SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

AMENDMENT NO. 1 TO FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1996

OR

[ ] 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. 10021-8087
(Address of principal executive offices) (Zip Code)

(212) 545-2000
(Registrant's telephone number, including area code)

The registrant hereby amends the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-K, as amended, for the year ended December 31, 1996 as set forth in the pages attached hereto.

Part I: Item 1. Business.
(To correct typographical errors on pages 5 and 7)

LOEWS CORPORATION

INDEX TO AMENDMENT NO. 1
ANNUAL REPORT ON FORM 10-K/A FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1996

PART I

Item 1. Business.

Loews Corporation is a holding company. Its subsidiaries are engaged in the following lines of business: property, casualty and life insurance (CNA Financial Corporation, an 84% owned subsidiary); the production and sale of cigarettes (Lorillard, Inc., a wholly owned subsidiary); the operation of hotels

(Loews Hotels Holding Corporation, a wholly owned subsidiary); the operation of offshore oil and gas drilling rigs (Diamond Offshore Drilling, Inc., a 51% owned subsidiary); and the distribution and sale of watches and clocks (Bulova Corporation, a 97% owned subsidiary).

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

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained in Note 20 of the Notes to Consolidated Financial Statements, included in Item 8.

CNA FINANCIAL CORPORATION

CNA Financial Corporation ("CNA") was incorporated in 1967 as the parent company of Continental Casualty Company ("CCC"), incorporated in 1897, and Continental Assurance Company ("CAC") incorporated in 1911. In 1975, CAC became a wholly owned subsidiary of CCC. On May 10, 1995, CNA acquired all the outstanding common stock of The Continental Corporation ("CIC") and it became a wholly owned subsidiary of CNA. CIC, a New York corporation incorporated in 1968, is an insurance holding company. Its principal subsidiary, The Continental Insurance Company, was organized in 1853.

CNA's property/casualty insurance operations are conducted by CCC and its property/casualty insurance affiliates, and CIC and its property/casualty insurance affiliates. Life insurance operations are conducted by CAC and its life insurance affiliates. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages as well as pension products and annuities. CNA's principal market for insurance products is the United States. CNA accounted for 83.08%, 78.75% and 81.27% of the Company's consolidated total revenue for the years ended December 31, 1996, 1995 and 1994, respectively.

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

PROPERTY/CASUALTY INSURANCE

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

Commercial lines customers include large national corporations, small- and medium-sized businesses, groups and associations, and professionals. Coverages are written primarily through traditional insurance contracts under which risk is transferred to the insurer. Many large commercial account policies are written under retrospectively-rated contracts which are experience-rated. Premiums for such contracts may be adjusted, subject to limitations set by contract, based on loss experience of the insureds. Other experience-rated policies include provisions for dividends based on loss experience. Experience-rated contracts reduce but do not eliminate risk to the insurer.

Commercial business includes such lines as workers' compensation, general liability and commercial automobile, professional and specialty, multiple peril, and accident and health coverages as well as reinsurance. Professional and specialty coverages include liability coverage for architects and engineers, lawyers, accountants, medical and dental professionals; directors and officers liability; and other specialized coverages. The major components of CNA's commercial business are professional and specialty coverages, general liability and commercial automobile, and workers' compensation, which accounted for 18%, 17% and 17%, respectively, of 1996 premiums earned.

The property/casualty group markets personal lines of insurance, primarily automobile and homeowners coverages sold to individuals under monoline and package policies.

CNA is required by the various states in which it does business to provide coverage for risks that would not otherwise be considered under CNA's underwriting standards. CNA's share of involuntary risks is mandatory and generally a function of its share of the voluntary market by line of insurance in each state. Premiums for involuntary risks result from mandatory participation in residual markets. Property/casualty involuntary risks include mandatory participation in residual markets, statutory assessments for insolvencies of other insurers, and other charges.

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

The following table sets forth supplemental data on a GAAP basis, except where indicated, for the property/casualty business:

Year Ended December 31	1996	1995(a)	1994
(In millions of dollars)			
Commercial Premiums Earned:			
Professional and specialty	$ 1,844.9	$ 1,557.7	$ 1,010.1
General liability and commercial automobile	1,754.1	1,648.9	1,261.1
Workers' compensation	1,542.5	1,475.8	1,426.3
Reinsurance and other	1,188.9	973.9	773.5
Multiple peril	1,046.9	869.9	389.0
Accident and health	919.0	699.1	557.1
	$ 8,296.3	$ 7,225.3	$ 5,417.1
Personal Premiums Earned:			
Personal lines packages	$ 1,063.3	$ 781.6	$ 562.6
Monoline automobile and property coverages	366.5	325.4	314.2
Accident and health	168.9	107.8	88.9
	$ 1,598.7	$ 1,214.8	$ 965.7
Involuntary Risks Premiums Earned (b):			
Workers' compensation	$ 135.6	$ 178.2	$ 350.0
Private passenger automobile	57.9	79.7	46.4
Commercial automobile	36.4	19.9	54.3
Property and multiple peril	2.2	5.9	5.0
	$ 232.1	$ 283.7	$ 455.7
Net Investment and Other Income:			
Commercial	$ 1,943.3	$ 1,713.1	$ 1,145.1
Personal	353.0	230.4	177.6
Involuntary risks	93.4	104.3	88.1
	$ 2,389.7	$ 2,047.8	$ 1,410.8

Year Ended December 31	1996	1995(a)	1994
(In millions of dollars)			
Underwriting Loss:			
Commercial	$ (853.1)	$ (920.8)	$ (945.7)
Personal	(183.8)	(101.9)	(185.2)
Involuntary risks	(106.3)	(98.8)	(70.3)
	$(1,143.2)	$(1,121.5)	$(1,201.2)
Trade Ratios-(c):			
Loss ratio	76.4%	77.9%	81.9%
Expense ratio	30.9%	29.4%	28.3%
Combined ratio (before policyholder dividends)	107.3%	107.3%	110.2%
Policyholder dividend ratio	1.6%	3.0%	4.8%
Trade Ratios-Statutory basis (c):			
Loss ratio	76.8%	78.6%	82.2%
Expense ratio	30.4%	29.2%	27.8%
Combined ratio (before policyholder dividends)	107.2%	107.8%	110.0%
Policyholder dividend ratio	1.4%	2.1%	3.8%
Other Data-Statutory basis (d):			
Capital and surplus	$6,348.8	$5,695.9	$3,367.3
Written to surplus ratio	1.6	1.7	2.0

(a) Premiums earned, net investment income and underwriting loss includes the results of CIC since May 10, 1995.

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

(c) GAAP trade ratios for 1995 reflect the results of CCC and its property/casualty insurance subsidiaries for the year, and include the results of CIC and its property/casualty insurance subsidiaries since May 10, 1995. Statutory trade ratios reflect the results of CCC, and its property/casualty insurance subsidiaries and CIC and its property/casualty insurance subsidiaries for the entire year of 1995. Prior year ratios have not been restated to include CIC. Trade ratios are industry measures of property/casualty underwriting results. The loss ratio is the percentage of incurred claim and claim adjustment expenses to premiums earned. Under generally accepted accounting principles, the expense ratio is the percentage of underwriting expenses, including the change in deferred acquisition costs, to premiums earned. Under statutory accounting principles, the expense ratio is the percentage of underwriting expenses (with no deferral of acquisition costs) to premiums written. The combined ratio is the sum of the loss and expense ratios. The policyholder dividend ratio is the ratio of dividends incurred to premiums earned.

(d) Other data is determined on the statutory basis of accounting. In addition, dividends of $545.0, $325.0 and $175.0 million were paid to CNA by CCC in 1996, 1995 and 1994, respectively. Property/casualty insurance subsidiaries have received, or will receive, reimbursement from CNA for general management and administrative expenses, unallocated loss adjustment expenses and investment expenses of $194.6, $197.0 and $169.6 million in 1996, 1995 and 1994, respectively.

The following table displays the distribution of gross written premium:

Year Ended December 31	1996	1995	1994
New York	9.3%	10.3%	8.6%
California	8.5	9.7	11.4
Texas	6.0	6.5	6.5
Illinois	5.3	5.2	4.9
Pennsylvania	4.9	5.4	5.7
Florida	4.2	4.1	4.6
New Jersey	4.1	4.6	3.2
All other states, countries or political subdivisions (a)	46.8	44.4	43.2
Reinsurance assumed:			
Voluntary	9.1	7.8	5.9
Involuntary	1.8	2.0	6.0
	100.0%	100.0%	100.0%

(a) No other state, country or political subdivision accounts for more than 3.0% of gross written premium.

The loss reserve development table below illustrates the change over time of reserves established for property/casualty claim and claim expenses at the end of various calendar years. The first section shows the reserves as originally reported at the end of the stated year. The second section, reading down, shows the cumulative amounts paid as of the end of successive years with respect to that reserve liability. The third section, reading down, shows reestimates of the original recorded reserve as of the end of each successive year which is the result of CNA's expanded awareness of additional facts and circumstances that pertain to the unsettled claims. The last section compares the latest reestimated reserve to the reserve originally established, and indicates whether or not the original reserve was adequate or inadequate to cover the estimated costs of unsettled claims.

The loss reserve development table is cumulative and, therefore, ending balances should not be added since the amount at the end of each calendar year includes activity for both the current and prior years.

Schedule of Property/Casualty Loss Reserve Development

Year Ended December 31	1986 (a)	1987 (a)	1988 (a)	1989 (a)	1990 (a)	1991 (a)	1992 (a)	1993 (a)	1994 (b)	1995 (c)	1996
(In millions of dollars)											
Gross reserves for unpaid claim and claim expenses	-	-	-	-	16,530	17,712	20,034	20,812	21,639	31,044	29,830
Ceded recoverable	-	-	-	-	3,440	3,297	2,867	2,491	2,705	6,089	6,095
Net reserves for unpaid claim and claim expenses	6,243	8,045	9,552	11,267	13,090	14,415	17,167	18,321	18,934	24,955	23,735
Net Paid (Cumulative) as of:											
One year later	1,335	1,763	2,040	2,670	3,285	3,411	3,706	3,629	3,656	6,510	-
Two years later	2,383	2,961	3,622	4,724	5,623	6,024	6,354	6,143	7,087	-	-
Three years later ...	3,197	4,031	4,977	6,294	7,490	7,946	8,121	8,764	-	-	-
Four years later	3,963	5,007	6,078	7,534	8,845	9,218	10,241	-	-	-	-
Five years later	4,736	5,801	6,960	8,485	9,726	10,950	-	-	-	-	-
Six years later	5,339	6,476	7,682	9,108	11,207	-	-	-	-	-	-
Seven years later ...	5,880	7,061	8,142	10,393	-	-	-	-	-	-	-
Eight years later ...	6,382	7,426	9,303	-	-	-	-	-	-	-	-
Nine years later	6,690	8,522	-	-	-	-	-	-	-	-	-
Ten years later	7,738	-	-	-	-	-	-	-	-	-	-
Net Reserves Reestimated as of:											
End of initial year .	6,243	8,045	9,552	11,267	13,090	14,415	17,167	18,321	18,934	24,955	23,735
One year later	6,642	8,086	9,737	11,336	12,984	16,032	17,757	18,250	18,922	24,864	-
Two years later	6,763	8,345	9,781	11,371	14,693	16,810	17,728	18,125	18,500	-	-
Three years later ...	6,989	8,424	9,796	13,098	15,737	16,944	17,823	17,868	-	-	-
Four years later	7,166	8,516	11,471	14,118	15,977	17,376	17,765	-	-	-	-
Five years later	7,314	10,196	12,496	14,396	16,440	17,329	-	-	-	-	-
Six years later	9,022	11,239	12,742	14,811	16,430	-	-	-	-	-	-
Seven years later ...	10,070	11,480	13,167	14,810	-	-	-	-	-	-	-
Eight years later ...	10,317	11,898	13,174	-	-	-	-	-	-	-	-
Nine years later	10,755	11,925	-	-	-	-	-	-	-	-	-
Ten years later	10,823	-	-	-	-	-	-	-	-	-	-
Total net (deficiency) redundancy	(4,580)	(3,880)	(3,622)	(3,543)	(3,340)	(2,914)	(598)	453	434	91	-
Reconciliation to Gross Reestimated Reserves:											
Net reserves reestimated	10,823	11,925	13,174	14,810	16,430	17,329	17,765	17,868	18,500	24,864	-
Reestimated ceded recoverable	-	-	-	-	2,855	2,610	2,046	1,918	2,472	6,262	-
Total gross reestimated reserves	-	-	-	-	19,285	19,939	19,811	19,786	20,972	31,126	-
Net (Deficiency) Redundancy Related to:											
Asbestos claims	(3,021)	(2,973)	(2,917)	(2,818)	(2,681)	(2,634)	(945)	(345)	(309)	(51)	-
Environmental claims	(1,021)	(1,007)	(1,002)	(975)	(964)	(918)	(871)	(425)	(246)	(65)	-
Total asbestos and environmental	(4,042)	(3,980)	(3,919)	(3,793)	(3,645)	(3,552)	(1,816)	(770)	(555)	(116)	-
Other	(538)	100	297	250	305	638	1,218	1,223	989	207	-
Total net (deficiency) redundancy	(4,580)	(3,880)	(3,622)	(3,543)	(3,340)	(2,914)	(598)	453	434	91	-

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(a) Reflects reserves of CNA, excluding CIC reserves which were acquired on May 10, 1995. Accordingly, the reserve development (net reserves recorded at the end of the year, as initially estimated, less net reserves reestimated as of subsequent years) relates only to the operations of CNA and does not include CIC.

(b) Reserve development related to the 1994 reserves of CNA, excluding CIC, as determined by the balances in this column, plus adverse reserve development of

$134 million related to the reserves of CIC, acquired on May 10, 1995, which are not reflected in this column, were recorded by CNA in 1995 and subsequent periods.

(c) Includes CIC gross reserves of $9,713 million and net reserves of $6,063 million acquired on May 10, 1995 and subsequent development thereon.

See Notes 1 and 10 of the Notes to Consolidated Financial Statements, included in Item 8, for information regarding property/casualty claim and claim expenses including reserve development for asbestos and environmental claims.

LIFE INSURANCE

CNA's life insurance operations market individual and group insurance products through licensed agents, most of whom are independent contractors, who sell life and/or group insurance for CNA and for other companies on a commission basis.

The individual insurance products consist primarily of term, universal life, participating policies and annuity products. Products developed in 1996 included a portfolio of variable products and new universal life products which are expected to be marketed in 1997. Group insurance products include life, accident and health (consisting primarily of major medical and hospitalization) and pension products, such as guaranteed investment contracts and annuities. In the medical and hospitalization market, CNA underwrites the Federal Employees Health Benefits Program ("FEHBP") which had revenues of $2.1, $1.9 and $1.8 billion in 1996, 1995 and 1994, respectively. CNA has undertaken a number of initiatives to enhance service, manage health care utilization demand and quality, and strengthen CNA's networks of physicians, hospitals and other providers.

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

Profitability in the health insurance business continues to be impacted by intense competition and rising medical costs. CNA has aggressively pursued expense reduction through increases in automation and other productivity improvements. Further, increasing costs of health care have resulted in a continued market shift away from traditional forms of health coverage toward managed care products and experience-rated plans. CNA's ability to compete in this market will be increasingly dependent on its ability to control costs through managed care techniques, innovation, and quality customer-focused service in order to properly position CNA in the evolving health care environment.

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

Year Ended December 31	1996	1995	1994
(In millions of dollars)			
Individual Premiums:			
Life and annuities	$ 629.1	$ 497.1	$ 369.4
Accident and health	1.8	32.7	32.6
	$ 630.9	$ 529.8	$ 402.0
Group Premiums:			
Accident and health (a)	$2,548.0	$2,189.7	$2,111.2
Life and annuities	194.9	312.9	165.0
	$2,742.9	$2,502.6	$2,276.2
Net Investment Income and Other Income:			
Individual	$ 292.2	$ 247.3	$ 193.8

Group	214.2	198.1	166.4
	$ 506.4	$ 445.4	$ 360.2

Income Excluding Realized Capital Gains, Before Income Tax:			
Individual	$ 100.9	$ 65.4	$ 47.3
Group	69.8	94.9	87.1
	$ 170.7	$ 160.3	$ 134.4

Gross Life Insurance in Force:			
Individual (b)	$172,213	$113,901	$ 80,560
Group	64,796	52,146	46,873
	$237,009	$166,047	$127,433

Other Data-Statutory Basis (c):			
Capital and surplus	$1,163.4	$1,127.6	$1,054.6
Capital and surplus-percent of total liabilities	25.5%	28.2%	29.4%
Participating policyholders'-percent of gross life insurance in force	.5%	.6%	.9%

(a) Group accident and health premiums include contracts involving U.S. government employees and their dependents amounting to approximately $2.1, $1.9 and $1.8 billion in 1996, 1995 and 1994, respectively.

(b) Lapse ratios, for individual life insurance, as measured by surrenders and withdrawals as a percentage of average ordinary life insurance in force were 7.2%, 9.4% and 9.7% in 1996, 1995 and 1994, respectively.

(c) Other Data is determined on the basis of statutory accounting practices. Life insurance subsidiaries have received reimbursement from CNA for general management and administrative expenses and investment expenses in the amounts of $28.5, $21.3 and $24.7 million in 1996, 1995 and 1994, respectively. Statutory capital and surplus as a percent of total liabilities is determined after excluding Separate Account liabilities and reclassifying the statutorily required Asset Valuation and Interest Maintenance Reserves as surplus.

Guaranteed Investment Contracts

CAC writes the majority of its group pension products as guaranteed investment contracts in a fixed Separate Account, which is permitted by Illinois insurance statutes. CAC guarantees principal and a specified return to guaranteed investment contract holders. This guarantee affords the contract holders additional security, in the form of CAC's general account surplus, which supports the principal and interest payments.

CNA manages the liquidity and interest rate risks on the guaranteed investment contract portfolio by matching the approximate duration of fixed maturity securities included in the investment portfolio supporting the guaranteed investment contracts with the corresponding payout pattern of the contracts, and assessing market value surrender charges on the majority of the contracts.

The table below shows a comparison of the duration of assets and contracts, weighted average investment yield, weighted average interest crediting rates and withdrawal characteristics of the guaranteed investment contract portfolio.

December 31	1996	1995	1994
Duration in years:			
Assets	3.12	3.12	3.23
Contracts	3.16	2.98	2.99
Difference	(.04)	.14	.24
Weighted average investment yield	7.44%	7.58%	7.67%

Weighted average interest crediting rates	7.32%	7.45%	7.53%
Withdrawal Characteristics:			
With market value adjustment	95%	92%	79%
Non-withdrawable	5	8	15
Without market value adjustment			6
Total	100%	100%	100%

As shown above, the weighted average investment yields at December 31, 1996, 1995 and 1994 were more than the weighted average interest crediting rate.

INVESTMENTS

See Note 2 of the Notes to Consolidated Financial Statements, included in Item 8, for information regarding the investment portfolio.

OTHER

Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve insurance products and services. There are approximately 3,300 companies that sell property/casualty insurance in the United States, approximately 900 of which operate in all or most states. CNA's consolidated property/casualty subsidiaries (including CIC for the full year of 1995) would have been ranked as the third largest property/casualty insurance organization in 1995 based on statutory net written premium. There are approximately 1,770 companies selling life insurance (including accident and health insurance and pension products and annuities) in the United States. CAC is ranked as the twenty-second largest life insurance organization based on 1995 consolidated statutory premium volume.

Dividends by Insurance Subsidiaries: The payment of dividends to CNA by its insurance affiliates without prior approval of the affiliate's domiciliary state insurance commissioners is limited to amounts determined by formula in accordance with the accounting practices prescribed or permitted by the states' insurance departments. This formula varies by state. The formula for the majority of states is the greater of 10% of prior year statutory surplus or prior year statutory net income, less the aggregate of all dividends paid during the twelve months prior to the date of payment. Some states, however, have an additional stipulation that dividends cannot exceed prior year surplus. Based upon the various state formulas, approximately $941.0 million in dividends can be paid to CNA by its insurance affiliates in 1997 without prior approval. All dividends must be reported to the domiciliary insurance department prior to declaration and payment.

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

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

After failing to enact the massive health reform introduced in 1994, Congress passed a health insurance reform bill in August of 1996 and the President signed it into law (P.L. 104-191) on August 21, 1996. The new law does little for Americans without health insurance but it will protect those who have health insurance from losing it. The 105th Congress is expected to consider additional incremental health care reform as it attempts to provide greater access and affordability to Americans. Among the bills that have been introduced this year are measures that would allow small businesses to band together to form association health plans to buy insurance; bar the use of clauses restricting what doctors can tell patients about treatment options; restructure the Medicare program; subsidize health insurance for uninsured children; and limit or prohibit underwriting on the basis of genetic information. CNA cannot predict if any of these proposals will be enacted or the extent to which they may affect the insurance industry.

Last year, a moderate product liability bill was vetoed and Congress was not able to override the veto. This year, a similar product liability reform bill was introduced in the Senate. The bill contains many of the provisions of the vetoed bill and thus, CNA cannot predict if any reform will be adopted.

Although federal standards would create more uniform laws, tort reform supporters still look primarily to the states for passage of reform measures. Over the last decade, many states have passed some type of reform, but more recently, state courts have modified or overturned approximately 38% of these reforms. Additionally, new causes of action and theories of damages are more frequently proposed in state courts or legislatures. Continued unpredictability in the law means that insurance underwriting and rating is difficult in commercial lines, professional liability, and some specialty coverages.

Environmental clean-up remains the subject of both federal and state regulation. Last year Congress and the Clinton Administration failed to reach an agreement on efforts to overhaul the federal Superfund hazardous waste program. The legislative stalemate was the result of a failure by Superfund stakeholders and Congress to reach a compromise on clean-up standards, the repeal of retroactive liability and how to finance future clean-up costs. In the new Congress, Superfund reform has been listed as one of the legislative priorities. At this time CNA cannot predict if any reform will be enacted. By some estimates, there are thousands of potential waste sites subject to clean-up. The insurance industry is involved in extensive litigation regarding coverage issues concerning clean-up of hazardous waste. Judicial interpretations in many cases have expanded the scope of coverage and liability beyond the original intent of the policies. See Note 10 of the Notes to Consolidated Financial Statements, included in Item 8, for further discussion.

In recent years, increased scrutiny of state regulated insurer solvency requirements by certain members of the U.S. Congress resulted in the National Association of Insurance Commissioners developing industry minimum Risk-Based Capital ("RBC") requirements, establishing a formal state accreditation process designed to more closely regulate for solvency, minimize the diversity of approved statutory accounting and actuarial practices, and increasing the annual statutory statement disclosure requirements.

The RBC formulas are designed to identify an insurer's minimum capital requirements based upon the inherent risks (e.g., asset default, credit and underwriting) of its operations. In addition to the minimum capital requirements, the RBC formula and related regulations identify various levels of capital adequacy and corresponding actions that the state insurance departments should initiate. The level of capital adequacy below which insurance departments would take action is defined as the Company Action Level. As of December 31, 1996, all of CNA's property/casualty and life insurance affiliates have adjusted capital amounts in excess of Company Action Levels.

Reinsurance: See Notes 1 and 18 of the Notes to Consolidated Financial Statements, included in Item 8, for information related to CNA's reinsurance business.

Properties: CNA leases office space in various cities throughout the United States and in other countries. The following table sets forth certain information with respect to the principal office buildings owned or leased by CNA:

Location	Size (square feet)	Principal Usage
Owned:		
CNA Plaza 333 S. Wabash Chicago, Illinois	1,144,378	Principal Executive Offices of CNA
180 Maiden Lane New York, New York	507,547	Property/Casualty Insurance Offices
55 E. Jackson Blvd. Chicago, Illinois	308,750	Principal Executive Offices of CNA

401 Penn Street Reading, Pennsylvania	251,691	Property/Casualty Insurance Offices
100 CNA Drive Nashville, Tennessee	251,363	Life Insurance Offices
1100 Ward Avenue Honolulu, Hawaii	93,771	First Insurance Company of Hawaii Ltd. Headquarters
Leased:		
1 Continental Drive Cranbury, New Jersey	490,993	Property/Casualty Insurance Offices
7361 Calhoun Place Rockville, Maryland	224,725	Life Insurance Offices
1111 E. Broad St. Columbus, Ohio	215,470	Property/Casualty Insurance Offices
200 S. Wacker Drive Chicago, Illinois	214,997	Property/Casualty Insurance Offices

Location	Size (square feet)	Principal Usage
333 Glen Street Glen Falls, New York	157,825	Property/Casualty Insurance Offices Residual Market Center
111 Congressional Blvd. Indianapolis, Indiana	118,215	Personal Lines
1431 Opus Place Downers Grove, Illinois	106,151	Property/Casualty, Surety Insurance Offices
2401 Pleasant Valley York, Pennsylvania	102,376	Commercial Operations

LORILLARD, INC.

The Company's wholly owned subsidiary, Lorillard, Inc. ("Lorillard"), is engaged, through its subsidiaries, in the production and sale of cigarettes. The principal cigarette brand names of Lorillard are Newport, Kent and True. Lorillard's largest selling brands are the Newport and Kent brands, which accounted for approximately 73% and 10%, respectively, of Lorillard's sales in 1996.

Substantially all of Lorillard's sales are in the United States. Lorillard's major trademarks outside of the United States were sold in 1977. Lorillard accounted for 10.95%, 11.00% and 14.29% of the Company's consolidated total revenue for the years ended December 31, 1996, 1995 and 1994, respectively.

Smoking and Health and Related Matters

For a number of years reports of the asserted harmful health effects of cigarette smoking have engendered significant adverse publicity for the cigarette industry, have caused a decline in the social acceptability of cigarette smoking and have resulted in the implementation of numerous restrictions on the marketing, advertising and use of cigarettes. Along with significant increases in federal and state excise taxes on cigarettes, these actions have, and are likely to continue to have, an adverse effect on cigarette sales.

Litigation: A large number of lawsuits, including lawsuits brought by individual plaintiffs ("Conventional Smoking and Health Cases"), purported class actions ("Class Actions") and lawsuits brought on behalf of states and state agencies ("Reimbursement Cases") have been commenced against Lorillard and other tobacco manufacturers seeking substantial compensatory and punitive damages for adverse health effects claimed to have resulted from cigarette smoking or exposure to tobacco smoke. For information with respect to such litigation pending as of February 1997, see Note 19 of the Notes to Consolidated Financial Statements included in Item 8 of this Report and incorporated herein by reference.

Set forth below is information regarding additional developments respecting litigation through March 21, 1997:

Class Actions: Lacey v. Lorillard Tobacco Company, et al. Plaintiffs did not notice an appeal within the requisite time period, and therefore, the final judgment in favor of the defendants is no longer subject to appeal.

The following four additional Class Actions have been filed:

Baker v. American Tobacco Company, et al., (Circuit Court, Wayne County, Michigan, filed February 4, 1997). Plaintiff seeks certification of this case as a class action on behalf of individuals who have quit smoking and who would benefit from medical monitoring. Lorillard is a defendant in the case. Plaintiff seeks the creation of a medical monitoring fund to monitor the health of the purported class members.

Ingle v. Philip Morris Incorporated, et al. (Circuit Court, McDowell County, West Virginia, filed February 4, 1997). Plaintiff seeks certification of the case as a class action on behalf of residents of West Virginia who have

received personal injuries as a result of smoking cigarettes. Lorillard is a defendant in this case. Plaintiff seeks unspecified amounts in actual damages and punitive damages and the creation of a medical monitoring fund.

Walls v. The American Tobacco Company, et al. (U.S. District Court, Northern District, Oklahoma, filed February 6, 1997; removed from District Court, Creek County, Oklahoma). Plaintiffs seek certification of the case as a class action on behalf of residents of Oklahoma who have purchased cigarettes manufactured by the defendants. The Company and Lorillard are defendants in the case. Plaintiffs seek unspecified amounts in actual damages and punitive damages, disgorgement of profits, and the creation of a medical monitoring fund. To date, none of the defendants have received service of process.

Selcer v. R.J. Reynolds Tobacco Company, et al. (District Court, Clark County, Nevada, filed on or about March 3, 1997). Plaintiffs seek certification of this case as a class action on behalf of Nevada residents who have become addicted to cigarette smoking. Lorillard is a defendant in this case. Plaintiffs seek unspecified amounts in actual damages and punitive damages and disgorgement of profits. To date, none of the defendants have received service of process.

Reimbursement Cases: McGraw v. The American Tobacco Company, et al. The court has granted defendants' motion to dismiss eleven of the fourteen counts of the complaint and has held that the plaintiffs in the action, the West Virginia Public Employees Insurance Agency and West Virginia Department of Health and Human Services, lack standing to sue for personal injuries. The court has heard argument on defendants' motion to dismiss two of the three remaining counts of the complaint and has taken the motion under advisement.

State of Florida, et al. v. The American Tobacco Company, et al. The United States Supreme Court has denied the petition for writ of certiorari in the declaratory judgment action filed by certain companies and trade associations.

Moore v. The American Tobacco Company et al. The Mississippi Supreme Court has dismissed the petitions filed by the defendants in the case and separately by the Governor of Mississippi.

City and County of San Francisco, et al. v. Philip Morris Incorporated, et al. The court has granted, with leave to amend, defendants' motion to dismiss the complaint.

The following additional Reimbursement Case has been filed:

State of Indiana v. Philip Morris Incorporated, et al. (Superior Court, Marion County, Indiana, filed February 19, 1997), filed by the State of Indiana. Lorillard is a defendant in the case.

In addition, there have been the following developments in the suits commenced by Lorillard and other cigarette manufacturers seeking declaratory judgment or injunctive relief in relation to the Reimbursement Cases:

Philip Morris Incorporated, et al. v. Graham, et al. The court has granted defendants' motion to dismiss three of the five counts of the complaint and plaintiffs have voluntarily dismissed the remaining counts. The court has entered judgment in favor of the defendants. Plaintiffs do not intend to notice an appeal from the judgment.

Philip Morris Incorporated, et al. v. Verniero, et al. The court has consolidated this action with the case of State of New Jersey v. R.J. Reynolds Tobacco Company, et al.

Reported Liggett Settlement: On March 20, 1997, Liggett Group, Inc. and its parent company, Brooke Group, Ltd., Inc. ("Liggett"), and the Attorneys General for twenty-two states, announced that they have reached agreement (the "Settlement Agreement") to settle the reimbursement suits pending in those states. The proposed settlements reportedly will require Liggett: to pay 25% of its pre-tax profits, plus as much as $25.0 million, to the twenty-two states annually for the next twenty-five years; to acknowledge that cigarette smoking is addictive (Liggett will supplement the warning notices it places on its cigarette packages to reflect that acknowledgment); to acknowledge that cigarette smoking causes disease; to acknowledge that cigarette companies have targeted marketing programs towards minors; and to cooperate in suits against the other cigarette manufacturers by releasing Liggett documents to the Attorneys General and to allow its employees to testify in these matters. The Settlement Agreement also purports to be on behalf of "all persons who, prior to or during the term of [the

Settlement Agreement], have smoked cigarettes or have used other tobacco products and have suffered or claim to have suffered injury as a consequence thereof."

On March 20, 1997, Lorillard and three other cigarette manufacturers filed suit in the Superior Court of Forsyth County, North Carolina against Liggett. The court entered a temporary restraining order on March 20, 1997 that prohibits Liggett and certain persons related to it or acting in concert with it from misusing or disclosing any privileged or confidential information relating to plaintiffs, or involving matters in which plaintiffs and Liggett share a common interest and resulting from communications between counsel for plaintiffs and Liggett. The court further directed Liggett to appear before the court to identify for an in camera inspection all documents Liggett has disclosed; to show cause why Liggett and certain related persons should not be enjoined from disclosing the privileged or confidential information pending trial in this action; and to disclose to the court under seal the identity of the individuals to whom Liggett has disclosed the confidential and privileged information to date.

On March 21, 1997, the court in the case of Butler v. Philip Morris, Inc., et al., ordered Liggett, among other things, to submit documents in its possession that are subject to claims of a joint defense or common interest privilege or other protection from discovery, for an in camera review and determination by the court as to the validity of such claims. The court also ordered Liggett to serve all counsel a copy of the descriptive logs of the submitted documents. Butler is a Conventional Smoking and Health Case pending in a state court in Mississippi alleging injury to an individual from exposure to environmental tobacco smoke. The Company and Lorillard are defendants in the case. Trial in this case is scheduled to begin on August 18, 1997.

On March 20, 1997, the case of Fletcher, et al. v. Liggett was filed in the Circuit Court of Mobile County, Alabama. The plaintiffs seek certification of the case as a class action on behalf of all residents of the United States. The complaint seeks certification of two subclasses; a personal injury subclass and a recoupment subclass. The personal injury subclass purports to be comprised of individual smokers; the estates, representatives, spouses or heirs of the individual smokers; and individuals who allege injury from exposure to environmental tobacco smoke. The recoupment subclass purports to be comprised of individuals who have incurred economic loss as a result of payments for the treatments of diseases or medical conditions allegedly caused by cigarette smoking or exposure to environmental tobacco smoke. Neither the Company nor Lorillard is a defendant in Fletcher. The claims in Fletcher purportedly are covered by the Settlement Agreement. The court has conditionally certified the case as a class action and has provisionally accepted the Settlement Agreement. The court has scheduled a full hearing for July 11, 1997 to determine whether the Settlement Agreement is fair to the plaintiffs in this action.

Lorillard continues to believe that there are a number of valid defenses to smoking and health litigation pending against it, and Lorillard will continue to vigorously defend against all such claims. Recent press reports have discussed proposals to establish a comprehensive legislative solution to smoking and health claims against the tobacco industry. The Company believes that any such legislation would involve significant, and perhaps insurmountable, difficulties in reconciling the views of many competing interests. However, the Company will explore and is prepared to discuss all reasonable measures to resolve these matters. The Company would not contemplate making further comment as to the existence or progress of any such discussions.

Other Legal Proceedings: In addition to the litigation referred to above, Lorillard has been notified of several governmental investigations pending against Lorillard and other tobacco manufacturers, which are described below.

Department of Justice Investigation - Early in 1994, the Energy and Commerce Subcommittee on Health and the Environment of the U.S. House of Representatives (the "Subcommittee") launched an oversight investigation into tobacco products, including possible regulation of nicotine-containing cigarettes as drugs. During the course of such investigation, the Subcommittee held hearings at which executives of each of the major tobacco manufacturers testified. Following the November 1994 elections, the incoming Chairman of the Energy and Commerce Committee indicated that this investigation by the Subcommittee would not continue, and on December 20, 1994, the outgoing majority staff of the

Subcommittee issued two final reports. One of these reports questioned the scientific practices of what it characterized as the tobacco industry's "long-running campaign" related to ETS, but reached no final conclusions. The second report asserted that documents obtained from American Tobacco Company, a competitor of Lorillard's, "reflect an intense research and commercial interest in nicotine."

The U.S. Department of Justice is investigating allegations of perjury in connection with the testimony provided by tobacco industry executives, including Lorillard executives, to the Subcommittee in April 1994. Lorillard has not received any request for documents or testimony. It is impossible at this time to predict the outcome of this investigation.

In 1996 Lorillard responded to a grand jury subpoena for documents in connection with a grand jury investigation commenced in 1992 by the United States Attorney's Office for the Eastern District of New York regarding possible fraud by Lorillard and other tobacco companies relating to smoking and health research undertaken or administered by the Council for Tobacco Research - USA, Inc. There have been no requests for any testimony by any Lorillard personnel. At the present time, Lorillard is unable to predict whether the United States Attorney's Office will ultimately determine to bring any proceeding against Lorillard. An adverse outcome of this investigation could result in criminal, administrative or other proceedings against Lorillard.

In March 1996, the Company and Lorillard each received a grand jury subpoena duces tecum from the United States Attorney's Office for the Southern District of New York seeking documents, advertisements or related materials distributed by the Company and Lorillard to members of the general public relating to, among other things, the health effects of cigarettes, nicotine or tobacco products, the addictiveness of such products, and Congressional hearings relating to cigarettes or the tobacco industry. The Company and Lorillard responded to the subpoena. The Company and Lorillard were informed in the latter part of 1996 that responsibility for this investigation has been transferred from the United States Attorney's Office for the Southern District of New York to the United States Department of Justice in Washington, D.C. It is impossible at this time to predict the ultimate outcome of this investigation.

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

Prior to the effective date of the Comprehensive Smoking Education Act, federal law had, since 1965, required that cigarette packaging bear a warning statement which from 1970 to 1985 was as follows: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." In addition, in 1972 Lorillard and other cigarette manufacturers had agreed, pursuant to consent orders entered into with the Federal Trade Commission ("FTC"), to include this health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. In addition, advertising of cigarettes has been prohibited on radio and television since 1971.

From time to time, bills have been introduced in Congress, among other things, to end or limit the price supports for leaf tobacco; to prohibit all tobacco advertising and promotion; to require new health warnings on cigarette packages and advertising; to subject cigarettes generally to regulation under the Consumer Products Safety Act or the Food, Drug and Cosmetics Act; to authorize the establishment of various anti-smoking education programs; to provide that current federal law should not be construed to relieve any person of liability under common or state law; to permit state and local governments to restrict the sale and distribution of cigarettes and the placement of billboard and transit advertising of tobacco products; to provide that cigarette advertising not be deductible as a business expense; to prohibit the mailing of unsolicited samples of cigarettes and otherwise to restrict the sale or distribution of cigarettes; to impose an additional excise tax on cigarettes; to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing; and to subject cigarettes to regulation in various ways by the U.S. Department of Health and Human Services, including regulation by the

Food and Drug Administration.

In 1995, Congress passed legislation prohibiting the sale of cigarettes by vending machines on certain federal property, and the General Services Administration has published implementing regulations. In January 1996, the Substance Abuse and Mental Health Services Administration("SAMHSA") issued final regulations implementing a 1992 law (Section 1926 of the Public Health Service Act), which requires the states to enforce their minimum sales-age laws as a condition of receiving federal substance abuse block grants.

Food and Drug Administration Regulation of Tobacco Products - On August 28, 1996, the Food and Drug Administration ("FDA") published regulations (the "FDA Regulations") in final form severely restricting cigarette advertising and promotion and limiting the manner in which tobacco products can be sold. In enacting the FDA Regulations, the FDA determined that nicotine is a drug and that cigarettes are a nicotine delivery system and, accordingly, subject to FDA regulatory authority as medical devices. The FDA premised its regulations on the need to reduce smoking by underage youth and young adults. The FDA Regulations become effective in stages, as follows:

(i) Regulations regarding minimum sales age, effective February 28, 1997. These regulations make unlawful the sale of cigarettes to anyone under age 18. These regulations also require proof of age to be demanded from any person under age 27 who attempts to purchase cigarettes.

(ii) Regulations regarding advertising and billboards, vending machines, self-service displays, sampling premiums, and package labels, effective August 28, 1997. These regulations limit all cigarette advertising to black and white, text only format in most publications and outdoor advertising such as billboards. The regulations also prohibit billboards advertising cigarettes within 1,000 feet of a school or playground, require that the established name for the product ("Cigarettes") and an intended use statement ("Nicotine - Delivery Device For Persons 18 or Older") be included on all cigarette packages and advertising, ban vending machine sales, product sampling, and the use of cigarette brand names, logos and trademarks on premium items, and prohibit the furnishing of any premium item in consideration for the purchase of cigarettes or the redemption of proofs-of-purchase coupons.

(iii) Regulations prohibiting use of cigarette brand names to sponsor sporting and cultural events and requiring cigarette manufacturers to comply with certain stringent FDA regulations (known as "good manufacturing practices") governing the manufacture and distribution of medical devices, effective August 28, 1998.

The FDA has announced that it will "contract" with states to jointly enforce the FDA Regulations. State regulations narrower in scope and not inconsistent with the FDA Regulations may be exempt from the pre-emptive effect of the federal rules and be enforced concurrently.

Lorillard and other cigarette manufacturers have filed a lawsuit in the United States District Court for the Middle District of North Carolina challenging the FDA's assertion of jurisdiction over cigarettes and seeking both preliminary and permanent injunctive relief (Liggett Group has agreed to withdraw from this lawsuit). The complaint in the case, Coyne Beahm, Inc., et al. v. United States Food & Drug Administration, et al., asserts that the FDA lacks authority to regulate cigarettes and that the proposed rules violate the Federal Food, Drug and Cosmetic Act, the Federal Cigarette Labeling and Advertising Act and the United States Constitution. Lawsuits challenging the FDA's rule making also have been filed in the same court by several smokeless tobacco manufacturers, several national advertising trade associations and the National Association of Convenience Stores.

The plaintiffs have moved for summary judgment on jurisdictional, statutory and First Amendment grounds. Oral argument on the motions was heard on February 10, 1997, and a decision is pending.

It is uncertain whether Congress will pass legislation that would moot the FDA Regulations and whether the manufacturers will succeed in securing judicial relief. Accordingly, any impact on Lorillard from the FDA Regulations cannot be predicted at this time.

Environmental Tobacco Smoke - Studies with respect to the alleged health risk to nonsmokers of environmental tobacco smoke ("ETS") have received significant publicity. In 1986, the Surgeon General of the United States and the National Academy of Sciences reported that ETS puts nonsmokers at an increased risk of lung cancer and respiratory illness. In January 1993, the United States Environmental Protection Agency released a report (the "EPA Risk Assessment") concluding that ETS is a human lung carcinogen in adults, causes increased respiratory tract disease, middle ear disorders and increases the severity and frequency of asthma in children.

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

In 1994, the Occupational Safety and Health Administration published a proposed rule on air quality in indoor workplaces. The proposed rule would require employers in the United States to prohibit smoking indoors or to restrict smoking to a separate room with outside exhaust and negative air pressure. A period of public comment on the proposed rules has ended. Hearings on the proposed rules were conducted in late 1994 and early 1995. It is impossible at this time to predict whether or in what form the proposed rules will be adopted.

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

Ingredient Disclosure - On August 2, 1996, the Governor of Massachusetts signed legislation (the "ingredient disclosure legislation") requiring each manufacturer of cigarettes and smokeless tobacco sold in the commonwealth to submit to the Department of Public Health ("DPH"), beginning in 1997, an annual report (1) identifying, for each brand, certain "added constituents," and (2) providing, for each brand, nicotine-yield ratings based on standards to be developed by the DPH. The legislation provides for the public release of this information, which includes flavorings and other trade-secret ingredients used in cigarettes.

The cigarette and smokeless tobacco manufacturers have filed suit in federal district court in Boston challenging the ingredient disclosure legislation; Philip Morris Incorporated v. Harshbarger, Civil Action No. 96-11599-GAO (D. Mass.) and United States Tobacco Company v. Harshbarger, Civil Action No. 96-11619-GAO (D. Mass.). Their complaints assert that the legislation conflicts with, and is pre-empted by, federal law and is otherwise unconstitutional. On February 7, 1997 the Court ruled that the ingredient disclosure legislation was not pre-empted by federal law. The manufacturers have appealed the trial court's preemption ruling, and they continue to pursue their other claims in the district court.

In November 1996, the DPH published proposed regulations implementing the ingredient disclosure legislation. Public hearings on the proposed regulations were held on January 30 and 31, 1997 and written comments were submitted on February 21, 1997.

Any impact on Lorillard from the ingredient disclosure legislation and any implementing regulations cannot be predicted at this time. It is uncertain whether the manufacturers will succeed in their legal challenges to the legislation; if they ultimately are required to disclose their trade secrets to the DPH and the DPH releases this information, further litigation seeking compensation for the taking of the manufacturers' property may ensue. It is also uncertain whether proposed regulations will be modified before they are promulgated in final form, and whether the manufacturers will challenge them as so promulgated.

Other similar laws, regulations and policies are being proposed or considered by various federal, state and local governments and agencies and could, if adopted, have a material adverse effect on the financial condition and results of operations of the Company.

Business Operations

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Introduction of new brands, brand extensions and packings require the expenditures of substantial sums for advertising and sales promotion, with no assurance of consumer acceptance. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, direct mail and point-of-sale display materials. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers. All of these activities would be severely affected by the new FDA Regulations (see "Food and Drug Administration Regulation of Tobacco Products," above).

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

Lorillard has approximately 1,500 direct customers and is not dependent on any one customer or group of customers. Lorillard does not have any backlog orders.

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

Due to the varying size and quality of annual crops and other economic factors, tobacco prices in the past have been subject to fluctuation. Among the economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls together with support prices have substantially affected the market prices of tobacco. The approximate average auction prices per pound for flue-cured tobacco were $1.794 in 1995 and $1.837 in 1996 and for burley tobacco were $1.854 in 1995 and $1.920 in 1996. The prices paid by Lorillard have generally been consistent with this trend. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 of the Notes to Consolidated Financial Statements, included in Item 8, for inventory costing method.

Prices: In March 1997 and April 1996 Lorillard increased the wholesale price of its king size and 100/120 millimeter cigarettes by $2.50 and $2.00 per thousand in the aggregate, respectively.

Taxes: Federal excise taxes included in the price of cigarettes are $12.00 per thousand cigarettes. Excise taxes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. The state taxes generally range from 2.5 cents to 82.5 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of cigarettes. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition. Lorillard's manufacturing plant is located on approximately 79 acres in Greensboro, North Carolina. This 942,600 square foot plant contains modern high speed cigarette manufacturing machinery. A warehouse was added in early 1995 with shipping and receiving areas totaling 54,800 square feet. Lorillard also has facilities for receiving and storing leaf tobacco in Danville, Virginia, containing approximately 1,500,000 square feet. A modern research facility containing approximately 82,000 square feet is also located at Greensboro.

Lorillard leases a corporate office in Orangeburg, New York, an executive office in New York City and sales offices in major cities throughout the United States. In May 1997 Lorillard will relocate its New York executive

office to a 130,000 square-foot, four-story office building in Greensboro, North Carolina. This move allows Lorillard to consolidate its operations in Greensboro, the site of its manufacturing facility.

Competition: Substantially all of Lorillard's products are sold within the United States in highly competitive markets where its principal competitors are the four other major U.S. cigarette manufacturers (Philip Morris, R.J. Reynolds ("RJR"), Brown & Williamson and Liggett Group). According to the Maxwell

Consumer Report, a quarterly statistical survey of the cigarette industry, in calendar year 1996 Lorillard ranked fourth in the industry with an 8.4% share of the market. Philip Morris and RJR accounted for approximately 47.8% and 24.6%, respectively, of the U.S. cigarette market, according to the Maxwell Consumer Report.

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

Calendar Year	Industry (000)	Lorillard (000)	Lorillard to Industry
1996	483,300,000	40,400,000	8.4%
1995	481,100,000	38,580,000	8.0%
1994	489,600,000	36,610,000	7.5%

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The Bureau of Alcohol, Tobacco and Firearms reports Lorillard's share of total taxable factory removals of all cigarettes to be 7.9% and 7.5% for 1995 and 1994, respectively. Data for 1996 is not currently available.

The Maxwell Consumer Report divides the cigarette market into two price segments, the premium price segment and the discount or reduced price segment. According to the Maxwell Consumer Report the reduced price segment decreased in 1996 to approximately 28.5% from approximately 30.0% of the market in 1995. Virtually all of Lorillard's sales are in the premium price segment where Lorillard's share increased from 10.9% in 1995 to 11.0% in 1996, according to the Maxwell Consumer Report.

LOEWS HOTELS HOLDING CORPORATION

The subsidiaries of Loews Hotels Holding Corporation ("Loews Hotels"), a wholly owned subsidiary of the Company, presently operate the following 14 hotels. Loews Hotels accounted for .98%, 1.17% and 1.61% of the Company's consolidated total revenue for the years ended December 31, 1996, 1995 and 1994, respectively.

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

Santa Monica, California		(1989)	with renewal options for 10 years
Loews Vanderbilt Plaza Nashville, Tennessee	Luxury Hotel	342 (1984(2))	Owned
Loews Ventana Canyon Resort Tucson, Arizona	Resort Hotel	398 (1984)	Management contract expiring 2004, with renewal options for 10 years (3)
Loews Vogue Montreal, Canada	Luxury Hotel	154 (1990(2))	Owned

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(1) Operated by Loews Hotels under license agreements pursuant to which Loews Hotels pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.
(2) The Le Concorde, Giorgio, Vanderbilt Plaza, Annapolis and Vogue Hotels were acquired by Loews Hotels in 1987, 1989, 1989, 1990 and 1995, respectively.
(3) These management contracts are subject to termination rights.

A Loews Hotels subsidiary is presently constructing an 800 room convention center hotel in Miami Beach, Florida. The hotel is being constructed on land leased from the Miami Beach Redevelopment Agency under a 100 year ground lease. The hotel is expected to open in late 1998. In addition, a Loews Hotels subsidiary has entered into an agreement to develop hotels at Universal City Florida, an 840 acre world class entertainment resort, as part of a joint venture with Universal, Inc. and the Rank Organisation, owners of the resort.

The hotels which are operated by Loews Hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses.

The hotels owned by Loews Hotels are subject to mortgage indebtedness aggregating approximately $42.2 million at December 31, 1996 with interest rates ranging from 9% to 11%, and maturing between 1998 and 1999. In addition, certain hotels are held under leases which are subject to formula derived rental increases, with rentals aggregating approximately $7.3 million for the year ended December 31, 1996.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which Loews Hotels operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. Loews Hotels properties also compete with facilities offering similar services in locations other than those in which the company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. Because of the competitive nature of the industry, hotels must continually make expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

DIAMOND OFFSHORE DRILLING, INC.

Diamond Offshore Drilling Inc. ("Diamond Offshore"), is engaged, through its subsidiaries, in the business of owning and operating drilling rigs that are used primarily in drilling of offshore oil and gas wells on a contract basis for companies engaged in exploration and production of hydrocarbons. Diamond Offshore operates 46 offshore rigs. On December 31, 1996, Diamond Offshore exited the land drilling business with the sale of its land rigs and associated equipment for approximately $26 million. Diamond Offshore accounted for 3.17%, 1.82% and 2.25% of the Company's consolidated total revenue for the years ended December 31, 1996, 1995 and 1994, respectively.

On April 29, 1996 Diamond Offshore acquired Arethusa (Off-Shore) Limited ("Arethusa"). Holders of Arethusa stock received 17.9 million shares of common stock issued by Diamond Offshore based on a ratio of .88 shares for each share of Arethusa common stock. The Company recognized a gain of approximately $186.6 million and its interest in Diamond Offshore declined to approximately 51%. Arethusa owned and/or operated a fleet of thirteen mobile offshore drilling rigs and provided drilling services worldwide to international and government-controlled oil and gas companies. The fleet consisted of eight semisubmersible rigs and five jackup rigs.

Drilling Units and Equipment: Diamond Offshore currently owns and operates 46 mobile offshore drilling rigs (30 semisubmersible rigs, 15 jackup rigs and one drillship) and related equipment. Offshore rigs are mobile units that can be relocated via either self propulsion or by the use of tugs enabling them to be repositioned based on market demand.

Semisubmersible rigs are supported by large pontoons and are partially submerged during drilling for greater stability. They are generally designed for deep water depths of up to 5,000 feet. Diamond Offshore owns and operates three fourth-generation semisubmersible rigs. These rigs are equipped with advanced drilling equipment, are capable of operations in deep water or harsh environments, and command high premiums from operators. Diamond Offshore's 30 semisubmersible rigs are currently located as follows: 16 in the Gulf of Mexico, four in the North Sea, four in Brazil and the remaining rigs are located in various foreign markets.

Jackup rigs stand on the ocean floor with their drilling platforms "jacked up" on support legs above the water. They are used extensively for drilling in water depths from 20 feet to 350 feet. Twelve of Diamond Offshore's jackup rigs are cantilevered rigs capable of over platform development drilling and workover as well as exploratory drilling. Of Diamond Offshore's 15 jackup rigs, 12 are currently located in the Gulf of Mexico.

Diamond Offshore's drillship is self-propelled and designed to drill in deep water. Shaped like a conventional vessel, it is the most mobile of the major rig types. Diamond Offshore's drillship is currently being upgraded to operate in the deep water market of the Gulf of Mexico and is scheduled to be completed in mid-1997.

Drilling Contracts and Rig Utilization: Contracts for Diamond Offshore's drilling rigs are offered worldwide for either a fixed term, which may range from a few months to several years, or on a well-to-well basis. In general, Diamond Offshore seeks to have a reasonable balance of single well, well-to-well and term contracts to minimize the downside impact of a decline in the market while still participating in the benefit of increasing dayrates in a rising market. Although most of Diamond Offshore's semisubmersible rigs are committed on a term basis, its jackup rigs are primarily committed for short-term single well or well-to-well arrangements.

The deep water and harsh environment markets for semisubmersible rigs have experienced improved demand and higher dayrates during the past two years, due in part to the increasing impact of technological advances that have broadened opportunities for offshore exploration and development. Both the Gulf of Mexico and the North Sea semisubmersible markets experienced increased utilization and significantly higher dayrates since 1995. All of Diamond Offshore's markets experienced increased utilization and higher dayrates in 1996, and customers increasingly are seeking to contract rigs for a fixed term (as opposed to contracts for the drilling of a single well or a group of wells). Diamond Offshore's semisubmersible rigs marketed and available for contract are essentially working at full utilization and, of its 30 semisubmersibles, 25 have term commitments with renewal opportunities staggered through 2001.

The market for jackup rigs in the Gulf of Mexico, which weakened during 1994, began to stabilize during 1995 and strengthened significantly in 1996. Diamond Offshore's marketed jackup rigs in the Gulf of Mexico are currently experiencing full utilization, although contracts generally remain on a short-term or well-to-well basis, which is typical for the prevailing market conditions. Diamond Offshore cannot predict whether and, if so, to what extent these recently improved conditions will continue.

Competition: The contract drilling industry is highly competitive. Customers often award contracts on a competitive bid basis, and although a customer selecting a rig may consider, among other things, a contractor's safety record, crew quality and quality of service and equipment, the historical oversupply of rigs has created an intensely competitive market in which price is the primary factor in determining the selection of a drilling contractor. However, due to the recent escalation of drilling activity, rig availability has, in some cases, also become a consideration. Diamond Offshore believes that competition for drilling contracts will continue to be intense for the foreseeable future. Contractors are also able to adjust localized supply and demand imbalances by moving rigs from areas of low utilization and dayrates to areas of greater activity and relatively higher dayrates. In addition, there are inactive non-marketed rigs or rigs being operated in non-drilling activities that could be reactivated to meet an increase in demand for drilling rigs in any given market. Such movements or reactivations or a decrease in drilling activity in any major market could depress dayrates and could adversely affect utilization of Diamond Offshore's rigs.

Operating Risks and Regulation: Diamond Offshore's operations are subject to hazards inherent in the drilling of oil and gas wells such as blowouts, reservoir damage, loss of production, loss of well control, cratering or fires, the occurrence of which could result in the suspension of drilling operations, injury to or death of rig and other personnel and damage to or destruction of Diamond Offshore's, its customer's or a third party's property or equipment. Damage to the environment could also result from Diamond Offshore's operations, particularly through oil spillage or uncontrolled fires. In addition, offshore drilling operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Diamond Offshore has insurance coverage and contractual indemnification for certain risks, but there can be no assurance that such coverage or indemnification will adequately cover Diamond Offshore's loss or liability in many circumstances, or that Diamond Offshore will continue to carry such insurance or receive such indemnification. Except with respect to certain semisubmersible rigs, Diamond Offshore does not maintain business interruption insurance and may elect to discontinue existing coverage at any time.

Diamond Offshore's operations are subject to numerous federal, state and local environmental laws and regulations that relate directly or indirectly to its operations, including certain regulations controlling the discharge of materials into the environment, requiring removal and clean-up under certain circumstances, or otherwise relating to the protection of the environment. For example, Diamond Offshore may be liable for damages and costs

incurred in connection with oil spills for which it is held responsible. Laws and regulations protecting the environment have become increasingly stringent in recent years and may in certain circumstances impose "strict liability" rendering a company liable for environmental damage without regard to negligence or fault on the part of such company. Such laws and regulations may expose Diamond Offshore to liability for the conduct of or conditions caused by others, or for acts of Diamond Offshore that were in compliance with all applicable laws at the time such acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on Diamond Offshore.

Properties: Diamond Offshore owns an eight-story office building located in Houston, Texas containing approximately 182,000 net rentable square feet, which is used for its corporate headquarters. A portion of the building is currently occupied by other tenants under leases which expire through 2005. Diamond Offshore also owns an 18,000 square foot building and 20 acres of land in New Iberia, Louisiana for its offshore drilling warehouse and storage facility, and a 13,000 square foot building and five acres of land in Aberdeen, Scotland for its North Sea operations. In addition, Diamond Offshore leases additional office, warehouse and storage facilities and lots in Louisiana, Scotland, Australia, Brazil and various other foreign locations to support its offshore drilling operations.

BULOVA CORPORATION

Bulova Corporation ("Bulova") is engaged in the distribution and sale of watches, clocks and timepiece parts for consumer use. Bulova accounted for .59%, .59% and 1.12% of the Company's consolidated total revenue for the years ended December 31, 1996, 1995 and 1994, respectively.

Bulova's principal watch brands are Bulova, Caravelle, Accutron and Sportstime. Clocks are principally sold under the Bulova brand name. All watches and clocks are purchased from foreign suppliers. Bulova's principal markets are the United States and Canada. In most other areas of the world Bulova has appointed licensees who market watches under Bulova's trademarks in return for a royalty. The business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the holiday selling season. The business is intensely competitive. The principal methods of competition are price, styling, product availability, aftersale service, warranty and product performance.

Properties: Bulova owns an 80,000 square foot plant in Woodside, New York which is used for its principal executive and sales office, watch distribution, service and warehouse purposes, and leases a 71,000 square foot plant in Maspeth, New York for clock service and warehouse purposes and a 25,000 square foot plant in Toronto, Canada for watch and clock sales and service.

OTHER INTERESTS

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

EMPLOYEE RELATIONS

The Company, inclusive of its operating subsidiaries as described below, employed approximately 35,300 persons at December 31, 1996 and considers its employee relations to be satisfactory.

Lorillard employed approximately 3,600 persons at December 31, 1996. Approximately 1,400 of these employees are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed.

Lorillard has collective bargaining agreements covering hourly rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. Lorillard has experienced satisfactory labor relations and provides a retirement plan, a deferred profit sharing plan, and other benefits for its hourly paid employees who are represented by the foregoing unions. In addition, Lorillard provides to its salaried employees a retirement plan, group life, disability and health insurance program and a savings plan.

Loews Hotels employed approximately 2,800 persons at December 31, 1996, approximately 1,800 of whom are union members covered under collective bargaining agreements. Loews Hotels has experienced satisfactory labor relations and provides comprehensive benefit plans for its hourly paid employees.

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

CNA and its subsidiaries employ approximately 24,300 full-time equivalent persons and has experienced satisfactory labor relations. CNA has never had work stoppages due to labor disputes. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees, including retirement plans, savings plans, disability programs, group life programs and group health care programs.

Diamond Offshore employed approximately 3,770 persons at December 31, 1996, approximately 160 of whom are union members. Diamond Offshore has experienced satisfactory labor relations and provides comprehensive benefit plans for its employees.

Bulova and its subsidiaries employ approximately 440 persons, approximately 135 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

SIGNATURES

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

Loews Corporation

By /s/ Peter W. Keegan
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Peter W. Keegan
Senior Vice President
and Chief Financial Officer

Dated: April 9, 1997