entry of judgment in the trial court; provided, however, that such Interim Claimant may, as early as 30 days prior to the scheduled trial date, request binding arbitration.

- (4) The arbitration shall consist of an abbreviated hearing which may be conducted by conference call, with the award based upon the oral presentations, and any written submissions, of the parties' respective settlement positions. Neither party may submit any evidence in the arbitration that was not submitted to the other party at least seven days prior to the earlier of the commencement of the arbitration or the submission of its final offer or demand. The written demands and offers required by subsections (B) (2) and (B) (3) above shall be included in such submissions.
- (5) The Interim Committee shall establish and maintain a list of Qualified Arbitrators. An arbitrator shall be told the amount of the final offer and the amount of the Interim Claimant's final demand at the commencement of arbitration. The arbitrator shall

only have discretion to award one of those two amounts.

- C. Any settlement of an Interim Claim shall be with the consent of Class Counsel's designee, which consent shall not be unreasonably withheld.

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SECTION 7.3 Payment of Exigent and Extreme Hardship Claims.

Interim Claims that are Exigent Health Claims or Extreme Hardship Claims shall be paid as follows:

A. 50% of the amount for which such Interim Claim has been Liquidated shall be paid 30 days after the Interim Claim is Liquidated.

B. The remaining 50% of such amount shall be paid 60 days after the first to occur of (i) Global Approval Judgment, (ii) Settlement Agreement Approval Judgment or (iii) entry of the Final Decision in the Coverage Case; provided that (x) any amount to be paid under this Section 7.3(B) by reason of the fact that the Final Decision is the first to occur of the foregoing triggering events shall be paid 60 days after that event only to the extent of the Insurer's coverage obligations as determined by the Final Decision and (y) any portion of such amount that remains unpaid after that time shall be paid 60 days after the first to occur of (a) any of the other triggering events or (b) both Global Court Disapproval and Settlement Agreement Court Disapproval.

SECTION 7.4 Payment of Interim Claims Other Than Exigent Health Claims and Extreme Hardship Claims.

Interim Claims other than Exigent Health Claims or Extreme Hardship Claims shall be paid as follows:

A. If Global Approval Judgment is entered on or before June 30, 1996, these Interim Claims shall be paid in accordance with the Trust Distribution Process in the same manner as other Class Member Claims.

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B. If Global Approval Judgment has not been entered on or before June 30, 1996,

(1) 50% of the amount for which such Interim Claim has been Liquidated shall be paid upon the later of (i) the first to occur of November 30, 1996 or 30 days after Settlement Agreement Approval Judgment, or (ii) 60 days after receipt by the Insurers and Fibreboard Corporation of a declaration or affidavit stating that the case against a Defendant Class Member has been tried to judgment or has been settled against all non-bankrupt defendants in such case, unless both Global Court Disapproval and Settlement Agreement Court Disapproval have occurred by such time.

(2) Any unpaid balance of such amount shall be paid 60 days after the first to occur of (i) Global Approval Judgment, (ii) Settlement Agreement Approval Judgment or (iii) entry of the Final Decision in the Coverage Case; provided that (x) any amount to be paid under this Section 7.4(B)(2) by reason of the fact that the Final Decision is the first to occur of the foregoing triggering events shall be paid 60 days after that event only to the extent of the

Insurer's coverage obligations as determined by the Final Decision and (y) any portion of such amount that remains unpaid after that time shall be paid 60 days after the first to occur of (a) any of the other triggering events or

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(b) both Global Court Disapproval and Settlement Court Agreement Disapproval.

- (3) Notwithstanding the provisions of subsections B(1) and B(2) above, if an Interim Claim against one or more Defendant Class Members is consolidated for trial with the claims of more than 50 other Settlement Class Members, (i) the Interim Committee, at the request of the Trustees, shall pay amounts payable out of the Escrow Fund with respect to such Interim Claims in such manner and over such a longer time period (not to exceed 10 years) as the Trustees shall determine is in the best interests of the Trust and the Beneficiaries and (ii) the Trustees shall have discretion to pay amounts payable by the Trust with respect to such Interim Claims in such manner and over such a longer time period (not to exceed 10 years) as the Trustees shall determine is in the best interests of the Trust and the Beneficiaries.

SECTION 7.5 Sources of Payment of Liquidated Amounts for Interim Claims.

The amounts due for payment under Sections 7.3 and 7.4 shall be paid:

- A. by the Trust if Global Approval Judgment has been entered by the date payment is due;
- B. by Fibreboard Corporation if both Settlement Agreement Approval Judgment and Global Court Disapproval have occurred by the date payment is due;
- C. by the Insurers to the extent of their coverage obligations as determined by the Final Decision in the Coverage Case, with any remaining balance paid by Fibreboard Corporation, if each of Global Court Disapproval, Settlement Agreement Court Disapproval and the Final Decision has occurred by the date payment is due; and

D. out of the Escrow Fund if neither (A), (B), nor (C) is applicable by the date a payment is due.

SECTION 7.6 Miscellaneous Interim Claim Provisions.

Any Interim Committee decision shall require the unanimous approval of all members of the Interim Committee. In the event that unanimity cannot be achieved, disputes over the handling of Interim Claims shall be submitted to the Court for resolution. Class Counsel's designee shall not disclose any privileged or confidential information supplied to such designee by Fibreboard Corporation or the Insurers except as required by court order and shall promptly notify the Party which designated such information as privileged or confidential upon receipt of any subpoena or other formal request for such information. The members of the Interim Committee shall not disclose any settlement information with respect to Interim Claims to anyone other than Fibreboard Corporation,

Continental, Pacific or the Trust, except as required by court order and upon reasonable prior notice to Fibreboard Corporation, Continental, Pacific and the Trust.

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ARTICLE 8
MISCELLANEOUS

SECTION 8.1 Designated or Qualified Settlement Fund.

Fibreboard Corporation's, Continental's, CNA Casualty's, Columbia's and Pacific's obligation to proceed with this Agreement are expressly conditioned upon the receipt by Fibreboard Corporation and the Insurers of a letter ruling from the Internal Revenue Service pursuant to which the Internal Revenue Service confirms that the Trust will be treated either (i) as a Designated Settlement Fund or (ii) as a Qualified Settlement Fund. In the event that the Internal Revenue Service has not issued such a ruling within twelve months after execution of this Agreement and has not expressed substantial concerns about the merits of the ruling request, then Fibreboard Corporation's and the Insurers' obligations to proceed are expressly conditioned upon receipt of a written opinion reasonably satisfactory to Fibreboard Corporation no later than twelve months after the date of this Agreement from an independent and distinguished professional tax advisor that either (i) the Trust will be treated either as a Designated Settlement Fund or as a Qualified Settlement Fund or (ii) Fibreboard Corporation will not recognize any net taxable income as a result of the Global Approval Judgment and the transactions contemplated thereby, establishment of the Trust, or any payments (other than those paid to Fibreboard Corporation) made by the Trust for Trust Expenses, Class Member Claims or Third Party Claims. Fibreboard Corporation and the Insurers shall use good faith efforts to obtain such a ruling or advice, as the case may be, as promptly as practicable after

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the date of this Agreement. Class Counsel shall be kept fully informed about, and may participate in, the efforts to obtain such a ruling.

The tax advisor will be selected in the following manner. Fibreboard Corporation shall name three tax advisors. Within 5 days of receipt of such names, Class Counsel or the Insurers may notify Fibreboard Corporation that either of them objects to any such person on the ground that he or she is not an independent and distinguished professional tax advisor. Fibreboard Corporation shall select the final tax advisor from those persons remaining. If no persons remain, Fibreboard Corporation may name a substitute or substitutes, or may apply to Judge Patrick H. Higginbotham for (i) his binding determination that any of the persons objected to is an independent and distinguished professional tax advisor, and if he determines that any of the persons selected is an independent and distinguished tax advisor Fibreboard Corporation shall select the final tax advisor, from those persons remaining, and (ii) if he determines that none of the persons remaining is an independent and distinguished tax advisor, he will give his determination how any future naming of candidates by Fibreboard Corporation and objections by Class Counsel and the Insurers will

proceed. If Fibreboard Corporation names a substitute or substitutes, within five days of receipt of such name(s), Class Counsel or the Insurers may notify Fibreboard Corporation that either of them objects to any such person on the ground that he or she is not an independent and distinguished professional tax advisor. Objections to any such substitute may be brought to Judge Higginbotham as described above.

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SECTION 8.2 Counsel.

Any act or consent required by or which may be given by Representative Plaintiffs pursuant to this Agreement may be accomplished by Class Counsel acting on behalf of all Representative Plaintiffs. Class Counsel may act or give their consent with the approval of any three or more of Class Counsel and, in such event, the Representative Plaintiffs shall be deemed to have so acted or consented. Continental, Pacific, CNA Casualty, Columbia and Fibreboard Corporation shall be entitled to rely upon such act or consent by Class Counsel in any case where the act or consent is evidenced in a writing reflecting the approval of any three of Class Counsel.

SECTION 8.3 No Oral Representations.

This Agreement, together with its accompanying exhibits, supersedes and renders unenforceable all earlier oral representations, warranties or promises made by any Party to any other Party with respect to the subject matter of this Agreement.

SECTION 8.4 Payment of Costs.

Except as otherwise agreed, each of Fibreboard Corporation, Continental, CNA Casualty, Columbia and Pacific shall pay its own legal and other costs and expenses incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and the consummation of the settlement contemplated hereby.

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SECTION 8.5 Modification and Waiver.

A. Subject to any necessary court approvals, this Agreement and any of the exhibits hereto may be amended, supplemented or modified from time to time by a writing executed by each of the Parties or, in the case of Representative Plaintiffs, by Class Counsel (prior to Global Approval Judgment) or the SCB (after Global Approval Judgment); provided, however, that the Trust Agreement and the exhibits thereto, including the Trust Distribution Process, may be amended only in accordance with the requirements and procedures contained therein.

B. Fibreboard Corporation, Continental, CNA Casualty, Columbia, Pacific or the Representative Plaintiffs (on behalf of the Settlement Class), as the case may be, may from time to time by written instrument waive any provision of this Agreement or any of the exhibits hereto which inures to its or their benefit; provided, however, that the provisions of the Trust Agreement and exhibits thereto, including the Trust Distribution Process, may be waived only

in accordance with the requirements and procedures contained therein. Any such waiver or consent shall be effective only in the specific instance, for the specific provision of this Agreement or exhibit hereto and for the specific purpose for which it is given.

SECTION 8.6 Further Actions.

Each of Fibreboard Corporation, Continental, CNA Casualty, Columbia, Pacific and the Representative Plaintiffs and their respective counsel shall take such actions and execute such additional documents as may be reasonably necessary or appropriate to consummate or implement the settlement contemplated by this Agreement.

SECTION 8.7 Effectiveness of Agreement Notwithstanding Developments.

The Parties understand and contemplate that during the period necessary to obtain Global Approval Judgment there will almost certainly be developments that bear on the issues being resolved and compromised by this Agreement, including but not limited to, decisions on issues common to other parties in the Coverage Case, controlling decisions by the California Supreme Court issued in other cases, changes in estimates as to volume and severity of future asbestos personal injury claims, procedural rulings or legislative actions that may make it easier or more difficult successfully to prosecute claims against asbestos defendants or their insurers and changes in the financial condition of other asbestos defendants, any of which may appear to have a bearing on the settlement of issues resolved herein. The Parties have carefully weighed potential developments of this nature and have taken them into account in reaching the compromise recited on the record on August 27, 1993 and reflected in this Agreement and no such event subsequent to that date shall be the basis for modifying this Agreement or relieving any of the Parties from any of its terms. The fairness and reasonableness of this Agreement shall be assessed as of August 27, 1993.

SECTION 8.8 No Admission or Use.

This Agreement and the provisions thereof, whether or not Global Approval Judgment is entered, shall in no event be offered as or be deemed to be evidence or an admission or a concession on the part of any of the Parties of or with respect to any claim or any fault, liability or damages whatsoever. This Agreement

and the settlement provided for herein, whether or not consummated, and any actions or proceedings taken to enter into or pursuant to this Agreement or otherwise, are not, and shall not in any event be construed, interpreted or used as evidence of a presumption, concession or admission by any Party of the truth of any fact alleged or the validity of any claim or defense which has, could have been or could be asserted in any litigation, or of any deficiency in any claim or defense which was, could have been or could be asserted in any litigation, or of any liability, fault or dereliction of duty or breach of

contract of any Party. Notwithstanding the foregoing, any Party shall be entitled to introduce this Agreement in evidence for the purpose of enforcing its terms. Nothing herein is intended to suggest that any asbestos-related personal injury claim may be asserted against Fibreboard, the Settlement Trust or the Insurers by a person who cannot prove exposure to asbestos-containing materials manufactured by Fibreboard.

SECTION 8.9 No Breach of Other Obligations.

Neither this Agreement nor any acts, statements or omissions of the Parties in connection with the negotiation, execution or performance thereof shall be claimed to constitute a breach of any contract, policy of insurance or law or the basis for any claim of bad faith. Nothing in this Agreement calls for or obligates any of the Parties in any way to violate or breach its obligations under any agreement and no term or provision of this Agreement shall be so construed.

SECTION 8.10 Third Party Beneficiaries.

There shall be no third party beneficiaries of this Agreement other than the non-Party Releasees hereunder. No Person other than the Parties hereto,

the Settlement Class Members and the Releasees hereunder, shall have any right or claim under or in respect of this Agreement.

SECTION 8.11 Rights and Obligations of Fibreboard Corporation and the Insurers Under the Settlement Agreement and Related Agreements.

This Agreement shall not abridge or in any way modify or affect the rights or obligations of Fibreboard Corporation, Pacific, Continental, CNA Casualty or Columbia in relation to each other under the Settlement Agreement or related agreements referred to therein. All such rights and obligations shall be in addition to those created by this Agreement even where they pertain to the same subject matter. The definitions contained in the Glossary and in the provisions of this Global Settlement Agreement and its exhibits shall have no application to the Settlement Agreement or the related agreements referred to therein unless incorporated explicitly by written addendum to such agreements.

SECTION 8.12 Headings.

The section headings contained in this Agreement and its exhibits are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement or its exhibits.

SECTION 8.13 Notices.

All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given if it is sent by registered or certified mail, postage prepaid, or sent by prepaid overnight courier or confirmed telecopier, and addressed to the intended recipient as set forth below:

If to Fibreboard Corporation, addressed to:

Fibreboard Corporation
2121 North California Blvd.
Walnut Creek, CA 94596
Attention: Michael R. Douglas
Senior Vice President and
General Counsel
Telecopier: (510) 274-0714

and

BROBECK, PHLEGER & HARRISON
Spear Street Tower
One Market Plaza
San Francisco, California 94105
Attention: Stephen M. Snyder, Esq.
Telecopier: (415) 442-1020

If to Continental, addressed to:

Continental Casualty Co.
Specialty Claims Office, 12th Floor
50 Fremont Street
San Francisco, CA 94105
Attention: Claim Manager
Telecopier: (415) 512-4899

and

WACHTELL, LIPTON, ROSEN & KATZ
51 West 52nd St.
New York, New York 10019
Attention: Herbert M. Wachtell, Esq.
Telecopier: (212) 403-2000

and

CARROLL, BURDICK & McDONOUGH
44 Montgomery St., Suite 400
San Francisco, CA 94104
Attention: Rodney L. Eshelman, Esq.
Telecopier: (415) 989-0932

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If to Columbia, addressed to:

Columbia Casualty Company
c/o Continental Casualty Co.,
Specialty Claims Office, 12th Floor
50 Fremont Street
San Francisco, CA 94105
Attention: Claim Manager
Telecopier: (415) 512-4899

and

WACHTELL, LIPTON, ROSEN & KATZ
51 West 52nd St.
New York, New York 10019
Attention: Herbert M. Wachtell, Esq.
Telecopier: (212) 403-2000

and

CARROLL, BURDICK & McDONOUGH
44 Montgomery St., Suite 400
San Francisco, CA 94104
Attention: Rodney L. Eshelman, Esq.
Telecopier: (415) 989-0932

If to CNA Casualty, addressed to:

CNA Casualty Company of California
c/o Continental Casualty Co.
Specialty Claims Office, 12th Floor
50 Fremont Street
San Francisco, CA 94105
Attention: Claim Manager
Telecopier: (415) 512-4899

and

WACHTELL, LIPTON, ROSEN & KATZ
51 West 52nd St.
New York, New York 10019
Attention: Herbert M. Wachtell, Esq.
Telecopier: (212) 403-2000

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and

CARROLL, BURDICK & McDONOUGH
44 Montgomery St., Suite 400
San Francisco, CA 94104
Attention: Rodney L. Eshelman, Esq.
Telecopier: (415) 989-0932

If to Pacific, addressed to:

Pacific Indemnity Company
Chubb & Son Inc.
15 Mountain View Road
P.O. Box 1615
Warren, NJ 07061-1615
Attention: Malcolm B. Burton
Telecopier: (908) 580-3030

and

WHITE & CASE
1155 Avenue of the Americas
New York, NY 10036
Attention: Paul J. Bschorr, Esq.
Telecopier: (212) 354-8113

If to the Representative Plaintiffs, addressed to:

NESS, MOTLEY, LOADHOLT,
RICHARDSON & POOLE
151 Meeting Street, Suite 600
P.O. Box 1137
Charleston, South Carolina 29402
Attention: Joseph F. Rice, Esq.
Joseph B. Cox, Jr., Esq.
Telecopier: (803) 577-7513

CARTWRIGHT, SLOBODIN, BOKELMAN, BOROWSKY,
WARTNICK, MOORE & HARRIS, INC.
101 California Street, Suite 2600
San Francisco, California 94111
Attention: Harry F. Wartnick, Esq.
Telecopier: (415) 391-5845

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KAZAN, McCLAIN, EDISES & SIMON
171 Twelfth Street, Suite 300
Oakland, California 94607
Attention: Steven Kazan, Esq.
Telecopier: (510) 835-4913

CAPLIN & DRYSDALE, CHARTERED
399 Park Avenue
New York, New York 10022
Attention: Elihu Inselbuch, Esq.
Telecopier: (212) 644-6755

Such communications shall be effective when they are received by the addressee thereof. Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

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SECTION 8.14 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed on December 23, 1993 by the undersigned, thereunto duly authorized.

On behalf of the
Representative Plaintiffs

By: Joseph Rice

Joseph Rice, Esq.

By: Joseph B. Cox

Joseph B. Cox, Jr., Esq.

By: Harry F. Wartnick

Harry F. Wartnick, Esq.

By: Steven Kazan

Steven Kazan, Esq.

By: Elihu Inselbuch

Elihu Inselbuch, Esq.

FIBREBOARD CORPORATION

By: Michael R. Douglas

Title Senior Vice President & General Counsel

CONTINENTAL CASUALTY COMPANY

By: Laurens F. Terry

Title Vice President

CNA CASUALTY COMPANY OF CALIFORNIA

By: Laurens F. Terry

Title Vice President

COLUMBIA CASUALTY COMPANY

By: Laurens F. Terry

Title Vice President-Continental Casualty Company

PACIFIC INDEMNITY COMPANY

By: John J. Degnan

Title Senior Vice President

GLOSSARY OF TERMS
IN
GLOBAL SETTLEMENT AGREEMENT,
TRUST AGREEMENT,
TRUST DISTRIBUTION PROCESS,
AND
DEFENDANT CLASS SETTLEMENT AGREEMENT

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1. "Additional Policy Claim" means each and every claim, demand,

action or suit of any kind (i) which arises under, pursuant to or related to the Insurance Policies by any person or entity, whether directly or indirectly asserted against the Insurers or any third party, or arising under any term or terms or alleged coverage provided by the Insurance Policies and (ii) which arises directly or indirectly from personal injury resulting from exposure to asbestos or asbestos-containing materials for which Fibreboard may bear legal liability.

2. "Affiliate" of a Person means (i) a Subsidiary of such Person,

(ii) a Person which owns, either alone or with or through one or more Affiliates, directly or indirectly, securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such Person, and (iii) a Subsidiary of any Affiliate of such Person.

3. "April 9 Agreement" means the agreement between Continental and

Fibreboard Corporation dated April 9, 1993, as it has been amended, pursuant to which Continental and Fibreboard Corporation agreed, among other things, upon terms and conditions set forth therein, to use their best efforts jointly to negotiate and finalize a global class action settlement with personal injury

claimants and Continental agreed, whether or not a global settlement was reached, to pay certain defense and other costs of certain asbestos-related claims on an interim basis.

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4. "Asbestos Lung Disease I" or "ALD-1" means either:

(1) a diagnosis of pulmonary asbestosis by a board-certified internist or pulmonary specialist based on the following minimum objective criteria:

(i) Chest X-rays for which a B-reader report is furnished showing small irregular opacities of ILO Grade 1/0 and pulmonary

function testing and physical examination that shows either:

a. FVC <80% of predicted with FEV-1/FVC >75% (actual value);

or

b. TLC <80% of predicted, with either DLCO <76% of predicted or bilateral basilar crackles, and also the absence of any probable explanation for this DLCO result or bilateral basilar crackles finding other than the presence of asbestos lung disease; or

(ii) Chest X-rays for which a B-reader report is furnished showing small irregular opacities of ILO Grade 1/1 or greater; and

pulmonary function testing that shows either:

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a. FVC <80% of predicted with FEV-1/FVC >72% (actual value) or, if the individual tested is at least 68 years old at the time of the testing, with FEV-1/FVC >65% (actual value);

or

b. TLC <80% of predicted.

or

(2) A statement by a board-certified pathologist that more than one representative section of lung tissue otherwise uninvolved with any other process (e.g., cancer or emphysema) demonstrates a pattern of peribronchiolar or parenchymal scarring in the presence of characteristic asbestos bodies, and also that there is no other more likely explanation for the presence of the fibrosis.

5. "Asbestos Lung Disease II" or "ALD-2" means a diagnosis by a

qualified physician that indicates other abnormalities of the parenchyma or pleura attributed to prior asbestos exposure, including pleural plaques, pleural thickening, pleural encasement and mild parenchymal fibrosis not meeting the definition of ALD-1.

6. "Attorney Ad Litem" means Professor Eric Green of Boston

University Law School or such successor as may be appointed by the Court.

7. "Beneficiary" means any Settlement Class Member who asserts a

Class Member Claim, now or at any time in the future.

8. "B-reader Report" means a report of a B-reader certified at the

time the report is prepared (or of an individual who at one time was a certified B-reader and who has not subsequently failed the examination for certification or recertification as a B-reader) based on chest x-rays of an Exposed Person.

9. "Claimant" means any Person, or legal representative of a Person,

who seeks recovery from the Trust for a Personal Injury Asbestos Claim of any kind.

10. "Claims Resolution Facility" means a facility that establishes a

method for the liquidation and resolution of claims that is administered by the Trust.

11. "Class Action" means *Ahearn et al. v. Fibreboard Corp. et al.*,

6:93 cv 526 (E.D. Tex.), filed by Representative Plaintiffs in the Global Court on behalf of themselves and the Settlement Class against Fibreboard Corporation on September 9, 1993.

12. "Class Counsel" means Joseph F. Rice and Joseph B. Cox, Jr., of

the firm of Ness, Motley, Loadholt, Richardson & Poole, P.C.; Harry F. Wartnick, of the firm of Cartwright, Slobodin, Bokelman, Borowsky, Wartnick, Moore & Harris, Inc.; and Steven Kazan, of the firm of Kazan, McClain, Edises & Simon; or successors of the foregoing individuals.

13. "Class Member Claim" means any Personal Injury Asbestos Claim of

a Settlement Class Member.

14. "CNA Casualty" means CNA Casualty Company of California, a

California corporation.

15. "Columbia" means Columbia Casualty Company, an Illinois

Corporation.

16. "Continental" means Continental Casualty Company, an Illinois

Corporation.

17. "Continental-Pacific Agreement" means the agreement between

Continental and Pacific dated as of October 12, 1993 pursuant to which Continental and Pacific settled the dispute between them and agreed upon terms for the sharing of liabilities of each of them with respect to certain asbestos-related claims.

18. "Continental Releasees" are as defined in Section 2.5(B) of the

Global Settlement Agreement.

19. "Court" means the Honorable Robert M. Parker, now the Chief Judge

for the United States District Court for the Eastern District of Texas. In the event that for any reason Judge Parker ceases to be a Judge of the United States as defined in Article III of the United States Constitution or otherwise cannot fulfill the responsibilities of the Court, the term "Court" shall mean any United States Circuit or District Judge designated by the Chief Judge of the United States Court of Appeals of the Fifth Circuit to exercise continuing jurisdiction over the Trust and the Global Settlement Agreement.

20. "Coverage Case" means the action bearing the caption Asbestos

Insurance Coverage Cases, Judicial Council Coordination Proceeding No. 1072,

which was pending as of the date of the Global Settlement Agreement in the Court of Appeal of the State of California, First Appellate District, Division One, Nos. A049419 et al.

21. "Defendant Class" means all Persons with Third Party Claims.

22. "Defendant Class Counsel" means Richard Josephson of Baker &

Botts and R. Bruce Shaw of Nelson, Mullins, Riley & Scarborough or their successors.

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23. "Defendant Class Member" means any Person who or which is a

member of the Defendant Class.

24. "Defendant Class Order" means an order of the Court finally

certifying the Defendant Class as a class for settlement purposes under Rule 23(b)(1) and/or (b)(2) of the Federal Rules of Civil Procedure.

25. "Defendant Class Settlement Agreement" means the agreement

annexed to the Global Settlement Agreement as Exhibit C.

26. "Defense Costs" mean Fibreboard Corporation's defense fees and

costs, including case management system fees and costs, as more fully defined in the Settlement Agreement.

27. "Designated Settlement Fund" or "DSF" as defined in Section 468B

of the Internal Revenue Code of 1986.

28. "Distributable Amount" means, with respect to Fund I, Fund II or

Fund III, for any Fiscal Year, the sum of the Earnings Amount for that Fund for that Fiscal Year plus (i) the Principal Amount or (ii) in the event that the provisions of Appendix 1 to the Trust Distribution Process apply, the Increased Principal Amount, for that Fiscal Year.

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29. "Distribution Date" is as defined in paragraph E.4 of the Trust

Distribution Process.

30. "Earnings Amount" means, with respect to Fund I, Fund II or Fund

III, as the case may be, all elements of current periodic income from such Fund (other than any such income on the amounts in the Reserve Account), including interest, periodic dividends (but not special, liquidating or wasting dividends), rent, royalty and other similar payments which represent earnings or profit on an asset, and do not represent elements of appreciation or gain or depreciation or loss (whether realized or unrealized) on an asset, all determined on an accrual basis in accordance with generally accepted accounting principles.

31. "Escrow Agent" means the Person acting as escrow agent pursuant to

the Escrow Agreement.

32. "Escrow Agreement" means an Escrow Agreement substantially in the

form attached to the Global Settlement Agreement as Exhibit D.

33. "Escrow Fund" means the escrow account established pursuant to

Section 2.3(A) of the Global Settlement Agreement.

34. "Exigent Health Claim" means a Class Member Claim that is

supported by an affidavit or declaration made under penalty of perjury from a physician who has examined the Settlement Class Member within 120 days of the

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date of the affidavit or declaration, which states that the physician believes that because of asbestos-related disease there is substantial medical doubt that the Settlement Class Member will survive beyond six months from the date of the declaration or affidavit.

35. "Expedited Review Claim" is as defined in Section B.2 of the

Trust Distribution Process.

36. "Exposed Person" means the individual whose exposure to asbestos

results in a Personal Injury Asbestos Claim.

37. "Express Indemnity Claim" means a Third Party Claim (i) which

asserts that Fibreboard is liable to indemnify or reimburse the holder of such claim for payments made or liabilities, expenses or costs incurred by such claim holder on account of an asbestos-related personal injury claim asserted against such claim holder by a Settlement Class Member and (ii) which would not be barred under applicable law by a court determination that a settlement between Fibreboard (or the Trust) and the Settlement Class Member asserting such asbestos-related personal injury claim was made in good faith.

38. "Extreme Hardship Claim" means a Class Member Claim as to which

the Interim Committee (if the Class Member Claim is submitted during the Interim Period) or the Trust (if the Class Member Claim is submitted after entry of

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Global Approval Judgment), in its sole discretion, determines that because of an asbestos-related disease the Settlement Class Member is suffering a severe financial hardship.

39. "Fibreboard" means Fibreboard Corporation; Fibreboard Paper

Products Corporation; Fibreboard Products, Incorporated; Paraffine Companies, Incorporated; Plant Rubber & Asbestos Works; Pabco Products, Incorporated; and Pabco Insulation Corporation; and each of their respective predecessors, Subsidiaries and divisions, and with regard to Fibreboard Corporation's liability only, each of their respective successors in interest.

40. "Fibreboard Releasees" mean the following entities, each of their

respective predecessors, Subsidiaries, divisions, current and former attorneys, officers, directors and employees, and, with regard to Fibreboard Corporation's liability only, each of their respective successors in interest:

(i) Fibreboard Corporation; Fibreboard Paper Products Corporation;

Fibreboard Products, Incorporated; Paraffine Companies, Incorporated; Plant Rubber & Asbestos Works; Pabco Products, Incorporated; and Pabco Insulation Corporation;

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(ii) Louisiana-Pacific Corporation (other than for asbestos-related

claims against Louisiana-Pacific which (a) state a basis for liability by Louisiana-Pacific wholly independent of any relationship between Louisiana-Pacific and Fibreboard Corporation or any act or omission in connection with such a relationship, and (b) as to which there is no basis for any claim against Fibreboard Corporation by the claimant or by Louisiana-Pacific).

41. "FIFO" means first in, first out.

42. "Final Decision" means the final decision or decisions obtained

when all the issues that are pending in the Coverage Case by Fibreboard Corporation against certain of the Insurers have been finally resolved and no further appellate review or remand proceedings are possible with respect to such claims.

43. "Fiscal Year" means the calendar year, except that the first

Fiscal Year shall be that portion of a calendar year commencing with the date of execution of the Trust Agreement and ending on the last day of the calendar year in which such execution occurs, and references to a number of Fiscal Years after Global Approval Judgment shall be determined based on the assumption that the first Fiscal Year after Global Approval Judgment shall be the Fiscal Year during which Global Approval Judgment occurs.

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44. "Fund I" is as defined in paragraph E of the Trust Distribution

Process.

45. "Fund II" is as defined in paragraph E of the Trust Distribution

Process.

46. "Fund III" is as defined in paragraph E of the Trust Distribution

47. "Global Approval Judgment" means a judgment, order or other

decree issued and entered by the Global Court in an action in which Fibreboard Corporation, Continental, CNA Casualty, Columbia, Pacific, the Settlement Class and all persons having or who may have Third Party Claims have been made parties, either directly or in a representative capacity, as to which judgment, order or decree any appeal (and subsequent remand, if any) has been finally decided and no further appeal or petition for certiorari can be taken or granted and which judgment, order or decree:

- (a) approves the terms and provisions of the Global Settlement Agreement, including the releases and indemnities contained therein;
- (b) approves the Trust Agreement and the Trust Distribution Process incorporated in the Global Settlement Agreement;

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- (c) orders the parties to implement the Global Settlement Agreement;
- (d) determines and awards the fees and expenses of Class Counsel;
- (e) declares that the settlement reflected by the Global Settlement Agreement, with respect to both Class Member Claims and Third Party Claims, is fair, reasonable and adequate and was entered into in good faith;
- (f) declares that the Settlement Class Members and the Defendant Class Members have received adequate notice of the settlement contemplated by the Global Settlement Agreement and Rule 23 of the Federal Rules of Civil Procedure;
- (g) declares that the Settlement Class Members have been adequately, professionally and ethically represented by Class Counsel;
- (h) orders all Class Member Claims, except for claims for punitive or exemplary damages, directed to the Trust for disposition pursuant to the Trust Agreement and Trust Disposition Process;

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- (i) declares that, as provided in Section 2.2(B) of the Global Settlement Agreement, only payment of funds pursuant to the Settlement Class Members' individual settlements with the Trust shall trigger the notice, approval and forfeiture provisions of the Longshore and Harbor Workers Compensation Act and other similar state and federal workers compensation provisions;
- (j) orders dismissal on the merits, without costs and with prejudice, of the Class Action and all of the Class Member Claims (including all punitive and exemplary damage claims) against the Fibreboard, Continental and Pacific Releasees;
- (k) declares the provision contained in the Global Settlement Agreement whereby Fibreboard Corporation and the Insurers agree that the Insurers shall be discharged from any further obligation under or in connection with the Insurance Policies, except as an Insurer has specifically assumed under the Global Settlement

Agreement or has preserved under the Settlement Agreement (and the related agreements referred to therein), to be fair, reasonable and non-collusive;

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- (l) discharges the Fibreboard, Continental and Pacific Releasees from any further liability with respect to any Class Member Claim or Third Party Claim;
- (m) permanently enjoins Fibreboard Corporation from asserting any claim released or discharged under the Global Settlement Agreement against any Continental or Pacific Releasee;
- (n) permanently enjoins any Settlement Class Member or Third Party Claimant from asserting any claim released or discharged under the Global Settlement Agreement against any Fibreboard, Continental or Pacific Releasee;
- (o) approves the provisions set forth in the Global Settlement Agreement and the Trust Distribution Process for the resolution of Third Party Claims; and
- (p) retains exclusive jurisdiction in the Court rendering such judgment, order or decree (1) to enforce the provisions of such judgment, order or decree, (2) to resolve any disputes as to the performance or interpretation of the Global Settlement Agreement, or such judgment, order or

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decree, (3) to adjudicate any attempt by any person to challenge such judgment, order or decree in any respect, and (4) over the maintenance, administration and distribution of the Trust and the funds contained therein, subject to and in accordance with the provisions of the Trust Agreement and the Trust Distribution Process incorporated therein;

provided that Global Approval Judgment shall not be deemed to have been entered unless and until either Settlement Agreement Approval Judgment has been entered or Settlement Agreement Court Disapproval occurs.

48. "Global Court" means the United States District Court for the -----

Eastern District of Texas.

49. "Global Court Disapproval" means a judgment, order or other -----

decree of the Global Court or other court of competent jurisdiction in an action in which Fibreboard Corporation, Continental, CNA Casualty, Columbia, Pacific and the Settlement Class have been made parties, as to which judgment, order or decree any appeal (and subsequent remand, if any) has been finally decided and no further appeal or petition for certiorari can be taken or granted and which judgment, order or decree disapproves or declines to approve the Global Settlement Agreement.

50. "Global Settlement Agreement" means the settlement agreement as -----

of August 27, 1993 among Continental, CNA Casualty, Columbia, Pacific,

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Fibreboard Corporation and the Representative Plaintiffs as representatives of the Settlement Class.

51. "Glossary" means this Exhibit A to the Global Settlement

Agreement.

52. "Increased Principal Amount," (i) for any of the third through

the twelfth Fiscal Years after Global Approval Judgment, means 125% of the Principal Amount for such Fiscal Year and (ii) for any of the sixteenth through the twentieth Fiscal Years after Global Approval Judgment, means 112.5% of the Principal Amount for such Fiscal Year.

53. "Initial Trustee" is as defined in Section 7.18 of the Trust

Agreement.

54. "Insurance Policies" mean policy number CLP 3197650 issued by

Continental effective May 4, 1957, in favor of Fibreboard Corporation under its former name, Fibreboard Paper Products Corporation, policy number RD 951 90 81 issued by Continental, policy number RDU 975 65 87 issued by CNA Casualty and an endorsement thereto issued by Continental, policy number RDU 186 27 82 issued by Columbia, policy number RDU 186 30 62 issued by Columbia, policy number RDU 365 32 19 issued by Columbia, the policy that was alleged by Fibreboard Corporation to have been issued by Continental in the period 1954-1956, and policy number LAC 88700 found to have been issued by Pacific to Fibreboard Corporation

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effective May 4, 1956, and any other policies that were, or may be alleged to have been, issued to Fibreboard Corporation by any of the Insurers, including those set forth in the Pacific Indemnity Agreement.

55. "Insurers" mean (i) Continental, CNA Casualty, Columbia and all

insurance or indemnity companies controlling, controlled by or under common control with any of them and (ii) Pacific and all insurance or indemnity companies controlling, controlled by or under common control with it.

56. "Interim Claim" is as defined in Section 7.1 of the Global

Settlement Agreement.

57. "Interim Claimant" is a Person asserting an Interim Claim.

58. "Interim Committee" is as defined in Section 7.1 of the Global

Settlement Agreement.

59. "Interim Period" is as defined in Section 7.1 of the Global

Settlement Agreement.

60. "Judgment Forum Law" is as defined in Section H.1.a of the Trust

Distribution Process.

61. "Liquidation" occurs with respect to any Class Member Claim or

Third Party Claim on the date on which the validity and amount thereof is finally

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determined pursuant to the Trust Distribution Process or the date on which a final, nonappealable judgment is entered against the Trust with respect to such Class Member Claim or Third Party Claim.

62. "Lung Cancer" means a diagnosis by a qualified physician of a

malignant primary tumor of any cell type, originating within the lung, caused or contributed to by exposure to asbestos.

63. "Malignancy Claim" means a claim for Mesothelioma, Lung Cancer,

or Other Cancer as defined in this Glossary.

64. "Medical Report" means a written narrative report by a physician

confirming that (i) an Exposed Person has an asbestos-related personal injury or disease, based on a physical examination (as reflected in medical records or performed by the physician preparing the narrative report) of the Exposed Person, or (ii) following review of pertinent medical records and information, that an asbestos-related personal injury or disease caused or substantially contributed to the death of an Exposed Person.

65. "Mesothelioma" means a diagnosis by a board certified pathologist

of a malignant tumor caused or contributed to by exposure to asbestos originating in the mesothelial cells of the pleura, peritoneum or like tissue,
or

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reasonable equivalent clinical diagnosis in the absence of adequate tissue for pathological diagnosis.

66. "Non-Malignancy Claim" means a claim for ALD-1 or ALD-2 as

defined in this Glossary.

67. "Other Cancer" means a diagnosis by a qualified physician that

indicates a malignant tumor originating in the larynx, pharynx, stomach, esophagus, colon or rectum, caused or contributed to by exposure to asbestos.

68. "Other Claims Resolution Facility" means a facility that

establishes a method for the liquidation and resolution of asbestos-related personal injury claims administered by a Person other than the Trust.

69. "Pacific" means Pacific Indemnity Company, a California

corporation.

70. "Pacific Indemnity Agreement" collectively means the Agreement

and a Rescission of Insurance Policies, both dated March 27, 1992, between Fibreboard Corporation and Pacific, pursuant to which Pacific and Fibreboard Corporation agreed to settle their insurance coverage dispute.

71. "Pacific Releasees" are as defined in Section 2.5(C) of the

Global Settlement Agreement.

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72. "Permitted Investments" are as defined in Section 4.3 of the

73. "Person" means any individual, corporation, partnership or

association, whether or not incorporated, and any federal, state or local government or agency thereof, or any other entity and his, her or its legal representative.

74. "Personal Injury Asbestos Claim" means:

(i) each and every claim, demand, action or suit of any kind for personal injury arising, directly or indirectly, from exposure to asbestos-containing products (including, without limitation, any direct action claim, wrongful death claim, punitive or exemplary damages claim, loss of consortium claim, fear of disease claim, bad faith claim, or surviving personal injury claim), and whether such injury manifested itself heretofore or hereafter, or (ii) any claim, demand, action or suit of any kind arising, directly or indirectly, from any such claim, demand, action or suit referred to in (i) above (including without limitation any bad faith claim, contribution claim, indemnity claim, warranty claim, direct action claim or Additional Policy Claim)

against Fibreboard, against the Insurance Policies or against the Insurers in any way predicated on obligations created by the Insurance Policies; provided, however, that

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a Personal Injury Asbestos Claim shall not include any claim for benefits brought by an employee or his or her personal representative under any federal or state workers compensation statute (including, but not limited to, the United States Longshore and Harbor Workers Compensation Act and the Federal Employees Compensation Act), but shall include any subrogation, contribution or indemnity claim arising from such claim for benefits.

75. "PFT Report" means a report by a pulmonary specialist or a board-

certified internist interpreting the results of pulmonary function testing of an Exposed Person.

76. "Principal Amount" means, for any Fiscal Year after Global

Approval Judgment:

(i) (a) (x) the aggregate fair market value of all of the investment assets contained in the Fund for which the Distributable Amount is being determined (excluding the then outstanding balance of the Reserve Account) at the close of business on the last business day of the Fiscal Year for which the calculation is made, minus (y) the

Earnings Amount for such Fiscal Year, plus (z) all amounts, if any,

paid during such Fiscal Year for Trust Expenses, Class Member Claims, Third Party Claims and payments made pursuant to Section 7.16 of the Trust Agreement, in each case for such Fiscal Year (other than any such payments made out of the Reserve Account), minus

(b) for any Fiscal Year prior to the 21st Fiscal Year after Global

Approval Judgment, the greater of (i) Zero and (ii) the lesser of (Y) the aggregate Surplus for all prior Fiscal Years and (Z) Zero minus Unreimbursed Borrowings; multiplied by -----

(ii) a fraction, the numerator of which is one and the denominator of which is the number of Fiscal Years that will occur from the beginning

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of the Fiscal Year for which the calculation is made through and including the end of the 25th Fiscal Year after Global Approval Judgment in the case of Fund I, the 20th Fiscal Year after the end of Fund I (or, if the Trustees have determined to delay the transfer of the remaining balance in Fund II beyond the twentieth Fiscal Year after the end of Fund I pursuant to Section E.2.c(ii) of the Trust Distribution Process, the end of Fund II so determined by the Trustees) in the case of Fund II and the 15th Fiscal Year after the end of Fund II in the case of Fund III (so that, for example, for the Principal Amount applicable to the tenth Fiscal Year after Global Approval Judgment, such denominator would be 16);

provided, however, that

(1) for the first Fiscal Year after Global Approval Judgment (a) the numerator in the fraction stated in clause (ii) above shall be a fraction in which the numerator is the number of full weeks in such Fiscal Year (but not less than one) and the denominator is 52 (to adjust for the length of such Fiscal Year) and (b) the Principal Amount determined as provided above, including as set forth in clause (1)(a) of this proviso shall be multiplied by 0.4;

(2) for the second Fiscal Year after Global Approval Judgment the Principal Amount shall be the sum of (A) the Principal Amount otherwise determined as provided in this definition of Principal Amount multiplied by 0.4, plus (B) the Principal Amount with respect to the first Fiscal Year after Global Approval Judgment as determined in clause (1) above multiplied by 0.75; and

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(3) for each of the twenty-first through the twenty-fifth Fiscal Years after Global Approval Judgment, the Distributable Amount may be increased by the Trustees up to an amount not in excess of the Principal Amount and the Earnings Amount that was in effect for the twentieth Fiscal Year after Global Approval Judgment.

77. "Qualified Arbitrator" and "Qualified Mediator" shall each be an -----

impartial, neutral person. No person shall serve as an arbitrator or mediator if he/she has any financial or personal interest in the proceedings or, except when otherwise agreed by the parties, in any asbestos-related matters. Prior to accepting an appointment, the prospective arbitrator or mediator shall disclose any circumstances likely to create a reasonable inference of bias or prevent a prompt hearing or conference with the parties.

78. "Qualified Settlement Fund" or "QSF" is as defined in the -----

Treasury Regulations under Section 468.B of the Internal Revenue Code of 1986.

79. "Released Parties" collectively, and "Released Party"

individually, mean the Fibreboard, Continental and Pacific Releasees.

80. "Representative Defendant" means Owens-Illinois, Inc., a Delaware

corporation, or such other Person or Persons as may be certified by the Global Court, in the capacity as representative(s) of the Defendant Class Members.

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81. "Representative Plaintiffs" mean Gerald Ahearn, James Dennis and

Charles W. Jeep, the named plaintiffs in the Class Action, or such other, lesser or greater number of Representative Plaintiffs as may be certified by the Global Court, in their capacities as representatives of the interests of the Settlement Class Members.

82. "Reserve Account" means the reserve (which shall be part of Fund

I) in the original principal amount described on Appendix I to the Trust Distribution Process as such amount may be increased or decreased from time to time in accordance with the provisions described on Appendix 1 to the Trust Distribution Process and by earnings, capital gains or losses or other similar items.

83. "Residual Claim" means any Express Indemnity Claim or Additional

Policy Claim, the disposition of which becomes the responsibility of the Trust pursuant to the Global Approval Judgment.

84. "Rule 23 Notice" means the notice to be given to the Settlement

Class Members and Defendant Class Members pursuant to Rule 23 of the Federal Rules of Civil Procedure.

85. "Select Counsel for the Beneficiaries" or "SCB" means four

lawyers, initially: Joseph B. Cox, Jr., Steven Kazan, Joseph F. Rice and Harry F.

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Wartnick, and a fifth to be selected unanimously by the other four lawyers as provided in Section 6.1 of the Trust Agreement.

86. "Schedule Category" means: 1) Mesothelioma and Lung Cancer; 2)

ALD-1 and Other Cancer; 3) ALD-2; and 4) Residual Claims.

87. "Scheduled Disease" means Mesothelioma, Lung Cancer, Other

Cancer, Asbestos Lung Disease I and Asbestos Lung Disease II.

88. "Second Injury Claim" is a Malignancy Claim by a Claimant who

settled a Non-Malignancy Claim in exchange for a limited release which allowed subsequent Malignancy Claims.

89. "Settled Claims" mean claims of individuals for asbestos-related

personal injuries (a) that are not Class Member Claims and (b) that as of August 27, 1993 had been settled (by Fibreboard Corporation or by Fibreboard Corporation and Continental) or were the subject of a verdict or judgment.

For the purposes of this definition, a claim included within the terms

of a settlement agreement (whether written, oral or placed on a court record) prior to August 27, 1993 shall be deemed to have been settled before August 27, 1993 even if (i) an opt-out right with respect to that claim has been or is exercised, or (ii) the settlement is subsequently repudiated by the Plaintiff; provided, however, that no claim which was included within the terms of a settlement agreement and

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which was not filed prior to August 27, 1993 shall be deemed settled unless it was eligible to be processed and liquidated prior to August 27, 1993.

90. "Settlement Agreement" means the agreement among Fibreboard

Corporation, Continental, CNA Casualty, Columbia and Pacific dated as of October 12, 1993 pursuant to which they agreed, among other things, to settle and compromise all claims and potential claims against the Insurers under the Insurance Policies.

91. "Settlement Agreement Approval Judgment" is as defined in the

Settlement Agreement.

92. "Settlement Agreement Court Disapproval" is as defined in the

Settlement Agreement.

93. "Settlement Class" means:

(a) All persons (or their legal representatives) who prior to August 27, 1993 were exposed, directly or indirectly (including but not limited to exposure through the exposure of a spouse, household member or any other person), to asbestos or to asbestos-containing products for which Fibreboard may bear legal liability and who have not, before August 27, 1993, (i) filed a lawsuit for any asbestos related personal injury, or damage, or

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death arising from such exposure in any court against Fibreboard or persons or entities for whose actions or omissions Fibreboard bears legal liability; or (ii) settled a claim for any asbestos-related personal injury, or damage, or death arising from such exposure with Fibreboard or with persons or entities for whose actions or omissions Fibreboard bears legal liability;

(b) All persons (or their legal representatives) exposed to asbestos or to asbestos-containing products, directly or indirectly (including but not limited to exposure through the exposure of a spouse, household member or any other person), who dismissed an action prior to August 27, 1993 without prejudice against Fibreboard, and who retain the right to sue Fibreboard upon development of a nonmalignant disease process or a malignancy; provided, however, that the Settlement Class does not include persons who filed and, for cash payment or some other negotiated value, dismissed claims against Fibreboard, and whose only retained right is to sue Fibreboard upon development of an

asbestos-related malignancy; and

- (c) All past, present and future spouses, parents, children and other relatives (or their legal representatives) of the class members

described in paragraphs (a) and (b) above, except for any such person who has, before August 27, 1993, (i) filed a lawsuit for the asbestos-related personal injury, or damage, or death of a class member described in paragraph (a) or (b) above in any court against Fibreboard (or against entities for whose actions or omissions Fibreboard bears legal liability), or (ii) settled a claim for the asbestos-related personal injury, or damage, or death of a class member described in (a) or (b) above with Fibreboard (or with entities for whose actions or omissions Fibreboard bears legal liability).

For the purposes of this definition, a claim included within the terms of a settlement agreement (whether written, oral, or placed on a court record) prior to August 27, 1993 shall be deemed to have been settled before August 27, 1993 even if (i) an opt-out right with respect to that claim has been or is exercised, or (ii) the settlement is subsequently repudiated by the Plaintiff; provided, however, that no claim which was included within the terms of a settlement agreement and which claim was not filed prior to August 27, 1993 shall be deemed settled unless it was eligible to be processed and liquidated prior to August 27, 1993.

94. "Settlement Class Member" means any Person who is a member of the Settlement Class.

95. "Settlement Class Order" means an order of the Court finally certifying the Settlement Class as a class under Rule 23(b)(1)(B) of the Federal Rules of Civil Procedure for settlement purposes.

96. "Settlement Conference Designee" is as defined in paragraph D.1 of the Trust Distribution Process.

97. "Subsidiary" means, with respect to any Person, any corporation or other entity in which that Person owns, directly or indirectly, securities or other ownership interest having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions.

98. "Surplus" means, as of any Distribution Date: (i) the Distributable Amount for the prior Fiscal Year, minus (ii) the aggregate amounts (other than payments from the Reserve Account) actually paid by the Trust for Trust Expenses, Class Member Claims, Third Party Claims and payments made pursuant to Section 7.16 of the Trust Agreement, in each case for such prior Fiscal Year.

99. "Termination Date" is as defined in Section 7.2 of the Trust Agreement.

100. "Third Party Claim" shall mean any Personal Injury Asbestos

Claim that is not a Class Member Claim, except for Settled Claims, Unsettled Claims or any claims arising directly or indirectly from any such Settled Claims or Unsettled Claims.

101. "Third Party Claimant" shall mean any Person having a Third

Party Claim.

102. "Trust" means the trust referred to in Article V of the Global

Settlement Agreement.

103. "Trust Agreement" means the Fibreboard Asbestos Compensation

Trust Agreement among Continental, CNA Casualty, Columbia, Pacific, Fibreboard Corporation and the Trustees attached as Exhibit B to the Global Settlement Agreement.

104. "Trust Distribution Process" means Annex A to the Trust

Agreement.

105. "Trust Estate" at any time means all assets of the Trust at such

time.

106. "Trust Expenses" means all expenses of the Trust (including,

without limitation, compensation, legal, accounting and other professional fees,

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expenses relating to the operation of a Claims Resolution Facility, an Other Claims Resolution Facility, disbursements and related expenses, administrative expenses, taxes and related expenses, the cost of liability insurance and reimbursement and indemnification payments), other than payments in respect of Class Member Claims and Third Party Claims and payments made pursuant to Section 7.16 of the Trust Agreement.

107. "Trustees" are as defined in Section 7.18 of the Trust

Agreement.

108. "Trustors" mean Continental, CNA Casualty, Columbia, Pacific and

Fibreboard Corporation.

109. "Unreimbursed Borrowings" means, as of any Distribution Date:

(a) the aggregate of the Principal Amounts (not including any Increased Principal Amounts) and Earnings Amounts for all Fiscal Years prior to the Fiscal Year to which such Distribution Date relates, minus

(b) the aggregate amounts (other than payments from the Reserve Account) actually paid by the Trust for Trust Expenses, Class Member Claims and Third Party Claims for all such prior Fiscal Years.

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110. "Unsettled Claims" shall mean claims of individuals for

asbestos-related personal injuries brought against Fibreboard in lawsuits filed prior to August 27, 1993 and that are not Settled Claims. For purposes of this

definition, "Unsettled Claims" shall include claims of persons who filed and for cash payment or some other negotiated value dismissed claims against Fibreboard and whose only retained right is to sue Fibreboard upon development of an asbestos-related malignancy.

FIBREBOARD ASBESTOS COMPENSATION
TRUST AGREEMENT

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FIBREBOARD ASBESTOS COMPENSATION
TRUST AGREEMENT

Trust Agreement ("Trust Agreement") dated as of December 23, 1993,
among Continental, CNA Casualty, Columbia, Pacific, and Fibreboard Corporation,
as Trustors and Francis McGovern, as Initial Trustee as provided in Section
7.18.

DECLARED as follows:

ARTICLE I

DEFINITIONS

1.1 Capitalized terms used in this Trust Agreement are defined herein or in the Glossary.

ARTICLE II

DECLARATION OF TRUST

2.1 Name. The Trust shall be known as the "Fibreboard Asbestos

Compensation Trust," and the Trustees may transact the business and affairs of the Trust in that name.

2.2 Purposes. The purposes of the Trust are:

(a) to use the assets in the Trust Estate efficiently to deliver fair and equitable compensation to all qualified Beneficiaries consistent with Trust resources, without overpaying or underpaying any Beneficiary and with settlement to be preferred

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over mediation, mediation to be preferred over arbitration, and arbitration to be preferred over resort to the tort system, all pursuant to the provisions of this Trust Agreement and the Trust Distribution Process;

(b) to enhance and preserve the Trust Estate;

(c) otherwise to carry out the provisions of this Trust Agreement and the Trust Distribution Process.

2.3 Transfer of Assets. On the date of Global Approval Judgment, the

Trustors shall transfer and assign to the Trust the amounts provided for in Section 2.3(B) of the Global Settlement Agreement, having heretofore taken any and all steps necessary and prerequisite to such transfer.

2.4 Acceptance of Assets and Assumption of Liabilities. In

connection with and in furtherance of its purposes, and subject to Section 5.4, the Trustees hereby agree to accept on behalf of the Trust the transfer of the assets described in Section 2.3 above and hereby further expressly agree on behalf of the Trust to assume liability or undertake responsibility for all Class Member Claims and those Third Party Claims for which the Trust is responsible under the Global Settlement Agreement and Trust Distribution Process. Except as otherwise provided in the Trust Distribution Process, the Trust shall have all defenses, cross claims, and rights to liens, offsets and recoupment that Fibreboard or any other Trustor would have had under applicable law with respect to the Class Member Claims and Third Party Claims to be assumed by the Trust.

2.5 Maintenance of Trustor Privileges and Confidences. The Trust

shall maintain as privileged and confidential all information expressly designated as such

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which is provided to it by or on behalf of Fibreboard Corporation or any other Trustor, including without limitation information relating to Fibreboard's products and their distribution, the history of the conduct of Fibreboard's or any other Trustor's business, and Fibreboard's or any other Trustor's defenses and the history of Fibreboard's settlements in asbestos-related personal injury lawsuits. The Trust will not waive the privileged and confidential status of such information without the prior written consent of the Trustor which designated such information privileged and confidential. The Trust shall promptly upon receipt of any subpoena or other formal request for such information notify the Trustor which designated such information as privileged or confidential.

ARTICLE III

POWERS; TRUST ADMINISTRATION

3.1 Powers. -----

(a) Subject to the limitations set forth in this Trust Agreement and the Trust Distribution Process, the Trustees shall have the powers to take any and all actions as in the judgment of the Trustees are necessary or convenient to effectuate the purposes of the Trust, including, without limitation, each power expressly granted in Subsection (b) below and any power reasonably incidental thereto. Unless otherwise specified in this Trust Agreement or the Trust Distribution Process, the Trustees may act by the vote of a majority. All actions by the Trustees shall be taken at a meeting (which may be by conference telephone call at which all participants may hear, and be heard by,

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each other) of all Trustees or by unanimous written consent that a particular action may be taken without a meeting; provided, however, that any such meeting at which at least two Trustees are present shall be deemed to satisfy the requirement of this sentence if notice of such meeting was given to all Trustees not less than five business days' prior thereto, or if all Trustees have executed, at or prior to such meeting, a waiver of such notice, and all Trustees are given the opportunity to participate in person or by such a conference telephone call.

(1) The following actions may be taken only with the unanimous consent of the Trustees:

(i) Joining in, engaging in or disengaging from an Other Claims Resolution Facility pursuant to Section 3.1(b)(iii), except that this action shall also require SCB approval.

(ii) Appointment or removal of the chief executive officer, chief financial officer or general counsel pursuant to Section 3.1(b)(ix).

(iii) Taking of structural or other actions to minimize tax on the Trust Estate pursuant to Section 3.2(b)(iv), except that this action shall also require SCB approval.

(iv) Approval of annual and quarterly financial statements of the Trust pursuant to Sections 3.2(c)(i) and (ii); provided,

however, that after a good faith effort to act unanimously, a majority of the Trustees may grant approval in a writing that shall include either comments of the Trustee who did not join in the approval reflecting the reasons for his or

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her failure to join in the approval or, if such Trustee is not willing to provide such comments, comments from the other Trustee or Trustees reflecting their understanding as to such reasons.

(v) Approval of reports of claims dispositions pursuant to Section 3.2(c)(iii); provided, however, that after a good faith effort to act unanimously, a majority of the Trustees may grant approval in a writing that shall include either comments of the Trustee who did not join in the approval reflecting the reasons for his or her failure to join in the approval or, if such Trustee is not willing to provide such comments, comments from the other Trustee or Trustees reflecting their understanding as to such reasons.

(vi) Approval of budgets and cash flow projections pursuant to Section 3.2(d); provided, however, that after a good faith effort to act unanimously, a majority of the Trustees may grant approval in a writing that shall include either comments of the Trustee who did not join in the approval reflecting the reasons for his or her failure to join in the approval or, if such Trustee is not willing to provide such comments, comments from the other Trustee or Trustees reflecting their understanding as to such reasons.

(vii) Amendment or waiver of the Trust Agreement other than Sections 2.2, 2.3, 2.4, 2.5, 3.1, 3.2, 3.3, 4.1, 4.2, 4.3, 4.4, 5.1, 5.2, 5.3, 5.4, 5.6, 5.7, 7.1, 7.2, 7.3, 7.4, 7.7, 7.8, 7.11, 7.12, 7.13, 7.16, 7.17 and 7.18, except

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that any amendment or waiver of any provision of Article VI shall also require SCB approval.

(viii) Approval of the fixed cash payment for Expedited Review Claims pursuant to Trust Distribution Process Section B.2.

(ix) Approval of additional categories of Expedited Review Claims pursuant to Trust Distribution Process Section B.2, except that this action shall also require SCB approval.

(x) Elimination or suspension of the Expedited Review Option for one or more categories of Class Member Claims pursuant to Trust Distribution Process Section B.2.

(xi) Increase in the amount distributable in any Fiscal Year from the Principal Amount to the Increased Principal Amount in accordance with Appendix 1 to the Trust Distribution Process.

(xii) Amendment or waiver of Section B.6 of the Trust Distribution Process (but only as to the amounts referred to therein, and except that any such amendment or waiver shall also require SCB approval) or Section F.3.a of the Trust Distribution Process (provided

that no such amendment or waiver can advance the time for any payments referred to therein for any Fiscal Year in which any of the Increased Principal Amount was utilized).

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(xiii) Permitting another Person to join in any claims resolution facility established pursuant to Section 3.1(b)(ii), except that this action shall also require SCB approval.

(2) The following actions shall require the approval of a majority of the Trustees and, unless the unanimous approval of the Trustees has been obtained, shall also require the approval of the SCB pursuant to Section 6.1:

(i) Approval of the claim forms pursuant to Trust Distribution Process Section B.1.

(ii) Approval of the Expedited Review Claim form pursuant to Trust Distribution Process Section B.2.

(iii) Approval of form of release pursuant to Trust Distribution Process Section B.4.

(iv) Requirement that Beneficiaries submit additional kinds of medical evidence in support of Class Member Claims pursuant to Trust Distribution Process Section B.4.

(v) Selection of locations for mediations and arbitrations pursuant to Trust Distribution Process Section C.3.

(3) Any provision of the Trust Agreement, the Trust Distribution Process, or the Glossary not expressly described above in Sections 3.1(a)(1) and (2) may be amended or waived with the unanimous approval of each of the Trustors and the Trustees, the approval of a majority of the SCB, and the approval of the Court, and not otherwise.

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(b) Without limiting the generality of Subsection (a) above, the Trustees shall have the power to:

(i) receive and hold the Trust Estate, and invest monies held from time to time therein;

(ii) establish, supervise and administer a Claims Resolution Facility;

(iii) join in or with or engage an Other Claims Resolution Facility to reduce the costs of liquidating Class Member Claims and Third Party Claims;

(iv) pay Trust Expenses, Class Member Claims and Third Party Claims Liquidated in accordance with the Trust Distribution Process;

(v) borrow money and issue notes and other evidences of indebtedness (which notes or other evidences of indebtedness may exonerate the Trustees from personal liability with respect thereto) in the ordinary course of operations in order to finance the acquisition of equipment or to pay Trust Expenses; provided, however, that no such borrowing shall be for a term in excess of five years or for an amount in excess of \$2 million outstanding at any time;

(vi) take all actions contemplated hereunder with respect to the Funds of the Trust and establish such reserves and accounts within such Funds as may be useful in carrying out the purposes of the Trust;

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(vii) sue and be sued and participate, as a party or otherwise, in any judicial, administrative, arbitration or other proceeding, including, without limitation, in connection with any Claims Resolution Facility administered by or for the Trust;

(viii) adopt and amend bylaws to govern the affairs of the Trust which are consistent with this Trust Agreement, the Trust Distribution Process and the Global Settlement Agreement;

(ix) appoint such officers, including a chief executive officer, chief financial officer and general counsel, hire such employees and engage such legal, financial and other advisors and agents as the business of the Trust requires, pay the Trustees and the SCB subject to Sections 5.5 and 6.4 and pay such officers, employees, advisors and agents reasonable compensation;

(x) enter into such other arrangements with third parties as are deemed by the Trustees to be useful in carrying out the purposes of the Trust (including, without limitation, engaging a Person to act as paying agent, depository or custodian and pay such third parties reasonable compensation);

(xi) enter into the indemnification agreements referred to in Sections 5.6, 6.4(c) and 7.16;

(xii) enter into any contract or otherwise engage in any transaction with any Trustee or any Person affiliated with any Trustee,

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provided that such contract or such transaction is approved by the unanimous vote of the Trustees who are not parties to or otherwise involved in, and do not have an interest in, such contract or transaction; it being understood that the usual rules prohibiting fiduciaries from dealing with themselves as individuals or from dealing with respect to any matter in which they have a personal interest shall apply to the Trustees; and

(xiii) make such elections and determinations with respect to taxes as are deemed by the Trustees to be useful in carrying out the purposes of the Trust.

(c) The Trustees shall not have the power to guarantee or assume, directly or indirectly, any debt or borrowings of other Persons.

3.2 Administration.

(a) The accounting period for the Trust shall be the Fiscal Year. The first Fiscal Year shall begin on the date of this Agreement and end on December 31 of the same year. The Trust shall use the accrual method of accounting under generally accepted accounting principles.

(b) (i) The Trustees shall timely file such income tax and other returns and statements, and shall provide for and pay such Trust taxes, as are required to comply with applicable provisions of the Internal Revenue Code and of any state or local law and the regulations promulgated thereunder.

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(ii) For federal income tax purposes, the Trustees and the Trustors intend that the Trust will be taxable either as a Qualified Settlement Fund or a Designated Settlement Fund. Trustors agree to cooperate in providing such information or documents as the Trustees determine are useful for the preparation and filing of tax returns by the Trust. Each of the Trustors agrees to do such other and further things as may be reasonably requested by the Trustees in connection with the tax affairs of the Trust which shall not result in any tax liability or other material liability to any of the Trustors.

(iii) The Trustees are hereby designated as the "administrator" of the Qualified Settlement Fund or Designated Settlement Fund for federal income tax purposes within the meaning of Treasury Regulations section 1.468B-2(k)(3). For federal income tax purposes, the taxable year of the Trust shall be the calendar year and the Trust shall use an accrual method of accounting.

(iv) The Trustees are authorized to take such structural changes or other actions, as the Trustees deem prudent and appropriate in reducing or minimizing the effect of taxes on the Trust Estate, provided that such changes or actions do not result in any additional tax liability or other material liability to any of the Trustors or directly or indirectly amend any provision of this Agreement or the Trust Distribution Process that cannot be amended except pursuant to Section 3.1(a)(3).

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(c) (i) The Trustees shall cause to be prepared, and file with the Court, as soon as available and in any event within 90 days following the end of each Fiscal Year, an annual report containing financial statements of the Trust (including, without limitation, a balance sheet of the Trust as of the end of such Fiscal Year and a statement of operations for such Fiscal Year) audited by a nationally recognized firm of independent public accountants selected by the Trustees and certified by such firm.

(ii) The Trustees shall cause to be prepared and file with the Court as soon as available and in any event within 45 days following the end of each of the first three quarters of each Fiscal Year, a quarterly report containing financial statements of the Trust (including, without limitation, an unaudited balance sheet of the Trust as of the end of such quarter and a statement of operations for such quarter), certified, subject to normal year-end adjustments (including without limitation as to consistency with the prior Fiscal

Year's audited financial statements), by an appropriate officer of the Trust.

(iii) Simultaneously with delivery of each set of financial statements referred to in Subsections (i) and (ii) above, the Trustees shall cause to be prepared, approve and file with the Court a report containing a summary (in reasonable detail) of the following information with respect to the period covered by the financial statement:

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(1) the number of Class Member Claims Liquidated;

(2) the amount of investment income earned by the Trust and the fair market value of the assets of the Trust as of the last business day of the applicable accounting period;

(3) the amount of Trust Expenses incurred by the Trust; and

(4) a certification as to compliance with the Trust Agreement and Trust Distribution Process, specifically identifying any lack of compliance.

(d) The Trustees shall cause to be prepared and approve not later than 30 days nor more than 60 days prior to the commencement of each Fiscal Year annual budgets and cash flow projections for the next five years of the Trust and budgets and cash flow projections for the remaining life of the Trust. The budgets and cash flow projections shall be based on the actual number and type of claims filed against the Trust, the income, expense and claims payment history of the Trust to date as well as projected trends in such items.

(e) A copy of all financial statements, reports, budgets and cash flow projections (including any general historical information upon which such budgets and projections are based) prepared by the Trustees pursuant to this Section 3.2 shall be delivered to the SCB and each of the Trustors or their successors and assigns at the time of filing with the Court or, if not filed with the Court, at the time such documents are prepared. The Trustees shall petition the Court each year for approval of the annual

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financial statements and reports required by Section 3.2(c). The SCB and any of the Trustors shall have standing to object to and be heard on such financial statements and reports. The Trust will provide to any of the Insurers information which it may need in order to pursue any reinsurance claim.

3.3 Actions by Trustors. All actions by the Trustors shall be taken

by unanimous vote, unless otherwise provided to the contrary in this Trust Agreement or the Trust Distribution Process.

3.4 Protection of Confidential Information from Disclosure to the

Beneficiaries. Consistent with the purposes of the Trust, the Trustees have the authority and power to keep confidential from the Beneficiaries such information

as the Trust may determine should be protected from disclosure in order to avoid prejudicing the Trust's position in negotiation, mediation, arbitration or litigation of claims presented to the Trust. Nothing contained in this Section 3.4 shall affect the right of the SCB, the Trustees or the Trustors to receive any such confidential information, provided that they shall only use such confidential information for the purpose of conducting their activities in such capacities.

ARTICLE IV

FUNDS, PAYMENTS AND INVESTMENTS

4.1 Funds.

(a) There are hereby created within the Trust Estate three Funds, Fund I, Fund II and Fund III.

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(b) Fund I shall consist of all of the assets transferred to the Trust (including all accrued interest) less \$210,000,000 which will be segregated and allocated to Funds II and III. The Trust shall invest the amounts in Fund I subject to the limitations set forth in Section 4.3.

(c) Fund II shall consist of \$200,000,000 segregated from the assets transferred to the Trust. The Trust shall invest the \$200,000,000 subject to the limitations set forth in Section 4.3. No payments of any kind may be made from Fund II until at least 21 years after Global Approval Judgment.

(d) Fund III shall consist of \$10,000,000 segregated from the assets transferred to the Trust. The Trust shall invest the \$10,000,000, subject to the limitations set forth in Section 4.3. No payments of any kind may be made from Fund III until at least 41 years after Global Approval Judgment.

(e) Subject to Section 2.2 hereof, the Trustees may, from time to time, create additional reserves and accounts (all of which shall remain part of the Fund from which such amounts were created) within the Trust Estate as they may deem necessary, prudent or useful in order to provide for the payment of Trust Expenses, Class Member Claims and Third Party Claims assumed by the Trust, and may, with respect to any such reserve or account, restrict the use of monies therein.

(f) Any investment earnings received with respect to, or other proceeds of, any asset held within any Fund (including any reserve or account which is a part thereof) created hereby or pursuant hereto shall be credited to, and shall be a part of, such Fund.

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4.2 Payments. Payments of Trust Expenses, Class Member Claims and

Third Party Claims shall be made from Funds I, II and III and such other reserves or accounts as the Trustees may from time to time establish pursuant to Section 4.1(e). The maximum annual payments which may be made from such Funds for such Trust Expenses, Class Member Claims and Third Party Claims are set forth in Section E of the Trust Distribution Process.

4.3 Investments. Investment of monies held in the Trust Estate shall

be administered in the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs with the goal of constructing a reasonably conservative portfolio which minimizes volatility. The Trust shall retain at least two nationally recognized, independent, professional investment advisers or managers to assist in investing the Trust Estate subject to the limitations contained in this Section 4.3. The Trust's investments shall be subject to each and every one of the following limitations and provisions, and, notwithstanding anything to the contrary in this Trust Agreement, the Trust shall not purchase or otherwise acquire the equity, debt obligations or other securities of, assets of, or any interest in any Person, or otherwise extend any credit to or make any investments in any Person other than the investments described below ("Permitted Investments"):

(a) The Trust shall not (i) acquire, directly or indirectly, any equity interest in any Person if, immediately following such acquisition, the Trust would hold more than 5% of the equity in such Person or business enterprise, or (ii) hold, directly or indirectly, more than 10% of the equity interest in any Person.

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(b) The Trust may acquire and hold commercial paper if such commercial paper is rated "Prime-1" or higher by Moody's Investors Service, Inc. ("Moody's"), "A-1" or higher by Standard and Poor's Corporation ("S&P") or has been given an equivalent rating by another nationally recognized statistical rating agency.

(c) The Trust may acquire and hold other corporate debt securities if such securities are rated "A1" or higher by Moody's, "A+" or higher by S&P, or have been given an equivalent investment grade rating by another nationally recognized statistical rating agency.

(d) The Trust may acquire and hold equity securities constituting preferred stock if such preferred stock is rated "a1" or higher by Moody's, "A+" or higher by S&P or has been given an equivalent investment grade rating by another nationally recognized statistical rating agency.

(e) The Trust shall not acquire or hold any equity securities of any Person unless such equity is in the form of securities which are traded on a national securities exchange in the United States or over the National Association of Securities Dealers Automated Quotation System.

(f) The Trust may acquire and hold any equity securities constituting common stock if the long-term debt securities of the issuer are rated "A1" or higher by Moody's, or "A+" or higher by S&P or have been given an equivalent rating by another nationally recognized statistical rating agency.

(g) The Trust may acquire and hold certificates of deposit issued by and bankers' acceptances of and interest bearing deposits with any U.S. commercial

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bank or any branch or agency of a non-U.S. bank licensed to conduct business in the U.S. having combined capital and surplus of not less than \$1,000,000,000, if all publicly held long-term debt securities, if any, of such bank and the

holding company, if any, of which such bank is a Subsidiary meet the standards set forth in Section 4.3(c).

(h) The Trust may acquire and hold repurchase obligations if (1) in the opinion of the Trustees, they are adequately collateralized, (2) the collateral constitutes investment instruments that would otherwise constitute Permitted Investments hereunder and (3) such obligations are entered into with either a nationally recognized investment banking firm or a commercial bank meeting the requirements set forth in Section 4.3(g).

(i) The Trust may acquire and hold marketable direct obligations issued or unconditionally guaranteed by the United States government or issued by any agency or instrumentality thereof.

(j) The Trust may acquire and hold marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof if such securities are rated "A1" or higher by Moody's, "A+" or higher S&P, or have been given an equivalent rating by another nationally recognized statistical rating agency.

(k) The Trust may acquire and hold equity, bond, money market and other funds organized under the laws of the United States or any state thereof that invest solely in any of the foregoing investments permitted under Sections 4.3(b) through (j).

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(l) The Trust may enter into futures and options arrangements, and interest rate and currency swap agreements, cap, floor and collar agreements, interest rate insurance, currency spot and forward contracts and other agreements or arrangements solely for the purposes of protecting against fluctuations in the principal of, or interest or currency exchange rates on, the Trust's investments, provided that the net obligations of the Trust in respect thereof shall not exceed 5% of the Trust Estate at any time.

(m) The Trust shall not acquire or hold any obligations or securities denominated in a currency other than U.S. Dollars without substantially hedging against fluctuations in such currency, provided that the net obligations of the Trust in respect thereof shall not exceed 5% of the Trust Estate at any time.

(n) The Trust shall not acquire or hold any equity, debt securities or other instruments or obligations of any Person (other than debt securities or other debt instruments described in Section 4.3(i) or any fund described in Section 4.3(k) investing solely in the foregoing) if the aggregate market value of all equity, debt securities and other instruments and obligations of such Person held by the Trust would exceed 5% of the aggregate value of the Trust Estate.

(o) The Trust shall not (i) acquire any equity securities of any Person if, following such acquisition, the aggregate market value of all equity securities held by the Trust would exceed 50% of the aggregate value of the Trust Estate, or (ii) hold any equity securities to the extent that the aggregate market value of all equity

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securities held by the Trust would exceed 60% of the aggregate value of the

Trust Estate.

(p) The Trust may acquire and hold mutual funds investing in "baskets" of securities designed to track the performance of the S&P 500 stock index or the Lehman Brothers Aggregate Bond Index, provided that the aggregate obligations of the Trust in respect thereof, together with the aggregate market value of all equity securities held by the Trust, shall not exceed 60% of the aggregate value of the Trust Estate at any time.

(q) The Trust may acquire and hold investments of a type not permitted under Subsections (b)-(1) or (p) above in an aggregate amount not to exceed 5% of the aggregate value of the Trust Estate at any time.

4.4 Source of Payments. All Trust Expenses and payments in respect

of Class Member Claims and Third Party Claims shall be payable solely out of the Trust Estate. Neither the Trustees nor any officer, agent or employee of the Trust nor any of the Trustors nor any of their Subsidiaries nor any Affiliate, director, officer, employee or agent of the Trustors or any of their Subsidiaries nor any member of the SCB shall be liable for the payment of any Trust Expense, Class Member Claim or Third Party Claim or other liability of or on account of the Trust, and no Person shall look to any of the foregoing Persons for payment of any such expense or liability.

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ARTICLE V

TRUSTEES

5.1 Number. Prior to the appointment of the Trustees hereunder, the

provisions of Section 7.18 shall govern. Thereafter, there shall be three Trustees at all times (other than during the period contemplated by Section 5.3(b)), described as the Class A, B and C Trustees. Each Trustee shall be an individual who has substantial professional experience related to one or more of the purposes of the Trust and who is able to devote the necessary time and resources to his or her duties hereunder, it being understood that whenever possible any person named to serve as a Trustee will have experience concerning asbestos litigation, although failure to have such experience will not in and of itself disqualify any Person from service as a Trustee. No Trustee may simultaneously hold another office or position in the Trust.

5.2 Term of Service.

(a) The initial term of the Class A, B and C Trustees are four, five and six years, respectively. Thereafter, each Trustee shall serve a five-year term. In each case the term of the Trustee shall be terminated upon death, resignation pursuant to Subsection (b) below or removal pursuant to Subsection (c) below.

(b) Any Trustee may resign at any time by written notice to each of the remaining Trustees. Such notice shall specify a date when such resignation shall take effect, which shall not be less than 90 days after the date such notice is given unless all of the Persons entitled to appoint the resigning Trustee's successor under Section 5.3(a) consent to a different date.

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(c) Any Trustee may be removed for cause by the Court upon application of any of the Trustors or a majority of the SCB.

(d) Any Trustee may be reappointed for additional terms.

(e) Any successor Trustee filling an unexpired term shall serve until the end of such term.

5.3 Appointment of Successor Trustees. -----

(a) In the event of a vacancy in the position of a Trustee, the vacancy shall be filled by the SCB in the case of a Class A or Class B Trustee or by the Trustors in the case of the Class C Trustee.

(b) If the SCB or the Trustors, as the case may be, fail to appoint a successor Trustee pursuant to Subsection (a) above who accepts such appointment in writing within 90 days after the occurrence of the vacancy in the position of a Trustee, the remaining Trustees shall apply to the Court, which shall appoint a successor Trustee or successor Trustees. For a period of 10 days after the occurrence of the vacancy in the position of a Trustee, no vote on any action requiring the unanimous consent of the Trustees shall be permitted to occur.

(c) Immediately upon the appointment of any successor Trustee, all rights, titles, duties, powers and authority of the predecessor Trustee hereunder shall be vested in and undertaken by the successor Trustee without any further act. No successor Trustee shall be liable personally for any act or omission of his or her predecessor, or for any Trust act or omission which occurred prior to his or her

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appointment, unless such act or omission is expressly ratified by the successor Trustee after his or her appointment.

5.4 Liability of Trustees, Officers and Employees. No Trustee, -----

officer or employee of the Trust shall be liable to the Trust, any Beneficiary or any other Person except for his own gross negligence or willful misconduct. No Trustee, officer or employee of the Trust shall be liable for any act or omission of any other officer, agent or employee of the Trust unless the Trustee, officer or employee acted with gross negligence or willful misconduct in the selection or retention of such officer, agent or employee.

5.5 Compensation and Expenses of Trustees. -----

(a) Each of the Trustees shall receive compensation from the Trust for his or her services as Trustee in the amount of \$100,000 per annum plus, after the first 12 days during which the Trustee has performed the services described below in this sentence, \$1,000 per diem for each meeting of the Trustees or any committee or subcommittee thereof attended by such Trustee, reduced proportionately to account for any fraction of a day spent on such duties in the case of any such meeting not attended in person, or for special duties performed by such Trustee on behalf of the Trust, reduced proportionately to account for any fraction of a day spent on such duties, and \$500 for each day of substantial travel in connection with attendance at any such meeting or performance of any such special duties. Such compensation

amounts shall be increased or decreased annually at the rate of the Consumer Price Index for urban wage earners and clerical workers (U.S. City Average) unadjusted for seasonal variation,

published by the Bureau of Labor Statistics of the United States Department of Labor, or otherwise by the Trustees with the approval of the Court. In the event that at any time the Trustees determine that the amount of time required to perform their duties as Trustees has substantially decreased, they shall in good faith determine whether a reduction in their compensation is warranted.

(b) All reasonable out-of-pocket costs and expenses incurred by the Trustees in connection with the performance of their duties hereunder shall be paid by the Trust or, if paid by a Trustee, shall be promptly reimbursed to such Trustee by the Trust.

5.6 Indemnification of Trustees, Officers and Employees. The

Trustees, officers and employees of the Trust shall be indemnified by the Trust to the fullest extent permitted under applicable law against any and all liabilities, expenses, claims, damages or losses incurred by them in the performance of their duties hereunder, except any liability, expense, claim, damage or loss as to which they are liable under Section 5.4. The Trustees, officers and employees of the Trust shall be entitled to advancement of attorneys' fees and expenses from the Trust for the purposes set forth in this Section 5.6 to the fullest extent permitted under applicable law.

5.7 Trustees' Employment of Experts. The Trustees may, but shall not

be required to, consult with independent, outside counsel, accountants, appraisers, investment bankers and other parties reasonably selected and determined in good faith by the Trustees to be qualified as experts on the matters submitted to them, except as otherwise expressly provided in this Trust Agreement, and the opinion of any such

parties on any matters submitted to them by the Trustees shall be full and complete justification for any action taken or not taken by the Trustees hereunder in good faith and in reasonable reliance upon the written opinion of any such expert.

ARTICLE VI

SELECT COUNSEL FOR THE BENEFICIARIES

6.1 Formation; Duties. The SCB shall consist of five lawyers chosen

to represent the interests of the Beneficiaries, and the initial four SCB lawyers shall be Joseph Rice; Joseph Cox; Harry Wartnick; and Steven Kazan. The fifth SCB lawyer shall be selected unanimously by the initial four lawyers on or before January 14, 1994. If the initial four SCB members are unable to reach unanimous agreement on the identity of the fifth SCB member, the four SCB members shall appear in Court on January 17, 1994, and with the assistance of the Court, work day to day until agreement is reached. In giving their approval or in acting pursuant to this Agreement the members of the SCB shall act in the

best interest of the Beneficiaries and consistent with the purposes of the Trust. The SCB shall hold an annual meeting to which all lawyers who have submitted a Class Member Claim to the Trust during the past five years shall be invited and be entitled to be present. The SCB shall give a report to the annual meeting describing the activities of the Trust for the prior year, including any approvals given by the SCB pursuant to this Agreement and/or the Trust Distribution Process and all matters on which the Trustees have indicated that they intend to seek the approval of the SCB during the following year. In giving approval to the Trustees, the SCB shall

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consider in good faith all recommendations made at such annual meeting. The Trustees shall consult with the SCB on the implementation and administration of the Trust Distribution Process. The Trustees may consult with the SCB on any matter affecting the Trust, and, as provided in Section 3.1(a), certain actions by the Trustees shall require the prior approval of the SCB. All approvals of the SCB shall be by majority vote.

6.2 Term of Office.

(a) Each member of the SCB shall serve for the duration of the Trust, subject to the earlier of his or her death, resignation, or removal.

(b) Subject to Section 6.3(a) hereof, any member of the SCB may resign at any time by written notice to each of the remaining members specifying the date when such resignation shall become effective.

(c) Any member of the SCB may be removed for cause by the Court upon joint application of all of the other SCB members.

6.3 Appointment of Successor.

(a) A vacancy in the SCB caused by the resignation of an SCB member shall be filled with an individual nominated by the resigning SCB member and approved by the unanimous vote of all SCB members. The resigning SCB member's resignation shall not be effective until such approval is obtained and the successor SCB member has accepted the appointment.

(b) In the event of a vacancy in the membership of the SCB other than one caused by resignation as aforesaid, the vacancy shall be filled by the unanimous vote of the remaining member(s) of the SCB.

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6.4 Compensation, Expenses and Liability of SCB Members.

(a) Each member of the SCB shall receive compensation from the Trust for his or her services in the amount of \$1,000 per diem for travel related to and attendance at the SCB meetings attended in person by such member, and \$1,000 per diem (adjusted proportionately to account for any fraction of a day spent on, or in travel in connection with, such duties) for work done by the members of the SCB (other than attending SCB meetings in person) in carrying out their duties and responsibilities under the Trust Agreement. Such compensation shall be payable as determined the Trustees, but not less frequently than quarterly. Such per diem amount shall be increased or decreased annually pro rata with the amount that the per diem for meetings paid to the Trustees is

increased or decreased pursuant to Section 5.5.

(b) The reasonable out-of-pocket costs and expenses incurred by SCB members in connection with the performance of their duties hereunder, together with the reasonable fees and expenses of their counsel, shall be paid by the Trust or, if paid by a member of the SCB, shall be promptly reimbursed to such member by the Trust.

(c) Liability of SCB. No present or former member of the SCB shall be liable to the Trust, any Beneficiary or any other Person except for his own gross negligence or willful misconduct. All present or former members of the SCB shall be indemnified by the Trust to the fullest extent permitted under applicable law against any and all liabilities, expenses, claims, damages or losses incurred by them in the performance of their duties hereunder or in serving as Class Counsel, except any liability,

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expense, claim, damage or loss as to which they are liable under this Section. No present or former member of the SCB shall be liable personally for any act or omission of his or her predecessor, or for any act or omission of the SCB which occurred prior to his or her appointment, unless such act or omission is expressly ratified by such person after his or her appointment. The present and former members of the SCB shall be entitled to advancement of attorneys' fees and expenses from the Trust for the purposes set forth in this subsection (c) to the fullest extent permitted under applicable law.

6.5 Resolution of Disputes Involving Approval of the Select Counsel for the Beneficiaries.

(a) Approval Procedures. In any circumstance arising under this Trust Agreement or the Trust Distribution Process where the Trust makes a decision with respect to matters which require the approval of the SCB, the Trust shall:

- (i) provide the SCB with reasonable access to experts retained by the Trust and to Trust staff during such time as the decision is being made;
(ii) bring the proposed decision to the attention of the SCB; and
(iii) unless the circumstances prevent, provide the SCB no fewer than 10 days to comment with respect to such proposed decision.

In the event the SCB disagree with the Trust's decision, they shall express their view as fully as possible to the Trust and make such counterproposal as may be appropriate. The Trust and the SCB shall thereupon consult in an effort to reach agreement.

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(b) Approval in Writing. The approval of the SCB, when required under the Trust Agreement or the Trust Distribution Process, must be in writing to be effective; provided, however, that in the event the SCB fails to approve or disapprove an action requiring SCB approval pursuant to Section 3.1(a) within 30 days of notice of proposed action by the Trust, the SCB shall be deemed to

have approved such action.

(c) Access to Financial Information. Subject to entry into an

appropriate confidentiality agreement where applicable, the Trust shall make available to the SCB any investment banking or other financial, accounting or statistical information available to the Trust relating to issues to be discussed and/or as to which the approval of the SCB is required.

ARTICLE VII

GENERAL PROVISIONS

7.1 Irrevocability. The Trust is irrevocable.

7.2 Termination.

(a) The Trust shall terminate on the date (the "Termination Date") which is the earlier of (1) the first date on which all Class Member Claims and Third Party Claims filed with or against the Trust have been resolved, 24 consecutive months have elapsed during which no such claim has been filed with the Trust and approval of such termination by the Court has been obtained upon joint application of all of the Trustees and a majority of the SCB; or (2) 21 years less 91 days pass after the

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death of the last survivor of any of the descendants of Joseph P. Kennedy living on the date hereof.

(b) On the Termination Date, after payment of all liabilities of the Trust have been provided for, the Trust shall be dissolved, and all of the Trust's assets shall be applied to such charitable purposes as the Trustees in their reasonable discretion, after consultation with the SCB, shall determine, which charitable purposes, if practicable, shall relate to occupational health.

7.3 Amendments.

(a) This Trust Agreement may only be amended or waived as provided in Section 3.1(a). Thirty days' advance written notice of any proposed amendment or waiver shall be given to the SCB and the Trustors.

(b) The Trust Distribution Process may only be amended or waived as provided in Section 3.1(a) of this Trust Agreement and, where applicable, Section H.7 of the Trust Distribution Process. Thirty days' advance written notice of any proposed amendment or waiver of the Trust Distribution Process shall be given to the SCB, the Trustors and, where appropriate, the Representative Defendant.

(c) The definitions used in this Trust Agreement or in the Trust Distribution Process and contained in the Glossary may be amended or waived only if and in the same manner as the Section of this Trust Agreement or the Trust Distribution Process in which such definition is used may be amended or waived.

7.4 Severability. Should any provision of this Trust Agreement or

the Trust Distribution Process be determined to be unenforceable, such determination shall

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in no way limit or affect the enforceability and operative effect of any and all other provisions of this Trust Agreement or the Trust Distribution Process.

7.5 Notices. Notices to Persons asserting claims shall be given at

the address of such Person, or, where applicable, such Person's legal representative, in each case as provided on such Person's proof of claim. Any notices or other communications required or permitted hereunder shall be in writing and (a) delivered at, or sent by telex or telecopy to, the addresses designated in Section 8.13 of the Global Settlement Agreement or, in the case of the Trustees, the addresses provided by the Trustees to the Trust, the SCB and the Trustors, or (b) mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as aforesaid, or to such other address or addresses as may hereafter be furnished by any of the Trustors, the Trust or the Trustees or the SCB to the others.

All such notices and communications shall be effective when delivered at the designated addresses or when the telex or telecopy communication is received at the designated addresses and confirmed by the recipient by return telex or telecopy in conformity with the provisions hereof.

7.6 Counterparts. This Trust Agreement may be executed in any number

of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

7.7 Successors and Assigns. The provisions of this Trust Agreement

shall be binding upon and inure to the benefit of the Trustors, the Trust, the Trustees, the SCB and their respective successors and assigns, except that neither the Trustors nor

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the Trust nor any Trustee, nor the SCB members may assign or otherwise transfer any of its, his or her rights or obligations under this Trust Agreement except, in the case of the Trust and the Trustees, as contemplated by Section 7.2.

7.8 No Waiver. No failure to exercise or delay in exercising any

right, power or privilege hereunder or under the Trust Distribution Process shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or under the Trust Distribution Process preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies provided herein or in the Trust Distribution Process are cumulative and are not exclusive of rights under law or in equity.

7.9 Headings; Section References. The headings used in this Trust

Agreement and in the Trust Distribution Process are inserted for convenience only and neither constitute a portion of this Trust Agreement or the Trust Distribution Process nor in any manner affect the construction of the provisions of this Trust Agreement or the Trust Distribution Process. All references in this Trust Agreement or in the Trust Distribution Process to "Sections," unless otherwise expressly indicated, shall be deemed to refer to sections of the document in which such reference appears.

7.10 Governing Law. This Trust Agreement and the Trust Distribution

Process shall be governed by, administered under and construed in accordance with, the laws of the State of Texas.

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7.11 Dispute Resolution. Any disputes which arise under this Trust

Agreement or the Trust Distribution Process shall be resolved by the Court, except as otherwise provided herein or in the Trust Distribution Process.

7.12 Enforcement and Administration. The provisions of this Trust

Agreement and the Trust Distribution Process shall be enforced and administered by the Court.

7.13 Settlement of Trustees' Accounts. Notwithstanding any state law

to the contrary, the Court shall have exclusive jurisdiction over the settlement of the accounts of the Trustees, whether such account is rendered by the Trustees themselves or is sought by any Beneficiary or other Person. The Trustees shall render successive accounts covering periods of not more than one Fiscal Year, commencing on the first completed Fiscal Year of the Trust or the last day of the prior accounting period, as the case may be, except that an account shall be rendered for the period ending on the date of the death, resignation, removal or retirement of any Trustee. Upon the acceptance of any such account by the Court after hearing on notice to the SCB, the Trustors and such other parties as the Court shall designate, the Trustees shall be discharged from any further liability or responsibility to any Beneficiary or other Person as to all matters embraced in such account.

7.14 No Bond Required. Notwithstanding any state law to the

contrary, each Trustee (including any successor Trustee) shall be exempt from giving any bond or other security in any jurisdiction.

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7.15 Service of Process. Service of process upon any of the Trustees

in an action or proceeding under Sections 7.11, 7.12 or 7.13 shall be effective upon delivery to the address set forth in Section 7.5. Successor Trustees, by acceptance of their appointment as such, shall be deemed to have approved this method of service.

7.16 Lawsuits Against Trustors. Except as provided in Section 2.4(a)

of the Global Settlement Agreement as to Fibreboard Corporation, the Trust shall defend and indemnify the Fibreboard, Continental and Pacific Releasees against and hold them harmless from any costs, fees, claims, liabilities, settlements or judgments incurred or occurring after Global Approval Judgment and resulting, directly or indirectly, from the assertion against any of them of any Class Member Claim or Third Party Claim. This obligation shall include without limitation any such claim to the extent that, after Global Approval Judgment, that claim attacks the validity or enforceability of the Global Approval Judgment, but shall exclude any Additional Policy Claims or Express Indemnity Claims that are the subject of a waiver by the Insurers or Fibreboard under Section 6.3(C) of the Global Settlement Agreement. The defense of any such lawsuit will be tendered to the Trust and any defense costs or indemnity

obligation will be paid by the Trust for so long as funds remain in Funds I, II and III. The Trustors may, at their own expense, elect to participate with the Trust in the defense of any such action or claim. Amounts paid to or on behalf of the Fibreboard, Continental and Pacific Releasees pursuant to this Section shall not be limited in any manner, including by the provisions of Section E of the Trust Distribution Process. The provisions of this

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Section 7.16 shall only be applicable after Global Approval Judgment, subject to Section 2.7(B) of the Global Settlement Agreement.

7.17 No Disqualification of SCB. No member of the SCB shall be

disqualified solely by reason of his or her service as an SCB member from serving as counsel for any Class Member in connection with the submission of any Class Member Claim to the Trust, nor shall service as such counsel be deemed to create a conflict of interest with respect to service to the Trust as an SCB member. No SCB member shall take any action in his or her capacity as such that would prefer the interests of his or her clients over the interests of similarly situated Beneficiaries generally.

7.18 Initial Trustee; Powers. In the event that as of the date of

execution of the Global Settlement Agreement, the Trustees have not been selected, then:

(a) On that date, the Trustors shall contribute \$100 to the Trust. Francis McGovern shall be the sole initial trustee ("Initial Trustee"). The Initial Trustee shall have only the power to take those ministerial and administrative actions necessary or desirable to apply for a letter ruling from the Internal Revenue Service pursuant to Section 8.1 of the Global Settlement Agreement and preserve the existence of the Trust until Trustees are appointed hereunder. The Initial Trustee shall not have authority to make any discretionary decisions, waivers or amendments to the Trust Agreement.

(b) No later than January 14, 1994, the Trustors and the Class Counsel (as defined in the Global Settlement Agreement) shall select three trustees, who shall be the original Class A, Class B and Class C Trustees (such persons, and their successors appointed pursuant to Section 5.3, being referred to as the "Trustees").

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Trustors and Class Counsel have agreed to confer to attempt to reach joint agreement as to the selection of all three original Trustees. If Trustors and Class Counsel cannot agree, Class Counsel will unanimously select the Class A and B Trustees and Trustors will unanimously select the Class C Trustee. Absent agreement among Class Counsel as to the selection of the Class A and B Trustees, or among Trustors as to the selection of the Class C Trustee, all Class Counsel and/or all Trustors agree to appear in Court on January 17, 1994, and with the assistance of the Court, to work from day to day until agreement on the selection of the Trustee(s) for whom they are responsible is reached. Upon acceptance of this Trust Agreement by the original Class A, Class B and Class C Trustees, the Initial Trustee shall resign.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement on
this 23rd day of December, 1993.

TRUSTORS:

FIBREBOARD CORPORATION

By: Michael R. Douglas

Title: Senior V.P. & General Counsel

COLUMBIA CASUALTY COMPANY

By: Laurens F. Terry

Title: V.P. Continental Casualty Co.

CONTINENTAL CASUALTY COMPANY

By: Laurens F. Terry

Title: Vice President

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CNA CASUALTY COMPANY OF
CALIFORNIA

By: Laurens F. Terry

Title: Vice President

PACIFIC INDEMNITY COMPANY

By: John J. Degnan

Title: Senior Vice President

INITIAL TRUSTEE:

Francis McGovern

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TRUST DISTRIBUTION PROCESS

Annex A to the Trust Agreement

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TRUST DISTRIBUTION PROCESS
Annex A to the Trust Agreement

This Trust Distribution Process creates the procedures for submitting, processing and paying Class Member Claims and Third Party Claims. Capitalized terms used in this Trust Distribution Process are defined herein or in the Glossary.

A. Overview.

The primary goal of the Trust is fair and equitable treatment for all Beneficiaries consistent with Trust resources. This Trust Distribution Process furthers that goal by establishing procedures that are intended to process and evaluate Class Member Claims of Beneficiaries impartially, pay all Class Member Claims over time, and maintain reasonable reserves for any Class Member Claims in excess of projections. The Trustees shall implement and administer this Trust Distribution Process in accordance with their duties under the Trust Agreement.

The claims resolution process begins with a proof of claim. The Trust then makes a determination whether the claim meets the criteria for any of the five Scheduled Diseases: Mesothelioma, Lung Cancer, Other Cancer, Asbestos Lung Disease I ("ALD-1") and Asbestos Lung Disease II ("ALD-2"). If the claim meets the criteria for a Scheduled Disease, it will be evaluated based on factors that have significance in the resolution of similar claims by settlement or trial, including but not limited to the factors set forth in Schedule A hereto. If the claim does not meet the criteria for one of the

Scheduled Diseases, the Trust will evaluate whether it nonetheless asserts a compensable claim for an asbestos-related injury.

After evaluation, the Trust will make a good faith settlement offer or advise the Beneficiary of the reasons for rejecting the claim. The Beneficiary may either accept or reject that offer or negotiate further with the Trust. If

the Beneficiary rejects the Trust's offer, he or she may submit supplemental information to the Trust and have his or her claim reevaluated by the Trust and/or negotiate further with the Trust. If negotiation with the Trust fails, the Beneficiary shall, if he or she wishes to pursue the claim, proceed to mediation and then to binding or nonbinding arbitration. Beneficiaries may bring an action against the Trust in the tort system only after they have participated in good faith in both mediation and nonbinding arbitration and have rejected the award in a nonbinding arbitration.

Beneficiaries must also appear at a mandatory settlement conference under the auspices of the Court before proceeding to the tort system. If a Beneficiary rejects settlement following the settlement conference, he or she may elect immediate binding arbitration or exit to the tort system. No punitive damages, pre-judgment or post-judgment interest, damages for risk of cancer, or compensatory damages beyond Fibreboard's own share will be allowable in the tort system. Judgments may be collected only as provided in this Trust Distribution Process.

Similar claims-handling procedures (described in Section H below) apply to certain Third Party Claims including those of Defendant Class Members who succeed to Class Member Claims.

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Class Member Claims and Third Party Claims will be eligible for payment once they are Liquidated, whether by settlement, arbitration, or judgment. Judgments or claims settled after exit to the tort system will normally be paid out over a five-year period, while claims resolved without resort to the tort system will normally be paid over a three-year period. Total payments from the Trust in each year for Trust Expenses, Class Member Claims and Third Party Claims are limited to the amounts set forth in Section E. While the Trust is expected to be able to pay all claims as Liquidated yearly, if amounts available are insufficient to make all payments due on Liquidated claims in any year, claims for Mesothelioma and Lung Cancer will be paid first, then Other Cancer and ALD-1 claims, then ALD-2 claims, and then Residual Claims, whether

any such claims have been Liquidated by settlement, arbitration or judgment.

Within each of those categories, claims will be paid in the order of the date on which a release is received by the Trust (for settled claims), an arbitration ruling is rendered (for claims resolved through arbitration) or a judgment becomes final (for claims resolved in the tort system). Class Member Claims and Third Party Claims which cannot be paid because the amount available for that year is insufficient to make all payments due on such claims will be deferred for payment (FIFO within their payment categories) until the following year.

B. The Claim Procedure.

1. Submitting a Claim. Other than Interim Claims submitted pursuant to

Article 7 of the Global Settlement Agreement, commencing on February 14, 1994, any Beneficiary may submit a claim to the Trust. To do so, the Beneficiary shall provide to

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the Trust, on forms approved by the Trustees and the SCB, a proof of claim including at least the following information concerning the Exposed Person: name, address, social security number, date of birth, date of death (if applicable), marital status and number and age of dependents, spouse's name and social security number, occupation, smoking history, year of first exposure to any asbestos or asbestos-containing products, identification and source of identification of asbestos-containing products manufactured or supplied by Fibreboard to which the Exposed Person was exposed, the work sites where the Exposed Person was exposed to asbestos or to Fibreboard asbestos, the years of such exposures including specific descriptive comments concerning the duration and intensity of such exposure, the status of related workers compensation or civil litigation regarding asbestos exposure, and the Scheduled Disease, if any, for which the Beneficiary believes the claim qualifies or a statement of the disease or injury the Beneficiary asserts he or she has if he or she does not believe he or she qualifies for a Scheduled Disease. In addition, the Beneficiary shall provide the Trust with a Medical Report, a PFT Report and a B-reader Report, and, in Malignancy Claims, a pathology report (where available).

2. Expedited Review Option. The Trust may establish a process for

expedited review of ALD-2 claims by persons desiring an accelerated settlement of their claim at a fixed amount ("Expedited Review Claims"). A Beneficiary seeking such expedited review shall submit an abbreviated proof of claim for expedited review by the Trust. The abbreviated proof of claim shall provide the following information concerning the Exposed Person: name, address, social security number, date of birth, date of death (if applicable), marital status, spouse's name and social security number, occupation, the

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Scheduled Disease for which the Beneficiary believes the claim qualifies, the work sites where the Exposed Person was exposed to asbestos or to Fibreboard asbestos and such information requested by the Trust that adequately demonstrates exposure to asbestos or asbestos-containing products and to Fibreboard asbestos or asbestos-containing products. In addition, the Beneficiary shall supply the Trust with a Medical Report. The Trust will expeditiously review the abbreviated proof of claim and may, but is not required to, offer to settle such Expedited Review Claims for a single fixed cash payment of an amount and on a time schedule established from time to time by the Trust. If the Trust determines not to offer to settle an Expedited Review Claim, the Beneficiary may submit a proof of claim as set forth in Section B.1.

The Trust may establish additional categories of Expedited Review Claims with differing fixed cash payments and differing information requirements. In addition, the Trust may eliminate or suspend the Expedited Review Claim option for one or more categories of Class Member Claims if it determines that such option is encouraging the filing of claims that would not otherwise be eligible for payment under these procedures or is using a disproportionate share of the Trust's assets.

3. Ordering of Claims for Processing. Claims shall be ordered for

processing by the Trust in the manner described in this Section. As a general practice, the Trust shall review its claims files on a regular basis and notify all Beneficiaries whose claims are likely to be processed in the near future. A

Beneficiary's position in the FIFO queue for processing will be determined by the date of receipt by the Trust of a properly completed proof of claim form, and among claims received the same day, by the date of

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diagnosis of the disease on which the claim is based. Where the Beneficiary has filed an incomplete proof of claim, the Trust shall notify the Beneficiary of the need for additional information and shall not process the claim until the file is complete. A Beneficiary shall not receive a position in the FIFO processing queue until his or her proof of claim is properly completed.

4. Initial Evaluation of Claims. As a proof of claim is reached in the -----

FIFO queue, the Trust shall evaluate it to determine whether the claim qualifies as one of the five Scheduled Diseases. A Beneficiary's right to assert a valid claim for an asbestos-related injury or disease is in no way prejudiced by failure of his or her asbestos-related injury or disease to qualify as one of the Scheduled Diseases. If a Scheduled Disease is determined to exist, the Trust shall evaluate the Beneficiary's claim using factors relevant to the resolution of asbestos claims for that Scheduled Disease by settlement or trial, including the factors set forth in Schedule A hereto. If the Trust concludes that the Beneficiary's injury or disease does not meet the criteria for a Scheduled Disease, it shall determine whether the Beneficiary nonetheless asserts a meritorious claim for an asbestos-related injury or disease and shall evaluate the claim using factors relevant to the resolution of similar claims by settlement or trial. If the Trust accepts for disposition a claim with respect to a disease which is not a Scheduled Disease, the Trust shall place it in a Schedule Category based on which Scheduled Disease it most closely resembles.

In addition to the medical evidence which Beneficiaries are required to submit with the initial proof of claim or submit as part of any supplemental information

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provided to the Trust, the Trust may require that additional kinds of medical evidence be provided. The Trust may obtain additional medical evidence which it

believes necessary to evaluate any claim.

Once its evaluation is completed, the Trust shall make a written good faith offer of settlement based upon such evaluation or advise the Beneficiary of the reasons for rejecting the claim. Such responses shall be sent to the Beneficiary's counsel or representative, if any, or to the Beneficiary. The claim shall not be processed further until the Trust receives a response from the Beneficiary. The Beneficiary and the Trust shall then negotiate in good faith toward a resolution of the claim. Once the Trust receives confirmation of resolution of the claim, it shall forward an appropriate form of release approved by the Trust to the Beneficiary's counsel or representative, or to the Beneficiary. The claim's eligibility for payment under Section F shall be based on the date the executed release with respect to a resolved claim is received by the Trust.

5. Further Claims Processing. If the Beneficiary rejects the Trust's

initial offer, he or she may elect to negotiate further with the Trust and may submit additional information to the Trust in support of the claim. Alternatively, he or she may proceed to mediation as set forth below. The Trust shall evaluate claims based on the medical evidence submitted to the Trust as part of the Beneficiary's proof of claim. A Beneficiary may, but need not, supplement this information from time to time with additional medical evidence. If he or she does so, the Beneficiary's legal representative or, if he or she has no legal representative, the Beneficiary shall submit an affidavit or declaration under penalty of perjury, in a form acceptable to the Trust, stating that he or

she has submitted to the Trust all medical reports relating to any alleged asbestos-related condition other than those subject to attorney work product privilege. If the Beneficiary submits supplemental information to the Trust, the Trust shall reevaluate the claim and either make a written good faith settlement offer or reject the claim. The Beneficiary shall then reject or accept any offer based on reevaluation using the procedures outlined above for

rejection or acceptance of the Trust's initial offer. If the Beneficiary rejects such offer, he or she may elect to negotiate further with the Trust or shall proceed to mediation.

6. Second (Malignant) Injury Claims. The Trust shall offer to settle Non-

Malignancy Claims on two alternative bases: 1) in exchange for a general release; or 2) in exchange for a limited release covering all asbestos-related personal injury claims other than subsequent Malignancy Claims. The Trust's settlement offer for a limited release shall be the amount of its offer for the general release minus the lesser of: 1) half of its settlement offer for the general release; and 2) \$1,750. If a Beneficiary accepts the Trust's offer of a limited release, the Trust shall account for the monetary difference between its settlement offer for the general release and its settlement offer for the limited release in a separate account. A Second Injury Claim shall be ordered in the FIFO queue for processing based upon the date of receipt by the Trust of the Second Injury Claim, and shall be treated as a new claim under this Trust Distribution Process.

7. Audit Procedures. In all cases, the Trust may require that medical

x-rays, tests, laboratory examinations and other medical evidence comply with recognized medical standards regarding equipment, testing methods, and procedures to assure that

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such evidence is reliable. The Trust may develop methods for auditing the reliability of all data submitted in support of claims, including product identification and medical evidence, and may require independent interpretation of CT scans, X-rays, pathology specimens or other physical evidence. If its audits show an unacceptable level of reliability for evidence submitted from specific individuals or institutions, the Trust may refuse to accept evidence from them. In addition, the Trust may develop methods for auditing other types of evidence necessary to support a claim.

8. Exigent Health and Extreme Hardship Claims. Notwithstanding the FIFO

order processing rules described in Sections B.2 through B.4, the Trust may

process and Liquidate Extreme Hardship Claims and Exigent Health Claims at any time.

The Trust shall establish procedures to expedite its processing, evaluation and negotiation of Exigent Health Claims and Extreme Hardship Claims as well as the ADR procedures the Beneficiary asserting such a claim shall be required to follow under Section C. Such expedited procedures shall be designed to allow all Exigent Health Claims to be Liquidated within six months of presentation of a properly completed proof of claim to the Trust, and to ensure, to the maximum extent practicable, that in jurisdictions in which Beneficiaries can obtain accelerated trial dates for Exigent Health Claims, the Trust's negotiation process and the ADR procedures can be completed before a trial of an Exigent Health claimant's case against Defendant Class Members.

If the Trust determines, in its sole discretion, that a Beneficiary asserting an Extreme Hardship Claim needs greater financial assistance than would be afforded by the payout scheme set forth in Section F.3, the Trust may accelerate payment to the

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Beneficiary of part or all of the amount for which that claim has been Liquidated as the Trust deems appropriate. Payments with respect to Exigent Health Claims shall be made only in accordance with the payout scheme set forth in Section F.3.

9. Withdrawal of Claims. If the Beneficiary does not respond to the

Trust's offer on initial evaluation or reevaluation within 30 days, the Trust's offer and the claim shall be deemed to be withdrawn without prejudice unless the Beneficiary has requested in writing one or more extensions of time, not to exceed six months in the aggregate, within which to respond to the offer. If the Beneficiary still has not responded to the Trust's offer at the end of the extension period, the Trust's offer and the claim shall then be deemed to be withdrawn without prejudice. A Beneficiary may also elect to withdraw a claim at any time without prejudice. A claim that is withdrawn or deemed to have been withdrawn may be resubmitted at any time, and shall be reordered in the FIFO

queue for processing based on the date of receipt by the Trust of a properly

completed proof of claim with respect to the refiled claim.

C. ADR Procedures.

1. Mediation. If the Beneficiary chooses not to submit supplemental

information or rejects the Trust's offer based on its evaluation of such supplemental information and elects not to negotiate further with the Trust, the Beneficiary's claim shall be referred to mediation. The Trust shall establish and maintain a list of Qualified Mediators, compensated by the Trust. The Trust shall refer claims to Qualified Mediators from the list in rotation as soon as practicable after being notified by the claimant that he wishes to proceed to mediation.

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Claims shall be handled by each mediator in the order received by him or her, to the extent practicable. Any party may be represented by legal counsel. The mediator shall confer with the parties and/or their legal representatives, individually and jointly. Such conference may be in person or by telephone, at the claimant's election. The Beneficiary and a representative of the Trust with settlement authority must personally participate in the conference unless, in the judgment of the mediator, the Beneficiary's physical or psychological condition precludes such participation. Such conference shall be in the nature of a settlement conference. The mediator shall review the claim and the positions of the parties, the prior negotiations between the parties, the offer(s) and demand(s), such information as the parties may wish to submit as to a fair and equitable settlement, and all documents and medical reports relevant to the claim. At least five days prior to the mediation conference, Beneficiary and the Trust shall each submit to the mediator a concise, confidential statement outlining the Beneficiary's medical condition, exposure to Fibreboard products and each party's position on settlement value. The mediator shall work with both sides toward reaching an acceptable, reasonable settlement. The mediator does not have the authority to impose a settlement on the parties.

2. Arbitration. If the Beneficiary is unable to settle his or her claim

with the Trust within 30 days of the mediation conference, the Beneficiary shall, if he or she wishes to pursue the claim, proceed to arbitration of the claim. The arbitration shall be commenced by a written demand for arbitration by the Beneficiary served on the Trust within 45 days of the mediation conference. Such arbitration shall be binding or

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nonbinding at the election of the Beneficiary, which election must be made in the Beneficiary's written demand for arbitration. The Trust and the Beneficiary shall bear their own fees and costs, except that the Trust shall pay the administrative fees and costs of conducting the arbitration unless the arbitrator in his or her sole discretion assesses such administrative fees and costs against any Beneficiary for delaying or abusing the arbitration procedures.

The Trust shall maintain a list of Qualified Arbitrators.

Arbitrations shall be conducted by a single Qualified Arbitrator. The Beneficiary and the Trust shall attempt to agree on a Qualified Arbitrator who will preferably, but not necessarily, be selected from the list maintained by the Trust. If the parties cannot agree on a Qualified Arbitrator, a Qualified Arbitrator shall be selected pursuant to the procedures of an independent arbitration facility to be selected by the Trust or by such other procedures as may be adopted by the Trust. The parties shall provide the Qualified Arbitrator and each other with copies of all relevant materials concerning the claim and any supplementary information they wish the Qualified Arbitrator to consider not less than 30 days prior to the date of the arbitration hearing. The Qualified Arbitrator may require the parties to submit such additional information as he or she deems necessary. The Qualified Arbitrator shall conduct a hearing on the claim at which testimony may be offered, unless both parties agree to waive such hearing. In nonbinding arbitrations, the Beneficiary must attend the hearing in person, unless in the judgment of the Qualified Arbitrator his or her physical or psychological condition makes such attendance impossible. The Qualified

than 120 days from the date on which he or she receives the last submission of information from either of the parties relevant to the claim, unless the parties agree to extend such time. The Award shall be based on the same factors used by the Trust in evaluating claims.

If the Beneficiary elected binding arbitration at the time of the demand, neither party shall have the right to appeal the award other than on grounds set forth in the Federal Arbitration Act. If the Beneficiary elected nonbinding arbitration at the time of the demand, the award shall become final and binding if the Beneficiary does not reject the award by so notifying the Trust in writing within 30 days after receipt of the award. If the Beneficiary does not reject the award as provided above, he or she shall be deemed to have accepted it. If the Beneficiary rejects the award, the award shall not be binding on either party and the Beneficiary may proceed to the tort system under the procedures set forth below.

3. Location for ADR Procedures. The Trust shall establish procedures to -----

conduct mediations and arbitrations at scheduled intervals at such locations around the United States as the Trust determines will be convenient to the largest numbers of claimants and will not impose undue burden on the Trust.

D. Litigation. -----

A Beneficiary may not proceed to litigate his or her claim against the Trust in the tort system unless he or she has in good faith: (1) submitted a proof of claim and rejected the resulting settlement offer from the Trust; (2) participated in a mediation conference and failed to settle his or her claim; (3) participated in nonbinding arbitration

and rejected the resulting arbitration award; and (4) participated in a mandatory settlement conference as described below. The following procedures shall govern any Beneficiary who elects to litigate in the tort system his or her claim against the Trust.

1. Mandatory Settlement Conference. Before any Beneficiary may proceed to

the tort system, the Beneficiary must request the Court to conduct a mandatory settlement conference with respect to the claim. This mandatory settlement conference may be conducted by the Court, or by another judge or a neutral special master designated by the Court, or, if both the Beneficiary and the Trust agree, by a mutually selected, neutral third party other than the Court (the "Settlement Conference Designee"). The settlement conference may be conducted by telephone unless the Court or the Settlement Conference Designee determines, on application by the Trust or the Beneficiary, that the conference should be conducted in person. If the Court or the Settlement Conference Designee so determines, the settlement conference must be attended in person by the Beneficiary, unless in the judgment of the Court or the Settlement Conference Designee his or her physical or psychological condition makes such attendance impossible, and by a representative of the Trust with settlement authority at such location as the Court or the Settlement Conference Designee shall determine. If no settlement is reached within 30 days of the mandatory settlement conference, the Beneficiary and the Trust shall submit to each other on that date a written settlement offer that will remain in effect for an additional 30 days. If neither party accepts the other party's settlement offer during this period, then the Beneficiary may, upon certification from the Court or the Settlement Conference Designee that the

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Beneficiary has completed the settlement conference process and otherwise has complied with the requirements of the preceding paragraph of this Section D, commence a lawsuit against the Trust in the tort system or elect binding arbitration.

2. Procedural Rules.

a. Any Beneficiary who elects binding arbitration following the mandatory settlement conference shall follow the procedures set forth in Section C.2 above. Payment of any resulting award shall, however, be governed by Section F of this Trust Distribution Process.

b. Any Beneficiary who elects to resolve a claim through the tort system may pursue the claim in any appropriate forum, subject to the procedures set forth herein. Payment of any resulting judgment shall, however, be governed by Section F of this Trust Distribution Process.

c. The Trust may assert any and all defenses available to it or which would have been available to any Trustor against which the claim could have been asserted absent Global Approval Judgment with respect to Beneficiaries who elect to resolve their claims through the tort system.

d. In no event shall a Beneficiary be permitted to seek or recover from the Trust in a lawsuit in the tort system any punitive or exemplary damages of any sort. Nor may any claimant seek or recover compensatory damages in excess of Fibreboard's actual share of responsibility or for the actual percentage risk of contracting cancer. Finally, no Beneficiary may seek or recover pre-judgment interest in a suit in the tort

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system. Any other damages available under the applicable law shall remain recoverable except as provided in Section D.2.e below.

e. In no event shall the Trust or any other Person be required to post a bond to stay collection of a judgment in the tort system. Judgments shall be paid by the Trust in the order set forth in Section F below, and no Beneficiary shall be permitted to take any steps to collect a judgment from the Trust except as set forth in this Trust Distribution Process. The Trust shall not be responsible to pay post-judgment interest; in lieu thereof, the procedures set forth in the last sentence of Section F.1 shall apply.

f. (i) The death of a Beneficiary after he or she has filed a proof of claim with the Trust shall not eliminate compensable elements of his or her claim accruing prior to the date of death, by, for example, eliminating any claim for damages for pain and suffering occurring prior to the date of death or by creating an offset to a lost earnings award for personal consumption occurring prior to the date of death, notwithstanding applicable state law to the contrary. (ii) However, such compensable elements may not be recovered after exit to the tort system unless the Beneficiary shows that he or she could

have recovered such damages absent compliance with the requirements of the Trust

Distribution Process.

g. At trial the defendant shall be the Trust and the Trust and Beneficiary shall jointly request that the Trust be introduced to the trier of fact (judge or jury as the case may be) in the following fashion or in another substantially similar fashion as the trial court may direct, in addition to any other evidence permitted by the Court about the Trust's identity, goals and operations:

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Members of the jury, this is an action for damages for [personal injury/ wrongful death] brought by plaintiff[s] against [various defendants, including] the Fibreboard Asbestos Compensation Trust.

The Fibreboard Asbestos Compensation Trust was created by Order of a United States District Court to provide fair and equitable treatment for persons with asbestos injury for which Fibreboard Corporation might bear legal liability. The Trust has a fixed amount of money with which to compensate all persons with an asbestos injury to whom Fibreboard is found to be legally liable. This sum of money must cover all victims, past and future. Under no circumstances may you award any sum designed or intended to punish or make an example of Fibreboard or the Trust.

If you should find that Fibreboard or products manufactured by Fibreboard were a legal cause of injury to plaintiff[s], any payment of damages awarded with respect to Fibreboard's products will be made by the Trust, not by Fibreboard itself. The fact that a trust exists is in no way an indication that you should impose any liability on the Trust. No sum you might award will be paid by either Fibreboard or by insurance; any award will be paid only by the Trust.

h. Any Beneficiary who elects to resolve a claim through the tort system shall provide the Trust (without cost to the Trust) with copies of all pleadings, discovery materials, evaluations, and other similar nonprivileged documentation requested by the Trust in connection with its defense of the claim in the tort system, so that the Trust may efficiently and economically prepare for trial.

E. Funds for Payment of Claims.

As set forth in the Trust Agreement, the Trust shall administer three funds, for payment of Trust Expenses, Class Member Claims and Third Party Claims, to be known as "Fund I," "Fund II," and "Fund III." Fund I is primarily intended to pay expenses of, and claims against, the Trust during the first 25 years after Global Approval

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Judgment. Fund II is primarily intended to pay expenses of, and claims against, the Trust commencing 26 years after Global Approval Judgment, although it is available to pay expenses and claims commencing 21 years after Global Approval Judgment, if Fund I is insufficient for that purpose. Fund III is primarily intended to pay any expenses and claims not paid from Fund I or Fund II, commencing 46 years after Global Approval Judgment, although it is available to pay expenses and claims commencing 41 years after Global Approval Judgment if Fund II is exhausted prior to 46 years after Global Approval Judgment.

In order to assure that, to the maximum extent feasible, Trust resources are preserved and fairly allocated among all Beneficiaries (i.e., those who will have claims in the future as well as those who have claims now) Appendix 1 describes in detail how Trust surpluses realized in any Fiscal Year are to be preserved and limits amounts that can be spent in any Fiscal Year to pay claims from Funds I, II or III. In general, Appendix 1 specifies that payments for Trust Expenses, Class Member Claims and Third Party Claims may not exceed annual earnings on the assets within the relevant Fund plus a portion of the remaining principal (calculated by allocating remaining Fund principal equally over the years remaining in the Fund then in use). If any Surplus remains after payment of all Trust Expenses, Class Member Claims and Third Party Claims and certain indemnity expenses for a Fiscal Year (and after restoration of any increases in Principal Amount used in prior years as described below), such Surplus will either increase the Reserve Account or build Trust principal. This Reserve Account will be used to pay expenses or claims for any later year before Trustees may access any

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Increased Principal Amount to be used in that year. If, however, in any of the

Fiscal Years 3 through 12 or 16 through 20 after Global Approval Judgment, the Earnings Amount and Principal Amount together with the funds contained in the Reserve Account in excess of \$10,000,000 are not sufficient to pay Trust Expenses and to make all payments with respect to Class Member Claims or Third Party Claims for the first two Schedule Categories that are due or all payments with respect to Class Member Claims or Third Party Claims for the third Schedule Category that were due and unpaid on four consecutive prior Distribution Dates, the Trust may increase the usable portion of the Fund principal by up to 25% for any of Fiscal Years 3 through 12 after Global Approval Judgment or 12.5% for any of Fiscal Years 16 through 20 after Global Approval Judgment.

1. Fund I.

a. Commencement of Payments. The Trust shall not pay any Class

Member Claim or Third Party Claim (other than Extreme Hardship Claims and Expedited Review Claims) from Fund I until the Distribution Date first occurring after the end of the first Fiscal Year after Global Approval Judgment.

b. Distributable Amount. Total payments for Trust Expenses, Class

Member Claims and Third Party Claims made from Fund I for any Fiscal Year (i.e., payments for Trust Expenses, Extreme Hardship Claims and Expedited Review Claims made during that Fiscal Year, together with payments for Class Member Claims and Third Party Claims for that Fiscal Year made on the Distribution Date immediately following that Fiscal Year) (other than any payments made from the Reserve Account)

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shall not exceed the Distributable Amount for that Fiscal Year. For the first Fiscal Year after Global Approval Judgment the Earnings Amount for Fund I shall be calculated from the date of Global Approval Judgment.

c. Distribution of Remaining Balance. The transfer from Fund I to

Fund II of any remaining balance in Fund I shall occur on the earlier of (i) the day after the Distribution Date for the twenty-fifth Fiscal Year after Global Approval Judgment, or (ii) the day before the Distribution Date for the first

Fiscal Year occurring after the twentieth Fiscal Year after Global Approval

Judgment in which the maximum possible Distributable Amount is less than the Earnings Amount and the Principal Amount that were in effect for Fund I for the twentieth Fiscal Year after Global Approval Judgment, the Trust shall transfer such remaining balance and the remaining balance of the Reserve Account to Fund II, at which time payments out of Fund II shall commence as provided in Section E.2.

2. Fund II.

a. Commencement of Payments. No payments shall be made from Fund II

until the Distribution Date for the twenty-first Fiscal Year after Global Approval Judgment. If at that time Fund I still has money left to pay Trust Expenses, Class Member Claims or Third Party Claims, no payments shall be made from Fund II until the earlier of: (1) the day after the Distribution Date for the twenty-fifth Fiscal Year after Global Approval Judgment; or (2) the Fiscal Year in which the Distribution Date referred to in Section E.1.c.(ii) occurs.

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b. Distributable Amount. The total amount of payments for Trust

Expenses, Class Member Claims and Third Party Claims made from Fund II for any Fiscal Year is limited to the Distributable Amount for that Fiscal Year.

c. Distribution of Remaining Balance. The transfer from Fund II to

Fund III of any remaining balance in Fund II shall occur on (i) the day after the Distribution Date for the twentieth Fiscal Year after the transfer of the balance in Fund I to Fund II pursuant to Section E.1.c, or (ii) such later date as the Trustees determine would be in the best interests of all Beneficiaries, both present and future (but in no event later than the day after the Distribution Date for the forty-fifth Fiscal Year after Global Approval Judgment); at which time payments out of Fund III shall commence as provided in Section E.3.

3. Fund III.

a. Commencement of Payments. No payments shall be made from Fund III

until the Distribution Date for the forty-first Fiscal Year after Global Approval Judgment. If at that time Fund II still has money left to pay Trust Expenses, Class Member Claims or Third Party Claims, no payments shall be made from Fund III until the date Fund II is exhausted or the balance of Fund II has been transferred into Fund III pursuant to Section E.2.c.

b. Distributable Amount. The total amount of payments for Trust

Expenses, Class Member Claims and Third Party Claims made from Fund III for any Fiscal Year is limited to the Distributable Amount for that Fiscal Year.

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c. Distribution of Remaining Balance. If there is a remaining

balance in Fund III on the day after the Distribution Date for the sixty-first Fiscal Year after Global Approval Judgment, and there are then, or are anticipated by the Trustees to be in the future, any Trust Expenses, Class Member Claims, Third Party Claims and other obligations of the Trust which have not yet been liquidated and/or fully paid, the Trust shall use the remaining balance of Fund III to pay such Trust Expenses, Class Member Claims, Third Party Claims and other obligations of the Trust. Upon the occurrence of the Termination Date, the Trust shall apply any remaining balance of Fund III to such charitable purposes as the Trustees in their reasonable discretion, after consultation with the SCB, shall determine, which charitable purposes, if practicable, shall be related to occupational health.

4. Determination of Distributable Amount for Each Fund. Within 90 days

following the end of each Fiscal Year after Global Approval Judgment, the Trust shall determine the Distributable Amount for such Fiscal Year, which Distributable Amount (after payment of Trust Expenses, Extreme Hardship Claims and Expedited Review Claims for such Fiscal Year) shall be distributed to pay Class Member Claims and Third Party Claims, in the order set forth in Section F.2, on a date, no later than 120 days following the end of each such Fiscal Year, chosen by the Trust (the "Distribution Date").

F. Order, Timing and Limitations on Payments of Claims.

1. Eligibility for Payment. All Class Member Claims and Third Party

Claims become eligible to begin receiving payments from the Trust on the

Distribution Date

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immediately following the Fiscal Year in which such Class Member Claims or Third Party Claims are Liquidated, provided that in the case of settled Class Member Claims the Trust has received the release required by Section B.4. Judgments obtained in the tort system shall be eligible for payment in the same order as Claims Liquidated by settlement or arbitration, except as provided in Section F.3.b, and shall be treated as having been Liquidated on the date the claimant obtains a final, nonappealable judgment, except that upon an unsuccessful appeal by the Trust, the date of Liquidation shall be the date of the trial court judgment.

2. Order of Payment. On each Distribution Date, the Trust shall make

payments on Liquidated Class Member Claims and Third Party Claims in the following order: (1) claims for Mesothelioma and Lung Cancer; (2) claims for Other Cancer and Asbestos Lung Disease I; (3) the first payment on claims for Asbestos Lung Disease II which was due and unpaid on four or more consecutive prior Distribution Dates, (4) the second payment on claims for Asbestos Lung Disease II which was originally due and unpaid on four or more consecutive prior Distribution Dates; (5) the third payment for claims on Asbestos Lung Disease II which was originally due and unpaid on four or more consecutive prior Distribution Dates; (6) any other payments on claims for Asbestos Lung Disease II; and (7) Residual Claims. While it is anticipated that the Trust will be able to pay all Liquidated Class Member Claims and Third Party Claims on each Distribution Date, all payments due on Liquidated claims for Mesothelioma and Lung Cancer must be made before any payments due on Liquidated claims for Asbestos Lung Disease I and Other Cancer may be made, all payments due on Liquidated claims

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for Asbestos Lung Disease I and Other Cancer must be made before any payments

due on Liquidated claims for Asbestos Lung Disease II may be made, the first payment on Liquidated claims for Asbestos Lung Disease II which was due and unpaid on four or more consecutive prior Distribution Dates must be made before any other payments for other Liquidated claims for Asbestos Lung Disease II may be made, the second payment on Liquidated claims for Asbestos Lung Disease II which was originally due and unpaid on four or more consecutive prior Distribution Dates must be made before any other payments for other Liquidated claims for Asbestos Lung Disease II may be made, the third payment on Liquidated claims for Asbestos Lung Disease II which was originally due and unpaid on four or more consecutive prior Distribution Dates must be made before any other payments for other Liquidated claims for Asbestos Lung Disease II and all other payments due on Liquidated claims for Asbestos Lung Disease II must be made before any payments due on Liquidated Residual Claims may be made. Within each of the seven categories, payments due on Class Member Claims and Third Party Claims shall be made in FIFO order based on when the Class Member Claims and Third Party Claims were Liquidated, whether by settlement, arbitration or judgment, except that settled Class Member Claims shall be ordered within each such category according to when the release required by Section B.4 is received by the Trust. Other than by virtue of subrogation to a Class Member Claim pursuant to Section H.5.a, no contribution claim brought by a Defendant Class Member shall be paid inasmuch as resolution of a Class Member Claim against the Trust gives rise to a right of set-off or reduction under

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Section H.1.a of the Trust Distribution Process sufficient to satisfy, and bar the assertion of, any such contribution claim against the Trust.

3. Terms of Payment.

a. Claims Resolved Outside the Tort System. Class Member Claims

resolved without filing an action against the Trust in the tort system and all Third Party Claims shall be eligible for payment over a three-year period, 40% due on the Distribution Date immediately following the Fiscal Year in which such claim was Liquidated and 30% due on each of the next two Distribution Dates, except for Expedited Review Claims paid pursuant to Section B.2 and Extreme

Hardship Claims paid pursuant to Section B.8 of this Trust Distribution Process.

b. Claims Resolved in the Tort System.

(i) Class Member Claims resolved after the filing of an action against the Trust in the tort system shall be eligible for payment on the following schedule. On the Distribution Date following the Fiscal Year in which such a claim was Liquidated, the Beneficiary shall be eligible to receive the lesser of: (1) 100% of the last settlement offer made by the Trust before the Beneficiary filed an action against the Trust in the tort system, or 100% of the proposed Award in nonbinding arbitration with the Trust pursuant to Section C, whichever is greater; and (2) 40% of the amount of the judgment or settlement after the action was filed. The remaining balance of the judgment or settlement shall be eligible for payment on the Distribution Dates following the next four Fiscal Years in equal installments so long as each such installment does not exceed \$50,000. In the event that each such installment would exceed \$50,000, the

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Beneficiary shall be eligible to receive \$50,000 per year until the Class Member Claim is fully paid. In the event that any resulting judgment is less than the proposed Award in nonbinding arbitration with the Trust pursuant to Section C, the Trust shall be entitled to recover as a cost of litigation and deduct from the judgment its cost of mediation and arbitration pursuant to the procedures set forth in Section C.

(ii) Notwithstanding the foregoing, in order to prevent evasion or abuse of the ADR provisions of this Trust Distribution Process, to conserve the assets of the Trust for the benefit of all Beneficiaries, and to manage prudently the cash flow of the Trust in a manner consistent with Section E of this Trust Distribution Process, the Trustees shall have the discretion, in any instance in which the Beneficiaries' judgments against the Trust result from a trial of the claims of more than 15 such Beneficiaries, to pay such judgments in such manner and over such a longer time period (not to exceed 10 years) as the Trustees shall determine is in the best interests of the Trust and of all

Beneficiaries.

4. Deferral of Payments. All Class Member Claims or Third Party Claims

eligible for a payment on a Distribution Date which do not receive that payment on that Date because the Distributable Amount for the Fiscal Year has been exhausted shall have that payment deferred until the following Distribution Date. Any payment obligation so deferred shall retain its position in the FIFO queue as set forth in Section F.2 and shall be accorded priority as set forth in Section F.2. Deferrals may continue from year to year until the Distributable Amount is sufficient to make the payments due on deferred obligations.

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5. Limitation on Payment of Claims. Aggregate payments on account of

Class Member Claims and Third Party Claims arising from any one individual's exposure to asbestos shall not total more than \$500,000, whether the Class Member Claim or Third Party Claim is Liquidated through settlement, mediation, arbitration or in the tort system. Any individual with asbestos-related disease shall be deemed to be a separate exposure for purposes of this section.

G. All Claims Resolved Pursuant to the Trust Distribution Process.

In order to conserve the assets of the Trust, all Claimants are enjoined from filing future litigation based on or arising out of a Class Member Claim or Third Party Claim against the Fibreboard, Continental or Pacific Releasees. Any such claim may only be pursued against the Trust as provided in this Trust Distribution Process.

H. Defendant Class Member Procedures.

Pursuant to the Defendant Class Settlement Agreement, and except as otherwise provided herein, (a) Defendant Class Members are releasing Third Party Claims against the Trust, Fibreboard Releasees, Continental Releasees and Pacific Releasees (except that nothing in this Trust Distribution Process or the Defendant Class Settlement Agreement shall be read as releasing, or be deemed to release, any claims whatsoever Defendant Class Members may have against the Continental Releasees and Pacific Releasees other than those arising out of, or

in any way predicated upon obligations created by, the Insurance Policies); (b) Fibreboard Corporation and the Trust are releasing contribution and indemnity claims arising out of Class Member Claims; and (c) the Continental Releasees and Pacific Releasees are releasing any claims (except for

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reinsurance claims) arising out of Class Member Claims they may have against Defendant Class Members; provided, however, that Defendant Class Members shall have rights against the Trust and the Trust shall succeed to Fibreboard's rights against Defendant Class Members to the extent provided for under this Trust Distribution Process. Without enlarging any substantive rights accorded them by this Trust Distribution Process, Defendant Class Members shall have such procedural rights (relating to procedural issues not expressly dealt with by this Trust Distribution Process) reasonably necessary to pursue or defend rights accorded them by this Trust Distribution Process. Class Member Claims against the Trust to which Defendant Class Members succeed shall be governed by this Section H of the Trust Distribution Process. Settlement Class Members, Fibreboard Corporation, Continental, Pacific and the Trust are bound by the terms of this Section and must abide by the following procedures in connection with suits by Settlement Class Members for asbestos-related injury or disease against Defendant Class Members.

1. Claims Liquidated Before Judgment Against Defendant Class Members.

a. Calculation of Set-Off Amount. If a Settlement Class Member

Liquidates his or her Class Member Claim against the Trust before judgment is rendered in litigation between the Settlement Class Member and Defendant Class Member(s), the Trust (itself or in Fibreboard Corporation's stead) shall be deemed, in such ongoing litigation, to be (i) a settled defendant within the meaning of the law which governs the judgment entered by the trial court (or any underlying verdict) (the "Judgment Forum Law") and (ii) a legally responsible joint tortfeasor under Judgment Forum Law, without

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introduction of further proof. Any judgment obtained by a Settlement Class

Member against Defendant Class Member(s) shall be reduced or set off to reflect the Settlement Class Member's settlement with the Trust in the manner (whether pro tanto, pro rata, jury allocation or apportionment or otherwise), and in the amount provided for under Judgment Forum Law. Where the dollar amount of the settlement between the Trust and the Settlement Class Member is relevant to the calculation of any such reduction or set off, that dollar amount shall be the total amount agreed to by the Settlement Class Member and the Trust in settlement of the Class Member Claim, including all sums paid and agreed to be paid, without any reduction to present value for claims paid or to be paid within three years of Liquidation. For that portion of any claim not to be paid within three years of Liquidation, the amount of reduction or set off will be calculated at present value as of the end of that three year period. Trust estimates as to the length of time likely to elapse before future payments will be made will be binding on Defendant Class Members and Settlement Class Members alike. Where the judgment against the Defendant Class Member(s) resolves only a portion of the Class Member Claim or potential Class Member Claim that the Class Member has settled with the Trust (for example, personal injury as distinct from wrongful death claims), the dollar amount of the settlement between the Trust and the Settlement Class Member used in calculation of any reduction or set off shall reflect any apportionment made by the Trust and the Settlement Class Member reasonably and in good faith with regard to rights of the Defendant Class Members under this Trust Distribution Process, provided (i) that Defendant Class Members shall retain any rights available to them under Judgment

Forum Law to challenge such apportionment, and (ii) that wherever Judgment Forum Law calls for apportionment of economic and non-economic damages, the value assigned to the Trust's settlement of a Class Member Claim shall be allocated between economic and non-economic damages in the same proportion that the subsequent judgment or underlying verdict against Defendant Class Member(s) allocates such damages, notwithstanding any apportionment set forth in the settlement documents.

b. Status of the Trust at Trial. The Settlement Class Member and the

Trust shall consent to any procedures required in order to enable the trial court to establish the amount of any judgment reduction or set off in respect of a Trust settlement as if the Trust, itself or in Fibreboard Corporation's stead, had been a party to the litigation prior to settlement. Should a trial court require that the Trust or Fibreboard Corporation be a party in order to establish such amount, no objection shall be made by the Trust or the Settlement Class Member to the filing by Defendant Class Member(s) of a third-party complaint or to the joinder of the Trust, for itself or in Fibreboard Corporation's stead, as a party for this limited purpose only. The Trust, if made a party, shall not be required to enter an appearance, be subject to discovery as a party, or be subject to default or other trial court process or procedure. Under no circumstances shall Fibreboard Corporation or the Insurers be made parties for any purpose.

c. Discovery and Informational Issues. The Trust shall comply with -----

the rules of discovery under Judgment Forum Law concerning requests for product exposure and disease information provided by the Settlement Class Member pertaining

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to such Class Member Claim. In response to a Defendant Class Member request, the Trust and the Settlement Class Member shall promptly verify, no later than the start of jury selection in the trial of an action by the Settlement Class Member against the Defendant Class Member, the fact of the settlement; and in accordance with Judgment Forum Law, also shall provide information regarding the amount and terms of any such settlement of a Class Member Claim. Without waiver by the Trust or Settlement Class Members of their rights to object to discovery of such information, neither product exposure nor disease information provided pursuant to this Subsection H.1.c shall be considered inadmissible at trial based on Rule 408 of the Federal Rules of Evidence or any of its state law counterparts.

2. Claims Not Liquidated When Verdict or Judgment Obtained Against Defendant Class Members. -----

a. Effect of Verdict or Judgment. Except as provided in Section

H.2.b and Section H.3, if a Settlement Class Member goes to judgment or verdict against one or more Defendant Class Members without having Liquidated his or her Class Member Claim against the Trust, the Settlement Class Member forever waives and releases that portion of his or her Class Member Claim against the Trust which would have been determined (under principles of Judgment Forum Law unaffected by Global Approval Judgment) by the verdict or judgment had the Trust for itself or in Fibreboard Corporation's stead been a judgment defendant.

b. Retention of Several Liability Claim. Notwithstanding any other

provision of Section H.2, where (under principles of Judgment Forum Law unaffected by Global Approval Judgment) the Trust's liability to a Settlement Class Member would be

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several only, or where the Trust's liability as to a particular category of damages (for example, non-economic damages) would be several only, a Settlement Class Member shall retain that several-only aspect of his or her claim against the Trust, even if the Settlement Class Member goes to judgment or verdict against a Defendant Class Member without having Liquidated his or her Class Member Claim. However, no aspect of the Class Member Claim to which principles of joint or joint and several liability would apply shall be so retained.

Should the Trust thereafter settle with the Settlement Class Member based only on the Trust's several liability, the release shall state that Third Party Claims based on joint, or joint and several, liability are not barred by virtue of the several liability settlement and may be pursued in accordance with the provisions of this Trust Distribution Process.

c. Payment of Verdict or Judgment. Upon payment of a verdict or

judgment returned prior to Liquidation of the underlying Class Member Claim, the Defendant Class Member(s) shall succeed in all respects to that portion of the Class Member Claim against the Trust which would have been determined (under principles of Judgment Forum Law unaffected by Global Approval Judgment) by the

judgment in the action against the Defendant Class Member had the Trust for itself or Fibreboard Corporation's stead been a judgment defendant, except to the extent provided in Sections H.2.b and H.5 hereof, and may pursue such Class Member Claim in accordance with this Trust Distribution Process.

Notwithstanding any contrary provisions of Judgment Forum Law, a Class Member Claim to which a Defendant Class Member may succeed under this subsection upon payment of a verdict or judgment shall not be lost or extinguished

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by virtue of a Defendant Class Member's settlement with a Settlement Class Member reached after a contested trial resulting in verdict, or a verdict or jury or court fact finding as to damages or judgment.

3. Tort System Claims Against the Trust. Should a Settlement Class Member -----

proceed to litigation against the Trust pursuant to Section D of this Trust Distribution Process, no objection shall be made in such tort system cases by the Trust or the Settlement Class Member to the filing by Defendant Class Member(s) of a third-party or cross-complaint against the Trust as successor to Fibreboard Corporation under the Global Approval Judgment. Without in any way waiving or limiting the provisions of this Trust Distribution Process limiting the Trust's liabilities with respect to Class Member Claims and Third Party Claims when a Class Member Claim proceeds to litigation against the Trust in the tort system pursuant to Section D, Defendant Class Members shall retain against the Trust whatever rights of contribution and/or indemnification they otherwise would have had against Fibreboard Corporation under Judgment Forum Law and the Trust shall retain whatever Fibreboard Corporation rights of contribution and/or indemnification it would have had against Defendant Class Members under Judgment Forum Law. In the event that after a verdict or judgment against a Defendant Class Member, the Defendant Class Member upon assertion of its rights is determined to have a valid contribution claim or indemnity claim against Fibreboard or the Trust under Judgment Forum Law, the Settlement Class Member's verdict or judgment against the Defendant Class Member shall be reduced or set off in the amount necessary under Judgment Forum Law to satisfy such Defendant Class Member's claim for contribution

or indemnity against Fibreboard or the Trust. Nothing in this Section H.3 or in Section H.2.a shall prevent the Settlement Class Member from liquidating and collection pursuant to other provisions of Section D of this Trust Distribution Process his or her claim against the Trust based on the verdict or judgment referred to in this Section H.3.

4. Litigation Between Defendant Class Members and Settlement Class Members.

In any litigation between Defendant Class Members and Settlement Class Members each shall retain their respective rights under Judgment Forum Law to introduce evidence at trial.

Under no circumstances (other than the commencement by the Trust of formal bankruptcy or insolvency proceedings) shall the Trust (or Fibreboard Corporation) be treated as a bankrupt or insolvent defendant, nor shall the Trust (or Fibreboard Corporation) be considered, for purposes of litigation between Defendant Class Members and Settlement Class Members only, a Person who cannot be made a party for lack of personal jurisdiction, or otherwise a party over whom a Settlement Class Member is unable to obtain jurisdiction.

5. Pursuit of Third Party Claims.

a. Defendant Class Member to Stand in Settlement Class Members' Stead.

In pursuing any Class Member Claim against the Trust to which a Defendant Class Member has succeeded under subsection H.2.c above, (i) the Defendant Class Member shall stand in the stead of the Settlement Class Member in respect of whose Class Member Claim the Defendant Class Member has succeeded, (ii) such Class

Member Claim shall be resolved by Defendant Class Members under this Trust Distribution Process in the same manner as such Class Member Claim would have been resolved had it been asserted by the Settlement Class Member, and (iii) it shall be evaluated on the same basis as if the Settlement Class Member directly

presented his or her Class Member Claim to the Trust, without any enhancement, discount or limitation because it is asserted by a Defendant Class Member. Defendant Class Members must present evidence of such Class Member Claims in the same manner as Settlement Class Members; provided, however, that Defendant Class Members are not required to provide information unavailable to them because such information is solely within the control of the Settlement Class Member. In any event, however, Defendant Class Member Claims are to be evaluated by the same standards as Class Member Claims. For the limited purpose of pursuing Class Member Claims, or otherwise in respect of assertion of other rights specifically granted under this Trust Distribution Process, Defendant Class Members shall be treated as beneficiaries of the Trust; provided, however, that under no circumstances shall Section H.6 below apply to Class Member Claims to which Defendant Class Members have succeeded.

b. Resolution of Claims. Notwithstanding any other provision of this ----- subsection, Class Member Claims to which Defendant Class Members have succeeded under Section H.2.c hereof or Residual Claims shall be decided by binding arbitration under Section C.2 of this Trust Distribution Process, if not settled previously, and may not exit to the tort system. In such arbitrations and in its negotiations with Defendant Class Members, the Trust shall not assert any Fibreboard Corporation defenses based on

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the state of the art, or failure to show negligence or product defect (whether based upon design, manufacture or failure to warn), except in those circumstances under which the Trust would also have asserted those defenses against the Settlement Class Member to whose Class Member Claim the Defendant Class Member has succeeded. Moreover, the Trust shall not assert failure to show negligence or product defect as a defense where a Class Member Claim to which the Defendant Class Member has succeeded is brought by a former manufacturer and/or distributor of asbestos-containing high-temperature pipe and block insulation, if the issues of product defect or negligence (as the case may be) covering such pipe and block insulation were fully litigated to an adverse result against that Defendant Class Member at trial of the underlying asbestos-

related personal injury action. Under no other circumstances shall the results of such trial be given preclusive effect in any such arbitration. Any arbitration under this subsection shall be confidential, and no statement made, or contention advanced, at such arbitration shall be introduced as evidence or otherwise used against the maker or proponent of such statement or contention in the course of any proceeding other than arbitrations under this Trust

Distribution Process.

c. Processing and Payment of Claims. Class Member Claims to which

Defendant Class Members have succeeded shall be included in the FIFO queue established pursuant to this Trust Distribution Process. For purposes of processing, the position of a Class Member Claim to which a Defendant Class Member has succeeded in the FIFO queue shall be determined by the earlier of (a) the date the Settlement Class Member filed with the Trust the underlying Class Member Claim or (b) the date on

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which the Defendant Class Member paid the Settlement Class Member with respect to the judgment or verdict. For purposes of payment, a Class Member Claim to which a Defendant Class Member has succeeded will be placed within the appropriate Schedule Category set forth in Section F.2 and, within such category, in FIFO order, based on the date on which the Defendant Class Member paid the Settlement Class Member in respect to the judgment or verdict. Class Member Claims to which Defendant Class Members have succeeded, shall be paid under the terms set forth in Section F.3.a. Prior to receiving payment the Defendant Class Member shall have provided a release as described in Section B.4.

d. Multiple Claims or Multiple Third Party Claims. Where Defendant

Class Members succeed to a portion of a Class Member Claim by virtue of payment with respect to any verdict or judgment where a Beneficiary retains an interest in the several liability aspect of the same Class Member Claim (regardless of the number of Defendant Class Members who may have succeeded to portions of the Class Member Claim) ("Partial Claims"), Settlement Class Members and Defendant

Class Members shall comply with procedures established by the Trust to ensure that all persons with rights under this Trust Distribution Process in respect of the same Class Member Claim coordinate their effort so that all such Partial Claims can be processed and Liquidated in a single proceeding, designed to resolve all elements of such claims, whether malignancy or non-malignancy, and all causes of action, whether for personal injury, death, loss of consortium, or otherwise against the Trust; provided, however, that nothing in the foregoing shall prevent the Trust, a Settlement Class Member or a Defendant Class

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Member, as the case may be, from electing to give or take a limited, non-malignancy release under this Trust Distribution Process. In evaluating Partial Claims in the course of such a single proceeding, the Trust shall not differentiate among the aspects of such claims based on whether the right to payment is asserted by a Settlement Class Member or Defendant Class Member. In those circumstances where different parties (whether Settlement Class Member and Defendant Class Member(s), or more than one Defendant Class Member) assert rights under this Trust Distribution Process in respect of the same Class Member Claim, any disputes regarding such Class Member Claim shall be presented in a single arbitration. Should more than one Defendant Class Member be entitled to payment from a single settlement or award by the Trust, the Defendant Class Members shall share such amount in the same proportion that each made payments to the Settlement Class Member. Notwithstanding the above or any other provision of this Trust Distribution Process, (i) a Settlement Class Member shall not be entitled to take to the tort system a Class Member Claim if any portion of that claim was resolved as to a Defendant Class Member by settlement or in binding arbitration pursuant to Section H.5.b of this Trust Distribution Process; and (ii) Settlement Class Members retain all rights to resolve their Partial Claims with the Trust after the verdict or judgment against the Defendant Class Member and before one or more Defendant Class Member's related Partial Claim(s) is submitted to the Trust in writing for resolution; provided, however, that the Settlement Class Member's resolution of his or her Partial Claim shall not bind any Defendant Class Members or the Trust with respect to

Member's related Partial Claim. The Trust shall settle Partial Claims only in accordance with Section H.5.d-g.

e. If a Settlement Class Member resolves his or her Partial Claim pursuant to Section H.5.d, the Trust or arbitrator will apportion the settlement or award among all elements of the claims that are being resolved (for example, personal injury, wrongful death, loss of consortium, etc.). Until such time as the Partial Claim of a Defendant Class Member has been Liquidated and paid or denied, the related Partial Claim of a Settlement Class Member Liquidated under Section H.5.d(ii) shall only be entitled to payment of

(i) that portion of the Settlement Class Member's Partial Claim allocated to resolved claims which were not included in the verdict or judgment against the Defendant Class Member, plus

(ii) \$500,000 minus the amount in (i) above, multiplied by the ratio of (x) the several liability portion of the verdict or judgment against the Defendant Class Member to (y) the total underlying verdict or judgment against the Defendant Class Member. Any award of punitive or exemplary damages will be excluded from the verdict or judgment against the Defendant Class Member when calculating (x) or (y).

f. The provisions of Section H.5.e shall not apply if the underlying total verdict or judgment in favor of a Settlement Class Member against one or more Defendant Class Members (excluding any award for punitive or exemplary damages) is \$500,000 or less.

g. The provisions of Section H.5.e will cease to apply if the Partial Claim of a Settlement Class Member plus the related Partial Claims of all Defendant Class Members are Liquidated for a total of \$500,000 or less.

h. The provisions of Section H.5.e will cease to apply as to any Partial Claim of a Defendant Class Member which is not submitted to the Trust and served on the Settlement Class Member, or his attorney, if any, within three

months of the date on which the underlying judgment against the Defendant Class

Member becomes final.

6. Cooperation for Court Approvals. Upon liquidation of his or her Class

Member Claim, each Beneficiary shall cooperate with the Trust in seeking any needed trial court approval under Judgment Forum Law of the settlement.

7. No Modification Without Consent. Neither the terms of this Section H

nor as they apply to Defendant Class Members the provisions of this Trust Distribution Process as to arbitration may be modified without the written concurrence of the Representative Defendant. Other provisions of the Trust Distribution Process may be modified (after prior notice to the Representative Defendant) without the concurrence of the Representative Defendant unless the modification (i) has an adverse effect on Defendant Class Members and (ii) discriminates against them vis-a-vis Settlement Class Members, in which case the modification shall require the written concurrence of the Representative Defendant.

I. Attorneys' Fees.

Attorneys' fees payable in connection with Class Member Claims Liquidated and paid through this Trust Distribution Process, whether as a result of

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settlement, an arbitration award, or a judgment obtained in the tort system, and whether or not calculated as a percentage of recovery, shall be the lower of the fee provided in the contract between the Beneficiary and counsel and 25%. Costs related to the prosecution of the claim shall be subtracted from the recovery before calculating the attorney's fee. Legal fees shall be paid pro rata from the payments due to the Beneficiaries as such payments are made by the Trust.

J. Amendment.

No amendments or waivers of this Trust Distribution Process will be permitted except as set forth in Section 3.1 of the Trust Agreement.

1. Increased Principal Amount. The Trustees may increase the Principal

Amount for any of the third Fiscal Year through the twelfth Fiscal Year after
Global Approval Judgment or the sixteenth Fiscal Year through the twentieth
Fiscal Year after Global Approval Judgment up to the Increased Principal Amount
for that year, if

(i) the Distributable Amount (if not increased as provided in this
sentence) for that Fiscal Year, plus the amount, if any, by which the balance
(on the last business day of that Fiscal Year) of the Reserve Account exceeds
\$10 million, is insufficient to pay all Trust Expenses for such Fiscal Year plus
all Class Member Claims and Third Party Claims included in any of the first two
Schedule Categories due and payable on the Distribution Date immediately
following that Fiscal Year, or any payments with respect to Class Member Claims
or Third Party Claims included in the third Schedule Category that were due and
unpaid on four or more consecutive Distribution Dates prior to the Distribution
Date immediately following that Fiscal Year, and

(ii) the Trustees conclude that increasing the Principal Amount would
be in the best interests of all Beneficiaries, both present and future, and that
the sum of the Earnings Amount for Fund I, such amount in the Reserve Account in
excess of \$10 million and the amount of the Increased Principal Amount does not
exceed the amount required to pay all such Trust Expenses and Class Member
Claims and Third Party Claims included in the first two Schedule Categories and
any payments with respect to

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Class Member Claims or Third Party Claims included in the third Schedule
Category that were due and unpaid on four or more consecutive Distribution Dates
prior to such Distribution Date.

2. Reserve Account. The Reserve Account shall initially be credited with

the full amount transferred to the Trust pursuant to Section 2.3(B) of the
Global Settlement Agreement, minus the sum of

(a) \$1.340 billion of the starting balance of Fund I,

(b) \$200 million, the starting balance of Fund II, and

(c) \$10 million, the starting balance of Fund III.

The Reserve Account is part of Fund I.

The Reserve Account shall be increased on each Distribution Date by

(x) 100%, until the balance of the Reserve Account equals \$25 million,

(y) 50%, after the balance of the Reserve Account equals \$25 million and until the balance of the Reserve Account equals the sum of the Principal Amount and Earnings Amount for the prior Fiscal Year, and

(z) 0%, after the balance of the Reserve Account equals the sum of the Principal Amount and Earnings Amount for the prior Fiscal Year,

of either

(i) if the Unreimbursed Borrowings as of such date is zero or a positive number, then the Surplus as of such date, or

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(ii) if the Unreimbursed Borrowings as of such date is a negative number, but such Unreimbursed Borrowings plus the Surplus as of such date is a positive number, then such positive number, or

(iii) if Unreimbursed Borrowings as of such date plus the Surplus as of such date is zero or a negative number, then zero (so that this calculation shall not result in a decrease in the Reserve Account).

The Reserve Account shall be used to pay all Trust Expenses, Class Member Claims, Third Party Claims and payments made pursuant to Section 7.16 of the Trust Agreement (it being understood that such payments pursuant to Section 7.16 shall not be limited by the amounts in the Reserve Account) for any Fiscal Year in which the Principal Amount and the Earnings Amount is insufficient for such purpose; provided, that the provisions of this sentence shall not be applied to require the reduction of the balance of the Reserve Account below \$10

million. Notwithstanding the foregoing, during the first Fiscal Year after Global Approval Judgment, the Trustees shall create and thereafter maintain an appropriate reserve (to be taken out of the amounts otherwise included in the Reserve Account) for required payments in later Fiscal Years for Class Member Claims and Third Party Claims presented in such first Fiscal Year or before, which reserve shall not be otherwise available for the purposes of the immediately preceding sentence. The Trustees shall have the discretion to utilize any

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and all amounts in the Reserve Account to pay Trust Expenses, Class Member Claims, Third Party Claims and payments pursuant to Section 7.16 of the Trust Agreement.

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SCHEDULE A

Injury -----	Factor -----
Mesothelioma	Fibreboard share age at diagnosis of mesothelioma venue and status of litigation amount of lost income claimant alive or deceased number of dependents
Lung Cancer	Fibreboard share year of diagnosis venue and status of litigation degree of functional impairment industry of most significant exposure amount of lost income number of dependents current or former smoker ILO x-ray reading
Other Cancer	Fibreboard share age at diagnosis of cancer venue and status of litigation degree of functional impairment time since first exposure prior claim of less severe injury employment status number of minor dependents
Asbestos Lung Disease I	Fibreboard share venue and status of litigation degree of functional impairment industry of most significant exposure disputed claim claimant alive or deceased claimant housebound and sedentary claim for lost wages ILO x-ray reading
Asbestos Lung Disease II	Fibreboard share venue and status of litigation degree of functional impairment ILO x-ray reading

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DEFENDANT CLASS
SETTLEMENT AGREEMENT

This Defendant Class Settlement Agreement is made and entered into as of December 22, 1993, by and among Owens-Illinois, Inc., a Delaware corporation ("Representative Defendant"), as representative of the Defendant Class, acting by and through Defendant Class Counsel; Fibreboard Corporation, a Delaware corporation; the Representative Plaintiffs as representatives of the Settlement Class, acting by and through Class Counsel; Continental Casualty Company, an Illinois corporation ("Continental"); CNA Casualty Company of California, a California corporation ("CNA Casualty"); Columbia Casualty Company, an Illinois corporation ("Columbia"); and Pacific Indemnity Company, a California corporation ("Pacific"), together the "Parties."

R E C I T A L S

A. On August 27, 1993, Class Counsel, Fibreboard Corporation, Continental, CNA Casualty, Columbia, and Pacific announced an agreement in principle to settle all future asbestos-related personal injury claims against Fibreboard (the "Global Settlement"). The Global Settlement is set forth in the transcript of a hearing before the Honorable Robert Parker, Chief Judge, United States District Court for the Eastern District of Texas (the "Global Court"). The Global Settlement, as announced, was subject to the execution of definitive agreements and final court approval, among other conditions.

B. In connection with implementing the Global Settlement, Representative Plaintiffs, on behalf of themselves and the Settlement Class, filed the Class Action on

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September 9, 1993. On September 9, 1993, the Court provisionally certified the Settlement Class as a mandatory, non-opt out class under Federal Rules of Civil Procedure, Rule 23(b)(1)(B), and entered a temporary restraining order preventing any member of the Settlement Class from initiating any asbestos - related claims against Fibreboard. The relief afforded by the temporary restraining order was extended by the entry of a preliminary injunction on September 27, 1993, which shall remain in effect pending notice to the Settlement Class and the hearing and determination of the fairness, reasonableness, and adequacy of the proposed settlement of the Class Action.

C. In December, 1993 Representative Plaintiffs on behalf of themselves and as representatives of the Settlement Class, Fibreboard Corporation, Continental, CNA Casualty, Columbia, and Pacific, entered into a definitive agreement to implement the Global Settlement (the "Global Settlement Agreement"). A copy of the Global Settlement Agreement (including exhibits thereto) is attached as Exhibit A hereto.

D. The expenditures necessary to process and resolve asbestos lawsuits have contributed to more than ten major asbestos defendants filing for bankruptcy reorganization. Because some of these defendants represented a significant portion of the traditional liability share for asbestos personal injury cases, and since many jurisdictions apply the principle of joint and several liability, these bankruptcy filings have increased costs substantially

and have caused significant delays to plaintiffs.

E. Claims for contribution and/or indemnification are infrequently litigated in asbestos personal injury cases. The vast majority of asbestos - related personal injury cases are settled by all defendants before trial. In those cases where trials result in

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judgments against non-settling defendants, the law in most jurisdictions protects settling defendants against claims for contribution and/or indemnity by judgment debtors. Nevertheless, the potential remains for litigation of contribution and/or indemnity claims. The parties to the Global Settlement Agreement and the members of the Defendant Class all have strong and common interests in preventing a Fibreboard Corporation insolvency, in Fibreboard Corporation funding a Global Settlement, in Fibreboard Corporation paying its unfunded settlement obligations and in resolving potential Third Party Claims by Defendant Class Members without the delay, expense, and uncertainty of litigating such claims. Although Defendant Class Members are numerous and include, among others, manufacturers, distributors, shipowners, premises owners and/or occupiers, and so-called "peripheral" defendants, any differing interests that may exist among Defendant Class Members are outweighed by the benefits to the Defendant Class as a whole afforded by the funds to be provided by the success of the Global Settlement Agreement.

F. Fibreboard Corporation has been engaged in insurance coverage litigation with Continental and Pacific for a number of years. Although Fibreboard Corporation was awarded coverage under a trial court judgment, the insurers appealed that judgment and the outcome of the appeal remains uncertain. The interests of the Defendant Class are served by the Global Settlement Agreement, which provides over \$1.5 billion to compensate Settlement Class members for asbestos-related personal injuries for which Fibreboard Corporation may bear legal liability, while eliminating the risk that Fibreboard Corporation may lose insurance coverage, and which also may enable Fibreboard Corporation to fund existing unfunded settlement obligations totalling over \$1.0 billion.

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Absent the funds that will be made available by and as a result of the Global Settlement Agreement, Defendant Class Members could bear a proportionately greater share of the overall liability for asbestos-related personal injuries.

G. Representative Defendant adequately represents the interests of the Defendant Class, in that Representative Defendant is a publicly held corporation that has been sued in thousands of asbestos-related personal injury lawsuits in jurisdictions throughout the country.

H. Defendant Class Counsel have extensive experience in asbestos - related litigation. Defendant Class Counsel have reviewed the Global Settlement Agreement (including the exhibits thereto) and have been advised of the record to date in the Class Action, and have otherwise conducted a thorough investigation of the facts and law relevant to the matters set forth herein. Based upon this experience and investigation, Defendant Class Counsel have determined that this Agreement is in the best interests of the Defendant Class.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the Parties hereby agree as follows:

I. DEFINITIONS

Capitalized terms used, and not otherwise defined, herein are defined in the Glossary of Terms attached as Exhibit A to the Global Settlement Agreement.

II. RESOLUTION OF DEFENDANT CLASS CLAIMS

A. Defendant Class Members hereby release the Released Parties from any and all Third Party Claims and agree that the Global Approval Judgment shall bar and

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enjoin permanently Defendant Class Members from prosecution of any Third Party Claims against any of the Released Parties in any proceeding or court.

B. Fibreboard Corporation, Continental, CNA Casualty, Columbia, Pacific and the Trust release contribution and/or indemnity claims against Defendant Class Members as set forth in the Trust Distribution Process.

C. Defendant Class Members shall have the rights described in Section H of the Trust Distribution Process.

III. ACTIONS TO IMPLEMENT THIS AGREEMENT

A. Fibreboard Corporation shall commence, as a third-party claim or other appropriate pleading in the Class Action, a mandatory, non-opt out class action against the Defendant Class pursuant to Federal Rules of Civil Procedure, Rule 23(b)(1) and (2) (the "Defendant Class Action").

B. The Parties shall join in motions, in form and substance satisfactory to counsel for each of the Parties, to certify provisionally the Defendant Class for settlement purposes only, to preliminarily enjoin the prosecution of any Third Party Claim during the pendency of the Defendant Class Action and for entry of the Defendant Class Order and Global Approval Judgment. Should the motions to certify provisionally the Defendant Class for settlement purposes only and to preliminarily enjoin the prosecution of any Third Party Claims be granted, while the orders granting those motions are in effect before entry of Global Approval Judgment, Section H of the Trust Distribution Process and this Defendant Class Settlement Agreement shall govern -- as if they were fully operative -- the rights and liabilities of the Parties with respect to claims of Defendant Class Members arising out of

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Interim Claims resolved under Section 7 of the Global Settlement Agreement;

provided that during the Interim Period Fibreboard, the Insurers, the Interim Committee and the Escrow Fund shall have (as appropriate and consistent with Section 7 of the Global Settlement Agreement) the rights and responsibilities assigned to the Trust in Section H of the Trust Distribution Process. Should Global Court Disapproval occur, Defendant Class Members shall be restored to any rights they may have under applicable law to pursue claims otherwise released under this Defendant Class Settlement Agreement.

C. Notice shall be given to the Defendant Class in form and substance satisfactory to counsel for each of the Parties and approved by the Court.

Pursuant to such notice, a hearing shall be held pursuant to Federal Rules of Civil Procedure, Rule 23 (e), to determine the fairness and reasonableness of the settlement contemplated by this Defendant Class Settlement Agreement.

D. The certification of the Defendant Class pursuant to this Defendant Class Settlement Agreement shall be binding if Global Approval Judgment is entered.

E. In the event either (i) Global Court Disapproval occurs; (ii) Class Counsel move to convert the Class Action or the Defendant Class Action to a litigation class action; (iii) either the Court or the Global Court enters an order over objection by the Representative Defendant converting the Class Action or the Defendant Class Action to a litigation class action; or (iv) before Global Approval Judgment or Global Court Disapproval, the Trust Distribution Process is amended without complying with Section H.7 of the Trust Distribution Process, then the order certifying the Defendant Class shall be vacated, and Fibreboard Corporation and Representative Defendant shall stipulate to the

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dismissal of the Defendant Class Action without prejudice, and the Parties shall

return in all respects to the status quo ante, including, but not limited to,

the revocation of any releases given in this document or in the Trust Distribution Process. The Defendant Class shall retain any and all rights to object to the continued prosecution of such action as a litigation class action under Rule 23. Neither this Defendant Class Settlement Agreement, nor its exhibits, nor the settlement negotiations, nor the proceedings seeking approval of the settlement, may be used in support of any application for a determination that such action or any other action shall proceed as a class action except for the purposes of the settlement in accordance with this Defendant Class Settlement Agreement, or as evidence in any litigation or proceeding against any of the Parties other than an action or proceeding to enforce the provisions of this Defendant Class Settlement Agreement.

IV. MISCELLANEOUS

A. Amendments. No amendment of any provision of this Defendant Class

Settlement Agreement (or to Section H of the Trust Distribution Process) shall be valid unless the same shall be in writing and signed by all Parties hereto and, upon the request of any of them, approved by the Court.

B. Counterparts. This Defendant Class Settlement Agreement may be

executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

C. Further Actions. The parties shall take such reasonable actions

as may be necessary or appropriate to consummate or implement this Defendant Class Settlement Agreement.

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D. The Representative Defendant shall not be responsible for any cost or expenses (including the expense of any class notice) associated with obtaining any necessary Court approvals of this Defendant Class Settlement

Agreement. In the event of Global Approval Judgment, Representative Defendant may apply to the Court for approval of reimbursement of its own reasonable costs and expenses, including the reasonable cost and expenses of its counsel, in an amount not to exceed \$250,000, incurred in connection with negotiating and obtaining any necessary approvals of this Defendant Class Settlement Agreement. In the event of Global Court Disapproval, Fibreboard and the Insurers will negotiate in good faith with the Representative Defendant regarding whether, and to what extent, reimbursement of Representative Defendant's expenses is appropriate.

E. Defendant Class shall not change the identity of Representative Defendant without consent of Class Counsel, Fibreboard Corporation, Continental and Pacific without approval of the Court.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Parties hereto, thereunto duly authorized.

ON BEHALF OF DEFENDANT CLASS

By Philip McWeeny

Philip McWeeny

FIBREBOARD CORPORATION

By Michael R. Douglas

Title: Sr. Vice President and
General Counsel

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CONTINENTAL CASUALTY COMPANY

By Laurens F. Terry

Title: Vice President

CNA CASUALTY COMPANY OF CALIFORNIA

By Laurens F. Terry

Title: Vice President

COLUMBIA CASUALTY COMPANY

By Laurens F. Terry

Title: Vice President
Continental Casualty Co.

PACIFIC INDEMNITY COMPANY

By John J. Degnan

Title: Senior Vice President

ON BEHALF OF SETTLEMENT CLASS

By Joseph F. Rice

Joseph F. Rice, Esq.

By Joseph B. Cox

Joseph B. Cox, Jr., Esq.

By Steven Kazan

Steven Kazan, Esq.

By Harry F. Wartnick

Harry F. Wartnick, Esq.

ESCROW AGREEMENT

ESCROW AGREEMENT made this 23rd day of December, 1993, by and among Continental Casualty Company, an Illinois corporation ("Continental"), Pacific Indemnity Company, a California corporation ("Pacific"), and The First National Bank of Chicago (the "Escrow Agent").

WHEREAS, Continental, Pacific and Fibreboard Corporation, a Delaware corporation, have entered into an Agreement dated as of October 12, 1993 (as the same may be amended from time to time, the "Settlement Agreement") relating to the settlement of lawsuits relating to questions of insurance coverage, all as described in the Settlement Agreement;

WHEREAS, Fibreboard Corporation, Continental, Pacific, the Representative Plaintiffs (acting by and through Class Counsel) (as such terms are defined in the Glossary attached to the Global Settlement Agreement (as defined below) as Exhibit A (the "Glossary")) entered into a Global Settlement Agreement as of August 27, 1993 (as the same may be amended from time to time, the "Global Settlement Agreement"), relating to the settlement, *inter alia*, of personal injury lawsuits and lawsuits relating to questions of insurance coverage, all as described in the Global Settlement Agreement;

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WHEREAS, the Global Settlement Agreement provides for payment of an aggregate amount of \$1,525,000,000 by Continental and Pacific into an escrow account pending further distribution of such funds; and

WHEREAS, the parties desire to arrange for such escrow and appoint Escrow Agent as the escrow agent in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. Interpretation and Definitions. This Escrow Agreement is being

executed and delivered pursuant to Section 2.3 of the Global Settlement Agreement and the Escrow Account created pursuant to this Escrow Agreement is the Escrow Fund referred to therein. The provisions of this Escrow Agreement shall not in any event be construed so as to enlarge or diminish the rights of any party under the Global Settlement Agreement. Capitalized terms used and not defined herein have the meanings given to them in the Glossary.

2. Appointment and Compensation of Escrow Agent. Escrow Agent is hereby

appointed to act as escrow agent in accordance with the terms hereof, and

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Escrow Agent hereby accepts such appointment. Escrow Agent shall have all the rights, powers, duties and obligations provided herein. All persons dealing with the Escrow Agent are released from inquiry into the decision or authority of the Escrow Agent and from seeing to the application of any monies, securities or other property paid or delivered to the Escrow Fund. Escrow Agent shall be entitled to charge the Escrow Account for its fees, as determined in accordance with the fee letter attached hereto as Exhibit A, and for reimbursement of reasonable costs and expenses suffered or incurred by Escrow Agent in connection with the performance of its duties and obligations hereunder including, but not limited to, any suit in interpleader brought by Escrow Agent.

3. Deposit and Investment of Funds. (a) On December 30, 1993,

Continental shall deliver \$986,827,500, and Pacific shall deliver \$538,172,500, for an aggregate amount of \$1,525,000,000 (collectively, the "Funds") to Escrow Agent, by wire transfer of immediately available funds to such account of Escrow Agent that Escrow Agent identifies in a writing delivered to Continental and Pacific.

(b) On or before the date hereof, Escrow Agent shall establish at the

office of its corporate trust department in Chicago, Illinois and, at all times thereafter until the escrow created by this Escrow Agreement shall have terminated pursuant to Section 6 hereof (the "Escrow Termination Date"), shall maintain a separate account entitled the "Fibreboard Asbestos Claimants Escrow Account" (the "Escrow Account").

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All funds, securities and other property held by the Escrow Agent (collectively, the "Escrow Assets") at any time pursuant to this Escrow Agreement, including the Funds and all investments, interest, earnings and proceeds thereof and thereon, shall be held in the Escrow Account. No property other than the Escrow Assets shall be held in the Escrow Account. Escrow Agent shall make and maintain, at all times until the Escrow Termination Date, appropriate entries in its books and records to reflect that all of the Escrow Assets existing from time to time are held in the Escrow Account.

(c) During the term of this Escrow Agreement, Escrow Agent shall invest and reinvest the Escrow Assets from time to time in obligations backed by the full faith and credit of the United States of America which have a maturity date which is not more than three months from the date of acquisition ("Eligible Treasury Securities"); provided, however, that pending investment or prompt distribution Escrow Agent may invest funds in an aggregate amount at any time not exceeding the lesser of \$10,000,000 or 5% of the amount of the Escrow Assets in (i) a money market fund or funds sponsored by an Eligible Institution (as defined below) or (ii) repurchase agreements with an Eligible Institution with a term of not more than one day for Eligible Treasury Securities, with respect to which such Eligible Treasury Securities are held by Escrow Agent in its account with a Federal Reserve Bank and maintained on its books and records in the Escrow Account. An Eligible Institution shall mean a commercial bank having a combined capital and surplus of at least Five Hundred Million Dollars

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(\$500,000,000) and which is well capitalized or adequately capitalized (as such terms are defined in applicable federal regulations).

The Escrow Agent shall liquidate investments in order to comply with the provisions of this Escrow Agreement without liability for any resulting losses. Any losses incurred from an investment shall be borne by the Escrow Account.

4. Accrued Interest on the Escrow Assets. All interest and earnings of -----

the Escrow Assets shall be added to and become part of the Escrow Assets, and shall be held by Escrow Agent under this Escrow Agreement.

5. Payments of Amounts Held in Escrow Account. (a) Subject to Sections -----

5(b) and 5(c) hereof, upon termination of the Escrow Agreement pursuant to Section 6 hereof, Escrow Agent shall distribute all amounts held in the Escrow Account pursuant to (i) written payment instructions executed by each of Continental, Pacific, Fibreboard Corporation, Class Counsel (acting on behalf of the Settlement Class), and, after appointment of the Trustees, the Trustees or (ii) an order obtained after a hearing held on notice to each of Continental, Pacific, Fibreboard Corporation and Class Counsel (a "Court Order") of the United States District Court for the Eastern District of Texas.

(b) At any time and from time to time during the term of this Escrow Agreement, Escrow Agent shall (i) at the written direction of each of Continental, Pacific, Fibreboard Corporation, Class Counsel, and, after appointment of the Trustees, the Trustees distribute such amount or amounts to such person or persons and at such time or times as each of Continental, Pacific, Fibreboard Corporation, Class Counsel, and, after appointment of the Trustees, the Trustees shall direct in an Interim Payment Direction or (ii) in accordance with a Court Order, distribute such amount or amounts to such person or persons and at such time or times as is specified in the Court Order. Any payment instructions to the Escrow Agent shall include the mailing address and taxpayer identification number of the person or persons receiving the distribution hereunder.

(c) Notwithstanding any contrary provision of this Escrow Agreement, within the 30-day period following the end of each calendar quarter, Escrow Agent shall pay to Continental 64.71% and to Pacific 35.29% of 5% of the income earned by the Escrow Account during such calendar quarter.

6. Termination. Escrow Agent shall maintain the Escrow Account and hold

the Escrow Assets in escrow pursuant to this Escrow Agreement until receipt of written notice of termination from each of Continental, Pacific, Fibreboard Corporation, Class Counsel, and, after appointment of the Trustees, the Trustees.

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7. Escrow Agent Qualifications. Escrow Agent shall at all times be (i) a

bank, savings and loan association or trust company in good standing, organized and doing business under the laws of the United States or a state of the United States or a United States branch of a foreign bank, (ii) have combined capital and surplus of not less than Five Hundred Million Dollars (\$500,000,000) and be well capitalized or adequately capitalized (as such terms are defined in applicable federal regulations) and (iii) be authorized under the laws governing its organization to exercise corporate trust powers and be authorized under such laws to enter into and perform this Escrow Agreement. If Escrow Agent shall at any time cease to have the foregoing qualifications, Escrow Agent shall give notice of resignation to Continental and Pacific as provided in Section 10 hereof and Continental and Pacific agree to thereupon promptly appoint a qualified successor escrow agent in accordance with Section 11.

8. Limitations on Liability of Escrow Agent.

(a) Escrow Agent may act upon any written notice, certificate, instrument, request, waiver, consent, paper or other document that Escrow Agent in good faith reasonably believes to be genuine and to have been made, sent, signed, prescribed, or presented by the proper person or persons acting on

behalf of the parties named in paragraph 5(a) and 5(b). Escrow Agent shall not be liable for any action taken or omitted by it in connection with the performance of its duties and obligations hereunder, except for its own gross negligence or willful misconduct. Escrow Agent shall be under no obligation to institute or defend any action, suit or legal proceeding in connection

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with this escrow or this Escrow Agreement unless it is indemnified to its satisfaction by the party or parties who desire that it undertake such action.

(b) Escrow Agent shall be under no obligation or liability for failure to inform Continental, Pacific, Fibreboard Corporation or Class Counsel regarding any transaction or facts within Escrow Agent's knowledge, even though the same may concern the matters described herein, provided they do not prevent or interfere with Escrow Agent's compliance with this Escrow Agreement, nor shall Escrow Agent be liable for the sufficiency, correctness or genuineness as to form, manner of execution or validity of any instrument deposited, nor as to identity, authority, or rights of any person executing the same, except as above provided.

(c) Should Escrow Agent during or after the term of the escrow receive or become aware of any conflicting demands or claims with respect to the Escrow Account, Escrow Assets or the rights of any of the parties hereto, Fibreboard Corporation or Class Counsel, Escrow Agent shall have the right to discontinue any or all further acts on its part until such conflict is resolved to its satisfaction, and Escrow Agent shall have the further right to commence or defend any action or proceeding for the determination of such conflict. In the event Escrow Agent should file suit in interpleader and deposit the Escrow Assets in dispute in a court of competent jurisdiction, it shall be fully released and discharged from all further obligations under this Escrow

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Agreement with respect to such Escrow Assets (but such release and discharge shall not relieve Escrow Agent from any liability incurred prior to such event).

(d) Escrow Agent may consult with legal counsel satisfactory to it in connection with any dispute, the construction of any provision of this Escrow Agreement or the duties and obligations of Escrow Agent under this Escrow Agreement.

9. Accounts and Release of Escrow Agent. (a) The retention and

distribution of the Escrow Assets in accordance with the terms and provisions of this Escrow Agreement shall fully and completely release Escrow Agent from any obligations or liabilities assumed under this Escrow Agreement with respect to the Escrow Assets. Nothing in this Escrow Agreement shall be interpreted as depriving the Escrow Agent, Continental, Pacific, Fibreboard Corporation or Class Counsel of the right to have a judicial settlement of the Escrow Agent's accounts, and upon any proceeding for a judicial settlement of the Escrow Agent's accounts or for instructions the only necessary parties thereto will be the Escrow Agent, Continental, Pacific, Fibreboard Corporation and Class Counsel.

(b) The Escrow Agent shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be done, including such specific records as shall be agreed upon in writing between Continental, Pacific and the Escrow Agent. Within ten (10) days following the close of each calendar

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month, the Escrow Agent shall deliver to Continental, Pacific, Fibreboard Corporation and Class Counsel a written account of its administration of the escrow during such month and cumulatively for the period from the date hereof through the end of such month, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or received being shown separately), showing all cash, securities and other property held in the Escrow Account at the end of such month and the book and fair market value of all Escrow Assets.

(c) All accounts, books and records maintained pursuant to this Section shall be opened to inspection and audit at all reasonable times by Continental, Pacific, Fibreboard Corporation and Class Counsel and their respective representatives.

(d) The fair market value of the Escrow Assets shall be determined by the Escrow Agent whenever required pursuant to the Escrow Agreement, but in any event not less than monthly. The Escrow Agent may base such determination upon such sources of information as it may deem reliable including, but not limited to, information reported in (i) newspapers of general circulation, (ii), standard financial periodicals or publications, (iii) statistical and valuation services, (iv) the records of securities exchanges or brokerage firms deemed by the Escrow Agent to be reliable, or any combination thereof. The Escrow Agent shall promptly inform Continental, Pacific,

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Fibreboard Corporation and Class Counsel of any such valuation and provide them with complete copies thereof.

10. Resignation and Removal of Escrow Agent. Escrow Agent may be removed

by the joint action of Continental and Pacific, with or without cause, at any time upon 15 days' prior written notice to Escrow Agent, which notice may be waived by Escrow Agent. Escrow Agent may resign at any time upon 60 days' prior written notice to Continental, Pacific, Fibreboard Corporation and Class Counsel.

Notwithstanding any resignation or removal of Escrow Agent pursuant to Section 7 hereof or this Section 10, such resignation or removal shall not be effective and Escrow Agent shall continue to serve in its capacity as Escrow Agent until (i) a successor escrow agent is appointed in accordance with the provisions of Section 11 hereof and has accepted such appointment and (ii) the Escrow Assets together with such records and documents as may be reasonably

required to enable the successor escrow agent to properly administer the Escrow Fund have been transferred to and received by such successor escrow agent. Continental and Pacific shall promptly take the necessary action to appoint a successor escrow agent in accordance with the provisions of Section 11 hereof.

11. Appointment of Successor Escrow Agent. If at any time Escrow Agent

shall resign, be removed or otherwise become incapable of acting as Escrow Agent

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pursuant to this Escrow Agreement, or if at any time a vacancy shall occur in the office of Escrow Agent for any other cause, a successor Escrow Agent that meets the qualifications set forth in Section 7 shall be appointed jointly by Continental and Pacific by a written instrument delivered to the successor Escrow Agent with a copy delivered to the Escrow Agent. If no successor Escrow Agent is appointed (i) within 30 days after the time Escrow Agent becomes incapable of acting or a vacancy occurred in the office of Escrow Agent or (ii) within 60 days of Escrow Agent's giving notice of resignation, any party hereto may petition a court of competent jurisdiction for an appointment of a successor Escrow Agent. Upon the appointment and acceptance of any successor Escrow Agent hereunder, Escrow Agent shall transfer the Escrow Assets to its successor. Upon receipt by the successor Escrow Agent of the Escrow Assets, Escrow Agent shall be discharged from any continuing duties or obligations under this Escrow Agreement, but such discharge shall not relieve Escrow Agent from any liability incurred prior to such event, and the successor Escrow Agent shall be vested with all rights, powers, duties and obligations of Escrow Agent under this Agreement.

12. IRS Filings and Examinations. (a) For federal income tax

purposes, the parties expect that Continental will be allocated 64.71% of the income, gains and deductions of the Escrow Fund and that Pacific will be allocated 35.29% of the income, gains and deductions of the Escrow Fund and that Continental and Pacific will each be required to include those items of taxable

income, gains and deductions of the Escrow Fund which are attributable to them in computing their separate taxable income and this

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Escrow Agreement shall be construed accordingly. Notwithstanding the foregoing, Escrow Agent shall timely file such tax and other returns and statements for the Escrow Account (collectively "Returns"), and shall provide for and pay such taxes, as are required to comply with applicable provisions of the Internal Revenue Code of 1986, as amended, and of any state or local law and the regulations promulgated thereunder. The Escrow Agent shall provide all completed Returns to Continental and Pacific at least 10 days in advance of the due date for such Returns and shall obtain the consent of Continental and Pacific to all Returns before they are filed. The Escrow Agent is authorized to employ such agents and independent contractors as it deems necessary in its best judgment in order to perform the federal and state tax reporting required by this paragraph. Continental and Pacific will advise the Escrow Agent of the party who will sign any required federal and state tax returns on behalf of the Escrow Account.

(b) The Escrow Agent agrees that Continental and Pacific shall have the sole and exclusive responsibility for handling any income tax examinations relating to the Escrow Fund. All costs and expenses of any income tax examination relating to potential tax liability of the Escrow Fund, including the expense of defending any adjustments or proposed adjustments, shall be charged to the Escrow Fund.

(c) Escrow Agent agrees that it will inform Continental and Pacific promptly of all questions raised by agents conducting an income tax examination of the Escrow Account and shall cooperate with accountants, tax advisers and counsel retained

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by Continental and Pacific in working with the income tax agents and in responding to any questions and proposed tax adjustments.

given in writing and either (a) delivered in person, (b) transmitted by telex, telefax or other telecopy mechanism, provided that any notice so given is also mailed as provided in clause (c), or (c) mailed, postage prepaid, receipt requested, as follows:

If to Continental, addressed to:

Continental Casualty Co.
Specialty Claims Office, 12th Floor
50 Fremont Street
San Francisco, CA 94105
Attention: Claim Manager
Telecopier: (415) 512-4899

and

WACHTELL, LIPTON, ROSEN & KATZ
51 West 52nd Street
New York, New York 10019
Attention: Herbert M. Wachtell, Esq.
Telecopier: (212) 403-2000

and

CARROLL, BURDICK & McDONOUGH
44 Montgomery Street, Suite 400
San Francisco, CA 94104
Attention: Rodney L. Eshelman, Esq.
Telecopier: (415) 989-0932

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If to Pacific, addressed to:

Pacific Indemnity Company
Chubb & Son Inc.
15 Mountain View Road
P.O. Box 1615
Warren, NJ 07061-1615
Attention: Malcolm B. Burton
Telecopier: (908) 580-3030

and

WHITE & CASE

1155 Avenue of the Americas

New York, NY 10036

Attention: Paul J. Bschorr, Esq.

Telecopier: (212) 354-8113

If to Fibreboard, addressed to:

FIBREBOARD CORPORATION

2121 North California Blvd.

Walnut Creek, CA 94596

Attention: Michael R. Douglas

Senior Vice President and

General Counsel

Telecopier: (510) 274-0714

and

BROBECK, PHLEGER & HARRISON

Spear Street Tower

One Market Plaza

San Francisco, CA 94105

Attention: Stephen M. Snyder, Esq.

Telecopier: (415) 442-1020

If to the Class Counsel, addressed to:

CAPLIN & DRYSDALE, CHARTERED

399 Park Avenue

New York, New York 10022

Attention: Elihu Inselbuch

Telecopier: (212) 644-6755

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If to Escrow Agent, addressed to:

The First National Bank of Chicago

One First National Plaza, Suite 0126

Chicago, IL 60670-0126

Attention: Joseph Cahill

Telecopier: (312) 407-1708

or to such other address or to such other person as either party shall have last designated by such notice to the other party. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified in (or pursuant to) this Section 13 and an appropriate answer back is received, (ii) if given by mail, three business days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually delivered at such address.

14. Amendments; Waivers. This Escrow Agreement may be amended only

by (i) an agreement in writing executed by Escrow Agent, Continental, Pacific, Fibreboard Corporation and Class Counsel, or (ii) pursuant to a Court Order. No waiver of any provisions nor consent to any exception to the terms of this Escrow Agreement shall be effective unless in writing and signed by the party to be bound, and then only to the specific purpose, extent and in stance as so provided.

15. Counterparts. This Escrow Agreement and any other agreement (or

document) delivered pursuant hereto may be executed in one or more counterparts and

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by different parties in separate counterparts. All of such counterparts shall constitute one and the same agreement and shall become effective when one or more counterparts of this Escrow Agreement have been signed by each party, and delivered to the other parties.

16. Assignment. Neither this Escrow Agreement nor any rights or

obligations under it are assignable.

17. Governing Law. This Escrow Agreement and the legal relations

among the parties shall be governed by and construed in accordance with the laws of the State of Illinois applicable to contracts made and performed in such state without regard to conflicts of law doctrines, except to the extent that certain matters are preempted by federal law or are governed by the law of the jurisdiction of organization of the respective parties.

18. Integration. This Escrow Agreement constitutes the entire

agreement and understanding of Continental, Pacific, Fibreboard Corporation and Class Counsel on the one hand and Escrow Agent on the other with respect to the subject matter of this Escrow Agreement and supersedes all prior agreements and understandings with respect thereto.

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19. Severability. If any provision of this Escrow Agreement is held

invalid by any court, governmental agency or regulatory body, the other provisions shall remain in full force and effect.

20. Parties in Interest. This Escrow Agreement shall be binding upon

and inure to the benefit of each party, Fibreboard Corporation and Class Counsel, and nothing in this Escrow Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever by, under or by reason of this Escrow Agreement. Nothing in this Escrow Agreement is intended to relieve or discharge the obligation of any third person to, or to confer any right of subrogation or action over against, any party to this Escrow Agreement or Fibreboard Corporation or Class Counsel or Class Counsel.

21. Headings. The descriptive headings of the Sections of this

Escrow Agreement are for convenience only and do not constitute a part of this

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on the day and year first above written.

CONTINENTAL CASUALTY COMPANY

By Laurens F. Terry

Title Vice President

PACIFIC INDEMNITY CORPORATION

By John J. Degnan

Title Senior Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By

Title

AGREED TO:

FIBREBOARD CORPORATION

By Michael R. Douglas

Title Senior Vice President and General Counsel

CLASS COUNSEL

By Joseph Rice

Joseph Rice, Esq.

By Joseph Cox

Joseph Cox, Esq.

By Harry Wartnick

Harry Wartnick, Esq.

By Steven Kazan

Steven Kazan, Esq.

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

Notes to Schedule P

- (1) The Parts of Schedule P:
 Part 1 - detailed information on losses and loss expenses.
 Part 2 - history of incurred losses and allocated expenses.
 Part 3 - history of loss and allocated expense payments.
 Part 4 - history of bulk and incurred-but-not reported reserves.
 Schedule P Interrogatories
- (2) Lines of business A through M and R are groupings of the lines of business used on Page 14, the state page.
- (3) Reinsurance A, B, C, and D (lines N to Q) are:
 Reinsurance A = nonproportional property (1988 and subsequent)
 Reinsurance B = nonproportional liability (1988 and subsequent)
 Reinsurance C = financial lines (1988 and subsequent)
 Reinsurance D = old Schedule O line 30 (1987 and prior)
- (4) The Instructions to Schedule P contain directions necessary for filling out Schedule P.

SCHEDULE P - PART 1 - SUMMARY

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	304,164	48,439	99,060	5,911
2. 1984.....	1,972,550	251,064	1,721,486	1,718,025	322,406	262,790	45,095
3. 1985.....	2,756,886	425,772	2,331,114	2,259,526	587,368	306,759	39,434
4. 1986.....	4,300,449	550,592	3,749,857	2,096,005	311,551	314,112	29,692
5. 1987.....	4,915,810	665,280	4,250,529	2,341,964	334,228	273,173	12,982
6. 1988.....	5,399,645	613,422	4,786,223	2,761,739	343,647	291,235	16,501
7. 1989.....	5,768,987	549,762	5,219,225	3,345,300	344,621	295,604	19,201
8. 1990.....	6,595,234	454,185	6,141,049	3,244,754	182,895	273,915	8,275
9. 1991.....	6,891,720	425,638	6,466,082	2,701,737	148,931	184,187	6,734
10. 1992.....	6,535,769	434,065	6,101,704	2,138,580	176,908	84,153	4,834
11. 1993.....	6,404,755	454,555	5,950,200	966,538	73,897	23,537	1,531
12. Totals ..	X X X X	X X X X	X X X X	23,878,333	2,874,891	2,408,526	190,190

Note: For "prior," report amounts paid or received in current year only.
 Report cumulative amounts paid or received for specific years.
 Report loss payments net of salvage and subrogation received.

SCHEDULE P - PART 1 - SUMMARY - (CONTINUED)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	8,685	4,544	353,419	X X X X
2. 1984.....	60,367	75,702	1,689,016	X X X X
3. 1985.....	67,693	91,787	2,031,271	X X X X
4. 1986.....	72,640	115,504	2,184,378	X X X X
5. 1987.....	63,611	129,481	2,397,408	X X X X
6. 1988.....	164,867	152,894	2,845,720	X X X X
7. 1989.....	146,989	184,707	3,461,789	X X X X
8. 1990.....	87,595	190,299	3,517,798	X X X X
9. 1991.....	119,841	193,098	2,923,357	X X X X
10. 1992.....	68,429	179,934	2,220,924	X X X X
11. 1993.....	119,228	153,236	1,067,884	X X X X
12. Totals ..	979,945	1,471,186	24,692,964	X X X X

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	878,775	213,722	2,722,911	199,116	0	0	43,214
2. 1984.....	186,423	27,043	106,347	22,261	0	0	17,331
3. 1985.....	206,441	35,257	182,710	26,435	0	0	26,127
4. 1986.....	269,220	28,839	236,977	23,741	0	0	44,507
5. 1987.....	332,114	37,723	279,893	35,749	0	0	61,626
6. 1988.....	461,651	33,439	369,280	69,356	0	0	76,584
7. 1989.....	627,807	51,015	426,054	62,814	0	0	111,645
8. 1990.....	943,114	51,907	680,064	120,339	0	0	192,202
9. 1991.....	1,040,354	57,790	1,288,800	158,056	0	0	284,729
10. 1992.....	1,076,401	35,068	1,903,538	213,145	0	0	357,554
11. 1993.....	900,547	65,653	2,985,885	229,084	0	0	416,424
12. Totals ..	6,922,847	637,456	11,182,458	1,160,096	0	0	1,631,943

SCHEDULE P - PART 1 - SUMMARY - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	+ IBNR	21	22	23	24
	20 Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1. Prior ...	6,723	34,973	7,915	3,233,254	X X X X
2. 1984.....	2,894	7,110	2,168	260,071	X X X X
3. 1985.....	4,840	14,622	2,430	351,176	X X X X
4. 1986.....	4,251	15,780	3,776	497,649	X X X X
5. 1987.....	5,183	15,043	6,338	601,316	X X X X
6. 1988.....	8,369	23,696	7,022	803,373	X X X X
7. 1989.....	9,939	34,351	8,382	1,050,120	X X X X
8. 1990.....	14,049	53,711	12,593	1,641,678	X X X X
9. 1991.....	18,229	67,353	19,027	2,398,835	X X X X
10. 1992.....	16,142	81,757	27,129	3,100,267	X X X X
11. 1993.....	24,896	103,346	41,542	4,024,765	X X X X
12. Totals ..	115,515	451,742	138,322	17,962,504	X X X X

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	2,368,786	419,699	1,949,087	120.1	167.2	113.2	0
3. 1985.....	3,075,780	693,334	2,382,446	111.6	162.8	102.2	0
4. 1986.....	3,080,101	398,074	2,682,027	71.6	72.3	71.5	0
5. 1987.....	3,424,589	425,865	2,998,724	69.7	64.0	70.5	0
6. 1988.....	4,120,405	471,312	3,649,093	76.3	76.8	76.2	0
7. 1989.....	4,999,499	487,590	4,511,909	86.7	88.7	86.4	0
8. 1990.....	5,536,941	377,465	5,159,476	84.0	83.1	84.0	0
9. 1991.....	5,711,932	389,740	5,322,192	82.9	91.6	82.3	0
10. 1992.....	5,767,289	446,097	5,321,192	88.2	102.8	87.2	0
11. 1993.....	5,487,709	395,061	5,092,648	85.7	86.9	85.6	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1 - SUMMARY - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
			34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	3,188,848	44,406
2. 1984.....	0	0.0	243,466	16,605
3. 1985.....	0	0.0	327,459	23,717
4. 1986.....	0	0.0	453,616	44,032
5. 1987.....	0	0.0	538,534	62,781
6. 1988.....	0	0.0	728,137	75,237
7. 1989.....	0	0.0	940,031	110,088
8. 1990.....	0	0.0	1,450,932	190,746
9. 1991.....	0	0.0	2,113,309	285,527
10. 1992.....	0	0.0	2,731,726	368,541
11. 1993.....	0	0.0	3,591,695	433,070
12. Totals ..	0	X X X X	16,307,753	1,654,750

Form 2

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 2 - SUMMARY

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported At Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	2,338,933 *	2,454,076	2,566,981	2,919,734	3,085,482	3,324,720	3,492,509
2. 1984.....	1,508,144	1,490,738	1,508,155	1,659,625	1,715,717	1,803,022	1,848,457
3. 1985.....	X X X X	2,036,469	2,105,231	2,094,082	2,119,566	2,191,704	2,212,837
4. 1986.....	X X X X	X X X X	3,034,038	2,915,814	2,824,448	2,672,855	2,595,606
5. 1987.....	X X X X	X X X X	X X X X	3,056,861	3,004,221	3,045,014	2,942,054
6. 1988.....	X X X X	X X X X	X X X X	X X X X	3,674,384	3,616,713	3,575,399
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	4,225,774	4,245,052
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	5,082,895
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
12. Totals							

*Reported reserves only. Subsequent development relates only to subsequent payments and reserves.

**Current year less first or second prior year, showing (redundant) or adverse.

SCHEDULE P - PART 2 - SUMMARY - (CONTINUED)

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	3,605,121	5,347,424	6,376,184	1,028,759	2,771,063
2. 1984.....	1,847,357	1,856,201	1,871,217	15,016	23,860
3. 1985.....	2,266,914	2,289,475	2,288,229	(1,246)	21,316
4. 1986.....	2,603,601	2,561,578	2,562,747	1,169	(40,854)
5. 1987.....	2,897,060	2,870,274	2,862,904	(7,370)	(34,156)
6. 1988.....	3,506,208	3,504,812	3,489,178	(15,634)	(17,031)
7. 1989.....	4,272,963	4,322,588	4,318,820	(3,769)	45,856
8. 1990.....	4,954,751	4,932,462	4,956,585	24,123	1,834
9. 1991.....	5,461,255	5,369,712	5,110,068	(259,645)	(351,188)
10. 1992.....	X X X X	5,264,857	5,114,128	(150,729)	X X X X
11. 1993.....	X X X X	X X X X	4,897,871	X X X X	X X X X
12. Totals				630,675	2,420,701

SCHEDULE P - PART 3 - SUMMARY

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses At Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	0	516,822	949,048	1,334,725	1,635,347	1,957,064	2,204,591
2. 1984.....	(28,063)	701,748	848,913	997,651	1,177,489	1,293,517	1,403,568
3. 1985.....	X X X X	(39,769)	868,516	1,092,877	1,240,564	1,414,678	1,585,980
4. 1986.....	X X X X	X X X X	467,087	947,280	1,263,953	1,420,288	1,651,606
5. 1987.....	X X X X	X X X X	X X X X	547,999	1,201,193	1,563,459	1,748,920
6. 1988.....	X X X X	X X X X	X X X X	X X X X	651,625	1,428,893	1,886,171
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	789,063	1,827,085
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	918,597
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

Note: Net of salvage and subrogation received.

SCHEDULE P - PART 4 - SUMMARY - (CONTINUED)

1 Years in Which Losses Were Incurred	Expenses at Year End (000 omitted)			
	8	9	10	11
	1990	1991	1992	1993
1. Prior	479,150	395,468	1,898,880	2,560,286
2. 1984.....	191,724	130,513	93,114	98,523
3. 1985.....	309,281	244,302	202,851	177,562
4. 1986.....	520,491	391,556	305,341	253,492
5. 1987.....	671,384	500,199	368,650	300,587
6. 1988.....	957,875	646,699	469,139	368,139
7. 1989.....	1,503,631	882,306	602,913	464,946
8. 1990.....	3,251,645	1,746,567	1,046,699	737,878
9. 1991.....	X X X X	3,433,404	2,202,453	1,397,244
10. 1992.....	X X X X	X X X X	3,344,444	2,031,805
11. 1993.....	X X X X	X X X X	X X X X	3,148,329

Form 2

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1A - HOMEOWNERS/FARMOWNERS

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2	3	4	Loss Payments		Allocated Loss Expense Payments	
	Direct and Assumed	Ceded	Net (2 - 3)	5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	209	0	35	0
2. 1984.....	69,369	1,307	68,063	45,753	694	2,130	13
3. 1985.....	79,932	5,347	74,585	59,538	0	3,198	0
4. 1986.....	90,407	970	89,437	53,997	1	2,879	0
5. 1987.....	110,990	1,029	109,960	65,414	16	4,769	0
6. 1988.....	147,610	759	146,851	85,099	(5)	4,072	0
7. 1989.....	169,394	1,244	168,150	123,772	262	5,975	5
8. 1990.....	188,947	517	188,430	144,028	237	6,117	10
9. 1991.....	203,426	2,272	201,154	138,661	442	4,560	28
10. 1992.....	216,699	681	216,018	175,088	10,923	4,343	15
11. 1993.....	223,351	299	223,053	99,073	24	2,247	3
12. Totals ..	X X X X	X X X X	X X X X	990,632	12,594	40,325	74

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years. Report
loss payments net of salvage and subrogation received.

SCHEDULE P - PART 1A - HOMEOWNERS/FARMOWNERS - (CONTINUED)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	3	6	250	X X X X
2. 1984.....	1,218	508	47,683	35,760
3. 1985.....	923	1,628	64,363	44,723
4. 1986.....	848	4,377	61,252	38,493
5. 1987.....	798	5,822	75,989	45,207
6. 1988.....	1,512	6,221	95,398	49,533
7. 1989.....	1,803	7,991	137,470	67,666
8. 1990.....	2,369	9,294	159,192	72,498
9. 1991.....	1,527	11,941	154,692	80,160
10. 1992.....	963	13,823	182,316	80,675
11. 1993.....	562	14,021	115,313	62,634
12. Totals ..	12,526	75,632	1,093,921	X X X X

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	591	0	0	0	0	0	0
2. 1984.....	855	0	98	0	0	0	0
3. 1985.....	691	0	277	0	0	0	16
4. 1986.....	660	0	300	0	0	0	0
5. 1987.....	1,390	0	334	0	0	0	177
6. 1988.....	2,921	0	1,432	0	0	0	52
7. 1989.....	3,799	0	1,473	32	0	0	260
8. 1990.....	5,804	0	1,794	6	0	0	587
9. 1991.....	8,975	0	6,537	1,210	0	0	2,878
10. 1992.....	10,784	647	16,475	93	0	0	3,967
11. 1993.....	21,713	0	45,686	82	0	0	4,442
12. Totals ..	58,182	647	74,406	1,423	0	0	12,379

SCHEDULE P - PART 1A - HOMEOWNERS/FARMOWNERS - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	+ IBNR	21	22	23	24
	20 Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1. Prior ...	0	1	0	591	5
2. 1984.....	0	24	4	957	7
3. 1985.....	0	11	6	990	9
4. 1986.....	0	12	9	969	22
5. 1987.....	0	75	21	1,922	27
6. 1988.....	0	319	52	4,457	52
7. 1989.....	0	686	72	5,572	114
8. 1990.....	0	1,457	118	8,297	145
9. 1991.....	0	1,448	317	17,497	342
10. 1992.....	3	2,939	600	31,082	615
11. 1993.....	0	2,739	1,351	73,110	3,984
12. Totals ..	3	9,712	2,550	145,444	5,322

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	49,348	707	48,641	71.1	54.1	71.5	0
3. 1985.....	65,354	0	65,354	81.8	0.0	87.6	0
4. 1986.....	62,222	1	62,221	68.8	0.1	69.6	0
5. 1987.....	77,927	16	77,911	70.2	1.6	70.9	0
6. 1988.....	99,849	(5)	99,854	67.6	(0.7)	68.0	0
7. 1989.....	143,342	299	143,043	84.6	24.0	85.1	0
8. 1990.....	167,742	253	167,489	88.8	48.9	88.9	0
9. 1991.....	173,869	1,680	172,189	85.5	73.9	85.6	0
10. 1992.....	225,080	11,681	213,399	103.9	1,715.3	98.8	0
11. 1993.....	188,533	109	188,424	84.4	36.5	84.5	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1A - HOMEOWNERS/FARMOWNERS - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	32 Loss Expense		34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	591	0
2. 1984.....	0	0.0	953	4
3. 1985.....	0	0.0	968	22
4. 1986.....	0	0.0	960	9
5. 1987.....	0	0.0	1,724	198
6. 1988.....	0	0.0	4,353	104
7. 1989.....	0	0.0	5,240	332
8. 1990.....	0	0.0	7,592	705
9. 1991.....	0	0.0	14,302	3,195
10. 1992.....	0	0.0	26,518	4,564
11. 1993.....	0	0.0	67,317	5,793
12. Totals ..	0	X X X X	130,518	14,926

Form 2
ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1B - PRIVATE PASSENGER AUTO LIABILITY/MEDICAL

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	5 Loss Payments Direct and Assumed		6 Allocated Loss Expense Payments Direct and Assumed	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	1,942	212	226	12
2. 1984.....	129,306	3,006	126,300	121,343	3,617	8,950	85
3. 1985.....	146,068	10,748	135,320	136,303	2,775	10,131	37
4. 1986.....	170,619	6,847	163,772	154,882	8,231	11,837	190
5. 1987.....	202,239	12,200	190,039	184,373	11,519	13,441	293
6. 1988.....	260,594	18,142	242,452	211,440	15,141	13,663	537
7. 1989.....	308,866	19,341	289,524	247,105	15,965	15,212	412
8. 1990.....	356,704	11,055	345,650	254,679	8,579	15,601	278
9. 1991.....	378,037	6,068	371,969	226,370	4,402	10,128	101
10. 1992.....	410,684	6,450	404,233	179,556	4,587	4,741	49
11. 1993.....	418,598	5,705	412,893	76,939	1,009	1,348	0
12. Totals ..	X X X X	X X X X	X X X X	1,794,933	76,035	105,277	1,993

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

SCHEDULE P - PART 1B - PRIVATE PASSENGER AUTO LIABILITY/MEDICAL - (CONTINUED)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	1,307	68	2,012	X X X X
2. 1984.....	3,414	5,325	131,915	61,428
3. 1985.....	5,797	7,751	151,374	62,470
4. 1986.....	4,360	10,940	169,238	66,322
5. 1987.....	5,668	11,680	197,682	76,365
6. 1988.....	6,735	15,594	225,020	83,598
7. 1989.....	6,648	19,123	265,063	92,421
8. 1990.....	6,004	17,816	279,240	96,465
9. 1991.....	4,654	17,768	249,763	94,290
10. 1992.....	2,866	17,824	197,485	91,072
11. 1993.....	1,004	17,139	94,417	73,422
12. Totals ..	48,457	141,029	1,963,211	X X X X

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	3,871	631	5,781	0	0	0	303
2. 1984.....	2,844	0	2,356	0	0	0	192
3. 1985.....	4,470	0	3,042	0	0	0	338
4. 1986.....	8,773	0	2,395	0	0	0	1,250
5. 1987.....	9,713	50	4,236	0	0	0	2,017
6. 1988.....	14,591	60	6,676	0	0	0	2,429
7. 1989.....	30,378	582	14,355	0	0	0	5,828
8. 1990.....	45,186	358	29,383	0	0	0	9,684
9. 1991.....	66,947	727	50,786	0	0	0	16,860
10. 1992.....	99,171	1,576	103,747	0	0	0	22,134
11. 1993.....	87,848	1,776	200,144	1,852	0	0	17,216
12. Totals ..	373,794	5,761	422,901	1,852	0	0	78,251

SCHEDULE P - PART 1B - PRIVATE PASSENGER AUTO LIABILITY/MEDICAL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	+ IBNR	21	22	23	24
	20 Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1. Prior ...	0	179	95	9,419	105
2. 1984.....	0	95	48	5,440	38
3. 1985.....	0	55	53	7,903	44
4. 1986.....	0	88	90	12,508	86
5. 1987.....	0	192	109	16,025	133
6. 1988.....	0	512	147	23,783	248
7. 1989.....	0	949	387	50,366	639
8. 1990.....	0	2,598	765	84,660	1,383
9. 1991.....	0	3,808	1,279	135,145	2,826
10. 1992.....	0	5,058	2,075	225,551	6,650
11. 1993.....	1	5,448	4,130	305,709	17,653
12. Totals ..	1	18,981	9,178	876,510	29,805

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	141,058	3,702	137,356	109.1	123.2	108.8	0
3. 1985.....	162,088	2,812	159,276	111.0	26.2	117.7	0
4. 1986.....	190,167	8,421	181,746	111.5	123.0	111.0	0
5. 1987.....	225,569	11,862	213,707	111.5	97.2	112.5	0
6. 1988.....	264,540	15,738	248,802	101.5	86.7	102.6	0
7. 1989.....	332,388	16,959	315,429	107.6	87.7	108.9	0
8. 1990.....	373,114	9,215	363,899	104.6	83.4	105.3	0
9. 1991.....	390,138	5,230	384,908	103.2	86.2	103.5	0
10. 1992.....	429,248	6,212	423,036	104.5	96.3	104.7	0
11. 1993.....	404,764	4,638	400,126	96.7	81.3	96.9	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1B - PRIVATE PASSENGER AUTO LIABILITY/MEDICAL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time Money	33	Net Balance Sheet Reserves After Discount	
	32 Loss Expense	Inter-Company Pooling Participation Percentage	34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	9,021	398
2. 1984.....	0	0.0	5,200	240
3. 1985.....	0	0.0	7,512	391
4. 1986.....	0	0.0	11,168	1,340
5. 1987.....	0	0.0	13,899	2,126
6. 1988.....	0	0.0	21,207	2,576
7. 1989.....	0	0.0	44,151	6,215
8. 1990.....	0	0.0	74,211	10,449
9. 1991.....	0	0.0	117,006	18,139
10. 1992.....	0	0.0	201,342	24,209
11. 1993.....	0	0.0	284,364	21,345
12. Totals ..	0	X X X X	789,082	87,428

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	1,480	545	168	2
2. 1984.....	127,994	14,501	113,493	140,029	13,133	14,267	458
3. 1985.....	221,827	39,207	182,619	174,080	27,186	19,879	1,350
4. 1986.....	403,419	95,375	308,043	235,218	64,104	26,648	352
5. 1987.....	508,426	139,851	368,576	302,656	94,173	32,236	584
6. 1988.....	522,888	127,960	394,928	315,449	85,339	32,197	560
7. 1989.....	523,927	96,218	427,708	320,264	49,869	29,787	445
8. 1990.....	536,387	63,618	472,769	304,094	30,559	25,104	322
9. 1991.....	586,500	59,306	527,195	227,339	20,584	16,409	378
10. 1992.....	546,403	49,741	496,661	132,493	11,527	6,338	181
11. 1993.....	533,280	38,265	495,015	57,472	1,879	1,581	10
12. Totals ..	X X X X	X X X X	X X X X	2,210,574	398,898	204,613	4,640

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

SCHEDULE P - PART 1C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL - (CONTINUED)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	846	15	1,114	X X X X
2. 1984.....	2,764	6,304	147,009	61,813
3. 1985.....	2,256	7,460	172,882	75,705
4. 1986.....	1,684	8,895	206,306	94,664
5. 1987.....	1,961	11,346	251,481	106,320
6. 1988.....	2,978	11,986	273,733	106,884
7. 1989.....	2,491	12,871	312,609	104,752
8. 1990.....	2,936	12,735	311,053	96,764
9. 1991.....	2,793	13,024	235,810	87,109
10. 1992.....	1,502	12,908	140,031	71,105
11. 1993.....	882	14,798	71,963	58,630
12. Totals ..	23,094	112,342	2,123,991	X X X X

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	12,817	0	7,583	205	0	0	938
2. 1984.....	11,625	17	3,743	2	0	0	795
3. 1985.....	13,121	313	5,483	9	0	0	2,193
4. 1986.....	28,039	920	14,732	8	0	0	4,206
5. 1987.....	37,098	2,011	6,918	107	0	0	6,288
6. 1988.....	57,680	3,837	12,005	612	0	0	7,252
7. 1989.....	63,788	7,303	16,415	198	0	0	14,395
8. 1990.....	80,321	5,963	49,780	2,166	0	0	24,532
9. 1991.....	101,928	13,708	133,834	2,785	0	0	28,621
10. 1992.....	118,303	7,054	205,816	13,403	0	0	39,350
11. 1993.....	82,696	5,289	278,947	19,630	0	0	39,224
12. Totals ..	607,417	46,416	735,256	39,125	0	0	167,794

SCHEDULE P - PART 1C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	d + IBNR 20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding - Direct and Assumed
1. Prior ...	0	12	108	21,241	67
2. 1984.....	0	19	22	16,166	39
3. 1985.....	0	40	42	20,517	81
4. 1986.....	0	16	114	46,163	188
5. 1987.....	0	17	692	48,877	283
6. 1988.....	0	213	821	73,309	474
7. 1989.....	2	366	982	88,078	852
8. 1990.....	6	715	873	147,371	1,497
9. 1991.....	2	1,354	1,253	249,140	2,577
10. 1992.....	442	1,959	1,229	343,799	4,542
11. 1993.....	632	1,933	2,405	377,721	12,532
12. Totals ..	1,084	6,645	8,541	1,432,383	23,132

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	176,785	13,610	163,175	138.1	93.9	143.8	0
3. 1985.....	222,258	28,858	193,400	100.2	73.6	105.9	0
4. 1986.....	317,852	65,384	252,468	78.8	68.6	82.0	0
5. 1987.....	397,234	96,875	300,359	78.1	69.3	81.5	0
6. 1988.....	437,390	90,348	347,042	83.6	70.6	87.9	0
7. 1989.....	458,502	57,817	400,685	87.5	60.1	93.7	0
8. 1990.....	497,439	39,016	458,423	92.7	61.3	97.0	0
9. 1991.....	522,408	37,457	484,951	89.1	63.2	92.0	0
10. 1992.....	516,437	32,607	483,830	94.5	65.6	97.4	0
11. 1993.....	477,123	27,440	449,683	89.5	71.7	90.8	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves	
	f Money		After	Discount
	32 Loss Expense		34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	20,195	1,046
2. 1984.....	0	0.0	15,349	817
3. 1985.....	0	0.0	18,282	2,235
4. 1986.....	0	0.0	41,843	4,320
5. 1987.....	0	0.0	41,897	6,980
6. 1988.....	0	0.0	65,236	8,073
7. 1989.....	0	0.0	72,703	15,375
8. 1990.....	0	0.0	121,972	25,399
9. 1991.....	0	0.0	219,268	29,872
10. 1992.....	0	0.0	303,662	40,137
11. 1993.....	0	0.0	336,724	40,997
12. Totals ..	0	X X X X	1,257,132	175,251

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED.....
(Name)

SCHEDULE P - PART 1D - WORKERS' COMPENSATION

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	33,952	6,477	2,121	59
2. 1984.....	473,454	39,695	433,759	378,596	35,564	19,082	220
3. 1985.....	583,337	68,397	514,940	488,588	47,864	26,243	255
4. 1986.....	965,342	95,101	870,241	664,932	85,094	33,922	131
5. 1987.....	1,162,512	134,836	1,027,676	863,310	129,824	40,789	100
6. 1988.....	1,494,062	111,679	1,382,383	1,082,547	95,051	47,577	148
7. 1989.....	1,619,759	57,453	1,562,305	1,255,153	21,747	50,842	92
8. 1990.....	2,256,388	10,031	2,246,356	1,372,201	3,314	53,647	261
9. 1991.....	2,446,769	22,557	2,424,211	994,629	5,282	41,754	205
10. 1992.....	2,158,130	17,929	2,140,202	588,501	5,804	21,306	136
11. 1993.....	1,856,803	20,230	1,836,573	169,561	2,574	5,764	44
12. Totals ..	X X X X	X X X X	X X X X	7,891,970	438,594	343,048	1,651

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

SCHEDULE P - PART 1D - WORKERS' COMPENSATION - (CONTINUED)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	4,734	790	30,327	X X X X
2. 1984.....	10,528	34,300	396,194	205,359
3. 1985.....	12,118	38,712	505,423	239,026
4. 1986.....	13,853	48,914	662,543	287,916
5. 1987.....	17,791	50,744	824,920	308,936
6. 1988.....	18,539	60,774	1,095,699	338,690
7. 1989.....	18,159	76,138	1,360,294	327,505
8. 1990.....	14,729	80,813	1,503,085	341,219
9. 1991.....	6,778	77,300	1,108,196	323,327
10. 1992.....	3,472	65,925	669,792	274,976
11. 1993.....	260	38,583	211,291	232,795
12. Totals ..	120,960	572,993	8,367,764	X X X X

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	257,889	59,004	96,298	7,569	0	0	6,209
2. 1984.....	40,203	7,538	15,641	1,515	0	0	1,305
3. 1985.....	61,784	9,973	11,300	2,995	0	0	3,005
4. 1986.....	88,231	12,382	14,675	4,702	0	0	6,536
5. 1987.....	125,801	25,131	29,804	8,132	0	0	11,460
6. 1988.....	183,936	17,165	52,024	11,734	0	0	13,538
7. 1989.....	242,279	9,980	81,920	5,322	0	0	11,553
8. 1990.....	343,648	7,777	158,609	6,987	0	0	21,295
9. 1991.....	394,420	2,407	548,551	10,547	0	0	34,385
10. 1992.....	383,948	6,322	772,624	15,347	0	0	43,091
11. 1993.....	278,777	6,080	987,801	11,732	0	0	46,571
12. Totals ..	2,400,916	163,759	2,769,247	86,582	0	0	198,948

SCHEDULE P - PART 1D - WORKERS' COMPENSATION - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	d + IBNR 20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding - Direct and Assumed
2. 1984.....	37	3,071	456	48,515	532
3. 1985.....	118	2,919	783	63,786	721
4. 1986.....	544	4,373	1,196	93,010	1,227
5. 1987.....	1,270	8,590	2,731	135,263	1,785
6. 1988.....	1,477	13,953	2,587	221,709	2,911
7. 1989.....	602	20,368	1,885	321,733	4,463
8. 1990.....	2	32,978	2,699	511,484	8,396
9. 1991.....	120	36,552	4,807	969,089	13,713
10. 1992.....	517	39,858	6,229	1,183,707	19,848
11. 1993.....	702	31,202	6,638	1,301,273	52,250
12. Totals ..	5,490	211,427	32,091	5,145,370	109,330

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o 31 Loss
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	489,583	44,874	444,709	103.4	113.0	102.5	0
3. 1985.....	630,415	61,205	569,210	108.1	89.5	110.5	0
4. 1986.....	858,406	102,853	755,553	88.9	108.2	86.8	0
5. 1987.....	1,124,639	164,457	960,182	96.7	122.0	93.4	0
6. 1988.....	1,442,983	125,575	1,317,408	96.6	112.4	95.3	0
7. 1989.....	1,719,770	37,743	1,682,027	106.2	65.7	107.7	0
8. 1990.....	2,032,912	18,341	2,014,571	90.1	182.8	89.7	0
9. 1991.....	2,095,846	18,561	2,077,285	85.7	82.3	85.7	0
10. 1992.....	1,881,624	28,126	1,853,498	87.2	156.9	86.6	0
11. 1993.....	1,533,695	21,132	1,512,563	82.6	104.5	82.4	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1D - WORKERS' COMPENSATION - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time	33	Net Balance Sheet Reserves	
	f Money		After Discount	
	32	Inter-Company Pooling Participation Percentage	34	35
	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior ...	0	X X X X	287,613	8,188
2. 1984.....	0	0.0	46,791	1,724
3. 1985.....	0	0.0	60,116	3,670
4. 1986.....	0	0.0	85,822	7,188
5. 1987.....	0	0.0	122,342	12,921
6. 1988.....	0	0.0	207,061	14,648
7. 1989.....	0	0.0	308,897	12,836
8. 1990.....	0	0.0	487,492	23,992
9. 1991.....	0	0.0	930,017	39,072
10. 1992.....	0	0.0	1,134,904	48,803
11. 1993.....	0	0.0	1,248,766	52,507
12. Totals ..	0	X X X X	4,919,821	225,549

(Name)

SCHEDULE P - PART 1E - COMMERCIAL MULTIPLE PERIL

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	2,404	(17)	2,918	20
2. 1984....	201,916	22,558	179,359	148,520	10,703	26,885	272
3. 1985....	314,626	21,298	293,328	175,242	3,256	29,733	423
4. 1986....	457,243	18,707	438,536	152,394	2,495	34,703	112
5. 1987....	542,854	16,282	526,572	178,993	2,783	36,449	130
6. 1988....	596,503	15,753	580,749	203,137	2,338	41,358	84
7. 1989....	658,911	22,097	636,814	336,080	36,355	46,637	2,264
8. 1990....	721,512	23,907	697,605	275,050	4,825	42,268	247
9. 1991....	743,264	19,148	724,116	278,850	5,585	28,043	134
10. 1992....	722,128	23,724	698,403	311,714	32,086	13,025	333
11. 1993....	748,413	20,392	728,021	153,331	13,564	4,873	102
12. Totals ..	X X X X	X X X X	X X X X	2,215,715	113,973	306,892	4,122

Note: For "prior," report amounts paid or received in current year only.
 Report cumulative amounts paid or received for specific years.
 Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	12 Number of Claims Reported - Direct and Assumed
1. Prior ...	111	98	5,418	X X X X
2. 1984....	5,112	3,685	168,115	54,182
3. 1985....	4,312	4,906	206,203	56,619
4. 1986....	6,695	6,667	191,158	52,291
5. 1987....	5,201	12,904	225,434	53,483
6. 1988....	5,306	16,205	258,278	63,468
7. 1989....	6,813	20,620	364,717	83,793
8. 1990....	6,318	20,147	332,393	91,441
9. 1991....	5,307	19,892	321,065	91,742
10. 1992....	4,585	18,293	310,613	82,720
11. 1993....	1,306	21,607	166,145	68,138
12. Totals ..	51,067	145,025	2,549,537	X X X X

SCHEDULE P - PART 1E - COMMERCIAL MULTIPLE PERIL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	14,740	456	4,113	727	0	0	1,087
2. 1984.....	9,681	0	2,185	0	0	0	419
3. 1985.....	6,346	0	3,063	0	0	0	119
4. 1986.....	11,185	0	3,911	384	0	0	616
5. 1987.....	21,907	0	4,875	203	0	0	1,144
6. 1988.....	30,062	0	14,202	0	0	0	3,704
7. 1989.....	56,821	5	12,471	0	0	0	5,908
8. 1990.....	76,102	0	33,052	1,130	0	0	18,721
9. 1991.....	90,316	11	60,486	1,356	0	0	42,519
10. 1992.....	87,703	1,026	137,123	18,310	0	0	60,323
11. 1993.....	90,287	1,414	288,012	7,961	0	0	74,056
12. Totals ..	495,150	2,912	563,493	30,071	0	0	208,616

Years in Which Premiums Were Earned and Losses Were Incurred	20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding
					Direct and Assumed
1. Prior ...	133	356	236	18,859	1,702
2. 1984.....	0	236	278	12,563	110
3. 1985.....	0	199	125	9,653	113
4. 1986.....	10	411	170	15,488	286
5. 1987.....	8	596	293	28,008	423
6. 1988.....	0	1,131	267	48,235	638
7. 1989.....	0	2,520	489	75,684	1,309
8. 1990.....	23	3,619	772	127,494	2,271
9. 1991.....	40	4,917	1,035	192,949	3,477
10. 1992.....	577	8,034	1,674	266,910	4,749
11. 1993.....	290	11,592	1,962	444,652	12,271
12. Totals ..	1,081	33,611	7,301	1,240,496	27,349

SCHEDULE P - PART 1E - COMMERCIAL MULTIPLE PERIL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	191,653	10,975	180,678	94.9	48.7	100.7	0
3. 1985.....	219,534	3,679	215,855	69.8	17.3	73.6	0
4. 1986.....	209,646	3,001	206,645	45.9	16.0	47.1	0
5. 1987.....	256,565	3,124	253,441	47.3	19.2	48.1	0
6. 1988.....	308,935	2,422	306,513	51.8	15.4	52.8	0
7. 1989.....	479,026	38,624	440,402	72.7	174.8	69.2	0
8. 1990.....	466,112	6,225	459,887	64.6	26.0	65.9	0
9. 1991.....	521,141	7,126	514,015	70.1	37.2	71.0	0
10. 1992.....	629,855	52,332	577,523	87.2	220.6	82.7	0
11. 1993.....	634,128	23,331	610,797	84.7	114.4	83.9	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time of Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	32 Loss Expense		34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	17,669	1,190
2. 1984.....	0	0.0	11,866	697
3. 1985.....	0	0.0	9,409	244
4. 1986.....	0	0.0	14,712	776
5. 1987.....	0	0.0	26,579	1,429
6. 1988.....	0	0.0	44,264	3,971
7. 1989.....	0	0.0	69,287	6,397
8. 1990.....	0	0.0	108,024	19,470
9. 1991.....	0	0.0	149,435	43,514
10. 1992.....	0	0.0	205,490	61,420
11. 1993.....	0	0.0	368,924	75,728
12. Totals ..	0	X X X X	1,025,660	214,836

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1F - SECTION 1 - MEDICAL MALPRACTICE - OCCURRENCE

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	17,785	5,221	1,584	197
2. 1984.....	99,848	13,442	86,406	84,607	7,947	40,063	546
3. 1985.....	142,103	19,829	122,274	67,197	2,812	30,618	(14)
4. 1986.....	195,700	18,078	177,622	68,577	2,390	26,884	309
5. 1987.....	151,511	10,257	141,254	24,433	3,038	11,721	373
6. 1988.....	47,559	10,725	36,834	4,769	2,047	5,094	765
7. 1989.....	24,074	10,451	13,624	4,748	5,095	4,086	1,174
8. 1990.....	38,788	10,291	28,497	6,784	1,007	2,366	479
9. 1991.....	37,194	11,325	25,869	1,936	1,476	1,202	210
10. 1992.....	34,442	13,049	21,393	734	53	219	49
11. 1993.....	40,982	21,238	19,744	32	1	12	3
12. Totals ..	X X X X	X X X X	X X X X	281,603	31,088	123,848	4,091

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	(56)	185	14,136	X X X X
2. 1984.....	11,145	3,386	119,562	7,291
3. 1985.....	4,046	2,920	97,937	6,811
4. 1986.....	1,650	2,848	95,610	5,707
5. 1987.....	517	1,477	34,221	3,308
6. 1988.....	168	1,835	8,885	1,608
7. 1989.....	23	697	3,262	1,640
8. 1990.....	32	545	8,210	1,867
9. 1991.....	10	445	1,897	1,230
10. 1992.....	0	488	1,339	797
11. 1993.....	0	1,377	1,416	280
12. Totals ..	17,534	16,203	386,475	X X X X

SCHEDULE P - PART 1F - SECTION 1 - MEDICAL MALPRACTICE - OCCURRENCE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	52,968	8,738	49,471	24,286	0	0	8,200
2. 1984.....	25,213	1,802	11,474	3,029	0	0	5,406
3. 1985.....	16,319	0	12,843	1,771	0	0	5,959
4. 1986.....	17,472	0	20,806	3,730	0	0	5,787
5. 1987.....	14,943	1,940	13,687	1,046	0	0	5,840
6. 1988.....	9,078	1,228	31,612	808	0	0	2,948
7. 1989.....	7,956	1,623	14,180	348	0	0	3,539
8. 1990.....	9,837	2,067	28,619	3,879	0	0	4,832
9. 1991.....	12,493	1,736	18,168	5,771	0	0	5,357
10. 1992.....	6,079	469	31,856	12,547	0	0	6,862
11. 1993.....	1,036	202	31,975	11,406	0	0	6,674
12. Totals ..	173,392	19,806	264,691	68,621	0	0	61,404

Years in Which Premiums Were Earned and Losses Were Incurred	20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24
					Number of Claims Outstanding - Direct and Assumed
1. Prior ...	1,447	1,928	651	76,819	187
2. 1984.....	109	1,021	336	37,489	248
3. 1985.....	336	2,395	358	33,372	158
4. 1986.....	475	1,481	476	40,336	185
5. 1987.....	313	768	320	31,492	141
6. 1988.....	661	811	159	41,099	117
7. 1989.....	1,313	1,510	123	22,514	149
8. 1990.....	1,784	1,009	199	35,757	228
9. 1991.....	2,546	886	254	26,220	317
10. 1992.....	2,178	677	336	29,939	213
11. 1993.....	2,783	525	275	25,568	101
12. Totals ..	13,945	13,012	3,487	400,603	2,044

SCHEDULE P - PART 1F - SECTION 1 - MEDICAL MALPRACTICE - OCCURRENCE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of Loss
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	170,485	13,433	157,052	170.7	99.9	181.8	0
3. 1985.....	136,214	4,905	131,309	95.9	24.7	107.4	0
4. 1986.....	142,850	6,904	135,946	73.0	38.2	76.5	0
5. 1987.....	72,421	6,710	65,711	47.8	65.4	46.5	0
6. 1988.....	55,495	5,509	49,986	116.7	51.4	135.7	0
7. 1989.....	35,329	9,553	25,776	146.8	91.4	189.2	0
8. 1990.....	53,182	9,216	43,966	137.1	89.6	154.3	0
9. 1991.....	39,855	11,739	28,116	107.2	103.7	108.7	0
10. 1992.....	46,574	15,296	31,278	135.2	117.2	146.2	0
11. 1993.....	41,381	14,395	26,986	101.0	67.8	136.7	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time of Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	32 Loss Expense		34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	69,415	7,404
2. 1984.....	0	0.0	31,856	5,633
3. 1985.....	0	0.0	27,391	5,981
4. 1986.....	0	0.0	34,548	5,788
5. 1987.....	0	0.0	25,645	5,847
6. 1988.....	0	0.0	38,653	2,446
7. 1989.....	0	0.0	20,165	2,349
8. 1990.....	0	0.0	32,510	3,247
9. 1991.....	0	0.0	23,155	3,065
10. 1992.....	0	0.0	24,919	5,020
11. 1993.....	0	0.0	21,402	4,166
12. Totals ..	0	X X X X	349,657	50,946

(Name)

SCHEDULE P - PART 1F - SECTION 2 - MEDICAL MALPRACTICE - CLAIMS-MADE

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	0	0	0	0
2. 1984....	0	0	0	0	0	0	0
3. 1985....	0	0	0	0	0	0	0
4. 1986....	0	0	0	0	0	0	0
5. 1987....	77,440	9,388	68,052	32,077	435	8,233	34
6. 1988....	193,675	17,218	176,457	35,759	5,356	16,379	504
7. 1989....	238,793	20,745	218,048	55,482	5,212	22,194	583
8. 1990....	243,443	19,349	224,094	51,627	3,507	22,239	337
9. 1991....	213,034	17,383	195,652	44,859	672	16,135	92
10. 1992....	206,764	17,799	188,965	26,852	146	8,788	47
11. 1993....	221,483	16,867	204,616	5,937	1,305	1,126	0
12. Totals ..	X X X X	X X X X	X X X X	252,593	16,632	95,094	1,598

Note: For "prior," report amounts paid or received in current year only.
 Report cumulative amounts paid or received for specific years.
 Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	0	0	0	X X X X
2. 1984....	0	0	0	0
3. 1985....	0	0	0	0
4. 1986....	0	0	0	0
5. 1987....	135	2,309	42,150	1,222
6. 1988....	368	2,810	49,088	3,057
7. 1989....	761	4,453	76,334	4,229
8. 1990....	312	4,811	74,832	4,621
9. 1991....	171	4,275	64,506	4,981
10. 1992....	196	3,844	39,291	6,020
11. 1993....	27	2,889	8,647	5,558
12. Totals ..	1,969	25,390	354,848	X X X X

SCHEDULE P - PART 1F - SECTION 2 - MEDICAL MALPRACTICE - CLAIMS-MADE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	0	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	0	0	0	0	0	0	0
4. 1986.....	0	0	0	0	0	0	0
5. 1987.....	5,053	2,336	5,941	386	0	0	1,480
6. 1988.....	22,286	923	10,711	2,672	0	0	5,679
7. 1989.....	38,306	234	19,137	4,321	0	0	9,047
8. 1990.....	39,912	261	27,456	9,000	0	0	18,532
9. 1991.....	50,550	1,108	47,466	10,463	0	0	24,492
10. 1992.....	60,028	1,007	61,557	12,191	0	0	33,160
11. 1993.....	34,981	44	143,479	11,034	0	0	43,330
12. Totals ..	251,116	5,913	315,747	50,067	0	0	135,720

Years in Which Premiums Were Earned and Losses Were Incurred	20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding -
					Direct and Assumed
1. Prior ...	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	109	180	122	9,765	15
6. 1988.....	752	221	294	34,623	67
7. 1989.....	811	1,191	594	61,718	151
8. 1990.....	2,191	840	832	75,279	320
9. 1991.....	2,560	2,664	1,528	109,905	658
10. 1992.....	2,108	2,841	2,106	141,545	1,313
11. 1993.....	2,916	3,932	3,099	210,896	2,882
12. Totals ..	11,447	11,870	8,575	643,731	5,406

SCHEDULE P - PART 1F - SECTION 2 - MEDICAL MALPRACTICE - CLAIMS-MADE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	0	0	0	0.0	0.0	0.0	0
3. 1985.....	0	0	0	0.0	0.0	0.0	0
4. 1986.....	0	0	0	0.0	0.0	0.0	0
5. 1987.....	55,215	3,300	51,915	71.3	35.2	76.3	0
6. 1988.....	93,918	10,207	83,711	48.5	59.3	47.4	0
7. 1989.....	149,213	11,161	138,052	62.5	53.8	63.3	0
8. 1990.....	165,409	15,296	150,113	67.9	79.1	67.0	0
9. 1991.....	189,305	14,895	174,410	88.9	85.7	89.1	0
10. 1992.....	196,335	15,499	180,836	95.0	87.1	95.7	0
11. 1993.....	234,841	15,299	219,542	106.0	90.7	107.3	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time of Money	33	Net Balance Sheet Reserves After Discount	
	32 Loss Expense	Inter-Company Pooling Participation Percentage	34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	0	0
2. 1984.....	0	0.0	0	0
3. 1985.....	0	0.0	0	0
4. 1986.....	0	0.0	0	0
5. 1987.....	0	0.0	8,272	1,493
6. 1988.....	0	0.0	29,402	5,221
7. 1989.....	0	0.0	52,888	8,830
8. 1990.....	0	0.0	58,106	17,173
9. 1991.....	0	0.0	86,445	23,460
10. 1992.....	0	0.0	108,387	33,158
11. 1993.....	0	0.0	167,383	43,513
12. Totals ..	0	X X X X	510,883	132,848

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT (ALL PERILS),
BOILER AND MACHINERY)

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	643	38	56	33
2. 1984.....	32,014	20,126	11,888	13,379	6,644	1,194	801
3. 1985.....	29,949	20,650	9,299	13,055	9,351	1,468	809
4. 1986.....	46,208	29,411	16,797	20,797	9,784	1,536	917
5. 1987.....	59,993	33,400	26,592	17,561	9,758	1,649	1,082
6. 1988.....	46,236	25,138	21,097	11,555	2,925	3,191	2,456
7. 1989.....	37,990	19,020	18,970	27,917	17,353	2,456	1,653
8. 1990.....	25,046	15,403	9,643	25,067	14,267	2,568	1,903
9. 1991.....	28,231	12,396	15,835	26,311	16,578	2,013	1,468
10. 1992.....	29,224	13,155	16,069	19,535	12,098	1,301	986
11. 1993.....	38,887	18,715	20,173	11,826	8,381	483	351
12. Totals ..	X X X X	X X X X	X X X X	187,647	107,177	17,915	12,458

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

SCHEDULE P - PART 1G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT (ALL PERILS),
BOILER AND MACHINERY) - (CONTINUED)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	0	0	628	X X X X
2. 1984.....	38	194	7,323	0
3. 1985.....	71	91	4,455	0
4. 1986.....	59	136	11,768	0
5. 1987.....	36	222	8,592	0
6. 1988.....	52	157	9,521	0
7. 1989.....	80	165	11,532	0
8. 1990.....	129	170	11,635	0
9. 1991.....	91	192	10,470	0
10. 1992.....	100	229	7,982	0
11. 1993.....	16	292	3,869	0
12. Totals ..	671	1,848	87,776	X X X X

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	1,697	1,266	66	66	0	0	0
2. 1984.....	34	15	333	333	0	0	0
3. 1985.....	241	132	701	701	0	0	0
4. 1986.....	164	78	2,075	2,075	0	0	1
5. 1987.....	491	293	3,686	3,686	0	0	6
6. 1988.....	1,916	272	13,785	13,501	0	0	9
7. 1989.....	1,962	927	4,104	3,787	0	0	57
8. 1990.....	4,355	2,706	7,063	6,541	0	0	9
9. 1991.....	1,882	811	11,298	10,845	0	0	178
10. 1992.....	4,099	1,424	4,966	3,649	0	0	844
11. 1993.....	8,221	6,500	15,240	7,428	0	0	2,278
12. Totals ..	25,062	14,424	63,317	52,612	0	0	3,382

SCHEDULE P - PART 1G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT (ALL PERILS),
BOILER AND MACHINERY) - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding Direct and Assumed
1. Prior ...	0	1	0	431	55
2. 1984.....	0	0	0	18	12
3. 1985.....	0	0	0	109	19
4. 1986.....	0	0	0	87	19
5. 1987.....	0	0	0	204	21
6. 1988.....	0	1	0	1,937	59
7. 1989.....	0	3	0	1,409	87
8. 1990.....	0	10	8	2,188	109
9. 1991.....	0	27	0	1,702	86
10. 1992.....	186	33	5	4,655	137
11. 1993.....	1,373	134	34	10,472	175
12. Totals ..	1,559	209	47	23,214	779

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	15,134	7,793	7,341	47.3	38.7	61.8	0
3. 1985.....	15,556	10,993	4,563	51.9	53.2	49.1	0
4. 1986.....	24,709	12,854	11,855	53.5	43.7	70.6	0
5. 1987.....	23,615	14,819	8,796	39.4	44.4	33.1	0
6. 1988.....	30,613	19,154	11,459	66.2	76.2	54.3	0
7. 1989.....	36,661	23,720	12,941	96.5	124.7	68.2	0
8. 1990.....	39,240	25,417	13,823	156.7	165.0	143.3	0
9. 1991.....	41,874	29,702	12,172	148.3	239.6	76.9	0
10. 1992.....	30,979	18,343	12,636	106.0	139.4	78.6	0
11. 1993.....	38,374	24,033	14,341	98.7	128.4	71.1	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT (ALL PERILS),
BOILER AND MACHINERY) - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time	33	Net Balance Sheet Reserves	
	f Money		After Discount	
	32	Inter-Company Pooling Participation Percentage	34	35
	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior ...	0	X X X X	431	0
2. 1984.....	0	0.0	18	0
3. 1985.....	0	0.0	109	0
4. 1986.....	0	0.0	86	1
5. 1987.....	0	0.0	198	6
6. 1988.....	0	0.0	1,928	9
7. 1989.....	0	0.0	1,352	57
8. 1990.....	0	0.0	2,171	17
9. 1991.....	0	0.0	1,524	178
10. 1992.....	0	0.0	3,992	663
11. 1993.....	0	0.0	9,533	939
12. Totals ..	0	X X X X	21,344	1,870

Form 2
 ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
 CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1H - SECTION 1 - OTHER LIABILITY - OCCURRENCE

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	219,105	31,119	95,240	4,263
2. 1984....	282,070	71,380	210,690	360,049	160,409	105,364	27,038
3. 1985....	442,435	107,492	334,943	679,666	420,301	130,455	27,775
4. 1986....	846,355	133,251	713,104	329,139	87,139	117,511	23,652
5. 1987....	493,711	28,380	465,331	139,425	5,524	46,164	1,015
6. 1988....	464,192	36,984	427,208	141,725	9,167	50,403	1,264
7. 1989....	407,460	48,217	359,243	135,709	9,955	47,869	835
8. 1990....	464,249	44,621	419,628	121,641	9,802	41,144	377
9. 1991....	408,354	46,989	361,365	88,359	15,019	21,188	762
10. 1992....	386,504	60,883	325,621	33,139	3,835	5,069	615
11. 1993....	487,556	72,961	414,595	17,071	3,458	1,053	105
12. Totals ..	X X X X	X X X X	X X X X	2,265,027	755,728	661,457	87,702

Note: For "prior," report amounts paid or received in current year only.
 Report cumulative amounts paid or received for specific years.
 Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	1,149	2,977	281,940	X X X X
2. 1984....	3,245	11,111	289,077	35,564
3. 1985....	12,316	13,256	375,300	35,371
4. 1986....	9,519	10,627	346,487	43,366
5. 1987....	2,189	7,736	186,785	40,960
6. 1988....	1,613	10,214	191,910	41,808
7. 1989....	1,581	9,940	182,729	43,253
8. 1990....	1,251	8,823	161,427	49,777
9. 1991....	1,407	8,840	102,605	43,898
10. 1992....	249	7,432	41,189	31,742
11. 1993....	101	12,116	26,677	25,336
12. Totals ..	34,620	103,071	2,186,125	X X X X

SCHEDULE P - PART 1H - SECTION 1 - OTHER LIABILITY - OCCURRENCE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	367,305	124,760	2,519,816	161,332	0	0	24,417
2. 1984.....	47,412	13,233	40,860	15,875	0	0	8,234
3. 1985.....	58,665	22,326	58,577	17,135	0	0	12,299
4. 1986.....	68,241	14,815	60,381	10,142	0	0	20,233
5. 1987.....	28,237	271	53,306	4,992	0	0	15,298
6. 1988.....	41,219	1,796	87,802	13,713	0	0	13,893
7. 1989.....	70,896	5,234	86,636	13,607	0	0	15,573
8. 1990.....	85,856	4,797	120,583	22,163	0	0	35,333
9. 1991.....	76,908	9,868	170,167	37,319	0	0	52,339
10. 1992.....	54,837	4,628	243,768	49,056	0	0	61,978
11. 1993.....	38,003	1,687	309,108	64,591	0	0	59,987
12. Totals ..	937,579	203,417	3,751,004	409,925	0	0	319,584

Years in Which Premiums Were Earned and Losses Were Incurred	d + IBNR 20 Ceded	21	22	23	24
		Salvage and Subrogation Anticipated	Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1. Prior ...	3,993	13,971	3,797	2,625,250	14,716
2. 1984.....	2,329	1,903	697	65,766	543
3. 1985.....	3,927	7,522	716	86,868	801
4. 1986.....	3,055	7,036	1,106	121,948	871
5. 1987.....	76	3,680	759	92,260	606
6. 1988.....	352	4,317	1,129	128,181	669
7. 1989.....	785	4,453	1,586	155,065	1,227
8. 1990.....	991	6,652	2,507	216,328	2,160
9. 1991.....	1,358	9,943	3,246	254,115	3,174
10. 1992.....	3,662	8,514	4,142	307,379	3,438
11. 1993.....	4,018	8,099	5,229	342,031	5,976
12. Totals ..	24,546	76,090	24,914	4,395,193	34,181

SCHEDULE P - PART 1H - SECTION 1 - OTHER LIABILITY - OCCURRENCE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	573,727	218,884	354,843	203.4	306.6	168.4	0
3. 1985.....	953,634	491,464	462,170	215.5	457.2	138.0	0
4. 1986.....	607,238	138,803	468,435	71.7	104.2	65.7	0
5. 1987.....	290,925	11,878	279,047	58.9	41.9	60.0	0
6. 1988.....	346,385	26,292	320,093	74.6	71.1	74.9	0
7. 1989.....	368,209	30,416	337,793	90.4	63.1	94.0	0
8. 1990.....	415,887	38,130	377,757	89.6	85.5	90.0	0
9. 1991.....	421,047	64,326	356,721	103.1	136.9	98.7	0
10. 1992.....	410,365	61,796	348,569	106.2	101.5	107.0	0
11. 1993.....	442,567	73,859	368,708	90.8	101.2	88.9	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time of Money	33	Net Balance Sheet Reserves After Discount	
	32 Loss Expense	Inter-Company Pooling Participation Percentage	34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	2,601,029	24,221
2. 1984.....	0	0.0	59,164	6,602
3. 1985.....	0	0.0	77,780	9,088
4. 1986.....	0	0.0	103,664	18,284
5. 1987.....	0	0.0	76,279	15,981
6. 1988.....	0	0.0	113,511	14,670
7. 1989.....	0	0.0	138,691	16,374
8. 1990.....	0	0.0	179,479	36,849
9. 1991.....	0	0.0	199,888	54,227
10. 1992.....	0	0.0	244,921	62,458
11. 1993.....	0	0.0	280,832	61,198
12. Totals ..	0	X X X X	4,075,241	319,952

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1H - SECTION 2 - OTHER LIABILITY - CLAIMS-MADE

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense P			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	0	0	0	0
2. 1984....	0	0	0	0	0	0	0
3. 1985....	0	0	0	0	0	0	0
4. 1986....	0	0	0	0	0	0	0
5. 1987....	485,410	119,663	365,747	110,973	28,086	46,103	4,751
6. 1988....	500,957	115,402	385,555	126,018	31,355	44,714	4,510
7. 1989....	534,973	113,421	421,552	184,873	80,060	43,941	7,254
8. 1990....	455,514	109,190	346,325	113,646	31,694	43,717	2,364
9. 1991....	481,319	90,083	391,236	79,865	5,604	27,310	223
10. 1992....	430,719	87,990	342,729	22,507	89	10,085	221
11. 1993....	361,502	103,639	257,863	3,701	2	1,048	57
12. Totals ..	X X X X	X X X X	X X X X	641,584	176,891	216,919	19,379

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	12 Number of Claims Reported - Direct and Assumed
1. Prior ...	0	0	0	X X X X
2. 1984....	0	0	0	0
3. 1985....	0	0	0	0
4. 1986....	0	0	0	0
5. 1987....	1,626	4,997	129,236	5,025
6. 1988....	1,766	3,627	138,495	5,113
7. 1989....	349	3,994	145,493	5,034
8. 1990....	429	3,915	127,221	5,791
9. 1991....	207	3,930	105,278	6,246
10. 1992....	323	3,487	35,769	6,460
11. 1993....	14	2,216	6,905	6,070
12. Totals ..	4,716	26,165	688,397	X X X X

SCHEDULE P - PART 1H - SECTION 2 - OTHER LIABILITY - CLAIMS-MADE

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	0	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	0	0	0	0	0	0	0
4. 1986.....	0	0	0	0	0	0	0
5. 1987.....	20,740	3,492	28,916	13,714	0	0	10,053
6. 1988.....	30,489	5,968	36,444	20,905	0	0	17,825
7. 1989.....	64,871	18,790	46,019	23,223	0	0	31,085
8. 1990.....	87,831	25,301	103,541	54,619	0	0	44,992
9. 1991.....	101,016	23,424	112,096	59,957	0	0	60,232
10. 1992.....	73,526	2,614	157,952	63,242	0	0	67,986
11. 1993.....	43,351	295	231,326	61,326	0	0	94,178
12. Totals ..	421,823	79,883	716,294	296,986	0	0	326,351

Years in Which Premiums Were Earned and Losses Were Incurred	20	21	22	23	24
	+ IBNR Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior ...	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	3,051	4	585	40,037	174
6. 1988.....	4,181	9	539	54,243	305
7. 1989.....	5,135	22	987	95,814	446
8. 1990.....	7,291	77	1,626	150,779	808
9. 1991.....	9,775	179	1,918	182,106	1,412
10. 1992.....	3,648	361	2,514	232,474	2,330
11. 1993.....	10,176	1,986	2,267	299,325	4,121
12. Totals ..	43,257	2,638	10,436	1,054,778	9,596

SCHEDULE P - PART 1H - SECTION 2 - OTHER LIABILITY - CLAIMS-MADE

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	0	0	0	0.0	0.0	0.0	0
3. 1985.....	0	0	0	0.0	0.0	0.0	0
4. 1986.....	0	0	0	0.0	0.0	0.0	0
5. 1987.....	222,367	53,094	169,273	45.8	44.4	46.3	0
6. 1988.....	259,656	66,919	192,737	51.8	58.0	50.0	0
7. 1989.....	375,770	134,462	241,308	70.2	118.6	57.2	0
8. 1990.....	399,268	121,269	277,999	87.7	111.1	80.3	0
9. 1991.....	386,367	98,983	287,384	80.3	109.9	73.5	0
10. 1992.....	338,057	69,814	268,243	78.5	79.3	78.3	0
11. 1993.....	378,087	71,856	306,231	104.6	69.3	118.8	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time f Money	33	Net Balance Sheet Reserves After Discount	
	32 Loss Expense	Inter-Company Pooling Participation Percentage	34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	0	0
2. 1984.....	0	0.0	0	0
3. 1985.....	0	0.0	0	0
4. 1986.....	0	0.0	0	0
5. 1987.....	0	0.0	32,450	7,587
6. 1988.....	0	0.0	40,060	14,183
7. 1989.....	0	0.0	68,877	26,937
8. 1990.....	0	0.0	111,452	39,327
9. 1991.....	0	0.0	129,731	52,375
10. 1992.....	0	0.0	165,622	66,852
11. 1993.....	0	0.0	213,056	86,269
12. Totals ..	0	X X X X	761,248	293,530

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(Name)

SCHEDULE P - PART 1I - SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE,
EARTHQUAKE, GLASS, BURGLARY AND THEFT)

(000 omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	13,740	4,470	1,486	405
2. 1992.....	179,956	70,306	109,651	128,918	62,113	2,786	1,282
3. 1993.....	193,799	71,866	121,933	45,042	25,190	1,328	696
4. Totals ..	X X X X	X X X X	X X X X	187,699	91,773	5,600	2,382

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	6,969	212	10,564	X X X X
2. 1992.....	405	2,433	70,741	X X X X
3. 1993.....	165	2,677	23,161	X X X X
4. Totals ..	7,540	5,322	104,466	X X X X

SCHEDULE P - PART 1I - SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, GLASS, BURGLARY AND THEFT) - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	13,320	2,828	29,816	15,143	0	0	5,753
2. 1992.....	17,137	3,518	20,294	10,611	0	0	3,484
3. 1993.....	70,774	38,453	29,506	8,865	0	0	4,201
4. Totals ..	101,231	44,799	79,616	34,619	0	0	13,438

Years Which Premiums Were Earned and Losses Were Incurred	+ IBNR	21	22	23	24
	20 Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expense Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior ...	15	2,689	137	31,040	688
2. 1992.....	1,578	2,402	110	25,318	344
3. 1993.....	738	2,597	362	56,787	1,077
4. Totals ..	2,331	7,688	609	113,145	2,109

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1992.....	175,162	79,102	96,060	97.3	112.5	87.6	0
3. 1993.....	153,890	73,942	79,948	79.4	102.9	65.6	0
4. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1I - SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, GLASS, BURGLARY AND THEFT) - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	for Time f Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	32 Loss Expense		34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	25,165	5,875
2. 1992.....	0	0.0	23,302	2,016
3. 1993.....	0	0.0	52,962	3,825
4. Totals ..	0	X X X X	101,429	11,716

SCHEDULE P - PART 1J - AUTO PHYSICAL DAMAGE

(000 omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	2,752	(20)	1,888	53
2. 1992.....	393,174	11,491	381,683	185,113	4,539	2,846	23
3. 1993.....	362,501	6,771	355,730	159,678	3,164	1,912	7
4. Totals ..	X X X X	X X X X	X X X X	347,543	7,684	6,646	83

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	3,683	(124)	4,484	X X X X
2. 1992.....	32,809	20,399	203,794	185,594
3. 1993.....	17,545	16,229	174,649	153,975
4. Totals ..	54,037	36,505	382,927	X X X X

SCHEDULE P - PART 1J - AUTO PHYSICAL DAMAGE - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	0	0	0	0	0	0	1,751
2. 1992.....	1,259	13	20,580	1,563	0	0	2,084
3. 1993.....	11,032	247	35,807	2,283	0	0	11,127
4. Totals ..	12,291	260	56,387	3,846	0	0	14,962

Years Which Premiums Were Earned and Losses Were Incurred	+ IBNR	21	22	23	24
	20 Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expense Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior ...	0	3,848	169	13,345	310
2. 1992.....	27	5,330	635	22,955	156
3. 1993.....	99	31,402	1,800	57,137	5,217
4. Totals ..	126	40,579	2,604	93,437	5,683

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1992.....	232,916	6,165	226,751	59.2	53.7	59.4	0
3. 1993.....	237,585	5,800	231,785	65.5	85.7	65.2	0
4. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1J - AUTO PHYSICAL DAMAGE - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	for Time	33	Net Balance Sheet Reserves	
	f Money		After Discount	Reserves
	32	Inter-Company Pooling Participation Percentage	34	35
	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior ...	0	X X X X	11,425	1,920
2. 1992.....	0	0.0	20,263	2,692
3. 1993.....	0	0.0	44,309	12,828
4. Totals ..	0	X X X X	75,997	17,440

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SCHEDULE P - PART 1K - FIDELITY, SURETY, FINANCIAL GUARANTY, MORTGAGE GUARANTY

(000 omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	9,566	9,200	2,721	4,070
2. 1992.....	121,630	24,714	96,915	22,018	1,928	1,748	361
3. 1993.....	127,118	20,304	106,814	53,968	10,277	355	8
4. Totals ..	X X X X	X X X X	X X X X	85,552	21,406	4,824	4,438

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	53,772	148	(835)	X X X X
2. 1992.....	20,901	553	22,030	X X X X
3. 1993.....	97,322	558	44,596	X X X X
4. Totals ..	171,994	1,259	65,791	X X X X

SCHEDULE P - PART 1K - FIDELITY, SURETY, FINANCIAL GUARANTY, MORTGAGE GUARANTY
 - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	31,700	8,341	77,062	30,803	0	0	16,670
2. 1992.....	3,393	1,494	28,211	8,085	0	0	2,778
3. 1993.....	1,513	225	29,928	4,165	0	0	4,412
4. Totals ..	36,607	10,060	135,201	43,053	0	0	23,860

Years Which Premiums Were Earned and Losses Were Incurred	+ IBNR	21	22	23	24	
		Salvage and Subrogation Anticipated	Unallocated Loss Expense Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed	
1. Prior ...	20	6,733	8,116	958	80,513	1,062
2. 1992.....	Ceded	1,046	3,055	77	23,835	251
3. 1993.....		707	890	281	31,038	202
4. Totals ..		8,486	12,062	1,316	135,386	1,515

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1992.....	58,778	12,914	45,864	48.3	52.3	47.3	0
3. 1993.....	91,015	15,382	75,633	71.6	75.8	70.8	0
4. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1K - FIDELITY, SURETY, FINANCIAL GUARANTY, MORTGAGE GUARANTY
- (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	for Time f Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	32 Loss Expense		34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	69,618	10,895
2. 1992.....	0	0.0	22,026	1,809
3. 1993.....	0	0.0	27,052	3,986
4. Totals ..	0	X X X X	118,696	16,690

SCHEDULE P - PART 1L - OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

(000 omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	72,090	1,397	4	0
2. 1992.....	441,805	13,828	427,977	169,634	6,446	61	3
3. 1993.....	512,288	13,503	498,785	102,825	2,690	0	0
4. Totals ..	X X X X	X X X X	X X X X	344,549	10,533	65	3

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	0	2,518	73,216	X X X X
2. 1992.....	0	10,824	174,069	X X X X
3. 1993.....	0	7,469	107,604	X X X X
4. Totals ..	0	20,811	354,889	X X X X

SCHEDULE P - PART 1L - OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH) - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	286,727	4,333	3,013	832	0	0	309
2. 1992.....	101,821	343	2,481	657	0	0	114
3. 1993.....	108,651	3,037	136,928	3,163	0	0	52
4. Totals ..	497,199	7,714	142,422	4,652	0	0	475

Years Which Premiums Were Earned and Losses Were Incurred	+ IBNR	21	22	23	24
		Salvage and Subrogation Anticipated	Unallocated Loss Expense Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior ...	11	0	6,028	290,901	4
2. 1992.....	67	0	4,715	108,064	6
3. 1993.....	9	0	10,962	250,384	24
4. Totals ..	87	0	21,705	649,349	34

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1992.....	289,650	7,516	282,134	65.6	54.4	65.9	0
3. 1993.....	366,887	8,899	357,988	71.6	65.9	71.8	0
4. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1L - OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH) - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	for Time f Money	33	Net Balance Sheet Reserves After Discount	
	32 Loss Expense	Inter-Company Pooling Participation Percentage	34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	284,575	6,326
2. 1992.....	0	0.0	103,302	4,762
3. 1993.....	0	0.0	239,379	11,005
4. Totals ..	0	X X X X	627,256	22,093

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SCHEDULE P - PART 1M - INTERNATIONAL

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ..	X X X X	X X X X	X X X X	0	0	0	0
2. 1984....	(646)	0	(646)	(1,522)	0	0	0
3. 1985....	0	(131)	131	0	0	0	0
4. 1986....	0	(131)	131	0	0	0	0
5. 1987....	0	0	0	0	0	0	0
6. 1988....	0	0	0	0	0	0	0
7. 1989....	0	0	0	0	0	0	0
8. 1990....	0	0	0	0	0	0	0
9. 1991....	0	0	0	0	0	0	0
10. 1992....	0	0	0	0	0	0	0
11. 1993....	183	0	183	0	0	0	0
12. Totals ..	X X X X	X X X X	X X X X	(1,522)	0	0	0

Note: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ..	0	0	0	X X X X
2. 1984....	0	0	(1,522)	X X X X
3. 1985....	0	0	0	X X X X
4. 1986....	0	0	0	X X X X
5. 1987....	0	0	0	X X X X
6. 1988....	0	0	0	X X X X
7. 1989....	0	0	0	X X X X
8. 1990....	0	0	0	X X X X
9. 1991....	0	0	0	X X X X
10. 1992....	0	0	0	X X X X
11. 1993....	0	0	0	X X X X
12. Totals ..	0	0	(1,522)	X X X X

SCHEDULE P - PART 1M - INTERNATIONAL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ..	0	0	0	0	0	0	0
2. 1984....	0	0	0	0	0	0	0
3. 1985....	0	0	0	0	0	0	0
4. 1986....	0	0	0	0	0	0	0
5. 1987....	0	0	0	0	0	0	0
6. 1988....	0	0	0	0	0	0	0
7. 1989....	0	0	0	0	0	0	0
8. 1990....	0	0	0	0	0	0	0
9. 1991....	0	0	0	0	0	0	0
10. 1992....	0	0	0	0	0	0	0
11. 1993....	0	0	0	0	0	0	0
12. Totals ..	0	0	0	0	0	0	0

Years in Which Premiums Were Earned and Losses Were Incurred	20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding - Direct and Assumed
1. Prior ..	0	0	0	0	0
2. 1984....	0	0	0	0	0
3. 1985....	0	0	0	0	0
4. 1986....	0	0	0	0	0
5. 1987....	0	0	0	0	0
6. 1988....	0	0	0	0	0
7. 1989....	0	0	0	0	0
8. 1990....	0	0	0	0	0
9. 1991....	0	0	0	0	0
10. 1992....	0	0	0	0	0
11. 1993....	0	0	0	0	0
12. Totals ..	0	0	0	0	0

SCHEDULE P - PART 1M - INTERNATIONAL - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984....	(1,522)	0	(1,522)	235.6	0.0	235.6	0
3. 1985....	0	0	0	0.0	0.0	0.0	0
4. 1986....	0	0	0	0.0	0.0	0.0	0
5. 1987....	0	0	0	0.0	0.0	0.0	0
6. 1988....	0	0	0	0.0	0.0	0.0	0
7. 1989....	0	0	0	0.0	0.0	0.0	0
8. 1990....	0	0	0	0.0	0.0	0.0	0
9. 1991....	0	0	0	0.0	0.0	0.0	0
10. 1992....	0	0	0	0.0	0.0	0.0	0
11. 1993....	0	0	0	0.0	0.0	0.0	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time of Money	Net Balance Sheet Reserves After Discount		
		32 Loss Expense	33 Inter-Company Pooling Participation Percentage	34 Losses Unpaid
1. Prior ..	0	X X X X	0	0
2. 1984....	0	0.0	0	0
3. 1985....	0	0.0	0	0
4. 1986....	0	0.0	0	0
5. 1987....	0	0.0	0	0
6. 1988....	0	0.0	0	0
7. 1989....	0	0.0	0	0
8. 1990....	0	0.0	0	0
9. 1991....	0	0.0	0	0
10. 1992....	0	0.0	0	0
11. 1993....	0	0.0	0	0
12. Totals ..	0	X X X X	0	0

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SCHEDULE P - PART 1N - REINSURANCE A

(000 omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. 1988.....	18,107	2,084	16,022	(8,536)	113	260	2
2. 1989.....	30,323	5,188	25,136	76,534	27,493	202	1
3. 1990.....	52,398	8,887	43,511	38,177	12,667	130	0
4. 1991.....	53,594	8,599	44,995	35,811	3,072	235	2
5. 1992.....	71,214	6,982	64,231	130,165	18,150	121	58
6. 1993.....	88,237	7,979	80,258	5,307	19	20	0
7. Totals ..	X X X X	X X X X	X X X X	277,458	61,515	968	64

NOTE: Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. 1988.....	0	(1)	(8,392)	X X X X
2. 1989.....	0	0	49,242	X X X X
3. 1990.....	0	0	25,640	X X X X
4. 1991.....	0	0	32,972	X X X X
5. 1992.....	0	0	112,078	X X X X
6. 1993.....	0	143	5,451	X X X X
7. Totals ..	0	142	216,991	X X X X

SCHEDULE P - PART 1N - REINSURANCE A - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. 1988.....	4,978	0	11,202	0	0	0	0
2. 1989.....	10,245	1,884	8,049	3,548	0	0	0
3. 1990.....	10,817	549	9,442	710	0	0	0
4. 1991.....	4,895	201	2,497	1,900	0	0	0
5. 1992.....	16,671	2,548	2,574	1,461	0	0	0
6. 1993.....	6,256	72	54,567	4,069	0	0	0
7. Totals ..	53,861	5,255	88,331	11,688	0	0	0

Years Which Premiums Were Earned and Losses Were Incurred	20	21	22	23	24
	Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expense Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. 1988.....	0	0	0	16,180	X X X X
2. 1989.....	0	0	0	12,862	X X X X
3. 1990.....	0	0	0	19,000	X X X X
4. 1991.....	0	0	0	5,290	X X X X
5. 1992.....	0	0	0	15,236	X X X X
6. 1993.....	0	0	0	56,681	X X X X
7. Totals ..	0	0	0	125,249	X X X X

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. 1988.....	7,903	115	7,788	43.6	5.5	48.6	0
2. 1989.....	95,030	32,926	62,104	313.4	634.7	247.1	0
3. 1990.....	58,566	13,926	44,640	111.8	156.7	102.6	0
4. 1991.....	43,438	5,175	38,263	81.1	60.2	85.0	0
5. 1992.....	149,531	22,217	127,314	210.0	318.2	198.2	0
6. 1993.....	66,293	4,160	62,133	75.1	52.1	77.4	0
7. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1N - REINSURANCE A - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	for Time	33	Net Balance Sheet Reserves After Discount	
	f Money		34	35
	32	Inter-Company Pooling Participation Percentage	Losses Unpaid	Loss Expenses Unpaid
	Loss Expense			
1. 1988.....	0	0.0	16,180	0
2. 1989.....	0	0.0	12,862	0
3. 1990.....	0	0.0	19,000	0
4. 1991.....	0	0.0	5,290	0
5. 1992.....	0	0.0	15,236	0
6. 1993.....	0	0.0	56,681	0
7. Totals ..	0	X X X X	125,249	0

SCHEDULE P - PART 10 - REINSURANCE B

(000 Omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. 1988.....	68,483	(3,131)	71,614	5,237	142	461	7
2. 1989.....	112,647	743	111,904	14,135	93	529	4
3. 1990.....	105,662	626	105,037	8,340	209	543	3
4. 1991.....	115,392	734	114,657	29,587	227	562	(2)
5. 1992.....	107,906	1,450	106,456	6,849	1,676	150	60
6. 1993.....	111,104	138	110,966	1,465	(30)	8	26
7. Totals ..	X X X X	X X X X	X X X X	65,613	2,318	2,252	97

NOTE: Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

SCHEDULE P - PART 10 - REINSURANCE B - (CONTINUED)

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. 1988.....	0	0	5,549	X X X X
2. 1989.....	0	0	14,566	X X X X
3. 1990.....	0	0	8,671	X X X X
4. 1991.....	0	0	29,924	X X X X
5. 1992.....	0	0	5,262	X X X X
6. 1993.....	0	0	1,477	X X X X
7. Totals ..	0	0	65,449	X X X X

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. 1988.....	11,517	18	48,808	0	0	0	0
2. 1989.....	(22,023)	50	71,667	0	0	0	0
3. 1990.....	74,096	0	51,712	49	0	0	0
4. 1991.....	26,410	338	49,852	207	0	0	0
5. 1992.....	27,996	2	59,085	814	0	0	0
6. 1993.....	10,886	30	117,653	110	0	0	0
7. Totals ..	128,883	437	398,777	1,180	0	0	0

Years Which Premiums Were Earned and Losses Were Incurred	d + IBNR	21	22	23	24
		Salvage and Subrogation Anticipated	Unallocated Loss Expense Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1. 1988.....	0	0	0	60,308	X X X X
2. 1989.....	0	0	0	49,594	X X X X
3. 1990.....	0	0	0	125,759	X X X X
4. 1991.....	0	0	0	75,717	X X X X
5. 1992.....	0	0	0	86,266	X X X X
6. 1993.....	0	0	0	128,399	X X X X
7. Totals ..	0	0	0	526,043	X X X X

SCHEDULE P - PART 10 - REINSURANCE B - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25	26	27	28	29	30	31
	Direct and Assumed	Ceded	Net *	Direct and Assumed	Ceded	Net	Loss
1. 1988.....	66,023	167	65,856	96.4	(5.3)	92.0	0
2. 1989.....	64,308	147	64,161	57.1	19.8	57.3	0
3. 1990.....	134,691	261	134,430	127.5	41.7	128.0	0
4. 1991.....	106,411	770	105,641	92.2	104.9	92.1	0
5. 1992.....	94,080	2,552	91,528	87.2	176.0	86.0	0
6. 1993.....	130,012	136	129,876	117.0	98.6	117.0	0
7. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years Which Premiums Were Earned and Losses Were Incurred	for Time f Money	33	Net Balance Sheet Reserves After Discount	
	32 Loss Expense	Inter-Company Pooling Participation Percentage	34 Losses Unpaid	35 Loss Expenses Unpaid
1. 1988.....	0	0.0	60,308	0
2. 1989.....	0	0.0	49,594	0
3. 1990.....	0	0.0	125,759	0
4. 1991.....	0	0.0	75,717	0
5. 1992.....	0	0.0	86,266	0
6. 1993.....	0	0.0	128,399	0
7. Totals ..	0	X X X X	526,043	0

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 1P - REINSURANCE C

(000 omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. 1988.....	7,954	107	7,847	61,724	0	14	0
2. 1989.....	13,214	0	13,214	38,493	0	45	0
3. 1990.....	11,353	0	11,353	34,760	0	41	0
4. 1991.....	8,416	0	8,416	1,884	0	1	0
5. 1992.....	3,283	0	3,283	101	0	0	0
6. 1993.....	2,923	0	2,923	120	0	0	0
7. Totals ..	X X X X	X X X X	X X X X	137,082	0	101	0

NOTE: Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. 1988.....	0	0	61,738	X X X X
2. 1989.....	7,940	0	38,538	X X X X
3. 1990.....	0	0	34,801	X X X X
4. 1991.....	0	0	1,884	X X X X
5. 1992.....	0	0	101	X X X X
6. 1993.....	0	0	120	X X X X
7. Totals ..	7,940	0	137,183	X X X X

SCHEDULE P - PART 1P - REINSURANCE C - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. 1988.....	596	0	0	0	0	0	0
2. 1989.....	246	0	0	0	0	0	0
3. 1990.....	914	0	0	0	0	0	0
4. 1991.....	1,407	0	0	0	0	0	0
5. 1992.....	0	0	0	0	0	0	0
6. 1993.....	0	0	0	0	0	0	0
7. Totals ..	3,163	0	0	0	0	0	0

Years Which Premiums Were Earned and Losses Were Incurred	20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expense Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding - Direct and Assumed
1. 1988.....	0	0	0	596	X X X X
2. 1989.....	0	0	0	246	X X X X
3. 1990.....	0	0	0	914	X X X X
4. 1991.....	0	0	0	1,407	X X X X
5. 1992.....	0	0	0	0	X X X X
6. 1993.....	0	0	0	0	X X X X
7. Totals ..	0	0	0	3,163	X X X X

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. 1988.....	62,334	0	62,334	783.7	0.0	794.4	0
2. 1989.....	38,784	0	38,784	293.5	0.0	293.5	0
3. 1990.....	35,715	0	35,715	314.6	0.0	314.6	0
4. 1991.....	3,292	0	3,292	39.1	0.0	39.1	0
5. 1992.....	101	0	101	3.1	0.0	3.1	0
6. 1993.....	120	0	120	4.1	0.0	4.1	0
7. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

SCHEDULE P - PART 1P - REINSURANCE C - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	for Time f Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	32 Loss Expense		34 Losses Unpaid	35 Loss Expenses Unpaid
1. 1988.....	0	0.0	596	0
2. 1989.....	0	0.0	246	0
3. 1990.....	0	0.0	914	0
4. 1991.....	0	0.0	1,407	0
5. 1992.....	0	0.0	0	0
6. 1993.....	0	0.0	0	0
7. Totals ..	0	X X X X	3,163	0

SCHEDULE P - PART 1Q - REINSURANCE D

(000 Omitted)

1 Years Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	11,182	2,096	334	61
2. 1984.....	57,740	3,861	53,879	69,532	4,299	1,165	63
3. 1985.....	123,179	5,941	117,239	61,679	4,955	689	12
4. 1986.....	212,988	9,139	203,849	24,322	917	860	0
5. 1987.....	170,335	7,926	162,408	49,900	2,125	886	1
6. Totals ..	X X X X	X X X X	X X X X	216,615	14,393	3,934	137

NOTE: For "prior," report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years.
Report loss payments net of salvage and subrogation received.

SCHEDULE P - PART 1Q - REINSURANCE D - (CONTINUED)

1 Years Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	0	0	9,359	X X X X
2. 1984.....	0	12	66,347	X X X X
3. 1985.....	0	111	57,513	X X X X
4. 1986.....	0	52	24,316	X X X X
5. 1987.....	0	12	48,671	X X X X
6. Totals ..	0	187	206,207	X X X X

Years Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	86,806	2,058	19,175	1,044	0	0	0
2. 1984....	28,552	180	13,144	231	0	0	0
3. 1985....	21,058	1,259	63,183	791	0	0	0
4. 1986....	16,903	1	84,574	0	0	0	0
5. 1987....	28,762	139	91,596	0	0	0	0
6. Totals ..	182,080	3,638	271,672	2,066	0	0	0

Years Which Premiums Were Earned and Losses Were Incurred	d + IBNR	21	22	23	24
		Salvage and Subrogation Anticipated	Unallocated Loss Expense Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1. Prior ...	0	0	0	102,878	X X X X
2. 1984....	0	0	0	41,285	X X X X
3. 1985....	0	0	0	82,191	X X X X
4. 1986....	0	0	0	101,475	X X X X
5. 1987....	0	0	0	120,219	X X X X
6. Totals ..	0	0	0	448,048	X X X X

SCHEDULE P - PART 1Q - REINSURANCE D - (CONTINUED)

Years Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	31 Loss
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	112,405	4,773	107,632	194.7	123.6	199.8	0
3. 1985.....	146,720	7,017	139,703	119.1	118.1	119.2	0
4. 1986.....	126,711	918	125,793	59.5	10.0	61.7	0
5. 1987.....	171,156	2,265	168,891	100.5	28.6	104.0	0
6. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years Which Premiums Were Earned and Losses Were Incurred	for Time of Money	33	Net Balance Sheet Reserves After Discount	
	32 Loss Expense	Inter-Company Pooling Participation Percentage	34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	0.0	102,878	0
2. 1984.....	0	0.0	41,285	0
3. 1985.....	0	0.0	82,191	0
4. 1986.....	0	0.0	101,475	0
5. 1987.....	0	0.0	120,219	0
6. Totals ..	0	X X X X	448,048	0

/TABLE

(Name)

SCHEDULE P - PART 1R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	5,869	2,614	(4,012)	831
2. 1984.....	35,534	5,420	30,114	40,542	19,074	35,816	13,247
3. 1985.....	80,190	10,391	69,798	52,167	7,607	39,835	2,136
4. 1986.....	174,766	11,465	163,301	67,736	974	45,326	549
5. 1987.....	163,036	4,451	158,585	34,395	3,679	19,207	1,146
6. 1988.....	153,691	12,764	140,928	35,004	5,727	13,287	937
7. 1989.....	131,729	9,675	122,054	22,957	2,388	10,069	276
8. 1990.....	119,042	18,024	101,018	20,707	2,044	8,216	340
9. 1991.....	106,109	16,836	89,273	14,219	902	4,323	280
10. 1992.....	74,984	13,886	61,097	5,665	908	1,227	416
11. 1993.....	75,698	15,677	60,020	3,189	390	379	119
12. Totals ..	X X X X	X X X X	X X X X	302,449	46,307	173,675	20,275

Note: For "prior," report amounts paid or received in current year only.
 Report cumulative amounts paid or received for specific years.
 Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	360	126	(1,462)	X X X X
2. 1984.....	878	2,173	46,210	10,195
3. 1985.....	1,183	3,352	85,611	12,536
4. 1986.....	459	1,898	113,438	9,914
5. 1987.....	347	2,026	50,803	9,299
6. 1988.....	326	1,800	43,427	8,915
7. 1989.....	380	1,457	31,820	7,612
8. 1990.....	302	1,295	27,834	8,012
9. 1991.....	146	1,354	18,714	6,155
10. 1992.....	58	1,469	7,038	5,244
11. 1993.....	24	1,121	4,181	4,484
12. Totals ..	4,464	18,073	427,616	X X X X

SCHEDULE P - PART 1R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	31,097	15,635	18,309	3,628	0	0	1,744
2. 1984.....	10,021	1,257	13,761	878	0	0	560
3. 1985.....	11,007	911	19,474	1,280	0	0	1,338
4. 1986.....	11,481	29	28,996	1,180	0	0	3,537
5. 1987.....	15,626	199	29,864	465	0	0	4,902
6. 1988.....	16,217	407	24,176	883	0	0	5,642
7. 1989.....	15,235	522	27,190	424	0	0	10,312
8. 1990.....	21,937	1,522	33,299	121	0	0	10,527
9. 1991.....	14,221	1,122	43,291	734	0	0	9,983
10. 1992.....	9,644	384	34,426	2,116	0	0	9,399
11. 1993.....	4,520	300	49,771	9,384	0	0	8,675
12. Totals ..	161,006	22,287	322,557	21,093	0	0	66,619

Years in Which Premiums Were Earned and Losses Were Incurred	20	21	22	23	24
	Ceded	Salvage and Subrogation Anticipated	Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding - Direct and Assumed
1. Prior ...	1,040	392	165	31,011	2,962
2. 1984.....	113	271	172	22,265	395
3. 1985.....	356	717	126	29,398	734
4. 1986.....	8	339	321	43,118	465
5. 1987.....	0	367	334	50,062	512
6. 1988.....	0	451	463	45,209	398
7. 1989.....	0	1,035	507	52,298	998
8. 1990.....	0	1,199	763	64,884	1,501
9. 1991.....	0	886	684	66,323	598
10. 1992.....	103	693	682	51,548	514
11. 1993.....	452	866	747	53,577	680
12. Totals ..	2,072	7,217	4,964	509,694	9,757

SCHEDULE P - PART 1R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value o
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	103,045	34,569	68,476	290.0	637.8	227.4	0
3. 1985.....	127,299	12,290	115,009	158.7	118.3	164.8	0
4. 1986.....	159,295	2,740	156,555	91.1	23.9	95.9	0
5. 1987.....	106,354	5,489	100,865	65.2	123.3	63.6	0
6. 1988.....	96,589	7,954	88,635	62.8	62.3	62.9	0
7. 1989.....	87,727	3,610	84,117	66.6	37.3	68.9	0
8. 1990.....	96,744	4,027	92,717	81.3	22.3	91.8	0
9. 1991.....	88,075	3,038	85,037	83.0	18.0	95.3	0
10. 1992.....	62,512	3,927	58,585	83.4	28.3	95.9	0
11. 1993.....	68,402	10,645	57,757	90.4	67.9	96.2	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time of Money	Net Balance Sheet Reserves After Discount		
		32 Loss Expense	33 Inter-Company Pooling Participation Percentage	34 Losses Unpaid
1. Prior ...	0	X X X X	30,142	869
2. 1984.....	0	0.0	21,646	619
3. 1985.....	0	0.0	28,290	1,108
4. 1986.....	0	0.0	39,268	3,850
5. 1987.....	0	0.0	44,826	5,236
6. 1988.....	0	0.0	39,104	6,105
7. 1989.....	0	0.0	41,479	10,819
8. 1990.....	0	0.0	53,594	11,290
9. 1991.....	0	0.0	55,656	10,667
10. 1992.....	0	0.0	41,570	9,978
11. 1993.....	0	0.0	44,607	8,970
12. Totals ..	0	X X X X	440,183	69,511

(Name)

SCHEDULE P - PART 1R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

(000 omitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense			
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		Allocated Loss Expense Payments	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded
1. Prior ...	X X X X	X X X X	X X X X	0	0	0	0
2. 1984....	0	0	0	0	0	0	0
3. 1985....	0	0	0	0	0	0	0
4. 1986....	0	0	0	0	0	0	0
5. 1987....	1,893	94	1,799	0	0	1	0
6. 1988....	1,027	47	980	3	0	0	0
7. 1989....	803	16	786	0	0	0	0
8. 1990....	333	2	332	7	0	0	0
9. 1991....	199	2	197	15	0	0	0
10. 1992....	121	4	117	0	0	0	0
11. 1993....	51	6	44	0	0	0	0
12. Totals ..	X X X X	X X X X	X X X X	24	0	1	0

Note: For "prior," report amounts paid or received in current year only.
 Report cumulative amounts paid or received for specific years.
 Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	Payments			12 Number of Claims Reported - Direct and Assumed
	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
1. Prior ...	0	0	0	X X X X
2. 1984....	0	0	0	0
3. 1985....	0	0	0	0
4. 1986....	0	0	0	0
5. 1987....	0	0	1	148
6. 1988....	0	6	9	3
7. 1989....	0	6	6	3
8. 1990....	0	13	20	0
9. 1991....	0	13	28	2
10. 1992....	0	2	2	1
11. 1993....	0	1	1	1
12. Totals ..	0	42	67	X X X X

SCHEDULE P - PART 1R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid		
	Case Basis		Bulk + IBNR		Case Basis		Bulk
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed
1. Prior ...	0	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	0	0	0	0	0	0	0
4. 1986.....	0	0	0	0	0	0	0
5. 1987.....	0	0	2	0	0	0	96
6. 1988.....	0	0	479	0	0	0	28
7. 1989.....	0	0	502	0	0	0	29
8. 1990.....	0	0	111	0	0	0	6
9. 1991.....	0	0	3	0	0	0	0
10. 1992.....	0	0	3	0	0	0	0
11. 1993.....	1	0	6	3	0	0	0
12. Totals ..	1	0	1,106	3	0	0	159

Years in Which Premiums Were Earned and Losses Were Incurred	20 Ceded	21 Salvage and Subrogation Anticipated	22 Unallocated Loss Expenses Unpaid	23 Total Net Losses and Expenses Unpaid	24 Number of Claims Outstanding - Direct and Assumed
1. Prior ...	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	0	0	0	98	3
6. 1988.....	0	0	2	509	0
7. 1989.....	0	0	2	533	0
8. 1990.....	0	0	0	117	0
9. 1991.....	0	0	0	3	0
10. 1992.....	0	0	0	3	0
11. 1993.....	0	1	0	4	1
12. Totals ..	0	1	4	1,267	4

SCHEDULE P - PART 1R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE - (CONTINUED)

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Discount Value of
	25 Direct and Assumed	26 Ceded	27 Net *	28 Direct and Assumed	29 Ceded	30 Net	
1. Prior ...	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
2. 1984.....	0	0	0	0.0	0.0	0.0	0
3. 1985.....	0	0	0	0.0	0.0	0.0	0
4. 1986.....	0	0	0	0.0	0.0	0.0	0
5. 1987.....	99	0	99	5.2	0.0	5.5	0
6. 1988.....	518	0	518	50.4	0.0	52.9	0
7. 1989.....	539	0	539	67.1	0.0	68.6	0
8. 1990.....	137	0	137	41.1	0.0	41.3	0
9. 1991.....	31	0	31	15.6	0.0	15.7	0
10. 1992.....	5	0	5	4.1	0.0	4.3	0
11. 1993.....	8	3	5	15.7	50.0	11.4	0
12. Totals ..	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0

*Net = (25 - 26) = (11 + 23)

Years in Which Premiums Were Earned and Losses Were Incurred	for Time of Money	33 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
			34 Losses Unpaid	35 Loss Expenses Unpaid
1. Prior ...	0	X X X X	0	0
2. 1984.....	0	0.0	0	0
3. 1985.....	0	0.0	0	0
4. 1986.....	0	0.0	0	0
5. 1987.....	0	0.0	2	96
6. 1988.....	0	0.0	479	30
7. 1989.....	0	0.0	502	31
8. 1990.....	0	0.0	111	6
9. 1991.....	0	0.0	3	0
10. 1992.....	0	0.0	3	0
11. 1993.....	0	0.0	4	0
12. Totals ..	0	X X X X	1,104	163

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SCHEDULE P - PART 2A - HOMEOWNERS/FARMOWNERS

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	9,767 *	12,896	10,547	11,464	11,636	12,711	12,625
2. 1984.....	48,697	45,283	45,989	47,386	47,504	48,986	48,298
3. 1985.....	X X X X	62,117	62,365	62,044	62,014	63,695	63,126
4. 1986.....	X X X X	X X X X	65,194	58,601	58,790	59,175	57,893
5. 1987.....	X X X X	X X X X	X X X X	67,127	66,277	68,484	68,556
6. 1988.....	X X X X	X X X X	X X X X	X X X X	91,380	89,634	90,361
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	116,539	131,293
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	142,431
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	12,547	12,853	12,850	(2)	304
2. 1984.....	48,255	48,044	48,128	85	(127)
3. 1985.....	63,232	64,430	63,719	(711)	487
4. 1986.....	57,352	57,781	57,836	55	483
5. 1987.....	68,395	69,493	72,068	2,575	3,673
6. 1988.....	91,038	92,591	93,581	990	2,544
7. 1989.....	133,507	134,724	134,980	256	1,473
8. 1990.....	154,377	155,017	158,077	3,060	3,700
9. 1991.....	154,363	157,088	159,931	2,842	5,568
10. 1992.....	X X X X	214,501	198,976	(15,525)	X X X X
11. 1993.....	X X X X	X X X X	173,051	X X X X	X X X X
12. Totals				(6,375)	18,105

SCHEDULE P - PART 2B - PRIVATE PASSENGER AUTO LIABILITY/MEDICAL

1 Years in Which Losses Were Incurred		Incurred Losses and Allocated Expenses Reported at Year End (000)						
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1.	Prior	107,972 *	96,618	94,384	99,676	103,130	108,818	109,820
2.	1984.....	124,468	119,509	117,450	119,249	124,865	132,090	129,586
3.	1985.....	X X X X	123,125	120,818	130,310	141,132	152,980	150,315
4.	1986.....	X X X X	X X X X	139,780	137,514	147,745	163,043	164,967
5.	1987.....	X X X X	X X X X	X X X X	163,129	164,710	181,639	194,915
6.	1988.....	X X X X	X X X X	X X X X	X X X X	220,392	224,635	229,403
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	265,547	264,101
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	312,892
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		omitted)			Development**	
		9 1991	10 1992	11 1993	12 One Year	13 Two Year
1.	Prior	113,453	114,451	115,150	699	1,696
2.	1984.....	130,619	131,191	131,983	792	1,363
3.	1985.....	151,764	150,887	151,473	586	(291)
4.	1986.....	166,577	168,625	170,717	2,092	4,140
5.	1987.....	199,770	201,462	201,918	456	2,148
6.	1988.....	236,897	236,796	233,062	(3,735)	(3,836)
7.	1989.....	293,241	295,394	295,919	525	2,678
8.	1990.....	350,967	347,663	345,319	(2,344)	(5,648)
9.	1991.....	364,018	374,177	365,861	(8,316)	1,843
10.	1992.....	X X X X	394,817	403,137	8,320	X X X X
11.	1993.....	X X X X	X X X X	378,857	X X X X	X X X X
				12. Totals	(925)	4,094

SCHEDULE P - PART 2C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

1 Years in Which Losses Were Incurred		Incurred Losses and Allocated Expenses Reported at Year End (000)						
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1.	Prior	169,071 *	158,780	163,274	171,151	167,949	174,103	179,244
2.	1984.....	126,744	120,841	122,546	135,443	146,077	154,034	155,608
3.	1985.....	X X X X	157,128	157,722	154,605	166,762	178,709	184,278
4.	1986.....	X X X X	X X X X	224,610	228,436	235,687	232,571	245,055
5.	1987.....	X X X X	X X X X	X X X X	241,142	239,568	253,323	276,917
6.	1988.....	X X X X	X X X X	X X X X	X X X X	296,205	304,106	316,343
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	372,926	375,983
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	439,285
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		omitted)			Development**	
		9 1991	10 1992	11 1993	12 One Year	13 Two Year
1.	Prior	179,356	171,972	170,345	(1,627)	(9,011)
2.	1984.....	156,343	155,679	156,849	1,170	505
3.	1985.....	189,387	184,815	185,898	1,083	(3,490)
4.	1986.....	247,493	241,878	243,459	1,582	(4,033)
5.	1987.....	288,105	288,244	288,320	76	215
6.	1988.....	325,084	331,808	334,235	2,427	9,152
7.	1989.....	388,444	385,064	386,834	1,770	(1,610)
8.	1990.....	447,367	446,694	444,816	(1,878)	(2,551)
9.	1991.....	483,153	482,530	470,673	(11,857)	(12,480)
10.	1992.....	X X X X	470,910	469,693	(1,217)	X X X X
11.	1993.....	X X X X	X X X X	432,482	X X X X	X X X X
12. Totals					(8,472)	(23,304)

SCHEDULE P - PART 2D - WORKERS' COMPENSATION

1 Years in Which Losses Were Incurred		Incurred Losses and Allocated Expenses Reported at Year End (000)						
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	647,630 *	661,194	679,565	668,112	694,377	700,759	713,220	
2. 1984.....	367,350	366,640	365,722	361,226	380,519	396,829	399,129	
3. 1985.....	X X X X	461,923	452,463	453,449	452,378	470,207	479,628	
4. 1986.....	X X X X	X X X X	789,056	727,732	713,799	689,124	692,356	
5. 1987.....	X X X X	X X X X	X X X X	859,527	853,658	885,561	888,847	
6. 1988.....	X X X X	X X X X	X X X X	X X X X	1,221,237	1,212,149	1,218,800	
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	1,451,074	1,470,086	
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	1,998,227	
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	694,317	721,722	742,532	20,809	48,215
2. 1984.....	405,101	407,143	409,954	2,811	4,853
3. 1985.....	520,045	524,580	529,714	5,134	9,669
4. 1986.....	698,344	700,274	705,442	5,169	7,098
5. 1987.....	893,691	902,324	906,708	4,384	13,017
6. 1988.....	1,232,705	1,245,533	1,254,047	8,514	21,342
7. 1989.....	1,517,662	1,566,917	1,604,004	37,087	86,342
8. 1990.....	1,925,745	1,938,821	1,931,057	(7,763)	5,312
9. 1991.....	2,151,880	2,135,447	1,995,178	(140,269)	(156,702)
10. 1992.....	X X X X	1,833,601	1,781,345	(52,256)	X X X X
11. 1993.....	X X X X	X X X X	1,467,343	X X X X	X X X X
12. Totals				(116,380)	39,146

SCHEDULE P - PART 2E - COMMERCIAL MULTIPLE PERIL

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	104,100 *	106,276	120,893	149,016	161,048	167,105	170,001
2. 1984.....	150,082	137,053	133,640	156,885	160,878	167,993	170,339
3. 1985.....	X X X X	216,990	216,397	192,849	187,092	194,499	199,657
4. 1986.....	X X X X	X X X X	219,883	208,707	209,307	199,829	193,972
5. 1987.....	X X X X	X X X X	X X X X	221,282	222,046	219,821	224,519
6. 1988.....	X X X X	X X X X	X X X X	X X X X	294,467	288,327	279,037
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	374,350	393,370
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	444,918
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

*Reported reserves only. Subsequent development relates only to subsequent payments and reserves.

**Current year less first or second prior year, showing (redundant) or adverse.

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	174,399	179,774	182,221	2,446	7,821
2. 1984.....	172,338	175,278	176,714	1,436	4,377
3. 1985.....	205,399	209,493	210,825	1,332	5,426
4. 1986.....	200,028	194,250	199,808	5,558	(220)
5. 1987.....	235,766	236,623	240,244	3,620	4,478
6. 1988.....	282,782	283,506	290,041	6,536	7,259
7. 1989.....	401,136	405,790	419,292	13,502	18,156
8. 1990.....	436,993	434,964	438,968	4,004	1,975
9. 1991.....	509,763	499,279	493,087	(6,192)	(16,676)
10. 1992.....	X X X X	554,354	557,557	3,203	X X X X
11. 1993.....	X X X X	X X X X	587,228	X X X X	X X X X
			12. Totals	35,446	32,597

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SCHEDULE P - PART 2F - SECTION 1 - MEDICAL MALPRACTICE - OCCURRENCE

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	174,646 *	230,592	269,029	352,778	362,630	370,758	380,371
2. 1984.....	98,816	112,930	124,576	136,895	136,850	157,313	152,478
3. 1985.....	X X X X	150,292	175,982	173,767	170,361	144,771	139,589
4. 1986.....	X X X X	X X X X	252,314	244,077	227,358	172,093	144,877
5. 1987.....	X X X X	X X X X	X X X X	122,981	119,534	101,239	71,845
6. 1988.....	X X X X	X X X X	X X X X	X X X X	39,038	34,328	39,444
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	25,139	28,080
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	29,631
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	387,502	381,268	383,476	2,208	(4,027)
2. 1984.....	152,838	156,255	153,329	(2,926)	492
3. 1985.....	132,251	135,856	128,030	(7,826)	(4,221)
4. 1986.....	142,308	135,622	132,622	(3,001)	(9,687)
5. 1987.....	84,375	78,673	63,916	(14,758)	(20,460)
6. 1988.....	78,634	72,303	47,990	(24,313)	(30,645)
7. 1989.....	59,479	62,420	24,956	(37,464)	(34,523)
8. 1990.....	77,249	70,976	43,222	(27,754)	(34,027)
9. 1991.....	52,157	76,693	27,418	(49,276)	(24,740)
10. 1992.....	X X X X	63,127	30,454	(32,673)	X X X X
11. 1993.....	X X X X	X X X X	25,333	X X X X	X X X X
12. Totals				(197,783)	(161,837)

SCHEDULE P - PART 2F - SECTION 2 - MEDICAL MALPRACTICE - CLAIMS-MADE

1 Years in Which Losses Were Incurred		Incurred Losses and Allocated Expenses Reported at Year End (000)						
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	0 *	0	0	0	0	0	0	0
2. 1984	0	0	0	0	0	0	0	0
3. 1985	X X X X	0	0	0	0	0	0	0
4. 1986	X X X X	X X X X	0	0	0	0	0	0
5. 1987	X X X X	X X X X	X X X X	50,593	52,678	61,177	49,956	
6. 1988	X X X X	X X X X	X X X X	X X X X	144,687	148,285	114,050	
7. 1989	X X X X	X X X X	X X X X	X X X X	X X X X	180,744	164,708	
8. 1990	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	193,539	
9. 1991	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	
10. 1992	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	
11. 1993	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	0	0	0	0	0
2. 1984	0	0	0	0	0
3. 1985	0	0	0	0	0
4. 1986	0	0	0	0	0
5. 1987	38,949	41,742	49,484	7,742	10,535
6. 1988	61,967	64,865	80,607	15,742	18,640
7. 1989	118,407	106,482	133,005	26,523	14,598
8. 1990	133,317	129,210	144,469	15,259	11,152
9. 1991	169,686	146,459	168,608	22,149	(1,078)
10. 1992	X X X X	164,942	174,887	9,944	X X X X
11. 1993	X X X X	X X X X	213,555	X X X X	X X X X
12. Totals				97,359	53,848

SCHEDULE P - PART 2G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT
(ALL PERILS), BOILER AND MACHINERY)

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	2,672 *	3,204	3,408	2,878	4,289	5,576	6,223
2. 1984.....	5,327	7,221	7,835	7,244	7,234	7,078	6,902
3. 1985.....	X X X X	4,496	4,201	4,185	4,280	4,449	4,602
4. 1986.....	X X X X	X X X X	12,063	11,799	11,888	11,676	11,729
5. 1987.....	X X X X	X X X X	X X X X	10,699	10,370	10,055	9,391
6. 1988.....	X X X X	X X X X	X X X X	X X X X	15,777	14,393	13,128
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	14,036	12,982
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	13,656
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	7,114	8,068	8,894	826	1,780
2. 1984.....	6,910	7,138	7,147	9	237
3. 1985.....	4,572	4,487	4,473	(14)	(99)
4. 1986.....	11,755	11,750	11,720	(30)	(36)
5. 1987.....	8,714	8,723	8,574	(149)	(140)
6. 1988.....	12,322	11,275	11,301	27	(1,021)
7. 1989.....	13,572	13,257	12,777	(480)	(795)
8. 1990.....	12,178	14,934	13,645	(1,289)	1,467
9. 1991.....	16,204	12,980	11,980	(1,000)	(4,224)
10. 1992.....	X X X X	13,689	12,402	(1,286)	X X X X
11. 1993.....	X X X X	X X X X	14,015	X X X X	X X X X
			12. Totals	(3,387)	(2,831)

SCHEDULE P - PART 2H - SECTION 1 - OTHER LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred		Incurred Losses and Allocated Expenses Reported at Year End (000)						
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1.	Prior	619,780 *	675,744	731,362	868,748	957,421	1,117,718	1,238,203
2.	1984.....	196,625	193,705	211,419	275,890	281,022	299,081	315,930
3.	1985.....	X X X X	348,677	357,939	371,041	369,162	398,304	423,482
4.	1986.....	X X X X	X X X X	642,964	636,283	593,438	537,277	487,564
5.	1987.....	X X X X	X X X X	X X X X	353,169	381,253	326,561	311,899
6.	1988.....	X X X X	X X X X	X X X X	X X X X	337,084	314,769	313,979
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	284,621	282,908
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	373,664
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		omitted)			Development**	
		9 1991	10 1992	11 1993	12 One Year	13 Two Year
1.	Prior	1,266,175	2,970,737	3,977,689	1,006,952	2,711,514
2.	1984.....	324,791	335,818	343,035	7,217	18,244
3.	1985.....	422,984	440,052	448,197	8,145	25,213
4.	1986.....	481,780	462,219	456,702	(5,517)	(25,078)
5.	1987.....	289,461	273,974	270,551	(3,424)	(18,910)
6.	1988.....	312,014	306,824	308,748	1,924	(3,266)
7.	1989.....	295,594	310,778	326,268	15,490	30,673
8.	1990.....	371,622	368,156	366,426	(1,730)	(5,196)
9.	1991.....	374,769	363,708	344,634	(19,074)	(30,135)
10.	1992.....	X X X X	319,766	336,994	17,229	X X X X
11.	1993.....	X X X X	X X X X	351,363	X X X X	X X X X
12. Totals					1,027,212	2,703,059

SCHEDULE P - PART 2H - SECTION 2 - OTHER LIABILITY - CLAIMS-MADE

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	0 *	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	263,290	230,079	285,321	206,981
6. 1988.....	X X X X	X X X X	X X X X	X X X X	272,132	295,462	293,826
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	289,647	290,852
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	294,875
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

*Reported reserves only. Subsequent development relates only to subsequent payments and reserves.

**Current year less first or second prior year, showing (redundant) or adverse.

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	183,174	169,247	163,692	(5,555)	(19,482)
6. 1988.....	213,212	202,544	188,571	(13,973)	(24,641)
7. 1989.....	244,274	230,027	236,327	6,300	(7,947)
8. 1990.....	263,631	263,334	272,459	9,125	8,828
9. 1991.....	289,492	281,795	281,536	(259)	(7,956)
10. 1992.....	X X X X	303,057	262,242	(40,815)	X X X X
11. 1993.....	X X X X	X X X X	301,748	X X X X	X X X X
				(45,176)	(51,198)

/TABLE

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 2F - SECTION 1 - MEDICAL MALPRACTICE - OCCURRENCE

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	174,646 *	230,592	269,029	352,778	362,630	370,758	380,371
2. 1984.....	98,816	112,930	124,576	136,895	136,850	157,313	152,478
3. 1985.....	X X X X	150,292	175,982	173,767	170,361	144,771	139,589
4. 1986.....	X X X X	X X X X	252,314	244,077	227,358	172,093	144,877
5. 1987.....	X X X X	X X X X	X X X X	122,981	119,534	101,239	71,845
6. 1988.....	X X X X	X X X X	X X X X	X X X X	39,038	34,328	39,444
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	25,139	28,080
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	29,631
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	387,502	381,268	383,476	2,208	(4,027)
2. 1984.....	152,838	156,255	153,329	(2,926)	492
3. 1985.....	132,251	135,856	128,030	(7,826)	(4,221)
4. 1986.....	142,308	135,622	132,622	(3,001)	(9,687)
5. 1987.....	84,375	78,673	63,916	(14,758)	(20,460)
6. 1988.....	78,634	72,303	47,990	(24,313)	(30,645)
7. 1989.....	59,479	62,420	24,956	(37,464)	(34,523)
8. 1990.....	77,249	70,976	43,222	(27,754)	(34,027)
9. 1991.....	52,157	76,693	27,418	(49,276)	(24,740)
10. 1992.....	X X X X	63,127	30,454	(32,673)	X X X X
11. 1993.....	X X X X	X X X X	25,333	X X X X	X X X X
12. Totals				(197,783)	(161,837)

SCHEDULE P - PART 2F - SECTION 2 - MEDICAL MALPRACTICE - CLAIMS-MADE

1 Years in Which Losses Were Incurred		Incurred Losses and Allocated Expenses Reported at Year End (000)						
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	0 *	0	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0	0
3. 1985.....	X X X X	0	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	50,593	52,678	61,177	49,956	
6. 1988.....	X X X X	X X X X	X X X X	X X X X	144,687	148,285	114,050	
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	180,744	164,708	
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	193,539	
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	38,949	41,742	49,484	7,742	10,535
6. 1988.....	61,967	64,865	80,607	15,742	18,640
7. 1989.....	118,407	106,482	133,005	26,523	14,598
8. 1990.....	133,317	129,210	144,469	15,259	11,152
9. 1991.....	169,686	146,459	168,608	22,149	(1,078)
10. 1992.....	X X X X	164,942	174,887	9,944	X X X X
11. 1993.....	X X X X	X X X X	213,555	X X X X	X X X X
12. Totals				97,359	53,848

SCHEDULE P - PART 2G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT
(ALL PERILS), BOILER AND MACHINERY)

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	2,672 *	3,204	3,408	2,878	4,289	5,576	6,223
2. 1984.....	5,327	7,221	7,835	7,244	7,234	7,078	6,902
3. 1985.....	X X X X	4,496	4,201	4,185	4,280	4,449	4,602
4. 1986.....	X X X X	X X X X	12,063	11,799	11,888	11,676	11,729
5. 1987.....	X X X X	X X X X	X X X X	10,699	10,370	10,055	9,391
6. 1988.....	X X X X	X X X X	X X X X	X X X X	15,777	14,393	13,128
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	14,036	12,982
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	13,656
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	7,114	8,068	8,894	826	1,780
2. 1984.....	6,910	7,138	7,147	9	237
3. 1985.....	4,572	4,487	4,473	(14)	(99)
4. 1986.....	11,755	11,750	11,720	(30)	(36)
5. 1987.....	8,714	8,723	8,574	(149)	(140)
6. 1988.....	12,322	11,275	11,301	27	(1,021)
7. 1989.....	13,572	13,257	12,777	(480)	(795)
8. 1990.....	12,178	14,934	13,645	(1,289)	1,467
9. 1991.....	16,204	12,980	11,980	(1,000)	(4,224)
10. 1992.....	X X X X	13,689	12,402	(1,286)	X X X X
11. 1993.....	X X X X	X X X X	14,015	X X X X	X X X X
			12. Totals	(3,387)	(2,831)

SCHEDULE P - PART 2H - SECTION 1 - OTHER LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	619,780 *	675,744	731,362	868,748	957,421	1,117,718	1,238,203
2. 1984.....	196,625	193,705	211,419	275,890	281,022	299,081	315,930
3. 1985.....	X X X X	348,677	357,939	371,041	369,162	398,304	423,482
4. 1986.....	X X X X	X X X X	642,964	636,283	593,438	537,277	487,564
5. 1987.....	X X X X	X X X X	X X X X	353,169	381,253	326,561	311,899
6. 1988.....	X X X X	X X X X	X X X X	X X X X	337,084	314,769	313,979
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	284,621	282,908
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	373,664
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	1,266,175	2,970,737	3,977,689	1,006,952	2,711,514
2. 1984.....	324,791	335,818	343,035	7,217	18,244
3. 1985.....	422,984	440,052	448,197	8,145	25,213
4. 1986.....	481,780	462,219	456,702	(5,517)	(25,078)
5. 1987.....	289,461	273,974	270,551	(3,424)	(18,910)
6. 1988.....	312,014	306,824	308,748	1,924	(3,266)
7. 1989.....	295,594	310,778	326,268	15,490	30,673
8. 1990.....	371,622	368,156	366,426	(1,730)	(5,196)
9. 1991.....	374,769	363,708	344,634	(19,074)	(30,135)
10. 1992.....	X X X X	319,766	336,994	17,229	X X X X
11. 1993.....	X X X X	X X X X	351,363	X X X X	X X X X
12. Totals				1,027,212	2,703,059

SCHEDULE P - PART 2H - SECTION 2 - OTHER LIABILITY - CLAIMS-MADE

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	0 *	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	263,290	230,079	285,321	206,981
6. 1988.....	X X X X	X X X X	X X X X	X X X X	272,132	295,462	293,826
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	289,647	290,852
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	294,875
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

*Reported reserves only. Subsequent development relates only to subsequent payments and reserves.

**Current year less first or second prior year, showing (redundant) or adverse.

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	183,174	169,247	163,692	(5,555)	(19,482)
6. 1988.....	213,212	202,544	188,571	(13,973)	(24,641)
7. 1989.....	244,274	230,027	236,327	6,300	(7,947)
8. 1990.....	263,631	263,334	272,459	9,125	8,828
9. 1991.....	289,492	281,795	281,536	(259)	(7,956)
10. 1992.....	X X X X	303,057	262,242	(40,815)	X X X X
11. 1993.....	X X X X	X X X X	301,748	X X X X	X X X X
				(45,176)	(51,198)

SCHEDULE P - PART 2J - AUTO PHYSICAL DAMAGE - (CONTINUED)

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	112,361 *	67,462	39,896	(27,567)	(72,466)
2. 1992.....	X X X X	221,476	205,715	(15,761)	X X X X
3. 1993.....	X X X X	X X X X	213,757	X X X X	X X X X
			4. Totals	(43,327)	(72,466)

SCHEDULE P - PART 2K - FIDELITY, SURETY, FINANCIAL GUARANTY, MORTGAGE GUARANTY

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
2. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
3. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	100,725 *	113,143	99,551	(13,592)	(1,174)
2. 1992.....	X X X X	43,010	45,234	2,224	X X X X
3. 1993.....	X X X X	X X X X	74,795	X X X X	X X X X
			4. Totals	(11,367)	(1,174)

SCHEDULE P - PART 2L - OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
2. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
3. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	506,472 *	476,579	487,757	11,178	(18,716)
2. 1992.....	X X X X	293,403	266,594	(26,809)	X X X X
3. 1993.....	X X X X	X X X X	339,557	X X X X	X X X X
			4. Totals	(15,631)	(18,716)

SCHEDULE P - PART 2M - INTERNATIONAL

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	6,447 *	5,925	5,561	5,314	4,923	4,634	4,554
2. 1984.....	(1,522)	(1,522)	(1,522)	(1,522)	(1,522)	(1,522)	(1,522)
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	0	0	0	0
6. 1988.....	X X X X	X X X X	X X X X	X X X X	0	0	0
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	0	0
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

*Reported reserves only. Subsequent development relates only to subsequent payments and reserves.

**Current year less first or second prior year, showing (redundant) or adverse.

SCHEDULE P - PART 2M - INTERNATIONAL - (CONTINUED)

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	4,077	4,077	4,077	0	0
2. 1984.....	(1,522)	(1,522)	(1,522)	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	0	0	0	0	0
6. 1988.....	0	0	0	0	0
7. 1989.....	0	0	0	0	0
8. 1990.....	0	0	0	0	0
9. 1991.....	0	0	0	0	0
10. 1992.....	X X X X	0	0	0	X X X X
11. 1993.....	X X X X	X X X X	0	X X X X	X X X X
			12. Totals	0	0

SCHEDULE P - PART 20 - REINSURANCE B - (CONTINUED)

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. 1988.....	68,497	67,897	65,856	(2,040)	(2,641)
2. 1989.....	127,463	127,631	64,160	(63,471)	(63,303)
3. 1990.....	104,462	104,953	134,430	29,477	29,968
4. 1991.....	128,753	122,384	105,641	(16,743)	(23,112)
5. 1992.....	X X X X	116,932	91,528	(25,404)	X X X X
6. 1993.....	X X X X	X X X X	129,876	X X X X	X X X X
			7. Totals	(78,181)	(59,088)

SCHEDULE P - PART 2P - REINSURANCE C

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. 1988.....	X X X X	X X X X	X X X X	X X X X	62,139	62,443	62,436
2. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	36,570	37,120
3. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	27,174
4. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
5. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
6. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. 1988.....	62,425	62,416	62,334	(82)	(91)
2. 1989.....	37,608	38,646	38,785	138	1,177
3. 1990.....	27,670	35,516	35,715	199	8,045
4. 1991.....	15,730	2,978	3,291	313	(12,439)
5. 1992.....	X X X X	0	101	101	X X X X
6. 1993.....	X X X X	X X X X	120	X X X X	X X X X
			7. Totals	669	(3,308)

SCHEDULE P - PART 2R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE - (CONTINUED)

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	249,895	263,158	258,741	(4,417)	8,846
2. 1984.....	70,851	63,786	66,131	2,345	(4,721)
3. 1985.....	115,272	118,291	111,532	(6,758)	(3,739)
4. 1986.....	152,586	153,824	154,336	512	1,750
5. 1987.....	102,951	99,229	98,505	(724)	(4,446)
6. 1988.....	90,246	87,845	86,373	(1,472)	(3,873)
7. 1989.....	89,851	87,671	82,154	(5,518)	(7,697)
8. 1990.....	81,821	79,084	90,660	11,576	8,839
9. 1991.....	78,491	78,524	82,999	4,475	4,509
10. 1992.....	X X X X	53,034	56,435	3,401	X X X X
11. 1993.....	X X X X	X X X X	55,890	X X X X	X X X X
			12. Totals	3,418	(533)

SCHEDULE P - PART 2R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	0 *	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	1,515	1,514	136	137
6. 1988.....	X X X X	X X X X	X X X X	X X X X	704	553	552
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	649	649
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	293
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

*Reported reserves only. Subsequent development relates only to subsequent payments and reserves.

**Current year less first or second prior year, showing (redundant) or adverse.

SCHEDULE P-PART 2R-SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE - (CONTINUED)

1 Years in Which Losses Were Incurred	omitted)			Development**	
	9 1991	10 1992	11 1993	12 One Year	13 Two Year
1. Prior	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	137	98	99	1	(38)
6. 1988.....	553	510	510	(1)	(43)
7. 1989.....	649	531	531	(1)	(118)
8. 1990.....	300	124	124	0	(176)
9. 1991.....	168	18	18	0	(150)
10. 1992.....	X X X X	3	3	1	X X X X
11. 1993.....	X X X X	X X X X	4	X X X X	X X X X
			12. Totals	1	(525)

/TABLE

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 3A - HOMEOWNERS/FARMOWNERS

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (00						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
Prior.....	000	4,476	5,719	7,724	9,336	10,381	11,208
2. 1984.....	30,403	41,793	43,380	44,743	45,930	46,317	46,708
3. 1985.....	X X X X	38,850	54,569	57,593	59,318	60,356	61,456
4. 1986.....	X X X X	X X X X	35,945	50,355	52,895	54,023	55,416
5. 1987.....	X X X X	X X X X	X X X X	38,122	58,523	61,501	64,193
6. 1988.....	X X X X	X X X X	X X X X	X X X X	49,210	79,587	83,370
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	71,302	120,691
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	92,035
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	0 omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	11,473	12,015	12,259	153,426	39,407
2. 1984.....	46,806	47,054	47,176	27,849	7,904
3. 1985.....	62,351	63,416	62,735	35,370	9,344
4. 1986.....	56,125	56,730	56,875	29,474	8,997
5. 1987.....	65,451	67,081	70,167	34,436	10,744
6. 1988.....	85,844	88,104	89,176	37,255	12,226
7. 1989.....	124,932	128,887	129,480	50,260	17,292
8. 1990.....	138,853	143,714	149,898	53,962	18,391
9. 1991.....	97,832	134,371	142,751	59,896	19,922
10. 1992.....	X X X X	129,003	168,493	61,100	18,960
11. 1993.....	X X X X	X X X X	101,293	43,322	15,328

SCHEDULE P - PART 3B - PRIVATE PASSENGER AUTO LIABILITY/MEDICAL

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	36,592	61,903	79,689	89,374	96,919	99,614
2. 1984.....	30,475	64,231	83,859	102,790	111,985	117,814	120,917
3. 1985.....	X X X X	30,986	71,312	99,847	118,525	129,168	135,247
4. 1986.....	X X X X	X X X X	38,033	74,470	104,091	124,955	138,387
5. 1987.....	X X X X	X X X X	X X X X	38,663	93,343	126,301	151,680
6. 1988.....	X X X X	X X X X	X X X X	X X X X	48,594	110,584	148,320
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	57,250	134,406
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	71,789
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	0 omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	101,871	103,881	105,826	200,202	86,028
2. 1984.....	123,492	125,411	126,591	43,979	17,411
3. 1985.....	139,937	142,048	143,623	44,012	18,414
4. 1986.....	146,954	153,406	158,299	45,620	20,616
5. 1987.....	170,872	178,800	186,002	51,381	24,851
6. 1988.....	179,846	199,535	209,426	56,481	26,869
7. 1989.....	184,596	221,341	245,940	63,157	28,625
8. 1990.....	161,442	217,595	261,424	66,824	28,258
9. 1991.....	73,978	164,746	231,995	63,416	28,048
10. 1992.....	X X X X	77,634	179,661	58,249	26,173
11. 1993.....	X X X X	X X X X	77,278	35,607	20,162

/TABLE

SCHEDULE P - PART 3C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	51,811	82,944	105,576	122,508	137,905	142,828
2. 1984.....	21,787	48,670	69,899	93,766	113,479	125,337	134,111
3. 1985.....	X X X X	25,494	57,863	86,635	114,824	136,757	147,710
4. 1986.....	X X X X	X X X X	28,865	67,871	108,474	138,398	163,230
5. 1987.....	X X X X	X X X X	X X X X	35,077	86,537	137,055	179,958
6. 1988.....	X X X X	X X X X	X X X X	X X X X	41,639	104,428	152,393
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	51,661	123,580
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	57,761
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	0 omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	144,893	148,112	149,212	153,017	86,516
2. 1984.....	136,563	138,557	140,705	40,357	21,417
3. 1985.....	157,751	163,097	165,423	45,663	29,961
4. 1986.....	177,484	189,218	197,410	54,266	40,210
5. 1987.....	206,231	229,240	240,135	61,250	44,787
6. 1988.....	205,255	236,984	261,747	63,153	43,257
7. 1989.....	197,448	252,179	299,738	63,583	40,317
8. 1990.....	139,716	219,887	298,318	60,333	34,934
9. 1991.....	55,749	134,908	222,786	54,518	30,014
10. 1992.....	X X X X	53,990	127,122	44,235	22,328
11. 1993.....	X X X X	X X X X	57,166	30,593	15,505

/TABLE

SCHEDULE P - PART 3D - WORKERS' COMPENSATION

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	113,240	187,474	242,062	287,193	331,860	358,482
2. 1984.....	79,376	184,026	240,051	275,996	308,324	322,109	334,880
3. 1985.....	X X X X	95,510	223,323	270,977	326,674	357,985	382,358
4. 1986.....	X X X X	X X X X	125,153	295,782	406,227	474,499	525,496
5. 1987.....	X X X X	X X X X	X X X X	166,427	425,814	563,615	664,174
6. 1988.....	X X X X	X X X X	X X X X	X X X X	184,350	515,900	728,120
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	237,431	681,258
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	282,541
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	0 omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	392,298	419,273	448,810	721,619	187,925
2. 1984.....	346,625	353,569	361,895	167,504	37,323
3. 1985.....	439,472	456,711	466,711	190,773	47,532
4. 1986.....	568,625	593,079	613,628	223,564	63,125
5. 1987.....	695,431	743,294	774,176	237,027	70,124
6. 1988.....	883,556	979,513	1,034,925	257,167	78,612
7. 1989.....	987,095	1,172,124	1,284,156	254,805	68,237
8. 1990.....	849,350	1,202,027	1,422,272	259,181	73,642
9. 1991.....	306,367	750,209	1,030,896	247,545	62,069
10. 1992.....	X X X X	214,419	603,867	206,414	48,714
11. 1993.....	X X X X	X X X X	172,708	142,157	38,388

SCHEDULE P - PART 3E - COMMERCIAL MULTIPLE PERIL

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	37,249	68,531	102,624	122,507	135,099	143,184
2. 1984.....	46,646	84,811	103,479	116,711	130,485	143,016	149,298
3. 1985.....	X X X X	65,936	113,791	127,453	148,032	164,470	175,050
4. 1986.....	X X X X	X X X X	50,003	92,785	114,133	134,888	152,121
5. 1987.....	X X X X	X X X X	X X X X	56,710	110,117	134,803	155,903
6. 1988.....	X X X X	X X X X	X X X X	X X X X	77,257	144,592	170,123
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	105,545	223,811
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	117,597
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

Note: Net of salvage and subrogation received.

1 Years in Which Losses Were Incurred	2 0 omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	150,236	158,278	163,598	152,066	55,652
2. 1984.....	157,531	162,117	164,429	37,538	16,534
3. 1985.....	186,778	198,246	201,297	38,033	18,473
4. 1986.....	167,334	175,696	184,490	31,285	20,720
5. 1987.....	178,898	200,640	212,529	33,692	19,368
6. 1988.....	187,635	219,599	242,073	39,467	23,363
7. 1989.....	263,275	300,297	344,097	51,479	31,005
8. 1990.....	208,883	259,705	312,246	56,028	33,145
9. 1991.....	149,903	238,435	301,173	54,666	33,599
10. 1992.....	X X X X	183,122	292,320	48,193	29,778
11. 1993.....	X X X X	X X X X	144,538	33,981	21,886

/TABLE

(Name)

SCHEDULE P - PART 3F - SECTION 1 - MEDICAL MALPRACTICE - OCCURRENCE

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	48,182	91,600	147,944	195,642	232,042	261,260
2. 1984.....	(1,056)	1,451	8,150	25,567	51,083	69,588	89,378
3. 1985.....	X X X X	189	3,678	12,259	30,484	50,073	65,357
4. 1986.....	X X X X	X X X X	296	3,698	14,042	32,768	49,317
5. 1987.....	X X X X	X X X X	X X X X	232	3,364	7,364	16,494
6. 1988.....	X X X X	X X X X	X X X X	X X X X	130	830	(1,722)
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	(3)	(1,912)
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	(292)
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	276,587	293,357	307,308	4,863	9,288
2. 1984.....	101,306	110,199	116,176	2,616	4,427
3. 1985.....	76,675	86,952	95,017	2,107	4,546
4. 1986.....	67,987	76,694	92,762	1,559	3,963
5. 1987.....	24,992	29,397	32,744	844	2,323
6. 1988.....	42	4,088	7,050	295	1,196
7. 1989.....	(1,234)	(1,407)	2,565	288	1,203
8. 1990.....	566	(998)	7,665	364	1,275
9. 1991.....	(145)	(1,132)	1,452	80	833
10. 1992.....	X X X X	157	851	39	545
11. 1993.....	X X X X	X X X X	40	11	168

/TABLE

SCHEDULE P - PART 3F - SECTION 2 - MEDICAL MALPRACTICE - CLAIMS-MADE

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	141	4,361	13,814	22,206
6. 1988.....	X X X X	X X X X	X X X X	X X X X	652	7,662	26,536
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	1,674	19,158
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	1,909
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	27,542	33,950	39,841	305	902
6. 1988.....	15,303	33,432	46,278	763	2,227
7. 1989.....	55,452	58,889	71,881	1,014	3,064
8. 1990.....	22,915	64,105	70,021	1,013	3,288
9. 1991.....	2,410	29,967	60,231	884	3,439
10. 1992.....	X X X X	3,537	35,448	790	3,917
11. 1993.....	X X X X	X X X X	5,758	344	2,332

SCHEDULE P - PART 3G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT

(ALL PERILS), BOILER AND MACHINERY)

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	1,260	967	1,797	3,261	4,756	5,615
2. 1984.....	2,063	4,915	5,913	6,400	6,555	6,609	6,702
3. 1985.....	X X X X	2,669	3,368	2,427	3,121	3,588	4,062
4. 1986.....	X X X X	X X X X	5,566	8,425	9,337	10,581	11,133
5. 1987.....	X X X X	X X X X	X X X X	2,135	4,297	5,990	7,947
6. 1988.....	X X X X	X X X X	X X X X	X X X X	3,442	7,276	9,305
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	4,371	7,529
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	4,315
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	6,634	7,835	8,463	X X X X	X X X X
2. 1984.....	6,796	7,070	7,129	X X X X	X X X X
3. 1985.....	4,356	4,345	4,364	X X X X	X X X X
4. 1986.....	11,392	11,671	11,633	X X X X	X X X X
5. 1987.....	8,124	8,356	8,369	X X X X	X X X X
6. 1988.....	8,856	9,107	9,364	X X X X	X X X X
7. 1989.....	9,792	10,637	11,368	X X X X	X X X X
8. 1990.....	8,458	10,228	11,465	X X X X	X X X X
9. 1991.....	5,161	8,900	10,278	X X X X	X X X X
10. 1992.....	X X X X	3,408	7,752	X X X X	X X X X
11. 1993.....	X X X X	X X X X	3,578	X X X X	X X X X

/TABLE

SCHEDULE P - PART 3H - SECTION 1 - OTHER LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	159,015	316,524	445,205	543,467	664,343	792,966
2. 1984.....	4,516	29,395	60,979	101,264	152,117	182,446	216,130
3. 1985.....	X X X X	6,584	31,822	76,786	137,156	172,455	251,689
4. 1986.....	X X X X	X X X X	9,737	44,232	112,549	179,865	234,993
5. 1987.....	X X X X	X X X X	X X X X	8,977	32,146	67,525	98,873
6. 1988.....	X X X X	X X X X	X X X X	X X X X	14,952	41,835	75,968
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	2,484	38,769
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	14,073
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

SCHEDULE P - PART 3H - SECTION 1 - OTHER LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	903,163	1,077,273	1,356,236	82,218	256,415
2. 1984.....	241,931	263,519	277,966	15,198	19,823
3. 1985.....	279,472	338,157	362,044	14,813	19,757
4. 1986.....	297,911	308,938	335,860	18,728	23,767
5. 1987.....	128,037	159,283	179,049	20,466	19,888
6. 1988.....	104,161	146,917	181,696	20,087	21,052
7. 1989.....	83,475	127,503	172,789	19,764	22,262
8. 1990.....	42,770	95,172	152,605	22,913	24,704
9. 1991.....	15,796	45,774	93,765	18,918	21,806
10. 1992.....	X X X X	11,346	33,757	12,291	16,013
11. 1993.....	X X X X	X X X X	14,561	8,085	11,275

/TABLE

SCHEDULE P - PART 3H - SECTION 2 - OTHER LIABILITY - CLAIMS-MADE

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	2,523	19,930	44,977	73,564
6. 1988.....	X X X X	X X X X	X X X X	X X X X	3,497	22,762	59,139
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	16,108	27,492
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	3,721
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

Note: Net of salvage and subrogation received.

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	99,594	115,106	124,240	964	3,887
6. 1988.....	91,611	116,850	134,867	1,021	3,787
7. 1989.....	71,569	113,938	141,500	988	3,600
8. 1990.....	39,912	81,786	123,306	1,026	3,957
9. 1991.....	4,268	34,254	101,348	844	3,990
10. 1992.....	X X X X	4,176	32,282	486	3,644
11. 1993.....	X X X X	X X X X	4,689	135	1,814

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SCHEDULE P - PART 3I - SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE,
EARTHQUAKE, GLASS, BURGLARY AND THEFT)

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
2. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
3. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	000	38,034	48,386	X X X X	X X X X
2. 1992.....	X X X X	28,637	68,308	X X X X	X X X X
3. 1993.....	X X X X	X X X X	20,484	X X X X	X X X X

SCHEDULE P - PART 3J - AUTO PHYSICAL DAMAGE

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
2. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
3. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	000	22,112	26,720	1,532,528	288,905
2. 1992.....	X X X X	155,188	183,395	152,179	33,259
3. 1993.....	X X X X	X X X X	158,420	121,487	27,271

SCHEDULE P - PART 3K - FIDELITY, SURETY, FINANCIAL GUARANTY, MORTGAGE GUARANTY

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
2. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
3. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	000	20,978	19,995	X X X X	X X X X
2. 1992.....	X X X X	11,913	21,477	X X X X	X X X X
3. 1993.....	X X X X	X X X X	44,038	X X X X	X X X X

/TABLE

SCHEDULE P - PART 3L - OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
2. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
3. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	000	132,186	202,884	X X X X	X X X X
2. 1992.....	X X X X	80,154	163,245	X X X X	X X X X
3. 1993.....	X X X X	X X X X	100,135	X X X X	X X X X

SCHEDULE P - PART 3M - INTERNATIONAL

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	1,639	1,629	1,293	1,038	2,197	2,619
2. 1984.....	(1,522)	(1,522)	(1,522)	(1,522)	(1,522)	(1,522)	(1,522)
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	0	0	0	0
6. 1988.....	X X X X	X X X X	X X X X	X X X X	0	0	0
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	0	0
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	0
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

Note: Net of salvage and subrogation received.

1 Years in Which Losses Were Incurred	omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	4,077	4,077	4,077	X X X X	X X X X
2. 1984.....	(1,522)	(1,522)	(1,522)	X X X X	X X X X
3. 1985.....	0	0	0	X X X X	X X X X
4. 1986.....	0	0	0	X X X X	X X X X
5. 1987.....	0	0	0	X X X X	X X X X
6. 1988.....	0	0	0	X X X X	X X X X
7. 1989.....	0	0	0	X X X X	X X X X
8. 1990.....	0	0	0	X X X X	X X X X
9. 1991.....	0	0	0	X X X X	X X X X
10. 1992.....	X X X X	0	0	X X X X	X X X X
11. 1993.....	X X X X	X X X X	0	X X X X	X X X X

/TABLE

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SCHEDULE P - PART 3N - REINSURANCE A

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. 1988.....	X X X X	X X X X	X X X X	X X X X	1,351	4,676	6,088
2. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	9,939	49,095
3. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	12,324
4. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
5. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
6. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	Omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. 1988.....	(12,114)	(9,735)	(8,391)	X X X X	X X X X
2. 1989.....	55,813	45,587	49,241	X X X X	X X X X
3. 1990.....	36,445	40,990	25,640	X X X X	X X X X
4. 1991.....	5,353	27,310	32,971	X X X X	X X X X
5. 1992.....	X X X X	45,295	112,078	X X X X	X X X X
6. 1993.....	X X X X	X X X X	5,307	X X X X	X X X X

/TABLE

SCHEDULE P - PART 30 - REINSURANCE B

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. 1988.....	X X X X	X X X X	X X X X	X X X X	367	5,194	13,574
2. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	589	6,342
3. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	986
4. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
5. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
6. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	Omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. 1988.....	(7,642)	341	5,549	X X X X	X X X X
2. 1989.....	17,806	6,118	14,566	X X X X	X X X X
3. 1990.....	7,608	23,114	8,671	X X X X	X X X X
4. 1991.....	1,061	15,093	29,924	X X X X	X X X X
5. 1992.....	X X X X	864	5,262	X X X X	X X X X
6. 1993.....	X X X X	X X X X	1,477	X X X X	X X X X

/TABLE

SCHEDULE P - PART 3P - REINSURANCE C

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. 1988.....	X X X X	X X X X	X X X X	X X X X	28,164	60,996	61,230
2. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	1,846	29,081
3. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	619
4. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
5. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
6. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	Omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. 1988.....	61,766	61,771	61,738	X X X X	X X X X
2. 1989.....	37,001	38,227	38,538	X X X X	X X X X
3. 1990.....	9,392	34,727	34,801	X X X X	X X X X
4. 1991.....	465	1,495	1,884	X X X X	X X X X
5. 1992.....	X X X X	0	101	X X X X	X X X X
6. 1993.....	X X X X	X X X X	120	X X X X	X X X X

/TABLE

SCHEDULE P - PART 3Q - REINSURANCE D

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	872	12,029	42,384	65,574	105,219	131,871
2. 1984.....	3,840	21,366	(7,013)	(26,464)	(10,281)	1,114	20,867
3. 1985.....	X X X X	6,384	72,889	94,508	3,261	24,638	36,042
4. 1986.....	X X X X	X X X X	16,090	64,669	74,825	(11,950)	(1,347)
5. 1987.....	X X X X	X X X X	X X X X	27,929	93,493	103,039	3,271

SCHEDULE P - PART 3Q - REINSURANCE D

1 Years in Which Losses Were Incurred	Omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	156,437	194,353	203,712	X X X X	X X X X
2. 1984.....	31,190	52,933	66,336	X X X X	X X X X
3. 1985.....	44,862	57,479	57,401	X X X X	X X X X
4. 1986.....	6,318	17,557	24,264	X X X X	X X X X
5. 1987.....	21,961	35,356	48,660	X X X X	X X X X

/TABLE

SCHEDULE P - PART 3R - SECTION 1 - PRODUCTS LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	20,908	49,282	75,500	93,769	116,914	121,027
2. 1984.....	1,052	2,360	5,823	13,190	20,276	28,825	32,532
3. 1985.....	X X X X	799	3,541	7,992	19,976	28,760	39,173
4. 1986.....	X X X X	X X X X	922	4,467	10,761	21,762	55,363
5. 1987.....	X X X X	X X X X	X X X X	962	5,907	12,738	18,758
6. 1988.....	X X X X	X X X X	X X X X	X X X X	1,150	4,301	9,483
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	1,060	3,128
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	899
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred	Omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	213,551	229,482	227,894	10,974	26,956
2. 1984.....	46,760	42,840	44,037	3,231	6,569
3. 1985.....	66,699	82,460	82,260	3,463	8,339
4. 1986.....	91,480	103,493	111,539	2,769	6,680
5. 1987.....	28,521	37,945	48,777	2,738	6,049
6. 1988.....	17,114	27,563	41,627	2,918	5,599
7. 1989.....	12,679	21,292	30,363	2,131	4,483
8. 1990.....	5,417	7,978	26,539	1,856	4,655
9. 1991.....	1,216	6,355	17,360	1,892	3,665
10. 1992.....	X X X X	1,453	5,569	1,524	3,206
11. 1993.....	X X X X	X X X X	3,060	889	2,915

/TABLE

SCHEDULE P - PART 3R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses at Year End (000)						
	2 1984	3 1985	4 1986	5 1987	6 1988	7 1989	8 1990
1. Prior	000	0	0	0	0	0	0
2. 1984.....	0	0	0	0	0	0	0
3. 1985.....	X X X X	0	0	0	0	0	0
4. 1986.....	X X X X	X X X X	0	0	0	0	0
5. 1987.....	X X X X	X X X X	X X X X	0	0	0	1
6. 1988.....	X X X X	X X X X	X X X X	X X X X	1	3	3
7. 1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	0	0
8. 1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	7
9. 1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

Note: Net of salvage and subrogation received.

1 Years in Which Losses Were Incurred	Omitted)			12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	9 1991	10 1992	11 1993		
1. Prior	0	0	0	0	0
2. 1984.....	0	0	0	0	0
3. 1985.....	0	0	0	0	0
4. 1986.....	0	0	0	0	0
5. 1987.....	1	1	1	1	144
6. 1988.....	3	3	3	1	2
7. 1989.....	0	0	0	0	3
8. 1990.....	7	7	7	0	0
9. 1991.....	15	15	15	1	1
10. 1992.....	X X X X	0	0	0	1
11. 1993.....	X X X X	X X X X	0	0	0

/TABLE

ANNUAL STATEMENT FOR THE YEAR 1993 OF THE
CONTINENTAL CASUALTY COMPANY - CONSOLIDATED

(Name)

SCHEDULE P - PART 4A - HOMEOWNERS/FARMOWNERS

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	1,575	1,964	977	357	284	988
2.	1984.....	8,659	958	139	216	64	1,332
3.	1985.....	X X X X	9,931	3,129	801	561	1,488
4.	1986.....	X X X X	X X X X	18,344	4,820	3,140	3,285
5.	1987.....	X X X X	X X X X	X X X X	11,603	3,666	3,247
6.	1988.....	X X X X	X X X X	X X X X	X X X X	26,713	4,633
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	27,311
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	457	306	79	0
2.	1984.....	420	287	65	98
3.	1985.....	499	73	275	293
4.	1986.....	1,347	179	344	300
5.	1987.....	1,403	628	824	511
6.	1988.....	3,192	1,629	1,300	1,484
7.	1989.....	4,425	2,983	754	1,701
8.	1990.....	25,184	5,985	2,880	2,375
9.	1991.....	X X X X	34,653	9,981	8,205
10.	1992.....	X X X X	X X X X	62,510	20,346
11.	1993.....	X X X X	X X X X	X X X X	50,046

/TABLE

SCHEDULE P - PART 4B - PRIVATE PASSENGER AUTO LIABILITY/MEDICAL

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	48,911	22,384	9,266	6,277	4,528	6,006
2.	1984.....	61,329	24,914	13,480	1,379	1,925	6,934
3.	1985.....	X X X X	56,635	18,192	4,845	3,823	10,805
4.	1986.....	X X X X	X X X X	65,156	22,367	11,497	12,746
5.	1987.....	X X X X	X X X X	X X X X	79,343	21,932	16,527
6.	1988.....	X X X X	X X X X	X X X X	X X X X	119,671	59,979
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	144,253
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	5,721	7,052	6,581	6,084
2.	1984.....	3,452	2,725	2,442	2,548
3.	1985.....	5,638	5,117	3,807	3,380
4.	1986.....	9,029	5,956	4,763	3,645
5.	1987.....	17,396	12,437	10,498	6,253
6.	1988.....	35,928	24,224	16,266	9,105
7.	1989.....	58,913	49,513	30,402	20,183
8.	1990.....	156,719	98,339	64,747	39,067
9.	1991.....	X X X X	198,799	115,598	67,646
10.	1992.....	X X X X	X X X X	225,555	125,881
11.	1993.....	X X X X	X X X X	X X X X	215,507

/TABLE

SCHEDULE P - PART 4C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

1		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
Years in Which Losses Were Incurred		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	90,278	54,214	39,533	35,997	21,844	19,625
2.	1984.....	79,106	35,047	10,431	7,343	6,056	8,271
3.	1985.....	X X X X	98,069	54,689	21,291	17,667	16,179
4.	1986.....	X X X X	X X X X	160,017	102,501	70,056	45,676
5.	1987.....	X X X X	X X X X	X X X X	161,138	84,923	46,877
6.	1988.....	X X X X	X X X X	X X X X	X X X X	199,029	112,791
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	253,493
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1		EXPENSES AT YEAR END (000 OMITTED)			
Years in Which Losses Were Incurred		8 1990	9 1991	10 1992	11 1993
1.	Prior	22,175	20,439	10,889	8,316
2.	1984.....	6,454	5,045	4,837	4,536
3.	1985.....	17,404	14,503	7,711	7,667
4.	1986.....	40,076	32,281	21,937	18,930
5.	1987.....	37,879	29,982	17,965	13,099
6.	1988.....	71,375	41,740	24,720	18,645
7.	1989.....	153,915	94,921	57,768	30,610
8.	1990.....	299,904	194,173	118,082	72,140
9.	1991.....	X X X X	346,530	229,729	159,668
10.	1992.....	X X X X	X X X X	342,458	231,321
11.	1993.....	X X X X	X X X X	X X X X	297,909

/TABLE

SCHEDULE P - PART 4D - WORKERS' COMPENSATION

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	187,532	146,352	143,791	91,054	102,406	72,946
2.	1984.....	167,679	60,950	31,662	3,477	3,080	10,937
3.	1985.....	X X X X	219,540	93,591	50,185	19,118	12,178
4.	1986.....	X X X X	X X X X	477,026	245,433	146,978	76,427
5.	1987.....	X X X X	X X X X	X X X X	482,389	185,683	99,711
6.	1988.....	X X X X	X X X X	X X X X	X X X X	744,642	396,217
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	876,687
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	77,915	44,630	86,001	94,837
2.	1984.....	9,569	10,157	13,698	15,394
3.	1985.....	14,427	10,400	11,086	11,192
4.	1986.....	42,884	20,619	16,703	15,965
5.	1987.....	40,660	43,608	33,145	31,862
6.	1988.....	182,232	91,953	59,408	52,351
7.	1989.....	417,418	143,733	82,244	87,549
8.	1990.....	1,320,243	559,345	264,872	172,915
9.	1991.....	X X X X	1,389,314	886,087	572,269
10.	1992.....	X X X X	X X X X	1,283,531	799,851
11.	1993.....	X X X X	X X X X	X X X X	1,021,938

/TABLE

SCHEDULE P - PART 4E - COMMERCIAL MULTIPLE PERIL

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	35,339	12,974	4,888	11,577	12,085	8,028
2.	1984.....	65,423	25,364	2,791	13,945	8,132	8,007
3.	1985.....	X X X X	113,278	67,134	32,751	15,542	11,197
4.	1986.....	X X X X	X X X X	129,407	83,127	61,287	33,598
5.	1987.....	X X X X	X X X X	X X X X	118,319	74,507	44,829
6.	1988.....	X X X X	X X X X	X X X X	X X X X	162,476	105,203
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	195,789
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	7,172	6,508	5,909	4,340
2.	1984.....	4,012	2,323	2,447	2,604
3.	1985.....	6,859	3,214	3,468	3,182
4.	1986.....	15,220	13,421	5,571	4,133
5.	1987.....	26,692	17,977	8,985	5,808
6.	1988.....	67,959	46,342	25,694	17,906
7.	1989.....	113,809	74,344	33,557	18,379
8.	1990.....	248,715	155,523	85,815	50,620
9.	1991.....	X X X X	269,066	174,744	101,609
10.	1992.....	X X X X	X X X X	268,504	178,559
11.	1993.....	X X X X	X X X X	X X X X	353,817

/TABLE

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SCHEDULE P - PART 4F - SECTION 1 - MEDICAL MALPRACTICE - OCCURRENCE

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	98,224	102,680	81,647	121,510	100,312	77,741
2.	1984.....	95,591	98,194	89,058	74,933	45,600	49,475
3.	1985.....	X X X X	145,132	157,223	132,929	102,888	63,740
4.	1986.....	X X X X	X X X X	246,636	226,500	189,186	108,263
5.	1987.....	X X X X	X X X X	X X X X	117,615	98,427	81,483
6.	1988.....	X X X X	X X X X	X X X X	X X X X	30,709	29,796
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	24,250
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	64,298	61,254	41,700	31,938
2.	1984.....	32,254	22,721	22,732	13,742
3.	1985.....	46,075	30,999	30,805	16,695
4.	1986.....	60,255	49,510	36,439	22,388
5.	1987.....	39,293	36,835	27,826	18,168
6.	1988.....	28,459	43,486	38,298	33,091
7.	1989.....	23,048	21,201	19,927	16,058
8.	1990.....	28,026	26,520	19,277	27,788
9.	1991.....	X X X X	28,796	27,191	15,208
10.	1992.....	X X X X	X X X X	31,879	23,993
11.	1993.....	X X X X	X X X X	X X X X	24,460

SCHEDULE P - PART 4F - SECTION 2 - MEDICAL MALPRACTICE - CLAIMS-MADE

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	0	0	0	0	0	0
2.	1984.....	0	0	0	0	0	0
3.	1985.....	X X X X	0	0	0	0	0
4.	1986.....	X X X X	X X X X	0	0	0	0
5.	1987.....	X X X X	X X X X	X X X X	50,452	48,317	37,888
6.	1988.....	X X X X	X X X X	X X X X	X X X X	144,035	120,186
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	162,559
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	0	0	0	0
2.	1984.....	0	0	0	0
3.	1985.....	0	0	0	0
4.	1986.....	0	0	0	0
5.	1987.....	17,661	11,407	7,792	6,926
6.	1988.....	62,929	38,491	23,919	12,966
7.	1989.....	116,661	62,955	37,946	23,052
8.	1990.....	170,308	110,402	65,105	34,797
9.	1991.....	X X X X	167,276	116,492	58,935
10.	1992.....	X X X X	X X X X	161,405	80,418
11.	1993.....	X X X X	X X X X	X X X X	172,859

/TABLE

SCHEDULE P - PART 4G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT
(ALL PERILS), BOILER AND MACHINERY)

1		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
Years in Which Losses Were Incurred		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	249	183	194	110	69	0
2.	1984.....	1,954	1,209	1,222	477	437	164
3.	1985.....	X X X X	262	186	146	57	39
4.	1986.....	X X X X	X X X X	3,700	957	645	93
5.	1987.....	X X X X	X X X X	X X X X	6,631	2,286	335
6.	1988.....	X X X X	X X X X	X X X X	X X X X	10,786	2,394
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	6,297
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

SCHEDULE P - PART 4G - SPECIAL LIABILITY (OCEAN MARINE, AIRCRAFT
(ALL PERILS), BOILER AND MACHINERY)

1		EXPENSES AT YEAR END (000 OMITTED)			
Years in Which Losses Were Incurred		8 1990	9 1991	10 1992	11 1993
1.	Prior	0	0	0	0
2.	1984.....	0	0	0	0
3.	1985.....	1	1	1	0
4.	1986.....	17	10	8	1
5.	1987.....	297	81	97	6
6.	1988.....	1,044	1,151	297	293
7.	1989.....	1,032	85	790	374
8.	1990.....	6,812	1,867	922	531
9.	1991.....	X X X X	5,786	1,464	631
10.	1992.....	X X X X	X X X X	9,032	1,975
11.	1993.....	X X X X	X X X X	X X X X	8,717

/TABLE

SCHEDULE P - PART 4H - SECTION 1 - OTHER LIABILITY - OCCURRENCE

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	281,637	212,017	145,466	187,177	206,381	216,951
2.	1984.....	159,551	108,804	71,706	91,208	50,096	50,412
3.	1985.....	X X X X	300,140	252,140	205,429	146,972	137,899
4.	1986.....	X X X X	X X X X	575,896	501,867	384,193	253,586
5.	1987.....	X X X X	X X X X	X X X X	290,459	269,578	205,003
6.	1988.....	X X X X	X X X X	X X X X	X X X X	263,306	210,880
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	241,874
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	190,301	164,829	1,698,304	2,378,908
2.	1984.....	38,591	31,268	25,349	30,890
3.	1985.....	96,467	77,109	56,805	49,814
4.	1986.....	157,193	109,007	87,813	67,417
5.	1987.....	159,749	110,490	75,270	63,536
6.	1988.....	172,663	134,071	98,231	87,630
7.	1989.....	192,073	145,297	100,265	87,817
8.	1990.....	318,101	256,053	181,935	132,762
9.	1991.....	X X X X	315,263	248,543	183,829
10.	1992.....	X X X X	X X X X	276,614	253,028
11.	1993.....	X X X X	X X X X	X X X X	300,486

SCHEDULE P - PART 4H - SECTION 2 - OTHER LIABILITY - CLAIMS-MADE

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	0	0	0	0	0	0
2.	1984.....	0	0	0	0	0	0
3.	1985.....	X X X X	0	0	0	0	0
4.	1986.....	X X X X	X X X X	0	0	0	0
5.	1987.....	X X X X	X X X X	X X X X	260,767	210,148	202,979
6.	1988.....	X X X X	X X X X	X X X X	X X X X	268,635	231,499
7.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	248,142
8.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
9.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
10.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
11.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	0	0	0	0
2.	1984.....	0	0	0	0
3.	1985.....	0	0	0	0
4.	1986.....	0	0	0	0
5.	1987.....	99,830	57,338	32,649	22,204
6.	1988.....	185,773	81,132	55,800	29,183
7.	1989.....	195,276	109,869	65,639	48,746
8.	1990.....	257,110	150,949	107,326	86,623
9.	1991.....	X X X X	247,097	171,078	102,596
10.	1992.....	X X X X	X X X X	267,154	159,048
11.	1993.....	X X X X	X X X X	X X X X	254,002

/TABLE

SCHEDULE P - PART 4J - AUTO PHYSICAL DAMAGE - (CONTINUED)

EXPENSES AT YEAR END (000 OMITTED)				
1	8	9	10	11
Years in Which Losses Were Incurred	1990	1991	1992	1993
1. Prior	X X X X	97,224	43,794	11,152
2. 1992.....	X X X X	X X X X	55,011	21,074
3. 1993.....	X X X X	X X X X	X X X X	44,552

SCHEDULE P - PART 4K - FIDELITY, SURETY, FINANCIAL GUARANTY, MORTGAGE GUARANTY

BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED						
1	2	3	4	5	6	7
Years in Which Losses Were Incurred	1984	1985	1986	1987	1988	1989
1. Prior	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
2. 1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
3. 1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

EXPENSES AT YEAR END (000 OMITTED)				
1	8	9	10	11
Years in Which Losses Were Incurred	1990	1991	1992	1993
1. Prior	X X X X	85,514	68,420	56,196
2. 1992.....	X X X X	X X X X	28,066	21,858
3. 1993.....	X X X X	X X X X	X X X X	29,469

SCHEDULE P - PART 4M - INTERNATIONAL - (CONTINUED)

1		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
Years in Which Losses Were Incurred					
1.	Prior	0	0	0	0
2.	1984	0	0	0	0
3.	1985	0	0	0	0
4.	1986	0	0	0	0
5.	1987	0	0	0	0
6.	1988	0	0	0	0
7.	1989	0	0	0	0
8.	1990	0	0	0	0
9.	1991	X X X X	0	0	0
10.	1992	X X X X	X X X X	0	0
11.	1993	X X X X	X X X X	X X X X	0

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SCHEDULE P - PART 4N - REINSURANCE A

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	1988.....	X X X X	X X X X	X X X X	X X X X	3,295	2,189
2.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	11,205
3.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
4.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
5.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
6.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	1988.....	913	13,507	11,896	11,202
2.	1989.....	767	724	5,646	4,501
3.	1990.....	15,745	8,459	440	8,732
4.	1991.....	X X X X	5,095	2,048	597
5.	1992.....	X X X X	X X X X	18,850	1,113
6.	1993.....	X X X X	X X X X	X X X X	50,498

SCHEDULE P - PART 40 - REINSURANCE B

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	1988.....	X X X X	X X X X	X X X X	X X X X	74,506	54,980
2.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	122,650
3.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
4.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
5.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
6.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	1988.....	42,582	57,628	52,034	48,808
2.	1989.....	99,076	89,563	95,112	71,667
3.	1990.....	114,300	74,675	61,537	51,663
4.	1991.....	X X X X	118,175	83,979	49,645
5.	1992.....	X X X X	X X X X	107,597	58,271
6.	1993.....	X X X X	X X X X	X X X X	117,543

SCHEDULE P - PART 4P - REINSURANCE C

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	1988.....	X X X X	X X X X	X X X X	X X X X	1,265	1,207
2.	1989.....	X X X X	X X X X	X X X X	X X X X	X X X X	3,382
3.	1990.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
4.	1991.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
5.	1992.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
6.	1993.....	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	1988.....	883	180	142	0
2.	1989.....	0	0	0	0
3.	1990.....	18,570	3,520	0	0
4.	1991.....	X X X X	14,237	0	0
5.	1992.....	X X X X	X X X X	0	0
6.	1993.....	X X X X	X X X X	X X X X	0

SCHEDULE P - PART 4Q - REINSURANCE D

1 Years in Which Losses Were Incurred		BULK AND INCURRED BUT NOT REPORTED RESERVES ON LOSSES AND ALLOCATED					
		2 1984	3 1985	4 1986	5 1987	6 1988	7 1989
1.	Prior	29,161	21,605	28,269	93,957	85,213	47,735
2.	1984.....	29,739	13,150	16,267	68,354	67,013	63,997
3.	1985.....	X X X X	51,844	25,004	20,894	62,099	102,514
4.	1986.....	X X X X	X X X X	79,735	36,231	31,640	114,155
5.	1987.....	X X X X	X X X X	X X X X	109,091	57,319	49,775

SCHEDULE P - PART 4R - SECTION 2 - PRODUCTS LIABILITY - CLAIMS-MADE - (CONTINUED)

1 Years in Which Losses Were Incurred		EXPENSES AT YEAR END (000 OMITTED)			
		8 1990	9 1991	10 1992	11 1993
1.	Prior	0	0	0	0
2.	1984.....	0	0	0	0
3.	1985.....	0	0	0	0
4.	1986.....	0	0	0	0
5.	1987.....	136	136	97	98
6.	1988.....	550	545	507	507
7.	1989.....	649	649	531	531
8.	1990.....	286	293	117	117
9.	1991.....	X X X X	153	3	3
10.	1992.....	X X X X	X X X X	3	3
11.	1993.....	X X X X	X X X X	X X X X	3