UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From ____________ to _____________

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-2646102**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

667 Madison Avenue, New York, N.Y. 10065-8087
(Address of principal executive offices) (Zip Code)

(212) 521-2000
(Registrant’s telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X ______ ______

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer X   Accelerated filer ______   Non-accelerated filer ______

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

X ______ ______

Class	Outstanding at October 19, 2007
Common stock, $0.01 par value	529,600,391 shares
Carolina Group stock, $0.01 par value	108,446,141 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

	September 30, 2007	December 31, 2006
(In millions)		
Assets:		
Investments:		
Fixed maturities, amortized cost of $34,820.4 and $36,852.6	$ 34,894.9	$ 37,569.7
Equity securities, cost of $1,031.4 and $967.0	1,350.9	1,308.8
Limited partnership investments	2,446.5	2,160.5
Other investments	84.4	27.4
Short-term investments	11,880.6	12,822.4
Total investments	50,657.3	53,888.8
Cash	127.0	133.8
Receivables	12,908.8	13,027.3
Property, plant and equipment	9,636.7	5,501.3
Deferred income taxes	845.4	620.9
Goodwill and other intangible assets	1,346.5	298.9
Other assets	1,782.2	1,716.5
Deferred acquisition costs of insurance subsidiaries	1,189.3	1,190.4
Separate account business	471.7	503.0
Total assets	$ 78,964.9	$ 76,880.9
Liabilities and Shareholders' Equity:		
Insurance reserves:		
Claim and claim adjustment expense	$ 28,992.4	$ 29,636.0
Future policy benefits	6,993.2	6,644.7
Unearned premiums	3,751.0	3,783.8
Policyholders' funds	1,012.9	1,015.4
Total insurance reserves	40,749.5	41,079.9
Payable for securities purchased	3,598.5	1,046.7
Collateral on loaned securities and derivatives	83.4	3,601.5
Short-term debt	164.2	4.6
Long-term debt	7,068.0	5,567.8
Reinsurance balances payable	482.7	539.1
Other liabilities	5,415.3	5,140.2
Separate account business	471.7	503.0
Total liabilities	58,033.3	57,482.8
Minority interest	3,652.3	2,896.3
Preferred stock, $0.10 par value,		
Authorized – 100,000,000 shares		
Common stock:		
Loews common stock, $0.01 par value:		
Authorized – 1,800,000,000 shares		
Issued – 544,384,240 and 544,203,457 shares	5.4	5.4
Carolina Group stock, $0.01 par value:		
Authorized – 600,000,000 shares		
Issued – 108,785,516 and 108,665,806 shares	1.1	1.1
Additional paid-in capital	4,071.0	4,017.6
Earnings retained in the business	13,822.2	12,098.7
Accumulated other comprehensive income	59.1	386.7
	17,958.8	16,509.5
Less treasury stock, at cost (14,789,949 shares of Loews common stock as of September 30, 2007 and 340,000 shares of Carolina Group stock as of September 30, 2007 and December 31, 2006)	679.5	7.7
Total shareholders' equity	17,279.3	16,501.8
Total liabilities and shareholders' equity	$ 78,964.9	$ 76,880.9

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions, except per share data)				
Revenues:				
Insurance premiums	**$ 1,882.1**	$ 1,943.4	**$ 5,616.1**	$ 5,704.0
Net investment income	**678.9**	694.5	**2,253.1**	2,039.5
Investment (losses) gains	**(51.0)**	28.5	**(179.9)**	(62.8)
Gain on issuance of subsidiary stock	**0.2**	9.0	**138.7**	9.0
Manufactured products (including excise taxes of $180.7, $185.8, $522.4 and $526.4)	**1,093.4**	1,035.5	**3,148.0**	2,954.6
Other	**1,049.7**	796.3	**2,974.3**	2,384.7
Total	**4,653.3**	4,507.2	**13,950.3**	13,029.0
Expenses:				
Insurance claims and policyholders' benefits	**1,574.4**	1,521.9	**4,495.7**	4,446.1
Amortization of deferred acquisition costs	**384.5**	390.4	**1,137.1**	1,132.4
Cost of manufactured products sold	**638.2**	598.0	**1,839.0**	1,706.0
Other operating expenses	**950.5**	802.8	**2,603.4**	2,410.6
Restructuring and other related charges				(12.9)
Interest	**82.2**	78.7	**233.9**	224.0
Total	**3,629.8**	3,391.8	**10,309.1**	9,906.2
	1,023.5	1,115.4	**3,641.2**	3,122.8
Income tax expense	**321.4**	363.6	**1,175.2**	1,035.0
Minority interest	**146.5**	122.4	**482.0**	341.3
Total	**467.9**	486.0	**1,657.2**	1,376.3
Income from continuing operations	**555.6**	629.4	**1,984.0**	1,746.5
Discontinued operations, net	**0.1**	5.7	**(6.6)**	(1.7)
Net income	**$ 555.7**	$ 635.1	**$ 1,977.4**	$ 1,744.8
Net income attributable to:				
Loews common stock:				
Income from continuing operations	**$ 409.9**	$ 511.5	**$ 1,579.0**	$ 1,467.2
Discontinued operations, net	**0.1**	5.7	**(6.6)**	(1.7)
Loews common stock	**410.0**	517.2	**1,572.4**	1,465.5
Carolina Group stock	**145.7**	117.9	**405.0**	279.3
Total	**$ 555.7**	$ 635.1	**$ 1,977.4**	$ 1,744.8

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions, except per share data)				
Basic net income per Loews common share:				
Income from continuing operations	**$ 0.77**	$ 0.93	**$ 2.94**	$ 2.64
Discontinued operations, net		0.01	**(0.01)**	
Net income	**$ 0.77**	$ 0.94	**$ 2.93**	$ 2.64
Diluted net income per Loews common share:				
Income from continuing operations	**$ 0.77**	$ 0.93	**$ 2.93**	$ 2.64
Discontinued operations, net		0.01	**(0.01)**	
Net income	**$ 0.77**	$ 0.94	**$ 2.92**	$ 2.64
Basic and diluted net income per Carolina Group share	**$ 1.34**	$ 1.17	**$ 3.73**	$ 3.16
Basic weighted average number of shares outstanding:				
Loews common stock	**531.86**	550.59	**536.53**	554.45
Carolina Group stock	**108.44**	100.48	**108.42**	88.33
Diluted weighted average number of shares outstanding:				
Loews common stock	**533.19**	551.44	**537.71**	555.26
Carolina Group stock	**108.58**	100.59	**108.55**	88.43

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Comprehensive Income (Loss)	Loews Common Stock	Carolina Group Stock	Additional Paid-in Capital	Earnings Retained in the Business	Accumulated Other Comprehensive Income	Common Stock Held in Treasury
(In millions, except per share data)							
Balance, January 1, 2006		$ 5.6	$ 0.8	$ 2,417.9	$ 10,364.4	$ 311.1	$ (7.7)
Comprehensive income:							
Net income	$ 1,744.8				1,744.8		
Other comprehensive income	70.6					70.6	
Comprehensive income	$ 1,815.4						
Dividends paid:							
Loews common stock, $0.175 per share					(97.1)		
Carolina Group stock, $1.365 per share					(127.3)		
Purchase of Loews treasury stock							(254.8)
Retirement of treasury stock				(7.3)	(48.4)		55.7
Issuance of Loews common stock				13.8			
Issuance of Carolina Group stock			0.3	1,630.6			
Stock-based compensation				7.8			
Other				1.7			
Balance, September 30, 2006		$ 5.6	$ 1.1	$ 4,064.5	$ 11,836.4	$ 381.7	$ (206.8)
Balance, January 1, 2007		**$ 5.4**	**$ 1.1**	**$ 4,017.6**	**$ 12,098.7**	**$ 386.7**	**$ (7.7)**
Adjustment to initially apply:							
FIN No. 48 (Note 1)					**(36.6)**		
FSP FTB 85-4-1 (Note 1)					**33.7**		
Balance, January 1, 2007, as adjusted		**5.4**	**1.1**	**4,017.6**	**12,095.8**	**386.7**	**(7.7)**
Comprehensive income:							
Net income	**$ 1,977.4**				**1,977.4**		
Other comprehensive loss	**(327.6)**					**(327.6)**	
Comprehensive income	**$ 1,649.8**						
Dividends paid:							
Loews common stock, $0.1875 per share					**(100.5)**		
Carolina Group stock, $1.365 per share					**(148.0)**		
Purchase of Loews treasury stock							**(671.8)**
Issuance of Loews common stock				**3.3**			
Issuance of Carolina Group stock				**3.2**			
Stock-based compensation				**18.6**			
Other				**1.9**	**(2.5)**		
Deferred tax benefit related to interest expense imputed on							

Diamond Offshore's 1.5% debentures (Note 9)			**26.4**			
Balance, September 30, 2007	**$ 5.4**	**$ 1.1**	**$ 4,071.0**	**$ 13,822.2**	**$ 59.1**	**$ (679.5)**

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended September 30	2007	2006
(In millions)		
Operating Activities:		
Net income	$ 1,977.4	$ 1,744.8
Adjustments to reconcile net income to net cash		
provided (used) by operating activities, net	539.3	596.5
Changes in operating assets and liabilities, net:		
Reinsurance receivables	590.8	1,533.9
Other receivables	(58.2)	(100.0)
Federal income tax	22.5	69.1
Prepaid reinsurance premiums	21.8	(27.7)
Deferred acquisition costs	1.0	(23.0)
Insurance reserves and claims	(271.3)	(314.7)
Reinsurance balances payable	(56.4)	(750.4)
Other liabilities	108.0	9.8
Trading securities	1,677.6	(1,054.4)
Other, net	(162.4)	(0.6)
Net cash flow operating activities - continuing operations	4,390.1	1,683.3
Net cash flow operating activities - discontinued operations	(15.9)	0.3
Net cash flow operating activities - total	4,374.2	1,683.6
Investing Activities:		
Purchases of fixed maturities	(53,495.9)	(47,185.3)
Proceeds from sales of fixed maturities	53,002.5	42,022.3
Proceeds from maturities of fixed maturities	3,719.6	6,794.0
Purchases of equity securities	(160.1)	(277.2)
Proceeds from sales of equity securities	182.3	153.2
Purchases of property and equipment	(1,395.3)	(615.9)
Proceeds from sales of property and equipment	12.6	11.7
Change in collateral on loaned securities and derivatives	(3,518.1)	1,618.0
Change in short-term investments	200.9	(5,527.8)
Change in other investments	(103.4)	(190.3)
Acquisition of business, net of cash acquired	(4,029.1)	
Net cash flow investing activities - continuing operations	(5,584.0)	(3,197.3)
Net cash flow investing activities - discontinued operations, including proceeds		
from disposition	42.1	23.7
Net cash flow investing activities - total	(5,541.9)	(3,173.6)

Loews Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended September 30	**2007**	2006
(In millions)		
Financing Activities:		
Dividends paid	**$ (248.5)**	$ (224.4)
Dividends paid to minority interest	**(339.5)**	(124.3)
Purchases of treasury shares	**(671.8)**	(254.8)
Issuance of common stock	**6.5**	1,639.1
Proceeds from subsidiaries' equity issuances	**314.7**	234.5
Principal payments on debt	**(3.8)**	(89.4)
Issuance of debt	**2,110.3**	818.1
Receipts of investment contract account balances	**2.0**	1.8
Return of investment contract account balances	**(59.3)**	(510.3)
Excess tax benefits from share-based payment arrangements	**8.0**	4.9
Other	**9.2**	6.1
Net cash flow financing activities - continuing operations	**1,127.8**	1,501.3
Net change in cash	**(39.9)**	11.3
Net cash transactions from:		
Continuing operations to discontinued operations	**59.2**	15.3
Discontinued operations to continuing operations	**(59.2)**	(15.3)
Cash, beginning of period	**174.0**	182.0
Cash, end of period	**$ 134.1**	$ 193.3
Cash, end of period:		
Continuing operations	**$ 127.0**	$ 155.7
Discontinued operations	**7.1**	37.6
Total	**$ 134.1**	$ 193.3

See accompanying Notes to Consolidated Condensed Financial Statements.

1. Basis of Presentation

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: commercial property and casualty insurance (CNA Financial Corporation (“CNA”), an 89% owned subsidiary); the production and sale of cigarettes (Lorillard, Inc. (“Lorillard”), a wholly owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. (“Diamond Offshore”), a 51% owned subsidiary); natural gas and oil exploration and production (HighMount Exploration & Production LLC (“HighMount”), a wholly owned subsidiary); the operation of interstate natural gas transmission pipeline systems (Boardwalk Pipeline Partners, LP (“Boardwalk Pipeline”), a 75% owned subsidiary); the operation of hotels (Loews Hotels Holding Corporation (“Loews Hotels”), a wholly owned subsidiary) and the distribution and sale of watches and clocks (Bulova Corporation (“Bulova”), a wholly owned subsidiary). Unless the context otherwise requires, the terms “Company,” “Loews” and “Registrant” as used herein mean Loews Corporation excluding its subsidiaries.

On July 31, 2007, HighMount acquired certain exploration and production assets, and assumed certain related obligations, from subsidiaries of Dominion Resources, Inc. (“Dominion”) for $4.0 billion, subject to adjustment. (See Note 9.)

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2007 and December 31, 2006 and the results of operations for the three and nine months ended September 30, 2007 and 2006 and changes in cash flows for the nine months ended September 30, 2007 and 2006.

Net income for the third quarter and first nine months of each of the years is not necessarily indicative of net income for that entire year.

Reference is made to the Notes to Consolidated Financial Statements in the 2006 Annual Report on Form 10-K which should be read in conjunction with these Consolidated Condensed Financial Statements.

The significant accounting policies for revenue recognition, investments and property, plant and equipment have been updated related to the acquisition of HighMount.

Revenue recognition - Gas and oil production revenue is recognized based on actual volumes of gas and oil sold to purchasers. Sales require delivery of the product to the purchaser, passage of title and probability of collection of purchaser amounts owed. Gas and oil production revenue includes sales of gas, natural gas liquids, oil and condensate by HighMount. Gas and oil production revenue is reported net of royalties. HighMount uses the sales method of accounting for gas imbalances. An imbalance is created when the volumes of gas sold by HighMount pertaining to a property do not equate to the volumes produced to which HighMount is entitled based on its interest in the property. An asset or liability is recognized to the extent that HighMount has an imbalance in excess of the remaining reserves on the underlying properties.

Investments - The Company and certain of its subsidiaries periodically enter into derivative contracts to manage exposure to commodity price risk. A significant portion of the Company’s hedge strategies represents cash flow hedges of the variable price risk associated with the purchase and sale of natural gas and other energy-related products. The Company also uses interest rate swaps to hedge its exposure to variable interest rates on long-term debt. For transactions in which the Company is hedging the variability of cash flows, changes in the fair value of the derivative are reported in Accumulated other comprehensive income (loss), with subsequent reclassification to earnings when the hedged transaction, asset or liability affects earnings. The Company’s gains and losses on derivatives designated as hedges, when recognized, are included in the Consolidated Condensed Statements of Income with specific line item classification determined based on the nature of the risk underlying individual hedge strategies. Any ineffectiveness is recorded currently in the Consolidated Condensed Statements of Income.

Property, plant and equipment - HighMount follows the full cost method of accounting for gas and oil exploration and production activities prescribed by the Securities and Exchange Commission (“SEC”). Under the full cost method, all direct costs of property acquisition, exploration and development activities are capitalized. These capitalized costs are subject to a quarterly ceiling test. Under the ceiling test, amounts capitalized are limited to the present value of estimated future net revenues to be derived from the anticipated production of proved gas and oil reserves, assuming period-end pricing adjusted for cash flow hedges in place. If net capitalized costs exceed the ceiling test at the end of any quarterly period, then a permanent write-down of the assets must be recognized in that period. Approximately 2.6% of HighMount’s total proved reserves is hedged by qualifying cash flow hedges, for which hedge-adjusted prices were used to calculate estimated future net revenue. Whether period-end market prices or hedge-adjusted prices were used for the portion of production that is hedged, there was no ceiling test impairment as of September 30, 2007. Future cash flows associated with settling asset retirement obligations that have been accrued in the Consolidated Condensed Balance Sheets pursuant to the Statement of Financial Accounting Standards (“SFAS”) No. 143, “Accounting for Asset Retirement Obligations,” are excluded from HighMount’s calculations under the full cost ceiling test.

Depletion of gas and oil producing properties is computed using the units-of-production method. Under the full cost method, the depletable base of costs subject to depletion also includes estimated future costs to be incurred in developing proved gas and oil reserves, as well as capitalized asset retirement costs, net of projected salvage values. The costs of investments in unproved properties including associated exploration-related costs are initially excluded from the depletable base. Until the properties are evaluated, a ratable portion of the capitalized costs is periodically reclassified to the depletable base, determined on a property by property basis, over terms of underlying leases. Once a property has been evaluated, any remaining capitalized costs are then transferred to the depletable base. In addition, gains or losses on the sale or other disposition of gas and oil properties are not recognized, unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves.

Accounting changes - In March of 2006, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") FTB 85-4-1, "Accounting for Life Settlement Contracts by Third-Party Investors." A life settlement contract for purposes of FSP FTB 85-4-1 is a contract between the owner of a life insurance policy (the "policy owner") and a third-party investor ("investor"). The previous accounting guidance, FASB Technical Bulletin ("FTB") No. 85-4, "Accounting for Purchases of Life Insurance," required the purchaser of life insurance contracts to account for the life insurance contract at its cash surrender value. Because life insurance contracts are purchased in the secondary market at amounts in excess of the policies' cash surrender values, the application of guidance in FTB No. 85-4 created a loss upon acquisition of policies. FSP FTB 85-4-1 provides initial and subsequent measurement guidance and financial statement presentation and disclosure guidance for investments by third-party investors in life settlement contracts. FSP FTB 85-4-1 allows an investor to elect to account for its investments in life settlement contracts using either the investment method or the fair value method. The election shall be made on an instrument-by-instrument basis and is irrevocable. The Company adopted FSP FTB 85-4-1 on January 1, 2007.

Prior to 2002, CNA purchased investments in life settlement contracts. Under a life settlement contract, CNA obtained the ownership and beneficiary rights of an underlying life insurance policy. CNA has elected to account for its investment in life settlement contracts using the fair value method and the initial impact upon adoption of FSP FTB 85-4-1 under the fair value method was an increase to retained earnings of $33.7 million, net of tax and minority interest.

Under the fair value method, each life settlement contract is carried at its fair value at the end of each reporting period. The change in fair value, life insurance proceeds received and periodic maintenance costs, such as premiums, necessary to keep the underlying policy in force, are recorded in Other revenues on the Consolidated Condensed Statements of Income for the three and nine months ended September 30, 2007. Amounts presented related to the prior year were accounted for under the previous accounting guidance, FTB No. 85-4, where the carrying value of life settlement contracts was the cash surrender value, and revenue was recognized and included in Other revenues on the Consolidated Condensed Statements of Income when the life insurance policy underlying the life settlement contract matured. Under the previous accounting guidance, maintenance expenses were expensed as incurred and included in Other operating expenses on the Consolidated Condensed Statements of Income. CNA's investment in life settlement contracts of $111.0 million at September 30, 2007 is included in Other assets on the Consolidated Condensed Balance Sheets. The cash receipts and payments related to life settlement contracts are included in Cash flows from operating activities on the Consolidated Condensed Statements of Cash Flows for both periods presented.

The fair value of each life insurance policy is determined as the present value of the anticipated death benefits less anticipated premium payments for that policy. These anticipated values are determined using mortality rates and policy terms that are distinct for each insured. The discount rate used reflects current risk-free rates at applicable durations and the risks associated with assessing the current medical condition of the insured, the potential volatility of mortality experience for the portfolio and longevity risk. CNA used its own experience to determine the fair value of its portfolio of life settlement contracts. The mortality experience of this portfolio of life insurance policies may vary by quarter due to its relatively small size.

The following table details the values of life settlement contracts as of September 30, 2007.

(In millions of dollars)	Number of Life Settlement Contracts	Fair Value of Life Settlement Contracts	Face Amount of Life Insurance Policies
Estimated maturity during:			
2007	**20**	**$ 4.0**	**$ 13.0**
2008	**80**	**15.0**	**51.0**
2009	**80**	**13.0**	**50.0**
2010	**80**	**12.0**	**50.0**
2011	**80**	**11.0**	**50.0**
Thereafter	**1,076**	**56.0**	**536.0**
Total	**1,416**	**$ 111.0**	**$ 750.0**

CNA uses an actuarial model to estimate the aggregate face amount of life insurance that is expected to mature in each future year and the corresponding fair value. This model projects the likelihood of the insured's death for each in force policy based upon CNA's estimated mortality rates. The number of life settlement contracts presented in the table above is based upon the average face amount of in force policies estimated to mature in each future year.

The unrealized gains (change in fair value) recognized for the three and nine months ended September 30, 2007 on contracts still being held on September 30, 2007 were $5.0 million and $8.0 million. The gains recognized during the three and nine months ended September 30, 2007 on contracts that matured were $15.0 million and $36.0 million.

In June of 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109." FIN No. 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN No. 48 states that a tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Company adopted FIN No. 48 on January 1, 2007 and recorded a decrease to retained earnings of approximately $36.6 million, net of minority interest.

In September of 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that adopting SFAS No. 157 will have on its results of operations and equity.

In February of 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Generally accepted accounting principles have required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS No. 159 helps to mitigate volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that adopting SFAS No. 159 will have on its results of operations and equity.

2. Investments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Net investment income consisted of:				
Fixed maturity securities	**$ 501.4**	$ 478.0	**$ 1,523.0**	$ 1,387.8
Short-term investments	**94.3**	93.2	**294.2**	276.9
Limited partnerships	**30.6**	52.3	**172.7**	189.5
Equity securities	**7.4**	3.9	**18.5**	23.2
Income from trading portfolio	**32.2**	54.2	**220.8**	180.6
Interest on funds withheld and other deposits		(10.8)	**(0.8)**	(65.4)
Other	**24.4**	33.8	**66.8**	82.9
Total investment income	**690.3**	704.6	**2,295.2**	2,075.5
Investment expenses	**(11.4)**	(10.1)	**(42.1)**	(36.0)
Net investment income	**$ 678.9**	$ 694.5	**$ 2,253.1**	$ 2,039.5
Investment gains (losses) are as follows:				
Fixed maturities	**$ (39.5)**	$ 39.9	**$ (322.2)**	$ (63.4)
Equity securities, including short positions	**16.3**	(2.4)	**30.3**	9.0
Derivative instruments	**(44.2)**	(13.0)	**94.1**	(7.5)
Short-term investments	**9.7**	(1.4)	**9.9**	(6.2)
Other, including guaranteed separate account business	**6.7**	5.4	**8.0**	5.3
Investment gains (losses)	**(51.0)**	28.5	**(179.9)**	(62.8)
Gain on issuance of subsidiary stock (Note 9)	**0.2**	9.0	**138.7**	9.0
	(50.8)	37.5	**(41.2)**	(53.8)
Income tax (expense) benefit	**17.3**	(4.4)	**12.9**	22.5
Minority interest	**3.6**	(2.3)	**15.2**	3.3
Investment gains (losses), net	**$ (29.9)**	$ 30.8	**$ (13.1)**	$ (28.0)

Realized investment losses for the three months ended September 30, 2007 included other-than-temporary impairment (“OTTI”) losses of $188.0 million, recorded primarily in the corporate and other taxable bonds and asset-backed bonds sectors. This compared to OTTI losses for the three months ended September 30, 2006 of $46.0 million recorded primarily in the corporate and other taxable bonds sector.

Realized investment losses for the nine months ended September 30, 2007 included OTTI losses of $451.0 million, recorded primarily in the corporate and other taxable bonds and asset-backed bonds sectors. This compared to OTTI losses for the nine months ended September 30, 2006 of $87.0 million recorded primarily in the corporate and other taxable bonds sector.

The Company’s investment policies emphasize high credit quality and diversification by industry, issuer and issue. Assets supporting interest rate sensitive liabilities are segmented within the general account to facilitate asset/liability duration management.

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

September 30, 2007	Amortized Cost	Unrealized Gains	Gross Unrealized Losses: Less Than 12 Months	Gross Unrealized Losses: Greater Than 12 Months	Fair Value
(In millions)					
Fixed maturity securities:					
U.S. government and obligations of government agencies	**$ 3,059.1**	**$ 78.1**	**$ 1.3**	**$ 1.5**	**$ 3,134.4**
Asset-backed securities	**11,616.9**	**30.7**	**234.1**	**167.0**	**11,246.5**
States, municipalities and political subdivisions-tax exempt	**6,573.0**	**189.3**	**63.5**	**4.0**	**6,694.8**
Corporate	**7,693.3**	**215.3**	**77.5**	**10.7**	**7,820.4**
Other debt	**3,834.8**	**182.6**	**23.4**	**5.5**	**3,988.5**
Redeemable preferred stocks	**1,158.6**	**8.9**	**27.5**		**1,140.0**
Fixed maturities available-for-sale	**33,935.7**	**704.9**	**427.3**	**188.7**	**34,024.6**
Fixed maturities, trading	**884.7**	**5.8**	**5.1**	**15.1**	**870.3**
Total fixed maturities	**34,820.4**	**710.7**	**432.4**	**203.8**	**34,894.9**
Equity securities:					
Equity securities available-for-sale	**345.9**	**264.0**	**1.9**	**0.2**	**607.8**
Equity securities, trading	**685.5**	**101.7**	**29.1**	**15.0**	**743.1**
Total equity securities	**1,031.4**	**365.7**	**31.0**	**15.2**	**1,350.9**
Short-term investments:					
Short-term investments available-for-sale	**9,738.7**	**3.2**	**0.2**		**9,741.7**
Short-term investments, trading	**2,138.9**				**2,138.9**
Total short-term investments	**11,877.6**	**3.2**	**0.2**	**-**	**11,880.6**
Total	**$ 47,729.4**	**$ 1,079.6**	**$ 463.6**	**$ 219.0**	**$ 48,126.4**
December 31, 2006					
Fixed maturity securities:					
U.S. government and obligations of government agencies	$ 5,055.6	$ 86.2	$ 2.6	$ 1.6	$ 5,137.6
Asset-backed securities	13,822.8	27.7	20.8	151.0	13,678.7
States, municipalities and political subdivisions-tax exempt	4,915.2	236.9	1.2	4.6	5,146.3
Corporate	6,810.8	337.8	7.5	9.7	7,131.4
Other debt	3,442.7	207.6	6.6	2.0	3,641.7
Redeemable preferred stocks	885.0	27.8	0.5		912.3
Fixed maturities available-for-sale	34,932.1	924.0	39.2	168.9	35,648.0
Fixed maturities, trading	1,920.5	6.0	4.4	0.4	1,921.7
Total fixed maturities	36,852.6	930.0	43.6	169.3	37,569.7
Equity securities:					
Equity securities available-for-sale	348.4	249.0	0.2	0.2	597.0
Equity securities, trading	618.6	111.6	10.4	8.0	711.8
Total equity securities	967.0	360.6	10.6	8.2	1,308.8
Short-term investments:					
Short-term investments available-for-sale	8,436.9				8,436.9
Short-term investments, trading	4,385.2	0.4	0.1		4,385.5
Total short-term investments	12,822.1	0.4	0.1	-	12,822.4
Total	$ 50,641.7	$ 1,291.0	$ 54.3	$ 177.5	$ 51,700.9

The following table summarizes, for available-for-sale fixed maturity and equity securities in an unrealized loss position at September 30, 2007 and December 31, 2006, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position.

	September 30, 2007		December 31, 2006	
	Estimated Fair Value	**Gross Unrealized Loss**	Estimated Fair Value	Gross Unrealized Loss
(In millions)				
Available-for-sale fixed maturity securities:				
Investment grade:				
0-6 months	**$ 6,101.9**	**$ 311.4**	$ 9,829.3	$ 23.7
7-12 months	**1,115.8**	**78.4**	1,267.1	11.8
13-24 months	**1,145.4**	**36.8**	5,247.9	127.4
Greater than 24 months	**4,444.4**	**150.0**	1,021.4	41.1
Total investment grade available-for-sale	**12,807.5**	**576.6**	17,365.7	204.0
Non-investment grade:				
0-6 months	**1,889.0**	**37.3**	509.0	2.1
7-12 months	**4.0**	**0.2**	87.3	1.5
13-24 months	**28.1**	**1.9**	23.9	0.5
Greater than 24 months	**1.6**		2.3	
Total non-investment grade available-for-sale	**1,922.7**	**39.4**	622.5	4.1
Total fixed maturity securities available-for-sale	**14,730.2**	**616.0**	17,988.2	208.1
Available-for-sale equity securities:				
0-6 months	**82.6**	**1.3**	9.8	0.2
7-12 months	**1.7**	**0.6**	0.7	
13-24 months				
Greater than 24 months	**2.9**	**0.2**	2.9	0.2
Total available-for-sale equity securities	**87.2**	**2.1**	13.4	0.4
Total available-for-sale fixed maturity and equity securities	**$ 14,817.4**	**$ 618.1**	$ 18,001.6	$ 208.5

At September 30, 2007, the carrying value of the available-for-sale fixed maturities was $34,024.6 million, representing 67.2% of the total investment portfolio. The unrealized loss position associated with the available-for-sale fixed maturity portfolio included $616.0 million in gross unrealized losses, consisting of asset-backed securities which represented 65.1%, corporate bonds which represented 14.3%, municipal securities which represented 11.0%, and all other fixed maturity securities which represented 9.6%. The gross unrealized loss for any single issuer was no greater than 0.2% of the carrying value of the total available-for-sale fixed maturity portfolio. The total available-for-sale fixed maturity portfolio gross unrealized losses included 1,689 securities which were, in aggregate, approximately 4.0% below amortized cost.

Given the current facts and circumstances, the Company has determined that the securities presented in the above unrealized gain/loss tables were temporarily impaired when evaluated at September 30, 2007 or December 31, 2006, and therefore no related realized losses were recorded. A discussion of some of the factors reviewed in making that determination as of September 30, 2007 is presented below.

Asset-Backed Securities

The unrealized losses on the Company's investments in asset-backed securities were caused by a combination of factors during the third quarter of 2007 related to the market disruption caused by a general lack of liquidity in the asset-backed securities market. This disruption was triggered by issues surrounding sub-prime residential mortgage-backed securities (sub-prime issue), but also extended into other asset-backed securities in the market and specifically in the Company's portfolio.

The majority of the holdings in this category are corporate mortgage-backed pass-through securities, collateralized mortgage obligations ("CMOs") and corporate asset-backed structured securities. The holdings in these sectors include 561 securities in a gross unrealized loss position of $395.0 million. Of these securities in an unrealized loss position, 47.0% are rated AAA, 25.0% are rated AA, 25.0% are rated A and 3.0% are rated BBB. The aggregate severity of the unrealized loss was approximately 5.0% of amortized cost. The contractual cash flows on the asset-backed structured securities are pass-through but may be structured into classes of preference. The structured securities held are generally secured by over collateralization or default protection provided by subordinated tranches. Within this category, securities subject to Emerging Issues Task Force ("EITF") Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," are monitored for adverse changes in cash flow projections. If there are adverse changes in cash flows, the amount of accretable yield is prospectively adjusted and an OTTI loss is recognized. As of September 30, 2007, there was no adverse change in estimated cash flows noted for the securities held subject to EITF No. 99-20, which have a gross unrealized loss of $94.0 million and an aggregate severity of the unrealized loss of approximately 9.0% of amortized cost. There were OTTI losses recorded on asset-backed securities of $68.0 million and $153.0 million for the three and nine months ended September 30, 2007.

The remainder of the holdings in this category includes mortgage-backed securities guaranteed by an agency of the U.S. Government. There were 323 agency mortgage-backed pass-through securities and 3 agency CMOs in an unrealized loss position as of September 30, 2007. The aggregate severity of the unrealized loss on these securities was approximately 5.0% of amortized cost. These securities do not tend to be influenced by the credit of the issuer but rather the characteristics and projected cash flows of the underlying collateral.

The decline in fair value was primarily attributable to the market disruption caused by the sub-prime issue and not credit quality. Because the Company has the ability and intent to hold these investments until an anticipated recovery of fair value, which may be maturity, the Company considers these investments to be temporarily impaired at September 30, 2007.

States, Municipalities and Political Subdivisions – Tax-Exempt Securities

The unrealized losses on the Company’s investments in municipal securities were caused primarily by changes in credit spreads, and to a lesser extent, changes in interest rates. The Company invests in tax-exempt municipal securities as an asset class for economic benefits of the returns on the class compared to like after-tax returns on alternative classes. The holdings in this category include 235 securities in an unrealized loss position with 100% of these unrealized losses related to investment grade securities (rated BBB- or higher) where the cash flows are secured by the credit of the issuer. The aggregate severity of the unrealized loss was approximately 5.0% of amortized cost. Because the Company has the ability and intent to hold these investments until an anticipated recovery of fair value, which may be maturity, the Company considers these investments to be temporarily impaired at September 30, 2007.

Corporate Securities

The Company’s portfolio management objective for corporate bonds focuses on sector and issuer exposures and value analysis within sectors. In order to maximize investment objectives, corporate bonds are analyzed on a risk adjusted basis compared to other opportunities that are available in the market. Trading decisions may be made based on an issuer that may be overvalued in the Company’s portfolio compared to a like issuer that may be undervalued in the market. The Company also monitors issuer exposure and broader industry sector exposures and may reduce exposures based on its current view of a specific issuer or sector.

Of the unrealized losses in this category, over 58.0% relate to securities rated as investment grade. The total holdings in this category are diversified across 11 industry sectors and 410 securities. The aggregate severity of the unrealized loss was approximately 2.0% of amortized cost. Within corporate bonds, the largest industry sectors were financial, consumer cyclical and communications, which as a percentage of total gross unrealized losses were 28.0%, 23.0% and 14.0% at September 30, 2007. The decline in fair value was primarily attributable to deterioration in the broader credit markets caused primarily by the sub-prime issue and liquidity concerns that stemmed from this issue, and macro conditions in certain sectors that the market views as out of favor. Because the decline was not related to specific credit quality issues, and because the Company has the ability and intent to hold these investments until an anticipated recovery of fair value, which may be maturity, the Company considers these investments to be temporarily impaired at September 30, 2007.

Investment Commitments

As of September 30, 2007 and December 31, 2006, the Company had committed approximately $433.0 million and $109.0 million to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

The Company invests in multiple bank loan participations as part of its overall investment strategy and has committed to additional future purchases and sales. The purchase and sale of these investments are recorded on the date that the legal agreements are finalized and cash settlement is made. As of September 30, 2007 and December 31, 2006, the Company had commitments to purchase $90.7 million and $64.0 million, and sell $103.8 million and $23.7 million of various bank loan participations. When loan participation purchases are settled and recorded they may contain both funded and unfunded amounts. An unfunded loan represents an obligation by the Company to provide additional amounts under the terms of the loan participation. The funded portions are reflected on the Consolidated Condensed Balance Sheets, while any unfunded amounts are not recorded until a draw is made under the loan facility. As of September 30, 2007 and December 31, 2006, the Company had obligations on unfunded bank loan participations in the amount of $23.0 million and $29.0 million.

3. Earnings Per Share

Companies with complex capital structures are required to present basic and diluted earnings per share. Basic earnings per share excludes dilution and is computed by dividing net income attributable to each class of common stock by the weighted average number of common shares of each class of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The Company has two classes of common stock: Carolina Group stock, a tracking stock intended to reflect the economic performance of a group of the Company's assets and liabilities, called the Carolina Group, principally consisting of the Company's subsidiary Lorillard, Inc. and Loews common stock, representing the economic performance of the Company's remaining assets, including the interest in the Carolina Group not represented by Carolina Group stock.

The attribution of income to each class of common stock for the three and nine months ended September 30, 2007 and 2006, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions, except %)				
Loews common stock:				
Consolidated net income	**$ 555.7**	$ 635.1	**$ 1,977.4**	$ 1,744.8
Less income attributable to Carolina Group stock	**145.7**	117.9	**405.0**	279.3
Income attributable to Loews common stock	**$ 410.0**	$ 517.2	**$ 1,572.4**	$ 1,465.5
Carolina Group stock:				
Income available to Carolina Group stock	**$ 233.6**	$ 202.9	**$ 649.4**	$ 540.2
Weighted average economic interest of the Carolina Group	**62.4%**	58.1%	**62.4%**	51.7%
Income attributable to Carolina Group stock	**$ 145.7**	$ 117.9	**$ 405.0**	$ 279.3

The following is a reconciliation of basic weighted shares outstanding to diluted weighted shares for the three and nine months ended September 30, 2007 and 2006.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Loews common stock:				
Weighted average shares outstanding-basic	**531.86**	550.59	**536.53**	554.45
Stock options and stock appreciation rights	**1.33**	0.85	**1.18**	0.81
Weighted average shares outstanding-diluted	**533.19**	551.44	**537.71**	555.26
Carolina Group stock:				
Weighted average shares outstanding-basic	**108.44**	100.48	**108.42**	88.33
Stock options and stock appreciation rights	**0.14**	0.11	**0.13**	0.10
Weighted average shares outstanding-diluted	**108.58**	100.59	**108.55**	88.43

Certain options and stock appreciation rights were not included in the diluted weighted shares amount due to the exercise price being greater than the average stock price for the respective periods. The number of shares not included in the diluted computations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Loews common stock	**705,689**	2,610	**237,034**	76,098
Carolina Group stock	**101,630**	-	**34,245**	17,372

4. Loews and Carolina Group Consolidating Condensed Financial Information

The principal assets and liabilities attributed to the Carolina Group are the Company’s 100% stock ownership interest in Lorillard, Inc.; notional, intergroup debt owed by the Carolina Group to the Loews Group ($829.1 million outstanding at September 30, 2007), bearing interest at the annual rate of 8.0% and, subject to optional prepayment, due December 31, 2021; and any and all liabilities, costs and expenses of the Company and Lorillard arising out of or related to tobacco or tobacco-related businesses.

As of September 30, 2007, the outstanding Carolina Group stock represents a 62.4% economic interest in the economic performance of the Carolina Group. The Loews Group consists of all of the Company’s assets and liabilities other than the 62.4% economic interest represented by the outstanding Carolina Group stock, and includes as an asset the notional, intergroup debt of the Carolina Group. Holders of the Company’s common stock and of Carolina Group stock are shareholders of Loews Corporation and are subject to the risks related to an equity investment in Loews Corporation. Each outstanding share of Carolina Group stock has 3/10 of a vote per share.

The Company has separated, for financial reporting purposes, the Carolina Group and Loews Group. The following schedules present the consolidating condensed financial information for these individual groups. Neither group is a separate company or legal entity. Rather, each group is intended to reflect a defined set of assets and liabilities.

Loews and Carolina Group
Consolidating Condensed Balance Sheet Information

September 30, 2007	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Assets:						
Investments	$ 1,817.7	$ 101.0	$ 1,918.7	$ 48,738.6		$ 50,657.3
Cash	0.5	0.6	1.1	125.9		127.0
Receivables	14.0	0.1	14.1	12,906.3	$ (11.6) (a)	12,908.8
Property, plant and equipment	208.0		208.0	9,428.7		9,636.7
Deferred income taxes	540.9		540.9	304.5		845.4
Goodwill and other intangible assets				1,346.5		1,346.5
Other assets	319.2		319.2	1,463.0		1,782.2
Investment in combined attributed net assets of the Carolina Group				1,035.6	(829.1) (a)	
					(206.5) (b)	
Deferred acquisition costs of insurance subsidiaries				1,189.3		1,189.3
Separate account business				471.7		471.7
Total assets	$ 2,900.3	$ 101.7	$ 3,002.0	$ 77,010.1	$ (1,047.2)	$ 78,964.9
Liabilities and Shareholders' Equity:						
Insurance reserves				$ 40,749.5		$ 40,749.5
Payable for securities purchased				3,598.5		3,598.5
Collateral on loaned securities and derivatives				83.4		83.4
Short-term debt				164.2		164.2
Long-term debt		$ 829.1	$ 829.1	7,068.0	$ (829.1) (a)	7,068.0
Reinsurance balances payable				482.7		482.7
Other liabilities	$ 1,615.7	8.5	1,624.2	3,802.7	(11.6) (a)	5,415.3
Separate account business				471.7		471.7
Total liabilities	1,615.7	837.6	2,453.3	56,420.7	(840.7)	58,033.3
Minority interest				3,652.3		3,652.3
Shareholders' equity	1,284.6	(735.9)	548.7	16,937.1	(206.5) (b)	17,279.3
Total liabilities and shareholders' equity	$ 2,900.3	$ 101.7	$ 3,002.0	$ 77,010.1	$ (1,047.2)	$ 78,964.9

(a) To eliminate the intergroup notional debt and interest payable/receivable.
(b) To eliminate the Loews Group's 37.6% equity interest in the combined attributed net assets of the Carolina Group.

Loews and Carolina Group
Consolidating Condensed Balance Sheet Information

December 31, 2006	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Assets:						
Investments	$ 1,767.5	$ 101.0	$ 1,868.5	$ 52,020.3		$ 53,888.8
Cash	1.2	0.3	1.5	132.3		133.8
Receivables	15.6	0.4	16.0	13,028.2	$ (16.9) (a)	13,027.3
Property, plant and equipment	196.4		196.4	5,304.9		5,501.3
Deferred income taxes	495.7		495.7	125.2		620.9
Goodwill and other intangible assets				298.9		298.9
Other assets	282.8		282.8	1,433.7		1,716.5
Investment in combined attributed net assets of the Carolina Group				1,288.3	(1,229.7) (a)	
					(58.6) (b)	
Deferred acquisition costs of insurance subsidiaries				1,190.4		1,190.4
Separate account business				503.0		503.0
Total assets	$ 2,759.2	$ 101.7	$ 2,860.9	$ 75,325.2	$ (1,305.2)	$ 76,880.9
Liabilities and Shareholders' Equity:						
Insurance reserves				$ 41,079.9		$ 41,079.9
Payable for securities purchased				1,046.7		1,046.7
Collateral on loaned securities				3,601.5		3,601.5
Short-term debt				4.6		4.6
Long-term debt		$ 1,229.7	$ 1,229.7	5,567.8	$ (1,229.7) (a)	5,567.8
Reinsurance balances payable				539.1		539.1
Other liabilities	$ 1,463.9	11.5	1,475.4	3,681.7	(16.9) (a)	5,140.2
Separate account business				503.0		503.0
Total liabilities	1,463.9	1,241.2	2,705.1	56,024.3	(1,246.6)	57,482.8
Minority interest				2,896.3		2,896.3
Shareholders' equity	1,295.3	(1,139.5)	155.8	16,404.6	(58.6) (b)	16,501.8
Total liabilities and shareholders' equity	$ 2,759.2	$ 101.7	$ 2,860.9	$ 75,325.2	$ (1,305.2)	$ 76,880.9

(a) To eliminate the intergroup notional debt and interest payable/receivable.
(b) To eliminate the Loews Group's 37.7% equity interest in the combined attributed net assets of the Carolina Group.

Loews and Carolina Group
Consolidating Condensed Statement of Income Information

Three Months Ended September 30, 2007	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Revenues:						
Insurance premiums				$ 1,882.1		$ 1,882.1
Net investment income	$ 30.8	$ 2.3	$ 33.1	663.8	$ (18.0) (a)	678.9
Investment gains (losses)	2.8		2.8	(53.8)		(51.0)
Gain on issuance of subsidiary stock				0.2		0.2
Manufactured products	1,043.8		1,043.8	49.6		1,093.4
Other				1,049.7		1,049.7
Total	1,077.4	2.3	1,079.7	3,591.6	(18.0)	4,653.3
Expenses:						
Insurance claims and policyholders' benefits				1,574.4		1,574.4
Amortization of deferred acquisition costs				384.5		384.5
Cost of manufactured products sold	613.9		613.9	24.3		638.2
Other operating expenses	81.8		81.8	868.7		950.5
Interest	1.1	18.0	19.1	81.1	(18.0) (a)	82.2
Total	696.8	18.0	714.8	2,933.0	(18.0)	3,629.8
	380.6	(15.7)	364.9	658.6	-	1,023.5
Income tax expense (benefit)	136.9	(5.6)	131.3	190.1	-	321.4
Minority interest				146.5		146.5
Total	136.9	(5.6)	131.3	336.6	-	467.9
Income (loss) from operations	243.7	(10.1)	233.6	322.0		555.6
Equity in earnings of the Carolina Group				87.9	(87.9) (b)	
Income (loss) from continuing operations	243.7	(10.1)	233.6	409.9	(87.9)	555.6
Discontinued operations, net				0.1		0.1
Net income (loss)	$ 243.7	$ (10.1)	$ 233.6	$ 410.0	$ (87.9)	$ 555.7

(a) To eliminate interest on the intergroup notional debt.
(b) To eliminate the Loews Group's intergroup interest in the earnings of the Carolina Group.

Loews and Carolina Group
Consolidating Condensed Statement of Income Information

Three Months Ended September 30, 2006	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments And Eliminations	Total
(In millions)						
Revenues:						
Insurance premiums				$ 1,943.4		$ 1,943.4
Net investment income	$ 27.4	$ 2.2	$ 29.6	693.1	$ (28.2) (a)	694.5
Investment gains (losses)	0.1		0.1	28.4		28.5
Gain on issuance of subsidiary stock				9.0		9.0
Manufactured products	986.0		986.0	49.5		1,035.5
Other				796.3		796.3
Total	1,013.5	2.2	1,015.7	3,519.7	(28.2)	4,507.2
Expenses:						
Insurance claims and policyholders' benefits				1,521.9		1,521.9
Amortization of deferred acquisition costs				390.4		390.4
Cost of manufactured products sold	573.7		573.7	24.3		598.0
Other operating expenses	83.5	0.1	83.6	719.2		802.8
Interest	0.1	28.2	28.3	78.6	(28.2) (a)	78.7
Total	657.3	28.3	685.6	2,734.4	(28.2)	3,391.8
	356.2	(26.1)	330.1	785.3	-	1,115.4
Income tax expense (benefit)	137.3	(10.1)	127.2	236.4		363.6
Minority interest				122.4		122.4
Total	137.3	(10.1)	127.2	358.8	-	486.0
Income (loss) from operations	218.9	(16.0)	202.9	426.5	-	629.4
Equity in earnings of the Carolina Group				85.0	(85.0) (b)	-
Income (loss) from continuing operations	218.9	(16.0)	202.9	511.5	(85.0)	629.4
Discontinued operations, net				5.7		5.7
Net income (loss)	$ 218.9	$ (16.0)	$ 202.9	$ 517.2	$ (85.0)	$ 635.1

(a) To eliminate interest on the intergroup notional debt.
(b) To eliminate the Loews Group's intergroup interest in the earnings of the Carolina Group.

Loews and Carolina Group
Consolidating Condensed Statement of Income Information

Nine Months Ended September 30, 2007	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Revenues:						
Insurance premiums				$ 5,616.1		$ 5,616.1
Net investment income	$ 86.8	$ 6.6	$ 93.4	2,221.5	$ (61.8) (a)	2,253.1
Investment gains (losses)	2.9		2.9	(182.8)		(179.9)
Gain on issuance of subsidiary stock				138.7		138.7
Manufactured products	3,012.2		3,012.2	135.8		3,148.0
Other	0.4		0.4	2,973.9		2,974.3
Total	3,102.3	6.6	3,108.9	10,903.2	(61.8)	13,950.3
Expenses:						
Insurance claims and policyholders' benefits				4,495.7		4,495.7
Amortization of deferred acquisition costs				1,137.1		1,137.1
Cost of manufactured products sold	1,771.7		1,771.7	67.3		1,839.0
Other operating expenses	246.4	0.1	246.5	2,356.9		2,603.4
Interest	3.7	61.8	65.5	230.2	(61.8) (a)	233.9
Total	2,021.8	61.9	2,083.7	8,287.2	(61.8)	10,309.1
	1,080.5	(55.3)	1,025.2	2,616.0	-	3,641.2
Income tax expense (benefit)	396.1	(20.3)	375.8	799.4		1,175.2
Minority interest				482.0		482.0
Total	396.1	(20.3)	375.8	1,281.4	-	1,657.2
Income (loss) from operations	684.4	(35.0)	649.4	1,334.6		1,984.0
Equity in earnings of the Carolina Group				244.4	(244.4) (b)	
Income (loss) from continuing operations	684.4	(35.0)	649.4	1,579.0	(244.4)	1,984.0
Discontinued operations, net				(6.6)		(6.6)
Net income (loss)	$ 684.4	$ (35.0)	$ 649.4	$ 1,572.4	$ (244.4)	$ 1,977.4

(a) To eliminate interest on the intergroup notional debt.
(b) To eliminate the Loews Group's intergroup interest in the earnings of the Carolina Group.

Loews and Carolina Group
Consolidating Condensed Statement of Income Information

Nine Months Ended September 30, 2006	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Revenues:						
Insurance premiums				$ 5,704.0		$ 5,704.0
Net investment income	$ 71.6	$ 5.8	$ 77.4	2,051.6	$ (89.5) (a)	2,039.5
Investment gains (losses)	(0.5)		(0.5)	(62.3)		(62.8)
Gain on issuance of subsidiary stock				9.0		9.0
Manufactured products	2,818.1		2,818.1	136.5		2,954.6
Other	0.1		0.1	2,384.6		2,384.7
Total	2,889.3	5.8	2,895.1	10,223.4	(89.5)	13,029.0
Expenses:						
Insurance claims and policyholders' benefits				4,446.1		4,446.1
Amortization of deferred acquisition costs				1,132.4		1,132.4
Cost of manufactured products sold	1,638.0		1,638.0	68.0		1,706.0
Other operating expenses	285.2	0.2	285.4	2,125.2		2,410.6
Restructuring and other related charges				(12.9)		(12.9)
Interest	0.1	89.5	89.6	223.9	(89.5) (a)	224.0
Total	1,923.3	89.7	2,013.0	7,982.7	(89.5)	9,906.2
	966.0	(83.9)	882.1	2,240.7		3,122.8
Income tax expense (benefit)	374.5	(32.6)	341.9	693.1		1,035.0
Minority interest				341.3		341.3
Total	374.5	(32.6)	341.9	1,034.4		1,376.3
Income (loss) from operations	591.5	(51.3)	540.2	1,206.3		1,746.5
Equity in earnings of the Carolina Group				260.9	(260.9) (b)	
Income (loss) from continuing operations	591.5	(51.3)	540.2	1,467.2	(260.9)	1,746.5
Discontinued operations, net				(1.7)		(1.7)
Net income (loss)	$ 591.5	$ (51.3)	$ 540.2	$ 1,465.5	$ (260.9)	$ 1,744.8

(a) To eliminate interest on the intergroup notional debt.
(b) To eliminate the Loews Group's intergroup interest in the earnings of the Carolina Group.

Loews and Carolina Group
Consolidating Condensed Statement of Cash Flows Information

Nine Months Ended September 30, 2007	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Net cash provided (used) by operating activities	$ 716.3	$ (37.7)	$ 678.6	$ 3,785.0	$ (89.4)	$ 4,374.2
Investing activities:						
Purchases of property and equipment	(42.3)		(42.3)	(1,353.0)		(1,395.3)
Change in short-term investments	(265.5)		(265.5)	466.4		200.9
Other investing activities	265.0		265.0	(4,211.9)	(400.6)	(4,347.5)
	(42.8)	-	(42.8)	(5,098.5)	(400.6)	(5,541.9)
Financing activities:						
Dividends paid	(676.0)	438.6	(237.4)	(100.5)	89.4	(248.5)
Reduction of intergroup notional debt		(400.6)	(400.6)		400.6	
Excess tax benefits from share-based compensation	1.8		1.8	6.2		8.0
Other financing activities				1,368.3		1,368.3
	(674.2)	38.0	(636.2)	1,274.0	490.0	1,127.8
Net change in cash	(0.7)	0.3	(0.4)	(39.5)	-	(39.9)
Net cash transactions from:						
Continuing operations to discontinued operations				59.2		59.2
Discontinued operations to continuing operations				(59.2)		(59.2)
Cash, beginning of period	1.2	0.3	1.5	172.5		174.0
Cash, end of period	$ 0.5	$ 0.6	$ 1.1	$ 133.0	$ -	$ 134.1

Loews and Carolina Group
Consolidating Condensed Statement of Cash Flows Information

Nine Months Ended September 30, 2006	Carolina Group Lorillard	Carolina Group Other	Carolina Group Consolidated	Loews Group	Adjustments and Eliminations	Total
(In millions)						
Net cash (used) provided by operating activities	$ 635.1	$ (53.7)	$ 581.4	$ 1,212.0	$ (109.8)	$ 1,683.6
Investing activities:						
Purchases of property and equipment	(22.3)		(22.3)	(593.6)		(615.9)
Change in short-term investments	137.6		137.6	(5,665.4)		(5,527.8)
Other investing activities	(189.4)		(189.4)	3,432.5	(273.0)	2,970.1
	(74.1)	-	(74.1)	(2,826.5)	(273.0)	(3,173.6)
Financing activities:						
Dividends paid	(564.0)	326.9	(237.1)	(97.1)	109.8	(224.4)
Reduction of intergroup notional debt		(273.0)	(273.0)		273.0	
Excess tax benefits from share-based compensation	1.0		1.0	3.9		4.9
Other financing activities				1,720.8		1,720.8
	(563.0)	53.9	(509.1)	1,627.6	382.8	1,501.3
Net change in cash	(2.0)	0.2	(1.8)	13.1	-	11.3
Net cash transactions from:						
Continuing operations to discontinued operations				15.3		15.3
Discontinued operations to continuing operations				(15.3)		(15.3)
Cash, beginning of period	2.4	0.1	2.5	179.5		182.0
Cash, end of period	$ 0.4	$ 0.3	$ 0.7	$ 192.6	$ -	$ 193.3

5. Receivables

	September 30, 2007	December 31, 2006
(In millions)		
Reinsurance	**$ 9,356.5**	$ 9,947.3
Other insurance	**2,427.2**	2,475.8
Security sales	**731.3**	325.9
Accrued investment income	**346.3**	331.4
Other	**888.0**	810.8
Total	**13,749.3**	13,891.2
Less:allowance for doubtful accounts on reinsurance receivables	**464.2**	469.6
allowance for other doubtful accounts and cash discounts	**376.3**	394.3
Receivables	**$ 12,908.8**	$ 13,027.3

6. Property, Plant and Equipment

	September 30, 2007	December 31, 2006
(In millions)		
Land	**$ 72.1**	$ 71.1
Buildings and building equipment	**761.0**	716.2
Offshore drilling rigs and equipment	**4,379.5**	3,896.6
Machinery and equipment	**1,835.6**	1,378.0
Pipeline equipment	**1,860.7**	1,833.3
Natural gas and oil proved and unproved properties	**2,707.1**	
Construction in process	**1,467.3**	728.3
Leaseholds and leasehold improvements	**74.8**	70.5
Total	**13,158.1**	8,694.0
Less accumulated depreciation, depletion and amortization	**3,521.4**	3,192.7
Property, plant and equipment	**$ 9,636.7**	$ 5,501.3

The natural gas and oil proved and unproved properties included above were acquired in the third quarter of 2007. See Note 9.

Diamond Offshore Construction Projects

Construction in process at September 30, 2007, included $139.5 million related to the major upgrade of the *Ocean Monarch* to ultra-deepwater service and $241.6 million related to the construction of two new jack-up drilling units, the *Ocean Scepter* and the *Ocean Shield*. Diamond Offshore anticipates delivery of the *Ocean Shield* and *Ocean Scepter* late in the first quarter of 2008 and during the second quarter of 2008, respectively. Diamond Offshore expects the upgrade of the *Ocean Monarch* to be completed in late 2008.

The *Ocean Endeavor* arrived in the U.S. Gulf of Mexico late in the second quarter of 2007 and commenced drilling operations in early July 2007. Consequently, Diamond offshore transferred $249.6 million in Construction in process to Offshore drilling rigs and equipment in the second quarter of 2007.

Boardwalk Pipeline Expansion Projects

Boardwalk Pipeline is engaged in several major expansion projects that will require the investment of significant capital resources. These projects include a pipeline expansion consisting of approximately 242 miles of 42-inch pipeline from DeSoto Parish in western Louisiana to near Harrisville, Mississippi and will add approximately 1.7 billion cubic feet ("Bcf") of new peak-day transmission capacity to its pipeline system. Boardwalk Pipeline is pursuing construction of a new interstate pipeline that will begin near Sherman, Texas and proceed to the Perryville, Louisiana area and will consist of approximately 357 miles of 42-inch pipeline having approximately 1.7 Bcf of peak-day transmission capacity. Boardwalk Pipeline is planning a pipeline expansion originating near Harrisville, Mississippi and extending to an interconnect with Transcontinental Pipe Line Company in Choctaw County, Alabama, which will consist of approximately 112 miles of 42-inch pipeline having initial capacity of approximately 1.2 Bcf of peak-day transmission capacity.

Boardwalk Pipeline is also pursuing the construction of two laterals connected to its pipeline system to transport gas from the Fayetteville Shale area in Arkansas to markets directly and indirectly served by its existing interstate pipelines. The Fayetteville Lateral, consisting of approximately 165 miles of 36-inch pipeline, has an initial design capacity of approximately 800 thousand cubic feet ("MMcf") of peak-day transmission capacity. This lateral will originate in Arkansas and proceed to Mississippi. The Greenville Lateral, consisting of approximately 95 miles of pipeline with an initial design capacity of approximately 750 MMcf of peak-day transmission capacity, will originate near Greenville, Mississippi and proceed east to the Kosciusko, Mississippi area.

The total cost of the pipeline expansion projects discussed above is estimated to be approximately $3.7 billion. Actual costs may exceed the current estimate due to a variety of factors, including awaiting receipt of regulatory approvals, the timing of which Boardwalk Pipeline cannot control, weather-related costs and further delays in construction which could result in additional contractor penalties and stand-by costs.

Boardwalk Pipeline Magnolia Storage Facility

Boardwalk Pipeline was developing a salt dome storage cavern near Napoleonville, Louisiana. Operational tests, which began in May of 2007 and were completed in July, indicated that due to anomalies that could not be corrected, Boardwalk Pipeline will be unable to place the cavern in service as expected. As a result, Boardwalk Pipeline has elected to abandon that cavern and is exploring the possibility of securing a new site on which a new cavern could be developed. In accordance with the requirements of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the carrying value of the cavern and related facilities of approximately $45.1 million was tested for recoverability. In the second quarter of 2007, Boardwalk Pipeline recognized an impairment charge of approximately $14.7 million, representing the carrying value of the cavern, the fair value of which was determined to be zero based on discounted expected future cash flows. The charge was included in Other operating expenses on the Consolidated Condensed Statements of Income. Boardwalk Pipeline expects to use the other assets associated with the project, which include pipeline, compressors, base gas and other equipment and facilities, in conjunction with a replacement storage cavern to be developed.

7. Claim and Claim Adjustment Expense Reserves

CNA's property and casualty insurance claim and claim adjustment expense reserves represent the estimated amounts necessary to settle all outstanding claims, including claims that are incurred but not reported ("IBNR") as of the reporting date. CNA's reserve projections are based primarily on detailed analysis of the facts in each case, CNA's experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as field reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions and public attitudes. All of these factors can affect the estimation of claim and claim adjustment expense reserves.

Establishing claim and claim adjustment expense reserves, including claim and claim adjustment expense reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the cost of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement amount can be. Accordingly, short-tail claims, such as property damage claims, tend to be more reasonably estimable than long-tail claims, such as general liability and professional liability claims. Adjustments to prior year reserve estimates, if necessary, are reflected in the results of operations in the period that the need for such adjustments is determined.

Catastrophes are an inherent risk of the property and casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and/or equity. Catastrophe losses, net of reinsurance, were $10.0 million and $22.0 million for the three months ended September 30, 2007 and 2006 and $54.0 million and $40.0 million for the nine months ended September 30, 2007 and 2006. There can be no assurance that CNA's ultimate cost for catastrophes will not exceed these estimates.

The following provides discussion of CNA's asbestos, environmental pollution and mass tort ("APMT") and core reserves.

APMT Reserves

CNA's property and casualty insurance subsidiaries have actual and potential exposures related to APMT claims.

Establishing reserves for APMT claim and claim adjustment expenses is subject to uncertainties that are greater than those presented by other claims. Traditional actuarial methods and techniques employed to estimate the ultimate cost of claims for more traditional property and casualty exposures are less precise in estimating claim and claim adjustment expense reserves for APMT, particularly in an environment of emerging or potential claims and coverage issues that arise from industry practices and legal, judicial and social conditions. Therefore, these traditional actuarial methods and techniques are necessarily supplemented with additional estimating techniques and methodologies, many of which involve significant judgments that are required of management. Accordingly, a high degree of uncertainty remains for CNA's ultimate liability for APMT claim and claim adjustment expenses.

In addition to the difficulties described above, estimating the ultimate cost of both reported and unreported APMT claims is subject to a higher degree of variability due to a number of additional factors, including among others: the number and outcome of direct actions against CNA; coverage issues, including whether certain costs are covered under the policies and whether policy limits apply; allocation of liability among numerous parties, some of whom may be in bankruptcy proceedings, and in particular the application of "joint and several" liability to specific insurers on a risk; inconsistent court decisions and developing legal theories; continuing aggressive tactics of plaintiffs' lawyers; the risks and lack of predictability inherent in major litigation; enactment of state and federal legislation to address asbestos claims; increases and decreases in asbestos, environmental pollution and mass tort claims which cannot now be anticipated; increases and decreases in costs to defend asbestos, pollution and mass tort claims; changing liability theories against CNA's policyholders in environmental and mass tort matters; possible exhaustion of underlying umbrella and excess coverage; and future developments pertaining to CNA's ability to recover reinsurance for asbestos, pollution and mass tort claims.

CNA has annually performed ground up reviews of all open APMT claims to evaluate the adequacy of its APMT reserves. In performing its comprehensive ground up analysis, CNA considers input from its professionals with direct responsibility for the claims, inside and outside counsel with responsibility for representation of CNA and its actuarial staff. These professionals review, among many factors, the policyholder's present and predicted future exposures, including such factors as claims volume, trial conditions, prior settlement history, settlement demands and defense costs; the impact of asbestos defendant bankruptcies on the policyholder; the policies issued by CNA, including such factors as aggregate or per occurrence limits, whether the policy is primary, umbrella or excess, and the existence of policyholder retentions and/or deductibles; the existence of other insurance; and reinsurance arrangements.

The following table provides data related to CNA's APMT claim and claim adjustment expense reserves.

	September 30, 2007		December 31, 2006	
	Asbestos	**Environmental Pollution and Mass Tort**	Asbestos	Environmental Pollution and Mass Tort
(In millions)				
Gross reserves	**$ 2,400.0**	**$ 597.0**	$ 2,635.0	$ 647.0
Ceded reserves	**(1,063.0)**	**(210.0)**	(1,183.0)	(231.0)
Net reserves	**$ 1,337.0**	**$ 387.0**	$ 1,452.0	$ 416.0

Asbestos

CNA's property and casualty insurance subsidiaries have exposure to asbestos-related claims. Estimation of asbestos-related claim and claim adjustment expense reserves involves limitations such as inconsistency of court decisions, specific policy provisions, allocation of liability among insurers and insureds, and additional factors such as missing policies and proof of coverage. Furthermore, estimation of asbestos-related claims is difficult due to, among other reasons, the proliferation of bankruptcy proceedings and attendant uncertainties, the targeting of a broader range of businesses and entities as defendants, the uncertainty as to which other insureds may be targeted in the future and the uncertainties inherent in predicting the number of future claims.

As of September 30, 2007 and December 31, 2006, CNA carried approximately $1,337.0 million and $1,452.0 million of claim and claim adjustment expense reserves, net of reinsurance recoverables, for reported and unreported asbestos-related claims. CNA recorded $6.0 million and $2.0 million of unfavorable asbestos-related net claim and claim adjustment expense reserve development for the nine months ended September 30, 2007 and 2006. CNA paid asbestos-related claims, net of reinsurance recoveries, of $121.0 million and $76.0 million for the nine months ended September 30, 2007 and 2006. On February 2, 2007, CNA paid $31.0 million to the Owens Corning Fibreboard Trust. Such payment was made pursuant to CNA's 1993 settlement with Fibreboard.

Certain asbestos claim litigation in which CNA is currently engaged is described below:

The ultimate cost of reported claims, and in particular APMT claims, is subject to a great many uncertainties, including future developments of various kinds that CNA does not control and that are difficult or impossible to foresee accurately. With respect to the litigation identified below in particular, numerous factual and legal issues remain unresolved. Rulings on those issues by the courts are critical to the evaluation of the ultimate cost to CNA. The outcome of the litigation cannot be predicted with any reliability. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

On February 13, 2003, CNA announced it had resolved asbestos-related coverage litigation and claims involving A.P. Green Industries, A.P. Green Services and Bigelow – Liptak Corporation. Under the agreement, CNA is required to pay $70.0 million, net of reinsurance recoveries, over a ten year period commencing after the final approval of a bankruptcy plan of reorganization. The settlement resolves CNA's liabilities for all pending and future asbestos and silica claims involving A.P. Green Industries, Bigelow – Liptak Corporation and related subsidiaries, including alleged “non-products” exposures. The settlement received initial bankruptcy court approval on August 18, 2003. The debtor’s plan of reorganization includes an injunction to protect CNA from any future claims. The bankruptcy court issued an opinion on September 24, 2007 recommending confirmation of that plan; two parties have appealed that ruling.

CNA is engaged in insurance coverage litigation in New York State Court, filed in 2003, with a defendant class of underlying plaintiffs who have asbestos bodily injury claims against the former Robert A. Keasbey Company (“Keasbey”) (Continental Casualty Co. v. Employers Ins. of Wausau et al., No. 601037/03 (N.Y. County)). Keasbey, a currently dissolved corporation, was a seller and installer of asbestos-containing insulation products in New York and New Jersey. Thousands of plaintiffs have filed bodily injury claims against Keasbey. However, under New York court rules, asbestos claims are not cognizable unless they meet certain minimum medical impairment standards. Since 2002, when these court rules were adopted, only a small portion of such claims have met medical impairment criteria under New York court rules and as to the remaining claims, Keasbey’s involvement at a number of work sites is a highly contested issue.

CNA issued Keasbey primary policies for 1970-1987 and excess policies for 1972-1978. CNA has paid an amount substantially equal to the policies’ aggregate limits for products and completed operations claims in the confirmed CNA policies. Claimants against Keasbey allege, among other things, that CNA owes coverage under sections of the policies not subject to the aggregate limits, an allegation CNA vigorously contests in the lawsuit. In the litigation, CNA and the claimants seek declaratory relief as to the interpretation of various policy provisions. On May 8, 2007, the Court in the first phase of the trial held that all of CNA’s primary policy products aggregates were exhausted and that past products liability claims could not be recharacterized as operations claims. The Court also found that while operations claims would not be subject to products aggregates, such claims could be made only against the policies in effect when the claimants were exposed to asbestos from Keasbey operations. These holdings limit CNA’s exposure to those instances where Keasbey used asbestos in operations between 1970 and 1987. Keasbey largely ceased using asbestos in its operations in the early 1970’s. CNA has noticed an appeal to the Appellate Division to challenge certain aspects of the Court’s ruling. Keasbey’s other two insurers, Wausau and One Beacon, have filed cross appeals, and the parties are in the process of filing briefs. Numerous legal issues remain to be resolved on appeal with respect to coverage that are critical to the final result, which cannot be predicted with any reliability. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

CNA has insurance coverage disputes related to asbestos bodily injury claims against a bankrupt insured, Burns & Roe Enterprises, Inc. (“Burns & Roe”). These disputes are currently part of coverage litigation (stayed in view of the bankruptcy) and an adversary proceeding in *In re: Burns & Roe Enterprises, Inc.*, pending in the U.S. Bankruptcy Court for the District of New Jersey, No. 00-41610. Burns & Roe provided engineering and related services in connection with construction projects. At the time of its bankruptcy filing, on December 4, 2000, Burns & Roe asserted that it faced approximately 11,000 claims alleging bodily injury resulting from exposure to asbestos as a result of construction projects in which Burns & Roe was involved. CNA allegedly provided primary liability coverage to Burns & Roe from 1956-1969 and 1971-1974, along with certain project-specific policies from 1964-1970. On December 5, 2005, Burns & Roe filed its Third Amended Plan of Reorganization (“Plan”). In September of 2007, CNA entered into an agreement with Burns & Roe, the Official Committee of Unsecured Creditors appointed by the Bankruptcy Court and the Future Claims Representative (the “Addendum”), which provides that claims allegedly covered by CNA policies will be adjudicated in the tort system, with any coverage disputes related to those claims to be decided in coverage litigation. On September 14, 2007, Burns & Roe moved the bankruptcy court for approval of the Addendum pursuant to Bankruptcy Rule 9019. The hearing on that motion was set for October 18, 2007. If approved, Burns & Roe has agreed to include the Addendum in the proposed plan, which will be the subject of a later confirmation hearing. With respect to both confirmation of the Plan and coverage issues, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include, among others: (a) whether CNA has any further responsibility to compensate claimants against Burns & Roe under its policies and, if so, under which; (b) whether CNA’s responsibilities under its policies extend to a particular claimant’s entire claim or only to a limited percentage of the claim; (c) whether CNA’s responsibilities under its policies are limited by the occurrence limits or other provisions of the policies; (d) whether certain exclusions, including professional liability exclusions, in some of CNA’s policies apply to exclude certain claims; (e) the extent to which claimants can establish exposure to asbestos materials as to which Burns & Roe has any responsibility; (f) the legal theories which must be pursued by such claimants to establish the liability of Burns & Roe and whether such theories can, in fact, be established; (g) the diseases and damages alleged by such claimants; (h) the extent that any liability of Burns & Roe would be shared with other potentially responsible parties; and (i) the impact of bankruptcy proceedings on claims and coverage issue resolution. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

Suits have also been initiated directly against the CNA companies and numerous other insurers in two jurisdictions: Texas and Montana. Approximately 80 lawsuits were filed in Texas beginning in 2002, against two CNA companies and numerous other insurers and non-insurer corporate defendants asserting liability for failing to warn of the dangers of asbestos (e.g. *Boson v. Union Carbide Corp.*, (Nueces County, Texas)). During 2003, several of the Texas suits were dismissed as time-barred by the applicable Statute of Limitations. In other suits, the carriers argued that they did not owe any duty to the plaintiffs or the general public to advise the world generally or the plaintiffs particularly of the effects of asbestos and that Texas statutes precluded liability for such claims, and two Texas courts dismissed these suits. Certain of the Texas courts' rulings were appealed, but plaintiffs later dismissed their appeals. A different Texas court denied similar motions seeking dismissal at the pleading stage, allowing limited discovery to proceed. After that court denied a related challenge to jurisdiction, the insurers transferred those cases, among others, to a state multi-district litigation court in Harris County charged with handling asbestos cases, and the cases remain in that court. In February of 2006, the insurers petitioned the appellate court in Houston for an order of mandamus, requiring the multi-district litigation court to dismiss the cases on jurisdictional and substantive grounds. The Texas Attorney General filed an amicus curiae brief supporting the insurers' position. After a long period of no activity, the court recently asked the plaintiffs to file a response to the petition for mandamus. With respect to this litigation in particular, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include: (a) the speculative nature and unclear scope of any alleged duties owed to individuals exposed to asbestos and the resulting uncertainty as to the potential pool of potential claimants; (b) the fact that imposing such duties on all insurer and non-insurer corporate defendants would be unprecedented and, therefore, the legal boundaries of recovery are difficult to estimate; (c) the fact that many of the claims brought to date are barred by the Statute of Limitations and it is unclear whether future claims would also be barred; (d) the unclear nature of the required nexus between the acts of the defendants and the right of any particular claimant to recovery; and (e) the existence of hundreds of co-defendants in some of the suits and the applicability of the legal theories pled by the claimants to thousands of potential defendants. Accordingly, the extent of losses beyond any amounts that may be accrued is not readily determinable at this time.

On March 22, 2002, a direct action was filed in Montana (*Pennock, et al. v. Maryland Casualty, et al.* First Judicial District Court of Lewis & Clark County, Montana) by eight individual plaintiffs (all employees of W.R. Grace & Co. ("W.R. Grace")) and their spouses against CNA, Maryland Casualty and the State of Montana. This action alleges that the carriers failed to warn of or otherwise protect W.R. Grace employees from the dangers of asbestos at a W.R. Grace vermiculite mining facility in Libby, Montana. The Montana direct action is currently stayed because of W.R. Grace's pending bankruptcy. With respect to such claims, numerous factual and legal issues remain to be resolved that are critical to the final result, the outcome of which cannot be predicted with any reliability. These factors include: (a) the unclear nature and scope of any alleged duties owed to people exposed to asbestos and the resulting uncertainty as to the potential pool of potential claimants; (b) the potential application of Statutes of Limitation to many of the claims which may be made depending on the nature and scope of the alleged duties; (c) the unclear nature of the required nexus between the acts of the defendants and the right of any particular claimant to recovery; (d) the diseases and damages claimed by such claimants; (e) the extent that such liability would be shared with other potentially responsible parties; and (f) the impact of bankruptcy proceedings on claims resolution. Accordingly, the extent of losses beyond any amounts that may be accrued are not readily determinable at this time.

CNA is vigorously defending these and other cases and believes that it has meritorious defenses to the claims asserted. However, there are numerous factual and legal issues to be resolved in connection with these claims, and it is extremely difficult to predict the outcome or ultimate financial exposure represented by these matters. Adverse developments with respect to any of these matters could have a material adverse effect on CNA's business and insurer financial strength and debt ratings and the Company's results of operations and/or equity.

Environmental Pollution and Mass Tort

As of September 30, 2007 and December 31, 2006, CNA carried approximately $387.0 million and $416.0 million of claim and claim adjustment expense reserves, net of reinsurance recoverables, for reported and unreported environmental pollution and mass tort claims. CNA recorded $1.0 million of unfavorable environmental pollution and mass tort net claim and claim adjustment expense reserve development for the nine months ended September 30, 2007. There was no environmental pollution and mass tort net claim and claim adjustment expense reserve development recorded for the nine months ended September 30, 2006. CNA recorded $45.0 million and $30.0 million of current accident year losses related to mass tort for the nine months ended September 30, 2007 and 2006. CNA paid environmental pollution-related claims and mass tort-related claims, net of reinsurance recoveries, of $75.0 million and $88.0 million for the nine months ended September 30, 2007 and 2006.

In addition to claims arising from exposure to asbestos as discussed above, CNA also has exposure arising from other mass tort claims. Such claims typically involve allegations by multiple plaintiffs alleging injury resulting from exposure to or use of similar substances or products over multiple policy periods. Examples include, but are not limited to, lead paint claims, hardboard siding, polybutylene pipe, mold, silica, latex gloves, benzene products, welding rods, diet drugs, breast implants, medical devices, and various other toxic chemical exposures.

Net Prior Year Development

The development presented below includes premium development due to its direct relationship to claim and allocated claim adjustment expense reserve development. The development presented below excludes the impact of the provision for uncollectible reinsurance, but includes the impact of commutations.

Three Month Comparison

The following tables include the net prior year development recorded for Standard Lines, Specialty Lines and Other Insurance for the three months ended September 30, 2007 and 2006.

Three Months Ended September 30, 2007	**Standard Lines**	**Specialty Lines**	**Other Insurance**	**Total**
(In millions)				
Pretax unfavorable (favorable) net prior year claim and allocated claim adjustment expense reserve development				
Core (Non-APMT)	**$ (77.0)**	**$ 13.0**	**$ 4.0**	**$ (60.0)**
APMT			**3.0**	**3.0**
Pretax unfavorable (favorable) net prior year development before impact of premium development	**(77.0)**	**13.0**	**7.0**	**(57.0)**
Pretax favorable premium development	**(7.0)**	**(1.0)**	**(2.0)**	**(10.0)**
Total pretax unfavorable (favorable) net prior year development	**$ (84.0)**	**$ 12.0**	**$ 5.0**	**$ (67.0)**

Three Months Ended September 30, 2006	Standard Lines	Specialty Lines	Other Insurance	Total
(In millions)				
Pretax unfavorable (favorable) net prior year claim and allocated claim adjustment expense reserve development:				
Core (Non-APMT)	$ 6.0	$ (4.0)	$ 2.0	$ 4.0
APMT			1.0	1.0
Pretax unfavorable (favorable) net prior year development before impact of premium development	6.0	(4.0)	3.0	5.0
Pretax unfavorable (favorable) premium development	(19.0)	6.0	(3.0)	(16.0)
Total pretax unfavorable (favorable) net prior year development	$ (13.0)	$ 2.0	$ -	$ (11.0)

2007 Net Prior Year Development

Standard Lines

Approximately $42.0 million of favorable claim and allocated claim adjustment expense reserve development was due to decreased severity on open claims within the general liability exposures in accident years 2003 and prior, as well as lower frequency in accident years 2004 through 2006.

Approximately $25.0 million of favorable claim and allocated claim adjustment expense development was recorded related to property exposures, primarily due to decreased frequency and severity on claims in accident years 2005 and 2006. The severity change was driven by decreased incurred losses as a result of changes in individual claim reserve estimates.

Specialty Lines

Approximately $39.0 million of unfavorable claim and allocated claim adjustment expense reserve development was recorded due to increased severity on professional liability claims in accident years 2005 and prior. The increase in severity was due to a comprehensive case by case claim review for large law firm exposures, causing an overall increase in estimated ultimate loss.

Approximately $17.0 million of favorable claim and allocated claim adjustment expense reserve development was recorded in healthcare facilities due to decreased frequency and severity across several accident years. This was primarily due to decreased severity on open claims within general liability exposures and decreased incurred losses as a result of changes in individual claim reserve estimates.

2006 Net Prior Year Development

Standard Lines

Approximately $21.0 million of unfavorable claim and allocated claim adjustment expense reserve development was due to higher frequency and severity on claims related to excess workers' compensation, in accident years 2005 and prior. The primary drivers of the higher frequency and severity were increasing medical inflation and advances in medical care. Medical inflation and advances in medical care result in additional claims reaching the excess layers covered by CNA and increases the size of claims already in the excess layers.

Approximately $8.0 million of unfavorable claim and allocated claim adjustment expense reserve development related to continued increases in individual claim reserve estimates on commercial auto business, in accident years 2005 and 2004. The increase is primarily due to larger claims. These changes in individual claim estimates result in higher projections of ultimate loss from the incurred development and average loss methods used by CNA's actuaries.

Approximately $30.0 million of favorable claim and allocated claim adjustment expense reserve development was due to decreased frequency and severity on claims related to monoline and package liability, primarily in accident years 2002 and prior. The change was driven by decreased incurred losses as a result of changes in individual claim reserve estimates. The lower incurred losses were less than expected based on the loss development factors selected by CNA's actuaries.

Approximately $14.0 million of the favorable premium development was due to additional premium primarily resulting from audits and changes to premium on several ceded reinsurance agreements. Businesses impacted included various middle market liability coverages, workers' compensation, property, and large accounts. Unfavorable claim and allocated claim adjustment expense reserve development of approximately $9.0 million was recorded as a result of this favorable premium development.

Nine Month Comparison

The following tables include the net prior year development recorded for Standard Lines, Specialty Lines and Other Insurance for the nine months ended September 30, 2007 and 2006.

Nine Months Ended September 30, 2007	**Standard Lines**	**Specialty Lines**	**Other Insurance**	**Total**
(In millions)				
Pretax unfavorable (favorable) net prior year claim and allocated claim adjustment expense reserve development				
Core (Non-APMT)	**$ (97.0)**	**$ 19.0**	**$ 12.0**	**$ (66.0)**
APMT			**7.0**	**7.0**
Pretax unfavorable (favorable) net prior year development before impact of premium development	**(97.0)**	**19.0**	**19.0**	**(59.0)**
Pretax favorable premium development	**(20.0)**	**(8.0)**	**(5.0)**	**(33.0)**
Total pretax unfavorable (favorable) net prior year development	**$ (117.0)**	**$ 11.0**	**$ 14.0**	**$ (92.0)**

Nine Months Ended September 30, 2006	Standard Lines	Specialty Lines	Other Insurance	Total
Pretax unfavorable (favorable) net prior year claim and allocated claim adjustment expense reserve development				
Core (Non-APMT)	$ 70.0	$ (1.0)	$ 13.0	$ 82.0
APMT			2.0	2.0
Pretax unfavorable (favorable) net prior year development before impact of premium development	70.0	(1.0)	15.0	84.0
Pretax unfavorable (favorable) premium development	(92.0)		1.0	(91.0)
Total pretax unfavorable (favorable) net prior year development	$ (22.0)	$ (1.0)	$ 16.0	$ (7.0)

2007 Net Prior Year Development

Standard Lines

Approximately $42.0 million of favorable claim and allocated claim adjustment expense reserve development was due to decreased severity on open claims within the general liability exposures in accident years 2003 and prior, as well as lower frequency in accident years 2004 through 2006. In addition, approximately $14.0 million of unfavorable premium development was taken primarily as a result of favorable claim and allocated claim adjustment expense reserve development on retrospectively rated large account policies relating to the automobile and general liability lines of business in accident years 2001 and subsequent. This favorable claim and allocated claim adjustment expense reserve development was due to lower than anticipated frequency and severity.

Approximately $58.0 million of favorable claim and allocated claim adjustment expense reserve development was due to decreased frequency and severity on claims related to property exposures, primarily in accident years 2005 and 2006. The change was driven by decreased incurred losses as a result of changes in individual claim reserve estimates.

Approximately $46.0 million of favorable premium development was recorded mainly as a result of additional premium resulting from audits on recent policies related to workers compensation and general liability books of business. This was partially offset by $30.0 million of unfavorable claim and claim adjustment expense reserve development related to this premium.

Approximately $16.0 million of unfavorable premium development was recorded due to the change in the Company's exposure related to its participation in the involuntary pools. This unfavorable premium development was partially offset by $9.0 million of favorable claim and allocated claim adjustment expense development.

Additional unfavorable prior year reserve development was recorded in the workers' compensation line of business as a result of continued claim cost inflation in older accident years, driven by increasing medical inflation and advances in medical care. This unfavorable development was offset by favorable development in Commercial Auto, Monoline General Liability and Umbrella product lines. This favorable development was due to improved severity in recent accident years.

Specialty Lines

The net prior year development recorded for the nine months ended September 30, 2007 primarily relates to the items included in the three month discussion.

Other Insurance

Approximately $9.0 million of unfavorable claim and allocated claim adjustment expense reserve development was related to commutation activity, a portion of which was offset by a release of a previously established allowance for uncollectible reinsurance.

2006 Net Prior Year Development

Standard Lines

Approximately $41.0 million of unfavorable claim and allocated claim adjustment expense reserve development was primarily due to continued claim cost inflation for workers' compensation in older accident years, primarily 2002 and prior. The primary drivers of the continuing claim cost inflation are medical inflation and advances in medical care.

Approximately $21.0 million of unfavorable claim and allocated claim adjustment expense reserve development was due to higher frequency and severity on claims related to excess workers' compensation, in accident years 2005 and prior. The primary drivers of the higher frequency and severity were increasing medical inflation and advances in medical care. Medical inflation and advances in medical care result in additional claims reaching the excess layers covered by the Company and increases the size of claims already in the excess layers.

Approximately $16.0 million of unfavorable claim and allocated claim adjustment expense reserve development related to continued increases in individual claim reserve estimates on commercial auto business, in accident years 2005 and 2004. The increase is primarily due to a higher than expected number of large claims. These changes in individual claim estimates result in higher projections of ultimate loss from the incurred development and average loss methods used by CNA's actuaries.

Approximately $15.0 million of unfavorable claim and allocated claim adjustment expense reserve development was due to increased severity in liability coverages for large account policies. These increases were driven by increasing medical inflation and larger verdicts than anticipated, both of which increase the severity of these claims resulting in higher case incurred losses and higher ultimate estimates.

Approximately $11.0 million of unfavorable claim and allocated claim adjustment expense reserve development was due to CNA's share of an assessment from various Windstorm Underwriting Authority Pools.

Approximately $45.0 million of favorable claim and allocated claim adjustment expense reserve development was related to continued improvement in the severity and frequency of claims for property coverages, primarily in accident year 2005. The improvements in severity and frequency are substantially due to underwriting actions taken by CNA that have significantly improved the results on this business. Underwriting actions taken include efforts to write more business in non-catastrophe prone areas.

Approximately $21.0 million of favorable claim and allocated claim adjustment expense reserve development was due to decreased frequency and severity on claims related to monoline and package liability, primarily in accident years 2002 and prior. The change was driven by decreased incurred losses resulting from favorable outcomes on individual claims. The lower incurred losses were less than expected based on the loss development factors selected by CNA's actuaries.

Approximately $16.0 million of favorable claim and allocated claim adjustment expense reserve development was related to lower severities on the excess and surplus lines business in accident years 2000 and subsequent. These severity changes were driven primarily by judicial decisions and settlement activities on individual cases. The severity changes led to lower case incurred loss and lower ultimate estimates.

Approximately $16.0 million of favorable claim and allocated claim adjustment expense reserve development was due to umbrella products. The change covers several accident years. Initial reserves are normally estimated using the loss ratio expected for this business due to the long-tail nature of this business. The long-tail nature of the business is due to the long period of time that passes between the time the business is written and the time when all claims are known and settled. The favorable change on the recent accident years is the result of giving greater weight to projections that rely on case incurred loss thereby recognizing the low level of case incurred loss. The favorable change in older years is driven by favorable outcomes on individual claims.

Approximately $12.0 million of favorable claim and allocated claim adjustment expense reserve development was due to improved experience for marine business, primarily in accident years 2005 and 2004. The case incurred loss (paid loss plus case reserve estimates for known claims) for these accident years has been less than expected. The expected case incurred loss was primarily based on the loss ratio expected for this business. The lower level of actual case incurred loss is driven by lower claim frequency and indicates a lower ultimate loss. The remainder of the favorable change in marine business is due to lowered individual case estimates from older accident years.

Approximately $66.0 million of the favorable premium development was due to additional premium primarily resulting from audits and changes to premium on several ceded reinsurance agreements. Businesses impacted included various middle market liability coverages, workers' compensation, property, and large accounts. This favorable premium development was partially offset by approximately $48.0 million of unfavorable claim and allocated claim adjustment expense reserve development recorded as a result of this favorable premium development.

Other Insurance

The unfavorable claim and allocated claim adjustment expense reserve development was primarily related to the financial guarantee line of business, and an adverse arbitration ruling that was offset by a release of a previously established allowance for uncollectible reinsurance. Reserves for the financial guarantee line of business are driven by individual claim estimates. This unfavorable claim and allocated claim adjustment expense reserve development was partially offset by the favorable loss development impact of an assumed reinsurance commutation. The unfavorable premium development was also related to this reinsurance commutation.

8. Debt

In August of 2007, CNA entered into a credit agreement with a syndicate of banks and other lenders. The credit agreement established a five-year $250.0 million senior unsecured revolving credit facility which is intended to be used for general corporate purposes. As of September 30, 2007, CNA had no outstanding borrowings under the agreement.

Under the credit agreement, CNA is required to pay certain fees, including a facility fee and a utilization fee, both of which would adjust automatically in the event of a change in CNA's financial ratings. The credit agreement includes several covenants including maintenance of a minimum consolidated net worth and a specified ratio of consolidated indebtedness to consolidated total capitalization.

As of September 30, 2007, there were no loans outstanding under Diamond Offshore's $285.0 million credit facility; however, $79.0 million in letters of credit were issued which reduced the available capacity under the facility.

On July 31, 2007, HighMount incurred $1.6 billion of term loans (the "Acquisition Debt") in conjunction with the acquisition described in Note 9. The Acquisition Debt bears interest at a floating rate equal to the London Interbank Offered Rate ("LIBOR") plus an applicable margin and matures on July 26, 2012, subject to acceleration by the lenders upon the occurrence of customary events of default. HighMount has entered into interest rate swaps for a notional amount of $1.6 billion to hedge its exposure to fluctuations in LIBOR. These swaps effectively fix the interest rate at 5.8%. The Credit Agreement also provides for a five year, $400.0 million revolving credit facility, borrowings under which bear interest at a floating rate equal to LIBOR plus an applicable margin. As of September 30, 2007, $15.0 million was outstanding under the facility.

In August of 2007, Gulf South Pipeline, LP, a wholly owned subsidiary of Boardwalk Pipeline, issued $500.0 million aggregate principal amount of senior notes, consisting of $225.0 million aggregate principal amount of 5.8% senior notes due 2012 and $275.0 million aggregate principal amount of 6.3% senior notes due 2017. The proceeds from this offering will primarily be used to finance a portion of Gulf South's expansion projects.

As of September 30, 2007, Boardwalk Pipeline had outstanding letters of credit for $221.5 million to support certain obligations associated with its Fayetteville Lateral and Gulf Crossing expansion projects, which reduced the available capacity under its $700.0 million credit facility to $478.5 million.

9. Significant Transactions

Acquisition of business

On July 31, 2007, HighMount acquired certain exploration and production assets and assumed certain related obligations, from subsidiaries of Dominion for $4.0 billion, subject to adjustment. The acquired business consists primarily of natural gas exploration and production operations located in the Permian Basin in Texas, the Antrim Shale in Michigan and the Black Warrior Basin in Alabama, with estimated proved reserves totaling approximately 2.5 trillion cubic feet equivalent. These properties produce predominantly natural gas and related natural gas liquids and are characterized by long reserve lives and high well completion success rates.

The acquisition was funded with approximately $2.4 billion from the Company's available cash and $1.6 billion of Acquisition Debt described in Note 8.

The preliminary allocation of purchase price to the assets and liabilities acquired was as follows:

(In millions)		
Property, plant and equipment	**$**	**3,005.5**
Deferred income taxes		**7.3**
Goodwill and other intangible assets		**1,049.1**
Other assets		**16.0**
Other liabilities		**(48.3)**
	$	**4,029.6**

Gain on Issuance of Subsidiary Stock

Securities and Exchange Commission Staff Accounting Bulletin Topic 5-H, "Accounting for Sales of Stock by a Subsidiary" ("SAB No. 51"), provides guidance on accounting for the effect of issuances of a subsidiary's stock on the parent's investment in that subsidiary. SAB No. 51 allows registrants to elect an accounting policy of recording such increases or decreases in a parent's investment (SAB No. 51 gains or losses, respectively) either in income or in shareholders' equity. In accordance with the election provided in SAB No. 51, the Company's policy is to record such SAB No. 51 gains or losses directly to the income statement.

Diamond Offshore

In the first nine months of 2007, the holders of $450.5 million in principal amount of Diamond Offshore's 1.5% debentures converted their outstanding debentures into 9.2 million shares of Diamond Offshore's common stock at a price of $49.02 per share. In addition, the holders of $1.5 million accreted value at the dates of conversion, or $2.4 million aggregate principal amount at maturity, of Diamond Offshore's Zero Coupon Debentures converted their outstanding debentures into 20,658 shares of Diamond Offshore's common stock at a price of $73.00 per share.

The Company's ownership interest in Diamond Offshore declined from approximately 54% to 51% due to these transactions. In accordance with SAB No. 51, the Company recognized a pretax gain of $141.9 million ($91.6 million after provision for deferred income taxes) on the issuance of subsidiary stock.

Prior to the conversion of Diamond Offshore's 1.5% convertible debentures, the Company carried a deferred tax liability related to interest expense imputed on the bonds for U.S. federal income tax purposes. As a result of the conversion, the deferred tax liability was settled and a tax benefit of $26.4 million, net of minority interest, was included in shareholders' equity as an increase in additional paid-in-capital.

Boardwalk Pipeline

In the first quarter of 2007, Boardwalk Pipeline sold 8.0 million common units at a price of $36.50 per unit in a public offering and received net proceeds of $287.9 million. In addition, the Company contributed $6.0 million to maintain its 2.0% general partner interest. The Company's ownership interest in Boardwalk Pipeline declined from approximately 80% to 75% as a result of this transaction. The issuance price of the common units exceeded the Company's carrying amount, increasing the amount of cumulative pretax SAB No. 51 gains to approximately $379.8 million at September 30, 2007, from $234.6 million at December 31, 2006. In accordance with SAB No. 51, recognition of a gain is only appropriate if the class of securities sold by the subsidiary does not contain any preference over the subsidiary's other classes of securities. As a result, the Company will defer gain recognition until the subordinated units are converted into common units.

Bulova

In October of 2007, the Company entered into an agreement to sell Bulova to Citizen Watch Co., Ltd. for $250.0 million, subject to adjustment. The closing of the sale is subject to customary closing conditions and is anticipated to occur in January 2008. The Company estimates that it will record a pretax gain of approximately $105.0 million due to this transaction.

10. Benefit Plans

Pension Plans - The Company has 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. Benefits for another plan are determined annually based on a specified percentage of annual earnings (based on the participant's age) and a specified interest rate (which is established annually for all participants) applied to accrued balances. The Company's funding policy is to make contributions in accordance with applicable governmental regulatory requirements.

Other Postretirement Benefit Plans - The Company has 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.

Benefits for retirees reaching age 65 are generally integrated with Medicare. 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 funds certain 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.

Net periodic benefit cost components:

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Service cost	**$ 12.0**	$ 14.1	**$ 38.3**	$ 41.8
Interest cost	**54.0**	53.4	**162.1**	159.3
Expected return on plan assets	**(64.7)**	(61.4)	**(194.0)**	(182.3)
Amortization of net loss	**1.9**	2.1	**3.5**	5.9
Amortization of prior service cost	**0.7**	1.5	**3.6**	4.9
Actuarial loss	**2.6**	4.2	**8.4**	20.7
Settlement costs	**0.4**	5.6	**4.2**	5.6
Regulatory asset increase	**(0.5)**	(3.0)	**(0.5)**	(3.0)
Net periodic benefit cost	**$ 6.4**	$ 16.5	**$ 25.6**	$ 52.9

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Service cost	**$ 2.4**	$ 2.6	**$ 6.8**	$ 7.3
Interest cost	**6.5**	7.4	**19.3**	20.9
Expected return on plan assets	**(1.3)**	(1.2)	**(3.6)**	(3.5)
Amortization of net loss	**0.2**	0.5	**0.5**	1.1
Amortization of prior service benefit	**(6.8)**	(8.2)	**(20.5)**	(24.4)
Actuarial loss	**0.6**	1.0	**1.8**	2.7
Settlement costs		0.9		2.2
Regulatory asset decrease	**1.3**	0.3	**4.0**	4.9
Net periodic benefit cost	**$ 2.9**	$ 3.3	**$ 8.3**	$ 11.2

11. Business Segments

The Company's reportable segments are primarily based on its individual operating subsidiaries. Each of the principal operating subsidiaries are headed by a chief executive officer who is responsible for the operation of its business and has the duties and authority commensurate with that position. Investment gains (losses) and the related income taxes, excluding those of CNA Financial, are included in the Corporate and other segment.

CNA manages its property and casualty operations in two operating segments, which represent CNA's core operations: Standard Lines and Specialty Lines. The non-core operations are managed in the Life and Group Non-Core segment and Other Insurance segment. Standard Lines includes standard property and casualty coverages sold to small and middle market commercial businesses primarily through an independent agency distribution system, and excess and surplus lines, as well as insurance and risk management products sold to large corporations in the U.S. and globally. Specialty Lines provides professional, financial and specialty property and casualty products and services. Life and Group Non-Core primarily includes the results of the life and group lines of business sold or placed in run-off. Other Insurance primarily includes the results of certain property and casualty lines of business placed in run-off, including CNA Re. This segment also includes the results related to the centralized adjusting and settlement of APMT claims as well as the results of CNA's participation in voluntary insurance pools, which are primarily in run-off and various other non-insurance operations.

Lorillard is engaged in the production and sale of cigarettes with its principal products marketed under the brand names Newport, Kent, True, Maverick and Old Gold, with substantially all of its sales in the United States.

Diamond Offshore's business primarily consists of operating 44 offshore drilling rigs that are chartered on a contract basis for fixed terms by companies engaged in exploration and production of hydrocarbons. Offshore rigs are mobile units that can be relocated based on market demand. The majority of these rigs are located in the Gulf of Mexico region with the remainder operating in Brazil, the North Sea, and various other foreign markets.

HighMount's business consists primarily of natural gas exploration and production operations located in the Permian Basin in Texas, the Antrim Shale in Michigan and the Black Warrior Basin in Alabama, with estimated proved reserves totaling approximately 2.5 trillion cubic feet equivalent.

Boardwalk Pipeline is engaged in the interstate transportation and storage of natural gas. This segment consists of two interstate natural gas pipeline systems originating in the Gulf Coast area and running north and east through Texas, Louisiana, Mississippi, Alabama, Florida, Arkansas, Tennessee, Kentucky, Indiana, Ohio and Illinois.

Loews Hotels owns and/or operates 18 hotels, 16 of which are in the United States and two are in Canada.

The Corporate and other segment consists primarily of corporate investment income, including investment gains (losses) from non-insurance subsidiaries, the operations of Bulova Corporation which distributes and sells watches and clocks, corporate interest expenses and other corporate administrative costs.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In addition, CNA does not maintain a distinct investment portfolio for each of its insurance segments, and accordingly, allocation of assets to each segment is not performed. Therefore, net investment income and investment gains (losses) are allocated based on each segment's carried insurance reserves, as adjusted.

The following tables set forth the Company's consolidated revenues and income (loss) by business segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Revenues (a):				
CNA Financial:				
Standard Lines	**$ 1,292.8**	$ 1,401.2	**$ 3,891.6**	$ 4,058.1
Specialty Lines	**821.8**	799.3	**2,405.2**	2,309.9
Life and Group Non-Core	**308.4**	336.1	**971.7**	973.2
Other Insurance	**60.8**	88.4	**201.2**	197.2
Total CNA Financial	**2,483.8**	2,625.0	**7,469.7**	7,538.4
Lorillard	**1,074.6**	1,013.4	**3,099.4**	2,889.8
Diamond Offshore	**655.2**	527.6	**1,935.1**	1,505.6
HighMount	**100.2**		**100.2**	
Boardwalk Pipeline	**141.0**	134.9	**490.4**	442.4
Loews Hotels	**90.0**	84.9	**285.1**	280.2
Corporate and other	**108.5**	121.4	**570.4**	372.6
Total	**$ 4,653.3**	$ 4,507.2	**$ 13,950.3**	$ 13,029.0
Pretax income (loss) (a):				
CNA Financial:				
Standard Lines	**$ 295.3**	$ 262.5	**$ 740.1**	$ 672.9
Specialty Lines	**174.8**	198.1	**540.8**	542.7
Life and Group Non-Core (b)	**(223.3)**	(43.4)	**(280.6)**	(105.8)
Other Insurance	**2.2**	40.7	**18.7**	56.8
Total CNA Financial	**249.0**	457.9	**1,019.0**	1,166.6
Lorillard	**377.7**	356.1	**1,077.5**	966.5
Diamond Offshore	**285.0**	221.3	**944.7**	667.2
HighMount	**29.6**		**29.6**	
Boardwalk Pipeline	**40.3**	31.1	**156.2**	132.5
Loews Hotels	**6.7**	6.4	**47.0**	39.9
Corporate and other	**35.2**	42.6	**367.2**	150.1
Total	**$ 1,023.5**	$ 1,115.4	**$ 3,641.2**	$ 3,122.8
Net income (loss) (a):				
CNA Financial:				
Standard Lines	**$ 173.7**	$ 156.1	**$ 441.9**	$ 416.3
Specialty Lines	**96.2**	111.1	**300.7**	309.1
Life and Group Non-Core (b)	**(121.5)**	(19.4)	**(141.1)**	(45.0)
Other Insurance	**7.8**	33.0	**21.6**	41.5
Total CNA Financial	**156.2**	280.8	**623.1**	721.9
Lorillard	**241.9**	218.8	**682.5**	591.8
Diamond Offshore	**95.0**	81.8	**319.8**	241.7
HighMount	**18.7**		**18.7**	
Boardwalk Pipeline	**18.1**	15.9	**73.6**	68.1
Loews Hotels	**4.1**	5.1	**28.8**	25.6
Corporate and other	**21.6**	27.0	**237.5**	97.4
Income from continuing operations	**555.6**	629.4	**1,984.0**	1,746.5
Discontinued operations	**0.1**	5.7	**(6.6)**	(1.7)
Total	**$ 555.7**	$ 635.1	**$ 1,977.4**	$ 1,744.8

(a) Investment gains (losses) included in Revenues, Pretax income (loss) and Net income (loss) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Revenues and pretax income (loss):				
CNA Financial:				
Standard Lines	**$ (28.6)**	$ 17.4	**$ (125.8)**	$ (6.2)
Specialty Lines	**(12.6)**	6.0	**(52.1)**	(4.1)
Life and Group Non-Core	**(8.6)**	(10.7)	**(25.6)**	(56.4)
Other Insurance	**(6.7)**	13.9	**(13.3)**	4.4
Total CNA Financial	**(56.5)**	26.6	**(216.8)**	(62.3)
Corporate and other	**5.7**	10.9	**175.6**	8.5
Total	**$ (50.8)**	$ 37.5	**$ (41.2)**	$ (53.8)
Net income (loss):				
CNA Financial:				
Standard Lines	**$ (17.0)**	$ 9.9	**$ (73.6)**	$ (3.7)
Specialty Lines	**(7.3)**	3.6	**(30.1)**	(2.4)
Life and Group Non-Core	**(5.0)**	(6.3)	**(14.8)**	(33.4)
Other Insurance	**(3.7)**	16.6	**(7.5)**	5.9
Total CNA Financial	**(33.0)**	23.8	**(126.0)**	(33.6)
Corporate and other	**3.1**	7.0	**112.9**	5.6
Total	**$ (29.9)**	$ 30.8	**$ (13.1)**	$ (28.0)

(b) Includes $167.0 million ($96.4 million after tax and minority interest) of expense resulting from the settlement of an arbitration proceeding related to a run-off book of business.

12. Legal Proceedings

INSURANCE RELATED

California Long Term Care Litigation

Shaffer v. Continental Casualty Company, et al., U.S. District Court, Central District of California, CV06-2235 RGK, is a class action on behalf of certain California individual long term health care policyholders, alleging that Continental Casualty Company (“CCC”) and CNA knowingly or negligently used unrealistic actuarial assumptions in pricing these policies, which according to plaintiff, would inevitably necessitate premium increases. On October 10, 2007, CCC, CNA and the plaintiffs reached agreement on terms, subject to entering into a binding settlement agreement. Under such terms, the case would be settled on a nationwide basis for the policy forms potentially affected by the allegations of the complaint. Furthermore, CCC would provide certain enhanced benefits to eligible class members including certain non-forfeiture benefits, opportunities to exchange policies and free health screenings. The agreement is subject to notice to the class, as well as Court approval, and had no material adverse effect on the financial condition, cash flows or results of operations of the Company.

Insurance Brokerage Antitrust Litigation

On August 1, 2005, CNA and several of its insurance subsidiaries were joined as defendants, along with other insurers and brokers, in multidistrict litigation pending in the United States District Court for the District of New Jersey, *In re Insurance Brokerage Antitrust Litigation*, Civil No. 04-5184 (FSH). The plaintiffs in this litigation allege improprieties in the payment of contingent commissions to brokers and bid rigging in connection with the sale of various lines of insurance. The plaintiffs further allege the existence of a conspiracy and assert claims for federal and state antitrust law violations, for violations of the federal Racketeer Influenced and Corrupt Organizations (“RICO”) Act, and for recovery under various state common law theories. On April 5, 2007, the Court dismissed the plaintiffs’ complaint, but granted the plaintiffs an opportunity to amend their complaint. On May 22, 2007, the plaintiffs filed an amended complaint, and on June 21, 2007, the defendants filed a motion to dismiss this amended complaint. On August 31, 2007, the Court dismissed the federal antitrust claims of the complaint. On September 28, 2007, the Court dismissed the federal RICO claims, which were the sole remaining federal claims of the complaint, and, after declining to exercise supplemental jurisdiction over the state law claims, dismissed the complaint in its entirety. Plaintiffs have filed a notice of appeal from the foregoing orders to the Third Circuit Court of Appeals. CNA believes it has meritorious defenses to this action and intends to defend the case vigorously.

The extent of losses beyond any amounts that may be accrued are not readily determinable at this time. However, based on facts and circumstances presently known, in the opinion of management, an unfavorable outcome will not materially affect the equity of the Company, although results of operations may be adversely affected.

Global Crossing Limited Litigation

CCC has been named as a defendant in an action brought by the bankruptcy estate of Global Crossing Limited ("Global Crossing") in the United States Bankruptcy Court for the Southern District of New York. In the Complaint, plaintiff seeks unspecified monetary damages from CCC and the other defendants for alleged fraudulent transfers and alleged breaches of fiduciary duties arising from actions taken by Global Crossing while CCC was a shareholder of Global Crossing. On August 3, 2006, the Court granted in part and denied in part CCC's motion to dismiss the Estate Representative's Amended Complaint. The case is now in discovery. CCC believes it has meritorious defenses to the remaining claims in this action and intends to defend the case vigorously.

The extent of losses beyond any amounts that may be accrued are not readily determinable at this time. However, based on facts and circumstances presently known, in the opinion of management, an unfavorable outcome will not materially affect the equity of the Company, although results of operations may be adversely affected.

IGI Contingency

Between April 1, 1997 and December 1, 1999, IGI Underwriting Agencies, Ltd. underwrote a number of reinsurance arrangements with respect to personal accident insurance worldwide (the "IGI Program"). Under various arrangements, CNA Reinsurance Company Limited ("CNA Re Ltd.") both assumed risks in the IGI Program as a reinsurer and also ceded a substantial portion of those risks to other companies, including other of CNA's insurance subsidiaries and ultimately to a group of reinsurers participating in a reinsurance pool known as the Associated Accident and Health Reinsurance Underwriters Facility. A portion of the premiums assumed under the IGI Program relating to United States workers' compensation "carve-out" business was received from John Hancock Life Insurance Company, formerly known as John Hancock Mutual Life Insurance Company ("John Hancock") under four excess of loss reinsurance treaties (the "Treaties") issued by CNA Re Ltd. In 2000, CNA Re Ltd. instituted arbitration proceedings against John Hancock seeking rescission of the Treaties. The hearing before the arbitration panel commenced in April of 2007 and final arguments were scheduled for September of 2007.

On September 4, 2007, prior to the commencement of final arguments, CNA reached agreement with John Hancock to fully and finally settle all of its exposures under the Treaties for a one-time payment of $250.0 million. During the third quarter of 2007, CNA recorded an incurred loss, net of reinsurance, of $167.0 million pretax, in the Life and Group Non-Core segment. The after tax and minority interest impact of the settlement was $96.4 million.

New Jersey Wage and Hour Litigation

W. Curtis Himmelman, individually and on behalf of all others similarly situated v. Continental Casualty Company, Civil Action: 06-166, District Court of New Jersey (Trenton Division) is a purported class action and representative action brought on behalf of present and former CNA environmental claims analysts and workers' compensation claims analysts asserting they worked hours for which they should have been compensated at a rate of one and one-half times their base hourly wage. The complaint was filed on January 12, 2006. The claims were originally brought under both federal and New Jersey state wage and hour laws on the basis that the relevant jobs are not exempt from overtime pay because the duties performed are not exempt duties. On August 11, 2006, the Court dismissed plaintiff's New Jersey state law claims. Under federal law, plaintiff sought to represent others similarly situated who opted in to the action and who also alleged they were owed overtime pay for hours worked over eight hours per day and/or forty hours per workweek for the period January 5, 2003 to the entry of judgment. Plaintiff sought "overtime compensation," "compensatory, punitive and statutory damages, interest, costs and disbursements and attorneys' fees" without specifying any particular amounts (as well as an injunction).

The parties reached agreement to fully and finally resolve this matter. The agreement had no material adverse effect on the financial condition, cash flows or results of operations of the Company.

APMT Reserves

CNA is also a party to litigation and claims related to APMT cases arising in the ordinary course of business. See Note 7 for further discussion.

TOBACCO RELATED

Tobacco Related Product Liability Litigation

Approximately 4,000 product liability cases are pending against cigarette manufacturers in the United States. Lorillard is a defendant in approximately 2,900 of these cases.

The pending product liability cases are composed of the following types of cases:

"Conventional product liability cases" are brought by individuals who allege cancer or other health effects caused by smoking cigarettes, by using smokeless tobacco products, by addiction to tobacco, or by exposure to environmental tobacco smoke. Approximately 1,150 cases are pending, including approximately 140 cases against Lorillard. The 1,150 cases include approximately 925 cases pending in a single West Virginia court that have been consolidated for trial. Lorillard is a defendant in approximately 70 of the approximately 925 consolidated West Virginia cases.

"Flight Attendant cases" are brought by non-smoking flight attendants alleging injury from exposure to environmental smoke in the cabins of aircraft. Plaintiffs in these cases may not seek punitive damages for injuries that arose prior to January 15, 1997. Lorillard is a defendant in each of the approximately 2,625 pending Flight Attendant cases.

"Class action cases" are purported to be brought on behalf of large numbers of individuals for damages allegedly caused by smoking. Ten of these cases are pending against Lorillard. Lorillard is also a defendant in approximately 140 cases filed by members of the former class in the *Engle* case; see "Class Actions – *Engle* Progeny Cases" below. In one of the cases pending against Lorillard, *Schwab v. Philip Morris USA, Inc., et al.*, the court has certified a nationwide class composed of purchasers of "light" cigarettes. Lorillard is not a defendant in approximately 25 additional "lights" class actions that are pending against other cigarette manufacturers.

"Reimbursement cases" are brought by or on behalf of entities who seek reimbursement of expenses incurred in providing health care to individuals who allegedly were injured by smoking. Plaintiffs in these cases have included the U.S. federal government, U.S. state and local governments, foreign governmental entities, hospitals or hospital districts, American Indian tribes, labor unions, private companies and private citizens. Three such cases are pending against Lorillard and other cigarette manufacturers in the United States and one such case is pending in Israel.

Included in this category is the suit filed by the federal government, *United States of America v. Philip Morris USA, Inc., et al.*, that sought disgorgement of profits and injunctive relief. During 2005, an appellate court ruled that the government may not seek disgorgement of profits. During August of 2006, the trial court issued its verdict and granted injunctive relief. The verdict did not award monetary damages. See Reimbursement Cases below.

In addition to the above, "Filter cases" are brought by individuals, including former employees of Lorillard, who seek damages resulting from their alleged exposure to asbestos fibers that were incorporated into filter material used in one brand of cigarettes manufactured by Lorillard for a limited period of time ending more than 50 years ago. Lorillard is a defendant in approximately 25 such cases.

Plaintiffs assert a broad range of legal theories in these cases, including, among others, theories of negligence, fraud, misrepresentation, strict liability, breach of warranty, enterprise liability (including claims asserted under the federal Racketeering Influenced and Corrupt Organizations Act ("RICO")), civil conspiracy, intentional infliction of harm, violation of consumer protection statutes, violation of antitrust statutes, injunctive relief, indemnity, restitution, unjust enrichment, public nuisance, claims based on antitrust laws and state consumer protection acts, and claims based on failure to warn of the harmful or addictive nature of tobacco products.

Plaintiffs in most of the cases seek unspecified amounts of compensatory damages and punitive damages, although some seek damages ranging into the billions of dollars. Plaintiffs in some of the cases seek treble damages, statutory damages, disgorgement of profits, equitable and injunctive relief, and medical monitoring, among other damages.

CONVENTIONAL PRODUCT LIABILITY CASES - Approximately 1,150 cases are pending against cigarette manufacturers in the United States. Lorillard is a defendant in approximately 140 of these cases. The Company is a defendant in one of the pending cases.

Approximately 925 of the 1,150 cases are pending in a single West Virginia court in a consolidated proceeding known as *West Virginia Individual Personal Injury Cases* or "IPIC." During the third quarter of 2006, the court dismissed Lorillard from approximately 800 IPIC cases because those plaintiffs had not submitted evidence that they had smoked a Lorillard product. These dismissals are not final and it is possible some or all of these 800 dismissals could be contested in subsequent appeals noticed by the plaintiffs. Following these dismissals, Lorillard is a defendant in approximately 70 of the 925 IPIC cases. The Company is not a defendant in any of the IPIC cases. The court has entered a trial plan to govern the cases, and the first phase of the consolidated trial is scheduled to begin on March 17, 2008. Defendants have sought review of the trial plan by the West Virginia Supreme Court of Appeals.

Since January 1, 2005, verdicts have been returned in eleven cases. Lorillard was not a defendant in any of these trials. Defense verdicts were returned in eight of the eleven trials, while juries found in favor of the plaintiffs and awarded damages in the three other cases. The defendants are pursuing appeals in two of these cases and post-verdict activity has not been completed in the third. In rulings addressing cases tried in earlier years, some appellate courts have reversed verdicts returned in favor of the plaintiffs while other judgments that awarded damages to smokers have been affirmed on appeal. Manufacturers have exhausted their appeals and have been required to pay damages to plaintiffs in nine individual cases in recent years. Punitive damages were paid to the smokers in three of the nine cases. Lorillard was not a party to these nine matters.

No case is scheduled for trial during the remainder of 2007, although trial dates for 2008 and beyond are set in some matters. Lorillard is a defendant in three cases that are scheduled for trial in 2008. A trial date is not set in the single case that is pending against the Company. The trial dates are subject to change.

FLIGHT ATTENDANT CASES - Approximately 2,625 Flight Attendant cases are pending. Lorillard and three other cigarette manufacturers are the defendants in each of these matters. The Company is not a defendant in any of these cases. These suits were filed as a result of a settlement agreement by the parties, including Lorillard, in *Broin v. Philip Morris Companies, Inc., et al.* (Circuit Court, Miami-Dade County, Florida, filed October 31, 1991), a class action brought on behalf of flight attendants claiming injury as a result of exposure to environmental tobacco smoke. The settlement agreement, among other things, permitted the plaintiff class members to file these individual suits. These individuals may not seek punitive damages for injuries that arose prior to January 15, 1997.

The judges that have presided over the cases that have been tried have relied upon an order entered during October of 2000 by the Circuit Court of Miami-Dade County, Florida. The October 2000 order has been construed by these judges as holding that the flight attendants are not required to prove the substantive liability elements of their claims for negligence, strict liability and breach of implied warranty in order to recover damages. The court further ruled that the trials of these suits are to address whether the plaintiffs' alleged injuries were caused by their exposure to environmental tobacco smoke and, if so, the amount of damages to be awarded.

Lorillard has been a defendant in each of the seven flight attendant cases in which verdicts have been returned. Defendants have prevailed in six of the seven trials. In the single trial decided for the plaintiff, the jury awarded $5.5 million in damages. The court, however, reduced this award to $500,000. This verdict, as reduced by the trial court, was affirmed on appeal and the defendants have paid the award. Lorillard's share of the judgment in this matter, including interest, was approximately $60,000. In addition, Lorillard has paid its share of the attorneys' fees, costs and interest awarded to the plaintiff's counsel in this matter. In one of the six cases in which a defense verdict was returned, the court granted plaintiff's motion for a new trial and, following appeal, the case has been returned to the trial court for a second trial that has not been scheduled. The five remaining cases in which defense verdicts were returned are concluded.

Trial dates are scheduled in two of the flight attendant cases. Trial dates are subject to change.

CLASS ACTION CASES - Lorillard is a defendant in ten pending cases. The Company is a defendant in two of these cases. In most of the pending cases, plaintiffs seek class certification on behalf of groups of cigarette smokers, or the estates of deceased cigarette smokers, who reside in the state in which the case was filed. One of the cases in which Lorillard is a defendant, *Schwab v. Philip Morris USA, Inc., et al.*, is a purported national class action on behalf of purchasers of "light" cigarettes in which plaintiffs' claims are based on defendants' alleged RICO violations. Neither Lorillard nor the Company are defendants in approximately 25 additional class action cases in which plaintiffs assert claims on behalf of smokers or purchasers of "light" cigarettes. These cases are discussed below.

Cigarette manufacturers, including Lorillard, have defeated motions for class certification in a total of 35 cases, 13 of which were in state court and 22 of which were in federal court. Motions for class certification have also been ruled upon in some of the "lights" cases or in other class actions to which Lorillard was not a party. In some of these cases, courts have denied class certification to the plaintiffs, while classes have been certified in other matters.

The *Engle* Case - During 2006, the Florida Supreme Court issued rulings in the case of *Engle v. R.J. Reynolds Tobacco Co., et al.* (Circuit Court, Miami-Dade County, Florida, filed May 5, 1994), that affirmed the 2003 holding of an intermediate appellate court vacating the $145.0 billion punitive damages award, including approximately $16.3 billion against Lorillard. Prior to trial, *Engle* was certified as a class action on behalf of Florida residents, and survivors of Florida residents, who were injured or died from medical conditions allegedly caused by addiction to nicotine in cigarettes. The Florida Supreme Court determined that the case could not proceed further as a class action and ordered that the class is to be decertified.

The Florida Supreme Court's 2006 decision also reinstated verdicts that had awarded actual damages to two of the three individuals whose claims were heard during the second phase of the *Engle* trial. These awards totaled approximately $2.8 million to one smoker and $4.0 million to the second, and bear interest at the rate of 10.0% per year. Both individuals have informed the court that they will not seek punitive damages. The court is expected to address the entry of judgment and an allocation of liability as to these two awards. Lorillard's share of either of these verdicts, if any, has not been determined.

On October 1, 2007, the U.S. Supreme Court denied defendants' petition for review of the Florida Supreme Court's holdings that permit members of the *Engle* class to rely upon the jury's first-phase verdict. Defendants have filed a petition for rehearing. The Supreme Court has not issued a ruling on defendants' petition.

The *Engle* Progeny cases: Although the Florida Supreme Court's 2006 ruling ordered class decertification, it also permits members of the former class to file individual suits, including claims for punitive damages, within a one year period that is scheduled to expire during January of 2008. The Florida Supreme Court further held that these individual plaintiffs are entitled to rely on some of the jury's findings on a number of issues in favor of the plaintiffs in the first phase of the *Engle* trial. These include, among other things, that smoking cigarettes causes a number of diseases; that cigarettes are addictive or dependence-producing; and that the defendants, including Lorillard, were negligent, breached express and implied warranties, placed cigarettes on the market that were defective and unreasonably dangerous, and concealed or conspired to conceal the risks of smoking.

Approximately 275 individuals who claim to be members of the *Engle* class have made claims against Lorillard based on the Florida Supreme Court's ruling described above. In several instances, a single case has been filed on behalf of multiple individuals. The Company has not been named as a defendant in any of these claims. Several individuals have filed motions to intervene in the underlying *Engle* case in order to assert claims for damages and for a share of the funds paid as a result of the *Engle* Agreement, discussed below. It is not possible to estimate the number or ultimate outcomes of lawsuits that could be filed as a result of the Florida Supreme Court's 2006 ruling.

The *Engle* Agreement: Florida enacted legislation during the *Engle* trial that limits the amount of an appellate bond required to be posted in order to stay execution of a judgment for punitive damages in a certified class action. While Lorillard believes this legislation is valid and that any challenges to the possible application or constitutionality of this legislation would fail, Lorillard entered into an agreement with the plaintiffs during May of 2001 in which it contributed $200.0 million to a fund held for the benefit of the *Engle* class members (the "*Engle* Agreement"). As a result, the class agreed to a stay of execution with respect to Lorillard on its punitive damages judgment until appellate final review is completed, including any review by the U.S. Supreme Court.

The *Engle* Agreement provides that in the event that Lorillard, Inc.'s balance sheet net worth falls below $921.2 million (as determined in accordance with generally accepted accounting principles in effect as of July 14, 2000), the stay granted in favor of Lorillard in the *Engle* Agreement would terminate and the class would be free to challenge the Florida legislation. As of September 30, 2007, Lorillard, Inc. had a balance sheet net worth of approximately $1.3 billion. In addition, the *Engle* Agreement requires Lorillard to obtain the written consent of class counsel or the court prior to selling any trademark of or formula comprising a cigarette brand having a U.S. market share of 0.5% or more during the preceding calendar year. The *Engle* Agreement also requires Lorillard to obtain the written consent of the *Engle* class counsel or the court to license to a third party the right to manufacture or sell such a cigarette brand unless the cigarettes to be manufactured under the license will be sold by Lorillard.

The *Scott* case - Another class action pending against Lorillard is *Scott v. The American Tobacco Company, et al.* (District Court, Orleans Parish, Louisiana, filed May 24, 1996). During 1997, the court certified a class composed of certain cigarette smokers resident in the State of Louisiana who desire to participate in medical monitoring or smoking cessation programs and who began smoking prior to September 1, 1988, or who began smoking prior to May 24, 1996 and allege that defendants undermined compliance with the warnings on cigarette packages.

Trial in *Scott* was heard in two phases. In its July 2003 Phase I verdict, the jury rejected medical monitoring, the primary relief requested by plaintiffs, and returned sufficient findings in favor of the class to proceed to a Phase II trial on plaintiffs' request for a state-wide smoking cessation program.

During May of 2004, the jury awarded approximately $591.0 million to fund cessation programs for Louisiana smokers. The court subsequently awarded prejudgment interest. During February of 2007, the Louisiana Court of Appeal reduced the amount of the award by approximately $312.0 million; struck the award of prejudgment interest, which totaled approximately $440.0 million as of December 31, 2006; and limited class membership to individuals who began smoking by September 1, 1988, and whose claims accrued by September 1, 1988. The Louisiana Court of Appeal has returned the case to the trial court, for further proceedings. Lorillard's share of any judgment has not been determined. Both plaintiffs and defendants have petitioned the Louisiana Supreme Court to review the case. It is possible that interest could be assessed on any award to the class that survives appeal.

The parties filed a stipulation in the trial court agreeing that an article of Louisiana law required that the amount of the bond for the appeal be set at $50.0 million for all defendants collectively. The parties further agreed that the plaintiffs have full reservations of rights to contest in the trial court the sufficiency of the bond on any grounds. The trial court entered an order setting the amount of the bond at $50.0 million for all defendants. Defendants collectively posted a surety bond in that amount, of which Lorillard secured 25%, or $12.5 million. While Lorillard believes the limitation on the appeal bond amount is valid as required by Louisiana law, in the event of a successful challenge the amount of the appeal bond could be set as high as 150% of the judgment and judicial interest combined. If such an event occurred, Lorillard's share of the appeal bond has not been determined.

Other class action cases - Two additional cases are pending against Lorillard in which motions for class certification were granted. In one of them, *Brown v. The American Tobacco Company, Inc., et al.* (Superior Court, San Diego County, California, filed June 10, 1997), a California court granted defendants' motion to decertify the class. The class decertification order has been affirmed on appeal, but the California Supreme Court has agreed to hear the case. The class originally certified in *Brown* was composed of residents of California who smoked at least one of defendants' cigarettes between June 10, 1993 and April 23, 2001 and who were exposed to defendants' marketing and advertising activities in California. In the second case, *Daniels v. Philip Morris, Incorporated, et al.* (Superior Court, San Diego County, California, filed August 2, 1998), the court granted defendants' motion for summary judgment during 2002 and dismissed the case. Both the California Court of Appeal and the California Supreme Court have affirmed *Daniels'* dismissal. The U.S. Supreme Court has granted plaintiffs' application to extend the deadline to file a petition for writ of certiorari, and plaintiffs' petition is now due during December of 2007. Prior to granting defendants' motion for summary judgment, the court had certified a class composed of California residents who, while minors, smoked at least one cigarette between April of 1994 and December 31, 1999 and were exposed to defendants' marketing and advertising activities in California. It is possible that either or both of these class certification rulings could be reinstated as a result of the pending appeals.

As discussed above, other cigarette manufacturers are defendants in approximately 25 cases in which plaintiffs' claims are based on the allegedly fraudulent marketing of "lights" or "ultra-lights" cigarettes. Among those "lights" class actions in which neither the Company nor Lorillard are defendants is the case of *Price v. Philip Morris USA* (Circuit Court, Madison County, Illinois, filed February 10, 2000). During March of 2003, the court returned a verdict in favor of the class and awarded it $7.1 billion in actual damages. The court also awarded $3.0 billion in punitive damages to the State of Illinois, which was not a party to the suit, and awarded plaintiffs' counsel approximately $1.8 billion in fees and costs. During December of 2005, the Illinois Supreme Court vacated the damages awards, decertified the class, and ordered that the case be dismissed. The U.S. Supreme Court declined to review the case, and the Illinois trial court dismissed *Price* during December of 2006. *Price* is the only "lights" class action to have been tried, although classes have been certified in some of the other pending matters.

The *Schwab* case - Lorillard is a defendant in one "lights" class action, *Schwab v. Philip Morris USA, Inc., et al.* (U.S. District Court, Eastern District, New York, filed May 11, 2004). The Company is not a party to this case. Plaintiffs in *Schwab* base their claims on defendants' alleged violations of the RICO statute in the manufacture, marketing and sale of "lights" cigarettes. Plaintiffs have estimated damages to the class in the hundreds of billions of dollars. Any damages awarded to the plaintiffs based on defendants' violation of the RICO statute would be trebled. During September of 2006, the court granted plaintiffs' motion for class certification and certified a nationwide class action on behalf of purchasers of "light" cigarettes. During July of 2007, the Second Circuit Court of Appeals heard defendants' appeal of the class certification ruling. The court of appeals has prohibited activity before the trial court until the appeal is concluded.

REIMBURSEMENT CASES - Lorillard is a defendant in the three Reimbursement cases that are pending in the U.S. and it has been named as a party to the case in Israel. The case in Israel is the only Reimbursement suit in which the Company is a party.

U.S. Federal Government Action - During August of 2006, the U.S. District Court for the District of Columbia issued its final judgment and remedial order in the federal government's reimbursement suit (*United States of America v. Philip Morris USA, Inc., et al.*, U.S. District Court, District of Columbia, filed September 22, 1999). The verdict concluded a bench trial that began in September of 2004. Lorillard, other cigarette manufacturers, two parent companies and two trade associations are defendants in this action. The Company is not a party to this case.

In its 2006 verdict, the court determined that the defendants, including Lorillard, violated certain provisions of the RICO statute, that there was a likelihood of present and future RICO violations, and that equitable relief was warranted. The government was not awarded monetary damages. The equitable relief included permanent injunctions that prohibit the defendants, including Lorillard, from engaging in any act of racketeering, as defined under RICO; from making any material false or deceptive statements concerning cigarettes; from making any express or implied statement about health on cigarette packaging or promotional materials (these prohibitions include a ban on using such descriptors as "low tar," "light," "ultra-light," "mild," or "natural"); and from making any statements that "low tar," "light," "ultra-light," "mild," or "natural" or low-nicotine cigarettes may result in a reduced risk of disease. The final judgment and remedial order also requires the defendants, including Lorillard, to make corrective statements on their websites, in certain media, in point-of-sale advertisements, and on cigarette package "onserts" concerning: the health effects of smoking; the addictiveness of smoking; that there are no significant health benefits to be gained by smoking "low tar," "light," "ultra-light," "mild," or "natural" cigarettes; that cigarette design has been manipulated to ensure optimum nicotine delivery to smokers; and that there are adverse effects from exposure to secondhand smoke. If the final judgment and remedial order are not modified or vacated on appeal, the costs to Lorillard for compliance could exceed $10.0 million. Defendants have appealed to the U.S. Court of Appeals for the District of Columbia Circuit which has stayed the judgment and remedial order while the appeal is proceeding. The government also has noticed an appeal from the final judgment. While trial was underway, the District of Columbia Court of Appeals ruled that plaintiff may not seek disgorgement of profits, but this appeal was interlocutory in nature and could be reconsidered in the present appeal. Prior to trial, the government had estimated that it was entitled to approximately $280.0 billion from the defendants for its disgorgement of profits claim. In addition, the government sought during trial more than $10.0 billion for the creation of nationwide smoking cessation, public education and counter-marketing programs. In its 2006 verdict, the trial court declined to award such relief. It is possible that these claims could be reinstated on appeal.

SETTLEMENT OF STATE REIMBURSEMENT LITIGATION - On November 23, 1998, Lorillard, Philip Morris Incorporated, Brown & Williamson Tobacco Corporation and R.J. Reynolds Tobacco Company, the "Original Participating Manufacturers," entered into a Master Settlement Agreement ("MSA") with 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands to settle the asserted and unasserted health care cost recovery and certain other claims of those states. These settling entities are generally referred to as the "Settling States." The Original Participating Manufacturers had previously settled similar claims brought by Mississippi, Florida, Texas and Minnesota, which together with the Master Settlement Agreement are generally referred to as the "State Settlement Agreements."

The State Settlement Agreements provide that the agreements are not admissions, concessions or evidence of any liability or wrongdoing on the part of any party, and were entered into by the Original Participating Manufacturers to avoid the further expense, inconvenience, burden and uncertainty of litigation.

Lorillard recorded pretax charges of $277.1 million, $242.8 million, $801.4 million and $696.3 million ($177.5 million, $149.3 million, $507.6 million, and $426.4 million after taxes) for the three and nine months ended September 30, 2007 and 2006, to accrue its obligations under the State Settlement Agreements. Lorillard's portion of ongoing adjusted payments and legal fees is based on its share of domestic cigarette shipments in the year preceding that in which the payment is due. Accordingly, Lorillard records its portions of ongoing settlement payments as part of cost of manufactured products sold as the related sales occur.

The State Settlement Agreements require that the domestic tobacco industry make annual payments of $9.4 billion, subject to adjustment for several factors, including inflation, market share and industry volume. In addition, the domestic tobacco industry is required to pay settling plaintiffs' attorneys' fees, subject to an annual cap of $500.0 million, as well as an additional amount of up to $125.0 million in each year through 2008. These payment obligations are the several and not joint obligations of each settling defendant.

The State Settlement Agreements also include provisions relating to significant advertising and marketing restrictions, public disclosure of certain industry documents, limitations on challenges to tobacco control and underage use laws, and other provisions. Lorillard and the other Original Participating Manufacturers have notified the States that they intend to seek an adjustment in the amount of payments made in 2003 pursuant to a provision in the MSA that permits such adjustment if the companies can prove that the MSA was a significant factor in their loss of market share to companies not participating in the MSA and that the States failed to diligently enforce certain statutes passed in connection with the MSA. If the Original Participating Manufacturers are ultimately successful, any adjustment would be reflected as a credit against future payments by the Original Participating Manufacturers under the agreement.

From time to time, lawsuits have been brought against Lorillard and other participating manufacturers to the MSA, or against one or more of the states, challenging the validity of that agreement on certain grounds, including as a violation of the antitrust laws. Lorillard is a defendant in one such case, which has been dismissed by the trial court but has been appealed by the plaintiffs. Lorillard understands that additional such cases are proceeding against other defendants.

In addition, in connection with the MSA, the Original Participating Manufacturers entered into an agreement to establish a $5.2 billion trust fund payable between 1999 and 2010 to compensate the tobacco growing communities in 14 states (the “Trust”). Payments to the Trust will no longer be required as a result of an assessment imposed under a new federal law repealing the federal supply management program for tobacco growers, although the states of Maryland and Pennsylvania are contending that payments under the Trust should continue to growers in those states since the new federal law did not cover them, and the matter is being litigated. In 2005 other litigation was resolved over the Trust’s obligation to return payments made by the Original Participating Manufacturers in 2004 or withheld from payment to the Trust for the fourth quarter of 2004, when the North Carolina Supreme Court ruled that such payments were due to the Trust. Lorillard’s share of payments into the Trust in 2004 was approximately $30.0 million and its share of the payment due for the last quarter of that year was approximately $10.0 million. Under the new law, enacted in October of 2004, tobacco quota holders and growers will be compensated with payments totaling $10.1 billion, funded by an assessment on tobacco manufacturers and importers. Payments to qualifying tobacco quota holders and growers commenced in 2005.

The Company believes that the State Settlement Agreements will materially adversely affect its cash flows and operating income in future years. The degree of the adverse impact will depend, among other things, on the rates of decline in U.S. cigarette sales in the premium price and discount price segments, Lorillard’s share of the domestic premium price and discount price cigarette segments, and the effect of any resulting cost advantage of manufacturers not subject to significant payment obligations under the State Settlement Agreements.

FILTER CASES - In addition to the above, claims have been brought against Lorillard by individuals who seek damages resulting from their alleged exposure to asbestos fibers that were incorporated into filter material used in one brand of cigarettes manufactured by Lorillard for a limited period of time ending more than 50 years ago. Approximately 25 such matters are pending against Lorillard. The Company is not a defendant in any of these matters. Since January 1, 2005, Lorillard has paid, or has reached agreement to pay, a total of approximately $16.3 million in payments of judgments and settlements to finally resolve approximately 65 claims. No such cases have been tried since January 1, 2005. Trial dates are scheduled in some of the pending cases. Trial dates are subject to change.

Other Tobacco - Related

TOBACCO - RELATED ANTITRUST CASES - Indirect Purchaser Suits - Approximately 30 antitrust suits were filed on behalf of putative classes of consumers in various state courts against Lorillard and its major competitors. The suits all alleged that the defendants entered into agreements to fix the wholesale prices of cigarettes in violation of state antitrust laws which permit indirect purchasers, such as retailers and consumers, to sue under price fixing or consumer fraud statutes. More than 20 states permit such suits. Lorillard was a defendant in all but one of these indirect purchaser cases. The Company was also named as a defendant in most of these indirect purchaser cases, but was voluntarily dismissed without prejudice from all of them. Three indirect purchaser suits, in New York, Florida and Michigan, were dismissed by courts in their entirety and the plaintiffs withdrew their appeals. The actions in all other states except for New Mexico and Kansas, have been voluntarily dismissed.

In the Kansas case, the District Court of Seward County certified a class of Kansas indirect purchasers in 2002. The parties are in the process of litigating certain privilege issues. On July 14, 2006, the Court issued an order confirming that fact discovery is closed, with the exception of privilege issues that the Court determines, based on a Special Master’s report, justify further limited fact discovery. Expert discovery, as necessary, will take place later this year. No date has as yet been set by the Court for dispositive motions and trial.

A decision granting class certification in New Mexico was affirmed by the New Mexico Court of Appeals on February 8, 2005. As ordered by the Court, class notice was sent out on October 30, 2005. The New Mexico plaintiffs were permitted to rely on discovery produced in the Kansas case. On June 30, 2006, the New Mexico Court granted summary judgment to all defendants, and the suit was dismissed. An appeal was filed by the plaintiffs on August 14, 2006, and has not yet been heard.

MSA Federal Antitrust Suit - *Sanders v. Lockyer, et al.* (U.S. District Court, Northern District of California, filed June 9, 2004). Lorillard and the other major cigarette manufacturers, along with the Attorney General of the State of California, have been sued by a consumer purchaser of cigarettes in a putative class action alleging violations of the Sherman Act and California state antitrust and unfair competition laws. The plaintiff seeks treble damages of an unstated amount for the putative class as well as declaratory and injunctive relief. All claims are based on the assertion that the Master Settlement Agreement that Lorillard and the other cigarette manufacturer defendants entered into with the State of California and more than forty other states, together with certain implementing legislation enacted by California, constitute unlawful restraints of trade. On March 28, 2005 the defendants' motion to dismiss the suit was granted. Plaintiffs appealed the dismissal to the Court of Appeals for the Ninth Circuit. Argument was heard on February 15, 2007, and the Court of Appeals issued an opinion on September 26, 2007 affirming dismissal of the suit. Plaintiffs to date have not filed a petition seeking certiorari from the U.S. Supreme Court, but still have time to do so.

Defenses

Lorillard believes that it has valid defenses to the cases pending against it. Lorillard also believes it has valid bases for appeal should any adverse verdicts be returned against it. In those cases in which the Company is a defendant in any of the lawsuits described in this section, the Company believes that it is not a proper defendant and has moved or plans to move for dismissal of all such claims against it. While Lorillard intends to defend vigorously all tobacco products liability litigation, it is not possible to predict the outcome of any of this litigation. Litigation is subject to many uncertainties. Plaintiffs have prevailed in several cases, as noted above. It is possible that one or more of the pending actions could be decided unfavorably as to Lorillard or the other defendants. Lorillard may enter into discussions in an attempt to settle particular cases if it believes it is appropriate to do so.

Lorillard cannot predict the outcome of pending litigation. Some plaintiffs have been awarded damages from cigarette manufacturers at trial. While some of these awards have been overturned or reduced, other damages awards have been paid after the manufacturers have exhausted their appeals. These awards and other litigation activities against cigarette manufacturers continue to receive media attention. In addition, health issues related to tobacco products also continue to receive media attention. It is possible, for example, that the 2006 verdict in *United States of America v. Philip Morris USA, Inc., et al.*, which made many adverse findings regarding the conduct of the defendants, including Lorillard, could form the basis of allegations by other plaintiffs or additional judicial findings against cigarette manufacturers. The 2006 decision by the Florida Supreme Court in *Engle* has led to and could lead to the filing of many additional new cases against cigarette manufacturers, including Lorillard. These events could have an adverse affect on the ability of Lorillard to prevail in smoking and health litigation and could influence the filing of new suits against Lorillard or the Company. Lorillard also cannot predict the type or extent of litigation that could be brought against it and other cigarette manufacturers in the future.

Except for the impact of the State Settlement Agreements as described above, management is unable to make a meaningful estimate of the amount or range of loss that could result from an unfavorable outcome of pending litigation and, therefore, no provision has been made in the Consolidated Condensed Financial Statements for any unfavorable outcome. It is possible that the Company's results of operations or cash flows in a particular quarterly or annual period or its financial position could be materially adversely affected by an unfavorable outcome or settlement of certain pending litigation.

OTHER LITIGATION

The Company and its subsidiaries are also parties to other litigation arising in the ordinary course of business. The outcome of this other litigation will not, in the opinion of management, materially affect the Company's results of operations or equity.

13. Commitments and Contingencies

Guarantees

In the course of selling business entities and assets to third parties, CNA has agreed to indemnify purchasers for losses arising out of breaches of representation and warranties with respect to the business entities or assets being sold, including, in certain cases, losses arising from undisclosed liabilities or certain named litigation. Such indemnification provisions generally survive for periods ranging from nine months following the applicable closing date to the expiration of the relevant statutes of limitation. As of September 30, 2007, the aggregate amount of quantifiable indemnification agreements in effect for sales of business entities, assets and third party loans was $873.0 million, including amounts related to a sold discontinued operation.

In addition, CNA has agreed to provide indemnification to third party purchasers for certain losses associated with sold business entities or assets that are not limited by a contractual monetary amount. As of September 30, 2007, CNA had outstanding unlimited indemnifications in connection with the sales of certain of its business entities or assets that included tax liabilities arising prior to a purchaser's ownership of an entity or asset, defects in title at the time of sale, employee claims arising prior to closing and in some cases losses arising from certain litigation and undisclosed liabilities. These indemnification agreements survive until the applicable statutes of limitation expire, or until the agreed upon contract terms expire. As of September 30, 2007 and December 31, 2006, CNA has recorded approximately $23.0 million and $28.0 million of liabilities related to these indemnification agreements.

In connection with the issuance of preferred securities by CNA Surety Capital Trust I, CNA Surety, a 62% owned and consolidated subsidiary of CNA, issued a guarantee of $75.0 million to guarantee the payment by CNA Surety Capital Trust I of annual dividends of $1.5 million over 30 years and redemption of $30.0 million of preferred securities.

Diamond OffshorePurchase Obligations

As of September 30, 2007, Diamond Offshore had purchase obligations aggregating approximately $243.0 million related to the major upgrades of two rigs and construction of two new jack-up rigs, as described in Note 6. Diamond Offshore anticipates that expenditures related to these shipyard projects will be approximately $50.0 million for the remainder of 2007 and $193.0 million in 2008. However, the actual timing of these expenditures will vary based on the completion of various construction milestones and the timing of the delivery of equipment, which are beyond Diamond Offshore's control.

HighMount Volumetric Production Payment Transactions

As part of the acquisition of exploration and production assets from Dominion, HighMount assumed an obligation to deliver approximately 15 billion cubic feet ("Bcf") of natural gas through February 2009 under previously existing Volumetric Production Payment ("VPP") agreements. Under these agreements, certain HighMount acquired properties are subject to fixed-term overriding royalty interests which had been conveyed to the VPP purchaser. While HighMount is obligated under the agreement to produce and deliver to the purchaser its portion of future natural gas production from the properties, HighMount retains control of the properties and rights to future development drilling. If production from the properties subject to the VPP is inadequate to deliver the approximately 15 Bcf of natural gas provided for in the VPP. HighMount has no obligation to make up the shortfall.

Boardwalk Pipeline Purchase Commitments

As discussed in Note 6, Boardwalk Pipeline is engaged in several major expansion projects that will require the investment of significant capital resources. These projects are subject to FERC approval. As of September 30, 2007, Boardwalk Pipeline had purchase commitments of $900.4 million primarily related to its expansion projects.

14. Discontinued Operations

CNA has discontinued operations, which consist of run-off insurance operations acquired in its merger with The Continental Corporation in 1995. As of September 30, 2007, the remaining run-off business is administered by Continental Reinsurance Corporation International, Ltd., a Bermuda subsidiary. The business consists of facultative property and casualty, treaty excess casualty and treaty pro-rata reinsurance with underlying exposure to a diverse, multi-line domestic and international book of business encompassing property, casualty, and marine liabilities.

Results of CNA's discontinued operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Revenues:				
Net investment income	**$ 1.9**	$ 5.3	**$ 10.8**	$ 13.1
Investment gains (losses) and other	**1.9**	0.2	**5.2**	(2.4)
Total revenues	**3.8**	5.5	**16.0**	10.7
Insurance related expenses	**(3.2)**	(7.6)	**(23.5)**	(21.3)
Income (loss) before income taxes and minority interest	**0.6**	(2.1)	**(7.5)**	(10.6)
Income tax (expense) benefit	**(0.5)**	8.4		8.8
Minority interest		(0.6)	**0.9**	0.1
Income (loss) from discontinued operations	**$ 0.1**	$ 5.7	**$ (6.6)**	$ (1.7)

On May 4, 2007, CNA sold Continental Management Services Limited ("CMS"), its United Kingdom discontinued operations subsidiary, to Tawa UK Limited, a subsidiary of Artemis Group, a diversified French-based holding company. In anticipation of the sale, the Company recorded an impairment loss of $26.2 million, after tax and minority interest, in 2006. After closing the transaction in 2007, the loss was reduced by approximately $4.4 million. The assets and liabilities sold were $239.0 million and $157.0 million at December 31, 2006. Net loss for the business through the date of the sale in 2007 was $0.9 million. Net income (loss) for the business was $0.9 million and $(5.4) million for the three and nine months ended September 30, 2006. CNA's subsidiary, The Continental Corporation, provided a guarantee for a portion of the liabilities related to certain marine products. The sale agreement included provisions that significantly limit CNA's exposure related to this guarantee.

Net assets of discontinued operations, included in Other assets on the Consolidated Condensed Balance Sheets, were as follows:

	September 30, 2007	December 31, 2006
(In millions)		
Assets:		
Investments	**$ 184.1**	$ 317.1
Reinsurance receivables	**0.6**	32.8
Cash	**7.1**	40.1
Other assets	**3.0**	2.8
Total assets	**194.8**	392.8
Liabilities:		
Insurance reserves	**168.5**	307.8
Other liabilities	**4.9**	17.2
Total liabilities	**173.4**	325.0
Net assets of discontinued operations	**$ 21.4**	$ 67.8

During the third quarter of 2007, CNA transferred an investment portfolio comprised of fixed maturity securities of $22.0 million, short term investments of $14.0 million and cash of $4.0 million from its continuing operations to its discontinued operations.

CNA's accounting and reporting for discontinued operations is in accordance with APB No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". At September 30, 2007 and December 31, 2006, the insurance reserves are net of discount of $75.4 million and $94.0 million. The income (loss) from discontinued operations reported above primarily represents the net investment income, realized investment gains and losses, foreign currency gains and losses, effects of the accretion of the loss reserve discount and re-estimation of the ultimate claim and claim adjustment expense of the discontinued operations.

15. Consolidating Financial Information

The following schedules present the Company's consolidating balance sheet information at September 30, 2007 and December 31, 2006, and consolidating statements of income information for the nine months ended September 30, 2007 and 2006. These schedules present the individual subsidiaries of the Company and their contribution to the consolidated condensed financial statements. Amounts presented will not necessarily be the same as those in the individual financial statements of the Company's subsidiaries due to adjustments for purchase accounting, income taxes and minority interests. In addition, many of the Company's subsidiaries use a classified balance sheet which also leads to differences in amounts reported for certain line items. This information also does not reflect the impact of the Company's issuance of Carolina Group stock. Lorillard is reported as a 100% owned subsidiary and does not include any adjustments relating to the tracking stock structure. See Note 4 for consolidating condensed information of the Carolina Group and Loews Group.

The Corporate and Other column primarily reflects the parent company's investment in its subsidiaries, invested cash portfolio, corporate long-term debt and Bulova Corporation, a wholly owned subsidiary. The elimination adjustments are for intercompany assets and liabilities, interest and dividends, the parent company's investment in capital stocks of subsidiaries, and various reclasses of debit or credit balances to the amounts in consolidation. Purchase accounting adjustments have been pushed down to the appropriate subsidiary.

Loews Corporation
Consolidating Balance Sheet Information

September 30, 2007	CNA Financial	Lorillard	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)									
Assets:									
Investments	$ 43,910.9	$ 1,817.7	$ 673.4	$ 42.3	$ 583.7	$ 44.3	$ 3,585.0		$ 50,657.3
Cash	80.1	0.5	10.2	3.0	1.4	14.7	17.1		127.0
Receivables	11,982.8	14.0	549.9	108.7	62.2	26.7	178.6	$ (14.1)	12,908.8
Property, plant and equipment	321.9	208.0	2,884.3	3,080.4	2,741.9	368.3	31.9		9,636.7
Deferred income taxes	1,103.4	540.9					32.5	(831.4)	845.4
Goodwill and other intangible assets	106.0		20.3	1,049.1	163.5	2.6	5.0		1,346.5
Investments in capital stocks of subsidiaries							15,155.1	(15,155.1)	
Other assets	906.8	319.2	140.4	18.4	258.6	37.9	101.6	(0.7)	1,782.2
Deferred acquisition costs of insurance subsidiaries	1,189.3								1,189.3
Separate account business	471.7								471.7
Total assets	$ 60,072.9	$ 2,900.3	$ 4,278.5	$ 4,301.9	$ 3,811.3	$ 494.5	$ 19,106.8	$ (16,001.3)	$ 78,964.9
Liabilities and Shareholders' Equity:									
Insurance reserves	$ 40,751.3							$ (1.8)	$ 40,749.5
Payable for securities purchased	3,112.3			$ 11.4			$ 474.8		3,598.5
Collateral on loaned securities and derivatives	83.4								83.4
Short-term debt	150.3		$ 9.4			$ 4.5			164.2
Long-term debt	2,006.3		503.0	1,615.0	$ 1,847.5	230.4	865.8		7,068.0
Reinsurance balances payable	482.7								482.7
Deferred income taxes			382.8	4.6	77.9	45.8	320.3	(831.4)	
Other liabilities	2,573.4	$ 1,615.7	446.4	214.6	440.1	15.4	117.8	(8.1)	5,415.3
Separate account business	471.7								471.7
Total liabilities	49,631.4	1,615.7	1,341.6	1,845.6	2,365.5	296.1	1,778.7	(841.3)	58,033.3
Minority interest	1,446.8		1,432.8		772.7				3,652.3
Shareholders' equity	8,994.7	1,284.6	1,504.1	2,456.3	673.1	198.4	17,328.1	(15,160.0)	17,279.3
Total liabilities and shareholders' equity	$ 60,072.9	$ 2,900.3	$ 4,278.5	$ 4,301.9	$ 3,811.3	$ 494.5	$ 19,106.8	$ (16,001.3)	$ 78,964.9

Loews Corporation
Consolidating Balance Sheet Information

December 31, 2006	CNA Financial	Lorillard	Diamond Offshore	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Assets:								
Investments	$ 44,094.2	$ 1,767.5	$ 815.6	$ 397.9	$ 9.7	$ 6,803.9		$ 53,888.8
Cash	83.9	1.2	10.2	1.1	14.8	22.6		133.8
Receivables	12,202.4	15.6	567.5	87.7	27.6	128.6	$ (2.1)	13,027.3
Property, plant and equipment	240.9	196.4	2,653.8	2,024.4	362.5	23.3		5,501.3
Deferred income taxes	884.6	495.7				14.8	(774.2)	620.9
Goodwill and other intangible assets	106.0		21.8	163.5	2.6	5.0		298.9
Investments in capital stocks of subsidiaries						12,313.4	(12,313.4)	
Other assets	933.3	282.8	101.5	263.5	41.9	93.5		1,716.5
Deferred acquisition costs of insurance subsidiaries	1,190.4							1,190.4
Separate account business	503.0							503.0
Total assets	$ 60,238.7	$ 2,759.2	$ 4,170.4	$ 2,938.1	$ 459.1	$ 19,405.1	$ (13,089.7)	$ 76,880.9
Liabilities and Shareholders' Equity:								
Insurance reserves	$ 41,079.9							$ 41,079.9
Payable for securities purchased	320.0				$ 0.2	$ 726.5		1,046.7
Collateral on loaned securities and derivatives	2,850.9					750.6		3,601.5
Short-term debt	0.3				4.3			4.6
Long-term debt	2,155.5		$ 964.3	$ 1,350.9	231.7	865.4		5,567.8
Reinsurance balances payable	539.1							539.1
Deferred income taxes			438.6	44.4	50.0	241.2	$ (774.2)	
Other liabilities	2,734.1	$ 1,463.9	400.8	345.4	4.3	206.7	(15.0)	5,140.2
Separate account business	503.0							503.0
Total liabilities	50,182.8	1,463.9	1,803.7	1,740.7	290.5	2,790.4	(789.2)	57,482.8
Minority interest	1,349.6		1,061.9	484.8				2,896.3
Shareholders' equity	8,706.3	1,295.3	1,304.8	712.6	168.6	16,614.7	(12,300.5)	16,501.8
Total liabilities and shareholders' equity	$ 60,238.7	$ 2,759.2	$ 4,170.4	$ 2,938.1	$ 459.1	$ 19,405.1	$ (13,089.7)	$ 76,880.9

Nine Months Ended September 30, 2007	CNA Financial	Lorillard	Diamond Offshore	HighMount	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)									
Revenues:									
Insurance premiums	$ 5,617.2							$ (1.1)	$ 5,616.1
Net investment income	1,858.5	$ 86.8	$ 26.1		$ 16.3	$ 1.6	$ 263.8		2,253.1
Intercompany interest and dividends							1,171.4	(1,171.4)	
Investment gains (losses)	(216.8)	2.9	1.7	$ 32.3					(179.9)
Gain on issuance of subsidiary stock			(3.0)				141.7		138.7
Manufactured products		3,012.2					135.8		3,148.0
Other	210.8	0.4	1,909.0	100.2	474.1	283.5	2.1	(5.8)	2,974.3
Total	7,469.7	3,102.3	1,933.8	132.5	490.4	285.1	1,714.8	(1,178.3)	13,950.3
Expenses:									
Insurance claims and policyholders' benefits	4,495.7								4,495.7
Amortization of deferred acquisition costs	1,137.1								1,137.1
Cost of manufactured products sold		1,771.7					67.3		1,839.0
Other operating expenses	713.4	246.4	973.4	58.4	288.1	229.5	101.1	(6.9)	2,603.4
Interest	104.5	3.7	17.0	12.2	46.1	8.6	41.8		233.9
Total	6,450.7	2,021.8	990.4	70.6	334.2	238.1	210.2	(6.9)	10,309.1
	1,019.0	1,080.5	943.4	61.9	156.2	47.0	1,504.6	(1,171.4)	3,641.2
Income tax expense	282.5	396.1	292.1	22.2	47.6	18.2	116.5		1,175.2
Minority interest	113.4		333.6		35.0				482.0
Total	395.9	396.1	625.7	22.2	82.6	18.2	116.5	-	1,657.2
Income from continuing operations	623.1	684.4	317.7	39.7	73.6	28.8	1,388.1	(1,171.4)	1,984.0
Discontinued operations, net	(6.6)								(6.6)
Net income	$ 616.5	$ 684.4	$ 317.7	$ 39.7	$ 73.6	$ 28.8	$ 1,388.1	$ (1,171.4)	$ 1,977.4

Loews Corporation
Consolidating Statement of Income Information

Nine Months Ended September 30, 2006	CNA Financial	Lorillard	Diamond Offshore	Boardwalk Pipeline	Loews Hotels	Corporate and Other	Eliminations	Total
(In millions)								
Revenues:								
Insurance premiums	$ 5,704.1						$ (0.1)	$ 5,704.0
Net investment income	1,721.8	$ 71.6	$ 26.8	$ 1.8	$ 0.7	$ 216.8		2,039.5
Intercompany interest and dividends						1,047.6	(1,047.6)	
Investment gains (losses)	(63.8)	(0.5)	(0.1)			1.6		(62.8)
Gain on issuance of subsidiary stock	1.5					7.5		9.0
Manufactured products		2,818.1				136.5		2,954.6
Other	174.8	0.1	1,478.8	440.6	279.5	10.9		2,384.7
Total	7,538.4	2,889.3	1,505.5	442.4	280.2	1,420.9	(1,047.7)	13,029.0
Expenses:								
Insurance claims and policyholders' benefits	4,446.1							4,446.1
Amortization of deferred acquisition costs	1,132.4							1,132.4
Cost of manufactured products sold		1,638.0				68.0		1,706.0
Other operating expenses	712.8	285.2	819.7	264.1	231.3	97.6	(0.1)	2,410.6
Restructuring and other related charges	(12.9)							(12.9)
Interest	93.4	0.1	18.7	45.8	9.0	57.0		224.0
Total	6,371.8	1,923.3	838.4	309.9	240.3	222.6	(0.1)	9,906.2
	1,166.6	966.0	667.1	132.5	39.9	1,198.3	(1,047.6)	3,122.8
Income tax expense (benefit)	344.4	374.5	203.7	45.2	14.3	52.9		1,035.0
Minority interest	100.3		221.8	19.2				341.3
Total	444.7	374.5	425.5	64.4	14.3	52.9		1,376.3
Income from continuing operations	721.9	591.5	241.6	68.1	25.6	1,145.4	(1,047.6)	1,746.5
Discontinued operations, net	(1.7)							(1.7)
Net income	$ 720.2	$ 591.5	$ 241.6	$ 68.1	$ 25.6	$ 1,145.4	$ (1,047.6)	$ 1,744.8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with our Consolidated Condensed Financial Statements included in Item 1 of this Report, and these Consolidated Financial Statements, Risk Factors, and MD&A included in our Annual Report on Form 10-K for the year ended December 31, 2006. This MD&A is comprised of the following sections:

OVERVIEW

We are a holding company. Our subsidiaries are engaged in the following lines of business:

- commercial property and casualty insurance (CNA Financial Corporation ("CNA"), an 89% owned subsidiary);
- production and sale of cigarettes (Lorillard, Inc. ("Lorillard"), a wholly owned subsidiary);
- operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc. ("Diamond Offshore"), a 51% owned subsidiary);
- natural gas and oil exploration and production (HighMount Exploration & Production LLC (together with its subsidiaries "HighMount"), a wholly owned subsidiary);
- operation of interstate natural gas transmission pipeline systems (Boardwalk Pipeline Partners, LP ("Boardwalk Pipeline"), a 75% owned subsidiary);
- operation of hotels (Loews Hotels Holding Corporation ("Loews Hotels"), a wholly owned subsidiary) and
- distribution and sale of watches and clocks (Bulova Corporation ("Bulova"), a wholly owned subsidiary).

Unless the context otherwise requires, references in this report to “Loews Corporation,” “we,” “our,” “us” or like terms refer to the business of Loews Corporation excluding its subsidiaries.

Consolidated Financial Results

Net income and earnings per share information attributable to Loews common stock and Carolina Group stock is summarized in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions, except per share data)				
Net income attributable to Loews common stock:				
Income before net investment gains (losses)	**$ 441.0**	$ 480.8	**$ 1,593.3**	$ 1,495.1
Net investment gains (losses)	**(31.1)**	30.7	**(14.3)**	(27.9)
Income from continuing operations	**409.9**	511.5	**1,579.0**	1,467.2
Discontinued operations, net	**0.1**	5.7	**(6.6)**	(1.7)
Net income attributable to Loews common stock	**410.0**	517.2	**1,572.4**	1,465.5
Net income attributable to Carolina Group stock	**145.7**	117.9	**405.0**	279.3
Consolidated net income	**$ 555.7**	$ 635.1	**$ 1,977.4**	$ 1,744.8
Net income per share:				
Loews common stock				
Income from continuing operations	**$ 0.77**	$ 0.93	**$ 2.93**	$ 2.64
Discontinued operations, net		0.01	**(0.01)**	
Loews common stock	**$ 0.77**	$ 0.94	**$ 2.92**	$ 2.64
Carolina Group stock	**$ 1.34**	$ 1.17	**$ 3.73**	$ 3.16

Consolidated net income (including both the Loews Group and Carolina Group) for the 2007 third quarter was $555.7 million, compared to $635.1 million in the 2006 third quarter. Consolidated net income for the nine months ended September 30, 2007 was $1,977.4 million, compared to $1,744.8 million in the comparable period of the prior year.

Net income attributable to Loews common stock for the third quarter of 2007 amounted to $410.0 million, or $0.77 per share, compared to $517.2 million, or $0.94 per share, in the comparable period of the prior year. The decrease in net income reflects a decline in results at CNA and investment losses, partially offset by improved results at Diamond Offshore and higher results from Lorillard. The decrease in CNA net income was driven by a $96.4 million charge (after tax and minority interest) resulting from the settlement of an arbitration proceeding related to a run-off book of business. Net income in 2007 also reflects the July 31, 2007 acquisition, by the Company’s newly formed subsidiary HighMount, of certain natural gas exploration and production assets from Dominion Resources, Inc.

Net income attributable to Loews common stock includes net investment losses of $31.1 million (after tax and minority interest) in the third quarter of 2007 compared to net investment gains of $30.7 million (after tax and minority interest) in the comparable period of the prior year. The net investment losses in the third quarter of 2007 were primarily driven by an increase in other-than-temporary impairment losses, which was partially offset by an increase in net realized results.

Net income per share of Carolina Group stock for the third quarter of 2007 was $1.34 per share, compared to $1.17 per share in the comparable period of the prior year. The increase in net income per share of Carolina Group stock was due to an increase in Lorillard net income primarily from higher effective unit prices resulting from a December 2006 price increase and lower promotion expenses, partially offset by an increase in expenses for the State Settlement Agreements.

Net income attributable to Loews common stock for the first nine months of 2007 amounted to $1,572.4 million, or $2.92 per share, compared to $1,465.5 million, or $2.64 per share, in the comparable period of the prior year. The increase in net income reflects improved results at Diamond Offshore, increased investment income and higher results from Lorillard, partially offset by a decrease in the share of Carolina Group earnings attributable to Loews common stock, due to the sale of Carolina Group stock in August and May of 2006.

Net income attributable to Loews common stock includes net investment losses of $14.3 million (after tax and minority interest) in the first nine months of 2007 compared to net investment losses of $27.9 million (after tax and minority interest) in the comparable period of the prior year. The net investment losses in the first nine months of 2007 were primarily driven by an increase in other-than-temporary impairment losses, which was partially offset by an increase in net realized results on derivative securities and a gain of $91.6 million (after tax) related to a reduction in the Company's ownership interest in Diamond Offshore from the conversion of Diamond Offshore's 1.5% convertible debt into Diamond Offshore common stock.

Net income per share of Carolina Group stock for the first nine months of 2007 was $3.73 per share, compared to $3.16 per share in the comparable period of the prior year. The increase in net income per share of Carolina Group stock was due to an increase in Lorillard net income primarily from higher effective unit prices resulting from a December 2006 price increase and lower promotion expenses, partially offset by an increase in expenses for the State Settlement Agreements.

Classes of Common Stock

Our Company has two classes of common stock, Carolina Group stock and Loews common stock. Carolina Group stock, commonly called a tracking stock, is intended to reflect the economic performance of a defined group of our assets and liabilities referred to as the Carolina Group. The principal assets and liabilities attributed to the Carolina Group are:

- our 100% stock ownership interest in Lorillard, Inc.;

- notional, intergroup debt owed by the Carolina Group to the Loews Group ($829.1 million outstanding at September 30, 2007), bearing interest at the annual rate of 8.0% and, subject to optional prepayment, due December 31, 2021; and

- any and all liabilities, costs and expenses arising out of or related to tobacco or tobacco-related businesses.

Loews common stock represents the economic performance of the Company's remaining assets, including the interest in the Carolina Group not represented by Carolina Group stock.

As of September 30, 2007, the outstanding Carolina Group stock represents a 62.4% economic interest in the performance of the Carolina Group. The Loews Group consists of all of our assets and liabilities other than the 62.4% economic interest represented by the outstanding Carolina Group stock, and includes as an asset the notional, intergroup debt of the Carolina Group. The Loews Group's intergroup interest in the earnings of the Carolina Group declined from 48.3% to 37.6% for the nine months ended September 30, 2007, as compared to 2006, due to the sales of Carolina Group stock by Loews in May and August of 2006.

The existence of separate classes of common stock could give rise to occasions where the interests of the holders of Loews common stock and Carolina Group stock diverge or conflict or appear to diverge or conflict. Subject to its fiduciary duties, our board of directors could, in its sole discretion, occasionally make determinations or implement policies that disproportionately affect the groups or the different classes of stock. For example, our board of directors may decide to reallocate assets, liabilities, revenues, expenses and cash flows between groups, without the consent of shareholders. The board of directors would not be required to select the option that would result in the highest value for holders of Carolina Group stock.

As a result of the flexibility provided to our board of directors, it might be difficult for investors to assess the future prospects of the Carolina Group based on the Carolina Group's past performance.

The creation of the Carolina Group and the issuance of Carolina Group stock does not change our ownership of Lorillard, Inc. or Lorillard, Inc.'s status as a separate legal entity. The Carolina Group and the Loews Group are notional groups that are intended to reflect the performance of the defined sets of assets and liabilities of each such group as described above. The Carolina Group and the Loews Group are not separate legal entities and the attribution of our assets and liabilities to the Loews Group or the Carolina Group does not affect title to the assets or responsibility for the liabilities.

Holders of our common stock and of Carolina Group stock are shareholders of Loews Corporation and are subject to the risks related to an equity investment in us.

Parent Company Structure

We are a holding company and derive substantially all of our cash flow from our subsidiaries. We rely upon our invested cash balances and distributions from our subsidiaries to generate the funds necessary to meet our obligations and to declare and pay any dividends to our stockholders. The ability of our subsidiaries to pay dividends is subject to, among other things, the availability of sufficient funds in such subsidiaries, applicable state laws, including in the case of the insurance subsidiaries of CNA, laws and rules governing the payment of dividends by regulated insurance companies. Claims of creditors of our subsidiaries will generally have priority as to the assets of such subsidiaries over our claims and those of our creditors and shareholders.

At September 30, 2007, the book value per share of Loews common stock was $31.98, compared to $30.14 at December 31, 2006.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. Actual results could differ from those estimates.

The consolidated financial statements and accompanying notes have been prepared in accordance with GAAP, applied on a consistent basis. We continually evaluate the accounting policies and estimates used to prepare the consolidated financial statements. In general, our estimates are based on historical experience, evaluation of current trends, information from third party professionals and various other assumptions that we believe are reasonable under the known facts and circumstances.

We consider the accounting policies discussed below to be critical to an understanding of our consolidated financial statements as their application places the most significant demands on our judgment.

· Insurance Reserves

· Reinsurance

· Tobacco and Other Litigation

· Valuation of Investments and Impairment of Securities

· Long Term Care Products

· Pension and Postretirement Benefit Obligations

The following critical accounting estimate has been added as a result of the acquisition of HighMount:

HighMount follows the full cost method of accounting for gas and oil exploration and production ("E&P") activities prescribed by the Securities and Exchange Commission ("SEC"). Under the full cost method, all direct costs of property acquisition, exploration and development activities are capitalized and subsequently depleted using the units-of-production method. The depletable base of costs includes estimated future costs to be incurred in developing proved gas and oil reserves, as well as capitalized asset retirement costs, net of projected salvage values. Capitalized costs in the depletable base are subject to a ceiling test prescribed by the SEC. The test limits capitalized amounts to a ceiling - the present value of estimated future net revenues to be derived from the production of proved gas and oil reserves, assuming period-end pricing adjusted for any cash flow hedges in place. HighMount performs the ceiling test quarterly and would recognize asset impairments to the extent that total capitalized costs exceed the ceiling. In addition, gains or losses on the sale or other disposition of gas and oil properties are not recognized unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves.

HighMount's estimate of proved reserves requires a high degree of judgment and is dependent on factors such as historical data, engineering estimates of proved reserve quantities, estimates of the amount and timing of future expenditures to develop the proved reserves, and estimates of future production from the proved reserves. HighMount's estimated proved reserves as of September 30, 2007, are based upon studies for each of HighMount's properties prepared by HighMount's staff engineers. Calculations were prepared using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with SEC guidelines. Given the volatility of natural gas and oil prices, it is possible that HighMount's estimate of discounted future net cash flows from proved natural gas and oil reserves that is used to calculate the ceiling could materially change in the near-term.

The process to estimate reserves is imprecise, and estimates are subject to revision. If there is a significant variance in any of HighMount's estimates or assumptions in the future and revisions to the value of HighMount's proved reserves are necessary, related depletion expense and the calculation of the ceiling test would be affected and recognition of natural gas and oil property impairments could occur. See Note 1 of the Notes to Consolidated Condensed Financial Statements.

Due to the inherent uncertainties involved with these types of judgments, actual results could differ significantly from estimates, which may have a material adverse impact on our results of operations or equity. See the Critical Accounting Estimates and the Reserves-Estimates and Uncertainties sections of our Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 7 of our Form 10-K for the year ended December 31, 2006 for further information.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

CNA Financial

Insurance operations are conducted by subsidiaries of CNA Financial Corporation ("CNA"). CNA is an 89% owned subsidiary.

CNA manages its property and casualty operations in two operating segments which represent CNA's core operations: Standard Lines and Specialty Lines. The non-core operations are managed in the Life and Group Non-Core and Other Insurance segments. Standard Lines includes standard property and casualty coverages sold to small and middle market commercial businesses primarily through an independent agency distribution system, and excess and surplus lines, as well as insurance and risk management products sold to large corporations in the U.S., as well as globally. Specialty Lines includes professional, financial and specialty property and casualty products and services. Life and Group Non-Core primarily includes the results of the life and group lines of business sold or placed in run-off. Other Insurance includes the results of certain property and casualty lines of business placed in run-off. This segment also includes the results related to the centralized adjusting and settlement of asbestos, environmental pollution and mass tort ("APMT") claims as well as the results of CNA's participation in voluntary insurance pools, which are primarily in run-off, and various other non-insurance operations.

Segment Results

The following discusses the results of operations for CNA's operating segments. CNA utilizes the net operating income financial measure to monitor its operations. Net operating income is calculated by excluding from net income the after tax and minority interest effects of (1) net realized investment gains or losses, (2) income or loss from discontinued operations, and (3) cumulative effects of changes in accounting principles. In evaluating the results of the Standard Lines and Specialty Lines, CNA management utilizes the loss ratio, the expense ratio, the dividend ratio and the combined ratio. These ratios are calculated using GAAP financial results. The loss ratio is the percentage of net incurred claim and claim adjustment expenses to net earned premiums. The expense ratio is the percentage of insurance underwriting and acquisition expenses, including the amortization of deferred acquisition costs, to net earned premiums. The dividend ratio is the ratio of policyholders' dividends incurred to net earned premiums. The combined ratio is the sum of the loss, expense and dividend ratios.

Standard Lines

The following table summarizes the results of operations for Standard Lines.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions, except %)				
Net written premiums	**$ 956.0**	$ 1,121.0	**$ 3,171.0**	$ 3,394.0
Net earned premiums	**1,054.0**	1,128.0	**3,169.0**	3,310.0
Net investment income	**247.7**	239.0	**783.6**	705.3
Net operating income	**190.7**	146.2	**515.5**	420.0
Net realized investment gains (losses)	**(17.0)**	9.9	**(73.6)**	(3.7)
Net income	**173.7**	156.1	**441.9**	416.3
Ratios:				
Loss and loss adjustment expense	**61.6%**	68.7%	**66.2%**	69.4%
Expense	**30.8**	30.1	**30.8**	30.7
Dividend	**0.3**	0.4	**0.1**	0.4
Combined	**92.7%**	99.2%	**97.1%**	100.5%

Three Months Ended September 30, 2007 Compared to 2006

Net written premiums for Standard Lines decreased $165.0 million for the three months ended September 30, 2007 as compared with the same period in 2006, primarily due to decreased production. The decreased production reflects CNA's disciplined participation in the current competitive market. The competitive market conditions are expected to put ongoing pressure on premium and income levels, and the expense ratio. Net earned premiums decreased $74.0 million for the three months ended September 30, 2007 as compared with the same period in 2006, consistent with the decreased premiums written.

Standard Lines averaged rate decreases of 2.0% for the three months ended September 30, 2007, as compared to averaged rate increases of 1.0% for the three months ended September 30, 2006 for the contracts that renewed during those periods. Retention rates of 76.0% and 80.0% were achieved for those contracts that were available for renewal in each period.

Net income increased $17.6 million for the three months ended September 30, 2007 as compared with the same period in 2006. This increase was primarily attributable to improved net operating income, offset by decreased net realized investment results. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income increased $44.5 million for the three months ended September 30, 2007 as compared with the same period in 2006. This increase was primarily driven by increased favorable net prior year development and increased net investment income.

The combined ratio improved 6.5 points for the three months ended September 30, 2007 as compared with the same period in 2006. The loss ratio improved 7.1 points primarily due to increased favorable net prior year development and decreased catastrophe losses. Catastrophe losses were $6.2 million after-tax and minority interest in the third quarter of 2007, as compared to $12.6 million after-tax and minority interest in the same period of 2006. These favorable impacts were partially offset by higher current accident year loss ratios related to the decline in rates.

The expense ratio increased 0.7 points for the three months ended September 30, 2007 as compared with the same period in 2006, reflecting the impact of declining earned premiums.

Favorable net prior year development of $84.0 million was recorded for the three months ended September 30, 2007, including $77.0 million of favorable claim and allocated claim adjustment expense reserve development and $7.0 million of favorable premium development. Favorable net prior year development of $13.0 million, including $6.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $19.0 million of favorable premium development, was recorded for the three months ended September 30, 2006. Further information on Standard Lines net prior year development for the three months ended September 30, 2007 and 2006 is included in Note 7 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Nine Months Ended September 30, 2007 Compared to 2006

Net written premiums for Standard Lines decreased $223.0 million for the nine months ended September 30, 2007 as compared with the same period in 2006. Premiums written were primarily impacted by decreased production and decreased favorable premium development in 2007 as compared to 2006. Net earned premiums decreased $141.0 million for the nine months ended September 30, 2007 as compared with the same period in 2006, consistent with the decreased premiums written.

Standard Lines averaged rate decreases of 3.0% for the nine months ended September 30, 2007, as compared to flat rates for the nine months ended September 30, 2006 for the contracts that renewed during those periods. Retention rates of 79.0% and 81.0% were achieved for those contracts that were available for renewal in each period.

Net income increased $25.6 million for the nine months ended September 30, 2007 as compared with the same period in 2006. This increase was attributable to improved net operating results, partially offset by higher net realized investment losses. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income increased $95.5 million for the nine months ended September 30, 2007 as compared with the same period in 2006. This increase was primarily driven by increased favorable net prior year development and increased net investment income.

The combined ratio improved 3.4 points for the nine months ended September 30, 2007 as compared with the same period in 2006. The loss ratio improved 3.2 points primarily due to increased favorable net prior year development, partially offset by higher current accident year loss ratios related to the decline in rates and increased catastrophe losses. Catastrophe losses were $30.2 million after-tax and minority interest for the nine months ended September 30, 2007, as compared to $22.7 million after-tax and minority interest in the same period of 2006.

The dividend ratio improved 0.3 points for the nine months ended September 30, 2007 as compared with the same period in 2006 due to favorable dividend development in the workers' compensation line of business.

Favorable net prior year development of $117.0 million was recorded for the nine months ended September 30, 2007, including $97.0 million of favorable claim and allocated claim adjustment expense reserve development and $20.0 million of favorable premium development. Favorable net prior year development of $22.0 million, including $70.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $92.0 million of favorable premium development, was recorded for the nine months ended September 30, 2006. Further information on Standard Lines net prior year development for the nine months ended September 30, 2007 and 2006 is included in Note 7 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

The following table summarizes the gross and net carried reserves as of September 30, 2007 and December 31, 2006 for Standard Lines.

	September 30, 2007	December 31, 2006
(In millions)		
Gross Case Reserves	**$ 6,868.0**	$ 6,746.0
Gross IBNR Reserves	**7,879.0**	8,188.0
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 14,747.0**	$ 14,934.0
Net Case Reserves	**$ 5,407.0**	$ 5,234.0
Net IBNR Reserves	**6,376.0**	6,632.0
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 11,783.0**	$ 11,866.0

Specialty Lines

The following table summarizes the results of operations for Specialty Lines.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions, except %)				
Net written premiums	**$ 683.0**	$ 675.0	**$ 1,972.0**	$ 1,948.0
Net earned premiums	**672.0**	654.0	**1,977.0**	1,915.0
Net investment income	**113.1**	100.2	**343.5**	286.6
Net operating income	**103.5**	107.5	**330.8**	311.5
Net realized investment gains (losses)	**(7.3)**	3.6	**(30.1)**	(2.4)
Net income	**96.2**	111.1	**300.7**	309.1
Ratios:				
Loss and loss adjustment expense	**62.3%**	60.7%	**61.6%**	60.4%
Expense	**27.3**	25.8	**26.7**	26.4
Dividend	**0.2**	0.1	**0.2**	0.1
Combined	**89.8%**	86.6%	**88.5%**	86.9%

Three Months Ended September 30, 2007 Compared to 2006

Net written premiums for Specialty Lines increased $8.0 million for the three months ended September 30, 2007 as compared to the same period in 2006. Premiums written were unfavorably impacted by decreased production as compared to the third quarter of 2006. The decreased production reflects CNA's disciplined participation in the current competitive market. The competitive market conditions are expected to put ongoing pressure on premium and income levels, and the expense ratio. This unfavorable impact was more than offset by decreased ceded premiums. The US Specialty Lines reinsurance structure was primarily quota share reinsurance through April 2007. CNA elected not to renew this coverage upon its expiration. With CNA's current diversification in the previously reinsured lines of business and CNA's management of the gross limits on the business written, it did not believe the cost of renewing the program was commensurate with its projected benefit. Net earned premiums increased $18.0 million for the three months ended September 30, 2007 as compared with the same period in 2006, which reflects the increased net written premiums over the past several quarters in Specialty Lines.

Specialty Lines averaged rate decreases of 5.0% for the three months ended September 30, 2007 as compared to decreases of 1.0% for the three months ended September 30, 2006 for the contracts that renewed during those periods. Retention rates of 83.0% and 86.0% were achieved for those contracts that were available for renewal in each period.

Net income decreased $14.9 million for the three months ended September 30, 2007 as compared with the same period in 2006. This decrease was primarily attributable to decreases in net realized investment results. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income decreased $4.0 million for the three months ended September 30, 2007 as compared with the same period in 2006. This decrease was primarily driven by increased unfavorable net prior year development and increased expenses. These decreases were partially offset by increased net investment income.

The combined ratio increased 3.2 points for the three months ended September 30, 2007 as compared with the same period in 2006. The loss ratio increased 1.6 points, primarily due to increased unfavorable net prior year development.

The expense ratio increased 1.5 points for the three months ended September 30, 2007 as compared with the same period in 2006. The expense ratio was unfavorably impacted by higher direct commissions on the mix of accounts written during the quarter.

Unfavorable net prior year development of $12.0 million, including $13.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $1.0 million of favorable premium development, was recorded for the three months ended September 30, 2007. Unfavorable net prior year development of $2.0 million, including $4.0 million of favorable claim and allocated claim adjustment expense reserve development and $6.0 million of unfavorable premium development, was recorded for the three months ended September 30, 2006. Further information on Specialty Lines net prior year development for the three months ended September 30, 2007 and 2006 is included in Note 7 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Nine Months Ended September 30, 2007 Compared to 2006

Net written premiums for Specialty Lines increased $24.0 million and net earned premiums increased $62.0 million for the nine months ended September 30, 2007 as compared with the same period in 2006, consistent with the reasons discussed in the three month comparison above.

Specialty Lines averaged rate decreases of 4.0% for the nine months ended September 30, 2007 as compared to flat averaged rates for the nine months ended September 30, 2006 for the contracts that renewed during those periods. Retention rates of 84.0% and 87.0% were achieved for those contracts that were available for renewal in each period.

Net income decreased $8.4 million for the nine months ended September 30, 2007 as compared with the same period in 2006. This decrease was primarily attributable to higher net realized investment losses, substantially offset by improved net operating income. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net operating income increased $19.3 million for the nine months ended September 30, 2007 as compared with the same period in 2006. This increase in net operating income was primarily due to increased net investment income, partially offset by unfavorable net prior year development in 2007.

The combined ratio increased 1.6 points for the nine months ended September 30, 2007 as compared with the same period in 2006. The loss ratio increased 1.2 points, primarily due to unfavorable net prior year development and higher current accident year loss ratios related to the decline in rates.

The expense ratio increased 0.3 points for the nine months ended September 30, 2007 as compared with the same period in 2006. The expense ratio was unfavorably impacted by higher direct commissions as discussed in the three month comparison, partially offset by a change in estimate related to dealer profit commissions in the warranty line of business.

Unfavorable net prior year development of $11.0 million, including $19.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $8.0 million of favorable premium development, was recorded for the nine months ended September 30, 2007. Favorable claim and allocated claim adjustment expense reserve development of $1.0 million was recorded for the nine months ended September 30, 2006. There was no premium development recorded for the nine months ended September 30, 2006.

The following table summarizes the gross and net carried reserves as of September 30, 2007 and December 31, 2006 for Specialty Lines.

(In millions)	**September 30, 2007**	December 31, 2006
Gross Case Reserves	**$ 1,705.0**	$ 1,715.0
Gross IBNR Reserves	**4,277.0**	3,814.0
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 5,982.0**	$ 5,529.0
Net Case Reserves	**$ 1,370.0**	$ 1,350.0
Net IBNR Reserves	**3,263.0**	2,921.0
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 4,633.0**	$ 4,271.0

Life and Group Non-Core

The following table summarizes the results of operations for Life and Group Non-Core.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Net earned premiums	**$ 156.0**	$ 160.0	**$ 469.0**	$ 482.0
Net investment income	**145.1**	179.6	**494.5**	504.2
Net operating loss	**(116.5)**	(13.1)	**(126.3)**	(11.6)
Net realized investment losses	**(5.0)**	(6.3)	**(14.8)**	(33.4)
Net loss	**(121.5)**	(19.4)	**(141.1)**	(45.0)

Three Months Ended September 30, 2007 Compared to 2006

Net earned premiums for Life and Group Non-Core decreased $4.0 million for the three months ended September 30, 2007 as compared with the same period in 2006. The net earned premiums relate primarily to the group and individual long term care businesses.

Net loss increased $102.1 million for the three months ended September 30, 2007 as compared with the same period in 2006. The increase in net loss was primarily due to the after-tax and minority interest loss of $96.0 million related to the settlement of the IGI Contingency as further discussed in Note 12 of the Notes to Consolidated Condensed Financial Statements included under Item 1. Net loss was also impacted by lower net investment income related to the pension deposit business. Partially offsetting these unfavorable impacts were improved results for life settlement contracts. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Nine Months Ended September 30, 2007 Compared to 2006

Net earned premiums for Life and Group Non-Core decreased $13.0 million for the nine months ended September 30, 2007 as compared with the same period in 2006.

Net loss increased $96.1 million for the nine months ended September 30, 2007 as compared with the same period in 2006. The increase in net loss was primarily related to the items discussed in the three month comparison. These unfavorable impacts were partially offset by lower net realized investment losses.

Other Insurance

The following table summarizes the results of operations for the Other Insurance segment, including APMT and intrasegment eliminations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Net investment income	**$ 74.0**	$ 81.0	**$ 238.0**	$ 226.0
Revenues	**60.8**	88.4	**201.2**	197.2
Net operating income	**11.5**	16.4	**29.1**	35.6
Net realized investment gains (losses)	**(3.7)**	16.6	**(7.5)**	5.9
Net income	**7.8**	33.0	**21.6**	41.5

Three Months Ended September 30, 2007 Compared to 2006

Revenues decreased $27.6 million for the three months ended September 30, 2007 as compared with the same period in 2006. Revenues were unfavorably impacted by decreased net realized investment results and decreased net investment income. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net income decreased $25.2 million for the three months ended September 30, 2007 as compared with the same period in 2006. The decrease in net results was primarily due to decreased revenues as discussed above, unfavorable net prior year development in 2007 and increased current accident year losses related to mass torts.

Unfavorable net prior year development of $5.0 million was recorded for the three months ended September 30, 2007, including $7.0 million of unfavorable net prior year claim and allocated claim adjustment expense reserve development and $2.0 million of favorable premium development. There was $3.0 million of unfavorable claim and allocated claim adjustment expense reserve development and $3.0 million of favorable premium development, resulting in no net prior year development for the three months ended September 30, 2006.

Nine Months Ended September 30, 2007 Compared to 2006

Revenues increased $4.0 million for the nine months ended September 30, 2007 as compared with the same period in 2006. The increase in revenues was primarily due to increased net investment income and favorable net prior year premium development. These favorable impacts were partially offset by decreased net realized investment results. See the Investments section of this MD&A for further discussion of net investment income and net realized investment results.

Net income decreased $19.9 million for the nine months ended September 30, 2007 as compared with the same period in 2006. The decrease was primarily due to an increase in interest costs on corporate debt and increased current accident year losses related to mass torts. In addition, the 2006 results included a release of a restructuring accrual. These unfavorable impacts were partially offset by the increased revenues as discussed above and a loss in 2006 related to a commutation.

Unfavorable net prior year development of $14.0 million was recorded for the nine months ended September 30, 2007, including $19.0 million of unfavorable net prior year claim and allocated claim adjustment expense reserve development and $5.0 million of favorable premium development. Unfavorable net prior year development of $16.0 million, including $15.0 million of unfavorable net prior year claim and allocated claim adjustment expense reserve development and $1.0 million of unfavorable premium development, was recorded for the nine months ended September 30, 2006. Further information on Other Insurance net prior year development for the nine months ended September 30, 2007 and 2006 is included in Note 7 of the Notes to Consolidated Condensed Financial Statements under Item 1.

The following table summarizes the gross and net carried reserves as of September 30, 2007 and December 31, 2006 for Other Insurance.

	September 30, 2007	December 31, 2006
(In millions)		
Gross Case Reserves	**$ 2,247.0**	$ 2,511.0
Gross IBNR Reserves	**2,919.0**	3,528.0
Total Gross Carried Claim and Claim Adjustment Expense Reserves	**$ 5,166.0**	$ 6,039.0
Net Case Reserves	**$ 1,388.0**	$ 1,453.0
Net IBNR Reserves	**1,745.0**	1,999.0
Total Net Carried Claim and Claim Adjustment Expense Reserves	**$ 3,133.0**	$ 3,452.0

APMT Reserves

CNA's property and casualty insurance subsidiaries have actual and potential exposures related to APMT claims.

Establishing reserves for APMT claim and claim adjustment expenses is subject to uncertainties that are greater than those presented by other claims. Traditional actuarial methods and techniques employed to estimate the ultimate cost of claims for more traditional property and casualty exposures are less precise in estimating claim and claim adjustment expense reserves for APMT, particularly in an environment of emerging or potential claims and coverage issues that arise from industry practices and legal, judicial, and social conditions. Therefore, these traditional actuarial methods and techniques are necessarily supplemented with additional estimating techniques and methodologies, many of which involve significant judgments that are required on CNA's part. Accordingly, a high degree of uncertainty remains for CNA's ultimate liability for APMT claim and claim adjustment expenses.

In addition to the difficulties described above, estimating the ultimate cost of both reported and unreported APMT claims is subject to a higher degree of variability due to a number of additional factors, including among others: the number and outcome of direct actions against CNA; coverage issues, including whether certain costs are covered under the policies and whether policy limits apply; allocation of liability among numerous parties, some of whom may be in bankruptcy proceedings, and in particular the application of “joint and several” liability to specific insurers on a risk; inconsistent court decisions and developing legal theories; continuing aggressive tactics of plaintiffs’ lawyers; the risks and lack of predictability inherent in major litigation; enactment of state and federal legislation to address asbestos claims; the potential for increases and decreases in asbestos, environmental pollution and mass tort claims which cannot now be anticipated; the potential for increases and decreases in costs to defend asbestos, pollution and mass tort claims; the possibility of expanding theories of liability against CNA’s policyholders in environmental and mass tort matters; possible exhaustion of underlying umbrella and excess coverage; and future developments pertaining to CNA’s ability to recover reinsurance for asbestos, pollution and mass tort claims.

Due to the inherent uncertainties in estimating claim and claim adjustment expense reserves for APMT and due to the significant uncertainties described related to APMT claims, CNA’s ultimate liability for these cases, both individually and in aggregate, may exceed the recorded reserves. Any such potential additional liability, or any range of potential additional amounts, cannot be reasonably estimated currently, but could be material to CNA’s business, insurer financial strength and debt ratings and our results of operations and equity. Due to, among other things, the factors described above, it may be necessary for CNA to record material changes in its APMT claim and claim adjustment expense reserves in the future, should new information become available or other developments emerge.

CNA has annually performed ground up reviews of all open APMT claims to evaluate the adequacy of its APMT reserves. In performing the comprehensive ground up analysis, CNA considers input from its professionals with direct responsibility for the claims, inside and outside counsel with responsibility for its representation and its actuarial staff. These professionals consider, among many factors, the policyholder’s present and predicted future exposures, including such factors as claims volume, trial conditions, prior settlement history, settlement demands and defense costs; the impact of asbestos defendant bankruptcies on the policyholder; facts or allegations regarding the policies CNA issued or are alleged to have issued, including such factors as aggregate or per occurrence limits, whether the policy is primary, umbrella or excess, and the existence of policyholder retentions and/or deductibles; the policyholders’ allegations; the existence of other insurance; and reinsurance arrangements.

Further information on APMT claim and claim adjustment expense reserves and net prior year development is included in Note 7 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Asbestos

In the past several years, CNA experienced, at certain points in time, significant increases in claim counts for asbestos-related claims. The factors that led to these increases included, among other things, intensive advertising campaigns by lawyers for asbestos claimants, mass medical screening programs sponsored by plaintiff lawyers and the addition of new defendants such as the distributors and installers of products containing asbestos. In recent years, the rate of new filings has decreased. Various challenges to mass screening claimants have been successful. Historically, the majority of asbestos bodily injury claims have been filed by persons exhibiting few, if any, disease symptoms. Studies have concluded that the percentage of unimpaired claimants to total claimants ranges between 66.0% and up to 90.0%. Some courts and some state statutes mandate that so-called “unimpaired” claimants may not recover unless at some point the claimant’s condition worsens to the point of impairment. Some plaintiffs classified as “unimpaired” continue to challenge those orders and statutes. Therefore, the ultimate impact of the orders and statutes on future asbestos claims remains uncertain.

Several factors are, in CNA’s view, negatively impacting asbestos claim trends. Plaintiff attorneys who previously sued entities that are now bankrupt continue to seek other viable targets. As a result, companies with few or no previous asbestos claims are becoming targets in asbestos litigation and, although they may have little or no liability, nevertheless must be defended. Additionally, plaintiff attorneys and trustees for future claimants are demanding that policy limits be paid lump-sum into the bankruptcy asbestos trusts prior to presentation of valid claims and medical proof of these claims. Various challenges to these practices have succeeded in litigation, and are continuing to be litigated. Plaintiff attorneys and trustees for future claimants are also attempting to devise claims payment procedures for bankruptcy trusts that would allow asbestos claims to be paid under lax standards for injury, exposure and causation. This also presents the potential for exhausting policy limits in an accelerated fashion. Challenges to these practices are being mounted, though the ultimate impact or success of these tactics remains uncertain.

As a result of bankruptcies and insolvencies, CNA had in the past observed an increase in the total number of policyholders with current asbestos claims as additional defendants were added to existing lawsuits and were named in new asbestos bodily injury lawsuits. During the last few years the rate of new bodily injury claims had moderated and most recently the new claims filing rate has decreased although the number of policyholders claiming coverage for asbestos related claims has remained relatively constant in the past several years. CNA has resolved a number of its large asbestos accounts by negotiating settlement agreements. Structured settlement agreements provide for payments over multiple years as set forth in each individual agreement.

In 1985, 47 asbestos producers and their insurers, including The Continental Insurance Company ("CIC"), executed the Wellington Agreement. The agreement was intended to resolve all issues and litigation related to coverage for asbestos exposures. Under this agreement, signatory insurers committed scheduled policy limits and made the limits available to pay asbestos claims based upon coverage blocks designated by the policyholders in 1985, subject to extension by policyholders. CIC was a signatory insurer to the Wellington Agreement.

CNA has also used coverage in place agreements to resolve large asbestos exposures. Coverage in place agreements are typically agreements between CNA and its policyholders identifying the policies and the terms for payment of asbestos related liabilities. Claims payments are contingent on presentation of adequate documentation showing exposure during the policy periods and other documentation supporting the demand for claims payment. Coverage in place agreements may have annual payment caps. Coverage in place agreements are evaluated based on claims filings trends and severities.

CNA categorizes active asbestos accounts as large or small accounts. CNA defines a large account as an active account with more than $100,000 of cumulative paid losses. CNA has made resolving large accounts a significant management priority. Small accounts are defined as active accounts with $100,000 or less of cumulative paid losses. Approximately 81.8% and 83.1% of CNA's total active asbestos accounts are classified as small accounts at September 30, 2007 and December 31, 2006.

CNA also evaluates its asbestos liabilities arising from its assumed reinsurance business and its participation in various pools, including Excess & Casualty Reinsurance Association ("ECRA").

IBNR reserves relate to potential development on accounts that have not settled and potential future claims from unidentified policyholders.

The tables below depict CNA's overall pending asbestos accounts and associated reserves at September 30, 2007 and December 31, 2006.

September 30, 2007	**Number of Policyholders**	**Net Paid Losses**	**Net Asbestos Reserves**	**Percent of Asbestos Net Reserves**
(In millions of dollars)				
Policyholders with settlement agreements				
Structured settlements	**14**	**$ 27.0**	**$ 158.0**	**11.8%**
Wellington	**3**	**1.0**	**13.0**	**1.0**
Coverage in place	**36**	**39.0**	**84.0**	**6.3**
Total with settlement agreements	**53**	**67.0**	**255.0**	**19.1**
Other policyholders with active accounts				
Large asbestos accounts	**228**	**43.0**	**206.0**	**15.4**
Small asbestos accounts	**1,028**	**4.0**	**84.0**	**6.3**
Total other policyholders	**1,256**	**47.0**	**290.0**	**21.7**
Assumed reinsurance and pools		**7.0**	**134.0**	**10.0**
Unassigned IBNR			**658.0**	**49.2**
Total	**1,309**	**$ 121.0**	**$ 1,337.0**	**100.0%**

December 31, 2006	Number of Policyholders	Net Paid (Recovered) Losses	Net Asbestos Reserves	Percent of Asbestos Net Reserves
Policyholders with settlement agreements				
Structured settlements	15	$ 22.0	$ 171.0	11.8%
Wellington	3	(1.0)	14.0	1.0
Coverage in place	38	(18.0)	132.0	9.0
Total with settlement agreements	56	3.0	317.0	21.8
Other policyholders with active accounts				
Large asbestos accounts	220	76.0	254.0	17.5
Small asbestos accounts	1,080	17.0	101.0	7.0
Total other policyholders	1,300	93.0	355.0	24.5
Assumed reinsurance and pools		6.0	141.0	9.7
Unassigned IBNR			639.0	44.0
Total	1,356	$ 102.0	$ 1,452.0	100.0%

Some asbestos-related defendants have asserted that their insurance policies are not subject to aggregate limits on coverage. CNA has such claims from a number of insureds. Some of these claims involve insureds facing exhaustion of products liability aggregate limits in their policies, who have asserted that their asbestos-related claims fall within so-called “non-products” liability coverage contained within their policies rather than products liability coverage, and that the claimed “non-products” coverage is not subject to any aggregate limit. It is difficult to predict the ultimate size of any of the claims for coverage purportedly not subject to aggregate limits or predict to what extent, if any, the attempts to assert “non-products” claims outside the products liability aggregate will succeed. CNA’s policies also contain other limits applicable to these claims and CNA has additional coverage defenses to certain claims. CNA has attempted to manage its asbestos exposure by aggressively seeking to settle claims on acceptable terms. There can be no assurance that any of these settlement efforts will be successful, or that any such claims can be settled on terms acceptable to CNA. Where CNA cannot settle a claim on acceptable terms, CNA aggressively litigates the claim. However, adverse developments with respect to such matters could have a material adverse effect on our results of operations and/or equity.

As a result of the uncertainties and complexities involved, reserves for asbestos claims cannot be estimated with traditional actuarial techniques that rely on historical accident year loss development factors. In establishing asbestos reserves, CNA evaluates the exposure presented by each insured. As part of this evaluation, CNA considers the available insurance coverage; limits and deductibles; the potential role of other insurance, particularly underlying coverage below any of its excess liability policies; and applicable coverage defenses, including asbestos exclusions. Estimation of asbestos-related claim and claim adjustment expense reserves involves a high degree of judgment on CNA’s part and consideration of many complex factors, including: inconsistency of court decisions, jury attitudes and future court decisions; specific policy provisions; allocation of liability among insurers and insureds; missing policies and proof of coverage; the proliferation of bankruptcy proceedings and attendant uncertainties; novel theories asserted by policyholders and their counsel; the targeting of a broader range of businesses and entities as defendants; the uncertainty as to which other insureds may be targeted in the future and the uncertainties inherent in predicting the number of future claims; volatility in claim numbers and settlement demands; increases in the number of non-impaired claimants and the extent to which they can be precluded from making claims; the efforts by insureds to obtain coverage not subject to aggregate limits; long latency period between asbestos exposure and disease manifestation and the resulting potential for involvement of multiple policy periods for individual claims; medical inflation trends; the mix of asbestos-related diseases presented and the ability to recover reinsurance.

CNA is involved in significant asbestos-related claim litigation, which is described in Note 7 of the Notes to Consolidated Condensed Financial Statements included under Item 1.

Environmental Pollution and Mass Tort

Environmental pollution cleanup is the subject of both federal and state regulation. By some estimates, there are thousands of potential waste sites subject to cleanup. The insurance industry has been 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. The Comprehensive Environmental Response Compensation and Liability Act of 1980 (“Superfund”) and comparable state statutes (“mini-Superfunds”) govern the cleanup and restoration of toxic waste sites and formalize the concept of legal liability for cleanup and restoration by “Potentially Responsible Parties” (“PRPs”). Superfund and the mini-Superfunds establish mechanisms to pay for cleanup of waste sites if PRPs fail to do so and assign liability to PRPs. The extent of liability to be allocated to a PRP is dependent upon a variety of factors. Further, the number of waste sites subject to cleanup is unknown. To date, approximately 1,500 cleanup sites have been identified by the Environmental Protection Agency ("EPA") and included on its National Priorities List ("NPL"). State authorities have designated many cleanup sites as well.

Many policyholders have made claims against CNA for defense costs and indemnification in connection with environmental pollution matters. The vast majority of these claims relate to accident years 1989 and prior, which coincides with CNA's adoption of the Simplified Commercial General Liability coverage form, which includes what is referred to in the industry as absolute pollution exclusion. CNA and the insurance industry are disputing coverage for many such claims. Key coverage issues include whether cleanup costs are considered damages under the policies, trigger of coverage, allocation of liability among triggered policies, applicability of pollution exclusions and owned property exclusions, the potential for joint and several liability and the definition of an occurrence. To date, courts have been inconsistent in their rulings on these issues.

CNA has made resolution of large environmental pollution exposures a management priority. CNA has resolved a number of its large environmental accounts by negotiating settlement agreements. In its settlements, CNA sought to resolve those exposures and obtain the broadest release language to avoid future claims from the same policyholders seeking coverage for sites or claims that had not emerged at the time CNA settled with its policyholder. While the terms of each settlement agreement vary, CNA sought to obtain broad environmental releases that include known and unknown sites, claims and policies. The broad scope of the release provisions contained in those settlement agreements should, in many cases, prevent future exposure from settled policyholders. It remains uncertain, however, whether a court interpreting the language of the settlement agreements will adhere to the intent of the parties and uphold the broad scope of language of the agreements.

CNA classifies its environmental pollution accounts into several categories, which include structured settlements, coverage in place agreements and active accounts. Structured settlement agreements provide for payments over multiple years as set forth in each individual agreement.

CNA has also used coverage in place agreements to resolve pollution exposures. Coverage in place agreements are typically agreements between CNA and its policyholders identifying the policies and the terms for payment of pollution related liabilities. Claims payments are contingent on presentation of adequate documentation of damages during the policy periods and other documentation supporting the demand for claims payment. Coverage in place agreements may have annual payment caps.

CNA categorizes active accounts as large or small accounts in the pollution area. CNA defines a large account as an active account with more than $100,000 cumulative paid losses. CNA has made closing large accounts a significant management priority. Small accounts are defined as active accounts with $100,000 or less cumulative paid losses. Approximately 75.7% and 75.1% of CNA's total active pollution accounts are classified as small accounts as of September 30, 2007 and December 31, 2006.

CNA also evaluates its environmental pollution exposures arising from its assumed reinsurance and its participation in various pools, including ECRA.

CNA carries unassigned IBNR reserves for environmental pollution. These reserves relate to potential development on accounts that have not settled and potential future claims from unidentified policyholders.

The tables below depict CNA's overall pending environmental pollution accounts and associated reserves at September 30, 2007 and December 31, 2006.

September 30, 2007	**Number of Policyholders**	**Net Paid Losses**	**Net Environmental Pollution Reserves**	**Percent of Environmental Pollution Net Reserve**
(In millions of dollars)				
Policyholders with Settlement Agreements				
Structured settlements	**9**	**$ 5.0**	**$ 6.0**	**2.4%**
Coverage in place	**18**	**3.0**	**11.0**	**4.3**
Total with Settlement Agreements	**27**	**8.0**	**17.0**	**6.7**
Other Policyholders with Active Accounts				
Large pollution accounts	**108**	**16.0**	**55.0**	**21.6**
Small pollution accounts	**336**	**5.0**	**42.0**	**16.5**
Total Other Policyholders	**444**	**21.0**	**97.0**	**38.1**
Assumed Reinsurance & Pools		**1.0**	**31.0**	**12.2**
Unassigned IBNR			**110.0**	**43.0**
Total	**471**	**$ 30.0**	**$ 255.0**	**100.0%**

December 31, 2006				
Policyholders with Settlement Agreements				
Structured settlements	11	$ 16.0	$ 9.0	3.2%
Coverage in place	18	5.0	14.0	4.9
Total with Settlement Agreements	29	21.0	23.0	8.1
Other Policyholders with Active Accounts				
Large pollution accounts	115	20.0	58.0	20.4
Small pollution accounts	346	9.0	46.0	16.1
Total Other Policyholders	461	29.0	104.0	36.5
Assumed Reinsurance & Pools		1.0	32.0	11.2
Unassigned IBNR			126.0	44.2
Total	490	$ 51.0	$ 285.0	100.0%

Lorillard

Lorillard, Inc. and subsidiaries ("Lorillard"). Lorillard is a wholly owned subsidiary.

The following table summarizes the results of operations for Lorillard for the three and nine months ended September 30, 2007 and 2006 as presented in Note 15 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2007	2006	**2007**	2006
(In millions)				
Revenues:				
Manufactured products	**$ 1,043.8**	$ 986.0	**$ 3,012.2**	$ 2,818.1
Net investment income	**30.8**	27.4	**86.8**	71.6
Investment gains (losses)	**2.8**	0.1	**2.9**	(0.5)
Other			**0.4**	0.1
Total	**1,077.4**	1,013.5	**3,102.3**	2,889.3
Expenses:				
Cost of manufactured products sold	**613.9**	573.7	**1,771.7**	1,638.0
Other operating	**82.9**	83.6	**250.1**	285.3
Total	**696.8**	657.3	**2,021.8**	1,923.3
	380.6	356.2	**1,080.5**	966.0
Income tax expense	**136.9**	137.3	**396.1**	374.5
Net income	**$ 243.7**	$ 218.9	**$ 684.4**	$ 591.5

Revenues increased by $63.9 million and $213.0 million, or 6.3% and 7.4%, and net income increased by $24.8 million and $92.9 million, or 11.3% and 15.7%, in the three and nine months ended September 30, 2007, as compared to the corresponding periods of 2006.

The increase in revenues in the three months ended September 30, 2007, as compared to the corresponding period of 2006, is due to higher net sales of $57.8 million and higher investment income of $6.1 million. Net sales revenue increased $34.6 million due to higher average unit prices resulting from December 2006 and September 2007 price increases and $57.4 million due to higher effective unit prices reflecting lower sales promotion expenses, partially offset by a decrease of $34.2 million due to product promotions.

Net income increased in the three months ended September 30, 2007, as compared to the corresponding period of 2006, due primarily to the higher revenues discussed above and lower income tax expense, partially offset by a $7.5 million increase in promotional product expenses included in cost of manufactured products sold and higher State Settlement Agreement costs as described below. Income tax expense in 2007 was $9.8 million lower due primarily to the statutory increase in the tax benefit related to the manufacturer's deduction.

Lorillard recorded pretax charges of $277.1 million and $242.8 million ($177.5 million and $149.3 million after taxes) for the three months ended September 30, 2007 and 2006, respectively, to record its obligations under settlement agreements entered into between the major cigarette manufacturers, including Lorillard, and each of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico and certain U.S. territories (together, the "State Settlement Agreements"). Lorillard's portion of ongoing adjusted settlement payments and related legal fees is based on its share of domestic cigarette shipments in the year preceding that in which the payment is due. Accordingly, Lorillard records its portion of ongoing settlement payments as part of cost of manufactured products sold as the related sales occur. The $34.3 million pretax increase in tobacco settlement costs in the three months ended September 30, 2007 is due to an increase in the payment base ($28.3 million) effective January 1, 2007, the impact of the inflation adjustment ($10.5 million) partially offset by lower gross unit sales ($4.6 million) under the State Settlement Agreements,.

The increase in revenues in the nine months ended September 30, 2007, as compared to the corresponding period of 2006, is due to higher net sales of $194.1 million and higher investment income of $18.9 million. Net sales revenue increased $108.9 million due to higher average unit prices resulting from December 2006 and September 2007 price increases and $111.9 million due to higher effective unit prices reflecting lower sales promotion expenses, partially offset by $26.7 million due to product promotions.

Net income increased in the nine months ended September 30, 2007, as compared to the corresponding period of 2006, due primarily to the higher revenues discussed above, lower other operating expenses and lower income tax expense, partially offset by a $26.4 million increase in promotional product expenses included in cost of manufactured products sold and higher State Settlement Agreement costs as described below. Other operating expenses in 2006 included $16.4 million of costs related to a restructuring of the sales organization. Income tax expense in 2007 was $22.8 million lower due primarily to the statutory increase in the tax benefit related to the manufacturer's deduction.

Lorillard recorded pretax charges of $801.4 million and $696.3 million ($507.6 million and $426.4 million after taxes) for the nine months ended September 30, 2007 and 2006, respectively, to record its obligations under the State Settlement Agreements. The $105.1 million pretax increase in tobacco settlement costs in the nine months ended September 30, 2007 is due to an increase in the base payment ($79.2 million) effective January 1, 2007, the impact of the inflation adjustment ($29.1 million) and higher gross unit sales ($2.7 million), partially offset by other adjustments ($5.9 million) under the State Settlement Agreements.

Lorillard regularly reviews results of its promotional spending activities and adjusts its promotional spending programs in an effort to maintain its competitive position. Accordingly, unit sales volume and sales promotion costs in any particular quarter are not necessarily indicative of sales and costs that may be realized in subsequent periods.

Overall, domestic industry unit sales volume decreased 1.6% and 4.0% in the three and nine months ended September 30, 2007, as compared with the corresponding periods of 2006. Industry sales for premium brands were 72.8% and 73.2% of the total market in the three and nine months ended September 30, 2007, as compared to 72.6% and 72.2% in the corresponding periods of 2006.

Lorillard's total (domestic, Puerto Rico and certain U.S. Territories) gross unit sales volume decreased 1.6% in the three months ended September 30, 2007 and increased 0.4% in the nine months ended September 30, 2007, as compared to the corresponding period of 2006. Domestic wholesale volume decreased 1.6% in the three months ended September 30, 2007 and increased 0.3% in the nine months ended September 30, 2007, as compared to the corresponding periods of 2006. Total and Domestic Newport unit sales volume decreased 1.6% in the three months ended September 30, 2007 and increased 0.7% in the nine months ended September 30, 2007, as compared with the corresponding periods of 2006. On-going competitive promotions and the availability of deep discount brands continue to affect these results.

Deep discount brands are produced by manufacturers that are subject to lower payment obligations under State Settlement Agreements. This cost advantage enables them to price their brands more than 50% lower than the list prices of premium brand offerings from major manufacturers. As a result of this price differential, deep discount brands have grown from an estimated share in 1998 of less than 1.5% to an estimated 13.0% for the third quarter of 2007, and continue to be a significant competitive factor in the domestic U.S. market. Deep discount brands increased by a 0.3 share in the third quarter of 2007, as compared with the corresponding period of 2006.

The costs of litigating and administering product liability claims, as well as other legal expenses, are included in other operating expenses. Lorillard's outside legal fees and other external product liability defense costs were $12.0 million, $12.6 million, $40.2 million and $48.9 million for the three and nine months ended September 30, 2007 and 2006, respectively. Numerous factors affect product liability defense costs. The principal factors are as follows:

- the number and types of cases filed and appealed;
- the number of cases tried and appealed;
- the development of the law;
- the application of new or different theories of liability by plaintiffs and their counsel; and
- litigation strategy and tactics.

Please read Note 12 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report for detailed information regarding tobacco litigation. The factors that have influenced past product liability defense costs are expected to continue to influence future costs. Although Lorillard does not expect that product liability defense costs will increase significantly in the future, it is possible that adverse developments in the factors discussed above, as well as other circumstances beyond the control of Lorillard, could have a material adverse effect on our financial condition, results of operations or cash flows.

Selected Market Share Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(Units in billions)				
Total domestic Lorillard unit volume (1)	**9.466**	9.623	**27.327**	27.232
Total domestic industry unit volume (1)	**94.900**	96.417	**270.711**	280.033
Lorillard's share of the domestic market (1)	**10.0%**	10.0%	**10.1%**	9.7%
Lorillard's premium segment as a percentage of its total domestic volume (1)	**94.3%**	94.7%	**94.6%**	94.9%
Lorillard's share of the premium segment (1)	**12.9%**	13.0%	**13.0%**	12.7%
Newport share of the domestic market (1)	**9.1%**	9.1%	**9.3%**	8.8%
Newport share of the premium segment (1)	**12.5%**	12.6%	**12.7%**	12.3%
Total menthol segment market share for the industry (2)	**28.4%**	27.8%	**28.4%**	27.7%
Total discount segment market share for the industry (1)	**27.2%**	27.4%	**26.8%**	27.8%
Newport's share of the menthol segment (2)	**33.8%**	33.6%	**33.7%**	33.1%
Newport as a percentage of Lorillard's (3):				
Total volume	**91.8%**	91.8%	**92.1%**	91.8%
Net sales	**93.9%**	93.4%	**93.9%**	93.2%

Sources:
(1) Management Science Associates, Inc.
(2) Lorillard proprietary data
(3) Lorillard shipment reports

Unless otherwise specified, market share data in this MD&A is based on data made available by Management Science Associates, Inc. ("MSAI"), an independent third-party database management organization that collects wholesale shipment data from various cigarette manufacturers. MSAI divides the cigarette market into two price segments, the premium price segment and the discount or reduced price segment. MSAI's information relating to unit sales volume and market share of certain of the smaller, primarily deep discount, cigarette manufacturers is based on estimates derived by MSAI.

Lorillard management continues to believe that volume and market share information for deep discount manufacturers are understated and, correspondingly, share information for the larger manufacturers, including Lorillard, are overstated by MSAI.

Business Environment

The tobacco industry in the United States, including Lorillard, continues to be faced with a number of issues that have impacted or may adversely impact the business, results of operations and financial condition of Lorillard and us, including the following:

- A substantial volume of litigation seeking compensatory and punitive damages ranging into the billions of dollars, as well as equitable and injunctive relief, arising out of allegations of cancer and other health effects resulting from the use of cigarettes, addiction to smoking or exposure to environmental tobacco smoke, including claims for economic damages relating to alleged misrepresentation concerning the use of descriptors such as "lights," as well as other alleged damages. Please read Item 3 – Legal Proceedings of our 2006 Annual Report on Form 10-K and Note 12 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report for information with respect to litigation and the State Settlement Agreements.

- Substantial annual payments by Lorillard, continuing in perpetuity, and significant restrictions on marketing and advertising agreed to under the terms of the State Settlement Agreements. The State Settlement Agreements impose a stream of future payment obligations on Lorillard and the other major U.S. cigarette manufacturers and place significant restrictions on their ability to market and sell cigarettes.

- The continuing contraction of the U.S. cigarette market, in which Lorillard currently conducts its only significant business. As a result of price increases, restrictions on advertising and promotions, increases in regulation and excise taxes, health concerns, a decline in the social acceptability of smoking, increased pressure from anti-tobacco groups and other factors, U.S. cigarette shipments have decreased at a compound rate of approximately 2.5% over the 12 months ending September 1998 through the 12 months ending September 2007, according to information provided by MSAI.

- Substantial federal, state and local excise taxes which are reflected in the retail price of cigarettes. In the first nine months of 2007, the federal excise tax was $0.39 per pack and combined state and local excise taxes ranged from $0.07 to $3.66 per pack. In the first nine months of 2007, excise tax increases ranging from $0.20 to $1.00 per pack were implemented in ten states. Proposals continue to be made to increase federal, state and local excise taxes. One measure passed by Congress in September of 2007 would have increased the federal excise tax on cigarettes by $0.61 per pack to finance health insurance for children. While this bill was vetoed by the President, it is possible that similar bills or other proposals containing a federal excise tax increase may be considered by Congress in the future. Lorillard believes that increases in excise and similar taxes have had an adverse impact on sales of cigarettes and that future increases, the extent of which cannot be predicted, could result in further volume declines for the cigarette industry, including Lorillard, and an increased sales shift toward lower priced discount cigarettes rather than premium brands. In addition, Lorillard, other cigarette manufacturers and importers are required to pay an assessment under a federal law designed to fund payments to tobacco quota holders and growers.

- Substantial and increasing regulation of the tobacco industry and governmental restrictions on smoking. Bills have been introduced in the U.S. Congress to grant the Food and Drug Administration ("FDA") authority to regulate tobacco products. Lorillard believes that FDA regulations, if enacted, could among other things result in new restrictions on the manner in which cigarettes can be advertised and marketed, and may alter the way cigarette products are developed and manufactured. Lorillard also believes that any such proposals, if enacted, would provide Philip Morris, as the largest tobacco company in the country, with a competitive advantage.

Diamond Offshore

Diamond Offshore Drilling, Inc. and subsidiaries ("Diamond Offshore"). Diamond Offshore is a 51% owned subsidiary.

The following table summarizes the results of operations for Diamond Offshore for the three and nine months ended September 30, 2007 and 2006 as presented in Note 15 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2007	2006	**2007**	2006
(In millions)				
Revenues:				
Operating	**$ 646.5**	$ 517.6	**$ 1,909.0**	$ 1,478.8
Net investment income	**8.7**	10.0	**26.1**	26.8
Investment gains (losses)	**1.7**	0.1	**(1.3)**	(0.1)
Total	**656.9**	527.7	**1,933.8**	1,505.5
Expenses:				
Operating	**367.8**	300.1	**973.4**	819.7
Interest	**2.4**	6.2	**17.0**	18.7
Total	**370.2**	306.3	**990.4**	838.4
	286.7	221.4	**943.4**	667.1
Income tax expense	**89.6**	64.5	**292.1**	203.7
Minority interest	**101.7**	75.1	**333.6**	221.8
Net income	**$ 95.4**	$ 81.8	**$ 317.7**	$ 241.6

Diamond Offshore's revenues vary based upon demand, which affects the number of days the fleet is utilized and the dayrates earned. When a rig is idle, no dayrate is earned and revenues will decrease as a result. Revenues can also be affected as a result of the acquisition or disposal of rigs, required surveys and shipyard upgrades. In order to improve utilization or realize higher dayrates, Diamond Offshore may mobilize its rigs from one market to another. However, during periods of unpaid mobilization, revenues may be adversely affected. As a response to changes in demand, Diamond Offshore may withdraw a rig from the market by stacking it or may reactivate a rig stacked previously, which may decrease or increase revenues, respectively.

The two most significant variables affecting revenues are dayrates for rigs and rig utilization rates, each of which is a function of rig supply and demand in the marketplace. As utilization rates increase, dayrates tend to increase as well, reflecting the lower supply of available rigs, and vice versa. Demand for drilling services is dependent upon the level of expenditures set by oil and gas companies for offshore exploration and development as well as a variety of political and economic factors. The availability of rigs in a particular geographical region also affects both dayrates and utilization rates. These factors are not within Diamond Offshore's control and are difficult to predict.

Diamond Offshore's operating income is primarily affected by revenue factors, but is also a function of varying levels of operating expenses. Diamond Offshore's operating expenses represent all direct and indirect costs associated with the operation and maintenance of its drilling equipment. The principal components of Diamond Offshore's operating costs are, among other things, direct and indirect costs of labor and benefits, repairs and maintenance, freight, regulatory inspections, boat and helicopter rentals and insurance. Labor and repair and maintenance costs represent the most significant components of operating expenses. In the current period of high, sustained utilization, maintenance and repairs costs may increase in order to maintain Diamond Offshore's equipment in proper, working order. In general, Diamond Offshore's labor costs increase primarily due to higher salary levels, rig staffing requirements, inflation and costs associated with labor regulations in the geographic regions in which Diamond Offshore's rigs operate. Diamond Offshore has experienced and continues to experience upward pressure on salaries and wages as a result of the strengthening offshore drilling market and increased competition for skilled workers. In response to these market conditions, Diamond Offshore has implemented retention programs, including increases in compensation. Costs to repair and maintain equipment fluctuate depending upon the type of activity the drilling unit is performing, as well as the age and condition of the equipment.

Operating expenses generally are not affected by changes in dayrates and may not be significantly affected by short-term fluctuations in utilization. For instance, if a rig is to be idle for a short period of time, few decreases in operating expenses may actually occur since the rig is typically maintained in a prepared or "ready stacked" state with a full crew. In addition, when a rig is idle, Diamond Offshore is responsible for certain operating expenses such as rig fuel and supply boat costs, which are typically a cost of the operator when a rig is under contract. However, if the rig is to be idle for an extended period of time, Diamond Offshore may reduce the size of a rig's crew and take steps to "cold stack" the rig, which lowers expenses and partially offsets the impact on operating income.

Operating income is also negatively impacted when Diamond Offshore performs certain regulatory inspections that are due every five years ("5-year survey") for each of Diamond Offshore's rigs as well as intermediate surveys, which are performed at interim periods between 5-year surveys. Operating revenue decreases because these surveys are performed during scheduled down-time in a shipyard. Operating expenses increase as a result of these surveys due to the cost to mobilize the rigs to a shipyard, inspection costs incurred and repair and maintenance costs. Repair and maintenance costs may be required resulting from the survey or may have been previously planned to take place during this mandatory down-time. The number of rigs undergoing a 5-year survey will vary from year to year.

Costs of mobilizing Diamond Offshore's rigs to shipyards for scheduled surveys, which were a major component of its survey-related costs during 2006, are indicative of higher prices commanded by support businesses to the offshore drilling industry. Diamond Offshore expects mobilization costs to be a significant component of its survey-related costs in 2007.

Revenues increased by $129.2 million and $428.3 million, or 24.5% and 28.4%, and net income increased by $13.6 million and $76.1 million in the three and nine months ended September 30, 2007, as compared to the corresponding periods of the prior year.

Revenues from high specification floaters and intermediate semisubmersible rigs increased by $133.2 million and $386.8 million in the three and nine months ended September 30, 2007, as compared to the corresponding periods of the prior year. The increase primarily reflects increased dayrates of $125.6 million and $364.6 million and increased utilization of $6.1 million and $23.8 million, respectively.

Revenues from jack-up rigs decreased $3.4 million and increased $35.8 million in the three and nine months ended September 30, 2007, as compared to the corresponding periods of the prior year. Revenues decreased in the third quarter of 2007, primarily due to decreased utilization of $20.2 million, partially offset by increased dayrates of $13.1 million. Revenues increased in the nine months ended September 30, 2007, primarily due to increased dayrates of $67.4 million, partially offset by decreased utilization of $42.1 million. Revenues were also favorably impacted by the recognition of a lump-sum demobilization fee of $6.6 million in the nine months ended September 30, 2007.

Net income increased in the three and nine months ended September 30, 2007, as compared to the corresponding periods of the prior year, due to the revenue increases as noted above and reduced interest expense, partially offset by increased contract drilling expenses.

Interest expense decreased $3.8 million and $1.7 million in the three and nine months ended September 30, 2007, as compared to the corresponding periods of 2006, primarily due to reduced interest expense as a result of conversions of Diamond Offshore's 1.5% debentures into common stock. The decline in interest expense in the nine months ended September 30, 2007 was partially offset by an $8.9 million write off of debt issuance costs related to conversions of Diamond Offshore's 1.5% debentures into common stock.

Boardwalk Pipeline

Boardwalk Pipeline Partners, LP and subsidiaries ("Boardwalk Pipeline"). Boardwalk Pipeline is a 75% owned subsidiary.

The following table summarizes the results of operations for Boardwalk Pipeline for the three and nine months ended September 30, 2007 and 2006 as presented in Note 15 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Revenues:				
Operating	**$ 135.2**	$ 134.3	**$ 474.1**	$ 440.6
Net investment income	**5.8**	0.6	**16.3**	1.8
Total	**141.0**	134.9	**490.4**	442.4
Expenses:				
Operating	**85.9**	88.8	**288.1**	264.1
Interest	**14.8**	15.0	**46.1**	45.8
Total	**100.7**	103.8	**334.2**	309.9
	40.3	31.1	**156.2**	132.5
Income tax expense	**12.3**	10.7	**47.6**	45.2
Minority interest	**9.9**	4.5	**35.0**	19.2
Net income	**$ 18.1**	$ 15.9	**$ 73.6**	$ 68.1

Boardwalk Pipeline derives revenues primarily from the interstate transportation and storage of natural gas for third parties. Transportation and storage services are provided under firm service and interruptible service agreements. Transportation and storage rates and general terms and conditions of service are established by, and subject to review and revision by, the Federal Energy Regulatory Commission ("FERC").

Under firm transportation agreements, customers generally pay a fixed "capacity reservation" fee to reserve pipeline capacity at certain receipt and delivery points, plus a commodity and fuel charge paid on the volume of gas actually transported. Firm storage customers reserve a specific amount of storage capacity and generally pay a capacity reservation charge based on the amount of capacity being reserved plus an injection and/or withdrawal fee. Capacity reservation revenues derived from a firm service contract is consistent from year to year, but is generally higher in winter peak periods (November through March) than off-peak periods resulting in a seasonal earnings pattern where the majority of earnings are generated in the first and fourth quarters of a calendar year.

Interruptible transportation and storage service is typically short-term in nature and is generally used by customers that either do not need firm service or have been unable to contract for firm service. Customers pay for interruptible services when capacity is used.

Boardwalk Pipeline's parking and lending ("PAL") service is an interruptible service offered to customers providing them the ability to park (inject) or borrow (withdraw) gas into or out of Boardwalk Pipeline's storage facilities at a specific location for a specific period of time. Customers pay for PAL service in advance or on a monthly basis depending on the terms of the agreement.

Operating expenses typically do not vary significantly based upon the amount of gas transported with the exception of gas consumed by Gulf South's compressor stations. Gulf South's fuel recoveries are included as part of transportation revenues.

Total revenues increased by $6.1 million to $141.0 million for the three months ended September 30, 2007, compared to $134.9 million for the three months ended September 30, 2006. Operating revenues increased primarily due to a $5.1 million increase in transportation fees due to higher reservation rates, including $2.4 million associated with the Carthage, Texas to Keatchie, Louisiana pipeline expansion project which was placed in service at the end of 2006. Operating revenues were partially offset by a $2.5 million decrease in fuel revenues due to lower realized gas prices including hedging activity. Net investment income increased $5.2 million as a result of higher levels of invested cash.

Net income increased by $2.2 million to $18.1 million for the three months ended September 30, 2007, compared to $15.9 million, primarily due to the increased revenues discussed above, offset by a $5.4 million increase in minority interest expense. Operating expenses in the third quarter of 2007 include a $4.0 million increase from an accrual for remediation of underwater pipeline damage in the South Timbalier Bay area offshore Louisiana and a $3.8 million increase related to the cost of terminating an agreement with a construction contractor on the Southeast expansion project. These increases were partially offset by a $4.4 million gain on the sale of gas associated with the Western Kentucky storage expansion project and a $5.1 million benefit recognized in 2007 related to insurance recoveries. The increase in minority interest expense is primarily due to the sale of Boardwalk Pipeline common units in the fourth quarter of 2006 and the first quarter of 2007.

Total revenues increased by $48.0 million to $490.4 million for the nine months ended September 30, 2007, compared to $442.4 million for the nine months ended September 30, 2006. Operating revenues increased primarily due to a $18.8 million increase in transportation fees due to higher reservation rates, including $6.6 million from new contracts associated with the Carthage, Texas to Keatchie, Louisiana pipeline expansion and $11.5 million increase in fuel revenues related to an increase in system volumes and higher realized gas prices including hedging activity. Operating revenues also included a $9.3 million increase in PAL and storage revenues mainly due to gas parked by customers during the summer and fall of 2006 for withdrawal during the summer of 2007. Net investment income increased $14.5 million as a result of higher levels of invested cash.

Net income increased by $5.5 million to $73.6 million in the first nine months of 2007, as compared to $68.1 million in the first nine months of 2006, primarily due to the increased revenues discussed above, partially offset by a $24.0 million increase in operating expenses and a $15.8 million increase in minority interest expense. Operating expenses in the first nine months of 2007 include a $14.7 million loss due to impairment of the Magnolia storage facility discussed below and a $5.0 million increase in fuel costs mainly due to increased gas usage. The increase in operating expenses also consists of a $4.3 million increase in depreciation and amortization primarily due to growth in operations and a $4.0 million increase from an accrual for remediation of underwater pipeline damage in the South Timbalier Bay area offshore Louisiana. Operating expenses also reflect a $3.8 million increase related to the cost of terminating an agreement with a construction contractor on the Southeast expansion project. These increases were partially offset by a $4.1 million decline in administrative and general expenses driven primarily by an early retirement plan implemented in the second half of 2006, a $3.6 million net favorable variance from a gain on the sale of gas associated with the Western Kentucky storage expansion project and a $5.1 million benefit recognized in 2007 related to insurance recoveries. The increase in minority interest expense is primarily due to the sale of Boardwalk Pipeline common units discussed above.

Boardwalk Pipeline was developing a salt dome storage cavern near Napoleonville, Louisiana when operational tests, which were completed in July of 2007, indicated that due to anomalies that could not be corrected, the cavern could not be placed in service as expected. As a result, Boardwalk Pipeline elected to abandon that cavern and is exploring the possibility of securing a new site on which a new cavern could be developed. In accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the carrying value of the cavern and related facilities of approximately $45.1 million was tested for recoverability. In the second quarter of 2007, Boardwalk Pipeline recognized an impairment charge of approximately $14.7 million, representing the carrying value of the cavern, the fair value of which was determined to be zero based on discounted expected future cash flows. The charge was included in Other operating expenses on the Consolidated Condensed Statements of Income. Boardwalk Pipeline expects to use the other assets associated with the project, which include pipeline, compressors, base gas and other equipment and facilities, in conjunction with a replacement storage cavern to be developed. If it is determined in the future that the assets cannot be used in conjunction with a new cavern, Boardwalk Pipeline may be required to record an additional impairment charge at the time that determination is made. Additional costs to abandon the impaired cavern may be incurred due to regulatory or contractual obligations, however the amounts are inestimable at this time.

Loews Hotels

Loews Hotels Holding Corporation and subsidiaries ("Loews Hotels"). Loews Hotels is a wholly owned subsidiary.

The following table summarizes the results of operations for Loews Hotels for the three and nine months ended September 30, 2007 and 2006 as presented in Note 15 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Revenues:				
Operating	**$ 89.3**	$ 84.6	**$ 283.5**	$ 279.5
Net investment income	**0.7**	0.3	**1.6**	0.7
Total	**90.0**	84.9	**285.1**	280.2
Expenses:				
Operating	**80.4**	75.3	**229.5**	231.3
Interest	**2.9**	3.2	**8.6**	9.0
Total	**83.3**	78.5	**238.1**	240.3
	6.7	6.4	**47.0**	39.9
Income tax expense	**2.6**	1.3	**18.2**	14.3
Net income	**$ 4.1**	$ 5.1	**$ 28.8**	$ 25.6

Revenues increased by $5.1 million and $4.9 million or 6.0% and 1.7%, and net income decreased by $1.0 million or 19.6% and increased by $3.2 million or 12.5%, respectively in the three and nine months ended September 30, 2007, as compared to the corresponding periods of 2006.

Revenues increased in the three months ended September 30, 2007, as compared to the corresponding period of 2006, due to an increase in revenue per available room to $178.40, compared to $160.78 in the prior year, reflecting improvements in average room rates of $14.93, or 7.3%, and a 2.7% increase in occupancy rates, partially offset by the classification of joint venture equity income as a component of operating expenses in 2007, as compared to revenues in 2006.

Net income for the three months ended September 30, 2007 decreased due to a lower effective tax rate related to federal income tax settlement in the third quarter of 2006, partially offset by the increased revenues discussed above.

Revenues increased in the nine months ended September 30, 2007, as compared to the corresponding period of 2006, due to an increase in revenue per available room to $183.19, compared to $168.72 in the prior year, reflecting improvements in average room rates of $17.22, or 8.0% and a 0.4% increase in occupancy rates, partially offset by the classification of joint venture equity income as a component of operating expenses in 2007, as compared to revenues in 2006.

Net income for the nine months ended September 30, 2007 increased primarily due to the increases in revenue per available room as discussed above.

Revenue per available room is an industry measure of the combined effect of occupancy rates and average room rates on room revenues. Other hotel operating revenues primarily include guest charges for food and beverages.

Corporate and Other

Corporate operations consist primarily of investment income, investment gains (losses) from non-insurance subsidiaries, the operations of Bulova, corporate interest expenses and other corporate administrative costs.

The following table summarizes the results of operations for Corporate and Other for the three and nine months ended September 30, 2007 and 2006 as presented in Note 15 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Revenues:				
Manufactured products	**$ 49.6**	$ 49.5	**$ 135.8**	$ 136.5
Net investment income	**53.3**	56.6	**263.8**	216.8
Investment gains	**0.2**	10.7	**141.7**	9.1
Other	**6.1**	4.4	**2.1**	10.8
Total	**109.2**	121.2	**543.4**	373.2
Expenses:				
Cost of sales	**24.3**	24.3	**67.3**	68.0
Operating	**41.5**	35.7	**101.1**	97.5
Interest	**13.8**	18.8	**41.8**	57.0
Total	**79.6**	78.8	**210.2**	222.5
	29.6	42.4	**333.2**	150.7
Income tax expense	**10.8**	15.5	**116.5**	52.9
Net income	**$ 18.8**	$ 26.9	**$ 216.7**	$ 97.8

Revenues decreased by $12.0 million or 9.9% and increased $170.2 million or 45.6% and net income decreased by $8.1 million and increased by $118.9 million in the three and nine months ended September 30, 2007, as compared to the corresponding periods of 2006.

Revenues and net income decreased for the three months ended September 30, 2007, as compared to the corresponding period of 2006, due to decreased net investment income of $3.3 million and decreased investment gains of $10.5 million. The decrease in investment income is due to lower average invested cash balances.

Revenues and net income increased for the nine months ended September 30, 2007, as compared to 2006 due to increased net investment income of $47.0 million and increased investment gains of $132.6 million. Investment gains for 2007 include a $141.9 million pretax gain ($91.6 million after tax) due to the issuance of Diamond Offshore common stock related to the conversion of $450.5 million principal amount of Diamond Offshore's 1.5% debentures into Diamond Offshore common stock. The increase in investment income is primarily due to improved performance of the Company's trading portfolio and improved yields on higher invested amounts.

Net income for the three and nine months ended September 30, 2007, also benefited from lower corporate interest expenses due to the maturity of $300.0 million principal amount of 6.8% notes in December of 2006.

LIQUIDITY AND CAPITAL RESOURCES

CNA Financial

Cash Flow

CNA's principal operating cash flow sources are premiums and investment income from its insurance subsidiaries. CNA's primary operating cash flow uses are payments for claims, policy benefits and operating expenses.

For the nine months ended September 30, 2007, net cash provided by operating activities was $713.0 million as compared with $1,783.0 million for the same period in 2006. The decrease in cash provided by operating activities is partially related to decreased net sales of trading securities to fund policyholder withdrawals of investment contract products issued by CNA. The policyholder fund withdrawals are reflected as financing cash outflows. Additionally, operating cash flows were adversely impacted by higher income tax payments in 2007 as compared to 2006 and lower premium collections.

Cash flows from investing activities include the purchase and sale of available-for-sale financial instruments, as well as the purchase and sale of land, buildings, equipment and other assets not generally held for resale.

For the nine months ended September 30, 2007, net cash used by investing activities was $667.0 million as compared with $1,490.0 million for the same period in 2006. Cash flows used for investing activities related principally to purchases of fixed maturity securities and short term investments. Net cash flows provided by investing activities-discontinued operations included $65.0 million of cash proceeds related to the sale of the United Kingdom discontinued operations business.

For the nine months ended September 30, 2007, net cash used by financing activities was $83.0 million as compared with $282.0 million for the same period in 2006. The decrease in cash used by financing activities is related to decreased policyholder fund withdrawals in 2007, as compared to 2006, which are reflected as return of investment contract account balances on the Consolidated Condensed Statements of Cash Flows included under Item 1. Additionally, financing cash flows in 2006 included proceeds from the issuance of new debt and common stock, partially offset by the repurchase of the Series H Cumulative Preferred Stock Issue.

CNA believes that its present cash flows from operating activities, investing activities and financing activities are sufficient to fund its working capital needs.

On August 1, 2007, CNA entered into a five-year $250.0 million senior unsecured revolving credit facility. See Note 8 of the Notes to Consolidated Condensed Financial Statements included under Item 1 for further detail.

CNA has an effective shelf registration statement under which it may issue debt or equity securities.

Dividends

On September 4, 2007, CNA paid a quarterly dividend of $0.10 per share, to shareholders of record on August 13, 2007. On October 24, 2007, CNA's Board of Directors declared a quarterly dividend of $0.15 per share, payable December 6, 2007 to shareholders of record on November 8, 2007. The declaration and payment of future dividends to holders of CNA's common stock will be at the discretion of CNA's Board of Directors and will depend on many factors, including CNA's earnings, financial condition, business needs, and regulatory constraints.

Regulatory Matters

CNA previously established a plan to reorganize and streamline its U.S. property and casualty insurance legal entity structure in order to realize capital, operational, and cost efficiencies. The remaining phase of this plan is the merger of Transcontinental Insurance Company, a New York domiciled insurer, into its parent company, National Fire Insurance Company of Hartford, which is a CCC subsidiary. Subject to regulatory approval, this merger is planned to be completed effective December 31, 2007.

Along with other companies in the industry, CNA received subpoenas, interrogatories and inquiries from and have produced documents and/or provided information to: (i) California, Connecticut, Delaware, Florida, Hawaii, Illinois, Michigan, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, West Virginia and the Canadian Council of Insurance Regulators concerning investigations into practices including contingent compensation arrangements, fictitious quotes and tying arrangements; (ii) the Securities and Exchange Commission ("SEC"), the New York State Attorney General, the United States Attorney for the Southern District of New York, the Connecticut Attorney General, the Connecticut Department of Insurance, the Delaware Department of Insurance, the Georgia Office of Insurance and Safety Fire Commissioner and the California Department of Insurance concerning reinsurance products and finite insurance products purchased and sold by CNA; (iii) the Massachusetts Attorney General and the Connecticut Attorney General concerning investigations into anti-competitive practices; and (iv) the New York State Attorney General concerning declinations of attorney malpractice insurance. CNA continues to respond to these subpoenas, interrogatories and inquiries to the extent they are still open.

The SEC and representatives of the United States Attorney's Office for the Southern District of New York conducted interviews with several of CNA's current and former executives relating to the restatement of CNA's financial results for 2004, including CNA's relationship with and accounting for transactions with an affiliate that were the basis for the restatement. CNA has also provided the SEC with information relating to CNA's restatement in 2006 of prior period results. It is possible that CNA's analyses of, or accounting treatment for, finite reinsurance contracts or discontinued operations could be questioned or disputed by regulatory authorities. As a result, further restatements of the financial results are possible.

Ratings

Ratings are an important factor in establishing the competitive position of insurance companies. CNA's insurance company subsidiaries are rated by major rating agencies, and these ratings reflect the rating agency's opinion of the insurance company's financial strength, operating performance, strategic position and ability to meet its obligations to policyholders. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating. One or more of these agencies could take action in the future to change the ratings of CNA's insurance subsidiaries. If CNA's insurance financial strength ratings were downgraded below current levels, CNA's business and our results of operations could be materially adversely affected. In addition, a lowering of our debt ratings by certain of the rating agencies could result in an adverse impact on CNA's ratings, independent of any change in circumstances at CNA.

The table below reflects the various group ratings issued by A.M. Best Company ("A.M. Best"), Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") for the property and casualty and life companies. The table also includes the ratings for CNA senior debt and The Continental Corporation ("Continental") senior debt.

	Insurance Financial Strength Ratings		Debt Ratings	
	Property & Casualty	Life	CNA	Continental
	CCC Group	CAC	Senior Debt	Senior Debt
A.M. Best	A	A-	bbb	Not rated
Fitch	A	Not rated	BBB	BBB
Moody's	A3	Not rated	Baa3	Baa3
S&P	A-	BBB+	BBB-	BBB-

Fitch has upgraded the senior debt ratings of CNA and Continental to BBB. Fitch has also upgraded the insurer financial strength ratings of CNA's property and casualty insurance subsidiaries to A and withdrew the A- insurance financial strength rating of Continental Assurance Company ("CAC"). Moody's withdrew the Baa1 insurance financial strength rating of CAC. Moody's and Fitch withdrew the insurance financial strength ratings of CAC at CNA's request given that its life business is in run-off.

Lorillard

Lorillard and other cigarette manufacturers continue to be confronted with substantial litigation. Plaintiffs in most of the cases seek unspecified amounts of compensatory damages and punitive damages, although some seek damages ranging into the billions of dollars. Plaintiffs in some of the cases seek treble damages, statutory damages, disgorgement of profits, equitable and injunctive relief, and medical monitoring, among other remedies.

Lorillard believes that it has valid defenses to the cases pending against it. Lorillard also believes it has valid bases for appeal of the adverse verdicts against it. To the extent we are a defendant in any of the lawsuits, we believe that we are not a proper defendant in these matters and have moved or plan to move for dismissal of all such claims against us. While Lorillard intends to defend vigorously all tobacco products liability litigation, it is not possible to predict the outcome of any of this litigation. Litigation is subject to many uncertainties, and it is possible that some of these actions could be decided unfavorably. Lorillard may enter into discussions in an attempt to settle particular cases if it believes it is appropriate to do so.

Except for the impact of the State Settlement Agreements as described below, we are unable to make a meaningful estimate of the amount or range of loss that could result from an unfavorable outcome of pending tobacco related litigation and, therefore, no provision has been made in the Consolidated Condensed Financial Statements for any unfavorable outcome. It is possible that our results of operations, cash flows and financial position could be materially adversely affected by an unfavorable outcome of certain pending litigation.

The State Settlement Agreements require Lorillard and the other Original Participating Manufacturers ("OPMs") to make aggregate annual payments of $9.4 billion, subject to adjustment for several factors described below. In addition, the OPMs are required to pay plaintiffs' attorneys' fees, subject to an aggregate annual cap of $500.0 million, as well as an additional aggregate amount of up to $125.0 million in each year through 2008. These payment obligations are several and not joint obligations of each of the OPMs. We believe that Lorillard's obligations under the State Settlement Agreements will materially adversely affect our cash flows and operating income in future years.

Both the aggregate payment obligations of the OPMs, and the payment obligations of Lorillard, individually, under the State Settlement Agreements are subject to adjustment for several factors which include:

- inflation;

- aggregate volume of domestic cigarette shipments;

- market share; and

- industry operating income.

The inflation adjustment increases payments on a compounded annual basis by the greater of 3.0% or the actual total percentage change in the consumer price index for the preceding year. The inflation adjustment is measured starting with inflation for 1999. The volume adjustment increases or decreases payments based on the increase or decrease in the total number of cigarettes shipped in or to the 50 U.S. states, the District of Columbia and Puerto Rico by the OPMs during the preceding year, as compared to the 1997 base year shipments. If volume has increased, the volume adjustment would increase the annual payment by the same percentage as the number of cigarettes shipped exceeds the 1997 base number. If volume has decreased, the volume adjustment would decrease the annual payment by 98.0% of the percentage reduction in volume. In addition, downward adjustments to the annual payments for changes in volume may, subject to specified conditions and exceptions, be reduced in the event of an increase in the OPMs aggregate operating income from domestic sales of cigarettes over base year levels established in the State Settlement Agreements, adjusted for inflation. Any adjustments resulting from increases in operating income would be allocated among those OPMs who have had increases.

Lorillard’s cash payment under the State Settlement Agreements in the nine months ended September 30, 2007 was $760.9 million, including Lorillard’s deposit of $110.9 million, in an interest-bearing escrow account in accordance with procedures established in the MSA pending resolution of a claim by Lorillard and other OPMs that they are entitled to reduce their MSA payments based on a loss of market share to non-participating manufacturers. Most of the states that are parties to the MSA are disputing the availability of the reduction and Lorillard believes that this dispute will ultimately be resolved by judicial and arbitration proceedings. Lorillard’s $110.9 million reduction is based upon the OPMs collective loss of market share in 2004. In April of 2006, Lorillard had previously deposited $108.7 million in the same escrow account discussed above, which was based on a loss of market share in 2003 to non-participating manufacturers. Lorillard and other OPMs have the right to claim additional reductions of MSA payments in subsequent years under provisions of the MSA. In addition to the payments made in the first nine months of 2007, Lorillard anticipates the additional amount payable in 2007 will be approximately $175.0 million to $200.0 million, primarily based on 2007 estimated industry volume.

Please read Item 3 - Legal Proceedings of our Annual Report on Form 10-K for the year ended December 31, 2006 and Note 12 of the Notes to Consolidated Condensed Financial Statements included in Item 1 of this Report for additional information regarding this settlement and other litigation matters.

Lorillard’s cash and investments, net of receivables and payables, totaled $1,818.2 million and $1,768.7 million at September 30, 2007 and December 31, 2006, respectively. At September 30, 2007, 85.7% of Lorillard’s cash and investments were invested in short-term securities.

The principal source of liquidity for Lorillard’s business and operating needs is internally generated funds from its operations. Lorillard’s operating activities resulted in a net cash inflow of $716.3 million for the nine months ended September 30, 2007, compared to a net cash inflow of $635.1 million for the corresponding period of the prior year. Lorillard believes, based on current conditions, that cash flows from operating activities will be sufficient to enable it to meet its obligations under the State Settlement Agreements and to fund its capital expenditures. Lorillard cannot predict the impact on its cash flows of cash requirements related to any future settlements or judgments, including cash required to bond any appeals, if necessary, or the impact of subsequent legislative actions, and thus can give no assurance that it will be able to meet all of those requirements.

Diamond Offshore

Cash and investments, net of receivables and payables, totaled $683.6 million at September 30, 2007 compared to $825.8 million at December 31, 2006. In the first nine months of 2007, Diamond Offshore paid cash dividends totaling $605.3 million, consisting of a special cash dividend in January of 2007 of $553.4 million and its regular quarterly cash dividends of $51.9 million. On October 24, 2007, Diamond Offshore announced a special dividend of $1.25 per share and a regular quarterly dividend of $0.125 per share.

Cash provided by operating activities was $873.5 million in the first nine months of 2007, compared to $536.1 million in the comparable period of 2006. The increase in cash flow from operations is the result of higher average dayrates as a result of an increase in worldwide demand for offshore contract drilling services.

Diamond Offshore estimates that capital expenditures for rig modifications and new construction for the remainder of 2007 will be approximately $50.0 million. As of September 30, 2007, Diamond Offshore had spent approximately $627.6 million for the upgrade costs for two rigs and construction of two new jack-up rigs.

Diamond Offshore estimates that capital expenditures associated with its ongoing rig equipment replacement and enhancement programs and other corporate requirements will be approximately $97.0 million in the remainder of 2007. As of September 30, 2007, Diamond Offshore had spent approximately $228.0 million for capital additions.

In addition to anticipated capital spending for rig upgrades, new construction and in connection with its rig capital maintenance program, Diamond Offshore has committed to spend approximately $156.0 million towards the modification of six of its intermediate semisubmersible rigs in connection with their upcoming contracts in Brazil and Mexico, of which Diamond Offshore had spent $13.9 million through September 30, 2007. These modifications are required to meet contract specifications for each of the drilling rigs. Diamond Offshore expects to spend approximately $66.0 million and $76.0 million on these contract modification projects during the remainder of 2007 and during 2008, respectively.

In the first nine months of 2007, the holders of $450.5 million principal amount of Diamond Offshore's 1.5% Debentures converted their outstanding debentures into 9.2 million shares of Diamond Offshore's common stock.

As of September 30, 2007 and December 31, 2006, there were no loans outstanding under Diamond Offshore's $285.0 million credit facility; however, $79.0 million in letters of credit were issued under the credit facility in 2007.

Diamond Offshore's liquidity and capital requirements are primarily a function of its working capital needs, capital expenditures and debt service requirements. Cash required to meet Diamond Offshore's capital commitments is determined by evaluating the need to upgrade rigs to meet specific customer requirements and by evaluating Diamond Offshore's ongoing rig equipment replacement and enhancement programs, including water depth and drilling capability upgrades. It is the opinion of Diamond Offshore's management that its operating cash flows and cash reserves will be sufficient to meet these capital commitments; however, Diamond Offshore will continue to make periodic assessments based on industry conditions.

Effective May 1, 2007, Diamond Offshore renewed its principal insurance policies. For physical damage coverage, Diamond Offshore's deductible is $75.0 million per occurrence (or lower for some rigs if they are declared a constructive total loss). For physical damage due to named windstorms in the U.S. Gulf of Mexico, there is an annual aggregate limit of $125.0 million. If named windstorms in the U.S. Gulf of Mexico cause significant damage to Diamond Offshore's rigs or equipment, it could have a material adverse effect on our financial position, results of operations or cash flows.

Boardwalk Pipeline

At September 30, 2007 and December 31, 2006, cash and investments amounted to $585.1 million and $399.0 million, respectively. Cash flow from operating activities for the nine months ended September 30, 2007 amounted to $228.7 million, compared to $184.8 million in the first nine months of 2006. In the nine months ended September 30, 2007 and 2006, Boardwalk Pipeline's capital expenditures were $688.2 million and $124.2 million, respectively.

Boardwalk Pipeline is currently engaged in several major pipeline expansion projects that will transport natural gas supplies from the Bossier Sands, Barnett Shale, Fayetteville Shale and the Caney/Woodford Shale areas in East Texas, Arkansas and Oklahoma to existing or new assets and third-party interstate pipeline interconnects. The total cost of the pipeline expansion projects is estimated to be approximately $3.7 billion. Boardwalk Pipeline is also engaged in a number of projects to increase capacity of its natural gas storage facilities. Actual costs of these projects may exceed current estimates due to a variety of factors, including awaiting receipt of regulatory approvals, the timing of which Boardwalk Pipeline cannot control, weather-related costs and further delays in construction which could result in additional contractor penalties and stand-by costs. For more information on Boardwalk Pipeline's expansion projects, please read "Expansion Projects" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2006.

As of September 30, 2007, Boardwalk Pipeline was in compliance with all the covenant requirements under its $700.0 million revolving credit agreement and no funds were drawn under this facility. However, Boardwalk Pipeline has outstanding letters of credit for $221.5 million to support certain obligations associated with its Fayetteville Lateral and Gulf Crossing expansion projects which reduced the available capacity under the facility.

In August of 2007, Gulf South Pipeline, LP, a wholly owned subsidiary of Boardwalk Pipeline, issued $500.0 million aggregate principal amount of senior notes, consisting of $225.0 million aggregate principal amount of 5.8% senior notes due 2012 and $275.0 million aggregate principal amount of 6.3% senior notes due 2017. The proceeds from the offering will be primarily used to finance a portion of Gulf South's expansion projects.

For the year ending December 31, 2007, Boardwalk Pipeline expects to make capital expenditures of approximately $1.3 billion, of which it expects approximately $1.2 billion for the expansion projects discussed above and approximately $60.0 million to be for maintenance capital. The amount of expansion capital Boardwalk Pipeline expends in 2007 could vary significantly depending on the progress made with these projects, the number and types of other capital projects Boardwalk Pipeline decides to pursue, the timing of any of those projects and numerous other factors beyond Boardwalk Pipeline's control.

Boardwalk Pipeline expects to fund its 2007 maintenance capital expenditures from operating cash flows and its expansion capital expenditures with a combination of borrowings under the revolving credit facility and proceeds from sales of debt and equity securities including cash on hand.

During the first nine months of 2007, Boardwalk Pipeline paid cash distributions of $150.5 million, including $115.4 million to us.

Loews Hotels

Cash and investments increased to $59.0 million at September 30, 2007 from $24.5 million at December 31, 2006. Funds from operations continue to exceed operating requirements. Funds for other capital expenditures and working capital requirements are expected to be provided from existing cash balances and operations and advances or capital contributions from us.

Corporate and Other

Parent company cash and investments, net of receivables and payables, at September 30, 2007 totaled $3.2 billion, as compared to $5.3 billion at December 31, 2006. The decrease in net cash and investments is primarily due to the payment of $2.4 billion in conjunction with the HighMount acquisition, $248.5 million of dividends paid to our shareholders and $671.8 million related to repurchases of our common stock, partially offset by the receipt of $1,171.4 million in dividends from subsidiaries, which includes $280.4 million from a Diamond Offshore special dividend paid in January of 2007, and investment income.

As of September 30, 2007, there were 529,594,291 shares of Loews common stock outstanding and 108,445,516 shares of Carolina Group stock outstanding. Depending on market and other conditions, we may purchase shares of our and our subsidiaries' outstanding common stock in the open market or otherwise. During the nine months ended September 30, 2007, we purchased 14.8 million shares of Loews common stock at an aggregate cost of $671.8 million.

On July 31, 2007, HighMount completed the acquisition of certain exploration and production assets from Dominion Resources, Inc., and assumed certain related obligations, for $4.0 billion, subject to adjustment. The acquisition was funded with approximately $2.4 billion from the Company's available cash and $1.6 billion of term loans incurred by HighMount (the "Acquisition Debt"). The Acquisition Debt bears interest at a floating rate equal to the London Interbank Offered Rate ("LIBOR") plus an applicable margin and matures on July 26, 2012, subject to acceleration by the lenders upon the occurrence of customary events of default. HighMount has entered into interest rate swaps for a notional amount of $1.6 billion to hedge its exposure to fluctuations in LIBOR. These swaps effectively fix the interest rate at 5.8%. The Credit Agreement also provides for a five year, $400.0 million revolving credit facility, borrowings under which bear interest at a floating rate equal to LIBOR plus an applicable margin.

We have entered into an agreement to sell Bulova Corporation to Citizen Watch Co., Ltd. for $250.0 million, subject to adjustment. The closing of the sale is subject to customary closing conditions and is anticipated to occur in January 2008. We expect to record a pretax gain of approximately $105.0 million due to the transaction.

We have an effective Registration Statement on Form S-3 registering the future sale of an unlimited amount of our debt and equity securities.

We continue to pursue conservative financial strategies while seeking opportunities for responsible growth. These include the expansion of existing businesses, full or partial acquisitions and dispositions, and opportunities for efficiencies and economies of scale.

INVESTMENTS

Insurance

Net Investment Income

The significant components of CNA's net investment income are presented in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Fixed maturity securities	**$ 501.4**	$ 476.4	**$ 1,523.0**	$ 1,371.4
Short-term investments	**57.1**	61.2	**145.8**	184.2
Limited partnerships	**19.1**	46.0	**141.8**	172.8
Equity securities	**7.4**	3.4	**18.5**	17.7
Income (loss) from trading portfolio (a)	**(2.8)**	30.4	**40.6**	62.9
Interest on funds withheld and other deposits		(10.8)	**(0.8)**	(65.4)
Other	**8.8**	2.7	**31.7**	10.8
Total investment income	**591.0**	609.3	**1,900.6**	1,754.4
Investment expense	**(11.4)**	(9.7)	**(42.1)**	(32.6)
Net investment income	**$ 579.6**	$ 599.6	**$ 1,858.5**	$ 1,721.8

(a) The change in net unrealized gains on trading securities, included in net investment income, was $(12.0) million, $3.0 million, $(9.0) million and $(1.0) million for the three and nine months ended September 30, 2007 and 2006.

Net investment income decreased by $20.0 million for the three months ended September 30, 2007 compared with the same period of 2006. The decrease was primarily driven by decreases in limited partnership income and results from the trading portfolio.

Net investment income increased by $136.7 million for the nine months ended September 30, 2007 compared with the same period of 2006. The improvement was primarily driven by an increase in the overall invested asset base and a reduction of interest expense on funds withheld and other deposits. During 2006, CNA commuted several significant finite reinsurance contracts which contained interest crediting provisions. As of December 31, 2006, no further interest expense was due on the funds withheld on the commuted contracts. This improvement was partially offset by a decrease in net investment income from short term investments, limited partnerships and the trading portfolio.

The bond segment of the investment portfolio yielded approximately 5.8% and 5.6% for the nine months ended September 30, 2007 and 2006.

Net Realized Investment Gains (Losses)

The components of CNA's net realized investment results are presented in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
(In millions)				
Realized investment gains (losses):				
Fixed maturity securities:				
U.S. Government bonds	**$ 131.2**	$ 18.6	**$ 37.4**	$ 22.0
Corporate and other taxable bonds	**(88.5)**	(17.9)	**(113.4)**	(114.2)
Tax-exempt bonds	**10.1**	40.2	**(43.2)**	51.5
Asset-backed bonds	**(80.6)**	(1.5)	**(190.7)**	(15.2)
Redeemable preferred stock	**(11.8)**	(2.1)	**(12.3)**	(3.0)
Total fixed maturity securities	**(39.6)**	37.3	**(322.2)**	(58.9)
Equity securities	**16.3**	(2.9)	**30.3**	3.0
Derivative securities	**(45.2)**	(13.0)	**61.8**	(7.5)
Short-term investments	**5.2**	(1.6)	**5.2**	(5.6)
Other invested assets, including dispositions	**7.6**	6.5	**8.5**	4.7
Allocated to participating policyholders' and minority interests	**(0.8)**	0.3	**(0.4)**	2.0
Total realized investment gains (losses)	**(56.5)**	26.6	**(216.8)**	(62.3)
Income tax (expense) benefit	**19.3**	(0.6)	**75.0**	25.5
Minority interest	**4.2**	(2.2)	**15.8**	3.2
Net realized investment gains (losses)	**$ (33.0)**	$ 23.8	**$ (126.0)**	$ (33.6)

Net realized investment results decreased $56.8 million for the three months ended September 30, 2007 compared with the same period of 2006. The decrease was primarily driven by an increase in other-than-temporary impairment ("OTTI") losses on securities for which CNA did not assert an intent to hold until an anticipated recovery in value. For the three months ended September 30, 2007, OTTI losses of $108.5 million, driven mainly by credit issues, were recorded primarily in the corporate and other taxable bonds and asset-backed bonds sectors. This compares to OTTI losses for the three months ended September 30, 2006 of $27.0 million recorded primarily in the corporate and other taxable bonds sector. The increase in OTTI losses was partially offset by an increase in realized investment gains, primarily related to U.S. Government bonds.

Net realized investment losses increased $92.4 million for the nine months ended September 30, 2007 compared with the same period of 2006. The increase was primarily driven by an increase in OTTI losses on securities for which CNA did not assert an intent to hold until an anticipated recovery in value. For the nine months ended September 30, 2007, OTTI losses of $260.6 million, driven by a combination of interest and credit issues, were recorded primarily in the corporate and other taxable bonds and asset-backed bonds sectors. This compares to OTTI losses for the nine months ended September 30, 2006 of $50.8 million recorded primarily in the corporate and other taxable bonds sector. The increase in OTTI losses was partially offset by an increase in net realized investment gains on derivative securities, primarily related to interest rate swaps. The interest rate swaps were entered into as an economic hedge of fixed maturity securities based on the potential for rising interest rates.

A primary objective in the management of the fixed maturity and equity portfolios is to optimize return relative to underlying liabilities and respective liquidity needs. CNA's views on the current interest rate environment, tax regulations, asset class valuations, specific security issuer and broader industry segment conditions, and the domestic and global economic conditions, are some of the factors that enter into an investment decision. CNA also continually monitors exposure to issuers of securities held and broader industry sector exposures and may from time to time adjust such exposures based on its views of a specific issuer or industry sector. A further consideration in the management of the investment portfolio is the characteristics of the underlying liabilities and the ability to align the duration of the portfolio to those liabilities to meet future liquidity needs, minimize interest rate risk and maintain a level of income sufficient to support the underlying insurance liabilities. For portfolios where future liability cash flows are determinable and long term in nature, CNA segregates investments for asset/liability management purposes.

The segregated investments support liabilities primarily in the Life and Group Non-Core segment including annuities, structured benefit settlements and long term care products. The remaining investments are managed to support the Standard Lines, Specialty Lines and Other Insurance segments.

The effective durations of fixed maturity securities, short term investments and interest rate derivatives are presented in the table below. Short term investments are net of securities lending collateral and accounts payable and receivable amounts for securities purchased and sold, but not yet settled. The segregated investments had an effective duration of 10.5 years and 9.8 years at September 30, 2007 and December 31, 2006. The remaining interest sensitive investments had an effective duration of 3.5 years and 3.2 years at September 30, 2007 and December 31, 2006. The overall effective duration was 5.1 years and 4.7 years at September 30, 2007 and December 31, 2006.

	September 30, 2007		December 31, 2006	
(In millions)	**Fair Value**	**Effective Duration (In years)**	Fair Value	Effective Duration (In years)
Segregated investments	**$ 8,899.0**	**10.5**	$ 8,524.0	9.8
Other interest sensitive investments	**29,740.0**	**3.5**	30,178.0	3.2
Total	**$ 38,639.0**	**5.1**	$ 38,702.0	4.7

The investment portfolio is periodically analyzed for changes in duration and related price change risk. Additionally, CNA periodically reviews the sensitivity of the portfolio to the level of foreign exchange rates and other factors that contribute to market price changes. A summary of these risks and specific analysis on changes is included in the Quantitative and Qualitative Disclosures About Market Risk in Item 3 of this Report.

CNA invests in certain derivative financial instruments primarily to reduce its exposure to market risk (principally interest rate, equity price and foreign currency risk) and credit risk (risk of nonperformance of underlying obligor). Derivative securities are recorded at fair value at the reporting date. CNA also uses derivatives to mitigate market risk by purchasing S&P 500 index futures in a notional amount equal to the contract liability relating to Life and Group Non-Core indexed group annuity contracts. CNA provided collateral to satisfy margin deposits on exchange-traded derivatives totaling $30.0 million as of September 30, 2007. For over-the-counter derivative transactions CNA utilizes International Swaps and Derivatives Association Master Agreements that specify certain limits over which collateral is exchanged. As of September 30, 2007, CNA provided $45.0 million of cash as collateral for over-the-counter derivative instruments.

CNA classifies its fixed maturity securities and its equity securities as either available-for-sale or trading, and as such, they are carried at fair value. The amortized cost of fixed maturity securities is adjusted for amortization of premiums and accretion of discounts to maturity, which is included in net investment income. Changes in fair value related to available-for-sale securities are reported as a component of other comprehensive income. Changes in fair value of trading securities are reported within net investment income.

The following table provides further detail of gross realized investment gains and losses, which include OTTI losses, on available-for-sale fixed maturity and equity securities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2007**	2006	**2007**	2006
Net realized gains (losses) on fixed maturity and equity securities:				
Fixed maturity securities:				
Gross realized gains	**$ 181.0**	$ 114.0	**$ 324.0**	$ 216.0
Gross realized losses	**(220.0)**	(77.0)	**(646.0)**	(275.0)
Net realized gains (losses) on fixed maturity securities	**(39.0)**	37.0	**(322.0)**	(59.0)
Equity securities:				
Gross realized gains	**30.0**	1.0	**50.0**	9.0
Gross realized losses	**(14.0)**	(4.0)	**(20.0)**	(6.0)
Net realized gains (losses) on equity securities	**16.0**	(3.0)	**30.0**	3.0
Net realized gains (losses) on fixed maturity and equity securities	**$ (23.0)**	$ 34.0	**$ (292.0)**	$ (56.0)

The following table provides details of the largest realized investment losses from sales of securities aggregated by issuer, including: the fair value of the securities at date of sale, the amount of the loss recorded and the period of time that the securities had been in an unrealized loss position prior to sale. The period of time that the securities had been in an unrealized loss position prior to sale can vary due to the timing of individual security purchases. Also included is a narrative providing the industry sector along with the facts and circumstances giving rise to the loss.

Issuer Description and Discussion	Fair Value Date of Sale	Loss On Sale	Months in Unrealized Loss Prior To Sale (a)
(In millions)			
Various notes and bonds issued by the United States Treasury. Securities sold due to outlook on interest rates.	**$ 10,674.0**	**$ 83.0**	**0-6**
Mortgage-backed pass-through securities sold based on view of interest rate changes.	**394.0**	**9.0**	**0-6**
Bank and financial issuer that came under pressure due to the mortgage market disruption.	**35.0**	**5.0**	**0-6**
State specific general obligation municipal bonds sold to reduce exposure due to a change in outlook.	**513.0**	**5.0**	**0-6**
Total	**$ 11,616.0**	**$ 102.0**	

(a) Represents the range of consecutive months the various positions were in an unrealized loss prior to sale. 0-12+ means certain positions were less than 12 months, while others were greater than 12 months.

Valuation and Impairment of Investments

The following table details the carrying value of CNA's general account investments:

	September 30, 2007		December 31, 2006	
(In millions of dollars)				
General account investments:				
Fixed maturity securities available-for-sale:				
U.S. Treasury securities and obligations of government agencies	**$ 3,135.0**	**7.1%**	$ 5,138.0	11.6%
Asset-backed securities	**11,245.0**	**25.6**	13,677.0	31.0
States, municipalities and political subdivisions-tax-exempt	**6,694.0**	**15.2**	5,146.0	11.7
Corporate securities	**7,820.0**	**17.8**	7,132.0	16.2
Other debt securities	**3,989.0**	**9.1**	3,642.0	8.2
Redeemable preferred stock	**1,140.0**	**2.6**	912.0	2.1
Total fixed maturity securities available-for-sale	**34,023.0**	**77.4**	35,647.0	80.8
Fixed maturity securities trading:				
U.S. Treasury securities and obligations of government agencies	**3.0**		2.0	
Asset-backed securities	**35.0**	**0.1**	55.0	0.1
Corporate securities	**119.0**	**0.3**	133.0	0.3
Other debt securities	**16.0**		14.0	
Total fixed maturity securities trading	**173.0**	**0.4**	204.0	0.4
Equity securities available-for-sale:				
Common stock	**475.0**	**1.1**	452.0	1.0
Preferred stock	**133.0**	**0.3**	145.0	0.4
Total equity securities available-for-sale	**608.0**	**1.4**	597.0	1.4
Equity securities trading			60.0	0.1
Short-term investments available-for-sale	**6,748.0**	**15.4**	5,538.0	12.6
Short-term investments trading	**224.0**	**0.5**	172.0	0.4
Limited partnerships	**2,093.0**	**4.8**	1,852.0	4.2
Other investments	**43.0**	**0.1**	26.0	0.1
Total general account investments	**$ 43,912.0**	**100.0%**	$ 44,096.0	100.0%

A significant judgment in the valuation of investments is the determination of when an OTTI has occurred. CNA analyzes securities on at least a quarterly basis. Part of this analysis is to monitor the length of time and severity of the decline below amortized cost for those securities in an unrealized loss position.

Investments in the general account had a net unrealized gain of $354.0 million at September 30, 2007 compared with a net unrealized gain of $966.0 million at December 31, 2006. The unrealized position at September 30, 2007 was comprised of a net unrealized gain of $89.0 million for fixed maturity securities, a net unrealized gain of $262.0 million for equity securities and a net unrealized gain of $3.0 million for short-term investments. The unrealized position at December 31, 2006 was comprised of a net unrealized gain of $716.0 million for fixed maturity securities, a net unrealized gain of $249.0 million for equity securities and a net unrealized gain of $1.0 million for short-term investments. See Note 2 of the Notes to Consolidated Condensed Financial Statements included under Item 1 for further detail on the unrealized position of CNA's general account investment portfolio.

The following table provides the composition of fixed maturity securities available-for-sale in a gross unrealized loss position at September 30, 2007 by maturity profile. Securities not due at a single date are allocated based on weighted average life.

	Percent of Market Value	Percent of Unrealized Loss
Due in one year or less	**6.0%**	**2.0%**
Due after one year through five years	**33.0**	**29.0**
Due after five years through ten years	**31.0**	**31.0**
Due after ten years	**30.0**	**38.0**
Total	**100.0%**	**100.0%**

CNA's non-investment grade fixed maturity securities available-for-sale at September 30, 2007 that were in a gross unrealized loss position had a fair value of $1,923.0 million. The following tables summarize the fair value and gross unrealized loss of non-investment grade securities categorized by the length of time those securities have been in a continuous unrealized loss position and further categorized by the severity of the unrealized loss position in 10.0% increments as of September 30, 2007 and December 31, 2006.

September 30, 2007	Estimated Fair Value	Fair Value as a Percentage of Amortized Cost 90-99%	80-89%	70-79%	<70%	Gross Unrealized Loss
(In millions)						
Fixed maturity securities:						
Non-investment grade:						
0-6 months	**$ 1,889.0**	**$ 36.0**	**$ 1.0**			**$ 37.0**
7-12 months	**4.0**					
13-24 months	**28.0**	**1.0**	**1.0**			**2.0**
Greater than 24 months	**2.0**					
Total non-investment grade	**$ 1,923.0**	**$ 37.0**	**$ 2.0**	**$ -**	**$ -**	**$ 39.0**
December 31, 2006						
Fixed maturity securities:						
Non- investment grade:						
0-6 months	$ 509.0	$ 2.0				$ 2.0
7-12 months	87.0	1.0	$ 1.0			2.0
13-24 months	24.0					
Greater than 24 months	2.0					
Total non-investment grade	$ 622.0	$ 3.0	$ 1.0	$ -	$ -	$ 4.0

As part of the ongoing OTTI monitoring process, CNA evaluated the facts and circumstances based on available information for each of the non-investment grade securities and determined that the securities presented in the above tables were temporarily impaired when evaluated at September 30, 2007 or December 31, 2006. This determination was based on a number of factors that CNA regularly considers including, but not limited to: the issuers' ability to meet current and future interest and principal payments, an evaluation of the issuers' financial condition and near term prospects, CNA's assessment of the sector outlook and estimates of the fair value of any underlying collateral. In all cases where a decline in value is judged to be temporary, CNA has the intent and ability to hold these securities for a period of time sufficient to recover the amortized cost of its investment through an anticipated recovery in the fair value of such securities or by holding the securities to maturity. In many cases, the securities held are matched to liabilities as part of ongoing asset/liability duration management. As such, CNA continually assesses its ability to hold securities for a time sufficient to recover any temporary loss in value or until maturity. CNA believes it has sufficient levels of liquidity so as to not impact the asset/liability management process.

Invested assets are exposed to various risks, such as market and credit risk. Due to the level of risk associated with certain invested assets and the level of uncertainty related to changes in the value of these assets, it is possible that changes in these risks in the near term, including increases in interest rates, could have an adverse material impact on our results of operations or equity.

The general account portfolio consists primarily of high quality bonds, 89.4% and 90.9% of which were rated as investment grade (rated BBB- or higher) at September 30, 2007 and December 31, 2006. The following table summarizes the ratings of CNA's general account bond portfolio at carrying value.

	September 30, 2007		December 31, 2006	
(In millions of dollars)				
U.S. Government and affiliated agency securities	**$ 3,216.0**	**9.7%**	$ 5,285.0	15.1%
Other AAA rated	**15,758.0**	**47.7**	16,311.0	46.7
AA and A rated	**5,463.0**	**16.5**	5,222.0	15.0
BBB rated	**5,124.0**	**15.5**	4,933.0	14.1
Non investment-grade	**3,495.0**	**10.6**	3,188.0	9.1
Total	**$ 33,056.0**	**100.0%**	$ 34,939.0	100.0%

At September 30, 2007 and December 31, 2006, approximately 97.0% and 96.0% of the general account portfolio was issued by U.S. Government and affiliated agencies or was rated by Standard & Poor's or Moody's Investors Service. The remaining bonds were rated by other rating agencies or CNA.

Non-investment grade bonds, as presented in the table above, are high-yield securities rated below BBB- by bond rating agencies, as well as other unrated securities that, according to CNA's analysis, are below investment grade. High-yield securities generally involve a greater degree of risk than investment grade securities. However, expected returns should compensate for the added risk. This risk is also considered in the interest rate assumptions for the underlying insurance products.

The carrying value of securities that are either subject to trading restrictions or trade in illiquid private placement markets at September 30, 2007 was $243.0 million which represents 0.6% of CNA's total investment portfolio. These securities were in a net unrealized gain position of $160.0 million at September 30, 2007. Of these securities, 90.0% were priced by independent third party sources.

Sub-prime Mortgage Exposure

Included in CNA's fixed maturity securities at September 30, 2007 were $11.3 billion of asset-backed securities, at fair value, consisting of approximately 65.0% in collateralized mortgage obligations, 23.0% in corporate asset-backed obligations, 11.0% in corporate mortgage-backed pass-through certificates and 1.0% in U.S. Government agency issued pass-through certificates. The majority of asset-backed securities are actively traded in liquid markets and priced by a third party pricing service. Of the total asset-backed holdings, $903.0 million or 8.0% have exposure to sub-prime mortgage collateral, measured by the original deal structure. This represents 2.0% of total invested assets. Of the securities with sub-prime exposure, approximately 98.0% are rated as investment grade. All asset-backed securities, including those with sub-prime exposure, are reviewed as part of the ongoing OTTI monitoring process. Included in the after tax and minority interest OTTI losses discussed above for the three and nine months ended September 30, 2007 were $27.5 million and $58.7 million related to securities with sub-prime exposure. In addition to sub-prime exposure in fixed maturity securities, there is an additional exposure of approximately $35.0 million through other investments, including limited partnerships. CNA has mitigated a portion of its sub-prime exposure through an economic hedge position in Credit Default Swaps ("CDS"). The net notional value of the CDS sub-prime position was $60.0 million as of September 30, 2007 with an after tax and minority interest recognized gain of $22.2 million for the nine months ended September 30, 2007.

Short-term Investments

The carrying value of the components of the general account short-term investment portfolio is presented in the following table:

(In millions)	September 30, 2007	December 31, 2006
Short-term investments available-for-sale:		
Commercial paper	$ 4,493.0	$ 923.0
U.S. Treasury securities	590.0	1,093.0
Money market funds	412.0	196.0
Other, including collateral held related to securities lending	1,253.0	3,326.0
Total short-term investments available-for-sale	6,748.0	5,538.0
Short-term investments trading:		
Commercial paper	35.0	43.0
U.S. Treasury securities	1.0	2.0
Money market funds	171.0	127.0
Other	17.0	
Total short-term investments trading	224.0	172.0
Total short-term investments	$ 6,972.0	$ 5,710.0

The fair value of collateral held related to securities lending, included in other short-term investments, was $81.9 million and $2,850.9 million at September 30, 2007 and December 31, 2006, respectively.

ACCOUNTING STANDARDS

In September of 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that adopting SFAS No. 157 will have on our results of operations and equity.

In February of 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Generally accepted accounting principles have required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS No. 159 helps to mitigate volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that adopting SFAS No. 159 will have on our results of operations and equity.

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this Report as well as some statements in periodic press releases and some oral statements made by our officials and our subsidiaries during presentations about us, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words "expect," "intend," "plan," "anticipate," "estimate," "believe," "will be," "will continue," "will likely result," and similar expressions. In addition, any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries, which may be provided by management are also forward-looking statements as defined by the Act.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those anticipated or projected. These risks and uncertainties include, among others:

Risks and uncertainties primarily affecting us and our insurance subsidiaries

- the impact of competitive products, policies and pricing and the competitive environment in which CNA operates, including changes in CNA's book of business;

- product and policy availability and demand and market responses, including the level of CNA's ability to obtain rate increases and decline or non-renew under priced accounts, to achieve premium targets and profitability and to realize growth and retention estimates;

- development of claims and the impact on loss reserves, including changes in claim settlement policies;

- the performance of reinsurance companies under reinsurance contracts with CNA;

- the effects upon insurance markets and upon industry business practices and relationships of current litigation, investigations and regulatory activity by the New York State Attorney General's office and other authorities concerning contingent commission arrangements with brokers and bid solicitation activities;

- legal and regulatory activities with respect to certain non-traditional and finite-risk insurance products, and possible resulting changes in accounting and financial reporting in relation to such products, including our restatement of financial results in May of 2005 and CNA's relationship with an affiliate, Accord Re Ltd., as disclosed in connection with that restatement;

- regulatory limitations, impositions and restrictions upon CNA, including the effects of assessments and other surcharges for guaranty funds and second-injury funds and other mandatory pooling arrangements;

- weather and other natural physical events, including the severity and frequency of storms, hail, snowfall and other winter conditions, as well as of natural disasters such as hurricanes and earthquakes, as well as climate change, including effects on weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain and snow;

- man-made disasters, including the possible occurrence of terrorist attacks and the effect of the absence or insufficiency of applicable terrorism legislation on coverages;

- the unpredictability of the nature, targets, severity or frequency of potential terrorist events, as well as the uncertainty as to CNA's ability to contain its terrorism exposure effectively, notwithstanding the extension until 2007 of the Terrorism Risk Insurance Act of 2002;

- the occurrence of epidemics;

- exposure to liabilities due to claims made by insureds and others relating to asbestos remediation and health-based asbestos impairments, as well as exposure to liabilities for environmental pollution, mass tort and construction defect claims and exposure to liabilities due to claims made by insureds and others relating to lead-based paint;

- whether a national privately financed trust to replace litigation of asbestos claims with payments to claimants from the trust will be established or approved through federal legislation, or, if established and approved, whether it will contain funding requirements in excess of CNA's established loss reserves or carried loss reserves;

- the sufficiency of CNA's loss reserves and the possibility of future increases in reserves;

- regulatory limitations and restrictions, including limitations upon CNA's ability to receive dividends from its insurance subsidiaries imposed by state regulatory agencies and minimum risk-based capital standards established by the National Association of Insurance Commissioners;

- the risks and uncertainties associated with CNA's loss reserves as outlined under "Critical Accounting Estimates, Reserves – Estimates and Uncertainties" in the MD&A portion of this Report;

- the possibility of further changes in CNA's ratings by ratings agencies, including the inability to access certain markets or distribution channels, and the required collateralization of future payment obligations as a result of such changes, and changes in rating agency policies and practices;

- the effects of corporate bankruptcies and accounting errors, such as Enron and WorldCom, on capital markets and on the markets for directors and officers and errors and omissions coverages;

- general economic and business conditions, including inflationary pressures on medical care costs, construction costs and other economic sectors that increase the severity of claims;

- the effectiveness of current initiatives by claims management to reduce the loss and expense ratios through more efficacious claims handling techniques; and

- changes in the composition of CNA’s operating segments.

Risks and uncertainties primarily affecting us and our tobacco subsidiaries

- health concerns, claims and regulations relating to the use of tobacco products and exposure to environmental tobacco smoke;

- legislation, including actual and potential excise tax increases, and the effects of tobacco litigation settlements on pricing and consumption rates;

- continued intense competition from other cigarette manufacturers, including significant levels of promotional activities and the presence of a sizable deep-discount category;

- the continuing decline in volume in the domestic cigarette industry;

- increasing marketing and regulatory restrictions, governmental regulation and privately imposed smoking restrictions;

- litigation, including risks associated with adverse jury and judicial determinations, courts reaching conclusions at variance with the general understandings of applicable law, bonding requirements and the absence of adequate appellate remedies to get timely relief from any of the foregoing; and

- the impact of each of the factors described under “Results of Operations—Lorillard” in the MD&A portion of this Report.

Risks and uncertainties primarily affecting us and our energy subsidiaries

- the impact of changes in demand for oil and natural gas and oil and gas price fluctuations on E&P activity;

- costs and timing of rig upgrades;

- utilization levels and dayrates for offshore oil and gas drilling rigs;

- the availability and cost of insurance, and the risks associated with self-insurance, covering drilling rigs;

- regulatory issues affecting natural gas transmission, including ratemaking and other proceedings particularly affecting our gas transmission subsidiaries;

- the ability of Boardwalk Pipeline to renegotiate, extend or replace existing customer contracts on favorable terms;

- the successful development and projected cost of planned expansion projects and investments; and

- the development of additional natural gas reserves and changes in reserve estimates.

Risks and uncertainties affecting us and our subsidiaries generally

- general economic and business conditions;

- changes in financial markets (such as interest rate, credit, currency, commodities and equities markets) or in the value of specific investments including the short and long-term effects of losses produced or threatened in relation to sub-prime residential mortgage-backed securities;

- changes in domestic and foreign political, social and economic conditions, including the impact of the global war on terrorism, the war in Iraq, the future outbreak of hostilities and future acts of terrorism;

- potential changes in accounting policies by the Financial Accounting Standards Board, the SEC or regulatory agencies for any of our subsidiaries' industries which may cause us or our subsidiaries to revise their financial accounting and/or disclosures in the future, and which may change the way analysts measure our and our subsidiaries' business or financial performance;

- the impact of regulatory initiatives and compliance with governmental regulations, judicial rulings and jury verdicts;

- the results of financing efforts;

- the closing of any contemplated transactions and agreements;

- the successful integration, transition and management of acquired businesses; and

- the outcome of pending litigation.

Developments in any of these areas, which are more fully described elsewhere in this Report, could cause our results to differ materially from results that have been or may be anticipated or projected. Forward-looking statements speak only as of the date of this Report and we expressly disclaim any obligation or undertaking to update these statements to reflect any change in our expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a large diversified holding company. As such, we and our subsidiaries have significant amounts of financial instruments that involve market risk. Our measure of market risk exposure represents an estimate of the change in fair value of our financial instruments. Changes in the trading portfolio are recognized in the Consolidated Condensed Statements of Income. Market risk exposure is presented for each class of financial instrument held by us at September 30, 2007 and December 31, 2006, assuming immediate adverse market movements of the magnitude described below. We believe that the various rates of adverse market movements represent a measure of exposure to loss under hypothetically assumed adverse conditions. The estimated market risk exposure represents the hypothetical loss to future earnings and does not represent the maximum possible loss nor any expected actual loss, even under adverse conditions, because actual adverse fluctuations would likely differ. In addition, since our investment portfolio is subject to change based on our portfolio management strategy as well as in response to changes in the market, these estimates are not necessarily indicative of the actual results which may occur.

Exposure to market risk is managed and monitored by senior management. Senior management approves our overall investment strategy and has responsibility to ensure that the investment positions are consistent with that strategy with an acceptable level of risk. We may manage risk by buying or selling instruments or entering into offsetting positions.

Interest Rate Risk – We have exposure to interest rate risk arising from changes in the level or volatility of interest rates. We attempt to mitigate our exposure to interest rate risk by utilizing instruments such as interest rate swaps, interest rate caps, commitments to purchase securities, options, futures and forwards. We monitor our sensitivity to interest rate risk by evaluating the change in the value of our financial assets and liabilities due to fluctuations in interest rates. The evaluation is performed by applying an instantaneous change in interest rates by varying magnitudes on a static balance sheet to determine the effect such a change in rates would have on the recorded market value of our investments and the resulting effect on shareholders' equity. The analysis presents the sensitivity of the market value of our financial instruments to selected changes in market rates and prices which we believe are reasonably possible over a one-year period.

The sensitivity analysis estimates the change in the market value of our interest sensitive assets and liabilities that were held on September 30, 2007 and December 31, 2006 due to instantaneous parallel shifts in the yield curve of 100 basis points, with all other variables held constant.

The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Accordingly, the analysis may not be indicative of, is not intended to provide, and does not provide a precise forecast of the effect of changes of market interest rates on our earnings or shareholders' equity. Further, the computations do not contemplate any actions we could undertake in response to changes in interest rates.

Our debt is denominated in U.S. Dollars and has been primarily issued at fixed rates, therefore, interest expense would not be impacted by interest rate shifts. The impact of a 100 basis point increase in interest rates on fixed rate debt would result in a decrease in market value of $331.5 million and $559.9 million at September 30, 2007 and December 31, 2006, respectively. A 100 basis point decrease would result in an increase in market value of $353.7 million and $352.9 million at September 30, 2007 and December 31, 2006, respectively. HighMount has entered into interest rate swaps for a notional amount of $1.6 billion to hedge its exposure to fluctuations in LIBOR. These swaps effectively fix the interest rate at 5.8%. Gains or losses from derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the hedged transaction.

Equity Price Risk – We have exposure to equity price risk as a result of our investment in equity securities and equity derivatives. Equity price risk results from changes in the level or volatility of equity prices which affect the value of equity securities or instruments that derive their value from such securities or indexes. Equity price risk was measured assuming an instantaneous 25% decrease in the underlying reference price or index from its level at September 30, 2007 and December 31, 2006, with all other variables held constant.

Foreign Exchange Rate Risk – Foreign exchange rate risk arises from the possibility that changes in foreign currency exchange rates will impact the value of financial instruments. We have foreign exchange rate exposure when we buy or sell foreign currencies or financial instruments denominated in a foreign currency. This exposure is mitigated by our asset/liability matching strategy and through the use of futures for those instruments which are not matched. Our foreign transactions are primarily denominated in Australian dollars, Canadian dollars, British pounds, Japanese yen and the European Monetary Unit. The sensitivity analysis assumes an instantaneous 20% decrease in the foreign currency exchange rates versus the U.S. dollar from their levels at September 30, 2007 and December 31, 2006, with all other variables held constant.

Commodity Price Risk – We have exposure to price risk as a result of our investments in commodities. Commodity price risk results from changes in the level or volatility of commodity prices that impact instruments which derive their value from such commodities. Commodity price risk was measured assuming an instantaneous increase of 20% from their levels at September 30, 2007 and December 31, 2006. The impact of a change in commodity prices on HighMount's non-trading commodity-based financial derivative instruments at a point in time is not necessarily representative of the results that will be realized when such contracts are ultimately settled. Net losses from commodity derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the underlying hedged transaction, such as revenue from sales.

Credit Risk – We are exposed to credit risk which relates to the risk of loss resulting from the nonperformance by a customer of its contractual obligations. Boardwalk Pipeline has exposure related to receivables for services provided, as well as volumes owed by customers for imbalances or gas lent by Boardwalk Pipeline to them generally under parking and lending services and no-notice services. Boardwalk Pipeline maintains credit policies intended to minimize this risk and actively monitors these policies. Natural gas price volatility has increased dramatically in recent years, which has materially increased Boardwalk Pipeline's credit risk related to gas loaned to its customers. As of September 30, 2007, the amount of gas loaned out by Boardwalk Pipeline was approximately 6.6 trillion British thermal units ("TBtu") and, assuming an average market price during September 2007 of $5.86 per million British thermal units ("MMBtu"), the market value of gas loaned out at September 30, 2007 would have been approximately $38.7 million. As of December 31, 2006, the amount of gas loaned out by our subsidiaries was approximately 15.1 TBtu and, assuming an average market price during December 2006 of $6.81 per MMBtu, the market value of gas loaned out at December 31, 2006 would have been approximately $102.8 million. If any significant customer should have credit or financial problems resulting in a delay or failure to repay the gas it owes Boardwalk Pipeline, it could have a material adverse effect on our financial condition, results of operations and cash flows.

The following tables present our market risk by category (equity markets, interest rates, foreign currency exchange rates and commodity prices) on the basis of those entered into for trading purposes and other than trading purposes.

Trading portfolio:

Category of risk exposure:	**Fair Value Asset (Liability)**		**Market Risk**	
	September 30, 2007	December 31, 2006	**September 30, 2007**	December 31, 2006
(In millions)				
Equity markets (1):				
Equity securities (a)	**$ 711.7**	$ 685.5	**$ (178.0)**	$ (171.0)
Futures - short			**96.0**	
Options - purchased	**30.6**	25.9	**16.0**	(1.0)
- written	**(11.5)**	(13.0)	**(1.0)**	9.0
Warrants	**0.8**	0.4		
Short sales	**(68.2)**	(61.9)	**17.0**	15.0
Limited partnership investments	**438.7**	343.2	**(31.0)**	(27.0)
Interest rate (2):				
Futures – long			**(16.0)**	(29.0)
Futures – short			**12.0**	21.0
Interest rate swaps – long		(0.5)		(4.0)
Fixed maturities – long	**870.3**	1,921.7	**(13.0)**	(38.0)
Fixed maturities – short	**(14.9)**			
Short-term investments	**2,138.9**	4,385.5		
Other derivatives	**0.4**	2.2	**3.0**	9.0
Commodities (3):				
Options - purchased		0.5		(1.0)
- written		(0.1)		1.0

Note: The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of (1) a decrease in equity prices of 25%, (2) an increase in interest rates of 100 basis points and (3) an increase in commodity prices of 20%. Adverse changes on options which differ from those presented above would not necessarily result in a proportionate change to the estimated market risk exposure.

(a) A decrease in equity prices of 25% would result in market risk amounting to $(177.0) and $(162.0) at September 30, 2007 and December 31, 2006, respectively. This market risk would be offset by decreases in liabilities to customers under variable insurance contracts.

Other than trading portfolio:

Category of risk exposure:	**Fair Value Asset (Liability)**		**Market Risk**	
	September 30, 2007	December 31, 2006	**September 30, 2007**	December 31, 2006
(In millions)				
Equity markets (1):				
Equity securities:				
General accounts (a)	**$ 607.8**	$ 597.0	**$ (152.0)**	$ (149.0)
Separate accounts	**45.6**	41.4	**(11.0)**	(10.0)
Limited partnership investments	**2,007.8**	1,817.3	**(160.0)**	(143.0)
Interest rate (2):				
Fixed maturities (a)(b)	**34,024.6**	35,648.0	**(1,963.0)**	(1,959.0)
Short-term investments (a)	**9,741.7**	8,436.9	**(4.0)**	(5.0)
Other invested assets	**15.3**	21.3		
Interest rate swaps (c)	**(33.5)**		**71.0**	
Other derivative securities	**26.2**	4.6	**31.0**	190.0
Separate accounts (a):				
Fixed maturities	**417.7**	433.5	**(20.0)**	(21.0)
Short-term investments	**2.3**	21.4		
Debt	**(7,179.0)**	(5,443.0)		
Commodities (3):				
Forwards – short (c)	**35.6**		**(102.0)**	

Note: The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of (1) a decrease in equity prices of 25%, (2) an increase in interest rates of 100 basis points and (3) an increase in commodity prices of 20%.

(a) Certain securities are denominated in foreign currencies. An assumed 20% decline in the underlying exchange rates would result in an aggregate foreign currency exchange rate risk of $(276.0) and $(283.0) at September 30, 2007 and December 31, 2006, respectively.

(b) Certain fixed maturities positions include options embedded in convertible debt securities. A decrease in underlying equity prices of 25% would result in market risk amounting to $(114.0) and $(227.0) at September 30, 2007 and December 31, 2006, respectively.

(c) The market risk at September 30, 2007 will generally be offset by recognition of the underlying hedged transaction.

Item 4. Controls and Procedures.

The Company maintains a system of disclosure controls and procedures which are designed to ensure that information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Exchange Act”), including this report, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to the Company’s management on a timely basis to allow decisions regarding required disclosure.

The Company’s principal executive officer (“CEO”) and principal financial officer (“CFO”) undertook an evaluation of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. The CEO and CFO have concluded that the Company’s controls and procedures were effective as of September 30, 2007.

There were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the foregoing evaluation that occurred during the quarter ended September 30, 2007, that have materially affected or that are reasonably likely to materially affect the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

1. Insurance Related.

Information with respect to insurance related legal proceedings is incorporated by reference to Note 12 of the Notes to Consolidated Condensed Financial Statements included in Part I of this Report.

2. Tobacco Related.

Information with respect to tobacco related legal proceedings is incorporated by reference to Note 12 of the Notes to Consolidated Condensed Financial Statements in Part I of this Report and Item 3, Legal Proceedings, and Exhibit 99.01, Pending Tobacco Litigation, of the Company's Report on Form 10-K for the year ended December 31, 2006.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2006 includes a detailed discussion of certain material risk factors facing our company. The information presented below describes updates and additions to such risk factors and should be read in conjunction with the risk factors and information disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006.

Our recent acquisition of HighMount creates risks and uncertainties.

On July 31, 2007 we acquired the assets and business of HighMount from Dominion Resources, Inc. ("Dominion") for approximately $4.0 billion. As with any acquisition, our acquisition of HighMount involves potential risks, including, among other things:

- variations from assumptions about the amount of recoverable reserves, production volumes, revenues and costs and the future price of natural gas, oil and natural gas liquids ("NGLs");
- an inability to successfully integrate the business;
- difficulty in hiring, training or retaining qualified personnel to manage and operate the business;
- an inability to coordinate organizations, systems and facilities needed to operate HighMount as a stand-alone business, independent from Dominion, including reliance on transition services to be provided by Dominion;
- the assumption of unknown liabilities and limitations on our rights to indemnity from Dominion;
- the diversion of management's and employees' attention from other business concerns; and
- unforeseen difficulties operating in a new industry.

In connection with the acquisition, we conducted a customary due diligence review of the acquired business, including among other things, assessment of recoverable reserves, title to acquired assets, development and operating costs and potential environmental and other liabilities. Such assessments are inexact and inherently uncertain. In connection with the assessments, we performed a review of HighMount's properties, but such a review will not reveal all existing or potential problems. In the course of our due diligence, we did not inspect every well, facility or pipeline. We could not necessarily observe structural and environmental problems or reserves. We were not able to obtain contractual indemnities from Dominion for many pre-closing liabilities and risks, known or unknown, and assumed many such risks. The incurrence of an unexpected liability or the failure of the business to perform in accordance with our expectations could have a material adverse effect on our financial position and results of operations.

Risks Related to Us and Our Subsidiary, HighMount Exploration & Production

HighMount may not be able to replace reserves and sustain production at current levels. Replacing reserves is risky and uncertain and requires significant capital expenditures.

HighMount's future success depends largely upon its ability to find, develop or acquire additional reserves that are economically recoverable. Unless HighMount replaces the reserves produced through successful development, exploration or acquisition, its proved reserves will decline over time. HighMount may not be able to successfully find and produce reserves economically in the future or to acquire proved reserves at acceptable costs.

By their nature, undeveloped reserves are less certain. Thus, HighMount must make a substantial amount of capital expenditures for the acquisition, exploration and development of reserves. HighMount expects to fund its capital expenditures with cash from its operating activities. If HighMount's cash flow from operations is not sufficient to fund its capital expenditure budget, there can be no assurance that additional debt or equity financing will be available to meet those requirements.

Estimates of natural gas, oil and NGL reserves are uncertain and inherently imprecise.

Estimating accumulations of natural gas, oil and NGLs is complex and is not an exact science because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. The process also requires certain economic assumptions, some of which are mandated by the Securities and Exchange Commission, such as oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, these estimates are inherently imprecise. The accuracy of a reserve estimate is a function of:

- the quality and quantity of available data;
- the interpretation of that data;
- the accuracy of various mandated economic assumptions; and
- the judgment of the persons preparing the estimate.

Actual future production, commodity prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable reserves most likely will vary from HighMount's estimates. Any significant variance could materially affect the quantities and present value of HighMount's reserves. In addition, HighMount may adjust estimates of proved reserves to reflect production history, results of exploration and development and prevailing commodity prices.

The timing of both the production and the expenses from the development and production of oil and gas properties will affect both the timing of actual future net cash flows from proved reserves and their present value. In addition, the 10% discount factor, which is required by the Securities and Exchange Commission to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most accurate discount factor. The effective interest rate at various times, and the risks associated with our business, or the oil and gas industry in general, will affect the accuracy of the 10% discount factor.

If commodity prices decrease, HighMount may be required to take write-downs of the carrying values of its properties.

HighMount may be required, under full cost accounting rules, to write down the carrying value of its oil and gas properties if commodity prices decline significantly, or if it makes substantial downward adjustments to its estimated proved reserves, or increases its estimates of development costs or deterioration in its exploration results. HighMount utilizes the full cost method of accounting for its exploration and development activities. Under full cost accounting, HighMount is required to perform a ceiling test each quarter. The ceiling test is an impairment test and generally establishes a maximum, or "ceiling," of the book value of HighMount's natural gas properties that is equal to the expected after tax present value (discounted at the required rate of 10%) of the future net cash flows from proved reserves, including the effect of cash flow hedges, calculated using prevailing prices on the last day of the period.

If the net book value of HighMount's E&P properties (reduced by any related net deferred income tax liability) exceeds its ceiling limitation, SEC regulations require HighMount to impair or "write down" the book value of its E&P properties. Depending on the magnitude of any future impairment, a ceiling test write-down could significantly reduce HighMount's income, or produce a loss. As ceiling test computations involve the prevailing price on the last day of the quarter, it is impossible to predict the timing and magnitude of any future impairment. Any such write-down could materially adversely affect our results of operations and equity.

Drilling for and producing natural gas, oil and NGLs is a high risk activity with many uncertainties that could adversely affect HighMount's business, financial condition or results of operations.

HighMount's future success will depend in part on the success of its exploitation, exploration, development and production activities. HighMount's E&P activities are subject to numerous risks beyond its control, including the risk that drilling will not result in commercially viable production at acceptable levels. HighMount's decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. HighMount's cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or cancel drilling, including the following:

- lack of acceptable prospective acreage;
- inadequate capital resources;
- unexpected drilling conditions; pressure or irregularities in formations; equipment failures or accidents;
- adverse weather conditions;
- unavailability or high cost of drilling rigs, equipment or labor;
- reductions in commodity prices;
- limitations in the market for natural gas, oil and NGLs;
- title problems;
- compliance with governmental regulations; and
- mechanical difficulties.

HighMount's business involves many hazards and operational risks, some of which may not be fully covered by insurance. If a significant accident or event occurs that is not fully insured, HighMount's operations and financial results could be adversely affected.

HighMount is not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect HighMount's business, financial condition or results of operations. HighMount's E&P activities are subject to all of the operating risks associated with drilling for and producing natural gas, oil and NGLs, including the possibility of:

- environmental hazards, such as uncontrollable flows of natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck drilling and service tools and casing collapse;
- fires and explosions;
- personal injuries and death; and
- natural disasters.

If any of these events occur, HighMount could incur substantial losses as a result of injury or loss of life, damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties, suspension of HighMount's operations and repairs to resume operations, any of which could adversely affect its ability to conduct operations or result in substantial losses. HighMount may elect not to obtain insurance, if the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event that is not covered or not fully covered by insurance could have a material adverse effect on HighMount's business, financial condition or results of operations.

HighMount's hedging activities may have a material adverse effect on our earnings, profitability, cash flows and financial condition.

HighMount is exposed to risks associated with fluctuations in commodity prices. The extent of HighMount's commodity price risk is related to the effectiveness and scope of HighMount's hedging activities. To the extent HighMount hedges its commodity price risk, HighMount will forego the benefits it would otherwise experience if commodity prices or interest rates were to change in its favor. Furthermore, because HighMount has entered into derivative transactions related to only a portion of the volume of its expected natural gas supply and production of NGLs, HighMount will continue to have direct commodity price risk to the unhedged portion. HighMount's actual future supply and production may be significantly higher or lower than HighMount estimates at the time it enters into derivative transactions for that period.

As a result, HighMount's hedging activities may not be as effective as HighMount intends in reducing the volatility of its cash flows, and in certain circumstances may actually increase the volatility of cash flows. In addition, even though HighMount's management monitors its hedging activities, these activities can result in substantial losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the applicable hedging arrangement, the hedging arrangement is imperfect or ineffective, or HighMount's hedging policies and procedures are not properly followed or do not work as planned.

Natural gas, oil, NGL and other commodity prices are volatile, and a reduction in these prices could adversely affect HighMount's revenue, profitability and cash flow.

The commodity price HighMount receives for its production heavily influences its revenue, profitability, access to capital and future rate of growth. HighMount is subject to risks due to frequent and often substantial fluctuations in commodity prices. NGL prices generally fluctuate on a basis that correlates to fluctuations in crude oil prices. In the past, the prices of natural gas and crude oil have been extremely volatile, and HighMount expects this volatility to continue. The markets and prices for natural gas, oil and NGLs depend upon factors beyond HighMount's control. These factors include demand, which fluctuates with changes in market and economic conditions and other factors, including:

- the impact of weather on the demand for these commodities;
- the level of domestic production and imports of these commodities;
- natural gas storage levels;
- actions taken by foreign producing nations;
- the availability of local, intrastate and interstate transportation systems;
- the availability and marketing of competitive fuels;
- the impact of energy conservation efforts; and
- the extent of governmental regulation and taxation.

Lower commodity prices may decrease HighMount's revenues and may reduce the amount of natural gas, oil and NGLs that HighMount can produce economically. A substantial or extended decline in prices may materially and adversely affect HighMount's future business, financial condition, results of operations, and cash flows.

Risks Related to Us and Our Subsidiaries Generally

Certain of our subsidiaries face significant risks related to compliance with environmental laws.

- Development, production and sale of natural gas, oil and NGLs in the United States are subject to extensive laws and regulations, including environmental laws and regulations, including those related to discharge of materials into the environment and environmental protection, permits for drilling operations, bonds for ownership, development and production of gas properties and reports concerning operations, which could result in liabilities for personal injuries, property damage, spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages, suspension or termination of HighMount's operations and administrative, civil and criminal penalties.

Future acts of terrorism could harm us and our subsidiaries.

- *HighMount*. The impact that future terrorist attacks or regional hostilities (particularly in the Middle East) may have on the energy industry in general, and on HighMount in particular, is unknown and may affect HighMount's operations in unpredictable ways, including disruptions of fuel supplies and markets and the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror or war. Moreover, HighMount may be required to incur significant additional costs, including insurance costs, to safeguard its assets in the event of any future such activities.

The risk factor in our Annual Report on Form 10-K for the year ended December 31, 2006 captioned ***"Diamond Offshore significantly increased insurance deductibles and has elected to self-insure for a portion of its liability exposure and for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico"*** is amended and restated in its entirety as follows:

Diamond Offshore is self-insured for a portion of physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico.

Effective May 1, 2007, Diamond Offshore renewed its principal insurance policies. For physical damage due to named windstorms in the U.S. Gulf of Mexico, Diamond Offshore's deductible is $75.0 million per occurrence (or lower for some rigs if they are declared a constructive total loss) with an annual aggregate limit of $125.0 million. Accordingly, Diamond Offshore's insurance coverage for all physical damage to Diamond Offshore's rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico for the policy period ending April 30, 2008 is limited to $125.0 million. If named windstorms in the U.S. Gulf of Mexico cause significant damage to Diamond Offshore's rigs or equipment, it could have a material adverse effect on our financial position, results of operations or cash flows.

The risk factor in our Annual Report on Form 10-K for the year ended December 31, 2006 captioned ***"Boardwalk Pipeline's natural gas transportation and storage operations are subject to FERC rate-making policies"*** is amended and restated in its entirety as follows:

Boardwalk Pipeline's natural gas transportation and storage operations are subject to FERC rate-making policies.

Action by the FERC on currently pending matters as well as matters arising in the future could adversely affect Boardwalk Pipeline's ability to establish rates, or to charge rates that would cover future increases in Boardwalk Pipeline's costs, or even to continue to collect rates that cover current costs, including a reasonable return. Boardwalk Pipeline cannot make assurances that it will be able to recover all of its costs through existing or future rates. An adverse determination in any future rate proceeding brought by or against Texas Gas or Gulf South could have a material adverse effect on our business, financial condition and results of operations that could have an adverse impact on Boardwalk Pipeline's ability to service its debt.

On July 20, 2004, the United States Court of Appeals for the District of Columbia Circuit ("D.C. Circuit") issued its opinion in *BP West Coast Products, LLC v. FERC ("BP West Coast")* and vacated the portion of the FERC's decision applying the FERC's *Lakehead* policy to determine an allowance for income taxes in the regulated cost of service. In its *Lakehead* decision, the FERC allowed an oil pipeline limited partnership to include in its cost of service an income tax allowance to the extent that its unitholders were corporations subject to income tax. The D.C. Circuit emphasized that a regulated pipeline's cost of service should include only "appropriate cost[s]" and compared income taxes paid by owners of equity interests in a pipeline to the costs of bookkeeping paid by such owners, indicating the court's belief that such costs paid by an entity other than the regulated entity would not be recoverable in the rates of the pipeline. In May and June 2005, the FERC issued a statement of general policy and an order on remand of *BP West Coast*, respectively, in which the FERC stated it will permit pipelines to include in cost-of-service a tax allowance to reflect actual or potential tax liability on their public utility income attributable to all partnership or limited liability company interests, if the ultimate owner of the interest has an actual or potential income tax liability on such income. Whether a pipeline's owners have such actual or potential income tax liability will be reviewed by the FERC on a case-by-case basis. Although the new policy is generally favorable for pipelines that are organized as pass-through entities, it still entails risk due to the case-by-case review requirement. On December 16, 2005, the FERC issued a case-specific review of the income tax allowance issue in the *SFPP, L.P.* proceeding. The FERC ruled favorably to SFPP, L.P. on all income tax issues and set forth guidelines regarding the type of evidence necessary for the pipeline to determine its income tax allowance. The FERC's *BP West Coast* remand decision, the new tax allowance policy, and the December 16, 2005 order were appealed to the D.C. Circuit. The D.C. Circuit issued an order on May 29, 2007, in which it denied these appeals and fully upheld FERC's new tax allowance policy and the application of that policy in the December 16, 2005 order. If the FERC were to change its tax allowance policies in the future, such changes could materially and adversely impact the rates Boardwalk Pipeline is permitted to charge as future rates are approved for its interstate transportation services.

If Texas Gas or Gulf South were to file a rate case or if Boardwalk Pipeline was to be required to defend its rates, Boardwalk Pipeline would be required to establish pursuant to the new policy statement that the inclusion of an income tax allowance in its cost of service was just and reasonable. To establish that its tax allowance is just and reasonable, Boardwalk Pipeline's general partner may elect to require owners of Boardwalk Pipeline's units to recertify their status as being subject to United States federal income taxation on the income generated by Texas Gas or Gulf South. Boardwalk Pipeline can provide no assurance that the certification and re-certification procedures provided in Boardwalk Pipeline's partnership agreement will be sufficient to establish that its unitholders, or its unitholders' owners, are subject to United States federal income taxation on the income generated by Boardwalk Pipeline. If Boardwalk Pipeline is unable to establish that the master partnership's unitholders, or its unitholders' owners, are subject to United States federal income taxation on the income generated by Boardwalk Pipeline, the FERC could disallow a substantial portion of Texas Gas' or Gulf South's income tax allowance. If the FERC were to disallow a substantial portion of Texas Gas' or Gulf South's income tax allowance, it is likely that the level of maximum lawful rates could decrease from current levels.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Items 2(a) and (b) are inapplicable.

(c) STOCK REPURCHASES

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares (or approximate dollar value) of shares that may yet be purchased under the plans or programs (in millions)
July 1, 2007 - July 31, 2007	2,436,800	$50.02	N/A	N/A
August 1, 2007 - August 31, 2007	2,838,300	$45.22	N/A	N/A
September 1, 2007 - September 30, 2007	816,300	$45.72	N/A	N/A

Item 6. Exhibits.

Description of Exhibit	Exhibit Number
By-Laws of the Company as amended through October 9, 2007	3.1*
Amendment Number 2 to Alabama/Michigan/Permian Package Purchase Agreement Between Dominion Exploration & Production, Inc., Dominion Energy, Inc., Dominion Oklahoma Texas Exploration & Production, Inc., Dominion Reserves, Inc., LDNG Texas Holdings, LLC and DEPI Texas Holdings, LLC as Sellers and LO&G Acquisition Corp. as Purchaser, dated June 1, 2007	10.3*
Amendment Number 3 to Alabama/Michigan/Permian Package Purchase Agreement Between Dominion Exploration & Production, Inc., Dominion Energy, Inc., Dominion Oklahoma Texas Exploration & Production, Inc., Dominion Reserves, Inc., LDNG Texas Holdings, LLC and DEPI Texas Holdings, LLC as Sellers and LO&G Acquisition Corp. as Purchaser, dated June 1, 2007	10.4*
Amendment Number 4 to Alabama/Michigan/Permian Package Purchase Agreement Between Dominion Exploration & Production, Inc., Dominion Energy, Inc., Dominion Oklahoma Texas Exploration & Production, Inc., Dominion Reserves, Inc., LDNG Texas Holdings, LLC and DEPI Texas Holdings, LLC as Sellers and LO&G Acquisition Corp. as Purchaser, dated June 1, 2007	10.5*
Certification by the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.1*
Certification by the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) and Rule 15d-14(a)	31.2*
Certification by the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.1*
Certification by the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)	32.2*
Pending Tobacco Litigation, incorporated by reference to Exhibit 99.01 to Registrant's Report on Form 10-K for the year ended December 31, 2006	99.1

*Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

LOEWS CORPORATION
(Registrant)

Dated: October 31, 2007

By: /s/ Peter W. Keegan
PETER W. KEEGAN
Senior Vice President and
Chief Financial Officer
(Duly authorized officer
and principal financial
officer)

Exhibit 3.1

AS AMENDED THROUGH
October 9, 2007

LOEWS CORPORATION

By-Laws

BY-LAWS

OF

LOEWS CORPORATION
(A Delaware Corporation)

ARTICLE 1

DEFINITIONS

As used in these By-laws, words of any gender (masculine, feminine, neuter) mean and include correlative words of the other genders, and unless the context otherwise requires, the term:

1.1 "**Board**" means the Board of Directors of the Corporation.

1.2 "**By-laws**" means the initial by-laws of the Corporation, as amended, supplemented or restated, from time to time.

1.3 "**Certificate of Incorporation**" means the initial certificate of incorporation of the Corporation, as amended, supplemented or restated from time to time.

1.4 "**Corporation**" means Loews Corporation.

1.5 "**Directors**" means directors of the Corporation.

1.6 "**General Corporation Law**" means the General Corporation Law of the State of Delaware, as amended from time to time.

1.7 "**Office of the Corporation**" means the executive office of the Corporation, anything in Section 131 of the General Corporation Law to the contrary notwithstanding.

1.8 **"Stockholders"** means stockholders of record of the Corporation.

1.9 **"Whole Board"** means the total number of directors which the Corporation would have if there were no vacancies on the Board of Directors.

ARTICLE 2

STOCKHOLDERS

2.1 **Place of Meetings.** Every meeting of Stockholders shall be held at the Office of the Corporation or at such other place within or without the State of Delaware as shall be specified or fixed in the notice of such meeting or in the waiver of notice thereof.

2.2 **Annual Meeting.** A meeting of Stockholders shall be held annually for the election of directors and the transaction of other business at such hour as may be designated in the notice of meeting, on the second Tuesday in May in each year (or, if such date falls on a legal holiday, on the first business day thereafter which is not a Saturday, Sunday or legal holiday), or on such other date, as may be fixed by the Board.

2.3 **Special Meetings.** A special meeting of Stockholders, unless otherwise prescribed by statute, may be called at any time by the Board or by the Chairman of the Board, the President, or by the Secretary and shall be called by the Chairman of the Board, the President, or by the Secretary on the written request of holders of a majority of the shares of capital stock of the Corporation entitled to vote in an election of directors, which written request shall state the purpose or purposes of such meeting. At any special meeting of Stockholders only such business may be transacted which is related to the purpose or purposes of such meeting set forth in the notice thereof given pursuant to Section 2.5 of the By-laws or in any waiver of notice thereof given pursuant to the General Corporation Law.

2.4 **Fixing Record Date.** For the purpose of determining the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or for the purpose of determining Stockholders entitled to receive payment of any dividend or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a date as the record date for any such determination of Stockholders. Such date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no such record date is fixed:

2.4.1 The record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;

2.4.2 The record date for determining Stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board is necessary, shall be the day on which the first written consent is expressed;

2.4.3 The record date for determining Stockholders for any purpose other than specified in Sections 2.4.1 and 2.4.2 shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

When a determination of Stockholders entitled to notice of or to vote at any meeting of Stockholders has been made as provided in this Section 2.4 such determination shall apply to any adjournment thereof, unless the Board fixes a new record date for the adjourned meeting.

2.5 **Notice of Meetings of Stockholders.** Except as otherwise provided in Sections 2.3 and 2.4 of the By-laws, whenever under the General Corporation Law or the Certificate of Incorporation or the By-laws, Stockholders are required or permitted to take any action at a meeting, written notice shall be given stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. A copy of the notice of any meeting shall be given, personally or by mail not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to notice of or to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage prepaid, directed to the stockholder at the address of such Stockholder as it appears on the records of the Corporation. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice required by this section has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called. If, however, the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.6 **List of Stockholders.** The Secretary shall prepare and make, or cause to be prepared and made, at least ten days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder. Such list shall be open to the examination of any Stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at the principal place of business of the Corporation or on a reasonably accessible electronic network, provided that, in the latter case, information required to gain access to such list is provided with the notice of the meeting. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.7 **Quorum of Stockholders; Adjournment.** The holders of a majority of the shares of stock entitled to vote at any meeting of Stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of any business at such meeting. When a quorum is once present to organize a meeting of Stockholders, it is not broken by the subsequent withdrawal of any Stockholders. The chairman of any meeting of Stockholders, or the holders of a majority of the shares of stock present in person or represented by proxy at any meeting of Stockholders, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place.

2.8 **Voting; Proxies**.

(a) Unless otherwise provided in the Certificate of Incorporation, every Stockholder shall be entitled at every meeting of Stockholders to one vote for each share of capital stock held by such Stockholder as of the record date determined in accordance with Section 2.4 of the By-laws. If the Certificate of Incorporation provides for more or less than one vote for any share, on any matter, every reference in the By-laws or the General Corporation Law to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock. The provisions of Sections 212 and 217 of the General Corporation Law shall apply in determining whether any shares of capital stock may be voted and the persons, if any, entitled to vote such shares; but the Corporation shall be protected in treating the persons in whose names shares of capital stock stand on the record of Stockholders as owners thereof for all purposes.

(b) At any meeting of Stockholders, a quorum being present, all matters, except as otherwise provided by law or by the Certificate of Incorporation or by the By-laws, shall be decided by a majority of the votes cast at such meeting by the holders of shares present in person or represented by proxy and entitled to vote thereon.

(c) Except as provided in Section 3.4 of the By-laws and except for contested elections, each Director shall be elected by the vote of the majority of the votes cast with respect to such Director at any meeting for the election of Directors at which a quorum is present. For purposes of this Section 2.8: (i) an election is contested when (a) the Secretary receives a notice that a Stockholder has nominated a person for election to the Board in compliance with the advance notice requirements for Stockholder nominees for Director set forth in Section 2.12 of the By-laws and (b) such nomination has not been withdrawn by such Stockholder on or prior to the tenth day preceding the date the Corporation first mails its notice of meeting for such meeting to the Stockholders; and (ii) a majority of the votes cast "for" a nominee must exceed the number of votes cast "against" that nominee. The Board shall require any incumbent Director nominee who is not elected to tender his or her resignation to the Board. The Board shall then establish a committee to consider any such resignation and make recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days of the certification of the election results. In contested elections, Directors shall be elected by a plurality of the votes cast. For the avoidance of doubt, any vacancies on the Board as a result of a resignation contemplated by this Section 2.8(c) may be filled by the Board in accordance with Section 3.4 of the By-Laws.

(d) All elections of Directors shall be by written ballot, unless otherwise provided in the Certificate of Incorporation; if authorized by the Board, such requirement of a written ballot shall be satisfied by a ballot submitted by electronic transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the Stockholder or proxy holder. Each written ballot shall be signed by the Stockholder voting or by the proxy of such Stockholder, and shall state the number of shares voted. On all other questions, the voting may be voice vote.

(e) Every Stockholder entitled to vote at a meeting of Stockholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy. The validity and enforceability of any proxy shall be determined in accordance with the General Corporation Law.

2.9 **Selection and Duties of Inspectors at Meetings of Stockholders.** The Board, in advance of any meeting of Stockholders, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at such meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspector or inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all Stockholders. On request of the person presiding at the meeting or any stockholder entitled to vote thereat, the inspector or inspectors shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them. Any report or certificate made by the inspector or inspectors shall be prima facie evidence of the facts stated and of the vote as certified by him or them.

2.10 **Organization.** At every meeting of Stockholders, unless otherwise directed by the Board, the President, or in the absence of the President, the Chairman of the Board, or in the absence of either of them, the Chairman of the Executive Committee, or in the absence of all of them the most senior Vice President (based on term of service as Vice President) present shall act as chairman of the meeting. The Secretary, or in the absence of the Secretary, one of the Assistant Secretaries, shall act as secretary of the meeting. In case none of the officers above designated to act as chairman or secretary of the meeting, respectively, shall be present a chairman or a secretary of the meeting, as the case may be, shall be chosen by a majority of the votes cast at such meeting by the holders of shares of capital stock present in person or represented by proxy and entitled to vote at the meeting.

2.11 **Order of Business.** The order of business at all meetings of Stockholders shall be as determined by the chairman of the meeting, but the order of business to be followed at any meeting at which a quorum is present may be changed by a majority of the votes cast at such meeting by the holders of shares of capital stock present in person or represented by proxy and entitled to vote at the meeting.

2.12 **Notification of Nominations.**

(a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors. Nominations of persons for election as Directors at any annual meeting of Stockholders (an "Annual Meeting"), or at any special meeting of Stockholders (a "Special Meeting") called for the purpose of electing Directors, may be made (a) by or at the direction of the Board (or any duly authorized committee thereof) or (b) by any Stockholder (i) who is a Stockholder of record on the date of the giving of the notice provided for in this Section 2.12 and on the record date for the determination of Stockholders entitled to notice of and to vote at such Annual Meeting or Special Meeting, and (ii) who complies with the notice procedures set forth in this Section 2.12.

(b) In addition to any other applicable requirements for a nomination to be made at any Annual Meeting or Special Meeting by a Stockholder, such Stockholder must have given timely notice thereof in proper written form to the Secretary.

(c) To be timely, a Stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an Annual Meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Annual Meeting was mailed or public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) in the case of nominations of persons for election as Directors at a Special Meeting called for such a purpose, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Special Meeting was mailed or public disclosure of the date of the Special Meeting was made, whichever first occurs.

(d) With respect to each person proposed to be nominated for election as a Director, to be in proper written form, a Stockholder's notice to the Secretary must set forth (a) as to each person, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the Stockholder giving the notice, (i) the name and address of such Stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such Stockholder, (iii) a description of all arrangements or understandings between such Stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such Stockholder, (iv) a representation that such Stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) all other information relating to such Stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a Director if elected.

(e) No person shall be eligible for election as a Director unless nominated in accordance with the procedures set forth in this Section 2.12. If the chairman of any Annual Meeting or Special Meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective, and such defective nomination shall be disregarded.

ARTICLE 3

DIRECTORS

3.1 **General Powers.** Except as otherwise provided in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board. The Board may adopt such rules and regulations, not inconsistent with the Certificate of Incorporation or the By-laws or applicable laws, as it may deem proper for the conduct of its meetings and the management of the Corporation. In addition to the powers expressly conferred by the By-laws, the Board may exercise all powers and perform all acts which are not required, by the By-laws or the Certificate of Incorporation or by law, to be exercised and performed by the Stockholders.

3.2 **Number; Qualification; Term of Office.** The number of Directors which shall constitute the Whole Board shall be not less than seven nor more than fifteen, the exact number of Directors to be fixed from time to time within such range by resolution of the Board. This range shall not be altered without approval of the Stockholders. Directors need not be Stockholders. Each Director shall hold office until his successor is elected and qualified or until his earlier death, resignation or removal.

3.3 **Election**. The vote required to elect Directors is set forth in Section 2.8.

3.4 **Newly Created Directorships and Vacancies.** Unless otherwise provided in the Certificate of Incorporation, newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board for any reason, including the removal of directors without cause, may be filled by vote of a majority of the directors then in office, although less than a quorum, at any meeting of the Board or may be elected by a plurality of the votes cast by the holders of shares of capital stock entitled to vote in the election at a special meeting of Stockholders called for that purpose. A director elected to fill a vacancy shall be elected to hold office until his successor is elected and qualified, or until his earlier death, resignation or removal.

3.5 **Resignations.** Any Director may resign at any time by notice given in writing to the Corporation. Such resignation shall take effect at the time therein specified, and the acceptance of such resignation shall not be necessary to make it effective. In addition, a Director shall tender his or her resignation to the Board when required in accordance with Section 2.8(c), and any such resignation shall become effective if so determined by the Board, as provided in Section 2.8(c).

3.6 **Removal of Directors.** Any or all of the directors may be removed, with or without cause, by vote of the Stockholders.

3.7 **Remuneration.** Unless otherwise expressly provided by resolution adopted by the Board, none of the directors or of the members of any committee of the Corporation contemplated by the By-laws or otherwise provided for by resolution of the Board shall as such receive any stated remuneration for his services; but the Board may at any time or from time to time by resolution provide that remuneration shall be paid to, or on behalf of, any director of the Corporation or to any member of any such committee who shall not be in the employ of the Corporation or of any of its subsidiary companies, either as his annual remuneration as such director or member or as remuneration for his attendance at each meeting of the Board or of such committee. The Board may also likewise provide that the Corporation shall reimburse each such director or member of such committee for any expenses paid by him on account of his attendance at any such meeting. Nothing in this Section contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

3.8 **Place and Time of Meetings of the Board.** Meetings of the Board, regular or special, may be held at any place within or without the State of Delaware. The times and places for holding meetings of the Board may be fixed from time to time by resolution of the Board or (unless contrary to resolution of the Board) in the notice of the meeting.

3.9 **Annual Meetings.** On the day when and at the place where the annual meeting of Stockholders for the election of directors is held, or as soon as practicable thereafter, the Board may hold its annual meeting, without notice of such meeting, for the purposes of electing officers and transacting other business. The annual meeting of the Board may be held at any other time and place specified in a notice given as provided in Section 3.11 of the By-laws for special meetings of the Board or in a waiver of notice thereof.

3.10 **Regular Meetings.** Regular meetings of the Board may be held at such times and places as may be fixed from time to time by the Board. Unless otherwise required by the Board, regular meetings of the Board may be held without notice. If any day fixed for a regular meeting of the Board shall be a Saturday or Sunday or a legal holiday at the place where such meeting is to be held, then such meeting shall be held at the same hour at the same place on the first business day thereafter which is not a Saturday, Sunday or legal holiday.

3.11 **Special Meetings.** Special meetings of the Board shall be held whenever called by the Chairman of the Board, the President, or by the Secretary or by any two or more directors. Notice of each special meeting of the Board shall be given to each director at the address designated by him for that purpose or, if none is designated, at his last known business or residence address, in writing by first-class or overnight mail or courier service, facsimile or electronic transmission, hand delivery or orally by telephone. If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails, with postage thereon prepaid, at least two days before such meeting. If by overnight mail or courier service, such notice shall be deemed adequately delivered when delivered to the overnight mail or courier service company at least one day before such meeting. If by facsimile or electronic transmission, such notice shall be deemed adequately delivered when transmitted at least 12 hours prior to the time set for the meeting. If by hand delivery or telephone, the notice shall be given at least 12 hours prior to the time set for the meeting. Every such notice shall state the time and place of the meeting but need not state the purposes of the meeting, except to the extent required by law. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting.

3.12 **Adjourned Meetings.** A majority of the directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present may adjourn such meeting to another time and place. Notice of any adjourned meeting of the Board need not be given to any director whether or not present at the time of the adjournment. Any business may be transacted at any adjourned meeting that might have been transacted at the meeting as originally called.

3.13 **Waiver of Notice.** Whenever notice is required to be given to any director or member of a committee of directors under any provision of the General Corporation Law or of the Certificate of Incorporation or By-laws, a written waiver thereof, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice or any waiver by electronic transmission.

3.14 **Organization**. At each meeting of the Board, the Chairman of the Board, or in the absence of the Chairman of the Board, the President of the Corporation, or in the absence of the President, the Chairman of the Executive Committee, or in the absence of all of them a chairman chosen by the majority of the directors present, shall preside. The

Secretary shall act as secretary at each meeting of the Board. In case the Secretary shall be absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.15 **Quorum of Directors.** A majority of the directors then in office shall constitute a quorum for the transaction of business or of any specified item of business at any meeting of the Board.

3.16 **Action by the Board.** All corporate action taken by the Board or any committee thereof shall be taken at a meeting of the Board, or of such committee, as the case may be, except that any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or of such committee, as the case may be, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this Section 3.16 shall constitute presence in person at such meeting. Except as otherwise provided by the Certificate of Incorporation or by law, the vote of a majority of the directors present (including those who participate by means of conference telephone or other communications equipment) at the time of the vote, if a quorum is present (including those who participate by means of conference telephone or other communications equipment) at such time, shall be the act of the Board.

ARTICLE 4

COMMITTEES OF THE BOARD

4.1 **Executive Committee; Appointment, Term of Office, etc.**

(a) The Board may designate an Executive Committee consisting of the Chairman of the Executive Committee, if any, and such other directors as it may designate. Each member of the Executive Committee shall continue to be a member thereof only so long as he remains a director and at the pleasure of the Board. Any member of the Executive Committee may resign therefrom at any time by giving written notice of his resignation to the Secretary. Any vacancies on the Executive Committee may be filled by the Board. The designation and authority of the Executive Committee shall be governed by Section 141(c)(2) of the General Corporation Law.

(b) The Executive Committee, between meetings of the Board, shall have and may exercise the powers of the Board in the management of the property, business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Without limiting the foregoing, the Executive Committee shall have the express power and authority to declare a dividend, to authorize the issuance of stock, and to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law.

(c) Meetings of the Executive Committee shall be held whenever called by the Chairman of the Board, the President, the Secretary, the Chairman of the Executive Committee or any two or more members of the Executive Committee. Notice of a meeting of the Executive Committee shall be given to the members thereof in the same manner as, and such notice shall be subject to all of the provisions prescribed for, notice of a special meeting of the Board pursuant to Section 3.11 of the By-laws. A meeting may be held at any time without notice if all the members of the Executive Committee are present or if those not present waive notice of the meeting. Subject to the provisions of the By-laws, the Executive Committee may fix its own rules of procedure and it shall keep a record of its proceedings and report them to the Board at the next regular or special meeting thereof after such proceedings shall have been taken.

(d) Except as otherwise provided by law, fifty percent (50%) or more of the members of the Executive Committee then in office shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting thereof shall be the act of the Executive Committee. In the absence of a quorum, a majority of the members of the Executive Committee present thereat may adjourn such meeting from time to time until a quorum shall be present thereat. Notice of any adjourned meeting need not be given. The Executive Committee shall act only as a committee, and the individual members shall have no power as such.

(e) In addition to the foregoing, in the absence or disqualification of a member of the Executive Committee, the members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(f) At each meeting of the Executive Committee, the Chairman of such committee or, in the absence of the Chairman, a chairman chosen by a majority of the committee members present, shall preside. The Secretary shall act as secretary at each meeting of the Executive Committee. In case the Secretary shall be absent from any such meeting, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

4.2 **Additional Committees of the Board**.

(a) The Board may designate one or more other committees (the "Additional Board Committees"), which shall in each case consist of such number of directors and shall have and may exercise such powers for such periods as the Board may determine in the resolution designating such committee or in such committee's charter if a charter has been adopted for such committee by the Board. Each member of an Additional Board Committee shall continue to be a member thereof only so long as he remains a director and at the pleasure of the Board. Any member of an Additional Board Committee may resign there-from at any time by giving written notice of his resignation to the Secretary. Any vacancies on an Additional Board Committee may be filled by the Board. The designation and authority of any Additional Board Committees created hereunder shall be governed by Section 141(c)(2) of the General Corporation Law.

(b) Meetings of an Additional Board Committee shall be held whenever called by the Chairman of the Board, the President, the Secretary, the Chairman of such committee or any two or more members of such committee. Notice of a meeting of an Additional Board Committee shall be given to the members thereof in the same manner as, and such notice shall be subject to all of the provisions prescribed for, notice of a special meeting of the Board pursuant to Section 3.11 of the By-laws. A meeting of an Additional Board Committee may be held at any time without notice if all the members of such committee are present or if those not present waive notice of the meeting. Subject to the provisions of the By-laws, and the charter of an Additional Board Committee if a charter has been adopted for such committee by the Board, each Additional Board Committee may fix its own rules of procedure and each shall keep a record of its proceedings and report them to the Board at the next regular or special meeting thereof after such proceedings shall have been taken.

(c) Except as otherwise provided by law, fifty percent (50%) or more of the members of an Additional Board Committee then in office shall constitute a quorum for the transaction of business, and the act of a majority of those present at a meeting thereof shall be the act of an Additional Board Committee. In the absence of a quorum, a majority of the members of an Additional Board Committee present thereat may adjourn such meeting from time to time until a quorum shall be present thereat. Notice of any adjourned meeting need not be given. An Additional Board Committee shall act only as a committee, and the individual members shall have no power as such.

(d) In addition to the foregoing, in the absence or disqualification of a member of an Additional Board Committee, the members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(e) At each meeting of an Additional Board Committee, the Chairman of such committee or, in the absence of the Chairman, a chairman chosen by a majority of the committee members present, shall preside. The Secretary shall act as secretary at each meeting of an Additional Board Committee. In case the Secretary shall be absent from any such meeting, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

(f) The application of Section 4.2(b) through (f) above to any Additional Board Committee shall be subject to any lawful provision contained in a charter or rules of procedure adopted from time to time by resolution of such Additional Board Committee.

4.3 **Other Committees.** Nothing hereinbefore contained in this Article 4 shall be deemed to preclude the designation by the President of committees, other than committees of the Board, which may include officers and employees who are not directors.

ARTICLE 5

OFFICERS

5.1 **Officers**. The Board shall elect a Chairman of the Board, a President, a Chairman of the Executive Committee, a Secretary and a Treasurer, and as many Assistant Secretaries and Assistant Treasurers as the Board may deem necessary, and may elect or appoint one or more Vice Presidents and such other officers as it may determine. The Board may designate one or more Vice Presidents as Senior Vice President or Executive Vice President, and may use descriptive words or phrases to designate the standing, seniority or area of special competence of the Vice Presidents elected or appointed by it. Each officer shall hold his office until his successor is elected and qualified or until his earlier death, resignation or removal in the manner provided in Section 5.2 of the By-laws. Any two or more offices may be held by the same person. The Board may require any officer to give a bond or other security for the faithful performance of his duties, in such amount and with such sureties as the Board may determine. All officers as between themselves and the Corporation shall have such authority and perform such duties in the management of the Corporation as may be provided in the By-laws or as the Board may from time to time determine.

5.2 **Removal of Officers.** Any officer elected or appointed by the Board may be removed by the Board with or without cause. The removal of an officer without cause shall be without prejudice to his contract rights, if any. The election or appointment of an officer shall not of itself create contract rights.

5.3 **Resignations.** Any officer may resign at any time in writing by notifying the Board, the Chairman of the Board, the President, or the Secretary. Such resignation shall take effect at the date of receipt of such notice or at such later time as is therein specified, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any.

5.4 **Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in the By-laws for the regular election or appointment to such office.

5.5 **Compensation.** Salaries or other compensation of the officers may be fixed from time to time by the Board. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he is also a director.

5.6 **Chairman of the Board.** The Chairman of the Board shall, if present, preside at all meetings of the Board. He may, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of capital stock of the Corporation. He may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed and, in general, he shall perform all duties incident to the office of Chairman of the Board and such other duties as from time to time may be assigned to him by the Board. The Board may designate two persons to serve as Co-Chairmen of the Board of the Corporation in which case each reference in the By-laws to the "Chairman of the Board" shall mean either "Co-Chairman of the Board". Where both individuals holding such office are present, the individual with greater seniority shall exercise the powers of the office, unless otherwise directed by the Board.

5.7 **President and Chief Executive Officer.** The President shall be the Chief Executive Officer of the Corporation and as such shall have the general powers and duties of supervision and management usually vested in the office of President and Chief Executive Officer. The President, if present, shall preside at all meetings of the Stockholders. The President may also, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of capital stock of the Corporation; may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed; and shall perform such other duties as from time to time may be assigned to him by the Board.

5.8 **Chairman of the Executive Committee.** The Chairman of the Executive Committee shall have the powers and duties incident to that office and shall have other powers and duties as may be prescribed from time to time by the Board of Directors. He shall be a member of the Executive Committee and shall preside at all meetings of the Executive Committee at which he is present. In the event of the absence or disability of the President, he shall perform the duties of the President, unless the Board of Directors shall have designated another person to perform such duties.

5.9 **Vice Presidents.** Each Vice President shall have such powers and shall perform such duties as shall be assigned to such person by the President or the Board of Directors. Any Vice President may also, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of capital stock of the Corporation; may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board, except in cases where the signing and execution thereof is expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed.

5.10 **Secretary.** The Secretary, if present, shall act as secretary of all meetings of the Stockholders and of the Board, and shall keep the minutes thereof in the proper book or books to be provided for that purpose; he shall see that all notices required to be given by the Corporation are duly given and served; he may, with the Chairman of the Board, the President, or a Vice President, sign certificates for shares of capital stock of the Corporation; he shall be custodian of the seal of the Corporation and may seal with the seal of the Corporation, or a facsimile thereof, all certificates for shares of capital stock, of the Corporation and all documents the execution of which on behalf of the Corporation under its corporate seal is authorized in accordance with the provisions of the By-laws; he shall have charge of the stock ledger and also of the other books, records and papers of the Corporation relating to its organization and management as a Corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed; and shall, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board or by the President.

5.11 **Treasurer.** The Treasurer shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the By-laws; against proper vouchers, cause such funds to be disbursed by checks or drafts on the authorized depositaries of the Corporation signed in such manner as shall be determined in accordance with any provisions of the By-laws, and be responsible for the accuracy of the amounts of all moneys so disbursed; regularly enter or cause to be entered in books to be kept by him or under his direction full and adequate accounts of all moneys received or paid by him for the account of the Corporation; have the right to require, from time to time reports or statements giving such information as he may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same; render to the President, or the Board, whenever the President, or the Board, respectively, require him so to do, an account of the financial condition of the Corporation and of all his transactions as Treasurer; exhibit at all reasonable times his books of account and other records to any of the directors upon application at the Office of the Corporation where such books and records are kept; and in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board, or by the President; and he may sign, with the Chairman of the Board, the President, or a Vice President, certificates for shares of capital stock of the Corporation.

5.12 **Assistant Secretaries and Assistant Treasurers.** Assistant Secretaries and Assistant Treasurers shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board, or the President. Assistant Secretaries and Assistant Treasurers may, with the Chairman of the Board , the President, or a Vice President, sign certificates for shares of capital stock of the Corporation.

ARTICLE 6

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

6.1 **Execution of Contracts.** The Board may authorize any officer, employee or agent, in the name and on behalf of the Corporation, to enter into any contracts or execute and satisfy any instrument, and any such authority may be general or confined to specific instances, or otherwise limited.

6.2 **Loans.** The Chairman of the Board, the President, or any other officer, employee or agent authorized by the By-laws or by the Board may effect loans and advances at any time for the Corporation from any bank, trust company or other institutions or from any firm, corporation or individual and for such loan and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation, and when authorized so to do may pledge and hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board may be general or confined to specific instances or otherwise limited.

6.3 **Checks, Drafts, Etc.** All checks, drafts and other orders for the payment of money out of the funds of the Corporation and all notes or other evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board.

6.4 **Deposits.** The funds of the Corporation not otherwise employed shall be deposited from time to time to the order of the Corporation in such banks, trust companies or other depositories as the Board may select or as may be selected by an officer, employee or agent of the Corporation to whom such power may from time to time be delegated by the Board.

ARTICLE 7

STOCKS AND DIVIDENDS

7.1 **Certificates; Uncertificated Shares**. The shares of stock in the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any class or series of its stock shall be uncertificated shares. Any such resolution shall not apply to any such shares represented by a certificate theretofore issued until such certificate is surrendered to the Corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by or in the name of the Corporation by a Chairman or Vice Chairman of the Board or a President or Vice President, and by a Treasurer, Assistant Treasurer, Secretary or Assistant Secretary, representing the number of shares of stock in the Corporation owned by such holder. Any or all of the signatures on such certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise required by law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of such class or series of stock and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated shares of any class or series of stock, the Corporation shall send to the registered owner thereof a written notice containing the information required by law to be set forth or stated on certificates representing shares of such class or series or a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of such class or series and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise provided by law or the By-laws, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

7.2 **Transfer of Shares.** Transfers of shares of capital stock of the Corporation shall be made only on the books of the Corporation by the holder thereof or by his duly authorized attorney appointed by a power of attorney duly executed and filed with the Secretary or a transfer agent of the Corporation, and on surrender of the certificate or certificates representing such shares of capital stock, unless such shares are uncertificated, properly endorsed for transfer and upon payment of all necessary transfer taxes. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Canceled," with the date of cancellation, by the Secretary or an Assistant Secretary or the transfer agent of the Corporation. A person in whose name shares of capital stock shall stand on the books of the Corporation shall be deemed the owner thereof to receive dividends, to vote as such owner and for all other purposes as respects the Corporation. No transfer of shares of capital stock shall be valid as against the Corporation, its Stockholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until such transfer shall have been entered on the books of the Corporation by an entry showing from and to whom transferred.

7.3 **Transfer and Registry Agents.** The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

7.4 **Lost, Destroyed, Stolen and Mutilated Certificates.** The holder of any shares of capital stock of the Corporation shall immediately notify the Corporation of any loss, destruction, theft or mutilation of the certificate representing such shares, and the Corporation may issue a new certificate or uncertificated shares to replace the certificate alleged to have been lost, destroyed, stolen or mutilated. The Board may, in its discretion, as a condition to the issue of any such new certificate or uncertificated shares, require the owner of the lost, destroyed, stolen or mutilated certificate, or his legal representatives, to make proof satisfactory to the Board of such loss, destruction, theft or mutilation and to advertise such fact in such manner as the Board may require, and to give the Corporation and its transfer agents and registrars, or such of them as the Board may require, a bond in such form, in such sum and with such surety or sureties as the Board may direct, to indemnify the Corporation and its transfer agents and registrars against any claim that may be made against any of them on account of the continued existence of any such certificate so alleged to have been lost, destroyed, stolen or mutilated and against any expense in connection with such claim.

7.5 **Regulations.** The Board may make such rules and regulations as it may deem expedient, not inconsistent with the By-laws or with the Certificate of Incorporation, concerning the issue, transfer and registration of shares of its capital stock.

7.6 **Restriction on Transfer of Stock.** A written restriction or restrictions on the transfer or registration of transfer of capital stock of the Corporation, if permitted by Section 202 of the General Corporation Law and noted conspicuously on the certificate representing such capital stock or, in the case of uncertificated shares, contained in the notice or notices sent pursuant to Section 151(f) of the General Corporation Law, may be enforced against the holder of the restricted capital stock or any successor or transferee of the holder including an executor, administrator, trustee, guardian or other fiduciary entrusted with like responsibility for the person or estate of the holder. Unless noted conspicuously on the certificate representing the capital stock so restricted or, in the case of uncertificated shares, contained in the notice or notices sent pursuant to Section 151(f) of the General Corporation Law, even though permitted by Section 202 of the General Corporation Law, shall be ineffective except against a person with actual knowledge of the restriction. A restriction on the transfer or registration of transfer of capital stock of the Corporation or on the amount of the Corporation's securities that may be owned by any person or group of persons may be imposed either by the Certificate of Incorporation or by an agreement among any number of Stockholders or among such Stockholders and the Corporation. No restriction so imposed shall be binding with respect to capital stock issued prior to the adoption of the restriction unless the holders of such capital stock are parties to an agreement or voted in favor of the restriction.

7.7 **Dividends**. Subject to the provisions of the Certificate of Incorporation and of the General Corporation Law, the Board may, from time to time, declare, and the Corporation may pay, dividends and other distributions on the Corporation's outstanding shares of capital stock.

7.8 **Fractional Shares**. The Corporation may, but shall not be required to, issue certificates for fractions of a share where necessary to effect authorized transactions. If the Corporation does not issue fractional shares, it shall (1) arrange for the disposition of fractional interests by those entitled thereto, (2) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (3) issue scrip or warrants in registered form (either represented by a certificate or uncertificated) or in bearer form (represented by a certificate) which shall entitle the holder to receive a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share or an uncertificated fractional share shall, but scrips or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon and to participate in any of the assets of the Corporation in the event of liquidation. The Board may cause scrip or warrants to be issued subject to any such conditions which the Board may impose.

ARTICLE 8

INDEMNIFICATION

8.1 **Indemnification of Officers and Directors.** The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or an officer of the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the fullest extent and in the manner set forth in and permitted by the General Corporation Law, and any other applicable law, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which such director or officer may be entitled apart from the foregoing provisions. The foregoing provisions of this Section 8.1 shall be deemed to be a contract between the Corporation and each director and officer who serves in such capacity at any time while this Article 8 and the relevant provisions, of the General Corporation law and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing, with respect to any state of facts then or theretofore existing, or any action, suit or proceeding theretofore, or thereafter brought or threatened based in whole or in part upon any such state of facts.

8.2 **Indemnification of Other Persons.** The Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was an employee or agent of the Corporation, or is or was, serving at the request of the Corporation, as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the extent and in the manner set forth in and permitted by the General Corporation Law, and any other applicable law, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which any such person may be entitled apart from the foregoing provisions.

ARTICLE 9

BOOKS AND RECORDS

9.1 **Books and Records.** The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of the Stockholders, the Board and any committee of the Board. The Corporation shall keep at the office designated in the Certificate of Incorporation or at the Office of the Corporation or at the office of the transfer agent or registrar of the Corporation, a record containing the names and addresses of all Stockholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

9.2 **Form of Records.** Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, computer databases, electronic servers or any other information storage device provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

9.3 **Inspection of Books and Records.** Except as otherwise provided by law, the Board shall determine from time to time whether, and, if allowed, when and under what conditions and regulations, the accounts, books, minutes and other records of the Corporation, or any of them, shall be open to the inspection of the Stockholders.

ARTICLE 10

SEAL

The Board may adopt a corporate seal which shall be in the form of a circle and shall bear the full name of the Corporation, the year of its incorporation and the word "Delaware".

ARTICLE 11

FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January and shall terminate on the 31st day of December in each year, or such other period as may be fixed by resolution of the Board.

ARTICLE 12

VOTING OF SHARES HELD

Unless otherwise provided by resolution of the Board, the Chairman of the Board, or the President, or any Vice President, may, from time to time, appoint one or more attorneys or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation, any of whose shares or securities may be held by the Corporation, at meetings of the holders of stock or other securities of such other corporation, or to consent, in writing to any action by any such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as he may deem necessary or proper in the premises; or the Chairman of the Board, or the President, or any Vice President may himself attend any meeting of the holders of the stock or other securities of any such other corporation and thereat vote or exercise any or all other powers of the Corporation as the holder of such stock or other securities of such other corporation.

ARTICLE 13

BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS

Pursuant to the provisions of Section 203 (b) (2) of the General Corporation Law, the Corporation, by action of the Board, expressly elects not to be governed by Section 203 of the General Corporation Law, dealing with business combinations with interested Stockholders. Notwithstanding anything to the contrary in the By-laws, the provisions of this Article 13 may not be further amended by the Board, except as may be specifically authorized by the General Corporation Law.

ARTICLE 14

AMENDMENTS

The By-laws may be altered, amended, supplemented or repealed, or new By-laws may be adopted, by vote of the holders of the shares entitled to vote in the election of directors. The By-laws may be altered, amended, supplemented or repealed, or new By-laws may be adopted, by the Board, provided that the vote of a majority of the Whole Board shall be required to change the number of authorized directors. Any By-laws adopted, altered, amended, or supplemented by the Board may be altered, amended, supplemented or repealed by the Stockholders entitled to vote thereon.

Exhibit 10.3

SECOND AMENDMENT

TO

ALABAMA/MICHIGAN/PERMIAN PACKAGE

PURCHASE AGREEMENT

This Second Amendment to Alabama/Michigan/Permian Package Purchase Agreement (this "Second Amendment") is dated as of July 11, 2007, by and between Dominion Exploration & Production, Inc., a corporation organized under the Laws of Delaware ("DEPI"), Dominion Energy, Inc., a corporation organized under the Laws of Virginia ("DEI"), Dominion Oklahoma Texas Exploration & Production, Inc., a corporation organized under the Laws of Delaware ("DOTEPI"), Dominion Reserves, Inc., a corporation organized under Laws of Virginia ("Reserves"), LDNG Texas Holdings, LLC, a limited liability company organized under the laws of Oklahoma ("LDNG") and DEPI Texas Holdings, LLC, a limited liability company organized under the laws of Delaware ("DEPI Texas") (collectively "Sellers"), and HighMount Exploration & Production Holding Corp., a company formerly known as L O & G Acquisition Corp. and organized under the Laws of Delaware ("Purchaser"). Sellers and Purchaser are sometimes referred to collectively as the "Parties" and individually as a "Party."

RECITALS:

The Parties have entered into an Alabama/Michigan/Permian Package Purchase Agreement dated as of June 1, 2007, as amended by the First Amendment dated effective as of June 1, 2007 (collectively, the "Agreement"), providing for the sale by Sellers to Purchaser of the Shares and the Additional Assets.

The Parties desire to further amend the Agreement to clarify the treatment of several matters, as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meaning given to those terms in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

a. In Section 2.2(c) of the Agreement, the clause prior to "(i)" is hereby replaced in its entirety with the following (but, for the avoidance of doubt, Sections 2.2(c)(i)-(vi) remain as set forth in the Agreement):

> On or before the later of (x) July 3, 2007 and (y) thirty (30) days prior to the Target Closing Date, Seller shall prepare and deliver to Purchaser,

using and based upon the best information available to Sellers, a schedule setting forth the following items:

b. The first sentence of Section 3.5(a) is hereby replaced in its entirety with the following:

To assert a claim arising out of a breach of Section 3.1, Purchaser must deliver a claim notice or notices to DEPI on or before a date which is the later of (x) July 19, 2007 and (y) ten (10) Business Days prior to the Closing Date (the "Title Claim Date").

c. In the first sentence of Section 8.1, "August 2, 2007" is replaced with "July 31, 2007".

d. The last sentence of Section 10.1(c) is hereby replaced in its entirety with the following:

The Leadership Team shall have until the date that is no later than July 18, 2007 to designate and notify Sellers or their delegate which of the Selected Employees will receive offers in accordance with Section 10.2(a).

e. The first sentence of Section 12.2(g)(i) is hereby replaced in its entirety with the following:

Purchaser may at its option notify DEPI in writing on or before the later of (i) July 19, 2007 and (ii) ten (10) Business Days prior to the Closing Date of any matter disclosed by a Phase I Investigation conducted by Purchaser pursuant to Section 6.1 which Purchaser in good faith believes may constitute an Adverse Environmental Condition (an "Environmental Concern").

3. Ratification. Except as amended by this Second Amendment, the Agreement remains in full force and effect in accordance with its terms.

4. Governing Law, Venue, Jurisdiction and Service of Process. Sections 13.8 and 13.9 of the Agreement are hereby incorporated into this Second Amendment by reference as if set out in full herein.

5. Counterparts. This Second Amendment may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement. Delivery of an executed counterpart signature page by facsimile is as effective as executing and delivering this Second Amendment in the presence of other Parties to this Agreement.

IN WITNESS WHEREOF, this Second Amendment has been signed by each of the Parties as of the date first above written.

SELLER: DOMINION EXPLORATION & PRODUCTION, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DOMINION ENERGY, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DOMINION OKLAHOMA TEXAS EXPLORATION & PRODUCTION, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DOMINION RESERVES, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: LDNG TEXAS HOLDINGS, LLC

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DEPI TEXAS HOLDINGS, LLC

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

PURCHASER: HIGHMOUNT EXPLORATION & PRODUCTION HOLDING CORP

Name:
Title:

Exhibit 10.4

THIRD AMENDMENT

TO

ALABAMA/MICHIGAN/PERMIAN PACKAGE

PURCHASE AGREEMENT

This Third Amendment to Alabama/Michigan/Permian Package Purchase Agreement (this "Third Amendment") is dated as of July 16, 2007, by and between Dominion Exploration & Production, Inc., a corporation organized under the Laws of Delaware ("DEPI"), Dominion Energy, Inc., a corporation organized under the Laws of Virginia ("DEI"), Dominion Oklahoma Texas Exploration & Production, Inc., a corporation organized under the Laws of Delaware ("DOTEPI"), Dominion Reserves, Inc., a corporation organized under Laws of Virginia ("Reserves"), LDNG Texas Holdings, LLC, a limited liability company organized under the Laws of Oklahoma ("LDNG") and DEPI Texas Holdings, LLC, a limited liability company organized under the Laws of Delaware ("DEPI Texas") (collectively "Sellers"), and HighMount Exploration & Production Holding Corp., a company formerly known as L O & G Acquisition Corp. and organized under the Laws of Delaware ("Purchaser"). Sellers and Purchaser are sometimes referred to collectively as the "Parties" and individually as a "Party."

RECITALS:

The Parties have entered into an Alabama/Michigan/Permian Package Purchase Agreement dated as of June 1, 2007, as amended by the First Amendment dated effective as of June 1, 2007 and the Second Amendment dated as of July 11, 2007 (collectively, the "Agreement"), providing for the sale by Sellers to Purchaser of the Shares and the Additional Assets.

The Parties desire to further amend the Agreement to clarify the treatment of several matters, as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meaning given to those terms in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

a. The first four lines of Section 2.3(h)(i) are hereby replaced in their entirety with the following (but, for the avoidance of doubt, Sections 2.3(h)(A)-(B) remain as set forth in the Agreement):

Decreased by an amount equal to the aggregate amount of the following proceeds received by any Seller or Company or Wholly-Owned

Subsidiary, or any of their Affiliates (other than Subsidiaries that are not Wholly-Owned Subsidiaries), on or prior to the Closing Date, or by any Seller or any remaining Affiliate of Sellers after the Closing Date:

b. Section 2.3(h)(ii)(A) is hereby replaced in its entirety with the following:

(A) paid by or on behalf of any Seller or Company or Wholly-Owned Subsidiary, or any of their Affiliates (other than Subsidiaries that are not Wholly-Owned Subsidiaries), through and including the Closing Date, or by any Seller or any remaining Affiliate of Sellers after the Closing Date but prior to the Cut-Off Date, or

c. The second sentence of Section 4.2(f) is hereby replaced in its entirety with the following:

In each case, all the Shares of the Companies that are not Survivor LPs are, and the Shares of the Survivor LPs at Closing will be, duly authorized and validly issued and outstanding, fully paid, non-assessable (except, in the case of each Survivor LP, as expressly authorized by the terms of its partnership agreement and except for any obligation to return distributions under the Texas Business Organizations Code) and not issued in violation of any preemptive rights.

d. Section 6.14(f) is hereby replaced in its entirety with the following:

Notwithstanding Section 6.14(c), the Sellers may in their sole discretion cause the Survivor LPs to sell their respective assets directly to one or more directly or indirectly wholly-owned Affiliates of Purchaser in lieu of consummating the transactions described in Section 6.14(c).

e. The second sentence of Section 6.19(a) is hereby replaced in its entirety with the following:

Sellers were not able to complete the entries necessary to include the Carlsbad Royalties on Exhibit D-1 prior to the date hereof, so Sellers agree to deliver to Purchaser, at least six (6) Business Days prior to the Closing Date, a supplement to Exhibit D-1 listing all Carlsbad Royalties not already on Exhibit D-1.

f. In Section 8.2, "Wholly-Owned Affiliates" is replaced with "wholly-owned Affiliates."

g. Section 9.1(g) is hereby replaced in its entirety with the following:

Sellers agree to indemnify, defend and hold harmless Purchaser and its Affiliates (including following Closing, the Companies and Subsidiaries) from and against any and all Taxes, claims, liabilities, losses, costs, fees, and expenses (i) arising from any breach of the representation or warranty set forth in Section 4.5(e) or (ii) resulting from the failure of the Purchaser Holdco immediately following the merger of the Purchaser Subs into Purchaser Holdco to have a Tax basis in the assets held by the Survivor LPs for all applicable Tax purposes equal to the Tax basis that Purchaser Holdco would have obtained if Sellers had elected to effect the transaction pursuant to Section 6.14(f) unless such lower Tax basis arises from any act or omission of Purchaser, Purchaser Holdco, or its Affiliates, including the failure of Purchaser to cause the Purchaser Subs to timely merge with and into Purchaser Holdco as contemplated by Section 6.14(e).

h. The first sentence of Section 9.7(a) is hereby replaced in its entirety with the following:

Purchaser agrees to pay to DEPI any refund received (whether by payment, credit, offset or otherwise, and together with any interest thereon) after the Closing by Purchaser or its Affiliates, including the Companies and Wholly-Owned Subsidiaries, net of any Taxes imposed thereon, in respect of any Taxes for which DEPI is liable or required to indemnify Purchaser under Section 9.1.

i. Section 10.1(c) is hereby replaced in its entirety with the following:

"Selected Employees" are no fewer than 270 individuals (i) who, as of the Closing Date are (x) employed by DEPI, DOTEPI, Reserves or the Companies and are rendering services with respect to the Assets or (y) employed by Dominion Resources Services, Inc. and are rendering services with respect to the Assets, (ii) who are not U.S. Temporary Employees and (iii) who are selected by the Leadership Team acting as agents for Purchaser and its Affiliates from a list provided to Purchaser and its Affiliates ("Sellers' List") in accordance with the remainder of this Section 10.1(c) as individuals to whom Purchaser or its Designated Affiliates must offer employment or continued employment in accordance with Section 10.2(a). The Leadership Team shall, on July 16, 2007, provide Sellers an "initial list" ("Purchaser's Initial List") of Selected Employees that will receive offers in accordance with Section 10.2(a). During the period beginning July 16, 2007, and ending December 31, 2007, Purchaser and its Designated Affiliates may, subject to prior written approval of DEPI, offer to employ individuals employed by Sellers or their Affiliates who were identified on Sellers' List but were not identified on the Purchaser's Initial List; provided, however, that the offer of employment of such individuals shall be counted towards the requirement to offer employment to 270 individuals under this Section 10.1(c) only if (A) such offer is on the same terms and conditions applicable pursuant to Section 10.2(a), whether or not the individual accepts the offer, or (B) such offer of employment is accepted by the individual and is on the same terms and conditions as would be applicable pursuant to Section 10.2(a), except that the requirement that the employment be at a work location no more than 50 miles from an individual's work location as of the Closing Date shall be inapplicable. In addition, during the period beginning on July 16, 2007 and ending December 31, 2007, Purchaser and its Designated Affiliates may, subject to the prior written approval of DEPI, again offer to employ individuals employed by Seller or their Affiliates who were on Purchaser's Initial List but who do not accept an offer of employment that complies with Section 10.2(a); provided, however, that such a subsequent offer of employment of such individuals shall not be counted towards the requirement to offer employment to 270 individuals under this Section 10.1(c) and provided further that the offer is on the same terms and conditions as would be applicable pursuant to Section 10.2(a), except that the requirement that the employment be at a work location no more than 50 miles from an individual's work location as of the Closing Date shall be inapplicable. In the event that the Purchaser or its Designated Affiliates fail to provide offers to 270 individuals in accordance with this Section 10.1(c) (including any individuals who accept offers pursuant to the terms of Section 10.15(d)) by December 31, 2007, Purchaser or its Designated Affiliates shall make a payment to DEPI on behalf of Sellers in the amount equal to the difference between 270 and the actual number of individuals (without duplication) receiving offers made in accordance with this Section or accepting offers in accordance with Section 10.15(d), multiplied by the average cash severance and other severance related compensation and benefits cost associated with all the employees that have been severed or are designated to be severed as of December 31, 2007 by Sellers and that were included on Sellers' List.

j. A new Section 10.15 is hereby added to the Agreement as set forth below:

Section 10.15 Certain Discretionary Hires by Purchaser.

(a) From time to time, until December 31, 2007, Sellers may provide to Purchaser and its Designated Affiliates, in addition to Sellers' List provided pursuant to Section 10.1(c), a list of one or more individuals employed by Sellers or their Affiliates but who are not Designated Employees or individuals on Sellers' List (collectively "Other Employees") that Purchaser or its Designated Affiliates may offer to employ. Purchaser or its Designated Affiliate must request and receive written permission from Sellers prior to extending an employment offer to an individual on this list.

(b) An offer of employment to an Other Employee by Purchaser or its Designated Affiliates must be on the same terms and conditions as would be applicable had the individual been a Selected Employee, except that the requirement that the offer of employment be at a work location no more than 50 miles from an individual's work location as of the Closing Date shall be inapplicable. Otherwise, an offer of employment by Purchaser or its Designated Affiliates to an Other Employee must meet the comparability and other requirements of Section 10.2.

(c) An Other Employee employed by Purchaser or its Designated Affiliates shall be treated as a Selected Employee for purposes of the provisions of Article 10, including the requirements of Section 10.2(d) related to payment by Purchaser or its Designated Affiliates to Sellers cash severance or other severance related compensation and benefits provided by Sellers and their Affiliates to an individual who is subsequently employed by Purchaser or its Designated Affiliates, but, except as provided in Section 10.15(d), in no event shall an offer to, or the employment of, an Other Employee be counted towards the requirement in Section 10.1(c) that Purchaser or its Designated Affiliates hire 270 individuals.

(d) Sellers shall specifically identify any Other Employee who is an expatriate. Other Employees who are expatriates and who accept an offer that complies with the requirements of Section 10.15(b) shall be counted towards the requirement in Section 10.1(c) that Purchaser or its Designated Affiliates hire 270 individuals. Notwithstanding any provision to the contrary herein, for purposes of Section 10.2(d) the cash severance and other severance related compensation with respect to an Other Employee who is an expatriate shall be equal to the amount determined under such individual's "Separation Agreement, Waiver and Release" with Sellers or their Affiliates.

3. Stonewater Letter Agreement. The Parties hereby agree to terminate the letter agreement between the Parties dated June 1, 2007 (the "Stonewater Letter Agreement") and agree that the "Stonewater Revisions" called for in the Stonewater Letter Agreement will not be made.

4. Ratification. Except as amended by this Third Amendment, the Agreement remains in full force and effect in accordance with its terms.

5. Governing Law, Venue, Jurisdiction and Service of Process. Sections 13.8 and 13.9 of the Agreement are hereby incorporated into this Third Amendment by reference as if set out in full herein.

6. Counterparts. This Third Amendment may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement. Delivery of an executed counterpart signature page by facsimile is as effective as executing and delivering this Third Amendment in the presence of other Parties to this Agreement.

IN WITNESS WHEREOF, this Third Amendment has been signed by each of the Parties as of the date first above written.

SELLER: DOMINION EXPLORATION & PRODUCTION, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DOMINION ENERGY, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DOMINION OKLAHOMA TEXAS EXPLORATION & PRODUCTION, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DOMINION RESERVES, INC.

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: LDNG TEXAS HOLDINGS, LLC

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

SELLER: DEPI TEXAS HOLDINGS, LLC

Name: /s/ G. Scott Hetzer
Title: Senior Vice President and Treasurer

PURCHASER: HIGHMOUNT EXPLORATION & PRODUCTION HOLDING CORP.

Name:
Title:

IN WITNESS WHEREOF, this Third Amendment has been signed by each of the Parties as of the date first above written.

SELLER:	DOMINION EXPLORATION & PRODUCTION, INC.
	Name:
	Title:
SELLER:	DOMINION ENERGY, INC.
	Name:
	Title:
SELLER:	DOMINION OKLAHOMA TEXAS EXPLORATION & PRODUCTION, INC.
	Name:
	Title:
SELLER:	DOMINION RESERVES, INC.
	Name:
	Title:
SELLER:	LDNG TEXAS HOLDINGS, LLC
	Name:
	Title:
SELLER:	DEPI TEXAS HOLDINGS, LLC
	Name:
	Title:
PURCHASER:	HIGHMOUNT EXPLORATION & PRODUCTION HOLDING CORP.
	Name: /s/ Peter W. Keegan
	Title: Peter W. Keegan SVP

Exhibit 10.5

FOURTH AMENDMENT

TO

ALABAMA/MICHIGAN/PERMIAN PACKAGE

PURCHASE AGREEMENT

This Fourth Amendment to Alabama/Michigan/Permian Package Purchase Agreement (this "Fourth Amendment") is dated as of July 31, 2007, by and between Dominion Exploration & Production, Inc., a corporation organized under the laws of Delaware ("DEPI"), Dominion Energy, Inc., a corporation organized under the laws of Virginia ("DEI"), Dominion Oklahoma Texas Exploration & Production, Inc., a corporation organized under the laws of Delaware ("DOTEPI"), Dominion Reserves, Inc., a corporation organized under laws of Virginia ("Reserves"), LDNG Texas Holdings, LLC, a limited liability company organized under the laws of Oklahoma ("LDNG") and DEPI Texas Holdings, LLC, a limited liability company organized under the laws of Delaware ("DEPI Texas") (collectively "Sellers"), and HighMount Exploration & Production Holding Corp., a company formerly known as L O & G Acquisition Corp. and organized under the laws of Delaware ("Purchaser"). Sellers and Purchaser are sometimes referred to collectively as the "Parties" and individually as a "Party."

RECITALS:

The Parties have entered into an Alabama/Michigan/Permian Package Purchase Agreement dated as of June 1, 2007, as amended by the First Amendment dated effective as of June 1, 2007, the Second Amendment dated as of July 11, 2007 and the Third Amendment dated as of July 16, 2007 (collectively, the "Agreement"), providing for the sale by Sellers to Purchaser of the Shares and the Additional Assets.

The Parties desire to further amend the Agreement to clarify the treatment of several matters, as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meaning given to those terms in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

a. Section 1.1 is revised by replacing clause (ii) in its entirety to read as follows:

(ii) in the case of DEPI, DOTEPI and Reserves as Sellers, subject to Sections 6.20 and 8.2(d), the Additional Assets owned by such Seller (collectively, the "Interests").

b. In Section 1.2(gg), the definition of "Excluded New Mexico Counties", clause (ii) is deleted in its entirety.

c. Section 1.4 is revised in its entirety to read as follows:

Section 1.4 **Transfer of Certain Assets Not Held by Sellers**.

(a) Sellers shall, at Closing, cause Dominion Resources Services, Inc. to assign to Purchaser certain personal property described on Schedule 1.4 (the "Services Property").

(b) Sellers shall, at Closing, cause T.S. Dudley Land Company, Inc. ("Broker") to assign to Purchaser Broker's right, title and interest in those Leases described on Schedule 1.4, Part 2 (Broker's right, title and interest being referred to herein as the "Appian Way Leases"), in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices.

(c) EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE IV OR THE CERTIFICATE REFERRED TO IN SECTION 8.2(J), EACH ASSIGNMENT OF THE SERVICES PROPERTY AND THE APPIAN WAY LEASES SHALL BE "AS IS, WHERE IS" WITH ALL FAULTS, AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF CONDITION, QUALITY, AIRWORTHINESS, SUITABILITY, DESIGN, MARKETABILITY, TITLE, INFRINGEMENT, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS ARE HEREBY DISCLAIMED. Such Services Property and Appian Way Leases shall be considered "Additional Assets" for purposes of this Agreement with the benefit of the representations, warranties, and other provisions of this Agreement related to the Additional Assets. Without limiting any obligations of their Affiliates under Section 6.3 of this Agreement, Sellers shall also cause Dominion Resources Services, Inc. and Broker to comply with the various covenants contained in Sections 6.1 and 6.4, to the extent applicable to the Services Property and Appian Way Leases, respectively, prior to Closing.

d. Section 2.1 is amended in its entirety to read as follows:

The purchase price for the Interests (the "Purchase Price") shall be Four Billion Sixteen Million Five Hundred Thousand dollars ($4,016,500,000.00) (the "Unadjusted Purchase Price"), adjusted as provided in Section 2.3.

e. Section 2.3(d) is amended by replacing "Three Million Nine Hundred Eighty Thousand dollars ($3,980,000.00)" with "Four Million Three Hundred Ninety Thousand dollars ($4,390,000.00)".

f. The portion of Section 2.3(h)(i) prior to (A) is revised in its entirety to read as follows (but, for the avoidance of doubt Sections 2.3(h)(i)(A) and 2.3(h)(i)(B) shall remain as set forth in the Agreement):

Decreased by an amount equal to the aggregate amount of the following proceeds received by any Seller, Company or Wholly-Owned Subsidiary, or any of their Affiliates (other than Subsidiaries that are not Wholly-Owned Subsidiaries), on or prior to the Closing Date, or by any Seller or any remaining Affiliate of Sellers after the Closing Date (but only to the extent the Parties have not, before the Cut-Off Date, used the payment provisions of the DEPI/Purchaser Transition Services Agreement to make the appropriate adjustment):

g. Section 2.3(h)(ii) is revised to add the following at the end of the Section:

. The adjustment to the Purchase Price contained in this Section 2.3(h)(ii) shall not be made to the extent that the Parties use the payment provisions of the DEPI/Purchaser Transition Services Agreement before the Cut-Off Date to make the appropriate adjustment;

h. Section 2.3(h)(iii) is revised in its entirety to read as follows:

[RESERVED]

i. Section 3.6(c) is amended by replacing “the Allocated Value for such Asset,” with “the lesser of the Allocated Value for such Asset or the amount the applicable Seller receives from the transferee of such Asset (except that where the amount received is less than the Allocated Value and there has been an Adverse Notice Error, the Allocated Value shall be used),”. Section 3.6(e)(iii) is revised in its entirety to read as follows:

Pursuant to Section 2.3(b), the applicable Seller shall credit Purchaser with the lesser of the Allocated Value for any Asset transferred pursuant to Section 3.6(e)(i) or (e)(ii) or the amount the applicable Seller receives from the transferee of such Asset, provided that where the amount received is less than the Allocated Value as adjusted pursuant to this Agreement and there has been an Adverse Notice Error, the Allocated Value shall be used. If the transfer of the Asset occurs after the Cut-Off Date, the applicable Seller shall promptly refund to Purchaser such amount in lieu of an adjustment under Section 2.3(b). For purposes of this Section 3.6, “Adverse Notice Error” means that Sellers have sent a notice to the holder of the applicable preferential right to purchase or similar right that states an Allocated Value for the affected Assets that is less than that provided by Schedule 3.4.

j. Section 6.19(a) is revised in its entirety to read as follows:

[RESERVED]

k. A new Section 6.20 is added to the Agreement, reading as follows:

Section 6.20 **Mississippi Assets**. Sellers shall, prior to Closing, transfer all of Sellers’ right, title and interest in the Additional Leases listed on Exhibit D-1, the Additional Wells listed on Exhibit D-2 and all other Additional Assets that in each case are located in the states of Alabama or Mississippi or used or held for use primarily in connection with Additional Assets located in the states of Alabama or Mississippi (Sellers' right, title and interest being referred to herein collectively as the "Mississippi Assets"), to Dominion Black Warrior Basin, Inc. using a conveyance form in substantially the form attached hereto as Exhibit E (with such modifications as are applicable in the context), in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices. Notwithstanding such conveyance, except for purposes of Section 1.1 and Section 8.2(d), the Mississippi Assets shall continue to be considered Additional Assets, and not Company Assets, for all purposes of this Agreement.

l. A new Section 6.21 is added to the Agreement, reading as follows:

Section 6.21 Subleases. The Parties will work together in good faith to execute subleases or replacement leases of the office space located at 16800 Greenspoint Park Drive, Houston, Texas and 14000 Quail Springs Parkway, Oklahoma City, Oklahoma described on Exhibit D-4, each in substantially the same form and for the same consideration as the base lease, and for the same term, except that, in the case of subleases, assignment shall not be permitted without the prior written consent of DEPI, such consent not to be unreasonably withheld, and in the case of the office space allocated pursuant to paragraph 3 of the Fourth Amendment to this Agreement, in accordance with the allocations set forth in paragraph 3 of such Fourth Amendment (each, a "Sublease"), as promptly as practicable after the Closing.

m. Section 8.2(d) is revised in its entirety to read as follows:

Conveyances of the Additional Assets (other than the Services Property and the Appian Way Leases, which are transferred pursuant to Section 1.4, the Mississippi Assets, which are transferred pursuant to Section 8.2(a), and the DEPI Texas Beneficial Interests and the DOTEPI Texas Beneficial Interests, which are transferred pursuant to Section 8.2(a)) in the form attached hereto as Exhibit E (the "Conveyances") duly executed by DEPI, DOTEPI or Reserves, as applicable, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices, and copies of executed conveyances of the Services Property, the Appian Way Leases and the Mississippi Assets;

n. Section 8.2(e) is revised in its entirety to read as follows:

Assignments in form required by federal, state or tribal agencies for the assignment of any federal, state or tribal Additional Properties, duly executed by DEPI, DOTEPI or Reserves, as applicable, in sufficient duplicate originals to allow recording in all appropriate offices, except to the extent that such Additional Properties are Leases issued by Government Authorities in the State of Michigan, in which case Sellers shall have until August 15, 2007 to deliver the assignments with respect to such properties;

o. Section 8.2(m) is revised in its entirety to read as follows:

Counterparts of a transition services agreement between DEPI and HighMount Exploration & Production LLC, a Delaware limited liability company ("E&P LLC") in the form attached hereto as Exhibit F (the "DEPI/Purchaser Transition Services Agreement"), duly executed by DEPI, and counterparts of an agency agreement between Sellers and E&P LLC and certain of its affiliates in the form attached hereto as Exhibit J, duly executed by Sellers (the "Agency Agreement");

p. Section 8.2(n) is deleted in its entirety.

q. Section 8.3(c) is revised in its entirety to read as follows:

Assignments in the form required by federal, state or tribal agencies for the assignment of any federal, state or tribal Additional Properties, duly executed by Purchaser, in sufficient duplicate originals to allow recording in all appropriate offices, except to the extent assignments are delivered by Sellers between Closing and August 15, 2007 as authorized by Section 8.2(e);

r. Section 8.3(h) is revised in its entirety to read as follows:

Counterparts of the DEPI/Purchaser Transition Services Agreement, duly executed by E&P LLC and counterparts of the Agency Agreement, duly executed by E&P LLC and certain of its affiliates.

s. Section 8.3(i) is deleted in its entirety.

t. Section 13.5 is revised in its entirety to read as follows:

The Parties understand that none of the bonds, letters of credit and guarantees, if any, posted by Sellers or any other Affiliate of the Companies or Subsidiaries (except the Companies and Subsidiaries) with any Governmental Authority or third Person and relating to the Companies, the Subsidiaries, or the Assets are to be transferred to Purchaser. On or before Closing, Purchaser shall obtain, or cause to be obtained in the name of Purchaser, replacements for such bonds, letters of credit and guarantees, except for the bonds, letters of credit and guarantees listed on Schedule 13.5-A, and shall cause, effective as of the Closing, the cancellation or return to Sellers of the bonds, letters of credit and guarantees posted by Sellers and such Affiliates, except for the bonds, letters of credit and guarantees listed on Schedule 13.5-A. Purchaser may also provide evidence that such replacements are not necessary as a result of existing bonds, letters of credit or guarantees that Purchaser has previously posted as long as such existing bonds, letters of credit or guarantees are adequate to secure the release of those posted by Sellers. Except for bonds, letters of credit and guarantees related primarily to the Excluded Assets, Schedule 13.5 identifies the bonds, letters of credit and guarantees posted by Sellers or any other Affiliate of the Companies or Subsidiaries (except the Companies and Subsidiaries) with respect to the E&P Business as of the date noted on such schedule. Sellers and Purchaser acknowledge that the bonds, letters of credit and guarantees described on Schedule 13.5-A (each a "Subsequent Replacement Bond") will not, as of the Closing Date, have been replaced, cancelled or returned to Sellers. Notwithstanding the other terms of the Purchase Agreement (including this Section), from and after the Closing Date, Purchaser shall (y) no later than August 31, 2007 obtain, or cause to be obtained in the name of Purchaser, replacements for such Subsequent Replacement Bonds and shall cause the cancellation or return to Sellers of the Subsequent Replacement Bonds or provide evidence that such replacements are not necessary as a result of existing bonds that Purchaser has previously posted as long as such existing bonds are adequate to secure the release of those posted by Sellers and (z) indemnify, defend and hold harmless the Seller Group, as if set forth in Section 12.2(a) of the Purchase Agreement (excluding, however, the application of Section 12.2(d)(ii) and Section 12.2(d)(iii) of the Purchase Agreement), from and against all Damages incurred or suffered by Seller Group caused by, arising out of or resulting from the failure to replace, cancel or return to Sellers any Subsequent Replacement Bond by Closing, including the amount of any draw on the Subsequent Replacement Bond after Closing.

u. Section 13.6(a) is revised in its entirety to read as follows:

As promptly as practicable after the Closing Date, but in any event no later than the Cut-Off Date, Sellers shall deliver or cause to be delivered to Purchaser any Records that are in the possession of Sellers or their Affiliates (except the Subsidiaries that are not Wholly-Owned Subsidiaries), subject to Section 13.6(b), provided that Records used in the DEPI Services pursuant to the DEPI/Purchaser Transition Services Agreement may be delivered upon termination of those DEPI Services and materials transfer records and similar records used for joint accounting audits may be delivered to Purchaser no later than 10 days after the Cut-Off Date. During the period until the Records are delivered, Sellers and their Affiliates shall provide Purchaser and its Affiliates reasonable access, during normal business hours, to such Records upon request.

v. Exhibit D-1 is revised to remove all Appian Way Leases.

w. Exhibit D-2 is hereby amended by removing all of the wells and units located in San Juan and Rio Arriba Counties, New Mexico.

x. Exhibit D-5 is hereby amended by removing the four (4) Houston locations from the Exhibit.

y. Exhibit F is hereby replaced in its entirety by a new Exhibit F attached hereto.

z. A new Exhibit J is hereby added to the Agreement as attached hereto.

aa. Paragraph 10 of Schedule 1.3 is revised in its entirety to read as follows:

All artwork in any office space of any Seller assumed by Purchaser, except for artwork located in the spaces in 16945 Northchase Drive and 16800 Greenspoint Park Drive in Houston, Texas assumed by Purchaser as described on Exhibit D-4, Part II.

bb. A new Part 2 is added to Schedule 1.4 as attached hereto.

cc. The following contracts are removed from Schedule 4.11 - *Preferential Purchase Rights - Land Contracts*, as the counterparties to the underlying contracts do not hold applicable preferential purchase rights:

DMP0810001
DMP0960001
314796
DMP1620001
DMP1530008
DP1680006
DMP1660004
DMP1530008

and the following contracts are added to Schedule 4.11 - *Preferential Purchase Rights - Land Contracts*:

DMP0410005
DMP0410036

dd. Schedule 13.5 is replaced in its entirety with Schedule 13.5 attached hereto and a new Schedule 13.5-A is hereby added to the Agreement as attached hereto.

3. Divided Space. The Parties agree, pursuant to Exhibit D-4, Part II of the Agreement, to the following division of DOTEPI's office lease in OKC:

Purchaser receives all of DOTEPI's space in the Phase I Building, Floors 3, 4, 5 and 6, plus all of DOTEPI's space on the first floor of both the Phase I Building and the Phase II Building, except the imaging room and a portion of the file room, not to exceed 400 square feet, on the first floor of the Phase II Building, which shall be divided from the remainder of the file room consistently with the plan attached hereto as Annex A, subject to applicable law and landlord approval. In connection with the division of the file room and imaging room, Purchaser shall reimburse Sellers for all costs incurred in the physical division of the space, including construction and materials costs, interior fixtures, and architect's fees, not to exceed $75,000.

In addition, the Parties agree that as a transition matter, the interest in the data center and the Purchaser's rights with respect to the file room, all on the first floor of the Phase II Building, will not be transferred until the completion of the Services under the DEPI/Purchaser Transition Services Agreement and transition activities with respect to the Appalachian Business and the sales of the Excluded Onshore Areas and the Offshore Package Areas, but no later than April 30, 2008 (the “Turn-Over Date”).

The Parties further agree, pursuant to Exhibit D-4, Part II of the Agreement, to the division of Greenspoint III as indicated on Annex B attached hereto. Sellers will retain the area to the north of the demising wall on the third floor of Greenspoint III as indicated on Annex B.

With respect to the costs attributable to OKC data center, Purchaser will pay a proportionate share of the rent (and, if applicable, operating expenses and other pass-through charges) payable by Sellers or their Affiliates and attributable to the OKC data room that is equal to Purchaser’s proportionate share of the total space that Purchaser will occupy in the OKC facility.

4. Equipment. Notwithstanding the other terms of the Purchase Agreement, including Section 1.3(xii), Purchaser shall be assigned those servers and other major hardware located in the OKC data center and Wedge International Tower, 1415 Louisiana Street, Houston, Texas that are specifically described in Annex C attached hereto. The servers and additional hardware that are described on Annex C will be assigned to Purchaser when they are no longer being used or reasonably need to be maintained by Sellers (whether independently or as part of a system) in connection with the services under the DEPI/Purchaser Transaction Services Agreement and transition activities with respect to the Appalachian Business and the sales of the Excluded Onshore Areas and the Offshore Package Areas, but no later than the Turn-Over Date.

5. Early Resolution of Certain Asserted Title Defects. Purchaser and Sellers agree that no adjustment to the Purchase Price will be made in accordance with Sections 2.3(a), 3.5(d) and 3.5(e) of the Agreement as a result of the asserted Title Defects or Title Benefits shown on Annex D attached hereto and that such asserted Title Defects reported by Purchaser by letter dated July 19, 2007, are considered by all Parties to be resolved and waived. Purchaser and Sellers further agree that the Allocated Values and net revenue interest and working interest figures from Exhibits B-2 and D-2 reported in Sellers’ Title Defect Notice response letter dated July 23, 2007 are the Allocated Values and Exhibit B-2 and D-2 numbers are to be used those purposes in any claim relating to the remaining Title Defects.

6. Tax Allocation Schedule. The Parties agree to use the tax allocation schedule attached hereto as Annex E, subject to adjustment after the determination of the Purchase Price under Section 8.4(b) as described in Section 2.2(c) of the Agreement.

7. Reimbursement of Certain Additional Costs. Sellers and Purchaser hereby acknowledge that the matters described in Section 3.6 of the Agreement continue after Closing and that (without limiting the payments required to be made by Sellers to Purchaser under Section 3.6 of the Agreement, as amended by this Fourth Amendment) all costs and other Damages incurred after Closing and arising out of or attributable to the implementation of Sections 3.6(c), (d) or (e), other than those involving an Adverse Notice Error, shall be borne by Purchaser. Any breach of this covenant shall be subject to indemnification under Section 12.2(a)(iii) of the Agreement, excluding, however, the application of Section 12.2(d)(iii) of the Agreement and provided that with respect to this covenant, such indemnification shall continue without time limit.

8. Hicks Claim. Notwithstanding the other terms of the Agreement, the Parties agree that Purchaser and DOTEPI shall each receive on-half (1/2) of the net proceeds, after court costs and attorneys' fees, recovered from the defendants pursuant to DOTEPI's demand for return of an overpayment of a production payment on the Hicks and Vander Stucken Wells, Sutton County, Texas, regardless of whether such recovery is made before or after the Cut-Off Date. Purchaser shall have control over any proceedings arising from this overpayment, at Purchaser's expense, provided that Purchaser may only settle such demand or proceedings with the prior written consent of DEPI, such consent not to be unreasonably withheld.

9. Ratification. Except as amended by this Fourth Amendment, the Agreement remains in full force and effect in accordance with its terms.

10. Governing Law, Venue, Jurisdiction and Service of Process. Sections 13.8 and 13.9 of the Agreement are hereby incorporated into this Fourth Amendment by reference as if set out in full herein.

11. Counterparts. This Fourth Amendment may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement. Delivery of an executed counterpart signature page by facsimile is as effective as executing and delivering this Fourth Amendment in the presence of other Parties to this Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Fourth Amendment has been signed by each of the Parties as of the date first above written.

SELLER: DOMINION EXPLORATION & PRODUCTION, INC.

By: /s/ Christine M. Schwab
Name: Christine M. Schwab
Title: Authorized Signatory

SELLER: DOMINION ENERGY, INC.

By: /s/ Christine M. Schwab
Name: Christine M. Schwab
Title: Authorized Signatory

SELLER: DOMINION OKLAHOMA TEXAS EXPLORATION & PRODUCTION, INC.

By: /s/ Christine M. Schwab
Name: Christine M. Schwab
Title: Authorized Signatory

SELLER: DOMINION RESERVES, INC.

By: /s/ Christine M. Schwab
Name: Christine M. Schwab
Title: Authorized Signatory

SELLER: LDNG TEXAS HOLDINGS, LLC

By: /s/ Christine M. Schwab
Name: Christine M. Schwab
Title: Authorized Signatory

SELLER: DEPI TEXAS HOLDINGS, LLC

By: /s/ Christine M. Schwab
Name: Christine M. Schwab
Title: Authorized Signatory

PURCHASER:	HIGHMOUNT EXPLORATION & PRODUCTION HOLDING CORP.

By:	/s/ Kenneth J. Zinghini
Name:	Kenneth J. Zinghini
Title:	Assistant Secretary

Exhibit 31.1

I, James S. Tisch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loews Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2007

By: /s/ James S. Tisch
JAMES S. TISCH
Chief Executive Officer

Exhibit 31.2

I, Peter W. Keegan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loews Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2007

By: /s/Peter W. Keegan
PETER W. KEEGAN
Chief Financial Officer

Exhibit 32.1

Certification by the Chief Executive Officer
of Loews Corporation pursuant to 18 U.S.C. Section 1350
(as adopted by Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350, the undersigned chief executive officer of Loews Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s quarterly report on Form 10-Q for the quarter ended September 30, 2007 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2007

By: /s/ James S. Tisch
JAMES S. TISCH
Chief Executive Officer

Exhibit 32.2

Certification by the Chief Financial Officer
of Loews Corporation pursuant to 18 U.S.C. Section 1350
(as adopted by Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350, the undersigned chief financial officer of Loews Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s quarterly report on Form 10-Q for the quarter ended September 30, 2007 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 31, 2007

By: /s/ Peter W. Keegan
PETER W. KEEGAN
Chief Financial Officer