

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1994

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)

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.

Yes X No

Class

Outstanding at August 5, 1994

Common stock, \$1 par value

59,985,000 shares

Page 1

INDEX

Part I. Financial Information

Page No.

Item 1. Financial Statements

Consolidated Condensed Balance Sheets-- June 30, 1994 and December 31, 1993	3
Consolidated Condensed Statements of Income-- Three and Six months ended June 30, 1994 and 1993	4
Consolidated Condensed Statements of Cash Flows-- Six months ended June 30, 1994 and 1993	5
Notes to Consolidated Condensed Financial Statements	6-14

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15-26
---	-------

Part II. Other Information

Item 1. Legal Proceedings	26
Item 4. Submission of Matters to a Vote of Security Holders	27-28
Item 6. Exhibits and Reports on Form 8-K	28
Exhibit 11--Statement Re Computation of Per Share Earnings Assuming Full Dilution for the three and six months ended June 30, 1993	30

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Loews Corporation and Subsidiaries
Consolidated Condensed Balance Sheets

(Amounts in thousands of dollars)	June 30, 1994	December 31, 1993

Assets:		
Investments:		
Fixed maturities available for sale, amortized cost of \$21,036,256 and \$17,132,086	\$20,664,852	\$17,657,856
Equity securities available for sale, cost of \$1,137,422 and \$1,028,733	1,289,815	1,240,256
Mortgage loans and notes receivable	118,360	121,439
Policy loans	175,178	173,606
Other investments	99,480	72,085
Short-term investments	9,340,943	8,025,201
	-----	-----
	31,688,628	27,290,443
Cash	133,835	155,703
Receivables-net	8,130,325	7,474,753
Inventories	211,520	241,287
Investments in associated companies	507,060	490,654
Property, plant and equipment-net	1,063,055	1,038,179
Deferred income taxes	1,450,207	1,074,410
Other assets	645,299	564,600
Deferred policy acquisition costs of insurance subsidiaries	1,029,693	979,166
Separate Account business	5,843,256	6,540,557
	-----	-----
Total assets	\$50,702,878	\$45,849,752
	=====	=====
Liabilities and Shareholders' Equity:		
Insurance reserves and claims	\$28,257,877	\$27,439,003
Accounts payable and accrued liabilities	850,848	705,034
Payable for securities purchased	2,485,564	190,138
Securities sold under repurchase agreements	3,735,463	613,250
Accrued taxes	183,640	209,861
Long-term debt, less unamortized discount	2,138,248	2,195,670
Separate Account business	5,843,256	6,540,557
Deferred credits and participating policyholders' equity	799,100	795,767
	-----	-----
Total liabilities	44,293,996	38,689,280
Minority interest	918,911	1,033,274
Shareholders' equity	5,489,971	6,127,198
	-----	-----
Total liabilities and shareholders' equity .	\$50,702,878	\$45,849,752
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

Consolidated Condensed Statements of Income

(Amounts in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	1994	1993	1994	1993
Revenues:				
Insurance premiums:				
Property and casualty	\$1,702,634	\$1,536,850	\$3,327,203	\$3,006,987
Life	659,072	574,066	1,338,223	1,182,959
Investment income, net of expenses, principally of insurance subsidiaries	419,972	342,490	783,012	704,118
Realized investment (losses) gains	(103,299)	152,943	(227,603)	616,703
Manufactured products (including excise taxes of \$108,437, \$96,525, \$209,982 and \$175,254)	514,772	581,920	1,003,636	1,059,901
Other	200,246	186,810	374,026	347,541
Total	3,393,397	3,375,079	6,598,497	6,918,209
Expenses:				
Insurance benefits and underwriting expenses	2,360,551	2,174,135	4,686,854	4,317,832
Amortization of deferred policy acquisition costs	336,606	289,721	659,390	563,561
Cost of manufactured products sold	234,781	216,906	458,697	399,098
Selling, operating, advertising and administrative expenses	371,356	384,275	735,563	766,697
Interest	45,442	42,292	89,799	80,674
Total	3,348,736	3,107,329	6,630,303	6,127,862
	44,661	267,750	(31,806)	790,347
Income taxes (benefits)	(9,962)	50,724	(67,571)	178,024
Minority interest	(5,703)	13,383	(18,696)	66,990
Total	(15,665)	64,107	(86,267)	245,014
Net income	\$ 60,326	\$ 203,643	\$ 54,461	\$ 545,333
Net income per share	\$ 1.00	\$ 3.16	\$.89	\$ 8.42
Cash dividends per share	\$.25	\$.25	\$.50	\$.50
Weighted average number of shares outstanding	60,329	64,527	60,915	64,795

See accompanying Notes to Consolidated Condensed Financial Statements.

Loews Corporation and Subsidiaries
Consolidated Condensed Statements of Cash Flows

(Amounts in thousands)	Six Months Ended June 30,	
	1994	1993
Operating Activities:		
Net income	\$ 54,461	\$ 545,333
Adjustments to reconcile net income to net cash provided by operating activities-net ...	177,592	(560,838)
Changes in assets and liabilities-net:		
Receivables	(432,744)	84,338
Inventories	29,767	(29,128)
Deferred policy acquisition costs	(50,527)	(73,492)
Insurance reserves and claims	814,037	521,080
Accounts payable and accrued liabilities ...	147,234	319,144
Accrued taxes	(75,103)	192,750
Other-net	(25,422)	(53,171)
	639,295	946,016

Investing Activities:		
Purchases of fixed maturities	(25,890,394)	(17,634,873)
Proceeds from sales of fixed maturities	18,981,613	18,692,356
Proceeds from maturities of fixed maturities ..	3,158,216	1,140,155
Securities sold under repurchase agreements ..	3,122,213	(610,987)
Purchases of equity securities	(579,377)	(530,215)
Proceeds from sales of equity securities	447,302	551,036
Change in short-term investments	436,239	(2,348,478)
Purchases of property, plant and equipment ...	(97,268)	(62,896)
Change in other investments	(17,742)	29,814
	-----	-----
	(439,198)	(774,088)
	-----	-----
Financing Activities:		
Dividends paid to shareholders	(30,498)	(32,443)
Purchases of treasury shares	(137,261)	(104,179)
Issuance of long-term debt		293,322
Principal payments on long-term debt	(59,093)	(359,931)
Receipts credited to policyholders	21,338	25,833
Withdrawals of policyholder account balances .	(16,451)	(7,891)
	-----	-----
	(221,965)	(185,289)
	-----	-----
Net change in cash	(21,868)	(13,361)
Cash, beginning of period	155,703	105,308
	-----	-----
Cash, end of period	\$ 133,835	\$ 91,947
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

Page 5

Loews Corporation and Subsidiaries
Notes to Consolidated Condensed Financial Statements

1. Reference is made to Notes to Consolidated Financial Statements in the 1993 Annual Report to Shareholders which should be read in conjunction with these consolidated condensed financial statements.

2. The Company's inventories are comprised of the following:

	June 30, 1994	December 31, 1993

	(In thousands)	
Leaf tobacco	\$ 87,795	\$ 145,259
Manufactured stock	103,614	76,946
Materials, supplies, etc.	20,111	19,082

Total	\$ 211,520	\$ 241,287
	=====	

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

The ceding of insurance does not discharge the primary liability of the original insurer. CNA places reinsurance with other carriers only after careful review of the nature of the contract and a thorough assessment of the reinsurers' credit quality and claim settlement performance. Further, for carriers that are not authorized reinsurers in Illinois (Continental Casualty Company's state of domicile), CNA receives collateral primarily in the form of bank letters of credit, securing a large portion of the recoverables. At June 30, 1994, such collateral totaled approximately \$162,000,000. CNA's largest recoverable from a single reinsurer, including prepaid reinsurance premiums, at June 30, 1994 was approximately \$432,000,000 with Lloyd's of London. The recoverable from Lloyd's of London

is dispersed among thousands of individual members who have unlimited liability.

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

Written Premium

	Six Months Ended June 30,							
	1994				1993			
	Direct	Ceded	Assumed	Net	Direct	Ceded	Assumed	Net
Contracts:								
Long Duration .	\$ 259.9	\$ 11.9	\$ 57.8	\$ 305.8	\$ 198.2	\$ 10.2	\$ 79.6	\$ 267.6
Short Duration	4,075.8	314.0	728.0	4,489.8	3,696.1	251.9	631.0	4,075.2
Total	\$4,335.7	\$325.9	\$785.8	\$4,795.6	\$3,894.3	\$262.1	\$710.6	\$4,342.8

	Three Months Ended June 30,							
	1994				1993			
	Direct	Ceded	Assumed	Net	Direct	Ceded	Assumed	Net
Contracts:								
Long Duration .	\$ 139.2	\$ 6.4	\$ 31.0	\$ 163.8	\$ 100.6	\$ 5.6	\$ 46.8	\$ 141.8
Short Duration	1,968.4	162.2	382.8	2,189.0	1,923.3	114.0	318.1	2,127.4
Total	\$2,107.6	\$168.6	\$413.8	\$2,352.8	\$2,023.9	\$119.6	\$364.9	\$2,269.2

Earned Premium

	Six Months Ended June 30,							
	1994				1993			
	Direct	Ceded	Assumed	Net	Direct	Ceded	Assumed	Net
Contracts:								
Long Duration .	\$ 223.2	\$ 11.9	\$ 57.8	\$ 269.1	\$ 167.1	\$ 10.2	\$ 76.6	\$ 233.5
Short Duration	3,996.3	298.7	709.1	4,406.7	3,646.6	250.3	571.7	3,968.0
Total	\$4,219.5	\$310.6	\$766.9	\$4,675.8	\$3,813.7	\$260.5	\$648.3	\$4,201.5

	Three Months Ended June 30,							
	1994				1993			
	Direct	Ceded	Assumed	Net	Direct	Ceded	Assumed	Net
Contracts:								
Long Duration .	\$ 117.9	\$ 6.4	\$ 31.0	\$ 142.5	\$ 88.0	\$ 5.6	\$ 44.3	\$ 126.7
Short Duration	1,991.7	135.7	368.4	2,224.4	1,748.8	112.4	353.6	1,990.0
Total	\$2,109.6	\$142.1	\$399.4	\$2,366.9	\$1,836.8	\$118.0	\$397.9	\$2,116.7

Insurance claims and policyholders' benefits are net of reinsurance recoveries of \$259.8 and \$159.4 million for the six months ended June 30, 1994 and 1993, respectively.

4. Net income per share assuming full dilution is not presented for the three and six months ended June 30, 1993 since such dilution was not material.

5. Shareholders' equity:

June 30, December 31,
1994 1993

(In thousands of dollars)

Preferred stock, \$.10 par value, Authorized--25,000,000 shares		
Common stock, \$1 par value: Authorized--200,000,000 shares		
Issued--61,524,700 shares	\$ 61,525	\$ 61,525
Additional paid-in capital	209,935	210,289
Earnings retained in the business	5,500,623	5,476,660
Unrealized (depreciation) appreciation	(116,839)	406,736
Pension liability adjustment	(28,012)	(28,012)
	-----	-----
Total	5,627,232	6,127,198
Less common stock (1,539,700 shares) held in treasury, at cost	137,261	
	-----	-----
Total	\$5,489,971	\$6,127,198
	=====	=====

The \$523.6 million decrease in unrealized appreciation reflects the impact that the rise in interest rates has had on the Company's fixed income investments.

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

Fibreboard Litigation--As previously reported in Note 16 of the Notes to the Consolidated Financial Statements in the 1993 Annual Report to Shareholders, CNA's primary property/casualty subsidiary, Continental Casualty Company ("Continental"), is party to litigation with Fibreboard Corporation ("Fibreboard") involving coverage for certain asbestos-related claims and defense costs (San Francisco Superior Court, Judicial Council Coordination Proceeding 1072). As described below, Continental, Fibreboard, another insurer ("Pacific Indemnity"), a subsidiary of the Chubb Corporation, and a negotiating committee of asbestos claimant attorneys have reached a Global Settlement (the "Global Settlement") to resolve all future asbestos-related bodily injury claims involving Fibreboard. Continental, Fibreboard and Pacific Indemnity have also reached an agreement, which is subject to court approval (the "Trilateral Agreement"), on a settlement to resolve the

Page 8

coverage litigation in the event the Global Settlement does not obtain final court approval. The implementation of the Global Settlement or the Trilateral Agreement would have the effect of settling Continental's litigation with Fibreboard.

On July 29, 1994 the United States District Court for the Eastern District of Texas preliminarily approved the Global Settlement agreement, and ordered that a fairness hearing be held on December 12, 1994 to determine whether to finally approve the Global Settlement agreement. CNA and other parties to the Global Settlement agreement will be initiating a comprehensive communication program in August 1994 to ensure that all potential claimants have notice of their rights and possible benefits under the Global Settlement.

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

Continental insured Fibreboard under a comprehensive general liability policy between May 4, 1957 and March 15, 1959. Fibreboard disputed the coverage positions taken by its insurers and, in 1979, Fireman's Fund, another of Fibreboard's insurers, brought suit with respect to coverage for defense and indemnity costs. In January 1990, the San Francisco Superior

Court (Judicial Council Coordination Proceeding 1072) rendered a decision against the insurers including Continental and Pacific Indemnity. The court held that the insurers owed a duty to defend and indemnify Fibreboard for certain of the asbestos-related bodily injury claims asserted against Fibreboard (in the case of Continental, for all claims involving exposure to Fibreboard's asbestos products if there was exposure to asbestos at any time prior to 1959 including years prior to 1957, regardless of when the claims were asserted or injuries manifested) and that the policies contained no aggregate limit of liability in relation to such claims. The judgment was appealed.

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

- . The trial court adopted a continuous trigger of coverage theory under which all insurance policies in effect at any time from first exposure to asbestos until the date of the claim filing or death are triggered. The Court of Appeal endorsed the continuous trigger theory, but modified the ruling to provide that policies are triggered by a claimant's first exposure to the policyholder's products, as opposed to the first exposure

Page 9

to any asbestos product. Therefore, an insurance policy is not triggered if a claimant's first exposure to the policyholder's product took place after the policy period. The court, however, placed the burden on the insurer to prove the claimant was not exposed to its policyholder's product before or during the policy period. The trigger of coverage issue is now on appeal to the California Supreme Court.

Continental's position is that its policy is triggered under California law by manifestation of appreciable harm. The bodily injury cannot be said to occur within the meaning of the policy until actual physical symptoms and associated functional impairment manifest themselves. Thus, Continental's position is that if existing California law were applied, there would be no coverage under Continental's policy.

- . The scope of coverage decision imposed a form of "joint and several" liability that makes each triggered policy liable in whole for each covered claim, regardless of the length of the period the policy was in effect. This decision was affirmed by the Court of Appeal, and is now on appeal to the California Supreme Court. Continental's position is that liability for asbestos claims should be shared not jointly, but severally and on a pro rata basis between the insurers and insured. Under this theory, Continental would only be liable for that proportion of the bodily injury that occurred during the 22-month period its policy was in force.
- . Continental maintains that both the occurrence and the injury resulting therefrom must happen during the policy period for the policy to be triggered. Consequently, if the court holds that the occurrence is exposure to asbestos, Continental's position is that coverage under the Continental policy is restricted to those who actually inhaled Fibreboard asbestos fibers and suffered injury from May 4, 1957 to March 15, 1959. The Court of Appeal withheld ruling on this issue, as noted above.
- . Continental's policy had a \$1 million per occurrence limit. Continental contends the number of occurrences under California law must be determined by the general cause of the injuries, not the number of claimants, and that the cause of the injury was the continuous sale and manufacture of the product. Because the manufacture and sale proceeded from two locations, Continental maintains that there were only two occurrences and thus only \$2 million of coverage under the policy. However, the per occurrence limit was interpreted by the trial court to mean that each claim submitted by each individual constituted a separate occurrence. The Court of Appeal withheld ruling on this issue, as noted above.

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

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

Through June 30, 1994, Continental, Fibreboard and plaintiff attorneys had reached settlements with respect to approximately 127,500 claims, subject to

Page 10

resolution of the coverage issues, for a maximum settlement amount of approximately \$1.48 billion. If neither the Global Settlement nor the Trilateral Agreement receive final court approval, Continental's obligation to pay under all settlements will be partially subject to the results of the pending appeal in the coverage litigation. Minimum amounts payable under all such agreements, regardless of the outcome of coverage litigation, total approximately \$695.6 million, of which \$352.7 million was paid through June 30, 1994. Continental may negotiate other agreements with various classes of claimants including groups who may have previously reached agreement with Fibreboard.

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

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

Subsequent to the announcement of the agreement in principle, Continental, Fibreboard and Pacific entered into the Trilateral Agreement which sets forth the parties' obligations in the event the Global Settlement is not approved by the court. In such case, Continental and Pacific would contribute to a settlement fund an aggregate of \$2 billion, less certain adjustments. Such fund would be devoted to the payment of Fibreboard's asbestos liabilities other than liabilities in respect of previously settled claims. Continental's share of such fund would be \$1.44 billion, reduced by a portion of the additional payment of \$635 million, which Pacific Indemnity has agreed to pay in respect of unsettled present claims and previously settled claims. Continental has agreed that if either the Global Settlement or the Trilateral Agreement is approved, it will assume responsibility for the claims that had been settled and paid on or before August 27, 1993. A portion of the additional \$635 million payment by Pacific Indemnity would be applied to the payment of such claims as well. As a part of the Global Settlement and the Trilateral Agreement, Continental would be released by Fibreboard from any further liability under the comprehensive general liability policy written for Fibreboard by Continental, including but not limited to liability for asbestos-related claims against Fibreboard. The Trilateral Agreement is subject to court approval and possible appeals.

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

In addition, Continental and Pacific Indemnity have entered into an

Page 11

agreement (the "Continental-Pacific Agreement") which sets forth the parties' agreement with respect to the means for allocating among themselves responsibility for payments arising out of the Fibreboard insurance policies whether or not the Global Settlement or the Trilateral Agreement is approved. Under the Continental-Pacific Agreement, Continental and Pacific Indemnity have agreed to pay 64.71% and 35.29%, respectively, of the \$1.525 billion plus expenses and interest accrued in escrow to be used to satisfy the claims of future claimants. If neither the Global Settlement nor the Trilateral Agreement is approved, Continental and Pacific Indemnity would share, in the same percentages, most but not all liabilities and costs of either insurer including, but not limited to, liabilities in respect of unsettled present claims and presently settled claims. If either the Trilateral Agreement or the Global Settlement is approved by the court, Pacific Indemnity's share for unsettled present claims and presently settled claims will be \$635 million.

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

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

The Global Settlement and the Trilateral Agreement are subject to court approval. There is limited precedent with settlements which determine the rights of future claimants to seek relief. It is extremely difficult to assess the magnitude of Continental's potential liability in respect of such future claimants if neither the Global Settlement nor the Trilateral Agreement is approved and upheld, keeping in mind that Continental's potential liability is limited to persons exposed to asbestos prior to the termination of the policy in 1959.

Projections by experts of future trends differ widely, based upon different assumptions with respect to a host of complex variables. Some recently published studies, not specifically related to Fibreboard, conclude that the number of future asbestos-related bodily injury claims against asbestos manufacturers could be several times the number of claims brought to date. Such studies include claims asserted against asbestos manufacturers for all years, including claims filed or projected to be filed in respect of periods after 1959. As indicated above Continental, Fibreboard and plaintiff attorneys have reached settlements with respect to approximately 127,500 claims, subject to the resolution of coverage issues. Such amount does not include presently pending or unsettled claims, claims previously dismissed or claims settled pursuant to agreements to which Continental is not a

Page 12

party.

Another aspect of the complexity in establishing a reserve arises from the widely disparate values that have been ascribed to claims by courts and in the context of settlements. Under the terms of a settlement reached with plaintiff counsel in August 1993, the expected settlement for approximately 49,500 claims for exposure to asbestos prior to 1959 is currently averaging approximately \$12,900 per claim for claims processed through June 30, 1994. Based on reports by Fibreboard, since September 1988, Fibreboard resolved approximately 40,000 claims, approximately 45% of which involved no cost to Fibreboard other than defense costs, with the remaining claims involving the payment of approximately \$11,000 per claim. On the other hand, a trial court in Texas in 1990 tendered a verdict in which Fibreboard's liability in respect of 2,300 claims was found to be approximately \$310,000 per claim including interest and punitive damages. Fibreboard entered into a settlement of such claims by means of an assignment of its potential proceeds from its policy with Continental. Continental intervened and settled these claims for approximately \$77,000 on average, with a portion of the payment contingent on approval of the Global Settlement or the

Trilateral Agreement, and if neither is approved, subject to resolution of the coverage appeal.

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

While it is possible that the ultimate outcome of this matter could have a material adverse impact on the equity of CNA, management does not believe that a further loss material to equity is probable. Management will continue to monitor the potential liabilities with respect to asbestos-related bodily injury claims and will make adjustments to the claim reserves if warranted.

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

Under federal regulation, the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("Superfund") governs the clean-up and restoration of abandoned toxic waste sites and formalizes the concept of legal liability for clean-up and restoration by "Potentially Responsible Parties" ("PRP's"). Superfund establishes a mechanism to pay for clean-up of waste sites if PRP's fail to do so, and to assign liability to PRP's. The extent of liability to be allocated to a PRP is dependent on a variety of factors. Further, the number of waste sites subject to clean-up is unknown. To date, approximately 1,300 clean-up sites have been identified by the Environmental Protection Agency ("EPA"). On the other hand, the Congressional Budget Office is estimating that there will be 4,500 National Priority List sites and other estimates project as many as 30,000 sites that

Page 13

will require clean-up. Very few sites have been subject to clean-up to date. The extent of clean-up necessary and the assignment of liability has not been established.

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

The Superfund legislation must be reauthorized in 1994. A number of proposals to reform Superfund have been made by various parties. It is too early to determine the future impact of these proposals on CNA and the insurance industry.

Due to the inherent uncertainties described above, including the inconsistency of court decisions, the number of waste sites subject to clean-up, and the standards for clean-up and liability, the exposure to CNA for environmental pollution claims cannot be meaningfully quantified. CNA identified reserves only for reported environmental pollution claims. In 1993, CNA allocated approximately \$340 million of claims and claims expense reserves for unreported environmental pollution claims in addition to the \$94 million of reserves recorded for reported claims. At June 30, 1994, reserves for reported and unreported claims were \$98 and \$335 million, respectively. Claims and claims expense reserves represent management's estimates of ultimate liabilities based on currently available facts and law. However, in addition to the uncertainties previously discussed, additional issues related to, among other things, specific policy provisions, multiple insurers and allocation of liability among insurers, consequences of conduct by the insured, missing policies and proof of coverage make quantification of liabilities exceptionally difficult and subject to later adjustment based on new data.

The number of claims filed for environmental pollution coverage continues to increase. Approximately 1,125 claims were reported in the first six months of 1994 and approximately 20,300 claims have been reported to date. Pending

claims totaled approximately 10,600 at both June 30, 1994 and December 31, 1993. Approximately 9,700 claims were closed through June 30, 1994, of which approximately 8,700 claims were settled without payment, except for claim expenses of \$24 million. Settlements for the remaining 1,000 claims totaled \$113 million, plus claim expenses of \$27 million. Reserve development for environmental claims totaled \$54 and \$38 million for the six months ended June 30, 1994 and 1993, respectively. The results of operations in future years may continue to be adversely affected by environmental pollution claims and claims expenses. Management will continue to monitor potential liabilities and make further adjustments as warranted.

7. In the opinion of Management, the accompanying consolidated condensed financial statements reflect all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 1994 and December 31, 1993 and the results of operations for the three and six months and the changes in its cash flows for the six months ended June 30, 1994 and 1993, respectively.

Results of operations for the second quarter and first six months of each of the years is not necessarily indicative of results of operations for that entire year.

Page 14

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

Liquidity and Capital Resources:

Insurance

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

The factors that depressed earnings last year in much of the insurance industry did not change significantly in the first half of 1994. These include the prolonged soft market in commercial property/casualty lines and low interest rates that reduced investment income.

The U.S. property/casualty industry had a net after-tax loss of \$1.2 billion in the first quarter of 1994, primarily because of record-breaking catastrophe losses estimated at \$6.5 billion. In spite of these losses, there have not been substantial increases in rates, except in certain geographic regions and lines of property insurance. In addition, complex and costly litigation has been continuing, fueled by the tendency of the courts to interpret insurance contracts beyond their stated intent.

On a more positive note, the workers' compensation environment has improved in some states, largely because of reform legislation that CNA actively supported. In life insurance, pricing has become more disciplined, particularly in setting rates for interest-sensitive products. Considerable uncertainty surrounds the health insurance marketplace because of legislative proposals for national health care reform. Still, the upward spiral in health care costs has diminished in the past 18 months, largely through the efforts of insurers and employers.

In this challenging environment, CNA remains among the strongest and most competitive multiline organizations in the insurance industry. During the first half of 1994, CNA took action on many fronts to become even more competitive in its various businesses.

One of these has been to continue to focus on the risk characteristics and premium rates in commercial lines. CNA will continue to seek business in lines where it has a sizable market share, substantial experience, and foresees clear profit potential over the long term. At the same time, however, the emphasis is on reasonable rates rather than volume growth.

Net operating income for the life segment increased, although negatively affected by intense competition and high health care costs which have resulted in a continued market shift away from traditional indemnity forms of health coverage toward managed care products. The federal government's initiative to control health care costs and provide universal access to quality health care may impact both individual and group accident and health, workers' compensation, automobile liability and medical malpractice businesses of CNA. With national health care still the subject of intense debate, CNA advocates a responsible role for the insurance industry in any program that may be adopted. CNA believes the public is best served by a system that relies on the private sector's competence and competitiveness rather than on rigid, governmental dictates. 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.

During the first half of 1994, property and casualty insurance subsidiaries' statutory surplus decreased 8.2% to approximately \$3.3 billion. The decrease

resulted from the aforementioned catastrophe losses and realized investment losses. The statutory surplus of the life insurance subsidiaries remained at

\$1.0 billion.

As discussed in Note 6 of the Notes to Consolidated Condensed Financial Statements, Casualty greatly reduced a major source of financial uncertainty by reaching a Global Settlement to resolve all future asbestos-related bodily injury claims involving Fibreboard, a former asbestos manufacturer. The agreement, executed in December 1993, was reached with Fibreboard, Pacific Indemnity Company ("Pacific") (a subsidiary of the Chubb Company) and a negotiating committee of asbestos claimant attorneys. The agreement calls for Casualty and Pacific to contribute an aggregate of \$1.525 billion to an escrow account for a class of all future asbestos claimants. CNA funded its obligations under the escrow account with approximately \$1.0 billion at the end of 1993. The escrow account is included in its short-term investment portfolio. CNA believes the reserves established pursuant to this agreement will be sufficient to cover all asbestos-related Fibreboard claims. While the Fibreboard agreement must receive court approval and meet other conditions, settlement of this litigation greatly reduces the uncertainty about CNA's exposure to future asbestos-related liabilities.

On July 29, 1994 the United States District Court for the Eastern District of Texas preliminarily approved the Global Settlement agreement, and ordered that a fairness hearing be held on December 12, 1994 to determine whether to finally approve the Global Settlement agreement. CNA and other parties to the Global Settlement agreement will be initiating a comprehensive communication program in August 1994 to ensure that all potential claimants have notice of their rights and possible benefits under the Global Settlement.

CNA and the insurance industry are exposed to an unknown amount of liability for environmental pollution, primarily related to toxic waste site clean-up. See Note 6 of the Notes to Consolidated Condensed Financial Statements for a further discussion of environmental pollution exposures.

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

For the first six months of 1994, CNA's operating activities generated net cash flows of \$330 million, compared to \$711 million for the same period in 1993. The decrease in cash flows is due primarily to Fibreboard claim payments, catastrophe claim payments and a decline in tax recoveries.

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

Investments
- - - - -

A summary of CNA's general account fixed income securities portfolio and short-term investments are as follows:

	June 30, 1994	December 31, 1993	Change in Unrealized (Losses)Gains
----- (In millions) -----			
Fixed income securities:			
U.S. Treasury securities and obligations of government agencies	\$ 10,388	\$ 6,554	\$ (446)
Asset-backed securities	2,413	2,547	(114)
Tax exempt securities	4,343	5,015	(168)
Other	3,479	3,491	(156)
Total fixed income securities	20,623	17,607	(884)
Stocks	588	508	(35)
Short-term and other investments.....	6,875	7,248	14
Total	\$ 28,086	\$ 25,363	\$ (905)
=====			
Short-term investments:			
Security repurchase collateral	\$ 3,886	\$ 623	
Escrow	993	987	

Others	1,672	5,334
Other investments	324	304
	-----	-----
Total short-term and other investments	\$ 6,875	\$ 7,248
	=====	=====

Debt security carrying values are highly susceptible to changes in interest rates and were adversely affected as a general rise in interest rates occurred in the first half of 1994.

CNA's general account investment portfolio is managed to maximize after tax investment return, while minimizing credit risks, with investments concentrated in high quality securities to support its insurance underwriting operations.

CNA has the capacity to hold its fixed income portfolio to maturity. However, securities may be sold as part of CNA's asset/liability strategies or to take advantage of investment opportunities generated by changing interest rates, prepayments, tax and credit considerations, or other similar factors. Accordingly, fixed income securities are classified as available for sale.

During the first six months of 1994, CNA's consolidated investments increased by \$2.7 billion, to \$28.1 billion. This increase is due to a \$3.3 billion increase in collateral related to securities sold under agreements to repurchase. The general account portfolio consists primarily of high quality marketable debt securities, approximately 95% of which are rated as investment grade. At June 30, 1994, tax exempt securities and short-term investments excluding collateral for securities sold under repurchase agreements, comprised approximately 15% and 9%, respectively, of the general account's total investment portfolio compared to 19% and 28%, respectively, at December 31, 1993. Historically, CNA has maintained short-term assets at a level that provided for liquidity to meet its short-term obligations, as well as reasonable contingencies and anticipated claim payout patterns. At June 30, 1994, the major component of the short-term investment portfolio was approximately \$1.7 billion of U.S. Treasury bills. Collateral for securities sold under repurchase

Page 17

agreements totaled \$3.9 billion and were invested in high grade commercial paper.

As of June 30, 1994, the market value of CNA's general account investments in bonds and redeemable preferred stocks was \$20.6 billion and was less than amortized cost by approximately \$379 million. This compares to \$504 million of net unrealized investment gains at December 31, 1993. The unrealized losses are the result of a general increase in interest rates. Interest rates on U.S. government securities due in one year increased 190 basis points while the rates on five and ten year U.S. government bonds rose 175 and 153 basis points, respectively, from year-end 1993 levels. The gross unrealized investment gains and losses for the fixed income securities portfolio at June 30, 1994, were \$254 and \$633 million, respectively, compared to \$564 and \$60 million, respectively, at December 31, 1993.

Net unrealized investment losses on general account bonds at June 30, 1994 include net unrealized investment losses on high yield securities of \$70 million, compared to net unrealized investment gains of \$15 million at December 31, 1993. High yield securities are bonds rated as below investment grade by bond rating agencies, plus private placements and other unrated securities which, in the opinion of management, are below investment grade. Fair values of high yield securities in the general account were \$1.0 billion at June 30, 1994, compared to \$727 million at December 31, 1993.

At June 30, 1994, total Separate Account cash and investments amounted to \$5.8 billion with taxable debt securities representing approximately 93% of the Separate Accounts' portfolio. Approximately 87% of Separate Account investments are used to fund guaranteed investment contracts ("GIC's") for which CNA's life insurance affiliate guarantees principal and a specified return to the contract holders. The fair value of all fixed income securities in the GIC portfolio was \$4.8 billion compared to \$5.4 billion at December 31, 1993. At June 30, 1994, amortized cost exceeded fair values by approximately \$80 million. This compares with fair values exceeding amortized cost by approximately \$148 million at December 31, 1993. The gross unrealized investment gains and losses for the GIC fixed income securities portfolio at June 30, 1994 were \$68 and \$148 million, respectively.

Carrying values of high yield securities in the GIC portfolio were \$1.3 billion at June 30, 1994, compared to \$1.1 billion at December 31, 1993. Net unrealized investment losses on high yield securities held in such Separate Accounts were \$52 million at June 30, 1994, compared to net unrealized gains of \$56 million at December 31, 1993.

High yield securities generally involve a greater degree of risk than that of investment grade securities. Expected returns should, however, compensate for the added risk. The risk is also considered in the interest rate assumptions in the underlying insurance products. At June 30, 1994, CNA's concentration in high yield bonds, including Separate Accounts, was approximately 5.1% of its total assets. In addition, CNA's investment in mortgage loans and investment real estate are substantially below the industry average, representing less than one quarter of one percent of its total assets.

Included in CNA's fixed income securities at June 30, 1994 (general and GIC portfolios) are \$4.0 billion of asset-backed securities, consisting of approximately 54% in collateralized mortgage obligations ("CMO's"), 15% in corporate asset-backed obligations, and 31% in U.S. government agency issued pass-through certificates. The majority of CMO's held are U.S. government agency issues, which are actively traded in liquid markets and are priced monthly by broker-dealers. At June 30, 1994, the fair values of asset-backed securities was less than amortized cost by approximately \$124 million compared to unrealized investment gains of \$87 million at December 31, 1993. CNA limits the risks associated with interest rate fluctuations and prepayment by concentrating its CMO investments in early planned amortization classes with wide bands and relatively short principal repayment windows.

Over the last few years, much concern has been raised regarding the quality of

Page 18

insurance company invested assets. At June 30, 1994, 62% of the general account's debt securities portfolio was invested in U.S. Government securities, 19% in other AAA rated securities and 12% in AA and A rated securities. CNA's GIC fixed income portfolio is comprised of 22% U.S. Government securities, 17% other AAA rated securities and 20% in AA and A rated securities. These ratings are primarily from nationally recognized rating agencies (95% of the general account portfolio and 94% of the GIC portfolio).

Cigarettes

- - - - -

Lorillard, Inc. and subsidiaries ("Lorillard")

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

Effective August 9, 1993 in response to new lower pricing policies and promotions by its competitors Lorillard reduced its premium brand wholesale cigarette unit prices by approximately 25% to maintain its competitive position. These price moves have established two price tiers for the industry, eliminating much of the price confusion in the market place, and substantially narrowing the price gap between premium and discount cigarettes. These developments appear to have slowed the rapid growth of discount cigarettes. While promotional spending can be reduced, the overall impact of the new lower pricing has substantially reduced Lorillard's revenues, income contribution and cash flow.

Smoking and Health and Related Matters--As previously noted, from time to time bills have been introduced in Congress which would, among other things, subject cigarettes to regulation in various ways by the U.S. Department of Health & Human Services. Early in 1994, and in connection with one such bill, the Energy and Commerce Subcommittee on Health and the Environment of the U.S. House of Representatives ("the Subcommittee") began an ongoing oversight investigation into tobacco products, including possible regulation of nicotine-containing cigarettes as drugs. The Food and Drug Administration of the U.S. Department of Health & Human Services is also investigating whether the agency should regulate nicotine-containing cigarettes as drugs. These investigations have included requests to Lorillard and other cigarette manufacturers for documents and information, and with respect to the Subcommittee investigation, have included hearings in which representatives of Lorillard and other cigarette manufacturers have testified. It is impossible at this time to predict the ultimate outcome of these investigations.

By letter of June 6, 1994, Dr. Michael Eriksen, Director of the Office on Smoking and Health of the Centers for Disease Control of the Department of Health & Human Services (the "CDC"), requested that Lorillard, as well as each of the other major U.S. cigarette manufacturers, voluntarily submit to his office certain information regarding cigarette ingredients, including the identity and amount of each ingredient added to each brand of cigarettes, analytical methods of measuring ingredients, the identity of substances added to nontobacco components of cigarette products, and citations to studies relied upon to evaluate the safety of ingredients. Discussions are proceeding with the CDC regarding the content and timing of the response to this request, and with respect to appropriate confidentiality protections for any ingredient information submitted. However, it is impossible at this time to predict the ultimate outcome of this inquiry.

On July 1, 1994, legislation in the state of Florida became effective that permits the state to sue a manufacturer to recover Medicaid costs incurred by the state that are claimed to result from the use of the manufacturer's product.

Page 19

This new law significantly increases the likelihood that Lorillard will be sued by the state of Florida for recovery of Medicaid costs that may be alleged to have been incurred as a result of the use of its products. In any such suit, the

statute permits causation and damages to be proven by statistical analysis, abrogates all affirmative defenses, adopts a "market share" liability theory, applies joint and several liability and eliminates the statute of repose. Although no actions has been brought to date, the Governor of Florida has threatened to use this new law primarily to recover damages from cigarette manufacturers. An action for declaratory judgment has been commenced in Florida state court by companies in several potentially affected industries challenging the Florida law. Lorillard also understands that elements of the Florida business community have initiated an effort to repeal or modify this law in a future legislative session. It is impossible at this time to predict the ultimate outcome of this lawsuit or such efforts. Lorillard understands that several other states, and the Congress, have considered or are considering legislation similar to that passed in Florida.

In one state, Massachusetts, the Governor on July 10, 1994 signed legislation authorizing that state's attorney general to bring an action against tobacco manufacturers to recover medical assistance payments for which such companies may be liable under existing law. The state of Mississippi, also relying upon existing law, filed a suit on May 23, 1994 against the major U.S. cigarette manufacturers, including Lorillard, to recover Medicaid costs claimed to have resulted from use of tobacco products, See Part II, Item 1, Legal Proceedings, below.

Corporate
- - - - -

During the six months ended June 30, 1994 the Company purchased 1,539,700 shares of its outstanding Common Stock at an aggregate cost of approximately \$137.3 million. The funds required for such purchases were provided from working capital. Depending on market conditions, the Company, from time to time, purchases shares in the open market or otherwise.

Results of Operations:
- - - - -

Revenues for the quarter and six months ended June 30, 1994, increased by \$18.3 million, or .5%, and declined by \$319.7 million, or 4.6%, respectively, as compared to the prior year. Net income decreased by \$143.3 million, or 70.4%, and \$490.9 million, or 90.0%, respectively, for the quarter and six months ended June 30, 1994, as compared to the prior year. The following table sets forth the major sources of the Company's consolidated revenues and net income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	1994	1993	1994	1993
(In thousands)				
Revenues (a):				
Property and casualty insurance	\$1,994,373	\$1,930,851	\$3,878,107	\$4,119,853
Life insurance	737,398	694,984	1,456,084	1,411,479
Cigarettes	480,974	554,120	938,601	998,238
Hotels	52,103	50,181	91,179	92,609
Watches and other timing devices	35,371	32,129	68,020	67,187
Drilling	74,951	68,013	148,813	130,783
Investment income-net (non-insurance companies)	4,311	24,770	493	71,343
Equity in income of CBS Inc.	19,262	21,568	30,706	31,200
Other and eliminations--net	(5,346)	(1,537)	(13,506)	(4,483)
	<u>\$3,393,397</u>	<u>\$3,375,079</u>	<u>\$6,598,497</u>	<u>\$6,918,209</u>
Net income (a):				
Property and casualty insurance	\$ (27,442)	\$ 37,557	\$ (78,535)	\$ 273,457
Life insurance	7,967	29,435	2,975	53,559
Cigarettes	90,615	128,209	168,986	205,249
Hotels	2,977	1,845	(182)	(407)
Watches and other timing devices	83	(27)	(39)	159
Drilling	(7,935)	(7,091)	(14,397)	(13,905)
Investment income-net (non-insurance companies)	2,850	15,928	(81)	45,333
Equity in income of CBS Inc.	17,240	20,100	27,482	29,078
Interest expense and other--net	(26,029)	(22,313)	(51,748)	(47,190)

(a) Includes realized investment (losses) gains as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1994	1993	1994	1993
<hr style="border-top: 1px dashed black;"/>				
Revenues:				
Property and casualty insurance	\$ (56,393)	\$ 97,357	\$ (120,764)	\$ 498,498
Life insurance	(17,262)	43,303	(58,382)	72,738
Investment income-net	(29,644)	12,283	(48,457)	45,467
	<hr style="border-top: 1px dashed black;"/>		<hr style="border-top: 1px dashed black;"/>	
	\$ (103,299)	\$ 152,943	\$ (227,603)	\$ 616,703
<hr style="border-top: 1px dashed black;"/>				
Net income:				
Property and casualty insurance	\$ (33,831)	\$ 53,542	\$ (68,397)	\$ 273,604
Life insurance	(9,542)	19,456	(25,646)	34,694
Investment income-net	(19,028)	8,106	(31,280)	28,934
	<hr style="border-top: 1px dashed black;"/>		<hr style="border-top: 1px dashed black;"/>	
	\$ (62,401)	\$ 81,104	\$ (125,323)	\$ 337,232
<hr style="border-top: 1px dashed black;"/>				

Insurance

Property and casualty revenues, excluding realized investment (losses) gains, increased by \$217.3 and \$377.5 million, or 11.9% and 10.4%, for the three and six months ended June 30, 1994, as compared to the same periods a year ago.

Property and casualty premium revenues increased by \$165.8 and \$320.2 million, or 10.8% and 10.6%, respectively, for the three and six months ended June 30, 1994, from the prior year's comparable period. The increase was principally attributable to increases in commercial affiliation marketing, professional liability and treaty reinsurance. Investment income increased \$41.5 and \$38.1 million, or 15.8% and 7.0%, for the three and six months compared with the same periods a year ago. Investment income increased primarily due to the change in portfolio mix from shorter term taxable securities to longer maturities, primarily in government bonds.

Life insurance revenues, excluding realized investment (losses) gains, increased by \$103.0 and \$175.7 million, or 15.8% and 13.1%, as compared to the same period a year ago. Life premium revenues increased by \$85.0 and \$155.3 million, or 14.8% and 13.1%, respectively, for the three and six months ended June 30, 1994 with the primary growth in group and pension operations. Life investment income increased by \$12.0 and \$15.1 million, or 17.9% and 11.3%, respectively, for the three and six months ended June 30, 1994, compared to the same periods a year ago primarily due to the first quarter shift out of short-term investments described earlier.

Property and casualty underwriting losses for the three and six months ended June 30, 1994 were \$335.0 and \$689.8 million, compared to \$357.1 and \$691.3 million for the same periods in 1993. The statutory combined ratio for the three and six months ended June 30, 1994 was 115.2 and 117.5, respectively, compared with 121.0 for the same periods in 1993.

Catastrophe losses for the quarter and six months ended June 30, 1994 were \$66 and \$166 million, compared with \$19 and \$45 million for the same periods in 1993. The catastrophe claims stem from the California earthquake and severe winter storms throughout the northeastern part of the United States.

The components of CNA's realized investment (losses) gains are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1994	1993	1994	1993
<hr style="border-top: 1px dashed black;"/>				
(In millions)				
Bonds:				
U.S. Government.....	\$ (6.7)	\$ 32.2	\$ (145.2)	\$ 63.3
Tax exempt.....	4.5	21.0	23.1	305.5

Asset-backed.....	(56.7)	27.7	(44.4)	79.3
Taxable.....	(35.8)	43.0	(39.2)	74.8

Total bonds.....	(94.7)	123.9	(205.7)	522.9
Stocks.....	20.2	14.9	32.7	50.6
Other.....	.9	1.8	(6.1)	(2.3)

Total realized investment (losses) gains.....	\$ (73.6)	\$ 140.6	\$ (179.1)	\$ 571.2
=====				

In early 1994, CNA began to reposition its portfolios to longer maturities. The repositioning of the portfolios was undertaken in order to improve future overall investment returns. As a result, both the Casualty and Life Groups shifted out of their short-term portfolios into five and ten year government securities resulting in a decrease in short-term investments. Short-term investments (excluding investments relating to loaned securities) for the Casualty Group decreased from \$5.1 billion at December 31, 1993 to \$2.5 billion at June 30, 1994, while the Life Group's decreased from \$1.2 billion at December 31, 1993 to \$195.7 million at June 30, 1994. These actions were taken in a period of rising interest rates which resulted in realized losses in the investment portfolio.

For the six months ended June 30, 1994, Casualty sold approximately \$19 billion of fixed income and equity securities since December 31, 1993, realizing pre-tax losses of \$131.2 million. Of the \$19 billion of securities sold, approximately \$11 and \$5 billion, respectively, were from the U.S. government and asset-backed bond portfolios.

Cigarettes

Revenues for the quarter and six months ended June 30, 1994 decreased by \$73.1 and \$59.6 million, or 13.2% and 6.0%, and net income decreased by \$37.6 and \$36.3 million, or 29.3% and 17.7%, respectively, as compared to the corresponding periods of the prior year.

Cigarette unit sales volume increased 11.3% and 19.5% for the quarter and six months ended June 30, 1994, as compared to the prior year, due primarily to the new lower pricing discussed above and, for the six month period, extremely light shipments in early 1993 resulting from increased unit purchases in December 1992 in anticipation of a federal excise tax increase. Despite the increased sales volume, revenues declined as a result of the industry price reduction of premium price brands, effective August 9, 1993.

For the second quarter, total domestic industry sales units increased 11.1% with the overwhelming majority of the increase being in the premium price segment. The discount brand category's share of industry sales decreased from 40.7% in the 1993 second quarter to averaging approximately 32.1% during the

first six months of 1994.

The decrease in revenues is composed of a decline of approximately \$122.0 and \$212.6 million, or 22.0% and 21.3%, reflecting a reduction in unit prices, partially offset by an increase of approximately \$48.9 and \$153.0 million, or 8.8% and 15.3%, due to higher unit sales volume for the quarter and six months ended June 30, 1994, as compared to the corresponding periods of the prior year. Net income decreased due primarily to the lower revenues as discussed above, partially offset by an approximately 30% reduction in advertising and sales promotion expenses.

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

The current administration's efforts to reduce the federal deficit and to enact health care reform has led to several proposals to increase the excise tax. The effects of any additional federal tax increases, as well as increases by state and local taxing authorities, or manufacturers' price increases cannot be determined, but it is likely they would add to the overall industry decline and the growth in the discount category.

Hotels

Revenues for the quarter and six months ended June 30, 1994, increased by \$1.9 million, or 3.8%, and decreased by \$1.4 million, or 1.5%, respectively, as compared to the prior year. Results from operations increased by \$1.1 and \$0.2 million or 61.4% and 55.3%, for the quarter and six months ended June 30, 1994, as compared to the prior year.

Revenues increased for the quarter ended June 30, 1994, as compared to the prior year, due primarily to higher occupancy rates, partially offset by lower average room rates at the Loews Monte Carlo Hotel. Revenues decreased during the

six months ended June 30, 1994, as compared to the prior year, due primarily to lower average room rates at the Loews Monte Carlo Hotel, partially offset by higher occupancy rates.

Results from operations increased for the quarter and six months ended June 30, 1994, as compared to the prior year, due to the increased occupancy rates, partially offset by the lower revenues for the six month period as noted above.

Watches and Other Timing Devices

- - - - -

Revenues for the quarter and six months ended June 30, 1994 increased by \$3.2 and \$.8 million, or 10.1% and 1.2%, and results from operations increased \$.1 million and decreased by \$.2 million, respectively, as compared to the prior year.

Revenues increased for the quarter and six months ended June 30, 1994, as compared to the prior year, due primarily to increased defense sales related to shipments to the U.S. government of the M762 fuze, partially offset by lower royalty income and a \$1.6 million favorable settlement of contract claims with the U.S. government in 1993. Bulova continues to expect, however, that industrial and defense revenues will not improve significantly over the prior year due primarily to the decline in U.S. government defense spending. In addition, the quarter and six months ended June 30, 1993 includes a pre-tax gain of \$2.9 million from the sale of Bulova's Valley Stream property.

Results from operations improved during the second quarter ended June 30, 1994, as compared to the prior year, due primarily to the increased revenues described above, as well as an adjustment to gross margin which increased pre-tax income by approximately \$1.6 million, partially offset by a \$.3 million accrual for an environmental liability. Results from operations for the six months ended June 30, 1994 declined, as compared to the prior year, due

Page 24

primarily to gain on asset disposition recognized in 1993, partially offset by the increased revenues and lower interest expense.

Drilling

- - - - -

Revenues for the quarter and six months ended June 30, 1994 increased by \$6.9 and \$18.0 million, or 10.2% and 13.8%, and net loss increased by \$.8 and \$.5 million, or 11.9% and 3.5%, respectively, as compared to the prior year.

Revenues for the quarter and six months ended June 30, 1994 increased by \$16.6 and \$26.2 million, or 24.4% and 20.0%, due to higher dayrates, partially offset by a decline of \$16.7 and \$15.2 million, or 24.5% and 11.6%, due to lower utilization rates. Revenues from Diamond Offshore's turnkey division increased \$7.0 and \$7.0 million, or 10.3% and 5.4%, respectively, for the quarter and six months ended June 30, 1994, as compared to the prior year.

The decline in utilization is associated with both international and domestic activity. Utilization rates for Diamond Offshore's international rigs were 54.8% for the second quarter of 1994, as compared to 71.6% for the prior year quarter. Gulf of Mexico utilization remains stronger but has decreased significantly from the prior year primarily as a result of the continuing volatility of crude oil prices. Utilization rates for Diamond Offshore's domestic rigs was 70.7% for the second quarter of 1994 as compared to 91.4% for the prior year quarter.

In response to a change in customer demand, in May 1993 Diamond Offshore began offering a portfolio of drilling and production services to complement its offshore daywork contract drilling business. These services include overall project management and drilling and/or production operations on a turnkey or modified-turnkey basis. During the quarter ended June 30, 1994, Diamond Offshore completed or was in the completion phase of five such turnkey wells, which generated \$8.1 million in revenues and \$.7 million of net income for the quarter.

Other

- - - - -

Revenues for the quarter and six months ended June 30, 1994, decreased by \$26.6 and \$80.4 million, or 59.3% and 82.0%, and net income decreased by \$19.7 and \$51.6 million, respectively, as compared to the prior year. Other operations consist primarily of investment income of non-insurance companies and the Company's investment in CBS Inc.

Revenues and net income decreased due primarily to pre-tax realized investment losses of \$29.6 and \$48.5 million (\$19.0 and \$31.3 million after tax) for the quarter and six months ended June 30, 1994, respectively, as compared to pre-tax realized investment gains of \$12.3 and \$45.5 million (\$8.1 and \$28.9 million after tax) in the prior year.

Exclusive of securities transactions, other revenues increased \$15.4 and \$13.6 million, or 47.2% and 25.8%, due primarily to increased investment income of \$21.5 and \$23.1 million for the quarter and six months ended June 30, 1994, respectively, as compared to the prior year. These increased revenues were partially offset by losses reported in the Company's shipping operations.

Exclusive of securities transactions, net income from other operations increased by \$7.5 and \$8.6 million for the quarter and six months ended June 30, 1994, respectively, as compared to the prior year, due primarily to the increased revenues discussed above as well as lower interest expense resulting from premium paid on redemption of debt in the second quarter of 1993.

Page 25

Accounting Standards

In May 1993, the Financial Accounting Standards Board issued Statement No. 114, "Accounting by Creditors for Impairment of a Loan." This Statement applies to financial statements for fiscal years beginning after December 15, 1994 and will not have a significant impact on the Company.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to Note 6 to the Notes to Consolidated Condensed Financial Statements in Part I, Item 1, Financial Statements.

In addition to the matters disclosed in Item 3, Legal Proceedings, of the Company's 1993 annual report on Form 10-K, and in Part II, Item 1, Legal Proceedings on Form 10-Q for the quarter ended March 31, 1994 (to each of which reference is hereby made), the case of Moore v. The American Tobacco Company, et al. (U.S. District Court, Southern District, Mississippi, filed May 23, 1994), has been filed against Lorillard and other cigarette manufacturers. In this action, the Attorney General of the State of Mississippi seeks an unspecified amount for restitution of the funds that state has paid under its Medicaid program to provide health care to its citizens for diseases or illnesses allegedly caused by the use of tobacco products, and an unspecified amount for restitution of such funds that Mississippi will pay in the future. In addition, plaintiff seeks an unspecified amount in punitive damages.

The petition for intervention (Riddle v. The American Tobacco Company, et al., filed April 11, 1994) in the Castano action, described in Part II, Item 1, Legal Proceedings of Form 10-Q for the quarter ended March 31, 1994, was denied by the United States District Court for the Eastern District of Louisiana on June 1, 1994.

As previously noted a number of lawsuits have been filed against Lorillard and other manufacturers of tobacco products seeking damages for cancer and other health effects claimed to have resulted from the use of cigarettes or from exposure to tobacco smoke. Presently, 60 such cases are pending in the United States federal and state courts against manufacturers of tobacco products generally; Lorillard is a named defendant in 21 of these cases, including six cases in which the Company is also named as a defendant. Twenty-one of these cases, including eight against Lorillard (of which three also include the Company), have been commenced since January 1, 1994.

In addition, as previously noted several additional cases have been filed against Lorillard seeking damages for cancer and other health effects claimed to have resulted from exposure to asbestos fibers which were incorporated, for a limited period of time, almost forty years ago, into the filter material used in one of the brands of cigarettes manufactured by Lorillard. Presently 10 such cases are pending in federal and state courts against Lorillard. Two such cases have been filed since January 1, 1994.

Lorillard intends to defend vigorously all such actions which may be brought against it.

Page 26

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

Set forth below is information relating to the 1994 Annual Meeting of Shareholders of the Registrant:

The annual meeting was called to order at 11:00 A.M., May 10, 1994. Represented at the meeting, in person or by proxy, were 52,816,509 shares, approximately 85.9% of the issued and outstanding shares entitled to vote.

The following business was transacted:

Election of Directors

Over 99% of the votes cast for directors were voted for the election of the

following directors. The number of votes cast for and withheld with respect to each director was as follows:

	Votes For -----	Votes Withheld -----
Charles B. Benenson	52,272,621	543,888
John Brademas	51,151,221	1,665,288
Bernard Myerson	51,163,775	1,652,734
Edward J. Noha	52,234,992	581,517
Lester Pollack	51,146,191	1,670,318
Gloria R. Scott	52,242,649	573,860
Andrew H. Tisch	52,242,990	573,519
James S. Tisch	52,250,041	566,468
Jonathan M. Tisch	52,248,900	567,609
Laurence A. Tisch	52,266,736	549,773
Preston R. Tisch	52,267,218	549,291

Ratification of the appointment of Independent Certified Public Accountants

 Approved--52,603,878 shares, approximately 99.6% of the shares voting, voted to ratify the appointment of Deloitte & Touche as independent certified public accountants for the Company. 129,966 shares, approximately 0.2% of the shares voting, against, and 82,665 shares, approximately 0.2% of the shares voting, abstained.

Shareholder proposal relating to cumulative voting

 Rejected--35,377,564 shares, approximately 73.4% of the shares voting, voted against this shareholder proposal. 12,546,577 shares, approximately 26.1% of the shares voting, were cast for, and 259,593 shares, approximately 0.5% of the shares voting, abstained. In addition, there were 4,632,775 shares as to which brokers indicated that they did not have authority to vote ("broker non-votes").

Shareholder proposal relating to annual meeting location

 Rejected--45,620,664 shares, approximately 94.7% of the shares voting, voted against this shareholder proposal. 1,778,668 shares, approximately 3.7% of the shares voting, were cast for, and 784,203 shares, approximately 1.6% of the shares voting, abstained. In addition, there were 4,632,974 broker non-votes.

Page 27

Shareholder proposal relating to cigarette warning statement

 Rejected--44,021,079 shares, approximately 91.3% of the shares voting, voted against this shareholder proposal. 2,777,848 shares, approximately 5.8% of the shares voting, were cast for, and 1,385,940 shares, approximately 2.9% of the shares voting, abstained. In addition, there were 4,631,642 broker non-votes.

Shareholder proposal relating to tobacco and insurance

 Rejected--43,796,968 shares, approximately 90.9% of the shares voting, voted against this shareholder proposal. 2,821,753 shares, approximately 5.9% of the shares voting, were cast for, and 1,564,714 shares, approximately 3.2% of the shares voting, abstained. In addition, there were 4,633,074 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits--

(11) Statement Re Computation of Per Share Earnings Assuming Full Dilution for the three and six months ended June 30, 1993.

(b) Current reports on Form 8-K--There were no reports on Form 8-K filed for the three months ended June 30, 1994.

Page 28

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 thereunto duly authorized.

LOEWS CORPORATION

Dated: August 15, 1994

By Roy E. Posner

ROY E. POSNER
Senior Vice President and
Chief Financial Officer
(Duly authorized officer
and principal financial
officer)

Loews Corporation and Subsidiaries
 Statement Re Computation of Per Share Earnings Assuming Full Dilution

(In thousands, except per share data)

	----- June 30, 1993 -----	
	Three Months Ended	Six Months Ended

Computation of Fully Diluted Net Income:		
Net income	\$ 203,643	\$ 545,333
Reduction of interest and debt expenses related to notes assumed converted, net of applicable federal income taxes	3,961	7,742

Fully diluted net income	\$ 207,604	\$ 553,075
	=====	
Computation of Fully Diluted Shares:		
Weighted average shares outstanding	64,527	64,795
Add shares assumed to be issued upon conversion of notes	2,151	2,151

Fully diluted shares	66,678	66,946
	=====	
Net income per share assuming full dilution	\$ 3.11	\$ 8.26
	=====	